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GOVERNMENT OF MADRAS

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A dangerous new definition of Parliamentary privilege (page 13).

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The Soviet Competitor

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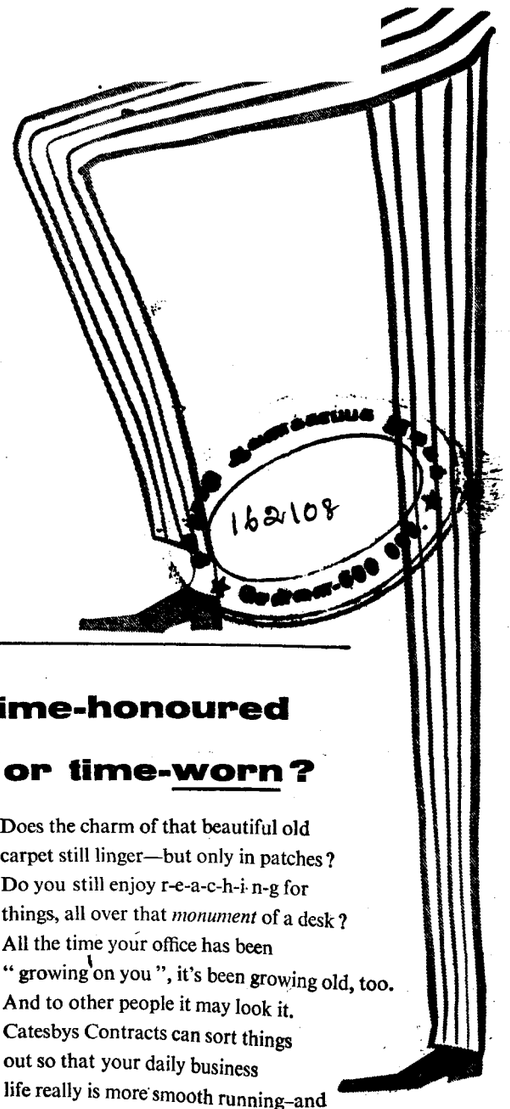
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1
VOLUME CLXXXVIII · NUMBER 5993



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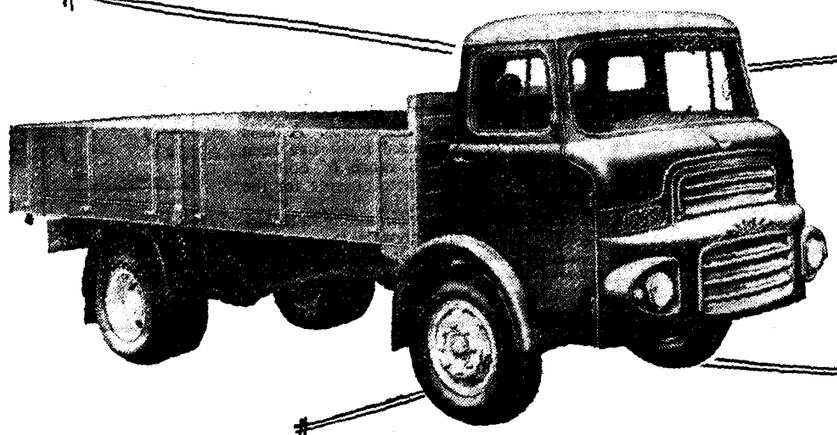

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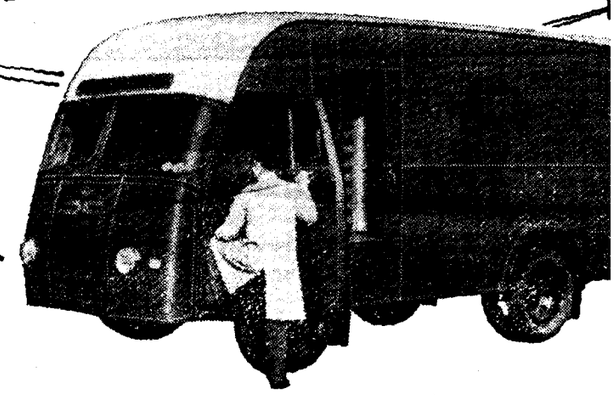

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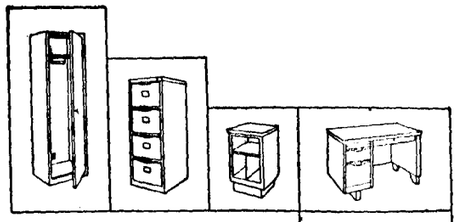

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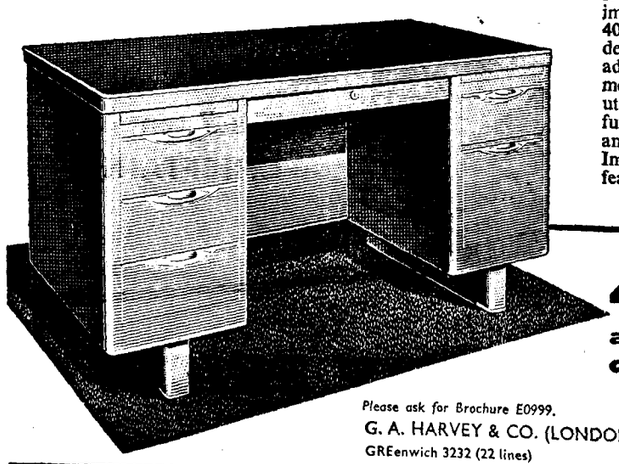

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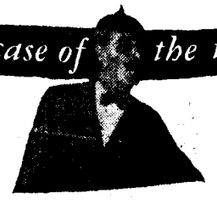

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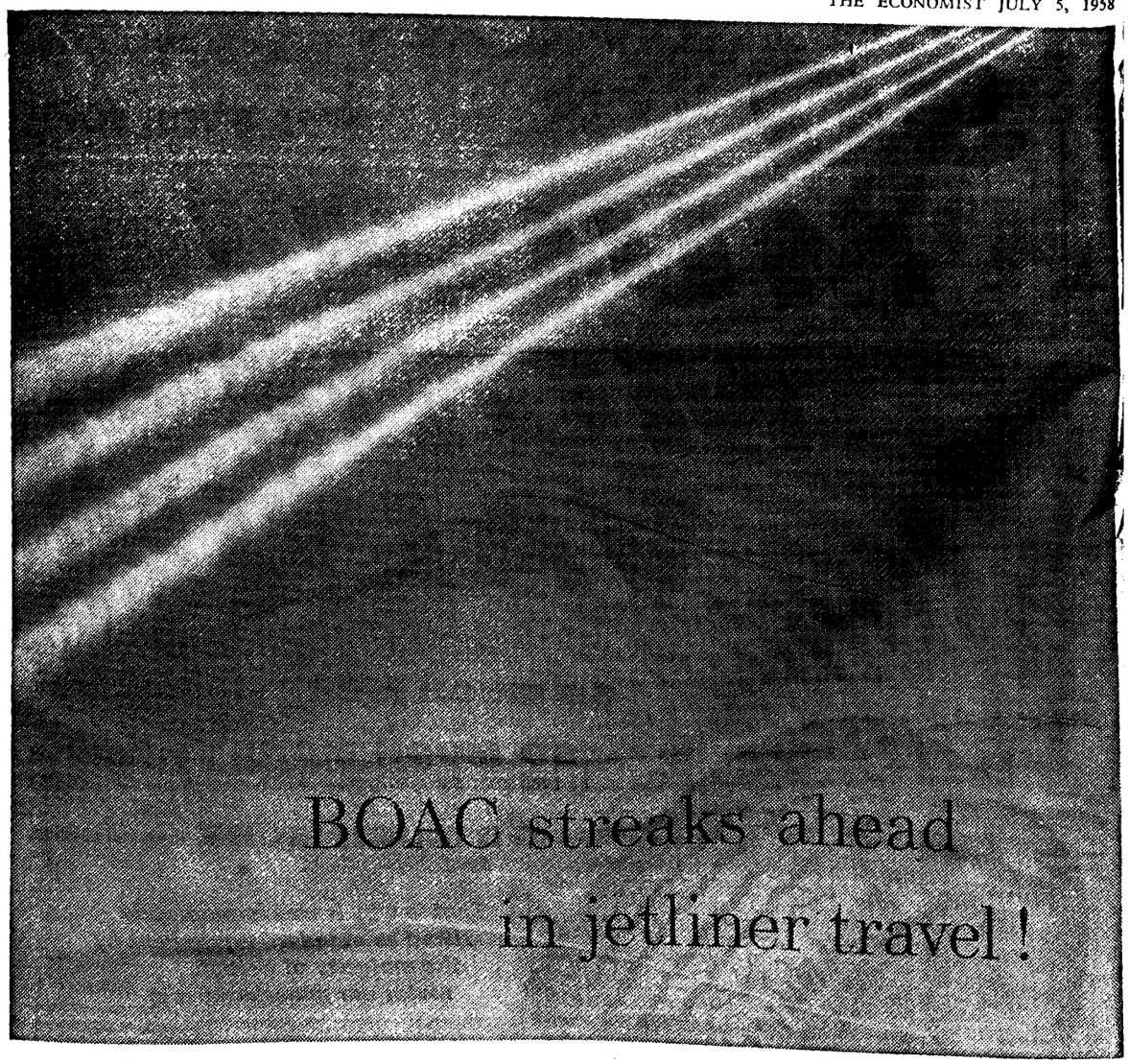

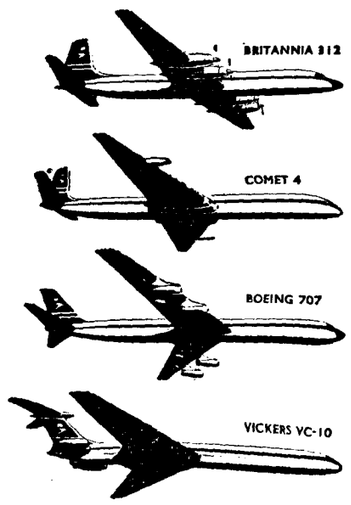

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JULY 5, 1958

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Threat or Opportunity?

THE three policy decisions which the Chancellor of the Exchequer announced on Thursday, will need to be judged on two counts: for the light that they throw upon the mechanisms by which he believes the British economy should be controlled in the long term, and for the indications they give of the direction in which Mr Amory believes that short term policy should now move. On the first of these points—and particularly upon the reserve weapon of compulsory deposits which he is adding to the Bank of England's armoury, but does not intend immediately to use—some preliminary comment is made on page 51. It will certainly require exhaustive debate later. But of more immediate—though probably of less ultimate—importance are the two very mildly reflationary steps which the Chancellor has taken: by abolishing the ceiling on bank advances and by relaxing the rules under which the Capital Issues Committee is obliged to work.

The background to these relaxations has been a gradual but unmistakable change in recent weeks in the climate of economic forecasters' opinions—or their balance of guesses—about the immediate prospects before the world economy. The latest news from America (as our Washington correspondent reports on page 33) gives some ground for the hope—it is no more than that—that the recession in the United States may just about have run its course. The latest news from this side of the Atlantic has given ground for the equally tentative suggestion, by observers from the Chancellor downwards, that a somewhat similar recession in Britain and Western Europe may now be about to begin.

These are conjectures which need to be carefully hedged. Economists should make it a rule always to be very modest in their prophesying, but more forthright in their utterances about other things. In the present case, the first thing to say forthrightly is that, if the recession does pass from the United States and come to Britain, that will not necessarily be a misfortune for this country. It could, instead, be a beguiling opportunity. For an exporting country like Britain, it is recessions in other people's demand which are the really bad things. A recession in our own demand could, within limits, provide the occasion—indeed the fruitful opportunity—for making a range of attractive choices: either to try to lift demand back to or above its recent not very inflationary level, by doing various attractive things such as reducing our penal taxes, high interest rates and other unpopular controls; or to let demand fall and unemployment rise a little, in order to make a real attempt to bring down the cost of living; or to adopt a policy which tried to do a little of both. Elbow room, properly used, can be pleasant and precious.

It is into this background that Thursday's news of the removal of the directive to the banks, and the relaxation of that to the Capital Issues Committee, can be fitted. Neither of them is a major reflationary initiative. Both merely relax undesirable authoritarian controls on the allocation of capital which—at a time when the demand for capital is

falling—are no longer needed. If they give any indication about which of the three choices described above the Government is most inclined to embrace, the indication is towards the third policy: that, in deciding whether to use a small internal recession as an opportunity to take off controls or as an occasion to keep on brakes in order to bring down prices, the Government's choice is to try a bit of both.

THAT is probably the right choice at this time. Unfortunately, however, these steps have been announced in a week in which there have been renewed signs of official inclination towards a fourth alternative policy—and one which should have no attractions for Britain whatsoever. This policy would make the worst of both worlds; it would allow the disinflation of demand to proceed, in the expressed hope of causing the cost of living to fall—and then intervene with policies of *ad hoc* protection in order to buttress up any price which in fact began to go down. This, in effect, was the policy supported by all MPs in the debate in the Commons this week on the subject of Britain's imports of cheap cotton textiles from India, Pakistan and Hongkong.

Imports of these cheap textiles have recently been expanding. The united consensus of MPs was that this expansion must be made to stop. The difference between the two sides of the House was merely that the Government has a slightly hypocritical and not particularly brutal plan for dodging Britain's obligations to the General Agreement on Tariffs and Trade and to the Commonwealth ideal in this matter, while Mr Wilson upbraided the Government for not adopting a much more hypocritical and brutal plan of his own.

That was the sole difference between Britain's elected representatives on this test case. Why? There is, let it be emphasised, no British balance of payments problem with these Commonwealth countries. And, as the President of the Board of Trade admitted "one should remember, bearing in mind what has happened, that when a Lancashire operative loses his or her job, he or she can nearly always find another fairly quickly, whereas if a cotton operative in India, Pakistan or Hongkong loses his job he and his family come near to starvation." Nor were MPs basing their case for a new protectionism on some long-term plan to serve Britain's own interests. Any plan for an expanding economy should encourage resources to move into industries which Britain is likely to wish to expand as it grows richer, and out of industries in which poorer countries are likely to take over some production from us; cotton clearly belongs to the category meet for exits, not for entrances.

Above all, however, the debate showed that MPs do not really believe in any policy of keeping down the cost of living. Here, in cotton textiles, is a case in which a sizeable reduction in the price of a staple commodity could be achieved at the cost of relatively little unemployment; thanks to the growth of engineering, total employment in Lancashire has been increased during the years of cotton crisis, not reduced. Yet MPs vied with one another this week in dubbing the fact that these Commonwealth countries have been offering increasing numbers of shirts to Britain at five shillings each as a "grave problem," a "tragedy" and a "disaster." The disaster was not to the British consumer, who presumably likes shirts which are offered to importers at five shillings each, but to Lancashire cotton operatives—and voters—who have to change their job.

THIS appalling debate was, in miniature, a demonstration of the main danger before British economic policy at this time. Cotton and New Zealand butter are not isolated examples of the mounting pressure on the Government to prevent falls in the cost of living in concrete cases, while painfully holding down national production in pursuit of a reduction of the cost of living in abstract theory. The statistics show one part of the story. The biggest single element in the rise in the cost of living in the past year has been the rise in food prices, and (as the Treasury's Bulletin for Industry noted last week) more than the whole of the rise in food prices in the year to this April was accounted for by price increases of four foods—potatoes, eggs, fresh fruit and milk. It is not a coincidence that all of these are commodities which are covered, in large part, by producers' marketing boards. The wages struggle this year was dominated by the same philosophy: the contention that it was unfair that busmen and railway workers should not get a wage increase just because the pattern of market demand showed that so many busmen and railwaymen were not wanted. And another insidious example of the spreading habit of protection can be found in the range of proposals for commodity support schemes, which threaten to turn next September's Commonwealth conference at Montreal into a menace.

THE main task of economic common sense in the next twelve months may be to resist this trend towards tempering the wind to each new claimant or complainant. If recession does spread here from America, one thing that will certainly increase is the supply of shorn lambs. If Britain emerges from the heralded period of lower strain upon its resources with a millstone of new protective devices around our necks, then it will be hard indeed to rid ourselves of the millstone even when demand recovers. That would be to create a misfortune out of a period of great opportunity. For years, British governments have striven to keep down demand, by some of the heaviest taxes and most burdensome controls in the free world: now market forces may be going to do part of the job for them. That is what the prospect of internal recession, if it is wisely handled, means.

The Soviet Competitor

The so-called Soviet economic offensive in Asia and Africa is a menace only if the western economies fail to grow too

RULING a third of mankind, the communist states today form a powerful economic group acting in growing concert in their trade relations with the outside world. Their total industrial stature is comparable to that of western Europe; in primary resources they are incomparably richer; and they are controlled by a few powerful men who can use their commerce and finance as weapons in their political crusade. Some of the ways they have used them are described in a study* published in New York by the Committee for Economic Development.

In Syria and Egypt the combination of credits, trade and deals in arms has helped to win the Soviet Union a bridgehead in the Middle East. In India, Russian construction engineers are giving tangible proof of their industrial prowess. In the Sudan, in Ceylon, in Burma, crops have been bartered at timely moments, giving the communist purchaser a claim on the gratitude and a hold on the economy of the seller. The western world has begun to wake up to the fact that a great industrial civilisation is challenging its trade interests and political influence in the uncommitted world. What is the scale and nature of the challenge?

"TRADE not aid" is a slogan that the Soviet block has taken to heart. Communist countries rarely give money away to countries outside the block. But in the last two years they have been offering trade credits—usually at 2½ per cent, well below western commercial rates—on a growing scale. Earlier this year, the State Department estimated, rather generously, that nearly $1,900 million of credits had been offered to countries outside the block in the last three years. Of this nearly $400 million has apparently been spent on arms; of the remainder, about half seems committed in specific commercial agreements. But $285 million of this—for Jugoslavia—has just been withdrawn. And, less than a fifth of the total volume of credits has actually been spent on delivered goods or contracting work. It is a meagre total beside the $3 billion of aid which the United States grants each year and the unpublicised trade credits given by western firms in the course of normal business.

It seems unlikely that the Soviet block will go on another credit binge round Asia in the near future, for the amount of credit which it can give is limited by its exports. These in turn, in an economy whose important growth laps up all resources, seem likely to be determined pretty accurately by the amount of imports that must be paid for, and today import needs are relatively small. The Soviet block does not compare with western Europe either as market or supplier. It accounted in 1956 for about 9 per cent of the world's imports, rather less than Britain; and less than a third of this little slice came from countries outside the block itself. The Soviet world bought only about 3 per cent of the combined exports of South America, Africa and non-communist Asia. It is a marginal market for the uncommitted world.

The block may tend to remain in this modest position in the total foreign trade of these areas, for self-sufficiency is after all at the heart of the communist economic purpose. In every vital field the block has made efforts to build up its own production. The machinery of central planning for the block has been strengthened, and under its direction the satellite economies are specialising more and more, each in its different economic tasks; but their specialisation is intended to serve the self-sufficiency of the block as a whole.

A general principle of self-sufficiency, however, does not rule out foreign trade, or policies that use foreign trade as an instrument. In the long run the scale of communist imports from western countries may depend a good deal on political atmosphere. The western embargo on "strategic" exports to the Communist world has undoubtedly encouraged reluctance to become in any sense dependent on western capital equipment, spares or technical service. A shipment of wheels to fill a gap in plans—yes, perhaps; a batch of the latest equipment for the new branches of the chemical industry—certainly. But nothing that might give western firms a permanent place in, say, China's steel plans. A change in political mood might thaw this attitude a little, bringing a larger mutual trade in capital goods between, say, Russia and western Europe or even the United States. As Mr Dulles indicated on Tuesday, the western embargo list is now being thinned out.

The block's need of goods from the primary producing countries is bound, in any case, to grow. It is precisely the tropical and sub-tropical products—rubber, oranges, cocoa, coffee—which it does not adequately provide itself. Cotton, wool, jute and other fibres may all figure in growing quantities in the import bill. And there are some key minerals—copper is an example—which it may remain necessary to import. In certain individual tropical economies such as Ghana and the Sudan, the communist buyer may be an increasingly important figure.

* The New Role of the Soviets in the World Economy. A supplementary paper for the Committee for Economic Development, by Michael Sapir. CED, 711 Fifth Avenue, New York 22. 50 cents.

In western eyes this fact plainly has political importance. Yet it is remarkable how much, in the past, the very detail of Soviet trade has been dictated not by Machiavellian politics, but by the considerations of the market place. The Soviets are great dumpers. But the Poles who lately charged clumsily into the London butter market, helping to push down the price to the chagrin of New Zealand, did so not to undermine the Commonwealth but because, with the bottom fallen out of the coal market, they are desperate for foreign exchange. When plans are changed, the block often produces a surprise surplus of some commodity which it heaves awkwardly on to the world market to everyone's embarrassment.

YET, directed as it is from a central seat of power, the block can choose to satisfy its economic needs in ways that serve political ends. And of late a new political skill and purpose has been evident in the handling of its foreign trade. At last a serious start is being made on co-ordination of the foreign trade plans of the satellites. In the Middle East, the Russians have used the Czechs and east Germans with some skill as spearheads. Above all, they have obviously concentrated credits and trade on areas that offer political possibilities. The great bulk of the block's $1,900 million or so of credit offers are to five key countries: Syria ($280 million), Egypt ($465 million), Afghanistan ($145 million), India ($270 million) and Indonesia ($110 million). Last year the block's imports from the Middle East roughly doubled, partly at the expense of other primary producing areas, such as South America. The concentration of the block's cotton buying on Egypt, which meant that it took over a third of the total of Egyptian exports last year, is plainly political. Nor, in propaganda terms, has the last been heard of the many offers and projects put forward in the last three years. The most banal of transactions—the sale of a cement plant, the cut-price purchase of a crop—are published to the world on ten different occasions as beautiful acts of friendship and love.

Despite all this, the west should not be panicked into trying to outbid every communist offer. Soviet barter deals, after all—rubber from Ceylon, rice from Burma—have been known to backfire, when world prices took a turn for the better or when the Russians delivered unsuitable goods. America is not the only great power that attracts ingratitude. Above all, though the selectivity of the Soviet "offensive" is disquieting, Soviet trade with, and aid for, the countries of Asia, Africa and South America is not a bad thing in itself. The more the Soviet world commits itself to buy outside, the more committed it is to peaceful intercourse. Money from the Soviet block, just like money from the West, can help the economies of the young countries, and therefore the total market that they offer to the world, to grow. Western worriers are often concerned for the souls of the young engineers and students who go to Moscow for training and, the Cassandras fear, indoctrination. What is forgotten is that the young Indian or Nigerian in Moscow, arguing without inhibition with his colleagues and not much impressed by their weather or by their glum doctrines, provides, in the Soviet world itself, a healthy leaven of change.

But one feature of the Soviet block's challenge should be closely heeded; its rapid economic growth. The block's achievements can easily be over-estimated. The industrialisation of China's teeming millions will take a good deal more than half a century. Wits in Moscow neatly expressed the gap between their elite industries and the slum life lower down in their comment on the second sputnik: "Up there a dog's life is over. Down here, it's still going on." Yet, for all the waste and for all the backwardness, the Soviet Union is chalking up regular increases in industrial production of 8 to 10 per cent a year. Its heavy industries are real competitors. And the two small industrial states of Czechoslovakia and east Germany are regaining something of their prewar place as industrial exporters. If the markets of Europe and America mark time, the primary producing countries may take crumbs from the Soviet table on pretty well any terms. The Soviet political and economic challenge need cause deep concern in the long run only if the western industrial economies fail to go on growing themselves.

The Economist

JULY 3, 1858

RECOIL OF FRENCH OPINION

The truth is, that no free Government needs half so urgently to be in fundamental sympathy with the people it represents, as does a despotic Government attempting to rule a vigorous and civilised nation. The Emperor of the French has wholly forgotten the necessity laid upon all successful rulers, of occasionally exhibiting to the people the deeper *motives* which actuate him, and showing them that those motives are in accordance with their own. . . . The truth is, that Louis Napoleon has never been identified closely with his people. He has chosen to rule over them, rather than they to be ruled over him. And though he has matured his plans thoughtfully, yet plans are not sufficient to endear any ruler to any nation; he must sometimes come forth out of his official incognito, and appeal as their representative to the thoughts uppermost in their hearts. This has been the secret of every strong monarchy: it has been the secret of every strong dictatorship. . . . That a strong recoil of public feeling in France against the severities of the recent administration is now taking place, he clearly sees, and wisely does not resist it. But this is not sufficient to secure his position. If he were wise, he would not concede, but give. Like our own Elizabeth, he would head the movement in favour of relaxation for which his people are crying out. He would seize every ostensible pretext for identifying himself with the reaction. Now, such a pretext, and one of more than usual capabilities, offered itself,—perhaps to some extent still offers itself,—in the shameless and still unpunished abuse of military privileges of which French officers have been guilty. The only mode of avoiding the danger of a popular revulsion of feeling is, before it is too late, not merely to yield to it, but heartily to accept and lead it while it remains still under control.

Wider Still, And Wider?

The redefinition of parliamentary privilege, following upon the Strauss case, has disturbing implications

THE final report of the committee of privileges on the Strauss affair is a very short document, and it is no doubt meant to be a pacifying one. The ten MPs upon the committee, including Mr Butler and Mr Gaitskell, merely recall that in the last session of Parliament they had ruled that the letter which Mr Strauss wrote to the Paymaster General, complaining that the London Electricity Board was indulging in what he regarded as dubious commercial practices, should be counted as a "proceeding in Parliament"; and that they had also ruled that the London Electricity Board, which considered that it had been libelled in Mr Strauss's letter, had committed a breach of parliamentary privilege by instituting proceedings to try to get redress through the courts. The committee were then set back upon their heels by the expressed opinion of the Attorney-General that Parliament would itself be in breach of the law of England if it treated the serving of a writ for libel against one of its members as a breach of its own privileges.

This last, and very narrow, point was referred to the judicial committee of the Privy Council, which assured Parliament that it would not actually be breaking the law. (It was not within the judges' terms of reference to say whether, in the Strauss case, it would be breaking the normal ground rules of democracy.) The committee of privileges—having therefore, in effect, had the matter referred back to them—now say that they "do not conceive it to be their duty to review the conclusions already arrived at in the last session that the London Electricity Board and their solicitors have acted in breach of the privilege of Parliament." But, although letting the condemnation of the board and its solicitors stand, they recommend that no action should be taken against them.

The whole tone of this single page report suggests a hearty wish by the committee that this may be the end of the whole disturbing matter. That is almost certainly in line with the present temper of Parliament, which seems to be passing out of the stage of being excessively touchy about its privileges and to have realised that people outside are becoming touchy in their turn about some of the present interpretations of what those privileges are. But the committee's apparent wish to let recent bygones be silently-accepted bygones is a wish that should not be granted, especially as a new precedent is now being imposed. The committee "do not conceive it to be their duty" to review the conclusions they reached in the last session, but they should be left under no misapprehension that the great majority of people outside Parliament do. The precedent which the Strauss case will write into the constitution carries implications that are much more frightening than most MPs allow.

This is not a matter of personalities. Let us leave all present instances and all present MPs out of account in considering this. The ruling of the committee will apply to all future MPs as well. The present House cannot possibly guarantee that no future MP will conceivably ever allow himself to be used as the most dangerous instrument which their ruling will make possible: as what can only be called a legally-sheltered gutter, down which anybody with a grudge or an interest to pursue may pour any unfounded accusations he likes about one of his private enemies or competitors. The place into which those accusations can be poured will be a department of state with which that enemy or competitor may have important commercial dealings. The liberty—and licence—of comment will in future be increased for those interests that have ready access to an MP, at the expense of those that have not.

There are two essential differences between depriving the ordinary citizen of legal redress against calumnies uttered in MPs' letters, and the proper and time-honoured protection afforded to MPs' statements on the open floor of the House. One of these lies in the sheer mass of MPs' correspondence, and the nature of most of it. MPs nowadays spend a great deal of their time writing letters to ministers and ministries. Many of these are about very narrow and personal rows in which individual constituents of theirs have become engaged with other individuals or organisations. Others are about matters in which the MP concerned has an indirect personal financial interest, such as that which Mr Strauss admitted in the London Electricity Board case. Others, at least prospectively, could well be about matters in which members will have a more direct interest; there will rarely be a Conservative party in any Parliament which will not have a large number of members with professional connections with trade associations which exist, naturally enough, because they have an axe to grind.

THE second difference between the new protection and the time-honoured one is a a difference of insidiousness. If an MP utters a provable calumny on the floor of the House, some other MP (usually from the other side) will always expose him for it; the original offender may then apologise for uttering his protected slanders, or else he will suffer from the evident disapproval of his fellow-members. There is no similar check of publicity and disapproval to hold back MPs

of the future from including any accusations they like in their private letters to ministers. Now there is to be no check from the law of libel either, from whose long arm the ordinary citizen had never hitherto assumed MPs' letters to be free. It is extraordinary that MPs do not realise that, under the newly-proposed dispensation, some rows are at some time bound to arise which will threaten much damage to the institution of Parliament itself. It is extraordinary that, as servants of a constitution organised according to a system of checks and balances, they do not reorganise the menace of allowing MP's letters to ministers in the future to be free from both the one check and the other.

This is therefore a much bigger issue than previous controversies about parliamentary privilege, which revolved round the question of whether Parliament was standing too dignifiedly upon its rights. The question raised here is that Parliament is clearing the way to the commission of possible future wrongs upon citizens whose service and representation are the sole justification for the existence, and the rights, of MPs themselves. As in all the previous privilege cases, what Parliament says is, admittedly, the law ; the outsider is in no position to question the legality of its judgments. All the ordinary man can say is that, now that it has been explained to him what the law is, he can see that the law is in this interpretation a very dangerous ass. It is much to be hoped that some MPs will see this too, and will say so forcefully when the present report of the committee of privileges comes before the House.

TEN YEARS OF THE NATIONAL HEALTH SERVICE—II

The Pills beneath the Sugar

This second article looks at the main flaws in the national health service, and makes some suggestions for removing them.

BEFORE the welfare state was formally established ten years ago, the public provision of health services took two forms : the restricted national health insurance scheme for lower paid workers, which did not cover their dependants or provide hospital treatment ; and the services provided by local authorities either under the poor law or through their maternity, child welfare and education services. Both these were swept up into the national health service. From July 5, 1948, every man, woman and child became entitled to the services of doctors and dentists, to hospital treatment, to drugs, dressings, false teeth and hair, spectacles, surgical boots and appliances and invalid chairs. (The only service that was omitted was chiropody. It is still virtually impossible to obtain under the health service the comparatively cheap but greatly needed facility of corn cutting.)

When it was suggested to the Labour government that a health service on this scale would prove immensely, even incalculably, costly, two reassuring arguments were produced in refutation : first, that the burden on the country's economy would be made no greater by the substitution of a publicly provided service for one that was privately paid for ; second, that the service's benefits would be so great that "we cannot afford not to have it."

Little is heard of these arguments now. It is tacitly accepted that a government cannot reduce sickness simply by providing free treatment. What happens is that sickness becomes more overt, and the British people soon found that as taxpayers they had to spend more on it than they had done before as patients. They also soon found that the total resources of the new health service were not large enough to provide for everyone who wanted to use it. The first place where shortages were seen was in general practice, in the excessively large numbers of patients on some doctors' lists. But the shortages were felt more severely still by two sections of the population that, before 1948, had received priority treatment. These were the aged and chronic sick on the one hand ; and schoolchildren in need of dental care on the other.

UNDER the poor law an ill person who passed its test of needs had the right to be admitted to the hospital of the poor law authority on the word of its relieving officer. Already, before 1948, this right was slowly being whittled away, with the gradual break up of the poor law and the transformation of its infirmaries into local authority general hospitals for the treatment of all types of sickness. But it would still have been a matter for inquiry and coroners' tart comments if an old person had died in poverty and loneliness because no hospital could take him in. After July 5, 1948, such deaths occurred almost without comment—and certainly without stricture—because, once the overriding obligation imposed by the poor law had been abolished, there was no one to blame.

Since the early years of the service, the plight of the aged and chronic sick has been recognised, and hospital authorities have allocated a certain number of beds for them where the treatment they receive, once they are admitted, is incomparably better than it was in the old poor law infirmaries or municipal hospitals. But it is still possible for responsibility for them to be passed from the hospital authority to the local health and welfare authority and back again, with the general practitioner often acting as the unfortunate go-between.

This divided responsibility reflects a serious flaw in the health service's anatomy. Because of its tripartite structure its three main branches—the hospitals, the general medical services and the local authority services —are so cut off from each other that each thinks the job done when it has handed a patient over to the care of one of the others. Each one's costs are examined in isolation ; for instance, the rise in the cost in the pharmaceutical service is looked at askance without anyone trying to find out whether there has been any consequential saving in hospital costs.

This "anatomical" fault also had a disastrous effect on the school dental service of local authorities. It was known in 1948 that there were not enough dentists to treat the whole population regularly. But the school

THE COST OF THE HEALTH SERVICE

	£ million		
GROSS COST	1949–50 (Actual)	1951–52 (Actual)	1958–59 (Estimates)
General medical services	47·0	47·5	72·2
Pharmaceutical "	35·3	50·8	74·3
Dental "	48·2	37·6	50·6
Ophthalmic "	24·1	11·7	17·0
Hospitals	219·4	267·5	421·1
Other expenditure	61·1	69·6	101·5
Total gross expenditure	435·1	484·7	736·7
Total gross expenditure as per cent of the gross national product	3·96	3·77	3.71*
Total gross expenditure per head of population (£)	9·0	9·9	14·6
HOW THE COST IS MET			
Patients' payments	4·0	8·5	34·4
Superannuation and other deductions	30·9	26·6	35·8
National insurance contributions	40·0	41·1	105·0
Rates	15·4	18·6	30·8
Net cost to taxpayer	344·8	389·9	530·7

*1957-58.

dental service had ensured some priority for schoolchildren and had thus helped dental manpower to be used where it would yield the best results. By suddenly enabling the whole population to be treated at public expense by dentists in general practice, and by arranging that those dentists should earn far more than their colleagues working for local authorities, the health service wrought havoc in the school dental service. Dentists promptly left it for the lucrative general practice, where children had to take their place in the queue. It was only with the help of a flat rate cut in dentists' earnings (which left a legacy of distrust between the dentists and the Ministry of Health) and of charges to curtail public demand for treatment that a complete breakdown in the school dental service was avoided.

These two obvious weak spots in the health service in its early years—affecting the aged and chronic sick, and schoolchildren's teeth—were the direct result of trying to spread inadequate resources over the whole population. It has been estimated that today the service is spending in actual resources nearly one-fifth more than it did in 1949-50 (the remainder of the rise in expenditure shown in the table has resulted from higher prices). These additional resources appear to have been evenly shared, for the main branches of the health service account for roughly the same proportions of its total expenditure today as in 1951-52—the first normal year of the service, when the backlog of demand for false teeth and spectacles had been met.

But, first, it should not be assumed that these shares, achieved by chance seven years ago, are the right ones. Secondly, within the hospitals themselves, which account for over half the total expenditure, the increased resources have mainly gone towards their running costs. It is only within the last year or two that sums of any size have been allocated by the Government to capital expenditure. Only one new health service hospital—a small one in Scotland—has been completed since the war, and the failure to replace archaic buildings and obsolete plant has placed a heavy and unnecessary burden on maintenance costs.

Again, it is only comparatively recently that the difficulties of the mental hospitals have received official recognition. In England and Wales, they account for about a third of all hospital beds. Between 1950 and 1956, the number of patients admitted or readmitted to them went up by 50 per cent ; and they are short of doctors, short of nurses and particularly short of their main ancillary—the psychiatric social worker. Yet for years they were low down in the queue.

THE building up of a general hospital service over the country as a whole is one of the main achievements of the health service. But one wonders whether money could not have been wrung out of it by a more realistic squeezing of hospital budgets had responsibility been placed more squarely on the actual spending authorities. As it is, the Ministry of Health has exercised financial control with the sole aim of preventing overspending of the annual estimates. No one seems to have been concerned with ensuring that the best value has been obtained for the money allocated.

In order to keep the total health service estimates down, the Government has been driven from one expedient to another: from charges on patients, and two increases in the health service portion of the national insurance contribution (the second of which comes into force next week), to vetoes on increases in pay for certain groups of health service workers. But these are not expedients that can be applied in their present form indefinitely. There is, for instance, a case for a more lenient means test to be applied than the National Assistance Board's when exemption from the charges is asked for, which should be coupled with higher charges to those who can afford them. There is a case for redirecting the dental charge so that the state pays the first, instead of the last, part of the bill, in order to encourage early treatment. There is a case, which has been too easily dismissed in the past, for a boarding charge for hospital in-patients. There is a case for ending the central settlement of pay scales for non-professional staff, which puts an obstacle in the way of efficient management. There is a stronger case than ever for relating national insurance contributions to earnings, so that the health service portion can be increased without falling too heavily on the lowest incomes.

The Labour party may possibly be in power when the health service has its fifteenth anniversary.

Unfortunately, its only pronouncements on its policy for the service so far are that it will abolish charges, and abolish paying beds in hospitals (in the mistaken belief that this will reduce hospital waiting lists). Charges and private treatment are regarded as a reflection on "Labour's health service." The next Labour government, instead of harking back to its predecessor's aims—which certainly made the health service, for all its faults, the envy of other countries—should set itself to correcting the service's anatomical defects and its malfunctioning. By turning a blind eye to these, the Labour party will eventually find that the symptoms of disease in the service will require still more drastic treatment.

Postal Comparisons

The ministers in charge of the British and west German postal services are exchanging visits of inspection; our Bonn correspondent reviews what they have to compare.

COMPARISONS are never entirely odious. The British Postmaster-General and the German federal Minister of Posts and Telecommunications, alike beset by deficits aggravated by rising costs, are doing well to take a look at each other's kingdoms. Mr Marples (who, as the British information services have been proclaiming, rises at six and prefers the push-bike to other means of transport) has been in west Germany most of this week. Next week Herr Stücklen (whose early birdmanship can be taken for granted and who is perfectly content with his Mercedes 300) will in turn be visiting England. Back from their unsentimental journeys doubtless both ministers will have occasion to tell one or another of their departmental chiefs: "They order this matter better in. . . ." Or worse.

Last year the west German postal and telecommunications services between them earned DM 4,800 million (about £408 million); and whereas each brought in roughly half of the total revenue, the postal services operated at a loss and telecommunications at a profit. The total deficit last year was DM 131.8 million (£11.2 million). Since it is estimated that this year's losses will be greater — probably in the neighbourhood of DM 200 million (£17 million)—the ministry is naturally at pains to stop the rot. The last thing it wants to do is to increase letter rates, which are already appreciably higher than they are in England. But it was recently driven to raise parcel and post-bus tariffs, and letter rates may have to follow after all. Before deciding to apply this unpopular measure the authorities are awaiting the results of the thorough investigations which are now being conducted into the cost of all postal operations at every stage and into the possibility of reducing them by new devices of one sort or another.

In Germany, as in Britain, rising wages account largely for rising post office costs. The prime aim is to cut down the wages bill. But the various schemes for replacing part of the existing force of 370,000 workers with machines are prejudiced to some extent by the commitment to introduce a 45-hour week on October 1st and by a steady annual increase, of the order of 8 to 10 per cent, in the volume of traffic. There is also the little matter of paying for the expensive man-saving gadgets; the Bundespost is starved of the necessary long-term capital investment. Indeed, it is positively harassed by its swiftly recurring obligations to short-term creditors. It was chiefly to repay these that a loan of DM 310 million at 7 per cent was floated a month ago.

The most conspicuous effort the German postal authorities are making to reduce the need for human labour is described modestly by themselves as "trying to keep people away from the counter." No one who has suffered the laborious pen-scratching and congestion of the average German post office will be surprised to hear that. There is a portentous fussiness about most German post office transactions beside which British procedure often looks frivolous. The Germans do not know the delectable simplicity of the British postal order, obtainable by the customer without writing a line; on the other hand, the sender's form-filling exertions at the counter are rewarded by payment to the recipient in notes and coin at his own front door. Since any diversion or simplification of this time-absorbing traffic seems to be out of the question, the authorities are having to devise other ways of reducing the exigencies of counter service. Stamp collectors the world over will be sorry to hear that one of these is going to mean fewer of those commemorative stamps that so often distinguish the mail from Germany. These special issues, it seems, not only cost too much to produce but also cause *Sturm, Drang,* and importunate inquiries at the counter.

BUT it is upon salvation by mechanisation that the German post office is mainly relying. Stamp-issuing machines with a wide range of performance, and money-changing machines to go with them, are being installed as numerously as possible in most towns. The latest innovation, which is claimed to be very successful, is the *stummes Postamt*—the mute post office, where all the services available are mechanised and no human help at all is on hand. Fifty such offices are already in service. More are on the way.

Behind the post office scenes in Germany there is rather less mechanisation, or automation, than there is in England. But many experiments are afoot with the object of extending it in the sorting rooms, and at loading and unloading points. There are plans to make more use of underground conveyors in busy cities, and of common containers for handling parcels with a common destination. As for collecting, it is being found profitable to give collecting centres as wide an operating radius as is practicable. This demands a larger fleet of vehicles, especially small vans and motor scooters. The vehicle park, now some 30,000 strong, is to be gradually standardised, and its garages more centralised. To relieve the 53,000 delivery men a campaign is in full swing to install letter boxes at the foot of all stairways. A grant of 10 marks (about 17s. 6d.) is being paid out of post office funds to every household installing a letter box on the periphery of its domain. By the end of the year this operation will have been completed in 155 towns. Thanks to the enlistment of motor scooters the force detached to deliver express letters and money has been reduced by nearly 20 per cent.

NATURALLY Mr Marples has been showing most interest in the federal post office's moneymaking system of telecommunications, particularly the telephone network. The human wage earner has been so thoroughly eliminated from this field that there are now only 350 manual exchanges left in the country. As much as 67 per cent of the internal trunk service is already self-dialling. Since July 1st the system has also embraced most of the duchy of Luxemburg, and an experimental self-dialling service is in operation this summer between Düsseldorf and Brussels. The information to be obtained by dialling in Germany is various and vast. It includes news, weather forecasts, the time of day, theatre and cinema programmes, suggestions for meals, and so on. Plans are ripening to have interpreters at hand for business men making foreign calls.

It has long been possible in most German towns for subscribers, while they are out or away, to leave the handling of their incoming calls to the telephone exchange, which informs them on their return of what has or has not happened. This is not a money-making service at present, but it could be if the charges were raised. Another profitable source of revenue is the comparatively extensive teleprinter network. Subscribers buy their own machines for 6,000 marks (£500) apiece or rent them for 100 marks a month. The post office maintains them free of charge.

Mr Marples must be thankful he is spared at least three of the cares of his German counterpart. The British Postmaster-General does not have to operate radio jamming stations, or run an ordinary payments bank as well as a savings bank, or maintain a vast newspaper distribution service. The last commitment is exceedingly burdensome. Through the post office the German public can order any of 8,000 different newspapers and periodicals, which are duly delivered by the postman on his daily rounds. The service is run at an annual loss of close on DM 100 million. By abolishing it, the post office would in one stroke wipe out half the deficit expected in 1958. Why does it not do so? The inquiring journalist is told resignedly that the public have come to expect this service—" and, well, we don't have to remind you of the power of the press."

NOTES OF THE WEEK

NUCLEAR CLUB

Facing the Blackball

FRANCE'S entry into the nuclear club is one way in which General de Gaulle is seeking to re-establish the great-power status of his country. The general cleared his application form with Mr Macmillan on Sunday and Monday; but, as Mr Macmillan explained, it is the founder-member who counts. The general wants the Americans to give him the same secrets they mean to give to Britain under the modified Atomic Energy Act; if not, he threatens to explode his own bomb in the Sahara as soon as he can. But Congress's alterations to the act of 1954, which President Eisenhower has now signed into law, are so framed as to admit Britain alone to full association. The danger of the general's being blackballed is real enough, even if the thought of his wrath sets faint hearts trembling in the State Department. Mr Dulles warily told his press conference on Tuesday that one of his main tasks in Paris this weekend would be to explain to the general exactly where he stood under the revised act. The exposition will evidently have to be uncommonly lengthy and tactful.

Mr Dulles is believed to have turned down one French approach already. The general's ambassador in Washington, M. Alphand, asked the administration last weekend to intervene in Congress to have the amendments to the Atomic Energy Act rewritten in France's favour, even although the amendments had already passed both the Senate and the House. Congress, in fact, has been at pains to make it clear that it does not want nuclear weapons secrets released to the French; the one consolation offered is that under the revised act France may be able to begin construction of nuclear submarines. It is hard to see what more Mr Dulles can give the general now.

Although preparations for a French atomic test in the Sahara have been pressed forward, it is still doubtful whether France's total supply of fissile material is sufficient to guarantee success, at least before the end of this year. General de Gaulle could take the risk and go ahead if he is dissatisfied with Mr Dulles's explanations. But a failure would be damaging to prestige—and prestige is what he wants above all. Britain has already learnt how costly such a nuclear ambition can become.

THE SUMMIT

Cold Water Treatment

WHILE west and east still exchange what they believe to be tough, penetrating questions about each other's intentions on the summit, the scientists' conclave at Geneva has got down to what seemed almost a cosy discussion on how best to detect everyone's nuclear explosions. That Professor Fyodorov and his colleagues did sit down at the conference table on Tuesday after all was an unexpected sign of grace. The angry aide-mémoires from Moscow which persisted up to the last minute had seemed to make the immediate booking of return tickets imperative.

But the Russians, after appearing to be at the point of breaking-off, sent their seismologists into the fray, showing as good a will as could be hoped for in the circumstances. The west was left wondering whether Mr Khrushchev had just been trying to force late concessions by his tactics, or whether there were really two chancelleries conducting the Soviet Union's diplomacy. (As if to accentuate this uncertainty, Mr Khrushchev on Thursday proposed a new meeting of experts, this time to study means of ruling out surprise attack.) As it was, the Americans entered the Geneva talks without having to make any promises about stopping tests; they were reported to have exploded the most powerful bomb ever at Eniwetok last Saturday.

Soviet broadcasts continued to castigate the west for the "hysterical hullabaloo" that went up after the Nagy murders; this, they complained, was a deliberate attempt to distract attention from the need for summit talks. *Pravda* advised the west to "have a glass of cold water, gentlemen." Even so, the Russians began to drum up support for the propaganda peace congress at Stockholm later this month, apparently preferring circuses to serious discussion. The breakdown of the Anglo-Russian negotiations on cultural exchanges was another broken reed in the wind. Finally, the Chinese chose this moment to threaten to end the desultory talks with the Americans which had been going on at Geneva since soon after the Indo-China conference. Mr Dulles was undismayed. If Peking wanted to talk to a full ambassador, he said, it could. But the only ambassador he had available was in Poland, and instead of the ambassador going to Geneva the talks would have to go to his Mahommed in Warsaw. What was surprising about this exchange was that either side thought these particular talks, now three years old, to be worth keeping alive at all.

WAGES

Who Comes Next?

SIX days after the railwaymen got their 3 per cent wage increase on May 13th, the offer held out to London busmen, translated into practical terms, was this: that London Transport's country busmen and garage men could have about 3 per cent too, but that this increase must be made to appear the result of a "fresh review" undertaken after the strike had ended. The terms on which Mr Cousins eventually called off the strike on June 20th were no jot or tittle different from these, but a great deal of effort was put into editing the settlement so that the busmen might have the feeling that the last stages of their strike had won them some victory. Now that London Transport's "review" has taken place and the predestined result of it announced, there is great argument that it does not live up to the terms of the June 20th statement. The argument proceeds. But Mr Cousins has led his men up and down so many gardens in these last three months that it does not seem at all likely that he will lead them out on strike again.

Once the award to the London busmen is finally out of the way, interest will centre on the many other wage claims that are at present outstanding. The likely outcome of negotiations on some of them is fairly clear. The talks on the provincial busmen's pay will be influenced by the eventual (3 per cent?) settlement for London's country grades; those on the gasworkers' claim by the 4 per cent given to workers in electrical supply. More interesting will be to see whether last week's award of 3 per cent to the 120,000 railway engineers is accepted by the unions on the Shopmen's National Council when they meet on July 21st. The National Union of Railwaymen, which represents 90,000 of the men, will almost certainly be willing to accept it; but the engineering unions, to which the rest of the men belong, may feel that to do so would prejudice the Confederation of Shipbuilding and Engineering Unions' claim for a bigger increase for 3 million engineering and shipbuilding workers. Bargaining on the confederation's claim, the real remaining giant in the queue, is likely to go on until well into the autumn. So may bargaining on another major claim which has just been put forward, one for a "substantial" increase in wages by 560,000 farmworkers.

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The implications of the farmworkers' claim are especially intriguing. The claim has already gone to the employers' side of the Agricultural Wages Board, who will take a month to give their reply. If, as is to be expected, the farmers make no offer, the board will adjourn for a month while its five independent members decide what increase to recommend. When this is known, there will be further juggling about the date from which any increase will be paid, with the farmers wanting to delay it as near as possible to February, when it will be included in their annual farm price review. Quite possibly, no final decision will be reached until October. But when it is reached, and if it results in a wage increase, the Government's hands will be tied, for it will not be able to force farmers, as it is forcing other employers, to absorb their higher costs by economies or greater efficiency. Under the 1957 Agriculture Act, the Government is committed to taking changes in wage costs into account when it fixes farm prices in the annual review. This is, in some respects, a repetition of the national health service workers' case; with the employers and the employees deciding upon the amount of a wage increase, and the taxpayer meeting the main part of the burden of it—but who, exactly, is supposed to call the tune?

DEFENCE

Supreme Planning for What?

MR MACMILLAN is believed to have been discussing with Mr Gaitskell the scheme to give the Ministry of Defence undivided control over the services; and it is possible that a white paper, reversing the conclusions of the 1946 white paper on defence organisation, may appear this summer with some promise of official Labour support. But any such project must expect to attract strong opposition from a lot of other people.

The shape of the defence plan which is generally canvassed is that service and supply ministers should be demoted to ministers of state; that the chiefs of staff should be separated from their departments and moved to the Ministry of Defence; and that the link between the services and the *Oberkommando der Wehrmacht* thus created should be through the ministers of state and the vice-chiefs. This would mean the overthrow of the British belief that the chiefs of staff ought not only to plan strategy, but also to plan it with a thorough knowledge of the material, human and otherwise, available to them; it might even mean that they would lose their collective responsibility direct to the defence committee of the cabinet. This would certainly be attacked as giving Britain all the dangers of an all-powerful Minister of Defence, with chiefs of staff shorn of professional independence, and a higher war planning system remote from practicabilities. It is contended that this separation of planning from administration landed Germany in disaster at the end of the war—though not without remarkable victories at the beginning of it.

Any plan will have to meet this criticism. But the fact is that the present system lands Britain in precisely the same mess as the critics say that the new one would: with plans for which neither the men nor the equipment exist to carry through. Plans are always being drawn up without regard to material practicalities; and the postwar period in defence has been one of waste on a prodigious scale, ending with forces notoriously deficient in modern equipment and at the moment even armed with two sorts of rifle. The needs of an efficient peacetime defence organisation are that it should get the country adequately prepared—as Britain at present is not—to fight limited wars swiftly and successfully; that it should be equipped (so it has been decided) to plan and maintain an auxiliary nuclear deterrent; and that it should progressively reorganise the services on lines which take account of the fact that all three of them may have to operate in all three elements. In all these respects the present organisation has utterly failed. And the idea that the present chief of staffs system is well suited victoriously to conduct a global nuclear war from London (or anywhere else) is fantasy. To say all this is to make a case for radical reorganisation—but not, of course, for a strengthening of the Ministry of Defence alone. Mr Sandys is not showing the cloven hoof merely in demanding more change. But defence reorganisation must not be confined to the top, but run right through, like a stick of Brighton rock. The proposals must be judged by those tests—not by taking sides on the OKW controversy.

ALGERIA

Military Reconnaissance

MILITARY matters were General de Gaulle's first preoccupation when he returned to Algeria on Tuesday, and on his flying visits to Constantine, Oran and Kabylia he was weighing up the strength and thoughts of two armies. French military sources now claim to see a deterioration in the Moslem rebels' fighting efficiency. Desertions from the FLN forces have gone up markedly since the events of May 13th; in June, 260 are said to have given themselves up, half of them with their arms. The sealing-off of the frontiers with Tunis and Morocco seems to have become effective, and the FLN, although keeping up their attacks, appear to be fighting as guerrilla bands rather than as the regular military force they lately aspired to be. General Salan is believed to have asked for massive reinforcements to exploit the advantage he now sees opening up.

If General de Gaulle has decided to fall in with the army's wishes to secure a demonstrable military success, he must nevertheless be aware that the psychological initiative—in implementing the promises of equality for the Moslem population in Algeria—must equally be pressed forward. His plans have still to be made concrete. The general is reported to be impressed with the evidence of the army's personal loyalty to him, and he has gone out of his way to learn the opinions of the younger commanders. It is evident that General de Gaulle will rest heavily on the army's support in any dispute with the extremists within the Committee of Public Safety in Algiers. News of the weeding out of certain generals who seem to have been lukewarm toward some of the ideals of the movement of May 13th is, however, disconcerting to those who would prefer to see General de Gaulle given room for manœuvre in the search for an ultimate political settlement. In personal terms, the general has succeeded in taking M. Mollet and other civilian ministers to Algeria without exposing them to insult, but his own reception from the settler population who hopefully await the proclamation of one France "from Dunkirk to Tamanrasset" has this time been less than overwhelming.

POLAND

The Silence Broken

A POLISH satirical magazine appeared last week with the motto: "Do not explode with the silence." In fact, it was Mr Gomulka who eventually found the reverberating Polish silence over the execution of Mr Nagy too hard to maintain; last Saturday, in a shipyard at Gdansk, he broke it at last.

Mr Gomulka's speech was presumably a calculated retreat in the face of Russian insistence that he should openly associate himself with the sentence of Mr Nagy and join in the attack on the Jugoslavs. (In Moscow the view evidently prevailed that the uniformity of the block must be preserved, if necessary, at the cost of overthrowing Mr Gomulka and at the risk of having to hold Poland down by force.) But Mr Gomulka only went as far as he felt he must. Of the execution of Mr Nagy he expressed neither approval nor disapproval, but a spurious detachment:

> It is not for us to judge the magnitude of the crime and the justice of the sentence passed in the case of Nagy. This is a domestic affair of Hungary's.

He reproached Mr Nagy with having step by step capitulated to the counter-revolution; but he neither called him a traitor nor accused him, as the Kadar government has, of actual conspiracy with the "imperialists." As for the Jugoslavs, while, in his own words, "sharply criticising" their "false and harmful attitude," and blaming them alone for the present dispute with Russia, he acknowledged their "undoubted and sincere striving" to ease international tension and refused to copy the Russians in once more blaming the Jugoslavs for their quarrel with Stalin ten years ago.

Since it was reprinted in *Pravda*, this speech must have satisfied the Russians, although it cannot have gone as far as they would have liked. To Mr Gomulka it must have

been a distasteful necessity. The exact nature of the pressure that was put upon him last week is not known, but it must have been very strong. There were unconfirmed rumours of Russian troop movements; but Mr Gomulka has the Russian army in his backyard always (and there was a time, in October, 1956, when he was apparently prepared to defy it). Even more potent may have been the knowledge that without Russian economic help, the Polish economy would begin to grind towards a halt, with incalculable consequences. Mr Gomulka is, in his way, a patriot; he may well have reckoned that continued defiance would have disastrous results, not merely for himself, but also for his country. He is also, however, a Communist, and for that reason most Poles will hate what he said and give him little credit for the motives that may be assumed to have inspired his words.

HUNGARY

Incidence of Trials

On October 6, 1956, the remains of Laszlo Rajk, until his execution in 1949 Rakosi's foreign minister, were transferred with suitable state ceremony from behind a prison wall to a Budapest cemetery. At the present moment, a secret trial of the late foreign minister's wife, Julia Rajk, is taking place. Even if it is conceded that participation in the Hungarian rising was a criminal act from the point of view of the powers-that-be in Hungary, Mrs Rajk was not involved; the only offence that can conceivably be attributed to her occurred earlier, three days after the reinterment of her husband's remains. The state had remembered the unlawful execution of Rajk; so did his wife. In an interview with a Hungarian newspaper, she recalled some moving details of her husband's death.

The searchlight of Hungarian justice now seems to have turned to the time just before the 1956 revolution. While Mr Nagy and General Maleter had been the leaders of the actual rising and have recently been tried as such, Mrs Rajk and the two journalists who are being tried with her made their main contribution to the intellectual ferment that preceded the revolution. It is the Petöfi club (the club of communist writers and intellectuals, where Mrs Rajk spoke of her husband's memory in June, 1956) and "revisionist" ideas which are now on trial in Budapest. But like the first trial, the second one is essentially a trial of heretics, not of the non-communist heathen. In the first trial the accused were Nagy, the Moscow-trained politician, and Maleter, the soldier whose career had been made by the party. Now communist intellectuals are being charged with offences against orthodoxy. There are indications that the net may be cast wider, but up to now only one of the more prominent non-communist participants of the October rising has been tried; reports from Budapest even indicate that some of them are still enjoying freedom of movement. (Many unimportant people have been heavily penalised.)

Mr Kadar is now performing dangerous feats without a safety net. His case against the revisionists may at any moment be turned against himself. His three years in prison have taught him that revision does not pay. He can never hope for any tolerance, let alone support, from the Hungarians; and he remains exposed to charges of heresy. In such a position he cannot sit still; perhaps he will soon have to start planning the transfer of the remains of his late friend Rajk back to the spot behind the prison wall.

LAMBETH CONFERENCE

The Church Commonwealth

Members of the Church of England may be excused for reminding the public this week, when 300 bishops and their equivalents in rank from other churches in communion with Canterbury are gathered in their decennial conference at Lambeth, that the influence of Anglicanism is as pervasive, if as hard to define, as that of the Commonwealth. But with eight hierarchs from beyond the iron curtain in attendance it can claim not merely to span differences of race, class and colour, of east and west, but even to range across the great dividing line between the two political ideologies that dominate mankind. (The danger about ranging across such dividing lines, however, is that it can sometimes only be done by fence-sitting.) The representatives at Lambeth of the Orthodox Churches of Russia, Rumania and Bulgaria should be able in private to cap anything Archbishop Joost de Blank reports on the denial of human rights or dignities in southern Africa. In a professional meeting, after all, it can be frankly accepted that sin is everywhere; the problem is how the churches can show they are against it, while still attracting sufficient tolerance from the secular powers-and-forces-that-be to be able to exert their maximum influence in troubled parts of the world.

The agenda for the conference falls into three main parts. There are first the internal problems of church organisation and reunification—of trying to keep in step a wide range of missionary bodies, for example, subject to diverse influences which include more than one form of persecution. The churches which have sprung from these missionary bodies themselves evince more than one form of internal organisation (which should not worry some Anglicans as much as it apparently does) and propagate more than one sort of Christianity (which should worry thinking churchmen more). Then there are the theological questions; in this conference these will revolve round the authority of the Bible. There is no doubt that this subject was chosen partly because of the great upsurge of fundamentalist sects in many countries since the war; it is a wise decision, and Anglicans should not be afraid of standing up resolutely for the intellectual tradition which has always been theirs. The question of whether bishops are still supposed to believe in Adam and Eve will not delay the conference long in this centenary year of the Darwin-Wallace theory of evolution; it will be concerned rather with a more coherent and disciplined understanding of the Bible's teaching than that which is now used to stir up what nineteenth century divines would have reprovingly called "enthusiasm" among the mass of religious illiterates.

The church, however, has not felt able to avoid discussion of a mass of practical problems involved in relating its teachings to the modern social context. As the most valuable of these topics at Lambeth, the bishops and hierarchs are to consider anew what their rapidly increasing flocks should think about family planning. This item on the agenda will bring them to some difficult questions of doctrinal disarmament. It may be more useful than whatever the bishops find it convenient to say in the report of the conference on the subject of the hydrogen bomb.

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BORDER INCIDENT

When I was young enough to think that a wine list was an inclination to port (if Mackenzie will pardon the word), I encountered a character, in the *oficina de aduanas* at Irún, who was taking a dozen bottles of Amontillado into Spain.

This struck me as being eccentric, for I had heard that in Spain sherry was on tap in every *casa*. Apparently the *carabineros* felt the same way, or else they suspected that the bottles contained a rare and dutiable liquid, such as potable water. Eventually, when the guard of the waiting train protested that its departure could be delayed no longer, the arraigned traveller decided to prove his innocence by opening a bottle.

The effect was remarkable. In no time, hearty *Olés* were being exchanged in the friendliest fashion. Nine bottles later I helped the traveller to carry the guard back to his van, and there we stayed with the remaining three bottles.

It was a memorable journey. That sherry was as noble as a grandee, and according to my host had a pedigree that stretched back nearly a hundred years. But I had to wait until I returned to England before I could find its like again. I should have expected that, for my fellow traveller was an old Spanish customer of Mackenzie's.

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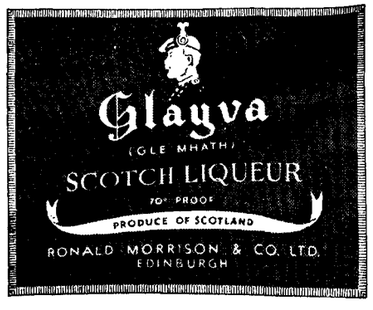

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RETAIL TRADE

Prices Unmaintained

COMPETITION in the grocery trade is now making increasingly significant breaches in the defences of resale price maintenance. The cuts in prices made on Monday by Sainsburys, the chain food store, were another straw in the wind ; this concern has never been a supporter of the theory of resale price maintenance, but this is the first time that its 250 branches have sold major brands, such as Birds Custard and Nescafé, at prices below those recommended by the manufacturer. It is, however, by no means the first to do this. Already so large a part of the grocery trade in London and other large towns is done through cut price and co-operative outlets that the Ministry of Labour no longer uses only listed prices for compiling its cost of living index. Moreover the range of competitive trading is widening steadily as new supermarkets—also generally no lovers of price maintenance—open up throughout the country. Their success is at last causing a stir in that most moribund of British industries, the retail trade.

But although the new methods of retailing are popular with the public, they are meeting resistance in the trade itself. It is the small retailers who like price maintenance, and a number of grocers' associations have decided to fight back. One group in the North may attempt to register a collective boycott of the cut price goods with the Restrictive Practices Court ; others have arranged mass displays of goods made by firms which vigorously maintain their resale prices. More significantly, the movement among independent retailers towards co-operation in their buying and advertising activities is gaining ground, and has now been promised the financial backing of Mr Garfield Weston. Wholesalers too are opposing cut price trading because their main business lies with the small independent grocer rather than with the multiple, which usually buys straight from the manufacturer. But price competition is now common even among wholesalers, and attempts to turn the clock back to restriction will almost certainly fail.

The most interesting thing, however, has been the attitude of manufacturers towards the cut price shopkeeper since the Restrictive Practices Act was passed in 1956. Under the Act, individual firms were given the legal right to enforce their own resale prices and many people feared that this power would be used widely enough to stifle retail competition. In food, quite the reverse has happened. Most manufacturers are glad that the final selling price of their goods should be lowered and have decided that it is neither desirable nor practicable to sue a shopkeeper for selling to the public cheap. Beechams and Cadburys, to cite two examples, are among the exceptions to this and, as a result, prices of their products are not widely cut. But even they may lessen their resistance to lower prices as new methods of retailing become widespread ; it would certainly be in the public interest that they should do so.

LEBANON

Humpty Dumpty up to Date

MR DULLES'S remarks on Tuesday were apparently designed to calm the fears of those who are against armed western intervention in Lebanon, but to avoid giving comfort to the enemies of the Chamoun government. Intervention by American military forces in Lebanon would be desirable or justified, he said, only as a policy of last resort.

Powerful voices are being raised in the United States and Britain in favour of such intervention. Mr Chamoun, they say, must be upheld, or the pro-western governments in Iraq, Jordan, Saudi Arabia and the Persian Gulf states will become weakened and disillusioned. From that point of view the government of Lebanon is as vital now as the ownership of the Suez Canal was in 1956 ; the time has come, it is said, to deal Nasserism, or Arab nationalism, the telling blow that was bungled then. People who argue in this way would be willing to risk the consequences of a Russian counter-intervention in the area.

There is, however, no assurance at all that intervention in Lebanon would accomplish their aims. Possibly the weary Lebanese, even the opposition, would welcome some way out of the present dilemma ; what is unlikely is that pro-western governments in other Arab countries would be strengthened. The nationalism that Nasser has been preaching for six years has sunk in deeply all over the Arab world ; intervention would be likely to strengthen the opponents of the West more than it strengthened the pro-western governments. Surely the western powers, even assuming that any threat of Russian "volunteers" remains a bluff, are not anxious to chase down the river valleys of Iraq and across the deserts of Arabia in pursuit of such a policy.

In Lebanon the insurrection is being carried on in the muddled and peculiarly Levantine way in which it began nearly two months ago. The lines appear no more clearly drawn than they did then. The apparent failure of the United Nations to be impressed by the scale of Egyptian and Syrian interference will have taught the government that an appeal to the Security Council is no substitute for a policy of its own. As long as the Lebanese people are unable to put Humpty-Dumpty back on the wall the decision will remain in the hands of two people, President Chamoun and President Nasser ; and, while one of these remained barricaded in the presidential palace in Beirut, the other sailed off to Jugoslavia in the yacht *Freedom*.

FREE TRADE AREA

Whose Favourite Subject?

WELL as they went in some ways, the Prime Minister's talks with General de Gaulle do not appear to have got very far on the subject of the free trade area. Mr Maudling had a better opportunity on Thursday to sound out the views of the new French government when he saw the foreign minister, M. Couve de Murville. It is clear that a good many of the old differences remain.

Their extent was also apparent from the statement on June 25th by M. Rey, the member of the executive commission of the European community ; he has been in charge of the commission's efforts to formulate a common view for the six member countries which might help bridge the gap between Britain and France. M. Rey reaffirmed the commission's anxiety to see a free trade area brought into existence ; and he repeated the suggestion that the immediate danger of tariff discrimination on January 1st might be avoided by an all-round tariff cut of 10 per cent throughout western Europe, without further commitments. But he also made it plain that as the price of a more durable arrangement the commission expects some British conces-

sions, notably on the issue of the external tariff maintained around the free trade area, and on that of imperial preference.

These two crucial questions will not become really urgent until four years from now, when the members of the common market begin to set up a common tariff against countries outside. It seems worth asking whether there is any other field in which a political initiative might be taken to bypass these deadlocked economic issues and establish the measure of political trust which could at least allow a free trade area to make a start. One idea that is being canvassed is a new move on institutions. The British Government has long accepted the idea of decision by a two-thirds majority in the council of ministers. But it has also held the sensible view that the details of the area's institutions should be left to take shape as its needs emerge from the course of negotiations. Many continental Europeans attach great importance, however, to these details. The political nature of the scheme, after all, turns a good deal on the powers that are given to the executive body—akin to the commission of the European community—which would be set up below the ministers. It is true that there is no unanimity among the continental critics about whether the institutions of the free trade area should be weak or strong. Still, a British indication of readiness to accept a strong executive might earn a dividend in political trust.

EURATOM

Deadly By-Product

THE new agreement between the United States and Euratom has brought into the open a problem which has a crucial bearing on disarmament. Nuclear reactors for power production can also produce fissile material which can be used in bombs. The British government has just decided to adapt some of Britain's peaceful power stations for that very purpose. Other countries could do the same. In time nuclear power stations may spring up all over the globe. Plainly any eventual disarmament agreement would have to include arrangements for controlling their lethal by-product.

All the arrangements which have been made hitherto for the export of power reactors have contained clauses permitting the exporter to inspect the plant to make sure that any fissile material it produces is used only for peaceful ends. Usually the customer has also promised to return the product to the seller country for reprocessing. However, the new agreement between Britain and Japan permits the Japanese to keep the fissile material, provided they use it for peaceful ends. The new agreement between Euratom and America goes further still. It leaves the task of inspection to Euratom itself.

This new precedent looks like putting paid to any notion that the three present members of the nuclear powers' club might keep inspection entirely in their own hands, and thus retain some means of keeping lesser folk in order. That notion was bound to break down in the end in any case. France already runs reactors of its own which produce fissile material suitable for war. As nuclear power stations become commonplace elsewhere it will become more and more difficult, in both political and technical terms, for outsiders to keep track of any plutonium they produce.

The new agreement with Euratom does, however, suggest certain hopeful possibilities. Where countries are grouped together politically or co-operate on nuclear matters as the six Euratom countries hope to do, it will be easier for the peaceful citizen to keep an eye on what is going on next door. The desire to ensure that Germany's nuclear effort flows into peaceful channels was, after all, one of the elements that inspired the creation of Euratom, with its supranational features and inspection system. In the new agreement with America, though formal inspection is left to Euratom, practical collaboration will bring the Americans in on the plans of the six. Elsewhere in the world, too, regional partnerships of this nature might help to discourage peaceful producers of plutonium from getting into trouble.

TRIBUNALS BILL

Half a Custodian

THE Tribunals and Inquiries bill went to its second reading in the House of Commons on Thursday substantially unchanged from the debates in the Lords. But the Government has undertaken to look again at the possibility of bringing into the bill some of the improvements that had been suggested by individual peers. One of the improvements that is most obviously desirable—and may, even in the Government's present state of mind, be attainable—is Lord Balfour of Burleigh's proposed new clause to require that those engaged in administrative tribunals or inquiries should normally publish full reasons for their decisions. The wisdom of this requirement was emphasised by Lord Justice Parker last week at the Cambridge University Estate Management Club. It is surprising that Whitehall has been standing out against it. If full reasons for decisions were given, the appeals against them—about the volume of which, under the new bill, some departments seem to be scared—would be likely to diminish considerably.

Even with this improvement, the bill would still not be an adequate one. It confers the right of appeal in many places where it has been lacking—as it was, for example, in some cases which came before the agricultural executive committees. But the Government has tended to be cautious in providing only for appeals on points of law; in at least some cases there should be fairly wide grounds for appeal on points of fact. The bill also sets up the advisory council on tribunals, which will have a general oversight of the procedure of these bodies, and of administrative decisions of various kinds, and will be able to recommend improvements. The council will also make recommendations on the staffing of tribunals—which is at present in many cases bad—sometimes combining judge, jury and prosecution (or expropriator) in one person. But though the schedule to the bill lists 23 tribunals for the council to supervise, and more can be added, it still leaves a wide area of administrative action which impinges on citizens' rights but against which no appeal at all is possible. Many of these still deserted fields are as much judicial as administrative in nature (Lord Parker instanced American surprise at a Briton's inability to appeal against his allocation of foreign exchange). To the question *quis custodiet ipsos custodes?* (of the administrative kind) the answer must be that, though it is an instalment of the Franks committee's recommendations, this bill sets up half a custodian only. The Commons should strain the Government's nerve in trying to make it a better half. And, in a vigorous democracy, this is pre-eminently the sort of bill on which the whips should allow some free votes.

SCOTTISH FARMING

Doing Down the Dukes

THE later stages of last week's debates on the Agriculture Bill dealt with a ten-year-old comedy of error. In 1948 a peculiarity of Scots law, slipping somehow through the drafters' sieve, had in conjunction with the Agriculture Act of that year virtually turned the most frequent form of Scottish farm tenancy into an unbreakable hereditary tenure. Clause 6 of the new bill restores the limited right of bequest—covering the unexpired portion of any lease—which existed in 1948, while providing, for a transitional period of seven years, for a minimum two-year period of security for otherwise unprotected heirs. Compensation for improvements is also payable. It thus gives ample time for the negotiation of new long leases and for needful adjustments where the landlord wants ultimate possession.

The Opposition's attitude to this modest reform is worth notice. Here was the extreme case, the *reductio ad absurdum,* of legislative favour for the man in effective possession; a legal situation in which not only the present landowner but also his heirs were permanently expropriated—for the fractional compensation represented by a frozen rent—while still bound by obligations whose onerousness was in no way diminished by that expropriation. No counterpart to this state of affairs existed south of the border; no one claimed that it had been intended or foreseen in 1948. But the Opposition voted solidly for an amendment which would have preserved it wherever the land concerned had been acquired by inheritance—that is, in an estimated 90 per cent of the cases.

The amendment was duly defeated, and it is very unlikely that a Labour government would in fact restore the anomaly. But the debate shed a useful light on Labour psychology. Its curious attitude to the hereditary principle—the rights of a tenant's heirs, however remote, are sacred, those of an owner's heirs, however direct, are non-existent—can be perhaps regarded as mere Toryism-in-reverse: as a tenderness, all too familiar in other fields and on both sides of the House, towards the man in possession and against the aspiring newcomer. The specifically left-wing element, shown in references to the Scottish landlords as "illegitimate children of King Robert II" and to their ownership as "robbery," is that of active and rancorous malevolence. This element (once one emerges from the ineffective backwoods of Barsetshire and Kensington) has no counterpart on the Conservative side. Conservatives may be insufficiently alive to the needs and aspirations of dustmen, but they do not actively rejoice in doing dustmen down. Doing down dukes (or anyone else of the wrong class) is, on the other hand, felt by a mass of Labour opinion to be an excellent thing in itself, whether the injury be deliberately or fortuitously inflicted. To all floating voters considering the qualities of an alternative government, the reminder should be a useful one.

EUROPEAN ECONOMY

Levelling Off

FOR nearly a year now West Germany has been debating whether the signs of hesitation in the economy mark the approach of recession or merely a slower rate of economic growth. With exports falling, the engineering industry reducing stocks of steel, coal stocks piling up at the pithead and the textile industry in trouble, industrial production this year has been running only some two per cent above last year's level.

Some of the effects of the slackening of pace can be welcomed. Increased liquidity in the capital market has enabled industrial companies to float new issues and consolidate their (in some cases, precarious) balance sheets. Some plants have been able to pare costs now that they are no longer at full stretch. Professor Erhard's infectious confidence has kept up business spirits. In May, however, the index of industrial production slipped for the first time fractionally below the 1957 figure; meanwhile the French situation has helped to set off a new influx of exchange reserves to Frankfurt. The two developments helped to inspire the Bundesbank to cut its discount rate from 3½ to 3 per cent, the fifth reduction since September, 1956, when it stood at 5½ per cent.

Elsewhere in Europe there are plenty of signs of the economic "levelling off" to which Mr Heathcoat Amory referred in a speech on July 1st. In Belgium, always an early victim of any weakening in world demand for steel and capital goods, production has been running for some months at about five per cent below the level of the previous year. In Holland and Scandinavia, output has been roughly static for some time. In Italy, where industrial production had been rising by an average of 8 per cent each year since 1952, it rose, on average, by a mere 2 per cent in the first quarter of this year. Only the French statistics so far reveal no signs of a slackening of pace.

The economic worries of the European countries are a good deal less severe than those of the primary producers. By autumn, certain of the features of Europe's slowdown, the de-stocking of steel for example, may have worked themselves out. So far continental exports to the United States, like British ones, have been little affected by the American recession. But everywhere in Europe outside France there is now industrial capacity to spare.

ITALY

Signor Fanfani Takes Over

ITALY'S first essay in cabinet-making since the general elections six weeks ago was completed this week. The cabinet-maker is Signor Fanfani, until now secretary-general of the Christian Democrat party, whose political reputation so far rests on his skill in constructing the efficient party organisation that helped the Christian Democrats to increase their share of the national vote from 40 to 42 per cent. As prime minister he will need his skill. With 273 seats, the Christian Democrats still lack an absolute majority in the Chamber. The Social Democrats have agreed to join Signor Fanfani's government—though after long argument, and against the wishes of a substantial left-wing minority. But, though they get four seats in the cabinet, the Social Democrats only contribute 23 votes in the Chamber. Even if he can count, as it is presumed he can, on the votes of the three representatives from the Alto Adige and the one-man party of Signor Olivetti, and on the abstention of the seven Republicans, Signor Fanfani will still only have an exiguous majority. This may get him over the hurdle of investiture (where once before, in 1954, he came to grief) but it does not make for plain sailing.

Signor Fanfani's chances are not improved by the dearth of "notables" in his cabinet. Only Signor Segni, who becomes deputy prime minister, has been persuaded to contribute the prestige and experience of an ex-premier to the government. For varying reasons the other former Christian Democrat prime ministers, Signori Zoli, Scelba and Pella, have preferred to stay out. So has Signor Saragat, the leader of the Social Democrats, ostensibly because he wants to concentrate on party work (admittedly very important in view of the uncertain attitude of his left wing led by Signor Matteotti), but he would undoubtedly have taken the foreign ministry if Signor Fanfani had not insisted on keeping it for himself. Perhaps one of the most significant appointments is that of the Christian Democrat trade union leader, Signor Pastore, to the cabinet post that deals with the development of the South.

LABOUR PLANNING

Fashions in the Sack

In a booklet published last week,* the Acton Society Trust have produced the best study yet of the problems connected with redundancy. This they define as "the loss of a job through no fault of the worker concerned" and trace it to three main causes: automation (which is still much less important than is often imagined), a decline in demand for a firm's products, and changes in the Government's financial and employment policies. Since the war various measures have been taken to minimise the hardship that these changes entail. First, there have been the development areas, on which £90 million has been spent since 1945. This concentrated new factory building (55 per cent between 1946 and 1949 but only 19 per cent two years ago) in areas of high unemployment, both by selective grants of building licences and by letting out Government-owned factories on trading estates. This policy was helped by the general scarcity of labour during the early postwar period, which made firms prepared to build anywhere where labour was easily available. Secondly, the mobility of workers has been encouraged by setting up vocational training schools and by making grants to cover both movement expenses and, in May this year, solicitors' and agents' fees incurred in selling or buying a house. Nevertheless, although mobility between similar firms in the same district is often high, the number of workers who are prepared to move to a new district or a new industry were found in this survey to be surprisingly small.

It is, however, over the choice of redundancy procedures for individual firms that most difficulties arise. Views here vary from those of certain unions, who still refuse to admit that any workers should ever be dismissed at all, to those of the quick-fire employer who asked pertinently what would have happened in the eighteenth century if workers in the Norfolk wool industry had been put on short time and not been forced to migrate to Yorkshire. In fact, both unions and employers have much to gain by deciding what to do about redundancy; here the analysis of 2,000 American agreements which is made in the booklet should be most helpful. Many of the agreements allow first for cutting down on overtime and sub-contracting work, which is sensible enough since these are costly to the firm in any case. If demand still does not pick up and lay-offs have to be made, the American employer seems to give shorter dismissal notice to employees than does the British (in fact, 3 out of 4 of American employers questioned gave a week or less); on the other hand, good severance pay according to the length of service was frequent. This surely ought to be the pattern here as well, rather than, as often happens at present, employers hanging on almost indefinitely to more men than they require. It is the one major fault of this report that, by not making clear the vital distinction between a temporary fall in demand (which does require short-time working) and a permanent one (which does not), it ends up by advocating several conflicting lines of action at the same time.

* Redundancy. Acton Society Trust. 56 pp. 5s.

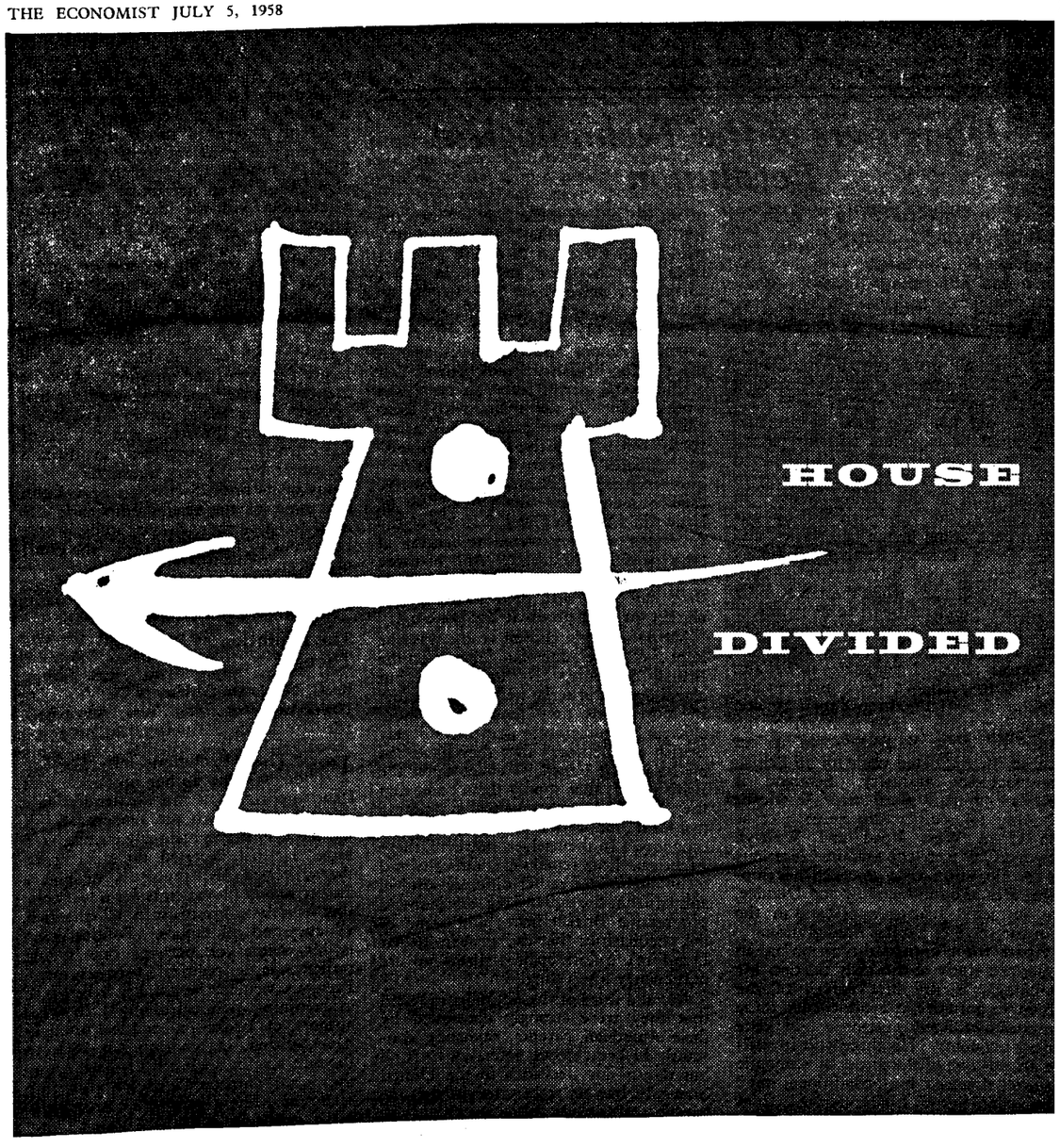
CYPRUS

Labour and the Plan

Faced with a choice between sabotaging the Government's new Cyprus plan and setting aside some of its own principles, the Labour party made a sensible decision. In the Commons debate on Cyprus on June 26th no encouragement was given to Greek hopes, or Turkish fears, that the Labour party, if it came to power, would give Cyprus self-determination (which Greeks and Turks alike equate with enosis) with the least possible delay. There was nothing to suggest to the Greeks that they could reject the British plan with impunity because better things were just round the corner. Mr Callaghan, the chief Labour spokesman, chose, it is true, to interpret the Government's policy as firmly ruling out partition, while merely postponing self-determination. But he stated unequivocally that self-determination could not be imposed by force, or applied in an atmosphere of civil war, and above all, that "the consent of the minority is a necessary element."

Towards the Government's interim plan for communal self-government, the Labour party's attitude was coy. It would not give a "blanket endorsement," or even a commendation; still, Mr Bevan advised the Greeks and the Turks not to reject it out of hand. Indeed, by far the greater part of the detailed criticisms made by Labour speakers was obviously intended not to shoot the plan to pieces, but to make it work; and Mr Callaghan gave a pledge that if an agreement could be reached, the Labour party would not overturn it. Most criticism arose out of a quite legitimate fear that the proposals for communal self-government might deepen and perpetuate the present divisions between the Greek and the Turkish Cypriots. But in the present explosive atmosphere it would be as wrong to follow the Greeks in underestimating the present communal tension as to follow the Turks in overestimating it. The Government's aim is to get separate communal responsibility started in order to lead on gradually to joint responsibility and, as Mr Macmillan said, a larger unity. As a move towards this goal it should at any rate consider seriously the Opposition's suggestion that the proposed constitution should provide for the eventual creation of a joint assembly.

Fears were also expressed by the Opposition that the representatives of the Greek and Turkish governments on the Governor's Council might prove unco-operative. Mr Bevan would like them merely to play the part of midwives to the new constitution and then go away again. Presumably, however, the Government's idea is that they will be not spanners in the works, but visible proofs that Athens and Ankara are committed to trying to make the plan work.



The GKN Group is a house both divided and united. Its member companies are separate and independent but their aims are one and their co-operation close. Within the Group there are groups similarly split, similarly integrated. Take the Lysaght group, for instance. Lysaghts operate orefields and steelworks, rod mills and rolling mills, press shops and galvanizing plants. They have works in Scunthorpe and Bristol, in Australia, and Argentina. They are steelmakers and steelworkers, constructional engineers and manufacturers of steel sheet, wire fencing and farm equipment and buildings. Varied activities—common purpose; to produce more steel and to make more and better things from it. The GKN Group is an open house, yet a full one. Open in the sense that it welcomes new ideas, new methods and new people; full in the sense that, between them its companies are as full of opportunity for skills and abilities of all kinds as a dictionary is of words.

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BOOKS

Daughters of the Technological Revolution

American Investment in British Manufacturing Industry.

By John H. Dunning.
Allen and Unwin. 365 pages. 35s.

THE first American business ever to form a manufacturing subsidiary in Britain was a New Brunswick partnership that set up a rubber vulcanising factory in Edinburgh in 1856, trading partly on the fact that at the time English patents did not hold good in Scotland and could be exploited without paying royalties. The partnership also believed that higher profits could be earned in Britain than in the United States: in the upshot, the American money was taken back home in the late sixties, and the North British Rubber Company remained without any American connections until 1946, when the US Rubber Company purchased part of its equity.

A hundred years after that first venture in Edinburgh there were about 300 American-affiliated companies in Britain, employing probably more than $1,250 million in capital and more than 350,000 employees, with a sales turnover of the order of £900 million, some 4 per cent of the estimated value for all British manufacturing industry. Scotland is still a popular place for Americans deciding to manufacture here: just as the Great West Road and Welwyn Garden City were the favoured locations in the thirties, so the Scottish development area, around Glasgow and Dundee, has attracted many Americans in the postwar wave of capital immigration.

Apart from limited discussion in an American study of the early thirties, Mr Dunning's is the first survey of the extent, importance and influence of these American-affiliated factories in the British economy. His three-year investigation was one of the pieces of economic research financed by "conditional aid" from counterpart funds derived from American economic aid to Britain. It is based mainly upon fairly detailed responses to a questionnaire from 205 companies which on December 31, 1953, had an American equity shareholding of 25 per cent or more; no important American firm was omitted, and Mr Dunning reckons that these employed 90-95 per cent of the total labour force of all American "affiliates" in Britain.

Mr Dunning traces three main waves of American investment in Britain. The first, from 1870 to 1914, seems to have been a sheer overspill of American industrial and technological expansion, the era in which American capital played a large part in founding the electrical engineering, photographic, patent medicine and motor vehicle industries in Britain. From 1919 to 1939, American business had the incentives of import duties and quota restrictions upon its own products to set up manufacture here. Since the war, dollar shortages throughout the world, and the need to accept payment from most overseas markets in softer currencies, have been as strong an incentive.

These are big firms in their own right, averaging about 800 employees against the 125 for British manufacturing; half of their total labour force, in 1953, was working for 28 of them with 2,000 employees or more each. This arises partly, but only partly, from the American affiliates' "selective concentration" into sectors of manufacturing where establishments and firms tend to be large; in 1953, no fewer than 29 of the American affiliates were the largest in their particular industry. And of those who had been here before the war, more than half said that their share of the market for their products had gone up.

Mr Dunning's chosen study was the impact of these American affiliates on the British economy. By incomplete but corroborative criteria, he is satisfied that in most fields they tend to be more efficient manufacturers than their purely British competitors; that they have had on balance a beneficial effect upon the British firms that supply them; and that they have been prominent in promoting technical innovation into the British economy. In themselves, however, these American firms remain economically and technologically a rather different kind of animal from the equally big, efficient and progressive British firm; and some of the peculiarities that the answers to Mr Dunning's questionnaires threw up are particularly interesting.

About a third of these "affiliates" said that they were strongly controlled by their American parents, reporting constantly in great detail, referring back all but day-to-day decisions to the United States, relying for research mainly on the parent, and directly following its pattern of management (if not indeed its actual operating manuals).

More than 80 per cent of these affiliates, again, had no research departments themselves or did simply applied research and development, relying on their parents for all fundamental and basic know-how. On the other hand, Mr Dunning reckons that the parent companies of the hundred most important American affiliates in Britain devote more resources to research and development than the whole of British industry combined. And there is no doubt that they have pioneered a wide variety of technological and marketing innovations in Britain.

Applied economists have most often studied branch firms—which essentially these are—in terms of their efficiency compared with the parent. This survey suggests that there would be a fruitful field of study in the branch firm in relation to its fresh, selected environment—particularly when the fresh environment is another national economy, with a different pattern of factor costs and a different marketing and technical climate. Such a branch firm usually does not arrive until "test marketing" has been carried out with the identical, imported product; it comes with the product ready designed, with all the technical bugs already out, the production engineering done, and an accumulation of "parallel" marketing experience available from its home market. Mr Dunning's brief was deliberately circumscribed: and for sheer lack of space he has left many of the questions which he mentions neither answered nor fully discussed. This broad survey most effectively outlines the scope and pattern of the American companies in British industry: but the very questions that so many of its brief discussions provoke in the mind of the reader emphasise the need for a further, deeper study of the behaviour of these Yankees at the court of Queen Elizabeth.

Parkinson's Politics

The Evolution of Political Thought

By C. Northcote Parkinson.
University of London Press. 327 pages. 18s.

IN "The Evolution of Political Thought" the author of Parkinson's Law appears in a more extended role than that in which the readers of this journal may have previously encountered him. He has deserted the microscope that revealed the processes of binary fission among bureaucrats for a telescope that enables him to scan all theories, all ages and all climes. Political man is his theme—or perhaps one should rather say political management. Previous writers, he thinks, have erred in confining political thought to what authors of books on political thought have written, in ignoring non-Western thought and in neglecting to learn from the social anthropologist and the prehistorian. These oversights he seeks to make good—in some 300 pages.

The approach is original, the treatment often diverting. But something obviously has to give. Unfortunately for the title, what gives is political thought. Plato, Aristotle, Aquinas, Hobbes, Rousseau—they all indeed occur in Professor Parkinson's pages, but one would not recommend any student interested in what they thought or said to go looking for an accurate précis, much less an intelligent analysis, here. It is not merely that space is scarce. More important, Professor Parkinson is not really interested in political theory at all, with what he variously calls its "wild guesses", its "rhetoric" and its "eternal principles founded for the most part on nothing." So it is not surprising to find that he thinks that Hobbes is principally an apologist for monarchy, that Marx's "idea of 'Dialectics' is borrowed from Darwin"[0] and that "Communism is not a creed of great importance in the history of political thought". Fundamentally, as far as he is concerned, all political theories have one fault in common—they are all intellectuals' exercises upon themes which practical men, the men who do the actual business in the world, have already laid down.

So the real subject of Professor Parkinson's book is political institutions and the ideas to which they give rise, and on his subject so defined he has a certain amount that is lively and often shrewd to say. He has ransacked Oriental history to some purpose for diverting and illuminating illustrations of the working of monarchy or bureaucracy, aristocracy or dictatorship. He knows his Europe too—his America less well. He relishes the *sauce tartare* of worldly wisdom and the garnish of a well turned phrase at the idealist's expense. He is the donnish Somerset Maugham, the man of the world who has been here before, but who takes enough care of his prose and has a sufficiently sharp eye for the arresting detail to carry the reader along without too much uneasiness about the underlying assumptions.

As the book draws to its close, Mr Parkinson becomes more pontifical. We are told that "no one can reduce the civil service in a democracy", that "democracy died long ago as a creed and as an inspiration," that "the truth which lurks amid the Fascist falsities is that liberal democracy is dreary, deadending and dull". And although there may be one or two exceptions (monasteries perhaps, and preferably Buddhist ones), it is broadly true that democracy must lead to socialism and "socialism will tend to lead to in turn anarchy, bloodshed and dictatorship."

After these pontifications it is truly startling to turn to twelve pages of epilogue and find there a plea for—of all things—a more scientific approach to politics. Why has mankind made so little progress all these centuries in the art of governing itself? Because, says Parkinson, we have ignored the obvious truth that the facts are needed before the theory. How true. Legislator reform thyself.

Rediscovered Essays

Granite and Rainbow

By Virginia Woolf.
Hogarth Press. 290 pages. 18s.

THE "granite" of the title is factual truth; the "rainbow" is the shifting, multicoloured and elusive light of personality. It is specifically in biography that Virginia Woolf herself discerned these two essential elements; but the recurrent discussions of the novel, and of the novelist's language, which make up the most valuable part of this volume, are equally concerned with the tensions between them. How to combine "truth-telling"—the imparting of a solid and satisfying conviction that things happened just so—with the personal impact, multiple, diffuse and disconnected, of idea and sensation? In her own work, in successive-ever-developing experiments, Virginia Woolf was continuously preoccupied with this problem; the solid structure of prose narrative exploded in her hands as the solid structure of landscape exploded in those of the Impressionists, and the art of the novel has never been quite the same again. Elsewhere, she has written more directly of what she was trying to do; here the references are oblique, speculative and impersonal; but one sees and hears, unmistakably, the sputter of the fuse.

It is not only for the light they cast on a creative artist's highly conscious concern with her art that the essays in question—"The Narrow Bridge of Art," "Women and Fiction," "Life of the Novelist," above all the long essay "Phases of Fiction," written in 1929—are worth reading. But the rest of the book, also gleaned with great patience and skill from the anonymous columns of the *Times Literary Supplement* and other periodicals, is for the most part a lighweight crop. The spectacle of Virginia Woolf criticising Ernest Hemingway has the improbable charm of a really inspired encounter in a game of "Consequences"; "A Talk about Memoirs" would be, were it not so evidently inimitable, an example to all reviewers of how to deal with a monstrously unreviewable batch of volumes; and the bite of an *Athenaeum* article on the Royal Academy is as delightfully savage today as in 1919. (This piece is earnestly commended to any non-representational artist in search of ammunition to blow up the "literary" Philistines.)

But much else is too slight, too ephemeral, too "bookish" in an outmoded *genre*, to stand up to reprinting after a lapse of twenty or thirty years: Virginia Woolf could not write anything shoddy or banal; but readers of "Granite and Rainbow" should not expect another "Common Reader" or "The Captain's Death-Bed."

Evolution of a Matriarch

Frances Anne: *The Life and Times of Frances Anne, Marchioness of Londonderry, and her husband Charles, Third Marquess of Londonderry*

By Edith, Marchioness of Londonderry.
Macmillan. 315 pages. 30s.

FRANCES ANNE was one of those "stout and earnest persons" whose biographies, according to Emerson, make history. The description fits both her portrait in middle age and the character disclosed in this stimulating book. Creevey maliciously called her "a dumpy, rum-shaped and rum-faced article," but in girlhood she attracted, though she did not encourage, the attentions of Lord O'Neil, Lord Forbes and Lord Auckland; and later she evoked the impassioned, if platonic, devotion of Tsar Alexander I, who was presumably indifferent to the wealth for which Charles Stewart may have married her shortly before his half-brother's suicide made him Marquess of Londonderry.

Lady Londonderry's artistry was created from fascinatingly varied material, including "recollections" in manuscript begun by Frances Anne and her correspondence with her lifelong friend Disraeli, a biography which satisfies even Gosse's exacting test—"a faithful portrait of a soul in its adventures through life." She has unobtrusively watched these adventures and vividly recorded them; and she has wisely allowed Frances Anne's character to take care of itself. Lady Londonderry appreciates present-day distaste (not untinged with sour grapes) for the ostentatious opulence acidly commented on by Frances Anne's contemporaries—though magnificence is part of the business of aristocracy, and foreign criticism was partly due to envy. No doubt, however, the self-confidence of the Londonderrys, while he was ambassador in Vienna, was an irritating reminder to those who had bowed the knee to Bonaparte of the greatness of the one country that had not. And it was hardly diplomatic of him to stop the embassy band, while archduchesses were waltzing, because his wife wanted to go to bed; or of her to vex the Empress of Austria by "being better dressed than her . . . she had nothing but a diamond bandeau on her head, while I had mine and two combs."

Such self-satisfaction was naturally

The Colonial Office List 1958

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unpopular; but in his case it was accompanied by a combative independence sometimes inspired by laudable motives: though hungry for office he would serve neither as ambassador under Canning, nor in the government with him, for he ascribed to Canning's intrigues his half-brother's tragic breakdown. He was "a last ditcher" in the Reform Bill battle; he mob which also broke Wellington's windows threatened his a second time but found no glass left to smash. "Fighting Charley" never refused a challenge; he narrowly escaped courtmartial for accepting one from a junior officer under his command. He was unpredictable; though a great landowner, he supported Peel against the Corn Law, but as a colliery-owner he successfully defied any inspection of his mines.

Not that they would have earned a bad report. The Londonderrys huge capital outlay, undertaken with an imagination and technical skill seldom displayed in a later generation, was accompanied by a personal control which, if despotic, was certainly paternal. They might threaten strikers with eviction from the cottages they had built; but their condemnation of parents who sent children into the mines, instead of into the schools they had provided, was equally severe.

Frances Anne's spirit was undwarfed by his: during her eleven years widowhood she added to, and personally managed, collieries, furnaces, harbours, and railways in Durham; and developed quarries and limestone works on her Irish property. Her claim to regard her workpeople as part of her family was substantiated by a rough impartiality which must have appealed to their northern humour; for if she refused ever to see again a traffic manager whose repainting of a coach was so hurried that she stuck to her seat, she was also known to have sent her eldest son away in the cab that brought him when he visited her without an invitation. Disraeli's friend, "half ruffian, half great lady," the "Marchioness of Deloraine" in his *Sybil*, had become a matriarch in her own right.

Darwin and Genes

Natural Selection and Heredity

By P. M. Sheppard.
Hutchinson. 212 pages. 18s.

It is exactly a hundred years since Darwin released his theory of natural selection to the public, and it is worth while seeing what a hundred years have done to it. Dr Sheppard sets out to do this. He begins with principles. He describes genes and chromosomes and the inheritance of Mendel's "characters." Then he examines the work and ideas of the last thirty years with special reference to their development by Oxford zoologists. He discusses balances and geographical gradients in variation, mimicry and protective coloration, and the wonderful blackening of British moths which has followed British industrialisation. He explains how genes of small effect produce the appearance of continuous variation. And he considers the American sampling-error or "drift" theory of evolution, which has been so keenly disputed in this country.

At first glance this book seems sound and thorough, although somewhat dull. It is dull because it mistakes the jargon of genetics, rather old jargon, for the reality of nature. The most important ideas about natural selection concern the gene. Dr Sheppard, however, appears not to have noticed the revolution that has been taking place beneath the surface of genetic study. Consequently he is aware of plenty of textbook facts, but has not seen the connections between them. Yet these are the connections which have established Darwin's theory of natural selection today.

For those readers who are more interested in observations and less interested in connections this book may be recommended. It is a small contribution to a much bigger subject than the author seems to realise.

The Second Moses

The Diaries of Theodor Herzl

Edited by Marvin Lowenthal.
Gollancz. 494 pages. 42s.

The diaries of Theodor Herzl, the founder and prophet of modern Zionism, have long been valued by the connoisseur as a quarry of historical anecdote. They tell the story of Herzl's own eventful progress from the role of journalist with an idea, successful but cranky, to that of leader of a people and negotiator with princes. It is necessarily an incomplete story, since Herzl died, aged only 44, in the midst of his life work's apparent failure, with the promised land seeming as far off as it had ever been.

A fashionable dramatist, whose most characteristic contributions to journalism were in the feature pages of an influential and liberal Viennese newspaper, the *Neue Freie Presse*, he had a lively pen. In worldliness he was the equal of the powerful Jewish bankers, the courtiers, diplomats and ministers, the shady adventurers, and finally the crowned heads of state, with whom he had to deal. But it was his otherworldliness that set him apart from them and also made him their superior. Only in the Pope, Pius X, with whom he had a memorable audience, did he recognise spirituality, and find himself bafflingly confronted by a faith as simple and uncompromising as his own.

His conquests were personal, his failures in the nature of the case. There is no doubt that he had a flair for diplomacy. He went from one unlikely prospect to another, winning over each in turn by nicely adjusted arguments, only to see his conquests subsequently eroded by hard political fact. And yet the sum of his failures was eventual success. The Zionist movement, under the pressure of persecution and Herzl's own resilience, grew from one setback to another. Herzl put it on the map, a map that had Palestine as its centre. His bitterest opponents were not anti-Semites but liberal Jews, and many of his fellow Zionists were not exactly easy to deal with. When he died, though the practical realisation of Jewish statehood seemed no nearer than it had ever been, there were statesmen everywhere who at least knew what it was, that it was a force to be placated and perhaps used.

In the end it was the British Government's support that was to prove decisive, but only after a world war had overthrown all the other heads of state with whom he had, at first more hopefully, negotiated. And it is certain that by force of mere expediency, even of general humanitarianism, the National Home would never have been achieved. It needed one or two real converts, non-Jewish ones, to the Zionist faith in Britain. And these men, his most important disciples in the event, Herzl never knew.

The present volume is the first complete edition of the diaries in English. It is warmly to be recommended not only to those with an interest in Zionism, but also to the general reader. It is full of fascinating glimpses, brilliantly described, of the world of diplomatic intrigue in the early twentieth century. The Kaiser, whom Herzl admired and in whom at one time he placed his greatest hopes, appears in an interesting light. Today it is strange to read the Kaiser's comments on the Dreyfus case and on the topic, actual then as now, of the state of France. "The French spirit," Herzl quotes him as saying, "acts as the seasoning, the pepper, as it were, in world culture. . . . But admittedly too much pepper is bad. What, I wonder, is going to happen to France?"

OTHER BOOKS

THE GO DEVILS. By Wayne Mineau. *Cassell.* 243 pages. 21s.

This is the camel-to-Cadillac story of Arabian oil with biographical sketches of the giants of the oil world who in an earlier age might have discovered America or, what is more likely, put up the money for Columbus to do it. Mr Mineau has recorded, sometimes armed with a pocket tape recorder, a wealth of story and legend as remembered by the pioneers of the world's most profitable business venture.

Persia, Iraq, Kuwait, and the Persian Gulf principalities have been well covered, but, unable to get a visa, the author appears to have done his research on Saudi Arabia in the bar of the BOAC rest house in Bahrain and the foyer of the St. George's Hotel in Beirut.

THIS IS MY PHILOSOPHY. Edited by Whit Burnett. *Allen and Unwin.* 378 pages. 25s.

Each chapter is a statement of personal philosophy by a well-known thinker. In making their statements the contributors, who include Bertrand Russell, G. M. Trevelyan, Albert Schweitzer and Jean-Paul Sartre, have either selected from their own writings or have written specially for this book.

FROM THE ENDS OF THE EARTH. Compiled by Augustine Courtauld. *Oxford University Press.* 423 pages. 21s.

This is an anthology of passages from the writings of travellers to the polar regions, starting with the earliest records of Homer and ending with those of explorers in the 1930s. Extracts from the narratives of Nansen, Shackleton, and Scott are alongside those of less famous names, extracts that are necessarily brief since nearly fifty explorers are featured. Short biographical notes are included.

THE YEARBOOK OF TECHNICAL EDUCATION AND CAREERS IN INDUSTRY 1958. Edited by H. C. Dent. *A. & C. Black.* 1,158 pages. 30s.

With the expansion of technological and scientific education, higher and further, whole-time and part-time, and the growth of new technical professions and quasi-professions each with their institutes, examinations and schemes of training, the young person and his adviser on careers find it hard to survey the field and make the wisest choice. This handbook certainly provides the quickest way to securing information, and ought to be a useful reference book on the shelves of careers masters and science tutors, as well as in the libraries to which young people and their parents turn when the question rises, "What should Johnny be?" For the chances increasingly are that he will be some sort of technician, and train in one or other of the courses listed in this compilation.

POCKET GUIDE TO THE SEA SHORE. By John Barrett and C. M. Yonge. *Collins.* 272 pages, 25s.

This handy, copiously illustrated, *catalogue raisonné* of life between the tides is meant for the absolute ignoramus, and it is hard to imagine a better aid to the dispelling of ignorance. Necessarily, it is mostly concerned with What; but How and Why get enough attention for What to make sense. The dryness of extreme compression is mitigated by a pleasant style, and as a piece of book production the "Guide" is wonderful value for money. On those beaches where biology is less easy to study than sociology, readers may find themselves recalling that "typical amphipods . . . are compressed sideways and typically rather curled up, often with one large one clasping a smaller one. Their eyes are not on stalks. . . ."

GOVERNMENT AND THE GOVERNED. 4th edition. By R. H. S. Crossman. *Christophers.* 332 pages. 10s. 6d.

YEARBOOK OF THE INTERNATIONAL LAW COMMISSION 1950. VOLS. I AND II. *United Nations.* 342 pages and 387 pages. 25s. and 28s.

UNITED NATIONS COMMODITY SURVEY 1957. 218 pages. 18s.

BROTHER SAVAGES AND GUESTS: *A History of the Savage Club.* By Percy Bradshaw. *W. H. Allen.* 162 pages. 30s.

THE ANNUAL REGISTER OF WORLD EVENTS 1957. Edited by Ivison S. Macadam. *Longmans.* 588 pages. 105s.

THE ROAD TO MAYERLING: *The Life and Death of Crown Prince Rudolph of Austria.* By Richard Barkeley. *Macmillan.* 293 pages. 25s.

NAPLES AND CAMPANIA REVISITED. By Edward Hutton. *Hollis and Carter.* 286 pages. 30s.

THE GUINNESS BOOK OF POETRY 1956/57. *Putnam.* 128 pages. 10s. 6d.

LETTERS

Californian Elections

SIR—Please permit me to point out an important error in your otherwise excellent report on the recent California primary election. Your correspondent was evidently taken in by a bit of Republican propaganda because he stated that "the Democratic poll was much heavier than the Republican. . . ." The fact is that the Republicans pulled 64 per cent of their supporters out to the polls while the Democrats polled 60 per cent. Brown's more than 600,000 plurality represented a vote of more than 80 per cent of the Democratic registrants while he captured 24 per cent of the Republican vote under the cross filing system described in your story.

Permit me to add that the Republicans are somewhat groggy at this time, what with California, Sherman Adams and sundry other "feet of clay" manifestations.—Yours faithfully,

RUSSELL FITZPATRICK
Pat Brown, Governor,
So. Calif. Campaign Committee

Tanganyika

SIR—Your article "Trade Union Dilemma" in your issue of May 3rd, dealing with free trade union activities in Tanganyika, shows little understanding of the efforts of the International Confederation of Free Trade Unions and associated organisations, such as the Plantation Workers' International Federation, to assist the trade unions now developing all over Africa.

The strengthening of trade unions in the economically developing countries has been a major preoccupation of the ICFTU since it was founded in 1949, and a fund of experience has been built up in the difficult art of passing on the experience of old-established unions and at the same time encouraging young trade unions to find their own solution to local problems. Specialised international trade union organisations are giving technical assistance to individual unions: my own organisation aims to make the experience of those who have long worked in this sector available to newly established unions.

In the particular case of East Africa, Mr David Barrett has been seconded to us by the British TUC to help build plantation workers' unions, a sign of the interest of the British TUC and of the co-ordination of efforts by international and national organisations in this area. Mr Barrett has been active in the trade union movement since 1923 and has over ten years' experience among the trade unions of Africa. It is totally wrong to convey the impression that the free trade union movement has achieved only negative results in Tanganyika. Work is only just beginning, but reports received so far are encouraging: Mr Barrett speaks of the steady promotion of cordial relations between the Sisal Growers' Association and the Federation of Labour. Prospects are good for recognition by the employers of the Tanganyika Sisal and Plantation Workers' Union.

In the workers' interests we are bound to oppose both communism and the perpetuation of colonial rule. We cannot understand how it is possible to fight against Soviet dictatorship and at the same time to hold back the political development of indigenous peoples. However, this does not mean that we indulge in facile anti-communism and anti-colonialism; we concentrate on the building of trade unions which can form the cornerstone of a democratic, stable and tolerant society.

We would express the hope that after bitter experiences in colonial dealings in other parts of the world, the nascent trade union movement of Africa will be able in time to achieve the place in society which trade unions in the industrially advanced countries have achieved.—Yours faithfully, S. POWELL
Plantation Workers' General Secretary
International Federation

Uses for Coal

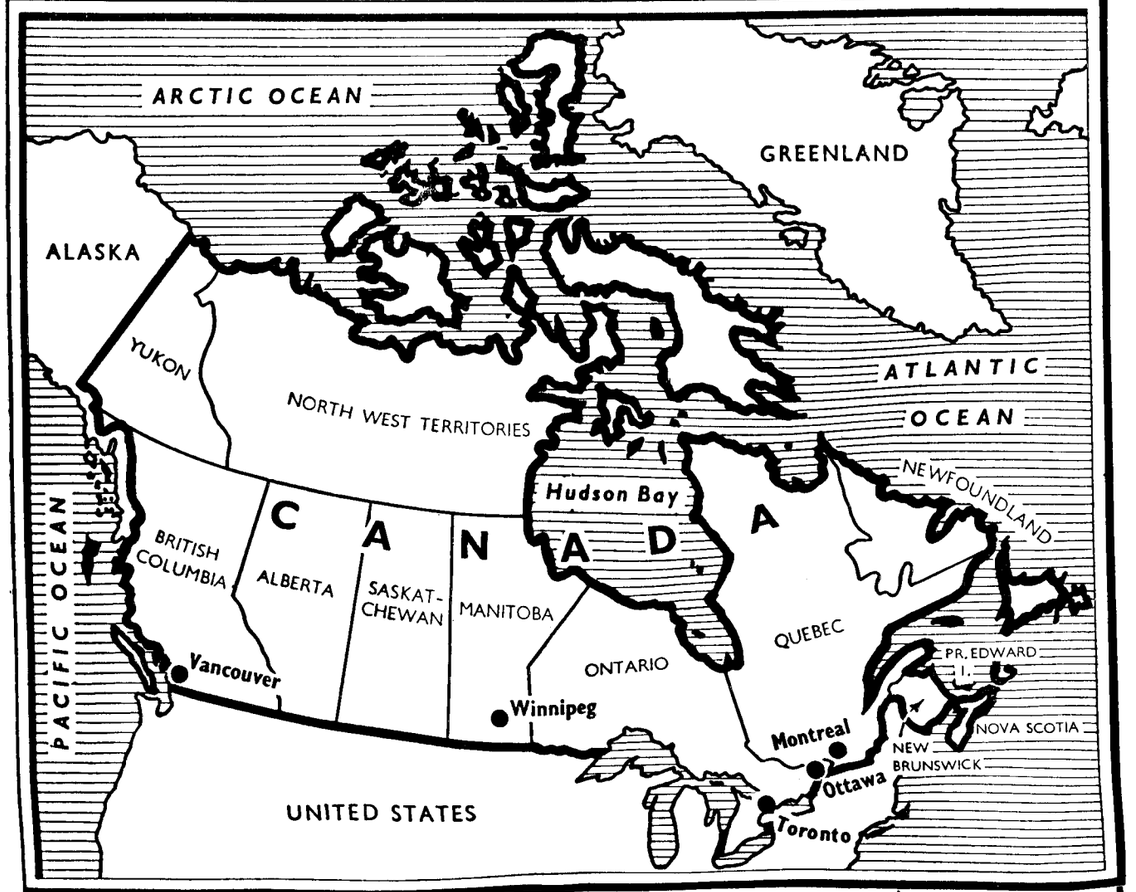
SIR—in a business note on June 21st you refer to the possibilities of producing oil from coal. As long ago as the late twenties, the colliery company I served formed another company to do just that. The specific gravity of the petroleum fraction was wrong for the purpose required, so we "cracked" it into motor spirit. The cannel coal used, for which the colliery company wanted a bigger market, was sold to us at 12s. 6d. a ton at the pit.

When the process was operating (until the pipes coked up) we did produce economically, and it was tremendously exciting imagining we were on the verge of a great discovery. The motor spirit which we cut at 180 degrees was absolutely first-class: one just could not "knock" an internal combustion engine with it; but however much we tried the motor spirit smelt like bad onions, the smell was insistent and most objectionable. That sad fact and the inability to ensure a continuous process killed it. The company, having lost a pile of money with the pilot scheme, was liquidated voluntarily.

That experience is now well over a quarter of a century ago. I beg Mr Wynn to continue to be an optimist, but implore him and others to be cautious optimists, discreet in spending other people's money, before installing a great scheme by the National Coal Board. Remember groundnuts and Gambia; and have a little pilot scheme first.—Yours faithfully, E. A. F. FENWICK
Belford, Northumberland

[The oil-from-coal experiments now being carried out at Leatherhead are under contract for the Ministry of Power, not the Coal Board.—EDITOR.]

Facts about Canada



Area (square miles)	3,845,774
Population	16,948,000 (March, 1958)
Density per square mile	4.4
NATIONAL INCOME	
Total, net (U.S. $ million)	24,385
Per head (U.S. $)	1,446
Money circulation (U.S.$ million)	1,710 (Feb., 1958)
EMPLOYMENT	
Working population (economically active)	
Male	4,477,000
Female	1,430,000
Total	5,907,000 (March, 1958)

DOMESTIC DATA	
Number of homes	4,055,000 (May, 1957)
Homes wired for electricity	3,867,000 (May, 1957)
Cars in use (Private)	3,187,099 (1956)
(Business)	1,007,968 (1956)
Telephones	4,500,000 (1956)
Radios	9,750,000 (1957)
Television sets	2,820,000 (1957)
Refrigerators (electric)	3,308,000 (May, 1957)
Electric cookers	1,958,000 (May, 1957)
Washing machines (electric)	3,354,000 (May, 1957)
Vacuum cleaners	2,339,000 (May, 1957)
Air conditioners	75,000 (1957)
Sewing machines	2,700,000 (1957)

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Receding Recession

WASHINGTON, DC

AN interesting example of what appears to be a distinct change in sentiment about the recession was provided recently by Professor James Angell of Columbia University. Early in April, when the Senate Finance Committee asked for his views, Professor Angell joined what was always a rather small minority by predicting that the economy was headed for "a major depression." Late last month when the committee made public his reply and those of other economists, he was asked by a reporter if he still felt the same way. Professor Angell's answer was that he did not and that he now believed that the chances of a depression were "practically zero."

While not everyone has changed sides so dramatically, there appears to be a swing among both optimists and pessimists toward somewhat brighter forecasts than were common a short time ago. A number of people who, until recently, could see nothing better for the economy than "bumping along the bottom" for the rest of this year are now talking of the possibility of a genuine recovery in the fourth quarter. Some are even convinced that by the end of the fourth quarter the economy will have climbed right back to the levels of activity which prevailed before the recession, though unemployment will be greater because of additions to the labour force. The standard forecast may still point to no more than a sluggish recovery, but a high official of the government sums up the change in opinion by remarking that "all anybody ever asks me about now is how fast the recovery is going to be and whether we're in for another bout of inflation."

What has happened to cause this change? Much of the answer must be found in the extraordinary resistance of incomes to the decline. At their peak last August personal incomes were running at an annual rate of $347.3 billion. Then a sharp and classic decline began in the key component—wages and salaries—which continued for eight months and amounted to the impressive sum of $8 billion at annual rates. And yet by May the total of personal incomes, after rising for three consecutive months, was $344.3 billion, or less than one per cent below the peak.

Much of the credit for this belongs, of course, to the famous "built-in stabilisers," which have performed heroically. Unemployment benefits compensated for about one-third of the loss of wages and salaries; large numbers of people—more than were originally expected—have retired and qualify for social security benefits for the aged; ex-servicemen's benefits were fortuitously increased last October; and, for reasons of its own, farm income has been rising throughout the recession. These factors together have added $6 billion to personal incomes at annual rates since last August, or almost enough to offset the decline in incomes from other sources. One remarkable result is that in this, the worst of the three postwar recessions, only 120,000 families, or one-quarter of one per cent of the total number of households, have been forced to accept public assistance.

Two significant developments are encouraging for the future. In May, for the first time since the recession started, income from wages and salaries, responding to higher employment, began to rise again after its steep fall. And starting in June and July, civilian and military employees of the government will receive increases in pay at an annual rate of $1.4 billion, plus lump-sum retrospective payments totalling $360 million. In short, incomes seem to have nowhere to go but up. As consumer spending all along has been running roughly in line with personal income, the presumption is that consumption will rise, giving the economy significant help in an all-important sector.

THE other major stimulus which the new crop of optimists count on should be provided by business buying for stock. The beauty of the record rate at which stocks were liquidated in the early part of this year (in annual rate of $9 billion in the first quarter, with the pace maintained in April) is that when it stops there is so much room for improvement. No one is suggesting that this liquidation is about to end, mainly because the ratios of stocks to sales remain disturbingly high. But there is every prospect that the rate of liquidation will slacken as the year goes on. If by the fourth quarter it should cease altogether, a $9 billion stimulus would be given to production, and hence to employment and incomes. Even if some liquidation continues throughout this year, a shift from a $9 billion rate to, say, a $3 billion rate would benefit the economy substantially.

The irony of all this is that the 1957-58 recession may turn out, after all, to be a typical "inventory slump," despite all the gloomy forebodings that this decline was different and had all the earmarks of a classic "capital goods slump." The decline in business spending on capital goods is continuing, though perhaps it will fall more slowly from now on. But more and more people are pointing out that there was also some decline in investment in plant and equipment during the two earlier postwar recessions, and that the decline continued well into the period of general recovery. The only difference, according to this view, is that the slump in investment in this recession is, like the slump in almost every sector, a bit worse than in the two other recessions.

In addition to the upward pressure likely to be exerted by the replenishment of stocks and by consumption, the economy for the rest of this year will certainly receive real, if modest, help from government spending at all levels. Federal outlays, mainly on defence, have at last begun their long-awaited climb (they actually drifted lower during the

first six months of the recession) and state and local spending is continuing its inexorable rise.

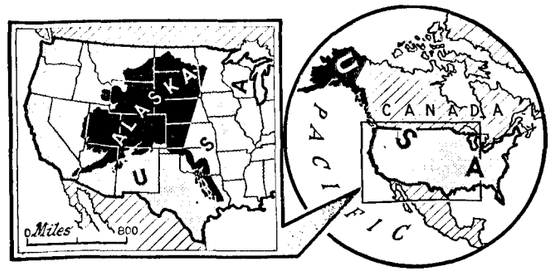
Furthermore, there are good reasons for expecting some stimulus from residential construction. The number of houses started rose in both April and May and has regained an annual figure of one million, a figure which symbolises prosperity in the building trade. Awards of contracts for future construction, both residential and non-residential, were at record heights in May, and applications to the government for insurance of mortgages or guarantees of proposed construction have risen spectacularly in response to easier credit and a few changes liberalising the government programmes. Thus only the fall in spending on plant and equipment seems reasonably certain to continue as a depressing force. The latest official survey of the intentions of business reports that plans for capital spending have been reduced again. But it suggests that the rate of decline may be lower from now on. If so, the decline will be more than offset by the rise in government demand.

It is quite likely that the summer months will see some relapses in the major economic indicators, such as those of industrial production and non-agricultural employment, which have recently halted their long decline and shown slight increases. Holidays, shut-downs of plants and model change-overs in the automobile industry will be pressing downward on the indices, even when allowance is made for normal seasonal movements. But judging from present sentiment, this will produce none of the alarm that similar declines aroused in February and March. Though the feeling is not unanimous, there is now widespread awareness, based on solid evidence, that the American economy has once again shown enormous resistance to the cumulative forces of a classic economic decline.

Forty-nine by '59

IT is over forty-six years since a state—Arizona—was last admitted to the Union and for forty-two of those years Alaska has been beating ever harder at the door. Yet its final opening last Monday came almost casually and with surprisingly little consideration, in the latest stages at least, of what is, in more than one sense, an extraordinarily far-reaching development. For Alaska at its easternmost point is only just over two miles from the Russian continent, while the same point is over 2,000 miles from the rest of the United States. Furthermore, Alaska is the first non-contiguous territory to be admitted to statehood, and a precedent is thus set not only for other American dependencies—the Hawaiian islands in the Pacific in particular—but maybe also for other countries not yet associated with the United States in any way—Cuba, perhaps, or Ireland, or even . . .? And Alaska, with 586,400 square miles, is two and a half times larger than Texas, which until now has been able to pride itself on being by far the biggest state. This underlines the generosity of the two Texans who lead Congress—Senator Johnson and Representative Rayburn—and who had much to do with pushing Alaska into statehood at this session.

Their attitude was one example of the crumbling away of the southern opposition, and, indeed, of the general crumbling away of diehard southern conservatism, which had been holding the door against Alaska for so long. The fact that Hawaii, with its coloured population, was not waiting hand in hand with Alaska this year helped to save southern faces, while the persistent lobbying carried out by Alaska's own representatives in Washington made statehood seem inevitable and no longer worth fighting. But, in fact, Alaska has not yet entered the Union and cannot do so much before the end of the year. For even after the President signs the Bill of admission, several further legal steps are necessary. The most important is a referendum in which the people of Alaska—there are fewer than 200,000



of them, less than in any other state today—must themselves approve the Bill; it establishes state boundaries, authorises the federal government to take over large blocks of land in the northwest of the new state for defence purposes and gives the state government itself over 100,000,000 acres of land which it can lease for mineral development in order to provide basic state revenues.

Alaska has also to choose two Senators and a Representative, which will give the Senate in Washington 98 members permanently and the House 436 until the seats are redistributed after the 1960 census, when one, so far unknown, state will have to sacrifice a member so that Alaska can have its statutory one. Last, but by no means least, a place must be found on the flag for a forty-ninth star—and room left for Hawaii's fiftieth, which seems certain to follow soon.

Glass Houses

THE frank admission of Mr Sherman Adams, the President's chief assistant, that he was "imprudent" in his dealings with Mr Bernard Goldfine, an industrialist from New England, and Mr Eisenhower's plea that Mr Adams was indispensable to him, have cut little ice with Republicans such as Senator Knowland, who must run for office this autumn and feel they will run faster and farther if Mr Adams resigns. But so far the President is standing by his beleaguered assistant, and the Administration has riposted by drawing attention to members of Congress, who habitually seek special favours from government agencies for their constituents. An example is Mr Harris himself, the Democratic chairman of the House committee which flushed, Mr Adams when it was hunting for evidence that independent government agencies had been guilty of impropriety.

Mr Harris's real gift to the Administration, however, and one over which the Democrats are wringing their hands, is the questioning in open session of Mr John Fox, a financier who was once a close associate and is now a bitter enemy of Mr Goldfine, Mr Adams's self-made friend. Without so far producing any proof and in one instance in apparent defiance of the facts, Mr Fox has produced a fantastic rigmarole of

hearsay about Mr Goldfine's connections with Mr Adams. The committee is supposed to hear in secret session evidence which might defame a third party, and, after Mr Fox had begun to testify, only one Republican voted with the Democrats to continue the open hearings. Inevitably sympathy has begun to swing back to Mr Adams as the victim of an irresponsible piece of political assassination of character.

Mr Goldfine, who this week was saying his piece—"a professionally written scenario," according to one member of the committee—has insisted that he never sought any favours from Mr Adams in return for his gifts and that Mr. Adams never bestowed any. The Russian-born industrialist touched one affecting chord after another with references to his early struggle, the superiority of the American system and the plight of a little business man in the federal jungle. But this note rang a trifle false in a man flanked by high-priced lawyers and public relations men. The committee may be inspired by political malice, as Mr Goldfine charged. But the carefully drawn picture of himself as a sentimental innocent was destroyed forever when one of his lawyers admitted that even the trifling presents to Mr Adams were thriftily set down as business expenses by his affectionate friend and deducted from income tax.

Dollar Gap Fills Up

THE June issue of the Department of Commerce's *Survey of Current Business* reviews the American balance of payments during the first quarter of this year, when the American recession was probably at its worst but when the picture was no longer confused by the special transactions arising out of the Suez difficulties. In these circumstances the review seems, at first sight, full of paradoxes. True, it shows, as might have been expected, that both exports and imports declined during the three months. But this decline has been accompanied by a complete reversal of the adverse movement of the gold and liquid dollar assets of foreign countries which made the dollar gap yawn once again so deeply in the first three quarters of 1957. By the end of last March total holdings of gold and dollars abroad were higher than before the Suez crisis and throughout this year they have been growing at a rate which nearly equals the record set in the latter part of 1952. Moreover, the recession, by making funds more freely available in the United States, has brought a peak in foreign borrowing there and has meant an increased outflow of American capital. Finally, the decline in imports appears to have occurred almost independently of the recession.

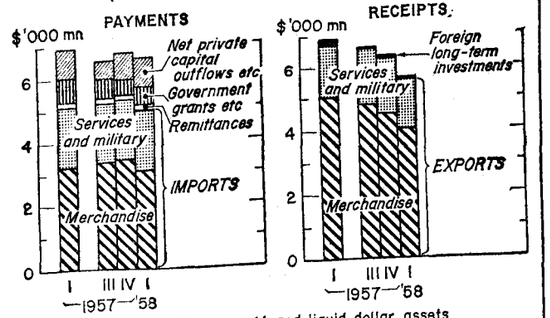
Much of this decline is explained by two factors: silver, originally exported under the wartime lend-lease arrangements, had all been returned by the end of 1957 and no longer appears in the import figures; and buyers of coffee, who were building up heavy stocks last year, have recently been postponing their purchases in anticipation of lower prices. While imports of wool, iron and steel products, wood pulp and paper have gone down, those of copper, lead, zinc and iron ore have held up well and it is domestic rather than foreign producers who have suffered from the drop in industrial demand for metals in the United States. Nor have imports of manufactured goods fallen during the recession; as a whole they have been running as high this year as last year, and motor cars and farm implements have been doing much better.

But the dollar gap was closed mainly by the decline in American exports, far sharper than the general decline in economic activity abroad, and this fall in exports reflected to a great extent the fall in the dollar assets of countries which earn their foreign exchange by selling foodstuffs and raw materials abroad. American exports to Africa and Asia have been going down fast since the middle of 1957 and exports to Latin America are now following the same trend, while exports to Canada are substantially lower than they were two years ago. As far as Europe is concerned, the demand for American goods normally fluctuates, reflecting such short-term developments as the Suez crisis, crop failures or suddden peaks in business activity; this year's decline in exports to Europe is therefore the result not so much of a shortage of dollars there as of an abatement of inflationary pressures and of the appearance of excess industrial capacity.

Finally on closer examination even the filling up of the dollar gap is not so complete as it appears at first sight, since the rise in liquid dollar assets has been concentrated in industrial countries, especially the United Kingdom, the Netherlands and Japan, while other countries, notably France and Indonesia, have undergone serious losses of gold and dollars.

UNITED STATES BALANCE OF PAYMENTS—

—WITH ALL AREAS
(Seasonally adjusted, excluding military aid)



Change in foreign gold and liquid dollar assets
1st quarter 1957: −$401 mn 4th quarter 1957: +$410 mn
3rd quarter 1957: −$410 mn 1st quarter 1958: +$695 mn

—WITH STERLING AREA
(By quarters; $ million)

	1957 I	1957 III	1957 IV	1958 I
Exports of goods and services:				
Merchandise	757	641	700	603
Transport, travel & other services	178	174	203	157
Military transactions	2	2	4	2
Income on investments	108	125	194	120
Total	**1,045**	**942**	**1,101**	**882**
Imports of goods and services:				
Merchandise	485	544	524	n.a.
Transport, travel & other services	158	217	176	160
Military expenditure	197	129	135	152
Income on investments	45	52	51	51
Total	**885**	**942**	**886**	**n.a.**
US capital (net outflow −):				
Private	− 95	56	− 67	− 41
Government	− 70	− 73	−283	− 65
Total	**−165**	**− 17**	**−350**	**−106**
Foreign capital (net outflow −)	**− 16**	**−213**	**461**	**34**
Gold sales	*	...	...	300

* Less than $500,000.

(n.a. = not available)

Atoms Unbend

THE American determination to hold the technical conference on means of detecting atomic explosions, in spite of the signs of second and more sceptical Russian thoughts, has been justified, and a start is being made in Geneva on the long road leading, perhaps, to an agreement to restrain nuclear testing. In Washington, meanwhile, congressional agreement has at last been reached on the sharing of information about atomic weapons which will make it easier for Britain—though not for France—to participate in an international arrangement to suspend nuclear tests if one can be reached with the Russians.

Up to the last moment, Congress was haunted by the fear that, by permitting exchanges of military information on atomic energy, it might be letting the genie of new—and irresponsible—atomic countries out of the bottle. The amendment of the Atomic Energy Act of 1954, as proposed by the Administration and passed by the House, provided that designs for nuclear weapons and materials for military use might be given only to allies which had made substantial progress in atomic technology—an ingenious provision which would limit such exchanges to Britain. Still fearful that this did not go far enough, Senator Anderson, who next year will probably be the chairman of the Joint Congressional Committee on Atomic Energy, proposed, and the Senate voted, that this condition should be applied to non-nuclear parts of atomic weapons as well. In the final compromise it has been extended only to non-nuclear parts that might give away significant information about the warhead, so that countries which are not members of the nuclear club can be prepared to use the warheads which they would be given if war broke out.

There is little doubt that Congress, which has a veto power over any specific agreement, is prepared to acquiesce in the sharing of military information with Britain before it adjourns in August. Unfortunately, it is far from certain that the agreement to help Euratom, the European atomic energy organisation, to exploit the peaceful uses of atomic energy will be treated as a matter of similar urgency. The Administration, though faced with last-minute objections from its own Atomic Energy Commission, has agreed to leave Euratom to see that none of the fissionable material contributed by the United States is used for warlike ends, provided that it approves the method of inspection. But congressional sanction is required not only for the agreement, but also for various measures to implement it, and the legislation may be held up by the doubts of Democrats like Senator Anderson and Mr Holifield about the arrangements for inspection and the scale of aid.

Rescue on the Railways

THE United States ended the 1958 fiscal year last Monday in the red by about $3 billion and the deficit for the current year is now frankly estimated at over $10 billion. This would be more than ever before in official peacetime, even than during the Korean war, yet only six months ago a small surplus was forecast for next July. The latest deterioration in the figure for 1959 was due to the fall of $485 million in revenue which will result from the abandonment of the excise taxes on freight transport, forced on the Administration by the Senate. But after all the agitation only a few months ago for lower taxes as a means of stimulating economic activity, it is significant that these are almost certain to be the only tax reductions approved this year and that they have gone through only because the determination of the House of Representatives to resist all changes was frustrated by the deadline of June 30th for the expiration of other excise taxes and for a fall of 5 per cent in the rate of taxation on corporate incomes. Together these bring in about $2.5 billion a year, and the House had to choose between losing at least part of this revenue and digging in its toes over the freight taxes.

These affect the cost of practically everything and therefore benefit every consumer by their disappearance. This explains why the Senate approved their repeal by a large majority, but the chief concern of Senator Smathers, who introduced the amendment for repeal, was with the need to put a brake on the serious falling-off in the financial position of the railways, which has been accentuated by this year's recession but is of far longer standing. Even though the ending of the freight taxes, levied ever since 1941, will also benefit competing road and water transport undertakings, the railway companies believe that the reduction in their charges will be enough to induce many more shippers to send their goods by rail, particularly those who have been avoiding the tax altogether by using their own lorries. And additional help in this and other directions is expected from the new railway Bill which has just gone through both Houses of Congress with unexpected ease.

Under it road hauliers will be brought under stricter regulation by the Interstate Commerce Commission. More important, railways which want to drop unprofitable passenger services can now appeal to the commission in certain cases, instead of having to rely for permission on the less sympathetic state regulatory agencies. Most important of all, the government will be able to guarantee loans to railway companies to cover both capital outlays and operating costs; this provision, it is said, could save from bankruptcy some hard-pressed companies which can now only borrow money at exorbitant rates of interest, if at all.

Due Process

ON Monday, the last day of its session, the Supreme Court decided not to permit any short cut through the judicial process in handling the appeal from Judge Lemley's decision in Little Rock, Arkansas. The National Association for the Advancement of Coloured People had asked the Court, as a matter of urgency, to hear the appeal itself and give an early verdict on the question, which is of national importance, of whether local opposition is a valid reason for postponing or undoing racial integration in the tax-supported schools. Though the Justices insisted that the appeal must be heard first by the Court of Appeals in St Louis, they hinted very strongly that the appeal—or at least the motion for a stay—should be acted on promptly, in time to permit arrangements to be made for the opening of school in the autumn. If Judge Lemley is reversed, and the seven Negro children who are left are to go back to the white school, troops will have to go back with them.

The NAACP is not depressed by this decision, and it is exhilarated by another ruling of the Court. This struck

down a $100,000 fine for contempt imposed by Alabama on the association because it refused to disclose its list of members. The Supreme Court held unanimously that such a requirement violated the constitutional guarantees of free speech and association, since there was no doubt that publishing the names of members would expose them to economic retaliation and perhaps physical violence. The NAACP has inspired and financed most of the suits brought to implement the Supreme Court's ruling that racial segregation in the schools is unconstitutional. As a result, seven southern states have either passed new laws aimed at the association or taken action in the courts against it. In Alabama, where the NAACP angered the authorities by intervening in the Montgomery bus boycott and the Autherine Lucy case, the legal knot has been particularly tangled: as long as the association was held to be in contempt, it could not even get a hearing in the state courts for its claim to be allowed to operate in Alabama.

Exploding Washington

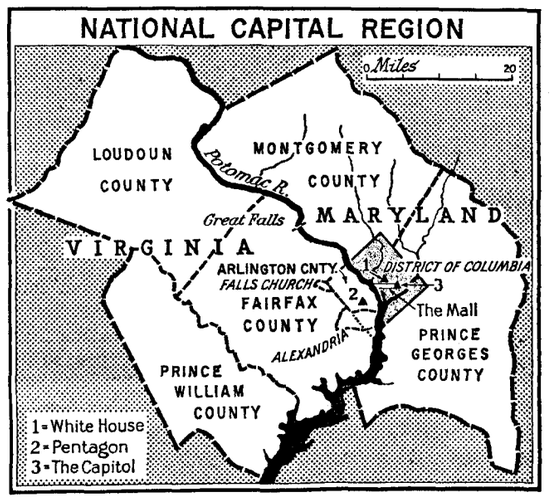
FROM A SPECIAL CORRESPONDENT

IN 1800, when the District of Columbia officially became the "federal city," it consisted of a square of swampy land, ten miles each way, with the Potomac River as its diagonal, provided by the states of Virginia and Maryland for the "seat of the general government." Half a century later, it was smaller by a third—the land south of the river had been ceded back to the state of Virginia. But today, the National Capital Region spills over 2,300 square miles, overlapping six counties and two municipalities in adjacent Maryland and Virginia; over 2 million people live there. About a quarter of them have come since 1950 and projections suggest that there will be perhaps 3.5 million in 1980. These people need housing, water laid on and sewage drained off, transport—and, most of all, they need a governmental structure corresponding to the life of the new city, able to supply its varied requirements, and to prepare and carry out a comprehensive plan for its still-explosive future.

Washington was a planned city from the beginning and the central core still displays the basic pattern designed in 1791 by the French engineer, Major Pierre L'Enfant. His grid of lettered and numbered streets is still there, divided by tree-lined avenues named for the states, whose vistas widen into circles where traffic mills around equestrian statues at horse-and-buggy speed. His siting of the White House where the President lives and of the Capitol where Congress works survived the British burning of 1814. The broad Mall, on land reclaimed from swamp, stretches from the Lincoln Memorial to the Capitol; bordering it are the various museums that symbolise the city's culture, and north of it the area known as the "federal triangle" contains most of the executive offices, though the largest, the Pentagon, is across the river.

Recently, much new private construction has improved L'Enfant's central city with new office buildings, headquarters for various trade unions, blocks of flats replacing Victorian houses and so on. The latest schemes concern Foggy Bottom, a section near the river west of the White House, which until a few years ago contained only unsavoury slums and smelly gasworks. Private interests are now rehabilitating it by putting up offices and dwellings and transport authorities are contending among themselves as to whether it should make a bridgehead for a new Potomac crossing or an entry point for a loop road or a new highway. Meanwhile the Senate has passed the Fulbright Bill which would provide the funds necessary to complete the purchase of a site in this part of town for Washington's much-needed centre for the performing arts.

But recently new areas of decay have also been left behind by the flight to the suburbs. It is not so easy as it used to be to take photographs with insanitary privies behind alley dwellings in the foreground and the Capitol dome in the background. But urban blight, congestion and contamination nevertheless mean that extensive redevelopment of obsolescent neighbourhoods is required in the central city, particularly in view of the changing character of the 870,000



people who form the population of the District. The postwar outburst to the suburbs of young couples who want to bring up their children in the country coincided with a heavy in-migration of Negroes from the rural South and the employed population of the central city has been left older, poorer and more non-white than before.

But long range and even more complex planning is just as necessary in outlying areas. In spite of some recent decentralisation, eighty per cent of the 312,000 federal jobs which are the city's main reason for existing are within five miles of its centre and so is much of the employment in commerce, light industry and the tourist trade which form a second, and growing, source of the $5 billion annual income of Washingtonians. The suburbs are thus mostly a dormitory area, to and from which the 400,000 working members of the community must find daily transport. On the Maryland side of the river, the main lines of new development followed in relatively orderly fashion the courses of a group of streams which empty into the Potomac at or above the city and supply the 38-year-old Washington Suburban Sanitary Commission, operating over the whole area, with sources of water and channels of waste-disposal for some half-million residents. But on the Virginia side, the houses in the new estates that mushroomed during and after the war depended on wells and septic tanks for their water systems; as former farms were bought up by developers, little communities dotted the landscape with small relation to one another or to the existence of public services. So when the increasing density of settlement made it necessary to concert arrangements for water supply

and sewage disposal, a chaotic struggle began—and still continues—among small water companies and minor governmental jurisdictions.

All parts of water-thirsty metropolitan Washington are now looking anxiously to the Potomac, whose diminished flow during last summer's drought gave noisome warning that the river was incapable of carrying off waste in dry seasons unless reserves of water were impounded upstream. If the problem is not soon to become insoluble land must be set aside from building development for reservoirs and to prevent water pollution above points of intake. Washington only has water today because the engineers who installed the present facilities at Great Falls in the middle of the nineteenth century put in a nine-foot conduit capable of supplying some fifty times as many people as they then had to serve. If land were set aside now for these and other purposes millions of dollars would be saved later, since land which a few years ago sold for $85 an acre already sells for $8,500 a lot. At present, the ratio of public land in the National Capital Region is 78 acres to 1,000 persons; estimates suggest that by 1980 some 140 to 160 acres to each 1,000 persons will be required for rights of way, public uses, parks and recreation areas.

THE traffic question offers a good illustration of the problems involved. At present, passengers can travel out of the city's centre by tram or bus for about half an hour; after that suburban dwellers must depend on motor cars and many of them do for the whole journey, so that worms of traffic bore by inches in and out of the city every morning and evening. The land necessary for a four-lane divided freeway works out at about 40 acres a mile, not including parking space for cars once they arrive in the city. And if all new commuting traffic were by private car, eight rather than four lane facilities would become necessary; by 1980, some 35 to 38 traffic lanes, on 3.1 billion dollars' worth of expressway, would be needed, though the system would be in active use for only about four hours in twenty-four. A combination of highways for cars and separate lanes for express buses would materially reduce costs and acreage; a gleam in some planners' eyes would combine such traffic with a high-speed electronically-operated system of monorails, with stations-plus-parking in outlying areas. But for any of these plans to be practical, a regulatory commission co-extensive in authority with the metropolitan area would be necessary.

Plenty of material on which to make complex planning decisions is available and more is being produced constantly by the various planning groups which are permanently or intermittently at work. Whenever it is suggested that a governmental unit whose jurisdiction corresponds to current realities is needed, the suggestion is favourably received. But even in other parts of the country such talk is only occasionally turned into action, and in the Washington metropolitan area there are two special difficulties in the way of such a unit being set up.

One is the absence of leaders who feel themselves to be indigenous, and are so regarded. In the newly-settled areas of Virginia and Maryland, as in the District itself, newcomers for the most part do not consider that they have come to stay permanently, even though in fact they may remain for the rest of their working lives. If they are civil servants, as most of them are, there are advantages to be had from retaining their legal residence, and thus their vote, in the states from which they came. In both Virginia and Maryland, Washington dormitory areas are considered by residents in the rest of the state to be far-away places of which little is known, and the local political hierarchy treats them as such. In the District, the congressional committee which serves as a local government can only with difficulty get new legislation out of a Congress busy with larger affairs. In this atmosphere of here-today-and-gone-tomorrow, it is hard to summon the political support needed to push through a major reorganisation of government.

The other, closely related difficulty about setting up a special government for the Capital Region is the complication of the federal structure itself. While the 67 units of local government in the Washington metropolitan area are notably fewer than those in the similar concentrations around Chicago, Philadelphia or San Francisco, and while other regional groupings also cross state lines, no other metropolitan area has to cope with the federal government as well. So strivers for the rapid transit, plentiful water, pure-flowing streams and green open spaces desired in the abstract by all denizens of Greater Washington are apt to find that they have an extra river to cross when planning along the Potomac.

Wealth of Talent

ALTHOUGH Mr Harriman, the Governor of New York, will be hard to beat for re-election in this Democratic year, Republicans in the state are not short of champions. The latest to enter the ring is Mr Nelson Rockefeller who, like Mr Harriman, is a public-spirited millionaire and a man who has had wide experience in the international field but who, like Mr Harriman up to four years ago, has never experienced the rough and tumble of running for election. But unlike Mr Rockefeller, who at 50 can look forward to a long career in Republican politics even if he fails this year, Governor Harriman, at 67, can hope at best for only one more try at the Democratic nomination for the Presidency. It is thought that he will spare no effort to win as handsomely as possible in New York this autumn in order to impress the Democratic convention in 1960 with his vote-getting powers.

For this reason, not all Republicans are convinced that the untried and perhaps too gentlemanly Mr Rockefeller is the right man to lead a forceful Republican come-back in the state, even though some polls of public opinion suggest that he would be the best choice. The other aggressive contender for the Republican nomination and the first to declare himself is Mr Leonard Hall who, after years of legislative experience and a phenomenal success in managing Mr Eisenhower's last campaign, may be given the chance to show what he can do for himself. What many Republicans feel would most strengthen the team would be for Mr Rockefeller to stand for the Senate seat of Senator Ives, a Republican who is retiring. But it is far from certain that Mr Rockefeller, despite the international experience which would make him so useful a Senator, will agree to be sidetracked out of his hopes of a Governorship which carries great political power in itself and which is a traditional stepping-stone to a presidential nomination. If the question is not settled privately it will be fought out in August when the parties hold conventions to choose their nominees and when the Democrats may have their own difficulties over a senatorial candidate.



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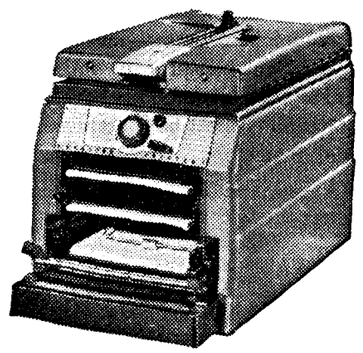

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THE WORLD OVERSEAS

Diplomatic Interlude in Paris

FROM OUR PARIS CORRESPONDENT

PARISIAN clairvoyants, it is rumoured, are threatening to strike in protest against the unfair competition of journalists. Indeed, the utter secrecy surrounding General de Gaulle's plan of action has reduced most commentators to the rank of interpreters of an oracle. Alternatively, they can argue about the respective merits of the versions of a given text issued by official spokesmen in Paris and Algiers. Intentional ambiguity gives everyone plenty of scope for wishful interpretation.

This week, which opened with Mr Macmillan's brief visit and ends with Mr Dulles's arrival—the general's trip to Algeria being sandwiched in between—has put foreign affairs in the forefront. For once, there seems to be a fair amount of agreement about what is going on. France is not expected to make any clear break with policies followed up to now. The nightmare of the general blackmailing his partners, rushing to Moscow and wrecking the Atlantic alliance in the process has vanished, at least for the time being (in Paris the idea of an invitation to Moscow is still not entirely ruled out). The Anglo-French statement insisted on the complete agreement of the two heads of government on "the paramount necessity of the defence of the free world".

M. Couve de Murville, the new foreign minister, mentioned previously that French policy would change in method rather than aims. In Nato councils the general may be expected to press his claims more strongly than his predecessors did. But he can hardly ask for more positions of command while the French contingent in the Nato forces is depleted by the calls of the Algerian war. On the other hand, General de Gaulle seems set on bringing France into the atomic club; and if plutonium production at Marcoule proceeds successfully, in a few months' time he may back his bid with an atomic explosion. Will this induce Washington to share its atomic secrets? Mr Macmillan could easily argue, as he did, that this was up to Mr Dulles.

The cordial Anglo-French talks brought little progress on the controversial questions of atomic energy or the free trade area. The whole purpose of the meeting was an exchange of views: did the Prime Minister gain any insight into the general's mysterious designs for Algeria? Etiquette may have prevented him from asking; yet Algeria, as the key piece in the North African puzzle, deeply affects the West's relations with the Arab and African worlds. General de Gaulle has scored one important success in the agreement on the evacuation of French troops from Tunisia (the future of Bizerta is now being discussed). Thus the pattern prepared by Mr Beeley and Mr Murphy, the "good officers," is being followed closely. It was this plan that occasioned M. Gaillard's fall and the overthrow of the Fourth Republic. The general has put it through almost without a murmur, and now intends to follow suit with a similar bargain with Morocco.

Improved relations with Algeria's neighbours can serve two exactly opposite policies. One policy would use their help to get a negotiated settlement with the Algerian rebels, leading to a North African federation linked with France. The other would try to isolate the insurgents in order to settle the conflict by force of arms. Bitter experience should have taught Frenchmen that no angle of the North African triangle can be treated in isolation. President Bourguiba, while congratulating General de Gaulle on the agreement over troops and wishing him success for the future, gave him only three months to bring peace to North Africa by recognising "Algeria's right to independence." What will the general do in the hundred days still separating France from its fateful referendum?

The news from Algeria has not been reassuring. The group of army officers which played a key part in the May rising is consolidating its position. They are spreading their control over the country, purging colleagues suspected of "republicanism" and seizing papers containing distasteful news—all this apparently with General Salan's blessing. They were not unduly perturbed by the Tunisian agreement since they no longer believe it possible that Algeria could be granted independence against their wishes. Their only worry is that the general is taking so long to abolish "the system" and "regenerate" the home country.

Under the Fourth Republic, when Algiers behaved in this way the blame was put on the instability of the government in Paris and on the army's insubordination. But General de Gaulle need not bother about parliamentary niceties. And he has shown his faith in the army in Algeria by confirming it in the possession of civil powers. What, then, is the Gaullist solution? Is there one? It is against this background of disquiet that the general has made his second trip to Algiers.

Russia's Agrarian Revolution

AT a meeting in June which the world assumed to be concerned with other things, the central committee of the Soviet communist party decided to abolish compulsory deliveries of farm produce to the state; the central authorities will now have to procure food supplies from collective farms by purchase alone. This may very well not have been the only matter discussed; yet it would be wrong to dismiss it as a mere distraction from the execution of Mr Nagy, the handling of the satellites, and the latest turn in the

post-stalinist ideological conflict. The abolition of compulsory deliveries is an important reform, the second such step of the year in Soviet agriculture; the first was the decision, announced by Mr Khrushchev in January, to wind up by stages the 8,000 or so machine and tractor stations which have been the bastions of state power in the rural areas of the Soviet Union. The two far-reaching reforms of 1958 will affect some 80 million people living on 78,000 big collective farms; they are part of the drive to bring agricultural development into line with Soviet industrial expansion.

Up to now it has been impossible to quote a single price for any given agricultural commodity. Part of the surplus of a collective farm found its way to the state-owned MTS as payment in kind for services rendered. Another part went to the state directly as a compulsory delivery at artificially low prices. Some of the produce earned better terms under contracts. If any were left over, it could be sold to the state at much higher prices or it could join the produce of the farmers' private plots on the stalls of the free market (the "collective farm market", to give it its full title).

THIS rather complicated method of extracting food surpluses has been evolved over the years from the period of war communism, through the New Economic Policy of the nineteen-twenties and the various stages of collectivisation. One important reform, tending towards a more rational exploitation of land, was introduced in 1940. Until then the compulsory deliveries were calculated as a given proportion of the crop grown or the livestock bred on the farm. Since 1940 this form of tax has been levied on the basis of acreage, the assessment taking into account the fertility of the area. The whole system is now being condemned as too complex to act as an incentive and too mechanical to be just. Some *kolkhozy*, particularly the so-called "millionaire farms" producing crops for industrial use, meet the state's requirements easily and make great profits from their additional output. Other farms scarcely manage to meet their obligations and many are heavily in debt. One feature of the new project which will be very popular is the moratorium, the cancellation of all debts for unfulfilled deliveries in the past.

Mr Khrushchev has evidently decided to seize the opportunity provided by the abolition of the MTS to reorganise the whole method of obtaining food supplies, and to replace physical controls by a form of price mechanism. The Soviet Union is to be divided into a number of agricultural areas. The prices of the various crops will vary from one area to another; thus the planners, when they draw up the price lists, can influence specialisation. Within each area prices should remain stable in a normal year, though they are to go up with bad weather, and down with a bumper crop. Some of the millionaire farms are likely to lose on the change, but most of the *kolkhozy* are expected to benefit. And the planners hope that the prospect of steady farm incomes will encourage production. An additional advantage should be a substantial cut in distribution costs by a reduction in the bureaucracy of procurement.

During the years of Russia's breakneck industrialisation everything was subordinated to the needs of heavy industry. The countryside had to provide, in addition to foodstuffs, millions of men and women to work in the growing towns. Although agricultural investment was necessarily low, the planners eventually found that the growth in output did not even correspond to the investment in mechanisation, fertilisers and other improvements. The reasons were many. Because the revenue of most farms was low, their members were poorly paid for their work, and even then little was finally left in the communal fund for distribution. As a result, peasants tended to neglect their communal work, concentrated on their small private plots and tried to take over as much collective property as possible for private use.

Stalin's successors frankly admitted a state of dangerous disproportion between the pace of industrial and of agricultural growth. Their remedies proceeded on two different lines. There was Mr Khrushchev's shock treatment: the reclamation of millions of acres of virgin land in distant Kazakhstan and Siberia. When the weather is good, these areas now supply a substantial proportion of the country's grain. The second line of policy is the provision of incentives for the traditional agricultural areas. Taxes have been cut, compulsory deliveries were first lowered and are now done away with altogether, purchasing prices were raised, and so on. The supply of agricultural machinery has been stepped up and more industrial consumer goods have been sent to the countryside.

The policy of incentives has brought tangible results. Though the Russians are unwilling to produce figures for 1957 (because of the bad harvest in that year), information provided by Mr Khrushchev on the supplies of meat and dairy produce, industrial and other crops in the four years since Stalin's death shows a substantial increase over the previous period. The Russians must now raise their yields per acre and, above all, their yields per man. The two latest reforms must be viewed in this framework. The abolition of the machine and tractor stations and the transfer of their equipment to the collective farms is an appeal—at one remove— to the property instinct of the peasantry. The substitution of price pulls for compulsion is aimed at getting the farmers interested in higher output.

THE new measures are not an advance towards the communist goal of "bridging the gap between town and countryside." To achieve that aim Stalin envisaged a progressive switch from monetary exchanges to planned barter between industry and agriculture. Now, on the contrary, all is to be governed by prices. Admittedly, the state keeps control over prices; it remains the main purchaser of agricultural products and the sole supplier of industrial goods. But the existence of a freer market in food will influence the price level, and even a distorted price mechanism is a different thing from direct planning in physical terms.

In 1925 Nikolai Bukharin called on the Russian peasants to enrich themselves so that the Soviet state should benefit from their wealth. Mr Khrushchev now makes a similar appeal to collective farms. He, too, would probably admit that this is only a programme for the transitional period, that once the supplies are more plentiful and state farms stronger there will be time to think of communist orthodoxy again. *Primo vivere, deinde philosophari.* At this stage, the empirical Mr Khrushchev is concerned with getting more foodstuffs and raw materials; thus he may hope to consolidate his position as a popular ruler

The proof of an economic system lies in its results. The reforms are likely to be popular, but much will depend on the way in which agricultural prices are computed and manipulated. The impact on production will not be seen immediately, but the peasants' response to Mr Khrushchev will be shown in a couple of months, when the farmers decide what proportion of their harvest to sell to the state under the new system.

Ankara and the Cyprus Plan

FROM OUR CORRESPONDENT IN ANKARA

THE four day religious festival of Kurban Bayram has deferred Turkish reactions to the Commons debate on Cyprus and all that can be gleaned from sparse press comments and conversations is that the Labour party, while reassuring the Turks by its support for the Cyprus plan, has somewhat disquieted them by the changes that it has suggested. There has been no official Turkish reaction to the British plan since the declaration by the foreign minister, Mr Zorlu, on June 19th. This declared that partition was the best solution for Cyprus, but that the principles of partnership and partition were "quite well reconcilable." It is on this hopeful phrase that most people here pin prudent optimism.

The heart of the Cyprus problem for Turkey is, and always has been, the nature of the final sanction that the Turks will have against possible attempts by the Greek majority to dominate the island. Partition is not an end in itself but is regarded by the Turks, who are profoundly sceptical about written international guarantees, as the most effective form of this sanction. One important feature of the Turkish attitude is that the government is not in the hands of its public opinion. Both the Turks on the island and the huge crowds chanting "partition or death" on the mainland will ultimately obey Ankara. What orders issue from Ankara depends on the consensus of policy between the Turkish government and the opposition.

The Turkish government is of course not very free. It has nailed its colours firmly to the mast of partition; to unstick them abruptly would be political suicide. Yet the government has been flexible enough not to define what partition means; it may not be completely committed to physical partition of the island now. Cyprus is not a party issue in Turkey, but the difference in the attitude of the parties at this juncture is important. Both the main parties are agreed on the essential issue—security against a Greek takeover of Cyprus. Both parties support partition in name. But the Opposition seems not only much more receptive to the British plan, but also markedly less keen on the physical separation of the two races on the island.

The leader of the Republican People's Party, Mr Ismet Inönu, recently outlined the opposition's view on Cyprus as follows. If the Greeks continued to press for enosis, then the "surgical operation" of partition would be unavoidable; but if that consequence could be established as a certainty, then a "reasonable solution" could be negotiated. Mr Inönu went on to suggest that a written guarantee should be given to the Turks of their *right* to partition if the Greeks persisted with enosis. This conception that enosis automatically implies partition and that both are excluded seems very close to the principle underlying the new British plan. Most Turks today consider that enosis in its pure form is now finally dead.

If there is one part of the British declaration that the Turks will stick to like leeches it is Mr Macmillan's reassertion of the pledge of December, 1956, that in the event of self-determination in Cyprus, partition must be considered one of the "eventual options." The key question the Turks are already asking is: does the Labour party back this pledge? Their attitude may turn on the reply to this.

Seen from here, the touch of genius in the British proposals is "shared sovereignty," with its statesmanlike vagueness. Reflective Turks realise that Turkish joint sovereignty over the whole island might serve their long-term interest better than exclusive Turkish sovereignty in only part of the island; especially as shared sovereignty presumably gives Turkey the right to station troops in Cyprus. This idea goes some way to satisfy the persistent Turkish demand for a "final settlement." There is reason in the air in Turkey and it may well prevail.

Who is a Jew in Israel?

FROM OUR CORRESPONDENT IN TEL AVIV

INSTRUCTIONS by the Minister of the Interior on how to fill in new identity cards have led to the withdrawal of the National Religious party (Misrahi-Hapoel Hamisrahi) from Mr Ben-Gurion's coalition. This might seem a far-fetched issue over which to have a government crisis. But in Israel it is not, since it concerns the intricate question of who is to be recognised as a Jew—a matter on which the orthodox Jews hold strong views. The Minister of the Interior, who is a member of the left-wing party, Achduth Avodah, issued instructions in March that people should be entered as Jews on new identity cards if they declared that they profess either the Jewish or no other religion. The parents of minors can enter their children as Jewish, even if the mother or both parents are Gentiles.

This runs counter to rabbinical law, according to which the child has the religion of the mother. Orthodox circles maintain that once the principle laid down in the Minister's instructions is accepted, the door is opened for mixed marriages; and, what is more, it will become impossible to tell who is a child of a mixed marriage and who is not. The issue is topical because over the past year immigrants have included a good number of Polish families in which the wife is a Gentile and the children have not been brought up as Jews. These people have sometimes had a difficult time among the orthodox. More than once the Israeli press has asked that everything should be done to assist their absorption in the community. The Minister's instructions might therefore be suspected of being an attempt to solve the problem of the children of mixed marriages by a stroke of the pen. But this seems not to be the case. When confronted with the break-up of the coalition the Minister offered at once to drop the category of "religion" from the identity card altogether if this would allay orthodox fears. This gesture, however, does not seem to have done the trick. On Tuesday mediatory efforts appeared to have failed and Mr Ben-Gurion accepted the resignation of the two cabinet ministers belonging to the National Religious party.

Whether the coalition can be patched together again remains to be seen. Mr Ben-Gurion does not seem to be keen on remaining in the cabinet alone with the two left-wing

parties, Achduth Avodah and Mapam. Both are likely to make trouble in the economic field since they are opposed to some of the economic reforms the Mapai is trying to introduce. In the cabinet, the Progressives too have lately shown a tendency to stick with more stubbornness than before to their principles.

Mr Ben-Gurion needs the orthodox members of his cabinet although even after their departure the coalition still commands a majority in the Knesset. And he is not anxious to start a real fight with the orthodox wing although its members have lately made trouble on several occasions; some have staged demonstrations against the construction of a swimming pool in Jerusalem, while others have been pressing for the prohibition of the sale of pork. Mr Ben-Gurion is well aware that some of these religious issues are explosive and that devout and fanatical rabbis have found new adherents among the new immigrants who follow religious law scrupulously.

According to Israeli law the rabbinical courts deal with all issues of personal status like marriage and divorce. Theoretically, it should be possible for a Jew to be an Israeli without observing the religious law. But in practice, he is judged by this law in personal matters; he can be married only by a rabbi and no rabbi will sanction a mixed marriage. It may not prove too difficult to put the coalition together again. But to adjust rabbinical law to modern conditions is quite another matter.

Emergency in Ceylon

FROM OUR CORRESPONDENT IN COLOMBO

THE state of emergency in Ceylon has now entered its second month, and it looks as if it will go on for some time. The government apparently feels that the risk of further outbreaks of violence is too great to allow the security measures to to be taken off immediately. The feeling of security among the general public that was created after the first week or two of the emergency has been somewhat shaken by the flood of leaflets and letters received by members of minority communities, by Christians in Colombo and by Sinhalese in Trincomalee. (The anti-European leaflets actually pre-dated the communal clashes. They were first distributed during the communist-led strike in Colombo. Most observers are not ready to see a link between that strike and the racial violence which came later.)

Apart from the shortening of the curfew hours which now allows people to be on the roads until nine each evening, the regulations and orders made under the emergency continue unrelaxed. There are still no public meetings. The politicians placed under house arrest have not been freed, and the Northern and Eastern provinces are still under military co-ordinating officers. The censorship continues and has even been extended to cover the discussions and decisions of the cabinet. The effect of the emergency on the newspapers is particularly marked. Quite apart from the censorship, they have no public speeches to report; in normal times, the words of public and not-so-public men form a staple column-filler for the local press.

Apart from these restrictions, however, life is, on the whole, back to normal. Many of the public servants who evacuated have come back to their desks, and normal working hours have been resumed. Business has picked up. Goods are moving faster, in the ports and in the country. Most prices are settling down. People are going about their normal business without apparent fear. But the future remains uncertain. Extremist excesses have been checked and efforts are being made to deal with as many of the offenders as is possible. But the basic conflict has not been resolved; it has only been submerged. The majority of members of both communities, Sinhalese and Tamil, were not a party to the recent violence, and it remains doubtful whether the minority of fanatics who were responsible have been convinced of the criminal insanity of their actions or whether the majority can restrain them.

A settlement can only come on political lines. The government has stated that it thinks only in terms of a united Ceylon, with all communities living side by side, and that it will deal with extremism of either kind. In the Governor-General's speech to the two Houses of Parliament it was stated that the Bill to provide for a reasonable use of Tamil would be presented soon. It will be recalled that when the Tamil Federal party reached its truce with the government last year, it was on the understanding that the government would introduce two bills, one for the use of Tamil and the other to set up regional councils which would give greater provincial autonomy. While these did not meet the demands of the Federalists in full, they were acceptable to them as going part of the way.

The passage of legislation to give Tamil an official status will no doubt assuage the feelings of the Tamil people and help to restore their confidence in the government. This is most important since an aggrieved Tamil population will only feed the extremism of Federal party militants. The Tamils for their part will be foolish not to recognise the fact that extremism on one side can only provoke extremism on the other.

The tragedy today is that, apart from the Communists and the Trotskyite Lanka Sama Samaj party, there is no political party in Ceylon that embraces all the racial groups. The language issue has denuded both Mr Bandaranaike's Freedom party and the United National party of its Tamil membership. On the other side, Tamil leadership has largely passed to the Federalists. As a result, the approach to the language issue has tended to be tainted by the expediencies of partisan political interests. It is not, however, too late to treat it as a national issue. This is the toughest of all the many crises that Mr Bandaranaike has faced in his career; to solve it will require statesmanship from him and from others as well.

Mexican Opportunities—II

FROM A CORRESPONDENT

BEYOND the short-range, and on the whole not very drastic, challenge of the effects of the American recession, Mexicans discern a more fundamental challenge: the containment of inflationary pressures in a rapidly expanding economy and, above all, the creation of new capital for investment in industry. In their franker moments, Mexican economists acknowledge that a major part of this new capital will have to come from abroad—if only because the Mexicans themselves have a deeply-ingrained bias toward investing in real estate rather than in industry. But they add, with good reason, that it is in the interest of Mexico's economic and political health that investments should not come from the United States alone.

But should not the foreign investor bear in mind that nationalisation, or the ideal of nationalisation, constitutes a classical element in Mexican political life? To ask this question is, in large measure, to inquire into the history and status of Pemex—Mexico's famous nationalised oil and gas industry. No subject is more bitterly controversial; about none is it more difficult to obtain reliable information.

THE expropriation of American, British and Dutch interests which led to the establishment of Pemex in March, 1938, has left vivid and bitter memories. Hostile critics contend that the Pemex adventure has led to a financial and technical fiasco. They point out that Mexico ranked second among the world's oil producers, whereas today it ranks ninth; that exports of oil in 1956 fell $25 million short of imports, whereas earnings from oil exports in 1938 far exceeded import outlays. They say that Pemex is a drain on the national budget rather than one of its mainstays, and suggest that it is kept in business by *ad hoc* government grants such as the $10 million reportedly given in 1940. Above all, critics of Pemex insist that the rate of expansion of the Mexican oil industry falls dramatically short of that of Venezuela, where it is in private hands, and that little is being done to exploit Mexico's immense natural reserves. The single recent strike at San Andreas in the state of Vera Cruz is now yielding nearly 40,000 barrels daily. American geologists and engineers suggest that Mexico could, and should, be drilling three times as many wells as the 318 drilled in 1956.

Defenders of Pemex are no less emphatic. They observe that the total revenues of Pemex came to 15 billion pesos in the past five years, double the rate of the previous five-year period. There are now ten times as many drilling rigs in the field as there were in 1938. Daily output now averages 272,000 barrels as compared with 106,000 at the time of nationalisation. Crude oil production in 1957 attained 91.4 million barrels. They maintain, moreover, that the policies of the foreign oil companies had reached such a point of stagnation and selfishness that Mexico had, in effect, no choice but to take over. If operations have not expanded as rapidly as in Venezuela, it is because Mexico does not choose to commit its economic future into foreign keeping and because Mexican oil prices have been kept very low for the benefit of domestic users.

From the purely financial and technological point of view, Pemex has not done as well as it might have, and it is probably not paying its full way. But its success as a social, political and psychological achievement is undeniable. Through Pemex—whose name is flashed in bright lights in every corner of Mexico—Mexicans have convinced themselves that they can administer and expand a complex industry. Sixteen thousand Mexicans were employed by the oil companies before 1938; at present, Pemex numbers more than 40,000 employees, and is constantly widening and diversifying its operations in such domains as natural gas. Pemex has been to the Mexicans an instrument of self respect. They are now beginning to concentrate on the book-keeping side of things. There are indications that the artificially low price of oil will be allowed to rise, and there are rumours that Sr Uruchurtu, the tough and brilliant administrator of the Federal District, may be asked to head Pemex after this weekend's elections.

THE history of Pemex, moreover, has played a vital role in creating a favourable and mature climate for the foreign investor. As one Mexican banker puts it, Pemex is a lightning rod which serves to earth the recurrent Mexican impulse toward nationalisation. It assuages national pride in the face of foreign capital, yet it persuades responsible Mexicans that their country cannot afford many such victories. Outside the Partido Popular, a dwindling vestige of the insurgent past, there is little talk of further nationalisation. The need for outside investments and foreign participations is too obvious.

The Mexican government and Mexican business leaders are actively looking for foreign capital; and they can fairly claim that the Mexican economy does offer good opportunities. A heavy chemical industry is in the process of development. The rapidly increasing output of petroleum, sulphur and natural gas is expected to lead to the extensive manufacture of petroleum chemicals. The demand for consumer durables is running sharply ahead of available manufacturing capacity. Mexican labour, still exceedingly cheap, is developing a high degree of skill. Thus, for example, Mexico is manufacturing television tubes—a technological process of some intricacy.

A minor rash of industrial disputes suggests that the unions have chosen an election year in which to press some of their claims. Otherwise politics appear to have had nearly no effect on the rhythm of economic life. This, in itself, is a fact of major importance: Mexico is in a mood of dynamic stability. Nearly alone among Latin and Central American nations, it has found good jobs for its colonels (they are usually promoted to the rank of general and made governors of states). Ex-Presidents, on the other hand, retire to their pleasant haciendas. They do not sit in neighbouring republics plotting to overthrow their successors. One need only recall Mexico's past—that sinister panorama of regional insurrection and political murder—to realise how marked an achievement this is. Or perhaps one need only look across Mexico's borders—at Guatemala, Venezuela and Cuba.

Reflecting on the potential British investor or entrepreneur, one Mexican financier put it this way: "Our freely convertible currency in fact makes of us a dollar market. The threat of further nationalisation is far less imminent in Mexico than it is in England. The sunshine in Guadalajara is so much steadier than in Manchester."

(*Concluded*)

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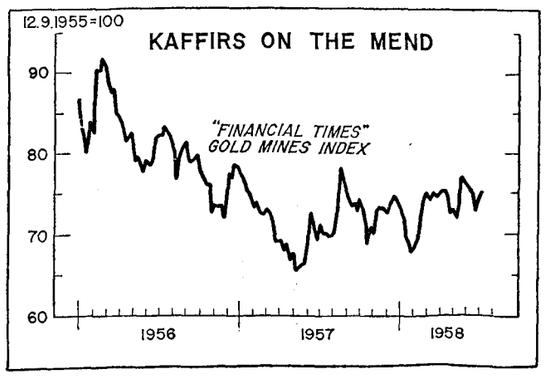
THE BUSINESS WORLD

Kaffirs without Speculation

THEY are pulling down the stock exchange in Johannesburg. A more spacious and more efficient building is to rise on its site. Built in the brassy, confident days after the Boer War the old exchange was recognised unequivocally as a machine for making money in, to adapt Le Corbusier's phrase. Money, plenty of it, made "Rand Lords," of any origin, socially acceptable to Edwardian England. Today gold mining is a highly organised, respectable industry, fascinated by, and a little ashamed of, its past. As the old stock exchange—symbol of the buccaneering days—is reduced to rubble, gold shares, too, seem to lose their gambling status.

But gambling, however much the finance houses wish it away, cannot be dissociated from the Kaffir market. Gold mining is a great eater of capital; the risks are high because nature can still out-smart the geologist; and the industry exploits a wasting asset. But it is lavish with statistics and investors have learned to appraise the geological and technical risks, just as they learned to discount the political risks inseparable from any venture in South Africa. High yields make the risks bearable.

Sudden, short-lived booms and sharp twists in the market's fortunes characterise Kaffirs. The boom after the devaluation of sterling in 1949 coincided with the first developments in the Orange Free State and Klerksdorp areas. The long bear market that followed left many disappointed dabblers nursing their losses and waiting to sell. Up to a point, the finance houses, acting as a reservoir behind the jobbers, have kept the market going. They have plenty of stock and conversion options on their books and are ready to feed the market if it broadens. But their jobbing, if they can manage it, is one way. Like the government broker, they prefer a gently rising market in which "funding" sales can be absorbed. And however much the private investor scans the gold mining statistics his knowledge and judgment can never rival theirs.



The dice thus seem to be loaded against the speculator. Yet give him a ghost of an opportunity and he will chance a small throw. Such ghosts have walked in the last few months. Since last autumn, erratically but surely, Kaffir prices have moved up. The trend had two justifications: gold is the one commodity with a fixed price; it is the hedge against deflation when world trade recedes. It is also a useful hedge against devaluation for the holder of any suspect currency. There have been temporary eruptions, one when sterling was under pressure in the late summer of 1957 and another when dollars were being sold for gold this spring. But the argument that really pulled in the punter was the hope that the Americans might raise the price of gold. This line of thought, whatever some spokesmen of the industry say, was never better than a faint hope. Mr Harry Oppenheimer, who as the head of Anglo American has a bigger stake in gold than anyone, except possibly the Russian government, has indeed declared himself "not very optimistic" about an increase. Rational investment policy dictates that any possibility of a higher price should be ignored—and accepted as an uncovenanted bonus if by any chance it occurs. It would not be an unqualified bonanza: it would improve the standing of the older mines exploiting low grade ores (though by how much would not be apparent

until new milling grades were calculated) but it would almost certainly be followed by a claim for higher wages which the mining companies could not resist.

IF recent buying of Kaffirs were to rest on nothing more certain than fears about deflation or the weaknesses of certain currencies, then the market would be precariously poised. The chances of any increase in the dollar price of gold grow fainter with every sign that the American recession has reached its bottom. But there are signs that some buying of Kaffirs has been based on less venturesome and also less fanciful views. The long bear market in Kaffirs may in fact be over because investors have come to realise that the newer mines and some of the finance house shares have acquired a new investment standing.

Gold mining in South Africa therefore justifies a careful re-appraisal by investors. Development in the OFS and Klerksdorp areas has gone far enough for the sheep to be separated from the goats. Most, though not all, of the finance needed to bring the new mines into full production has been found, the big exception being the development of Western Deep Levels. Production in the new mines, exploiting high grade ore, has more than offset the decline in production on the Rand where the grades are much lower :

	1955	1956	1957
Production (ounces)	*14,093,668*	*15,373,680*	*16,540,817*
Working revenue	£177,414,094	£193,214,230	£207,705,565
Working revenue (per ton)	*53s. 10d.*	*57s. 3d.*	*62s. 10d.*
Working profit	£44,252,990	£48,450,407	£57,833,593
Working profit (per ton)	*13s. 5d.*	*14s. 4d.*	*17s. 6d.*

Though costs have risen, the high grade ores of the new mines make for bigger profits and will go on doing so : for instance, on a projection of current monthly results, President Brand's profits this year should rise from £4.8 million to over £6 million and Stilfontein's from £3.7 million to over £4.5 million. Some of the mines also earn profits from uranium. These may perhaps be best treated as exceptional earnings with possibly only a limited life. The grade of South African uranium is low ; production is stabilised ; and the fixed price contracts run out in the early 'sixties. The mines, like other uranium producers, will then own plant written down to nothing, but if they are able to compete in a free market it will be only because uranium is a by-product of gold mining.

Excluding uranium, where no increase in profits can be foreseen and an eventual fall may be predicted, the profits and dividends of the new mines will rise, so long as any increases in working costs are kept within bounds and so long as the native labour force does not decline.

GRADES, PROFITS AND DIVIDENDS IN 1957

COMPANY	TONNAGE			WORKING PROFIT			NET PROFIT		DIVIDENDS			ORE RESERVES	
	Milled	Grade	Costs per ton	Gold	Per ton	Uranium (net)	Gold and Uranium	Per share	Latest Final	Latest Interim	Gross yield	Tons	Grade
NEW MINES :	'000 tons	dwts	s. d.	£'000	s. d.	£'000	£'000	s. d.	s. d.	s. d.	%	'000	dwts
O.F.S.													
President Brand	791	15·1	66 2	4,878	123 3	310	5,188	8 0	2 6	2 6	9·4	3,043	17·6
Western Holdings ..	1,173	9·7	53 0	4,031	68 8	...	4,031	10 9	3 0	3 0	5·9	3,930	14·0
Free State Geduld ..	697	12·9	78 10	2,877	82 7	...	2,877	6 6½	1 0	2 0	3·4	1,899	18·7
President Steyn	1,112	7·6	53 1	2,355	42 5	440	2,795	4 3½	1 6	1 3	9·7	3,927	8·8
Harmony	979	7·9	59 1	1,938	39 7	798	2,736	3 0	0 9	1 0	4·7	2,292	8·6
St. Helena	1,392	5·8	40 10	2,233	32 1	...	2,233	4 8	0 10	1 0	4·4	3,250	6·1
Welkom	1,010	5·5	55 5	670	13 3	254	924	1 6	0 3	0 3	3·4	3,471	6·5
Klerksdorp													
Hartebeestfontein ..	1,015	10·8	65 1	3,628	71 6	2,288	5,916	13 1½	3 0	3 6	9·9	2,463	4·7
Stilfontein	1,231	9·2	54 5	3,720	60 5	558	4,278	6 6½	1 10½	1 10½	9·3	4,361	9·9
Vaal Reefs	750	8·9	58 5	1,978	52 9	1,084	3,062	6 1½	2 3	1 6	10·1	1,813	10·0
Buffelsfontein	1,241	6·3	50 3	1,763	28 5	571	2,334	4 3	1 6	1 6	7·7	1,157	7·5
Far West Rand													
West Driefontein ..	900	19·1	81 11	7,071	157 2	242	4,563	13 0	3 6	3 9	6·9	2,080	16·8
Blyvoor	1,251	11·7	62 8	5,263	84 2	1,003	2,753	2 3½	1 0	1 0	9·4	6,310	12·7
Doornfontein	996	8·2	60 4	2,116	42 6	151	2,267	4 7	1 0	1 0	7·8	1,956	7·4
OLD MINES :													
High profit													
Daggafontein	2,718	4·3	30 10	3,214	23 8	1,216	1,768	5 0	2 9	2 6	18·3	10,247	5·4
East Geduld	1,615	6·1	33 8	3,488	43 2	...	1,624	3 7	2 0	1 9	15·0	9,300	6·0
E.R.P.M.	2,634	5·1	50 4	1,803	13 8	...	1,317	6 8	2 3	2 0	11·0	5,590	6·4
Grootvlei	2,357	4·3	31 0	2,641	22 5	...	1,279	2 3	1 3	1 1	15·3	14,000	4·5
Vlakfontein	593	7·1	54 10	1,021	34 5	...	559	...	0 11	0 11	11·3	1,566	8·1
Medium profit													
Marievale	854	5·2	42 2	1,007	23 7	...	537	1 10½	1 3	1 1	12·2	5,200	5·3
Durban Deep	2,192	3·5	38 7	618	5 8	...	497	4 3	1 6	1 6	10·2	8,445	4·0
South African Land .	1,072	4·2	38 10	726	13 7	...	469	3 9½	1 6	1 6	13·8	3,643	5·6
East Daggafontein ..	1,128	3·3	34 3	405	7 2	...	242	1 3½	0 9	0 7½	16·7	4,686	4·4
Break-up													
Simmer and Jack ...	1,151	3·7	42 7	225	3 11	...	194	0 7	0 5	...*	...	840	4·2
City Deep	1,780	3·9	46 11	175	2 0	...	170	1 8	0 6	0 6	...	4,015	5·8
Robinson Deep	908	4·1	49 0	116	2 7	...	116	1 2	0 9	...*	...	1,338	4·8
Consolid. Main Reef	1,928	2·9	34 9	108	1 1	...	100	1 7	1 3	1 3	...	2,690	4·2
Springs	1,510	2·2	26 7	85	1 2	...	64	0 1½	0 4½	...	...	1,965	4·3

* Capital return made.

The number of Africans seems likely neither to increase nor to decrease, the demands of the new mines being balanced by reductions at the old ones. Where the geological strata permit, the rate of mechanisation at the new mines is higher than on the Rand, so that the productivity of the native worker may be higher. Mechanisation, the mining of high grades of ore and big milling throughputs should offset the secular tendency of working costs to rise.

The investor who looks beyond the spread of risks offered by the shares of finance houses (and these have caught some eyes already) has to establish some kind of batting order among the individual mines. His starting point, in using the accompanying table, is the current dividend and yield as related to net profits per share and to grade of ore milled. That comparison immediately suggests that some of the Klerksdorp mines, compared with the OFS mines, have been somewhat neglected. But the comparison has to be taken a stage further—to the grade of proved ore reserves. In some of the OFS mines these grades are encouragingly high. But the Kaffir market is fascinated by boreholes, development results and "jackpot" areas and some of the so-called "market leaders," of which F. S. Geduld is a prime example, have been bid up to high levels in comparison with their hardly less rich neighbours such as President Brand or Western Holdings.

Will many investors be prepared to treat Kaffirs, at suitable risk premiums, as mixers along with British industrial ordinary shares ? At the moment probably not many. But some may be encouraged by the possibility of American savings being channelled into South Africa. So far, apart from the Kennecott group, few Americans have been willing to touch Kaffirs. But Mr C. A. Engelhard, a member of the Baker Platinum group and the new chairman of Rand Mines, has been active in promoting American interest in South Africa. Recently he announced that the Dillon Reed banking group had set up, under his chairmanship, a trust, willing to invest $30 million in South African industrial and gold mining shares.

The capital fund seems to be firmly promised, but it is not clear quite how it will be invested. Not all the capital will go into Kaffirs, and if the trust does buy gold shares it will probably be directly from the finance houses rather than through the market. Will the trust make loans as well as buying shares ? Will it, in fact, turn out to be a new member of the "club" of finance houses ? Whatever happens, its operations will help to underpin the Kaffir market though they will not create a boom. Caution in the Kaffir market is always justified.

The investor must always remember the past history of the market and the political present of South Africa. He must be prepared for an erratic market ; he should pursue a selective medium span investment policy and steer clear of the quick flutter.

New Tasks for the Arsenals

IT is almost a year since the Minister of Supply first announced that a number of the Royal Ordnance Factories would soon be no longer required for munitions production and, if offers were forthcoming, would be sold to private industry for civil use. Four of them, the fuse factory at Maltby, the filling factories at Swynnerton and Thorp Arch, and the TNT factory at Irvine, were to start shutting down straight away. Production of Conqueror tanks at a fifth, ROF Dalmuir, would cease towards the end of this year, and two more, the shell factory at Wigan and the small arms factory at Poole, would be closed by 1959-1960. A later review of the future need for production capacity in the gun, carriage and tank group of ROFs led to further cuts. The Cardiff gun factory will be closed this year (except for a small unit that will continue to do special work) ; ROF Poole is to go out this autumn ; activity at the "general purpose engineering" factories at Woolwich and Nottingham will be cut. The total number of ROFs is thus to be cut from 23 to 15, plus the small unit to be retained at Cardiff, and the total labour force, which reached 49,000 at the height of the ROF re-armament programme between 1953 and 1955, is expected to run down to about 30,000 by 1960.

After 1945, when the Labour Government decided to reduce the number of state arsenals from the wartime figure of 44 to 21 (later put back to 23) factory space was at a premium, civil goods were in very short supply, and private industry readily accepted the chance of leasing or buying surplus munition plants as a shorter way of getting capacity for commercial production. It may be a little harder to dispose of eight more factories in the middle of an industrial recession. Three are well-equipped heavy and medium engineering plants that would be saleable items at almost any time, and there is not as much spare capacity of this type even now as of light engineering plant. Two, Poole, and Dalmuir, have been disposed of already: the name of the firm that has acquired Poole has not yet been announced, but Babcock and Wilcox is taking over Dalmuir at the end of this year and has agreed to feed in work before then as the programme of tank production runs out. The other "most saleable" factory, Cardiff, came on the redundancy list too recently for arrangements for its disposal to be really under way yet.

It should not be too difficult, either, to find bidders for two more of the five remaining plants, the fuse factory at Maltby and the shell factory at Wigan; both have now been advertised as on offer and a number of enquiries for Maltby are being examined. But finding a suitable civilian—or government—use for the three "difficult cases" of Swynnerton and Thorp Arch,

which are both filling factories, and the TNT plant at Irvine will be less easy. There is no comparable activity in private industry to the filling of ammunition. And what commercial organisation could make economic use of the 1,800 small, scattered huts that comprise ROF Swynnerton ? So far the only reported progress is that planning permission is being sought to use part of Thorp Arch as an open prison for men.

ROYAL ORDNANCE FACTORIES have two tasks: to meet the current needs of the services for the weapons, equipment, and other supplies that they are equipped to make, and, a firmly held resolve since the acute scarcity of munitions making facilities with which the country fought in 1939 and 1940, to provide a reserve of production capacity for war. The basis on which it was decided how many state arsenals to retain after the last war was the war potential that would be needed to fight one similar to the one that had just ended. In practice, no other decision could then have been taken. Military technology was only beginning to make its rapid, dramatic strides forward. It was only just beginning to be appreciated that the atomic bomb would change strategic concepts and the equipment and techniques with which battles would be fought. The megaton bomb—global thermo-nuclear war—was still only a steely glint in the eyes of a few nuclear physicists.

But by 1956, and Mr Sandys's first defence white paper, the new strategic thinking had begun to jell. Much, particularly in weapon technology, was still very fluid, but at least it was clear that global, thermo-nuclear warfare had permanently eclipsed the idea of massive conventional war production. The idea that state arsenals could hold the breach until industry could gear itself up, with munitions output doubling, trebling and quadrupling in successive years, was no longer tenable. The amount of reserve capacity that the ROFs themselves ought necessarily to retain in peace time had to be realistically thought out. It took time for service ministries and the Ministry of Supply to work out the particular meaning that the fresh policy had for the future role of the ROFs in defence production. The decisions would not be easy, or cheap, to reverse.

The new policy for the ROFs, so it appears, is that their reserve potential will be what would be required to meet a limited war or an enduring bout of "colonial policing." A limited war would have to be fought largely with the equipment and stores available at the outset, and stocks would have to be quickly replenished for any further emergency. The capacity needed for that and, in addition, to meet current requirements for the replacement of munitions expended in training or declared obsolescent—which had been declining even before 1956 and the decision to end conscription by 1962—is all that is being retained in the 15 remaining ROFs.

The circumstances in which a limited war might be fought in the future might be more similar to Korea than to 1939-45. There would be a furious drive for exports to pay for it, which would set a close limit on the contribution to war production that could be expected from the engineering industries. It would also limit the amount of extra skilled labour and managerial talent the ROFs could reasonably hope to recruit. In 1942, at peak activity, the 44 factories employed more than a quarter of a million on multiple shifts. During the Korean rearmament period it was thought that the 21 factories then in production could employ 120,000 people on single shift. In fact, the labour force rose only from 36,000 in 1950 to 49,000 by 1953. In a future emergency, the present 15 factories might, at a pinch, employ 60,000 people.

THE REMAINING ORDNANCE FACTORIES

1. Ammunition Group (4).
   Radway Green ; Blackburn ; Birtley ; and Patricroft. (Maltby and Wigan to go.)
2. Filling Group (3).
   Chorley ; Glascoed ; and Burghfield. (Swynnerton and Thorp Arch to go.)
3. Explosives Group (3).
   Bishopston ; Bridgwater ; and Pembrey. (Irvine to go.)
4. Gun, Carriage and Tank Group (5).
   Woolwich ; Nottingham ; Leeds ; Enfield ; and Fazakerly. (Poole, Dalmuir, and Cardiff to go.)

BUT comparisons of numbers of plants and men to work them do not give a measure of the real potential capacity of the retained ROFs. There have been three periods of heavy re-equipment in them during the last two decades: in the early forties, in the early fifties, and, now, in the present process of reorganisation. In 1952-53, the first year that the civil estimates carried separate trading figures for the ROFs, nearly £15 million was provided for capital expenditure. Investment spending subsequently fell away to about £7-£8 million a year at the end of the "Korean" re-equipment programme in 1955-56. (The value of ROF output meanwhile rose from £21 million in the calendar year 1950 to a peak of £46½ million in 1955 : last year it had fallen to £33 million.) But reshuffling of modern machinery from plants that are redundant to those being kept, plus the new equipment that is going in to the latter—which is the bigger item—will cost about £5½ million, on top of the steady year-to-year spending on capital account that is now about £5 million.

This special capital expenditure of £5½ million will be recouped, it is reckoned, within three years, through savings in overheads and production costs. The intention, now, is continually to keep their equipment and techniques abreast of the latest production technology, including the use of automated processes where practicable. On most lines where comparisons can be made ROF production costs are now claimed to be as good as, or lower than, those of private industry. Heavy mechanisation and automation is also pursued on the ground that it enables the reserve of capacity to be increased without a comparable increase in the labour force. In one of the filling factories, for example, the wartime output can now be achieved using a quarter of the previous floor space and a sixth of the labour.

The fifteen remaining ordnance factories are, it was stated last year, still to be "a preferred source for arms production." Just how much of the total defence budget on production, research and development goes to the arsenals is a closely guarded secret. But a corner of the veil was lifted recently when it was announced in Parliament that during the third quarter of 1957 about two-thirds of the total value of deliveries of weapons and a quarter of "engineering stores other than aircraft" came from the ROF. Later figures would probably show that the ROF's share of a dwindling armament production is slowly rising. Feeding in work on the newer weapons is not a straightforward exercise, for these weapons have largely been developed elsewhere and demand techniques different from those traditional to the ROFs.

It has been the practice of the ROF directorate to accept overseas orders and some civil work to fill out short particular gaps in home military production and keep the nucleus of human and physical capacity in operation. But overseas business has been dwindling and there is also not much demand now for sub-contracting work from civil industry. At the present moment, civilian work amounts to only about two per cent of total turnover. The ROFs have not the least desire to enter civil work on a massive scale: they are equipped neither with the design experience nor with the selling apparatus for large scale commercial ventures on their own account, and they had a somewhat painful experience at the time of Korea, when they had to throw out an ambitious programme of civil production.

Last year's major policy review of the ROFs, the first of quite that kind it has ever experienced, will not hold fast for all time. If there is one crucial lesson from the past it is that all forward planning for the next war has usually been proved wrong. The ROF directorate is conscious of the need always to remain flexible. Already, there are signs that the policy of thermo-nuclear deterrence that underlays the defence white paper of two years ago may be modified.

BUSINESS NOTES

NEW CREDIT POLICY

New Bottle for Old Wine

WHAT the Chancellor told the House on Thursday afternoon appears at first as the logical pursuit of the policy of ending the restrictive measures applied last September. Revision of the instructions to the Capital Issues Committee was urgently called for, and repairs to its sadly tattered net, if net there has to be, were needed. The ceiling on bank advances, which does not look like being reached, might as well go, and the end of this month is not a day too soon. That has been done. But the Chancellor has gone much further: he has asked the Bank of England to prepare a new weapon for the monetary armoury, and the Bank has made one. Its merits as an addition—even a temporary addition—to the instruments for controlling credit will need the closest consideration.

For the moment it must suffice to record the decisions announced on Thursday.

(1) The ceiling on bank advances goes ; the Chancellor by implication recognises that it was not a good idea, and expresses his intention to dispense with official requests to restrict total advances.

(2) The minimum amount that can be raised without Capital Issues Committee consent is restored from £10,000 to £50,000, as it was two years ago.

(3) Bonus issues will no longer require the Capital Issues Committee's consent ; but capitalisation issues of redeemable securities will still require the consent of the Treasury.

(4) The ban on capital issues for hire purchase finance is relaxed and given a new start. Issues may be permitted if the new finance "is desirable as a means of improving the stability of the hire purchase financial system." This relaxation may facilitate the amalgamation of smaller finance houses and permit the replacement of some temporary deposits by permanent capital.

(5) In dealing with bank advances for capital purposes the committee will no longer be required to consider whether a bank advance is a suitable mode of raising the money. It will still have to consider along with other requests for permission to raise capital, projects for bank advances that fall outside the applicants' normal course of business.

(6) "Artificial devices" to raise capital outside the CIC are to be stopped by reimposing the control lifted in 1955 on operations not involving new money. This will mean the end of shell transactions, but will bring many normal commercial transactions again under CIC control.

In addition, the CIC is given a new general change of emphasis towards the longer view. Instead of limiting consents to projects currently urgent, it may assent to applications that anticipate "the future growth of requirements" ; it may continue to give special consideration to Commonwealth projects and to investment in areas of persistent unemployment. It may grant applications from investment trusts and unit trusts—with the warning covering those trusts that invest considerably in foreign securities that the object of the exercise is to encourage saving and supply risk-bearing capital for British industry.

Compelling the Bankers

THOSE who see nothing wrong in the other changes except that they do not go far enough in abolishing niggling restrictions may have quite different thoughts about the new piece of monetary machinery that the Bank of

England on the instructions of the Chancellor has worked out for use in case of need. It is a form of compulsory but flexible deposit by the banking system at the Bank of England. In two groups to start with—the clearing banks and the Scottish banks—the bankers will from time to time be required to deposit at the Bank of England announced percentages of their gross deposits as shown at their last make up. Changes in percentages would be announced, as the authorities thought fit, and perhaps different percentages for the clearing banks and for the Scottish Banks, but each bank would have to hand over its percentage to the Bank. And there it would lie, bearing interest rounded off to the nearest ⅛ per cent either above or below the Treasury bill average. Apart from any general release given by the Bank of England, no bank will be able to draw on its special deposit without exceptional permission. Thus the special deposit will be technically as well as in fact non-liquid.

It is contemplated that any call would be determined by the Court of the Bank of England about noon on Thursday and be payable by the following Wednesday, with the proviso that it might often be convenient to spread a call over several weeks. Special deposits would appear as a banking department item in the Bank return.

This "temporary arrangement pending the recommendations of the Radcliffe Committee" comes in with the consent of the banks and therefore without legislation, though the Bank of England view is that the necessary legal authority already exists. It is intended to draw off surplus liquidity into the coffers of the Bank of England and therefore presumably into the Government coffers via "tap" Treasury bills. The scheme is not intended for immediate use, for liquidity is at present not excessive; after their recent purchases of gilt-edged securities the banks are not over liquid and a squeeze is not now on the programme.

But the special deposit scheme could have the widest ultimate repercussions. What will the effect on the bill market be? If the Bank were to call for deposits the banking system will have to sell bills (or even bonds) to meet the call. The Bank might or might not help them out by buying. A great new power to squeeze has been given to the "Old Lady" and presumably she hopes that the mere existence of the power may impel the banks to buy gilt-edged stocks and keep liquidity down, whenever liquidity is approaching a level at which a call looks likely. But what happens to Government funding through the market under the new regime? The Bank of England view is that it will still be needed, but clearly its scope will be radically altered at the short end of the market.

It must be asked why was it thought necessary to go ahead with this highly controversial idea in advance of the Radcliffe Committee's report. It is described as a temporary measure and the Chancellor's statement made no attempt to show why it was necessary now to establish this contingent instrument (clearly not for use at present) or to discuss its potential consequences.

MARKETS NOW

Six Per Cent Dies Hard

It remains to be seen how the markets will react to the Government's new measures. This week some further incentive has seemed necessary if investors were to be shaken out of their six per cent mentality. That frame of mind has shown itself clearly in the refusal to apply for new issues which seemed to have been shaded towards cheaper money.

Following the failure of the Liverpool issue which bore a 5½ per cent coupon, the sergeant majors marshalling the troops broke the sequence by interpolating a colonial issue among the corporations. Jamaica was allowed to come forward with an offer of £4,212,000 of 6 per cent stock (1977-82) at 96½, the Crown Agents taking the odd £212,000 and leaving £4 million for the public. The theory seems to have been that a different sort of issue with quite different terms would break the impasse. The gross redemption yield of £6 5s. 9d. per cent did not look unattractive. But investors did not fancy it and lists closed on Thursday without any announcement of the result. Clearly a new basis for gilt-edged borrowing has not yet been found and it seems to a growing number of experts that when it is found it will be nearer to the 5½ per cent basis that existed before the last Bank rate change than at first seemed likely.

Equally further fixed interest borrowing by leading industrial companies may continue to be done on a six per cent basis. The premium on Associated Electrical Industries' new 6 per cent debenture remains obstinately at 1½ points above the issue price of 98½, and that premium was the windfall brought by a reduction in Bank rate while the issue was in progress. There is no warrant on a margin so narrow for seeking to go below a 6 per cent coupon and the first important industrial debenture issue fixed since Bank rate has not done so. Messrs. J. Henry Schroeder now come forward with a debenture issue of £3½ million 6 per cent stock 1978-83 for the Pressed Steel Company, and again the issue is priced at 98½. The stock is being offered only to ordinary, preference and debenture stockholders of the company with July 21st as the last day for application. If markets retain their present shape it, too, might be expected to start life with a modest premium, but the amount of borrowing waiting to be done does not suggest a runaway success.

Investor's Choice

A PROBLEM that many investors will have to face this month is the occurrence of the first conversion options on the two big convertible issues—ICI's 5½ per cent convertible loan stock and British Petroleum's convertible 6 per cent debenture, both of which are open for the whole of July. Holders of the British Petroleum stock will find their decision easy; the conversion right of 10 shares for £50 of stock (standing in the market at £109 per £100) implies a price of 109s. for the ordinary shares, which is below the current market but the conversion terms will remain the same next year and most holders will think it worth while to view their option for other year. With the ICI Loan Stock the decision is finely balanced. With the loan stock standing at 102½ the holder who converts is in fact buying (free of stamp) ICI ordinary, ex the recent free scrip issue, at 28s. 6d. This is a few pence below the current price. Moreover, if the holder who is considering conversion is an original subscriber to the issue, he got his stock at 96 and can reckon that he is buying ICI ordinary at 26s. 8d. There is no big incentive to convert, but he may feel that he is making a useful little turn. If he rejects it and waits for the second conversion option in July next year it will be less favourable. In terms of the current price of the loan stock the holder will then be buying his ICI ordinary at 29s. 9d. or in terms of the original issue price of the stock at 27s. 8d. ICI is a progressive company and many will think the little gamble of another year's wait worth while.

CONVERSION OPTIONS PENDING

	Issued at	Cost of conversion at issue price 1st	2nd	3rd	Price now	Cost of first conversion at present price	Current price of Ordinary
Bowater, 5¾% Loan Stock, 1978–82 ..	97½	46/6 (1959)	48/9 (1960)	54/3 (1961)	94	44/9	34/–
Brit. Pet., 6% Conv. Deb., 1976–80...	99	99/– (1958)	99/– (1959)	123/9 (1960)	109	109/–	105/7½
Colvilles, 6% Conv. Deb., 1978–81...	99	27/6 (1959)	28/3 (1960)	29/1 (1961)*	97½	27/1	25/3
Glenfield and Kennedy, 5¾% Loan Stock, 1977–82 ..	97	77/7 (1960 to 1962)			99½	79/7	53/9
ICI, 5½% Loan Stock, 1977–79	96§	26/8‡ (1958)	27/8‡ (1959)	29/1½‡ (1960)	102½	28/6‡	28/9‡
Pressed Steel, 5½% Conv. Deb., 1977–82	100	14/3 (1958)	14/9 (1959)	15/1 (1960)†	106	15/7 (1959)	14/10½
Richardsons Westgarth, 6% Loan Stock, 1976–81 ..	99	16/3 (1961)	16/6 (1962)	17/8 (1963)	108½	17/6	13/9

* 30s. in 1962; 30s. 11d. in 1963; 15s. 8d. in 1961. ‡ Adjusted for capitalisation. § 1958 conversion option passed.

GOLD RESERVES

Big EPU Deficit

STERLING dipped below its dollar parity for a short time before the week-end, but this week the decline has been checked and in part reversed, the rate ranging around $2.80⅞. It remained steady at this level after the publication of the gold and EPU returns for June, which in a weak market could easily have been read as bearish. The reserves did indeed show a further increase, of $37 million to a new seven-year peak of $3,076 million; but the balance with the European Payments Union, which in May turned to a deficit of £13 million, showed a further deterioration to a deficit of £25 million, equivalent to $70 million (of which £2 million reflected a half-yearly interest payment on Britain's debt to the Union). This is much the worst result since the huge £60 million deficits of August-September last year, the deficit with EPU compares with the deficits during earlier bouts of speculative pressure.

RESERVES SINCE THE CRISIS

	True dollar balance in period*	Actual change in reserves $million	Reserves at end of period
1957 :—			
August	−300	−225	2,142
September	−296	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039
June	+ 17	+ 37	3,076

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, and for small receipts of US aid and special payments.

It does not follow, however, that significant adverse speculative influences have returned. The EPU result reflects the balance of the whole sterling area, and may have taken a heavy strain from the net demands of the overseas sterling countries. The earnings of these countries tend to fall seasonally just when Britain's overseas expenditure is showing a seasonal rise; and for this year, sales of sterling commodities are being further depressed by the fall in prices and by world recession. Moreover, the EPU balance must always be read in conjunction with the rest of the gold figures; and the aggregate result is by no means poor for this first month of seasonal strain.

This is the arithmetic: the gold surplus of $37 million for June was earned after paying $27 million in settlement of the EPU deficit for May and $6 million of half-yearly interest on the loan portion of Marshall Aid; even without counting as a special item the regular quarterly payment of $7½ million on the Canadian loan of 1942, this leaves a residual surplus of $70 million—from which must be deducted the $53 million to be paid this month in gold settlement of the June deficit with EPU. The "true" dollar surplus was thus $17 million. As the table shows, this follows a run of heavy surpluses, and brings the total surplus in the nine months since the crisis to well over $1,000 million. In the same period, sterling balances owned by overseas sterling countries have been repaid at an unusually rapid rate, so that the total improvement in sterling's banking strength has been quite exceptional.

From Dollar to Mark

THE contrast of a big sterling deficit in the European Payments Union and a big surplus in other dollar payments has for many weeks been matched in the exchange markets, in which sterling has stood above parity against the dollar and notably below parity against the main European currencies, now including even the French franc. This reflects in part the general weakness of the dollar against European currencies. But because of the freedom of arbitrage between the main exchange centres, the balances settled within EPU and outside it may give no reflection of the regional balance of Britain's own external payments or even those of the sterling area.

A form of arbitrage that has assumed particular importance in recent months has been the dollar-mark-sterling triangle. The mark-dollar market is virtually confined to Frankfurt, and New York banks generally deal through their German correspondent banks. Consequently there is no direct arbitrage in dollars against marks. The arbitrage takes place through sterling and since the turnover in sterling is so large and its use so wide, the changes in the sterling-dollar rate tend to set the pattern for the mark-dollar rate. In recent months, both official sterling and transferable sterling—through which the mark arbitrage takes place—have been relatively strong; and this has meant that holders in New York and Zurich have at times found it profitable to acquire transferable sterling via Frankfurt, first buying marks and then selling these against transferable sterling.

Dealers in the German exchange market attribute to arbitrage of this kind the persistent strength of the D-mark against the dollar. The vital equation is that to acquire transferable sterling, virtually the same amount of dollars will have to be paid, first, directly in the free markets in New York and Zurich, and, secondly, indirectly through buying D-marks against dollars and selling them against transferable sterling. As sterling has weakened against the mark, such arbitrage has tended to become less profitable; at times, indeed, New York dealers may have found it worth while to switch their tactics and acquire D-marks via purchases of transferable sterling instead of directly, and expensively, against dollars. But most recently another element in this arbitrage has been making itself felt, which has con-

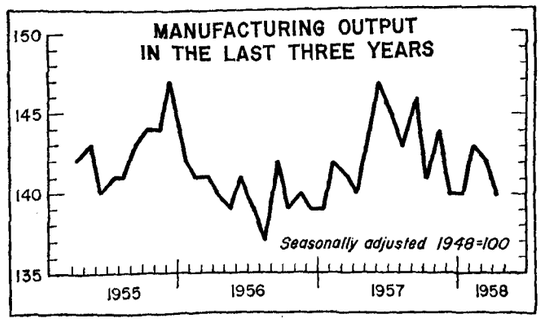
tributed to the modest weakening of transferable sterling to $2.783. Purchases of transferable sterling via the D-mark were particularly in evidence earlier this year in connection with the flow of funds to London for interest arbitrage; and the same indirect route through Frankfurt was often used for the forward covering operation. These forward commitments have recently been maturing, involving London dealers in commitments to supply D-marks and Frankfurt dealers in commitments to supply dollars. These latter commitments have been partly met by sales of transferable sterling.

PRODUCTION

Decline in Manufacturing

Of the 554 industrialists who answered the Federation of British Industries' questionnaire at the end of May, 46 per cent said that their output was at about the same level as three months before, allowing for seasonal variations; 25 per cent said output was up, and 30 per cent said it was down. This fits fairly well with the preliminary official estimates, offered last week, of the level of production in May: seasonally adjusted, 137-138 per cent of the 1948 level. That is fractionally lower than the indices now recorded by the Central Statistical Office for February, March and April, but one could not infer much from the "all industries" comparison alone: the preliminary estimates for March and April were the same as is now offered for May, and that for February was a point lower. But the FBI survey was taken among manufacturers: and here the statistical indications of a tendency for output to decline are more definite.

The latest figure for manufacturing output—140 (1948 = 100), seasonally corrected, for April—were significantly below the average for last year (143) and more than 5 per cent below the level reached in mid-1957 (147, in June). That was the highest point reached in the slight improvement of manufacturing activity last spring: the chances are that this year, in contrast, manufacturing output



has slipped further downward since April, so that the direct twelve-months' comparison, from June to June, may show an even wider margin below 1957. Within manufacturing, the motor industry and its suppliers have been the main sustaining element in total production (in spite of the Pressed Steel strike, car production seems still to have been at a record rate in May). Elsewhere, the other industrial pluses are the utilities, with electricity still notching up increases of 11-12 per cent and gas, too, nearly 5 per cent up for the first 25 weeks of the year. Coal, steel, building and building materials show marked declines in activity, and production has slipped in some of the plant and machinery industries: in textiles, the downward trend is continuing.

HONGKONG

Talk about Cotton

Few debates have been as barren as the cotton debate in the Commons on Monday. Mr Harold Wilson who led the Labour attack did so with well-worn weapons. He trotted out the idea of a Government buying commission to regulate imports of cotton goods—as though this country had not had its fill of state monopolies. Thus armed he wanted a Minister of the Crown to visit Hongkong and negotiate an agreement for a three-year ceiling on exports to Britain—a ceiling which in his view would have to include made-up goods as well as piece goods. The President of the Board of Trade to his credit did not move materially from the Government's previously expressed view. He too wants a "voluntary" three-year ceiling on imports from Hongkong negotiated by the industry because the agreement on those lines which had already been negotiated with India and the one which was reached with Pakistan on Wednesday are both conditional on a similar agreement being reached with Hongkong. Sir David Eccles did not mention compulsion. Indeed he was rightly conscious that he cannot with decency go to Montreal asking the Commonwealth to buy more United Kingdom goods, having just applied restrictions to imports from the Commonwealth.

No one so far has revealed the details of the agreements with India and Pakistan. Expectations in the trade are that they will embrace cotton goods for the home market and leave the door open to an increased quantity for re-export after finishing. It takes no special prescience to see that India, with some of its initial cost advantage spent, might be the easiest to persuade to accept a ceiling near the present level of exports to the United Kingdom (about 140 million square yards a year). Pakistan, with present shipments down to about a million square yards a year might find it more difficult to agree, and Hongkong might have a strong case for a ceiling comfortably above its current rate of about 100 million square yards.

That is Lancashire's problem. Erosion of its home market by duty-free cottons of Commonwealth origin after the export trade had been sharply cut down looks a savage blow to an industry that now produces under 1,600 million square yards a year, compared with 8,000 million square yards in 1913 when it was possible to export seven-eighths of that production. But Lancashire would still not live happily with a series of agreements fixing imports from Commonwealth countries in Asia at around present levels.

Should Goliath Spare David?

Mr Harold Wilson apologised for troubling the House with figures. But a few figures that he did not produce may help to a better understanding of the issue. Hongkong has a little over 300,000 spindles; if Lancashire with 27 million is knocked out, it will not be by that midget. Hongkong has roughly 10,000 looms, working three shifts as Lancashire points out; Lancashire has 267,000. In the new Hongkong mills conditions of employment are good by eastern standards, but as speakers on both sides were quick to point out there are some mills where the work is longer and the pay less. In total, Hongkong is one of the few

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Piccadilly Circus in fact. And of course the Midland Bank is there. Head south across the Circus, and you'll find the new West End Overseas Branch of the Midland Bank. And that makes sense, for this branch was planned expressly for you and all other visitors to London. You can change Travellers Cheques there, as well as the currency from your own country, and you can get all the advice you require on the hundred-and-one matters that need attention during your stay. This branch of the Midland Bank, too, is one of the most comfortable and up-to-the-minute in Europe. Make a date to meet your friends there.





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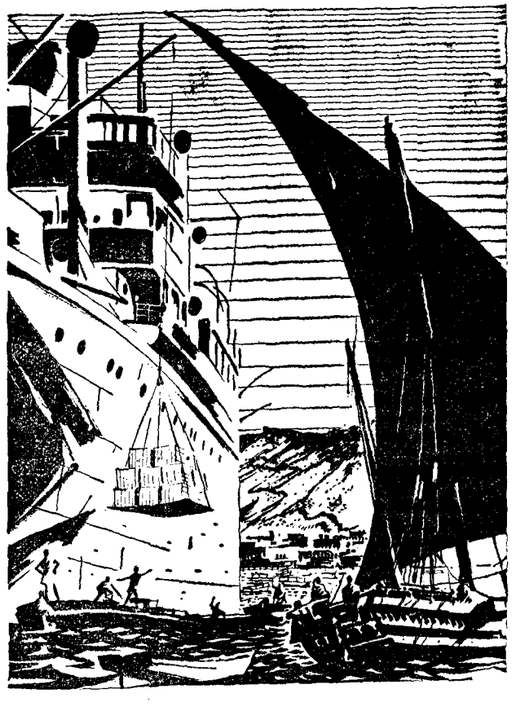

GO EAST

A command that once transformed traders into men of fortune and opened up an entire new world still sets the imagination racing. Today the challenge remains, more subtle perhaps, but still offering rich rewards to men of vision. Nevertheless, commerce with the Orient creates its own problems, and the businessman needs much information before attempting it. It is no accident that so many who have been successful in this area consulted the National Overseas and Grindlays Bank first. The Bank, with branches from East Africa to the Union of Burma, is uniquely equipped to give accurate information on prevailing conditions in the East. Whatever market interests you, the National Overseas and Grindlays Bank will be pleased to give you all the help it can.

A comprehensive service is available at the Bank's branches in India, Pakistan, Ceylon, Burma, Kenya, Zanzibar, Uganda Tanganyika, Somaliland Protectorate and at Camp and Steamer Point, Aden, Northern and Southern Rhodesia

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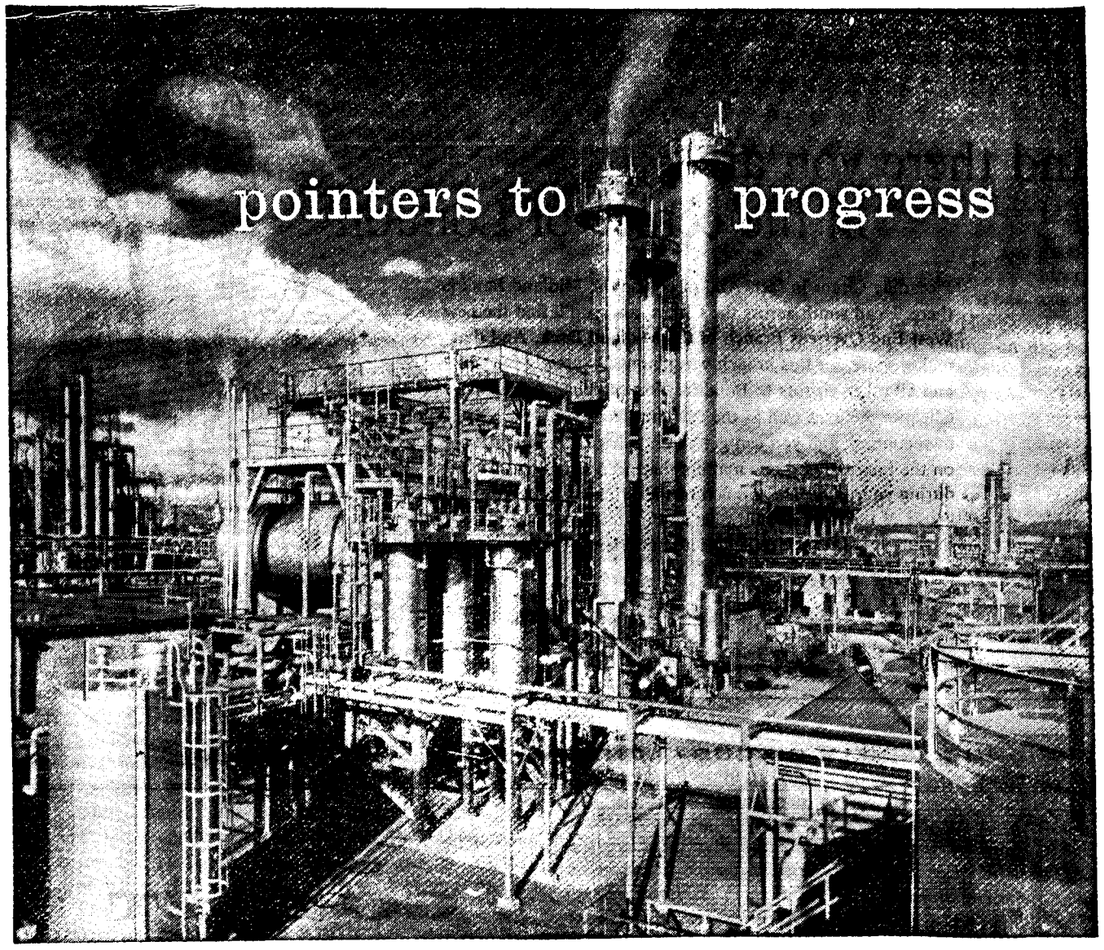


The last ten years have seen the new industry of petroleum chemicals well and truly established on Scottish soil. This great new enterprise owes its origin and development to the foresight, capital resources, scientific skill and management of two leading companies—The British Petroleum Company Limited and The Distillers Company Limited. The organisation jointly formed by them to produce basic raw materials for industry—British Hydrocarbon Chemicals Limited—has already successfully accomplished a major programme of expansion, extending both its output and the diversity of its products. Today petroleum chemicals produced at Grangemouth are basic raw materials in scores of products ranging from drugs to dye-stuffs, fabrics to footwear, paints to plastics . . . assisting industrial development in many fields, and helping everyone to achieve higher standards both in work and in leisure.

B. H. C. Products.....and some of their end uses

Ethylene Styrene monomer and Polystyrene (Synthetic rubbers and rubber-like plastics; electrical equipment; toys; piping). Polyethylene.

Ethyl Alcohol Raw materials for textiles; synthetic fibres; plastics; paper; leather and food processing industries; pharmaceuticals and fine chemicals. Solvent for industrial finishes. Methylated spirits.

Diethyl Ether Solvent for extraction of oils and alkaloids in the pharmaceutical industry. Anaesthetics.

Isopropyl Alcohol Acetone (solvent for rayon, explosives, lacquers, aircraft dopes, and adhesives.) Intermediate for pharmaceuticals and other fine chemicals.

Tetrapropylene Household and industrial synthetic detergents.

Butadiene Synthetic rubbers and rubber-like plastics. Boot and shoe soles.

***Polyethylene** Household, medical and laboratory articles; piping; cable insulation.

***Cumene/Phenol** Phenol (resins; insecticides; herbicides; synthetic fibres; lubricating oil additives). Intermediate for dye-stuffs, pharmaceuticals and other fine chemicals.

* PLANTS NOW UNDER CONSTRUCTION AND DUE FOR COMPLETION IN 1959

British Hydrocarbon Chemicals Ltd
GRANGEMOUTH · STIRLINGSHIRE

countries with which the United Kingdom has a persistently favourable trade balance. Using the Hongkong figures (and therefore reversing the cif-fob difference) Hongkong took British goods to the value of £42 million last year and sent to this country goods worth £21 million.

That is the apple cart that the Lancashire protectionists would like to upset. If they did so they would upset something else as well—moral values. Gallantly, and with machinery drawn from Britain as well as America and Japan, Hongkong has managed to absorb refugees amounting to between a third and a half of its total numbers. Recent census figures are not available, but the best estimates are that out of a population of 2¾ millions about one million are refugees (not all of them from communism). Britain's brave little window on Communist Asia would normally be filled with a trading rather than a manufacturing community. The home government (and still more the Americans) by cutting down trade with China forced them to choose otherwise and they have become inconvenient to a major British industry. But at its lowest the damping down of Hongkong's 300,000 spindles would not check for more than a few months a decline in the Lancashire cotton industry that began long before the Hongkong industry was thought of. The implied charge against Hongkong is unworthy. Mr John Keswick summed it up at the China Association's dinner last week when he said: "In Hongkong they spin—and they toil."

SHIPPING

Ships Are Idle, Not Men

In sheer numbers of ships and volume of gross tonnage, the amount of shipping that is now laid up in British waters seems quite immense. The figures themselves, and the sight of more and more idle funnels poking out of quiet inlets around the coast, can be compared only with the thirties. A month ago the total exceeded 250 vessels of not quite 1½ million gross tons, of which 183 ships of just over a million tons were British, including 52 tankers of 475,000 tons and 131 dry cargo ships of 559,000 tons. But world shipping has grown by more than half in the last twenty-five years and the present total of British ships laid up is still less than 5 per cent of the total British merchant navy fleet. Even the world total of laid-up shipping, now estimated to be close on 1,200 ocean going vessels of not quite 8 million gross tons, is relatively small in a world fleet that now exceeds 34,000 vessels of more than 110 million gross tons (including the American reserve fleet).

These world estimates exclude coastal and short-sea vessels, which may make the present total laid up rather more; and some flags and owners have been more hardly hit than others. About 3½ million tons of ocean-going vessels, both dry cargo and oil tanker, under the "Pan-Hon-Lib" flags are now known to be laid up, which is nearly 30 per cent of the gross tonnage of the fleets registered under these three flags of convenience. It is mainly from the owners of these vessels that pressure has been coming for some international scheme of stabilisation. But the Scandinavians have finally decided not to be represented on the committee set up six weeks ago by the International Chamber of Shipping to discuss what might be done and the chances of an arrangement being worked out and applied effectively have become decidedly more remote.

Strangely, although over a million tons of British shipping are now idle and some further tonnage must be underemployed, there is little noticeable unemployment among British seamen. The slack has apparently been largely taken up by ships now sailing promptly with their full complement, and by casual "unestablished" labour more readily taking shore jobs. During the boom, when full crews were often difficult to find, ships were sometimes held up for two or three days while a sufficient number of ratings were signed on or sailed under-manned. Now these shortages have almost disappeared and virtually all of the 50,000 to 60,000 merchant navy men who are in the established labour scheme still have a sea-going job. This scheme, into which they can contract for periods of two years at a time, guarantees them benefits for sickness and unemployment on top of those provided by the state, and it also gives them priority, when new crews are taken on, over the other 90,000 to 100,000 British seamen in the British merchant navy. These others are casual labour who sign on only for the voyage and may take an occasional job ashore.

WHEAT

Planning a New Agreement

Last week, the International Wheat Council voted to ask the Secretary-General of the United Nations to convene a conference early in 1959, to negotiate the renewal or replacement of the international wheat agreement, expiring on July 31st, next year. The Council also recommended a preliminary conference this autumn, to discuss the possible form of a new agreement. Though the United Kingdom will be represented at the autumn meeting, and may well also attend the negotiating conference next year, it seems at this early stage unlikely that Britain, which stayed out of the agreements of 1956 and 1953, will enter the next one. It has been said from time to time that Britain's abstention from the agreement is unfortunate; but a substantial section of the wheat trade here (including the milling industry, whose president recently called the agreement "rigid and restrictionist") takes the opposite view.

In the first agreement, which ran from 1949 to 1953, Britain bought an annual average of 177 million bushels under the agreement—virtually its entire "guaranteed quota" for each of the four crop years. The basic price—the price of No. 1 Manitoba Northern at Fort William/Port Arthur—was then at its ceiling of $1.80 (Canadian) a bushel. Since that time the price has fallen steadily, and has remained well within the agreement limits (at present $1.50 and $2.00 a bushel). Total imports of the United Kingdom and its territories during 1949-53 averaged 200 million bushels; if Britain had remained in the agreement, and bought a similar proportion of its wheat under it, total sales registered under the agreements would have been raised by more than 183 million bushels each year, though obviously no more wheat would have been drawn from the world's supply.

It is difficult to see how the purchase of this wheat in the market instead of under the agreement can have been a seriously unsettling factor, and even more difficult to see that it might be so in the near future. American supplies still dominate the market; and production this year will probably top the American average for the past ten years. In addition, Canada still has massive stocks sufficient to cover exports for the next two years, even if the currently threatening drought were wholly to wipe out this year's

crop. It is possible that the next wheat agreement may seek to incorporate more positive controls over world production and to prevent the accumulation of enormous surpluses ; but until this happens—and there is no indication that it will—there is little reason to think that Britain will benefit from the agreement, and even less justification for the charge that its absence is doing harm.

RESEARCH AND DEVELOPMENT

Spending in America and Here

COMPARISONS between expenditure on research and development in this country and the United States have always been blurred, quite apart from differences in definitions and reporting, by the fact that the main body of estimates for the United States were for 1953 and those for Britain were for 1955. But a second comprehensive survey has recently been conducted in the United States for 1956: and a preliminary report from the National Science Foundation has now provided a summary of these later and more comparable figures. In some ways the 1956 pattern there seems rather more like the 1955 pattern here than that of 1953 did: but the most important change is a 67 per cent increase in total American expenditure on research, to $9 billion. That rather rudely squashes any comfortable assumptions from the earlier comparison that by and large Britain was doing proportionately as much research as the United States.

It is true that the increase is in terms of current prices, with no attempt to deflate for the inflation in costs of equipment and salaries of scientists that has undoubtedly gone on: the National Science Foundation has not yet indicated how much of an increase there was in the number of qualified scientists and engineers employed on research and development, which is perhaps the best " real " measure of effort. Ideally one might wish to consider, besides the relative costs of research in the two countries, its efficiency (" output per scientist-year ") ; whether, as research is a word that sells goods, American firms are more prone than British ones to keep their accounts in such a way that their research expenditure is shown to the best advantage ; and many other matters, including of course the technical details of the surveys that produced the sets of figures. Nevertheless, the figures of total expenditure in the United States, of the sources of funds, and of the industries where the work is done, enable one to extend, rather cautiously, the comparisons used by the Advisory Council for Scientific Policy in its last annual report.

In this the US expenditure on research and development in 1953 was given as 1.5 per cent of the American gross national product, compared with British expenditure equal to 1.6 per cent of our gross national product in 1955. But the figure for America in 1955 was 2.1 per cent, destroying the impression that the two countries are putting the same proportions of their resources into scientific and technical progress. The difference in the two countries' efforts appears even greater when one looks at industry's research and development alone. In American industry expenditure on research and development was equal to 3¼ per cent of the value added in manufacturing in 1953, and 4¼ per cent in 1956 ; in Britain the corresponding figure for 1955 was only 2.6 per cent.

And Who Pays

HOWEVER, in one major respect the pattern of research and development expenditure in Britain and America now appears more alike ; defence accounted for much more of the American total in 1956 than it did in 1953. In 195 some two-thirds of the £185 million spent in British industry came from government funds, and was nearly all for defence. This compared with only 37 per cent of the research and development work done in American industry in 1953. But by 1956 the government was paying for nearly 49 per cent of industrial research there. This change seems to have resulted from the heavy cost of rockets, for the American aircraft industry's expenditure nearly trebled in the three years. Its proportion of the total R & D effort in American manufacturing industry rose from less than a quarter to a third ; in Britain in 1955, aircraft accounted for nearly a half.

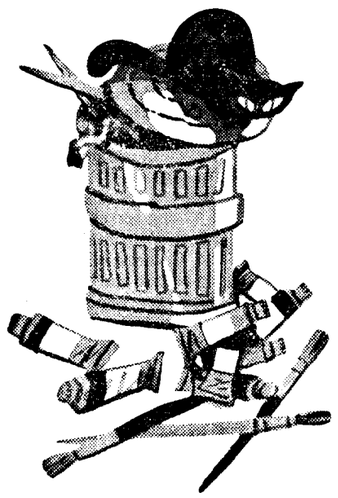
RESEARCH & DEVELOPMENT EXPENDITURE, USA & UK

	USA 1953	USA 1956	UK 1955
Total R & D expenditure	$5·4 billion	$9·0 billion	£300 million
As a percentage of gross national product	Per cent 1·5	Per cent 2·1	Per cent 1·6
Expenditure in manufacturing industry as per cent of gross national product	0·9	1·5	1·1
Industry's own expenditure as per cent of gross national product	0·59	0·75	0·36
	Per cent	Per cent	Per cent
Percentage of total R & D expenditure financed by Government.....	52	58	75
Percentage of industrial R & D expenditure financed by Government	37	49	68
Aircraft research as per cent of total industrial research.....	22	32	45–50

But the vast increase in government financing of, for example, flopping sputniks, does not account for the whole growth of expenditure on research and development between 1953 and 1956: the gap between what private industry does here and in the United States looks much wider by this more recent comparison. Private research expenditure rose 44 per cent in American industry between 1953 and 1956: industrialists there in 1956 were spending nearly three times as large a proportion of their " net output " as British industrialists were in 1955. Even though some of this increase too must have been due to rising prices, there is no getting away from the fact that the amount of research and development done by industry as well as government in the United States is increasing greatly from year to year. One might guess that expenditure is rising here too, but there is no official attempt planned to find out. The broad figures of the DSIR survey made in 1955 are increasingly bandied about, but no more detailed figures of where the money was spent have ever been published than those given in a paper to the British Association as long ago as the autumn of 1956. This week, in the Commons, replying for the Lord President of the Council, Mr Harmar Nicholls said no plans had as yet been made for the survey to be repeated ; " the lessons to be learnt from the first survey are still being looked into."



ANDROCLES SMALL



SMALL had always been a dedicated artist. But although he himself realised, more than anybody, how tremendously dedicated he was, as an artist, this fact never made him particularly happy to be one. He was a natural rebel of course, but having been b.1911 he came of age at a time when it was becoming increasingly difficult to find things to be rebellious about. To Androcles the kitchen sink style was practically indistinguishable from sheep in snow against a low sun; and even when he was only five the design of the scarf knitted for him by his least favourite aunt was cubist.

Still he did his best. It was Androcles who introduced fixed mobiles. Androcles who hung his carpets on his walls and turned his pictures into hearth rugs, who made a Memorial Group out of old carburettors, who drove his car over his dust bin and put a gold frame round the result. In his Thick period he represented flat surfaces by a bas-relief of warmed up shepherd's pie. In his Pip period it was Androcles who spent five years really getting to know the apple pip and another five learning where to place it on the canvas. Success came, curiously, when he became overwhelmed with such a hatred of canvas and all the instruments of his trade that he turned First Vacuist and earned final fame and acceptance by destroying his canvas altogether.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUG

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University Scholarships: Do you realise that the National Coal Board offers a hundred University Scholarships each year to school-leavers and young men already in the industry? This fact alone gives you some idea of the need for highly-trained people. Most of these Scholarships are for mining engineering, but some are given in mechanical, electrical, civil and chemical engineering and fuel technology. The parents' income makes no difference to the value of the Scholarship.

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Management Training: An excellent prospect for those who have obtained technical qualifications, either through University or through part-time study at a technical college, is the Board's Scheme of Management Training. This lasts for two to three years and trainees often work on development and reconstruction schemes, getting their training today at mines in which they may hold responsible posts in the not too far distant future. For example, the chances of a mining engineer becoming, between the age of 26 and 30, a colliery manager (with a salary of £1,400 to £2,100) are good.

"The Many Careers in Coal": This is the title of a free booklet you can write for if you are interested in making your career in this vital industry. You will read what prospects there are, for example, in mining engineering, mining surveying, mechanical, electrical and civil engineering and in the Scientific and Carbonisation departments. Men studying physics and chemistry should note that there are opportunities to do interesting and original research and scientific control work.

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Issued by the National Coal Board. Divisional Headquarters in: Edinburgh, Newcastle-upon-Tyne, Doncaster, Nottingham, Manchester, Dudley, Cardiff, Dow

TURNING A TAP OFF

FCI's Heavy Loss

It is unfortunate for Lord Weeks, the former chairman of Vickers, that in his first year in his new job of chairman of Finance Corporation for Industry he should have to produce thoroughly bad figures. A writing down of investments by £1,200,000, a loss for the year of £902,322, absorbing the whole of the Corporation's investment reserve of £750,000 and almost the whole of the undistributed surplus of £175,514, and the decision to pay no dividend (against 6 per cent), make a shocking picture—so shocking that critics may be tempted to forget that FCI was formed for the very purpose of undertaking financing that could not be done through normal market channels. If exceptional risk-taking did not imply accepting losses on occasion, something would be radically wrong with the standards that the normal market channels were applying to their customers.

Nevertheless, Lord Weeks has inherited from Lord Bruce a problem of first turning off the tap and then consolidating. He feels that it would be wrong to name the project or projects chiefly responsible for the £1.2 million write-off.

Re-opening Windscale

Last October, fire destroyed the core of one of the Atomic Energy Authority's two plutonium producing reactors at Windscale. The undamaged twin has since been shut down, awaiting a decision on its future. Now the last of the three investigating committees set up under Sir Alexander Fleck has reported on the conditions under which, its members think, it would be safe to bring the closed reactor back into commission. It is a bland and highly technical report on a subject over which few physicists have yet acquired complete mastery. How much reassurance is the public entitled to draw from its conclusions?

The Windscale fire was not started by the uranium fuel in the reactor but by the graphite blocks out of which it is built. The British nuclear power programme is tied to the use of graphite as a moderator. Only two other materials perform this indispensable moderating function equally well. One is heavy water and the other beryllium; both are considerably dearer than graphite and less plentiful.

The weakness of graphite, dramatically shown at Windscale, lies in its tendency to become mildly distorted under the constant bombardment of nuclear fission. Periodically operations have to be carried out to relieve the internal stress in the graphite. These operations take the form of heating the graphite above working temperature of the pile. If they are not carried out, the energy accumulated in the graphite structure may be released spontaneously and disastrously into the reactor as heat. Local hotspots formed in this way are dangerous because they can rupture the fuel cans and start considerable trouble.

Such an annealing operation was being carried out at Windscale when the reactor over-heated and caught fire. Another will have to be carried out on the second reactor before that can be re-started. The Calder Hall reactors will not become due for annealing for another two years, when they will have been running for a total of four years; reactors in commercial power stations can be annealed, but may never need it. These differences in procedure arise from the different conditions under which the reactors operate. A graphite reactor run at low temperatures, as at Windscale, builds up this "Wigner energy" on a considerable scale and the danger of its sudden release is serious. At Calder Hall, where the reactor is hotter, the energy is released almost as rapidly as it is formed so that the accumulation of energy in the graphite takes much longer to reach danger level. At the even higher temperatures at which the commercial nuclear power stations will operate, the graphite becomes practically self-annealing.

This, at least, is what scientists expect to happen but they cannot be certain until reactors have been running long enough to find out. Much research has been done on the committee's behalf into the behaviour of graphite in reactors. None of the results is published in its report but may appear later in scientific journals. The conditions under which the committee advise that the second Windscale reactor should be reopened suggest that it must now be regarded as a potentially dangerous plant. The difficulty peculiar to Windscale, which does not apply to the other graphite-moderated reactors, is that it is cooled by air. Hot uranium and hot graphite oxidise quite violently in its presence. Safety margins are narrow, making the routine annealing operations much more difficult to carry out at Windscale than at Calder Hall or at the civil power stations, where the cooling system works on a closed circuit of inert carbon dioxide. Annealing operations at Windscale before the fire had become progressively less effective and what the committee advise for the future is a choice of two untried alternatives. One is to use two separate techniques in succession so that one cancels out the shortcomings of the other. The other is to control the reactor's temperature so closely that the danger of a spontaneous release of energy is removed. No method is suggested for Calder Hall.

THE COMMITTEE'S RECOMMENDATIONS

The No. 2 reactor at Windscale is to be re-opened for plutonium production after:

(1) Annealing by a new technique using two processes, one fast, one slow; or running the reactor at strictly controlled temperatures so that annealing is unnecessary.

(2) Improving the instrumentation.

(3) Improving the filters on the chimneys to cut down (though not to eliminate completely) the danger of fall-out.

The Atomic Energy Authority has the unenviable task of making these suggestions work. Even on such an apparently simple recommendation as increasing and improving the instrumentation on the Windscale reactor, not all members of the AEA are as optimistic as the committee in thinking either that it can be done or that it is worth the effort. A radio-active plant cannot be tinkered with. The recommissioning of the reactor might take about a year, and much depends on whether the military need for plutonium is urgent enough to justify the effort involved, or whether Windscale No. 2 should be abandoned.

With the publication of these recommendations, the Windscale inquest is complete. A chastened AEA has before it Sir William Penney's account of the fire and Sir Alexander Fleck's three reports on its organisation and safety measures and on the future of Windscale. The loss of a reactor is serious, but even that can be accepted as part of the cost of driving for quick results and striving for a position of eminence in the atomic world, provided that the authority learns the right lessons about its methods and its organisation. It is not yet clear that, in organisation at least, the changes that are being made are inevitably the right ones.

But Percival Aircraft is not the cause of any large part of it. It is almost equally clear that the present writing-off may not be the end. The chairman's statement refers to it as a provision for the "further losses so far incurred," and he mentions vigorous action "in an attempt to arrest further deterioration."

FCI has a most important function to fulfil in financing the steel industry at a moment when for political reasons steel cannot turn elsewhere. The main reason for the fall in the Corporation's unquoted investment last year from £42.3 million to £29.3 million was that Steel of Wales repaid its loan of £28 million just after Bank rate was raised to 7 per cent, and thus incidentally made the ceiling for bank advances easier to attain, since part of the funds for repayment came from ISHRA. Of the remaining loans, about half are to the steel industry. They are financed by bank advances, down from £42.9 million to £30.5 million. Financing with bank money continue, and Lord Weeks is not conscious of having less available than he needs. Further losses are another matter. The only reserves out of which they can be met are, first, the small remaining £23,192 of undistributed profits and, secondly, the uncalled capital of the Corporation—£24.5 million, representing £9 16s. per £10 share, all the shares being held by the Bank of England, the insurance companies and the investment trusts. It is a fair guess that the board of FCI must have been doing some hard thinking about when, rather than whether, a call will be advisable.

WORLD INTEREST RATES

Still Cheaper Money

THE past week has seen further manifestations of the world-wide movement towards cheaper money. In the United States, where interest rates are lowest and the recession has been the most severe, the Treasury bill rate has resumed its fall; after four successive weekly increases, to just over 1 per cent; it is now back to ¾ per cent. In Germany, which is just beginning to experience a fall in industrial production, the central bank last week cut its discount rate from 3½ to 3 per cent; the authorities may also have been influenced by the quickening in the flow of foreign money into the country. This week the National Bank of Belgium has reduced its bank rate from 4 to 3¾ per cent, the second reduction within a month and the third this year. And in the past month cuts in bank rate have been made also by the Netherlands, by Italy (from 4 to 3½ per cent, the lowest rate since the war and the first change since 1950), by Japan (from 8.4 to 7.7 per cent) and, of course, by the Bank of England. The only important countries that have not reduced their bank rates from the 1957 peaks have very good reasons for not doing so. They are France, India and New Zealand, which are forced to pay more regard to their chronic shortage of exchange than to the slight softening in their domestic economies.

WORLD BANK RATES

	1957 peak	Jan. 1, 1958	Now
United Kingdom	7	7	5
United States	3½	3	1½
Germany	5	4	3
France	5	5	5
Netherlands	5	5	3½
Belgium	4½	4½	3½

RADIO INDUSTRY

Cold Comfort

THE likelihood that the greater part of the Associated British Picture Corporation's £3.5 million trading profit for the past financial year came from its television investments is cold comfort to the men who make the sets that show ABC's programmes. The radio industry has prepared a new series of statistics, giving for the first time monthly deliveries of radio and television receivers from manufacturers to the shops. These show that in the first four months of this year trade was well below 1957 levels. Deliveries of television sets were 10 per cent down; of radio sets, 15 per cent down; and of radiograms, which enjoyed a minor boom last year, 34 per cent down on those for the same four months of 1957.

Retailers, however, seem to be faring better than manufacturers. Both the radio retailers' own trade association, which bases its figures on returns made by a regular panel of retailers, and the radio manufacturers who made their own independent calculation of retail sales, reported that business picked up in March, and has been at least as good as it was a year ago. Even if this improvement is maintained throughout the summer and there were signs of a falling off in May—manufacturers are not likely to feel the benefit until later in the year. Radio retailers, especially the bigger ones, tend to carry large stocks of receivers, but from February onwards each year they begin to run these down towards vanishing point while they watch to see what new models the industry will produce for the annual radio show in August. Most shops find that old models held in stock after that date can only be sold at a discount.

The business of renting sets is now becoming almost as important a part of the retailers' business as selling them across the counter. The retailers' association has tried for the first time to calculate the volume of this business, and its sample suggests that very nearly one rental agreement is made for every set that is sold outright. Preliminary talks are being held to see whether the association might not be able to finance these agreements for its members at cheaper rates than the finance houses at present charge them.

COFFEE

Hedging in Robusta

LAST Tuesday London's new coffee terminal market, situated in a corner of the main floor of the Commodity Exchange, Plantation House, Mincing Lane, swung into action. London now has hedging facilities in coffee for the first time since the Santos' futures market closed in 1927. The new market is managed by the London Produce Clearing House and based on the African Robusta coffee. The contract is in five ton units and the basic grade is Uganda Native Robusta CTMAL Type No. 2 Standard. The price is based on delivery of UK Preferential duty Robusta coffee in bond at approved warehouses. Trading will normally be in six monthly positions ranging up to 13 months ahead, with three 10 minute calls a day, five days a week. Support from the coffee trade has been good and trading began with over 40 members.

This is the first time that dealers have had any real facilities to hedge against price fluctuations in Robusta, which is the type of coffee mainly used in making soluble "instant" coffees and as such is taking a growing share of the world coffee market. The New York futures contracts are based on Brazilian and Colombian types and operations at Le Havre, where Robusta futures are dealt in, have been increasingly hampered by financial restrictions.

The new London market could scarcely have opened at a less propitious moment. Overproduction is bedevilling coffee more than most commodities and surpluses are increasing at an alarming rate. In Washington the study group of the International Coffee Organisation is grappling with the problem and it now looks as if only speedy co-operation between producing and consuming interests can avert a collapse of the market. So far, South America's leading producers, Brazil and Colombia, have been remarkably successful in holding prices up; first by export restrictions together with Central American producers; and latterly by buying in their own coffee. But success has been achieved only at severe cost to Brazil's and Colombia's currencies. Prices of the African Robusta coffees, meanwhile, have risen over the past year. Demand is expanding rapidly chiefly because of its suitability for soluble coffee powder and also because it is a good deal cheaper than the South American growth; for the British consumer there is the additional attraction of Preferential duty. It is estimated that instant coffee contains about 75 per cent of Robusta; as the leading instant coffee producer in Britain now accounts for about one-third of the total UK coffee imports, the growing importance of Robusta is clear. It is also used extensively in blending for the "Espresso" trade. Even so, Robusta prices are unlikely to remain at the present high level for long. Production is rising rapidly and the rate of growth here is accelerated because a robusta tree takes only about 3-4 years to mature, compared with the Latin American tree which takes between 5 and 7 years to reach maturity.

IMF EXCHANGE REPORT

Nearer to Convertibility

THE ninth annual report of the International Monetary Fund on exchange restrictions is more generous in its praise than in its criticism. It is particularly eulogistic of those countries which during the last year have shown determination in upholding exchange freedom even under adverse conditions. Such countries, and the United Kingdom stands at the top of the list, have found the IMF "a ready ally."

Although most countries so far have been able to defend the progress made towards freer trade and payments, the IMF report states that pressures are now building up from falling commodity prices and the recession in the United States which may endanger the positions that were so successfully held during the past year. These have been only small formal relaxations of exchange restrictions; but a big improvement in the effective freedom with which currencies

Caravelle Catches the Trade Winds

FOR a decade the market for medium range airliners has been dominated by British manufacturers much as long-range aircraft have been dominated by American. British prospects in the medium range market are now threatened by competition from sections of the French aircraft industry that were forcibly rationalised a year ago along lines that the Minister of Supply has tried vainly to introduce into Britain. Six airlines have between them about 70 French-built Caravelle jet airliners on order or under option. If there are not yet too many medium-range airliners on offer, there are signs that the British aircraft industry has concentrated too high a proportion of its resources on their production. Close examination of the Caravelle raises doubts whether British manufacturers have correctly judged the market.

Built in Toulouse by Sud-Aviation, the Caravelle has been flying for three years and is now undergoing the last trials for its certificate of airworthiness. In recent months it has emerged as a threat to both the Comet and the Viscount-Vanguard combination. It is not as elegant as its name implies. Its completely cylindrical fuselage sits on a pair of wings that seem unaturally thin with nothing to break their swept line. At the far end of the tail, not immediately visible from the front, a pair of engines each weighing a ton protrude one on either side. The Caravelle costs £800,000 (which the makers will accept over 4 years) and it carries 80 people. It is not an ambitious airliner, being limited by its wing shape to speeds of 500 miles an hour and designed for ranges of 1,500 to 2,000 miles where jets are not normally considered competitive with either turbo-prop or piston engined aircraft.

But two engines are cheaper to fly than four; and the twin-jet Caravelle's costs are below those of the four-jet Comet (using the same Rolls-Royce jet engine) and much too close to those of the four-engined turbo-prop Vanguard of Vickers-Armstrongs for comfort. This explains the Caravelle's competitive success.

The Caravelle has arrived when the airlines are mesmerised by the fear of jet competition not only on the long North Atlantic crossing but also on the short-range operations in Europe where the Caravelle performs best. It has much prejudice to overcome: against twin-engined aircraft, against short-range jets and particularly against the French aircraft industry's lack of export experience. But these prejudices are crumbling and the Caravelle is making its contribution to the current stalemate in British factories. Vickers-Armstrongs is about to sell its 400th Viscount, but in a year of hard selling this company has taken new orders for only 18 Viscounts and, more serious, none at all for the new Vanguard. Nor have the Britannia or the Comet fared much better. It could be argued that the Comet is in every way a bigger, faster, longer-range aircraft than the Caravelle and therefore that the two are in different competing groups. But British European Airways intends to meet Caravelle competition in Europe by using Comets, a compromise which other airlines are not willing to adopt because of the cost.

The effect of the Caravelle on BEA's traffic is impossible to guess. Why do passengers book with one airline rather than another? The aircraft has all the speed and smoothness common to jets. Both the Scandinavian SAS and Air France will put it on routes to London early next year while BEA will not have Comets before 1960. It is anybody's guess whether passengers will learn to recognise, like, and ask for seats on jet services. Unfortunately for Britain, spectator airlines can put off ordering new aircraft until they see how the game goes.

can be used has resulted from the narrowing of the discounts at which European currencies could be exchanged for convertible currencies in free markets. In this respect, says the report, there was continued progress towards convertibility although the present position still falls short of formal convertibility. The line of demarcation between those countries that moved towards greater freedom of payments and those which retreated fell in the main between the industrial countries and those more directly interested in the production of raw materials, whose prices had declined.

Among the new restrictions mentioned are the advance deposit schemes by which certain countries in payments difficulties have endeavoured to curtail imports by requiring importers to make advance deposits or payments. The report adds that in practice the restrictiveness of this device could be made negligible if the necessary credit facilities are easily available in the country concerned. In spite of this progress it is a sobering thought that in this ninth report on exchange restrictions, long after the formal transitional period to overcome postwar difficulties has expired, the majority of IMF members should still appear in the dock as transgressors against its most basic rule.

SHORTER NOTES

It is not clear whether the explosion that wrecked a turbine on test at the Calder Hall "B" nuclear power station arose from a fault in the turbine itself or because certain valves blocked the steam cycle of the turbine. The reactor, which is the third of the four planned for Calder Hall, was shut down immediately after the accident and will re-open next week but for plutonium production only. Since the reactor must be cooled during operation, the steam from the boilers will be "dumped" until the turbine house has been repaired. An inquiry into the causes of the explosion opened on Friday.

* * *

With the award of a contract to run a commercial television station in East Anglia to a group formed by the Norwich Union Life Insurance Society, several local businesses and newspapers, the *Manchester Guardian*, the *Evening News* and two film and theatre groups, the Independent Television Authority's network is complete. It consists of nine stations, four big and five small, and affords service to 90 per cent of the population.

* * *

The London office of the Manufacturers Trust Company has made available a revised and extended edition of its street map and gazetteer showing the location and telephone number of banking offices in the City of London.

* * *

Germany has abolished the "liberalised capital accounts" (Libka marks), through which foreign investments in Germany have hitherto had to be channelled; these accounts have at times stood at a significant premium. Purchases of land and direct investments in German industry may now be made freely from all non-resident accounts; but purchases of German securities and credits to German residents with less than five years to maturity can be made, except with specific permission, only from "freely convertible" accounts (held by residents of the dollar area).

* * *

Contrary to the suggestion in the article "Sterling's Strength through Tribulation" in the issue of June 14th, there has been no general relaxation of the official restrictions on overseas credits imposed last September. The restrictions are on refinance facilities for non-residents and on credits in respect of trade between third countries.

* * *

An estimate of the dollar assets of British insurance companies by Mr Charles F. Trustam, chairman of the British Insurance Association, puts the total at the formidable figure of more than $1,600 million.

* * *

The World Bank has made loans of $25 million to the Japan Development Bank for electric power expansion and $43 million for port improvements at Calcutta and Madras. The bank has borrowed Dm 200 million at 3 per cent from the Deutsche Bundesbank for three years. Mr Eugene Black's appointment as president of the World Bank has been renewed for five years.

* * *

The gross profit after depreciation of W. H. Smith and Son (Holdings) for the year ended March 29th rose from £1,673,549 to £1,825,861. A final ordinary dividend of 10 per cent has been declared, leaving the total dividend unaltered at 15 per cent.

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COMPANY AFFAIRS

STANDARD MOTOR

STANDARD MOTOR COMPANY continues to fascinate Massey-Ferguson. Last July, at the time of the abortive bid by Massey-Harris-Ferguson, as it was then called, for the Standard Motor 5s. ordinary units, it was willing to pay the equivalent of 9s. 6d. for Standard Motor shares. And Massey-Ferguson had bought the shares in the market at prices ranging close up to this figure, giving it a shareholding of about 20 per cent. More recently Lord Tedder, the chairman of Standard Motor, has said he understood that Massey-Ferguson was interested in being a large shareholder but had no intention of trying to obtain control.

Be that as it may Massey-Ferguson clearly wants to increase its voice and stake in Standard Motor, for it has made an offer in cash of 8s. for the new ordinary shares in Standard Motor now being allotted to stockholders in Mulliners (Holdings) as a result of Standard Motor's recent offer. Holders of over 80 per cent of the Mulliners ordinary stock have already accepted and the offer is open until July 18th. A 100 per cent acceptance would involve the issue of 3,656,250 shares of 5s. each in Standard Motor, so that if Massey-Ferguson acquired for cash all these units its holding in Standard Motor would be upwards of 30 per cent. A shareholding of 25 per cent. is often regarded as giving its owner an effective, as opposed to statutory, control and to acquire a bigger holding Massey-Ferguson has bid a little over 1s. more than the prevailing market price of 7s. for Standard units.

ALBERT E. REED

DIVERSITY of product within the broad category of paper making is the recurrent theme in the full accounts of Albert E. Reed for the year ended on March 31st. The pattern of that diversity is apparent from this breakdown of sales:

	1956–57	1957–58
	%	%
Converted packaging ...	36	37½
Wrapping paper	34½	34½
Printing papers	16	16
Newsprint	8	8
Miscellaneous	5½	4

Diversity has certainly helped the group in a period when there is an excess of paper making capacity. In 1957-58, Reed's sales rose from £58.5 million to £62.3 million but trading profits fell by 13 per cent from £6,663,954 to £5,764,750. For the paper industry that is not an exceptionally bad result and the breakdown of the figures in half-yearly periods (discussed here on May 24th) shows that the group, despite the start-up expenses on new machines, was able to hold its own in the later months of the financial year. Moreover, the reduction in the total ordinary dividend from 16 to 14 per cent was less than was at one time expected.

Lord Cornwallis reports that "mills and factories are running at a satisfactory rate of production," but implicitly he also recognises that the new capacity is not yielding the return on which the expansion was first planned. He argues that if the plant had not been modernised, profits would have fallen even further. Now the company is seeking permission from the Capital Issues Committee to raise £5 million on a debenture later this year. Perforce, ordinary shareholders will have to accept the directors' decision to come to the market with a debenture, but they will hardly welcome the creation of another fixed interest stock ranking in front of the equity when the paper companies are fighting hard to maintain their share of a market that has lost, temporarily at least, its remarkable power of expansion. The £1 units of A. E. Reed at the current price of 35s. 6d. yield 7⅞ per cent.

RENOLD CHAINS

ON the back of a satisfactory preliminary statement, Renold Chains is coming to the market for the second time in two years with a rights issue of ordinary shares. Expansion and redevelopment started in 1956 at a cost then estimated at about £3½ million, to which the rights issue in July, 1956, contributed about £1.9 million. In 1956-57 profits suffered a setback but that had little effect on the capital programme. Now the preliminary report for the year to March 31st last shows a recovery in gross profits from £1,041,066 to £1,435,798 and in net profits from £404,398 to £558,770. The ordinary dividend is unchanged at 12½ per cent.

About £2 million in new money will be raised by the proposed issue of 1,379,804 ordinary shares of £1 each at 30s. a share in the proportion of 3 new shares for every 8 held. The old shares are now quoted ex-rights at 34s. 1½d. (to yield 7.3 per cent) while the yield offered by the new shares at 30s. on the assumption of a maintained 12½ per cent dividend is 8⅓ per cent. A rights issue following as this does so quickly on the heels of another can be attractive to shareholders only if the development programme quickly produces higher earnings to service the new capital.

OLDS DISCOUNT

SOME time ago the Chancellor said that he was looking into the ways used by companies to raise new money without having to go to the Capital Issues Committee for permission. He has at long last acted, but in the meantime the number of those who saw the point of taking time by the forelock multiplied. There was a well-trodden path round the CIC. Olds Discount, the hire purchase finance house, has been over it twice. Last January it bought a company, whose sole asset was £245,000 in cash, for 230,000 5s. ordinary shares, which were privately placed. Now it has bought from Anglo-Scottish Amalgamated the share capital of Galtros, whose assets consist of £859,420 of cash and which has no liabilities, by the issue of 886,000 5s. ordinary shares. These shares, following a precedent set by Radio Rentals, are being offered as rights to shareholders of Olds in the proportion of one for five at 20s. a share (compared with a current market price of 30s.). A final dividend of not less than 12½ per cent is forecast. "Not less" has some meaning, for the 1957 final payment was 15 per cent and already this year the company's new business has expanded and it has paid an interim of 12½ per cent.

SELECTION TRUST

THE spread of investments held by Selection Trust is wide but, though it has interests in diamonds through CAST and in gold through Vaal Reefs and Western Holdings, it is predominantly a base metal finance house—specialising in copper, lead and zinc—through its holdings in Mufulira, Roan Antelope and Tsumeb. The fall in base metal prices and consequently smaller dividends from American Metal Climax (through which its copper interests are held) and Tsumeb brought its gross revenue down from £4,643,569 to £3,224,591 in the year to March 31st. Nevertheless the ordinary dividend was left unchanged at 7s. per 10s. unit on the capital as increased by a 5 per cent scrip issue.

The spread of its investments has been widened and its dependence on Rhodesian copper and other base metals lessened by the merger of American Metal and Climax Molybdenum at the end of last year. As a result, an important part of the business of the merged company, American Metal Climax, is associated with molybdenum, the demand for which turns on the level of steel production in the United States though its price tends to be more stable than that of copper. How far the merger has shifted the interests of Selection Trust is partly revealed by the figures published by the chairman, Mr Chester Beatty. His statement shows that before the merger Selection Trust's interests were split as to 25 per cent in North America and 65 per cent in Africa and 60 per cent of the total was in base metals, excluding molybdenum: now the split is 35 per cent in North America and 55 per cent in Africa; 40 per cent of the total is in base metals, and 20 per cent in molybdenum. Mr Beatty says:

> We shall try to maintain our dividend at 7s. per stock unit and I am hopeful

that it will prove possible to do so; whether in saying this I am being too optimistic remains to be seen.

The yield on the 10s. units at 76s. 10½d. is 9.2 per cent.

CANADIAN AND ENGLISH STORES

THE board of Canadian and English Stores is now headed by Mr S. R. Hogg, who was the chairman of the shareholders' committee that issued in March a devastating report on the groups' activities in hire purchase retailing. This board now states that provision has been made for all known losses up to the end of the financial year on January 31st and it is "taking every possible step to restore the group to a position of earning profits and is satisfied that as a result of the reorganisation the losses have been arrested." Any efforts in this direction will be applauded by shareholders. But what can be salvaged? A further loss of £1.1 million in 1957-58 follows the loss of £1 million in 1956-57.

The capital and reserves belonging to shareholders could be restored—but that lies in the power not of the board so much as of Mr Harry Brooks, the former managing director and owner of the business who sold the Canadian and English Stores equity to the public. From the proceeds of the sale, Mr Brooks made a loan of £3½ million to the company; £500,000 of that loan was repaid and made available to the company "in another form" and later another £1 million was voluntarily cancelled by Mr Brooks. Thus the company still owes Mr Brooks £2 million. If Mr Brooks, who has in any event made a good deal out of the sale of the shares to the public, were to waive part or all of that loan the wreck might be salvaged. The shareholders' committee believes that Mr Brooks should make a substantial gesture towards meeting the losses suffered by shareholders. So far Mr Brooks has made no response and the dividend-less 1s. ordinary units stand at 3s. 9d., against an issue price of 17s. 6d., and a top price in the market of 30s.

METAL INDUSTRIES

THE recovery of Metal Industries from the loss of £544,923 in 1955-56 has, under the new board of directors, been carried a stage further: in 1956-57 the group earned a gross profit of £1,627,359 and now in the year to March 31st last it has risen to £1,755,912. Net profits are slightly lower, falling from £800,097 to £779,753, but this is due to the exceptionally low figure for tax in 1956-57 when losses from the previous year were brought forward. The most important pointer in the preliminary statement is that the ordinary dividend is set firmly at 14 per cent; in 1956-57 the dividend was 9 per cent, plus a special bonus of 5 per cent paid in recognition of the passing of the dividend in the previous year. It therefore looks as if the board is reasonably confident that it can maintain a payment of 14 per cent. The directors also have their eye on expansion, as the sale of 1,500,000 shares in British Oxygen showed; their thoughts seem to be turned towards engineering rather than the metal trade. At 32s. 10½d. xd the £1 units yield 8½ per cent.

RUSTON AND HORNSBY

THOUGH the trading profits of the Ruston and Hornsby group, the locomotive and engineering concern, advanced by £64,501 to £2,107,789 in the year to March 31st, the group's total income was hardly changed at £2,414,205 (against £2,414,818). Income from contracts completed in earlier years fell slightly (from £89,251 to £64,252), and there was a fall of £40,115 to £242,164 in income from trade investments. Interest charges, up from £40,037 to £89,688, were swollen by a full year's servicing of the new loan stock while depreciation rose from £702,474 to £749,372. The fall in tax (from £858,351 to £809,461) was insufficient to offset these higher charges, and the net profit, after a repeated charge of £120,000 for replacement, fell by £48,272 to £645,684. The dividend on the ordinary £1 units has been maintained at 9 per cent, so that they yield 6¾ per cent at 27s.

London Stock Exchange

FIRST DEALINGS:	June 18	July 2	July 16
LAST DEALINGS:	July 1	July 15	Aug. 5
ACCOUNT DAY:	July 8	July 22	Aug. 12

GILT-EDGED ended last week quietly, but made persistent gains this week. Small gains were made throughout the list; the medium-dated issues were well supported, 3½ per cent Conversion 1969 rising ⅛ to 86¼ and 5½ per cent Exchequer 1966 ⅜ to 103 1/16. Among the long-dated stocks, 5½ per cent Funding 1982-84 went up by ⅜ to 100 xd, a rise much of which represents accumulated interest. German bonds rose strongly. The premium on dollar stocks shrank to 1 per cent.

Industrial shares weakened at first and then became steadier. There was little or no further change in prices when the new account opened on Wednesday. The fall in prices was small on balance but it was spread over most of the leading stocks; *The Economist* indicator declined 2.2 to 190.3. Brewery shares held firm; Truman Hanbury Buxton gained 2s. 6d. to 36s. xd following the bid for Daniell and Sons and Watney Mann deferred rose 2s. to 68s. 6d. Imperial Chemical Industries fell 1s. on balance to 28s. 10½d. xc. Standard Motor jumped 1s. 1½d. to 7s. 9d. on the bid by Massey-Ferguson for the Mulliners shares. Shipping shares were generally higher; British and Commonwealth and Cunard both reached their best levels this year of 38s. 6d. and 19s. respectively. Steel shares were also better, John Summers rising 1s. to 25s. 1½d.

More interest was taken in oil stocks, British Petroleum gaining 3s. 6d. to 106s. on Wednesday, but then spurted to 112s. 9d. at one time on Thursday on American buying. A strong demand sprang up for the newer South African gold mines; West Driefontein rose 7s. 6d. to 104s. 4½d., Western Holdings 5s. to 101s. 3d., Hartebeestfontein 2s. 3d. to 65s. 3d. and Welkom 1s. to 14s. 9d. Anglo American Corporation gained 5s. to 147s. 6d. Diamond mines also strengthened, Anglo American Investment Trust rising 6s. 3d. to 170s. 7½d.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Index Dec. 31, 1957=100			Average Yields (per cent)		
	June 25, 1957	May 27, 1958	June 24, 1958	June 25, 1957	May 27, 1958	June 24, 1958
Ordinary Shares :—						
Electrical engineering	128·5	102·6	107·0	4·92	5·63	5·39
Engineering	127·6	102·4	105·6	4·84	5·82	5·66
Motors and aircraft	125·2	99·2	104·7	5·33	6·58	6·24
Steel	...	91·7	94·5	...	10·47	10·16
Chain stores	125·1	99·5	104·8	3·45	4·45	4·22
Cotton and rayon textiles	104·5	90·1	96·1	8·95	9·79	9·15
Chemicals	118·3	116·1	118·1	4·69	5·03	4·94
Oil	147·0	105·1	112·5	4·51	6·25	5·82
Shipping	132·0	93·5	105·3	5·95	7·87	6·50
Investment trusts	121·2	111·3	114·1	4·36	4·97	4·94
Industrials :—						
Ordinary (all classes)	120·6	104·2	109·4	5·85	6·60	6·28
Preference	99·3	99·4	99·4	6·40	6·40	6·40
Debenture	107·8	105·2	105·6	6·00	6·16	6·13
Total (capital goods)	127·0	100·1	104·1	5·15	6·76	6·51
Total (consumption goods)	111·4	105·8	110·5	6·84	6·89	6·59
Consols 2½%	108·6	108·1	108·7	4·98	5·00	4·98

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
June 4	184·2	6·59				
,, 11	188·0	6·43				
,, 18	191·7	6·30				
,, 25	192·5	6·25	192·5 (June 25)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
July 2	190·3	6·32				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
June 25	177·4	6·41	90·50	5·00	8,615	179·6 (June 23)	207·6 (July 9)
,, 26	177·1	6·42	90·50	5·00	8,956		
,, 27	175·8	6·47	90·54	4·99	8,041		
,, 30	174·7	6·51	90·49	4·99	10,269	Low	Low
July 1	174·6	6·52	90·32	4·98	8,764	154·4 (Feb. 25)	159·0 (Nov. 5)
,, 2	174·6	6·52	90·33	4·98	8,949		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 25, 1958	Price, July 2, 1958	Net Yield, July 2, 1958 §	Gross Yield, July 2, 1958
					£ s. d.	£ s. d.
98⅜	96 1/16	War Loan 3%....1955-59	98 15/16	98 15/16	2 12 5	4 2 6
95 15/16	90⅝	Funding 2½%....1956-61	95 7/16	95 7/16	3 0 2	4 3 10
98 13/16	96 13/16	Conversion 2%....1958-59	98 13/16	98 13/16	3 5 6	4 1 7
96⅝	93 3/16	Exchequer 2%.....1960	96⅜	96⅜	3 2 1	4 3 8
98½	95 3/16	Exchequer 3%.....1960	98½	98½	2 10 8	4 1 8
99 11/16	95 7/16	Conversion 4½%....1962	99 7/16	99 11/16	2 9 5	4 11 11
94⅛	88⅜	Exchequer 3%....1962-63	93 15/16	93 15/16	3 2 4	4 9 1
100⅝	99 7/16	Conversion 4¼%....1963	100⅛	100 1/16	2 12 8	4 13 5
89⅝	83⅜	Savings Bds. 3%.1955-65	89⅝	89⅝	3 9 10	4 18 10
81 7/16	77⅛	Funding 3%.....1959-69	81	81 3/16	3 18 6	5 8 1
89¼	86⅜	Funding 4%.....1960-90	87½	87 7/16	10 4 7	12 5 7
79	75	Savings Bds. 3%.1960-70	78⅝	78 11/16	2 18 7	4 16 4
90 5/16	84½	Exchequer 2½%..1963-64	90⅛	90 3/16	4 0 4	5 10 11
81 7/16	78⅜	Savings Bds. 2½% 1964-67	81¼	81⅜	3 6 7	4 9 9
73⅜	69⅜	Savings Bds. 3%.1965-75	73⅛	73 1/16	3 19 6	5 4 0
103⅝	99⅛	Exchequer 5½%....1966	102 11/16	103 1/16	3 18 9	5 10 9
83 5/16	78⅝	Funding 3%.....1966-68	81 1/16 *	81 1/16 *	2 17 1	5 5 5
94⅜	91¼	Victory 4%.....1920-76	94	94	3 17 10	5 6 2
86⅜	81⅜	Conversion 3½%.....1969	85 11/16	86¼	3 2 3	4 19 6
98 1/16	97¼	Conversion 5½%.....1974	97 11/16	97⅝	3 13 2	5 7 1
76⅜	71⅛	Treasury 3½% ...1977-80	75½	75⅜	3 4 3	5 9 9
76⅛	70⅜	Treasury 3½% ...1979-81	75⅝	76 1/16	3 12 8	5 8 4
101¼	98⅜	Funding 5¼%....1982-84	99⅜ *	100 *	3 12 5	5 9 2
65⅞	60	Redemption 3%...1986-96	65⅜	65⅜	3 3 2	5 9 9
72 13/16	64⅜	Funding 3½%..1999-2004	71 15/16 *	71 15/16 *	3 7 3	5 2 4
75⅜	69⅜	Consols 4% after Feb. 1957	73⅛ *	73⅛ *	3 3 10	5 2 0
68⅛	63⅛	War Loan 3½% after 1952	66⅜	66⅜	3 2 5	5 8 5
66 13/16	62⅜	Conv. 3½% after Apr. 1961	66⅜	66⅜	3 0 9	5 6 4
58⅛	54⅜	Treas. 3% after Apr. 1966	58⅜	58⅜	3 0 6	5 6 4
51 5/16	46⅜	Consols 2½%.....	50⅛ *	50 5/16 *	2 19 6	5 4 1
49⅛	46⅜	Treas. 2½% after Apr. 1975	49⅜	49½	2 17 2	4 19 4
95 7/16	90⅜	Br. Electric 4½%.1967-69	94 15/16	95 1/16	2 18 6	5 2 4
75⅞	72 1/16	Br. Electric 3%....1968-73	75⅛	75 5/16	3 4 4	5 5 10
72⅛	68⅜	Br. Electric 3%....1974-77	72¼	72⅛	3 19 11	5 11 0
86⅜	82⅜	Br. Electric 4½%.1974-79	86⅜	86⅜	3 16 4	5 8 3
76⅜	72 1/16	Br. Electric 3½%.1976-79	76⅜	76⅜	3 7 4	5 7 11
87⅜	82 1/16	Br. Gas 4%.....1969-72	87⅛	85 11/16 *	3 12 7	5 8 4
83⅛	79½	Br. Gas 3½%.....1969-71	82½	83⅛	3 11 8	5 8 6
66	60 7/16	Br. Gas 3%.....1990-95	65⅜	65⅜	3 14 0	5 8 6
75⅞	72 1/16	Br. Transport 3%.1968-73	75⅛	75 5/16	3 7 3	5 1 10
84 1/16	79½	Br. Transport 4%.1972-77	82½	82⅝	3 19 11	5 11 0
66⅜	60 1/16	Br. Transport 3%.1978-88	65⅜ *	65 7/16	3 10 10	5 9 3
					3 12 6	5 6 5

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 25, 1958	Price, July 2, 1958	Yield, July 2, 1958
					£ s. d.
88½	83	Agric. Mortgage 5%.....1959-89	86½	87	5 18 5
79⅝	76½	Australia 3½%.....1965-69	79¾	78¾ *	5 18 10
95⅜	92⅛	Birmingham 5%.....1973-75	93	93	5 13 2
94½	90½	East Africa 5½%.....1977-81	94	94	6 3 7
100⅝	95½	L.C.C. 5½%.....1977-81	99⅜	99⅞	5 10 6
62¼	56	Met. Water Board 'B' 3%..1934-2003	62¼	62½	5 3 0
82	78	New Zealand 4%.....1976-78	80	79⅞	5 15 0
71½	69	S. Rhodesia 2½%.....1965-70	70½	70	6 1 0
93	83	German 7% (Br. Enfaced 5%)..1924	90½	93	...
167½	160	Japan 5% (Enfaced).....1907	164	164½	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 25, 1958	Price, July 2, 1958	Yield, July 2, 1958
		%	%			£ s. d.
29/9	28/–	4 a	5 b Bk. Ldn. & S. Amer. £1	29/3	29/–	6 4 2
44/–	39/9	6 a	6 b Barclays Bank.....£1	43/–	41/6	5 15 8
30/–	27/6	4 b	4 a Barclays D.C.O. ...£1	28/6	28/3	5 13 3
43/6	35/6	7½a	7½b Chartered Bank....£1	43/3	42/6	7 1 2
47/9	41/3	6½a	6½b Lloyds Bank £1	46/3	46/–	5 13 0
63/9	57/6	9 a	9 b Midland Bank £1	62/–	61/6	5 17 1
35/6	29/6	5 b	5 a Nat. Discount 'B' ..£1	34/3	34/6	5 15 11
50/9	40/9	6¼a	6¼b Union Discount....£1	50/9	50/–	5 0 0
			INSURANCE			
38/–	32/9	15 a	21⅜b Commercial Union 5/–	35/3	34/9	5 5 7
132/6	113/9	40 a	60 b Legal & General ..5/–	127/6	131/3	3 16 2
101/3	86/3	†20 a	†50 b Pearl.....5/–	92/6	92/6	6 11 8
176/3	154/–	†132½c	†147½c Prudential 'A' 4/–	173/9	171/3	6 0 0
			BREWERIES, ETC.			
36/6	31/–	36 b	10 a Bass 5/–	36/–*	35/9	6 8 8
24/–	19/7½	18¾c	7½c Distillers.....6/8	23/7½	23/6	5 6 5
41/4½	37/–	15 b	10 a Guinness.....10/–	40/9	41/4½	6 0 6
90/6	75/6	8 a	17 b Whitbread 'A' £1	89/6*	89/–*	5 12 4
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½a	6½b Bristol Aeroplane 10/–	9/1½	8/10½	11 5 0
8/5¼	6/7½	12½c	4 a British Motor.....5/–	8/3	7/10½	7 18 10
40/9	31/9	3 a	6 b Ford Motor £1	39/6	38/6	4 13 7
30/9	24/9	7 b	3 a Hawker Siddeley...£1	28/6	27/3*	7 6 10
44/9	39/–	12½c	12½c Leyland Motors....£1	42/–	41/–	6 1 11
93/–	82/9	5 a	15 b Rolls-Royce.....£1	87/6	87/–	4 12 0
8/1½	6/7½	8 c	8 c Standard Motor...5/–	6/10½	6/7½	6 0 9

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 25, 1958	Price, July 2, 1958	Yield, July 2, 1958
		%	%			£ s. d.
			STEEL & ENGINEERING			
49/3	41/10½	7½a	6¾b Babcock & Wilcox .£1	47/3	46/9	5 11 3
25/1½	21/7½	6 b	4 a Dorman Long £1	22/9	22/10½	8 14 11
54/7½	45/–	5 a	10 b Guest Keen N'fold.£1	54/4½	53/7½	5 11 10
34/6	28/3	†2 a	†4 b Alfred Herbert £1	34/6	34/3	6 2 0
52/3	41/–	4 a	7 b Metal Box £1	51/9*	51/9	4 5 0
24/3	20/–	8 b	3 a Stewarts & Lloyds.£1	21/7½*	22/–	10 0 0
57/3	48/–	5 a	13 b Swan Hunter.....£1	56/3	55/3	6 10 0
21/3	17/9	7½b	4 a United Steel.....£1	19/4½	19/7½*	11 14 5
32/9	28/6	2¼a	7½b Vickers.....£1	30/–	29/10½	6 13 10
			ELECTRICAL			
52/–	47/–	15 c	2¼a Assoc. Elec. Inds...£1	50/–	49/9	6 0 8
45/9	39/3	4 a	8½b Br. Ins. Callenders.£1	43/9	42/9	5 17 0
29/–	24/7½	4⅜c	6¼a Decca Record 4/–	25/10½	25/7½	6 16 8
36/3	28/–	15 c	15 c Elect. & Mus. Inds.10/–	34/6	35/9	4 4 0
56/3	44/6	4 a	10 b English Electric ...£1	52/6	51/9	5 8 3
38/9	29/9	8 b	3¼a General Electric £1...	33/6	32/3	7 2 8
			TEXTILES			
16/3	12/4½	3 a	3 b Bradford Dyers....£1	12/4½	12/4½	9 14 0
23/3	19/6	2¼a	6½b Coats, J. & P. £1	21/1½	20/3	8 12 10
23/7½	19/7½	3 a	5 b Courtaulds £1	23/3*	22/10½	6 19 10
34/7½	29/10½	12½b	5 a Lancashire Cotton..£1	34/6	33/3*	10 10 8
35/4½	31/4½	12½b	2¼a Patons & Baldwins.£1	33/3	32/6	9 4 7
			SHOPS & STORES			
22/3	18/6	6 a	12 b Boots Pure Drug..5/–	22/3	22/–	4 1 10
41/6	33/6	20 b	7½a Debenhams 10/–	39/9	39/3	7 0 3
24/6	17/3	50 b	15 a Gt. Universal 'A'..5/–	23/4½	23/3	6 19 10
45 1½	37/3	10 a	22½b Marks & Spen. 'A' 5/–	44/6	43/7½	3 8 10
27/1½	21/–	12½a	20 b United Drapery...5/–	26/9	27/–	6 0 5
42/10½	34/7½	13¼a	26¾b Woolworth.....5/–	40/6	39/10½	5 0 5
			SHIPPING			
38/6	29/–	6½a	13½b Brit. & Com'wealth10/–	37/9	38/6	5 3 11
19/–	16/6	2 a	8 b Cunard £1	18/6	19/–	10 10 6
33/3	27/3	9⅜c	10½c Furness Withy.....£1	33/–	32/9	6 12 0
30/6	22/–	3 a	8 b P. & O. Deferred...£1	30/–	30/–	7 6 8
			MISCELLANEOUS			
35/6	27/–	22½c	18 a Allied Bakeries 'A' 5/–	34/–	33/9	4 8 11
39/9	31/–	3 a	6 b Assoc. Port. Cem..£1	38/3	38/3	4 14 3
18/7½	13/4½	11 a	9 b Beecham Group...5/–	18/–	17/4½	5 15 3
36/–	26/6	4¼a	8 b Bowater Paper £1	34/3	34/–	7 7 0
48/–	36/9	4 a	8 b Br. Aluminium £1	44/–	44/–	5 9 0
47/9	37/7½	†10 a	†6½b Br. Amer. Tob. ..10/–	47/3	46/6	6 4 8
24/3	19/9	7¼a	17½b B.E.T. 'A' Defd...5/–	23/6	22/6*	5 11 3
35/6	28/3	4 a	6 b Br. Oxygen £1	35/–	34/3	5 16 10
19/–	14/4½	3 a	11 b Dunlop Rubber..10/–	18/4½	18/–'	7 15 8
30/4½	24/3	4 a	8 b Imp. Chemical.....£1	29/10½	28 10½	5 10 10
45/3	37/–	8¼a	11½b Imp. Tobacco £1	44/9	43/6	9 4 0
36/1½	28/–	5 b	2¼a J. Lucas (Inds.)....£1	35/3	36/1½	4 3 0
16/1½	12/6	5 a	8½b Monsanto Chem...5/–	15/3	15/3	4 8 8
14/9	13/7½	5 b	5 a Ranks.....10/–	14/4½	14/1½*	7 1 8
36/–	27/9	5 a	9 b A. E. Reed.....£1	35/–*	35/6	7 17 10
14/3	11/8½	22½c	22½c Sears Holdings 'A' 5/–	12/6½	12/3	9 3 8
56/6	48/9	12 b	4½a Tate & Lyle.....£1	56/6	56/–	5 17 10
55/6	48/6	7½b	7½a Tube Investments..£1	55/–	54/9	5 9 8
64/–	52/1½	12½b	5 a Turner & Newall...£1	61/1½	59/10½	5 0 3
80/4½	70/6	6 a	11½b Unilever Ltd.....£1	76/3	74/–	4 14 8
100/–	77/–	14½b	4 a United Dominions..£1	99/–	97/–	3 16 4
30/9	26/–	†4¼a	†10 b United Molasses .10/–	30/3	29/9	8 5 8
			OIL			
106/7½	79/6	†5 a	†10 b British Petroleum..£1	102/6	106/–	4 18 5
78/–	59/1½	†5 a	†7½ b Burmah £1	71/–	71/10½	6 5 0
£17⅜	£13⅜	7¼a	17½b Royal Dutch....20 fl.	£16	£16½	2 17 9
151/3	117/6	†5 a	†13½b Shell £1	143/1½	146/3	4 9 3
74/6	41/6	...	... Ultramar 10/–	67/6	69/–	...
			MINES, ETC.			
147/6	115/–	20 a	60 b Anglo-American .10/–	142/6	147/6	5 8 6
23/6	19/6	†2½a	†10 b Cons. Tea & Lands.£1	23/–	23/–	18 18 2
51/6	41/6	6¼a	12½b Cons. Zinc Corp. ...£1	48/6	47/3	7 18 8
102/6	80/7½	80 a	120 b De Beers Def. Reg. 5/–	100/7½	102/6	9 15 2
89/4½	76/–	20 b	40 a Free State Geduld .5/–	88/1½	89/4½	6 14 3
7/6	6/6	30 c	30 c London Tin 4/–	7/3	7/–	17 3 0
53/4½	46/6	50 a	50 b President Brand ..5/–	52/6	53/4½	9 7 4
17/6	12/10½	16⅜b	1⅞a Rho. Selection Tst. 5/–	15 4½	15/1½	...
28⅛	20	175 b	25 a Rhokana Corp. £1	26½	26½	...
54/6	46/–	12½a	37½b United Sua Betong.£1	52/3	52/6	19 1 0
101/10½	84/4½	60 b	60 a Western Holdings .5/–	96/3	101/3	5 18 7

New York Closing Prices $

	June 25	July 2		June 25	July 2		June 25	July 2
Alcoa	70⅛	69⅜	DuPontdeNm.	182½	185½	N.Y. Central	16⅞	16½
Alumin'm Ltd.	26⅜	27⅛	Ford Motors	41⅜	41⅜	Sears Roebuck	29½	30½
Am. Smelting	44⅛	44½	Gen. Elect.	58⅜	59⅜	Shell Oil	74½	76⅜
Amer. Tel.	177	179	Gen. Motors	38⅞	39⅜	Std. Oil of N.J.	53⅝	54⅝
Anaconda	45½	45½	Goodyear	81⅛	84	Tri-Conti'tal.	33⅜	33⅜
Beth. Steel	40½	41⅜	Gulf Oil	114½	116⅜	Union Carbide	90⅜	92⅜
Can. Pacific	27½	28⅜	Int. Bus. M.	366	369½	U.S. Steel	64	65⅜
Chrysler Cpn.	47	47⅜	Int'l. Nickel	77⅜	79⅜	West'house E.	55⅝	57½
Crown Zeller.	48½	47½	Int'l. Paper	96⅜	99	Woolworth	46¼	47⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9¼ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 30%. (i) On 15%. (j) On 8%. (l) To latest date.

STATISTICS

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

World Trade ..... April 19th

British		Overseas	
Prices and Wages.....	This week	Western Europe:	
Production and Consumption	June 21st	Production and Trade.....	June 28th
Manpower.....	June 14th	British Commonwealth	June 14th
External Trade.....	June 28th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 21st
Industrial Profits	April 19th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957			1958 (a)			
		mid-June			June 18	June 25	July 2	June 10	June 17	June 24	July 1
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	93	91	94	93	93	93	85	86	85	86
Food	"	92·0	90·8	98·8	97·6	98·8	98·7	94·8	94·6	94·9	95·9
Fibres	"	83·2	81·5	95·9	96·0	96·4	94·0	80·2	80·0	79·5	79·2
Metals	"	95·7	95·6	79·7	78·6	78·2	78·5	68·9	71·8	70·8	70·1
Other items	"	106·9	96·1	99·2	98·4	98·0	97·9	93·0	92·9	93·9	94·3
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	Mar.	Apr.	May	Feb.	Mar.	Apr.	May
Materials used in:	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	152·4	156·2	154·7	159·4	160·4	159·6	140·5	138·7	137·2	136·2
Mechanical engineering	"	168·1	177·3	183·9	181·1	181·2	180·5	185·4	185·2	184·8	184·5
Electrical machinery	"	185·7	190·0	181·7	182·8	182·8	181·5	177·0	176·8	176·3	176·5
Building and civil engineering	"	137·3	142·4	146·9	146·6	146·7	145·9	146·6	146·6	146·1	146·1
House building	"	137·1	142·3	146·4	146·5	146·5	145·6	145·4	145·4	144·7	144·7
Products of:											
Non-food manufacturing (excl. fuel)	"	129·6	135·6	139·9	138·5	138·8	138·9	141·5	141·2	141·1	141·0
Food manufacturing	"	143·9	148·1	156·2	160·9	159·9	158·7	151·6	153·0	153·7	152·7
Commodities:											
Cotton, raw	"	149·7	154·0	146·2	156·5	156·5	154·1	126·7	124·2	122·8	121·6
Wool, raw	"	142·0	145·3	161·3	169·0	173·5	178·0	132·0	122·4	118·4	117·9
Rubber, No. 1 RSS, one month future	"	329·9	284·2	260·8	266·2	271·0	264·7	227·1	228·2	230·6	214·8
Softwood, imported	"	154·9	155·9	156·1	156·2	156·0	155·9	153·2	151·9	150·2	150·2
Copper, ex-warehouse	"	295·7	280·5	189·0	205·7	207·2	204·7	139·7	145·9	150·6	153·4
UK RETAIL PRICES	Jan. 17,										
All items(1)	1956=100	...	102·0	105·8	104·1	104·5	104·6	107·6	108·4	109·6	109·2
Food	"	...	102·2	104·9	102·1	102·7	103·9	103·9	105·7	108·7	108·5
All items	1938=100(2)	242	254	263	259	260	260	268	270	273	272
Food	"	257	269	276	269	270	273	273	278	286	285
Housing	"	138	145	155	149	154	154	167	167	170	171
Clothing	"	256	263	267	266	266	266	270	270	270	269
Fuel and light	"	228	251	268	264	264	252	286	287	287	273
Household durable goods	"	288	308	308	311	307	307	309	310	309	306
Drink	"	260	264	272	270	271	271	276	276	276	276
Tobacco	"	389	411	421	418	418	418	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	39	38	37	37	37	37	36	36	35	35
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	103	105	107	110	111	110	99	98	99	98
Food, drink and tobacco	"	101	101	101	102	103	104	94	94	96	97
Basic materials	"	104	106	110	113	113	112	101	99	99	96
Export prices:											
All items	"	102	106	111	110	110	110	111	110	110	110
All manufactures	"	102	106	109	108	108	108	112	111	111	111
Metals	"	104	112	115	115	115	115	120	118	120	119
Engineering products	"	103	107	112	110	109	110	115	114	114	114
Textiles (excluding clothing)	"	100	99	101	100	101	101	104	103	102	103
Terms of trade:											
Ratio of import to export prices	"	101	99	96	100	101	100	89	89	90	89
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	145·5	134·3	116·6	64·0	63·3	62·7	64·6
UK WAGES											
Weekly wage rates:	Jan. 31,										
All workers(3)	1956=100	...	104·7	110·0	107·6	108·1	110·6	112·6	112·7	112·7	112·8
Men	"	...	104·8	110·0	107·6	108·0	110·6	112·5	112·5	112·6	112·7
Women	"	...	104·2	109·7	107·2	107·9	109·9	112·6	112·7	112·8	113·1
All workers	Sept., 1939=100	252	272	286	280	281	287	293	293	293	293
Weekly earnings: (4)											
All workers	s. d.	187 2	200 8	212 5	...	204 7	...	...	...	...	...
Men	"	222 11	237 11	251 7	...	241 6	...	...	...	...	...
Women	"	115 5	123 2	129 6	...	125 10	...	...	...	...	...
All workers	Oct.,										
	1938=100	351	377	399	...	384	...	...	...	...	...
Men	"	323	345	365	...	350	...	...	...	...	...
Women	"	355	379	398	...	387	...	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figure for food on June 3rd was 94·2.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1958, January	118·9	93·7	122·3	118·2	106·9	127·1	121	111	109	304·7	81·27	79·91
" February	119·0	96·1	122·5	118·7	106·8	127·3	120	111	108	304·0	80·64	79·14
" March	119·7	100·5	123·3	120·8	106·8	127·5	...	...	...	310·8	81·45	79·39
" April	119·3	97·7	123·5	121·6	106·7	127·7	...	...	...	311·9	80·81	78·69
" May	119·5	98·4	123·6	121·6	106·7	127·8	...	...	...	322·9	81·24	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment(1)		
			Durable goods			Non-durable goods						
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force seasonally adjusted
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,708	4·2
1957	434·4	143	160	132	213	130	105	172	48·5	67,946	65,011	4·3
1958, January	422·0	133	142	100	191	127	97	168	49·9	66,732	62,238	5·8
" February		130	137	95	185	125	97	164	48·9	67,160	61,988	6·7
" March		128	135	91	182	124	95	162	48·6	67,510	62,311	7·0
" April	...	126	132	86	177	125	98	164	47·5	68,027	62,907	7·5
" May	...	127	134	91	183	125	99	164	47·3	68,965	64,061	7·2

TRADE

	Personal consumption Annual rates	All business(2)		Total retail(2)		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	267·2	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	280·4	56·3	90·7	16·7	24·5	1,077	266	243	1,719	982	147	149
1957, December	282·4(5)	54·5	90·7	16·9	24·5	1,134	272	241	1,626	961	158	142
1958, January		53·8	90·0	16·7	24·5	1,109	284	220	1,495	928	156	130
" February	281·2	52·1	89·3	16·1	24·3	956	218	203	1,334	837	134	116
" March		51·3	88·5	16·1	24·1	...	...	...	1,541	981	...	...
" April	...	52·0	87·7	16·5	23·9	...	...	...	1,516	957	...	...
" May	...	...	...	16·5	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics(3)		Budget expenditure(4)		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds(6)	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	326·9	234·8	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	343·4	246·7	12·1	44·78	34·11	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1957, December	343·6	246·8	12·2	44·78	34·11	76·2	93·9	5·8	+ 0·1	3·102	3·30	3·81
1958, January	343·6	244·9	12·2	43·97	33·74	75·6	92·0	6·0	— 1·2	2·598	3·24	3·60
" February	341·7	242·2	12·9	43·04	33·30	76·5	92·1	5·5	+ 0·8	1·562	3·28	3·59
" March	342·2	241·5	13·2	42·56	32·98	78·4	93·0	5·7	+ 3·8	1·354	3·25	3·63
" April	343·1	240·9	13·2	42·67	32·93	82·1	93·5	6·1	— 2·6	1·126	3·12	3·60
" May	344·3	241·6	13·3	...	...	...	...	...	...	1·046	3·14	3·57

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for fourth quarter. (6) Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the 9 days ended June 30, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £41,642,000 compared with a deficit of £42,936,000 in the previous week and a deficit of £37,371,000 in the corresponding period of last year. There was a net expenditure "below-line" of £38,786,000 leaving a total deficit of £234,426,000 compared with £172,726,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to June 30, 1957	April 1, 1958, to June 30, 1958	8 days ended June 30, 1957	9 days ended June 30, 1958
Ord. Revenue					
Income Tax	2312,500	298,375	327,527	24,925	29,020
Surtax	163,000	24,500	24,600	1,200	1,400
Death Duties	163,500	45,900	40,600	2,800	3,700
Stamps	56,250	16,400	13,400	1,200	900
Profits Tax, EPT & EPL	275,000	40,700	49,900	3,100	4,000
Other Inland Rev. Duties	...	50	70	...	...
Total Inland Rev.	2970,250	425,925	456,097	33,225	39,020
Customs	1256,940	299,602	324,448	22,908	27,362
Excise	932,310	206,360	216,925	12,250	13,360
Total Customs and Excise	2189,250	505,962	541,373	35,158	40,722
Motor Duties	104,000	11,555	11,857	300	301
				Dr. 3,400	*Dr. 3,900*
PO (Net Receipts)	2,000	5,600	4,700	1,800	1,900
Broadcast Licences	34,000	5,600	6,000	1,800	
Sundry Loans	30,000	8,868	10,494	667	666
Miscellaneous	110,000	50,198	13,266	1,158	440
Total	**5439,500**	**1013,707**	**1043,787**	**68,907**	**79,149**
Ord. Expenditure					
Debt Interest	695,000	168,235	171,595	7,761	8,048
Payments to N. Ireland Exchequer	73,000	15,802	16,976	2,855	3,809
Other Cons Funds	10,000	1,317	1,106	39	124
Supply Services	4259,584	942,108	977,570	95,512	108261
Total	**5037,584**	**1127,462**	**1167,247**	**106168**	**120242**
Sinking Funds	38,000	6,468	6,564	110	549
"Above-line" Surplus or Deficit	—	**120,224**	**130,024**	**37,371**	**41,642**
"Below-line" Net Expenditure	52,502	104,402	9,918	38,786	
Total Surplus or Deficit	**172,726**	**234,426**	**47,289**	**80,428**	
Net Receipts from:					
Tax Reserve Certificates	65,800	72,201	9,155	11,231	
Savings Certificates	4,100	12,300	−2000	−300	
Defence Bonds	−4,153	10,249	279	2,160	
Premium Savings Bonds	14,500	15,305	3,600	1,450	

* Including receipts of Civil Contingencies Fund totalling £16 mn. in 1957 and 1958.

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 June 30	4,681·9		259·7	...	4,941·6
1958 Mar. 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
,, 12	3,120·0	1,492·7	259·4	...	4,872·1
,, 19	3,120·0	1,580·5	252·0	...	4,952·4
,, 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
,, 10	3,150·0	1,561·3	215·3	2·3	4,928·9
,, 17	3,170·0	1,552·8	234·9	0·3	4,958·0
,, 24	3,200·0	1,510·3	202·6	...	4,912·9
,, 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
,, 14	3,290·0	1,476·5	213·1	...	4,979·6
,, 21	3,310·0	1,484·3	220·5	...	5,014·8
,, 30	4,853·4		233·0	...	5,086·4

THE MONEY MARKET

THE half-year end on Monday witnessed the accustomed stringency in the money market, as funds were called by banks and other institutions for window dressing. The Bank gave large special help through market purchases of bills, but this was not sufficient to alleviate the shortage of funds, and six or seven houses had recourse to seven-day loans at Bank rate, taking a moderate amount. Overnight loans commanded up to 4½ per cent, and some bills were sold, reluctantly, at the same rate.

Anticipation of the pressure had been evident in the market before the week-end, and the discount houses were "in" the Bank for small amounts on Thursday and Friday; the authorities then give no special help. The market's borrowing is reflected in part in the rise of £28 million to £40.9 million in discounts and advances shown in Wednesday's Bank return. The aftermath of the June 30th squeeze was a plethora of funds, and on Wednesday the Bank acted "in reverse" by selling a large amount of bills.

Not unexpectedly, the discount houses maintained their common bid unchanged at the Treasury bill tender on Friday last week, at £98 18s. 6d. per cent. Outside tenderers adjusted their bids closer to the market's bid, and the average rate of allotment rose by 1d. to £4 5s. 10.67d. per cent. The market's rate of allotment at the minimum bid dropped from 42 to 36 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 19/6/58)	5	**Discount rates** Bank bills: 60 days	4⅜–4 7/16
Deposit rates (max.)		3 months	4⅜–4 7/16
Bank	3	4 months	4⅜–4 7/16
Discount houses	3*	6 months	4⅜–4⅜
Money Day-to-Day	3–4	Fine trade bills: 3 months	5–5⅛
Treas. bills 2 months	4 7/16	4 months	5–5⅛
3 months	4 7/16	6 months	5⅛–6

* At immediate notice

BANK OF ENGLAND RETURNS

(£ million)	July 3, 1957	June 25, 1958	July 2, 1958
Issue Department:*			
Notes in circulation	1,995·4	2,038·3	2,047·6
Notes in banking dept.	54·9	12·1	52·8
Govt. debt and securities*	2,046·3	2,046·2	2,096·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	14·5	13·3	10·5
Bankers	223·2	230·5	224·9
Others	74·3	72·1	73·3
Total	312·0	315·9	308·7
Securities:			
Government	202·0	287·7	212·0
Discounts and advances	51·5	12·9	40·9
Other	19·0	18·9	18·8
Total	272·7	319·5	271·7
Banking department reserve	57·4	14·4	55·1
"Proportion"	18·3	% 4·5	% 17·8

* Government debt is £11,015,100, capital £14,553,000 Fiduciary issue increased to £2,100 million from £2,050 million on July 2, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bills Average Rate of Allotment	Allotted at Max Rate*
1957 June 28	260·0	385·1	260·0	s. d. 77 1·07	% 61
1958 Mar. 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·30	61
,, 11	260·0	422·0	260·0	106 6·19	59
,, 18	240·0	406·3	240·0	104 0·93	49
,, 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
,, 9	250·0	447·6	250·0	103 10·81	20
,, 16	250·0	422·1	250·0	103 11·49	44
,, 23	260·0	412·2	260·0	96 5·96	61
,, 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	59
,, 13	270·0	413·0	270·0	90 1·77	65
,, 20	260·0	414·1	260·0	85 9·63	42
,, 27	250·0	420·0	250·0	85 10·67	36

* On June 27th tenders for 91 day bills at £98 18s. 6d. secured 36 per cent, higher tenders being allotted in full. The offer this week was for £260 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates July 2	Market Rates: Spot June 26	June 27	June 28	June 30	July 1	July 2
United States $	2·78–2·82	2·80½–2·80¾	2·80½–2·80¾	2·80⅜–2·80½	2·80½–2·80⅝	2·80⅜–2·80½	2·80⅜–2·80½
Canadian $	...	2·68⅝–2·68¾	2·68⅞–2·69⅛	2·69⅛–2·69⅜	2·68¾–2·69	2·68⅝–2·69	2·68⅛–2·68⅜
French Fr.	1167·18–1184·82	1175½–1175⅝	1174⅝–1175¼	1174⅝–1175	1174½–1175	1174½–1175	1174–1174½
Swiss Fr.	12·15⅝–12·33⅝	12·21½–12·22	12·21½–12·21¾	12·21½–12·21⅝	12·21¼–12·21⅜	12·21¼–12·21½	12·21¼–12·21½
Belgian Fr.	138·95–141·05	139·30–139·35	139·27½–139·32½	139·27½–139·32½	139·27⅜–139·32¼	139·25–139·30	139·25–139·30
Dutch Gld.	10·56–10·72	10·57⅞–10·58¼	10·57½–10·57⅝	10·57½–10·57⅝	10·57¼–10·57⅜	10·57¼–10·57⅜	10·57¼–10·57⅜
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·67⅞–11·68¼	11·67⅜–11·67½	11·67⅛–11·67¼	11·67⅛–11·67⅜	11·67⅛–11·68¼	11·67⅜–11·68
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736⅜–1762⅞	1740½–1741	1738½–1738⅞	1739–1739¼	1739²–1740¼	1739–1739¼	1735½–1739
Swedish Kr.	14·37⅝–14·59⅜	14·46¼–14·46⅜	14·46¼–14·46⅜	14·46–14·46¼	14·46¼–14·46⅜	14·46¼–14·46⅜	14·46¼–14·46⅝
Danish Kr.	19·19½–19·48½	19·33⅜–19·33⅝	19·33⅜–19·33⅝	19·33¼–19·33½	19·33½–19·33⅝	19·33¼–19·33⅝	19·33⅜–19·33⅝
Norwegian Kr.	19·85–20·15	20·01½–20·01¾	20·00⅜–20·00⅝	20·00⅜–20·00⅝	20·00½–20·00¾	20·00½–20·00¾	20·00⅜–20·00⅝
One Month Forward Rates							
United States $		⅞–⅝c. pm	⅞–⅝c. pm	⅞–⅝c. pm	¾–½c. pm	¾–½c. pm	¾–½c. pm
Canadian $		1/16–⅛c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm
French Fr.		3–6 dis	4–7 dis	4–7 dis	4–7 dis	4–7 dis	4–7 dis
Swiss Fr.		3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm
Belgian Fr.		⅛–1/16 pm	⅛–1/16 pm	⅛–1/16 pm	⅛–1/16 pm	⅛–1/16 pm	⅛–1/16 pm
Dutch Gld.		1½–⅝c. pm	1½–⅝c. pm	1½–⅝c. pm	1–1⅛c. pm	1–⅛c. pm	1–⅛c. pm
W. Ger. D-Mk.		1½–¾pf. pm	⅝–⅜pf. pm	⅝–⅜pf. pm	⅝–⅜pf. pm	1½–¾pf. pm	1½–¾pf. pm
Italian Lire		2⅛–1⅝ pm	2⅛–1½ pm	2⅛–1¼ pm	2–1 pm	2–1 pm	1 pm–par
Swedish Kr.		1⅞–1⅛ pm	2–1⅜ pm	2–1⅜ pm	2–1⅛ pm	2 1⅛ pm	1⅞–1⅛ pm
Danish Kr.		2⅛–1⅛ pm	2–1⅛ pm	2–1⅛ pm	2–1⅛ pm	2 1⅛ pm	2–1⅛ pm
Norwegian Kr.		2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm par	2⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/4	250/8½	...	250/4	250/5½	250/4½

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Paid-up Capital Rs.3,14,54,250 (£2,359,068)
Reserve Fund and Other Reserves Rs.4,03,60,820 (£3,027,061)
Deposits (31.12.57)Rs.1,54,86,72,924 (£116,150,469)

Note: The Sterling equivalents of the Rupee figures shown above have been converted at the rate of 1/6d. per Rupee.

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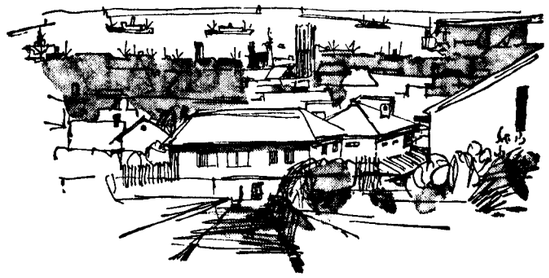

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40, El. Venizelou Street, Athens, Greece
Established — 1927
Governor — CHARLES C. ARLIOTIS
Sub-Governor — ELIAS D. KRIMPAS

BALANCE SHEET AS AT 31st DECEMBER, 1957

LIABILITIES

Capital	Drs.	29,200,000.—
Reserves	„	4,120,000.—
Deposits	„	175,866,378.85
Bank of Greece—Financing Account	„	388,964,757.40
Greek State—Financing Account	„	2,267,500.—
Sterling Mortgage Bonds	„	162,170,400.—
Greek State Funds	„	101,265,596.10
Dollar Liabilities	„	1,556,550,018.30
Other Liabilities	„	30,434,869.30
Dividend for the year 1957	„	1,200,000.—
Profit carried forward	„	52,118.65
Total	Drs.	2,452,091,638.60

ASSETS

Cash in hand and at Banks			Drs.	99,385,175.75
Securities			„	13,415,070.45
Mortgage Bonds owned by the Bank			„	367,913.75
Loans	Housing Loans Branch	Industry & Public Utility Loans Branch		
Out of own funds	31,886,136.45	71,121,104.25	„	103,007,240.70
Out of Bank of Greece funds	240,159,604.—	179,826,937.30	„	419,986,541.30
Out of Greek State financing	2,058,425.75	—	„	2,058,425.75
Out of Sterling bond fund	2,334,711.80	65,653,942.20	„	67,988,654.00
Financed by and for account of Greek State	44,276,228.80	34,621,889.25	„	78,898,118.05
Out of American Aid funds		1,556,550,018.30	„	1,556,550,018.30
For account of third parties	893,529.50	12,076,224.35	„	12,969,753.85
	321,608,636.30	1,919,850,115.65		
Other assets			„	13,500,003.—
Difference from regulation of sterling bonds according to law 3393/1955			„	83,964,723.75
Total			Drs.	2,452,091,638.60

COMPANY MEETINGS

GODFREY PHILLIPS LIMITED

IMPROVEMENT IN OVERALL POSITION

SUBSTANTIAL INCREASE IN GROUP PROFIT

PROGRESS OF OVERSEAS INTERESTS

MR P. A. GODFREY PHILLIPS REVIEWS YEAR'S ACTIVITIES

The forty-ninth annual general meeting of Godfrey Phillips, Limited, was held on June 27th at the registered office of the company, 112 Commercial Street, London, E., Mr P. A. Godfrey Phillips, chairman and managing director, presiding.

The secretary (Mr A. Morris Phillips) read the notice convening the meeting and Mr H. C. Medlam, FCA, representing the auditors, Messrs Fitzpatrick, Graham and Co., read the report of his firm.

The chairman said: Ladies and Gentlemen, You have heard read the notice convening the Meeting and Auditors' Report. As the Accounts and the Directors' Report have been in your hands for some time, with your permission we shall consider them as read.

At this time last year I stated that improving results generally indicated that the Group should make marked progress during 1957, and your Board is very happy to be able to present accounts which disclose a measurable improvement in our overall position.

BENEFIT OF CONSOLIDATION AND REORGANISATION

The Consolidated Profit and Loss Account shows that the Group Profit before Taxation amounts to £422,141, compared with £259,336 for the previous year. This substantial increase will be seen to be derived in the main from much reduced Interest charges, which at £166,042 are more than £130,000 lower than in 1956. This is a direct result of the consolidation and reorganisation which has been actively pursued and this has meanwhile enabled us to stabilise trading profits which, broadly speaking, have been maintained at the level of the previous year.

In this part of the Account, dividends from trade investments have again increased and we have this year brought into credit an Exceptional Profit of £12,952 against an Exceptional Loss of £27,102 in 1956. This latter loss was perhaps more exceptional than the profit of 1957, which arose from the disposal of over depreciated Fixed Assets, a non-trading profit which recurs from year to year. In an inflationary economy, this is the expected result of a prudent depreciation policy designed to meet increasing Replacement Costs, and in this connection you will see in the Accounts now before you that no less than £186,508 has been charged for Depreciation of Fixed Assets.

After providing United Kingdom and Dominion Taxation of £214,040, and crediting Provisions no Longer Required of £1,249, there results a Group Profit, after Taxation, of £209,350 compared with £52,171 in the previous year. The proportion of this sum applicable to the interests of Outside Shareholders in Subsidiary Companies is £86,345, so that there remains as against a loss of £29,637 in 1956, a profit attributable to the Members of Godfrey Phillips Limited of £123,005.

This sum is added to the amount brought forward from 1956, and after transferring £3,196 to General Reserve, and after deducting Dividends paid, accrued and proposed, there remains to be carried forward to 1958 the sum of £1,607,941, a modest but welcome increase to £39,917.

BALANCE SHEET FIGURES

From the Consolidated Balance Sheet it will be seen that Fixed Assets have increased by nearly £45,000, notwithstanding disposals and the substantial depreciation which has been charged. This increase reflects the acquisition during the year of a new business and the Fixed Assets belonging thereto, and the normal replacement and provision of Plant and Machinery and manufacturing installations to ensure the continued high quality of your Group's products both at home and overseas.

The excess of Current Assets over Current Liabilities and Provisions stands at the figure of approximately £7,094,000. There has been no change in the Share Capital. Capital Reserves and Revenue Reserves and Surplus, which have increased by nearly £44,000 during the year, amount to over £4,683,000, so far as relates to Godfrey Phillips Stock and Shareholders.

In the Balance Sheet of Godfrey Phillips Limited, Fixed Assets have decreased by £99,000, the greater part of which is accounted for by the disposal in the early part of 1957 of our shadow factory in Scotland. Investments in Subsidiary Companies are higher by some £83,000, reflecting additional investment in certain Subsidiary Companies, and an extension of our activities in Print through the acquisition of a Lithographic Printing Company and the formation of a Soft Cover Book Publishing Company, to both of which I shall refer later. Advances to Subsidiary Companies are lower by some £52,000 and these, together with Current Assets, exceed Current Liabilities and Provision by £3,165,000.

FILTER-TIPPED CIGARETTES

To refer now to our trading during 1957, the progress that we have been able to achieve has resulted more from measures of internal reorganisation and consolidation than from any marked expansion of trading volume. This is particularly so with regard to our United Kingdom trade, where we continue to be faced with severe competition, backed by heavy and costly advertising campaigns. In the special field of Filter Tipped Cigarettes, in which we are widely represented, De Reszke Filters have made steady progress, but there has been in the last few months an outbreak of new brands in the lower price filter category, and the position which we have attained for this brand will require much effort and considerable advertising if it is to be maintained.

We have ourselves recently marketed Red & White Filter Tipped, which at 3s. 4d. for 20, packed in an aluminium tin, represents outstanding value in blend and smoking quality, and this introduction which is, as yet, not country-wide, has been very well received by the Smoking Public and by the Trade, and its sales are steadily increasing. Our other main Cigarette brands continue to enjoy a steady if limited sale, but, in the higher price ranges volume is slowly diminishing as a result of economic pressure. Similarly, our sale of Pipe Tobaccos, although showing increases in some individual brands, is in total gradually but steadily declining, in conformity with national consumption.

IMPROVED SELLING METHODS

Under these conditions our efforts have been directed to maintaining volume and striving for some increase, whilst internally effecting improved and more economic manufacturing processes, selling methods and distribution arrangements. In addition, we have been steadily promoting our Export Trade, which is such a valuable part of our Home manufacture, but progress in this respect has received a serious setback in the recent embargo by the Government of New Zealand on the import of Cigarettes and Manufactured Tobacco. Although it is hoped that much of this trade will be matched through local manufacture by our Subsidiary Company in New Zealand, nevertheless, the loss of this volume from home manufacture in 1958 will adversely affect our manufacturing costs in this country.

Our trade in Imported Cigars continues to prosper. There has recently been an increase in the Dollar quota for the purchase of Havana Cigars, in which field the Group is strongly represented through such well-known marks as Hoyo de Monterray, Larranagas, Partagas and Punch, and I confidently expect that our business will benefit

as a result. In the early part of this year I visited Havana and Jamaica, where I was most warmly welcomed by our Suppliers, in whose factories I was able to see their latest products and I also saw the 1958 Crop. This visit amply confirmed my hopes for the continued success of this side of our business.

DAY & WILKINS, LIMITED

I have mentioned earlier our acquisition during the year of a Lithographic Printing Company, Day and Wilkins Limited, which itself has subsidiary interests, particularly in the field of Plate Making. This is a young concern, operating the most up-to-date processes with modern plant, and its affairs are in the hands of a capable and energetic management. In so far as our existing printing interests were entirely letterpress, this extension into a field which is rapidly gaining importance in the trade, was complementary and gives us an organisation which is adaptable and capable of expansion.

Since the turn of the year these various interests have been physically merged, and are now operating from separate modern single-storey factory premises on the outskirts of London. This should ensure the maximum management and administrative control and economies.

LANDSBOROUGH PUBLICATIONS

I would now like to dwell on our plans for the promotion and development of a new side to your Group's business, although it is in fact closely allied to our printing activities, and is well suited to our selling and distributive organisations. I refer to the formation towards the end of 1957 of a new Company, Landsborough Publications Limited, whose business is the publication and distribution of the already widely known soft cover books published under the trade name "Four Square Books."

This venture has had the benefit in its early stages of all the Group's resources of management, selling and distribution, both for Home and Export Trade, and although still in its beginning, has got away to a very satisfactory start, which promises well for the future. Inexpensive in its conception, it has already made a marked impact on the trade, and in the short time that it has been functioning has established a reputation for high quality, both in its productions and selected titles; these are drawn from the wide range of best sellers in the more traditional hard-back field, both fiction and non-fiction. The development of this Company must be gradual, but sales are increasing at an accelerating pace, and already in the first eight months of publication we have sold well over a million books; this must be a record for any new entrant into the Publishing Trade, and the limited contribution of profits during 1958 expected from this source should grow considerably during 1959.

FORGET-ME-NOT CARDS

Some three or four months ago we successfully concluded negotiations for the acquisition of Forget-Me-Not Cards Limited from American Greetings Corporation. The latter is a leading Manufacturer and Publisher of Greeting Cards in America, where the industry has attained enormous proportions; in this country, too, it is growing steadily and it is apparent that there is still much room for further expansion. We have been able to make arrangements for the continued availability of the American Company's experience and advice, and of any of their designs which we may wish to use.

Apart from the close relationship of this trade with our printing and publishing interests, and the many advantages which will accrue therefrom, I believe there is a very sound future for this business, which in the few years in which it has been established has pioneered the most up-to-date selling methods of Stock Control in the smaller retail outlet. Plans for the development of this business are well advanced and I look forward to being able to report in twelve months' time that this new project is earning useful profits for the Group.

AUSTRALIA

Turning now from our United Kingdom operations to our overseas interests, these have again had a successful year, with the exception of Australia, where the improvement of our fortunes has not yet amounted to a return to profitable trading conditions. A considerable reorganisation of our Inter-state trading has been carried out and manufacturing economies have been pressed to the utmost.

This has created the conditions necessary to implement plans for the launching of a new brand designed to ensure the ultimate recovery of our position in this Dominion, and in October last, Viscount King Size Filter was introduced in Victoria, and has since been extended to other States. Progress to date has been encouraging, and the sales of Viscount are continuing to develop, giving grounds for hope that this brand will ultimately become soundly established to the advantage of our overall Australian results.

NEW ZEALAND

In New Zealand, as I have already mentioned, our established trade in Cigarettes imported from this country has received a severe blow in the recently announced embargo. However, this possibility was not unforeseen, and plans had for many months been laid for a transfer of this trade to local manufacture, and as stocks of Imported Cigarettes become depleted, they will be replaced from this source. This should ensure continued benefits from the substantial trade in Cigarettes which we have built up and maintained in this Dominion, and I know of no market where your Group's brands are more advantageously distributed and are held in higher esteem by a wide section of the Smoking Public. However, there is some threat to the Goodwill attaching to Four Square Tobacco Brands, the manufacture of which is confined to the United Kingdom and the continued availability of which cannot, therefore, be maintained. The New Zealand Company has now to face yesterday's punitive budget, which will entail a heavy increase in the retail prices of all cigarettes and tobacco and the full effects of which cannot yet be estimated in London.

INDIA

In India sales of our brands again increased in 1957, although the net profits earned were lower than in the previous year owing, in the main, to increases in expenditure beyond our control, particularly in Sales and other local Taxes. With a full year's working of the new decimal coinage, to which I referred last year, it is gratifying to record that the plans we made to meet the alterations in price structure necessitated by this system have apparently been successful in that we have been, and are still being, rewarded by increased sales.

In the current year all the indications are that a most satisfactory trading result should be achieved, but it is dangerous to forecast trends in a country where the economy is strained and costs of materials and labour are steadily rising.

VISITS ABROAD

Before leaving my survey of our overseas interests I would like to stress how much we are dependent upon the well-being and profit-earning capacity of our distant Subsidiaries. To our Colleagues and Staffs overseas we owe a debt of gratitude for their continued efforts to promote and maintain the sales of our products. At home, too, a considerable part of our efforts is directed to the guiding of policy and supervision of these overseas interests which require from time to time regular visits by my Colleagues and myself in conjunction with our trips to our many Export markets.

In the last twelve months, in addition to my visit in connection with our Imported Cigar trade from Havana and Jamaica, I took the opportunity to visit Canada, where we enjoy a steady and worthwhile export trade in Smoking Tobaccos, particularly the Four Square range. Mr Waley has carried out a full tour of our Overseas Subsidiaries and Export Markets in the Far East, and early this year Mr Littlejohn joined him in Australia in connection with problems arising from our reorganisation there. In addition, we have maintained the closest liaison with our many Export Agents in Europe, Africa and the Near East, and regular visits are made to these markets with a view to strengthening and promoting our Export Trade.

THE OUTLOOK

In conclusion, I would stress that although progress has been made, much remains to be done before a return to satisfactory trading is achieved. In looking forward a year hence I cannot underestimate the difficulties inherent in both our Home and certain areas of our Export Trade, and every effort will be required to meet and overcome these. The measures of reorganisation and diversification which have been taken must be strengthened and new interests developed to play their full part in contributing to Group Profits; these must be increased if they are to provide an adequate return to Stock and Shareholders. Present indications are that some further progress to this end should be made during the current year, which I hope will see a further stabilising of our position with results no less favourable than in 1957.

I now propose that the Report of the Directors and the Balance Sheet be received, approved and adopted; and that the payment of dividends on all classes of Preference Shares, and the proposed dividend on the Ordinary Stock and Shares and the allocations as shown in the Profit an Loss Account be approved and confirmed.

Mr. D. V. Littlejohn, TD, FCA, seconded the resolution and it was carried unanimously.

The proposed dividends were approved; the retiring directors, Mr C. M. Paynter and Mr A. M. Borthwick, MC, TD, were re-elected and the directors were authorised to fix the remuneration of the auditors, Messrs Fitzpatrick, Graham and Co.

In conclusion, the chairman paid a tribute to the secretary, Mr A. Morris Phillips, on his retirement after 50 years' service with the company, during 30 of which he had been secretary, and the proceedings terminated with a vote of thanks to the chairman and directors.

GUEST, KEEN AND NETTLEFOLDS

MR K. S. PEACOCK REVIEWS WIDESPREAD ACTIVITIES AND INTERESTS

The fifty-eighth annual general meeting of Guest, Keen and Nettlefolds, Limited, was held on June 26th at Birmingham, Mr K. S. Peacock, chairman and managing director, presiding.

The following are extracts from his circulated statement for the 52 weeks ended December 28, 1957:

I imagine that most stockholders in the present political climate would like to know why the Labour Party's proposals to re-nationalise the steel trade will affect your Company. I must first explain that the Group originally found it advantageous to become producers of iron and steel, although its interests lie primarily in the general engineering industry. Over the years it has become what is known as a "vertical combine," that is, producing the greater part of its basic material requirements and processing them through to the finished or semi-finished article. Its development in the engineering industry was a natural one starting as individual works followed by groupings of works. It was then found advisable to develop downwards in structure to the production of its semi-finished and basic materials and we have accordingly with this main object in view been producers and re-rollers of steel for over fifty years.

In my Statement in 1954 I said: "We have found it in the past an inestimable advantage to control the production of the greater part of our steel requirements. The co-operation on quality, quantity and service which the owning of our steel works and rolling mills provides in close working with the finishing works of the Group must, in the natural order of things, be more intimate and thus more satisfactory than in dealings with entirely independent suppliers."

Our view in regard to steel is still the same and we have also followed the same policy for our non-ferrous material requirements.

The average annual production of the Group steel works in billets, sheet bars, etc., in the last three years amounted to some 1,300,000 tons, of which 945,000 tons was processed within the Group. Of the balance of 355,000 tons supplied outside, no less than 88,500 tons sent to other steel companies for further processing was returned for consumption in our own engineering works.

Stockholders will of course appreciate that those companies of the Group which were previously nationalised, namely:

Guest Keen Iron & Steel Company Limited and its subsidiaries

Guest Keen & Nettlefolds (South Wales) Limited

John Lysaght's Scunthorpe Works Limited and its subsidiary

Brymbo Steel Works Limited

operate as separate entities. Your Company has invested up to December 28, 1957, in the equity share capital of these companies at a total cost of £16,529,323. Since reacquisition of the companies, no less than £6,679,124 has been retained out of profits and added to their reserves. In addition there is loan capital of £13,296,117 held by the Iron and Steel Holding and Realisation Agency. The Board, in pursuing the national policy of expanding the industry, have committed the steel companies to further capital expenditure of £17,920,000. There must also be borne in mind our investment of 2 million £1 shares in The Steel Company of Wales Limited mentioned in my last statement.

I trust that my giving prominence to the question of re-nationalisation so early in my Statement will not create the impression that I think the election of the Labour Party at the next General Election is a foregone conclusion. If, however, the Labour Party are elected, let us hope that the position of the steel industry will be better appreciated by them and that they will be finally deterred from taking a step which can only have unfortunate results on the iron and steel trade itself and the country as a whole. My reasons for saying this are firstly that the control of any newly nationalised industry will become as remote, rigid and frustrating as in the existing nationalised industries; secondly that the steel industry will become a monopoly and that the steel companies coming under State control must lose their identity and individuality, so that customer requirements and service must suffer; thirdly, that direct exports of steel must suffer for the same reason and these amounted to no less than £213 million in 1957; and fourthly, that where overseas companies are owned by British steel companies, State control from the United Kingdom will be resented in those countries where they operate.

LABOUR RELATIONS

The steel industry has an excellent record in labour relations, in expansion of production to meet the nation's requirements and in regard to its price structure, which has been maintained on a lower basis overall than in any competing country, and, as is well known, the industry is already effectively supervised by an independent body, the Iron and Steel Board appointed by the Government. Customers of the steel industry deplore the idea of re-nationalisation because of the inevitable decline in relations and service which will follow.

The latest available figures of UK exports show that in 1957 exports of iron and steel were 6.4 per cent of the total by value and exports of goods manufactured by the iron and steel consuming industries were 45.8 per cent. It seems incredible that the Labour Party are willing to take the risk of disrupting half the country's exports for the sake of putting into practice an ideological theory.

Turning to other matters, I should first mention that the rights issue referred to in the Directors' Report was an unqualified success, being heavily oversubscribed, and as a result the number of Ordinary Stockholders has increased to 42,000. There are also 14,000 Preference Stockholders.

THE YEAR'S RESULTS

I am pleased that we have been able to show an increase in profits for the year. The results have benefited from the heavy capital expenditure of earlier years and from increased turnover, although profit margins have continued to contract. This increase in profits has made it possible for your Board to recommend an increase in dividend for the year from 13½ per cent to 15 per cent. I should remind you that the Chancellor's new Profits Tax proposals do not apply to the profits of 1957 and Distribution Profits Tax on the old basis will still be payable on the final dividend now recommended.

The Accounts have again been drawn up on similar lines to previous years and I think all the relevant information is provided.

Due to monetary conditions it was found inconvenient in 1957 to deal with the unsecured loan from the Iron and Steel Holding and Realisation Agency to John Lysaght's Scunthorpe Works Limited other than to repay a further sum of £2 million, leaving the outstanding indebtedness at a figure of £6 million. We are at present negotiating with the Agency regarding the continuance of this loan pending arrangements by John Lysaght's Scunthorpe Works Limited for replacement by more permanent finance when market conditions are less unfavourable.

While the results for the year 1957 can be considered satisfactory, current economic conditions outside this country, particularly in the USA, are unfavourable. Owing to the Group's widespread activities, conditions vary as between one company and another, dependent on the type of trade in which they are engaged. Although there is a weakening tendency generally, the early months of 1958 have produced satisfactory results for the Group, but some companies are drawing on their order books and in the main the rate of ordering is on the decline. It must of course be remembered that with the Group's expanding production, made possible by heavy capital expenditure of recent years, there is not the same necessity for customers to order a long way ahead.

CAPITAL EXPENDITURE

Stockholders may be interested in the following summary of our capital expenditure position:

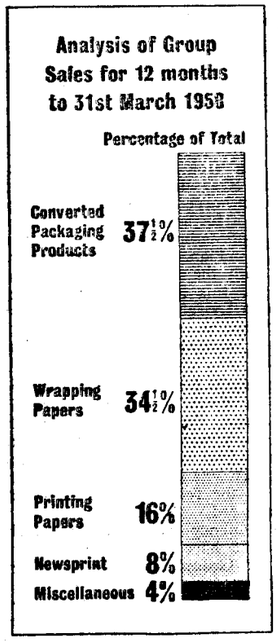
	Expenditure incurred during 1957 £	Expenditure sanctioned and outstanding at 28th December 1957 £
Home Companies:		
Steel	4,839,539	17,920,000
Others	5,090,230	9,750,000
Overseas Companies ..	2,837,534	5,330,000
Total	£12,767,303	£33,000,000

It is estimated that it will take some three to four years to complete the outstanding schemes. It should be emphasised that our provision for depreciation is now running at the rate of approximately £7 million per annum.

Last year I referred to the steps which were being taken to ensure that men of appropriate skill and experience were available wherever and whenever they were required in all parts of the Group. During 1957 the wide variety of training schemes which are necessary in a Group of this type have continued to take shape, in several of the larger companies under the supervision of specialists whom it was felt desirable to appoint. The number of schemes will be further increased to meet requirements.

The report and accounts were adopted.

ALBERT E. REED & CO. LTD.



Reed Paper Group increases output and sales

GROWING COMPETITION REDUCES PROFIT MARGINS

In his annual statement circulated to shareholders together with the Group's Annual Report and Accounts, the Rt. Hon. Lord Cornwallis of Linton, K.B.E., M.C., the Chairman of Albert E. Reed & Company Ltd., paper manufacturers and converters, makes the following review of Reed Paper Group activities:—

In my statement last year, a definite note of caution was injected into what was said. This was considered necessary because it had become quite evident that the installation of new plant capacity by paper manufacturers all over the world was proceeding in such a way as to create a considerable surplus over demand, with the result that trading conditions were growing steadily more competitive and profit margins were becoming increasingly under pressure.

While this situation had already become apparent in North America, we felt that many in the United Kingdom were tending to view the situation rather more optimistically, particularly in the short term, than could be justified having regard to the world situation in the industry.

Figures of trading results published in more recent months by many manufacturers, in this country as well as elsewhere, have now given ample justification for the cautionary note sounded a year ago, and it seems opportune to consider how matters may develop in the next few years.

There are differing views as to the length of time for which the present situation will last. On the one hand, the opinion is held that the excess of supply over demand is not likely to continue for more than two or three years, and that natural growth within that time will enable demand again to overtake production capacity. On the other hand, there is the view that conditions have only now returned to what may be called the normal state of the industry after the disturbance of the war years, and that a competitive situation not dissimilar from that existing at present is healthy for the industry in that some surplus plant capacity enables the industry to cope with sudden surges of demand without violent disturbance of the price structure. Probably the situation which will actually emerge will reflect a combination of both viewpoints, but it seems that the paper industry should not again look forward to the profit levels which it has attained at some periods during the past fifteen years, the peaks of which have always been offset by severe fluctuations in the opposite direction. It is apparent that the present position is still one of some uncertainty but we are hopeful that prices will be maintained at a level which will give a reasonable return on the capital employed in the industry.

As far as the Reed Paper Group is concerned, there are several immediately significant factors. Generally speaking our mills and factories are running at a satisfactory rate of production, demand for our products has been well maintained, and, in some sections of our activity, has been markedly increased. Two new important machines have been brought into production recently and the output from them is being sold at prices which are in line with those ruling in the industry generally. Woodpulp, which is our principal raw material, is for the moment in plentiful supply and prices of this commodity have eased over the past year.

TURNOVER AND TRADING RESULTS

The results of the Group's trading during the last financial year exactly reflect the world trading conditions to which I have already referred. Our turnover, including inter-company sales, at £62,300,000 compared with £58,500,000 last year, has gained both in volume and value, but increasing competition has exerted continual pressure on profit margins and total trading profits for the year, before charging depreciation, have declined from £6,663,954 last year, to £5,764,750, a decrease of approximately 13 per cent.

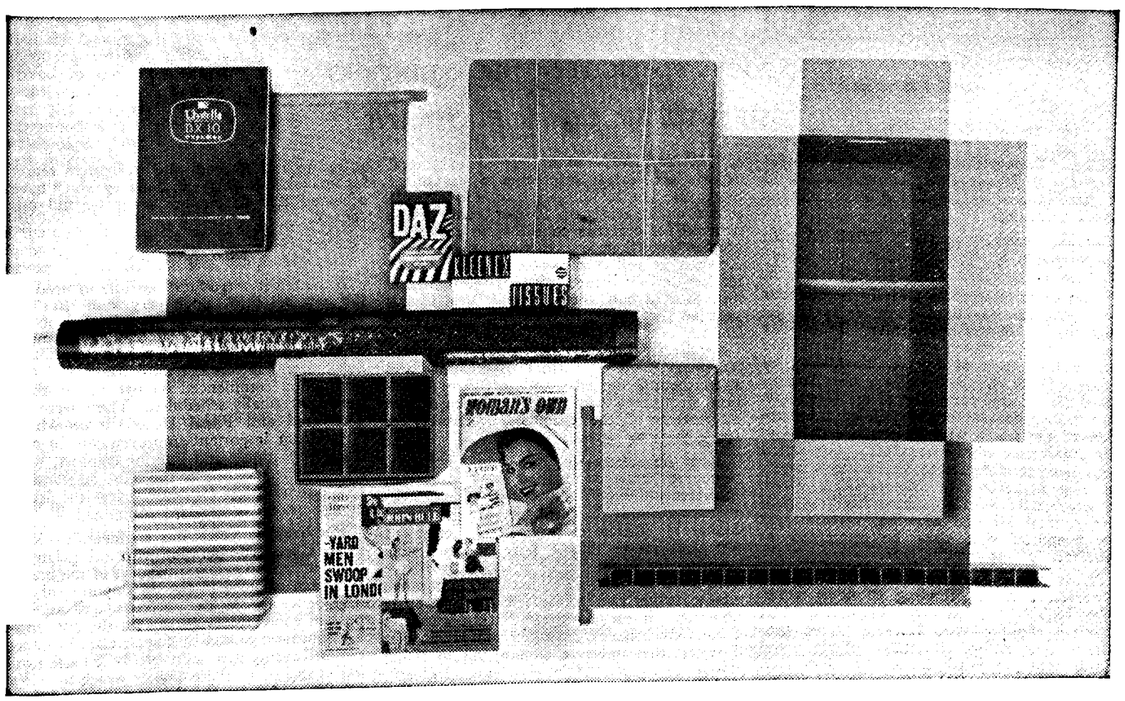
Depreciation charges for the last financial year have increased by nearly £300,000, i.e., by about 30% in comparison with the previous year and this increase is a direct reflection of the heavy expenditure in which any organisation is involved which sets out continually to maintain its plant in modern condition and develop its productive capacity to maintain its traditional share of the markets in which it operates. Group profits, after charging depreciation, have declined by approximately 21 per cent in comparison with the previous year.

Having regard to the results disclosed and the necessity to continue to conserve a proportion of earnings for development, your Directors now recommend a final dividend of 9 per cent, less income tax, making 14 per cent, less income tax, for the year. After bringing in the balance from the previous year there remains an amount of £1,375,594 from which the sum of £1,000,000 has been transferred to general reserve, which now amounts to £12,000,000. The sum of £375,594 then stands to be carried forward compared with £370,122 last year.

BALANCE SHEET

The consolidated Group balance sheet shows that at book values the total value of fixed assets has increased from £19,300,000 to £24,500,000 chiefly due to expenditure on the two new large machines which have now been brought into production; namely the No. 3 board machine at Colthrop Board & Paper Mills, and the No. 13 paper machine at Aylesford Paper Mills.

We have continued the general programme of modernisation to which I drew shareholders' attention in 1956, and total capital expenditure in the year ended 31st March, 1958, amounted to £6,400,000. This heavy capital expenditure has necessarily constituted a considerable burden on our liquid resources, with the result that the excess of current assets over current liabilities amounted to £12,000,000 at 31st March, 1958, compared with £17,000,000 at 31st March, 1957. In an organisation such as the Reed Paper Group, employing high-cost heavy capital equipment, a high level of capital expenditure is inevitable annually if the equipment is to be maintained in modern condition.



We regard it as a valuable source of strength, particularly in competitive conditions, that our interests should be as diversified as possible. Apart from our traditional paper, paperboard and packaging interests, we have continued to develop our activity in the specialist fields which we have entered in recent years. Holoplast Limited, the Group company which specialises in laminated plastics products based on resin impregnated paper supplied from Group mills, has undergone steady development during the year, and its decorative laminate, sold under the trade name "Decorplast" is becoming increasingly well-known.

The sales of pitch-fibre pipe continue to expand with the coming into operation of considerably increased productive capacity. The group is the largest manufacturer of this material in the United Kingdom. This product, a considerable proportion of which is supplied to the export market, is now firmly established as an efficient and economic medium for drainage systems and electrical conduit work; also as the principal component of underfloor ducting supplied by The Key Engineering Co., Ltd., it is being installed increasingly in the construction of industrial and office buildings.

ASSOCIATED COMPANIES

Our associated company Kimberly-Clark Ltd., in which a one-third interest is held by Albert E. Reed & Co., Ltd., has made very great progress during the year. A steady development continues in line with the increasing demand for the creped wadding products, including Kleenex, Kotex and Delsey, in which Kimberly-Clark Ltd. specialises.

The Tasman Pulp & Paper Co., Ltd., in which your Company has a 25 per cent equity holding, disclosed a further loss for the year ended 31st October, 1957, of approximately £1,000,000, but a substantial proportion of this was due to depreciation charges at special rates allowed by the New Zealand Government for taxation purposes and which are in excess of the amounts that would normally be considered necessary in the period. Nevertheless, the results show an improvement on the previous year of approximately £700,000.

PROSPECTS

It has been your Directors' policy to ensure the development of your Company to meet the increasing demands for its products, and at the same time, maintain it in a thoroughly sound financial position so that your Company should be well-placed to continue expansion and development out of its own resources, and where necessary and the demands of the situation justify it, to be able to attract additional capital from outside for specific projects.

I think we can be satisfied that in present circumstances this policy has been fully justified, and we feel that your Company is in a sound position to face what will be admittedly a period of strongly competitive conditions, and thereafter to continue to maintain the position it has built up in the world pulp and paper industry.

The full text of the Chairman's Statement is available on request.

"YOU profit from the initiative of each Company backed by the resources of the Group"

ALBERT E. REED & CO. LTD. (AYLESFORD, TOVIL AND BRIDGE MILLS) · THE LONDON PAPER MILLS CO. LTD.
EMPIRE PAPER MILLS LTD. · THE SUN PAPER MILL CO. LTD. · COLTHROP BOARD & PAPER MILLS LTD.
THE SOUTHERN PAPER STOCK CO. LTD. · E. R. FREEMAN & WESCOTT LTD. · REED PAPER SALES LTD.
REED CORRUGATED CASES LTD. · CONTAINERS LTD. · POWELL LANE MANUFACTURING CO. LTD. · CROPPER & CO. LTD.
CUT-OUTS (CARTONS) LTD. · PAPER CONVERTERS LTD. · MEDWAY PAPER SACKS LTD. · BROOKGATE INDUSTRIES LTD.
REED FLONG LTD. · THE KEY ENGINEERING CO. LTD. · HOLOPLAST LTD.
In association with Kimberly-Clark Ltd., makers of "Kleenex", "Kotex", "Delsey" and "Hi-Dri" products.

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Reed PAPER GROUP

JAGUAR CARS LIMITED

EXPORTS TO EIGHTY-FOUR COUNTRIES

SIR WILLIAM LYONS' STATEMENT

The Twenty-Fourth Annual General Meeting of Jaguar Cars Limited was held on June 26th at the registered office, Browns Lane, Coventry.

In his speech, which was circulated with the accounts, Sir William Lyons, the Chairman, said:

Due to circumstances entirely beyond our control, there has been some delay in the presentation of these accounts. This delay has been occasioned by the sudden and regrettable death of Mr A. T. Mather of Messrs O. & W. B. Haworth, our Auditor since the original formation of the Company, and whose decease resulted in an interruption of the audit with consequent delay in the completion of the accounts. The Board offer their condolences to Mr Mather's family in their bereavement. Messrs O. & W. B. Haworth have been appointed Auditors until the Annual General Meeting, when it will be proposed that they be appointed as Auditors for the ensuing year.

With regard to the Accounts, it will be observed that the Trading Profit is somewhat higher than last year, although the Net Profit is slightly lower due to a higher provision for taxation. Purchases of Plant and Equipment are much lower than last year, with a consequent reduction in initial capital allowances so that the incidence of taxation this year is more normal.

Stock-in-Trade and Work-in-Progress show a substantial reduction partly due to the effects of the fire, and partly to lower inventories of finished cars.

Expenditure on replacement of fire damage has been largely met by progress payments from the insurers, and the balance which is fully recoverable is included under Sundry Debtors. Completion of the accounting for Fire Damage will be included in next year's accounts, and I feel that, provided we are not prevented by rising costs from holding our prices at a competitive level, we can look forward to the future with confidence.

EXPORTS

Despite the setback caused by the serious fire, the year 1957 showed a net increase in exports of more than 6 per cent over the year 1956, and shipments to the USA rose by a similar percentage, which was noteworthy having regard to the fact that the models which sell more readily in that market suffered most in the fire.

Contrary to reports of recessions in some markets, it is gratifying to be able to say that our range of cars are in an even greater demand than when they were first introduced, due undoubtedly to the excellent results which our latest models are achieving.

The demand in all countries is steadily increasing and there are indications that this favourable position is likely to continue. The Australian and New Zealand markets have been maintained at the maximum level imposed by import restriction. We continue to take the hopeful view that some relaxation of their import regulations will enable us to meet the pent-up demand for our cars.

As a matter of interest we have exported Jaguar cars to eighty-four countries during the year.

Looking at the figures for the first quarter of 1958, as compared with the first quarter of 1957, an increase of 40 per cent in general exports is revealed. Shipments to the United States are up by 20 per cent and Canada shows an increase of 10 per cent. The demand for our cars continues to grow at a greater rate than our capacity to meet it. America is still our most important export market, and I returned from my recent 10,000 mile tour of both the East and West Coasts satisfied that the reputation and the demand for our cars is higher than it has ever been. I was greatly impressed by the progress which has been made in further establishing and strengthening the sales and service organisation, and it was very gratifying to learn from all dealers of the excellent availability of spare parts.

I see no reason why we should not continue to expand further our American business, although I must make the proviso that we can only do so if prices are not forced higher by further increase in our costs. I am well aware that I have sounded this warning for a number of years, yet we have continued to prosper. That does not prove that a further rise in prices will not seriously affect us. It does not mean that the warnings I have given have been unwarranted; in fact I repeat that unless a stop is put to rising costs, it is inevitable that our Industry sooner or later will run into difficulties, and I say this in spite of the fact that it is acknowledged that our cars offer outstanding value. Indeed, as recently as May 16, 1958, one of Britain's most influential motoring magazines, *The Autocar*, stated:

"If it were possible to devise a merit table relating performance with comfort and safety with cost, there is little doubt that Jaguar would be at the head of a world survey."

We must continue to offer outstanding value. We must not lose sight of the fact that we are in competition with foreign manufacturers, and it is the responsibility not only of Managements but of Workpeople and Trade Unions to protect the competitive power of our country's Industry.

On the Continent of Europe, where competition is the most severe, we are more than holding our own. In Switzerland, which is regarded as the toughest of all markets, sales have been increased fivefold and we have substantial orders outstanding. France, Belgium and Holland are equally satisfactory, and I am pleased to tell you we are increasing our sales in Germany.

During the year we formed a subsidiary Company in Canada where our business has been rapidly expanding in the last two years, and I am confident that this will do much to increase our business with that great country.

HOME MARKET

Fortunately the demand from the Home market continues as high as ever, for this is, of course, the backbone of our business. Without it we would stand little chance of competing successfully in Overseas markets and it is not surprising, therefore, that members of our Industry continue to view with concern the retention of purchase tax at its present repressive level.

I would like to place on record my appreciation for the patience and forbearance shown by our Distributors and Dealers, both at Home and Abroad, and to express regret for unavoidable delays in delivery which have occurred due to circumstances beyond our control.

NEW MODELS

Although it was found possible to produce the new 3.4 litre saloon very soon after the outbreak of the fire, the introduction of the new XK 150 models which had been planned to take place at the same time was seriously delayed and it was not until May 1957 that production commenced on two of the three models originally scheduled. These were the Drophead and Fixed Head Coupe which, apart from important improvements in outward appearance and interior comfort, were characterised by one of the most outstanding technical advances for many years—the fitting of disc brakes as standard equipment.

For over six years, our engineers working in the closest co-operation with technicians of the Dunlop Company, inventors of the brake, had been engaged in the development of the disc brake for racing purposes, and an important contributory reason for the outstanding successes gained by Jaguar Cars in international racing was undoubtedly the astonishing efficiency of these brakes which are now available also on the 2.4 litre and 3.4 litre models.

In recognition of the great contribution made by the disc brake to safety and efficiency, the Dunlop Company has been awarded the Dewar Trophy. This Trophy is awarded at irregular intervals and then only to mark an outstanding technical and engineering achievement.

We ourselves have, in the past, been privileged to hold this Trophy and I would like to congratulate the Dunlop Company on the recognition accorded them by the bestowal of such a high award.

The third XK 150 model was not introduced until April 1958 and made its debut at the International Motor Exhibition in New York, where it achieved instantaneous success.

FIRE RECOVERY

Although it is now generally well known that we have made a satisfactory recovery from the fire of February 1957, I feel impelled to say now that the fire could hardly have come at a worse time for us, as when it occurred we were just bringing into full operation the expanded capacity of our factory, which would have enabled us to meet the very large orders in hand. I am afraid the set-back occasioned by the fire resulted in many disappointed customers throughout the world. Nevertheless, we did succeed in producing a greater number of cars during the year than ever before, accounted for by the fact that our output reached record high figures in the last part of the period, an output which I am pleased to tell you has been further substantially increased during the first and second quarters of 1958.

Recovery from the fire is now almost complete, and constitutes a remarkable achievement on the part of all who have been engaged on the formidable task of renewing, repairing and rehabilitating plant, buildings and machinery affected by the disaster. The principal factor in the re-establishment of our production, and indeed the factor which saved us from running at a considerable loss for many months, was the erection of a new auxiliary factory extension with an area of 80,000 square feet which was planned and erected in the record-breaking time of 12 weeks and thus came into use barely 12 weeks after the outbreak, which enabled us to accommodate vital production sections as the fire-damaged building was being reinstated. Less spectacular, but definitely more difficult, was the work of rebuilding and repairing those areas of the main factory which were either destroyed or severely damaged whilst, at the same time, avoiding any break in production. This called for intricately detailed forward planning by our Production and Maintenance Departments working in the closest collaboration with our building contractors and their sub-contractors. Such was the ingenuity and resourcefulness displayed that, so far from any production being lost, output has, as I have stated, been appreciably increased.

RACING AND COMPETITIONS

When, at the close of the 1956 season, we announced our withdrawal from racing, it was felt in many quarters that this might well result in a break in the long run of successes our works cars had achieved for so many years all over the world, most notably at Le Mans. So far from this being the case, the 1957 Le Mans resulted in privately owned and entered Jaguars achieving the most sweeping victory ever recorded by any make of car in this world-famous race. The final placings were Jaguar 1st, 2nd, 3rd, 4th and 6th, the first two places being gained by the Scottish Ecurie Ecosse Team, the 3rd place by a private French entry, the 4th place by a private Belgian entry and the 6th place by another private British entry.

Added prestige has also been gained in America by an impressive list of successes gained by Jaguar owners in every important Sports Car Race held in the USA during 1957. Further public attention was focused on Jaguar by reason of Jaguar owner Mr Walter Hansgen being awarded the title of "Champion Sports Car Driver of America, 1957."

The retiring director, Mr E. F. Huckvale, was re-elected.

Messrs O. and W. B. Haworth were appointed as Auditors for the ensuing year.

The report and accounts were adopted.

BANQUE DE PARIS ET DES PAYS BAS

(Paris)

The Annual General Meeting of the Banque de Paris et des Pays Bas was held in Paris on May 22nd under the Chairmanship of Monsieur Emmanuel Monick. The following are extracts from the report presented by the Board of Directors.

REVIEW

In the history of the world's economy, the year 1957 will no doubt mark the end of the postwar period and its exceptionally rapid expansion. Productivity in France continued to increase and a rise of 3 per cent to 4 per cent in man-hours worked produced a 10 per cent increase of output. At the same time the financial crisis threatened the future expansion of the economy.

During the past year, the Bank's various departments continued to develop their activity. They concentrated mainly on operations intended to facilitate the adaptation of industry to new technical developments, the increase of export business and the preparation for the entry of France into the Common Market.

The Bank participated in a number of financial operations on behalf of many companies not only in France but throughout the world.

The report gives details of companies in which the Bank has interests, namely oil companies in France and in the Sahara. It also refers to the financing by French firms of large industrial units abroad, in South America in particular.

PROFITS AND DIVIDENDS

At December 31, 1957, the Balance Sheet total amounted to Frs. 167,535,853,045 and again showed an appreciable increase over that of the previous year.

After all expenses, net profit amounted to Frs. 1,083,815,190 and it was proposed to distribute a net dividend of Frs. 600 per share of Frs. 5,000 nominal.

The report, the accounts, and the proposals put forward by the Board were adopted.

FOY, MORGAN & CO. LIMITED

HIGHER EARNINGS DESPITE DIFFICULTIES

The twenty-third annual general meeting of Foy, Morgan & Company Limited, was held on June 26th at the offices of the company, 16 Eastcheap, London, E.C.3, Mr Peter Morgan (the chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts:

The accounts for the year ended December 31, 1957, which are now submitted, show that there was an increase in Trading Profit, before Taxation, of £29,000. The increase in the Carry Forward to 1958 amounts to just over £5,000.

Taxation has cost more than in 1956 and continues to be a grievous burden. Additional remuneration to Directors is higher, due to the fact that we have at last been allowed to make provision for Directors' Pensions. This provision will in the long run be of considerable benefit to the Company.

During the year events in South Africa led us very reluctantly to the conclusion that the long term prospects of our South African subsidiary Company did not justify the risks involved and accordingly steps have been taken to wind up this business.

Of business to date this year it may fairly be said that the timber trade has been experiencing a difficult period with softwood prices becoming affected by the falling off in buying. It is hoped, however, that the market will now settle down so that importers' confidence will be restored and buying for the balance of the year's requirements will be accelerated. There is no doubt that the credit squeeze, although slow into its stride, is making itself felt throughout the timber trade.

In conclusion I would like to pay tribute, on behalf of my colleagues on the Board and of myself, to the loyal and efficient work of the Staff of your Company as well as of the Directors and Staff of your Subsidiary Companies.

The report and accounts were adopted.

THE INVESTMENT LOAN AND AGENCY

RECORD INCOME

The forty-eighth annual general meeting of The Investment Loan and Agency, Limited, will be held on July 21st in London.

The following is an extract from the circulated statement of the chairman, Sir Nutcombe Hume, KBE, MC:

Investment and sundry income for 1957 reached a new record of £121,070 compared with £105,531 in 1956. After provision for Income Tax and Profits Tax, the net profit amounted to £49,482. An interim dividend of 4 per cent was paid in December and you will be asked to approve the payment of a final dividend of 7 per cent.

Continuing the method adopted last year, the accounts of the Subsidiaries are published in Indonesian currency. Their consolidated Profit and Loss Account discloses a satisfactory profit, after taxation, of over 1¾ million rupiahs but we are still without any definite assurance that any of this will ever be able to be transferred in sterling to the Parent Company.

The Directors have decided that in future they will not hold up presentation of accounts in order that results of the Subsidiaries may be included.

It is therefore hoped to be able next year to hold the Annual Meeting and pay the final dividend in March. The Directors will consider paying in October an interim dividend for the current year.

Proceeds of the new issue made in January 1957 were fully invested and by the end of last year, and as will be seen from the Balance Sheet, the book value of Investments exceeded £1¼ million. For the first time, Investment Reserve passed the £500,000 mark. The general fall in market values is reflected in the reduction in appreciation over net book values from £642,394 to £528,493, but this lower figure still shows the satisfactory margin of 53.9 per cent.

GENERAL

During the past year our Government has plucked up the courage to introduce measures which have already gone a long way to halt the slide into uncontrolled inflation which would have ruined the country had it been allowed to continue; and the new Chancellor has introduced a Budget which seems well to suit the circumstances of today. Conditions outside the country however must give cause for anxiety for some time to come. The diminished purchasing power of the countries producing raw materials, and anxiety over the course of events in France and America, may easily be reflected in a contraction in this country's industrial activity. It seems obvious that means of dealing with such a situation must now enjoy a very high priority amongst those on whom falls the responsibility of dealing with these problems; and amongst their plans the introduction of better credit facilities for exporters must surely be one of the most important. Industry generally, and particularly the Nationalised Industries, can make their contribution by withholding wage and salary increases until they are justified by increased productivity. I do not doubt that good management coupled to the improved physical assets now coming into production can achieve this goal: but it is leadership in every department of life—Politics, Industry, Commerce, Trade Unions and the Church—which provides the key to the future, and no cost or effort is too great to help the rising generation to develop these qualities.

Telephone Rentals
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OPERATING TR SERVICES

RESULTS AN ALL-TIME RECORD: HIGH REPUTATION FOR PERSONAL SERVICE

MR FRED. T. JACKSON ON A WELL EQUIPPED ORGANISATION

The 29th annual general meeting of Telephone Rentals Limited was held on June 27th at Caxton Hall, Westminster, London, S.W.1, Mr Fred. T. Jackson, OBE, CompIEE (the Chairman), presiding.

The Secretary (Mr W. J. H. Ainley) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1957:

You will have seen from the Balance Sheet and Profit and Loss Account that we have had another successful year, showing an increase in profits. At a time like this, with so much industrial unrest, a Co-Partnership, or Profit Participation Scheme, shows itself to great advantage, for it identifies the employees with the objects of the Company, and brings about full realisation by them that the success or otherwise of the Company depends upon their individual efforts. We place a very great importance on the service we render to our Subscribers, and we are sure that the increase in our business is to no small extent due to the reputation for personal service we have built up.

I am pleased to be able to tell you that our business has continued to expand, and, during the first four months of this year, we again exceeded our target for new rents. At the same time, although we have started the new year very well, it is impossible for me to prophesy as to the current year's results on four months' experience. I have to take into consideration the fact that, undoubtedly, it is more difficult to do business this year than it was last year, but we are well equipped financially and otherwise to deal with any situation which might arise.

Our business has expanded so rapidly that it is necessary that we should move to new Head Office Premises during the middle of this year. As things are at present, we have various Departments spread over three different centres in London and we think it would be advantageous to have all these Head Office Departments under one roof.

OVERSEAS ACTIVITIES

I will now deal with our operations in the Commonwealth.

The business in Australia continues to expand and is earning satisfactory profits. Taking all circumstances into consideration, and particularly the steady progress made during the past few years, it was decided to declare a dividend for the first time. I would remind you that we do not own the whole of the Australian business, but we have a 50 per cent shareholding.

In South Africa, with both the Johannesburg and Cape Town Companies, the rate of expansion has again been most satisfactory. Johannesburg has been financially self-supporting for some years, and Cape Town is now very close to becoming so.

Canada is still a hard furrow to plough, but is progressing steadily. Although not yet on a profit-earning basis, I am glad to report that the loss for the year under review was considerably reduced. The annual increase in revenue compares very favourably with our smaller Branches at home and abroad, but overhead expenses are inevitably at a higher level.

ACCOUNTS

I will now comment on the Accounts.

PROFIT AND LOSS ACCOUNT

The Gross Profit of £875,370 is an all-time record and is £121,631 greater than that for the previous year. This result is entirely accounted for by the increase in Rental Revenue and the Profit on Trading and Miscellaneous Receipts, for the combined Dividends and Interest receivable from Subsidiary Companies and other sources show a reduction of £1,720. Dividends from Subsidiaries are down by some £14,000, the Profit figure for one Subsidiary having been considerably reduced as a result of certain Accounting changes in Depreciation rates and Stock Values of recovered equipment. This, however, is but a temporary situation, and provided they continue at their present level of business, the changes made in 1957 should have the effect of increasing Profit figures in future years. Dividends and Interest receivable from other sources show an increase of £12,283 over 1956, due to the temporary investment of our greater liquid resources.

Income Tax and Profits Tax are up by no less than £52,042, and the Chancellor's proposal in his last Budget to levy one rate of Profits Tax was warmly welcomed by your Board, for had the proposed rate been applicable to our Profit for 1957 there would have been a saving of approximately £10,000. Over the years one has learnt to be grateful for even the smallest relief from the penal burden of taxation.

The Net Profit, before transfers to Reserves and provision for Dividends at £474,356, is up by £69,589; a most gratifying result.

We have again this year transferred £200,000 to the General Reserve, which now stands at £1,550,000. We have also transferred an amount of £25,000 to the Contingencies Reserve as a precautionary measure, although the Reserve, as it stood at the date of the last Balance Sheet, is still more than sufficient to cover the accumulated losses of our Canadian Subsidiaries. Finally, we have transferred a further £76,000 to the Tax Equalisation Reserve which now totals £756,000 and which was created in 1955 for the purpose explained in my statements of the last two years.

After providing for these transfers to Reserves and the Dividends on both the Preference and Ordinary Shares amounting to £162,150 as compared with £152,030 in 1956, we are left with an unappropriated balance of £163,580 to be carried forward to the current year. The increase in the amount of the Dividends is, of course, due to the fact that the Interim Dividend was paid on the Capital as increased in January 1957, whereas the corresponding payment in respect of the year 1956 was made on the Ordinary Capital as it stood before the last issue.

BALANCE SHEET

Liabilities.—Both the Authorised and Issued Capitals have been increased since the date of the last Balance Sheet following upon the passing of the Special Resolution to increase the former, and the subsequent Rights Issue in January 1957, which raised the latter. This Issue also accounts for the substantial increase in the Share Premium Account, the details of which are set out in the Printed Accounts.

Capital Reserves now total £264,821 and Revenue Reserves £1,675,000, and the Shareholders' interests consisting of Capital, Reserves, and unappropriated Profit balance amount to £4,615,401, as compared with £3,867,050 at the end of 1956.

The increase of £124,500 in the Reserves for future taxation is accounted for by the additional transfer to the Tax Equalisation Reserve mentioned previously and the increased liability to Income Tax on the Profits as per these Accounts.

The total of our Current Liabilities shows a very slight increase over the previous year, but, as you will see from the details printed in the Accounts, there is nothing abnormal or which calls for comment.

ASSETS

Referring now to the Assets side of the Balance Sheet, the value of the revenue-bearing Installations after Depreciation has increased by £308,988 to £3,453,844, which is equivalent to 1.40 years' rent.

Freehold and Leasehold Properties and Office Furniture and Fittings, Vans and Cars reflect but little change, and the Trade Investment representing our holding in the Australian Company remains unchanged.

The increase of £44,995 in Investments in Subsidiary Companies represents amounts capitalised in our Canadian Subsidiaries during 1957. This sum comprises the total cash and goods supplied during the year. Loans to Subsidiaries are unchanged, whilst the amounts due on current accounts are reduced by £10,562.

Stock and Work in Progress at £567,832 show the substantial reduction of £128,757 as compared with the previous year, whilst Sundry Debtors and Prepayments have increased by £52,031 to £339,529. The majority of this increase, £38,000 in fact, represents Subscribers' accounts in amounts invoiced during the year.

The difference in Quoted and Unquoted Investments between the two years reveals an exchange from an Australian Government Issue to an Australian Debenture, which was made when the former matured.

Our liquid resources in the form of Tax Reserve Certificates, Deposits with Local Authorities and Cash, both in London and Australia, at £1,159,925 are £609,404 higher than they were at the end of 1956. This increase in our liquidity is in the main due to the proceeds from the Rights Issue in January, 1957, amounting to a net £510,863, and the decrease in our Stocks held of £128,757.

We have been steadily building up and strengthening our Organisation since the war, and your Board, realising during 1956 that there were excellent prospects of a record year in 1957, were determined that this time we were not going to be restricted in our expansion for lack of the necessary Finance, particularly bearing in mind our experiences during the credit squeeze of 1951-52.

Your Board, therefore, wished to make certain that Finance was available before they went ahead with their plans for the further expansion of your Company, both at home and overseas.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The Consolidated Accounts having been prepared on an identical basis to that of the Parent Company, the material changes have already been dealt with in the foregoing remarks, with one exception, and I refer to the note on the Consolidated Balance Sheet concerning Other Capital Reserves, which is self-explanatory.

The Net Profit of the Group before taxation is £927,653, compared with £789,103 for 1956. After providing for taxation, the transfers to Reserves, and Dividends, the balance of unappropriated Profits carried forward and attributable to the Holding Company's Shareholders amounts to £272,417.

CONCLUSION

In conclusion, I think you will agree with me that the Accounts and Report reflect an even stronger and healthier position than last year, and it is the constant endeavour of us all to preserve this state of affairs.

The report and accounts were adopted and the dividends, as recommended, were approved. The retiring director, Mr Fred. T. Jackson, was re-elected, and the remuneration of the auditors, Messrs Chas. W. Rooke, Lane & Co., having been fixed the proceedings terminated.

MERCANTILE AND GENERAL REINSURANCE COMPANY LIMITED

STATEMENT BY THE CHAIRMAN

The Annual General Meeting of the Mercantile and General Reinsurance Company Limited will be held on July 22nd, 1958, at the Company's Chief Office at Moorfields House, Tenter Street, Moorgate, London, E.C.2.

The following is a statement by the Chairman, Mr Hugh Kenneth Goschen, which has been circulated with the Report and Accounts for the year ended December 31, 1957:

There are no changes in our Board this year, but there is one matter in connection with the Directors to which I would like to make special reference before going on to deal with the year's results. Mr E. Hurlimann retired from the Chairmanship of the Swiss Reinsurance Company at their Annual General Meeting this year. He joined our good friends there in 1904 and became Chairman of the Company in 1942, a post which he has filled with distinction for the last sixteen years. At the meeting which I was privileged to attend he was unanimously acclaimed Honorary Chairman for Life in recognition of his great services on their behalf. Mr Hurlimann remains a Director of the "Swiss Re." and, of course, of our Company, and we look forward to having the benefit of his wisdom for many years to come. I would like to take this opportunity of thanking him for the incalculable assistance he has given to our Company over a period of more than 42 years, ever since the time of its successful reconstitution as a reinsurance company in 1916, to which he himself contributed so largely.

In 1956 our Accounts, as I pointed out in my last Statement, were adversely affected by the poor results of the Canadian business. In 1957 insurance experience in Canada reached almost catastrophic proportions. It will come as no surprise, therefore, that we have this year to report an even greater underwriting loss in the Fire and Miscellaneous Account. In other parts of the world the business on the whole has continued to be profitable, notwithstanding an unmistakable trend of deterioration in certain markets. It is the Canadian losses which dominate our Accounts in 1957.

The income of the Fire Department has continued to advance, but it would be rash to expect this growth to continue at the same rate in the years ahead. Despite the worsening experience, intense competition for reinsurance business continues unabated and it will need great efforts on our part to maintain our premium income. Our Home and Overseas business (other than Canada) did indeed yield a modest profit overall, but this profit was completely swamped by the large losses sustained in Canada and this year the Fire Account closes with a substantial loss. We have again in 1957 the familiar pattern of a few exceptionally large fires, combined with a less favourable experience generally. I am afraid that present indications are that this trend continues.

In the Accident Department our premium income for the year has also shown a satisfactory increase, but, in common with the experience of most other companies, the results have proved very unbalanced. Although Motor business has begun to show signs of a small improvement in certain territories, the results elsewhere are still most unprofitable and Canada in particular has given us an extremely heavy loss. The experience of General Third Party and Workmen's Compensation Act business also continues to be unsatisfactory, whilst Aviation too gave us a loss in 1957. On the other hand our Personal Accident Account was not seriously affected by any major air disaster during the year and has produced a profit. Other miscellaneous branches, such as Burglary, Fidelity Guarantee and Engineering, also gave us satisfactory margins of profit. These were not, however, sufficient to offset the heavy losses sustained in the Liability classes, so that I regret to report that the Accident Department as well has again ended the year with an overall loss.

The volume of our Marine Account in 1957 increased by nearly 15 per cent and premium income at £570,119 was at a record level. The incidence of heavy claims continues at a high rate and though our Accounts show a slightly better loss ratio last year than in 1956, the trend towards higher settlements still prevails. Our Fund, however, reveals a degree of buoyancy which permits us this year to transfer the sum of £25,000 to the Profit and Loss Account. The outlook for Marine underwriting nevertheless remains unsettled and there are many factors present which combine to make us cautious in our approach to this class of business.

Net new business completed in the Life Department in 1957 was again a record figure, £27,616,211 net sums assured. The increase followed an expansion of business in the United Kingdom which is, of course, our most important territory; there was also a satisfactory development in several oversea territories, but this was unfortunately offset to an important degree by the cessation of new business from India following the nationalisation of Life Assurance there, and by the loss of Egyptian business. The increase in our figures is thus all the more creditable. Our net premium income advanced by over £400,000. The mortality experience in 1957 was good and the interest yield on our Life investments showed a gratifying improvement. Following the general depreciation in Stock Exchange securities, a transfer of £330,000 was made to Investment Fluctuations Reserve.

In addition to our organisation for underwriting substandard risks, considerable use has been made of our "clearing house" facilities, where we place the larger Life cases with our friends in the market. In 1957 a record number of large Life reassurances was handled.

In my Statement last year I referred to the more intensive efforts which we were making to build up our Life business in oversea territories, especially in Australia and Canada. Following the registration of the "Mercantile and General" of London for the transaction of Life business in Australia, it was found desirable to form a separate Australian subsidiary company for such business, and The Mercantile and General Life Reassurance Company of Australia, Limited, was accordingly incorporated in 1957, with a capital of £A100,000. This investment is now included in our Fixed Assets. It is too early yet to give any figures, but we are sure that our decision will be fully justified and we are grateful for the support given to our enterprise by the Australian Life Offices. In Canada we have also been more active and a branch has been established in Toronto; Mr I. G. Michie, FFA, FIA, ASA, has been appointed Actuary for Canada.

The Company's total Investments and Loans (General and Life) show, at £16,568,077, an increase of £1,729,068 during the year. Our Investment Department had to contend with many conflicting and rapidly changing factors in 1957. In the early part of the year both fixed interest and equity stocks recovered from the levels ruling at the close of 1956, but the expectation of further inflationary tendencies steadily depressed gilt-edged prices, while, on the other hand, the equity market was supported and prices reached a peak early in July. The second half of the year, however, witnessed a complete change in market conditions. Sterling was under considerable pressure and events finally led to the raising of the Bank Rate to 7 per cent on September 19th. British Government securities steadied after the initial shock of a 2 per cent increase in the Bank Rate and hopes were revived that inflation would be checked and confidence restored in fixed interest investment.

Once again we have made important additions to our Debenture holdings in the United Kingdom thereby taking advantage of the relatively high rates of interest ; we have also increased our portfolio of equities. In North America we were also faced with difficult conditions, but our holdings in the United States and Canada are largely in short-term fixed interest stocks or "defensive" equities which were not subjected to wide market fluctuations. Taking our investments as a whole, I am pleased to report that the amount by which the market value exceeded the book value, although not so large as at the close of the previous year, was still substantial at December 31, 1957

I said at the beginning that the Canadian losses have dominated our 1957 Accounts. Rates of premium there are at last in process of being raised and when they become fully effective, which may not be for another year or two, the business will once more be on a profitable basis. Meanwhile, we have strengthened the Canadian Company financially by increasing the capital and surplus. We have also considered it advisable to send a reinforcement of managerial leadership to this area. Accordingly, Mr E. Boxall has relinquished his post as a Manager of our Company in order to take up the position of Managing Director of our Canadian Company, with which he was already closely associated as a Director. We are confident that with this important addition the Company has a first-class managerial team to cope with the difficult period that lies ahead. Mr Lord, who has had a long experience of Accident Underwriting, has taken Mr Boxall's place as Manager of that Department.

The heavy loss on the Fire and Miscellaneous Account, a loss which cannot be covered by the year's interest earnings, has caused the Directors to give much careful thought before recommending the payment of a dividend. It is the essential role of the reinsurer to give support to the direct writing company whilst underwriting conditions are being adjusted to changed circumstances. The reinsurer endeavours by obtaining a wide spread of business to protect himself against unfavourable results in a particular area or class of business. But such a balance of results may not always be possible of achievement in one year alone, and it is in order to provide against violent annual fluctuations that powerful reserves have to be built up over the good years. I am happy to say that even if the results of 1957 have led to some small impairment of the Company's assets, the last five years taken together still show a very satisfactory improvement in the Company's overall strength. Bearing all this in mind, therefore, the Directors decided that it would be entirely proper for them to draw on the balance brought forward and, to a small extent, on the special reserves, and thus to recommend a dividend at the same rate as last year.

Throughout the year we have continued to maintain contact with our many ceding companies spread as they now are all over the world, and our Officials have again travelled widely in furtherance of the Company's oversea interests. Mr Calburn, the General Manager, has just returned from a short trip to North and South America, and an extended stay in Australia and New Zealand. He came home well satisfied with our organisation in Australia where our subsidiary, The Mercantile and General Reinsurance Company of Australia, Limited, is building up an extensive business under the guidance of Mr G. B. Kater as Chairman, and Mr Owen K. Taylor, AAII, as General Manager.

It is a tradition that on this occasion the Chairman pays a tribute to the work of the Officials and Staff of the Company, and it gives me great pleasure to do so again this year. I would wish to assure all those who work in this Company, from the General Manager to the newest recruit, that the Directors, and I know the Shareholders, are acutely conscious of and sincerely grateful for all the hard work and hard thinking that has been put into their efforts. In this difficult year there have been more problems than ever. And if I have referred to the bad experience in certain parts of the world, that should not be taken as any reflection on the work of the people more closely concerned with the business in those areas. Such results are part of the general experience ruling there.

FIRTH CLEVELAND LIMITED

Industrial Holding Company

METALS, ENGINEERING, RETAIL

ISSUED SHARE CAPITAL

£1,000,000 in 6 per cent Cumulative Redeemable £1 Preference Shares.
£1,000,000 in "A" and "B" 5/- Ordinary Shares.

£2,000,000

Extract from Annual Accounts for the Year Ended October 31, 1957.

	£
Reserves (including Future Tax)	2,570,042
Fixed Assets	2,461,632
Net Current Assets (including Cash and Loans to Local Authorities, £1,640,182) ...	3,360,986
TOTAL NET TANGIBLE ASSETS	£4,570,042
PROFITS (subject to taxation) :—	
1955	1,379,122
1956	1,542,619
1957	1,725,519

HEAD OFFICE: 8 Cleveland Row, St James's, LONDON, S.W.1.

THE MORGAN CRUCIBLE COMPANY LIMITED

EXPANDING RANGE OF MARKETS AND PRODUCTS

The twenty-fourth annual general meeting of The Morgan Crucible Company Limited will be held on July 24th at Battersea Works, Battersea Church Road, London, S.W.11.

The following is an extract from the review by the chairman, Mr P. Lindsay, OBE, MC, which has been circulated with the report and accounts: The Global outcome of Group operations, measured in terms of Sales and Profit, does not differ materially from that of the previous year.

The income from sales having been maintained despite a modest drop in volume has resulted in providing an excess of income over expenditure of just under £2 million.

Our Parent Company and some Branches prospered reasonably, but other Subsidiaries disappointed either due to market recession, as in USA, or because production problems proved unexpectedly stubborn.

In spite of the changing climate of world trade our export business has continued to prosper, so that 45 per cent of Group Sales are in countries outside the home market

We contemplate the introduction shortly of a new and far-reaching incentive plan, thanks to which we may hope to improve our overall productive efficiency with advantage to workers and shareholders alike.

Since the last public issue of shares for cash, amounting to just over £300,000, in September, 1946, and £1 million Loan Capital acquired in 1950, the Group's Fixed and Net Current Assets (exclusive of Goodwill) plus Trade Investments have risen from nearly £4 million to over £11 million.

NEW VENTURES

Satisfactory progress has been made with production and research in the field of Sintered Alumina Products. Our success in this country in pioneering the use of sintered metal clutch facings for aircraft actuators has led to a demand from the agricultural and civil engineering machinery industry for heavy duty clutch facings where Sinterlink material is meeting the arduous requirements.

A new factory, providing greatly increased capacity for the production of Crusilite elements, is now in operation to meet the growing demand for widely diverse applications of this non-metallic (silicon carbide) heater element.

Nuclear Graphite Limited, in which Company we are associated with AEI-John Thompson Nuclear Energy Company Limited, is expected, in October, to commence the machining of high purity graphite for use in Nuclear Power Plants.

We are producing other carbon components for Nuclear Reactors and we expect further opportunities in this field in step with the world wide development of Nuclear Power.

Our nine-year-old Subsidiary Company, Morgan Refractories Limited, is firmly established now both in the field of specialised refractories employing chemically pure materials and in the production out of traditional raw materials of bricks and furnace parts of hitherto unachieved quality.

We are hopeful that in the current year, as in the past, our expanding range of markets and products may enable us to keep our business on a level keel.

Results for the year justify a recommendation of a final distribution of 6¼ per cent, making 10 per cent for the year.

WHESSOE LIMITED

ANOTHER YEAR OF SOLID PROGRESS

NEW HIGH LEVEL OF PRODUCTION

MR C. M. SPIELMAN ON THE OUTLOOK

The thirty-eighth annual general meeting of Whessoe Limited will be held on July 22nd at 25 Victoria Street, London, S.W.

The following is the review by the chairman, Mr C. M. Spielman, OBE, MC, BA, MICE, MIStructE, circulated with the report and accounts.

It is with pleasure that I am able to report another year of solid progress and one in which production has again reached a new high level, its value having exceeded last year's record by approximately 20 per cent.

THE YEAR'S WORK

The high level of production did not derive from any improvement in steel supplies from British mills ; indeed last autumn we had to import several thousand tons of plate from the Continent and the USA. Even so, our total intake for the year was only slightly greater than that for the previous year, and once again the higher production has resulted from the increasing quality and complexity of our products. Prominent among these have been pressure vessels for nuclear reactors. The third and fourth vessels at Calder Hall have been completed ; work continues on the four similar vessels at Chapel Cross ; and a good start has been made on the two much larger spherical reactor vessels for Bradwell which we are constructing as a member of The Nuclear Power Plant Co., Ltd.

Just as our pioneering from 1947 onwards of Class I welding in the field led to the Calder Hall achievement, so now we are developing new techniques for the welding of the far thicker material in the Bradwell spheres, and much of the welding is being done automatically. Work also continues on the large aero engine testing facility for the National Gas Turbine Establishment at Pyestock.

A CONTRACT OF INTEREST

A contract of interest put in hand during the year is the construction under field conditions of a large butt welded aluminium tank, inspected by radiographic methods, for storing liquid methane at low temperature. This is a prototype plant for the North Thames Gas Board, being part of a project to import liquid methane from overseas to supplement town gas production from coal.

Whilst these contracts are important and give promise of further expansion, I must emphasise, as I did last year, that the basis of our business remains the supply of storage tanks, heat exchangers and process plant for the oil, chemical and gas industries, both at home and abroad. From these industries we have also experienced a considerable and growing demand for the specialised fittings which we make under licence from Shand & Jurs of California, notably marine gauges for oil tankers, and "Telepulse" gauging systems for storage tanks. This latter electro-mechanical equipment enables the level and temperature of the contents of all tanks in a large installation to be read with accuracy on a remote central panel. Thanks to our overseas agents, coupled with the efforts of our own staff, sales of Shand & Jurs equipment in many European countries are growing rapidly.

RECORD VOLUME OF ERECTION WORK

The high rate of production at the works has been matched by the volume of work carried out at erection sites which has also exceeded all previous records. A year of such activity has thrown heavy burdens on management, staff, and indeed all employees, and all have given willing response to the many calls made upon them. That this is so is due in no small measure to the happy human relations which have existed in Whessoe for many years past. Our grateful thanks are due to all concerned.

A long-term agreement between The Nuclear Power Plant Co. and AGIP Nucleare for technical co-operation in the sphere of gas cooled nuclear power stations in Italy has recently been signed, and it is anticipated that a contract for the construction of the first commercial nuclear power station in that country will shortly be concluded. Whessoe's responsibility in this contract would be primarily for the reactor pressure vessel, which is similar to those now being built at Bradwell.

ACCOUNTS

The profit for the year after all deductions other than taxation amounted to £1,028,950, as against last year's previous record figure of £941,712. The corresponding figures after taxation are £503,950 and £486,712 respectively. Included in the profit of the year is £40,000 on account of the profit accrued on one long-term contract which will probably not be completed until 1959-60. Apart from this, our practice of bringing profit into the Accounts only when contracts are completed has been followed.

The increase in production, coupled with the reduction in contracts completed, has led to a considerable increase in the gross value of work in progress, the profit on which, other than the £40,000 just mentioned, remains to emerge in future years.

Capital expenditure during the year was still at a high level, and although appreciably lower than that of last year, has, when combined with increased production, again made heavy demands on our cash resources. Moreover, as indicated in my review last year, considerable further capital expenditure is envisaged for some years ahead. In the belief, however, that dividends should follow the trend of profits—and emphasising that this can cut both ways—your directors recommend a final dividend of 20 per cent on the Ordinary Stock, making a total of 25 per cent for the year, compared with 22½ per cent last year.

PRODUCTION FACILITIES

It will be recalled that in 1946 we embarked on the modernisation of the works and offices. Old shops were pulled down and new ones erected ; our handling methods and rail system were rationalised to give a smooth flow of materials ; and throughout the 12 years we installed new machine tools and equipment, so that today only a few machines are more than 10 years old. During the year under review we brought into full production the 4,500 tons plate press, also the shops for the marking and shaping of spherical plates. Though these were planned primarily for very heavy nuclear power reactor pressure vessels for which they constitute a unique facility, they have application also to our work in general. In order to provide further welding facilities for thick plate vessel construction a new welding shop with heavy lifting facilities and appropriate manipulating equipment is now under construction and ought to come into productive use early in 1959.

These and other needs which emerged during the last 12 years have been met and we think the works today is as efficient and economical for steel plate fabrication as can be found anywhere. But we cannot rest content. Markets will undoubtedly expand in line with the predicted growth in demand for energy, based notably on petroleum fuels and nuclear power, and it is Whessoe's intention to expand commensurately. It is, however, unlikely that that expansion will be supported by steel plate availability until the new plate mills in the Steel Industry's plan come into production from 1960 onwards. Our sights are therefore being set on the early 1960s and we are planning to have further shops erected by that time on the land we are acquiring adjoining the works. In order to ensure that this forward planning incorporates the most modern techniques and that Whessoe holds its place in the forefront of the engineering industry, directors and members of the staff have, as in past years, paid visits to America, Germany and elsewhere to study machine tools and the latest production methods. The outcome of our planning will undoubtedly be that investment must continue at a high level.

THE ORDER BOOK AND PROSPECTS

The year opened with a very full order book and new orders received for the first six months more than matched our increased production. The September crisis, however, caused a sharp change. The slowing down of capital plant programmes led to some orders being cancelled, and to the withholding of orders that we had had every expectation of obtaining. The net result is that although all departments will be kept fully occupied during the first half of our current financial year on orders already received, there may be some slowing down thereafter. It is, however, to be hoped that the slowing down of capital plant programmes by our principal customer—the oil industry—will prove to be but temporary.

BOARD CHANGE

Mr Harold G. Judd, who retires by rota at our ensuing Annual General Meeting, does not, owing to advancing years, intend to seek re-election to the Board. Mr Judd relinquished the Chairmanship in 1955 after having held that office since 1920, when Whessoe became a public company. His wise leadership and sympathetic guidance through-

out those 35 years did much to ensure the happiness of our company and its outstanding advance to the position which it holds today. We are indeed glad that he remained on the Board for a further 3 years to give us the benefit of his counsel. Now, however, that he feels he must leave us, he does so with our affectionate regret and our best wishes for much happiness in his retirement.

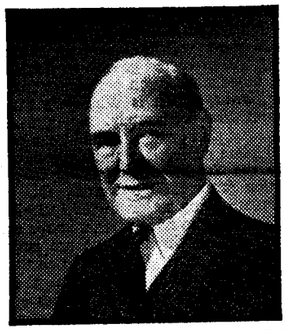
WHESSOE HISTORY

A short history of our company, which was founded in 1790, is being sent to stockholders with our Report and Accounts, and it is hoped that it will be found of interest.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION

UNEVEN INCIDENCE OF CREDIT RESTRICTIONS

The thirteenth annual general meeting of Industrial and Commercial Finance Corporation Limited was held on July 2nd in London, The Right Honourable Lord Piercy, CBE (the chairman), presiding.



THE RIGHT HONOURABLE LORD PIERCY, CBE, THE CHAIRMAN

The following is an extract from the Chairman's circulated statement:

During the twelve months ended March 31, 1958, the total value of the Corporation's portfolio, less provisions, increased by £1,179,214 to £34,288,271. Commitments at the same date amounted to £1,578,164, of which £1,086,135 was in respect of contracts and £492,029, offers to customers.

During the period the Corporation advanced £3,361,000. Of this sum £2,182,000 was found from repayments and realisations.

£2,200,000 was called up from shareholders; and at March 31st the total of share and loan capital stood at £32,500,000.

The profit for the year, before interest and tax, was £2,457,972, compared with £2,348,634 for the previous year, an increase of £109,338.

After interest and tax, the balance available amounts to £652,663 (£758,989). Added to the surplus brought forward, this gives a balance for disposal of £846,368. The Directors recommend a dividend of 5 per cent on the paid-up share capital, the same rate as last year. General Reserve benefits by £500,000 raising it to £3,300,000. The reserves begin now to bear a realistic proportion to the risks which the Corporation carries. £130,743 (£193,705) is carried forward.

ICFC AND THE CREDIT SQUEEZE

Like so many measures of a general kind, the incidence upon the various parts of the economy of the recent phases of credit restriction has been uneven; and so far as concerns the checking of the ability to invest, it has fallen most heavily on those sectors of the economy which have no access to the new issue market, that is small and medium sized companies and especially new and expanding ones. The run of applications which has come before us seems to suggest that this stringency has come at a period when there are new springs of enterprise among small concerns; and it has made more difficult the lot of quite an interesting crop of new ventures.

The era of credit squeeze has now lasted a considerable time if its inception can be placed at the end of 1951. The Corporation was set up to provide capital funds for concerns without easy or ready access to the capital market, and particularly firms of small and medium size. It was set up with a massive background of resources, but every time the squeeze has deepened in severity ICFC has been straitened as regards funds.

The developments of the economic situation at home and abroad in the next few months may alike enforce the desirability of reviving investment in manufacturing industry. In that context the Corporation will play a useful part if it regains, as may be hoped, its normal ability to provide facilities readily for companies which have legitimate needs for capital, and are eligible borrowers, but have no ready or easy access to the market.

ALLIED INDUSTRIAL SERVICES

TURNOVER INCREASING

The twenty-fourth Annual General Meeting of Allied Industrial Services Limited, will be held on July 24th at Bradford.

The following is an extract from the circulated Statement of the Chairman, Mr Frank W. R. Douglas:

The year under review has been difficult. Almost everywhere there has been a reduction in activity. While your Company trades almost entirely within this country we cannot isolate ourselves from external influences.

A setback tends to intensify competition and to cut profit margins. It is in these conditions that the goodwill of your Company plays an even more important part than at other times, as our customers do not readily forget years of good service.

The group net profit after tax amounts to £351,638, compared with £233,430 for the previous period of nine months to March 31, 1957; £150,000 has been transferred to revenue reserves. The preference dividend and the interim dividend on the ordinary shares (of 4½ per cent) already paid absorb £45,713. We now recommend the payment of a final dividend of 16½ per cent on the ordinary shares (making 21 per cent for the year).

We have extended our interest in subsidiaries and have continued this development by a substantial acquisition of shares in a new subsidiary.

I am glad to tell you that since the commencement of the new financial year turnover has continued to increase, but it would be foolhardy to forecast this year's results so early in our trading year. I can say, however, that your Board believe our long-term prospects remain undiminished.

HENRY HOPE & SONS LIMITED

LARGER PROFIT AND DIVIDEND

MR MICHAEL HOPE'S REVIEW

The sixtieth annual general meeting of Henry Hope & Sons Limited will be held on July 23rd at Smethwick.

The following is an extract from the statement by the chairman, Mr Michael Hope, for the year ended March 29, 1958:

Last year started well, but ended disappointingly. In view of the rise in the Bank Rate and the restrictions on credit which were imposed by the Government last September this was not surprising, and I think we did well to exceed last year's consolidated profit of over £1 million before tax.

We are recommending an increase in the dividend from 10 to 11 per cent, and you can see from the Appropriation Account that our combined preference and ordinary dividend will absorb nearly half the available profit.

OVERSEAS

Our American subsidiary, Hope's Windows Incorporated, has "done it again" and in spite of the competitive conditions ruling in the US building trade last year has managed to surpass the previous year's results.

In Australia we have made an agreement with Hawksley Australia Proprietary Limited to manufacture our windows under licence.

In other parts of the world we continue to devote a great deal of energy to developing and maintaining our direct exports. I have recently returned from a short visit to Iraq and Iran, where we are engaged on two important contracts for aluminium windows for the Iraq Parliament Buildings and the Iranian Senate. Other members of our staff have travelled widely during the year.

REVERSIBLE WINDOWS FOR MULTI-STOREY FLATS

The trend in this country towards higher and higher buildings, particularly in slum clearance schemes, has stimulated the demand for a window which can be cleaned, reglazed and repainted from inside the building without the need for expensive scaffolding. To meet this demand we have designed a completely reversible window, the first standard window of its kind, which has aroused great interest among architects and housing authorities. We have already received a number of contracts and believe these windows will do much to make up for the decline in ordinary municipal house building.

FUTURE PROSPECTS

I dislike prophesying about the current year's results after only three months' trading. We expect a moderate fall both in output and in profits but our order book is reasonably full and it is an indication, I hope, of the position which this company still holds in the trade that we have secured window contracts for two of the most important buildings to be put up in London since the war; the new US Embassy in Grosvenor Square and Barclays Bank's new Head Office in Lombard Street. We have also secured a very large contract indeed for the windows for a number of US military camps in the Middle East. Our American company also hopes to be fully occupied during the year, and in spite of the business recession in the United States the reports from their sales offices are distinctly encouraging.

ULTRAMAR COMPANY LIMITED

HIGHER INCOME FROM ROYALTIES

SIR EDWIN HERBERT ON PRESENT OIL MARKET SITUATION

The twenty-second annual general meeting of Ultramar Company Limited was held on July 1st in London.

Sir Edwin Herbert, KBE (the chairman), presided and, in the course of his speech, said:

The net income of Mercedes, in which CPSA and The Texas Company each has a 50 per cent interest, rose from $1,877,000 in 1956 to $2,798,000 in 1957, an increase of $921,000. During 1957 Mercedes repaid a further $2 million of Advances to each of its Parent Companies. During the current year further repayments of $1,500,000 have been made to each Parent Company. At the present time Mercedes owes CPSA and The Texas Company $11,600,000 each.

The principal feature of the Consolidated Profit and Loss Account of Ultramar and its subsidiaries is the increase in income from royalties from £1,186,000 in 1956 to £1,377,000 in 1957. The profit for 1957 attributable to Ultramar interests, after all charges including taxation, amounted to £442,000 against £344,000 in 1956 after adjustment to a comparable basis. This does not include CPSA's 50 per cent interest in the Mercedes net income.

The Balance Sheet of Ultramar itself shows advances to its subsidiary company CPSA of £5,644,000. These are mainly US dollar advances which, at the end of 1957, totalled $21,433,000 and are included in the Balance Sheet at the actual sterling cost to Ultramar. The sterling rate works out at approximately $3.89 to the pound. Consequently, repayments of dollar advances made by CPSA at the current rate of approximately $2.80 to the pound result in an exchange surplus. For the past two years we have distributed part of this exchange surplus to Stockholders in the form of capital surplus distributions of 1s. per 10s. stock unit. We are proposing an increase in the distribution this year to 1s. 6d. per 10s. stock unit.

MERCEDES FIELDS

Drilling in the Mercedes Fields has continued since the date of our last Meeting. From the end of 1957 this drilling activity has been reduced so that today only one drilling rig is operating in the Mercedes Fields, mainly on development drilling. This slowing up of the pace of drilling in the Mercedes Fields is due to a combination of factors. Firstly, the Mercedes sphere of interest has become more widespread with more attention being directed towards the Ipire Area, and the Oritupano Area. Secondly, the Mercedes oil producing potential has greatly increased, mainly as a result of development of the Oritupano Field, at a time when oil market conditions have called for a restriction in Mercedes production.

The situation in the Mercedes Fields can be summarised by saying that the producing potential of approximately 24,000 barrels per day has been maintained, but in view of oil market conditions production has been restricted to about 20,000 barrels per day by shutting in the wells of certain producing areas. For the balance of 1958 the Mercedes Fields are expected to be produced at the rate of about 23,000 barrels per day.

IPIRE AND SANVI AREAS

The Ipire and Sanvi Areas comprise approximately 86,000 acres in scattered blocks in south eastern Guarico.

Drilling in Ipire began early in January this year. So far eight wells have been drilled, of which only one well was abandoned. Three separate oil discoveries have been made.

The wells penetrated several oil and gas sands. The oil is a light gravity crude and test producing rates so far have been quite satisfactory. There can be no doubt that the drilling of this area has opened up promising new fields and significantly increased the oil reserves of the Mercedes Company. The Sanvi Lots will be tested by the drill in the next dry season at the end of the current year.

Commercial production from the Ipire Area is dependent upon transportation facilities, and consideration is now being given to the building of a pipeline running north from the Ipire area to connect with the existing Mercedes main pipeline, but the timing of its construction is dependent upon a fuller evaluation of the area and the state of the oil market.

UNARE AREA

The Unare Area covers 514,000 acres over which Mercedes acquired an option from the Shell Company of Venezuela in the summer of 1956. Before the option could be exercised Mercedes was required to drill 90,000 feet at its own expense. This 90,000 feet of drilling has now been completed with the drilling of 14 wells.

Practically every well has shown evidence of the presence of oil or gas, but the drilling has not discovered any sizeable commercial oil pools and reservoir conditions are rather baffling. At the present time it appears likely that the Mercedes option will be exercised as to the whole or part of the area. Owing to the size and complexity of the area its exploration and development will undoubtedly be a long and expensive process.

ORITUPANO AREA

I will next deal with the Oritupano Area of about 100,000 acres, in which Atlantic and Mercedes are equally interested. Last year I told you of the discovery of the Oritu 14 field. Since the beginning of operations in this field a total of 41 oil wells have been successfully drilled, of which 25 are dual producers. In most of these wells there is a considerable number of oil sands, and in due course, inter drilling will be needed in order to drain all the reservoirs discovered. The field has continued to broaden northwards by down flank drilling.

I told you last year that it was expected that the Oritu 14 field would be able to produce 14,000 barrels per day by the end of 1957, and this forecast was realised. The producing potential of the Oritu 14 field is now considerably in excess of this figure. Here again development has been slowed down because of market considerations. At present the field is producing over 16,000 barrels per day, of which half is Mercedes oil.

CPSA BARINAS ACREAGE

So far as CPSA's own concessions in Venezuela are concerned, there is no activity to report, apart from the seismic survey on the Barinas holdings which I mentioned to you last year. This survey has now been completed and is at present being interpreted.

CANADIAN BUSINESS

In Canada CPSA has a half interest in Canpet, the other half interest being owned in equal shares by the Gold Fields American Development Company and Apex (Trinidad) Oilfields. The total investment in Canpet stands at $3 million of which $1,500,000 has been contributed by CPSA.

Canpet has continued to expand on a modest scale and at May 31st held varying percentage interests in 427,170 acres. Canpet's percentage interests varied from 6 per cent to 100 per cent, the average being about 30 per cent. Net acreage interests at May 31st totalled 127,290 acres.

Canpet is now producing at the rate of about 400 barrels per day, and expects to increase this production in the second half of 1958. Canpet also has an interest in a number of gas wells which are shut in pending the development of pipeline facilities and market outlets.

UNITED STATES BUSINESS

I now want to refer briefly to our new venture in the United States. The American company commenced operations in November last in the State of Texas and has taken a 50 per cent interest in a number of drilling ventures. Seven wells have been drilled to date, of which one has been completed as a gas producer on a 612 acre lease, and one as an oil well on a lease of 640 acres. The remaining five wells were abandoned. Development drilling will be undertaken in the two discovery areas. Ultramar has so far invested $400,000 in the American company.

Both in Canada and the US our objective is gradually to build up producing companies which over the long run can supplement our income from Venezuela and which will give Ultramar some diversification of investments. However, compared with our interests in Venezuela, both our Canadian and United States ventures are for the present on a small scale.

OIL MARKET SITUATION

You will appreciate from what I have said that the present oil market situation is an important factor in our affairs. You will recall that in February last we issued a circular informing you that owing to adverse market conditions the total production of Mercedes had been temporarily cut back to approximately 27,000 barrels per day. Since then CPSA has been able to make short term marketing arrangements so that for the second half of 1958 Mercedes production should average around 30,000 barrels per day. Indeed, we hope that 1958 will show the highest rate of production yet achieved, and the profit of Mercedes should be substantially in excess of that for 1957.

While, therefore, the prospects for 1958 are good, the situation beyond that year is hard to forecast. You will have noticed that the production potential of Mercedes is now very much in excess of the level to which we have become accustomed in recent years, and

I have no doubt that further exploratory drilling will raise that level still further. How far it will be economically desirable to realise that potential in the form of actual production will depend on market conditions. At present there is a substantial amount of oil either undeveloped or actually shut in.

The situation facing us in the immediate future certainly has its difficulties that may well call for new approaches by our subsidiary companies towards their marketing methods. I do not doubt that these difficulties will be overcome. In the meantime I comfort myself with the thought that there can be few better long term investments than the ownership of oil reserves in the Western Hemisphere whether or not they are immediately marketable.

The Report and Accounts were adopted and the proposed third Capital Surplus Distribution of 1s. 6d. per 10s. stock unit was approved.

ADA (HALIFAX) LIMITED

STATEMENT BY LIEUTENANT COLONEL W. D. GIBBS

The eighth annual general meeting of Ada (Halifax) Limited was held on July 3rd at The Queen's Hotel, Leeds, Lieutenant Colonel W. D. Gibbs (the Chairman) presiding.

The following is his circulated review:

I am pleased to report that the turnover of your Company improved during the year under review although it will be observed that the Trading Profit amounted to £180,871 as against £193,437 which your Board regard as eminently satisfactory when one takes into consideration increased costs (including a wage award in May, 1957) and the "Credit Squeeze", the effects of which were accentuated by the rise in Bank Rate last September.

During the year your Company developed a new product—the Ada-matic twin Washer and Spin Dryer. No benefit was derived last year as it was only launched on March 26th but enquiries and orders since have far exceeded expectations.

The Machine Tool division has also added another range of Radial Drilling Machines to its products and this is expected to strengthen your Company's position as Machine Tool Makers in a highly competitive field. I am happy to say that your Company's relations with its American Agents continue to be cordial and that your Company is hopeful of further pleasant business with them.

Last year I referred to the replacements of plant and equipment which had been effected and this policy has been continued in the year under review—further, in order to meet selling and distribution problems your Company has added considerably to its fleet of road vehicles.

As will be seen from the Directors' Report, it is proposed to pay a final Dividend of 10 per cent, less tax, making with the Interim Dividend of 7½ per cent less tax already paid, a total of 17½ per cent, and this leaves the sum of £91,210 to be carried forward.

As regards the future, there has been a notable rise since the end of the financial year in the demand for your Company's domestic appliances. Consequently, if only your Company can be allowed to carry on its business in a climate unhampered by industrial uncertainty, I feel that one can look forward to the future with optimism.

GENERAL MINING AND FINANCE CORPORATION LIMITED

(Incorporated in the Union of South Africa)

EXTRACTS FROM THE CHAIRMAN'S ADDRESS TO SHAREHOLDERS

At the Fifty-Eighth Annual General Meeting of Shareholders held at the Corporation's Offices in Johannesburg on Tuesday, June 24, 1958, Mr C. S. McLean, deputising for Sir George Albu, Baronet, Chairman, presided, and after paying a warm tribute to the late Sir Ernest Oppenheimer and welcoming his son, Mr Harry Oppenheimer, as a Director of the Corporation, stated that the outstanding feature of the Accounts for 1957 was the substantial increase in the income derived from Investments to a record total of £1,235,212. The Corporation's net income for the year at £1,374,745 had reflected an improvement of approximately 40 per cent over the corresponding figure for 1956. £250,000 had been transferred to Investment Reserve, and dividends totalling 25 per cent or 5s. per Ordinary share had been resumed. The total amount written off, due to the depreciation of certain investments, was £185,668. The book value of Investments at the year end was £10,910,305, including those not quoted on a Stock Exchange. The Stock Exchange value of the Quoted Securities on December 31, 1957, was £15,719,926. The marked increase in Revenue was the natural result of the steady expansion of the Corporation's interests since 1948 when the value of the portfolio was approximately £8 million. Today the Corporation's investments, including Subsidiary Companies, could be conservatively valued at more than £19 million, approximately two-thirds of the value of which was in shares in Gold Mining Companies in the Klerksdorp area, the Orange Free State and the Far West Rand, and in Finance Companies of this and other Groups with interests either entirely or very substantially in the Gold Mining industry in those areas, whilst about one-fifth of the portfolio was in the older mines of the Witwatersrand, including the substantial interest in West Rand Consolidated Mines Limited.

The loan of £1 million from the Anglo American Corporation of South Africa Limited was repaid by September, 1957. Facilities amounting to £2 million still remain available until December 31, 1959.

The Chairman then stated that the development of the larger mines in the Klerksdorp area under the administration of the Corporation had been accelerated, that satisfactory increases in their profits and dividends had been recorded, and that plans were in hand for further expansion of their gold production. He said that the position of West Rand Consolidated Mines Limited, when the contract for the sale of uranium expired, was assured until December 31, 1964. It seemed probable, however, that the Union would participate in future world markets for the sale of uranium, in which event West Rand Consolidated Mines Limited would be well situated to contribute on a profitable basis.

Reference was made to the recent publication in the press on June 23, 1958, regarding the arrangements for the merging of Riebeeck Gold Mining Company Limited with Loraine Gold Mines Limited, which are to be proposed shortly by the Boards of the two Companies for confirmation by the shareholders thereof.

With regard to the Industrial Companies in which the Corporation is interested, satisfactory trading results had been generally recorded, but it appeared that more competitive trading conditions would continue, whilst platinum and base metal mining companies were going through a difficult period.

The Chairman drew attention to the fact that imports for the year had reached a record total of £551 million against exports, excluding gold, of £438 million. There had been a decline of some £31 million in the Union's holdings of gold and foreign exchange at the year end. Against this background the value of gold produced for 1957 at £214 million and some £44 million in respect of uranium exports less related loan repayments assumed great importance in the economy of the country.

It was emphasised that the maintenance of gold production at the highest possible level was of the utmost importance to South Africa, from which it followed that the level of working costs was of vital concern not only to the mining industry but to the country as a whole and, therefore, measures likely to increase costs in the Industry should be avoided wherever possible. Wage demands continually arose in different sectors of the economy which were sometimes met by passing on increased costs to others, including the Gold Mining Industry. A recent example of this had been the wage adjustments by the South African Railways and Harbours which had been followed immediately by an increase in freight rates, an important factor in mining costs.

Turning to the future, the Chairman stated that he believed there would be great opportunities for profitable investment in mining and industry in the years ahead. It was essential, however, that adequate supplies of risk capital should be forthcoming, both from internal and external sources. He shared recently expressed opinions that a greater proportion of internal savings should be directed into mining and industry in the form of equity capital, but did not subscribe to the apprehensive views recently expressed in South Africa regarding the extent of foreign capital invested in our mines and industries. He went on to point out that the Union should continue its endeavours to attract a large amount of capital from overseas if it was to maintain its normal rate of development. The system of management and control of the Gold Mining Industry centred in Johannesburg had been developed over the years to a standard of efficiency certainly equal to that found in comparable large industrial enterprises elsewhere in the world. This was one of the factors which had helped to attract, and in his opinion would continue to attract, overseas capital seeking opportunities for secure and profitable investments.

The Chairman then announced that the Corporation had recently made available to the American South African Investment Trust Limited by way of options, a substantial portfolio of mining and industrial shares and said that the Directors considered that it should participate in the provision of suitable securities for this Trust which was expected to extend American interest in the Union as a field for investment.

THE AMALGAMATED PRESS LIMITED

THE HONOURABLE MICHAEL BERRY'S STATEMENT

The following are extracts from the Statement of the Chairman, The Honourable Michael Berry, MBE, TD, circulated with the Report and Accounts for the year ended February 28, 1958, to be submitted to the annual meeting of the Company on July 24th:

The year's trading profit of The Amalgamated Press Group, before depreciation, was almost exactly £100,000 down. Deducting depreciation the figure is £3,848,000 against £3,968,000. After tax and allowing for profit attributable to outside shareholders in subsidiaries, the net profit works out at £1,760,000 compared with £1,833,000.

It is proposed to pay the same dividend on the Ordinary and "A" Ordinary Shares as for last year. This will absorb £455,000, and, allowing for the Preference dividend, leave £1,124,000 to be added to the revenue reserves of the Parent Company and its Subsidiaries.

The accumulated revenue reserves are thereby increased to £14,243,000. From this we have appropriated £773,000 to write down Goodwill in the Consolidated Balance Sheet to the round sum of £6,500,000. A further £86,000 has been used to write down the value of Quoted Investments, principally in respect of the fall in the Stock Exchange prices of Government Securities. Since the date of the Balance Sheet there has, of course, been some recovery.

During the year we have spent £2,293,000 on capital investment. Major parts of this have been on account of extensions and modernisations of our printing works and of our paper making subsidiary. The programme still involves commitments for the Parent Company of £2,550,000—which include preliminary expenditure for our participation in Southern Television—and £2,160,000 for our Subsidiaries.

Partly as a result of this investment to date, net current assets are down from £12,396,000 to £11,237,000.

The alteration in profits tax announced in the Budget will slightly reduce our total rate of tax in the current year.

TRADING OF THE YEAR

Concluding my report twelve months ago I said the year now under review would be another difficult one in terms of profits. I gave three major reasons for this forecast: a continuation of rising costs, a big expansion of competition and the inevitable rapid growth of commercial television. All this has come true.

In addition, the general slackness in the trade has caused some diminution in the profits of our paper making subsidiary.

We have had to pay more for our production, and other costs have also gone up. Competition has been fiercer than at any time in publishing history; commercial television has moved still farther towards national coverage.

On the other side of the picture it is gratifying to be able to record that the revenue from sales of our weekly, monthly and annual publications increased by nearly 14 per cent over the previous year, while the expected fall in advertisement revenue was much less than anticipated.

Although we can rightly say we have more than held our own, and in spite of the much larger revenue from sales, the pressure of all-round increased costs has continued to reduce our margin of profit. For the year the wage bill of the Group amounted to the formidable figure of £8,783,000, which was a rise of £352,000. For printing and paper the Parent Company alone paid out £6,877,000, and this was £528,000 up on the previous twelve months. These two items illustrate very clearly some of the headaches we have to face in our business today.

ADVERTISEMENT REVENUE

The growth of commercial television has been prodigious. As an advertising medium it is no longer experimental. During the calendar year its revenue more than doubled, and it has been calculated that some £23 million extra of the advertisers' money was allocated in that direction. It was not surprising, therefore, that the amount of advertising in the sum total of magazines and periodicals suffered a decline. This comment does not apply to trade and technical journals as I shall explain when dealing with Kelly's Directories. The fall in our magazine advertising has also been influenced by the general pause in trade. But, as I have said, the drop was much less than we expected.

Indeed I am happy to report that the advertisement revenue of three of our leading publications increased quite considerably. Advertisers have welcomed the introduction of full colour printing in *Woman's Illustrated*, and it has had an excellent effect on space-buying in this big circulation weekly.

PRINTING WORKS

The printing industry is tied to a cost-of-living sliding scale and, although costs for this reason have continued upwards, the rise has not been so sharp as it was in the previous year after the printing trade dispute. We have continued to introduce new items of equipment which have enabled us to increase production and partially to absorb the heavy increase in costs of the last few years.

Two new rotary letterpress machines have been installed at Gravesend and two sheet-fed rotary two-colour machines of a most up-to-date design are also running. An extension to our overcrowded Gravesend factory is now well on the way to completion and when this is in operation further economies should be effected.

A decrease in the volume of work has resulted in a lower turnover in our Letterpress Printing Departments, but we have been very busy on the photogravure side, and, as I have already told you, at the end of the year under review we were able to begin four-colour printing in *Woman's Illustrated*. When the large extension to our printing factories in London is completed, greater facilities for photogravure will be available. Expansion in this type of printing, however, is still difficult in view of the acute shortage of skilled labour.

MAGAZINES FOR WOMEN

I now turn to the important group of magazines for women—perhaps the most competitive of all—in which we have a number of highly successful publications. Let me commend to your notice our two high circulation weeklies—*Woman's Weekly* and *Woman's Illustrated*—both of which, in the face of intense competition, have well maintained their position. Since the latter started to use full colour recently, its circulation has increased. Of the monthly magazines *Woman's Journal* retains its strong appeal and steady sales, and remains pre-eminent among quality journals for women. *Woman and Home* has had a successful year and has kept its place as the largest selling monthly magazine in this field. *Wife and Home* and *Home* have both done well.

Never before has there been so much activity among periodicals of this type. Each publishing house seems to act on the assumption that the appetite for women's magazines is still unsatisfied. While the established favourites have not lost ground, they have only been able to hold it by costly promotion schemes to match in some degree the princely appropriations of newcomers. It is not uncommon to see the advertisements of competing women's periodicals in a single issue of a mass-selling newspaper.

SOUTHERN TELEVISION LTD.

Perhaps the most notable development of the year has been the entry of The Amalgamated Press into commercial television. I have already spoken of its adverse effect on our turnover. At this point it is appropriate to look at it from the other side.

The Independent Television Authority was set up by Act of Parliament in 1954 and the first stations went on the air in 1955 and 1956. We did not at that time seek a franchise since we considered the pioneering costs too onerous. Indeed, they turned out to be very great.

In June, 1957, we applied to the Independent Television Authority, in partnership with two other concerns, to be programme contractor for the South of England. The application was made with the confidence that being a publishing company producing a wide variety of magazines and periodicals, which through many years have gained the respect and interest of millions of people of every sort, we had something to contribute to this new medium and that the venture would in its turn prove a wise and timely investment.

Our associates in this enterprise are the Rank Organisation Ltd., and Associated Newspapers Ltd., companies which, each in its own field, have much experience in the presentation of entertainment to the public.

Southern Television Ltd. was formed in October, 1957, and the headquarters of the new company have been established in Southampton not far from the transmitter site on Chillerton Down, Isle of Wight.

The station is due to start broadcasting on August 30th, and its preparations are already far advanced under a freshly recruited but experienced and enthusiastic staff.

KELLY'S DIRECTORIES LTD.

In contrast to general periodicals, the technical publications of Kelly's Directories and its subsidiaries have made an excellent recovery from the setback of 1956-57. Their consolidated trading profit advanced from

£1,100,000 to £1,358,000. Net taxed profit, after deducting that attributable to its outside shareholders, was £675,000 against £546,000 in the previous year.

Virtually all their publications are trade journals serving specialised industrial or commercial interests. It has for long been our contention that as such they are not so much subject to competition, either for readership or advertising, from outside the periodical field.

The two main productions of Kelly's Directories are the Post Office London Directory and Kelly's Directory of Merchants, Manufacturers and Shippers, the latter being distributed all over the world. Both of these have maintained a most satisfactory turnover.

Finally, on behalf of the board, I wish to extend to editors, executives and employees throughout the Group an expression of our praise and sincere thanks for the loyal service they have given to The Amalgamated Press and its subsidiaries during the past year.

CATALIN LIMITED

(Manufacturers of Plastics)

SUCCESS OF NEW PRODUCTS

The twenty-first annual general meeting of Catalin Limited was held on June 27th at Waltham Abbey, Essex, Mr J. E. Currie (the Chairman) presiding.

The following is an extract from his circulated statement:

The profit for the year 1957 was £35,700 compared with £27,892 for the year 1956. Tax amounts to £18,231, leaving £17,469 which together with the balance of Profit brought forward from last year of £7,802, amounts to £25,271 available for distribution.

After placing £10,000 to General Reserve, leaving £15,271, your Board recommends that a Dividend of 7½ per cent, less Income Tax, should be paid, taking £8,647.

RECORD TURNOVER

The year gave us the highest turnover both in volume and value so far achieved by the Company. In face of competition our overall selling prices were marginally lower and we had to absorb increased charges for labour, fuel, power and transport. However, with production running at a higher rate, greater efficiency was possible, leading to the improved results.

Over the course of the last few years I have explained that we were investing money in new developments and these are providing an increasing return. Our endeavour will be to expand those which show the most promise whilst being alert to foster others which, by their nature, can be sensibly fitted in to the pattern of our activities.

Export sales of our oldest Product—cast resin—have fallen because our traditional markets are restricted by Import regulations. We are endeavouring to fill this gap by sales of our newer products in other territories.

Dealing now with the results for the first three accounting periods of 1958 ended March 22nd, the net Profits, before Tax, were £12,229 against £9,659 for the corresponding period of last year. Our turnover has continued to increase, mainly in our new products, but some decline is apparent in the second quarter. I expect our results will be favourable though on a reduced level compared with the first quarter.

The report was adopted.

HAZELL SUN LIMITED

CAPITAL EXPENDITURE BENEFITS ENVISAGED

The Seventy-Fourth Annual General Meeting of Hazell Sun Limited will be held on July 24th at 52 Long Acre, London, W.C.2.

The following is an extract from the statement by Colonel O. V. Viney, the Chairman, which has been circulated with the accounts to March 31, 1958:

In the last report I said that we had capital commitments amounting to £930,000 which we expected to be able to finance from our own resources, but that the capital for future development would require consideration. During the year now under review it became quite evident to the Directors that additional funds would be required. In the meantime the Bank Rate was increased, but after careful consideration, supported by expert advice, we decided to issue £1,250,000 6½ per cent Unsecured Loan Stock and to repay from this the outstanding £400,000 4 per cent Unsecured Notes issued in 1951.

The past year was not an easy one. Pressure of work slackened considerably for part of the year, while in all our plants continued reconstruction and reorganisation and the disturbance caused thereby again reduced our profits. Competition was keener, but despite all the difficulties our turnover was up.

Apart from the replanning, costs continued to rise, and wages now constitute a greater percentage of turnover than ever before. Nevertheless, we have deemed it right to continue the policy of price stabilisation which we announced two years ago.

While increased efficiency has, to some extent, helped us to meet the higher costs, it is inevitable that profit margins should have been reduced and trading results have suffered accordingly.

The net profit, after providing for tax, was £384,285 as compared with £541,115 in the previous year. We recommend a final dividend of 7 per cent on the Ordinary Shares making, with the 5 per cent interim, 12 per cent for the year, the same as in 1957. This dividend, together with that on the Preference Shares, will require £124,987. Capital commitments at March 31st, were £288,000.

TRADING CONDITIONS

In the production of weekly and monthly periodicals any changes in publishing conditions are quickly reflected in our plants. The demand for colour advertising space has expanded, but black and white advertising has declined. At the time of my last report much new plant was in course of erection and we were able very soon thereafter to bring some of it into operation as a result of securing new contracts.

As the accounts show, last year's results were less satisfactory, but in view of the slowing down of demands for our product, of rising costs, and the reorganisation and modernisation in all our plants, the lower profit is not surprising. We expect that this year much of the capital invested in new buildings and plant will begin to show a satisfactory return provided that we can keep a full order book.

Since January we are glad to say that all plants have been reasonably well occupied and prospects are fair, but if costs continue to rise we shall be obliged to reconsider our policy of price stabilisation.

SIAMESE TIN SYNDICATE

The fifty-first annual general meeting of this company was held on July 2nd in London, Mr W. R. B. Foster, chairman, presiding.

The following are extracts from his circulated review for the year 1957:

The total cubic yardage worked is approximately the same, the somewhat lower production being due largely to the poorer ground worked at Peek and Huey Moot.

The balance of profit for the year is £363,000. We are unfortunately, however, currently faced with a severely depleted cash position due firstly to the operation of the International Tin Agreement which is affecting the earning power of the group very drastically; secondly to the large amount of about £470,000 required to finance the reconstruction of the Renong and Huey Moot dredges We recommend the payment of a final dividend for 1957 of 3d. per stock unit making 1s. 1½d. per stock unit for the full year.

The clauses in the International Tin Agreement relating to the control of exports by the producing countries were invoked by the Tin Council in December, 1957. The Council at that time imposed and has since maintained very severe restriction on exports of tin from all member producing countries. As each producing country's permitted exports were based upon an average of three years' "free" production, Thailand with her rising output in fact received less than her due share on the basis of current world figures.

I see no escape from reduced profits during the next few years. However, we are taking every step open to us to modernise and make efficient our equipment.

The report and accounts were adopted.

HIGHAMS LIMITED

SATISFACTORY ORDER BOOK

The fiftieth ordinary general meeting of Highams Limited was held on July 2nd in London, Mr Alec E. Higham, OBE, JP (the chairman), presiding. The following is an extract from his circulated statement:

It is a matter of great regret that the opening of my statement must refer to the death, during the past year, of our late Chairman, Mr Eli Higham. Our Company has lost a very distinguished servant, highly respected by all who knew him, who conducted its affairs with great distinction and dignity for just over ten years.

The small decrease in the profit earned is due partly to adjustments of stock valuation owing to a lower trend in raw material prices, and partly to a slight narrowing of profit margins. Nevertheless, the profit is by no means unsatisfactory and your Board has much pleasure in recommending the same dividend as last year.

On the commercial front, the Group has maintained full production and has a most satisfactory order book, which augurs well for the year in which we are now engaged.

On the financial front, examination of the Consolidated Balance Sheet will reveal, far better than any words of mine, the strength of your Company's position.

Machinery and buildings have been maintained at our usual high standard and several significant additions to plant have been made during the year under review.

The report was adopted.

STEEL BROTHERS AND COMPANY LIMITED

DIFFICULT TRADING CONDITIONS

MR J. K. MICHIE'S REVIEW OF WORLD-WIDE ACTIVITIES

The sixty-seventh annual general meeting of Steel Brothers and Company Limited was held on June 26th in London, Mr J. K. Michie (the chairman) presiding.

The following is an extract from the Chairman's circulated statement:

In the areas in which we operate international trading becomes no easier and this fact is again reflected in the volume of stocks carried by us at the end of last year.

Profits for the year before deducting taxation were £553,174, Tax took £327,000, leaving a balance of £226,174. Preference and Preferred Ordinary dividends require £105,225 and of the remaining £120,949, £34,949 has been allotted as a provision against interest in subsidiaries and the balance of £86,000 has been added to Contingencies Reserve Account.

Profits and dividends strictly applicable to 1957 were considerably less than for 1956 and the dividend for the year proposed to be paid to Deferred Ordinary Shareholders ex Capital Profits Accounts is reduced to £25,000 as compared with £50,000.

OVERSEAS ACTIVITIES

BURMA.—Last year the Government wisely realised the considerable surplus of rice which the State Marketing Board had been carrying; coupled with this, imports were drastically reduced and other savings of foreign exchange arose through the reduction of mineral oil imports made possible by increased oil production and the operations of the new refinery. In consequence, a year ago Burma's economy seemed to be finding a reasonable balance. But 1957 brought the poorest monsoon for forty years, seriously affecting rice and other cash crops; indeed, the exportable surplus of rice and rice products available for 1957 fell to 1 million tons from an expected 2 million tons.

Naturally this heavy blow to exports has further impaired Burma's ability to import and temporarily that part of our activities is reduced in consequence.

In my last two statements I alluded to the difficulty of obtaining sanction for the remittance of past years' profits, and I regret this situation continues.

Burma Cement Company Limited.—On September 30, 1954 in pursuance of a policy of nationalisation, the Government of Burma assumed possession of the physical assets of this company in which we have a considerable interest, both as shareholders and as creditors for sums lent to pay for the rehabilitation of the plant. Ever since that date we have been endeavouring to reach an agreement on the terms of compensation and in my last statement I reported that the Government had agreed to examine points raised by us in their assessment of values in which obvious errors had been made in method and in calculation. I regret I am still unable to report any concrete progress, although we believe the official re-examination of figures has been completed, which is a step in the right direction.

Meantime the company is making profits for its new owners while we have been denied the use of our capital for nearly four years.

Strand Hotels Limited.—The hotel was well employed throughout the year and this state of affairs continues. The high standards of service set by the management are being maintained.

INDIA.—Our trading activities suffered some restriction in 1957 which will be reflected this year, but other activities are being developed.

PAKISTAN.—Considering the economic difficulties through which the country has been and is passing, the results our branches achieved were commendable.

HONGKONG.—Our activities at this branch are purely in trading, and conditions continue to be difficult. Competition is keen and margins small.

JAPAN.—Our Tokyo branch had a satisfactory year and in conjunction with our Japanese partners is building up a sound business.

THAILAND.—Trading conditions continue to be difficult. Our company results for 1957 showed a very small debit balance. We hope to do somewhat better this year.

CEYLON.—Our subsidiaries, Messrs E. B. Creasy and Company Limited and Messrs Darley, Butler and Company Limited, both made reasonable profits in 1957 and given stable conditions internally should continue to operate profitably.

MIDDLE EAST.—Recovery from the effects of the Suez affair took a considerable time and during 1957 monetary conditions were tight, a condition contributed to by the much lower prices for barley and other crops grown in the area. Messrs Spinney's (1948) Limited and Rafidain Developments Limited both realised moderate profits which are being retained in the businesses. Messrs W. J. Coker & Co. Limited, I regret, showed a small loss.

Prospects generally for this year are better, although drought has had an effect on crops in the north of Iraq.

EAST AFRICA.—Our associate company, Messrs A. Baumann & Co. Limited, report a successful year.

Our subsidiary in Tanganyika, Steel Brothers (Tanganyika Forests) Limited, showed a fair profit in spite of more difficult conditions in the timber market.

CANADA.—1957 was a difficult year in western Canada, the region being particularly hard hit by the slump in lumber prices and the temporary recession in building activities.

British Columbia.—Our trading in Vancouver again showed a loss, if a smaller one than in 1956, and this trend is continuing.

Pitkethly Brothers Limited.—Our investment in this company continues to justify itself. Profits were very well maintained and dividends adequately covered. Prospects for 1958 are encouraging.

Mainland Clay Products Limited.—The higher activity in house building in Vancouver this year should bring better results to this small company. Last year's operations showed a small loss.

Hope Lumber Co. Ltd.—The loss for 1957 I regret was higher than in 1956 and the mill has been closed down and put on a care-and-maintenance basis.

Alberta—Loders Lime Co. Ltd.—As expected profits increased somewhat last year and with the assistance of improved plant and methods in the factory we expect this improvement to be more than maintained this year. So far reports are encouraging.

Alberta Ytong Manufacturing Co. Ltd.—This company again made a considerable loss entailing the provision of further finance from us and our British partners.

We are hopeful of a considerably better showing this year.

Dales Brothers Ltd.—Target figures were not reached in 1957, nevertheless a small profit was shown and valuable organisational experience obtained.

So far this year figures are well up to expectations and we are reasonably hopeful of a successful year.

UNITED KINGDOM

Carbutt & Co. (1928) *Ltd.*—As expected operations last year showed a loss. The credit squeeze particularly after the raising of the Bank rate to 7 per cent had a very adverse effect on the offtake of rice in this country and despite the fact that our stocks generally had been bought relatively cheaply, throughput fell and costs rose.

The recent preference granted in favour of imports of rough rice as against milled rice will give rice mills in this country a much fairer chance and from this we expect the company to benefit in the second half of this year onwards.

Sondes Place Research Laboratories Ltd.—The expected increase in the volume of business duly materialised last year and a reasonable profit was made. It is confidently hoped that business will continue to expand.

Peterlite Products Ltd.—Although the qualities of "Peterlite" are becoming more widely known and appreciated, the company has still to achieve sales of a sufficient volume to cover costs.

However, the field of possibilities of usage is a wide one and considerable interest from a variety of directions is being shown in the company's products. This we are encouraged to hope will soon be translated into actual business.

Expanded Perlite Ltd.—Offtake was disappointing last year and in consequence operations showed a small loss.

So far this year prospects are considerably better.

Oil Prospecting in Lancashire.—Drilling at our Rossendale area began on January 16th and at time of writing the borehole is at a depth of over 1,550 feet.

The formations so far passed through are much as expected by our geological advisers. The maximum depth to which we expect to have to go to prove or disprove the area is 5,000 feet.

PROSPECTS.—As you will have gathered these are difficult to assess, partly because of the economic and other troubles through which many Eastern Countries are passing, but in Canada and the Middle East 1958 appears to hold better prospects for our companies.

The report and accounts were adopted.

RICHARDSONS, WESTGARTH & CO., LIMITED

A SATISFACTORY YEAR

The following is an extract from the Chairman's Annual Review for the year to March 31st, 1958, as circulated to the members in advance of the Annual General Meeting to be held at Wallsend on Wednesday, July 16, 1958.

RESULTS FOR THE YEAR

Value of output for the year, including the increase in work-in-progress, amounted to the record level of over £16 million.

All expenditure incurred during the year on Atomic and other Developments has been written off. This type of expense must be expected to increase in the future to maintain the Group in a competitive position.

Taking into account all the additional costs which have had to be borne and the trend towards reduced profit margins, the profit of £1,470,200 for the past year, before the charge for tax, is regarded as satisfactory.

The charge for taxation for the year under review was £811,000, over 55 per cent of the profits of the Group, compared with £702,500 and 52 per cent in the preceding year. The proposals made in the 1958 Budget do nothing substantial to better things in this respect. The merging of the profits taxes will have a negligible effect upon the Group's affairs. The increase in Initial Allowances does no more than bring depreciation forward to a minor extent—it gives no increased benefit whatsoever.

The rate of final dividend recommended by the Directors is the same as that for last year. On the general subject of Dividends, the following official figures show movements in Dividends, and Wages and Salaries (before tax) for the country as a whole since 1938 and are worthy of note:

1938–1956	Ordinary Dividends	Wages and Salaries
In money terms	94% up	304% up
In real terms or value	24% down	59% up

Expenditure to improve manufacturing and other facilities amounted to £900,000 over the year, and in accordance with the programme envisaged twelve months ago commitments at the close of the period amounted to £4,280,000.

MARINE OUTPUT

The Clark-Sulzer marine engine production at Sunderland included a supercharged oil engine of over 9,000 brake horse power; the first engine of its type, and the highest powered Sulzer engine to date, to be built in this country.

The schemes of reorganisation and improvement at the two Sunderland Works, which were initiated in 1955, are now almost completed and have already had a valuable influence on their range and efficiency of production.

At the North Eastern Marine Engineering Co. at Wallsend a new record output of main engines was achieved, and in all twelve sets of machinery, with an aggregate power of some 60,000 brake horse power, were built and tested, including the Company's first supercharged N.E.M.-Doxford oil engine. Valuable increases to the machine shop capacity and stores accommodation should be completed by the end of 1958.

At Parsons Marine Turbine Co. at Wallsend two sets of turbines and gearing were supplied for ships which completed satisfactory sea trials, and two further sets for cargo liners completed their shop trials. Marine propulsion gearing manufactured or cut for other engine builders totalled 146,000 shaft horse power.

The full insulation of the main gear-cutting shop and the installation of new temperature and air-conditioning equipment have been completed, and the new gearshop to house the smaller hobbing machines and ancillary equipment will be finished this year.

LAND PLANTS

Seven turbo-alternator sets, twelve land water tube boilers and nine turbo-gas exhausters were put into service, as well as a variety of other plant; and geared turbines and water tube boilers were manufactured for three tanker vessels.

The first gas turbine driven alternator, designed to run on either blast-furnace gas or oil, for use in the British steel industry, is now being erected at the Works of the Shelton Steel & Iron Company Limited.

Present manufacture includes a turbo-alternator of 10,000 K.W. of which the turbine will operate with a steam pressure of 3,000 lb per sq. in. and a temperature of 1050° F., the highest steam pressure used in any steam turbine so far built in this country.

Progress with the extended and improved manufacturing facilities, referred to last year, has been satisfactory, and these will be available for use at the beginning of 1959.

The new design of sea-water evaporating plant evolved after extensive development work shows great advance over previous types. A number of these plants have been sold for installation abroad.

SHIP REPAIRING

At Immingham and Grimsby eighty-nine ships of widely varying types were dry-docked.

Work has now commenced on the new Henderson Graving Dock to be completed towards the end of 1960 and Quay Extension which will be ready in April, 1959.

NUCLEAR WORK

Richardsons Westgarth Atomic Limited continued to investigate developments likely to be of interest to the Group from the point of view of production, and possible applications of atomic energy for ship propulsion have been further studied.

A first-class organisation and a highly skilled technical staff have been built up by the Consortium, Atomic Power Constructions Limited with which we are associated, and excellent research facilities have been arranged at Heston. The combined technical and research facilities and manufacturing capacities of the member firms and associates now bear comparison with those of any of its competitors.

GENERALLY

During the year, the value of main contracts booked less cancellations exceeded £9 million.

Despite the effects of the strike at the end of March and beginning of April last year, the supply of materials continued steadily to improve, so anxiety is now largely confined to but a few specialised items. Apart, however, from the marked fall in base metals and the recent minor reduction in steel prices, there is not yet much sign of a real fall in costs.

Qualified technologists, design and drawing staff, skilled technicians, and, in certain categories, experienced labour, continue to be at a premium.

The past year has provided possibly the most marked changes in the industrial field for over twenty years or more.

So far, cancellations of orders for Marine Engines have been comparatively few though several contracts have been suspended or deferred. This, with the rephasing or deferment of Government financial and other industrial capital programmes, will inevitably dislocate continuity and leave gaps to be filled in production programmes.

Fiercer competition in all fields, both at home and abroad, must be expected, and the difficulties of obtaining orders and earning profits will be greater. The position will be worsened if the present demands for a substantial increase in wages and a shorter working week lead to an increased wage bill unmatched by increased production.

Copies of the Annual Brochure containing the Chairman's Review in full can be obtained from the Secretary, Richardson Westgarth & Co., Limited, Northumberland Engine Works, Wallsend, Northumberland.

METROPOLITAN RAILWAY SURPLUS LANDS COMPANY

The twenty-fifth annual general meeting of The Metropolitan Railway Surplus Lands Company Limited will be held on July 9th in London.

The following is a summary of Sir Bernard Docker's statement to shareholders on the report and accounts for the year to March 31, 1958:

Profits.—Gross rents increased by £71,230 to £393,078 and net income from properties by £41,714 to £291,173. As a result group profits before taxation rose by £47,952 to £305,527 and, after providing for taxation, net profits amounted to £122,529 compared with £98,988 in the previous year.

Dividend.—The Directors recommend a dividend of 7½ per cent less income tax, i.e. an increase of 1 per cent, which will leave £75,400 to be carried forward against £66,759 brought in from last year.

Subsidiary Companies.—All the estates of the Company's trading subsidiary, Ortem Estates Limited, contributed to the year's profits. Sales of properties resulted in a profit of £58,334 compared with £55,533. This Subsidiary continues to be active in the purchase, development and resale of properties. A small loss was again made by the building subsidiary which, however, executed a good volume of repair work for the holding company on reasonable terms.

Joint Venture.—The new item of £141,993 Trade Investment in the Consolidated Balance Sheet reflects the joint venture with The Metropolitan Railway Country Estates Limited undertaken by Ortem advised to Shareholders in February, 1958. The first transactions comprise the purchase of a group of six building estates in or near Derby, Chesterfield, Rotherham, Matlock, Stoke-on-Trent and Mansfield in process of development primarily for housing and an estate near Manchester comprising 250 acres of nearly all ripe building land and an income of £4,000 per annum from freehold ground rents. Sales on the Midland estates are very satisfactory and development is starting on the Manchester purchase. The enterprise is already making profits and should contribute to earnings in the current year.

Valuation of Property Assets.—The internal valuation of the Company's property assets set in hand for reasons advised to shareholders in July 1956, was completed early in 1958. It had been delayed because of the introduction of the Rent Bill. The aggregate valuation of the properties owned amounted to about £5¼ million which compares with the book value of the same assets at March 31, 1957, of £3,080,907. The previous and independent professional valuation of the fixed property assets as they were in 1949 was just over £3 million. The new valuation has not been adopted in the books. The Company's policy is one of expansion and when conditions are favourable it is intended to raise additional funds. In that event an independent professional valuation would no doubt be required which would serve both purposes.

The Rent Act.—The proportion of rent restricted properties has, as a matter of policy, been reduced and the addition to the rent roll in a full year is unlikely to exceed £20,000. Increases in rents are being applied with discretion and consideration for cases of hardship by individual tenants of long standing.

Profits Tax.—The Company has suffered unduly by having little or no loan capital. The Finance Bill, 1958, therefore, brings some welcome relief as from April 1, 1958. As an indication of this relief, had the new rate of Profits Tax applied to the year ended March 31, 1958, it would have permitted the distribution of an additional 2 per cent dividend over and above the 7½ per cent recommended, had the Directors been so minded.

Resumption of Interim Dividends.—In view of prospects generally it is intended to distribute an Interim Dividend of 3 per cent less tax in November 1958 on account of 1958-59, providing no major national financial crisis or other difficulty occurs.

THE NATIONAL BANK OF LIBYA

BALANCE SHEET AS AT MARCH 31, 1958

ISSUE DEPARTMENT

March 31, 1957 £L.	Liabilities	£L.	£L.	*March 31, 1957* £L.	Assets	£L.
	Notes and Coin issued:—			*2,403,379*	Sterling deposits and British Government Treasury bills	2,621,593
6,048,856	In circulation	7,091,584		*2,677,427*	British Government securities (market value—£L.3,122,484)	3,064,927
67,664	In banking department	94,936			U.S. dollar deposits (value at current rate of exchange—	
			7,186,520	*1,035,714*	£L.1,490,683)	1,500,000
6,116,520			£L.7,186,520	*6,116,520*		£L.7,186,520

BANKING DEPARTMENT

March 31, 1957 £L.		£L.	£L.	*March 31, 1957* £L.		£L.	£L.
1,000,000	Authorised capital	1,000,000		*286,285*	British Government securities (market value—£L.973,750)		964,303
				4,327,431	British Government Treasury bills		6,008,977
700,000	Paid up capital		700,000	—	U.S. prime bankers' acceptances		973,305
125,565	General reserve fund		288,662	*724,367*	Balances with foreign correspondents		2,176,152
60,000	Reserve for contingencies		205,000	*17,786*	Loans and advances		186,919
4,271,844	Current, deposit and savings accounts		9,019,380	*29,613*	Bills discounted and rediscounted		163,023
413,191	Other liabilities		632,873	*92,775*	Other assets		224,027
					Cash in hand and in transit:—		
				67,664	Libyan notes and coin	94,936	
				2,870	Foreign currency notes	13,877	
							108,813
				21,809	Fixed assets at cost *less* depreciation		40,396
	Contra accounts:—				Contra accounts:—		
	Credits opened and letters of guarantee issued (1957—£L.233,229)	367,704			Customers' liability for credits opened and letters of guarantee issued (1957—£L.233,229)	367,704	
5,570,600			£L.10,845,915	*5,570,600*			£L.10,845,915

W. P. WALLER, Deputy Governor. **F. FRASCA**, General Manager. **A. N. ANEIZI**, Governor.

TO HIS EXCELLENCY THE MINISTER OF FINANCE, FEDERAL GOVERNMENT OF THE UNITED KINGDOM OF LIBYA.

We have examined the above balance sheet comprising the assets and liabilities of the Issue Department and of the Banking Department and the annexed profit and loss account which in our opinion give respectively a true and fair view of the state of the affairs of The National Bank of Libya as at March 31, 1958, and of its profit for the year ended on that date.

We have obtained all the information and explanations which we considered necessary. In our opinion the Bank has kept proper books and the balance sheet and profit and loss account are in agreement with them and with the said information and explanations.

Zurich, May 8, 1958. *Sgd.* **Price Waterhouse & Co.**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1958

Year ended March 31, 1957 £L.		£L.	*Year ended March 31, 1957* £L.		£L.
983	Directors' fees	1,000			
115,773	General and administration expenses and interest charges	167,083			
13,091	Preliminary expenses written off	3,693			
60,000	Reserve for contingencies	145,000			
	Share of profit due to Government of Libya under Article 29 (iv) of Law No. 30 of 1955	87,994	*356,807*	Gross profit for the year ended March 31, 1958 after deductions for depreciation and amortisation and for provisions and reserves	567,867
41,395		163,097			
125,565	Profit transferred to general reserve fund				
356,807		£L.567,867	*356,807*		£L.567,867

WILLIAM MACDONALD & SONS (BISCUITS) LIMITED

PERIOD OF INTENSIFIED COMPETITION

ENDEAVOURS TO COMBAT RISING COSTS

MR WILLIAM MACDONALD ON CONTINUED POPULARITY OF PRODUCTS

The thirteenth annual general meeting of William Macdonald & Sons (Biscuits) Limited was held on July 1st at St. Enoch Hotel, Glasgow, C.1, Mr William MacDonald (Chairman and Managing Director) presiding.

The following is his circulated statement:

I have to inform you that the profit for the 53 weeks ended February 28, 1958, amounted to £332,401 as compared with £438,631 for the previous year. There remains, after taxation, a balance of £157,140. An interim dividend of 10 per cent. less tax, paid in January last absorbed £21,562 and your Directors recommend the payment of a final dividend of 15 per cent. less tax, requiring a further £32,344 and making the total dividend for the year 25 per cent. This leaves a balance of £103,234 which together with the balance brought forward from the previous year, £419,120, brings the total of undistributed profits, after providing for all taxation, up to £522,354.

SALES

During the year under review, competition was intensified in all sections of the Biscuit Market but despite this, sales of our fully coated chocolate biscuits remained at a reasonably high level. In accordance with general trends, wages and all other operating expenses have continued to rise but every possible endeavour has been and is being made to increase efficiency in the various departments to counteract those rising costs.

In order to meet the needs of the growing Self-Service trade we have found it necessary to supply our products in smaller packs than hitherto. This has meant higher packing costs but I believe that this policy will ultimately prove of considerable benefit to your Company.

The price of chocolate increased during the year, reflecting the fact that the Cocoa Bean is one of the few commodities which have risen in price during a time when, generally speaking, world commodity prices have fallen. Cocoa prices were recently quoted at just double the level of a year ago. Prices of oils and fats and flour remained relatively steady throughout the year while sugar prices, which were high at the start of the year, eased to some extent.

The effect of all these factors in the prevailing economic conditions of the country is shown by the reduction in the profit for the year. I do not, however, regard the profit as unsatisfactory in all the circumstances and I hope you will agree.

NEW LINES

Partly due to the increase in the cost of chocolate, it was found necessary to increase the price of Penguin Biscuits to 4d. in January, 1958, but in order to widen the appeal to the public of this line still further, we have since introduced a smaller version of the Penguin Biscuit retailing at 2½d. and I am pleased to inform you that the results to date show that both pieces are still being well received by the trade and the public.

MunchMallow and YoYo biscuits still hold a high position in their respective markets and I feel sure that they will continue to do so. In October last, in order to increase the variety in our YoYo biscuits, we produced Real Toffee YoYo and this line has achieved considerable popularity, particularly in Scotland.

For some time now, we have felt that it would be to our advantage to enter the large and growing market for half-coated chocolate biscuits. To achieve this object, we introduced in March, 1958, a Milk Chocolate Digestive biscuit. I am pleased to state that this line has so far justified our hopes and we are confident that its sales will continue to expand in this important section of the market.

Our shortbread biscuit, Glengarry, continues to be popular and we introduced a new shilling pack in December, 1957, which has met with a favourable reception.

We are continuing to make progress in our endeavours to increase our export trade, and we have introduced our Penguin Biscuit in the USA under the brand name "Kiltie." A full range of the Macdonald products is being sold in the Canadian Market and I am pleased to report encouraging results.

PRODUCTION

On the production side of your Company's business, I am pleased to report that the extension at the south end of our Glengarry Bakery, to house the automatic machinery for bulk handling of flour and sugar, is nearly completed and the plant should be in operation before the end of this year.

The building of the new factory, which we are leasing from the Scottish Industrial Estates at North Cardonald is completed and good headway is being made with the installation of new plant and equipment some of which should be in production in the Autumn of this year. It is proposed to transfer part of the administrative offices to North Cardonald as the shortage of office accommodation has been a problem with us for a number of years.

It is difficult to give a clear indication of prospects in present conditions, as so much depends on the price of raw materials, the level of costs and the intensity of competition. I can only say that whatever the future holds for us you can rest assured that every effort will be made not only to maintain, but to improve the position which we have attained in the Biscuit Industry.

In conclusion I feel that you will wish to be associated with me and my co-Directors in expressing our thanks to all employees who have served us so well during the last year.

The report and accounts were adopted.

LAMBERT BROTHERS LIMITED

EFFECT OF FALLING FREIGHT RATES

The fifty-fifth annual general meeting of Lambert Brothers Limited was held on June 26th in London, Mr R. Rattcliff Steel (the chairman) presiding

The following is an extract from his circulated statement:

I am sorry to say that the fall in the freight market, to which I referred in my last year's statement, continued during most of last year and the rates are now so low that each month an increasing number of ships is being laid up, which naturally affects our business. So far there is no sign of improvement, but fortunately we have this last year enjoyed benefits resulting from contracts made during the recent boom period, such as periodically occurs in shipowning business.

The Consolidated Accounts for 1957 show a net profit for the Group of £501,218 after charging UK taxation £445,095. After deducting dividends paid and proposed £119,132 and bringing in the balance of £430,631 from the last account, there is a balance of £812,717 for further appropriation. It is proposed to pay a final dividend on the Ordinary Stock of 12½ per cent, making a total for the year of 17½ per cent, and to make a further distribution of 3¾ per cent out of Capital Accretions making a total of 6¾ per cent.

The Temple Steamship Company has not done so well as in 1956, for in the early summer of last year open freight rates started to decline rapidly until, towards the end of the year, rates were at entirely unremunerative levels. Three of our older vessels are now laid up since to trade them would mean incurring heavy losses. I see little prospect of any material improvement during the remainder of this year.

I mentioned last year that we had joined with London & Overseas Freighters Limited and Philip Hill, Higginson & Company in the acquisition of Austin & Pickersgill Limited, shipbuilders, at Sunderland, for whom we are sole contracting agents. The new shipyard is almost complete and working smoothly but the whole project will only be finished when a modern fitting-out quay, complementary to the building berths themselves, is in operation which we expect will be early next year. With its up-to-date equipment, rapid methods of ship construction and a good order book, this development is proving of benefit to our general business.

Referring to Lambert Brothers (Egypt) Limited, the chairman said: With no political settlement, although discussions have taken place between the respective Governments at intervals throughout the year, the offices still operate under sequestration but, except that this leaves in doubt the eventual future of our Subsidiary, their business continues very much as previously.

In a review of the Company's many activities at home and overseas the Chairman said: Lambert Brothers (Insurance) Limited, a wholly-owned subsidiary, has, notwithstanding the depression in the shipping industry had a successful year, having increased its clientele, and there has also been a gratifying increase in non-marine business.

Our Travel Bureaux in London and Newcastle are both steadily expanding their business and enjoy the goodwill of the public and Air Lines alike. The Newcastle Bureau has made such strides since the war that it is now a household word in the "North-East" for business and holiday travel.

The report was adopted.

ATLAS ELECTRIC AND GENERAL TRUST LIMITED

FIFTY YEARS OF PROGRESS

The Fiftieth Annual General Meeting of this company was held on June 26th in London.

The Right Honourable Lord Remnant, MBE, chairman, in his speech said: On September 24th next this Company will celebrate the half-century of its legal existence.

From small beginnings we have grown to considerable stature and are now an important unit amongst financial institutions. Our assets exceed £16 million and our gross income is nearly £1¼ million. The amount we pay by way of taxation exceeds £½ million. The business which has produced these impressive results derived originally from the enterprising spirit of some pioneers, mostly British, who developed public utilities in foreign countries and put their capital at risk.

The accounts for the year to March 31st last can be summarised as follows. Gross income has increased by £90,000 or 7½ per cent, expenses by £8,000, and net revenue before taxation by £82,000 or 8 per cent.

The charge for taxation is £46,000 higher and the net revenue after taxation, viz. £583,000, shows an increase of £36,000 or 6½ per cent. 73 per cent of the net revenue, i.e., 2 per cent more than last year, is distributed by way of interest and dividends. Of the balance of net revenue, £150,000 is again placed to General Reserve and £24,000 is added to the unappropriated revenue carried forward. Revenue Reserves have been strengthened by the transfer of £150,000 from net revenue, but the appreciation on investments, which is in effect a capital reserve, has shrunk from £6,551,000 to £4,705,000.

CAPITALISATION ISSUE

The Directors propose, after payment of an interim dividend on the Ordinary Stock next December, to capitalise £300,000 of the General Reserve and apply this sum in paying up in full 300,000 Ordinary Shares of £1 each, which will be issued credited as fully paid up to the holders of £4,200,000 Ordinary Stock in the proportion of one Ordinary Share of £1 for every £14 of Ordinary Stock held.

It is the Board's intention to pay an interim dividend of 4 per cent next December on the present ordinary capital and they are reasonably confident of being able to maintain the present rate of dividend, viz. 12 per cent on the enlarged capital.

The results of the past year are somewhat better than I expected, although I forecast that they would be satisfactory. On the whole revenue has been buoyant although some sections of industry and commerce have been going through a lean time.

British economy has survived remarkably well in a world in many parts of which were marked signs of recession, particularly in the United States.

THE CURRENT YEAR

The general tightening of purse-strings and the uncertain economic outlook will have effect in certain industries, and generally speaking profit margins will contract, but business in this country is soundly based and we should have another satisfactory year. It has begun well, our gross investment income for the first quarter of the year showing an increase over the corresponding period of last year.

The report and accounts were adopted.

BRIXTON ESTATE LIMITED

The Annual General Meeting of Brixton Estate Limited was held on July 3rd in London, Lieutenant Colonel Sir Francis Humphrys, GCMG, GCVO (the Chairman), presiding.

The following is an extract from his statement:

Properties.—The freehold of that part of our property at 1-3, Brixton Road, previously held on a long lease, has been acquired.

Gross Income shows an increase of £22,301 and net profit subject to tax has risen from £129,601 to £151,890.

Net Revenue.—Owing to the large increase in the provision for taxation, net profit after tax has risen by only £7,731.

Reserves.—Reserves totalling £100,000 were absorbed during the year in making a free issue of two for five shares to Ordinary shareholders. Out of the year's revenue it is proposed to allocate £25,000 to the Revenue Reserve.

Future Prospects.—There are still expectations of improved rental income as the old pre-war leases fall due for renewal. The Associated Company's income is still rising and an increase from that source can also be expected.

Dividend on the Ordinary Shares.—A first interim dividend of 7½ per cent less tax was paid on the Capital before the bonus issue and a second interim of 7½ per cent less tax was paid on the increased Capital. A final dividend of 10 per cent less tax on the increased Capital is now recommended.

The Report and Accounts were adopted.

BRITISH BORNEO TIMBER COMPANY LIMITED

The annual general meeting of this company will be held on July 24th in London.

The following is an extract from the circulated statement by the Chairman, Mr H. G. C. Townsend, OBE:

It is satisfactory to be able to report that by the end of the year the production figure had reached 5,378,878 cubic feet—a record for the company and an increase of 44 per cent over the previous year. By this achievement our hopes of mechanised extraction have finally been confirmed. We are satisfied that the tractors have proved themselves.

The unit cost of production was reduced by about 15 per cent compared with the previous year, partly by economies but more particularly by the further spread of overheads resulting from the increased production. Unfortunately much of the benefit of lower costs was offset by the drastically reduced prices received from Hongkong during the second half of the year.

Reports on the current year's activities show that log production is being well maintained but with world trade less buoyant it would be rash to predict how sales will develop.

Our sawmilling operations, as in the previous year, were disappointing and, because of the poor results, sawn production was restricted to 80 per cent of the previous year's total. Sales of sawn timber increased by 23 per cent, representing a useful reduction of stock. The average sale price declined by about 20 per cent. The accounts show a loss for the year of £36,943 after taxation. The Board feel justified in drawing on profits of past years to permit payment of a dividend of 6 per cent.

HIELD BROTHERS LIMITED

FACTORS AFFECTING RESULTS

The thirty-sixth annual general meeting of Hield Brothers Limited, was held on June 27th at Briggella Mills, Bradford, Mr David H. Hield (the chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year March 31, 1958:

The past year which began with so much promise has been a disappointing one, and our Gross Trading Profit is down from £331,169 to £247,209.

Out of the Net Trading Profit of £178,338 it has been necessary to set aside £134,370 for Taxation. This is oppressively high mainly because of the following provisions which are not allowable in computing the taxation liability:

1. £37,446 Provision against Forward Contracts.
2. £7,854 Excess Depreciation.
3. £4,107 Extra Bad Debt Reserve.

Furthermore, the proposed legislation in the current Finance Bill will require us to pay additional Profits Tax of £6,682.

A number of causes have contributed to the fall in profits:

1. The main factor has been the heavy fall in wool values.
2. The loss of £10,409 on Canadian Exchange against a profit last year of £35,145.
3. Although we have a full order book, deliveries have been retarded due to the credit squeeze and high Bank Rate.

The recession in trade both here and in Canada, together with the uncertainty of wool prices, has brought about a marked shrinkage in the volume of business; competition was acute and profit margins were seriously affected.

In face of these difficult conditions we regard our results as satisfactory.

The formation of subsidiary companies has been referred to in the Directors' Report. As a result of this there is a new item on the assets side in the Balance Sheet of the Parent Company, namely, the investment in subsidiary companies, but this does not imply any unusual change in assets values. Such assets as were transferred were at our former written down book values.

During the year we have invested over £100,000 in new capital equipment for Greystone Mill and this is now in production.

In face of the reduced profits we have thought it prudent to recommend a dividend this year of 15 per cent.

Since the date of the Balance Sheet, competition arising from machinery pressure has become more acute and wool values have had a downward tendency.

I wish to record on behalf of the Board our thanks and high appreciation of the skill and hard work of all employees, particularly the technical management of our various departments.

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

The retiring director, Mr W. W. S. C. Neville, MC, BEM, was re-elected and the remuneration of the auditors, Messrs Alfred Dobson and Co., having been fixed the proceedings terminated.

THE FORESTAL LAND, TIMBER AND RAILWAYS

The fifty-second Annual General Meeting of The Forestal Land, Timber and Railways Company Limited was held on July 2nd in London.

Sir Gerard d'Erlanger, CBE, ACA, the chairman, presided.

The following is an extract from his circulated review:

The Consolidated Profit for the year of £1,074,551 arrived at before adding dividends remitted by La Forestal Argentina, S.A., and before deducting Stock Provisions and Taxation, has risen by £59,187. This increase has been achieved in spite of the sharp drop in world selling prices for quebracho and mimosa which occurred in February, 1957. Fortunately these price reductions were offset by a substantial increase in tonnage sold during 1957.

We feel reasonably confirmed in our belief that the world market for quebracho/mimosa/chestnut will remain stabilised, taking one year with another, at around 400,000 tons for as far ahead as is practicable to look.

In this situation a major objective of members of the industry must be to ensure that production does not appreciably exceed the fairly strict limit thus established. If this can be achieved, we should be able to look forward to a period of reasonably stable and profitable trading conditions.

We are again recommending the payment of a total dividend of 9 per cent; and I feel entitled to hold out with somewhat more confidence than last year the prospect of being able to maintain this level of distribution. The report was adopted.

JAMES NELSON LIMITED
(Rayon & Cotton Manufacturers)

SUBSTANTIALLY IMPROVED RESULTS

The forty-fourth annual general meeting of James Nelson Limited was held on July 3rd at Nelson, Mr A. C. Nelson, the chairman, presiding.

The following is an extract from his circulated statement:

The profit for the year ended March 31, 1958, before depreciation and taxation amounted to £195,211 against £137,157 last year. The Net Profit amounts to £65,655 as against £34,757 for the previous year.

There has been no improvement in the margins obtainable for cloth, and the increase in profit is due to improved methods of manufacture and a high degree of activity in the Spinning and Weaving Sections of the Group. It is disappointing to us all that we are unable to recommend a higher dividend than last year at the rate of 5 per cent on the Ordinary Share Capital.

PROBLEM OF IMPORTED CLOTHS

The conditions and events during the past year have been much more difficult than ever before. Large quantities of imported Cotton cloth have undoubtedly had a serious effect both on the Cotton and Man-made Fibre cloths woven by your Group. So long as the importation of these cloths—most of which are coming in at well below our manufacturing costs—continues, over-production for the Home Market must inevitably follow. Added to this, the Government's anti-inflation policy has no doubt curtailed business in general.

The report was adopted.

GODFREY'S LIMITED

The forty-fifth annual general meeting o Godfrey's Limited was held on July 3rd i London, Lieutenant Colonel W. E. Castello MIMechE (Chairman and Joint Managing Director) presiding.

The following is an extract from his circulated review:

Trading Results show an increase in Profit at £85,449 compared with £40,743 last year which must be considered a satisfactor result, having in view that the period covere by the Accounts includes four months of th Suez Crisis and petrol rationing. Taxatio absorbs £48,743 compared with £26,522 Your Company will benefit in future year by the change in computation of Profits Ta recently announced.

Fixed Assets after providing for Depreciation stand at £249,932 compared with £227,162. Expenditure during the year ha been principally on New Works and Show rooms at South Croydon. Continuall increasing business at our West Croydo Depot made this extension a vital necessity and the valuable Freehold Property which ha been secured, should become remunerativ during the current year.

Stocks at £337,736 compare with £299,377 an increase of £38,359. It is a modest figur when one considers the increased value and volume of vehicles distributed by the 1 depots within the Group.

Your Directors recommend a final dividend of 10 per cent, making 20 per cent for the year, compared with 15 per cent last year.

Trading during the current year continues to be difficult, but apart from any major upsets, I think we can look forward to a reasonably satisfactory year.

The report was adopted.

BUSINESS AND PERSONAL

9/- a line

OLD-ESTABLISHED firm of Aeronautical Engineers with considerable manufacturing capacity and potential in Midlands is desirous of extending operations to other fields. Would welcome opportunity of considering any proposition that would utilise existing workshop and hangar space and skilled personnel.—Box 967.

MARKETS IN FRENCH CANADA.—A private consulting service available on conditions in the Province of Quebec. Sterling account if desired.—P.O. BOX 41, UPPER TOWN, QUEBEC, QUE., CANADA.

BRITISH TECHNICAL CONSULTANT of several years' standing in International field, and specialised knowledge of India, Africa and East generally, is setting up practice based Europe to cover all aspects industrial development those countries, welcomes enquiries machinery manufacturers seeking export markets as well as overseas industrialists. Top-level negotiations Governments and International organisations. Strictest confidence and integrity assured. Principals only.—Please write Box 968.

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Special terms will be quoted for loans of £10,000 and over.

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MABEL EYLES & PARTNERS, 395 HORNSEY ROAD, N.19 (ARC 1765/MOU 1701). Duplicating, typing, printing, Verbatim shorthand writers, translators. TELEPHONES, TELEPHONES, TELEPHONES for work and offices: We install and maintain for moderate rental.—Communication Systems, Ltd. TEMple Bar 4506.

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WALL STREET ASSOCIATES offer for your convenience their office facilities at 37 Wall Street, New York 5, N.Y. Services include telephone and mail accommodations as well as distribution of subscribers' printed mail.—For further information please address the above.

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ROYAL COLLEGE OF SCIENCE AND TECHNOLOGY, RESIDENTIAL CENTRE FOR MANAGEMENT STUDIES, CHESTERS HOUSE, CHESTERS ROAD, BEARSDEN. BEARSDEN 2275.

THE SCOTTISH COLLEGE OF COMMERCE (DEPARTMENT OF MANAGEMENT STUDIES), PITT STREET, GLASGOW, C.2. CENTRAL 6901.

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EVERYTHING FOR THE CAMERA EXCEPT THE VIEW. City Sale & Exchange, Ltd., 1 Leadenhall Street, E.C.3.

HOW soon will man reach the moon? Why worry when all the El Cid sherry is here on earth! (and the Fino Feria, too).

SECRETARIAL TRAINING especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

EXPERT POSTAL TUITION for Examinations—University, Law, Accountancy, Costing Secretarial, Civil Service, Management, Export Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice mentioning examination or subjects in which interested to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS or call at 30 Queen Victoria Street, London, E.C.4.

APPOINTMENTS

UNIVERSITY OF AUCKLAND
NEW ZEALAND

DEPARTMENT OF ECONOMICS

Applications are invited for two SENIOR LECTURESHIPS, one to teach general Economics and the other preferably, Economic History.

The salary scale is £1,315 per annum, rising by three annual increments to £1,615 per annum. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in New Zealand and London, is August 15, 1958.

UNIVERSITY OF AUCKLAND
NEW ZEALAND

LECTURESHIP IN ECONOMICS

Applications are invited for the above-mentioned appointment.

The salary scale for the position is £1,025 per annum rising by three annual increments to £1,275 per annum. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in New Zealand and London, is August 15, 1958.

APPOINTMENT REQUIRED

GENTLEMAN (32), public school, all-round advertising and P/R experience, previously merchant banking, seeks opening in agency or company publicity department with good prospects.—Box 965.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

AN ACCOUNTANT

is required for

an agricultural organisation in Jamaica (West Indies) with overseas marketing connections. Applicants must have a sound training and years of experience in commercial accounting practice and preferably be under 40 years of age. A recognised accounting qualification and knowledge of management are very desirable qualifications.

The Accountant will be responsible for the preparation of the annual accounts of the organisation, the preparation of periodic financial statements, and must be able to advise generally on financial matters.

Applications, which will be treated in strictly confidential manner, giving particulars of age, qualification and experience, should be addressed to:

ACCOUNTANT "BB," Dept. "R," P.O. Box 4, Kingston, Jamaica, W. I.

ACCOUNTANT.—A young Chartered Accountant, age 25-30, required as Assistant to Chief Accountant of large Textile Company in Scotland. Applicants should have some knowledge of mechanical and punched card accounting and of the preparation of consolidated accounts. After a probationary period, the successful applicant will be given departmental responsibility with status of Manager. Staff Pension Scheme.—Reply, stating age, with full details of experience, educational and industrial background, to the Staff Manager, JUTE INDUSTRIES, LTD., Meadow Place Buildings, Dundee. Closing date for applications, July 19, 1958.

OPPORTUNITY occurs for accountant experienced in investments to handle those of private clients in Stock Exchange firm with institutional business. Age 30-40. Good salary with prospects.—Write, Box JU/138, c/o 95 Bishopsgate, E.C.2.

THE LAW SOCIETY

The Council of The Law Society invite applications for appointment as ASSISTANT ACCOUNTANT, aged 25-30, on the Society's staff.

Initial salary in the region of £800 to £1,000 per annum depending upon experience of the successful applicant. A contributory superannuation fund with free life cover to pension age.

Applicant must be a member of one of the following bodies: The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Association of Certified and Corporate Accountants, The Institute of Chartered Accountants in Ireland, and have had experience in general accountancy and audit practice.

Applications, containing full details of age, education, qualifications, and experience, should be addressed to the Secretary, The Law Society, The Law Society's Hall, Chancery Lane, London, W.C.2.

BRITISH RAILWAYS RESEARCH DEPARTMENT

Vacancy for Scientific Officer Grade 2 in the Operational Research Division, London.

Degree in science, mathematics or economics. Co-operative research in statistical analysis.

Salary range £646-£956 per annum.

Superannuation and certain travel facilities.

Applications stating age, qualifications, etc., to:—
Director of Research,
British Transport Commission,
British Railways Division,
222 Marylebone Road,
LONDON, N.W.1.

SENIOR MARKET RESEARCH OFFICER

Large London advertising agency has vacancy for Graduate with several years' agency research experience for important post. Pay according to qualifications.—Write, giving full details of academic and commercial experience, to Box 970.

ECONOMICS GRADUATE.—An honours economics graduate is required to assist with economic studies in the Atomic Energy Division of The General Electric Co., Ltd., at Erith, Kent. The position is for a man aged 25 to 30, with some industrial or research experience, who will need to become familiar with the technical aspects of nuclear power, in which suitable training will be given. Salary will be according to qualifications and experience.—Write, giving details of age, education, and career, to Personnel Manager (EC), The General Electric Co., Ltd., Erith, Kent.

TEMPORARY ASSISTANT FOR ECONOMIC SURVEY OF FORESTRY ON PRIVATE ESTATES.—This appointment involves visiting in England and Wales, and the analysis of financial and other data. Salary according to experience and qualifications.—Apply before July 21st to the Secretary, Department of Forestry, Oxford University, from whom further particulars may be obtained.

LONDON OFFICE OF INTERNATIONAL TRADE UNION ORGANISATION requires "Swedish translator/interpreter." Swedish mother tongue with good knowledge English, German and French. Permanent position for suitable applicant. Excellent conditions, with superannuation and holiday scheme. Preference given to applicants with trade union background or interest.

Also "Swedish shorthand/typist" with knowledge of English. Same conditions as above. Position would also be a permanency.—Box 969.

J. LYONS & COMPANY, LIMITED, invite applications for GRADUATES IN STATISTICS, preferably with post-graduate experience, for work in their Operations Research Office, which requires initiative and originality of approach. Salary in the range £500-£1,000 p.a., according to qualifications and experience.—Write to Box 966.

FORD MOTOR CO., LTD., offer an opportunity for on-the-job training in MANAGEMENT ACCOUNTING to two recently qualified Accountants or Economics Graduates who can show evidence of imagination, personality, and drive in addition to a good professional or academic record. Five-day week. Non-contributory pension scheme.—Please send full details to Training and Recruitment Department, Ford Motor Co., Ltd., Dagenham, Essex, and quote CMA.

ACTUARIAL APPOINTMENTS: GOVERNMENT ACTUARY'S DEPARTMENT.—Three pensionable posts for qualified Actuaries (F.I.A. or F.F.A.) under 35 on 1.8.58, as (a) Qualified Actuarial Assistant or (b) Assistant Actuary, according to qualifications and experience. Men's salary scale: (a) £1,050 (or higher)-£1,285; (b) £1,350 (or higher)-£1,605. Good promotion prospects.—Write, Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 4856/58. Closing date, July 18, 1958.

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Write Secretary,
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KENDAL MILNE AND CO. (HARRODS, LTD.), Manchester, 3, have a vacancy for an Assistant in their METHODS DEPARTMENT. Applicants, aged 24-30, must have some experience in methods/work study. This is an opportunity to do specialised work in a leading Retail Organisation. Prospects of promotion within the Company.—Applications by letter to Staff Manager.

MARKET RESEARCH EXECUTIVE

A Graduate in Psychology or Sociology is required by an expanding Market Research organisation. The position calls for an intelligent man, preferably under 28, who is interested in learning how to conduct marketing and public opinion surveys. He should have a sound knowledge of research methods, statistics, and social and clinical psychological techniques. No previous experience in market research is required. Starting salary from £650-£800 p.a., depending upon age and qualifications.—Please write in the first place, giving particulars of age, education, and qualifications, to Dr. Elizabeth Nelson, The Research Unit, Ltd., 197 Knightsbridge, London, S.W.7.

UNIVERSITY OF NOTTINGHAM

Applications are invited for appointment as RESEARCH ASSISTANT IN SOCIAL SCIENCE to carry out investigations into housing and its problems. Candidates should have an Honours degree in one of the Social Sciences and preferably had research experience. Salary scale £600 x £50 to £650. Conditions of appointment and form of application, which should be returned by July 26, from the Registrar.

AUSTRALIA
UNIVERSITY OF QUEENSLAND

LECTURER IN POLITICAL SCIENCE
DEPARTMENT OF EXTERNAL STUDIES

Applications are invited for the above position. Other things being equal, preference will be given to candidates with special interest in political institutions and comparative government. An Honours or higher Degree in politics and research interest are desirable.

Salary, £A1,540/£A2,040 p.a.

Further particulars and application forms are obtainable from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on *August* 30, 1958.

OXFORD UNIVERSITY

COMMITTEE FOR COMMONWEALTH STUDIES

Applications are invited for the post of Research Officer at the Institute of Commonwealth Studies. The appointment will be normally for two years with the possibility of extension for a third year. The holder will be required to undertake approved research under statutory conditions of residence. The field of study is the economics of the Commonwealth with special reference to its underdeveloped regions, and applicants should submit a detailed statement of their proposed investigation, together with evidence of fitness to undertake such research. A strictly limited amount of teaching will be allowed and may be required. The salary will be within the scale £900 x £50 to £1,250 p.a. according to age and qualifications, with membership of the F.S.S.U. and child allowances. Applications, giving the names of two referees, should reach the Secretary, Institute of Commonwealth Studies, 10 Keble Road, Oxford, not later than 20th October, 1958.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
SOUTH AFRICA

DEPARTMENT OF COMMERCE

GRADUATE RESEARCH ASSISTANT

Applications are invited for appointment to the above post.

The salary is at the rate of £900 per annum, plus a special non-pensionable allowance at the rate of £120 per annum. In addition, a married man will receive such temporary cost of living allowance as the University may be authorised to pay, the present rate being £234 per annum.

Duties to be assumed as soon as possible.

Applicants should possess a degree, preferably in Commerce, but in any case including Economics, Statistics and, if possible, Accounting. Business experience and knowledge of shorthand and typing would be an advantage.

The duties of the successful applicant will mainly be to assist the Head of the Department in economic and business research projects.

The person appointed will also be required to give at least two lectures per week in certain aspects of Commerce, Applied Economics and Business.

Membership of the University Institutions Provident Fund is compulsory. Membership of the Staff Medical Aid Fund is compulsory in the case of an officer who is eligible in terms of the rules.

Applications, giving full personal details of qualifications, experience, etc., should be lodged with the Registrar, University of the Witwatersrand, Milner Park, Johannesburg, South Africa, not later than July 31, 1958.

AUSTRALIAN NATIONAL UNIVERSITY

RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for a RESEARCH FELLOWSHIP IN THE DEPARTMENT OF ECONOMICS.

The Research Fellow will work on economic theory, applied economics or econometrics.

The salary range for Research Fellows is £A1,385-£A2,100, and appointment is made for three years, with possible extension to the maximum of five years.

Reasonable travel expenses will be paid and assistance with housing provided. Superannuation is on the F.S.S.U. pattern.

Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on August 8, 1958.

AUSTRALIA
UNIVERSITY OF TASMANIA

The University invites applications for the following positions:

LECTURER IN ECONOMICS.—Preference will be given to applicants with special interests in money and banking.

LECTURER IN GERMAN.—The appointee will be required to lecture in both German Language and Literature.

The salary scales for lecturers are Grade II, £A1,450-60-£A1,630; Grade I, £A1,630-60-£A2,050, and for senior lecturers, £A2,150-60-£A2,510. Appointments to the lectureships in Economics and German will be offered within Grade II or Grade I, according to the qualifications and experience of the persons to whom offers are made.

An allowance is made towards travelling expenses and housing assistance is available.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

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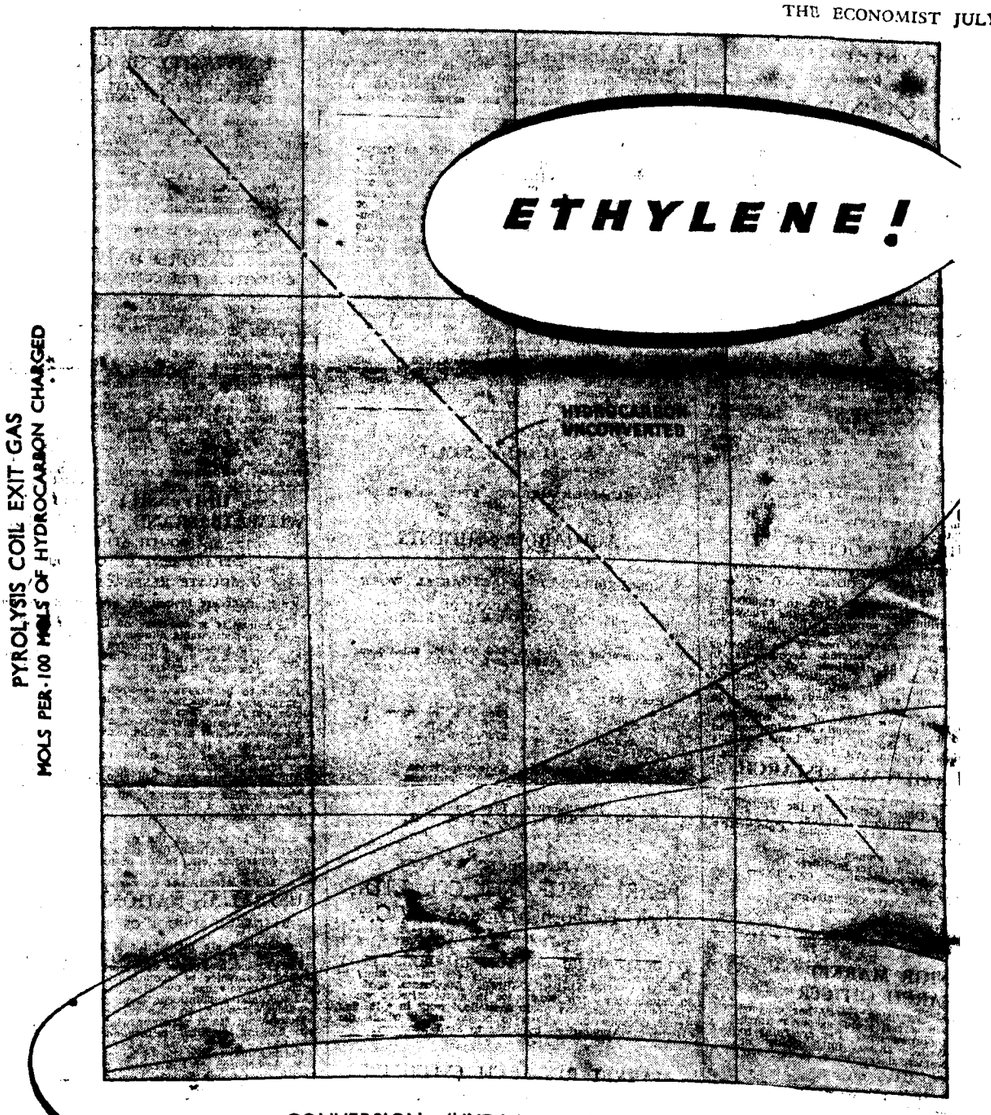

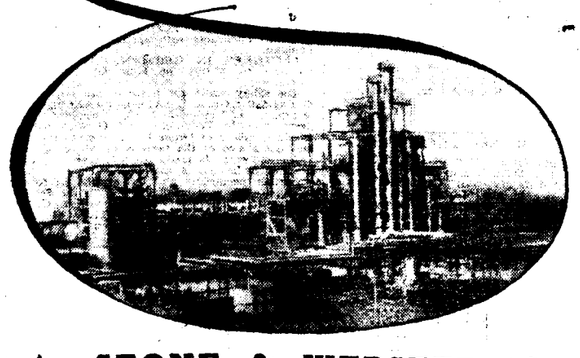

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22 JUL 1958 GOVERNMENT OF INDIA

The General's Course

General de Gaulle's refusal to outline plans for the political future of Algeria is deliberate. But there are igns that he has adopted the army's views (page 103).

Warts and All?

The latest Gallup poll suggests that Labour is no longer in the lead in the country. This third article on the alternative government discusses three reasons why (page 105).

Italy's Narrow Path
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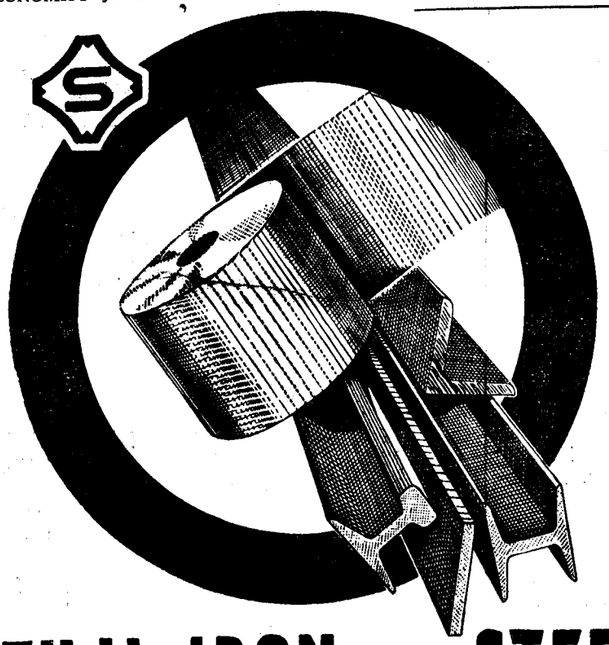

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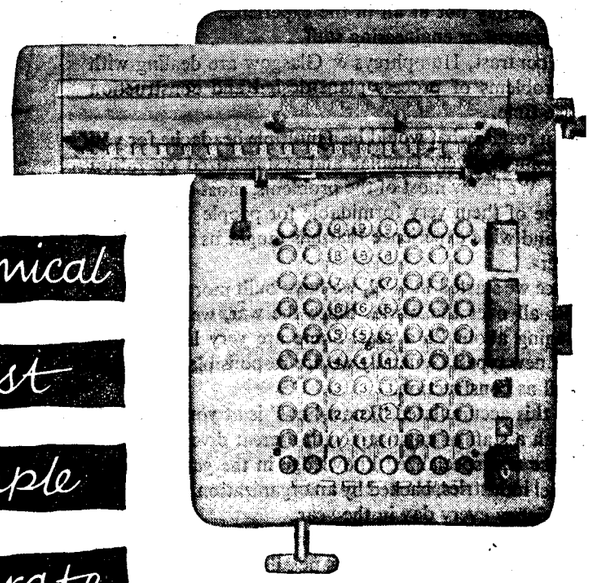

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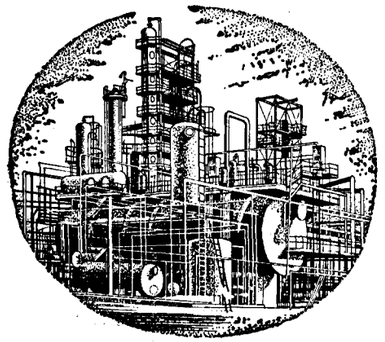

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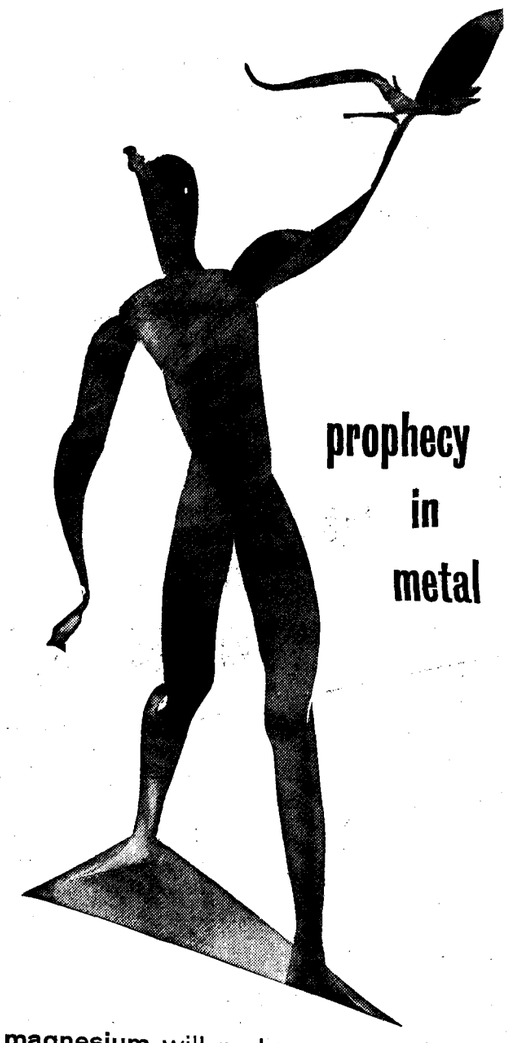

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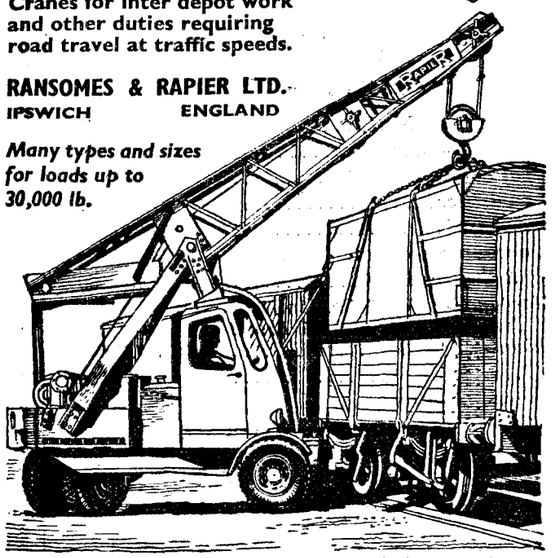



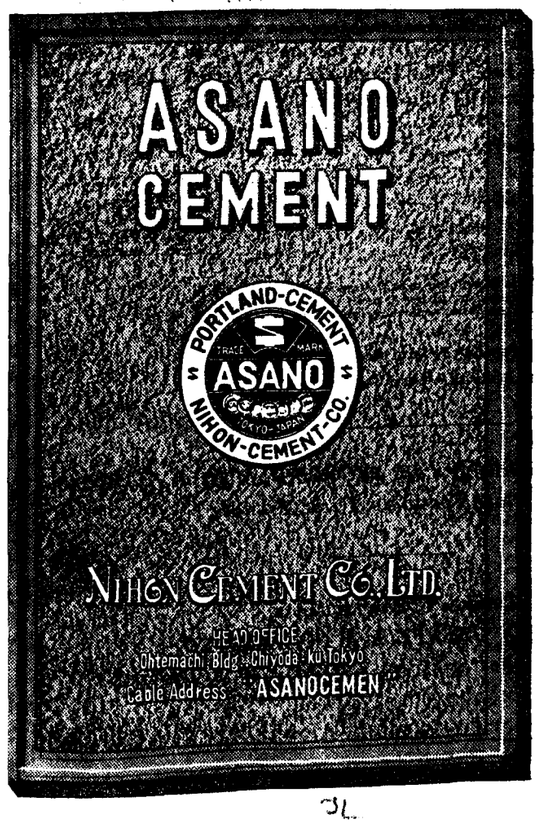

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State and municipal bonds and notes	46,578,152
Other bonds and securities	29,121,362
Loans and bills purchased	384,940,821
Accrued interest, accounts receivable, etc.	4,279,753
Stock of the Federal Reserve Bank	2,100,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	6,135,000
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All other	713,610,666
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Accounts payable, reserve for taxes, etc.	9,365,727
Acceptances outstanding and letters of credit issued	29,079,793
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The Economist

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The General's Course

GENERAL DE GAULLE has not spoken yet. Algeria, after six weeks, still awaits his word. So far it has had to be content with the silence that seems eloquent, the evasion it considers significant, the nuance that may be definitive. In this anxious reading of the general's mind, this reliance on hints and hesitations, it is held of supreme importance that he has not cried "*Algérie française*" except in one peroration; that he has not defined integration beyond that between souls. Politics becomes a play on mere omissions. The general did not meet the Committee of Public Safety on his last journey across the Mediterranean; the news is greeted as a triumph for liberalism. But he did see General Massu; Algiers stands still until it is discovered whether General Massu was received as a politician or as a soldier. M. Soustelle enters the cabinet in Paris and takes over the Ministry of Information from M. Malraux; it is the turn of Algiers to rejoice. But does this mean M. Soustelle will muzzle the French press, or be muzzled himself? The game is deep, and grows deeper. It is too soon to guess how it will end.

But the crisis remains, and the key to the crisis is that General de Gaulle is a man within it, governed by it, not yet governing it. In calculating his opportunities, the way in which he came to power is more and more seen to matter. He was not, on his emergence from Colombey, a sovereign *deus ex machina;* and six weeks of his rule confirm this. Above all, the army's appeal to him and the republic's acquiescence in him did not make him the supreme mediator in North Africa. For all his sense of authority and of style, and for all the serenity of his demeanour, the general has still to base his policies on facts, like any politician. And the facts are evident enough. Who called him to office? Who controls Algeria? Through whom must his policy be put into practice? The answers, since the abdication of the Fourth Republic, are one and the same: the army. Some indications of where power resides in France today can be found in the statements of M. Mollet and M. Moch to the Socialist party conference at Issy-les-Moulineaux last weekend. M. Mollet said that the choice in the last days of the republic was between de Gaulle and the Algiers colonels; resistance would have meant a military dictatorship "for twenty or thirty years." M. Moch revealed that four of the nine generals commanding military regions in metropolitan France were favourable to the Algiers coup of May 13th.

The personality, and the patriotic reputation, of General de Gaulle will no doubt influence the army. He may restrain some commanders, cajole some, order others. No one else can do as much. But he, in turn, has to respect the army's wishes on matters that it considers essential. Already he has had to accept its actions, even when taken without his approval. General Salan's installation of army commanders in the prefectures of Algeria was done without authority from Paris; the official decrees followed lamely after. (The government apparently hopes to

associate civilian prefects with the military in the future.) When newspapers have been seized in Paris and Algiers, the civilian Minister of Information has had to wring his hands and admit it was not his doing but the army's. Now M. Soustelle, the brain of the Algiers movement, sits in Paris in charge of information. These are disturbing signs. But for the moment, except for scattered incidents like the para-troopers' disruption of the June 18th celebrations at Pau (which has passed unpunished), the extremists in the army have stayed their hand in France itself. They may still await their opportunity, but they are powerless to act while General de Gaulle's policy adheres to the wishes of the fighting army in Algeria.

IN his Algerian utterances so far, the general has been able to neglect the preferences of the ultras in the Committee of Public Safety, but his words have corresponded almost exactly to what is known of the army's ideas on policy. After the humiliation of Dien Bien Phu, after the political decisions to withdraw from Tunisia and Morocco as a result of the nationalists' guerilla campaigns, the army seems to have resolved not to go home from Algeria without a demonstrable military success against the Moslem rebels (FLN). What would constitute such a success, or how it could be attained, is obscure. But the army has also arrogated to itself a social mission in Algeria, which has wide psychological consequences. It does not see itself as the defender of colonial privileges. The work of individual army administrators in the towns and villages of the *bled* is a source of pride and self-confidence in the army's role as guide and pacificator. From what General de Gaulle has said, he appears to share these paternalist aspirations.

The general has proclaimed the equality of French and Moslems in Algeria, an equality to be consummated in elections to a single legislature. He has given important social pledges, suggesting, when speaking of education, that France will remain in Algeria—and Algeria in France?—for at least a decade. But he has left the elections in the hands of the army. He has recognised the courage of the FLN but not its existence as a permissible political force in the election campaign. Although he has said that the future of the country will be determined in consultation with the "Algerians" themselves, the spokesmen likely to be produced by the elections will bear only a shadowy resemblance to *interlocuteurs valables* because that large part of Algerian Arab sentiment that is openly nationalist will remain unrepresented. At the same time, the campaign against the FLN will be intensified: General Salan has already asked for 80,000 more men. The impression this creates is of a solution intended to be imposed by military force, not one reached by negotiation on political realities.

No doubt the general is relying on an impressive vote in the referendum in metropolitan France to give him room for manœuvre when the time does come for a final Algerian settlement. Some demonstration of popular power will be needed to persuade the settlers, and their supporters among the colonels, that a policy of federation for Algeria, and not a total integration in one France "from Dunkirk to Tamanrasset," is the sole policy Moslem opinion may conceivably be brought to accept and the sole policy the French economy can bear. At present, the success of M. Pinay's loan gives both the general and the army until the end of the year before the search for foreign credits leaves them open to American pressures.

But will Moslem opinion accept such a programme? The general's alignment with the army in continuing the war has already brought an unfavourable reaction from President Bourguiba in Tunis. General de Gaulle's diplomatic initiatives and his withdrawal of local French garrisons from Tunisia and Morocco raised the hopes of the Maghreb powers. Immediately after the Tunis conference which ended on June 20th, it even seemed possible that the Tunisians and Moroccans would agree to mediate between the FLN and France; at the same time the moderating influence of the Tunisians particularly could well have had an effect on the FLN, which had become discouraged by its military reverses this year and by the psychological impact of General de Gaulle's emergence on the uncommitted Algerian population. Now President Bourguiba has confessed to doubts, saying that he places trust in the general but cannot desert the cause of Algerian nationalism. Will six more months of warfare in Algeria bring another chance for compromise? Or has the general lost the opportunity which his prestige alone could create? It is a depressing sign that Dr Farès, the president of the former Algerian assembly, has turned down the general's offer of a cabinet post, apparently after soundings with the FLN.

THE course on which General de Gaulle seems to have embarked must have important repercussions in France as well as North Africa. In seeking peace in Algeria and a future in which both French and Moslems can achieve understanding and friendship in one land, the general carries with him all the earnest hopes of the western world. Whatever their assessment of his chances, France's allies can only wish him success in his mission. For if he fails, however narrowly, the future of French democracy must be dark. The intentions of certain of the men who have contrived to take up their stations about the general have a sinister cast. The committees of public safety in France are ready to press for an authoritarian state. The new chief of staff, General Zeller, in his first order of the day, has spoken ominously of the army being "the best of guides for the nation." General de Gaulle's own constitutional proposals are now awaited. The regime they enshrine in theory may be vastly different in fact if France's emergency in Africa persists much longer. The collapse of republican authority in the face of the Algiers coup on May 13th has still to be paid for.

THE ALTERNATIVE GOVERNMENT—III

Warts and All?

This third article on Labour's policies (the others appeared on June 7 and June 21) discusses the party's attitude to nationalisation, equality and agriculture

IN every Parliament since reasonably full adult suffrage came to this country, save only the Parliament of 1951-55, there has been a swing against the government of the day; the electorate's urge to vote against those who have been in authority has almost always been strong enough to turn out of office an administration with Mr Macmillan's relatively small sort of majority. In view of all that has happened in the last three years, it will be an extraordinary negative achievement on Labour's part if it scares away so many voters that it fails to be carried into power on the normal swing of the pendulum at the next election. Yet it not only looks as if this could happen. The Gallup poll in the *News Chronicle* on Wednesday, indicating that the recent recovery in the Conservatives' popularity has now brought them to a position of equal esteem with Labour in the country, suggests that it actually is happening. There are clearly certain warts on the Labour party which many people in the centre find repulsive. This third of these articles on the alternative government's domestic policy will discuss briefly three of the most obvious of these disfigurements, to see what Mr Gaitskell could best do to cover up or remove them.

The first wart is nationalisation. The effects of this are sometimes as emotionally and unnecessarily magnified by the millions of floating voters who oppose it as they are by the awkward thousands of Labour constituency workers who worship it. In practice, nationalisation is nearly as often an irrelevance as it is an economic evil. But experience since the war has shown that the industries in which nationalisation (or other Government interference) really is a major evil are those in which it is likely to impede the normal forces of the market: especially in industries which ought to be declining (like railways and buses), or which (like lorries) are competing with industries which ought to be declining, or which are deemed to have social (which means vote-affecting) implications. The worst measures of nationalisation on Labour's present programme are therefore its proposals for the renationalisation of all road transport and its scheme for the municipalisation of rented houses.

Oddly, the least harmful renationalisation, if Labour really has to make some obeisance to its primeval urge (and then get it out of its system), would probably be steel; steel is a reasonably homogeneous industry and renationalisation of it might merely mean a re-strengthening of the powers of the iron and steel board (which Labour is likely to demand anyway). But this "case" for the renationalisation of steel is purely a negative one, on the lamentable ground that other measures to pacify the left wing would be more harmful still; it is defensible only on the philosophy of the man of Darjeeling, who was going from London to Ealing, when a note on the door said "don't spit on the floor," so he carefully spat on the ceiling. That is not the quintessence of statesmanship, and it does not win votes.

LABOUR'S second wart is equality. This is a disfigurement which has been foisted into the doctrine of the party very largely by the guilt-complex of its middle-class members. Mr Bevan and the other original proletarians in the movement have never believed so firmly that men ought to be equal, but only that the economy should be planned. The political compulsion on Mr Gaitskell to play the great leveller, as an earnest that he is a socialist, is much less than he thought it was when he assumed the leadership of the party. Certainly that is true of the idea (always absurd for a "progressive party") that one of Labour's main aims must be to hold back those individuals who are forging furthest ahead in the race to get richer; calls for steeply progressive taxes on earned income and on household "luxuries" are slowly falling out of fashion in the Labour party now that more trade unionists have to pay them. Where the present Labour leadership may feel obliged to tilt a fiscal lance, however, is not against those who are getting richer, but against those who already *are* richer, as a result of inheritance or success in the past.

The next Labour government therefore seems likely—or at any rate is generally thought to be likely—to increase death duties quite sharply, to "do a 1909" on the capital-owning classes. This is less popular even in prospect than Mr Gaitskell thinks, and in practice it would certainly arouse more unpopularity for Labour than he conceives. A massive increase in death duties would be widely regarded as very "unfair" on those whose whole expected circumstances of life would be changed by the fact that their relatives died one day after the budget instead of one day before it; and so many systems of legal avoidance of death duty are in being that the Labour finance bill concerned would be bound to be a clumsy and retrospective blunderbuss,

shooting down many hard cases while the rich man with a good accountant rode by in his carriage uncaring.

If Labour feels bound to go for the owners of capital —without, however, significantly reducing capital accumulation—its best method would be to try to increase progressive taxes that impinge on rich people at the moment when they spend wealth, not at the moment when they acquire it, whether by earnings or by inheritance. That is why, in principle at any rate, the substitution of an expenditure tax for surtax, if it were administratively possible, would be a sound measure for Labour to adopt ; it would levy a tax on spending out of inherited wealth and capital gains equal to the tax on spending out of earnings, and thus make it possible to bring the tax on earnings down. But it is this latter objective that is the important one ; levelling for its own sake is no longer an effective vote-catching slogan among the middle or the floating electors of Britain. Thank providence—and the increasing Americanisation of the British attitude to life—for that. One of Labour's pleasanter problems today should be to adjust its party politics accordingly.

THE third blemish on the face that Labour presents to the floating voter is one that Labour leaders will be more surprised to hear about, for they still think that the public regards it as one of their most attractive dimples. Labour has now taken over from the Tories the appearance of the party that is willing to ogle almost any pressure group with the public's money, and the public does not always much like it. Labour's most dangerous association of this kind, discussed at length in the first article of this series, is with the trade unions ; the party's prospects in the next election are likely to be greatly affected by whether or not the trade unions happen at that moment to be embarrassingly in the public eye. But another example of this Labour failing appeared this week. In both manner and matter the party's policy statement on agriculture, which was published last Sunday under the title of " Prosper the Plough," is a prize demonstration of how not to win friends through being influenced by people.

In its general mode of address " Prosper the Plough " has an all too recognisable flavour: that of a much-chewed-over committee report. The staleness of the cautious general formula relies for its effect less on what it commits its authors to perform than on its use of a few well-worn verbal reflex-jerkers. By invariably qualifying " cheapness " in food imports as either " artificial " or " temporary," and the free market as " so-called," the Labour planners undertake no definite programme either of restriction or of control ; they merely produce—or hope to produce—the right knee-jerk. All through the document every adjective is put into bed with a noun with which it has had an improper association for centuries. Allusions to " fair " or " reasonable " prices, to " reasonable " and " stable " interest rates, to " fair " wages, to a " moderate " expansion of agriculture, aim at creating an impression of open-handedness all round without specifying awkward figures. So do the repeated promises of " consultation with the industry's representatives " on the proposed return to fixed prices (assumed, though cautiously not stated, to yield higher farm incomes), to " adequate " security of tenure and to a " sensible " rent control procedure. To the more avid members of the farming community, all this may sound temptingly like the " Psst! " of the spiv with a bargain to discuss in private ; the general public, on the other hand, is presumed—quite wrongly—not to recognise an auction bid (to use a kindlier word than bribe) so vaguely phrased and conditional.

NOR is the matter of the pamphlet much more attractive than its manner. True, this document is mean to show Labour at its most " reasonable." True, land nationalisation is never even mentioned ; true, it is recognised that maximum production of every conceivable foodstuff is no longer a sensible aim of policy ; true, also, that there flickers momentarily into life the recognition that some farmers, on the smallest and least viable holdings, should be helped out into other jobs and homes rather than expensively kept on the land. A charitable eye might, with difficulty, read into the proposal for a new organ of medium-term agricultural credit the intention to provide not further subsidies through interest-rate favouritism but an institutional improvement to fill a recognised gap. The right noises are made, as so often before, about encouraging co-operation. But that is the best that can be said about a programme whose basic economics deserve to be treated with maximum severity. It is not enough—here is the central thesis—to maintain agricultural output at any given level ; it must go on " moderately " but endlessly expanding. Why ? Because otherwise technical progress would mean that the same output would be achieved by a smaller working force ; and that would be equivalent to a decline ; and that would be all wrong. Not even the French have established immobilism so explicitly as a social aim.

Beside this singular dictum, which negates all economic history and neatly sums up Labour's disqualifications for the role of progressive and dynamic party, others are of minor importance. The same immobilism, of course, underlies the ambition to re-freeze tenancies and rents. Elsewhere, principle yields to mere muddle, unsupported assertion and self-contradiction. While tariffs foster inefficiency, guaranteed prices somehow do not. Deficiency payments are necessarily inadequate. Farmers must not be insulated from world changes, but any policy which allows world changes to impinge unfavourably on their incomes must be condemned. And so on. As with so many of its policies, what is wrong with Labour's agricultural policy is not that it embodies socialist doctrines, but that it is both anti-dynamic and unintelligent—and can transparently be seen to be so.

Italy's Narrow Path

Italy's search for a stable government is pursued at the cost of a growing, and potentially dangerous, immobility

HIGH summer has overtaken the politicians in Rome, who, if they deprive Signor Fanfani of the vote of confidence for which he is now asking them, will also cut themselves off for a few hot weeks from the sea and the mountains. Moreover, although there might be alternative Christian Democrat prime ministers, there is no possibility of one coming to power—and staying there—unassisted by the votes, or at any rate the tolerance, of other parties. These may be cynical and unreliable reasons for thinking that Signor Fanfani will get the parliamentary approval that was denied him when he last tried his hand at cabinet-making four and a half years ago. But they reflect the paralysingly strict limits within which the Italian parliamentary machine, like that of another great western democracy, has to be manœuvred.

The parallel with France is not an exact one. Italian democracy does not have to contend with a self-confident and aggressive extreme Right. On the contrary, the monarchists and the neo-fascists are a chastened (especially after the recent elections) and diminishing force ; and there is a comfortable tendency to feel that, after an overdose, Italy has now got fascism out of its system. But it still has the largest Communist party in western Europe. The Communist deputies in the Italian Chamber, together with their Nenni Socialist allies, occupy well over a third of the seats, but remain outside the parliamentary pale. By the other parties within the pale, their opposition is welcomed as conferring respectability, their support shunned as planting the kiss of death. In the Italian parliament, as in the late French Assembly, the exclusion of a large block of votes inevitably circumscribes the search for stability and leads to uncertain majorities, uncomfortable coalitions, and the lack of acceptable alternatives.

IN Italy the search for stability over the last ten years has been reasonably successful, but at the cost of a growing immobility in political life ; and it can hardly fail to become more difficult as the various expedients and possibilities are tried, worn out and eventually discarded. The hope that the recent elections would produce some significant reshuffling of the republican political forces, and thereby point to some new way out of the present deadlock, has not been fulfilled. The hope was not, in any case, based on any very solid foundations, and one can argue that its non-fulfilment should not be taken too tragically. Italy has on the whole been getting along quite nicely economically since the war in spite of weak governments in Rome. But this is the sort of comfortable talk that used to be heard about France—and there the divorce between the politicians and the country as a whole did not prevent the Algerian problem from sparking off a crisis that has led to the abrogation of parliamentary institutions and very nearly to civil war. Italy, fortunately, has no Algeria. There is no need to be alarmist now about its political future. But within its own frontiers—particularly in the under-developed areas in the South —it has pressing social and economic problems. A real beginning has been made on their solution since the war, but progress is bound to remain slow—perhaps dangerously slow—so long as the governments in Rome remain preoccupied with the business of remaining in power, and so long as there is no democratic alternative to the present weak governments, all of them based either wholly or primarily on the Christian Democrats.

It is not, in any case, easy to see how the Christian Democrats can provide a government with any strong compulsions behind it. This is not just a matter of votes. However comfortable a majority it enjoyed, the Christian Democrat party would still, to a greater or lesser degree, remain a house divided against itself. The cement that binds it together is allegiance to the Roman Catholic church, but beyond this common allegiance lies a bewildering variety of beliefs and policies ranging from trade unionists to big business, but often defying the usual classifications. The result is that the party's energies tend to be taken up with the task of resolving its own inner contradictions ; its performance in office suffers accordingly.

The complications that beset any Christian Democrat prime minister who wishes to govern to some purpose are well illustrated by Signor Fanfani's new government. His own ideas of social policy are left of centre. In seeking extra votes he has looked to the Left and joined with Signor Saragat, the leader of the Social Democrats, in drawing up a programme that is progressive in intention, if hazy in particulars. As an earnest of his intentions he has persuaded Signor Pastore, the Christian Democrat trade union leader, to join his government. But he has had to take in representatives of the Centre and the Right as well, and it still remains to be seen whether he has succeeded in committing the whole of his party—and even his whole cabinet—to the *apertura sociale* that he himself advocates.

Whether he succeeds or fails, Signor Fanfani is clearly acting in accordance with the feeling in the country. Italy has consistently been further to the left than its governments. In the recent elections, although the

centre parties, both clerical and lay, held their ground and even increased it—particularly in the case of the Christian Democrats—the most significant result was undoubtedly that leftward trend represented by the success of the Nenni Socialists who gained 9 seats. And it is in Signor Nenni that the best hope of introducing some flexibility into Italian politics probably lies. With his 84 seats, he could give a fair measure of stability to a government slanted to the Left (he need not necessarily actually join it), or he could provide the nucleus of a democratic left-wing opposition.

The big question, however, is not whether Signor Nenni could in theory do this—he clearly could—but whether he is in practice in a position to do so. For the democratic parties would hardly be so naïve, or fly so blatantly in the face of all experience of communist tactics, as to accept him as an ally either in government or in opposition unless he first broke his ties with the Communists—and no one knows whether he could do this without hopelessly splitting his party. The Italian Communist party, it must be remembered, is not a sinking ship that it would obviously be to the advantage of the Socialists to desert; the buffetings that it has received since the twentieth congress of the Soviet Communist party have overturned many party intellectuals, but they have not seriously shaken the solid rank and file. Moreover, inside the CGIL, the left-wing trade union federation, the Communists have been at some pains to persuade the Socialists that working in with the Communists can be both profitable and agreeable. Signor Nenni, for his part, blows hot and cold on the hopes—and fears—that he may announce his independence from the Communists. His positive actions—such as his refusal after the elections to take up a communist offer of co-operation, and his denunciation of the execution of Mr Nagy—tend to alienate him from the Communists; his somewhat oracular utterances tend to preserve the link. Since he himself is believed to favour independence, and since he is a clever tactician, he presumably goes no further because he calculates he cannot safely do so.

CLEARLY Signor Nenni's chances of safely taking the Socialists right out of the communist camp depend on whether the alternative to a communist alliance can be made sufficiently attractive to the greater part of his party. Up to now it has not been. But if Signor Fanfani did succeed in getting the Christian Democrats genuinely committed to a progressive economic and social policy that met with the approval and support of the Social Democrats, the Nenni Socialists might feel that the future lay in participation in such an enterprise together with the Social Democrats, and not in continued sterile opposition hand in glove with the Communists. The time for this development may not yet be ripe. The immediate prospect may possibly be the mixture as before—government by the Christian Democrats either alone (as a minority government) or in alliance with one or more of the small lay centre parties. It will not be inspiring, but in the short term it need not be disastrous. If it continues too long, however, Italy may run the risk, not of a reversion to fascism, but of a popular front.

Professors under Pressure

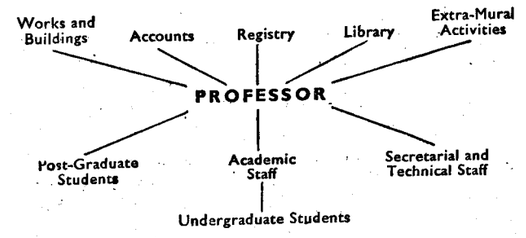
British professors are required to teach, expected to research, but forced to administer. A correspondent in this field suggests an important reform in university administration

A PREREQUISITE of success for the big programme of university expansion which lies ahead is that some urgent thought must be given to academic organisation. It is too easily assumed that all that is needed to provide more university education is more money, buildings and staff, as though these could be turned on like a tap. No large business organisation would subscribe to this idea, and it is not true of universities either. Some problems have emerged even for universities which are decentralised on the college principle, and for the departmentalised provincial universities they have become acute. In the science departments they are most acute of all.

The key units of organisation in provincial universities are the departments, headed by professors; and, unless there are reforms in the structure of command, the pressure of work on professors in expanding departments is soon going to reach breaking point. As an academic member of the university, the professor has undertaken to teach and examine students, and to promote the advancement of his subject by research. As head of his department, he must organise the teaching of his staff, take charge of technical staff (and sometimes of what almost amount to small industrial plants), supervise research, and help to run the university—where a great deal of committee work awaits him on matters arising from the registry, accounts, library, works and buildings and so on. On top of this, for the good of the university and his subject, he will be expected to give public lectures, serve on local committees, inquiries or royal commissions, help to run local societies, and at times appear on radio and television. A glance at the diagram opposite will show the typical activities of an average science professor.

Before the war the head of a science department could allocate a fair share of his time among all these activities, and still remain the pivot of the whole system. But as this system has broadened, administrative duties have steadily pulled professorial time away from teaching (in the broadest sense of the term) and from research. Research goes first; then contacts with staff and students have to be curtailed; then appearances in the lecture room must be cut; finally all that is seen of the professor is a hurried executive with a brief case flitting between committees. This cannot be otherwise when a department consists of 200 to 300 undergraduates, 20 to 30 academic staff and postgraduate students, 20 or more technical and office staff, an annual maintenance budget of perhaps £5,000 and a postal turnover of 4,000 to 5,000 items a year.

This is only the beginning of it. The government wants student numbers to rise to 136,000 from the present 97,000 by the mid-sixties. (The Association of University Teachers thinks they might rise by some ten thousand more.) Sir Keith Murray, the chairman of the University Grants Committee, has predicted that by the late sixties more than half of these students will be in institutions of over 5,000 members. This will mean that—even if more universities are built—the average department will become still larger. But it also means that over the next ten



years professors will have a greatly increased responsibility for dealing with new buildings—science blocks, research laboratories, lecture halls, halls of residence, and the development of "the campus" as a whole. More than £100 million has already been allocated for new buildings. But how quickly can this vast sum be converted into bricks and mortar? If there is not enough professorial time the building programme is bound to be slowed, however much money is made available. For a science building only the head of the department can determine the requirements; the architect must work constantly with him on the plans and supervision of the construction.

This clearly brings to a head the unsolved paradox of university organisation: that the professor is required to teach, expected to research, but forced to administer. University selection committees, true to the traditions of mediæval scholarship, still promote those with the most brilliant research records to the chairs. The ridiculous situation then arises that the more quickly a brilliant man gains a chair, which he might be expected to adorn with notable research achievements, and whence he might influence the intellectual tone of the university, the more quickly he will be sterilised in office work. Many professors—being intelligent men and often very good if reluctant administrators—have sought to save themselves from this fate by delegation. Technical staff and postgraduate students can be made responsible to senior lecturers rather than the professor, for example. But there are limits to this; and the point is now being reached at which it must be asked whether the traditional role of the professor as head of the department does not need reassessment. As the available work has more than filled the professor's available time, assistance is clearly necessary and expansion at the professorial level is obviously indicated. How should this be organised?

EVERY university department must have an administrative head, who by the nature of the task must be recruited from the academic body; but might not such a head of a large science department now be redesignated "chairman" of that department and relieved of the moral responsibility for teaching and research? This latter responsibility could then be carried firmly by the remaining professor(s), who would set an example for all staff and students. The title "professor" would then be retained to denote scholarship and research ability, and a system of promotion could be re-established which gives a brilliant man prestige and advancement without stopping his vital research activities.

It might be objected, seriously, that the chairman would in time tend to regard professors as subordinates; but this need not (and should not) happen if all salary scales are identical. Sometimes the chosen chairman might be a man particularly adept at administration; sometimes the chairmanship, if desired, might be rotated among the professors in any one department. (Professors already take turns at being dean of their faculty, on top of all their existing duties, so that the precedent already exists.) Surely, too, any head of a science department, however titled, faced with planning and equipping buildings costing up to £500,000, ought to be relieved of other duties until the development is complete?

Britain's new enlarged universities are going to require new organisational structures, both academic and administrative. Yet little thought appears to have been given to this vital aspect of university expansion. So far they have, like Topsy, "just growed," and the expansion from 50,000 students in 1939 to 97,000 in 1958 has been achieved by the unacknowledged and unrewarded labours of a silent band of key personnel from the professorate. Many from this small group now work twice as hard as before the war for a salary of two-thirds the purchasing power. Will they be prepared to work three times as hard by 1965 for a salary perhaps half the value of the 1939 rate for the job? If those responsible fail to face the issue of relating the university's function to its optimum size, and its organisation to its function, the expansion programme could be a flop. The worst flop and danger of all would be if the enlarged universities in fact ceased to be universities at all, either in terms of higher education or output of research.

NOTES OF THE WEEK

PARLIAMENTARY PRIVILEGE

Parliament on the Lupercal

THOSE who believe in the effectiveness of British democracy have this week been given the laugh on those who had grown cynical about it. It is no easy matter for any body of men to regard a proposed extension of their own privileges as anything other than a flattering and obviously desirable thing, and up to the end of the debate on the Strauss affair on Tuesday the great mass of Labour MPs unshakenly assumed that what was personally convenient for themselves must necessarily be good for the country. But this Parliament as a whole rose above the temptation ; and constitutional historians of the future will write long volumes about how this victory for self-restraint was won.

When the report of the committee of privileges on the Strauss case appeared on Monday of last week, most of the newspapers tucked it away on a back page and at first avoided comment ; there was a body of legal opinion which suggested that anybody who did adequately criticise the committee's very dangerous conclusions—as *The Economist* decided to do at the time—would himself be liable to proceedings for breach of parliamentary privilege. But, by the time our own article of last week appeared, the tide in favour of freedom of comment had already flowed freely past the barrier of legal uncertainty, and for two main reasons. One was the incursion into the correspondence columns of *The Times* by the chairman of the Bar Council and the president of the Law Society. Sir Hartley Shawcross was later to use this medium for an even more forthright expression of why the ordinary MP

> has no need of the protection of absolute privilege in the circumstances now under discussion. . . . The ordinary law of the land . . . will give him complete protection provided he acted honestly and without malice, even though stupidly and unreasonably. Can more be reasonably required ?

Secondly, and still more important, a ground swell of opinion against giving MPs' letters absolute privilege from libel actions had arisen in Parliament itself. The main heroes here were the Attorney-General, who on the committee of privileges itself had been "in a lonely minority of one" against the "right to defame," and, as chief Labour dissenter—in a sentimentally exciting return to a position of considerable influence on British history—Mr Herbert Morrison.

The Attorney comes to Judgment

AND so to Tuesday's debate itself. Mr Butler (speaking as chairman of the committee of privileges and leader of the House) defended the committee's views in an obviously uncomfortable speech, Mr Gaitskell defended them in a bluff speech, and Mr Strauss defended himself in a speech that will repay individual reading. On the other side of the argument, the Attorney-General made one of the very few orations in parliamentary history that can claim to have swung the balance in a division. He visibly shook some waverers with his robust reminder that "what this House decides today will not affect the law of the land as it is applied in the courts" ; he would "say without hesitation" that if the London Electricity Board continued with its writ against Mr Strauss—despite any punishments the House imposed on it for daring to do so—the courts would decide that the board had a perfect right to do so, whether its case for alleging libel proved well-founded or not. After that there was not much to say, but the House spent three and a half hours in saying it.

In the end 213 MPs still voted for the committee of privileges ; they were made up of 182 Labour MPs, 28 Conservatives (Mr Butler, Sir Edward Boyle, plus 26 mainly rather right wing backbenchers) and the three most senior Liberal MPs (what on earth were they doing in that lobby?). Against them, and carrying a majority of 5, were 218 MPs ; they were made up of 206 Conservatives (the great mass of Conservative backbenchers plus the Attorney-General, Mr Macleod, Sir David Eccles, Dr Hill and a sprinkling of other ministers), 11 Labour MPs (including Mr Morrison, Mr Shinwell, Sir Frank Soskice and some of Labour's younger backbenchers), plus the newest Liberal MP. It may be argued that not all the Conservative protesters against the committee would have cast their votes against the extension of privilege if the circumstances of the Strauss case had not particularly annoyed them ; it may be said that not all of the vital Labour rump might have supported them if the organisation which Mr Strauss had criticised had not been a nationalised board, and if the past struggle for leadership in the Labour party had been differently conducted. But these conjectures fade in importance beside the fact of the result itself. As the tellers approached the Speaker at the end of the debate, there was a loud cheer when the supporters of extended privilege were seen to be taking up their places on the side that signalled they were defeated. And that, for believers in equal rights before the law, was this Parliament's most singular moment of glory.

DISARMAMENT

Doves Becalmed

A SUSURRUS of scientists beside the Lake of Geneva, murmuring like doves on such immemorial themes as acoustics and seismology, has set this week's drowsy tone for four-power diplomacy. The Soviet ambassador in London has made a bid for the headlines usually reserved for the Loch Ness monster in the dog days by publicising anonymous letters, written in almost idiomatic American, about the imminent dropping of an atom bomb ; but he has failed to chill the perspiring citizenry's blood. Mr Khrushchev has fared no better. Only a few sleepy eyebrows were raised when, in this latest letter to Mr Eisenhower, he repeated last summer's Soviet proposals for inspection of zones in central Europe, Siberia and the United States, and suggested an expert study of the problem of precautions against surprise attack. Even the Polish press rather unkindly recalled that the western governments had been trying to interest Russia in this topic for a year or more. Spokesmen for those governments said that they were still very willing, but that it was odd that the Soviet plan still ignored the Arctic, the danger zone about which the Russians themselves made a great fuss as lately as April.

At first sight Mr Khrushchev's new move may seem puzzling. But, just like the Russians' backing and filling over the present Geneva talks, it presumably reflects an awareness of the unhappy impression made by the new Soviet tough line, and a desire to show willing in some sector—but without risking any too specific a commitment. Sweating away to hold the attention of the sleepy midsummer audience, Mr Khrushchev seems to be basing his act on that good old trouper's maxim : "Make 'em laugh ; make 'em cry ; make 'em wait."

His new proposal was also well timed to distract attention from the letters from Mr Eisenhower, Mr Macmillan and General de Gaulle which reached him the day before. The western leaders all asked for a reply to their proposals for pre-summit procedure made at the end of May. Mr Macmillan tartly remarked that Mr Khrushchev's previous letter showed that his aim was merely to hold a summit meeting, while the western aim was to negotiate a settlement. But it was General de Gaulle's letter that resounded most loudly in the summer stillness. The general declared roundly that disarmament was and must be the main subject of east-west discussion ; that partial measures would be discriminatory and unacceptable ; that there was no point in halting nuclear tests if stocks of weapons went on piling up ; and that the essential problem was that of creating an international control system capable of liquidating stocks and cutting off production of nuclear arms. Between the lines there emerged very clearly the French premier's intention of joining the atomic club at the first opportunity if the club as a whole is not quickly shut down. As Mr Dulles found when he visited the general at the weekend, the doves of Colombey can coo like lions.

SOVIET BLOCK

Mr Khrushchev's Travels

EARLY in the summer, Mr Khrushchev was very busy in Moscow. Apart from a number of domestic problems, he had Hungary and Jugoslavia—that is, the conformity and cohesion of the Soviet block—to deal with. The dry heat of the Soviet capital seems to have made him restless ; now he is on his travels again. In the past few weeks he seems to have been undecided where to go. When he informed Herr Raab, the Austrian Chancellor, that he would not be in Moscow on July 13th, the date originally proposed for Herr Raab's official visit to Russia, all kinds of rumours started to circulate about his plans. Some had him off to Peking, some to Warsaw to the Polish party congress. However, the Poles have shown no inclination to hold this congress—they would have to talk there, and to talk too much and too publicly is what they are not just now in a position to do. The east Germans, on the other hand, have no such inhibitions. Their congress started on July 10th, and this is where Mr Khrushchev has actually gone.

In his first speech, upon his arrival in Berlin on Tuesday, Mr Khrushchev remarked sadly that Jugoslavia lagged behind the industrial achievements of the other socialist countries ; he left it to be understood that this was the penalty of being out of step. Herr Ulbricht, for his part, took a shot at Bonn: the relations between Moscow and east Berlin should serve as an example for Germany as a whole, he said, in its relations with the Soviet Union. Later, at a luncheon given in Mr Khrushchev's honour, Marshal Malinovsky put in an appearance. Officially on holiday, the Soviet minister of defence may be supposed to have had more concrete reasons for his (apparently extended) visit to east Germany.

Mr Khrushchev himself had clearly more reasons for coming to Berlin than the search for a platform against Marshal Tito. He will not spend too much of his time listening to the speeches at the Socialist Unity party congress ; very little is likely to be said there that is new to him. No doubt his visit to Berlin is an expression of support for Herr Ulbricht and the German Democratic Republic against Bonn, as always. On this occasion it is probably aimed at the Poles as well ; here is yet another move that adds to the discomfort of their position. Finally, east Germany, like Czechoslovakia, has become an important industrial pillar of the economy of the Soviet block. Communist planners continue to lay emphasis on getting a higher degree of industrial specialisation among the countries within their control ; indeed, the system of economic planning of the block generally, as well as of its member countries, has been undergoing reorganisation to that end. This gives Mr Khrushchev and Herr Ulbricht much to discuss.

TRANSPORT WORKERS

After Buses, Docks?

WITH Mr Cousins laid up in bed, following an accident to his back incurred while cultivating his garden, the other executives of the Transport and General Workers Union are having a busy time. The union is still negotiating on the London country busmen's pay, and has now called in Sir Wilfred Neden, the chief industrial commissioner at the Ministry of Labour, to help in conciliation. It is certainly to be hoped—and expected—that when Sir Wilfred meets the union on Friday, official "conciliation" will not in this case mean pressure on London Transport to give away a single penny more. Even more important, however, is the possibility that the TGWU may soon be involved in a national dock strike.

This year's claim for a wage increase for the country's 100,000 dockers has twice been rejected by the employers ; fresh talks on the claim, conducted in the past fortnight through another senior Ministry of Labour official, Mr Claro, have now broken down. Mr O'Leary, the normally moderate leader of the dockers' section of the TGWU, has said that he will not accept arbitration ; and a meeting of dockers' delegates is to be held, either next week or the week after, to decide what the union's next step should be. These dockers' delegates, although most of them are not as far to the left as those who organised the recent unofficial dock strike in London, are likely to be considerably to the left of Mr O'Leary ; if he is not willing to go to arbitration,

they would in the normal course be expected to be eager to call a strike.

Yet, if the dock claim did go to arbitration, most people assume that the dockers would probably get an award somewhere around this year's now "customary" 3 or 4 per cent standard—or else a pensions scheme in lieu. Why, then, is Mr O'Leary playing with fire by calling this delegates' meeting? He cannot be very eager to see a national dock strike—which would be a much more serious affair than the bus stoppage, and would force the Government to send troops to unload the ships—just after the TGWU has been so much in the public eye and has lost so much money in busmen's strike pay. One possible explanation is that the TGWU remembers that it called the bus strike *after* an arbitration award had been announced, and then looked pretty silly when the strike did not get that award very greatly extended. If the union threatens a strike in the docks before any award is made, and if a 3 or 4 per cent offer comes along (through conciliation or some other means) before the threat is actually translated into action, then that might be presented to the men as a victory; and peace might be made the more easily if the militants had a warm glowing belief that they were reaping the fruits of threatened militancy rather than the (exactly similar) fruits of "Government-rigged" arbitration. But it would be a pretty Gilbertian tactic to hurry forward a threat of strike, in order to be able to withdraw it more quickly and smoothly later. Mr Cousins's empire nowadays certainly moves in a mysterious way.

A Report with Meat in it

To add further to the troubles of the Transport and General Workers Union, the Jack committee of investigation's report on the recent strike at Smithfield is a blisteringly frank document. This nine-week-long strike—which was started by 1,700 meat drivers, spread from them to Smithfield as a whole, and then to the docks (where 334,000 man days were lost in all)—now proves to have brought the men precisely nothing. They are merely told to proceed with their claim through the industry's constitutional procedure, of which the strike itself is described as "a flagrant violation." The committee goes on to say that the union officials "lacked proper vigour" in trying to get the men back to work and "did not adequately disapprove of the irregular behaviour of their members."

This gets as near to the truth of the matter as an official report ever can. For the real truth is that, for many weeks of the strike at least, the local officials did not disapprove of the strike at all. On the contrary, they gave the strikers all the tacit encouragement they could and let them use the union offices as their headquarters; they also did nothing to stop the spread of the stoppage to the docks, to the discomfort of the union officials there who were trying to get their men back to work. The explanation of this strange split in the TGWU is that the Smithfield meat market is part of a private industrial empire of a small band of market organisers; their entrenched power enables them to pay little attention to the advice of their senior union leaders and to block all attempts to remove a few of the many restrictive practices for which Smithfield is notorious. This time, however, they have signally failed to bring back the bacon, and the meat men's claim is back just where it was in April, to be settled between the unions and employers or by reference to the Minister of Labour. The whole question of the causes of industrial unrest in the market is now to be investigated by another committee set up by Mr Macleod, headed this time by Mr Wilson, QC. His report is likely to cause the meat men's organisers more embarrassment still.

THE MEDITERRANEAN

Dissidents Together

The meetings at Brioni this week between Marshal Tito and President Nasser and between the Jugoslav, Egyptian and Greek foreign ministers, must have been a useful occasion for all three countries privately to air their grievances—about Cyprus, Lebanon, the truculence of Turks and the unreliability of Russians—and publicly to demonstrate their independence of either great power block. Jugoslavia and Egypt have each, in different ways, been mishandled by either the eastern or the western block; at present Marshal Tito certainly, and President Nasser quite possibly, are feeling that while all blocks are bad, the eastern is more bad than the western. President Nasser is believed to have found his recent trip to Moscow a rather disillusioning experience and to be suspicious of Russian intentions in the Middle East (though this does not diminish his suspicions of western intentions in the Lebanon), Marshal Tito's reasons for disillusion with Russia are well known. They have apparently provoked in him a desire to stir up the neutrals to assert, as it were, their neutrality. This may be a comforting exercise for the participants; it is hard to see what practical effect it can have.

Greece, whose foreign minister made a last-minute decision to join the Brioni talks, still belongs to the western block, but its attachment is being strained by bitterness over Cyprus. There is no reason to doubt Mr Averoff's assurances that Greece has no intention of leaving Nato. But at Brioni he would have found sympathetic friends. In domestic politics, too, Mr Averoff's visit must have been useful; it gave him a chance to demonstrate that Greece is independent, and is not, as his Opposition alleges, being led by the nose by the western powers. Finally, since Turkey apparently intends to whip up the support of its friends (the Muslim members of the Baghdad Pact) for the Turkish case on Cyprus at a meeting at Istanbul next week, Greece may have been anxious to seize an opportunity to put its case to its own friends. The Egyptians and the Jugoslavs are already converted to the Greek point of view on Cyprus; their sympathy brings no new factor to Greece's aid.

LEBANON

The Inconstant Crisis

The first report of the United Nations observation group in Lebanon brought scoffs and howls from the Lebanese government and some comfort to the opposition. The observers recognised that the amount of infiltration of men and arms from Syria could not be easily determined, because Syrians and Lebanese alike have for years ignored the frontier that was supposed to separate them. The observers found that border farmers and villagers were in the habit of crossing the line freely, bearing arms.

The American Sixth Fleet has sailed away; some British ships, too, have left the eastern Mediterranean. The

Foreign Office and the Department of State maintain their correct attitude towards the lawful government of Lebanon. President Nasser is on the Dalmatian coast, enjoying wider horizons. In Lebanon, however, no desire for any kind of settlement is evident in any quarter. The opposition threatens to adopt new tactics and to boycott the parliamentary session called for July 24th to elect a president. Their boycott need not affect the election, but it could prolong the crisis. Before the insurrection there were less than a dozen opposition members among the 66 deputies; President Chamoun had seen to this in last summer's elections, though the opposition may have gained recently.

Perhaps the healthiest development so far in the whole Lebanese crisis is that both the friends and the enemies of the Lebanese government appear to have grown tired of trying to sort out the mess without any help from the Lebanese themselves. By now the government should realise that its friends believe the original cry for help to have contained a large element of crying "wolf," and that help from the west will be no more massive than that which the opposition has received from outside. On the other hand the opposition may be coming to realise that President Nasser is not going to get seriously involved with the western powers over the Lebanese question. President Chamoun, on July 8th, finally said himself what only the prime minister has said so far—that he definitely intends to give up the presidency in September. Had this statement been made two months ago there would not even have been an internal crisis, nor would the strife which brought the world to the brink of war ever have developed. The responsibility for peace in Lebanon has fallen back into its proper place. It is only the Lebanese who can save themselves.

NATIONAL INSURANCE

More on the Cards?

The Beveridge tenth birthday celebrations continued this week with a debate in the Commons on Monday on national insurance. Inevitably, on a supply day, members' speeches ranged wide, but the most urgent points raised were retirement pensions and the level of contributions.

Ten years ago, although it was not foreseen how inflation would eat into the Beveridge principle of benefits adequate for subsistence, it was also not foreseen how occupational pension schemes would proliferate, so that they now cover about a third of all workers. The right course is obviously to expand them further, and thus make the level of the state retirement pension increasingly less important. Labour's solution is to start a national superannuation scheme, related to earnings, to cover everybody outside the private schemes and to which all rights under private schemes would be transferable. Unfortunately, Mr Boyd-Carpenter could not give the Government's own proposals because the rules of a supply debate preclude discussion of forthcoming legislation. But both he and Sir Keith Joseph pointed out the fundamental weakness of Labour's scheme: that the surplus which Mr Crossman's mathematicians say that their fund would pile up would not be a real net addition to savings, because many of the savings garnered through private superannuation schemes would be bound to fall off correspondingly.

Ministerial reticence does not mean that the Government has no alternative plan in mind. The national insurance scheme has now gone into deficit, and a sum of £14 million has been put in this year's civil estimates to cover it. But Mr Boyd-Carpenter said that it was undesirable that the scheme should come to be financed more and more out of taxation. Does he therefore envisage national insurance contributions related to earnings—not to produce a surplus for funding but simply to wipe out each year's deficit? Presumably national insurance benefits would still be payable at a flat rate, and the Government would rely on encouraging a further extension of private pension schemes—and on making them fully transferable—to provide retirement incomes commensurate with previous earnings. Such a policy would leave a large section of the population still dependent on a mixture of national insurance pension and national assistance in their old age. But it is more immediately realistic than Labour's.

TRADE UNION CONFERENCES

Coal and Rail

Of the two major unions which are holding their annual conferences this week, it is the National Union of Mineworkers and not the National Union of Railwaymen which has made all the headlines so far. The miners' delegates at Porthcawl are breathing fire over the recent rejection of their pay claim (although they were awarded a national sick pay scheme instead) and are intent on looking for scapegoats. They have found one in the Government, which is blamed for interfering in the fixing of coal prices and for tampering with the arbitration machinery; and another in the Coal Board, for producing too much small coal and for "giving away" the export market. With the approval of their executive, they have decided to put in a new wage claim immediately. They have also voted, this time against the advice of the executive, to withdraw from the existing machinery for compulsory arbitration in the industry, so as to be free to use the threat of a national strike if their claim is again turned down.

Fortunately, much of this can be taken at less than face value. For a start, nearly every conference includes a resolution that the union should press for higher wages, either at once or at a time when the executive sees fit. The miners' claim will go in at once, but it seems unlikely to reach its crunch until near the beginning of next year's round of wage increases, if there is one. As the miners got no increase this year, they might be expected to be near the head of any queue next time. Secondly, a good deal of the militancy in the speeches (such as the suggestion made by Mr Paynter, the South Wales communist, that the miners, railwaymen and transport workers should form a triple alliance against the Government's economic policy) can be put down to the desire of rival candidates to make their mark before the coming union elections. The first of these miners' elections will take place in the autumn and will be for the post of general secretary, which is at present occupied by Mr Horner (a rare bird, who is a communist in his politics but has not generally seemed a follower of communist tactics in his conduct of industrial bargaining); the second election, which will be held in 1959, is for the presidency. The struggle for these offices is much in the minds of the delegates at present; it is also much in the mind of the British Communist party.

The other conference, that of the National Union of

Railwaymen, has been a personal triumph for Mr Greene, the new general secretary. Very boldly and sensibly, he told his delegates that he was concerned with making railways efficient, and added that he would prefer to see half as many railway workers properly paid than twice the number badly paid. A motion criticising his handling of the annual wage claim was heavily defeated, and he will now negotiate with Sir Brian Robertson over the railwaymen's autumn pay review with a free hand.

TRIBUNALS AND INQUIRIES BILL

Bloodhound or Poodle?

THE most heartening feature of the second reading debate on the Tribunals and Inquiries Bill last week was that both parties quite unjustifiably claimed paternity of it; this was one sign—the much more thrilling Strauss privilege debate this week was another—that what Mr Butler called the "protection of the individual against the arbitrary exercise of the growing powers of the state" has quite suddenly become politically respectable. But suspicious scrutiny is still needed of the limitations to be laid on the new council on tribunals and inquiries, the establishment of which was advertised by government spokesmen as the most important of the bill's provisions. This council, it is now revealed, will be the part-time occupation of a small group of busy and distinguished people, with the chairman working perhaps half-time on it. It is not going to have the power to formulate rules for the conduct of tribunals and inquiries, as the Franks committee recommended; instead it will "make recommendations," and attract publicity by presenting an annual report to Parliament.

In examining problems connected with formal tribunals (with the working of which—except in a few details—the Franks Committee was already reasonably satisfied) the council will have a pretty free hand. Maximum liberalism here is now the order of the day; for example, a new amendment is duly to be introduced into the bill laying down that most tribunals will henceforth have to publish full reasons for their decisions. But over the more important question of ordinary administrative inquiries and procedures civil servants have clearly tried to keep a much tighter shutter.

Originally, the bill would have allowed the council to give advice on matters connected with these administrative procedures only when the Lord Chancellor asked it to. Now, under pressure, the Government has introduced an amendment which will enable the council, on its own initiative, to look into "particular matters" of special importance. Nobody quite understands what this means, but Mr Butler last week attempted an explanation:

> In our autumn debate the council was called a watchdog, and it is now to snuffle like a bloodhound, but it will only do it when the scent is so strong that it has given wide and ranging offence. The matters of special importance . . . will be cases where some shocking matter of a procedural character occurs.

This definition leaves a great deal in the air. The success or failure of this measure now seems more likely to depend on how this busy council interprets its own function after it has been set up, rather than on what politicians say about the bill's rather vague wording now. The public's hope must be that the council will act as an available sounding board for anybody who feels that he has a just complaint: that what Manchester must have been made to feel about cemeteries now the whole tribe of officialdom should feel tomorrow; that any central or local official, when making a decision that may be deemed to offend against either the strict law of the land or the principles of natural justice, may be given constant pause by a nightmare vision of the bloodhound baying at him out of the night. What officialdom would like, by contrast, is that the animal should be mainly the Lord Chancellor's poodle.

EAST GERMANY

Helicopter Hostages

ON May 29th a light Belgian aircraft accidentally crossed the east German frontier near Lübeck and was forced to land by Soviet Mig fighters. Nine days later an American army helicopter also strayed over the zonal border and came down on an east German road near Frankenburg. The Belgian pilot and his aircraft have both returned home. The American helicopter with its crew of nine are still held in east Germany.

The reason is simple. The Belgian government, encouraged by a remark of Mr Dulles to the effect that America would not stand on ceremony when it came to getting American citizens out, sent the head of its military mission in Berlin to the east German foreign office, where he signed a formal protocol for the release of the Belgian pilot. The American, however, merely sent an officer of their military mission with the Soviet high command to negotiate first with the Russians and then with the east Germans for the men's release. They have been anxious to avoid any formal political move that might be construed as an admission on their part that an east German state exists. The east Germans are hanging on to the nine airmen until they can oblige the American authorities to negotiate, as government to government, for their release.

The Belgian action, it appears, has not been very popular in Bonn; and a protest ("more in sorrow than in anger," according to an official source in Bonn) has been made by the west German ambassador in Brussels against this breach in the wall of western aloofness round the east German regime. The Bonn government is upset that it was not consulted by the Belgians before they talked to east Berlin; and it is particularly disturbed by the use in the Belgian protocol of the sinful phrase "German Democratic Republic"—not just once, but several times. At west German request, the French ambassador in Brussels joined in these representations, but the British and Americans sensibly refused. The Belgian government, after all, has not accorded the east German regime diplomatic recognition or anything of the kind. It has merely abandoned a dogmatic pretence, accepting the fact that for practical purposes western governments must have some sort of relationship with the government in east Berlin.

WEST GERMANY

Backing for Dr Adenauer

IN the Land elections held last Sunday in North Rhine-Westphalia, a third of the west German electorate has endorsed the backing it gave to Dr Adenauer in September. The Christian Democratic Union won 52 per cent of the votes, compared with 41 per cent in the Land elections four years ago and 54 per cent in the last federal elections; thus it becomes the first party to attain a clear majority in the Diet at Düsseldorf. Hitherto North Rhine-Westphalia, the industrial heart of Germany, has been governed by coalitions, first a "big" coalition in which the Social Democrats were included; then, after 1954, by an alliance of socialists and Free Democrats. Now it has fallen into line with the political pattern of Bonn. One more streak of regiona difference has gone.

The Christian Democrats have made their advance at the expense of the smaller parties. The Centre and refugee parties have both been almost wiped out. The Free Democrat vote has dropped since 1954 from 11 to 7 per cent, a poor showing in an area that has produced the party's bright young men. The Social Democrats, too, have won

The Punjab Water Dispute

FRESH recriminations provided an unpromising background to the talks that opened this week at the Commonwealth Relations Office between representatives of India, Pakistan and the World Bank. Between April and June, severe droughts in the Punjab led the Pakistanis to accuse India of ruining large tracts of their country by withholding irrigation water. Mr Nehru's rebuttal, and his explanation that the Indian half of the Punjab had been hard hit too, were accompanied by a warning that India plans to have its great Bhakra dam, its Rajasthan canal and enlarged Sirhind canal system in operation by 1962, and that Pakistan cannot depend on any deliveries of irrigation water from India after that date.

Next to Kashmir, the Punjab water dispute has been the worst dispute between India and Pakistan since 1947. In the undivided Punjab under British rule, 26 million arid acres were brought under irrigation—four times the area irrigated from the Nile—by thirteen complex canal systems. (Only a few major canals are shown on the map.) Ten of these systems, using 88 per cent of the irrigation water, fell on the Pakistan side of the frontier at partition, and nearly all of them depend on rivers flowing from India or from Indian-held Kashmir.

As early as April 1948, Pakistani fears were inflamed when India suddenly cut off water from the Dipalpur and Central Bari Doab systems. A local agreement on these canals was reached on May 4, 1948, but the broader problem remained unresolved despite intermittent discussion. In 1951 both governments accepted the good offices of the World Bank.

At first the Bank canvassed Mr David Lilienthal's proposal for joint exploitation of the Punjab waters on TVA lines; but it found this politically unrealistic. In February 1954 the Bank proposed that:

1. Ultimately, Pakistan should have the exclusive use of the waters of the three western rivers (Indus, Jhelum, Chenab), and India those of the three eastern rivers (Ravi, Beas, Sutlej).

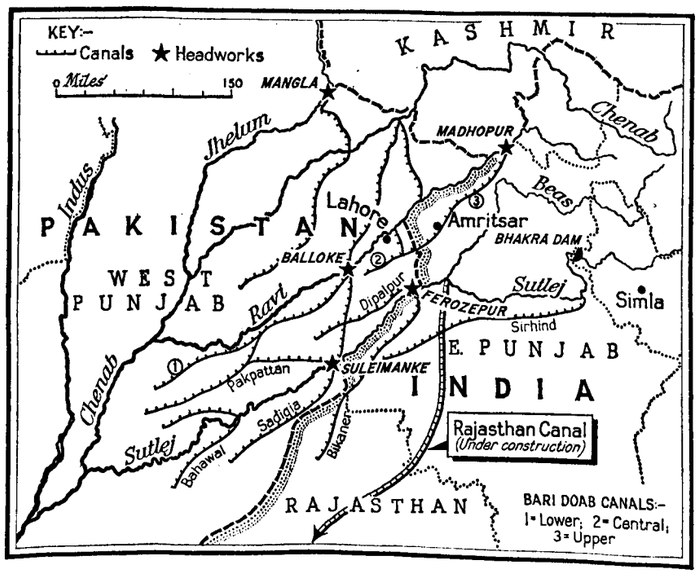
2. This division should take effect after a transitional period, estimated at about five years, during which link canals would be built to bring surplus-flow water from the western rivers across to the Pakistani areas that now depend on the eastern rivers.

3. India could progressively reduce deliveries to Pakistan as replacement water from these link canals became available.

4. India would pay for the building of the link canals.

India accepted the 1954 proposals in principle, but Pakistan expressed doubts about the adequacy of the link canals and the time required to build them. After further discussion, the Bank adjusted its proposals by an aide-memoire in May 1956. Its experts reported that link canals alone could not free Pakistan from severe winter shortages, and advised that more reservoirs on the western rivers would therefore have to be built too. This time Pakistan was agreeable, but India jibbed—largely because the bill for link canals and reservoirs was by then reckoned at over a billion dollars.

The Bank's continuing efforts have brought the parties closer together in some respects. Pakistan is now reported to have pruned its programme down to $700 million. But India has only offered $150 million, and is aggrieved by the Pakistanis' delay in paying normal water charges and by their slowness in building the link canals. (Since 1955 Pakistan has been transferring some Chenab water southward through the link canals shown on the map, but to bring Indus water across is a much costlier business). Indians argue that they cannot delay their big Bhakra and Rajasthan schemes, which are vital to their food production plans. Pakistanis point to the Pakpattan, Sadiqia and Dipalpur canals which have been almost dry in recent weeks, ask how much worse they will fare when India's new schemes are in full operation, speculate darkly about Indian plans for tapping the Chenab up in the Kashmir mountains, and periodically suggest arbitration or recourse to the International Court—suggestions which India has rejected, although it also argues that Pakistan has no legal right to water deliveries at all. The World Bank's task is a difficult one; but, in urging reasonableness upon both parties, it can wield one useful weapon. Both India and Pakistan sorely need foreign aid for their irrigation plans and other development.



votes from the smaller parties. But their gain of 6 per cent of the poll since the general election leaves them with only 40 per cent of the total vote.

This, the first major political trial of strength in Germany since the general elections of last autumn, was mainly fought on national (or international) issues. Influenced, perhaps, by the ugly turn of events in eastern Europe, the electors have rejected the socialist appeal to make the election a sort of referendum against the arming of German troops with atomic weapons. Their rejection will add to the perplexity of the Social Democrats, who watch in impotence as west German politics edge nearer to a two-party system in which, as they have begun to fear, one side is entrenched to all appearances permanently in power.

FASCISTS

Black Mischief?

WHERE are the Fascists of yesteryear? Last Sunday afternoon Sir Oswald Mosley spoke to a rather morose driblet of followers in Trafalgar Square, relatively unmolested by hecklers, and then swiftly disappeared, nonchalantly unwilling to prolong the embarrassment of such a minute "national" meeting. His little meeting was, according to a constable's comment, "pretty tame," and his tone comparatively moderate. Yet the question came to mind: what do the Mosleyites do nowadays? The original British Union of Fascists disappeared in 1940; broadly the same fish turned up in an only slightly different kettle when the new "Union Movement," as the Mosleyites now call themselves, was formed in 1948. Their main platform, at first sight surprisingly, is a United Europe—"we are regionalists not nationalists nowadays," their spokesman insists. They visualise a United Europe as interposing a third force between the Americans and Russians; anti-Americanism has become an appropriate fascist emotion in Britain now that anti-communism is conventional enough to be tame.

The movement's fortnightly newspaper "Action" and monthly "The European" propound their new approach. The Mosleyites also organise public meetings (particularly, recently, against the Rent Act) and like to hold demonstrations in places where extreme left wingers may also congregate and perhaps cause a fight. The desire to bash and be bashed has always been an important emotion with fascists, both for its own sake and as a means of attracting publicity. In this they differ sharply from the League of Empire Loyalists—with whom, however, they share the policies of wanting to "keep Britain white" and to support white settlers in Africa; the League's much more sophisticated way of attracting publicity is to eschew force and to try to tickle the British sense of humour (sometimes, as with last week's gatecrashing bishops at the Lambeth conference, quite successfully). The Mosleyites also present candidates in a few local elections, polling as much as 11 per cent of the poll in Stepney recently (mostly, obviously, on the local anti-semitic vote).

The movement's total membership is kept secret, a sure sign that it is small. It comprises "a fair cross-section" says their spokesman, "some of the old-timers and some youth." According to a booklet published this week by Mr Noël Symington* (an avowed fascist), they have two factions. He speaks of a predominantly Irish anti-semitic right-wing; but he himself (in accord with the official party line) is more tepid, offering to recognise the State of Israel and extend the hand of friendship to the Jews as an ally in the fight against "Asiatic Communism." Towards communism, he thinks, parliamentary democracy is a "halfway house." We have been here before.

* Return to Responsibility: A New Concept of the Case for Fascism in the Postwar World. *Earlibra.* 85 pages.

FINLAND

Depression in Politics

MODERATE men in other democracies should take warning from this week's voting in Finland. In that level-headed country political shifts are never spectacular, but this time there has been a marked swing away from the centre towards both extremes. The Communists gained seven seats and will now hold exactly a quarter of the 200 seats in the Diet. The conservative Unionists, who had held only 24 seats, may now end up with 30 when postal votes have been counted. Among the parties of moderation, the Agrarians' 53 seats were reduced to 48, the Social Democrats' 54 to 50 (and the postal votes may cost each of these parties another seat), the Liberals' 13 to 7.

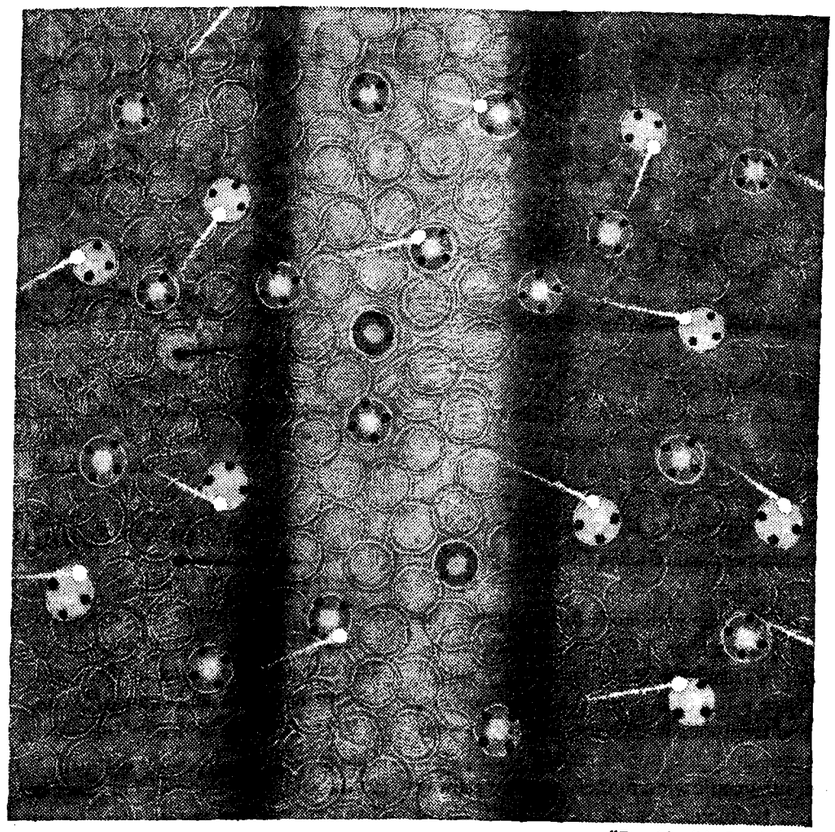
Some disgruntled voters were evidently tired of the moderate parties' endless bickering, which has produced a whole series of cabinet crises and political vacuums. Others laid at their door responsibility for the economic troubles that have afflicted the country all the more sharply since it began to feel the impact of world recession. Things may not be as desperate as they were a year ago, when the treasury was so empty that the government could not even pay its own employees; but labour disputes continue, a disturbing amount of unemployment has reappeared, and the old farmer-labour feud over farm support prices has become newly embittered after Finland's failure to place its butter in Britain and similar markets.

The Social Democrats' reverse partly reflects last year's secession of the Skog group, which favours co-operation with the Communists (and which has now won three Diet seats). The Agrarians' disappointment is more interesting to analyse. They had counted on profiting from the claims of their old leader, Mr Kekkonen, who is now president of the republic, to be "the man who can do business with Russia." On the eve of the elections, the president returned from Moscow with promises of rouble credits and the reopening of the Saimaa Canal, and Russia agreed to take 12,000 tons of Finnish butter in exchange for wheat. Sceptics pointed out that Finland already has an uncomfortable surplus of roubles, that it cannot afford to put the canal back into working order, and that it will have to reexport the Soviet wheat; but the Agrarians evidently thought they had pulled off a well-timed piece of politicking. In the event, however, the electoral dividend seems to have gone to the Communists. There is a lesson here.

EUROPEAN AGRICULTURE

Six Alone

THE peasants of western Europe got a pretty generous deal in the treaty setting up the European economic community. It provides not for free trade in farm products but for a new system of preferences in the markets of the



"Transistors" by Roy Nockolds

Gazing into the crystal

Modern crystal gazers can now foretell the future with some accuracy—if the crystals into which they are gazing are those of germanium or silicon.

These two substances—known as semiconductors—are the basis of Electronics' newest and perhaps most significant development—the transistor.

This device, which fulfils a similar function to a radio valve, is beginning to revolutionise electronics in many of its applications. Unlike the valve, the transistor needs no filament and operates at very low voltages and currents. Another advantage is its minute size—in some cases no larger than the head of a match. The transistor, in a variety of forms, is already being used in hearing aids, computers, instruments for nuclear power stations, portable radios and record players, and future applications will include radar, submarine telephone repeaters, and V.H.F. mobile radio.

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MPS42G

Two thousand families make this a family business

By Trevor Philpott, Sunday Times reporter

"CONSETT," the blast-furnaceman said over a pint in the Wheatsheaf, " is the 'plate-ends.' Further on there's nothing. Only the moors."

The stranger from the softer South is bound to be asking himself at first, " What makes people live here, fifteen steep miles from Newcastle, a thousand feet up on this windy hillside ? What makes them stay ? And if they leave, why do they nearly always come back ? "

For that is what happens. Once a Consett man, they say, always a Consett man.

The town has grown up with steel. In 1840, when the sheep were still grazing over these hills, over the finest coking coal for hundreds of miles, Consett was a village of 195 souls. Now it has over seven thousand workers, and a production target of a million tons for 1958 : steel plates four inches thick for atomic reactor shells, steel for the walls of supersonic wind tunnels, steel for railway wagons, boilers, bedplates, storage tanks; steel, above all, for the busy shipyards of the North-East coast.

Consett and its Iron Company have grown and prospered together. Grandfather, father, son and grandson, feel they have places there; so do uncles and cousins, daughters and daughters-in-law. It is a family business. And over two thousand families are in it.

The McCrory family is one of them. Tony, a sixteen-year-old boy labourer, stood on one of the steel plates and tried to remember how many relatives he had in the steelworks. " Do you mean all of them ? Well there's Dad, up the Blast. And my brothers, Hughie on the Bessemer, Herbert in the fitting shop, John driving a crane, not counting Jimmy who's called up now, but will soon be back in the New Mill. Then I've got cousins and brothers-in-law, uncles – well, there were sixteen in my family you know, not counting Dad and Mam."

"I'd be lost"

John Moss, shift manager in the melting shop, stood beside one of his open-hearth furnaces and said with quiet pride, "Ay. It's a good job I've got and everybody here knows I worked hard enough to get it : progressively labourer, fourth hand, third hand, second hand . . . all the way through. Nobody's envious, everybody knows me. I'd be lost if I had to leave Consett. Dad was a first-hand melter here. Old George Moss, my grandfather, used to work on the furnaces when they fed 'em with hand charges, twenty-five tons at a time pushed in through the front door. Now we've got 150-ton furnaces and electrically-controlled casting cars and we get 20,000 tons a week."

Nobody lonely

In the plate mill, Kenneth Hambleton was acting as assistant foreman. " My father worked the shears in this mill. And my grandfather worked here too. I've got six brothers and two sisters in the works, and Lord knows how many uncles and cousins."

" There's not a lonely person in Consett," said Hedley White, the shift foreman. " I've been lonely in the middle of London, but never here. In a big works like this, growing so fast, there's a job for every kind of chap. Some go away for experience and a few have itchy feet for a while, but they all seem to settle here eventually. On this shift I've got chaps who've been brought here by the local girls. The girls don't like going away either."

In the choirs, the sports teams, the dramatic groups, the young folks' and old folks' clubs that thrive in this isolated town, the people can play, as they work, amongst friends with whom the ties are generations strong. "And before you go," Hedley White went on, " take a look at some of this country around here . . . within a few minutes' walk of the works. We've got some jolly good cricketers and golfers amongst our lads – you'll see why."

The cricket ground, levelled out of the hillside and, still higher, the golf course, hung like two fantastic verandahs looking over one of the loveliest valleys in Britain. Beyond it, the hills are heaped faintly on the horizon all the way to the border.

Hidden on the other flank of the same hill are the tangled silhouettes of a steelworks, growing still, which provides this exposed working town with a security and warmth which many a spa and showplace will never have.

This personal report was invited by the British Iron & Steel Federation, which believes that everyone in Britain should know the facts about steel and the men who make it.

six member countries. The treaty sets out not only to increase the farmer's productivity but to increase his earnings, " stabilise markets," " guarantee regular supplies " and " ensure regular supplies to the consumer "—a pretty ambiguous series of aims. It provides for a common managed agricultural policy and the gradual establishment of a common minimum price floor for many products within a market sheltered from the outside world.

Just how protectionist the whole set-up will be in the end will not be clear for some years. A long battle has still to be fought between the interests of the peasant on tiny uneconomic farms and those of the consumer who wants cheap food, between the European producers of expensive wheat and the people who want cheap wheat from overseas. But by January, 1960, the executive commission of the community is supposed to work out proposals for the common agricultural policy. This week a six-power conference at Stresa has begun the study of the facts and issues.

Opening the conference, Herr Hallstein, the president of the commission, made it very plain that in any association with the rest of western Europe, the six expect an arrangement to be made for agriculture as well as for industry. The point is generally accepted now by the countries that have been trying to set up a free trade area. Farmers everywhere in Europe, except for the unfortunate Danes, have begun to realise that they will not have much difficulty in agreeing on protective arrangements that will suit them all. Talks on an agricultural policy for the free trade area of seventeen countries, however, have been handicapped by the fact that the six have not yet decided theirs. It is disquieting that in their first efforts to do so they have shown little interest in the problems of countries outside. A Danish request to send observers to the Stresa meeting was turned down.

INDONESIA

Ariadne's Rival Threads

THE traveller in Indonesia's political labyrinth is liable to find two apparently golden threads waiting to be clutched. They lead in opposite directions and there is no guarantee that either will bring him to Ariadne. One, in fact, is held by President Sukarno and the other by Dr. Sjaruddin and his rebel administration. Dr Sukarno's spokesmen claim the fall of Menado, which had lately been the rebels' " capital " in north Celebes, at an insignificant cost in government casualties. This, says the Indonesian foreign ministry, marks the end of the " ill-advised and unnecessary rebellion." Now the reconstruction projects that had been held up by the fighting are to go forward.



A rebel statement, on the other hand, describes the claim that the rebellion is over as " ridiculous, wishful thinking, and illusory." The central government's forces are said to have lost hundreds killed, Menado to have changed hands several times, and the rebel forces to be re-entering the city at will, especially at night ; Jakarta's forces are said to be strung out thinly between Kema and Airmadidih, and their advances are attributed to continuous air support. In private, rebel Indonesians say that the struggle will go on, shifting from Celebes to Sumatra as the need arises until the bankruptcy of the central government is complete.

These claims are probably less fanciful than they sound, for the brisk confidence of Jakarta's statements is often belied by notes of frustration. The army chief of staff, Major-General Nasution, is quoted as saying that he thought the rebel leaders were unwilling to surrender and that it was therefore useless to ask them to do so. The prime minister, Dr Djuanda, reporting to parliament on July 4th, said that the rebellion had already cost £100 million in foreign exchange.

On balance, it seems probable that the rebels' capacity to damage the economy is intact ; their capacity to increase their own reserves, on the other hand, must be gravely impaired. A negotiated settlement seems unlikely so long as the rebels feel they have a chance to bring the central government, financially speaking, to its knees.

The Economist

JULY 10, 1858

LEARNING FOR LADIES

THE ENGLISH WOMAN'S JOURNAL. No. V. March to July, 1858. Office, 14A Princes Street, Cavendish Square.

¶ We have from time to time called our readers' attention to the " English Woman's Journal." It is a clever and thoughtful periodical, conducted principally by a few ladies of active minds, yearning after fuller exercise for their powers, and a wider field of employment for their sex than is permitted by the existing usages of society in this and most other countries. The subjects of which it treats are such as may be supposed especially interesting to that portion of the fairer half of humankind which really feels itself cramped and suffocated within the narrow limits assigned for their sphere of action. How large they believe that portion to be, the conductors of this magazine do not inform us; nor do they sufficiently recognise the general opinion, which considers the discontented among women to be very few, and those few of character and position so entirely exceptional that it would be absurd to undertake any alteration of social laws and customs merely for their sake. Nor is the Journal quite consistent with itself in its estimate either of female powers or of the severity of the struggle of professional life in which it would have women allowed to engage. We do not undertake to offer an opinion on the correctness of its views on either point. But we must remark that when we find advocates of the admission of ladies to one, at least, of the learned professions complaining of the present system of female education as overtasking the mind, we are inclined to doubt whether they have any idea of the intensity of the labour expended in the education of those men who aspire to professional eminence. The education of boys at our public schools, and of young men at our colleges, is notoriously infinitely more severe, both in point of application and in the nature of the subjects, than any which young ladies are expected to undergo; and if the latter be found too severe for the less robust if more refined powers of womanhood, how terribly would " the female mind " be overtasked if obliged to go through the severer routine of a classical or mathematical education and a professional training? We will not presume to say which of the two claims—that for less educational toil, or for more professional openings—is the more reasonable; it is clear that they are inconsistent with one another.

LETTERS

Food Prices

SIR—In your issue of July 5th you state that the biggest single element in the rise of the cost of living in the past year up to last April has been the rise in food prices and, among other foods, you draw attention to potatoes. You add: "It is not a coincidence that all of these are commodities which are covered in large part by producers' marketing boards."

Surely *The Economist* should applaud what has happened on potatoes? Everybody has been free to grow what he thought would profit him; imports of ware potatoes have been freely admitted, the import duty over this period was only £1 a ton (i.e., about 5 per cent or less) and the market has been free.

In short, everything has been gloriously free of any artificial restraint and everybody has been free to do as he liked, including, very regrettably, Mother Nature.—Yours faithfully,

ROSCOE HERBERT
General Manager
Potato Marketing Board

SIR—In your article "Threat or Opportunity?" of July 5th you state "the biggest single element in the rise in the cost of living in the past year has been the rise in food prices, and . . . more than the whole of the rise in food prices in the year to this April was accounted for by price increases of four foods—potatoes, eggs, fresh fruit and milk. It is not a coincidence that all of these are commodities which are covered, in large part, by producers' marketing boards."

The clear implication from this is that producers' marketing boards, and therefore producers, are responsible for this rise in price.

You should know that there is no marketing board for fresh fruit (unless you include under this heading tomatoes and cucumbers) and therefore any rise in the price of fruit cannot be laid at the door of a marketing board. You should also know that the guaranteed price for milk in 1956-57 was 3s. 2.45d., in 1957-58 3s. 2.70d., and for 1958-59 3s. 1.70d. per gallon. For eggs in the same period the average guaranteed price per dozen was 4s. 1½d., 4s. 1¼d. and 4s. 0.95d. (these prices subject to a variation according to the price of feedingstuffs): only in potatoes is a rise in the guaranteed price to be found and this is something under 5 per cent over the three years.

These figures show that, for those commodities where producers' marketing boards exist, any rise in the price to the consumer that may have taken place has certainly not gone to the farmer, but must have found its way into the pockets of those who come between the producer and the consumer. Once again the farmer, who almost alone in the community has contributed to the anti-inflationary fight by accepting static and even lower prices, is being blamed for the rising price of food. Once again, it is the processors and distributors who should carry the responsibility.—Yours faithfully,

H. D. WALSTON
Cambridge

American Investment in British Manufacturing Industry

By JOHN H. DUNNING

The result of a three year research project into the nature, extent and economic significance of U.S. direct participation in British industry. 35s.

Managers: A Study of Their Careers in Industry

By R. V. CLEMENTS

Applies an experimental technique to the study of different types of careers in industrial management. The managers are analysed by social origin, education, type of work, speed of promotion, earning, training and mobility. 20s.

Prosperity and Depression

By GOTTFRIED HABERLER

A theoretical analysis of cyclical movements. *2nd edition.* 28s.

GEORGE ALLEN & UNWIN LTD

The Health Service

SIR—Perhaps one of the reasons mental hospitals are particularly short of their main ancillary—the psychiatric social worker—is that the salary ceiling, reached after nine years, is £810 a year. To encourage married women to return to the service the Ministry of Health offers 29s. per three-hour session—irrespective of experience—with a maximum of four sessions per week.—Yours faithfully,

*London, N.W.*11 J. S. BEALES

Farm Tenants

SIR—Your note on the Scottish aspects of the Agriculture Bill suggests that the 1948 Act created a situation in which the landowner was permanently expropriated on the basis of compensation represented by a frozen rent. In fact, rents were not frozen but, on the contrary, were made subject to the possibility of regular revision by agreement or by a process of arbitration. This is a vital point because it meant that while the landowner might have small prospect of obtaining physical possession of a tenanted holding, he could regard it as an investment from which he could expect a return which was subject to revision from time to time. Assuming that revisions of the rent resulted in reasonable decisions, the landowner could expect to be able to dispose of his investment at a reasonable price if he so wished.

It may be alleged that the process of arbitration of rents did not, in practice, bring about this situation, but it should be realised that another clause of the present Bill seeks to deal with this situation, and most people, including the Council of the NFU of Scotland, were prepared to agree that the Bill should include provision to the effect that the rent payable by a sitting tenant should have regard to the rent which a prudent tenant might pay for the farm in the open market and a prudent landlord accept.

I think you will agree that this rental aspect of the situation has a very big bearing on an assessment of the overall effect of the 1948 Act, and puts quite a different complexion on the security of tenure, bequest and succession provisions of that Act. Everybody may not have understood the implications of the 1948 Act when it was passed, but it is unthinkable that the whole scheme of the Act as regards security, which was allowed to stand unchanged for ten years, was the result of an unnoticed peculiarity of Scots law.—Yours faithfully,

H. G. MUNRO
General Secretary
National Farmers' Union of Scotland

Banking Unions

SIR—Following the bus and dock strike, it will be a comfort to many like me to have Mr T. G. Edwards's assurance of the protection afforded to the public by his union's strike clause. What, in fact, gives protection from any interruption in the banking service is the sound sense of bank employees, an overwhelming majority of whom dislike strike clauses, TUC affiliation, etc., and will have nothing to do with trade unions.

A union on the defensive about the iniquitous closed shop practice will always resort to sophistry; but to sophistry Mr Edwards adds nonsense, and abuses language in a clumsy attempt to transfer odium to the banks.

The general understanding under which one bank will not usually give employment to the ex-employee of another bank has nothing to do with the closed shop in any congruous sense of that term. In nearly twenty years as general secretary of the largest bank staff association, I have never once heard this matter raised as a practical grievance by any member of the staff of any bank.

When Mr Edwards says that "some banks have in the past practised the closed shop in relation to their own internal staff organisation," he should name the banks who refused to give or continue employment except to staff association members, and say when this happened. I have never come across it in real life, nor has Mr Edwards.

Whatever may be said about the Midland Bank position, let it be remembered that NUBE claims recognition by all banks including the Bank of England, in which I should doubt if it has more than a handful of active clerical staff members.—Yours faithfully,

Northwood A. W. B. PAYNE

SIR—I was glad to see in your issue of 28th June a letter on this subject from T. G. Edwards, general secretary of the National Union of Bank Employees.

As a member of the Midland Bank—one of over 8,000 in that bank who prefer to be represented by an independent trade union rather than by a subsidised internal association—I must deplore the attitude of the bank in withholding from the union the recognition requested by a majority body of the staff. This attitude merely perpetuates the already sharp cleavage in the staff, the unfortunate results of which have still to be appreciated.

To grant recognition to the National Union of Bank Employees now would be a simple, though long overdue, act of justice; it would also be the greatest step in improving staff relationships this bank could take.—Yours faithfully,

Birmingham E. J. BAKER

Monopoly of News

SIR—Please take note that your report on the merger of UP and INS in *The Economist* of June 7 misrepresents the central fact. Contrary to your account, Supreme Court did not rule that "AP service must be made available to all applicants." Continued restriction of membership was expressly authorised; only discrimination against competitors of members was forbidden. With this error falls your entire thesis that anti-trust prosecution of Associated Press destroyed competing press services by making AP service generally available. If your correspondent wished to speculate on the reasons for INS's fiscal misfortunes, he might have adverted to the fact that AP members are forbidden to supply spot news to other news services, and to exclusive arrangements which AP is permitted to retain with certain foreign news agencies. In short, too little rather than too much antitrust activity may be the answer.

Thus there is nothing in the AP case which should be "on the conscience of the Department of Justice," nor any "lesson" to be learned by "aspiring trust-busters."—Yours faithfully,

LOUIS. B. SCHWARTZ
Professor of Law
University of Pennsylvania

[Professor Schwartz is right, but this does not affect the argument of our note, which was precisely that newspapers which were enabled by the decision to become members of the Associated Press no longer needed to subscribe to the United Press or the International News Service.]

BOOKS

Origins of Conflict

Soviet-American Relations, 1917-1920: *The Decision to Intervene*

By George F. Kennan.
Faber. 513 pages. 50s.

THIS, the second volume of Mr Kennan's detailed work on the first three years of American relations with Soviet Russia, more than maintains the high standard set by the first. It has the added interest of dealing with a highly controversial subject. The Allies' decision, in the summer of 1918, to intervene in Russia is a subject about which even today Soviet politicians and propagandists feel strongly.

The numerous misconceptions about the intervention in Russia mainly arose during the controversy on the subject that followed the first world war. The origins of the Allied enterprise in Russia were forgotten: the question tended to be discussed in terms of a "capitalist" action against the "first socialist state in Europe." It is the merit of Mr Kennan's study that it brings to our attention the circumstances that obtained during the vital months in which this decision was formulated. Early in the spring of 1918 the governments in Paris and London, after nearly four years of nerve-racking warfare, were watching the withdrawal of Russia from the Allied camp with growing anxiety. The Germans began to transfer troops from the east to the west, and by the time Ludendorff launched his final onslaught in France, in the middle of March, he had succeeded in transferring more than forty divisions. In Russia, Lenin was prepared to do anything to keep his country out of the war; nevertheless, he was not yet the undisputed master of all the territories of the former Russian Empire. Was there any way of re-establishing the Russian front? This was the question of primary importance for the Allied planners of the war in the spring and early summer of 1918. They were engaged in a life and death struggle against the Kaiser's Germany; they had no time to embark on a direct intervention against the first dictatorship of the proletariat. It was not until the conflict in the west was settled that the intervention in Russia began to assume a different character. But that is another story; in this volume Mr Kennan deals with the months when the German offensive was in full swing, and he takes us to the end of the summer, when the fortunes of the war had clearly turned against Germany.

In contradiction to the accepted view of communist historians, Mr Kennan shows us that the first landing of the British troops on Russian soil, at Murmansk at the beginning of March, 1918, was made not only with the full agreement of the local Soviet, but actually on its invitation. The British units simply came to protect the valuable military stores in Murmansk harbour, which were in danger of falling into the hands of the German army. From such innocuous beginnings there developed a complex military operation that was to drag on for many months, even after the conclusion of hostilities on the western front, and which brought the Allies into their first and only armed conflict with the Soviet state. However, the decision to intervene was not made by Washington alone: in this sense, the general title of Mr Kennan's work (Soviet-American Relations) is misleading. He gives us in fact very much more than he promises. From the description of French, and later British, pressure on President Wilson, and of Wilson's initial distaste for intervention in Russia—mainly because the Japanese would have had to take a prominent part in any such enterprise—we get a clear picture of the forces that made for the final showdown.

Mr Kennan describes his central theme with impeccable precision; it is only when he strays off it that he sometimes misleads us. When he says, for instance, that the Russian government, at the beginning of the war, had no desire to encourage separatist nationalism in the camp of the enemy, he entirely overlooks the declaration of September 16, 1914, by the Supreme Commander of the Russian army to the nationalities of the Habsburg Empire. Encouragement of nationalism in the enemy camp was a comparatively new war game, and Tsarist Russia was the first of the belligerent powers to indulge in it. However, small points such as this cannot detract from the great merits of Mr Kennan's work.

A Great Eccentric

Landor

By Malcolm Elwin. *Macdonald.* 502 pages. 45s.

"I SHALL dine late," Landor declared, "but the dining-room will be well lighted, the guests few and select." It was a modest and yet a rash prediction, so far as his writing went. The "Imaginary Conversations," which constitute his substantial claim to fame, are so much marble that has not worn well; they are more obviously an ornament of English literature than a contribution to its reach and power. But when we turn from these chilly colonnades, with their laboured elevations and uncertain historical perspectives, and consider their architect in his private dwelling and domestic relations, we are confronted with matter of the largest surprise and most poignant interest. It is as if Lord Leighton or Sir Laurance

Alma-Tadema were found to have concealed behind his empty classicising canvases a stormy, a dramatic, indeed a tragic personal history.

The grand difficulty in writing Landor's biography, indeed, consists in his being so irresistibly a figure now in one and now in another sort of fiction. Rugby and Oxford he leaves in turn as the hero of a knockabout comedy might do. Coming into his property, he sets up as an enlightened landowner in Wales—and is presently as downright an irascible squire as Fielding or Smollett could conceive. Financial and other embarrassments lead to his taking up residence in Florence: he learns manners there as if he were one of Mr E. M. Forster's sheep, and invariably denounces the "natives" as if he were one of Mr E. M. Forster's goats. And all the time beneath the fun—the cook pitched through the window, the hat tossed from the head of the Marchese Medici-Tornaquinci—there are germinating the seeds of disaster. With a fatality suggesting an altogether different order of art Landor is establishing himself as the very type of the passionately loving parent in a fatal relationship with his children. He ends as King Lear—and not the less awesomely because his Cordelia is only that humble Wilson already known to literary history as the attendant of Elizabeth Barrett Browning.

But Landor was more—far more—than a polished writer and ill-fated eccentric. He had, if not a breadth of intellect, a largeness of spirit and generosity of temper that place him, with all his frailties and absurdities, at once among the most admirable and the most likeable Englishmen of his age. Mr Elwin's long book, a recension and amplification of one published in the United States in 1941, is wholly worthy of its great and daunting subject.

Two Views on Africa

Africa's Destiny

By J. H. Grobler.
Book of the Month Club, Johannesburg. 207 pages. No price given.

The Treason Cage: *The Opposition on Trial in South Africa*

By Anthony Sampson.
Heinemann. 243 pages. 21s.

THE idea of systematic *apartheid* is obnoxious enough; the arguments of its advocates are usually worse. Senator Jan Grobler is no exception. His view of the world is mystic and myopic. The Almighty, it appears, is irrevocably on his (and Mr Strijdom's) side: "If one accepts that God was responsible for the presence of the White Man in Africa for the purpose of christianising the Bantu peoples, it is impossible to subscribe to the view that He would allow the Europeans to disappear again." And if the Almighty is for *apartheid* who dares to be against it?

Father Trevor Huddleston for one. But he has not grasped the essentials: "It is difficult to understand why critics like Huddleston do not realise what would happen in Africa if the Europeans disappeared from the scene. Chaos and communism would result." The British Labour party for another. Very well, they have been warned: "One thing is certain, Strijdom will stand no nonsense from the fanatics in charge of the present Labour party." Mr Nehru for a third—that is, if one accepts Mr Nehru's word, and Senator Grobler does not. "There are millions of surplus people in India and no other continent would suit his colonising schemes better than Africa. All his fulminations against 'colonisation' and 'imperialism' are, of course, so much eyewash."

Senator Grobler is a moderate, in his fashion, and he is doggedly consistent. He argues, not for *baaskap*, but for separate constitutional development; he wants black states in Africa. But he is evasive on where these states would be, and on what terms they would be run. He may be sincere in his conviction that this is the best way for Africa to evolve; But is Mr Strijdom and the rest of the Nationalist party, particularly after the recent election campaign? And, seeing Senator Grobler's distorted outlook on the world at large, can his own professions be taken at their face value? This is a distressing book.

Mr Sampson does not offer all the answers to South Africa's troubles, but what he does know—particularly the follies and absurdities of the mass treason trial in the Johannesburg Drill Hall—he relates vividly and feelingly. The story of the slow, often almost imperceptible, growth of the African Congress movement is well worth telling, and his portraits of the present leaders each give a striking and individual insight into the state of the African mind. It may indeed be one of the worst blunders of the South African government that, by putting these men and women on trial, they have thrust effective leadership on them.

Professor Zachariah Matthews who, "if South Africa had evolved slightly differently . . . might now have been the Booker Washington of his continent"; Lilian Ngoyi, already influenced, after a Communist grand tour, by the inspiration of China; and Chief Luthuli, strong, religious, the type of chief on whom the government has depended in the reserves—these are the people who now stand for a new South Africa. We do not know enough about them in this country. Mr Sampson's is a book of insight, with its own message for the west.

Houses of God

The Cathedrals of Italy

By J. W. Franklin.
Batsford. 280 *pages.* 35s.

IN his first sentence of text Mr Franklin reminds us that there are 275 bishoprics in Italy, and goes on to say why. That largely explains both the richness and anarchy of his book; for there is no unifying thread available to the student of Italian "cathedrals", as there is to one studying those fewer *duomi* or houses of God in other West European lands. The break-up of Roman Italy into small *civitates* surrounding a contracted walled city led to a transition of magistracies under the barbarians. Bishops, like him of Rome itself, became the real municipal rulers, often (as Paulinus of Nola complained in the fourth century) against their will.

So in Italy the ancient pagan architecture persisted; the romanesque, with round arches and apses and basilica forms, outfaced the gothic coming in from the north, and slid almost directly through renaissance into baroque and rococo; and the inspiration of ancient Greece and Rome renewed itself unceasingly, as nowhere else. From Venice and Rome and Ravenna to Sicily, Mr Franklin, aided by clear ground-plans and Mr Kersting's (and others') admirable plates, traces unbroken lines from buildings whereon the last Caesars gazed, and about which cars and scooters bustle today. It is a worthy compilation for tasteful tourists, and a handsome book for the humid, home-tied Briton.

Unlucky Mariners

The Voyage of the Lucky Dragon

By Ralph E. Lapp.
Muller. 192 pages. 18s.

THE *Lucky Dragon* and her unlucky crew were caught by an accidental change of wind in the ash cloud thrown up from the world's first H-bomb exploded at Bikini on March 1st, 1954. When the ship reached port two weeks later, the sailors were all sick men, and one ultimately died from the after-effects of radiation sickness. The rest made a painfully slow recovery, and their ordeal has become the symbol for all that is repugnant in the developing and testing of nuclear weapons. But of those who so often and glibly quote the case of the *Lucky Dragon* few have bothered to check their facts.

Mr Lapp is an American physicist, a specialist in civil defence and fall-out, and his growing curiosity over the *Lucky Dragon* incident brought him to Japan with his wife three years after the explosion to see what could be learnt at first hand. He traced in detail the fatal fishing voyage from the day that the ship left port on January 22nd (accompanied by omens of bad luck) until May 10th the following year when the 22 surviving members of the crew were each discharged from hospital with an average of £1,650 compensation. Overwhelming compassion for what they had endured convinced Mr Lapp that the story should be told, to quote his own words, "in human terms" with results that may strike the palate of some readers like sticky-sweet icing on a rich plain cake. But the coyness does not alter the quality of the solid, nourishing mixture underneath.

This is not an accident that is ever likely to occur again; but need it have happened at all? The *Lucky Dragon* never entered the forbidden waters around Bikini and Eniwetok, but had the sailors any idea that the Americans were planning a nuclear test, they would have put hundreds of miles of water between themselves and the official danger zone. There was no warning, and the explosion came unexpectedly out of a dawn sky. Even when the men reached port, it was some time before doctors began to suspect the nature of the illness that unnaturally blackened the men's skins. By that time their contaminated fish had been sold in the market and their radioactive boat was riding quietly at anchor in the port. Even prompt release of the news by the American authorities, which would have done much to mitigate the after-effects of the accident, was not forthcoming, and here Mr Lapp, who has up till now been content to let facts and blood counts and radiation levels speak for themselves, becomes openly critical of his countrymen. Their reaction to the *Lucky Dragon* incident, as he describes it, was an unedifying compound of tactlessness, complacency and acute embarrassment. This is probably not an unfair picture, for the habit in the United States of pooh-poohing fall-out risks has persisted in spite of, and long after, the *Lucky Dragon*.

Middle Class Unions

Clerical Unions in the Civil Service

By B. V. Humphreys.
Blackwell. 254 pages. 30s.

VERY few English books on trade unionism make lively enough reading to attract the general reader, and this one is no exception. This is a pity, because the subject is one of great interest and little work has so far been done on it. The author traces with painstaking accuracy the history of clerical unionism in the civil service since 1800. There is a good account of early labour problems, of official opposition, and then of the unions' growing strength, which culminated in 1919 when the principle of joint negotiation of wages and conditions was established with the setting up of Whitley Councils. These gave the unions the official recognition that they had been seeking, and membership immediately leapt upwards. In the Civil Service Clerical Association, which, after the Union of Post Office Workers, is the largest civil service union, numbers rose from 3,500 in 1918 to 18,200 in 1923. Since then there has been further consolidation, so that, at present, 90 per cent of civil servants are in their appropriate staff associations. This is a record of which any unionist should be proud.

But all sorts of other questions spring to mind. Why, for instance, have almost all the clerks in the civil service been organised into unions, while outside clerks are probably the worst organised group in the country? Is it because of their security of employment, or because of the traditionally close contact between leaders of civil service associations and members of Parliament or because the Government had to set an example in its labour practices by recognising unions across the bargaining table? It would be useful, also, to know whether unionism has had the effect of standardising wages between one civil service grade and another, in comparison with similar jobs in industry and commerce; recent experience in the Atomic Energy Authority and elsewhere suggests that it has. Lastly, how do these civil service associations fit into the general pattern of middle-class unionism that has developed since the first world war? To general questions of this sort neither Mr Humphreys nor anyone else has yet provided a satisfactory answer.

Grounds for Disquiet?

The Unquiet Germans

By Charles Thayer.
Michael Joseph. 284 pages. 21s.

THE author, a former diplomat and senior official of the Occupation, is much disquieted by the unquiet Germans. Yet it is not only they who trouble him; it is also the inglorious record of allied occupation—the sorry story of partition and of a decade's retrogression from demilitarisation to remilitarisation with its uncertain consequences. The stark Russians, the fumbling Americans, the dismantling British, the culture-bringing French ("though they did not neglect to remove what was removable from their zone, including the forests")—all cut poor figures in his tale and are adjudged jointly responsible for the contemporary Germany whose future conduct is the subject of so much anxious speculation.

Mr Thayer finds few redeeming features in the postwar German scene. He imputes only unworthy motives even to the enthusiasm with which Germany grasped at the project of an integrated Europe.

> With no sovereignty to lose, no conquests to exploit, and nothing but their misery to share, the *Europa-Idee* was an answer to the Germans' prayers. Crawling back into the womb of Mother Europe they would absolve themselves of their past sins, escape retribution for past failures, and pass the buck for future decisions to a larger and possibly more successful forum than the German electorate had proved itself to be.

This assessment of Germany's attitude towards Europe is neither generous nor accurate.

In support of his title, Mr Thayer quotes directly from the conversations he has had with many individual Germans, and leaves the reader to appreciate their value for himself. Thus he tells of a chance encounter in the train with an east German who says "We've been given up by our compatriots in Bonn. The politicians do a lot of talking about reunification with us but the rest of them are too busy buying refrigerators to worry about us at all. They wouldn't contribute fifty marks to see us free". A few pages later Mr Thayer calls attention to the "highly influential and active society called Indivisible Germany" directed from Bonn by Herr Wilhelm Schuetz.

> Schuetz states that the purpose of the organisation is to stimulate a mass movement for reunification of such intensity that neither the Soviets nor the West will be able to stop it. He admits quite frankly that the organisation is exploiting the rising German nationalism to achieve its aim and justifies the operation by explaining that if Indivisible Germany doesn't do it, a more extreme and less reliable political group will.

What will the unquiet Germans do when Dr Adenauer is no longer there to guide them? Mr Thayer considers the likelihood of a reorientation of foreign policy on the insistence of the many Germans who are dissatisfied with Dr Adenauer's course. "Somewhere deep in their subconscious," he writes,

> the German mission to save the West from the East and to save the East from itself still slumbers. At Yalta and Potsdam, the Allies demonstrated their incompetence to deal with the Kremlin. Seven hundred years of German-Slav history shows that the Germans alone have the know-how to cope with the Russians. Sometimes by force, sometimes by bribery, sometimes by mere friendliness, they have managed to contain the Russians. Force is no solution in the atomic age. Germany has little but industrial goods with which to bribe. But friendliness is always available.

Mr Thayer ends his book by posing questions about Germany to which we should all like to know the answers. But he attempts no prophecy. "Not," he concludes enigmatically, "until the broad smooth Autobahn ends and the Germans start out across the uncharted countryside where the going is rough will we have the answer".

OTHER BOOKS

THE CONCISE ENCYCLOPÆDIA OF MUSIC AND MUSICIANS. Edited by Martin Cooper. *Hutchinson.* 516 pages. 50s.

This very clearly printed and attractively illustrated encyclopædia of music is neither encyclopædic nor intended for musicians, and is none the worse for that. It is a sensible, workmanlike collection of general knowledge for the general listener about most matters musical and, although it leaves out ballet music and jazz, will be warmly welcomed by those families who can afford to buy it.

AGRICULTURAL AND FOOD STATISTICS. *Guides to Official Sources: No. 4.* Inter-departmental Committee on Social and Economic Research. *HM Stationery Office.* 77 pages. 4s. 6d.

With what reluctance do these useful booklets about official statistics appear. It is over four years since the publication of the previous one in the series—on local government statistics. The latest one lists and describes the principal sources of official statistics relating to agriculture in the United Kingdom: it shows up some irritating differences between the collection of statistics by the English and Scottish department.

THE PARTY SYSTEM. By Max Beloff. A Background Book. *Phoenix House.* 42 pages. 2s. 6d.

THE ESSENCE OF DEMOCRACY. By Maurice Cranston. A Background Book. *Phoenix House.* 35 pages. 2s. 6d.

ECONOMIC SURVEY OF LATIN AMERICA 1956. *United Nations.* 183 pages. 18s.

CUSTOMS ADMINISTRATION IN CANADA. By Gordon Blake. Canadian Studies in Economics No. 9. *Toronto University Press.* London: *Oxford University Press.* 193 pages. 28s.



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STATEMENT OF CONDITION

JUNE 30, 1958

RESOURCES

Cash and due from Banks	$219,036,037.71
United States Government Securities	101,758,167.22
Municipal and Other Public Securities	18,265,964.84
Other Securities	7,296,150.16
Loans and Discounts	255,110,437.24
Banking Houses	7,933,014.98
Customers' Liability for Acceptances	8,020,030.56
Accrued Interest and Other Resources	2,565,750.75
	$619,985,553.46

LIABILITIES

Capital (160,000 Shares—$100 Par)	$ 16,000,000.00
Surplus	24,000,000.00
Undivided Profits	5,579,616.07
Reserve for Contingencies	2,496,194.33
Dividend Payable July 1, 1958	560,000.00
Deposits	554,705,110.04
Acceptances	10,399,945.74
Reserve for Taxes, Interest, etc.	5,571,884.61
Other Liabilities	672,802.67
	$619,985,553.46

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AMERICAN SURVEY

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

What Happened to Foreign Aid

WASHINGTON, DC

MR DULLES was moved last week to speak of a "grave danger to the security of the United States"—the standard formula used by a country about to go to war. It is typical of the American system of government that the threat which gave rise to it came not from Mr Khrushchev but from Mr Otto Passman. This intense, explosive, hard-driving Democratic Representative from the farm country of northern Louisiana deserves a high place on any short list of the unknown makers or, more accurately, unmakers of American foreign policy. Every year as chairman of the House subcommittee on appropriations for foreign aid he swings a hammer at this major instrument of Mr Dulles's policy.

While the Secretary of State is out in front struggling with Lebanese independence, Latin America's unstable prices, German unity, disarmament and so on, there in the rear is Mr Passman single-mindedly demolishing the means for countering the Russian economic offensive. The steady chipping noise that can just be heard at the same time over the sound of Mr Passman's more spectacular smashing and splintering comes from Mr Rooney, the chairman of the subcommittee on the main appropriations for the State Department, knocking off the latest attempt of the department to equip with adequate expense allowances and thorough linguistic training the American diplomats who go out to do battle with their Communist rivals.

It is the pleasure, pride and perversity of American democracy that annually the Dulleses have to make way for the Rooneys and the Passmans. But the President and Mr Dulles must consider it a singularly harsh trick of seniority that has delivered them over into the hands of this particular Congressman. Mr Passman is a tall, extremely hard-working, self-made wholesale dealer in refrigerators and restaurant equipment who suffers from high blood pressure. His colleagues gasp with alarm at his reaction whenever the accountants of the Comptroller General's office reveal just how far business standards in Laos fall short of those in his home town. Last year the President, trying to overcome the obstacles to his foreign aid programme by a combination of authority and charm, summoned the political leaders of both parties to the White House. Mr Passman was not in the least impressed. He baffled Mr Eisenhower and his advisers by a detailed analysis from memory of all the mistakes he had uncovered and the unspent money which the State Department still had in hand. He has been crowing about the incident ever since and Mr Eisenhower will think twice before repeating the experiment.

This year a special bipartisan effort was mounted to rally public opinion behind foreign aid. A Committee for International Economic Growth was formed under Mr Eric Johnston, which convened a gathering of potential pressure groups in Washington that was addressed by Mr Truman and Mr Stevenson as well as by the President and Mr Dulles. Its attempts to hold meetings in other parts of the country were not wholly successful—two in Chicago and Long Beach, California, had to be cancelled for lack of either good organisation or popular demand. But some of the groups which sent delegates to Washington must have been inspired to action, judging from the loud complaints of many members of Congress about the abnormal amount of political pressure in favour of foreign aid to which they were being subjected in their constituencies. Moreover, under other auspices, two members of the House Foreign Affairs Committee, representing both political parties, toured the whole country together to sell the programme, with elaborate props illustrating such practical arguments as the amount of employment that would be created in the United States during a period of recession by the purchase of goods for foreign aid. They reported that among most audiences initial scepticism turned to cheers, as illumination spread outwards from their eloquence.

IN general, although the evidence is not decisive one way or the other, foreign aid did seem this year to have gained in public acceptance. This was apparently confirmed when the House, followed by the Senate, passed the Bills authorising it with little more than token cuts. But in the congressional treadmill authorisation is followed by appropriation and the figures contained in authorisation Bills often turn out to be a snare and a delusion. They are only ceilings, above which the appropriations committee may not go. Representatives who are convinced by the general case put up by the House Foreign Affairs Committee, who feel they must give the President some backing, or who want to have one "liberal" foreign policy vote on their scorecards, cheerfully pass the authorisation Bill in the knowledge that the appropriations committee, concerned with accounting rather than policy, can be relied on to provide an opportunity to cast a "conservative" vote later on.

But, even though this has been the pattern for year after year, it is astonishing how many otherwise sophisticated people are taken off guard every time it recurs. This year the fledgling Development Loan Fund, which is the latest device established to extend long-range aid to underdeveloped countries and the very heart of the West's attempt to counter Soviet economic penetration, suffered the worst depredations of all. Originally the Senate Foreign Relations Committee's idea, the fund was meant to free economic aid from the jerking, jolting, on-again-off-again procedures imposed by the annual cycle of appropriations. This was not of course an objective likely to commend itself to so jealous a body as the House Appropriations Committee, a close-knit clan of fifty men, mostly elderly and conservative, who regard themselves as the trustees of the legis-

lature's original function of keeping a tight hold on the people's purse. Moreover it is generally considered bad form in the House to over-rule its experts on appropriations after all the trouble they have taken with the figures.

Thus, instead of coming out of last year's Congress with a $2 billion fund to be used over three years, the Administration counted itself lucky to have saved the fund at all, with a $300 million initial endowment to set it in motion. This year the Administration went back for the $625 million which had been tantalisingly authorised for the second year of operations, without any accompanying appropriation. Mr Passman's subcommittee was evenly divided; since he usually dominates it, this suggests that some pressure had been usefully applied. Finally it came out with a compromise figure of $415 million. Mr Passman appealed to the full Appropriations Committee which, obeying its normal instinct to stick by its sub-committee chairmen, whittled away the fund's resources to $300 million.

At this point the Democratic leaders decided that it would be good "strategy" not to force the House of Representatives to vote on restoring the cuts made by the committee. The excuse was that the Senate could be relied on to put back most of the funds and the managers for the two chambers would then split the difference in the conference committee that would reconcile the two Bills. But if the Democratic leaders backed amendments restoring the money in the House and were defeated, the hands of the House's managers would be tied and they would be unable to agree to a compromise. The President's supporters among the Republicans were therefore left to flounder alone against Mr Passman's invective, a singular abdication of legislative responsibility by a Democratic majority which always used to boast of its internationalism. And it brought to mind Mr Truman's blunt warning earlier in the year that

> if the Democrats in Congress refuse to spend at least as much for foreign economic assistance as this Administration recommends we will never, never be able to explain it.

This week the Senate Appropriations Committee has as a result been receiving desperate pleas from leading figures in the Administration to rescue American policy from self-inflicted defeat. Mr Dillon, the highly-regarded Under Secretary of State for Economic Affairs, told the Senators that they might just as well not have the Development Loan Fund at all and risk losing the cold war by default as have it in the trickle favoured by the House. The most hopeful sign so far is that Senator Ellender from Louisiana, who is the strongest opponent of foreign aid on the committee, has criticised his fellow saboteurs in the House for their poor tactics in cutting military assistance relatively little and directing their hardest blows at the fund. He feared that the fund's money would be easier to reinstate. This suggests that there is an outside chance that the Senate might be willing and able to trade off the abandonment of military items for the complete restoration of the appropriation for the Development Fund.

Co-operating with Canada

SINCE it is unusual for an American President to leave his country, or to make any official visit for as long as three days, Mr Eisenhower's journey to Ottawa this week may do something to assuage the feelings of resentment and inferiority which inflame Canada's present irritations with the United States. Many people believe that these feelings have been fostered, for his own political purposes, by Mr Diefenbaker, Canada's comparatively new Prime Minister, and President Eisenhower has made it clear that not all the frictions in relations between Canada and the United States originate south of the border. However, although details of the agreements reached are not yet available, Mr Eisenhower seems willing to apply the particular brand of ointment recommended by Mr Diefenbaker: more study groups, more frequent consultation and more definite co-operation through the existing joint agencies and through new ones, especially a new joint committee of the United States Congress and the Canadian Parliament. This last proposal certainly goes to the root of the trouble; for congressional pressures and prejudices nearly always explain why the American government finds itself forced to do the things about which Canadians complain—to restrict, or threaten to restrict, imports of oil, lead and zinc, virtually to give away surplus wheat abroad, to object to sales of Canadian cars to Communist China. But however near Canadians may come to American Congressmen they will never be as near—or as dear—as the American voters, and however soothing psychologically Mr Diefenbaker's remedy of more meetings of more people may be, it cannot be of much practical use.

But what is of practical use, as Mr Eisenhower pointed out to Parliament, is co-operation on projects where the United States needs Canada as much as Canada needs the United States. This has been proved by the various arrangements for the air defence of the North American continent, and it was proved again last week when the joint development of the St. Lawrence River reached the beginning of its final stage, which will be completed next spring. The building of dams at Barnhart Island has smoothed the International Rapids section of the river into a lake and has harnessed it to provide much-needed electricity for the Province of Ontario and the State of New York and a passage for large sea-going ships through to the Great Lakes and the heart of the continent. There is no question about the industrial expansion which will be made possible by this huge new supply of electric power, but there are still many questions about the future of the seaway. Some of them will be heard early in August when hearings open in Washington and Ottawa on the charges which are proposed for ships using it.

Empire in Transport

MR JAMES HOFFA, the president of the International Brotherhood of Teamsters, as lorry-drivers are still quaintly called, has celebrated his release from legal jeopardy with a real coup. Mr Hoffa, a conjuror who seems able to dissolve legal knots that would defy anyone else, stepped into the clear a fortnight ago when he was acquitted of charges of perjury in a wire-tapping case; other charges still outstanding are likely to be dropped. Almost at once he announced the formation of a Conference on Transportation Unity which, to start with, is to include two trade unions expelled for corruption by the American Federation of Labour and Congress of Industrial Organisations, the teamsters themselves, the country's largest union, and the International Longshoremen's Union, as well as the National Maritime Union, whose head is Mr Paul Curran. Mr

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STATEMENT OF CONDITION, JUNE 30, 1958

ASSETS		LIABILITIES		
Cash and Due from Banks	$1,952,817,255	Deposits		$7,438,170,443
U.S. Government Obligations	1,881,410,380	Foreign Funds Borrowed		5,278,715
State, Municipal and Other Securities	486,435,411	Reserves for Taxes		52,026,603
Mortgages	159,107,549	Acceptances Outstanding	$233,257,385	
Loans	3,588,362,258	*Less: In Portfolio*	*20,737,383*	
Banking Houses	57,742,797			212,520 002
Customers' Acceptance Liability	207,257,685	Other Liabilities		56,841,351
Other Assets	69,283,652	Reserve for Contingencies		17,935,050
		Capital Funds:		
		Capital Stock (13,090,000 Shares—$12.50 Par)	$163,625,000	
		Surplus	350,000,000	
		Undivided Profits	106,019,823	
				619,644,823
	$8,402,416,987			$8,402,416,987

Of the above assets $850,777,043 are pledged to secure public deposits and for other purposes, and trust and certain other deposits are preferred as provided by law. Securities with a book value of $38,094,477 are loaned to customers against collateral. Assets are shown at book values less any reserves.

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BANKERS TRUST COMPANY

NEW YORK

Condensed Statement of Condition—June 30th, 1958.

ASSETS

Cash and Due from Banks	$813,768,636.35
U.S. Government Securities	723,114,562.66
Loans	1,435,606,305.15
State and Municipal Securities	77,389,795.96
Other Securities and Investments	32,969,882.88
Banking Premises	22,643,053.54
Accrued Interest, Accounts Receivable, etc.	9,836,854.17
Customers' Liability on Acceptances	59,356,828.18
Assets Deposited against Bonds Borrowed	3,872,000.00
	$3,178,557,918.89

LIABILITIES

Capital (par value $10 per share)	$ 40,299,500.00	
Surplus	160,000,000.00	
Undivided Profits	62,955,677.37	
		263,255,177.37
Dividends Declared		3,022,462.50
Deposits		2,819,846,073.43
Reserve for Taxes, Accrued Expenses, etc.		23,925,261.29
Acceptances Outstanding	67,064,975.62	
Less amount in Portfolio	6,264,822.71	
		60,800,152.91
Liability under Bonds Borrowed		3,872,000.00
Other Liabilities		3,836,791.39
		$3,178,557,918.89

Assets carried at $299,527,769.03 on June 30, 1958, were pledged to secure deposits and for other purposes.
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Bank of America
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Condensed Statement of Condition June 30, 1958

(Figures of Overseas Branches are as of June 24, 1958)

RESOURCES

Cash and Due from Banks	$1,631,183,927.79
United States Government Securities and Securities Guaranteed by the Government	2,260,498,347.35
Federal Agency Securities	151,107,046.98
State, County, and Municipal Securities	754,724,106.65
Other Securities	161,901,216.09
Loans Guaranteed or Insured by the United States Government or its Agencies	1,315,150,219.95
Other Loans and Discounts	4,147,829,437.70
Bank Premises, Fixtures, etc.	123,001,199.63
Customers' Liability for Acceptances	167,143,137.67
Accrued Interest and Other Resources	67,308,169.16
TOTAL RESOURCES	**$10,779,846,808.97**

LIABILITIES

Capital	$160,000,000.00	
Surplus	290,000,000.00	
Undivided Profits and Reserves	145,652,781.06	
TOTAL CAPITAL FUNDS		$595,652,781.06
Reserve for Possible Loan Losses		95,485,915.95
DEPOSITS Demand	$4,450,084,439.60	
DEPOSITS Savings and Time	5,362,327,095.99	9,812,411,535.59
Liability on Acceptances		169,534,573.64
Reserve for Interest, Taxes, etc.		106,762,002.73
TOTAL LIABILITIES		**$10,779,846,808.97**

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Condensed Statement of Condition June 30, 1958

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Branches: Duesseldorf · Singapore · Paris · Beirut · Guatemala City

(Branch figures are as of June 24, 1958)

RESOURCES

Cash and Due from Banks	$195,838,327.42
United States Government Obligations	2,125,000.00
Other Securities	19,541,637.29
Loans and Discounts	134,808,809.45
Customers' Liability for Acceptances	36,193,143.14
Accrued interest and Other Resources	3,393,373.39
TOTAL RESOURCES	**$391,900,290.69**

LIABILITIES

Capital	$34,000,000.00	
Surplus	6,800,000.00	
Undivided Profits	2,117,760.56	
TOTAL CAPITAL FUNDS		$42,917,760.56
Reserve for Possible Loan Losses		2,128,116.49
Deposits		307,184,085.22
Liability on Acceptances		37,146,910.78
Reserve for Interest, Taxes, etc.		2,523,417.64
TOTAL LIABILITIES		**$391,900,290.69**

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Curran, whose trade union, like many others, cannot afford not to be on the closest terms with the powerful and strategically placed teamsters, evidently attaches more importance to being on the right side of Mr Hoffa than to his responsibilities as a member of the Ethical Practices Committee of the federation.

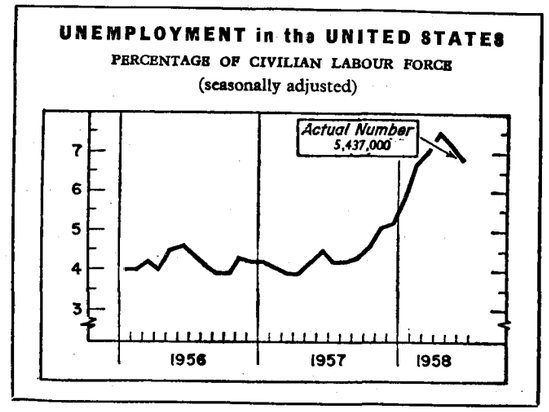
Out of his sleeve Mr Hoffa then produced the news that the project had the blessing of Mr Paul Hall, the head of the Seafarers' International Union, whose quarrels—both personal and jurisdictional—with Mr Curran had seemed to be beyond anyone's power to heal. With the Atlantic and Gulf Coasts tied up, Mr Hoffa has now let it be known that, among the fifty or so invitations being sent out to the first meeting of his grand alliance, one will go to the International Longshoremen's and Warehousemen's Union, which rules the west coast, although the name on the card may not be that of Mr Harry Bridges, its controversial leader. This union was expelled from polite labour society for being Communist-dominated.

An empire which included, as well, the railwaymen and employees of the airlines would be over 3 million strong and could shut down the economy overnight. But the railway brotherhoods, which have a long tradition of stubborn independence, are cold-shouldering Mr Hoffa and the airline unions are far from succumbing. Even so, Mr Hoffa looks like thumbing his nose at the McClellan committee investigating abuses in labour relations, which thought it had him cornered at one point. The public will find some consolation in the prospect that inter-union feuds on the waterfront may be eliminated. But Mr Hoffa's success story is a blow to the clean-union campaign of the AFL-CIO and, although he denies any intention of setting up a rival organisation, to the unity of labour. Moreover, his power is by now great enough so that it may frighten Congress into placing new restrictions on all trade unions.

Benefits Not Unemployed

THE increase last month of 533,000 in the number of unemployed has caused no surprise, for June, when the colleges close, always releases a great many new job-seekers into the labour market. When account is taken of this, the proportion of the labour force which was out of work declined, for the second month running, even though the total number of unemployed was the highest in seventeen years. The rise of nearly a million in the number of people at work, to 64,981,000, was due largely to the opening up of jobs on farms, but there was also an increase in the number employed in manufacturing, which has been so hard hit by the recession.

Many observers fear, however, that, unless the recovery which seems to be beginning is unexpectedly rapid and vigorous, the number of those who are out of work may not decline very much in the coming months and that a year from now it may be as high as ever, because of the constant increase in the labour force. It is therefore good news that thirteen states, as well as the District of Columbia, have already chosen to take advantage of the extension of unemployment compensation which Congress recently authorised. The Act gave them the right not to participate in the new scheme and it was feared that most of the states would refuse to accept this advance from the federal government, which must be repaid, either directly or through an increase in the tax on employers, starting in four years' time. Now the Secretary of Labour estimates that 30 million of the 43 million workers covered by the state unemployment insurance laws live in the states which have decided to accept federal help; three more states have voted to extend the period during which benefits may be paid and to foot the bill themselves. About 60 per cent of the 1,560,000 workers who have exhausted their right to benefit are in the states which have already decided to co-operate.



At best, however, covered workers who have been idle for a long time will receive only an additional thirteen weeks of unemployment benefit. Even for them the scheme is no more than a stop-gap, while it does nothing at all for workers who are not covered by state insurance laws because they are employed by very small firms, on farms, and so on; they amount to about 40 per cent of the labour force. But the speed with which states suffering from substantial unemployment have fallen into line suggests that if unemployment has not diminished appreciably by next January, when Congress reassembles, the pressure for revision of the law will be hard to resist.

Unlearned Lesson

EDUCATION, a member of Congress said last week, is not on anyone's list of "must" legislation. Last autumn, when the sputnik proved that the Soviet Union had outstripped the United States, it seemed to be on everyone's, despite the tradition that education is a matter for the states and localities. Yet it was last week before the House Committee on Labour and Education tentatively approved a Bill roughly embodying the President's proposals and authorising $700-800 million—about a quarter less than Mr Eisenhower asked—for federal scholarships, loans for students and matching grants to the states to raise educational standards in the sciences, mathematics and foreign languages. It is late in the session for such a Bill to be passed.

Much of the sense of urgency about education has evaporated with the passage of time, the launching of America's own satellites, and the emergence of a deficit in the federal Budget. Many teachers, moreover, are unsympathetic to a "crash" programme which emphasizes science and mathematics at the expense of the humanities. This complacency is the target of the fourth report of the Rockefeller Brothers' Fund, entitled "The Pursuit of Excellence", which demands

bold measures, not just to keep up with the Russians, but to enable Americans to keep up with the unfolding revolution in science and technology and to deal with it wisely.

The report's basic premise is that, although, in a democracy, all are equal before the law, if the potentialities of each individual are to be fully developed education must frankly face the fact that ability is unequally distributed. Segregation of the gifted is not advocated, but they should be offered a course of studies which really challenges their abilities. The report does not recommend substantial federal aid for America's "over-crowded, under-staffed and ill-equipped schools" in so many words, but says this will be unavoidable unless there is a complete and most painful overhaul of "primitive" systems of local taxation. These experts, led by Mr Gardner, the president of the Carnegie Foundation, feel that, as enrolments and standards rise, spending on education, which in 1955 amounted to $14 billion, or 3.6 per cent of the gross national product, ought to rise by 1967 to $30 billion at constant prices, or about 5 per cent of a much larger national product. More money is not the only need, but it is the over-riding one, particularly if teachers' salaries are to be increased to attract more able people into the profession. What the teachers' organisations like less are recommendations that, to get the best out of the limited supply, promotion of teachers should go by merit, not by seniority, and that much more use should be made of television, films, and other teaching aids.

Oil in the Trade Act

THERE seems little chance that the Bill extending the Reciprocal Trade Agreements Act will repeat in the Senate its sensationally unscathed passage through the House. The Senate Finance Committee will probably vote to extend the Act for only three instead of the desired five years and unfortunately the Administration has already used nearly all its carrots to coax the pressure groups into letting the Bill through the House. It will probably not even be able to appease the mining interests by agreeing gracefully to their proposals for stockpiling lead and zinc—the only help apart from higher tariffs which will satisfy the industry—because these proposals were not in the end included in the Bill for subsidising various metals which is now pending in the Senate. And this week's reduction in individual "voluntary" quotas for imports of oil into the west coast region are designed only to make room for imports by companies who were not previously in the scheme; there has been no cut in the total quota of 221,000 barrels a day, which in any case has not been filled.

For the rest of the country the "voluntary" quotas were broadened a month ago, while the trade Bill was still in the House, to cover certain unfinished oil products—mainly partly refined petrol—as well as crude oil. Imports of products had risen sharply in the early months of the year and this, according to some oil companies, was because their rivals were bringing in oil products in order to get round the controls on crude oil. But now the whole voluntary programme is under attack in the courts. Because the Eastern States Petroleum Corporation was not complying with its quotas government buyers, acting under an executive order designed to put some teeth into the voluntary system, had refused to take any more jet fuel from the company in spite of a contract signed in May. The company claims that the President has exceeded his powers in establishing and trying to enforce the quotas which, it is argued, are not in fact, voluntary. This challenge to the legality of the restrictions may drag on for months so it is only natural that domestic producers of oil are again pressing Congress to remove all doubts about the quotas by making them mandatory at once. The only comfort for the friends of freer trade is that at last domestic output of oil is again going up and should continue to do so—provided that the economic recession is indeed over.

Americans Afloat

FROM A SPECIAL CORRESPONDENT

EVERY year as the warm weather arrives, a vast armada of amateur Argonauts forsakes the land to go down to the sea in . . . anything that floats. Before the war, the man with a boat was usually a J. P. Morgan and his craft a palatial 300-foot yacht like the *Corsair*. Now the mass prosperity which brings almost everything within reach of the common man has made boating the nation's most popular outdoor pastime. More than 30 million Americans annually take a spin about the lake or river or ocean, far more than those who play golf and tennis combined. They have begun, in fact, to make the country's waterways resemble its highways, for every available body of water is invaded from the first faint signs of spring until long after the first frost, and a "National Safe Boating Week" has just been observed. The sport of millionaires, in short, has become the sport of millions.

All of these weekend sailors, with their more than 5.5 million boats, ranging from modest canoes and dinghies to $100,000 yachts, have helped to create an industry whose yearly sales exceed $1 billion. More than $250 million is spent annually on outboard boats, motors and fuel, a comparable sum for the more expensive inboard craft and sailboats, and even more on all the other equipment needed to keep the ship afloat. In addition, every owner of a boat has to spend every year between 12 per cent and 18 per cent of his original investment just for maintenance.

Of this huge and expensive fleet, more than 4 million craft are outboard motor-boats less than 16 feet long. Nearly a million run to more than 16 feet and are either inboard-powered or have sail as well. Another half-million are sailboats, generally of a smaller size without any auxiliary motor. And, finally, there are still the boats in the J. P. Morgan class, the 4,000 or so luxury cruisers capable of making extended voyages in any part of the world.

The reasons why boating for pleasure has become so popular are plain. For one thing, there has been a tremendous growth in the number of people in the so-called middle class who have the money for such pastimes. For another, the working week has been shortened. Now almost everyone has a two-day weekend, and the two-week holiday is also common, so that leisure is more abundant than ever before. Boating, moreover, has become a family affair in recent years. The man who used to go alone now takes his wife and children along. Finally, there has been a definite trend away from spectator sports and back to direct participation.

While boating was once limited to the coasts and lakes, today, as a result of reclamation projects, it can be enjoyed in every state. Such huge schemes as the Tennessee Valley Authority and other giant dams have created vast man-made lakes, often in areas which were once arid. The boats themselves have become lighter through the use of aluminium and other light metals so that, if necessary, they can be transported on trailers to the nearest body of water. And after an hour or so on the traffic-laden highways, the still relatively uncluttered waterways are idyllic for a Sunday afternoon or for a two-week holiday.

The largest and fastest growing section of the industry sells boats with outboard motors. The inboard cabin cruiser still costs considerably more than most people can afford and the sailboat, while more sporting, requires more skill and experience than the average weekend sailor has or desires to have. Outboard boating, on the other hand, is relatively inexpensive and simple. A boat and a motor can be bought for only a few hundred dollars, and require only the flick of a switch and the ability to steer. Nearly two-thirds of all mariners are found in the outboard craft.

The demand for the outboard motor, which had just begun to grow in the late nineteen-thirties, had to go unsatisfied during the war and in 1947, when production finally got back to normal, more than 584,000 motors were sold. This was, of course, the result of pent-up demand, and sales fell during the next four years, to 284,000 units in 1951. But last year, over 600,000 outboard engines were bought and the future looks rosy, although the recession has hurt sales again this year. Meanwhile the motors have been getting bigger and more powerful. In 1940, the average outboard engine was just under four horsepower; today the average motor runs to more than 15 horsepower, while the price for each unit of horsepower has declined from $34.80 to $23.60 (of course the total price for the engine has gone up). Most of the larger motors are now equipped with electric self-starters, gear shifts, remote fuel tanks and the like; power steering and diesel outboard motors have been introduced and there is practically no vibration. Even the smaller engines are easier to operate.

The boats, too, have been improved considerably although the sailboat, save for nylon sails and the like, has changed little over the years. The new craft are generally sleeker in design, more powerful and, above all, cheaper than ever before. Mass production techniques have been applied to the smaller boats, thus bringing them within the reach of the average man, and lighter materials, such as plywood, aluminium, fibre glass and plastics, have made them sturdier and easier to handle. They are also even easier to buy, now that they can be had on the instalment plan like motor cars.

But while the number of boats continues to rise, docking facilities for them have failed to keep pace. The situation has become so serious in many places that prospective customers will not buy a craft unless some berthing space comes along with it. To keep its sales moving one firm in the New York area has constructed a $1 million marina—or boat basin—with space for 50 boats.

The chief reason why the construction of marinas has lagged so far behind the building of boats is the expense involved and the fact that most businessmen are unfamiliar with the operations of a boat basin. In some places local, state and federal authorities have been forced to step in. For example, in the Newport Beach area of southern California, the local government, the county authorities, the federal government and private investors co-operated to construct 17 marinas. Other projects in other parts of the country have also been granted public funds, including those at Atlantic Highlands, New Jersey, and Barnstable, Massachusetts.

Although the number of marinas is still insufficient, startling refinements are being incorporated in the new ones and in the old ones which are brought up to date. Before the war a boat basin was little more than a wooden pier leading to a float, from which the sailor rowed out to his craft. The shore facilities usually consisted of a shed, in which to keep the gear, and a parking lot. Today's marinas have criss-crossing networks of floats extending far into the water with spaces for each boat, so that the sailor can walk dry-footed to land. Each berthing space has immediate access to fresh water, electricity and telephone service. Ashore there are provision shops and ships' stores, repair yards with extensive systems of lifts and hoists, swimming pools, cocktail lounges and restaurant. The latest idea is to build cottages, or "boatels," at the dockside, comparable to the motels along the highways.

Mr Wolfson Goes Motoring

THE Securities and Exchange Commission has now turned on Mr Louis E. Wolfson, a Florida financier whose business dealings have often earned him the dislike—and the uneasy respect—of more orthodox investors and businessmen. (Perhaps his most spectacular manœuvre was the proxy battle in 1955 in which he nearly won control of Montgomery Ward and Company, the famous mail order house.) The SEC, which was given the duty of protecting investors against malpractices in the stock market after the crash of the nineteen-thirties, has charged Mr Wolfson with "fraud and deceit" in his dealings in the shares of the American Motors Corporation. Using its powers to control speculation, the commission has secured a court order restraining Mr Wolfson from further trading in the company's shares until the status of his present holdings is made known.

At one time, Mr Wolfson and his associates owned more than 400,000 shares in American Motors; it makes the small Rambler car, which has been selling well. This represented about 7 per cent of the total outstanding shares, and was reportedly the largest individual holding; but on June 20th, a spokesman told the *New York Times* that, since Mr Wolfson considered the stock "fully priced" (i.e., at the highest price it was likely to reach), he had sold one-fourth of his holdings and was engaged in selling the remainder. News of such a sale would normally depress the market price of the stock. Now the SEC claims that by June 20th the group had actually sold its entire 400,000 shares, and in addition, had "sold short" an estimated 150,000 shares; thus, it is alleged, the statement to the *Times* was calculated to enable Mr Wolfson to buy back the shares sold short, at a lower price and a consequent profit.

The charges of fraud and manipulation were promptly denied by Mr Wolfson, who blandly dissociated himself from the statements in the press; however, he admitted that in fact he had sold his American Motors shares some weeks earlier and had acquired a short interest. The charges will be heard in court on August 5th, and Mr Wolfson runs the risk of contempt proceedings if he changes his holdings in American Motors before that time. Thus the venture could prove a costly one; American Motors—which has not been implicated in any way by the SEC—has earned a healthy profit so far this year, and its earnings in the third quarter will, it is thought, be even higher than expected. If the price of the shares keeps pace, Mr Wolfson's remaining short interest, estimated at 100,000 shares, may mean a sizeable loss for him by the time the case reaches court.



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THE WORLD OVERSEAS

The Mountain Arrives

FROM OUR OTTAWA CORRESPONDENT

July 3th

THE drab cliché about moving the mountain to Mohammed fits this week's visit of President Eisenhower to Ottawa unusually neatly. The prophetic role suits Mr Diefenbaker, who has not yet visited Washington as prime minister, but only as Minister in Attendance on the Queen last October. But he has flourished the prophet's mantle until it became almost palpable during the two last election campaigns and he has ridden to victory as though in chariots of fire.

On the other hand, every presidential journey is rather like moving a mountain. The sovereign's train includes by stature a considerable corpus of muscular agents from the least secret protective force in the world, known as the "United States Secret Service." Their main concession to secrecy consists in wearing loose-fitting civilian suits with low-brimmed soft hats, which render them instantly recognisable. Their leading patrols descend with magnificent obviousness on every street and building on the President's route and half a dozen élite runners jog-trot with indefatigable devotion beside the presidential car whenever strangers are in sight. On close acquaintance these secret service men turn out to be leading lives of exemplary dedication to the single job committed to them by United States statute, namely to defend the person of the President in all circumstances. But to the casual onlooker they appear obtrusive and unnecessary, and they give the impression of trying to look as Madison Avenue's advertising executives would like to look if they could equal the physical training and transparent "sincerity" of the secret service.

By newspaper decree, almost as inflexible as the statute, the President's suite invariably includes another body of men equally formidable, though more heterogeneous. These are "White House correspondents," whose one assignment is to "cover" the President's every move. They are not primarily concerned with preventing his assassination, but they are equally determined to be there if it happens.

The final offspring of the President's intercourse this week with Mr Diefenbaker and other Canadian ministers is unpredictable. Even the "agreements" to be announced at the end of the talks are still in embryo as this is written. Mr Diefenbaker, if not Mr Eisenhower or Mr Dulles, has the flair necessary to give them some panache and he will have an experienced ally in Mr James Hagerty, Mr Eisenhower's press secretary, gratuitously and wrongly described in the official Canadian handbook as "The Honourable."

New organisations for Canadian-United States consultation are emerging as Mr Diefenbaker's main idea for improving relations. There is already a joint committee of the two cabinets on trade and economic affairs, consisting of four ministers from each cabinet, which has met three times since its creation in 1953 without yet claiming to have settled any specific problem, though contributing, they say, much to mutual understanding. Mr Diefenbaker's answer is that it should meet more often.

Defence arrangements, primarily between the two air forces, are constantly leading to far-reaching inter-meshing of the two countries' affairs, which the political leaders do not even hear about until the plans are worked out in such detail—or strategic need can be said to be so pressing—that ministers can hardly help concurring. Mr Diefenbaker's answer is a new "joint cabinet committee on defence." No doubt his hope is to ensure that the integration of continental air defences includes the integration of production arrangements and gives Canada a significant voice in crucial policy decisions. This is a vital objective for Canada, which sometimes finds that Canadian-American integration is just like the integration of a dog with its tail. Whatever equipment nature gave the tail for barking, the wag is still determined from up ahead.

Finally, Mr Diefenbaker has taken up the idea promulgated in the United States House of Representatives by Mr Brooks Hays of Arkansas and Mr Frank Coffin from Maine, and in the Senate by Mr Aiken of Vermont. They want to form joint committees, consisting this time of Canadian Members of Parliament and American Members of Congress. Thus, they think, each legislature will learn better to "understand the other's problems." In giving a positive response to the proposal Mr Diefenbaker undoubtedly reflects a common Canadian feeling. It is natural enough to want to latch on to any device for gaining congressional sympathy. There have been so many occasions when Canadian diplomats (like others) have been able to secure complete agreement with the United States administration, only to be frustrated by what Congress does —or by what the Administration thinks Congress will do. But even if Mr Eisenhower accepts the proposal it is difficult to see any really strong President blessing an arrangement which, given parliamentary responsibility even at one end, comes so close to establishing a second set of diplomatic relations and encroaching on presidential responsibility for international negotiations. Moreover, Canadians should know, if no other country does, that congressional votes are usually more related to grass-roots sentiment in the United States itself than to any blandishments which a foreign power may offer. Falstaff's opinion of honour is highly relevant: "What is Canadian good will? Who hath it? He that lost his seat Wednesday. Can it catch votes? No. Therefore I'll have none of it."

Whatever agreements the President and the Prime Minister are able to proclaim between my writing and your reading, their meetings this week illustrate another popular saying even more aptly than anything about the mountain and Mohammed. It is: *Si jeunesse savait, si vieillesse pouvait.* Mr Eisenhower and Mr Dulles, relatively old in office as in years, may agree to establish a dozen new organs of co-operation. But their power to direct the course of United States policy is—to express it conservatively—limited. Ah! *Si viellesse pouvait!*

Mr Diefenbaker, on the other hand, is very young in ffice. He has been preoccupied most of his time with the olitical manœuvres necessary to transform his minority overnment into today's overwhelming majority. Even now xternal relations can get only a minor share of his attention. o, though he has power to direct Canada almost any way e chooses, his information about and understanding of the omplexities of Canada—United States relations are still—o put it conservatively—limited. Ah! *Si jeunesse savait!*

"I would it were bedtime John, and all well."

Communal Strife in Cyprus

FROM OUR CORRESPONDENT IN NICOSIA

Now that it is just a month since the Turkish riots broke out in Nicosia, it is perhaps appropriate to assess whether the damage to inter-communal relations is irreparable. Every day brings its new crop of incidents, though the security forces (including 37,000 troops) now have the general situation under control.

The most disturbing feature in retrospect is that the grave charges made by the Greeks against the British administration a month ago of "favouritism" towards the Turks are still being loudly repeated. The allegation has been given tragic force by the episode last weekend at Avgorou village, where the efforts of an apparently ultra-zealous military patrol to compel a Greek youth to efface a slogan led to a clash with the villagers in which two Greek Cypriots were killed. Within three days there followed, with the inevitability of a Greek tragedy, the reprisal murder of two British soldiers. What has accentuated bitterness over the Avgorou incident among Greeks is that it came immediately after two days of disturbance in the mixed Greek-Turkish suburb of Omorfita, near Nicosia, during which Turkish youths, determined to evict Greeks from their property, were treated with a notable restraint by the security forces.

A case can clearly be made for using vigorous strong-arm methods to deal with lawlessness, just as it is equally arguable that on some occasions more discreet, "kid glove" methods, rather than the precipitate use of troops, are needed to prevent greater retaliatory violence. Still, it is obviously imperative that there should be consistency in the methods which the security forces employ: the same treatment should be meted out to lawbreakers of either side. The truth, harsh but inescapable, is that since the Avgorou incident not a shred of trust in the British authorities is left in the minds of the always suspicious Greek population. Although among the British community, and especially among the soldiers, there is a strong feeling that the Greeks, who have for three years been waging a terrorist campaign and shooting British soldiers in the back have no right to shriek for protection, the sober reality is that the Greeks now distrust the British administration so much that they feel compelled to resort to panic measures in self-defence, and these tend to provoke more trouble than they prevent.

The second notable feature of the past month has been the relatively passive reaction of the Greeks, including Eoka, in face of the Turkish attacks. Eoka has talked in general terms of striking back at the Turks, but after all the blood-curdling threats against the British in the spring, the Greeks who have been fleeing in panic from the Turkish mobs have cut a rather tragic and pathetic figure. Broadly, the pattern of Cyprus antagonisms now is that Turkish violence is directed mainly against the Greeks, while the Greeks' violence is still aimed at the British.

In a large degree the phrase "inter-communal violence," now enshrined in the language of official utterances, is misleading, as Greek propagandists have pointed out. In the past month at least 80 per cent of the trouble has been started by Turkish mobs, condoned if not actually egged on by leaders who are anxious to demonstrate to the world that the two communities cannot live together—and that therefore, partition is necessary. The exact figures of refugees are not available, but it is a safe assumption that at least 75 per cent have been Greeks. Moreover, many Turkish families who have fled from Greek quarters have done so under orders, or from fear of their compatriots, rather than from fear of the Greeks.

The third notable factor is that a sort of municipal partition has willy-nilly been taking place; the panic Greek evacuations have played into the Turks' hands. In Nicosia there is now a clearer delineation of the Greek and Turkish quarters than existed a month ago. At the same time the Turks have stepped up the campaign for separate municipalities. On this question the government has not yet declared itself, though the concept is not alien to the spirit of the British proposals. But a dangerous state of confusion is arising as the Turks try to usurp the function of the existing municipalities, notably in such things as taking over municipal markets and in threatening to refuse to pay taxes. Last week there were ominous clashes at Limassol and to a lesser degree in Nicosia over the Turks' new municipal activities. Some people feel that the government cannot look on passively.

As long as the Turks are wedded to a policy of partition an inter-communal war of attrition seems to be inevitable The whole concept of partition rests on the argument tha the Greeks and the Turks cannot live together—and th Turks have made it amply clear in the past month tha they are determined to do everything to advertise the laten hostility between the two races. Yet, despite all the politica propaganda, the hope remains that, left to themselves, th ordinary Greek and the ordinary Turk who used to get o reasonably well together, still at the bottom of their heart desire peace and security. The problem is when—if ever—the ordinary people will be left to themselves.

Mr K, Duke Vladimir and the Drinking Classes

Vodka flows too freely in Russia, in the view of th Soviet leaders, who have become alarmed and ha launched a campaign against drink; Mr Khrushchev, who own partiality for the bottle has often been remarked, pe formed the launching at Leningrad. The press, the rad and the party machine have been mobilised for the job.

Drunkenness is no laughing matter in Russia, but major social evil, and an old one. In Tsarist Russia peo drank, as it has always been supposed, to forget their ho less poverty, thus furnishing the state with a large part its revenue through the alcohol monopoly; there was a ti when the budget was called the "drunken budget." Yet t undeniable rise in the standard of life in recent years h not brought about any reduction in vodka drinking. T Soviet population is now five per cent larger than it was the eve of the second world war, but vodka consumption more than a quarter higher, and that despite a relative increase in price. Russian social workers, therefore, are now looking for other explanations of intemperance than the traditional ones of poverty and overcrowding.

One reason mentioned frequently is the high price—and the scarcity in rural areas—of such desirable things as bicycles and motor-bikes, furniture and household goods; saving is thus discouraged; unable to shop to much advantage, people drink instead. Youth leaders complain about the lack of clubs and of sufficiently attractive entertainment. Vodka, on the other hand, is easily available and is sold with enthusiasm by restaurants and shops, since its sale brings quick profits. According to *Izvestia*, party propagandists sent to preach against alcoholism often fall victims to temptation themselves. The demand seems to be inelastic. The recent price increase had no effect and the government is reluctant to raise the price much further for fear that the peasants would turn to home distilling.

A campaign against drunkeness is not easy to conduct. The speaker too often sounds like a prig; the drunk is a popular figure, enjoying much sympathy. Even Mr Khrushchev's anti-drink speech at Leningrad was interrupted by a member of the audience complaining that vodka was too dear. At one *komsomol* meeting, the campaigners were answered from the hall with historical-patriotic arguments. A defender of drink pointed out that Grand Duke Vladimir, when he chose the Christian instead of the Moslem faith for Russia in the tenth century, rejected Islam for its prohibition of alcohol: "Without drink," said this sympathetic ruler, "there would be no Russia."

The Soviet leaders do not agree; to their mind, drink is a threat to Russia's advancement and greatness. Vodka, more potent than wine or beer, brings quicker results. By causing absenteeism and hangovers, it hinders production. It causes trouble in the family; Hogarth would have found ample subject-matter in eastern Europe today. From *Krasnaya Zvezda* (Red Star) it may even be gathered that vodka interferes with military discipline. Perhaps a caution is necessary in judging the scarifying utterances of the propaganda machine; once unleashed in a campaign, the Soviet writers in their zeal may paint things blacker than they are. The newspapers are full of scenes from the "sobering-up room" at the police station, where, if nowhere else in the socialist state, equality rules while workers and managers cool off side by side.

No amount of propaganda in this field can be described as redundant. But a psychological campaign will not be enough. Better housing conditions, more varied and more attractive consumer goods more readily obtainable, a more interesting life—these are still the chief weapons in the fight against the cult of Duke Vladimir. The campaign should not be treated as just another of Mr Khrushchev's private jokes; it is a serious matter, as important as any production drive. It would, however, be wrong to expect immediate results. Vodka will not stop overflowing overnight.

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Chagrin in Beirut

FROM OUR MIDDLE EAST CORRESPONDENT

The reaction of the government to the first results of its attempt to internationalise the Lebanese struggle is one of disappointment and painful indecision. When the Security Council decided to despatch observers to ensure the cessation of illegal infiltration the government supporters claimed a major victory. Yet so far the fruits of that victory have been of the Dead Sea variety. The observers, in their first report and in their frequent public pronouncements in Beirut have maintained stolidly—to the point of straining credulity—that they have found no evidence of "massive" interference in Lebanese affairs from outside. Some of the confusion lies in the choice of an adjective and the Lebanese government must now regret its insistence on the word "massive". If it had spoken of "marginal intervention" that tipped the scales in favour of the rebels or even of plain "intervention", its opponents would have been much harder pressed to demolish its case.

The immediate answer of the government and its supporters was a campaign to discredit the findings of the observers—and even the observers themselves. It has been pointed out that they are still unable to operate over wide tracts of the country, including by far the greater part of the Syrian border across which infiltration of arms, and perhaps men, has been effected. They have done very little observation by night. Apart from stressing such technical obstacles, President Chamoun, in a strongly worded statement earlier this week, roundly accused the observers of idleness and incompetence. The observers have counter-complaints against the government. If the evidence of massive interference is so conclusive, why has not more been produced for scrutiny? The answer that immediately springs to mind is that the evidence is not so strong as the government claimed when presenting its complaint to the Security Council. But there is more to it than that. One of the most important factors paralysing government action is the divided counsels in administration. Loyal government servants work elbow to elbow with supporters of the opposition; and there is ground for believing that the latter are as busy suppressing evidence as the former are in airing it.

The failure of the government to get satisfaction from the Arab League and its subsequent inability to get what it regards as effective action from the Security Council leaves it still scanning the international horizon, but with growing desperation. Would the Security Council back the Lebanese case against the findings of the observer group sponsored by itself? If so, further action such as the despatch of an

nternational police force might be sought under article 51 of the United Nations Charter. If not, an appeal might be made under the Anglo-French-American tripartite declaration of 1950 which guaranteed the existing frontiers, or under the terms of the Eisenhower doctrine. Here too the government has been disappointed by clear signs that both the British and the United States governments are working towards disengagement, presumably because it is now realised that the odium which an Anglo-Amercian intervention would bring down on their heads is not a reasonable price to pay for the future of the Lebanese president.

Mr Dulles, while conceding that "an armed attack", the relevant phrase in article 51 of the Charter, would cover an internal revolution inspired from abroad, has made it clear that intervention on behalf of the government is a matter of "last resort". But what is the last resort? If it means armed invasion from Syria, or even an opposition attempt to seize Beirut by force, we must wait until Doomsday. Uncertainties such as these have induced the government to look elsewhere. Hence the pathetic hope raised by the recent meetings in Istanbul between Turkish and Iraqi leaders. The Turks have made a gesture by closing the Syrian border while the Iraqis have tightened regulations along their frontier with Syria. But whatever effect such measures may have in Damascus they will certainly be shrugged off in the rebel headquarters in Beirut and Tripoli.

Welfare State in a Hair Shirt

FROM OUR CORRESPONDENT IN WELLINGTON

THE first budget of New Zealand's seven months' old Labour government clothes New Zealanders in a socialist hair shirt—with a velvet collar. When introducing this incongruous garment, the Minister of Finance, Mr Arnold Nordmeyer, who was at one time a minister of religion, explained that the government was determined to check inflation, preserve full employment, encourage saving and achieve other highly laudable if irreconcilable objectives. He then announced tax increases which will add threepence to a glass of beer, sixpence to the price of a packet of ten cigarettes, 1s. 6d. to the price of a 2-ounce packet of tobacco, 10s. a bottle to whisky and other imported spirits, and 1s. a gallon to petrol. He also doubled the purchase tax on new cars, making it 40 per cent, which means an average increase in the price of most popular models of from £118 to £280.

Surveying the unbelieving faces on the other side of the House and the glum faces on his own with a quelling eye, Mr Nordmeyer then announced alterations in company taxation which will mean that while New Zealand companies go on paying taxation on their declared profits at a rate of approximately 10s. in the £, their shareholders will also pay on their dividends up to a maximum of 7s. in the £. For good measure, Mr Nordmeyer added a profits retention tax, which means that if companies fail to pay out at least half of their profits to their shareholders, they will incur additional taxation.

While the living were adding this up, Mr Nordmeyer proceeded to deal with the dead. He announced alterations in death and gift duties on an ascending scale for estates above £12,000 and gifts above £500. The death duty rate reaches 30 per cent at £30,000 and, above that, will be charged at 60 per cent. Then he mentioned the ominous term "basic rate of income tax." This, he said, would be restored to the 1954 level, which means that the 25 per cent rebate, with a maximum of £75, written into the existing PAYE tables will be abolished. He also announced alterations in exemptions so that in future single people will pay substantially more.

But having displayed his hair shirt, Mr Nordmeyer went on to affix the fancy trimmings. Beaming paternally, he said that the government proposed to carry out its election promise to increase the tax free family benefit from 10s. a week for each child up to the age of 16, to 15s. It also proposed, "in certain circumstances," to permit the capitalisation of the benefit to provide housing finance and to increase age benefits and allow persons drawing them to earn an additional £3 a week.

New Zealanders were not unaware that the bright colours of "God's Own Country" presented to them at the election last November, had become somewhat tarnished in the last seven months, but they were scarcely prepared for Mr Nordmeyer's hair shirt and were even prepared to be strongly critical of its velvet collar. Importers, manufacturers, farmers, business leaders, stock exchanges, chambers of commerce and a good many of those who engage in the licentious pleasures of riding in motor cars and smoking and drinking, expressed varying degrees of shocked and pained amazement. Even Labour's self-control was maintained with difficulty. The President of the New Zealand Federation of Labour, Mr F. P. Walsh, immediately announced forbiddingly that the federation would have to consider an application to the Arbitration Court for a general wage increase which he indicated would be around seven per cent. The Public Service Association, which represents most state workers, let it be known unofficially that its thoughts were moving in the same direction.

THE National party opposition, which has been growing increasingly restive under reiterated government charges that the deterioration in the country's finances is largely due to the National party's mismanagement, reacted sharply with a vote of no-confidence and a challenge to Labour to return to the country for an opinion on its budget and its import controls. It repeated its charges that the real reason for Mr Nordmeyer's new levies is not to cut back importing and induce some degree of austerity, but to recoup the government for the £19 million of income tax revenue that it lost when it fulfilled its election winning promise to give a £100 income tax rebate. The inevitable finger-pointing debate is in full cry at time of writing, but it is unlikely that Labour discipline will crack. Mr Nash has a majority of only one vote and the vote of the Speaker, but it should be sufficient to defeat the Opposition motion.

The non-political criticisms of the budget are also in full spate. They are obvious. The increase in the family benefit, for which there was no demand, will cost about £10 million in a full year. Mr Nordmeyer admitted that his increased taxation "take" would be £27,500,000; independent estimates make it a good deal more. But government expenditure which has continued to mount with each successive budget since the war, will go up by another £20 million and the taxation level will reach £115 a year per head of population.

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The government will undoubtedly try hard to induce Mr Walsh to hold his hand, but it seems inevitable that the federation will go to the court for a general wage increase. If it gets it—and the increased petrol tax alone will give it a very good argument—the wage-cost spiral which has been temporarily held in New Zealand, will again begin to spiral with a vengeance. Meanwhile the budget can do little to improve the debilitated state of New Zealand's overseas reserves which at the moment are primarily influenced by low dairy prices. Mr Nordmeyer provided for a £5 million loan to the dairy industry, but that will not be nearly enough to avoid a substantial cut in farmers' incomes.

In the long run the most serious effect of the budget is likely to be on company development. New Zealand has not many large companies by overseas standards, but share investment is very widely spread. It seems inevitable that the new taxation scale will make New Zealand companies and the establishment of New Zealand companies still less attractive to overseas investors and encourage investors here to send their money overseas.

Notice to Quit in Laos

THE truce commissions of Indo-China are doubly in the news. The Laotians would like theirs dissolved; the Cambodians have asked theirs to help them in a dispute with Vietnam. Thus the three countries once known as the Associated States of Indo-China, and virtually federated by the French, are going their separate ways. Indeed, since the Geneva conference of 1954, which recognised their independence, the kingdoms of Laos and Cambodia and the rival republics of Vietnam have been busy unfederating themselves. The truce commissions have provided a link of a kind, but this link may not exist much longer.

An International Commission for Supervision and Control was set up in each of the three countries to make sure the armistice agreements signed in Geneva were observed. Each commission comprises Indians (as chairmen), Poles and Canadians; despite a widespread misapprehension, the commissions have nothing to do with the United Nations.

Today, four years later, the usefulness of the commissions is in dispute. The Laotian prime minister, Prince Souvanna Phouma, wrote to the Indian chairman of the commission for Laos earlier this year, thanked its members for their work and politely suggested that they should pack up and go. Two weeks ago, the Soviet ambassador in London, Mr Malik, began conversations with Commander Noble, the Minister of State, to consider the Laotian request. This buck has been passed to them because the British and the Russians were co-chairmen of the Geneva conference of 1954. The British will probably try firmly to pass it back to the commission itself, on the ground that Laos is now sovereign and the co-chairmen's function is at an end.

The commission itself is divided. The Canadians would welcome a chance to get back some of their able officials immobilised in Laos. The Indians are arguing that since one party to the armistice agreements—the "Vietminh" or Vietnamese Communists—wants the commission to stay, the commission has no right to leave. The Poles inside the commission, and the Russians outside it, may be expected to support the Vietminh, who—still hoping to unite Vietnam under their rule—desire to keep the Geneva machinery in existence.

The case for retaining the commission in Cambodia does not seem to be any stronger, on its merits, than in Laos. But the Cambodian government not only has not asked the commission to leave, but has turned to it for help in a border dispute with south Vietnam. The Cambodians allege that after frequent border violations the Vietnamese army is in occupation of a small piece of territory in the north-eastern province of Stung-Treng.

Cambodian appeals have gone to the truce commission and to the United States, as a "mutual friend" of Cambodia and Vietnam, to ask the Vietnamese to stop their "unjust annexationist manoeuvres." The Americans must find this appeal embarrassing. The commission has decided to send observers to the disputed territory, although the Canadian members at first pointed out that the function of the commission is to supervise an armistice between the Cambodians and the Vietminh, not a dispute between the Cambodians and the anti-Vietminh government of south Vietnam.



On a smaller scale, the dispute could become as acrimonious as that between France and Tunisia, with which it has points in common. For some months the Vietnamese had complained that dissident bands were raiding their territory from Cambodia and taking refuge there when chased. The quarrel, which revives ancestral memories on both sides, may not become serious if it is kept within bounds. But if the Cambodians turn to the United Nations the Russians could use it to support allegations of American military designs in south Vietnam.

The commission for Cambodia could thus perform a last useful service by offering its good offices to both sides. Otherwise, there seems little reason for it to remain in being. In divided Vietnam, however, by common consent, the commission still has a useful function to perform, for its presence continues to discourage local incidents that might start off a war between the communist north and the nationalist south.

The Pink Reds of Kerala

FROM OUR CORRESPONDENT IN INDIA

LIKE their sunbleached flags, the Communists of Kerala are pink, not red; and for them the Marxist way is sinuous indeed. Voting for the Communists last year was the symptom, not the cause of change; the assertion of equality of the underdogs, the revolt of the educated against

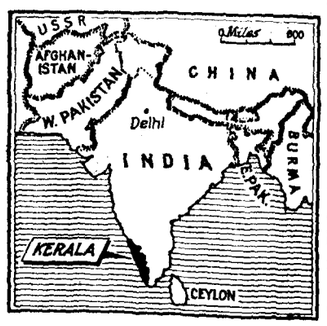
muffling orthodoxy, and the protest of the floating voters against the corruption and ineptitude of previous state governments.

Kerala is unique. It is the most orthodox of societies. Its people are India's most educated but among its least westernised, with perhaps the highest percentage of landless labourers in Asia. It is like Ireland without emigration, bursting with people wanting jobs. The Communists won power on the promise of freedom from tradition and want. After twelve months in office they have shattered tradition, at the cost of their own peace of mind. But even after twelve years in office they will not have freed the people from want, for Kerala lacks the preconditions for industrial development and there is not enough land to go round.

Tradition was shattered by the elections, overnight, leaving a vacuum in place of the former exact inter-relationships of status. People are queasily suspended on the brink of a new world where labourers and landlords, directors and coolies, whippersnappers and elders are equals. Yet, as in a Pirandello drama, the climax cannot arrive while the Indian constitution is there to protect landlords from liquidation and directors from nationalisation. The result is an uncertainty of status and a lawlessness of the mind which pervade the whole state.

THE Communists have behaved like Congressmen so far. They have abandoned the idea of nationalising foreign owned plantations, and adopted a taxation squeeze instead. Their industrial policy resolution could have been drafted by businessmen ; and they have settled many labour disputes by arbitration to the satisfaction of management, sometimes even with a wage-freeze. If the Communists have not given the toiling masses the keys of the kingdom but locked them out at the gate, it is because they realise that, shackled as they are by the Indian Constitution, their chance of getting re-elected depends largely on how far they solve unemployment and poverty ; so they must, by hook or by crook, stimulate investment. They cannot go to the capital markets of the world ; they cannot ask Moscow for aid ; their share of India's second five year plan (£60 million) includes no vital "core project," and so far they have been very behind-hand in spending the money they have been allotted. But industrialists are reluctant to invest when planters complain of lawlessness on estates, when unions fight for membership and strike for recognition, and when processions and satyagrahas are the daily manifestations of trade unionism and political opposition.

So far, except for not letting the police interfere in non-violent labour disputes—with a somewhat elastic definition of non-violent—the Communists have done little except put into effect projects left on the agenda by their predecessors, like the nationalisation of certain bus routes, or the increase in the pay of lower rank state servants. Even the education Bill about which there has been such a fuss is not original ; in Orissa a Congress government recently passed a somewhat similar Act. The Bill, which greatly increases state control over grant-aided schools, stirred the Catholics and the Congress to such crusading opposition that it reunited the Communists on the brink of a split and diverted public attention from their impotence. Many of the teachers, however, are pleased, and many non-Catholics will accept it provided it is not used for indoctrination. As regards land reform the Communists are somewhat timidly following the example set by Congress in Bombay two years ago. The ceiling will be low—15 acres of wet land—against Bombay's sixteen acres ; rents will be from half of the crop to a quarter or a sixth ; in Bombay the tenant has been made the owner on payment of easy instalments. In their eagerness not to alienate anybody—they only got 41 per cent of the vote and a majority of two seats at the election—the Communists do not talk of kulaks or kolkhozes ; their claim indeed, is to be inspired only by the original Congress ideas of pre-Independence years.

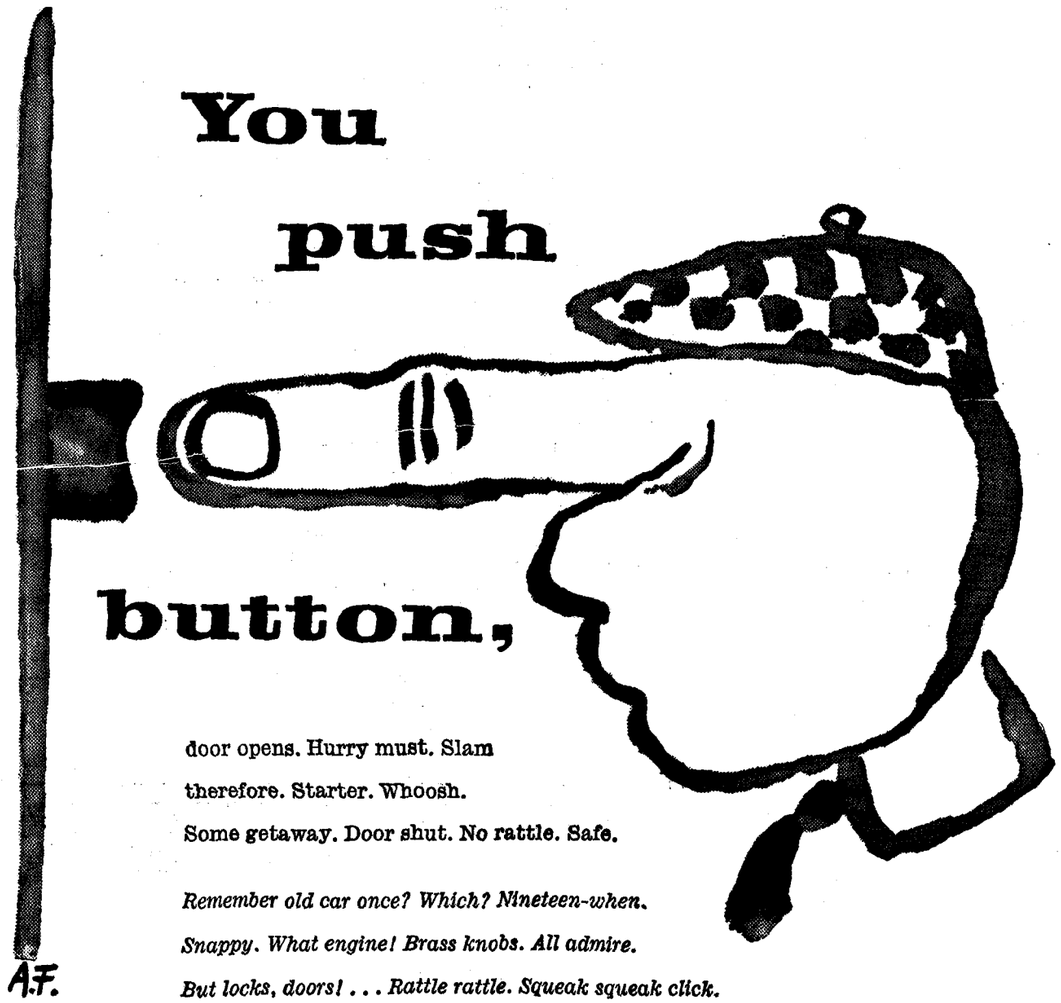


Today, they might well win more votes than they did last year. But in the long run they face three major enemies: the facts of life in Kerala, the odium of office, and a softening from within. Kerala is both poor and hyper-critical. Finding fault with the government is the local pastime, so there has been an automatic switch from pitching into the Congress to pitching into the Communists. The Opposition, split and discredited though it is, has united to counter-attack and hardly a day goes by without some protest procession, political meeting, satyagraha or hunger strike.

The main threat to the Communists, however, comes from within. Till yesterday a revolutionary opposition, they now have to make citizens out of comrades, to make party members accept compromises while retaining their dedication, and to resist the attractions of giving patronage while yet giving enough to retain support. Already there is to be a public inquiry into certain food purchases which were made at high prices, people say, to fatten the party funds with the commissions and to strengthen the party following. Already comrades chafe at having to surrender to red tape. Sometimes the old flame breaks through and there is a "people's court" ; such enthusiasts are to be expelled from the party. If, as the Communists have said they will, they do abolish "cells," and generally democratise the party, it will be even more difficult for them to control their followers, some of whom are human and as liable to relax as many Congressmen were after 1947.

There is, nevertheless, one key difference. Far from celebrating victory, the Communists maintain that so long as they do not control Delhi they cannot be true Communists ; Kerala therefore is only the first round, and is to be used to show that communism has changed and become a party fit for moderates. Communism, however, has not changed. Indeed, Communist intellectual integrity takes the form of Communist leaders making it clear that they have not renounced violence in all circumstances and that they do not really accept the idea of an Opposition to Communist governments.

Will the rest of India be taken in ? This depends on the West and the Congress party. The Kerala Communists purr because America is arming Pakistan ; because of confused Congress thinking and because of Delhi's stubborn refusal to divide Bombay on linguistic lines as well as of the patronage they feel they get from certain Congress leaders in high places. All they need do, they think, is to be good, work hard, and wait for democracy to fail.



door opens. Hurry must. Slam
therefore. Starter. Whoosh.
Some getaway. Door shut. No rattle. Safe.

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THE BUSINESS WORLD

Special Deposits

TUCKED shyly in the Chancellor's statement on Thursday last week was one of the most important changes in British banking practice since the Bank Act of 1844. Almost all eyes were fastened on Mr Amory's measures of relaxation and almost all comment has been content to hail them superficially as the end of the credit squeeze. His announcement of "a new arrangement under which the Bank of England will, if need be, restrict the liquidity of the banking system by calling for special deposits" has attracted strangely little serious attention. This new system may be caviar to the general, but it warrants close consideration. It is described by the Chancellor as "a temporary arrangement pending the recommendations of the Radcliffe Committee, to whom we look for advice about any permanent changes." But the provisional has a habit of lasting and one must assume that the authorities do not fear that the Radcliffe Committee is likely to cause embarrassment by tendering advice in a contrary sense.

This new form of control over bank credit is clearly not intended for immediate use. But its announcement simultaneously with the withdrawing of the Government's request of last September that the banks should limit their advances to the level of the preceding twelve months (a limit not in fact approached) seems a little odd, unless it is that the gentlemen of Zurich were thought to need some tranquiliser to calm any apprehensions that Mr Amory's well-deliberated relaxations of economic policy could lead to an inflationary flare-up at this time. The Chancellor has virtually pledged himself not to ask again for a ceiling on bank advances. He will rely on normal monetary measures, plus the new system of calling for special deposits, when necessary, from the banks.

In this new system, one important admission of principle emerges that was always conveniently forgotten when "requests" were previously made for the restriction of bank advances. It is that the volume of credit available to the economy is primarily determined by the level of bank deposits, and not by the level of bank advances. Any system of control on the level of deposits at least starts at the right place. Whether control over deposits would be applied at the right time under the new system is another question. An excess of bank deposits is a confession that control over the banking system by the normal central banking methods open to the Bank and by the spending and financing operations of the Exchequer has been wanting. Any call on the banking system for special deposits would demonstrate that "the existing machinery of interest rates and open market operations," which the Chancellor has sought to reinforce, had in fact been used too sparingly. The new system is not so much a reinforcement of old ways of controlling the volume of bank credit from the base as a technique for slicing off the top of an excessively high pyramid of credit already created. The Zurich bankers may be pleased that this new shot is in the locker, but they ought to be scared if it ever has to be fired.

In Australia, where special deposits have long been an open source of controversy between the Commonwealth Bank and the trading banks, conditions are totally different. The volume of bank deposits there is subject to adventitious swings caused by variations in the wool cheque, and there is no organised money market capable of smoothing out violent fluctuations in credit. In this country, an excess of bank credit can arise only because the authorities have failed to run the monetary system so that inflation is avoided.

THE first judgment on the new system must therefore be that it is no substitute for the existing machinery and it is a good thing that both the Chancellor and the Governor recognise that fact. The second is that a lot of details have yet to be filled in; the scheme, if not quite a return-of-post job, has been thought up at high speed, without any open discussion of the pros and cons and without any examination of its possible side-effects on other aspects of credit and funding policy. One could, on the most cynical view, damn

it as a device for dodging the discipline of the market—an anodyne for avoiding the pains both of high interest rates and of the vigorous funding of short-term debt which are the main corrective means open to a government that has issued too much credit. It is certainly not beyond doubt that some future government (and not necessarily only some future Labour government) will think that it is enough to get rid of a hangover and make no attempt to cure its dissolute ways.

Equally, when the scheme has been established, it would provide a ready to hand method of obtaining a long-run expansion of finance for the Exchequer at the Treasury bill rate, and relieve it correspondingly of the need to persuade holders of short-term obligations to fund into long-term securities. Even now, it is possible to detect some lack of conviction on the part of the authorities about funding ; they have an awkward batch of near maturities and the going long-term rate is a disagreeable one. Special deposits would give them the means of putting these troubles into the Bank's deep freeze whenever they feel (as they have felt in the past) that it is impossible to sell gilt-edged stocks.

The nearest British precedent to special deposits is the Treasury Deposit Receipt system of wartime financing introduced just after Dunkirk and continued on a diminishing scale for five years after the war ended. The new system has a more respectable air, for it is presented as a means of credit control and not of government borrowing ; but this is largely a matter of form, for the end result would be to provide the Exchequer with forced loans from the banking system. In the first instance, a call of special deposits would put strain on the bank's cash reserves. This, incidentally, would give the authorities a devastating power—if they so chose to use it—to inflict extreme stringency and steeply rising rates in the short loan and discount markets. But, since the avowed purpose is to squeeze the banks' liquidity ratio (the 30 per cent. or so of total deposits that they back with quick assets) and not their cash ratio (which is only about 8 per cent.), the authorities could be expected to smooth the transfers by buying securities and by accommodating the discount market at Bank rate. In either case, the result would be a decline in the volume of short-term government debt directly financed by the banks and the discount houses roughly equal to the special deposits, and a corresponding increase in the volume of such debt directly financed by the Bank of England. When the additional bills held by the Bank matured, the Bank would renew them at the weekly tender, or tender offerings would be reduced and the Bank would receive a direct issue of "tap" bills instead.

Hence it follows that special deposits, though intended as a weapon of disinflation, could in some circumstances have a distinctly inflationary influence. The new device could provide a means of relieving the Treasury of the automatic sanctions against excessive borrowing—fear of the consequences of producing an undue expansion in bank liquidity or distaste for the rise in gilt-edged yields that would be needed to float funding issues to prevent such an expansion. There is no hint at all of any intention to use special deposits deliberately in this way. But what purports to be a "reinforcing" weapon can be seen, on closer examination, to make it possible for the authorities to avoid the discomforts of normal funding and to coerce the banks into gilt-edged on terms that they would otherwise choose not to accept.

Experience in recent years gives no support to the view that all governments at all times could be trusted with a weapon of this sort. If it does come into use, it will almost certainly be as an alternative to important parts of "the existing machinery," rather than as a reinforcement of them. The market process by which non-bank investors can be attracted into Treasury bills and, eventually, into longer dated securities serves to cut down the banks' liquid assets and also to extinguish bank deposits that have resulted in the past from the governments' borrowings. The special deposits system, however, could be worked in a way that would avoid a corrective rise in interest rates and that would consolidate an undue expansion of credit. In that case, its only achievement would be a reduction in the margin of bank liquidity that might otherwise breed a secondary credit expansion.

But even that process might have a less than proportionate effect. If the banks felt that the risk of a squeeze in the gilt-edged market had lessened, they could afford to be less sensitive about a decline in their liquidity ratios. (Would that be followed by an official prescription of liquidity ratios ?) And if the attempt were made to use special deposits actually to reduce the volume of credit, the banks would be forced to sell investments or reduce their advances. What reason is there for supposing that the result would be a smaller rise in interest rates than would result from open market operations and funding ? The rise might be higher, since any considerable use of a technique for by-passing the market and avoiding fluctuations in rates must narrow the market and impair its efficiency.

At this stage, perhaps the only verdict on special deposits is not proven. There was a time not long since when special deposits or variable cash ratios were anathema to the City ; and the success, partial and halting though it has been, of the measures of last September had encouraged the belief that monetary measures and Bank rate changes need not in future always be too timid and too late. There is, indeed, the clearest need for the deep consideration of monetary policy that is now being conducted by the Radcliffe Committee. But monetary policy, despite what so many people thought nine months ago, is not now on the run and the prospect immediately before the British economy does not suggest that renewed inflation is a major risk. The banks and the City can rejoice that directives have been lifted and controls over the raising of capital eased ; but they may presently find that the new system of special deposits is worth more attention and public discussion.

Chancellor to Governor—July 1, 1958

I REGARD it as essential that some provisional method should be at hand to reinforce the existing machinery of interest rates and open market operations if it should again prove necessary to restrain an increase of total bank advances. Both the Bank of England and the banking organisations have repeatedly impressed upon HM Government that the method of "official requests" . . . to restrict total advances, although it has proved efficacious for short periods, hampers the efficient working of the banking system and is thus damaging both to the banks and to the public interest if carried on for too long or too frequently renewed.

I accept this view and I should, therefore, be grateful if the Bank of England would, between now and the end of July, prepare an alternative scheme, which could, if necessary, be introduced as a temporary measure, pending the Radcliffe Committee's report.

Governor to Chancellor—July 3, 1958

THE Bank of England have now drawn up the heads of a scheme for "special deposits" which could be available for introduction as a temporary measure pending any recommendations which may be made by the Radcliffe Committee.

I have already discussed this scheme in general terms with representatives of the principal banking organisation concerned, and details are now being settled.

The broad outline of the scheme is as follows :—

When it appeared necessary, in support of other monetary measures, to restrict the liquidity of the banking system and thus the ability of the banks to extend credit, the Bank of England would call for special deposits to be made with them by the banks. Such deposits would carry interest based on the current Treasury Bill rate. They would not qualify for inclusion in the banks' liquid assets. There would be provision for partial release by agreement with the Bank of England when justified by special considerations.

The banks would continue to maintain their usual minimum ratios between liquid assets and total deposits.

Calls would be made on each group of banks separately, the amount being related to the total gross deposits of each group at a specified date with monthly adjustments to take account of variations in the deposits of each bank. The ratio of a call to total deposits would not necessarily be the same for each group.

Initially, the scheme is being discussed with the Clearing and Scottish Banks, but it might later be more widely applied in the light of experience.

The scheme would serve to reinforce the existing monetary instruments and would be employed as a general control of credit in the same way and after the same sort of consideration as Bank Rate.

Doing Business with Russians

If revision of the Cocom list, after the negotiations still continuing in Paris, is about to widen the range of goods that British businessmen are allowed to sell to Russia, how do they go about it ? There is excellent official advice to be obtained from the Board of Trade and the Russian section of the London Chamber of Commerce on the formalities and the institutions of Anglo-Soviet trade. What follows is some unofficial and unbuttoned advice culled from one British businessman who has fairly recently succeeded in selling some equipment to the Russians and is confident of selling much more—tempered with asides from another whose experiences in Moscow were more frustrating.

IT is not hard to get some idea whether the Russians are likely to be interested in the kind of thing you have to sell. There are various famous shopping lists, in which some items are meaningful and some not. There is a growing amount of information available in London about the stage and pace of development of particular industries inside Russia, from which a supplier should be able to deduce whether an industry has yet developed a demand for what he has to sell, and whether the demand is growing so rapidly that the Russians are likely to have developed one themselves.

If you assume that Russians might want your product, there are three main ways to find out whether they do. The first is to write to the Soviet Trade Delegation in Highgate, which so far as suppliers' suggestions are concerned is essentially a forwarding postbox, sending letters on to the several importing organisations in Moscow, each of which buys for a given group of industries. The second is to write to the appropriate foreign trade organisation in Moscow (one of them buying equipment for a limited group of industries, in June, said it was receiving about a ton of catalogues from abroad every day) ; or possibly to go off to Moscow "on spec." Business has been done this last way, but pretty seldom ; one could spend a week in the lobby of the Hotel Metropole attempting to telephone a person whose name one has been given. The foreign visitor gains an overwhelming impression that in Russia private secretaries in the Western sense simply do not exist. Underlings abound, and typists ; but there is usually nobody who admits to knowing where a person is, when he will be back, or whether it is worth while ringing again. If the man happens to be at his desk, and answering telephones, you are likely to get straight through to him ; but if he has gone down the corridor, to Sochi, Siberia, or indeed Valhalla, he leaves no forwarding address.

The third way, and in one businessman's experience, at least, by far the best in the longish run, is to exhibit at as many of the trade fairs in Europe as you can, not in order to do business but in order to meet people. It is at these fairs that one finds a selection of engineers, technicians and trading officials from the Eastern European countries in the mood to gossip about technical matters ; and here in particular that the foreign

businessman has occasional chances to establish face to face contacts with his ultimate customers from the factories or with scientists from the technological institutes, which play a far more decisive role in Russian industry than research associations do in Britain.

In the formal pattern of trade with Russia, the supplier deals with a central purchasing agency that is helpless to make any technical decision without referring it back, which can blur or delay negotiation to an infuriating degree. ("Nyet" is one way of playing safe.) It is still hard to obtain direct contact, unless questions of assembly or fitting arise, with the factory concerned, with the regional economic councils that have recently, since decentralisation, assumed more importance, or with the technological institutes (without whose approval no foreign machine, at least, is likely to be ordered). At Leipzig and Poznan—but equally at Hanover—the British businessman has the chance to encounter these remote beings; and face to face contacts matter immensely with Russians.

ONCE some kind of promising contacts have been made, a trip to Moscow may well be useful. If a specific proposal is some way advanced, the drill is to apply for a business visa stating precisely who you want to see and why. This will be referred right back to the people in question; after quite arbitrary and unpredictable delays, if they decide they want to see you, the visa will be forthcoming; moreover, when you get to Moscow your appointments will all be laid on, sometimes to a quite exhausting timetable. If they do not, you will probably hear nothing. (Visas are more often simply ignored than refused; this is part of the Russian national characteristic of not answering letters.) If the enquiry is at an earlier stage, go on a tourist visa, which ought at least to be obtainable more readily. Our first businessman got his in two days; the other, only after about three months, and on the morning he had an airline booking to leave.

It costs £159 5s. return first class by air to Moscow. One pays for the whole trip inside Russia on inclusive terms to Intourist in London: *de luxe* service is now quoted at £10 14s. 3d. ($30) a day (members of the Russian section of the London Chamber of Commerce can get a 10 per cent discount). This entitles one to be met at the airport with a car and an interpreter, both being available for several hours every day; to accommodation and food at one of Moscow's four main tourist hotels, fairly lavish meals being "paid for" on a coupon basis.

Alcoholic drink is not included, and is expensive—vodka costs as much in Moscow as in London. One takes one's own money in travellers' cheques; with a certain amount of reciprocal entertainment counted in, a recent trip cost a group of British businessmen £25 per head per day. "Expensive but not impossibly expensive: the Bank of England had been anxious that we weren't taking enough money."

The quality of the interpreter is extremely important (possession of a degree from a foreign languages institute may denote anything from a darling to a dodo) because he or she has practically to arrange many of one's contacts and find the names of officials and their telephone numbers. There is no telephone directory for Moscow ordinarily available in Moscow, though one has been said to have been bought at the station bookstall in Leningrad. In face to face contacts, very few Russians are prepared to speak English, but with many one can establish some sort of *lingua franca* in German or French.

IF it is decided that the principal behind the foreign trade organisation wants your machine, he will send technicians to see it before the order is placed, and their cross-examination will be searching. As to price, the Russians will drive a very hard bargain; they seldom accept escalator clauses. As to payment, they will not normally pay any cash down or in progress payments, though bank guarantees are sometimes obtainable; but they pay in full against shipping documents or within 30 days of shipment, and cases of default are practically unknown in this country. They will always press for Moscow arbitration on contacts, but after the recent experiences of an Israeli firm in Moscow no western businessman would be wise to accept this; in practice, British suppliers usually find them willing to accept "neutral" arbitration, for example, in Sweden. A letter of intent may be taken as a promise of an order. On occasion, for example after the fall of Malenkov and the shift of emphasis from the consumer goods he favoured back to heavy industry, British suppliers have been disappointed; the Russians accepted delivery of the first items for which they had placed firm orders, but not of "follow-on" orders that had been taken as promised. But there have been few outright cancellations.

Once delivery is completed, or assembly on site over and handing-over trials done, that is liable to be the last the suppliers hear. There is seldom any question of after-sales service; in some cases suppliers have learned later or indirectly that their plant had teething troubles and was serviced or even considerably modified, without further comment—but with no further orders either. In negotiation with the Russians, one must reckon that they may copy, modify, or develop any western machine they buy; they seldom recognise foreign patents, though on occasion they have been induced to pay royalties. Some put it frankly that they are buying abroad simply through shortage of competent design engineers to design Russian machines in every field of engineering; they concentrate their effort, and buy on the margin. But even the marginal demand of a country still expanding at this rate can mean orders that are whacking big ones by the standards of western salesmen.

Over recent years, to the British businessman doing trade with Russians, Cocom has appeared mainly as a bargaining complaint for the Russians. No conversation is complete without mention of the vast commercial opportunities from which it has precluded the western supplier. Russians are fond of saying that since they were unable to buy a given machine they would design one themselves and compete abroad, and in some of the Central European countries a few of these threatened machines have in fact appeared on offer. Few people doing business with Russia believe that Cocom has stopped the Russians getting any item of western supplies or equipment that they absolutely had to have, through the various leaks in the control; but clearly it has been an immense irritant. Whether removal of that irritant will greatly swell the flow trade, again, remains to be seen; but many businessmen are quietly preparing some "good bets" for relaxation of the rules.

Dollar Earner Turned Loser

The troubles of British insurers in the American market are making bad news. This article explains their main cause

ONE after another British insurance offices have been giving gloomy news of their fire and accident departments, most of which are making substantial losses. These losses (which are set down in detail in the insurance survey in this issue) are all ascribed to the same cause—inadequate rates of premium in the United States; and shareholders who are not familiar with American methods may wonder why the rates are not raised to put things right. They know probably that premiums are subject to some sort of government control. But what is this control? Why is it imposed? And how does it work? Shareholders should be interested in the dog that is biting them.

To a British mind—though attuned to a semi-socialist state—the organisation of insurance in the USA has always seemed extremely rigid and bureaucratic; and it seems more so now than it did fifteen years ago. It used in the old days to be controlled entirely by state governments who could take each their own line, but since 1944 the federal government has had what might be called a suzerainty over the states, and the states must now conform to a pattern set by Washington. With a few exceptions all the states avow the same purpose and employ much the same technique. The purpose is threefold: to prevent discrimination in rates; to prevent insurers from quoting rates that are too low; and to prevent them quoting rates that are too high. The technique is designed to indicate the exact level at which this treble purpose will be achieved.

The State of New York may be taken as an example. Its insurance department is managed by a superintendent who comes into office with the governor; and, when the governor loses office, so does the superintendent. His salary in 1939 was $12,000 but presumably it is higher now. He must have a great knowledge of insurance and be master of a complicated law that runs to 601 long and intricate sections. His first duty is to license almost everyone engaged in the insurance industry, and without his licence no one—company or individual—can act as insurer, broker, agent, or claims assessor. The licence he hands out is the mark of initiation. To the brotherhood of insurance it means just what the baptismal certificate means to the church. But it is less easily come by. By the terms of the 1939 law, examinations, approved by the superintendent, have to be passed by the broker; and the would-be claims assessor must lodge with the superintendent his photograph in duplicate (passport size) and the finger-prints of both his hands. The state is taking no risks.

Having arranged his licensing the superintendent proceeds to his most important and difficult duty—the control of rates. In Texas the commissioner fixes all fire and casualty rates off his own bat, but in New York the superintendent just approves or refuses rates that are proposed to him by insurers; and no insurer or broker may quote a fire or casualty rate that has not received the official imprimatur. Any licensed insurer may submit rates direct to the superintendent for his approval, but for the most part the applications come to the superintendent from bodies called "rating organisations," which in England would be known as office committees. These rating organisations (which of course need a licence) have to keep the superintendent advised of all changes in their business, and to supply him with up-to-date lists of their members and subscribers. Above all, they must submit every fire and casualty rate that they propose to quote.

A rate, once approved by a superintendent, has the force of law. It cannot be altered without the superintendent's consent, and individuals who wilfully put a foot wrong are committing a crime for which they are personally punishable. Brokers are bound by the official schedule and if they deviate (i.e. quote a non-tariff rate) they are liable to a fine of $100 for each offence. All concerned in fire and casualty business—stock companies, direct writers, agents and brokers—are chained hand and foot to the superintendent's desk.

Generally the superintendent and the organisations deal with each other in direct negotiation, but sometimes the superintendent becomes a judge and his room practically a law court. If an insurer wants a rate altered and cannot persuade his rating organisation to put the new rate forward for approval, then he may appeal to the superintendent for a hearing, and the superintendent must call the disputants together, hear their cases argued, and deliver judgment between them. It is as

though a British tariff office applied to the Fire Offices Committee for a special rating, and (being refused) summoned the FOC before a Board of Trade tribunal —the decision of the tribunal to be as binding on the Fire Offices Committee and its members as if it were a high court judgment in a full-dress lawsuit. Nothing could illustrate more sharply either the power of the superintendent or the difference of atmosphere between the two sides of the Atlantic.

From this sketchy account of American procedure it will be clear that when, for any reason, rates are inadequate and loss ratios are rising, the insurance companies are likely to be in difficulty. They cannot rely on the normal tug of supply and demand. They cannot decide on a rise in rates and leave their policy-holders to accept or refuse as they think fit. They can do what they like in the way of refusing renewals ; but unless they have been to the superintendent and won him over, they cannot ask for higher rates on renewal. Until he has been convinced, nothing can be done except to refuse business. In these circumstances a rise in rates may be long delayed while the insurers are knocking at the superintendent's door ; and while they knock the underwriting loss is piling up. Sometimes, too, it happens that the delay is increased because an election is approaching and the party in office does not want to court unpopularity. The superintendency is a political appointment and any one can see what damage a rise of 33 per cent in motor rates (approved by a superintendent) might have on the next election for Governor of the State.

It is only fair to add that the American system, rigid though it is, does in some ways leave room for a certain amount of competition, and that powerful companies have sometimes in recent years competed for business rashly but without breaking the law. One proof of this is seen in the inland marine figures. In the aggregate they have been anything but good, although the rates for inland marine risks are not controlled in the same way that fire and casualty rates are controlled. Too keen an anxiety for premium income must bear part of the blame for bad fire and casualty results, but there can be no doubt that governmental control lies at the root of the trouble.

BUSINESS NOTES

IN THE MARKET

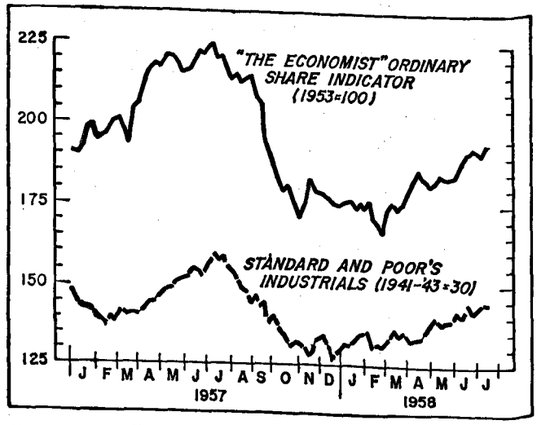
Finding a New Basis

THE decisions of last week—the new rules for the Capital Issues Committee and the abolition of the bank overdraft ceiling were broadly bullish for both the gilt-edged and industrial equity sides of the market. That does not mean that City men find nothing to criticise in what has emerged. On the contrary, the attempt to make the CIC proof against "shell" deals and other "paper for paper" transactions is going to involve a great deal of additional paper work on transactions most of which are genuine internal rearrangements. But on balance investors thought the changes good. In particular they welcomed the removal of capitalisation issues from the scope of the CIC.

An unedifying spectacle of the kind of horse trading that has now been abolished was provided in recent weeks by a leading property company which revalued its properties disclosing a surplus of over £5 million and then sought to capitalise the resulting capital reserve as a two-for-one free issue. The Capital Issues Committee tried first to insist that £1 million of the £5 million to be capitalised should come from revenue reserves and after stiff bargaining finally settled for £750,000 from revenue reserve.

One class of capitalisation issue, it will be noted, remains subject to consent not of the CIC but of the Treasury direct —the "bonus issue" in redeemable stock. Reference to the Treasury is now purely on the issue of tax avoidance. This could occur in two ways at least: the free issue of a redeemable debenture or loan stock would in effect be a return of capital non-taxable in the hands of the recipient, though the sums that had been the subject of that delayed distribution would not have borne profits tax. Secondly a free issue of any redeemable security might relieve the ultimate recipient of a liability for surtax since it would be a repayment of capital in his hands.

The net effect on the market of all last week's changes can be seen in a new high point for the year in *The*



Economist ordinary share indicator which rose 3.8 to 194.1 in the week ended on Wednesday, and in the rise from 83.47 to 83.99 in the *Financial Times* Government securities index. It might at first sight be thought that the total effect of the changes, particularly the easing of borrowing, did more for industrials than for gilt-edged, but there are

limitations on that line of argument. It is not clear in the present state of trade how far industrial companies will in fact seek to borrow more than they otherwise would have been able to raise. What does seem clear is that the Treasury and the Bank have timed all the recent changes including the latest of the Bank rate reductions, in order to forestall an industrial recession that they feared might develop. Thus the relaxations themselves contain an element of warning.

Funding Now

DEMAND in the gilt-edged market has been steady and the tone consistently good. With the new Liverpool stock back to around its issue price of 97½, the market has been able to think in terms of further corporation issues, and would not be surprised again to see a 5½ per cent stock at a moderate discount. Indeed, the market has begun to talk itself into a frame of mind of expecting another fall in Bank rate before long. Much of the market's present strength derives from the fact that investors have been granted an interval in the flow of new issues, during which the recent unsuccessful issues—Liverpool and Jamaica—can be absorbed. Manchester's decision not to come to market with a new issue may deserve sympathy, but is hardly a relevant market point ; there are still plenty of issues to come, and some must come soon.

The tone of the market in the next few weeks must depend largely on what the policy of the authorities about funding through the market turns out to be. Are the

	Sept. 18, 1957	March 21, 1958	June 20, 1958	July 3, 1958	July 4, 1958	July 9, 1958
Conversion 2% 1958-59..	95 16/32	97 3/4	98 28/32	98 16/32	99	99 1/32
Exchequer 3%, 1960	96 28/32	97	98 4/32	98 4/32	98 6/32	98 28/32
Savings 2½%, 1964-67....	80 22/32	79	81 8/32	81 6/32	81 12/32	81 6/32
British Gas 3½%, 1969-71	81 12/32	80 22/32	81 8/32	82 4/32	82 12/32	82 10/32
British Trans. 3%, 1978-88	61 28/32	63 6/32	65 16/32	65 8/32	65 16/32	66 28/32
Funding 3½%, 1999-2004.	67 6/32	68 28/32	72 6/32	71 16/32	71 16/32	71 28/32
Consols 2½%.....	48 6/32	49 1/16	50 1/16	50 6/32	50 6/32	50 8/32

Gilt-edged prices shown net of accrued interest.

bankers' special deposits intended in any sense as a substitute for funding sales by the Government broker ? Has the relaxation of the credit squeeze reached a stage when funding can be regarded as a less urgent need ? Funding of a sort must obviously continue. On purely technical grounds it is necessary that the authorities should obtain control of the short-dated stocks as maturity dates draw level by selling longer stocks in exchange. The 2 per cent conversion loan 1958-59 is a difficult case ; holdings are widely spread and the bonds will not come tumbling in from the money market until just before they mature in January. At the long end of the market also it is clearly the present intention to maintain control of the long-term rate of interest, and this is being done by sales of Funding 5½ per cent stock 1982-84. Moreover, present thinking suggests that the new weapon of special deposits will do its best work when it is not being used: the bankers, when they see their liquidity rising, will, it is suggested, invest and bring it down rather than risk being called for special deposits. If that is how it works, then the Government broker must have something to offer the banks when they want it. Thus funding through the market, though perhaps with diminished urgency, will continue. It is continuing, though the Government broker seems a little more ready to accept other stocks in exchange for what he has on offer than he was.

STEEL

Twenty Per Cent Down

STEEL output is now running at about 80 per cent of productive capacity : the industry produced 373,600 ingot tons a week in June, making the half-year's total about 10½ million ingot tons, against just over 11 million tons in the first half of 1957. British steelmakers have the capacity to produce 23-24 million ingot tons this year : on their current showing, they may do well to find a market for 20 million tons. The June rate of production was nearly 11 per cent lower than a year before : the steel mills themselves have been cutting down their stocks, while home sales had been about 3 per cent down up to the end of May and exports 13 per cent down. In the home trade, customers clearly have been running down their stocks for months ; and actual consumption of steel is now coming down, particularly in the construction industries.

EXPORTS OF STEEL BY MAJOR PRODUCERS

	Total	UK	USA	Japan	ECSC
	'000 tons	per cent of total			
1957					
1st quarter	6,196	11·2	19·2	3·3	66·3
2nd "	6,408	12·1	21·1	2·8	64·0
3rd "	5,814	11·3	21·5	3·4	63·8
4th "	5,821 (p)	12·0	16·6	3·7	67·7
1958					
1st quarter	5,323 (p)	11·4	14·2	4·6	69·8

The drop in exports reflects the continued softening of the world steel market: Britain has done no worse than other steel exporters, and has indeed slightly improved its share of the falling market for tinplate, sections, tubes and pipes. Export premiums have disappeared except upon a few products such as sheet: certain kinds of semi-finished steel are to be bought on the world market a good deal cheaper than British home trade prices. As yet one hears of no British re-rollers availing themselves of this ; nor of any shading of prices inside the British industry. The maximum prices for British steel set by the Iron and Steel Board were slightly reduced in March as a result of changes in elements of cost, not in demand: the pricing formula used by the Board, indeed, does not really appear suitable to take account of demand. And the efficient, economic, and at present much more than adequate supply of British steel that the Board is required to promote under competitive conditions is still being sold by producers upon the principle that maximum prices shall be minimum prices, too. Share prices went ahead a little this week: that seems to have had nothing to do with economic judgments of how profitable modern steelmaking can remain at remarkably low rates of working relative to capacity, but to have been in response to a Gallup Poll that suggested the Conservatives could win an election now.

COAL

Recession in Demand

DEMAND for coal in Britain this year may fall seven million tons below consumption last year, which was itself five million tons lower than in 1956: exports so far this year are two million tons down, and offers from overseas are anything from 30s.-50s. a ton below inland prices. This

was the gloomy assessment of the coal market presented to the miners this week by Sir James Bowman, chairman of the National Coal Board. He referred to "the belief held by some consumers and distributors that they can afford to reduce their own stock holdings in the present state of the market below reasonable levels," which caused local shortages in the cold snaps during March and April. Though total stocks of coal are now 28¼ million tons, 3½ million tons higher than a year ago, distributed stocks are indeed more than a million tons lower than at the end of June, 1957. This was to be expected. In a period of abundance, consumers are no more likely to hold stocks of coal suitable to a period of shortage than they are to hold stocks of steel.

In such circumstances, complaints about coal production such as were aired in the Commons this week are simply silly: what matters is that the Coal Board should in fact be getting the full saving in costs that in theory ought to accrue from letting output slip a little after so long at the utmost. It is, at any rate, saving more on labour costs than it quite expected to from curtailing recruitment and letting its labour force dwindle by 13,000 men down to 696,500, close to the lowest levels since nationalisation: productivity is still high. This is a labour-intensive industry where labour costs account for about 55 per cent of total costs, so that output reduction ought theoretically to offer considerable savings. Nevertheless, only about 40 per cent of the miners are in practice employed productively at the face, and one might have counted the 60 per cent of them working elsewhere as a kind of "overhead labour cost" that could not readily be reduced in line with output without affecting efficiency in the haulage. Reductions have in fact been made pretty generally without affecting efficiency, which has put up "overall labour productivity" beyond the high levels of coal's little boomlet of production early last year. This suggests that there was a lot of inefficiency in these ancillary operations before; but it should embolden the Coal Board in trimming operations during what it hopes is a temporary recession in demand.

DELHI'S CRISIS

India's Urgent Need

INDIA'S crisis of foreign exchange grows more desperate week by week. The exchange deficit in the remaining period of the second five year plan, that is until April, 1961, is estimated at some £420 million, after making allowance for normal export proceeds (which, contrary to some suggestions, do not appear to have been adversely affected in the balance by price movements). Moreover, more than half this sum will be needed before next spring, to meet commitments for goods that have been ordered. India's sterling balances at the end of 1955 were well over £500 million, but they are now below £160 million, and falling at the rate of roughly £15 million a month. Under the present legislation some £64 million of the sterling assets, and also the £80 million of gold held by the Reserve Bank of India, must be provided as a cover for the note issue, though these limits may be encroached upon for a period of six months without new legislation. But a reduction of the cover requirement can now provide no significant further relief. The resources are not there, and unless India can find them, and find them quickly, its economy will face violent disruption.

India's high officials have accordingly undertaken a new world search for aid. Mr B. K. Nehru, secretary of the Economic Division of the finance ministry, has moved on from London to Washington, and the new minister of finance, Mr Morarji Desai, will come to London at the end of next month en route for the Commonwealth conference in Montreal. India will have further opportunity to press its demands at the subsequent meetings of the IMF and the World Bank in New Delhi. Thus far, India has succeeded in securing a certain amount of help from the United States and Germany, but this has been of limited use because it has not been in free currency. America's loans through the Export Import Bank, as always, have been tied to purchases of US goods (at prices substantially above the world market level) while Germany has simply postponed repayments. India is now making a new approach to London. The British Government is anxious to help, but after the strains of the past few years it is difficult to see how it could agree to make available any significant amount that would place a further burden on the dollar pool. Any concession will presumably be linked to British exports.

STANDARD MOTOR

Take-over by Stealth

SHAREHOLDERS of Standard Motor Company whose 5s. shares have recently risen from 7s. to 7s. 9d. must perforce wait until next week before they hear the reactions of their own directors to the latest move by Massey-Ferguson. The new shareholders who are receiving Standard shares in exchange for their investments in Mulliners (Holdings) would be wise to do likewise. Massey-Ferguson which already holds about 20 per cent of Standards ordinary capital has without the prior knowledge of the directors of Standard offered 8s. per share for the new shares to be issued in the takeover of Mulliners by Standard. Complete acceptance would give Massey-Ferguson upwards of 30 per cent investment in Standard and effective control.

These tactics of takeover by stealth adopted by Massey-Ferguson whose offer (then worth about 9s. 6d. a share) was withdrawn last year, do not conform to the best City traditions. The Canadian company has stolen a march on a board of directors of the Standard company while that company is bound to theirs by a manufacturing contract and is doing its best to co-operate. Moreover the offer has not been made to all shareholders. Unfortunately it must be recalled that last year and the year before, when Massey-Ferguson was building up its big holding through the market, much of the buying had been done before the company learnt the identity of the buyer. It is not surprising that a champion of the shareholders has now come forward in the shape of Mr Julian Hodge of Cardiff. He advises the new shareholders to refuse the offer. It would be useful if some of the big shareholders and the two merchant banks—Helbert Wagg and J. Henry Schroeder—who advised on last year's abortive bid also expressed a view. It reflects no discredit on Mr Hodge's enterprise to suggest that this is an occasion when the heavy artillery should be brought to bear.

Standard's fortunes are inextricably bound up with those of Massey-Ferguson for which company it produces tractors in this market. Standard is now producing 100,000 tractors a year and 85,000 cars and commercial vehicles. All the tractors are for Massey-Ferguson (which however

PENSION POINTS: 3

Plans for a higher standard of state pensions and how this can best be achieved are being widely discussed. In this series of advertisements the Life Offices' Association and Associated Scottish Life Offices draw attention to some aspects of the problem which they believe to be important.

Supplementary pensions for all

About half of the male working population are members of occupational pension schemes, and the number is steadily increasing. On retirement they can look forward to a regular income to supplement their national pensions.

The introduction of new schemes and the extension of existing schemes to cover all employees of larger firms presents no difficulty. Indeed this can be expected as employers appreciate the need.

Many of those not yet covered are, however, employed by smaller firms or are 'casual' or 'mobile' workers. The question is how can the advantages available to those in larger firms with pension schemes best be made available also to the others.

The small firm presents no insuperable problem: many in fact already have pension schemes. Certain extensions of the provisions of the Finance Act, 1956, would, however, enable pension schemes for small firms to be arranged much more quickly and easily. In this way the number of workers covered could be very greatly increased.

The 'casual' and 'mobile' workers present a special problem. Their case merits examination by Government to determine whether a special voluntary scheme for supplementary pensions should be arranged for this class of worker or whether the existing facilities of private insurance could be suitably adapted for the purpose.

The Life Offices, who are playing such a big part in the provision of supplementary pensions, are convinced that there is scope for the further development of their service among all sections of the working population.

Issued by
THE LIFE OFFICES' ASSOCIATION
33 KING STREET, CHEAPSIDE, LONDON, E.C.2. *Established 1889*

and
ASSOCIATED SCOTTISH LIFE OFFICES
23 ST. ANDREW SQUARE, EDINBURGH, 2. *Established 1841*

also produces some other tractors here). The contract is understood to be based upon extremely tight costing: it provides bread and butter for Standard, but the butter is spread thin. It appears to have saved Standard from making a loss in the 1956-57 car recession, but in boom years may have been responsible for holding the company's "profit per vehicle" well below those of the other major producers. That close relationship makes it not only deplorable that Massey-Ferguson should have started sniping at its ally, but also imperative that the shooting should stop and that the two sides, bound together by contract, should quickly find a means of getting together and working together. It may also suggest to the new shareholders of Standard that they will lose nothing by taking no action at least until they have seen the statement by their directors.

BANKS AND FINANCE HOUSES

Some Problems for Hire Purchase

So far as bank shares are concerned, the decision to remove the advances ceiling and the other changes that went with it did not set the Thames on fire. Bank shares have risen a little. They are, after all, money stocks with a small equity element in them, and the downward drift of money rates in recent weeks has been pushing them gently upwards. It does not follow from the small movement shown in the table that the banks will gain nothing from the return to self determination for bankers that the Chancellor introduced. Advances before last week were well below the ceiling. There is little reason to expect a large additional demand for overdrafts, though probably some demands for bank loans for capital purposes that previously would have been refused by the Capital Issues Committee will now go through.

Hard on the heels of the official concessions have come the banks' announcements of their interim dividends, and the first of the statements at June 30th. The dividends bring no surprises, all the banks paying the same as last year or as forecast under schemes of capital reorganisation.

	Sept. 18, 1957	March 21, 1958	June 20, 1958	July 3, 1958	July 4, 1958	July 9, 1958
Banks :—						
Barclays	44/–	41/3	43/3	42/–	43/–	43/–
Commercial Bank of Scotland "A"	24/–	22/–	25/6	25/6	26/–	27/–
Lloyds	46/–	42/6	46/3	46/–	47/3	47/3
Midland	61/4½	59/–	62/3	61/6	63/–	63/3
National Provincial	63/6	59/9	64/3	64/–	65/3	65/3
Westminster "B"	38/4½	37/3	40/6	39/6	40/9	40/9
Finance Houses :—						
Bowmakers	17/1½	18/–	26/6	26/7½	26/10½	26/9
Mercantile Credit	15/–	14/–	18/6	17/6	17/6	17/6
North Central Wagon	47/10½	45/–	64/10½	70/–	70/–	70/–
Olds Discount	23/6	20/4½	25/–	29/–	28/6*	28/–*
Utd. Dominions Trust	89/–	83/–	99/6	97/–	101/6	103/9

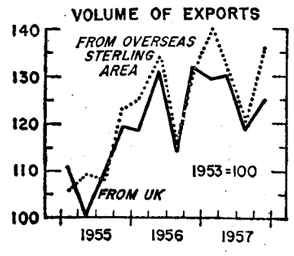
Prices adjusted for rights and scrip issues. * Ex all.

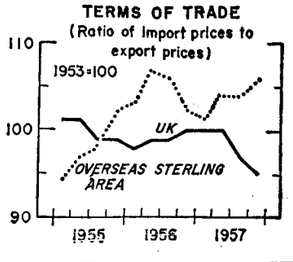
Among the finance house shares, too, the response has only been moderate, perhaps surprisingly moderate seeing how radical a change in outlook is implied in the new instructions to the Capital Issues Committee. It is now arguable that most of the requests for new capital by responsible finance houses could be allowed as "desirable as a means of improving the stability of the hire purchase financial system." Most of the big finance houses have recently put themselves in funds by the purchase of company "shells," and that mode of finance will no longer evade the CIC's scrutiny, so that it will presumably no longer be used. One peculiar factor of the trade may restrain the finance houses from any excessive raising of permanent capital. Money becomes remunerative as the hire purchase contracts in which it is invested run off—say up to two years after it has been brought into the business. An over rapid expansion, and still more the holding of unemployed money, will mean that shareholders will have to wait for a full return.

STERLING AREA TRADE IN 1957

WITH THE NON-STERLING WORLD

Exports from the sterling area to the rest of the world rose only 3 per cent in volume last year. The overseas sterling area, shipping wool, coffee and copper, accounted for most of the increase.





Terms of trade with the outside world hardly varied for the sterling area as a whole. An improvement for the United Kingdom was largely offset by a deterioration for the overseas commodity producing members of the area.

UNIT TRUSTS

Light Still Green

The Chancellor's directive to the Capital Issues Committee that it may "feel free" to consent to applications from investment trusts and unit trusts merely spells out earlier instructions. Nor is any change in practice implied in the requirement that the CIC should take account of how much of the new money that the trusts raise will go into foreign securities. Little logic rests in the implied discrimination against foreign securities. The trusts buy dollar stocks in the premium market in this country. They come out of British ownership and the total pool available for purchase with sterling is not thereby increased. If there is a leak into that pool it has nothing to do with buying by the trusts. Similarly, the purchase by a unit trust of its underlying portfolio in the market does not create new securities; existing securities change ownership, so that the contribution to saving that the unit trusts make is indirect. Saving in total may be swelled if investment looks attractive, but these particular investments do not add to the total.

Since 1952 there has been no effective bar to expansion by the unit trusts; permission by the CIC to create new units has been easy to get. The latest directive makes no real difference, except that the movement welcomes the publicity. It is possible for three growing unit trusts in the Bank-Insurance group to set out statistically their recent rate of growth:

NUMBER OF UNITS IN ISSUE

	Investment Trust Units	"Scotbits"	Consolidated Units
June 30, 1953	4,387,053	5,182,320	361,258
June 30, 1954	5,287,518	5,687,784	1,016,563
June 30, 1955	6,081,694	5,787,224	1,085,656
June 30, 1956	6,511,331	5,808,185	1,055,348
June 30, 1957	6,889,587	6,386,838	1,456,659
June 30, 1958	7,361,998	7,645,997	1,676,484

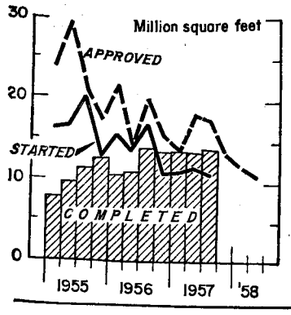
These are impressive figures and the authorisations from the CIC have exceeded the actual number sold.

Where to Market?

The problem for all the unit trusts is how to market their units. Control by the Board of Trade over the "loading charge"—the addition to the price of the underlying securities, from which the expenses of management and advertising are met—has prevented the British unit trusts from using the high pressure salesmanship that has made the mutual funds so phenomenally successful in the United States. But the British unit trusts have been trying to widen their outlets. The Midland Bank now acts as a collecting agent for Domestic unit trust, re-routing money for the purchase of units to the trust's head office. "Scotbits" can now be bought across the counters of Scottish banks and that, as the statistics show, has led in the last few months to a big jump in the net sales of units. Moreover, informal discussions appear to have taken place between some of the unit trusts and some of the English banks. But there are difficulties about over the bank-counter sales in this country. "Scotbits" is the only specifically Scottish unit trust so that there is no cause to complain of discrimination; but an English bank might not care to give its cachet to one unit trust alone, and if a bank provided the service for all the unit trusts it might find the cost high in relation to the commission earned.

There is a need to channel small savings into stock exchange investment. And the formation of "investment clubs", where the members pool their savings together to buy specific stock exchange securities, suggests that some people are exploring ways of doing so. "Investment clubs" might secure a "spread" of risks; they save the management fees charged by a unit trust; and they may effect some savings in commission; but they are hardly the answer if the Inland Revenue decides to tax their profits—as apparently it may. But are all possibilities exhausted? Might not, for instance, the Stock Exchange itself consider forming a unit trust?

FACTORY BUILDING



New factory space for which development certificates were granted in the second quarter of 1958 amounted to only 10.9 mn. sq. ft—the lowest quarterly figure since 1953. Not all "approved" schemes materialise, and the floor space of those actually started has also been declining. Completions rose last year but are likely to be lower this year.

ATOMIC PACT

Saving Time on Weapons

The text of the new Anglo-American agreement on nuclear weapons, published this week, shows that in common with earlier atomic energy agreements signed between the two countries, the amount of factual information that crosses the Atlantic is going to depend on the spirit in which certain ambiguous key phrases are interpreted in London or Washington. This is the first agreement to permit the American government to give Britain information about all aspects of nuclear weapons, including their delivery systems. As such it is a milestone in Anglo-American relations. But the data passed over at any point in time will only be that which has been "jointly determined to be necessary for the mutual defence of the two countries." The agreement permits either country to put all its nuclear cards on the table if this seems in the best interests of the game, but it does not say how either should play its hand.

From this country's point of view, the important savings offered in this agreement are in time rather than money. Britain has already made the major effort needed to master the construction of basic nuclear weapons, and will continue to bear the cost of manufacture, since the agreement makes no provision for the supply of nuclear weapons from the United States. But data on current American designs may save a great deal of time-consuming research and testing, just as the supply of a nuclear submarine reactor from the United States may break the current stalemate in Britain's own nuclear submarine design.

More About Calder Hall

In return for these concessions by the United States in the new atomic pact, Britain is offering to interpret rather more liberally the 1955 agreement signed between the two countries on the exchange of information about the design of nuclear reactors. This agreement has never worked well; it was intended to cover a full exchange of information by America to Britain on the design of nuclear submarines (and it was on this understanding that the Admiralty ordered a nuclear submarine from a British design team with no previous atomic experience) and an equally full exchange by Britain to America of information about Calder Hall. But both sides in practice withheld important data. Although the Americans have been told a great deal about Calder Hall they were never given details of the reactor's most vital constituent, its fuel elements—on the grounds that this involved commercial secrets.

If the new agreement is approved by Congress, the Americans will now be given this information, along with whatever they wish to know about other reactors owned by the Atomic Energy Authority such as the breeder reactor at Dounreay or the still more important high-temperature version of Calder Hall now being built at Winfrith Heath.

They will not, however, be given any information about the design of the commercial nuclear power stations being built by industry, beyond that which they can obtain from the companies themselves. Here, it may be thought, is ample room for misunderstanding : for in the United States, where companies act as agents for the Atomic Energy Commission, very different rules of commercial, as opposed to military, secrecy apply from those that govern relations between the UK Atomic Energy Authority and British industry.

EXCHANGE MARKET

Sterling Firm

STERLING has been firm in the past week, still standing comfortably above parity against the United States dollar. The relaxations in the credit squeeze announced last week had no visible impact on the exchange markets, and on Monday this week the rate rose to $2.80\frac{13}{16}$. Subsequently there was a modest setback to around $2.80\frac{1}{2}$, reflecting in part uneasiness caused by the threat of a national dock strike. If this threat materialises, the psychological effect on sterling might be considerable. But so far the weakening of the spot rate from the upper support point reflects no more than seasonal commercial influences. The basic firmness of the market is clearly displayed in the forward rate ; discounts on sterling stand well below their interest parities, so that the cost of selling sterling and buying dollars forward is still notably smaller than the additional interest that can be obtained on Treasury bills in London as compared with New York. Transferable sterling stands at $2.78\frac{1}{2}$, and may get support from purchases against dollars by Japanese banks, which have been authorised this week in order to relieve Japan's shortage of sterling.

SUEZ EX CANAL

Egyptians Hardly Spoiled

SHAREHOLDERS of the Suez Canal Company last Friday approved without enthusiasm and with a few shouts of "Munich" the heads of the compensation agreement with Egypt. So the Suez Canal Company died that day and the Suez Finance Company (Compagnie Financière de Suez) was born, Egypt having insisted on the removal of the word canal from the title. The directors now have authority to sign the agreement and planned to do so in Geneva at the end of this week. Common sense has thus prevailed and the majority has realised that it is much better to settle for £E28.3 million, of which £E5.3 million is already in its possession, plus the assets outside Egypt, with the World Bank acting as honest broker, than to prolong the dispute by going to international arbitration that might last for years. It must be recorded, however, that the occasion was marred by the revelation by M. Georges-Picot, the chairman, at the subsequent press conference of a piece of Egyptian adroitness of which the world was previously unaware. The agreement provides for the payment of the outstanding £E23 million in instalments ending in 1964. Not less than 40 per cent is to be paid in sterling in London and the balance in French francs in Paris, both currencies being calculated at the fixed rate of US $2.6715576 to the £E. Within the last two weeks the Egyptians have disclosed that they wanted to regard the pound sterling as similarly tied to the dollar, which seems to mean paying at the going sterling rate of $2.81 or whatever it may happen to be. The possibility of distasteful misunderstandings like this is clearly one of the reasons why the World Bank is not guaranteeing the contract, but merely acting as paying and collecting agent.

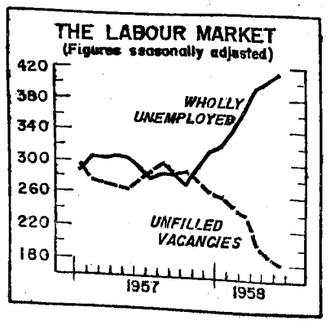
What shareholders in this country now want to know is what they will get from the company after the agreement and that is just what they have even now not been told. The company's clear intention is to distribute in specie the shares of SIM (Société d'Investissements Mobilières) which owns about half the net assets outside Egypt. It must do that, for under French law an investment Trust (which the Suez Finance Company now is) cannot own another investment trust. It has also been made clear that the directors contemplate the distribution of a large slice of the compensation money. They have never said, as many feel they should, that they would pay out the whole of it. Nor have they ever made it quite clear that they will regard the distribution of the SIM shares as being independent of any distribution of compensation money. They are still faced with the problem of obtaining from the French government permission to distribute the compensation cash without attracting tax, which may account for their reticence. But the sooner their intention is clarified the better.

Meanwhile shareholders are faced with an additional complication. For the next few years while compensation is flowing in shareholders have authorised the closing of the accounts not at the end of the year, but from time to time (so that the company will not sit too long on the money but yet show it in its balance sheet as in law it apparently must). Since the first compensation payment consists of £E5.3 million of canal dues collected subsequent to nationalisation and is already in the balance sheet, the probable programme is that the next accounts will run for seven months to the end of this month and be presented late this year. For the next few years, therefore, the accounts will be even harder than usual to unravel.

THE LABOUR FORCE

Unemployment Creeps Up

THE usual seasonal fall in unemployment finally arrived last month, but even then was smaller than usual: if one allows for the normal seasonal pattern, the numbers wholly unemployed are creeping up, and with much more short time being worked, the number "temporarily unemployed" is high too. At mid-June the actual figures were 368,000 wholly unemployed and 61,000 temporarily stopped. This was still only 2 per cent of the estimated number of employees: though in a couple of months, as the Minister of Labour said this week, seasonal factors must be expected to swing back and raise the





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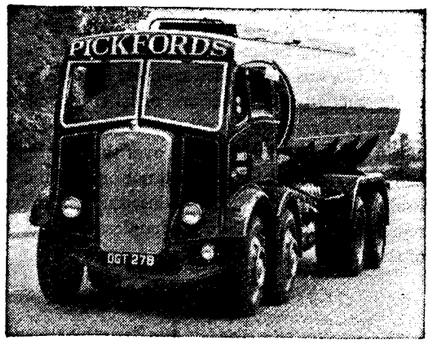

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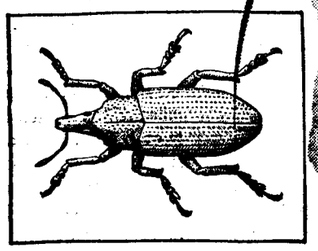
Time of the Weevil

When spring returns to Lombardy and the reed-fringed canals, which thread the plain like veins in an outstretched hand, once more reflect a limpid sky; when warm sunshine mellows again the pink-washed walls and the sensual winds of the south push winter more firmly into the ice-galleries of the Alps, then farmers watch their fields with an anxious eye. For to *bieticultori* spring is the time of the weevil, and in a few days an entire planting of sugar-beet can be devastated by a pest which attacks both above and below ground.

The sugar-beet weevil, *Temnorrhinus mendicus* Gyll., known in all the warmer countries of Europe, is regarded in Italy as a pest of major importance. Infesting the fields in spring, the adult insects feed busily on the young beet leaves: eggs are laid and the grubs hatch out within a few days, to begin feeding greedily on the roots. This double attack, which can reduce the yield by as much as 85%, is a serious matter both for the individual farmer and for the great 12 year scheme for the Development of Italian Agriculture now in progress, under which a constant effort is being made to raise the production level on all Italian farms.

Because of this, the authorities ran a special campaign in 1956 to control the weevil. In an ambitious scheme throughout the sugar-beet areas, aldrin, the Shell soil insecticide, was widely used as one of the chief weapons of destruction — both because of its effectiveness *and because of its economy*. Applied at a rate of 2lb. per acre, aldrin was sprayed and dusted over the growing crops and achieved complete control, not only of the weevil itself but of other destructive insects. Aldrin, indeed, represents *morte fulminea*, sudden death, to most pests of the soil.





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percentage slightly, even if the recession does not continue to develop. There were still 1,300,000 people on overtime at the end of May, but this figure was well below the levels of the last few years: and more short time is being worked in industry than for several years.

Estimates of employment have to be accepted with much more caution: the amplitude of the changes that appear to have occurred in any recent single year lies well within the margin of error of the total figures. With this proviso, the records now show a fall of 111,000 in Britain's working population between June 1957 and May 1958. Civil employment declined by 193,000 (which is less than one per cent): the number wholly unemployed rose by only 165,000: and another 83,000 people left the defence services. Within civil employment, the changes were much in line with what has happened in recent years: manufacturing employment went down most (by about 110,000), while the distributive trades and miscellaneous services were still gaining manpower.

Reserves of Labour

If there has been a fall in Britain's working population since last year, it would mean that at length the proportion of the total population going out to work had begun to fall: there is still a minor increase occurring each year in the numbers of people of working age. Up to the middle of last year, the proportion going out to work was still growing: this movement of adults into paid employment did indeed provide most of the extra manpower for postwar economic expansion. Reckoning the age pattern of Britain's population, for example, one could have expected that the labour force would grow by no more than 55,000 people between mid-1953 and mid-1956, from one end of the last boom to the other: in fact, with high pay drawing in

WHERE THE EXTRA LABOUR CAME FROM, 1953-57
(Thousands)

	June, 1953 to June, 1956	June, 1956 to June, 1957
Total change in working population:		
Men	+305	+37
Women	+429	+44
Total	+734	+81
Due to changes in population:		
Men	+110	+47
Women	− 56	− 5
Total	+ 54	+42
Due to changes in proportions of population at work:		
Men	+195	−10
Women	+485	+49
Total	+680	+39

employable people and persuading others to stay beyond retirement age, the labour force went up by nearly three-quarters of a million.

This fuller mobilisation of the employable population into jobs was indeed a feature of economic expansion common to most of the West European economies: it allowed a much larger growth in the labour force than the formal percentages of "unemployment" could ever have afforded. In Britain it continued into 1957, but at a lower rate, as the table shows. The new recruits to paid jobs clearly included a large-scale return of married women: about 45 per cent of the women in jobs in 1953 were married, but by last year this proportion was up to half. The percentage should not be misinterpreted: it represented only about 30 per cent of all wives. (The others are rewarded only by Mr Colin Clark.)

WOOL

Future Indefinite

Next week's London wool sales—postponed because of the London dock strike—follow the end of a poor season in which wool values have dropped by upwards of 20 per cent. In the ordinary way, if Bradford and the Continent had cut stock drastically on a falling market, London might now have a brisk market just because there will be no auctions in Australia and New Zealand at which spinners and top makes who had bought too little could quickly replenish. But the trade suspects the answer is not as simple as that. The pipeline is still far from empty. Stocks have been run down, but they have not fallen as much as activity in the industry. Consumption in the first quarter of this year was 16 per cent down on the corresponding period of 1957, but recent feeling in Bradford has been a little more cheerful; it appears that trade is being maintained at the lower level.

Little is known yet about next season's clip but it is expected that Australia's share will again be lower as a result of the drought early in the growing season. The 7 per cent drop in last season's Australian clip was chiefly responsible for the 1 per cent fall to 5,020 million lb in the revised estimate of world wool production for the 1957/58 season (which ended on June 30th). This was the first fall in the world wool clip in 10 years. But unsold stocks of Argentina and Uruguay, estimated at about one half of those countries' clips, still overhang the market. If, as the trade hopes, Russia takes a fair slice of those surpluses in a barter deal, the outlook could be fairly bright. But at the moment wool is still in surplus and the tone of next week's London sales seems unlikely to show a marked improvement.

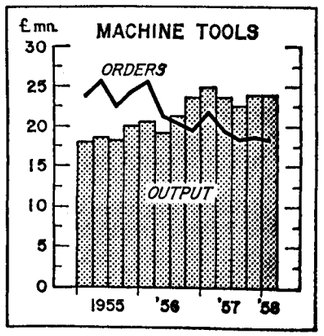
MACHINE TOOLS

Total Orders Still Falling

The last few months have seen few signs of improvement in the machine tool industry. There has been some increase in the rate of ordering, mainly from the motor industry, but it has not been appreciable, has benefited only certain firms, and has almost entirely been for special-purpose tools. Orders for standard and near-standard models, which comprise the bulk of the industry's output, are still declining. The total value of orders received in April, which are due to be published soon, are likely, in fact, to be somewhat lower than the £6.4 million taken in March and later months still are not likely to show any marked improvement. This experience is common to most European tool makers at the present time and, within this country, it is much too early yet for the industry to expect to see any tangible effects of the recent easing of the Chancellor's credit and investment policies.

The total British order book at the end of March, just over £70 million by value, gave manufacturers taken together another 8-9 months' output at the current rate—which, allowing for price increases, was probably no higher than a year ago. Delivery dates now being quoted extend

over a considerable range, from 18 months or so for some types of "one-off" special purpose tools to "off-the-shelf" delivery for a number of standard models. The customer will find quotations varying from firm to firm and from one type of tool to another: one manufacturer can supply straightaway a certain small powered machine but can only offer a couple of weeks for the same machine equipped with a slightly larger motor.



For the industry generally the main comfort so far this year has been found in the somewhat easier supply of competent draughtsmen and those skilled engineering workers whom the industry found it so difficult to get in the previous boom. Few firms have yet been able to fill all the vacancies they would like or reach the desired average level of skills in their labour force, particularly those manufacturers who are either outside the main industrial centres or too near to the resurgent motor plants. They are hopefully casting their eyes in the direction of the declining aircraft industry and the design engineers there—who have not hitherto sought employment in machine tools.

WHEAT

Still Too Much Grain

THOUGH much will depend on the weather of the next three or four weeks, the world wheat crop this cereal year ending July 31st could easily equal or exceed that of last year; if so, the world's already burdensome surpluses will be increased further. The chief culprit—if that is the word—is the United States; official estimates put the current US crop at 1,010 million bushels. This is 43 per cent higher than last year's production, and would be the third highest US crop on record—and a more recent trade estimate gives an even higher figure. This enormous output comes from 42 million acres (less than last year) and suggests a yield of 24 bushels an acre; this is not an unheard-of figure, but it is high enough to raise the suspicion that many American farmers planted above the quotas imposed by the Department of Agriculture.

Canadian production, however, has suffered from the dry weather of recent weeks. It is too early to give a reliable forecast; but though conditions, particularly in Saskatchewan, will improve if rain comes soon, the crop may reach no more than 250 million bushels, against last year's 373 million. If rain does not come, the figure may be nearer 200 million; but even with such a decline in production and greatly increased exports this year, Canada's carryover will still be enormous. It is also too early to predict accurately the size of Western European crops; they may have suffered from too much moisture in the past month. Present estimates put the French crop at 40½ million bushels, and the Italian at nearly 30 million bushels. Belgium, which last year produced 27½ million bushels, may reach 30 million bushels this year. In the southern hemisphere where crops are not yet in sight, sowings are reported to have been high in most places; despite early frosts, Argentine growers have increased the area under wheat, and Australia's crop could be substantially greater than last year's. It is rumoured that China is expecting a bumper crop of 32 million tons, against 21½ million in 1957, and there has been some talk that Russia may make one of its sporadic appearances as an exporter this year, though no figures have been given.

Such massive production of wheat, added to high stocks, is bound to push prices down, but the price support policy of the United States will, as often before, cushion and shorten the fall. The price of No. 2 Manitoba Northern wheat, at Fort William/Port Arthur, has now fallen to around $1.63 a bushel; and US prices have fallen steadily in the past month. Present trade forecasts are that the price will drop even further as the harvest advances; but it is doubtful whether it will drop below the $1.50 minimum specified in the International Wheat Agreement.

SHORTER NOTES

Removal of the 10 per cent import duty on imported snow announced by Mr Vaughan-Morgan, Minister of State at the Board of Trade, in the tariff debate on Tuesday, is not a tribute to the seasonable weather for it does not take effect until January 1st. Mr Vaughan-Morgan did not deal with the fact that snow of Commonwealth origin is presumably already on the free list. Can an Empire from which the snow never melts afford duty free foreign imports?

* * *

British Tabulating Machine and Powers-Samas Accounting Machines have agreed to merge, subject to the approval of the share and debenture holders of British Tabulating and the loan stockholders of Powers-Samas. Vickers which owns the entire Powers-Samas equity, have already consented. The ordinary shares of the new company will be split 62:38 between British Tabulating and Powers-Samas. Otherwise no financial or manufacturing details of the merger have yet been announced. Clearly, with computer development still very fluid, research expenditure high in this industry, and a recent but potentially strong entry into manufacture in Britain and on the continent by IBM, these two leading makers of computers and punched card systems should find strong economic and competitive benefits in the proposed merger.

* * *

The Blackpool Building Society (book assets £250,000) which is already subject to an order from the Chief Registrar preventing it from advertising for funds has been the subject of a special report ordered by the Registrar. The inspector in his interim report says that the secretary and managing director, Mr G. Carlton, made use of two devices by which he was able to show a profit of 18s. 6d. for 1956 instead of a loss in excess of £3,000. He says that no board of directors as provided for in the society's rule 51 is in existence, and that Mr Carlton is not a person who ought to be left in any sort of control of a building society.

* * *

Negotiations have been conducted in Dar-es-Salaam about the future of Williamson Diamonds; Mr Harry Oppenheimer, Mr Percy Williamson, the brother of the late Dr John Williamson, the discoverer of the mine, and Mr C. Chopra have been concerned in them. It has been reported that proposals that the capital of Williamson Diamonds should be disposed of equally to De Beers Consolidated and the Tanganyika Government are under consideration.

* * *

The trustees of the Houblon-Norman Fund, established by the Bank of England in 1944 to foster research into the work of industry and finance in Britain and elsewhere, have announced their awards for 1958-59. An offer of awards for 1959-60 will be made in due course. Full details are obtainable from the Secretary of the Fund, at the Bank of England.

* * *

Sales of diamonds made through the Central Selling Organisation in the second quarter of this year showed a further decline from the level of the preceding quarter and were sharply lower than in the corresponding quarter last year:

	Gems	Industrials £ million	Total
June quarter, 1958.....	10·7	3·2	13·9
June quarter, 1957.....	14·5	5·5	19·9
Half-year, 1958.....	21·2	8·0	29·2
Half-year, 1957.....	25·4	12·3	37·7

COMPANY AFFAIRS

W. H. SMITH AND SONS

THE important fact in the full accounts of W. H. Smith and Sons, the multiple among newsagents, a bookselling business and also the wholesale distributor to many independent newsagents, is not the rise in gross profits from £1,673,549 to £1,825,861 and in net profits from £688,611 to £765,049 in the year to March 29th. Nor is it the somewhat disappointing decision to leave the ordinary dividend unchanged at 15 per cent. It is the indication that the group is reshaping its policies.

W. H. Smith's share of trade seems to have grown since the war at about the same rate as other multiple concerns. But keeping up with the times means spending money, and the chairman, Mr D. J. Smith, reveals that the company is to spend "large capital sums"—possibly ranging over £1 million—on modernising and re-equipping its retail shops and wholesale warehouses. It is doing so on the accounting base of a revaluation of existing properties, which at £10.3 million stand £5.5 million above book values. Over £2 million has been used to write down goodwill to a nominal £1 and about £3½ million has been put to capital reserve. The administrative base has been changed too: by grouping the shops and bookstalls into geographical areas and giving area managers more responsibility, the directors have largely de-centralised control. The trading base—newspapers, magazines, books, stationery and not very profitable libraries—remains intrinsically unchanged. But W. H. Smith is to sell gramophone records in some of its shops. The experiment of selling books and records is worth trying. But has the cream now been skimmed off the record market?

Mr D. J. Smith describes 1957-58 as a year of "consolidation." As the capital programme is to be met out of retained profits, his description may also fit the current trading year. Shareholders may have to wait for a bigger dividend, but if the new policies bring a satisfactory return their claims can hardly be denied. The yield of £5 9s. on the £1 "A" ordinary units at 55s. anticipates growth.

BELL AND PEACHEY

NEW instructions to the Capital Issues Committee last week came into force immediately and caught in the net those operations which the day before would have required no reference to the Committee. One of these "paper for paper," deals was the proposal that Bell London Properties now controlled by Mr C. W. Hutley and Mr G. F. Farrow, who hold 80 per cent of its equity, should take over A. Peachey and Company, which the same gentlemen control with a 52 per cent holding. The offer was in the post as the blow fell, but the Capital Issues Committee has now given its consent. The offer had been underwritten, and it may not follow that consent would be automatically forthcoming for any similar deal in future. Mr Hutley and Mr Farrow built the fortunes of A. Peachey largely by a policy of vigorous selling of rent-controlled houses to sitting tenants; they were property dealers first and landlords second. That phase ended with the Rent Act; they are now in the investment business and in March they bought as individuals (not as A. Peachey and Company) control of Bell London and Provincial Properties. The present deal finances that purchase.

Shareholders in A. Peachey whose 1s. shares stood recently at 13s. must have had anxious moments this week, but they can now choose between £1 of Bell 6½ per cent first mortgage debenture stock dated 1983-88 for each 1s. share or 19s. 3d. in cash, a higher price than their shares have ever touched. That implies a possible total issue of £2,600,000 debenture stock of Bell. It appears also that the underwriters of the issue, sponsored by Hart Son and Company, must be expecting to take up and pay cash for at least half of the new debenture issue. That follows because Mr Hutley and Mr Farrow, who are financing their purchase of the 80 per cent shareholding in Bell and who recommend the offer for acceptance, will presumably take cash to the extent necessary to clear up the transaction. What they paid for 574,002 10s. ordinary shares of Bell has not been disclosed, but the price was rumoured to be around 50s.

Secondly in order to give the new £2.6 million debenture a first charge on the properties of Bell (and a charge on the equity only of Peachey which becomes a subsidiary) the existing £744,579 3¾ per cent first mortgage debenture stock of Bell, which marked recently at £80 is to be repaid at £102 on December 31st.

Thirdly the prospectus contains some estimates of the earnings cover for the new stock which has enabled the market to make some exciting calculations about the earnings available for the ordinary shares of Bell. Full earning power from the group properties is not expected to be reached before 1959. But by mid-1959 it is estimated that the profits before tax and debenture service should exceed £565,000 a year. That covers the interest on the new stock more than three times; but it seems to imply earnings of the order of 80 per cent on the Bell 10s. ordinary shares.

BEECHAM GROUP

AS suggested here on May 24th, the fall in the profit margins of the Beecham Group in the second half of the year ended on March 31st was due to higher advertising expenditure. The selling of proprietary products, food, beverages, toilet goods and medicines, needs a big advertising budget. But through this budget, which came to nearly £4 million in 1957-58, the Beecham Group has achieved a remarkable increase in sales, from £31¾ million to £38½ million, and in profits from £4¼ million to £6 million before tax. The ordinary dividend is raised from the equivalent of 16½ per cent to 20 per cent. As the accompanying table shows, and as Lord Dovercourt points out in his statement, the major increases occurred in the proprietary foods and beverages division at home (where "Lucozade" has done especially well), but Lord Dovercourt also points to the "material contribution" made by the group's business in North America, where for some years past the group accepted losses in the course of penetrating the market for hair creams with "Brylcreem."

It is in keeping with the Beecham

Group's success in selling proprietary beverages that it has made a bid for the ordinary share capital of £1,500,000 in Thomas and Evans, which sells "Corona" and has the biggest door-to-door business in mineral waters in this country. Offering two 5s. ordinary shares plus 3s. in cash for every 10s. ordinary unit in Thomas and Evans, the Beecham Group is offering in part paper for paper, so that it was caught by last Thursday's new rules and had to go to the CIC for permission. On the news of the bid the Thomas and Evans units rose 6s. 3d. to 35s., just under the bid price of 37s. 6d., Beecham units then standing at 17s. 3d. The bid

Years ended March 31	1956 £'000s	1957 £'000s	1958 £'000s
Home Sales:			
Foods and beverages..	8,800	8,755	11,507
Medicines	4,175	4,623	5,561
Toilet products	4,816	5,116	5,856
Total.....	*17,791*	*18,494*	*22,924*
Overseas Sales and Exports:			
Foods and beverages..	836	716	697
Medicines	4,280	4,464	4,641
Toilet products	4,286	5,299	5,891
Total.....	*9,402*	*10,479*	*11,229*

will be difficult to resist, for though Thomas and Evans is a thriving concern —having reported an increase in trading profits from £733,823 to £1,248,852 and in the ordinary dividend from 8¼ to 18¼ per cent in the year to February 28th—so is the more widely based Beecham Group. Since the bid was announced the 5s. units of the Beecham Group have risen to 18s. 4½d., to yield 5.4 per cent.

WOOL PROFITS

THROGMORTON STREET was perplexed by the preliminary statement of **Patons and Baldwins,** the manufacturers of wool yarns, for the year to May 3rd. The £1 ordinary stock units were first marked down by 2s. 6d. to 30s., but later recovered to 31s. 10½d. For an analysis of the fall from £4,927,194 to £3,564,725 in the group's trading profit shareholders must await the chairman's statement. The chairman will also need to comment on the decision to write down stocks of wool, tops and yarns by £2,140,105. That charge against the trading profit of £3,564,725 reduces stocks to market values.

This big write-off and other charges reduces net equity earnings almost to nothing, but £415,579 (against nil) is written back from tax provisions no longer required, so that the group can report a net balance after tax, including this extraneous credit, of £499,317, compared with £1,768,182 in 1956-57. The fall in trading profits meant that the company was caught under the Inland Revenue's carry-over provisions arising from the change in profits tax from a two-tier to a single-tier tax. In effect, the directors seem to have decided to pay the dividend in the manner most economical of profits tax; the final payment is brought down from 12½ per cent to 2½ per cent, making 5 per cent for the year (against 15 per cent). At the same time the directors have decided to pay a special interim dividend for the current year of 7½ per cent, payable on the same date as the final for 1957-58.

How, then, should the yield be calculated? The most cautious and conservative way would be to lump the last final and latest interim together, making 10 per cent. On that basis, the £1 units at 31s. 10½d. yield 6.3 per cent.

The experience of **Salts (Saltaire),** worsted spinners and manufacturers, has been similar, for both concerns have been hit by the fall in wool prices. Salts (Saltaire) has had to write down its stocks, bringing its trading income in the year to March 31st down from £1,206,556 to £458,629. The final ordinary dividend is 2¾ per cent, making 6 per cent for the year (against the equivalent of 10 per cent), but a special interim dividend of 4 per cent for the current year is also to be paid. On the assumption of a 10 per cent dividend the 5s. units at 5s. 6d. yield 9.1 per cent.

Property Progress

PROPERTY owners labour under disadvantages, but they enjoy one big boon compared with most other industrialists: they can often foresee their earnings ahead; new buildings come in at a planned rate; residential rent rolls rise gradually at a rate geared to the time table of the Rent Act of 1957. It is that ability to foresee that enabled the dynamic Mr Harold Samuel, chairman of **Land Securities Investment Trust,** recently to tell the shareholders that next year's dividend is not likely to be less than 12 per cent (against 7 per cent). That would indicate a yield of 4½ per cent on the 10s. shares at 26s. 6d. xd.

It also enables Mr T. J. Cullen, chairman and managing director of the steady-going **London County Freehold and Leasehold Properties,** to say specifically that next year's dividends (after the two-for-one free issue) will be 8d. per 10s. unit (equivalent on the old capital to 20 per cent, against 16¼ per cent). At 40s. 6d. xd. the shares still cum bonus yield 4.9 per cent.

Increased revenues from residential rent has begun to come in. This affects London County Freehold, London's biggest owner of flats. Mr Cullen tells shareholders that the increased rents started either from September or December last year, so that the accounts just issued must have borne a little of them. But the gain in income is expected to be substantially larger in the year to March 31st next, and a further increase will still be accruing in the following year. Only 4 per cent of the company's decontrolled tenants have failed so far to agree to new terms and that proportion is still decreasing.

The Rent Act is not the whole story. London County Freehold has invested heavily in commercial (and therefore in uncontrolled) properties since the war and has invested on favourable terms in Rhodesia. These good lettings have helped the company to keep its controlled properties in condition through the long control period. Now the Rent Act justifies revaluing the properties and the revaluation has disclosed a surplus of £5.5 million. That surplus, which paved the way for the scrip issue, arises from the commercial as well as the residential properties; it will involve an increase in the annual appropriations for amortisation from last year's figure of £86,000 to around £110,000, a fact that must not be ignored in estimating earnings.

But those property companies not normally associated with the Rent Act may also find themselves enjoying an expanding income. **City of London Real Property Company** has only a small proportion of controlled tenancies. Its rising income stems from the fact that the rebuilding of bombed or obsolete office blocks in the City has over the postwar years been a continuing process, investment always running ahead of income, so that it was possible to distribute up to or even a little beyond the hilt in the knowledge that in the next year some more property would be revenue producing. A year ago it looked as if that process was coming to an end. High building costs and high charges by ground landlords had skimmed off the cream and made the company hesitate. But at the meeting on Monday the chairman, Mr Edmund Howard, showed shareholders that he had changed his view and is again thinking of fresh sites to redevelop. He reported that building costs had shown some signs of falling and he hopes to report in a year's time on the development in Seething Lane and on other proposals. The company is also to spend money on an extensive programme of conversion of its blocks to oil central heating. On the basis of last year's dividend of 9 per cent the ordinary stock at 33s. yields 5½ per cent.

Years to end-March	London County Freehold and Leasehold Properties: Net revenue from property	London County Freehold and Leasehold Properties: Equity earnings	City of London Real Property: Net revenue from property	City of London Real Property: Equity earnings	Land Securities Investment Trusts: Net revenue from property	Land Securities Investment Trusts: Equity earnings
	£	£	£	£	£	£
1954	885,172	205,651	1,149,392	350,835	616,188	33,614
1955	888,419	208,275	1,334,021	509,057	846,104	107,037
1956	952,067	258,528	1,388,297	401,768†	845,431*	120,754*
1957	1,010,519	263,469	1,523,201	384,322	1,286,751	151,656
1958	1,130,199	287,639	1,676,120	417,931	1,372,807	182,517

* 26th July to 31st March. † After capital reorganisation.

ASSOCIATED TELEVISION

AS the Associated British Picture results last week had already made plain, commercial television is today making roaring profits: Associated Television, which suffered heavy losses in its first years, now seems to have more money than it immediately knows what to do with. It is paying its shareholders—the Daily Mirror, Sunday Pictorial, Birmingham Post and Mail, and Moss Empires —a further 20 per cent to add to the interim dividend of 10 per cent already paid. It has bought £500,000 7 per cent unsecured loan stock in British Relay Wireless & Television with "attractive conversion rights" into ordinary shares in three and four years' time; it is trying to buy one of the major companies that make television films: it has registered companies that could take part in commercial television in Canada, East Africa, the West Indies and Bermuda; and is taking a lease of a new office block and is negotiating to buy a site for a new studio. Moreover, said Mr Prince Littler, its chairman, in his annual statement, it hopes that Britain's third television network, when it comes, will be on commercial lines—which might offer ATV the chance it craves to provide a seven-days-a-week service for London viewers, as against weekends only.

The accounts provide several million good reasons why. In the year to April 30th, the company showed a profit before tax of £3,665,909, on an issued share capital of £1,812,880: this compares with £201,716 for the previous year. After tax the profit amounted to £1,997,909, of which the 1957-58 dividends required £305,243 and dividends of 10 per cent for the period to April 30, 1957, a further £125,832. The loss of £483,794 brought forward is eliminated and over £1,000,000 is put to reserves.

BREWERY PROFITS

COMPETITION and social change have kept the price of beer down. So to raise their profits, the breweries have been big capital spenders: new plant has been installed; public houses have been modernised; big sums have been spent on advertising bottled and canned beers, often on a national scale; production and distribution have been rationalised, often as a result of amalgamations or through reciprocal agreements, while **Whitbread** has spread its umbrella over smaller breweries by taking up a minority share interest in them. As a result, bigger profits have been earned but, as almost all the breweries are pursuing the same policies, the scope for further increases in earnings by that road are limited.

The big increase usually occurs after an amalgamation has produced the rationalisation and streamlining of production and distribution. This appears to be the case for **Barclays and Courage,** the product of the merger between Barclay Perkins and Courage and Sons, both London and Home Counties breweries: in the year to March 31st the group's trading profit rose from £2,315,801 to £2,728,985 and its net profit from £818,200 to £885,489. The ordinary dividend is raised from 10 to 11 per cent, so that at 33s. 6d. the £1 units yield 6.6 per cent.

The yield offered by the Whitbread "A" ordinary shares, on which the dividend has been raised from 24 to 25 per cent, is almost £1 lower: at 87s. xd. they yield 5.7 per cent. These units have become leaders in the brewery market, because the directors, headed by Colonel W. H. Whitbread, were among the first to break with the traditions of conservatism in the industry. The credit squeeze has recently forced the company to go slow on development and in the year to December 31st last the group's trading profit fell slightly (from £2,902,340 to £2,872,847). Now Colonel Whitbread describes trade in the first four months of this year as "not good" and speaks of "a quite definite climate of recession." He goes on to say: "in view of the bad start we have made this year, one cannot be too optimistic about the future, and we will have to use our hardest endeavours in order to try and retain our present standard of profits."

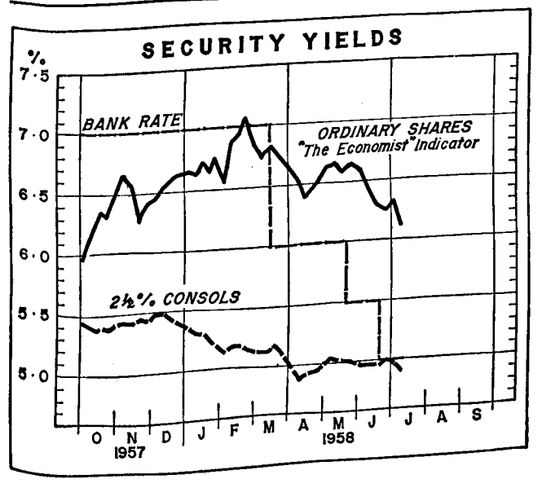
London Stock Exchange

FIRST DEALINGS:	July 2	July 16	Aug. 6
LAST DEALINGS:	July 15	Aug. 5	Aug. 19
ACCOUNT DAY:	July 22	Aug. 12	Aug. 26

BRITISH FUNDS were a good market following the relaxations of credit restrictions; gains extended throughout the list, and the *Financial Times* index of Government securities rose just over half a point to a peak for the year of 83.99. The fall in the Treasury bill rate helped short-dated stocks, 2 per cent Exchequer 1960 gaining ⅛ to 96⅜. Gains of up to ¾ were made by irredeemable issues, Old Consols rising ⅛ to 51, and gains of ¾ were made in 3 per cent Redemption 1986-96 and 3 per cent Gas 1990-95. On Thursday the market was again strong, the long-dated stocks rising about ⅜ and the mediums about ⅛. The failure of the Jamaica loan caused falls in some Dominion stocks, but corporation loans rose in sympathy with gilt-edged. Further rise occurred in German bonds and Japanese bonds strengthened.

Industrial shares improved steadily, although the threat of a dock strike restrained the rise in prices. *The Economist* indicator broke through its previous high point of 192.5, rising 3.8 to 194.1. The abolition of restrictions on advances caused a rise in bank shares. Hire purchase finance shares also advanced. Insurance stocks weakened, Prudential "A" falling 5s. to 166s. 3d. The high earnings of Associated Television led to a rise in companies with interests in television. After rising to 29s. 3d.xc ICI weakened to 28s. 7½d.xc on sales of workers' shares. Motor and ancillary manufacturers shares rose; BMC was outstanding with a rise of 10½d. to 8s. 9d. Property shares made further gains. Steel stocks rose, John Summers rising 2s. 6d. to 27s. 7½d. and Stewarts and Lloyds 1s. 6d. to 23s. 6d. Cunard Steam Ship gained 2s. 6d. to 21s. 6d.

Oil shares reacted after their sharp rise last Thursday. Mining finance houses were prominent in a further rise in gold mines; Central Mining rose 2s. 9d. to 64s. and Union Corporation 1s. 6d. to 43s. 1½d.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
June 11	188·0	6·43				
,, 18	191·7	6·30				
,, 25	192·5	6·25				
July 2	190·3	6·32	194·1	166·1	225·0	171·2
,, 9	194·1	6·12	(July 9)	(Feb. 26)	(July 10)	(Nov. 6)

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%			
July 2	174·6	6·52	90·33	4·98	8,949	High 179·6 (June 23)	High 207·6 (July 9)
,, 3	174·4	6·52	90·36	4·96	8,949		
,, 4	175·3	6·26	90·50	4·94	9,219		
,, 7	175·8	6·24	90·44	4·91	11,136	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
,, 8	175·8	6·24	90·48	4·91	9,794		
,, 9	176·0	6·23	90·50	4·91	8,665		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 2, 1958	Price, July 9, 1958	Net Yield, July 9, 1958 § £ s. d.	Gross Yield, July 9, 1958 £ s. d.
98 11/16	96 1/8	War Loan 3%	1955-59	98 1/2	98 11/16	2 10 9	4 1 4
95 15/16	90 1/4	Funding 2½%	1956-61	95 1/16	95 1/16	2 18 10	4 2 6
99 1/8	96 11/16	Conversion 2%	1958-59	98 13/16	99	3 0 2	3 16 10
96 1/16	93 3/8	Exchequer 2%	1960	96	96 1/16	3 3 2	3 19 6
98 1/16	95 1/8	Exchequer 3%	1960	98 1/16	98 1/16	2 8 7	3 19 11
99 1/16	95 1/8	Conversion 4½%	1962	99 1/16	99	2 14 1	4 11 4
94 1/4	88 1/4	Exchequer 3%	1962-63	93 15/16	93 15/16	3 1 9	4 8 7
100 3/16	99 7/16	Conversion 4½%	1963	100 1/16	100 1/16	2 11 11	4 12 9
90 1/8	83 3/8	Savings Bds. 3%	1955-65	89 3/8	89*	3 9 2	4 16 0
81 1/4	77 1/8	Funding 3%	1959-69	81 1/8	81 1/4	3 17 10	5 7 5
89 1/4	86 3/4	Funding 4%	1960-90	87 7/8	87 1/4	10 2 7 / 2 18 4	12 4 0 / 4 16 0
79	75	Savings Bds. 3%	1960-70	78 11/16	79	3 19 9	5 10 4
90 3/4	84 3/4	Exchequer 2½%	1963-64	90 3/8	90 3/4	3 6 1	4 9 3
81 13/16	78 3/8	Savings Bds. 2½%	1964-67	81 1/2	81 13/16	3 18 9	5 3 3
73 3/4	69 1/8	Savings Bds. 3%	1965-75	73 3/8	72 1/4*	3 18 9	5 9 5
103 3/8	99 1/16	Exchequer 5½%	1966	103 1/16	103 3/16	2 16 11	5 5 4
83 1/16	78 1/8	Funding 3%	1966-68	81 13/16*	82 1/4*	3 17 6	5 5 10
94 1/8	91 1/8	Victory 4%	1920-76	94	93 15/16	3 2 6	4 19 11
86 15/16	81 3/8	Conversion 3½%	1969	86 1/4	86 1/16	3 11 11	5 5 10
98 1/16	97 1/4	Conversion 5½%	1974	97 1/2	97 3/4	3 4 4	5 9 11
76 1/2	71 1/4	Treasury 3½%	1977-80	75 1/2	76	3 12 4	5 8 0
76 1/2	70 3/8	Treasury 3½%	1979 81	76 1/8	74 7/8*	3 12 10	5 8 4
101 1/2	98 1/2	Funding 5½%	1982-84	100*	100 1/16*	3 2 10	5 9 5
66 1/4	60	Redemption 3%	1986-96	65 1/8	66 1/4	3 6 4	5 1 3
72 1/16	64 3/8	Funding 3½%	1999-2004	71 1/4*	71 3/8*	3 3 9	5 1 11
75 3/8	69 1/8	Consols 4% after Feb. 1957		73 1/4*	74*	3 2 1	5 7 9
68 1/2	63 1/4	War Loan 3½% after 1952		66 1/2	67 1/4	2 19 11	5 4 6
67 1/2	62 3/8	Conv. 3½% after Apr. 1961		66 1/4	67 1/4	3 0 1	5 5 3
59	54 1/8	Treas. 3% after Apr. 1966		58 1/8	59	2 18 11	5 3 1
51 1/8	46 3/8	Consols 2½%		50 1/8*	51	2 16 5	4 18 1
50 1/4	46 3/8	Treas. 2½% after Apr. 1975		49 1/4	50 1/4	2 17 10	5 1 2
95 3/16	90 1/8	Br. Electric 4½%	1967-69	95 1/8	93 1/4*	3 5 4	5 4 8
75 1/4	72 1/8	Br. Electric 3%	1968-73	75 1/8	75*	3 19 5	5 10 5
73	68 1/8	Br. Electric 3%	1974-77	72 1/8	73	3 15 11	5 7 10
86 7/8	82 3/8	Br. Electric 4½%	1974-79	86 1/8	86 3/8	3 7 5	5 8 1
76 1/8	72 3/8	Br. Electric 3½%	1976-79	76 1/8	76 1/4	3 12 1	5 7 9
87 1/8	82 1/4	Br. Gas 4%	1969-72	85 1/16*	86*	3 11 2	5 8 0
83 3/8	79 1/4	Br. Gas 3½%	1969-71	83 1/4	83 1/2	3 12 10	5 7 2
66 1/4	60 3/8	Br. Gas 3%	1990-95	65 1/2	66 1/8	3 6 4	5 0 9
75 1/8	72 1/8	Br. Transport 3%	1968-73	75 1/8	75 1/8	3 19 5	5 10 5
84 1/16	79 1/4	Br. Transport 4%	1972-77	82 1/4	82 1/16	3 10 10	5 9 4
66 1/16	60 1/16	Br. Transport 3%	1978-88	65 3/8	66 1/2	3 11 1	5 4 7

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, July 2, 1958	Price, July 9, 1958	Yield, July 9, 1958 £ s. d.
88 1/4	83	Agric. Mortgage 5%	1959	89	87	87 1/4	5 18 0
79 1/2	76 1/4	Australia 3½%	1965-69	78 1/4*	78 3/4*	5 19 1
95 1/4	92 1/4	Birmingham 5%	1973-75	93	94	5 11 2
94 1/4	90 1/2	East Africa 5½%	1977-83	94	93	6 6 3
100 1/8	95 1/2	L.C.C. 5½%	1977-81	99 1/4	100 1/4	5 9 1
62 1/2	56	Met. Water Board 'B' 3%	1934-2003	62 1/4	62 1/2	5 3 0
82	78	New Zealand 4%	1976-78	79 1/2	80	5 14 5
71 1/4	69	S. Rhodesia 2½%	1965-70	70	70 1/4	6 0 8
96 1/2	83	German 7% (Br. Enfaced 5%)	1924	93	96 1/4	...
167 1/4	160	Japan 5% (Enfaced)	1907	164 1/4	165	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 2, 1958	Price, July 9, 1958	Yield, July 9, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
29/9	28/-	4 a / 5 b	Bk. Ldn. & S. Amer. £1	29/-	29/3	6 3 1
44/-	39/9	6 b / 6 a	Barclays Bank £1	41/6	43/-	5 11 8
30/-	27/6	4 b / 4 a	Barclays D.C.O. £1	28/3	29/-	5 10 4
43/6	35/6	7½ a / 7½ b	Chartered Bank £1	42/6	43/-	6 19 6
47/9	41/3	6½ b / 6½ a	Lloyds Bank £1	46/-	47/3	5 10 0
63/9	57/6	9 b / 9 a	Midland Bank £1	61/6	63/3	5 13 10
35/6	29/6	5 b / 5 a	Nat. Discount 'B' £1	34/6	34/6	5 15 11
50/9	40/9	6½ b / 6½ a	Union Discount £1	50/-	50/3	4 19 6
			INSURANCE			
38/-	32/9	15 a / 21 5/8 b	Commercial Union 5/-	34/9	34/-	5 7 10
132/6	113/9	40 a / 60 b	Legal & General 5/-	131/3	130/-	3 16 8
101/3	86/3	†20 a / †50 b	Pearl 5/-	92/6	90/-	6 15 4
176/3	154/-	†132½ c / †147½ c	Prudential 'A' 4/-	171/3	166/3	6 3 4
			BREWERIES, ETC.			
36/6	31/-	36 b / 10 a	Bass 5/-	35/9	35/9	6 8 8
24/-	19/7½	18½ c / 7½ c	Distillers 6/8	23/6	23/10½	5 4 10
41/10½	37/-	15 b / 10 a	Guinness 10/-	41/4½	41/10½	5 19 6
90/6	75/6	8 a / 17 b	Whitbread 'A' £1	89/-*	87/-*	5 14 11
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½ a / 6½ b	Bristol Aeroplane 10/-	8/10½	9/1½	10 19 2
8/9	6/7½	12½ c / 4 a	British Motor 5/-	7/10½	8/9	7 2 10
40/9	31/9	3 a / 6 b	Ford Motor £1	38/6	39/6	4 11 3
30/9	24/9	7 b / 3 a	Hawker Siddeley £1	27/3*	28/3*	7 1 7
44/9	39/-	12½ c / 12½ c	Leyland Motors £1	41/-	41/6	6 0 6
93/-	82/9	5 a / 15 b	Rolls Royce £1	87/-	88/-	4 11 0
8/1½	6/7½	8 c / 8 c	Standard Motor 5/-	6/7½	7/9½	5 2 5

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 2, 1958	Price, July 9, 1958	Yield, July 9, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
49/3	41/10½	7 a / 6⅝ b	Babcock & Wilcox £1	46/9	47/3	5 10 0
25/1½	21/7½	6 b / 4 a	Dorman Long £1	22/10½	24/4½	8 4 2
54/7½	45/-	5 a / 10 b	Guest Keen N'fold £1	53/7½	53/4½	5 12 4
34/9	28/3	†2 a / †4 b	Alfred Herbert £1	34/3	34/9	6 0 0
24/3	20/-	8 b / 3 a	Stewarts & Lloyds £1	23/-	23/6	9 7 2
57/3	48/-	5 a / 13 b	Swan Hunter £1	55/3	54/9	6 11 2
24/-½	17/3	4 a / 7½ b	United Steel £1	19/7½*	21/4½*	10 15 3
32/9	28/6	2½ a / 7½ b	Vickers £1	29/10½	29/10½	6 13 10
			ELECTRICAL			
52/-	47/-	15 c / 2½ a	Assoc. Elec. Inds. £1	49/9	49/9	6 0 7
46/9	39/3	4 a / 8½ b	Br. Ins. Callenders £1	42/9	42/9	5 17 0
29/-	24/7½	43⅜ c / 6½ a	Decca Record 4/-	25/7½	25/7½	6 16 8
36/3	28/-	15 c / 15 c	Elect. & Mus. Inds. 10/-	35/9	35/9	4 4 0
56/3	44/6	4 a / 10 b	English Electric £1	51/9	53/-	5 5 8
38/9	29/9	8 b / 3½ a	General Electric £1	32/3	32/-	7 0 5
			TEXTILES			
16/3	12/3	3 a / 3 b	Bradford Dyers £1	12/4½	12/3	9 15 11
23/3	19/6	2½ a / 6½ b	Coats, J. & P. 5/-	20/3	20/-	8 15 0
23/9	19/7½	3 a / 5 b	Courtaulds £1	22/10½	23/6	6 16 3
34/7½	29/10½	12½ b / 5 a	Lancashire Cotton £1	33/3*	33/6*	10 9 0
35/4½	30/-	2½ b / 7½ a	Patons & Baldwins £1	32/6	31/10½	6 5 5
			SHOPS & STORES			
23/-	18/6	6 a / 12 b	Boots Pure Drug 5/-	22/-	23/-	3 9 7
			Debenhams 10/-	39/3	40/-	6 17 7
24/6	17/3	50 b / 15 a	Gt. Universal 'A' 5/-	23/3	23/3½	6 19 0
45/1½	37/3	10 a / 22½ b	Marks & Spen. 'A' 5/-	43/7½	43/9	3 8 7
27/1½	21/-	12½ a / 20 b	United Drapery 5/-	27/-	26/10½	6 1 0
42/10½	34/7½	26 5/8 b / 15 a	Woolworth 5/-	39/10½	40/9	4 18 3
			SHIPPING			
38/6	29/-	6 a / 13½ b	Brit. & Com'wealth 10/-	38/6	38/-	5 5 3
21/6	16/6	2 a / 8 b	Cunard £1	19/-	21/6	9 6 1
33/3	27/3	9 3/8 c / 10½ c	Furness Withy £1	32/9	32/3	6 14 0
30/6	22/-	3 a / 8 b	P. & O. Deferred £1	30/-	30/-	7 6 8
			MISCELLANEOUS			
35/6	27/-	22½ c / 18 a	Allied Bakeries 'A' 5/-	33/9	34/-	4 8 3
39/9	31/-	3 a / 6 b	Assoc. Port. Cem. £1	38/3	38/3	4 14 3
56/6	48/9	12 b / 9 a	Beecham Group 5/-	17/4½	18/4½	5 8 10
55/6	48/6	7½ b / 8 b	Bowater Paper £1	54/-	54/9	7 3 10
36/-	26/6	4½ a / 8 b	Br. Aluminium £1	44/-	44/9	5 4 2
48/-	36/9	4 a / 8 b	Br. Amer. Tob. 10/-	46/6	47/3	6 2 10
47/9	37/7½	†10 a / †6⅝ b	B.E.T. 'A' Defd. 5/-	22/6*	24/6*	5 2 0
24/9	19/9	7½ a / 17½ b	Br. Oxygen £1	34/3	33/9	5 18 4
35/6	28/3	4 a / 6 b	Dunlop Rubber 10/-	18/-	18/6	7 11 3
19/-	14/4½	3 a / 11 b	Imp. Chemical £1	28/10½	28/7½	5 11 10
30/4½	24/3	4 a / 8 b	Imp. Tobacco £1	43/6	44/-	9 1 10
45/3	37/-	8½ a / 11½ b	J. Lucas (Inds.) £1	36/1½	37/2½	4 0 7
37/2½	28/-	5 b / 2½ a	Monsanto Chem. 5/-	15/3	15/1½	4 9 3
16/1½	12/6	5 a / 8½ b	Ranks 10/-	14/1½*	14/7½*	6 16 10
14/9	13/7½	5 b / 5 a	A. E. Reed £1	35/6	38/3	7 6 5
38/3	27/9	5 a / 9 b	United Molasses 10/-	29/9	30/3	8 3 0
14/3	11/8½	22½ c / 22½ c	Sears Holdings 'A' 5/-	12/3	12/6	9 0 0
56/6	48/9	12 b / 4½ a	Tate & Lyle £1	56/-	56/3	5 17 5
55/6	48/6	7½ b / 7½ a	Tube Investments £1	54/9	55/3	5 8 8
64/-	52/1½	12½ b / 5 a	Turner & Newall £1	59/10½	59/3	5 1 3
80/4½	70/6	6 a / 11½ b	Unilever Ltd. £1	74/-	75/9	4 12 5
103/9	77/-	14½ b / 4 a	United Dominions £1	97/-	103/9	3 11 9
30/9	26/-	†4½ a / †10 b	United Molasses 10/-	29/9	30/3	8 3 0
			OIL			
113/6	79/6	†5 a / †10 b	British Petroleum £1	106/-	110/7½	4 14 6
78/-	59/1½	†5 a / †7½ b	Burmah £1	71/10½	74/4½	6 0 10
£17½	£13½	7½ a / 17½ b	Royal Dutch 20 fl.	£163	£165	2 17 7
151/3	117/6	†5 a / †13½ b	Shell £1	146/3	145/6	4 9 7
74/6	41/6	... / ...	Ultramar 10/-	69/-	68/-	...
			MINES, ETC.			
148/9	115/-	20 a / 60 b	Anglo-American 10/-	147/6	147/6	5 8 6
23/6	19/6	†2½ a / †10 b	Cons. Tea & Lands £1	23/-	23/-	18 18 0
51/6	41/6	6½ a / 12½ b	Cons. Zinc Corp. £1	47/3	47/6	7 18 0
103/1½	80/7½	80 a / 120 b	De Beers Def. Reg. 5/-	102/6	103/1½	9 14 1
91/10½	76/-	20 b / 40 a	Free State Geduld 5/-	89/4½	91/10½	6 10 0
7/6	6/6	30 c / 30 c	London Tin 4/-	7/-	7/-	17 3 5
53/6	46/6	50 a / 50 b	President Brand 5/-	53/4½	53/6	9 6 10
17/6	12/10½	16⅜ b / 1½ a	Rho. Selection Tst. 5/-	15/1½	15/1½	...
28½	20	175 b / 25 a	Rhokana Corp. £1	26½	26½	...
54/6	46/-	12½ a / 37½ b	United Sua Betong £1	52/6	52/6	19 1 0
101/10½	84/4½	60 b / 60 a	Western Holdings 5/-	101/3	100/-	6 0 0

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 30%. (i) On 15%. (j) On 8%. (l) To latest date.

New York Closing Prices $

	July 2	July 9		July 2	July 9		July 2	July 9
Alcoa	69⅞	70⅞	DuPont de Nm.	185½	185½	N.Y. Central	16⅝	16⅞
Alumin'm Ltd.	27⅛	27⅜	Ford Motors	41½	39⅞	Sears Roebuck	30⅜	29⅞
Am. Smelting	44½	43⅞	Gen. Elect.	59⅞	60	Shell Oil	76⅛	75⅜
Amer. Tel.	179	178⅜	Gen. Motors	39⅞	39⅞	Std. Oil of N.J.	54⅜	54⅛
Anaconda	45¼	44⅞	Goodyear	84	83	Tri-Conti'tal.	33⅜	33⅜
Beth. Steel	41⅝	41¼	Gulf Oil	116⅜	116½	Union Carbide	92⅜	89⅝
Can. Pacific	28¼	27⅞	Int. Bus. M.	369½	368	U.S. Steel	65⅜	65⅛
Chrysler Cpn.	47⅜	47¼	Int'l. Nickel	79⅜	76½	West'house E.	57½	56⅜
Crown Zeller.	47½	48½	Int'l. Paper	99	101¼	Woolworth	47⅜	47⅜

STATISTICS

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

World Trade ..... April 19th

BRITISH		OVERSEAS	
Prices and Wages	July 5th	Western Europe: Production and Trade	June 28th
Production and Consumption	June 21st	British Commonwealth	This week
Manpower	This week	Western Europe: Prices and Money Supply	June 21st
External Trade	June 28th	United States	July 5th
Financial Statistics	This week		
Industrial Profits	April 19th		

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1) 1955	1956	1957	1957 April	May	June	1958 Mar.	April	May	June
		June figures									
TOTAL MANPOWER											
Working population:											
Total	'000s	23,912	24,107	24,188	24,205	24,201	24,188	24,048	24,074	24,077	...
Men	"	16,084	16,188	16,225	16,257	16,241	16,225	16,176	16,184	16,188	...
Women	"	7,828	7,919	7,963	7,948	7,960	7,963	7,872	7,890	7,889	...
Armed Forces	"	803	761	702	713	708	702	626	622	619	...
Civil employment:											
Total	"	22,933	23,149	23,245	23,177	23,221	23,245	23,022	23,052	23,052	...
Agriculture, forestry and fishing	"	1,066	1,032	1,025	1,015	1,021	1,025	956	967	967	...
Mining and quarrying	"	862	858	868	870	870	868	864	862	858	...
Building and contracting	"	1,486	1,541	1,519	1,517	1,519	1,519	1,472	1,478	1,497	...
Distributive trades	"	2,811	2,870	2,945	2,927	2,934	2,945	2,955	2,965	2,965	...
Public administration	"	1,289	1,300	1,298	1,302	1,301	1,298	1,283	1,285	1,287	...
Manufacturing industries	"	9,206	9,269	9,271	9,266	9,278	9,271	9,214	9,203	9,160	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955: (1)											
Employees in engineering(2)	"	...	+ 53	+ 48	+ 42	+ 50	+ 48	+ 78	+ 72	...	...
" " consumer goods industries(3)	"	...	− 9	+ 2	− 1	+ 3	+ 2	− 69	− 68	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	"	238·2	257·0	312·5	342·3	313·5	264·7	433·1	443·7	447·6	429·3
" " —men	"	146·7	168·8	216·6	236·5	215·0	182·2	307·0	314·0	309·4	297·8
" " —women	"	85·5	88·2	95·9	105·8	98·5	82·5	126·1	129·7	138·2	131·4
Temporary or under 2 weeks—men	"	51·5	62·7	65·1	67·5	62·1	49·9	85·1	83·9	94·4	89·3
" " —women	"	36·7	35·5	30·6	31·3	29·7	22·4	41·5	43·7	52·4	50·5
Over 8 weeks—men	"	67·7	65·7	94·3	114·1	105·3	88·5	138·6	150·0	146·0	138·2
" " —women	"	26·5	27·4	35·0	44·0	41·1	33·8	47·4	51·0	50·1	46·7
By industry (4):											
Textiles	%	1·6	1·4	1·2	1·2	1·2	1·3	3·1	3·4	4·8	5·1
Clothing	"	0·9	1·0	1·1	1·1	1·1	1·1	1·6	1·7	2·3	2·7
Vehicles	"	0·4	1·2	1·0	1·0	0·9	0·9	0·9	0·9	1·5	1·0
Engineering, etc.	"	0·8	0·9	1·1	1·4	1·2	0·9	1·6	1·7	1·7	1·8
Coal-mining	"	0·1	0·1	0·2	0·2	0·2	0·2	0·3	0·4	0·4	0·4
Distributive trades	"	1·0	1·0	1·2	1·4	1·3	1·1	1·7	1·7	1·7	1·5
By regions (4):											
Great Britain	"	1·1	1·2	1·4	1·6	1·5	1·2	2·0	2·0	2·1	2·0
London and South Eastern	"	0·7	0·8	1·0	1·1	1·0	0·8	1·3	1·3	1·3	1·2
Eastern	"	0·9	1·0	1·3	1·6	1·4	1·0	2·0	2·0	1·7	1·4
Southern	"	0·9	1·0	1·3	1·3	1·2	0·9	1·6	1·7	1·7	1·4
South Western	"	1·2	1·2	1·8	2·0	1·7	1·3	2·4	2·3	2·1	1·8
Midland	"	0·5	0·6	1·1	1·3	1·5	1·2	1·4	1·4	1·4	1·5
North Midland	"	0·5	0·6	1·0	0·9	1·0	1·0	1·5	1·5	1·8	1·5
East and West Ridings	"	0·7	0·8	0·9	0·9	0·9	0·8	1·5	1·6	1·9	1·9
North Western	"	1·4	1·3	1·6	1·9	1·7	1·4	2·4	2·4	2·6	2·6
Northern	"	1·8	1·6	1·7	2·0	1·7	1·4	2·2	2·3	2·2	2·1
Scotland	"	2·4	2·4	2·6	2·8	2·6	2·3	3·6	3·6	3·6	3·5
Wales	"	1·8	2·0	2·6	2·7	2·5	2·1	3·7	3·9	3·9	3·7
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5):											
Total	'000s	382	279	236	285	283	309	217	218	208	213
Men	"	214	152	122	143	141	150	109	110	105	107
Women	"	168	127	114	142	142	159	108	108	102	106
DISPUTES (6)											
Workers involved	"	55	42	113	243	31	44	49	27	95	...
Working days lost:											
Total	"	315	174	701	2,574	73	110	196	182	1451	...
Mining and quarrying	"	93	42	43	49	41	61	53	24	40	...
Engineering, etc.	"	56	85	549	2,424	20	7	100	122	103	...
Other industries and services	"	166	47	109	100	12	41	44	36	1308	...

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Figures have been revised back to July, 1956, on the basis of mid-1957 count of National Insurance Cards.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada [10]	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	728	3,714[10]	381	204	772
1956	1,608	936	3,288	2,756	1,897	463	1,470	6,807[10]	805	347	1,472
1957	1,544	814	3,621	2,835	2,008	454	1,597	7,559	906	396	1,585
1957, November	1,795	956	3,920	2,872	1,630	445[11]	1,584	8,180	930	390	1,573
„ December	1,293	888	4,019	2,846	1,773		1,530	8,225	959	387	1,564
1958, January	1,226	912	3,925	3,059	2,031	...	1,519	8,551	974	365	1,566
„ February	1,651	816	...	2,750	1,958	...	1,468	7,791	920	350	1,471
„ March	1,660	...	...	3,009	1,852	...	...	8,469	...	408	1,640

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965
1956	23·9	32·4	7·9	52·2	6·11	217	395	145	132	85·9	365	1,321
1957	24·1	35·0	8·2	53·2	5·95	251	375	143	143	90·3	368	1,419
1958, January	27·1	38·5	9·9	61·2	6·76	270	359	166	145	90·7	376	1,418
„ February	25·3	32·5	6·6	51·6	4·22	233	335	146	138	82·4	358	1,356
„ March	28·6	40·0	6·9	48·7	4·20	266	368	151	152	...	...	1,431
„ April	27·3	37·0	9·8	45·0	...	243	337	...	149	...	...	1,439
„ May	27·7	37·2	...	...	...	...	...	...	...	...	...	1,472

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [9]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11
1956	68·2	64·5	475	405	707	501	22·38	22·91	166·6	135·0	41·2	34
1957	59·7	81·7	469	411	...	...	24·71	22·98	174·7	133·6	45·9	37
1957, December	61·8	70·7	393	453	669	546	26·7	19·2	174·9	180·4	44·1	34
1958, January	77·3	66·8	399	390	655	548	24·0	24·6	164·4	...	57·3	32
„ February	62·5	60·6	364	326	...	...	23·8	28·4	...	...	47·0	31
„ March	59·4	61·3	427	376	...	...	...	...	...	...	51·1	37
„ April	67·3	53·1	450	377	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [6]	Canada	India [6]	New Zealand [6]	S Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	652	56	84	...	75	89[8]	77	7
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	10
1957	1,321	1,836	872	138	289	113	106	104	113	106	110	10
1958, January	...	1,867	842	107	285	114[12]	107	104	115[12]	110	113	11
„ February	...	1,873	835	107	267		107	103		112	113	11
„ March	...	1,880	808	115	250		108	103		...	113	11
„ April	...	1,883	809	130	220	...	...	...	...	...	...	11
„ May	...	1,906	...	...	203	...	...	...	...	...	...	...

(1) Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government-and-central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, including South West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Prior to 1957, excluding industrial generation for own use. (11) Average for fourth quarter. (12) Average for first quarter.

Financial Statistics

EXCHEQUER RETURNS

For the 5 days ended July 5, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £3,797,000 compared with a deficit of £41,642,000 in the previous week and a receipt of £19,692,000 in the corresponding period of last year. There was a net expenditure "below-line" of £9,782,000 leaving a total deficit of £248,005,000 compared with £177,010,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to July 6, 1957	April 1, 1958, to July 5, 1958	6 days ended July 6, 1957	5 days ended July 5, 1958
Ord. Revenue					
Income Tax	2312,500	323,654	350,749	25,279	23,222
Surtax	163,000	25,800	25,600	1,300	1,000
Death Duties	163,500	53,300	48,400	7,400	7,800
Stamps	56,250	18,000	14,500	1,600	1,100
Profits Tax, EPT & EPL	275,000	45,800	57,700	5,100	7,800
Other Inland Rev. Duties	...	50	70	...	...
Total Inland Rev.	2970,250	466,604	497,019	40,679	40,922
Customs	1256,940	322,991	344,441	23,389	19,993
Excise	932,310	224,300	232,470	17,940	15,545
Total Customs and Excise	2189,250	547,291	576,911	41,329	35,538
Motor Duties	104,000	12,452	13,163	897	1,306
PO (Net Receipts)	2,000	...	...	Dr. 5,600	Dr. 4,700
Broadcast Licences	34,000	5,600	6,000	...	...
Sundry Loans	30,000	12,351	10,494	3,483	...
Miscellaneous	110,000	59,940	13,320	9,742	54
Total	5438,500	1164,237	1116,907	98,530	73,120
Ord. Expenditure					
Debt Interest	695,000	168,235	171,595	...	...
Payments to N. Ireland Exchequer	73,000	18,245	19,607	3,443	3,631
Other Cons. Funds	10,000	3,670	3,376	2,354	2,270
Supply Services	4289,384	1096,856	1048,770	64,750	71,200
Total	5037,584	1197,008	1243,348	69,546	76,101
Sinking Funds	38,000	7,761	7,380	1,293	816
"Above-line" Surplus or Deficit	— 100,532	— 133,821	+ 19,692	— 3,797	
"Below-line" Net Expenditure*	76,478	114,184	23,976	9,782	
Total Surplus or Deficit*	177,010	248,005	4,284	13,579	
Net Receipts from:					
Tax Reserve Certificates	74,066	77,392	8,266	5,191	
Savings Certificates	4,000	12,100	−1,000	−200	
Defence Bonds	−4,044	11,936	109	1,687	
Premium Savings Bonds	17,450	17,415	2,900	2,110	

* Including receipts of Civil Contingencies Fund totalling £16 mn. in 1957 and 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 July 6	2,940·0	1,746·4	248·3	3·3	4,937·9
1958 April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·0	...	4,952·4
„ 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·5	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8

THE MONEY MARKET

THE Treasury bill rate fell sharply at the tender on Friday of last week. The discount market raised its common bid by 8d. to £98 19s. 2d. per cent, taking outside tenderers by surprise. Thus, although the offer of £260 million was under-allotted by £20 million, the market secured an increase from 36 to 54 per cent in the allotted portion of its minimum bid. The average rate of discount on the whole allotment dropped by just under ¼ per cent to £4 3s. 5.23d. per cent. At yesterday's tender the offer was £240 million, £20 million less than matching maturities.

Credit conditions have been generally taut in the past week. On Monday and on Friday before the weekend the market faced moderate repayments of seven day loans taken from the Bank to circumvent the June 30 squeeze; in the event, despite large official help, a little new borrowing was necessary, and Wednesday's Bank return shows a fall in discounts and advances of £10.6 million, to £30.3 million, following last week's rise of £28 million. Rates for overnight money have ranged up to 4 and even 4⅛ per cent; dealings in September maturities have been at 4⅛ per cent, though the discount houses have conceded 4⅜ per cent at times of stringency.

A further seasonal increase in the active note circulation of £12.7 million has necessitated an increase of £50 million, to £2,100 million, in the fiduciary issue.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 19/6/58)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4⅜
Bank	3	3 months	4⅛–4⅜
Discount houses	3*	4 months	4⅛–4⅜
Money		6 months	4⅛–4⅜
Day-to-Day	3½–4½	Fine trade bills:	
Treas. bills 2 months	4⅛	3 months	5–5½
3 months	5⅛	4 months	5–5½
		6 months	5½–6

* At immediate notice

BANK OF ENGLAND RETURNS

(£ million)	July 10, 1957	July 2, 1958	July 9, 1958
Issue Department:			
Notes in circulation	2,013·7	2,047·6	2,060·3
Notes in banking dept.	36·7	52·8	40·0
Govt. debt and securities*	2,046·2	2,096·3	2,096·2
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	18·6	10·8	12·0
Bankers	203·9	224·9	215·3
Others	73·8	73·3	73·4
Total	296·3	308·7	300·7
Securities:			
Government	238·1	212·0	227·4
Discounts and advances	18·3	40·9	30·3
Other	19·0	18·8	18·9
Total	275·4	271·7	276·6
Banking department reserve	39·1	55·1	42·4
"Proportion"	% 13·2	% 17·8	% 14·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,100 million from £2,050 million on July 2, 1958.

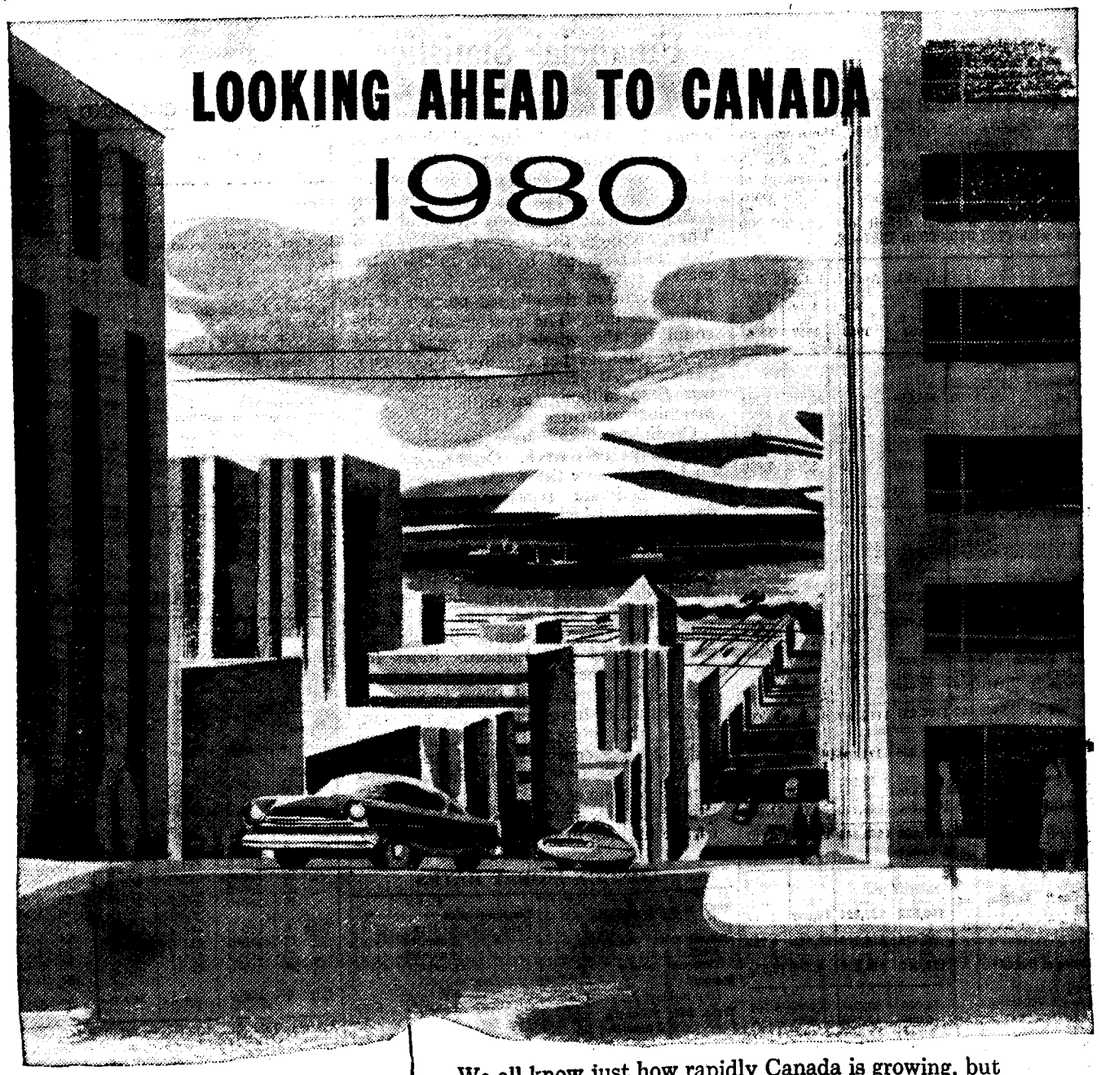
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 July 5	260·0	423·6	260·0	s. d. 76 11·66	% 42
1958 April 3	260·0	401·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·19	59
„ 18	240·0	406·3	240·0	104 0·93	49
„ 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	69
„ 13	270·0	413·0	270·0	90 1·77	65
„ 20	260·0	414·1	260·0	85 9·63	42
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54

* On July 4th tenders for 91 day bills at £98 19s. 2d. secured 54 per cent, higher tenders being allotted in full. The offer this week was for £240 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: July 9	Market Rates: Spot: July 3	July 4	July 5	July 7	July 8	July 9
United States $	2·78–2·82	2·80½–2·80⅝	2·80⅜–2·80½	2·80⅜–2·80⅜	2·80⅜–2·80⅜	2·80½–2·80⅝	2·80⅝–2·80⅝
Canadian $		2·69⅛–2·69¼	2·69⅛–2·69⅜	2·69⅛–2·69⅜	2·69⅛–2·69⅜	2·69–2·69¼	2·68⅞–2·69⅛
French Fr.	1167·18–1184·82	1172½–1173½	1173–1173½	1173–1173½	1172½–1172½	1172½–1173	1173¼–1173⅝
Swiss Fr.	12·15⅝–12·33⅝	12·21½–12·21¾	12·21½–12·21¾	12·21½–12·21¾	12·21½–12·21¾	12·21½–12·21¾	12·21½–12·21⅝
Belgian Fr.	138·95–141·05	139·27½–139·32½	139·22½–139·27½	139·20–139·25	139·15–139·20	139·17½–139·22½	139·17½–139·22½
Dutch Gld.	10·56–10·72	10·57½–10·57½	10·57–10·57½	10·57–10·57½	10·56½–10·56½	10·56½–10·56½	10·56½–10·57
W. Ger. D-Mk.	11·67⅛–11·84⅜	11·68½–11·68½	11·68–11·68½	11·67½–11·68½	11·68–11·68½	11·68–11·68½	11·68–11·68½
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736⅜–1762½	1739½–1740	1740–1740½	1739½–1740½	1740–1740½	1739½–1740	1739½–1739⅝
Swedish Kr.	14·37⅜–14·59⅜	14·46¼–14·46⅜	14·46¼–14·46⅜	14·46–14·46¼	14·45¾–14·46¼	14·45¾–14·46¼	14·46–14·46⅛
Danish Kr.	19·19⅜–19·48⅛	19·33⅞–19·34	19·33⅞–19·34⅛	19·33⅞–19·34	19·33⅞–19·34	19·33½–19·34	19·33⅜–19·34
Norwegian Kr.	19·85–20·15	20·00⅛–20·00⅞	20·00⅛–20·00⅞	20·00⅛–20·00⅞	20·00⅛–20·00⅞	20·00⅛–20·00⅞	20·00⅛–20·00⅞
One Month Forward Rates							
United States $		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
Canadian $		⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm
French Fr.		3–6 dis	3–6 dis	3–6 dis	3–6 dis	3–6 dis	2–5 dis
Swiss Fr.		2⅞–2⅛c. pm	2⅞–2⅛c. pm	3–2⅛c. pm	3–2⅛c. pm	3–2⅛c. pm	2⅞–2⅛c. pm
Belgian Fr.		⅜–⅝ pm	⅜ pm–par	⅜ pm–par	⅜ pm–par	⅜ pm–par	⅜ pm–par
Dutch Gld.		1–1⅛c. pm	1–1⅛c. pm	1–1⅛c. pm	1–1⅛c. pm	1–1⅛c. pm	1–1⅛c. pm
W. Ger. D-Mk.		1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm
Italian Lire		1⅛ pm	2–1 pm	2–1 pm	2–1 pm	2–1 pm	2 pm–par
Swedish Kr.		1⅞–1⅛ pm	1⅞–1⅛ pm	1⅞–1⅛ pm	1⅞–1⅛ pm	1⅞–1⅛ pm	1⅞–1⅛ pm
Danish Kr.		2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm
Norwegian Kr.		2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/4	250/1½	...	250/0½	249/11½	250/4½



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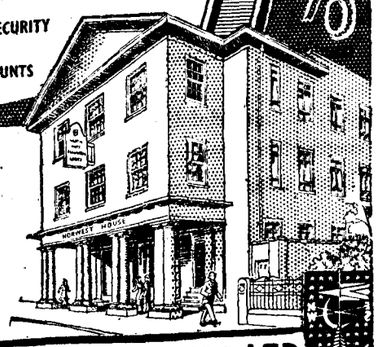

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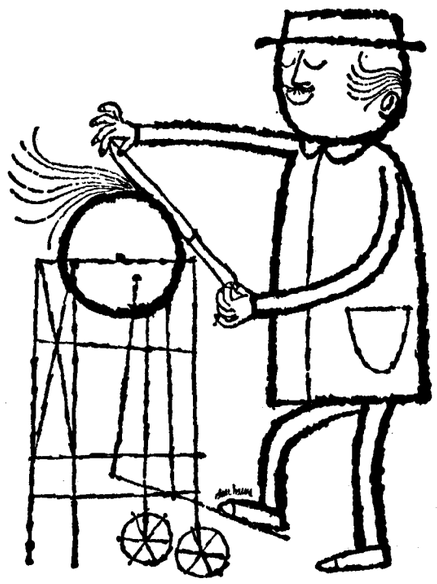

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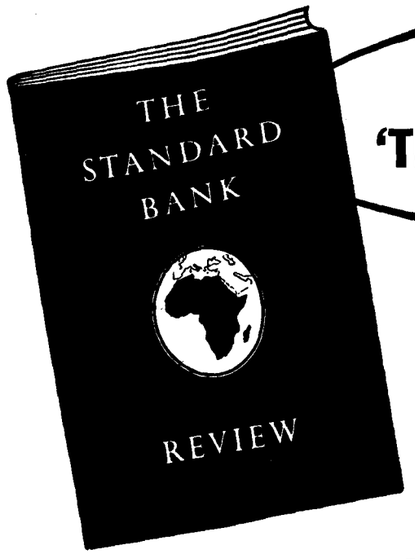

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COMPANY MEETINGS

ASSOCIATED TELEVISION LIMITED

WIDENED FIELD OF PROGRAMMES

INCREASING VOLUME OF ADVERTISING

MR PRINCE LITTLER ON EXPANSION PLANS

The annual general meeting of Associated Television Limited will be held on July 29th at Television House, Kingsway, London, W.C.

The following is the statement by the chairman, Mr Prince Littler, CBE, which has been circulated with the report and accounts:

When I addressed you at the last Annual General Meeting the Company was only just emerging from the financial shadows of the opening period when every week of operation meant an additional heavy loss to your Company. It is not too much to say that your Company, the first to come forward ready to take up the challenge of operating an independent service, was more heavily penalised by events than any of its competitors. The unavoidable delay in opening the Midlands transmitter meant that for a period of five months the Company was burdened by full overheads while forced to forgo approximately 50 per cent of its legitimate market.

Those days are now past. In the result your Company has taken its full share in the expansion of the television broadcasting industry. Advertising revenue has continued to build up with the growth of the Independent Television network. New stations have come into operation in Scotland and Wales in the past year—and the number of viewers able to receive Independent Television programmes is now approximately 20 million. The continued increase in the volume of advertisement bookings confirms the growing confidence of advertisers in the value of television as the best means of reaching and holding the public. On the other hand, programme costs have also risen despite increased net working but this is unavoidable if we are to pursue our policy of improving on past standards.

PROFIT AND DIVIDEND

The profit after taxation for the year ended April 30, 1958, amounted to £1,997,909. After eliminating the debit balance of £483,794 brought forward on the Profit and Loss Account and providing for the arrears of dividend paid on December 16, 1957, amounting to £125,832, and the interim dividend of 10 per cent paid on April 25, 1958, amounting to £91,786, there remains a credit balance on Profit and Loss Account of £1,296,497. From this your Directors have recommended payment of a final dividend of 20 per cent on the "A" Ordinary and Ordinary Shares, absorbing £183,573, to which must be added a Deferred Share dividend of £29,884, in accordance with the Articles of Association. The Directors also recommend that the sum of £750,000 be transferred to General Reserve, leaving £333,040 to be carried forward on Profit and Loss Account.

During the year, a staff profit-sharing scheme was introduced, and provision has been made for a distribution of £146,562. For the first time since the inception of the Company, provision has been made for the payment of Directors' fees amounting to £29,000. You are accordingly asked to pass the necessary resolution for this purpose.

BALANCE SHEET ITEMS

Turning to the Balance Sheet, you will see that the amount of "A" Ordinary Shares issued and fully paid has increased by £292,880, as a result of conversion of a similar amount of 6 per cent Convertible Unsecured Loan Stock 1960-63. Fixed assets after provision for depreciation have risen by £77,977. The principal addition to fixed assets comprises a freehold property and buildings which are being adapted for urgently needed storage and studio space. The liquid position of the Company again shows marked improvement in the Bank Balances, Sums on deposit and Cash in hand standing at £3,203,732. The balance of the mortgage on the Company's studios at Elstree has been called for repayment on January 31, 1959.

With the Company's increased trading and with the large number of programmes produced for the ITA network as a whole, the Company has experienced a grave shortage of essential office and studio accommodation. Accordingly, the lease has now been negotiated for new office premises, adequate to the expanding needs of the Company, in a centrally situated block which is being designed to meet the Company's requirements. Moreover, a suitable studio site within easy reach of the West End has now been selected and negotiations for its acquisition are currently proceeding.

IMPROVEMENT IN LIQUID POSITION

With the improvement in the liquid position of the Company, the Board has given its attention to investing in the United Kingdom in allied and ancillary fields. As a first step in this direction your Company acquired on May 9, 1958, £500,000 7 per cent Convertible Unsecured Loan Stock in British Relay Wireless & Television Limited with attractive conversion rights into ordinary shares in 3 and 4 years' time. British Relay Wireless & Television operates television and radio relay services over parts of London and in many other urban areas, as well as a television and radio rental business, and by the extension of its operations creates new television viewers for our own programmes.

Your Board, moreover, is currently seeking to negotiate the purchase of one of the major producing companies, specialising in the production of films for television. The company in question has an outstandingly successful record, notably in the American market. Your Board feels that, in the acquisition of this company, your own Company's position in the production field would be greatly strengthened.

DEVELOPMENT OVERSEAS

During the year the Board has given considerable attention to opportunities for participating in the development of commercial television and radio broadcasting in English-speaking territories overseas, including the USA. Two of your Directors, Mr Norman Collins, the Deputy Chairman, and Mr Richard L. Meyer, have made a number of visits overseas to carry out on-the-spot investigations. One major project to which the Company has signified its assent is at the moment before a Commonwealth Government for their approval; and, in readiness for anticipated developments elsewhere within the English-speaking world, the Company either has registered, or is in process of registering, Companies in Canada, East Africa, the West Indies and Bermuda.

POSITION NOTABLY MAINTAINED

The Company's pioneer position in providing programmes of wide appeal has been notably maintained and, at the same time, the range of productions has significantly expanded. Since my last report, the Company has embarked on a widening field of programmes dealing with Religion, the Arts, public affairs and matters of general sociological interest. Notable among the religious contributions have been "Christ in Jeans" (as the modern dress Passion Play was entitled by the Press) and a specially filmed documentary record of the British Pilgrimage to Lourdes in the Centenary year; among the outstanding individual contributors have been Dr George MacLeod, Moderator of the Church of Scotland, 1957-58, and such leading Nonconformists as Dr Leslie Weatherhead and Dr Donald Soper. Moreover, a series of six programmes, introduced by the Archbishop of Canterbury, has been arranged to cover the major issues raised at the 1958 Lambeth Conference.

As regards the Arts, Sir Kenneth Clark, the ex-Chairman of the Independent Television Authority, recently agreed to become Advisor to the Company and initiated a series of widely-acclaimed programmes on which he personally appeared. In the field of public affairs, the series of balanced but still highly controversial programmes, "Free Speech", continued under the Chairmanship of Mr Edgar Lustgarten, and the lectures of Mr A. J. P. Taylor helped still further to widen the scope of Independent Television. The Company has, moreover, recognised its responsibility as a public service by the creation of a special programme unit equipped to deal at short notice with such important and emergent issues as Polio and the Cult of Tranquillisers. Meanwhile, in the general field of programming, Mr Val Parnell's "Sunday Night at the London Palladium" continues to maintain its place as a national institution and, to cite another example at random, the dramatic serial, "Emergency—Ward 10", now enjoys an audience of some ten million viewers twice a week.

FUTURE OF BRITISH TELEVISION

Your Board has considered the Company's future position in the field of British Television as a whole and is firmly of the opinion that in television, as in other fields of life,

competition is not only desirable but necessary. Accordingly, I am happy to place the Company on record as saying that it would welcome the introduction of a third television service—in competition with your Company's own operations—and I feel that it would be in the best interests of the country if it were run on commercial lines. The fact that competition leads to better programmes has already been sufficiently proved. Television entertainment from all sources—including the British Broadcasting Corporation—has improved beyond measure. New opportunities have been offered to artists, writers and technicians, and British television is, in consequence, richer in talent than it has ever been before. Moreover, in the result, the export business of British television programmes has, for the first time, been established on a substantial basis.

Your Company is at the moment unfortunately handicapped by the fact that its licence from the Independent Television Authority provides for no more than part-time working on two different transmitters, i.e., London and the Midlands. With a third television network run on commercial lines this unsatisfactory state of affairs could be remedied. It is your Company's firm desire to provide the public of the Metropolis—and through the new network such parts of the country as wish to take the programmes—with an unbroken seven-day-a-week service, exhibiting to the full the potentialities of independent and truly competitive television.

INDEPENDENT TELEVISION AUTHORITY

I would like also to refer to the Independent Television Authority, the statutory body set up by Parliament to administer the affairs of Independent Television as a whole. Under the able and experienced Chairmanship of Sir Ivone Kirkpatrick, as under the Chairmanship of his predecessor, Sir Kenneth Clark, the Authority continues to act in the fullest degree as guardian to Parliament and public alike. Moreover, the untiring efforts of the Authority's Director-General, Sir Robert Fraser, have done more than the viewing public will ever realise to make a practical reality of the provisions of the Television Act of 1954.

In conclusion, I would like to express my gratitude to my colleagues on the Board for their unfailing assistance and advice and also to pay tribute to the loyal service rendered to the Company by the Executives and the Staff in both London and Birmingham.

LONDON & OVERSEAS FREIGHTERS LIMITED

MR BASIL M. MAVROLEON ON INDUSTRY'S PRESENT AND FUTURE PROSPECTS

The tenth annual general meeting of London & Overseas Freighters Limited was held on July 7th in London, Mr H. W. Merckel presiding in the absence of Mr Basil M. Mavroleon (chairman and managing director).

The following is a précis of the chairman's review :

The Operating Surplus for the year, at £2,969,204 was £546,142 less than the previous year. In view of the collapse of the tanker freight market during the last twelve months to levels comparable with those ruling during the great depression of 1931, I consider the year's trading to be highly satisfactory, but what of the present and the immediate future? There can be no doubt that the year ahead will be one of extreme difficulty for all concerned with shipping—especially for those with predominantly tanker interests.

UNDETERRED BY PRESENT ADVERSE CONDITIONS

The prosperity of tanker owners depends on the relationship between the demand for oil and the tanker tonnage available to carry it. The present distressing state of the tanker freight market is due to the demand for oil not increasing at the expected rate and has been accentuated by the number of new tankers leaving the builders' yards. Neither of these factors are alarming if looked at in perspective from a long-term point of view. The background against which shipowners have placed orders for tankers in recent years is one in which the world consumption of oil must go on increasing for many years to come. This basic factor has not changed. The present depression in tanker freights—however acute and prolonged it may be—can relate only to a fraction of the life of a ship. Unless the business of the world is coming to a standstill—and this I refuse to believe—oil must be consumed in increasing quantities and must be moved largely by sea. Your Company intends to provide its fair share of this transportation for many years to come. My Board and I are in no way deterred by the present adverse conditions from carrying out our policy of planning for future expansion although the continuance of these conditions may conceivably call a temporary halt in the upward trend of your Company's profits.

As to the current financial year I am confident that our profits will again be highly satisfactory. But, make no mistake about it, we are going through a crisis. Suffice it for me to say that today a tanker operator is asked to send his ship 8,500 miles from the United Kingdom to the Caribbeans and back with a cargo of oil for about 14s. 8d. per ton. Oil has been and is being carried today on this route for as little as 9s. 6d. per ton—in more domestic terms this represents a freight element in petrol of little more than one-third of a penny per gallon.

INHERENT SELF-CORRECTING FACTORS

To look a little further ahead I am of the opinion that, in the absence of some world-shattering event, the next two years will pass before a material change for the better will show itself in the tanker freight market.

The reasoning which leads me to think that the upward swing will not come earlier rests upon certain self-correcting factors inherent in the shipping industry which come into play in times of depression. They work to reduce the surplus of available tonnage and thereby bring about some equilibrium between supply and demand and a consequent improvement in freight rates. The first of these factors—the laying-up and scrapping of uneconomic tonnage—may appear to be two separate processes, but in fact, if present conditions continue it is extremely doubtful if any of the war-built (and older) tankers now laid up will ever be recommissioned. The laying-up process will continue for some time yet and will effectively reduce the available tonnage.

The second factor is, of course, the cancellation and postponement of building contracts. Many of the new tankers to be delivered during the next five years were ordered by owners confidently expecting to meet the cost largely out of earnings, and in so doing they were relying upon the freight market maintaining a very high level for a long period. They now find themselves committed to pay for new ships for which, in many cases, no employment has been secured—clearly cancellations are inevitable. This process will stem the flow of new ships becoming available and combined with the laying-up and scrapping of ships, will contribute towards bringing the supply of tanker tonnage more into line with the demand.

Inevitably, these self-correcting factors take time to come into effect. Ships ordered for delivery in 1958 and 1959 are beyond the planning stage and will be built. Cancellations cannot be expected materially to affect the available tonnage before 1960 at the earliest. Furthermore, the major oil companies have, in their own and chartered fleets, more tonnage than they need and it seems likely that some time will elapse before increased oil consumption will "take up the slack."

Despite the gloomy picture I have painted of the prospect before the industry in the immediate future, I must reaffirm my confidence that your Company will weather the storm and find itself well-placed to benefit from the fair winds that must inevitably follow.

DIVIDEND

The dividend of 6d. per share now recommended, together with the interim dividend of the same amount paid in January, accords with my forecast last year.

FLEET AND BUILDING PROGRAMME

The only changes in the Company's fleet during the year comprise the addition thereto of two 24,900 dwt tankers, the *London Tradition* and *London Resolution* in November, 1957, and January, 1958, respectively.

Apart from the four dry-cargo ships referred to in my Review last year no further orders have been placed, but there have been some adjustments in the building programme affecting tonnage and delivery dates.

TRADE INVESTMENTS

The *Overseas Pioneer* (24,900 dwt), the first tanker to be built for our associated Company, London and Overseas Tankers Limited, of Bermuda, has just been launched in the yard of the Furness Shipbuilding Co. Ltd., and its sister ship is due to be launched in July this year. Both these vessels should commence trading early in 1959.

The modernisation programme being carried out by Austin & Pickersgill, Limited, the shipbuilding concern in which your Company has a substantial stake, is proceeding according to plan.

PERSONNEL

Once again I am pleased to be able to report with pride upon the loyal and efficient service given by the Company's employees, both afloat and ashore, and to pay tribute to their efforts which have played a vital part in carrying out the plans of the Board and have thereby contributed to the Company's well-being at a difficult period in its growth.

On your behalf I take this opportunity of expressing our appreciation of these efforts.

The report and accounts were adopted and the final dividend of 6d., making a total distribution of 1s. per share for the year, was approved.

ROTARY HOES LIMITED

INCREASED SALES

The nineteenth annual general meeting of Rotary Hoes Limited was held on July 4th at West Horndon, Mr E. N. Griffith (chairman and managing director) presiding.

The following is an extract from his circulated statement:

Sales in 1957 were 25 per cent greater than those in 1956, and this had led to a marked increase in the balance of trading from £111,590 to £278,633. All the subsidiary companies contributed to this increase.

The Board was of the opinion that the results for 1957 would justify a final dividend of 7 per cent (making 12 per cent for the year). However, in view of the capital profit from the sale of the Basildon lease, it had been decided to recommend, in lieu of a final dividend, a cash distribution of 2½d. per ordinary share from the capital profit, which would not be subject to taxation.

£28,000 had been invested in new factory buildings at West Horndon during the year and the area of the freehold property was now 27 acres, with a built up area of 330,000 sq. ft. compared with 9 acres and 53,000 sq. ft. respectively in 1948. Among new buildings erected were workshops to house the plant moved from the late Basildon factory, the lease of which had now been sold to Messrs Carreras Limited, at a capital profit. The move from Basildon would effect savings in overhead expenses.

As a result of considerably reduced stocks during 1957, the bank overdraft had also been considerably reduced, but the Chairman did not expect it to remain at the very low level shown at the end of 1957 as bank accommodation would be required if trade remained buoyant.

The wholly owned share capital of the French Company had been increased from £6,000 to £25,000. The turnover of this company in 1957 was £280,000. Controlling interest had been purchased in an Australian Company—Clifford Howard Pty. Limited, which had now started to manufacture the Company's products on a small scale. This purchase had been made because of the increasing impositions of Customs Duties and Import Restrictions in Australia.

Sales for 1958 had got off to a very good start, and up to the end of May turnover was in excess of that for the same period last year, but the Chairman warned that owing to pending wage claims, it would be unwise to be over confident about the future. He considered that the addition of the Clifford range of cultivators since the acquisition of Clifford Cultivators Limited at the end of 1956, had been a success and that these machines would continue to represent an important part of the turnover.

A number of new projects had been under development for some time, and the first to be launched was the Series 11 'E' tractor-mounted Rotavator, employing the new patented SELECTATILTH gearbox. Other new models would be marketed during the next twelve months.

The report and accounts were adopted.

WALSALL CONDUITS

A WELL-EQUIPPED ORGANISATION

MR CHARLES G. MAISEY REVIEWS A RECORD YEAR

The 22nd annual general meeting of Walsall Conduits Limited was held on July 7th in Birmingham, Mr Charles G. Maisey (the Chairman) presiding.

In his circulated statement, Mr Maisey paid a tribute to the services rendered to the Company by the late Chairman, Mr A. E. Read, and by the late Managing Director, Mr A. E Millard.

INCREASED OUTPUT AND TURNOVER

The Statement continues: The figures for 1957 again constitute a record, the Group trading profit for the year, before provision for taxation, being £712,122 as compared with £663,709 for the previous year. This satisfactory result was achieved largely in consequence of increased output and turnover notwithstanding narrower profit margins. Stocks and Work in Progress at the year end were £775,629 being an increase of £48,725, mainly due to expanding sales and the marketing of new products.

In view of the excellent trading results for the past year, and also bearing in mind the conservative dividend distributions in recent years, the Directors have recommended a final dividend of 15 per cent, making 22½ per cent on the ordinary shares, compared with 20 per cent for the previous year. After transferring £40,000 to the general reserve account, making provisions for taxation and the proposed final dividend, the balance of unappropriated profit of the Company, including the subsidiaries, to carry forward to next year will be £930,778, compared with £742,750 brought forward.

Continuing our policy of expanding and improving our sales organisation, we have opened an additional depot at Milford Haven, where we expect to benefit from the very large developments envisaged in that area within the next two or three years.

HOME SALES INCREASE

Our sales in the home market for 1957, and also for the current year to date, continue to increase, but in consequence of currency restrictions and repercussions arising from the Suez crisis, our export business has declined. There are now welcome signs of a real effort being made to bring to a halt the continually rising costs of labour and raw materials. This, in my opinion, is absolutely essential if the export trade, which is so vital to the prosperity of this country, is to be maintained.

The year 1957 proved to be a rather difficult period for our subsidiary Company A. G. Hackney & Co. Ltd., which produced a trading profit of £17,511 as compared with £43,772 for the previous year. During 1957 the ceramic industry as a whole experienced a slackening in demand which resulted in keen competition with diminishing profit margins. Under the circumstances, the Directors consider the trading results can be regarded as satisfactory.

Whilst it is difficult at the present time to forecast the future trend of trading conditions, the Directors are confident that your Company with its highly efficient productive capacity, excellent sales organisation and financial strength will be in a very good position to secure its share of available business.

The report was adopted.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offer is made only by the Prospectus.

NEW ISSUE

8,500,000 Shares

THE LAZARD FUND, INC.

Capital Stock

(Par Value $1)

Price $15.00 Per Share

(in single transactions involving less than 1,500 shares)

Copies of the Prospectus are obtainable from such of the several underwriters, including the undersigned, as are registered dealers in this state.

LAZARD FRÈRES & Co.

44 WALL STREET, NEW YORK 5, N. Y.

June 30, 1958.

FARBWERKE HOECHST AG.

vormals Meister Lucius & Brüning

FRANKFURT (M)-HOECHST

The Annual General Meeting of Farbwerke Hoechst AG. was held in Frankfurt (M)-Hoechst on May 20, and the following is a summary of the report presented by the Board of Directors:

Development

The Company continued to make progress in 1957.

The total turnover of Farbwerke Hoechst AG. and its associated companies rose by 18.9% to DM 1,760m. The export ratio rose to 32% compared with 30% in the previous year. 74% of the total turnover went to countries which now form part of the European Common Market.

The turnover of the chemical industry in the Federal Republic rose by 11.4% during 1957, and thus considerably exceeded the rate of increase of German industry as a whole, which amounted to 7.5% only. However, expansion in the chemical industry is likely to slow down as it has done in industry as a whole.

Investments

Capital expenditure during 1957 totalled app. DM 232m. and brought investments since the Company's re-establishment in 1952 to a total of more than DM 1,000m., financed through depreciation to the extent of 56%. In 1957 the proportion covered by depreciation amounted to as much as 65%. Investments during 1958 will probably be of the same magnitude as those in the previous year. Expenditure was largely channelled towards the extension of petrochemical plants, the erection of new plants for the production of basic raw materials, and the expansion of fibre and foil production.

Overseas Interests

The Company's foreign sales organisation was systematically expanded. The export organisation of Farbwerke Hoechst AG. today covers 68 countries, including 37 where in many cases the associated company has included the name of Hoechst in its designation. Expenditure on distribution companies and the erection of production installations abroad reached DM58m. by the end of 1957.

In Spain, the traditional co-operation with Electro-Quimica de Flix S.A. was resumed as early as 1955, and Farbwerke Hoechst AG. acquired a participation in this company. The vinyl acetate plant built with technical assistance from Hoechst has now begun production and is helping to increase the turnover of Flix. Further installations designed to round off the production programme are being built, or in the planning stage. In Brazil, Fongra S.A., a chemical plant run jointly with W. R. Grace & Co., New York, began production in 1957, and its programme includes solvents, acetic acid, pesticides, etc. The Company's plant in the United States, Hoechst Chemical Corporation, the former Metro Dyestuff Corporation, is at present expanding its production capacity. In India and Pakistan, Farbwerke Hoechst AG. joined Farbenfabriken Bayer AG. in building up an indigenous dyestuff industry. The Company is also planning to join Austrian partners in erecting a plant for the production of low-pressure polyethylene of the "Hostalen" brand, near Vienna. Small polymerisation plants are working in a number of countries, and others are either being built or still in the planning stage.

Development of Individual Fields of Production

Plastics, solvents, lacquer components, fibres and foils accounted for 35% of the Company's total turnover, with the balance being distributed over dyestuffs, textile auxiliaries, and organic intermediates (16%), pharmaceutical products (12%) and inorganic chemicals, fertilisers, plant protection agents, and miscellaneous products (37%).

The production of inorganic chemicals showed a considerable rise during the year as a result of investments previously made. Work on considerably extending installations for the production of chloride and caustic soda began during the current year.

Sales of plant protection agents and of nitrogenous fertilisers, particularly of special complete fertilisers, continued to increase during the year under review.

Business in dyestuffs and textile auxiliaries was especially lively, helped by the satisfactory employment position of the German textile industry, and in particular by progress in the export field. The new "Remazol" range, with applications in both the dyeing and printing industries, has excellent possibilities.

Sales of intermediate products were satisfactory and kept in step with the advance made in dyestuffs.

In the field of plastics, lacquer components, and solvents the investments made in previous years proved particularly effective and made this sector's turnover the largest within the Company. The large-scale installation for the production of low-pressure polyethylene of the "Hostalen" brand was fully utilised. Outstanding among the many ways of producing this material has been injection-moulding, especially for household articles. The capacity for solvents was fully utilised and precluded a further increase in output as demanded by the market situation. A new plastic, polypropylene, was launched on the market in December 1957, and its promising properties have already attracted a good deal of interest.

Plastic foils developed encouragingly, and sales were concentrated in Kalle & Co. AG. in order to meet any widening of the market by an effective selling organisation.

In the field of man-made fibres "Trevira," the new polyester fibre, developed satisfactorily and has already claimed a remarkably large share of the market, particularly in the curtain and silk industries, and in ladies' and men's outer wear. "Perlon" production capacity was fully utilised.

Pharmaceuticals were also successful during the year and the Company's orally administered anti-diabetic drugs, such as "Rastinon," further consolidated their position.

Among special products sales of "Frigen" rose considerably. Business in the aerosol sector is likely to outstrip sales of refrigerants.

Production capacity of Hoechst waxes was expanded and output raised so as to meet the increased demand in this field. A new montan wax deposit was opened up at Treysa and produced an improvement in the raw material position. Sales of chlorparaffins also developed favourably.

Expenditure on research and development during 1957 totalled some DM 88m. and represented once again 5% of the total turnover. At the end of the year the Company's staff with scientific and technical training numbered 1,750; one half thereof were employed in the fields of research and development as well as of application technique.

Associated Companies and Participations

Knapsack-Griesheim AG. began work on a second 40,000 kW carbide furnace during the year. It is expected to be commissioned in the autumn of 1958, and several small, uneconomic, open furnaces will then be taken out of service. The use of calcium cyanamide in agriculture continued to grow and reached such proportions that customers' requirements could no longer be fully met. Output of phosphorous and phosphates rose considerably. In the field of welding techniques and technical gases there was further expansion during the year, in step with the advance in business achieved by customers in this field.

Kalle & Co. AG. fully utilised its capacity and output of plastic foils rose by app. 50% over the previous year's figure.

Behringwerke AG. showed a favourable development during 1957, a success to which new drugs made a notable contribution. The fight against foot-and-mouth disease greatly taxed the company's resources owing to the wide incidence of the disease.

Wacker-Chemie GmbH. München, a company in which Farbwerke Hoechst AG. holds a 49% interest, distributed a dividend of 10% for 1956 and 11% for 1957. Duisburger Kupferhütte, Duisburg, which raised its share capital by DM 10m. to DM 42m. during 1957, distributed a dividend of 9% for 1956, and the Company's holding of 30.17% remained unchanged. Cassella Farbwerke Mainkur A.G., Frankfurt (M), in which Farbwerke Hoechst AG. now has a 25.1% interest, distributed a dividend of 10% for 1956 and 11% for 1957. Synthesekautschuk-Beteiligungs-Gesellschaft mbH., Frankfurt (M), a company set up jointly with Badische Anilin- & Soda-Fabrik AG. and Farbenfabriken-Bayer AG., which holds a 50% interest in Bunawerke Hüls GmbH., increased its share capital from DM 60,000 to DM 21m. The installations for the production of synthetic rubber will be ready during the summer of 1958, and production will be able to start on schedule.

Personnel

The number of personnel employed by the Group rose in proportion to the increase in output and turnover to 42,739 at the end of 1957, compared with 39,615 a year earlier. Salaried employees showed a rise of 10%, as against 7% for manual workers.

Balance Sheet

The Consolidated Balance Sheet at December 31, 1957, included the balance sheets of Farbwerke Hoechst AG., Knapsack-Griesheim AG., Kalle & Co. AG., Behringwerke AG., and the Company's other German subsidiaries. Investments effected during the year, which comprised expenditure on plant of DM 232.1m. and on participations of DM 22.7m., were covered by depreciation totalling DM 152.2m. and by a loan of DM 100m. floated during the year. Net profits amounted to DM 51,031,856.

Annual General Meeting

At the Annual General Meeting on May 20, 1958, when more than 80% of the share capital were represented, it was resolved to distribute a dividend of 11% for 1957. Turnover continued to rise during the first 4 months of 1958 and was higher than the comparable figure for 1957.

Loan

The Investments envisaged for the future are to be covered by a bond issue totalling DM 100m. These bonds are to run for 20 years and the annual rate of interest amounts to 7%. The loan was floated on March 26, 1958, at an issue price of 98%, and was well taken up.

SUPERVISORY BOARD

(Aufsichtsrat)

Dr.-Ing. E.h. Dipl.-Ing. Friedrich Jähne, München, Chairman; Dr. rer. pol. Leisler Kiep, Kronberg (Ts), Deputy Chairman; Dr. rer. pol. Hermann Richter, Düsseldorf, Deputy Chairman; Dr. rer. pol. Hanns Deuss, Düsseldorf; Dr.-Ing. E.h. Carl Fr. Müller, Berlin; Professor Dr. phil. Dr.-Ing. E.h. Gustav Pistor, Tegernsee; Professor Dr. phil. nat. Dr. med.h.c. Dr. med.h.c. Boris Rajewsky, Frankfurt (M); Karl Schirner, Freiburg i. B.; Max H. Schmid, New Canaan, Conn., U.S.A.; Dr. jur. Pierre Vieli, Küsnacht-Zürich.

Representatives of Works Council

Hans Bassing, Schwalbach a. Ts.; Peter Braun, Frankfurt (M); Nikolaus Fleckenstein, Frankfurt (M); Anton Ockenfels, Knapsack; Fritz Schramm, Frankfurt (M).

BOARD OF DIRECTORS

(Vorstand)

Professor Dr.-Ing. Dr. rer. nat.h.c. Karl Winnacker, Chairman; Dr.-Ing. Erich Bauer; Professor Dr. phil. Dr. rer.nat.h.c. Dr. med. vet. h.c. Gustav Ehrhart; Dr. phil. Michael Erlenbach; Oscar Gierke; Dr.-Ing. Paul Heisel; Heinz Kaufmann; Dr. rer. pol. h.c. W. Alexander Menne; Dr. phil. Dr.-Ing. E.h. Friedbert Ritter; Dr. phil. Emil Thiel; Dr. phil. Konrad Weil; Dr.-Ing. Josef Wengler.

Deputy Members

Kurt Lanz, Dipl-Chem. Wolfgang Thies.

FARBWERKE HOECHST AG.

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1957

including Affiliated Companies

LIABILITIES

	31.12.1957 DM	31.12.1956 DM
SHARE CAPITAL	462,000,000	462,000,000
RESERVES	102,531,808	100,508,064
Statutory Reserve	35,660,000	35,660,000
Special Reserve	91,713,908	91,331,411
Miscellaneous Reserves	229,905,716	227,499,475
Holdings by Third Parties in Associated Companies	1,794,408	1,416,652
Value Adjustments under Sections 7c and d Income Tax Act	15,553,680	16,732,833
Provisions	143,468,154	139,890,949
Pensions	20,339,283	20,339,283
Provision for I.G. Farbenindustrie AG. i.L.	77,007,720	56,635,791
Miscellaneous	240,815,157	216,866,023
CURRENT LIABILITIES	100,000,000	—
Loan	57,236	77,334
Mortgages	134,555,835	134,337,742
Superannuation Funds	179,327,059	155,140,910
Bank Credits	78,119,393	69,759,909
Misc. Credits	8,512,747	13,731,332
I.G. Farbenindustrie AG. i.L.	38,472,989	32,697,777
Customers' Deposits	84,405,883	77,625,990
Creditors (Trade)	1,173,802	708,377
Creditors (Associated Companies)	108,303,776	95,600,994
Miscellaneous Liabilities	732,928,720	579,680,365
PROFIT	207,933	205,388
Balance brought forward from 1956	50,823,923	42,352,545
Profit 1957	51,031,856	42,557,933
Equalisation of Burdens—Capital Levy:		
Present Value DM144,272,218		
Quarterly Instalment DM 2,613,059		
Guarantees DM 35,264,300		
	1,734,029,537	1,546,753,281

ASSETS

	31.12.1957 DM	31.12.1956 DM
FIXED ASSETS		
Establishment:		
Plant and Buildings		
(a) Business and Residential	54,679,025	50,883,387
(b) Factories, Labs. and other Buildings	241,599,616	207,525,929
Undeveloped Sites	6,992,254	6,758,291
Plant, Apparatus and Machinery	395,893,051	359,904,950
Tools, Factory and Office Equipment	21,893,303	19,065,269
	721,057,249	644,137,826
Patents and Similar Rights	5	5
Participations	123,764,508	101,378,116
Fixed Asset Securities	660,000	660,000
	845,481,762	746,175,947
STOCKS		
Raw Materials and Supplies	142,373,278	120,343,274
Semi-finished and Finished Products, Merchandise	216,083,880	185,524,509
	358,457,158	305,867,783
ACCOUNTS RECEIVABLE		
Mortgages	11,745,591	9,771,804
Deposits with Suppliers	29,475,765	27,167,107
Debtors (Trade)	222,632,695	199,067,972
Debtors (Associated Companies)	38,115,065	25,268,025
Miscellaneous Amounts Outstanding	77,403,702	83,528,608
	379,372,818	344,803,516
LIQUID ASSETS		
Securities	36,933,877	42,651,402
Bills of Exchange Receivable	25,813,901	25,216,083
Cheques	39,752	8,318
Cash in Hand incl. Balances with Landeszentralbank and on Postal Cheque Accounts	2,363,784	3,037,841
Bank Balances	74,544,526	75,811,002
	139,695,840	146,724,646
TRANSITORY ITEMS		
Discount (Loans)	1,913,580	—
Miscellaneous	9,108,379	3,181,389
	11,021,959	3,181,389
Recourse Claims on Guarantees DM35,264,300		
	1,734,029,537	1,546,753,281

METAL INDUSTRIES LIMITED

A RECORD YEAR

SIR CHARLES WESTLAKE'S REVIEW

The thirty-fifth annual general meeting of Metal Industries Limited will be held on July 30th in London.

The following are extracts from the statement by the chairman, Sir Charles Westlake, which has been circulated with the report and accounts:

This has been a record year in your Company's history and let me at once pay tribute to those who have largely contributed to this satisfactory result. The managements, staffs and workpeople of the constituent companies, those in the head office administration—all have worked as a team, with loyalty, enthusiasm and increasing efficiency.

It is, I think, encouraging that of the six thousand men and women we employ, more than a thousand have been with us for ten years or more and no fewer than 250 for over thirty years.

Consolidated Profit and Loss Account: Group profit for the year ended March 31, 1958, at £1,755,912 was a record and compares with £1,627,359 for the previous year.

There has been charged in respect of taxation on these profits £976,159 compared with £827,262 for the previous year. It will be noted that the increase in the charge for taxation is more than proportionate to the increase in profit. This is due mainly to the effect of losses brought forward and used against the profits of the year ended March 31, 1957.

As a result the net profit of the year shows a small reduction to £779,753 compared with £800,097 for the previous year.

A final dividend of 10 per cent less tax is recommended which, with the interim dividend of 4 per cent, makes a total of 14 per cent less tax for the year. In addition the Directors recommend the placing of £250,000 to General reserve.

Consolidated Balance Sheet: Capital employed as shown in the Consolidated Balance Sheet has risen to £9,821,871 and as a result of the sale of Ordinary Stock in The British Oxygen Company Limited will rise in the current year by a further £1.1 million.

Net expenditure on fixed assets at approximately £430,000 exceeds the figure of depreciation of approximately £290,000. During the year considerable amounts were expended to make good arrears of expenditure in previous years in the Metals Division and it will be necessary to continue this policy in the future in order to bring the equipment of this and other divisions up to the level of efficiency necessary to meet the increasingly competitive conditions of today.

A further substantial improvement in the Group's liquid position is shown and again it should be noted that this is before taking into account the effect of the sale of Ordinary Stock in The British Oxygen Company Limited. This satisfactory position enables the Group to contemplate an expanding future with confidence.

Electrical Division: To enable the Group to play an increasing part in the rapid developments which are taking place in the electrical field we have decided to bring the two electrical control gear subsidiaries under one management. In this way we shall be able to make the best use of our resources by combining the technical skills, the research facilities and the sales organisations of the two companies and pooling their accumulated knowledge and experience. The new organisation, to be known as Brookhirst Igranic, will be the largest manufacturer of electrical control gear in the United Kingdom.

Future Outlook: In pursuance of our aim of keeping stockholders informed as quickly as possible on matters which affect their interests, the accounts were prepared, the final dividend recommendation published, and this Statement written when barely three months had elapsed of the current financial year and when only two months' operating results were available from our constituent companies. You will readily understand, therefore, that it is difficult for me at this stage to give any clear indication of our progress in the year to date. It must suffice to say that from the limited information at present available your Board has reasonable confidence in the future, provided, of course, nothing happens in the national or international fields to upset our present expectations. I hope to publish at a later date a short statement of the results for the first twenty-eight weeks of the financial year.

Copies of the Chairman's Statement and the Accounts may be obtained from the Secretary, Metal Industries Limited, 60 Buckingham Palace Road, London, S.W.1.

SHEFFIELD TWIST DRILL AND STEEL

EXPANSION POLICY

The eleventh annual general meeting of the Sheffield Twist Drill and Steel Company Limited was held on July 10th at Sheffield, Mr Alexander Dormer, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:

The net profit of the Group before taxation, for the year 1957 was £685,750 compared with £781,341 for the previous year, a reduction of £95,591.

Last year, I referred to our policy of maintaining prices, in spite of increased costs. This policy has been continued.

There was a falling off in the demand for twist drills, but I am pleased to say that sales of other of the Group's products more than replaced any loss of twist drill turnover.

The advance shown by the unskilled and semi-skilled labour at the new works at Worksop is most satisfactory, and your Directors are convinced that the policy of extension of the range of DORMER products will prove of benefit to the Group.

Our latest extension in Sheffield is designed to reduce the cost of raw material used by your company, the full benefit of which, however, will not arise in the current year.

Our business is the provision of tools for the shaping and forming of metals and we are, in that sense, dependent on a prosperous industrial Britain. We have every confidence that the Group's expansion over the last three years will reap its reward.

Export trade has not been disappointing, although compared with the peak figures reached in 1956, there was a fall of about 4 per cent.

We pride ourselves on the service available to our customers, and the speed with which our goods can be supplied from the depots set up in London, Birmingham, Manchester and Glasgow, as these help us to maintain our position as Britain's premier supplier of engineers' small tools.

The report and accounts were adopted.

THOMAS LOCKER AND COMPANY LIMITED

(Woven Wire Manufacturers & General Engineers)

SCRIP ISSUE APPROVED

MR T. C. LOCKER ON ANOTHER RECORD YEAR

The eleventh annual general meeting of Thomas Locker and Company Limited was held on July 3rd at Warrington, Mr T. C. Locker, MA, MSc, AMIMechE (Chairman and Joint Managing Director), presiding.

The following is his circulated statement:

Once again the year was a record one, both for sales and production, but profit margins tended to be lower owing to the continued increase in costs—many of which are beyond our control.

The major reorganisation and modernisation of our factories should be completed during the present financial year; we will then have a Plant laid out on the most modern lines and equipped with the latest types of machines in their respective fields. This has, of course, required considerable expenditure over the last few years and, in addition, has prevented us obtaining the maximum production of which we should now be capable. It is our continuing policy to increase the range of products manufactured by the Group and we have succeeded in two notable cases in this connection this year.

Our South African Factory continues to operate satisfactorily and included in the Report is a photograph of the factory of Lockers (Australia) Pty., Limited, which was completed during the year and is now in production.

During the year a revaluation of the Group's fixed assets in the United Kingdom was carried out and a surplus of nearly £400,000 was disclosed over Book values. This sum has been transferred to the Capital Reserve Account.

CAPITALISATION OF RESERVE

In order that the issued Ordinary Capital be brought more into line with the capital actually employed, your Directors propose that £500,000 of the amount standing to the credit of the Capital and General Reserve Accounts should be applied in crediting as fully paid a Scrip Issue of £500,000 "A" non-voting Ordinary Capital in the ratio of one new "A" non-voting Ordinary Share for each Ordinary Unit held, and consent of the Capital Issues Committee to this issue has now been obtained. To do this it is, of course, necessary to increase the Company's Authorised Capital and your Directors propose that it be increased to £1 million. This new issue does not imply that there will be any increase in the total amount distributed by way of Ordinary Dividends in the coming year. The necessary Notices giving effect to these Proposals are enclosed with these Accounts.

The future is uncertain. All I can say is, as I have said before, that your Board is very much alive to the difficulties and problems facing it. It is determined to do everything it can to maintain and, if possible, enhance the trading results and prosperity of your Company.

In conclusion, I wish to pay tribute to the co-operation of all members of the Staff at all levels, both at home and overseas, for their continued loyal services.

The report and accounts were adopted and the proposed increase of capital and scrip issue were approved.

BRITISH EMPIRE INVESTMENT TRUST

INCREASED INCOME

OUTLOOK IN CANADA

SIR CHARLES J. HAMBRO'S STATEMENT

The annual general meeting of the British Empire Investment Trust Limited was held on July 7th at 3 Lombard Street, London, E.C., Sir Charles J. Hambro, KBE, MC, chairman, presiding.

The following is an extract from his circulated statement:

The accounts before you cover the first trading year of British Empire Investment Trust Limited following the reorganisation of the Group which took place in January, 1957. It is satisfactory to note that the income from service fees and miscellaneous income increased from £18,040 to £24,664, and that there was a reduction in General Expenses. We are continuing our efforts to extend our activities as Transfer Agents and in undertaking other useful representation services in London for Canadian companies.

PROFIT AND DIVIDENDS

The profit of the Group after taxation was £83,670 compared with £77,905 for the previous year, and the Directors have recommended dividends on the "A" and "B" Ordinary Stocks of 15 per cent which, together with the dividend on the 5 per cent Cumulative Preference Stock, will absorb £58,231, leaving a surplus of £25,439 to be retained in the Group.

The market value of the investments standing in the Consolidated Balance Sheet at a cost of £1,575,960 shows an appreciation of £676,472. This compares with an appreciation as at April 30, 1957, of £1,153,225. A geographical analysis of our investments showed that at April 30, 1958, approximately 57 per cent were invested in Canada, 9 per cent in the United States of America and 34 per cent elsewhere, mainly in the United Kingdom and Commonwealth. Our policy continues to be the same holding a large percentage of our funds in dollar securities. The proportion invested in Ordinary stocks and shares at the close of the year was 94 per cent. In addition to the amount invested in Canada as at April 30, 1958, there were short-term loans amounting to £157,365, representing funds held by our Canadian subsidiary awaiting favourable opportunity of reinvestment.

BETRUST INVESTMENT CORPORATION

Our Canadian subsidiary, Betrust Investment Corporation Limited, again had a successful year, and we are grateful for the advice and guidance given us by Messrs Wood, Gundy & Company Limited of Toronto in the conduct of our Canadian interests.

I have just returned from a visit to Canada as a member of the Dollar Export Board Delegation to that country.

During the year Canadian economy has been adversely affected by the drop in the price of base metals and other primary products produced in Canada. In addition, the recession of business in the United States has inevitably affected business in Canada, but not to the same degree. The authorities have therefore reversed their policy in regard to credit restriction and, as a result, short-term money rates have fallen considerably.

OPTIMISTIC OUTLOOK

Although the unemployment figures for the time of year are unusually high, the total number of employed in Canada is higher than at the same period last year. Moreover, the sales of consumer goods during the first three months are reported to be higher than during the same period of 1957.

While it does not appear that general business activity is likely to rise in the near future, Canadian agriculture has taken a turn for the better and it would seem that the so-called "recession" is levelling out, and nobody who visits Canada can fail to be optimistic about the future of that great country.

The report and accounts were adopted.

MONTECATINI

Società Generale per l'Industria Mineraria e Chimica

MILAN, ITALY

The Annual General Meeting of Montecatini was held recently in Milan under the Chairmanship of Count Dr Carlo Faina, and the following are details of the report presented by the Board of Directors:

The report commenting on Italy's economic situation in the present conjunctural moment, expresses complete confidence in the future of the Montecatini Group of Companies not only in relation to present economic conditions but also in the light of the creation of a European Economic Community.

The report goes on to illustrate the economic developments of the Group during 1957, and pays special attention to the various production sectors in which it has been active. It stresses development in the fields of pyrites and sulphur and, as far as liquid and gaseous hydrocarbons are concerned, it lays particular emphasis in pointing out the necessity that new encouragement should be given to research and prospecting in this field by appropriate amendments of some clauses of the Hydrocarbon Law. As to potash deposits the progress made in prospecting has given most satisfactory results.

While the traditional production lines of the Group's chemical divisions do not require any special comment, it is reported that the manufacturing plants producing industrial chemicals were working at full capacity last year, and that sales in this sector showed an advance over the figures for 1956. It is recognised, not without satisfaction, that following special efforts during 1957 to promote the sales of some new chemical products, these products have been favourably received and enjoy a growing market.

In the field of hydrocarbons and their derivatives, the report sets out the first results achieved in the polymerisation of olefines by the stereospecific catalytic process, which made it possible for the plants manufacturing Moplen to be put on stream by the end of the previous financial year. Since then Moplen production has increased steadily.

The potentialities of plastics, textile fibres and elastomers, arising from current scientific studies, give rise to justified hopes for their future. At Ferrara work has started with a view to substantially increasing the capacity of cracking installations for the production of olefines. The completion of this programme is expected to lead to four times the previous output.

The increase in the production of plastic materials was again outstanding during 1957, particularly in regard to polyesters where production almost doubled compared with 1956.

Most gratifying results are recorded in respect of Ducotone, and in the field of varnishes and dyestuff intermediates generally.

The Company's activities in the field of coal derivatives, intermediates and dyestuffs, and pharmaceuticals also proved satisfactory.

Synthetic fibres enjoyed increasing success: cellulose acetate, Nailon, Terital and Movil have been favourably received by consumers and give rise to interesting possibilities for the future.

The expansion all over the world of the Fausor-Montecatini process also reached an important new stage during 1957. Work has begun on 24 new plants, bringing the total of plants using the process to 218, all of which will be in production shortly.

The production of electric power has been satisfactory and a marked increase has been recorded in the output of thermo-electric power.

Finally, the activity of the metallurgical industry (aluminium and its alloys, lead and zinc) was quite satisfactory.

The Company's balance sheet closed at December 31, 1957, with a net profit of Lit. 11,589,868,873 as against Lit. 10,870,093,641 in 1956. It is accordingly proposed to distribute a dividend of Lit. 115 (equivalent to Lit. 11,500 million) for each of the 100 million shares of Lit. 1,000 nominal which made up the Company's share capital at the close of the year.

The report, the accounts, and the proposals put forward by the Board were adopted unanimously.

THOMAS BROWN AND SONS LIMITED

(General Merchants, Manufacturers, Warehousemen, Rum Distillers and General Agents)

MR JOHN M. LAWRENCE'S STATEMENT

The sixty-first annual general meeting of Thomas Brown and Sons Limited, was held on July 3rd in London, Mr John M. Lawrence (the chairman) presiding. The following is an extract from his circulated statement:

The Company's year started well, and in announcing in December, 1957, the half-yearly results to July 1st, I was able to report an increase of some £2,000 in the profit of the Parent Company before Taxation. From that time onwards conditions have become progressively more difficult, and the final figure of turnover for the year was no larger than that of the previous year.

It is not surprising therefore that our Group Profits before Taxation have fallen from £193,102 for 1957 to £169,159 for 1958. The acceptance of the Company as an Overseas Trade Corporation as from December 31, 1957, however, has given rise to substantial savings in Taxation.

The net profit for the year available for distribution and reserve has increased from £78,647 for 1957 to £94,937 for 1958.

The Directors are proposing a free scrip issue of one new "A" Ordinary Stock Unit for every £13 of Ordinary or "A" Ordinary Stock.

Although the near future will clearly have its difficulties, I remain as confident and optimistic as ever on the unlimited scope for the development of Queensland.

The report and accounts were adopted and the dividend and scrip issue as recommended approved.

SWEARS & WELLS LIMITED

A DIFFICULT YEAR

The thirty-first annual general meeting of Swears & Wells Limited was held on July 8th in London, Mr Cyril J. Ross, OBE, chairman and joint managing director, presiding.

The following are extracts from his circulated statement: The report and accounts for the company's financial year ended January 31, 1958, show a decrease in profit earned compared with the previous year. The Consolidated Profit for the year was £517,937 and compares with last year's figure of £766,795. The directors recommend payment of a final Ordinary dividend at the rate of 7½ per cent which with the interim, already paid, makes a total of 12½ per cent for the year.

Your company passed through a difficult year, mainly in the fur section. Increased overhead charges added to the difficulties and such economies as were effected could not operate fully in the year under review. In the five months of the year that have already passed the fur turnover of the previous year has been practically maintained.

Furs: The trade of this section had increased but unfortunately this increase was not subsequently maintained, due mainly to unfavourable weather conditions. The main part of the company's fur trading season has yet to be reached but given no unexpected turn of events in the country I have reason to believe that this section of your company's business will show improved results in the present financial year.

The report and accounts were adopted.

SCOTTISH CEYLON TEA COMPANY

DIVIDEND OF 15 PER CENT DESPITE LOWER PROFIT

The sixty-ninth annual general meeting of Scottish Ceylon Tea Company Limited was held on July 8th in London, Mr H. S. Campbell (the Chairman) presiding.

The following is an extract from his circulated statement:

The results of the past season's working are disappointing, the net profit of £13,773 comparing very unfavourably with the figure of £115,467 for the previous year. During recent prosperous years we have built up a Dividend Equalisation Reserve and it is proposed to transfer £10,000 from that reserve to enable us to pay a final dividend of 7½ per cent, making 15 per cent for the year.

The fact that we show a profit when most mid-country tea producers have been registering a loss is due to our low cost of production. Fortunately the slump in Ceylon tea prices has proved to be only a passing phase. Already prices obtained for our 1958 teas are about 1s. per lb higher than those ruling at this time last year.

I do not think shareholders need be unduly depressed regarding the small profit earned last year in view of the substantial recovery in the market already in evidence.

We have had good reports on the condition of all the Company's properties. Crops for 1957 for the first time topped the three million pound mark at 3,043,938 lb equivalent to 1,005 lb per acre. The weather during the current season has, so far, been less forcing, but this has enabled the Superintendents to turn out better quality tea. The report was adopted.

THE CITY OF LONDON REAL PROPERTY

BOARD'S PROGRESSIVE POLICY

The annual general meeting of The City of London Real Property Company Limited was held on July 7th in London, Mr Edmund Howard, FRICS (the Chairman), presiding.

In the course of his speech the Chairman said: Following completion of rebuilding schemes, Gross Rents and Service Charges at £2,377,000 show an increase of £267,000. Outgoings generally have been kept at a satisfactory level to accord with a good estate and company management and the balance remaining amounts to £1,663,753 as compared with £1,509,909 last year, an increase of £153,844. Due to the increase in revenue, our provision for taxation has increased by £85,792, a heavy burden, but in future we look to some alleviation from the recent change in Profits Tax.

The balance of Revenue Account for the year is £600,556, a reasonable increase over last year, and after writing off the stamp duty on increase in Share Capital, amounting to £30,000 the Directors recommend a final dividend of 6 per cent on the Ordinary Stock, making 9 per cent for the year, payment of the Dividend on the 5 per cent Preference Stock and to carry forward the sum of £260,871.

Stockholders are aware that in January last your Company offered £3 million of 6 per cent Debenture stock 1978-83 for subscription by the members and debenture stockholders. The standing of your Company is such that we were able to obtain a very satisfactory price of issue of £98 10s. per cent, and I am delighted to say that this issue was over-subscribed no less than six times and the stock now stands at a substantial premium on the Stock Exchange.

Considerable progress has been made with both routine maintenance and modernisation of our older buildings. Maintenance of our properties is one of primary importance and relatively heavy annual expenditure must be expected as a normal company outgoing, but we are always exploring the possibilities of new methods and materials to keep costs as low as possible.

BOARD'S POLICY

Having concluded our postwar redevelopment programme your Directors have to give constant thought to maintaining income and security together with proper expansion. Your Company as it exists today is supported by a major holding of modern buildings and, provided we have no national depression or penal taxation, we are in a strong position to deal with the problems of capital expenditure on older buildings and replacement of expiring leasehold incomes. Your Directors are determined that all buildings shall eventually provide accommodation compatible with present day standards and we have a long term improvement programme for all dated buildihgs.

I would say a word about expansion. We intend in the future, as in the past, to undertake development projects whenever favourable opportunities occur, but your Directors intend that in all cases the expenditure must show an ample return to the stockholders. I believe most strongly that the expansion of a Company must always be consistent with the interests of its stockholders and I would assure you that these principles will be strictly observed within The City of London Real Property Company Limited.

The report and accounts were adopted and the proceedings terminated with a hearty vote of thanks to the Chairman in which reference was made to the expansion of the Company in the post-war years under his leadership.

BUSINESS AND PERSONAL

9/- a line.

NOW ON SALE: read in the July issue of

"WESTERN WORLD"

★"The Events in Algiers and Paris"—assessed by sixteen Western politicians and commentators (Britain represented by Gilbert Longden, Donald McLachlan, John Midgley, George Thomson, and Kenneth Younger).
★"Debate of the Month"—between Hugh Gaitskell and James B. Conant ("Neutralisation of Germany?").
★Paul Rotha discusses film-making with Roger Vadim, Rene Clair and Darryl Zanuck.
★Richard Fry of the Manchester Guardian on "The Recession and the Alliance."

"Western World" is the independent magazine of the Atlantic Community, and it is a forum for politically conscious people everywhere. Produced by an international team for a large international readership, it is edited jointly in Paris and Washington.

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A COMPANY WITH substantial funds wishes to acquire established Banking/Finance/Insurance Company. Small or inactive Company would be considered.—Write Box 972.

BUILDING FINANCE. Up to £50,000 available for maximum 18 months.—Please write Box 973.

WALL STREET ASSOCIATES offer for your convenience their office facilities at 37 Wall Street, New York 5, N.Y. Services include telephone and mail accommodations as well as distribution of subscribers' printed mail.—For further information please address the above.

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THE "Economist" 1944 to 1955 complete, unbound. "Fortune" July 1935 to December 1953, except issues April 1941, April, July, August 1942, and January 1944. "My Garden" June 1947 to December 1951. Offers invited.—Box 976.

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NO, Felicity, dear, we won't need a compass for our motoring trip to the lakes. The new National Benzole road maps are more than adequate. From National Benzole garages and filling stations. 1/-.

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METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

APPOINTMENTS REQUIRED

Vacant 9/- a line; Required 6/- a line.

SALES MANAGER, 60, accustomed to negotiating at board level, 40 years' experience in non-ferrous metals industry, and having customer contacts throughout U.K., faces demotion following take-over by combine. Therefore seeks post over limited period with company wishing to establish and develop markets and needing sales guidance over transitional stage.—Box 974.

MAN, 25, B.A. Economics, recently qualified, seeks employment. Arabic, German spoken.—Box 978.

ORDERS for advertisements in *The Economist* are accepted on condition that they are liable to rejection at the discretion of the Editor: that while every effort will be made to publish an advertisement on a specified date, no guarantee is given: and that white on black, reverse blocks, or large sizes of black-faced type may be stippled or lined at the Editor's discretion.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

GROUP CHIEF ACCOUNTANT

THOMAS DE LA RUE & COMPANY LTD.

requires a Chief Accountant at Head Office in London who will be responsible to the Financial Comptroller for the Accounts of the Group.

Candidates must be qualified Accountants, aged approximately 35, with experience in Industry and with real knowledge of both Cost and Financial Accounts. He must have a positive personality and be in receipt of a salary of not less than £1,750 per annum. This is an excellent opportunity, being a senior executive position, in a long-established but progressive and expanding group of Companies. —Apply in writing to:—

Chief Personnel Officer,
De La Rue House,
84-86 Regent Street,
London, W.1.

GOVERNMENT OF CEYLON

APPLICATIONS are invited for the post of DIRECTOR OF INDUSTRIES, Department of Industries, Ceylon.

2. *Qualifications, duties and terms of appointment.*

Applicants should have at least ten years' experience in a responsible capacity in industrial organisation, promotion, production and development of industrial undertakings. Practical knowledge of business economics and technical background is desirable.

Applicants should not be less than 35 years of age on June 27, 1958.

The selected candidate will be responsible for the administration of a major Department of Government which is concerned with the encouragement, planning, promotion and development of industrial undertakings including State-owned, private and joint enterprises.

3. *Emoluments.*

(a Rs. 19,200 — two of Rs. 900 — Rs. 21,000 per annum for Ceylonese:

(b £2,500 to £3,000 per annum for non-Ceylonese. Rate of conversion from sterling to rupees will be at the current rate of exchange.)

Non-Ceylonese candidate with special qualifications and experience may, in consultation with the Treasury, be placed on a salary higher than £3,000 per annum.

4. Further particulars and forms of application may be obtained from this office.

5. Applications should reach me on or before July 31, 1958.—High Commissioner for Ceylon in the United Kingdom, Ceylon High Commission, 13 Hyde Park Gardens, London, W.2. July 2, 1958.

NATIONAL FOUNDATION FOR EDUCATIONAL RESEARCH

STATISTICAL OFFICER

Required to take charge of Statistical Unit and to be responsible, in consultation with Director, Senior Research Officer and Senior Tests Officer, for the design and analysis of all experiments; for the supervision of the routine statistical work concerned with the standardisation of tests. Unit is equipped with desk machines and arrangements are made for some computing work to be done by outside agencies.

A degree in mathematics with qualifications in statistics is required. Some experience of research work in education or the social sciences would be an advantage.

A three-year contract will be offered.

Salary scale £1,000 x £50 to £1,400; point of entry will depend upon qualifications and experience.

Particulars and application forms from the Director, Dept. A, N.F.E.R., 79 Wimpole Street, W.1.

OPPORTUNITY to join enthusiastic team of Industrial and Production Consultants is offered to ambitious man. Group has been established 13 years and Principal is planning his retirement. He is looking for a career-maker who will eventually share control with one other director. No investment required other than ability, knowledge and an enormous capacity for hard sustained effort plus appreciation that immediate rewards must be secondary to long term benefits. Present executives know of this advertisement.—Write fully and frankly to John W. Healey, 29 Cork Street, W.1.

ACCOUNTANT.—A young Chartered Accountant, age 25-30, required as Assistant to Chief Accountant of large Textile Company in Scotland. Applicants should have some knowledge of mechanical and punched card accounting and of the preparation of consolidated accounts. After a probationary period, the successful applicant will be given departmental responsibility with status of Manager. Staff pension scheme.—Reply, stating age, with full details of experience, educational and industrial background, to the Staff Manager, JUTE INDUSTRIES, LTD., Meadow Place Buildings, Dundee. Closing date for applications, July 19, 1958.

SENIOR LECTURER (Accounts) required by NIGERIA FEDERAL GOVERNMENT for Federal Training Centre. Appointment on contract for one tour of 12/24 months in first instance. Salary £2,100 a year (including inducement addition). Gratuity at rate of £150 a year. Free passages for officer and wife. Assistance towards cost of children's passages and grant up to £150 annually towards maintenance in U.K. Liberal leave on full salary. Housing with essential furniture provided at low rental. Candidates, not over age of 55, *must* possess recognised accountancy qualifications and have at least three years' experience since qualifying. Experience of teaching advantageous.—Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/44880/EN.

MANAGEMENT CONSULTANCY

offers an interesting and varied career with excellent opportunities of reaching a high salary level at an early age.

If you are aged over 28 and hold a degree or other professional qualifications and wish to explore the prospects of entering the consultancy profession, you are invited to write for an interview.

WORTLEY, HAWSON & CAMM,

5 Benefit Buildings, Moorhead, Sheffield 1.

B.E.A. require a CARGO RESEARCH OFFICER.—Duties include collection and analysis of statistical data relating to carriage of freight by air and surface and preparation of estimates of future air freight traffic and rates. Previous experience in research work essential. Economics degree or equivalent qualification and experience in analysis of statistical information desirable. Commencing salary £1,025, rising to £1,250 p.a.—Written applications to Personnel Officer, Head Office, British European Airways, Keyline House, Ruislip, Middlesex.

MARKET RESEARCH

A graduate in economics between 25-35 years of age is required by a large light engineering company in West London.

The ideal candidate will offer statistics as a special subject and some commercial or industrial experience.

The duties require analytical skill in relating the Company's activities to trends in the national economy and in dealing with statistical material.

The post offers a first-class opportunity, with excellent sports and social facilities, and a pension scheme.

Write, giving full information, to Staff Employment Officer (Ref. M.R.), C.A.V. Limited, Acton, W.3.

CHIEF ACCOUNTANT (must be qualified), aged 35-40 years, required for leading British International Organisation marketing well-known proprietary products. Appointment in West London Head Office. Previous experience in Senior Accountancy position essential. Commencing salary not less than £1,750 dependent upon previous experience and qualifications. Pension and profit-sharing schemes in operation.—Write, giving full details of age, experience and qualifications, to Box 975.

A MATHEMATICIAN/STATISTICIAN is required by FISONS Limited in the Group Methods Study Department at their Head Office in Felixstowe, Suffolk.

The Department is primarily a research unit that advises and assists the Companies in the Fison group on problems covering many aspects of management and control.

Applications are invited from men under 30 years of age who have held a position in industry concerned with Operational Research, O & M or Work Study. Consideration would also be given to younger graduates without industrial experience if they have an inclination for this type of work.

Applications to Group Personnel Officer (HL12), Fisons Limited, Harvest House, Felixstowe, Suffolk.

EXPORT ASSISTANT (Field) to Sales Manager. Expansion in Free Trade Area calls for increased contact in Europe. Fluent French and German essential, and preferably a proven sales ability. Starting salary £1,200 per annum, plus expenses and other benefits including Company Pension Scheme.—Brief replies in confidence to R. S. Fenton, CHASE-SIDE ENGINEERING COMPANY Limited, Station Works, Hertford.

MOTIVATION RESEARCH

Applications are invited for the post of Motivation Research Executive in the Market Research Department of a medium-sized London advertising agency. A good degree in Psychology or *Sociology* is an essential qualification. Preference will be given to women applicants. Applications would be welcomed from women graduating in the current academic year. The post is an interesting one and affords excellent opportunity for initiative and advancement. —Applications will be treated in the strictest confidence and should be sent to Box 977.

UNIVERSITY OF HULL

Applications are invited for the post of Research Assistant in the Department of Economics and Commerce. Candidates must possess a good Honours standard in Economics with a qualification in statistical method. Salary scale £650 x £50 to £900 p.a. Further particulars may be obtained from the undersigned, to whom applications (six copies) must be sent not later than August 15th. —W. D. Craig, Registrar.

CENTRAL ELECTRICITY GENERATING BOARD

CONTRACTS OFFICERS

Applications are invited from suitably qualified persons for the following appointments:

(1) CONTRACTS OFFICER in the Midlands Project Group at Central Electricity House, 53 Wake Green Road, Moseley, Birmingham 13.

(2) CONTRACTS OFFICER in the Northern Project Group at Agecroft Power Station, Agecroft Road, Pendlebury, Swinton, Lancs.

(3) CONTRACTS OFFICER in the Chief Purchasing and Contracts Department at Headquarters, Bankside House, London, S.E.1.

The Contracts Officer will be responsible for the commercial and contractual aspects of contracts concerned with power station construction.

The commencing salary will be according to qualifications and experience within scales £1,900 to £2,100 or £2,100 to £2,300 p.a. plus £60 p.a. London Allowance for the London post. Candidates may indicate a preference for any of the three posts.

Applications, stating age, qualifications, experience, present position and salary, should be forwarded to S. S. Scott, Chief Personnel Officer, 24-30 Holborn, London, E.C.1, by July 25th. Envelopes should be marked "Confidential—E/187."

D.S.I.R. requires Scientific Officer at Building Research Station, Garston, Watford, Herts, for work in section dealing with information and publicity through exhibitions, press, etc., secretarial work for home and European scientific committees, patents and general central administration on scientific matters. Qualifications: 1st or 2nd Hons. degree in Mathematics, Science or Economics. Salary range: (Men) £595 to £1,050. Allowance for National Service and post graduate experience. Normal prospects of promotion in mid-thirties to P.S.O. (Salary range £1,370 to £1,950.)—Forms from M.L.N.S., Technical and Scientific Register (K), 26 King Street, London, S.W.1 (quote A.242/8A).

HAROLD WHITEHEAD & PARTNERS LTD.

MANAGEMENT CONSULTANTS

have vacancies in their organisation for young, qualified accountants, preferably with Honours or Scholarship type, for training as consultants. Previous industrial experience would be an advantage but is not essential. —Applications to J. Sandford Smith, Managing Director, Harold Whitehead & Partners Ltd., 33 Palace Street, London, S.W.1.

THE ECONOMIST INTELLIGENCE UNIT LIMITED

will be making a number of appointments to its research staff to assist in meeting the increasing demand for the Unit's services in the fields of economic and market research. Candidates for these posts must have very good academic qualifications and experience of work in industrial, commercial or financial companies or organisations, or of work on the economics of agriculture.—Applications should be accompanied by full particulars of age, academic and other qualifications, including knowledge of foreign languages, experience since leaving university, and present salary, and should be sent to reach "Research," 22 Ryder Street, St. James's, London, S.W.1, not later than July 28th.

ALLEN & HANBURYS LTD., Ware, Herts, require the services of a statistician with A.I.S., R.S.S. (Cert.) or equivalent. He should be interested in the fields of medical statistics, biometrics and industrial experimentations, and have experience in at least one of these subjects. The post is pensionable and will carry a salary commensurate with qualifications and experience.—Applications, giving details of age, qualifications and experience, should be addressed to the Personnel Manager.

RESEARCH EXECUTIVE required by leading London advertising agency. Must be fully conversant with statistical usage and must have had experience of market and media research.—Apply, with age and experience, to Box 971.

LONDON OFFICE OF INTERNATIONAL TRADE UNION ORGANISATION requires "Swedish translator/interpreter." Swedish mother tongue with good knowledge English, German and French. Permanent position for suitable applicant. Excellent conditions, with superannuation and holiday scheme. Preference given to applicants with trade union background or interest.

Also "Swedish shorthand/typist" with knowledge of English. Same conditions as above. Position would also be a permanency.—Box 969.

UNIVERSITY OF ABERDEEN

Applications are invited for a LECTURER in STATISTICS. Preference for candidate with qualifications in Mathematical Statistics. Salary on scale £900 to £1,650 with appropriate placing. F.S.S.U. and child allowance.

Particulars from the Secretary, The University, Aberdeen, with whom applications (nine copies) should be lodged by July 25, 1958. Applicants outside the British Isles may submit one copy of application.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER in AGRICULTURAL ECONOMICS. The salary scale is £700 to £850 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than July 23, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

AIR SUBSCRIPTION RATES

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
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Ceylon	£9 0s.	—	Iran, Iraq	£7 15s.	—	Rhodesia (N.&S.)	£9 0s.	—
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Egypt	£7 15s.	£6 10s.	Jordan	£7 15s.	—	Sudan	£7 15s.	£6 15s.
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Gibraltar, Malta	£5 0s.	—	New Zealand	£10 6s.	—	West Indies	£9 0s.	—

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2 The quality of service rendered to such reader by DEUTSCHE ZEITUNG UND WIRTSCHAFTS ZEITUNG as an accepted informant and adviser on high-le financial matters.

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The Economist

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Balance Sheet of Intervention

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Next week's Paris discussions may decide the fate of the European free trade area (page 186).

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But is the defence re-organisation good enough? (page 188).

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Austria's Power Economy

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The changing face of advertising

28 JUL 1958



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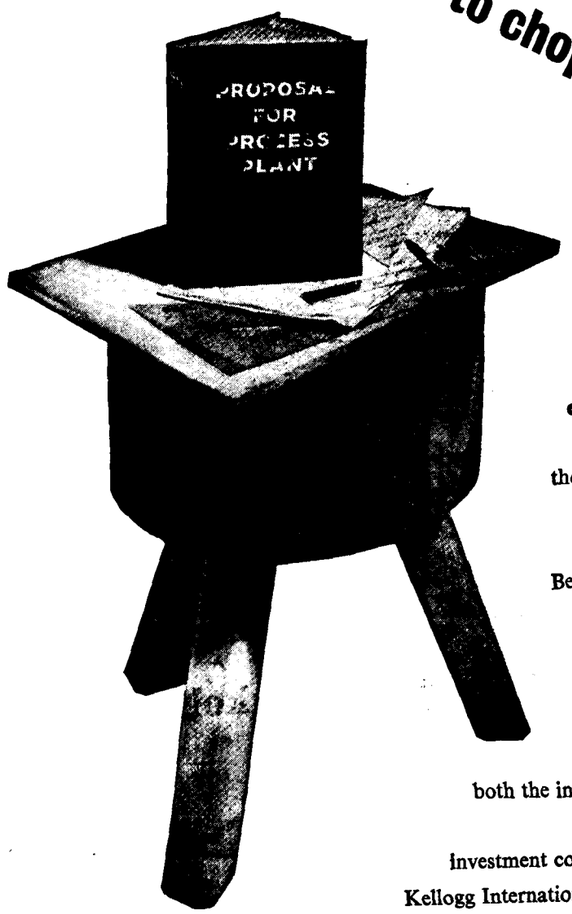

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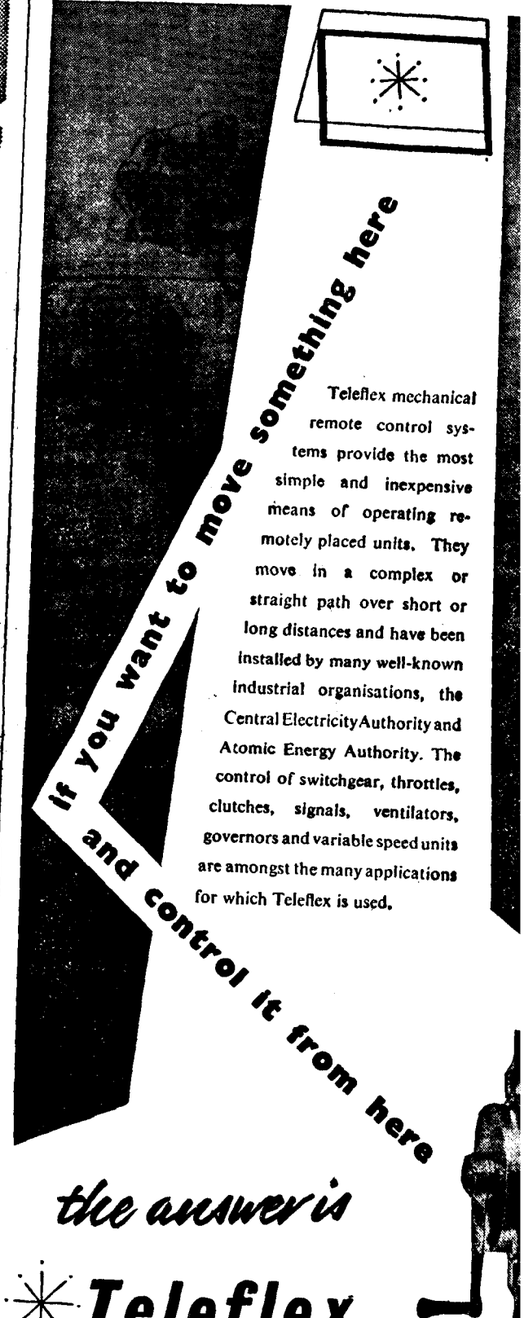

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The Balance Sheet of Intervention

THE present situation in the Middle East holds out the largest threat to stability in that region—and perhaps even to peace in the world—since the war. And it is idle to pretend that the calculated (or miscalculated) gamble of intervention by the western powers, though it is clearly intended to contain and diminish the threat, may not in fact multiply it. Nothing at all can be gained, however, and much may be lost by outbursts of emotional rhetoric from either the Suez or the anti-Suez groups of opinion in this country. The moment is far too grave for anything but the hardest-headed assessment of what is at stake.

For Britain, and indeed for the world, the most important fact about the landings in Lebanon and Jordan is that they were undertaken together with the Americans, our indispensable allies and the most powerful nation in the world. This does not, of course, mean that the decision, made only after the warning of events in Iraq and one of the most hideously difficult decisions to make in modern history, will therefore turn out to have been the right one. Whether it does or not depends upon the upshot over the Middle Eastern area, and beyond it; and the hazards of these actions are only too plain to see.

So far, it should be said emphatically, this is not "another Suez." Far from it. It is a legal, and an honest, response to the appeals of established governments—governments which could not count on any duly authorised and adequate United Nations aid reaching them in time, though there may well now be a move to bring in the UN, acting through the smaller powers as in Sinai, to carry out a "disengagement" operation. The truth is that the isolated Anglo-French adventure at Suez split the Atlantic alliance, and so was bound to fail in its confused purposes. When Mr Macmillan said somewhat wryly on Tuesday that he would almost prefer to be wrong together than to be right separately he was only just misstating a fundamental truth of western policy. To be wrong separately, as Britain and France were in 1956, is probably worst of all; but much the best course, for the alliance and for peace, is to be right together; and the test of what the western governments are doing, and are going to do, in the Middle East is the inexorable one of facts. Will the situation that emerges be better or worse for the West?

What the Americans and the British have done is evidently to decide that, after the collapse of Iraq and with the western position crumbling, the situation could scarcely be worse: that the consequences of not intervening are now likely to be more harmful to their strategic, political and economic interests than the consequences of intervening. This is the calculation—and it is the risk. Much still depends upon the character, and the scope, of the intervention that is intended or deemed to be necessary. The beginning was simple, and legitimate, enough. It was always apparent that Mr Eisenhower found it hard to refuse the appeals for help from President Chamoun; and the events in

Iraq made his response certain. There is no parallel, it should again be emphasised, between the invasion of Egypt and the landings on Lebanese invitation at Beirut. Nor indeed, in itself, does the sending of troops to Jordan afford a parallel. Any parallel there is with Suez comes in only when the wider implications and possible consequences of such actions are weighed—and the risks calculated.

THE first essential need in such an enterprise is to have quite clearly defined (and limited) objectives, and the will and the means to achieve them. The conflict across the world between western and communist interests is clear enough, and outside the set spheres of influence its shadow falls most menacingly across the countries of the Middle East, where oil alone is a vital western stake. But the indigenous conflict in the Middle Eastern countries is different; it is the melancholy dichotomy between the western interest there and the aspirations of the Arabs themselves, eager to shake off western tutelage (communist tutelage is the devil they do not yet know for what it is or yet resist) and to extirpate the western enclave of Israel. It is the confused overlapping of these two conflicts that bedevils western policies and makes the casting of any balance-sheet now so difficult.



The lounging sunbathers who watched the American marines come up the Beirut beaches and the well-directed rioters who stormed the British embassy in Baghdad were twin symbols of the confusion and the turmoil in the Arab world. The one group, very willing to applaud, but singularly unready to defend itself; the other, destructive and at times savage, but skilfully led and, above all, dynamic even in its destructiveness. From these two contrasting symbols there can be derived the full logic of western military intervention in the Arab world. The question is no longer one of sustaining, by marginal and usually indirect efforts, a sturdy pro-western half of that world against an anti-western half. The first half no longer exists. No amount of talk about counter-attacks by loyalist troops or tribesmen can disguise the fact that, after the overthrow of Nuri es-Said, it requires full-blown western military involvement to restore and sustain pro-western regimes in the Arab capitals—regimes which, moreover, would collapse as soon as their military supports were withdrawn.

The revolt in Iraq should not have come as a surprise to anyone. It is (with encouragement from outside) the outcome of the Arab defeat in the Palestine war of 1948, as were the various *coups d'état* in Syria and the Egyptian revolution of 1952. The shattered illusions of 1948 led to a mistrust by Arabs both of the leaders who had failed them and of the West. The Iraqis preferred not to consider the benefits of the continuity of government which the power of Nuri gave them. They were against him because he was a friend of the West. While the internal struggle went on in Iraq a whole new ideology based on an ill-defined Arabism, supported, when necessary, by a too often underestimated Islam and, when convenient, by the mouthings (and plottings) of the Soviet Union, threatened the pillars of western policy in the Middle East. There has been too little realisation of the profound effect of the Egyptian revolution on the great mass of Iraqis.

It can be argued, as Nuri himself forewarned, that Iraq might not have been lost to the western alliance if the West had moved more promptly in response to the appeals of President Chamoun of Lebanon. Now that the Iraqi horse has escaped, the Americans have landed troops at Beirut, and the British in Jordan, in the hope that no more stable doors will be left open. In Beirut, as our correspondent reports on page 218, there is lively speculation about the future role of these troops, but President Eisenhower has defined only two objectives for them: to protect American residents, and to encourage the Lebanese government to defend its own country's sovereignty and integrity. The marines gave Beirut its first quiet night in nine weeks; and on Wednesday, only one day after the landings began, the local rebel leader, Saeb Salam, ordered his men to cease fire. That much may be counted as a local success. Yet, even in Lebanon, with its unique characteristics, the question still remains how long the American troops will have to stay—and what sort of situation will be left behind when they eventually go? And when one turns to Jordan and the wider Arab world, questions of this kind loom much larger in the intervention balance-sheet.

THE case of the British-protected statelets along the Persian Gulf has to be distinguished from that of other areas; British troops are already in Bahrein, and the Gulf sheikhs have the right to call for increased British support against any external threat—though even here the task of separating external threat from domestic upheaval would scarcely be easy. The intervention in Jordan itself may involve a very different sort of commitment. Can it be separated from intervention in Iraq itself? King Hussein has declared himself the acting head of the federation of the two kingdoms, and Amman seems keenly aware that its fate remains indissolubly linked with Baghdad's. Will the British forces that have entered Jordan free the young king to strike out across the desert in a bid to turn the tables in Iraq? If, on the other hand, the aims of intervention in Jordan are limited to the maintenance of a royal regime there, whom exactly will the West be trying to save from what?

THE western defence position in the Middle East has been shaped around the Baghdad pact, of which Iraq was the only Arab member, and to which Iraq's defection may prove a mortal blow. The pact was designed as a deterrent to Soviet advance toward the Persian Gulf, its rich oil lands, and the Indian Ocean. But in recent years the West's concept of the persistent menace to the small states of the Middle East has had to be extended to embrace not merely the Soviet block but also the new United Arab Republic of Egypt and Syria.

President Nasser had had his chance to join hands with the western camp. After his advent to power, both Britain and America supported him; Britain enabled him to solve two of his outstanding problems, the Sudan question and the evacuation of British forces from the Suez canal zone; America offered economic aid. But Nasser, in a pique over the complicated negotiations for the Aswan high dam, turned away from the West and began the fatal flirtation with communism that turned the West away from him. Nasser and Nasserism became a legitimate target. When the Anglo-French intervention and the Israeli Sinai campaign failed to unseat him, he became a still greater threat to the western position in the Middle East. Now, it is argued, the West has its last chance to stop him in his tracks, and he must be stopped at all costs.

At all costs? The cost has to be counted, not only in cold war terms, but also in terms of the West's future relations with the Arab and Asian peoples. True, the danger of world war may be exaggerated. Little as Russia may enjoy taking the risk of letting the West restore its position in the Arab world, the nuclear deadlock has an inhibiting effect in Moscow as well as in western capitals. The noisy warnings sounded by Mr Sobolev on Tuesday and in the Soviet declaration on Wednesday afternoon, and the well-timed announcement of Red Army manœuvres near the borders of Iran and Turkey, recall the similar Russian statements at the time of the Suez-Sinai conflict. At that time, Russia, by merely making threatening noises about long-range missiles and "volunteers," succeeded in collecting kudos as the Arabs' saviour without having to lift a finger. Its aim now may be to repeat that performance. It may exploit the local situation by "conventional" or "proxy" military action; but it is hardly likely to invoke a global suicide pact. The real and tangible item to the debit of a spreading intervention by the West is, however, its inevitable effect not on Soviet policy (which has deliberately egged on this crisis) but on the forces of Arab nationalism.

Against the western policy of working with and through lawful governments, Arab nationalism has long and successfully used the technique of winning over a rudimentary but fast emerging public opinion. In the face of mounting popular feeling, the men in whom the West placed its trust—men identified in the Arab world's public mind both with the West's real or fancied sins and with resistance to social change—have been unable to hold the line. The saddest fact about recent Middle Eastern history has been the mutual inability of the West and the Arab nationalists to establish any relations of trust. The nationalists have been ridden by old suspicions; the West has been haunted by the fear that, once in power, the nationalists will always walk blindly into the crushing embrace of the bear that walks like a man. Yet who, after all, is in a position to buy the flood of oil which is the Arab world's greatest source of income? Not Russia.

NOW it seems to be likely that, unless the West can reimpose its will by force and at the heavy cost of a permanent estrangement from the Arab peoples, and from most of the Afro-Asian world, the Iraqi rebels may rashly decide to hand their country—and its rich oil revenues—over to Nasser, as the Syrian officers did last February. The West appears to have reached a position in which, with its dwindling band of old friends collapsing, it has no course open but to resort to military measures that invite still greater dangers. It is no sort of argument against intervention to say that it is always and by definition sinful. No country, even with the United Nations to look to, can abjure the use of force; it was no sin to intervene against Hitler in 1939 or against the communists in Korea in 1950. Any nation has the evident right and often the duty to respond to a call for help from a weak and threatened state, and to protect its citizens and interests by forceful means if they are being threatened by forceful means. The real question is whether intervention will work.

It is not enough simply to argue that "we cannot just let things slide," and then plunge in without heed for all the consequences. The former status quo in the Arab world can no longer be sustained with only marginal support from the West. Is the West, then, seriously prepared to take the whole burden on its own shoulders, to undertake the permanent propping up of an inherently unstable situation? It is one thing to recognise the reasons for the protective steps which the allies have now felt bound to take. It is quite another to contemplate the cost and the consequences of any such indefinite involvement. The greatest need now is for a categorical statement of the aims and limits of the western undertaking—with the hope, which is also the West's abiding interest, that its peoples and the Arabs may not be doomed to permanent hostility. What, as Mr Grimond asked on Wednesday, is the policy?

A Prayer for Free Trade

A conciliatory spirit will be required on all sides if the crucial meeting next week about the free trade area in Europe is to make progress

NEXT Thursday the committee which the Organisation for European Economic Co-operation set up last October to negotiate a broad European free trade area will meet for the first time since March. It is a crucial meeting. For some months its chairman, Mr Maudling, has been warning his colleagues that the substance of an agreement must be reached by August. Now, with all the main issues still unsettled, his deadline is at hand. Failure to make substantial progress next week should not be the signal for the sponsors of a seventeen-nation free trade area to throw in the sponge. But failure now will leave little time to break the deadlock before January 1st, when the six-nation European economic community's first tariff reductions are due to take effect. A few weeks ago, the uncertainties of France's economic situation gave some currency to the notion that the Six might set their whole timetable back by a year. But in fact they seem determined to brook no delay. Time, for the free trade area talks, is running out.

In the confusion of the last few months, the necessities which inspired these talks have been somewhat obscured. The six-nation treaty of Rome was a historic step towards greater political unity and prosperity in western Europe. But if it goes through by itself it will be almost as much a misfortune as a benefit. For the countries outside the group of six, the three main dangers are plain: tariff and quota discrimination against their exports, political division, and a grave weakening of their working partnership with the Six within OEEC. These last two misfortunes would harm the six countries at least as much as the eleven; for any believer in the European idea—which was supposed to underlie this whole undertaking—the free trade area of seventeen nations is as essential a complement to the common market of six as the tail of a penny to its head.

How much progress towards a seventeen-nation compact is achieved next week will depend in large measure on General de Gaulle. If Britain and the other outsiders had had to negotiate only with the Benelux countries and western Germany, an agreement could have been reached long ago. It is France, with its payments difficulties, its long history of protection and self-sufficiency, and its massive Algerian burden, which has been unwilling to add to its commitments in the common market. France is deeply reluctant to accept the essential commitment of the free trade area plan, that tariffs and quotas throughout western Europe be adjusted in step with the reductions made by the Six. In particular, it regards the Commonwealth preference system as giving Britain an unfair advantage.

Britain has a system of free entry for Commonwealth raw materials, and it keeps its tariffs on other imports of raw materials low; it cannot give up this system without destroying its whole pattern of Commonwealth trade, putting up its industrial costs to an extent that would ruin its exports to third countries and raise prices at home. France, on the other hand, wants the outer tariff of the common market countries to be kept high on a range of raw materials, mainly in order to give protection to French colonial interests. It also wants a high outer tariff on many industrial products, to protect its own industries. It says that if British industry continues to buy its raw materials more cheaply than continental industries will do under the common market tariff which France wants, a free trade area will enable British manufacturers to undercut some important French industries in their own domestic market and throughout Europe.

How can these problems be met? One compromise that obviously needs to be held out is the offer of a temporary "special status" for France in any seventeen-nation agreement. There need be no difficulty about it. France's friends and allies all understand that its economic difficulties will have to be eased for a while by special arrangements akin to those in the treaty of Rome. Any such temporary arrangements might be more temporary than pessimists may suppose. It is odd, in a sense, that French industry should approach free trade with so much caution and so little confidence. Though the French economy still has some considerable structural weaknesses, France is very far from being the sick man of Europe in economic terms. In a few years' time Britain and western Germany may have to look to their industrial laurels in the face of a dynamic France whose rising population and new industries are already bringing about a more rapid industrial expansion than Germany's.

However, as France has already made it pretty plain that a general offer of special status will not suffice, the next thing that Mr Maudling should do is to ask the French to discuss which particular industries they are most worried about. There is not much substance in the French fear that semi-

manufactured goods from outside Europe might be imported cheaply into Britain and Scandinavia, processed and finished off there, and then filtered through a weak section in the garden wall into France's sheltered allotment; a system of "certificates of origin" for goods traded in Europe can stop that. In so far as French fears of undercutting by respective free trade area countries have any genuine substance, they are motivated by knowledge of our cheaper access to some raw materials. If the new French government can be persuaded to discuss its fears again next week in terms of the relevant concrete cases, it may well find that many of its specific fears are really shadows. In most parts of the engineering, textile and chemical industries the problems certainly ought to be soluble. The major difficulties might be in isolated things like rubber goods and paper-making (which is one of the Scandinavians' special concerns).

IT would be very convenient if the negotiations about European free trade had got over the hump by September, when the Commonwealth finance ministers will gather in Montreal. But whatever stage the talks may have reached by then there should be no doubt about the attitude which Britain and the Commonwealth ought to adopt towards them. There must be no attempt to seek refuge in the myth that Britain can turn away from Europe back to the cosy preferential world of 1932. Whatever the vicissitudes of the European negotiations, the long-term problems remain the same: to find ways of associating Britain more closely with Europe; and to explore all the possibilities of strengthening the ties between the Commonwealth and that prosperous continent, which seems to have such a big future both as a market for primary products and as a source of capital.

Provided the ice is broken next week, the five months left this year—only four if holidays take priority over treaty-making—would still provide enough time for an agreement to be reached on the main principles of a free trade area; even perhaps for a convention to be drafted, since large chunks of it could be lifted straight out of the common market countries' treaty of Rome. But what if agreement is not reached? The commission of the European community has suggested that, as a provisional arrangement, a 10 per cent tariff cut might be made throughout western Europe at the end of the year while talks go on. That would be very much a *pis aller*. On the economic side, the longer discussions drag on without the clear objective of full free trade after twelve years having been set down on paper, the more likely is it that greater protectionism will creep into the tariff schedules. On the political side, the General Agreement on Tariffs and Trade is likely to be loth to countenance a mere preferential area in Europe, while it would willingly accept the first stage of advance to free trade; and some Commonwealth countries will feel the same. To argue before Gatt for a European preferential system which Commonwealth countries would oppose would be very difficult for Britain. That is a British political problem which the Europeans should recognise, just as we should recognise the political problems on their side.

A prayer for the free trade talks in the next few months might well include a fervent wish for the removal of two elements which have bedevilled recent public discussion. The first is cant. It has not done French critics of the proposals for a free trade area much good when they have attacked them in the name of European unity, or dressed up claims for protection with pious talk of "community." Likewise the British claim that the system of Commonwealth preferences involves sacrifice as well as gain rings a little hollow to the stray European who has happened to hear representatives of British industry in the United States extolling to American investors the advantages of Britain as the prospective crossroads of two vast markets; and continental hackles rise when people in

The Economist

JULY 17, 1858

GOVERNMENT BY TELEGRAPH

It is now becoming every day more evident that the electric telegraph will not only accelerate the action of Government machineries, but also in many cases materially modify the distribution of responsibility and power. Mr Gladstone would scarcely have carried through the House of Commons the strange limitation which he introduced into the India Bill, on the prerogative attaching to the Governor-General as the representative of the Crown to employ the British army in India as he may think best, had not the House felt that by the help of the electric telegraph already laid down as far as Malta, and likely before long to reach to Government House in Calcutta, it would be possible to consult the Home Government on general questions of practical importance without that long suspense which would, until lately, have utterly crippled the strength of our Indian Executive. . . . We think it is obvious that the one gain *proper* to the invention of the telegraph is the gain of speed, and the removal of all those difficulties and misunderstandings which a little mutual explanation at the earlier stages of a difference would prevent. And we believe, therefore, that our relations with foreign States, and, indeed, all relations in which the telegraph will only act to expedite communications that would in any case, sooner or later, certainly be made, are likely to gain much and incur no appreciable risk from the opening of telegraphic communication. No change will be made in these cases in the *distribution* of responsibility. . . . But when we come to that class of effect which the electric telegraph may produce in altering the distribution of power and responsibility, we come across risks of very considerable magnitude. . . . We believe that the one great tendency of our modern English Government is to interfere too much with the individual responsibility of executive officers. Instead of keeping in view the great constitutional principle that executive officers should have full power, and should be checked only when errors or abuses are proved which warrant a demand for their resignation, we are fast drifting into a policy of popular interference with the details of executive duties. Now for all practical purposes, —in relation at least to the English House of Commons, —the local Indian Government should be treated as an Executive Government. The effect of telegraphic communication will be more and more to limit its responsibility, and to limit it in the very worst way, by hasty views formed on very partial and superficial information.

Britain who have never cared a button for European unity shout at the top of their voices that the six-nation common market is dividing Europe. It would be a good thing if all the emotional polemics now ceased on both sides of the Channel. It will be a poor advertisement for Europe if two of its oldest nations cannot reach agreement on so vital a matter by practical study of the problems and by sensible goodwill.

No OKW for Mr Sandys

Mr Sandys has been given a little more power, and a Chief of Defence Staff. But organisation exists to promote policy—and defence policy is still unconvincing

THE limited changes in the machinery of defence which are set forth in the white paper issued on Tuesday should soothe the fears expressed in so many quarters in recent weeks that Mr Sandys was successfully bullying the cabinet and the services into creating an *Oberkommando der Wehrmacht* with himself as generalissimo. Whether Mr Sandys ever had such lofty ambitions is questionable. The probability is that he did want considerably bigger reforms than in the end he has got; and it is very possible that, at least in his objectives, he was not altogether wrong.

The white paper does bear the marks of bargaining and compromise. It was mooted during the uninformed argument that Mr Sandys wanted to achieve co-ordinated control at the defence apex by demoting the service ministers to ministers of state without direct access to the cabinet defence committee; and that he similarly wanted to deprive the service chiefs of their independent voice and right to memorialise the cabinet, by setting over them the authority of his own chief of staff. The new plan does none of these things. The service ministers remain in the cabinet defence committee—though it is now open to the Prime Minister not to call them to meetings automatically but only as their particular responsibilities may require. This defence committee, which is one of the few cabinet committees whose composition is laid down, is now described as "more flexible"; it will consist of eight senior cabinet ministers (Prime Minister, Home Secretary, Foreign Secretary, Chancellor of the Exchequer, Colonial and Commonwealth Secretaries, and the Ministers of Defence and of Labour) as well as the service and supply ministers, and the service chiefs can be called to attend it. As in future all its members may not be called to any particular meeting, the statement that its minutes will be circulated is a wise precaution against fears of cabals.

The chiefs of staff as well as their ministers will also still have direct access to the cabinet. But the post of chairman of the chiefs of staff, created before Mr Sandys took over, has now been elevated to Chief of the Defence Staff; this means that the CDS (the first incumbent is to be Sir William Dickson, Mr Sandys's right hand man) will be the normal channel between the service chiefs and the cabinet *via* the Minister of Defence. He is enjoined to tender their collective advice, and, if this is not unanimous, to pass on dissenting views but to make his own recommendations. This will lessen the power of any individual service chief to drag his feet; but if he feels sufficiently upset, he can still make his representations at the very top. The new defence board—an advisory committee of the service and supply chiefs with their top officials, the Minister of Defence and his permanent secretary and top scientist—is evidently designed to sieve out such differences, political as well as professional, in advance.

For the rest, the very big powers given to the Minister of Defence by Mr Macmillan, when he took over the Government eighteen months ago, have been confirmed, and the use Mr Sandys has made of them is by implication approved. These powers have been codified and strengthened (except that the minister is no longer to be mainly responsible for making recommendations about service pay). But whether from this still somewhat confused reshuffle a better defence policy will emerge, or a more efficient organisation of the fighting forces and their supplies, remains very much an open question. And that is the real point.

MR SANDYS has been entirely right to seek improvements. The system of defence organisation has been evolving, patchily, for thirty years under the pressure of technological change: the creation of the chiefs of staff committee in 1924, and the appointment of the first Minister for the Co-ordination of Defence in 1939, were only landmarks in a jerky process that ought not to be fixed and finally settled at any particular point. Experience since the last war has shown that defence is now one of the four big departments where modern complexities create administrative bottlenecks still to be overcome. (The other three are the Foreign Office, the Treasury and the industrial complex which has the Board of Trade at its centre.) But the defect of the white paper is that it is less than clear about the problems of policy which have now to be met.

The basic principle of British defence organisation has been the effort to avoid separating planning from

administration, yet to develop a planning organisation—and an atmosphere—above day-to-day administrative preoccupations and above narrow service loyalties. The success of the Chiefs of Staff committee system in doing this has been widely praised. Perhaps it has been overpraised. It was, in fact, the sheer frustration experienced by successive postwar ministers of defence in trying to get the services to abandon their competitive attitudes and to think wholeheartedly in terms of the modern revolution in warfare which first led Mr Macmillan (who had been a Minister of Defence himself) to give Mr Sandys authority "to decide all matters of defence policy affecting the size, shape, organisation and disposition of the armed forces and their equipment and supply including defence research." In this week's white paper, incidentally, "all" has been changed to "major."

Inter-service rivalry is not a difficulty which faces Britain alone, as President Eisenhower's attempts at defence reorganisation show. But it is a particularly acute difficulty for a country whose expendable economic resources have been so limited that overlapping between the services in research or failure to develop common user items is a sin against proper preparedness for defence—which, even so, cannot hope to cover all risks, and must be dovetailed into the effort of allies by "burden sharing."

The basic specialisation of the services to their respective elements (their "roles") has not been touched by the white paper—as many people were terrified it would. It is easy to see the reasons. For one thing, separate service loyalties and traditions die hard both as a recruiting asset and as a builder of morale. For another, there still are basic technical differences in the war work which sailors, soldiers and airmen do; entirely different types of strategic and tactical know-how are required in operating their respective types of characteristic vehicle—ships, tanks and planes.

But the important point to remember is that these separate vehicles are now tools of the trade rather than determinants of defence thinking. That is true of planning for big wars, in which all the services will now use missiles and may expect to deliver nuclear warheads. It is doubly true of little wars; apart from colonial affairs, the typical campaign is an amphibious or a combined operation. The only specific recognition of this in the white paper is the significant designation of the Minister of Defence, instead of the service ministers collectively, as responsible for operations. But it could be a vital change that orders to the services will come henceforward not from individual service chiefs collectively but from the Chief of the Defence Staff.

In the higher ranks the uniforms ought to be meaning less and less; it is said that this is so, but it is starting from a very high past level of individual service *amour propre*. A course at the Imperial Defence College does not root out ingrained attitudes. The problem is to decide what sorts of wars are probable—and fightable—and to plan for them. Just as before 1913 the navy had not planned to land the British Expeditionary Force in France, so before Suez the services had not appreciated that in a limited operation time will be a bigger factor in success than manpower. They had neglected RAF transport command in pursuit of their several roles of "policing the seas," "maintaining the great deterrent" and being in a position to "mass overwhelming force against the enemy front." They had a bludgeon ready, when only a tin-opener could have served.

WHETHER the modest strengthening of the hands of the Minister of Defence which emerges from the white paper will lead to more creative, more flexible defence thinking, remains to be seen. But one point should be made forcibly. If the changes have any meaning at all, in terms of service co-ordination and the likely real needs of the realm's defence, they have that meaning primarily in relation to Britain's ability to fight limited wars effectively with—in the first instance—what are called conventional weapons.

The auxiliary contribution which the Government has elected to make to the West's thermonuclear deterrent does not call for much service reorganisation—though it may call for anxious reappraisal at cabinet committee level. But the maintenance of effective British land-sea-air forces with Nato, and the constant readiness of a highly mobile "little deterrent," do call for vastly better combined planning. Entirely unselfish inter-service organisation is necessary to use the limited resources available after the heavy cost of the nuclear commitment has been deducted. But if this is the justification of defence reorganisation it also poses, with renewed urgency, the question where the true emphasis in British defence policy should lie—in keeping up with the nuclear club, or in being able to bring more limited power to bear in limited situations, where British interests are involved and war as it has been understood is still possible. Events in the Middle East this week provide a salutary gloss on the new white paper.

MOTOR BUSINESS

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NOTES OF THE WEEK

PARLIAMENT

Damming the Emotional Flood

PARLIAMENTARILY, two men gained most in stature on Tuesday and Wednesday. One was Mr Gaitskell, who showed once again that he is as good as anybody could be in handling the—in this emotional sort of situation, quiet frightful—material behind him. The other, perhaps somewhat unexpectedly, was Mr Selwyn Lloyd. On Tuesday the Foreign Secretary made his statement about the American intervention in Lebanon crisply and efficiently. As soon as he had announced that the marines were going in, it was apparent that Labour backbenchers were in their very worst mood.

They were living again the pure moral fervour of the Suez episode, a rather difficult feat this time as Baghdad radio was at that moment gloating over the murder of a septuagenarian, and other "imperialist dogs." "Shame," yelled Mr Ellis Smith and Mr Brockway, not at the mob in Baghdad but at Mr Lloyd (and at President Eisenhower vicariously); and Mr Wigg was on his feet asking the difference between the Russian rape of Hungary and the Americans' rally to the Lebanon government's help. Icily and briefly Mr Selwyn Lloyd explained that there was a difference—and he did so rather well. Meanwhile Mr Bevan was orating at the dispatch box, trying to contain the moral fervour of his party by giving it a lead; only on close study—and with some charity—can it be seen that where he was trying to lead it was into his own slightly more moderate attitude of partially reasoned doubt. Mr Gaitskell, by contrast, wanted to contain the fervour by damping it down, and the Labour frontbenchers' difference on tactics became the more obvious as Mr Bevan, for a moment more conductor than relay runner, took up the baton for the second time. "Who's leading the party?" yelled Tory MPs, trying to widen the split.

They found out the next day. At the meeting of the shadow cabinet that night, and of the Parliamentary Labour Party the next morning, Mr Gaitskell won a signal success when he persuaded his party not to force a division against the Government in Wednesday's debate. It was a success won at the cost of a speech which will make things more difficult for him now that British troops have intervened in Jordan; but that second intervention is going to throw his party into intellectual as well as emotional storm anyway. Mr Macmillan, on his side, has clearly stretched the informal machinery of the British constitution to its limit in keeping Mr Gaitskell informed of developments, and in trying to prise the debate on the changing situation free from the terrible scourge of ingrained party attitudes of mind. Just as Mr Gaitskell has taken some personal risks in working hard to dam the emotional torrent behind him, so both Mr Macmillan and Mr Selwyn Lloyd have not yet said a single word to suggest that they are trying to take partisan advantage of disaster by encouraging the pendulum of jingoistic electoral opinion to swing. Whatever bitter quarrels in Parliament—and perhaps within the Labour party—lie ahead, one gain has therefore emerged in these first two days. In sharp contrast to the Suez affair, the leaders of the two parties do not face each other in the private belief that the senior men across the floor are cowardly, or choleric, or treacherous, or mad; with a mutual recognition of each other's difficulties, there is—at this outset—an atmosphere of not inconsiderable mutual respect.

FRANCE

Demonstrations of Unity

THE Fourteenth of July in Paris was ushered in to the sound of gunfire among the city's Moslem population; there were nine dead, of whom four were Moslem soldiers and two ex-servicemen. In the great parade in the Champs Elysées—the victory march for which General Salan had yearned in his revolutionary oratory in May—Paris hailed the paratroopers and Moslem loyalists brought across the Mediterranean in the name of French Algeria; but five youths contrived to unfurl the green and white flag of the FLN rebels as their column passed before the saluting base. From the provinces came word of incidents at Lyons and at Toulouse, where once again the paratroopers got out of hand. On a national day symbolising the unity of France and its overseas possessions, the signs of crisis and tension were still there to be read.

General de Gaulle's radio address on Sunday to the overseas territories confirmed his intention to forge federalist links between them and metropolitan France; in this arrangement he promised Algeria "a choice place." No further light on this, or any other topic of the moment, was thrown by M. Malraux, the former minister of information, in the set speech of the day in the Place de l'Hotel de Ville. His successor, M. Soustelle, held his peace. The general himself did not see the military parade in the capital; he flew to Toulon, the first prime minister to persuade the royalists of the fleet to celebrate the republic's natal day.

Within the government, the general was believed to be pressing ahead with the constitutional plans on which the country, and the overseas territories, will vote next October. First indications suggested that the powers of the president would be greatly enhanced. He would have the right not only to nominate the prime minister, but to order a referendum in the event of deadlock between government and parliament, and even to dissolve parliament after consultation with the prime minister and the presidents of the assemblies.

It also appears to be intended to separate the executive from the legislative body by removing ministers from the doubtless sinister influence of their parliamentary seats. It remains to be seen whether the electorate will vote in October on the merits of this, or any other constitutional project, instead of on the simpler proposition: for or against de Gaulle.

CYPRUS

The Spectre of Civil War

COMMUNAL strife has brought the Cypriots, as Sir Hugh Foot warned them in a broadcast on Monday, to the brink of civil war. In the period from June 30th to July 15th the deathroll was the largest since the emergency began; and apart from five Greeks whose deaths can definitely be attributed to Eoka, all the other Cypriot deaths (16 Greeks and 16 Turks) were the result of communal violence. The Turks, forming only about a fifth of the population, have played a disproportionately large part in the violence; of those still detained by the authorities last Monday because of their part in communal violence, 48 were Turks and 43 Greeks. (These figures are a significant comment on Greek suspicions that the British authorities have been letting the Turks down lightly.

It is a measure of the seriousness of the situation that last weekend the leaders of both the Greek and the Turkish communities agreed to associate themselves with the governor in a joint appeal to end the wave of violence—a wave that seems, however, increasingly difficult for any of those in authority to control. Archbishop Makarios's associated himself with this appeal on Thursday. But that appears to be the extent of the Cypriot leaders' willingness to co-operate. Dr Kutchuk celebrated his return from a lengthy visit to Turkey with one of his usual inflammatory statements, while the Greek leaders have virtually refused to meet Sir Hugh again until the Archbishop is brought back.

It will be tragic if the uncertainty which in the past has done so much to worsen the situation in Cyprus should again descend on the island. But this now seems only too likely. The chances that Mr Macmillan might separately meet the Greek and Turkish prime ministers have sharply diminished. It is unlikely that Mr Macmillan will now be able to spare the time to meet Mr Karamanlis in Geneva, and even more improbable that a Baghdad pact meeting will bring Mr Menderes to London later this month. Moreover, Turkey's staunch adherence to the western position in the present Middle Eastern crisis, and the consequently increased importance of not adding to the internal weakness of the Menderes government, will strengthen its bargaining position over Cyprus. And if communal violence continues, both Turkey and Greece will tend to grow more intransigent; there are already signs of a hardening attitude in Athens as a consequence of events in the island. Is it too much to hope that, however great its other preoccupations, the Government will manage not to let Cyprus (its political fate, as distinct from its military functions) again sink low on the list of priorities?

PARLIAMENTARY PRIVILEGE

Without Sympathy

THE result of last week's privilege debate has thrown the majority of Labour MPs—and a handful of dissident Conservatives—into a paroxysm of gesturing. Some of them are sending constituents' letters back to sender, saying that they feel they can no longer do their duty in considering complaints and referring those which they deem justifiable to ministers, because of the "grave dangers" which they allege they would incur in being made liable to libel actions if they were deemed wrong. Others have asked that parliamentary question time should be extended for half an hour each day, or are devising and advertising ingenious forms of wording whereby they think that any letters they write might legally be made to appear as protected proceedings in Parliament. There have also been the extraordinary and contradictory suggestions that all complaining letters written to ministers should be "protected" by being published in Hansard (!), or alternatively that they should be protected by not being shown to anybody at all (not even the people complained against). Following discussions between the Speaker and the Leader of the House, the Prime Minister has promised that a statement will shortly be made about any new problems arising from last week's debate.

This fuss is a pantomime. MPs know quite well that they can still, as before, claim "qualified privilege" for any complaints or accusations which they pass on to ministers. This means that they will be protected from any liability to damages for libel, provided that the letters in which they themselves explain their understanding of these complaints are written honestly and without malice; it really is not very difficult to keep dishonesty and malice out of such communications. Mr Gaitskell, while recognising this, has said that the main fear of Labour MPs is not that they might lose libel actions but that they might be put to the expense of fighting them. There is something irresistibly comic in his apparent mental picture of a mass of mad litigious members of the public spending vast sums of money in order to hurl against Parliament libel actions which they know they could not win. But if any MPs really believe that their profession is beset by this strange occupational hazard, they surely have a simple remedy. Let them band together to take out a group insurance policy against the risk of having to spend money in fighting off legally unsustainable libel actions; the risks involved in a strictly limited policy of this sort would be so low that Lloyds or any other insurer should find it profitable to underwrite it at a very small charge per MP per week.

Until any MPs who profess themselves to be worried by last week's debate attempt to do this, one of three conclusions must be drawn about any members who refuse to handle constituents' business: either they put an extraordinarily low valuation on their constitutional duties; or they consider themselves to be congenitally incapable of keeping malice and dishonesty out of the things they write; or—and this is the truth about most of the protesters—they are merely giving expression to their hurt pride from the Strauss debate by engaging in an unlovely fit of the sulks.

ELECTORAL PROSPECTS

Remember 1952?

THE Tories had until recently got so used to the idea that they were bound to lose the next election that they were almost as shocked as Labour at the Gallup pollsters' conclusion last week that, if the election were held immediately, Mr Macmillan would now probably win it. Yet the swing of opinion back to the Government this year has had a remarkable affinity with the similar recovery by Sir Winston Churchill's government in 1952. It is worth looking up the historical record. For the first nine months after its election in 1951 Sir Winston's government lost steadily in public support; the swing reached its farthest point in a by-election at Dundee in July, 1952,

when there was a 10½ per cent swing away from the Tories (but, as analysts noted with surprise, many of these lost Tory votes went to a Scottish Nationalist instead of right over to Labour).

Then, a few weeks later, the floating voter found a bogeyman on Labour's side ; the event that suddenly turned the trend round against Labour, every analyst agreed at the time, was Mr Bevan's accession to an apparently commanding position in his party at the Morecambe conference in early October, 1952. (His supporters routed the party's old guard, including Mr Herbert Morrison, off the constituency section of the national executive.) Three weeks after Morecambe both parties were shaken by the disappearance of the sizeable net swing to Labour and its replacement by a small net swing to the Conservatives, in by-elections at Cleveland and High Wycombe. This turnround occurred just before Mr Butler began to loosen up the economy, in order to lift it out of a small industrial recession. From then until the general election of 1955, in conditions of favourable economic weather, electoral support for the Conservatives wobbled on and slightly upwards. But the big change occurred in a few short weeks in the early autumn of 1952 ; it was the floating voters' discovery of a bogeyman at Morecambe that turned the engine into reverse.

Now, in 1958, the low-water mark in the Tories' fortunes was reached at the county council elections on and around April 16th ; by the time of the borough elections three weeks later, the tide had turned back to the Government with exactly the same suddenness as in 1952. The bogeyman discovered this time was Mr Frank Cousins. By coincidence the Government's economic policy just after the bus strike in 1958 is much the same as it was just after Morecambe in 1952—the trend is towards loosening up. Of course, nobody knows whether history will go on repeating itself. Nobody can tell whether Mr Cousins will remain as much in the public eye during the rest of this parliament as Mr Bevan did in the rest of the parliament of 1951-55. There is the possibly vital point that whereas production steadily increased (and unemployment declined) after October, 1952, this time the internal recession in Britain may still have some small way to go. There are many other imponderables—particularly, now, about the electorate's reaction to foreign policy. (Although one doubts whether Labour has this week been winning votes on that.)

SOUTH AFRICA

The Wig Topples

In the past, when some new legislation extremely onerous to South Africans has been passed, the comforting reflection has often been made that Afrikaners have a deep-seated respect for the forms of law derived from their common heritage with western civilisation, a respect which at least preserves judicial independence, however weighted the scales of justice are by a gerrymandered parliament. The latest action by the Minister of Justice, however, stretches the thin skin of legality over the bones of despotic power almost to breaking point. The accused in the treason trial have chosen to be tried not by jury but by a judge and two assessors, as it is open to them to opt to do, and they evidently feel this will give them the best hope of justice. Procedurally, the judge president should now nominate the three jurists who will try the 91 accused who were sent for trial by the investigating commission. But the Minister of Justice has announced that he will set up a special court and appoint the three judges himself. This, however, is *ultra vires*—and so a bill is to be rushed through parliament in the first session to validate his action.

The minister, and his cabinet colleagues, are thus contemptuously setting the precedent whereby parliament becomes a rubber stamp for anything they decide to do, when they cannot be bothered to wait for legislation before announcing their intention of doing it. It is not easy to decide which looks worse—the treatment of parliament or the treatment of the unfortunate prisoners. For the precedent is also set that when the minister does not like the look of the judges who are called to try a case, all he has to do is to set up a special court and select his own—and to make sure, when appointing new ones, that he will have plenty of a pliant disposition on hand. Whether or not his appointees will prove sticklers for such justice as can be done, remains, of course, to be seen.

This exhibition of ministerial despotism coincides with South Africa's decision to resume full collaboration in the United Nations, from which it withdrew in protest against discussion of its domestic affairs and of South West Africa (which the UN still regards as akin to a trust territory). There are plenty of other states in the UN whose idea of justice has much in common with that of the South African Minister of Justice. South Africa's representatives can hardly feel quite comfortable in being bracketed with them. But, as Cromwell said, that is the trouble: a state run by force is like a wig balanced on a sword ; sooner or later it falls off and only the sword is visible.

SOVIET BLOCK

Titoism and Top Secrecy

Last week Mr Khrushchev cut his visit to Berlin unexpectedly short, leaving the day after the opening of the east German party congress, and arriving in Moscow in time to take part in a Russian-Czechoslovak "friendship demonstration." Both these occasions invited speeches ; and he made them, at length. The leaders in east Germany and Czechoslovakia have been, within the limited terms of reference of the Soviet block, among the most "reactionary" of the Communists. Now Herr Ulbricht and Mr Novotny are reaping their rewards—they have come top of the form in conduct. (They also happen to run the two East European countries whose economies are of particular value to the Russians.) It was in the presence of these two well-behaved boys that Mr Khrushchev made his headmasterly speeches. He concentrated on three topics: Jugoslavia, Germany, and the summit conference coupled with disarmament. He apparently does not want to antagonise Marshal Tito quite as much as Stalin and Molotov had done in 1948. (It is doubtful whether a campaign against Jugoslavia can ever be popular in Russia either inside or outside the party leadership.) He naturally shudders at the sight of "Trojan horses" inside the communist camp, especially when they start wagging revisionist tails ; but he must surely be perfectly aware that this particular horse is as much an oddity in the Greek as in the Trojan camp.

Mr Khrushchev's attitude to his second topic, the German problem, has hardened. He gave the question of reunification a scant and routine treatment. The strengthening of the east German regime and the building up of its economy

are now the order of the day. This policy means not merely the preservation, but the hardening, of the *status quo* in divided Germany. Back in Moscow, he kept up the hard tone of his Berlin speech ; just as he had deleted reunification of Germany from the summit agenda, he again stressed his rejection of any discussion of the fate of the East European countries. He is still interested in disarmament: but it is not easy to understand what he said on this subject in Moscow.

Disarmament, he argued, is impossible without trust and confidence ; if these were less scarce, Russia would be able to accept an effective system of international inspection ; the West was all wrong in putting inspection first and trust last. Can nobody in Moscow see that it is precisely the Soviet rulers' insistence on preserving the top-secret character of their system that excites fear and suspicion, and makes the West hold out for thorough-going inspection as an essential condition for disarmament ? If Mr Khrushchev really wants to begin by fostering trust, he has only to start unbolting the countless doors he keeps barred against the free movement of people and information.

EAST GERMANY

After Circus, Bread

In the presence of 2,000 comrades from abroad, Herr Ulbricht celebrated his past and present triumphs. Three days before the opening of the party congress in Berlin on July 10th, an economic agreement between Russia and east Germany was announced on the "deepening of specialisation and co-ordination of production of the two countries and a substantial increase in mutual supply of goods for the years 1958-1965." Eastern Germany's contribution to the economy of the Soviet block will consist mainly of the export of chemical goods and the further development of its chemical industry. (Much of the former IG Farben company, the German equivalent of ICI, was taken over by the east Germans.) In return the Russians have promised big increases in their deliveries of raw materials. At the beginning of June, food rationing was abolished, at last, in the German Democratic Republic ; now, prices of food are being reduced, a sign that supplies of some products at least are plentiful. Mr Khrushchev has also rewarded his allies: he announced in Berlin that, from January 1, 1959, they will not have to make any more contributions towards the maintenance costs of the Soviet troops on their territory.

When the Jugoslav government was told last May that the promised Russian credit to Jugoslavia would have to be postponed indefinitely, the official reason given was the "increased need of the Soviet chemical industry." Now one can conclude that the Russians are more interested in subsidising, if subsidise they must, German chemicals than Jugoslav aluminium. Since political considerations are usually the first reason for Soviet economic decisions, east Germany deserves Soviet favours more than the truculent Jugoslavs. Herr Ulbricht has every reason to congratulate himself: soon, he informs us, east Germany will catch up with the west German standards. It is the sort of promise that one has heard before ; but the east German economy is progressing and the Russians do appear to be giving east Germany priority treatment. Herr Ulbricht has celebrated by dropping from the central committee of his party Herr Selbmann and Herr Oelssner, two of the remaining leaders associated with the Schirdewan group which w purged in February. Herr Selbmann made a public apolo for his errors to the congress, but to no avail.

TELEVISION

A Third Programme ?

Should an announcement be made soon about allocatin the third available channel on television to the BB(or ITA, and which ought to get it ? These two question are now being debated wherever politicians gather—witl some asperity, a lot of high moral fervour about intellectua and democratic aspirations, and a deal of low politica cunning. Those who say that any announcement car profitably be delayed until nearer the time of the statutory review of the BBC's charter in 1962 argue that the public's real demand for a third choice of television programme is very difficult to measure, and that there are many more desirable investment projects that should be given higher priority. The best arguments of those who oppose this view are that televiewing is the most rapidly growing spare-time occupation, that nobody would regard it as healthy if there were only two newspapers circulating or two films being shown in the country at any one time, and that to have half the adult population staring at a choice of only two sets of programmes every night gives frightening power to those who produce such programmes.

To these latter (and pretty strong) arguments, some Tories craftily add that if a decision is announced and a major controversy opened before the next election, Labour is likely to make itself unpopular : the opposition is almost bound to advocate a course which would mean that the third programme should be paid for by an increase in licence fees. In the wings of the debate, forward-looking technicians point out that British television producers are cut off from foreign markets (except for spare parts) by the fact that our present television services operate on a 405-line definition ; they say that it should be announced well in advance that the new programme will go out on the more common and efficient continental 625-line definition. As this decision would mean that viewers would have to be told that they will need to buy new sets in order to get the third programme, however, politicians do not like the idea at all.

By Whom ?

On balance, the case for an early announcement—and for a 625-line definition—deserves to win. But a third programme by whom ? Many intellectual middle class people (and nearly all socialists) say that the BBC ought to get it, so that it can carry further its educational functions and use the programme to "cater for minority tastes" (which means to put on entertainments which the supporters of this course themselves would like). One complaint against this view is that an enlightening despotism is as undemocratic as any other kind of despotism. But an even better argument is that to strengthen the monopoly would be inefficient. There can be no reasonable doubt that competition has succeeded in television since 1955 ; both the present-day BBC and the commercial television companies provide much better programmes (for all strata of viewers) than the old BBC monopoly did.

Has not the time now come to devise a system that will meet the best points made on both sides of this argument ?

The best points on the commercial side are (a) that experience since 1955 has shown that the new channel should be used to increase competition; (b) that it is important to secure a further diffusion of television producers' power; and (c) that the new channel should rely on advertising revenue for some of its finance (the case for this is overwhelming since advertisers can profitably make more use of the medium, and consumers would certainly prefer this form of finance to an increase in licence fees). The best points on the other side are (a) that there should be some subsidy for minority programmes; (b) that it is as bad a habit for a television company to rely wholly on advertising revenue as it would be for a newspaper to do so; and (c) that the new channel certainly should not be handed over free to whichever commercial companies the Government decides look most respectable. (This was a proper system when the pioneer companies were taking a risk in commercial television, but, now that the companies are having an obvious financial success, the state has a valuable franchise to sell).

The Economist has always argued that the best way of managing television in a democracy would be for all contractors (including the BBC) to rely partly on advertising revenue and partly on licence revenue. This licence revenue could be distributed by the state partly in accordance with each company's "circulation" (i.e. audiences attracted), but also with a heavy weighting in favour of an "educational subsidy" for minority programmes. A full advance towards this sort of system could be made only when the BBC's charter is reviewed in 1962; and full scope for more commercially profitable minority programmes will become available only when slot machines on the pay-as-you-view system can be fitted to television sets. But the system devised for operation of the third channel could be made a guinea-pig with these ends in view. For example, the state might set aside funds to pay an educational subsidy on particular programmes from the money it should get by selling the right to draw advertisement revenue on the new channel; it might make it a condition of any contracts that facilities should be available for university bodies or other independent producers to put on individual programmes at certain times each month if they feel like having a go (and if they can persuade the ITA that they should qualify for educational subsidy); and the road could be paved for eventual finance of these independent or other minority programmes on the pay-as-you-view system. Once the decision had been taken to advance towards a mixed system of this, all sorts of ideas would crop up as subjects for interesting debate.

CATERING WAGES ACT

Reform without Reformation?

THE bizarre history of the Catering Wages Act is now to reach a bizarre end, for the Minister of Labour announced last week that it is to be repealed—quite possibly, apparently, in order to widen its provisions. The Act, when passed in 1943, had set up a wages commission to regulate pay and conditions in the catering industry. But while this commisson has been on ice for some years (it met only once in 1956), it has still failed to carry out some of the original objects of the Act. What it has done is to set up four controversial boards which regulate the wages and conditions of work in licensed hotels and restaurants, cafés, pubs and industrial and stage canteens. What it has failed to do is to establish a wages board to cover the 100,000 workers in unlicensed hotels, boarding houses and hostels. A proposal to set up such a board was made in 1949, but it was vigorously opposed by the employers, who objected to any interference in what they regarded as a domestic, and not a catering, trade. No agreement was reached and when the commission tried to get in by the back door by extending other wages boards to cover boarding house workers, they were told that they were acting outside their terms of reference. No worker, in fact, who had ever been under one proposed board could ever be legally transferred under the Act to any other one; and thus the commission found as early as 1951 that its powers were exhausted. It will probably be more pleased than anyone that it is finally to be disbanded.

Mr Macleod's idea is that the four existing boards can then be converted into ordinary wages councils, and a commission of inquiry set up to examine whether boarding house workers should get a wages council too. He felt bound to promise, however, that the position of workers whose wages and holidays are regulated by the four existing boards will not be affected. This is a mistake. For the failure to establish wages boards throughout the industry is a symptom of a deeper fault in the whole system of wage control. At present, it is too inflexible. For a start, catering work in the evening or on Sunday has to be paid for at heavy rates of overtime, which is fair enough in a factory, but unrealistic in a trade which serves the public during its leisure hours and on which the tourist industry depends. Secondly, for an industry of many thousands of small employers who keep few, if any, accurate books, the present regulations about hours and conditions are too cumbersome. If they were simplified, they would meet with much less resistance in the trade than they do now. It is indeed an open question whether regulation can ever be effective in large parts of the industry (such as cafés and coffee bars) where hours of work are irregular and labour turnover high—except indirectly by raising wages in the more organised catering firms which compete for the same labour. For this reason, the scope of future wage control could profitably be reduced and its depth increased.

EURATOM

Only a Beginning

IN Brussels this week, a start has been made on forging a link between Britain and Euratom, the six-power European atomic energy community. Detailed talks have begun with a view to drafting an agreement. In a sense, the talks have been technical in nature. Italy and some other members of the community are anxious to buy British power reactors. Before they can do so many general questions—on the exchange of know-how, the supply of fuel, inspection to ensure that fissile material is not used for military ends—must be settled to the satisfaction of seller and customer. Last December Britain signed an agreement with Italy on these matters. But the Euratom treaty, which came into force on January 1st, lays down that Euratom, not its member governments, is responsible for agreements with outside countries. The first purpose of the talks is to draft such an agreement, enabling Britain to export reactors to the six countries in a normal way.

The establishment of a friendly diplomatic and commercial relationship with Euratom is all to the good. But it would be a pity if it was forgotten that Euratom also

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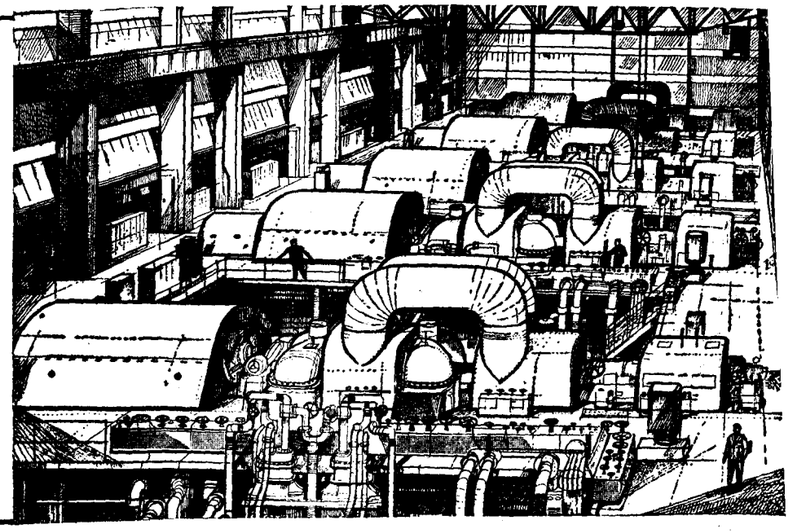

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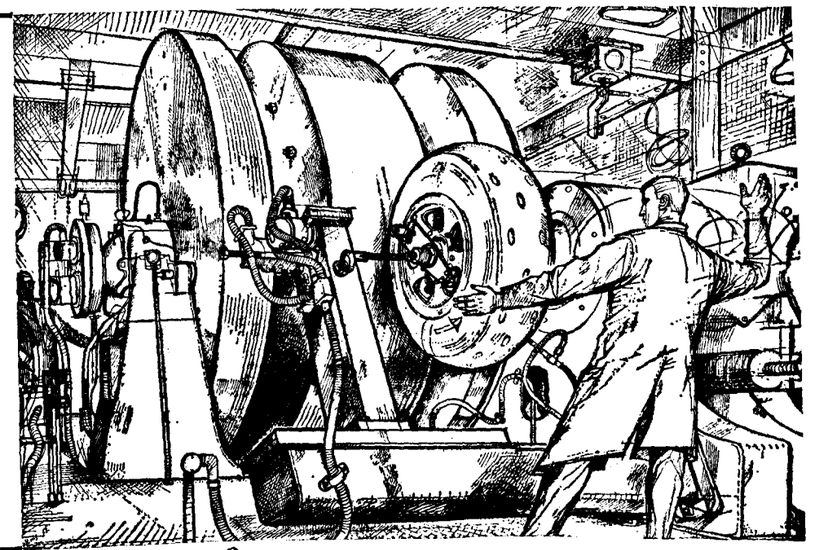

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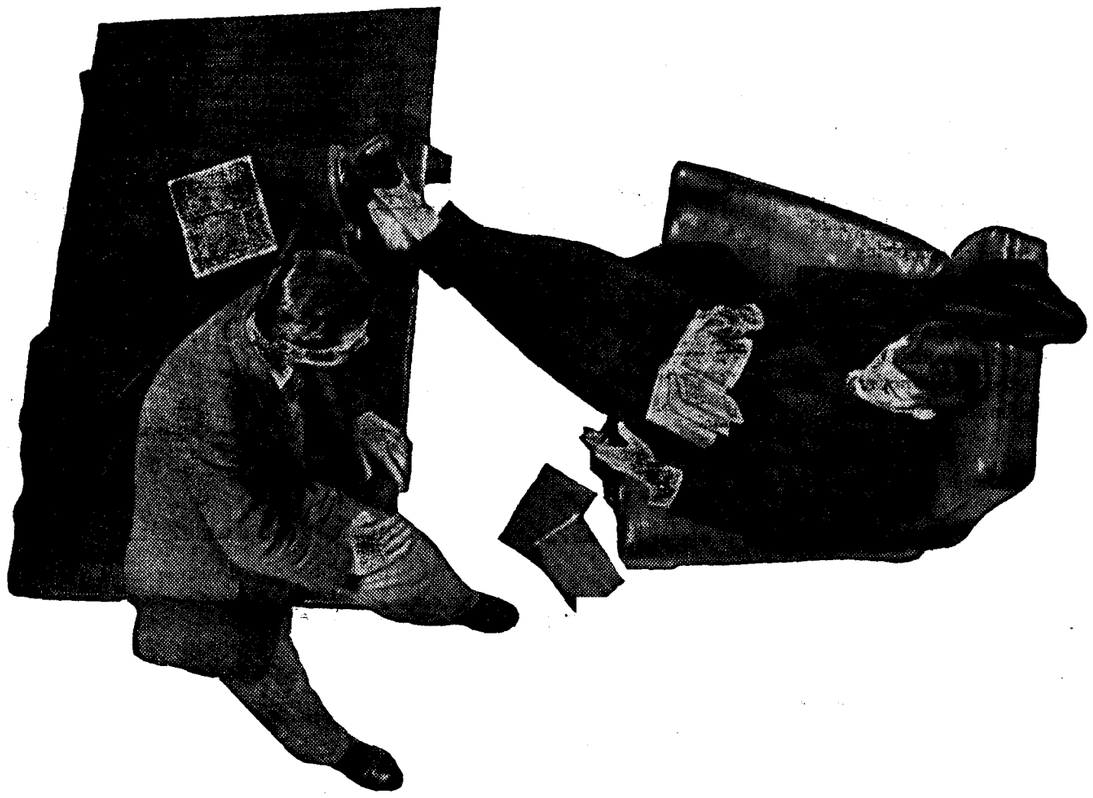

. . . it means chemicals on a vast scale, as well as petrol, and there is a great future for chemists in this particular line. Do you realise that the petroleum chemist is the modern alchemist, producing not only well-known chemicals, but also creating completely new substances. It is his work which provides the new materials to complement the age of nuclear power. I'm told that of all the industries in Britain, the production of petroleum chemicals is expanding at the greatest rate and Shell Chemical Company is in the centre of this development, with even bigger plans ahead. It's a wonderful opportunity for qualified chemists — and one I intend to take.

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presents Britain with a broader opportunity. Britain today has a world lead in peaceful nuclear power; but that lead could be lost in time. If it were wisely used, however, to establish Britain in the counsels and development plans of Euratom at this time, it might give Britain a lasting place of leadership in the commercial development of atomic power in Europe and a great say in a political issue which has become the more important now that Europe is taking up atomic arms. There is no need for Britain to try to give aid and credits to Euratom as the Americans are doing. But a closer and more formal political association should be established; and the possibilities of joint research and development work on a far more generous scale than the Organisation for European Economic Co-operation is achieving should be explored to the full.

CONSUMER PROTECTION

Weighing the Mixed Grill

MUCH of last week's supply debate on consumer safeguards was entirely predictable. Labour continued its peculiar and perennial vendetta against detergents; Conservatives reaffirmed their faith in the competitive process; the familiar points were made about synthetic fabrics and their unamenability to old-fashioned shopping tests; a few debating scores were notched up on the cost of living (from the Left) and on standards of living (from the Right); and everyone agreed that shoppers should be educated in wise buying. The debate also contained two items of news. Mr Greenwood gave a preview of one part of the Labour party's document on economic policy which is to be published this weekend. Labour apparently intends to stop "unreasonable" rates of interest being charged on hire purchase transactions and to ban production of things harmful to health like poor quality children's shoes (both steps which sound fine until one wonders how these terms are to be defined); and it is also going to propose quality labelling of all goods which reach a reasonable quality standard. On the Government side, the Parliamentary Secretary to the Board of Trade made some reference to the prospects of a new Weights and Measures Bill to give effect to the Hodgson report of 1951, which recommended that a widely extended range of goods should be sold by weight only. (No one so much as mentioned the same report's plea for the adoption of the metric system.)

Mr Erroll was unable to give a date for the introduction of the proposed bill, about whose practical difficulties he spoke feelingly. What is the correct way to mark the weight of a pre-packed quick-frozen mixed grill? Must the nails in a do-it-yourself furniture kit be sold by weight or by number? And, more generally, what (short, as one member interjected, of universal air-conditioning) can be done about those weather-induced variations in moisture content which, for so many commodities from scouring-powder to strawberries, can make nonsense of the most conscientiously standardised weights? Mr Erroll promised some early regulations, and was not unhopeful of being able to "legislate properly" for "the modern problems thrown up by changes in sale and marketing methods"; but he reminded his hearers that elaborate schemes for consumer protection impose costs which the consumer eventually pays and which may outweigh the benefit, however genuine, that he derives from them.

One may hope that this warning sank in. The object of the exercise is to improve, on balance, the consumer's prospects of getting value for money; not to chivvy manufacturers and traders—for chivvying's sake, or even for the sake of making it quite impossible for the most moronic shopper to be misled by the big strawberries on top of the punnet—at the consumer's expense. To judge not only by this debate but by many others, this is a principle on which some members of the Opposition, at least, have some difficulty in retaining their grasp.

ALGERIA

Death of a Dubious Ally

EARLY on Monday morning, in a small village in the south of Algeria, French troops opened fire on a band of rebels. When the shooting ended the French came upon the body of Mohammed Bellounis, self-styled general of the army of the Algerian National Movement (MNA), among the corpses of his followers. It was the end of one of the least glorious episodes in the Algerian campaign. For Bellounis himself, who had twice turned his coat in the war, death on the run was not unfitting. At the start of the revolt he took the field in Kabylia as the principal MNA leader, refusing, despite pressure, to merge his forces with those of the larger National Liberation Front (FLN) under Krim Belkacem. Late in May, 1957, when short of arms and ammunition and under attack by both the French and the FLN, Bellounis made an approach to a local French commander. The FLN promptly massacred some 300 villagers near Melouza, who had been under Bellounis's protection. He thereupon allied himself formally with France and, maintaining 3,000 men under arms at French expense, kept control of a vast area of the desert through which the oil route runs north from the wells at Hassi Messaoud.

For France the arrangement was an important propaganda success; for Bellounis, an opportunity to maintain himself in style and seek revenge on his rivals. But in time he grew independent of his new friends, and began operations without informing them in advance. After the Algiers coup of May 13th, mystery surrounded his movements. Now, according to General Salan's spokesman, it emerges that Bellounis rejected the idea of integration, broke off his relations with the French, and announced that he would continue the fight for Algeria's liberation. But not all his men went with him. The French claim that 150 gave themselves up, and that mass graves have been found containing the bodies of hundreds more whom Bellounis had executed. On Monday, at dawn, the alliance reached its bloody term.

BROADMOOR

A Plea for Sanity

THE circumstances of the escape last week of a dangerous Broadmoor "patient" are the subject of an inquiry. The occasion for laying blame, if occasion there is, will come when its findings are officially made known. In the meantime, one would like to plead for a little sanity in the public attitude to the criminally insane.

No institution can give a complete guarantee against escapes. Its authorities have to balance against each other the opposing considerations of, on the one hand, security

and, on the other, a humane and liberal regime in which the training of the offender (or the treatment of the patient) can be undertaken—though they are not so opposed as they appear, since attempts at escape are likely to be much more frequent in repressive conditions. But the present agitation for returning the management of Broadmoor from the Ministry of Health and Board of Control to the Home Office overlooks the fact that in matters of security Broadmoor's record is far better than that of the closed prisons. There were 70 escapes from closed prisons in 1956 and 67 in 1955, giving a proportion to their daily average population of 1 in 200. Before the war, the average for the five years 1934-38 was 1 in 1,708. Broadmoor, however, had no escapes at all in the fine years 1932-40. Since then escapes have been as follows:

1941–49	6	1954	0
1950	3	1955	0
1951	2	1956	1*
1952	1	1957	0
1953	0	1958	1

* Escape from working party for an hour or two only.

These figures give a rate of escapes over the past five years of 1 in 2,300. The comparison with closed prisons makes nonsense of the Wokingham magistrates' pronouncement that as the Broadmoor authorities had "failed in their duty" to hold Mitchell safely, he would be remanded to Brixton prison, where "escape is virtually impossible"—especially as a few days later three men broke out of Wormwood Scrubs.

Since the war, Broadmoor and prisons alike have been struggling to look after far more inmates with inadequate staff. If the public wants to feel safe it should direct its agitation towards obtaining more pay for prison officers and Broadmoor nurses so that recruits of the right calibre will be attracted. This would be much more effective than attempts to put the clock back in the administration of institutions for criminals, whether sane or insane.

IRISH REPUBLIC

Economic Breathing Spell

Our correspondent in Dublin writes: The Central Bank of Ireland has been described as "the Official Banshee to the Irish people" because of its outspoken annual reports. The latest of these, however, covering the twelve months ending with last March, shows some signs of a modified cheerfulness breaking in. By many tests, 1957 was the best year that the Republic has had for a long time. Agricultural production, prices and exports all rose and contributed to the first surplus in the balance of payments since 1946. Against these encouraging developments, local industry remains depressed and emigration continues high. Inevitably, therefore, there is renewed clamour for more encouragement to be given to industrial investment. The Bank does not dispute the necessity for investment, but emphasises that a great deal of it in the past has gone into projects that are non-productive. It quotes the latest "Economic Survey of Europe" to show that, in spite of heavy investment, Ireland, with an annual rate of increase in real gross national product of 1.9 per cent in the years 1949-53, was the last of seventeen countries of western Europe. It held the same position in the period 1953-56.

The danger is that the improvement attained in 1957 may be thought to justify fresh attempts artificially to boost employment at the expense of objectives such as soil improvement, livestock improvement and agricultural services generally. There is now an opportunity to do some fresh thinking about the objects of economic policy and the means by which they can best be reached. If it is lost, the inevitable worsening of an already strained budgetary position and a further series of deficits in the balance of payments might bring the Republic to the economic brink. The Bank cautiously remarks that "what was achieved in 1957 was not so much recovery as a basis for recovery."

LONDON COUNTY COUNCIL

Capital Organisation?

THE Conservative opposition in the London County Council did right to challenge the Labour majority's decision to inform the Royal Commission on Local Government in Greater London that "no major defects of structure or organisation" exist in the present distribution of local government functions in the county of London. The principle on which the Labour majority made its recommendation goes back to Lord Melbourne's dictum "Leave it alone."

It may be true that whatever's best administered is best, but London is not necessarily best administered under the present structure, which, indeed, tends to make decisions dictatorial. London, administratively, is such a big job that the committee system is breaking down all the time on the sheer length of the agenda. It is not an unfounded gibe that the finance sub-committee spends £6½ million in sixty minutes while town planning applications have to be settled by one man's stroke of the pen. With a local authority area far too large to be covered by a local paper, Londoners never see any debate on their affairs and never have any opportunity to discuss the principle behind proposals; they are always faced with a *fait accompli*. As near as is possible, they are governed by a benevolent despotism which is in fact forced to operate on the principle that the man in County Hall knows best. The result is extensive electoral apathy at LCC elections. Meanwhile the life is squeezed out of the metropolitan boroughs, who are often mere agents for the upper tier government.

The Royal Commission should not be put off by such complacent nonsense—and fortunately the recommendations of some Labour-held metropolitan boroughs will be directly contrary to those of the LCC. There is a strong case for overhaul. For one thing the boroughs need to be fewer and stronger, and thus large enough to take over a great many functions which the LCC now performs in a remote and chilling (and expensive) way—maternity services, personal health services, old peoples' welfare, and nursery schools. On the other hand, the authority of the LCC for forward planning and policy ought not to stop at the 1888 perimeter but ought to extend far in to the adjacent counties—which in fact are part of the metropolitan region. This means reconsidering those counties' functions in turn, and perhaps a big extension of the joint service board system. The Labour doges at County Hall can point to much that they have done for London—but so they ought, on the revenues of the richest area in the country. That does not mean that London could not be better run. The Royal Commission should examine carefully ways in which it could be.

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SMITHS a name with a world of meaning

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LETTERS

Nigerian Politics

SIR—In your note, "Premiers in Conflict," in your June 24th issue, there are a number of misleading statements.

The Minorities' and the Fiscal Commissions' reports were not tabled for discussion before the Premiers Conference in Lagos. In point of fact, none of these reports has been submitted by the commission dealing with them.

Your note stated that it was doubtful whether there could be agreement about the number and composition of the delegations to come to London. In actual fact, there was complete unanimity on this point; namely that the same number of delegates from each party that attended the last conference should attend the coming conference.

It is true that an internal dissension has broken out in the National Council of Nigeria and the Cameroons, but this in no way affected the all-party government of the federal Prime Minister, and your allegation that the government "is fast breaking up" is certainly wide of the mark. The NCNC federal ministers who have broken away from Dr Azikiwe's party are still in the federal cabinet and there is no sign that the Prime Minister intends to call for their resignation.

My authority for making these statements is that I was present at the Premiers' Conference in Lagos and I was in Nigeria until a few days ago. I do not wish in any sense to dispute the fundamental differences between the major Nigerian political parties in regard to the constitution of my country; nor that the reports of the commission which inquired into the fears of minorities and the question of creating new states in Nigeria will not provoke considerable controversy. Your readers would be misled, however, if they thought that this will in any way affect the question of independence for Nigeria. So long as Nigeria remains a true democracy there will be disagreements on constitutional and other matters affecting the future of the country, just as there are in Britain. Every party will have its say, but the political party with the largest following in the country will have its way. If there are any matters of major importance upon which the political parties cannot agree at the coming constitutional conference, the obvious *solution* will be an appeal to the electorate. The party or coalition of parties that wins the support of the majority of Nigerians should be entitled to make the final decision.

The desire of all Nigerians to be free and independent is only matched in fact by their belief that each political party must be able to press its own views on all questions.—Yours faithfully,

ROTIMI WILLIAMS
West Nigerian Attorney-General

Scots Landlords

SIR—Your note "Doing Down the Dukes" on July 5th will, I feel sure, earn the gratitude of every duchess in the country.

But before anyone starts a Society for the Protection of Destitute Dukes they might well read the verbatim reports of the proceedings of the committee that considered the Agricultural Bill.

An amendment to Clause 6 which dealt with the position in Scotland provided that cases of hardship should be referred to the Land Court and continued:—

> and the Land Court, after hearing the case for the tenant *and the owner* shall consent to the notice to quit only if satisfied that greater hardship would be caused *to the owner* by continuing the tenancy.

If the amendment had been carried the question of whether the duke or the farmer would suffer the greater hardship would have been decided by the Court.

The poor duke would thus have been protected against the hard-hearted tenant. I hope that no unnecessary tears have been shed.—Yours faithfully,

House of Commons EMRYS HUGHES

Professors

SIR—I was a little surprised to see that you, who first gave publicity to the principles of "Parkinson's Law", should now print an article advocating action in its worst traditions. No doubt many professors will welcome your article, particularly those who have been complaining that they are prevented from doing the research they yearn to get back to because of the pressure of "administration". *I think*, however, it is likely that the addition of high powered administrators to academic departments would do nothing to increase the amount of research done—rather the reverse. Professors usually become involved in "administration" because they wish to, and because it is less effort than research. Those who want to do so will continue to *find some excuse* for their failure to do original work, or to look after their students, whatever changes in organisation are made. Others will continue to accomplish all that is needed without seriously interrupting their more essential activities, but would find that the presence of additional administrative staff merely wastes their time and energy.—Yours faithfully,

The Athenæum, S.W.1 K. MELLANBY

Middle Class Unions

SIR—Your reviewer of Miss Humphreys's book on "Clerical Unions in the Civil Service" asks why it is that "almost all the clerks in the civil service are organised into unions, while outside clerks are probably the worst organised group in the country." The explanations of this "black-coated" phenomenon are comparatively simple:

(a) For several generations civil servants of all types have been classified, graded and paid according to their duties, each grade having its salary scale with defined annual increments. Also, all civil servants have long had common conditions of employment in regard to such matters as superannuation, subsistence and motor car allowances, etc. The result is a community of interest which transcends departmental boundaries and compels collective treatment.

(b) Staff associations have enjoyed ever-increasing official approval, and latterly even sympathy, since the recognition of the postal unions granted in 1906.

(c) The movement to form associations received a great impetus when Whitley Councils were introduced in the Civil Service in 1919. A Treasury circular at that time instructed the departments to point out that "the [Whitley] scheme is based on the principle of representation by Association, and as only those members of the staff of the Department who are members of Associations will obtain *representation on the Departmental* Council, it will be necessary for officers who have not yet joined Associations to consider whether they will become members of an Association." Today, the official handbook, issued to new entrants, says: "You are not only allowed but encouraged to belong to a staff association. . . . It is only commonsense to meet the wishes of the Civil Servant about his conditions of service as far as possible. . . . But it is hopeless to try to find out the wishes of a scattered, unorganised body of individual Civil Servants each of whom may express a different view. . . . So join an Association and do your bit to see that it is a live and really representative one." Thus the staff associations have enjoyed official blessing, and so bourgeois respectability, for nearly 40 years.

(d) The civil servants' right to arbitration is confined to "recognised associations of civil servants."

Those civil service pioneers who undertook the exciting task of organising their colleagues were thus acting with formal, if not originally warm-hearted, *official approval. Perhaps it should be* added that the tame "house unions" prevailing in some employments do not exist in the Civil Service, nor indeed would they be tolerated by the staff.—Yours faithfully, F. A. A. MENZLER
London, E.C.2

Penicillin

SIR—I read with considerable interest your review of my book, "My Life with the Microbes," in *The Economist* of April 19th. Your reviewer is, of course, entitled to his own interpretation of history. The natural pride of the British people in the fine scientific contributions of Sir Alexander Fleming should not lead one of them to regard as "ungenerous" a book which—since it is autobiographical—places more emphasis on the writer's own life than on the life of even one of the most illustrious of his contemporaries.

The development of antibiotics, like most progress in science, has resulted from the work of many people. Your reviewer refers to "the turmoil that the discovery of penicillin must have caused. . . ." It is conceivable that my memory is faulty, but I remember no turmoil. In retrospect, we realise that there should have been a great turmoil because Fleming's observation was certainly an important one, even if not absolutely original. But the paucity of papers contributed to the scientific journals bears silent witness to the fact that this observation was considered at the time to be somewhat less than earth-shaking. In fact, there is no question whatever but that Fleming himself soon came to consider his discovery as little more than a laboratory curiosity. As late as 1939 when Fleming attended the Third International Congress for Microbiology in New York, it was obvious from the paper that he presented that he considered the sulfa drugs in combination with serums and vaccines to be the answer to therapy. In his listing of chemotherapeutic agents, no mention whatever was made of penicillin.

Anyone who has read the article that I wrote about Fleming in the American journal *Science* ("Contribution of a 'simple bacteriologist' to humanity," April 22, 1955) will realise that I have the highest opinion of him, both as a man and as a scientist. And I have no doubt as to the value of his contributions. Fleming's observation was in no way, however, connected with the progress of my own studies of the micro-biological population of the soil and antagonisms among micro-organisms, studies which proceeded from 1915 through to the 1930s and early 1940s and which resulted in the isolation of various antibiotics from cultures of actinomycetes.—Yours faithfully,

SELMAN A. WAKSMAN
Rutgers University, New Jersey

British Motorists

SIR—Many motorists must have been surprised to read the heavily class-conscious outburst of your correspondent Mr Dawson on the harmless subject of triptyques. Your own article on June 14th revealed that more than 100,000 British cars were expected to go abroad this summer, in preference, presumably, to a travel agent's "package" holiday. If Mr Dawson will cast prejudice aside and visit the cross-Channel car ferry he will find that the non-U are there in bulk: the Austins outnumber the Rolls.

Your correspondent suggests that possession of a triptyque was regarded by some as an excuse for arrogant driving: only on the way to the docks surely, for the triptyque is surrendered on return. And how does Mr Dawson know who had a triptyque or who had opted instead for a carnet?

Could it be that Mr Dawson confuses the triptyque with the humble GB plate? That is evidence of very little, and certainly not of privilege.—Yours faithfully, J. H. WESTON SMITH
London, S.W.7

BOOKS

The Law of Crime

Kenny's Outlines of Criminal Law
Seventeenth Edition
Edited by J. W. Cecil Turner.
Cambridge University Press. 628 pages. 60s.

PROFESSOR KENNY, that remarkable man, was (in this order) solicitor, undergraduate, solicitor, barrister, member of Parliament, reader in English law and lastly professor of English law at Cambridge University. He published his "Outlines" in 1902 when he was fifty-five; and now the seventeenth edition is on the market, edited and re-arranged with great learning and skill by Mr Turner, his old pupil. The book has developed a middle age spread and its contents are much changed. That was inevitable. But it is no mean tribute to a pair of shoes that they can be soled and heeled sixteen times and still retain their usefulness. And that goes for a legal textbook too.

The section of this new production that is likely at the moment to attract most attention is the chapter on murder, which has been greatly extended and includes the new Homicide Act. The history of the law of murder is a tortuous affair; and keeping the law up to date without abandoning the Common Law is a task of the greatest difficulty—rather like converting Stonehenge into flats.

Take as an example the familiar words "malice aforethought," which for centuries have played so important a part in the common law of murder; which have changed their significance from generation to generation; and which still (with their elusive shades of meaning) remain to tease both the practising and the academic lawyer. For a man to be guilty of murder he must be moved by this particular passion or emotion of malice. If he has not malice, he cannot be convicted of murder. If he has malice he may even now (in the right circumstances) be hanged. But what is malice? It is not, of course, the Litany sin that goes with envy and uncharitableness. It need not be directed at any individual. The word does not even connote ill-will. On the interpretation accepted by Mr Turner it is "a man's freely formed intention to pursue a course of conduct which he realises will or may bring about the death of some person." That is a comprehensive definition, but the difficulty of applying it to particular cases must always be formidable.

The Homicide Act does not alter the main doctrine of malice aforethought but purports to abolish "implied malice aforethought." According to Halsbury's Laws of England malice aforethought is implied (1) when an officer of the law is killed performing his legal duties; (2) when a man engaged in another felony kills a person; (3) where there has been provocation, but not enough provocation to reduce the crime to manslaughter. Implied malice (1) and (2) have been abolished by the Homicide Act, but implied malice (3) which is the least defensible of the trio seems to survive, though Mr Turner does not mention that point. So far as they go the changes made by the Homicide Act in the doctrine of malice aforethought are good, but (says Mr Turner) "the confusion and uncertainty as to the precise meaning of malice aforethought are, notwithstanding the Homicide Act 1956, as great as they were in the early part of the nineteenth century."

Another piece of confusion that worries Mr Turner lies in the phrase "grievous bodily harm," which has been defined as "harm such as seriously or grievously interferes even temporarily with the health or comfort of the victim." That sounds as though a kick, administered in such a way as to make the act of sitting down uncomfortable, is grievous bodily harm. In the last hundred years, when one man has killed another, judges have at times seemed to treat an intention to do grievous bodily harm as in itself malice aforethought, sufficient to substantiate a charge of murder. It is unfortunate that the Homicide Act has not drawn a line between "bodily harm" as supporting evidence, and "bodily harm" as the absolute equivalent of malice aforethought. On such fine-spun legal subtleties a man may still be hanged. It is a haunting thought.

Inquest on Nat. Lab.

1931: *Political Crisis*
By R. Bassett.
Macmillan. 464 pages. 42s.

MR BASSETT is a reader in political science at the London School of Economics. He was actively engaged in Labour politics in the "twenties" and published "The Essentials of Parliamentary Democracy" in 1935. But he is perhaps most widely known as the author of a brief article, published in an obscure though learned periodical in 1949, in which he blew skyhigh the constantly repeated legend that Stanley Baldwin in his speech of November 12 1936, had admitted that he deceived the electorate as to the need for rearmament during the general election of the previous year because, if he had told the truth, he would have lost the election.

his Mr Bassett did by quoting from Hansard what Baldwin actually said. In intentionally or unintentionally arbled version of the speech had estabished itself, on the basis of which all nd sundry, from the guttersnipes of ournalism up to Sir Winston Churchill n the first volume of his war memoirs, iad convicted Baldwin of an offence he lid not commit.

These facts are relevant to a review of his book because, when the reader is eminded of them, he will know what o expect. Mr Bassett is a man armed with a blue pencil, and his pencil (if we may mix metaphors) is as deadly sharp as a stiletto. He applies here, on a large scale and with detailed ramification, the methods which served to make his little Baldwin article an epoch in historiography. He rediscovers what happened in August, September and October of 1931, and in the course of so doing he leaves his blue marks all over the far too numerous "Reminiscences," "Recollections," and what you will of complacent politicians in retirement, as also on the works of professional historians who have gone to such secondary authorities for their facts. Men as far apart as Mr Dalton and Sir Robert Boothby and as scholarly and respectable as the late Mr Amery are all alike convicted of absurd misstatements. Happy is the politician who, like the late J. R. Clynes, wrote memoirs so worthless that they are not worth wasting blue pencil on.

Mr Bassett's job was well worth doing. The formation of the MacDonald-Baldwin "National" Government, and its establishment in power by means of a most sensational general election, has become one of those passages of history which it is fashionable to despise, like the Treaty of Versailles or the South African War. The reasons for this are obvious. MacDonald-Baldwin and Co. secured themselves in power at the expense of the Labour party, on whom they inflicted the most crushing electoral defeat of modern times, and of Churchill, whom they left out. By their victory in 1931 they saddled themselves with the government of the country during the most heart-breaking decade of the century, the decade of the slump and of Hitler. Then in another crisis, 1940, the dimensions of which reduced, or seemed to reduce, 1931 to a mere storm in an economic teapot, Labour and Churchill came together and swept the remainder of the men of 1931 into a contemptuous oblivion.

The central figure and the "hero" of 1931 was, of course, Ramsay MacDonald. Of all England's, or rather Scotland's, Forgotten Worthies he had been the most completely displaced from his pedestal. Mr Bassett does not go in for hero worship; he is a very level-headed academic. But his book reminds us that the man who achieved MacDonald's career cannot have been such a poor creature as latter day ignorance and spite incline one to imagine.

Turning Off the Tap

National Wages Policy in War and Peace

By B. C. Roberts.
Allen and Unwin. 180 pages. 15s.

THIS analysis is sufficiently close to the *Cohen Committee's in viewpoint* to ensure it a controversial reception. Mr Roberts's highly informative discussion of several British and foreign attempts to control inflation transmits a repeated message. Wage inflation only occurs because governments permit or encourage demand inflation. There has been excess demand and overfull employment, conditioned by an *elastic* supply of money: the essential thing is to turn off the tap.

This, of course, opens a big question. Granted that inflation does include a significant cost-push, how much unemployment is required to suppress it? There is a reasoned view that the post-war British employment level would have to come down by 4 or 5 per cent to keep, by demand restraints alone, prices from rising uncomfortably. Mr Roberts recognises the question, but does not finally answer it—beyond the general statement that we must "allow swings above the average" of *postwar* British unemployment. He convincingly argues that the centralised wage-fixing systems on which he *concentrates* (those of Holland, Sweden, Australia and of war-time America) have not by themselves *provided a durable price stability.* But neither, certainly, has high unemployment in Italy and Denmark, for instance; *and such cases are* not referred to. One feels that he is partly belabouring the more academic and utopian *British* advocates of "A National Wages Policy." And this makes a stimulating exercise: but *does it not perhaps occasionally* colour the picture of foreign events themselves? It is not only in Britain, *after all, that there are different views on* these things.

Mr Roberts's support for more decentralisation *in collective bargaining raises,* indeed, one of the most interesting points of his discussion. Its economic merit may be *dubious. Mr Roberts does not* answer the arguments that freer local or plant bargaining would not produce the best sort of *wage structure, and might* actually increase wage inflation. Moreover the recent growth of "pattern following" *in US labour contracts suggests* that the formal dispersal of bargaining—apart from being against the trend—*might not in any case much increase the* wage-structure's flexibility. But the case for some re-grouping of British negotiating systems is very *strong.*

If the inflation proves to be a long-term one, the problem of wages in it will *probably be solved only by a balance of* restraints on both demands and costs, combined with more positive measures to improve wage *procedures, wage structures* and productivity. But the balance chosen will certainly be influenced by dominant socio-economic tastes. Mr Roberts's preference is clear. He rather commends the German free economy, castigates British labour's ideological tendencies, and criticises uniformity and levelling effects in its bargaining policy. The labour market system nearest his ideal *image* would seem to be the post-war American. And though many British trade unionists would disagree with this *choice, the major point should not be* missed by them. American, Swedish and Dutch unions have at least formulated, if very differently, their economic rationale. British unionism displays by contrast a continuing negativism of *general policy.*

Pure Fiction

An Age of Fiction

By Germaine Brée and Margaret Guiton.
Chatto and Windus. 242 pages. 25s.

READERS of Mlle. Brée's superlative "Marcel Proust and Deliverance from Time" may possibly be disappointed by this collaborative survey, necessarily so much less spacious and minute, of the development of the French novel over the last sixty years. The Proust volume was a critical work of art; this is, primarily, a highly intelligent textbook. As a textbook, providing a *well laid out* conspectus of this century's serious French fiction, its schools, trends, rival techniques and relation to *current thought, it is extremely good.* The student seeking a comprehensive picture, a map and guide-posts, is well *served; so is the curious but less* methodical reader who, acquainted perhaps with only one or two of the *writers here discussed,* wants to fit them into the history of contemporary literature.

But *if* "The Age of Fiction" is primarily a textbook, it is also something more. It has a thesis, relevant to other *literatures than the French and to other* literary forms than the novel, and exactly parallel to that which has triumphed in *non-representational plastic art.* In brief, the novel is properly the organisation in words of a strictly personal vision, an *interior universe,* whose apparent correspondence with any objective reality, recognisable by the reader, is coinci*dental, indirect and unimportant.* The writer may claim such a correspondence; its nature has been the theme of an *enormous amount of self-conscious soul-*searching. Chronicling this debate, the authors of "An Age of Fiction" agree *that the private universe is all the more* interesting for being enriched and energised by philosophy, political *engagement, social passion, religion, wide* and far-ranging experience. But it is by the coherent organisation of these ele*ments, their fusion into a consistent* whole, not by their "truth," their extra-æsthetic validity, that the novelist must *be judged.* Just as contemporary art criticism concedes greatness to the representational painters of the past, not for their "literary" qualities of communication and evocation, but for their power, shared with abstractionists of every school, to organise elements of space and colour, so such great "representational" novels as those of Balzac must be judged, not by their irrelevantly convincing truth to life, but as projections of a self-organised fantasy.

The authors of "An Age of Fiction" must not be thought actually to prefer the novel drained of content; and literature, in this respect, lags behind the plastic arts. But the end of the road is in sight. With the last speculative chapter there appears the nearest literary equivalent of *tachisme,* of art in self-induced collapse and abdication; the "repetitive, senseless voices of human consciousness pitilessly driven back to its last confines"; the novels and plays of Beckett and Ionesco. Beyond this deliberate disintegration the authors descry, in the very youngest generation of French writers, an ambition to make the novel once more "an instrument of recognition, of the reconquest of the self and the world." Literary *tachisme* is having a roaring vogue in certain London circles today; across the Channel it may, before long, be old hat.

The Long and the Short of It

Economics: *An Introductory Analysis*

By Paul A. Samuelson.
McGraw Hill. 810 pages. 52s. 6d.

The Economic Order

By Paul T. Homan, Albert Gailord Hart, Arnold W. Samietz.
Harcourt, Brace and Co. 839 pages. $6.95.

International Finance

By Charles N. Henning.
Harper Brothers. 481 pages. $10.00.

The Elements of Economics

By Burgess Cameron.
Melbourne University Press. London agents: *Cambridge University Press.* 82 pages. 8s. 6d.

IN the highly competitive field of American university textbook writing no one has yet succeeded in getting his nose ahead of Professor Samuelson. This fourth edition (the third was published in 1955) puts him in a more commanding position than ever. Theoretically and descriptively it has been brought scrupulously up to date; sentence by sentence, paragraph by paragraph, clarity and impact have been improved; there are several new chapters. As a piece of book production the new volume, unlike its rather drab predecessor, is a honey. It would hardly be surprising if other would-be writers of single-volume comprehensive introductions gave up in despair; and any reviewer doomed to plough annually through a succession of 800-page tomes must often wish that they would do just that. The latest challenger, however, does get within measurable distance of breathing down Professor Samuelson's neck. "The Economic Order" is theoretically much less ambitious than "Economics: An Introductory Analysis," correspondingly less suitable as a foundation for more advanced studies, and, in general, much less highly oxygenated. But it does outstandingly well, and more deliberately and methodically than the Samuelson volume, the job of relating specifically economic ideas and information to thought in general and to political and ethical judgments. This is probably a large number of students, doing economics as a subsidiary course, whom in spite of its comparative lack of distinction it would suit better.

From the comprehensive to the special; Professor Henning's "International Finance" is yet another transatlantic heavyweight. Its 467 pages of regrettable double-column type are interspersed with full-page replicas of commercial documents. Its ambitious double objective is to provide a scrupulously detailed account of the mechanics and institutions, private and public, of international finance, together with an understanding of theoretical principles. From the former point of view it is encyclopædically useful; from the latter, jejune in the extreme.

It would be pleasant to record, in contrast, that the 82-page "Elements of Economics", from Australia, is a little gem of concentrated wisdom. Unfortunately brevity in this instance goes with, or at all events produces the effect of, a quite appalling cocksureness. "Economics" in this case is really econometrics—no apology for the substitution being offered; and the formula "If we could measure A and B, we could evaluate C"—in itself sometimes methodologically dubious—is invariably presented as "Knowing A and B, we can ascertain C." A student who sets out from such a starting point may learn a useful list of national income concepts; but, if he hopes to use them for an understanding of real-life events, will meet with some disillusionment.

Britain Observed

Journeys to England and Ireland

A. de Tocqueville. Translated by G. Lawrence and K. P. Mayer. Edited by J. P. Mayer.
Faber. 243 pages. 30s.

WHEREVER de Tocqueville went he was never content to collect travellers' tales. He asked searching questions; he was a shrewd observer and analyst; and he employed the comparative method to the best possible effect. It is not surprising that his comments on Britain in the 1830s—he made two visits to England in 1833 and 1835 and one to Ireland on the second of these occasions—are frequently acute and stimulating, though somewhat scrappy. England had a special place in his thought and in his affections, "a second native land of the mind": Ireland was a problem country with "one of the most detestable governments in the world." His account of Ireland was simple and largely descriptive; his approach to England was more tentative. Whereas in America "the whole of society" was based on "one underlying principle," so that all roads travelled ended in the same place, "in England the roads cross, and you have to follow along each one of them to get a clear idea of the road."

It is by no means certain from the jottings or from Mr Mayer's sketchy introduction how near de Tocqueville was to drawing a reliable political sociologist's map of Britain. He concerned himself mainly with two familiar themes: the relationship between democracy and centralisation, the problem of part of the second volume of "Democracy in America"; and the struggle between aristocracy and democracy, the problem of France. What England also on the eve of a revolution? On both themes he had interesting, but not very substantial, things to say. Some of the other points about England that puzzled him—for example the relationship between "the spirit of association" and "the spirit of exclusion"—would have led him into a deeper analysis of character and institutions. Like many of his problems they have been studied far too little since. Perhaps the chief value of this book is that it forces the student of history to think for himself. As far as de Tocqueville himself is concerned, it confirms and underlines rather than informs and surprises. It is interesting to note, however, that, having met John Stuart Mill and Roebuck, he believed that "an enlightened man, of good sense and good will, would be a Radical in England." He added wistfully that he had never met these three qualities linked together in the Radicals of France.

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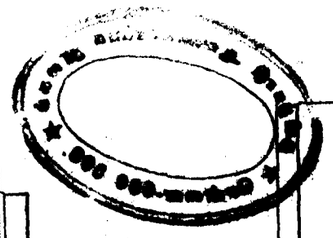

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Australian Prejudices

Australian Hopes and Fears

By Colin Clark.
Hollis and Carter. 322 pages. 30s.

COLIN CLARK is the enigma of contemporary writing on public affairs. When he is good he is very, very good; when he is bad he is horrid. It seems as if he can see things clearly only when his personal sympathies are not engaged. In this book, his religious faith, his views on economic policy and his experiences as a Queensland government official, have combined to distort his vision. Anyone who accepts it as a reliable account of what Australia is like will be greatly mistaken.

In form, the book is a leisurely account of Australian economic and political history, with disquisitions upon features that have attracted the writer's special attention. He has provocative and often illuminating things to say about the growth of the economy, and his job in Queensland has enabled him to produce some unusual sidelights on the way in which decisions are made there. But the book is poorly organised (the chapter-headings are not to be trusted, and Mr Clark often changes course abruptly in the middle of a chapter), and it suffers from prejudice and inaccuracy.

Mr Clark writes as a fervent Roman Catholic who submits all matters of policy to either his church's teachings or his interpretation of those teachings. Sometimes he belabours his fellow-Catholics, but most of the time it is the whole of non-Catholic Australia which gets the lash. His tone is exemplified by his comment on the education system: "In proposing a policy of secular education, Australia . . . offered a deliberate insult to Almighty God, which is going to have incalculable consequences." Because Australians have not followed the Roman Catholic line on education, population, foreign policy and urban development, they are going to find themselves in trouble. Because they have not followed Mr Clark's line on free trade, they are in trouble now.

Prejudice might be acceptable if joined with accuracy and generosity. But anyone who says that Parkes lived till 1908, that Wentworth was the first Premier of New South Wales, that non-conformity was notably lacking as a feature of the Australian Labour party in its early days, and that Curtin was "sincere in his Catholic faith" is not a reliable guide to Australian politics. Nor is it possible to accept as an authority on Australian universities a man who says that Communist influence in them is "very strong" and that teachers of politics and history "almost to a man, are fanatical unificationists." But even these faults might be excusable if Mr Clark had been more generous in his treatment of personalities. What is the point of mentioning Kingston only to say that he was "a man of notoriously bad private life"? Why so many innuendoes, so many charges against nameless politicians, and such continual bitterness about the Governor of the Commonwealth Bank? Mr Clark is a good hater; but is that an advantage when one is trying to give an accurate account of a complex society?

The impression left by the book is that of a writer who could, if he wished, say more sensible things about Australia than most others have said. But, though Australia certainly has its hopes and fears, it must wait for someone else to do justice to them.

Credit Control Abroad

Foreign Central Banking: *The Instruments of Monetary Policy*

By P. C. Fousek.
Federal Reserve Bank of New York. 116 pages. No price given.

THE improvidence of governments is a disease. One of its manifestations is the variety of subterfuges and expedients that are introduced to restrain the consequential debasement of currencies. Some of these are fashioned into instruments of monetary policy. As such they find a place in this excellent study, which casts its gaze over the world outside the United States. There are in vogue today, and have been since the end of the war, a hotchpotch of credit controls. They range from the traditional to the direct and selective controls improvised for the occasion. Many of the older instruments have been altered while the new have been developed, and the outward appearance of central banking has changed even since 1950 when the subordination of monetary policy ended and the world-wide revival of credit policy began.

The development of central banking techniques throughout the postwar period is well described in this book. The discount rate in its changed role, open market operations, the cash reserve requirements of commercial banks ("a much blunter instrument than open market policy," although in some countries a substitute for open market operations and in others the main weapon of monetary policy), commercial bank liquidity ratios, selective and direct controls, are all reviewed and objectively appraised—and in the case of administered selective controls broadly condemned. In a chapter on the development of money markets the student will find a concise but extremely competent exposition of the London market, which, it is good to be reminded, was founded on the commercial bill.

Throughout this study it is recognised that central banking cannot carry by itself all the burden of needed economic readjustments; budget and debt management policies have their part to play. No attempt is made here to evaluate the results of monetary policy in individual countries. Such an evaluation, with the same objective approach, would indeed be a salutary contribution to present-day debates. For the present, however, this is a work that merits the attention of all who seek to pronounce on monetary affairs.

BOOKS RECEIVED

MOTIVATION RESEARCH AND MARKETING MANAGEMENT. By Joseph W. Newman. *Harvard University Graduate School of Business Administration.* London Agents *Bailey Brothers and Swinfen.* 525 pages. 60

To the trickle of books on motivation research, now rapidly becoming a flood, the Harvard Graduate School of Business Administration has made a contribution. Professor Newman has built his book round six case studies where various technique were employed, which add up to a sort of factual answer to the question: "What is Motivation Research?" These studies were concerned with attempts to increase sales of motor-car insurance, coffee, motor cars, zip fasteners and tea, and to test the attitude of women to dieting in order to reduce weight and its effect on the use of certain foods. Professor Newman sets out the details of these operations; and advertisers and others, who have made up their minds to employ motivation research in any case, will no doubt find the study of the cases profitable. But those parts of the book which deal more generally with the nature and significance of this particular group of techniques for advertisers are tentative and rather verbose.

FEDERAL LENDING AND LOAN INSURANCE. By R. J. Saulnier, H. G. Halcrow, and N. H. Jacoby. National Bureau of Economic Research. *Princeton University Press.* London: *Oxford University Press.* 566 pages. $12.00. 96s.

The authors, all prominent American economists, present a thorough and authoritative analysis of the history, scope and impact of the many credit-granting activities of the United States government, from 1917 to the present day. The book describes all the agencies involved in direct lending and loan insurance in the three main fields of agriculture, business and finance, and housing construction; they give in each field a summary of the existing institutions, a history of their development, and an examination of their effect on the private sector of the economy in which they operate. The material is comprehensively prepared and supplemented by tables and charts.

BULLETIN ON INDUSTRIALISATION AND PRODUCTIVITY. No 1. *United Nations.* 76 pages. 5s.

This new periodical is designed primarily for those engaged in industrial management in the less developed countries. It will appear twice a year in English, French and Spanish.

The first issue includes three articles on capital intensity in under-developed countries. Almost all countries that are in the first stages of industrialisation face a shortage of capital and an abundance of labour, and this has led some—though by no means all—economists to urge giving priority to industries requiring relatively little capital and much labour. The three articles constitute a valuable analysis, though the need for further research is evident.

Another article describes how mechanisation of light industry in Burma has been helped by government-administered hire-purchase loans. This scheme, which was developed with the aid of UN experts, would be applicable in other countries in which industry consists mainly of small, privately owned establishments. Mr George Ronson, a British accountant who has worked as a UN expert in Asia, discusses accounting as an aid to industrial management. There are reports on industrial management in under-developed countries, and on current UN activities in the field of industrialisation and productivity.

AMERICAN SURVEY

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

Lebanon Landing

WASHINGTON, DC, WEDNESDAY NIGHT

IN an America that has marched to the brink of war, there is a little bravado, some scattered but earnest protests and, on the part of most of the articulate public spokesmen, a subdued rallying to the flag and to the President. In Congress, Mr Eisenhower is reaping the advantage of having taken the leaders of both parties at least partially into his confidence, in contrast to Mr Truman when he acted unilaterally in Korea. Both the leader of the Democratic majority in the Senate, Mr Lyndon Johnson, and, whatever his private misgivings, the Democratic Speaker of the House, Mr Sam Rayburn, have put the accent on national unity. In his most headmasterly fashion, the Speaker reproved the Democratic Representative who asked whether western interests might not be better served "by recognising irrepressible Arab nationalism" than by "declaring war to the death against it now" and abruptly cut off the debate. Since it is not so easy to choke off Senators, several Democratic members of the Foreign Relations Committee were able to make it plain that they did not share Mr Johnson's bland assumption that with the involvement of American troops all discussion was effectively over. Senator Humphrey, the chairman of the Senate's middle east subcommittee, declared that the use of the Marines was "disastrous." But even the sharpest critics have made it clear that they will do nothing to obstruct the course to which the President is committed.

Some of the newspaper comment reflects relief that the United States has at last returned to "the decent usage of power." Mr William White, a syndicated columnist who is close to Senator Johnson, represents this distinct section of opinion when he writes that "a time of danger but of grandeur has replaced in Washington a time of yammering and nattering. All over Washington there is a clean strong taste in the atmosphere." And the *New York Herald Tribune* says that by drawing the line at Lebanon "the soldier who liberated Europe rose to the highest and finest qualities of leadership of the free world." Opposition is to be found among minorities both on the right and left—represented by such extremes as the progressive Senator Humphrey and the reactionary Senator Jenner, the liberal *New York Post* and the conservative *Wall Street Journal*. Their objections are almost interchangeable: that trouble in Lebanon is primarily, as reported by the United Nations observers, civil war; that the right of small nations to remain independent is not necessarily the only valid principle in the Middle East where the cause of Arab unity has such popular appeal; and that once the Marines are committed in Lebanon it will be difficult to extricate them or to limit their function. This last point greatly worries Mr Hanson Baldwin, the influential military correspondent of the *New York Times*, who considers that the directives given to the Marines "postulate that most dangerous of all military objectives—an unlimited and undefined one."

But there is no great division in the country as there was in Britain over Suez and as there came to be in the United States over Korea. Most people appear to believe that the President chose the lesser of evils, but there is also a very wide feeling that the fact that he was confronted with such a choice at all represents a major failure in American diplomacy. The Central Intelligence Agency was caught completely off guard by the butchery in Baghdad; its director, Mr Allen Dulles, told congressional leaders that he had expected trouble in Jordan but not in Iraq. Even the Turks, who have been playing Cassandra in Washington ever since the Americans vetoed Nuri-es-Said's plan for a *coup* in Syria last year, had no advance warning of this. So mortified are the Americans that not a single leak reached them from the camp of the conspirators that some of them are inclined to attribute the timing of the rising to last-minute decisions by Iraqi officers who, in one version, objected to being posted to Jordan as part of a consolidation of the armies of the two countries or, in another, were afraid that King Hussein's nipping of the plot in Amman would reveal their own complicity. President Eisenhower, however, seems firmly convinced that the revolt was all the handiwork of international Communism. Those present at his White House meeting with congressional leaders describe his evident irritation at Mr Rayburn's suggestion that the middle eastern troubles might be authentic civil wars in which the United States had no business to have become involved.

The news from Iraq completely reversed the Administration's policy towards Lebanon. Up to this point American officials had been repenting of the manner in which they had manœuvred themselves into an excessive moral obligation to President Chamoun. Once they had decided that he ought not to try for a second term of office and that their candidate for the succession should be General Shehab, who was responsible for the Lebanese Army's neutrality, it began to seem quixotic in the extreme to assign American Marines to do a task in Lebanon which that country's own army declined to perform. The Moslem members of the Baghdad Pact were told rather loftily that it was not America's policy to intervene on behalf of "an individual" and, not for the first time, American activity was suspended while Mr Hammarskjöld was relied upon to relieve Washington of its embarrassment. But on Monday all this went by the board. Yet, with all the extra risks the United States is running in Lebanon now, its objective, so far at least, remains the modest one of installing General Shehab peacefully as President in September. Since there is no guarantee whatever whom he would choose as Moslem Prime Minister, the Americans admit that what they are doing can hardly be classed as more than at the most a holding operation.

Looking at Gift Horses

WASHINGTON, DC

THE political scandal is an old American custom and there are few regimes which it has not ultimately tarnished. This Administration, the most pious in years, has had no special exemption, and the most acidly self-righteous man in it is now in the process of being destroyed. The Goldfine affair has gone true to form. The investigation has been meandering and prolonged; it has alternated between tedious elaboration of enigmatic business practices and low farce; and it has brought no great credit to anybody involved. At the same time it has provided food for thought for residents of Washington, a city whose economy is subsidised by the expense account.

Mr Goldfine, the immigrant textile manufacturer who gave an overcoat of vicuna to Mr Sherman Adams, the Assistant to the President, paid his hotel bills and lent him an Oriental rug, seems to be one of those men with an innate flair for making money but who shows no other sign of possessing superior intelligence. He made a great deal of money in strange ways very early—he came penniless to the United States from Russia at the age of nine and, by the time he was seventeen, he had got far enough to be indicted for concealing assets—and has been giving it away, often to people he has hardly met, in an open-handed, paternalistic fashion ever since. He is a card, a name dropper, a nineteenth-century individualist who has never learned how to accommodate his ways of doing business to the "semi-socialist" regulations of government agencies.

With the aid of nine lawyers, a public relations firm, a press representative, several private detectives, and a receptionist hired from a model agency in Boston, Mr Goldfine is presenting himself as a little man, a benefactor to the decaying New England towns where he restored employment, who is struggling manfully in the sophisticated jungle of Washington. His little Christmas gifts to secretaries at the White House and in offices of key members of Congress were just part of a lifetime's habit of thoughtfulness for "poor workers." He had also sent presents in his time to Mr Adams's Democratic predecessor as Assistant to the President, Dr Steelman. The fact that these had all been charged off against taxes as business expenses was in his eyes just an oddity of his accountants.

The longer that the Goldfine case remains in the headlines, the worse it is for Mr Adams. The more the public learns about Mr Goldfine's casual attitude towards the requirements of the government—even though many Americans may secretly admire it—the more it appears that Mr Adams, once he was in the White House, should have been especially discreet in his relations with his old friend. Probably it was only Mr Adams's judgment and not his intent that was at fault, but Mr Adams is retained in his enormously influential office of trust principally to exercise an exceptional quality of judgment—of men, whom he picks for offices at many levels of the government, including the regulatory commissions themselves, and of conduct. Several times in this Administration he has abruptly dismissed officials for falling short of the highest ethical standards. The President may "need" the Sherman Adams who has carried most of the load of the Presidency so far, but this Mr Adams was the man who inspired awe as the symbol of sea-green incorruptibility. Mr Adams can hardly do his job in the same way again. The impression persists that, despite the President's wish to go on as before, Mr Adams will presently find some opportunity to retire.

THE whole question of "conflicts of interest," however, is causing uneasiness. In recent years businessmen who have come into politics deliberately or have been simply dragged into the limelight by an investigation, have discovered that the standards of propriety that made them rich and locally respectable are fair game for displays of congressional puritanism. Men named to high office by the President are often grilled in embarrassing detail about their personal finances by the senatorial committee which has the power to recommend whether or not their appointments should be confirmed. Since Mr Charles Wilson, on taking office as Secretary of Defence, was forced to divest himself at great loss of the shares he held in the General Motors Corporation, the President has been turned down many times by able men to whom he has offered important posts.

There is evidence that the scarcity of talent in Washington is making some Senators less exacting. But the constant agitation about the problem has led some uncharitable spirits to point out that members of Congress do not subject themselves to the standards which they require of administrators. Some Congressmen have large holdings in businesses and leases affected by regulatory laws and by special tax provisions. One Senator's law firm continued to receive a big retainer from a railway company while he was chairman of the committee that considers all laws touching transport. Many members of Congress receive large lecture fees from interested organisations. In 1951, during the last big wave of scandals, it was suggested by Senator Douglas's committee on ethical standards in government that all members of Congress, all federal officials earning $10,000 a year or more and the principal officials of the two parties should have to make a public statement every year of their incomes, assets and all dealings in securities and commodities. Nothing on these lines has been done; nor, although the Senate has just passed unanimously a resolution in favour of virtue, is the present case likely to supply a sufficient incentive for legislation that would strike so close to home.

Once awkward questions start being asked they have a habit of multiplying. If it was at the very least "imprudent" for the President's Chief Assistant to receive gifts from an old friend, why is it not also wrong for the President himself to receive them in vast quantities, not only from friends, but also from perfect strangers? Traditionally chiefs of state do receive costly gifts, but Mr Eisenhower has almost completely stocked and equipped his farm in Gettysburg with such presents, and at least one newspaper has called on him to give them all away.

If it is wrong for the White House to try to "humanise" an individual citizen's relationship with the government by putting in a word for him with the independent commission with whose red tape he has become entangled, why is it right for members of Congress to do so, especially those who sit in judgment over the commission's appropriations? A quick answer is that it is a big part of the job to which a Senator or Representative was elected to protect the interests of his constituents, especially those who are not rich enough to afford a professional lobbyist. But does

the member of Congress in fact treat all constituents alike, any more than Mr Adams would have treated a stranger the way he did Mr Goldfine? Would the member not be less than human if he did not give preference to the rich men, corporations or trade unions who finance his increasingly expensive campaigns?

The present discussion has revived proposals, such as those of Senator Neuberger of Oregon, to relieve candidates of the odious necessity of becoming so heavily indebted at the outset of their political careers. Since television, by forcing politicians to seek really large contributions, is the greatest underminer of their consciences, Mr Neuberger would provide time on the air during elections out of public funds. He has also revived the suggestions made fifty years ago by Theodore Roosevelt that the two party committees should be subsidised by the taxpayers, while tax incentives should be offered to encourage small contributions to party funds.

Finally, the Harris committee's inquiry into Mr Goldfine's affairs and the robust counter-attack being conducted against the committee by his lawyers and publicists have raised once again the whole question of the propriety of such investigations. The McCarthy episode distorted the more usual political alignments on this subject. "Guilt by association" and "fishing expeditions" by committees used to be the traditional instruments of liberals seeking to bring down the rich and the mighty. Constitutional safeguards were the resort of the outraged businessmen and of officials. Conservatives are now being reminded that it is not only suspected Communists who object to widespread prying into their private affairs, without ordinary legal safeguards, and to assertions of guilt by the committee chairman before the evidence is all in. Liberals are rediscovering the partial truth that it is by a man's friends that one knows him, and that personal associations have a bearing on the integrity of men in high places. Meanwhile the direction in which the hearings appear to be heading suggests that the groundwork is being laid for an early test of the Supreme Court's finding in the Watkins case that there was some limit of relevance beyond which a congressional committee could not go.

Limited Travel?

MR PAUL ROBESON is only one of some seventy Americans who had previously been refused passports but who have been allowed to travel abroad in the month since the Supreme Court ruled that the Secretary of State has no statutory authority to deny passports to Americans because they are thought to have Communist sympathies or to be disloyal to the United States. But Mr Robeson and his companions will presumably find their movements circumscribed once again, for a time at least, if Congress gives the Secretary of State this specific authority before it adjourns in mid-August. In fact, spurred on by the urgent tone of the President's message requesting the necessary legislation, Congress may quite possibly act with this unusual speed. But, if the Bill does become law, it seems sure to be challenged in the courts on constitutional grounds, and the tone of the Supreme Court's original decision suggested that, if the court had gone into this aspect of the question, it might have found that to refuse a passport to a Communist sympathiser was unconstitutional.

However, the Administration's proposals are clearly designed to make as strong a constitutional case as possible. The legislation, it is claimed, is essential if the President is to exercise his duty of conducting the country's foreign affairs. Passports would be withheld not because the applicant professed Communist beliefs, but because he had acted during the past ten years in such a way as to further international Communism and thus to impair the security of the United States, or because he wanted to go to a place (Communist China, for example) where his presence would conflict with the foreign policy of the United States. But the standards on which the refusal would be based would be set by the State Department, and the way in which it has used its passport authority in recent years does not inspire confidence that it can be trusted with such powers. Moreover, while there would be provision for appeals against the Secretary of State's decision, the applicant could be denied direct access to the information placed against him if the department argued that this must be kept secret in the interests of national security.

Such considerations carry much weight with those members of Congress who feel that the authority of the Secretary of State must be defined and limited more clearly than the Administration proposes if the Bill is to be approved. But even if the Bill is passed, it may still be asked whether the United States will not be more greatly endangered by the value to anti-American propaganda of such restrictions on the freedom to travel than by the journeys abroad of the few Americans whom the State Department might be able to keep at home with its new authority.

Idling Motors

ONLY about 4.3 million motor cars are likely to be produced this year, the lowest total since 1952. The automobile companies are looking to this autumn's new models to pull Detroit—and perhaps the economy as well—out of the present slump and they do not want large stocks in the dealers' hands to be hanging over the market. Plans for tempting consumers to buy are now far advanced in Detroit. The most drastic step has been taken by the Studebaker-Packard Corporation, the smallest of the five manufacturers, and the one which is having the hardest struggle to keep alive during this difficult period. After 59 years the Packard, a large luxury car, is to vanish.

The company feels that its destiny "is tied to smaller cars," a reflection, no doubt, of the success the American Motors Corporation is having with its small Ramblers. The big three feel differently, even though there is evidence that they are preparing to produce small cars next year to compete with foreign makes, which are more popular than ever. But this autumn, the models on which so much depends will be, as usual, longer, lower and more dashing than ever. Partly this is because the basic design of new models is fixed too far ahead to allow for more than a strenuous face-lift this year, but many experts are also far from convinced that American taste is changing.

One new selling point will originate not in Detroit, but in Washington, where the President has just signed a Bill requiring every new car to be equipped with a label setting out such facts as the retail price recommended by the manufacturer for the stripped car, the cost of any acces-

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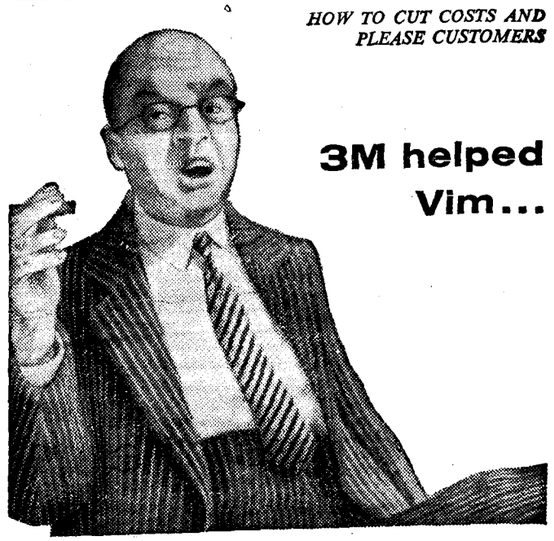

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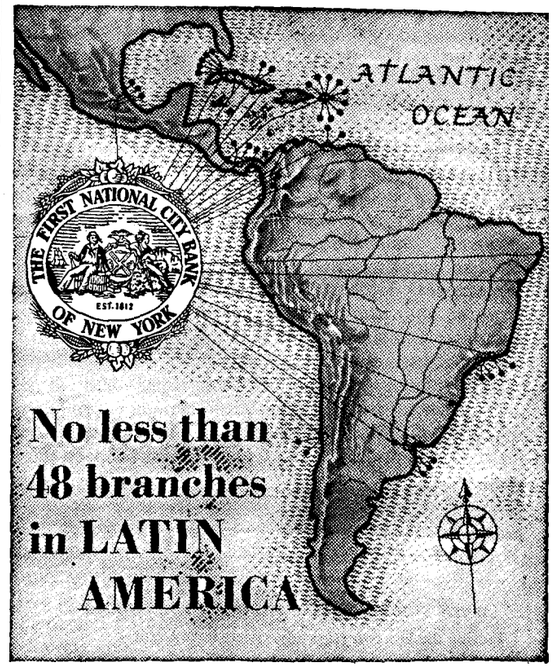

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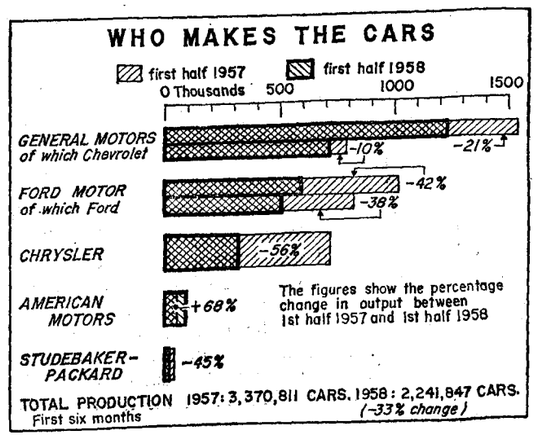
sories, and the amount paid for delivering it to the dealer. This is the result of a practice known as " price packing," in which a dealer inflates the theoretical price of a motor car in order to appear to give the buyer a dazzling discount. It is contended that such practices have confused buyers and made them so suspicious that sales were lost ; now there is to be some assurance that the price asked is a fair one.



The automobile companies had hoped that their new models would be on show earlier than usual this year—and at no advance in price. But both these hopes depend on the outcome of the negotiations with the automobile workers' union, which have made no real progress since the end of May, when the old contract expired. In public, at least, the companies are standing firm. But Mr Reuther, by keeping a tight rein on his members, has managed to prevent a premature strike, and the time is fast approaching when a walk-out would seriously interfere with production of the new model.

Brewing Coffee

FROM A SPECIAL CORRESPONDENT

In Washington, as in other cities in the western hemisphere, too much caffeine is causing sleepless nights. Paradoxically, the coffee which is keeping people awake has not been drunk yet—and may never be drunk. This, in fact, is the heart of the matter: the world output of coffee beans has far outrun consumption and no relief is in prospect ; the 1958 world coffee harvest will probably exceed the 1956 record of 43,617,000 bags by 15 per cent. A confidential study by the World Bank predicts that there will be a serious surplus for the next five to ten years and that, without some form of control, the price of coffee will " drop precipitously and substantially."

Coffee production has been increasing in the Latin American countries because of improved methods and because the most obvious way of obtaining the foreign currencies which they need is to use their large expanses of arable land for the cultivation of coffee beans at which they are expert. In the long run it is essential that they should change to other cash crops and even to light manufacturing industry but such diversification offers little hope of immediate alleviation. Furthermore, competition has also been growing from African coffees which sell at considerably lower prices than South American varieties in the United States, and which have cut deeply into the European market. United States consumption of African coffees has risen from 12 per cent of the annual total in the prewar period to 20 per cent last year. This is largely because of the growing popularity of instant coffee powder, in which African robusta grades are widely used.

The value of coffee purchased by the United States from Latin America dropped from $1,955,013,000 in 1956 to $1,788,817,000 in 1957, but it is still worth about twice as much as the second largest import—petroleum. Moreover, coffee represents 83 per cent of El Salvador's total exports, 77 per cent of Columbia's, 73 per cent of Guatemala's, 70 per cent of Haiti's, 67 per cent of Brazil's, 54 per cent of Costa Rica's and 45 per cent of Nicaragua's. Despite the international political repercussions of these hard economic facts, the State Department was, until very recently, firmly opposed to any international commodity pact for coffee. The Inter-American Coffee Agreement, which the United States signed, operated fitfully from 1940 to the autumn of 1948 without achieving a lasting solution. As late as last January the Assistant Secretary of State for Inter-American Affairs told a meeting of American coffee importers that Washington would have nothing to do with schemes to allocate world markets and support coffee prices.

But in June, after the attacks on Vice President Nixon in Lima and Caracas (both Peru and Venezuela are coffee producers) and after evidence had appeared that Russian threats of economic penetration of the hemisphere were becoming facts, the State Department took the lead in organising the International Coffee Study Group ; this includes not only the Latin American growers, but also Ethiopia, Britain, France, Belgium, Portugal and the Netherlands. That the European and African producers are participating is considered to be a diplomatic success for the State Department, since they had previously refused to enter into negotiations on coffee controls. While some improvement in obtaining statistical data can be achieved, there is very little one can actually do with coffee except drink it ; a Brazilian experiment with caffite, a caffeine plastic, has not been promising. The " Study Group " has therefore little to study except a projected international agreement regulating the output of coffee and stabilising coffee prices. For the last two weeks, the Latin Americans and the European-African representatives have been meeting separately in Washington. What the latter want is not yet clear, but the Latins want dollar loans, minimum import quotas and bigger markets in the United States. Plenary sessions are to begin shortly and it is to be hoped that the delegates will succeed in arriving at a solution as palatable as a good cup of coffee.

Mopping Up the Governments

Last week the Treasury revealed that since June 19th it had been tidying up the market in government securities, in preparation for the big refunding to be announced this week, by buying some $600 million worth of its own bonds, mainly the 2⅝ per cent issue maturing in 1965 which had only been offered on June 15th. This unusual activity had been suspected, but its scope and details were a surprise. The Treasury had the money in hand as a result of heavy payments of income taxes during early June. It has retired some $450 million worth of the

securities purchased, thus reducing the national debt, for the moment, at least, and it made a profit on the operation since the bonds were selling well below the issued price. Finally it had the additional comfort, in what was fundamentally an unfortunate situation, of knowing that the speculators, whom it euphemistically calls "temporary holders" and who had made this operation necessary, lost a lot of money—although not as much as they would have done if the Treasury had not decided to clean up part of the mess by removing some of its securities from the market.

The speculators began to come into the market for government bonds with their fixed rates of interest last autumn when the Federal Reserve Board's sharp switch from a policy of tight money to one of easy credit drove ordinary interest rates down and when uncertainty about the general economic future increased the attractiveness of safe government securities. This speculation, most of it backed by hardly any cash at all, reached its peak when the 2⅞ per cent exchange offering was made in June and was snapped up by so many people that there was no room left for the quick resales on which the original buyers were counting for their profit. Thus when, a few days later, a press report suggested that the Federal Reserve Board was about to tighten its credit policy in view of the improved economic outlook, prices of government issues fell sharply and even those speculators who were not obliged to sell decided that the time to get out had come. Although the report was denied at once, prices have continued to fall and the movement was not even checked by last week's revelation from the Treasury; on Tuesday the news from Iraq drove the 1965 2⅞ per cents, issued at 100 in June, down to 98½, their lowest yet.

There are those who think that the Federal Reserve Board should have helped the Treasury with the rescue work, but it could not have done so unless it had reversed its policy of buying only short-term government bills, which was established years ago at the time of the famous accord with the Treasury after which the central bank was no longer obliged to support the government's financing activities. Clearly the board did not think the recent situation was bad enough to require it to use its general authority to correct disorderly conditions in the bond market.

Housing Starts Up

THE housing industry, which in 1955 began work on 1.3 million homes, ran into its own private recession in 1956 and 1957. Now it seems to be coming out of the wood, just in time to offset the fall in industrial building. Construction of all kinds, which is one of the pillars of the economy, is now expected to set a new record this year, as it has in every year since the end of the war. In June the number of private houses started reached a seasonally adjusted annual rate of 1,090,000, the highest since August, 1956; the number of starts in the first six months of 1958 was a trifle higher than in 1957. Better weather is partly responsible for the striking recovery, but Congress must also be well satisfied with the results of the emergency housing Bill which it passed in March. This set out to spur demand by reducing the down-payments for houses financed with mortgages guaranteed by the government and it has apparently succeeded; applications for government insurance of mortgages reached new peaks in May and June.

The big $2.5 billion long-range housing Bill which the Senate has just passed with such enthusiasm has a different aim. It is primarily concerned with the part the government plays in expanding housing and construction for social purposes: urban renewal and slum clearance, loans to colleges for dormitories, classrooms and laboratories, and public housing for people with low incomes. In every category, the Senate has been more generous than the Administration, which expected to spend only $1.6 billion on housing this year. For urban renewal, for example, the Senate provides $1.8 billion over six years instead of $1.3 billion; it has also rejected the Administration's proposal that much of the burden of financing this worthy project should gradually be transferred to the local communities.

The Senate might have been even more generous were it not for the risk that the President may veto the Bill. That risk will be increased if Democrats in the House succeed in expanding it even further. But the Bill carries one provision which may make it veto-proof. This is a four-year authorisation of $16 billion for government insurance of private mortgages. To be relieved of the necessity of seeking a new authorisation every year would make it much easier in future to resist housing Bills which the Administration considers too lavish.

Research for Profit

FROM A CORRESPONDENT IN NEW YORK

ONLY a few years ago Mr Alfred Sloan, then chairman of the General Motors Corporation, declared that scientific research was a matter best left to the universities . . . while the automobile companies stuck to engineering. But times have changed. Not only GM but most other big companies are now reporting outlays for research so heavy as to constitute a major capital investment. A recent survey by the McGraw-Hill Department of Economics indicates that in 1958 industry will undertake over $8 billion worth of research—more than twice as much as the universities and the government combined.

Research on this scale must have a significant effect on the economy as a whole as well as on the profits of individual companies. How much is a matter of conjecture, since information on such expenditures has been collected only since 1953. But one of the recent studies in this field sponsored by the National Science Foundation concludes that roughly half of the increase of 2.5 per cent in output a manhour achieved during recent years may be attributed to improved technology—either to the direct effects of providing workers with better equipment, or to the indirect effects of discoveries which attract capital and skilled workers to the faster growing, more efficient industries. Some individual companies have increased their productivity so rapidly that for every $1 spent on research, there has been an increase of $40 in value of output.*

The result has been to increase profits in the research-minded industries. Aircraft and electrical companies, which spend on research sums equal to more than 5 per cent of sales, have generally achieved net profits of 15 per cent or more on their net capital assets—while profits in industries which spend little on research seldom exceed 10 per cent.

* Y Brozen, "Scientific Advance as a Factor in Economic Change," National Science Foundation, Washington 25, DC, December, 1957.



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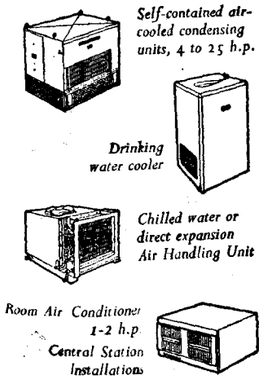

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P.1402

DIARY OF A VOYAGER

I sail the
Miracle Sea to Aden

We entered the Suez Canal under a bright moonlit sky. Next morning we were in the Gulf of Suez where the Israelites had crossed in their escape from Pharaoh's tyranny. A clump of palms was pointed out to me as Moses' Well where it is said they drank, and Sinai where the Bible tells us Moses received the Law.

Then, through the Red Sea, spattered with coral islets and hidden reefs on which the P & O had built some of the first lighthouses in the area—to Aden, a barren almost waterless rock and now one of the world's great bunkering stations. On mentioning such great development to a ship's officer, I was told that in 1843 one of the first P & O ships to put in to Aden—the 'Hindostan'—was a little paddle steamer of 2,000 tons, and that the coal for it had been sent from England by the long Cape route. Time and Man's ingenuity can certainly do wonderful things!

I learned that due to the excellent port facilities and the ready co-operation of the authorities the turn-round of shipping is speedy. For instance, our call there was set by the time required for our visit ashore, not by the time needed for oil-fuelling and servicing our ship. And that is true at all times, a point that must be highly appreciated by shipowners.

As I watched the lively scene about me, the waters busy with numerous small craft, I felt that no one could wish for more blissful freedom from care and worry than a sea-voyage like this—or for deeper comfort and better service than voyaging P & O.



P&O a Commonwealth lifeline



the things they say!



Germany? Didn't know we exported chemicals there.

Indeed we do — and to America and Arabia, Spain and Siam.
In fact, to almost every country in the world.



But, surely, other industrial countries have their own chemical industries?

So they have, yet they still buy chemicals from us.

Why is that?

Often because it would cost them more to make the chemicals themselves. Also because they need many of the new, specialised chemical products that Britain, with her chemical knowledge and experience, has been able to develop.

Good for us!



Very good for us — *and* for our balance of payments. Last year the British chemical industry sold about £265 million worth of its products abroad. That would be far more than enough to pay for all our imports of wool.



Well, that seems a fair exchange. Soda ash for sheepskins, eh?

And not only soda ash, but synthetic fibres, drugs and dyestuffs, paints and plastics.

Sounds impressive!

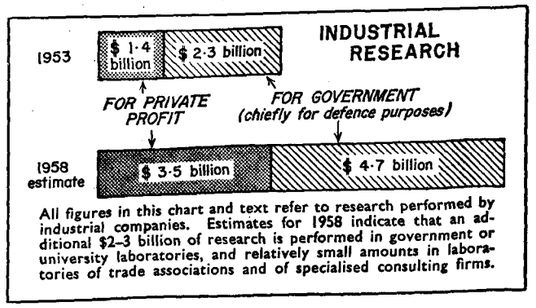
It certainly is. Chemicals are the third largest of Britain's exporting industries, and I.C.I. the biggest exporter among Britain's chemical companies.

ICI

x

Consequently, capital has been flowing into companies in the first group, and even older industries, such as steel or food processing, have recently begun to do more research. The foundation's studies suggest that the general limit on the amount undertaken is set mainly by the availability of scientific manpower. Some economists believe that private capital would like to carry out 25 per cent, or even 50 per cent, more research than it is actually financing at present.

New estimates of the parts played by the government and private companies, which became available in May as the result of surveys by McGraw-Hill and the National Science Foundation, show that over half of the $8 billion likely to be spent this year on industrial research will be provided by the government, usually for special projects



All figures in this chart and text refer to research performed by industrial companies. Estimates for 1958 indicate that an additional $2–3 billion of research is performed in government or university laboratories, and relatively small amounts in laboratories of trade associations and of specialised consulting firms.

carried out under contract for the Department of Defence. But at least $3.5 billion will be research for business profit, financed with private funds and expected to yield a return like any other capital investment. Of this over $3 billion, it seems clear, is genuine research into basic scientific principles, new products and new processes, almost all of it for manufacturing industries.

As a capital investment, this $3 billion compares with $11 billion likely to be spent for new plant and equipment. Moreover, investment in research is increasing, while expenditures on plant are going down. In 1959, judging by the plans reported to McGraw-Hill, over a third as much may be laid out for research as for new facilities.

THIS is not, of course, a measure of investment in pure science. Only a small fraction of such industrial expenditures are for basic research, which is undertaken only by the largest firms, such as Du Pont or General Electric. Most companies recognise the importance of pure science but the overwhelming share of industry's work is in applied research and development of products, where a quick return on the investment is reasonably certain. This is shown by the McGraw-Hill survey, in which 39 per cent of the companies which replied said that they expected their expenditures on research to "pay off" in less than 3 years. Just over half expected to see a profit in 5 years or less. Only 9 per cent—mostly larger companies, with significant programmes of basic research—were willing to risk their capital on projects likely to take more than 5 years to show a return. Industrial companies seldom have idle funds, and investment in research must compete with expenditure on equipment or plant which can quickly pay for itself by savings on labour.

Over 40 per cent of the companies report that their main purpose is to improve their products, not by basic discoveries, but by small changes that promise a large increase in sales. Nearly 50 per cent say that the main purpose of research is to develop new products. But most of these can be made with existing plant and equipment, thereby offering a high return on the original outlay for research. Only 1 per cent of the companies said their research was mainly in new processes—an area calling for more fundamental work and larger investment in plant and equipment.

The $8 billion likely to be spent on industrial research this year may reach $10 billion by 1960, but this prospect does not satisfy the men who actually direct the projects. Almost unanimously, they complain that the emphasis on short-term profits keeps them from doing as much basic research as they would like—not just for its own sake, but to provide a pool of discoveries on which workers in applied research can draw. Some feel that the pool of basic knowledge built up during the last war has been dangerously depleted. Moreover, these men contend that it will be difficult to maintain high standards of research unless more of their staffs are free to work on fundamental problems.

Unlike their colleagues handling sales or production, the research directors of large corporations must deal with a type of worker who resists discipline, and who works best on problems that interest him personally. The director cannot force these men into uncongenial jobs. Instead, he must try to select individual scientists whose interests will lead them into work that benefits the corporation. Often he must justify the expenditure of large sums for new research simply on his own faith in the scientist making the suggestion.

In such a field, it is extremely difficult to have detailed budgets or plans of operations. Directors of research are still hunting for the best way to divide their resources between the obvious projects which promise a quick return, and the more difficult task of discovering new products and new processes. It would help to know, even in general terms, how long it takes for basic research to yield useful applications, and for applied research to develop a new product. Other problems remain unsolved, such as how much research should cost in relation to sales.

For the present, precise answers are not needed. All the available technicians can be employed on projects likely to show extremely high rates of profit. Research will keep on expanding. But in research, as in other fields, more adequate manpower will be available by the nineteen-sixties. Then the key problem will be one with which industry has just begun to grapple: how to close the gap between research for knowledge and research for profit.

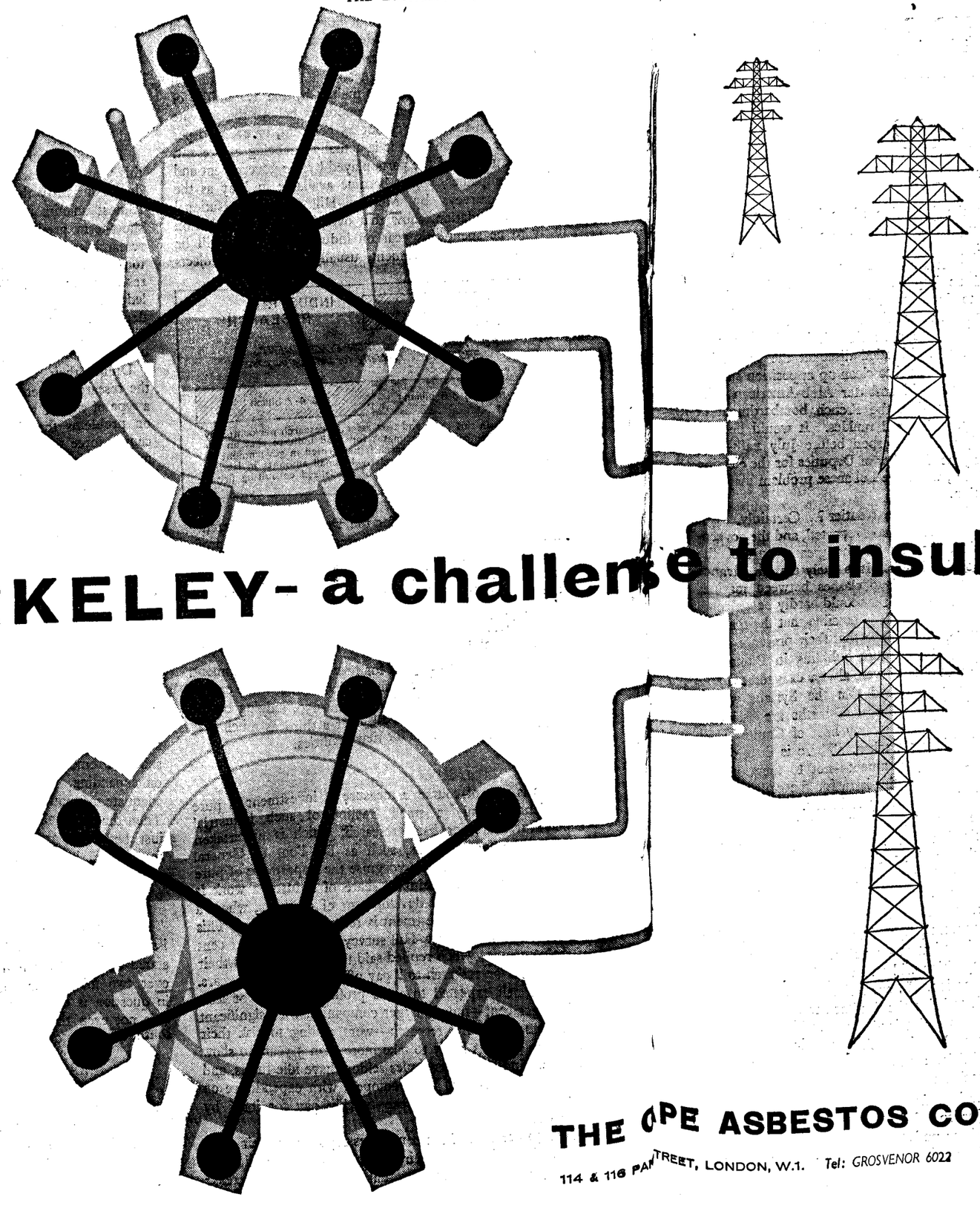
SHORTER NOTES

Correction.— Writing about Alaska on page 34 of the issue of July 5th our ungeographically minded correspondent stated that Alaska "at its easternmost point" is only just over two miles from the Russian continent. The point in question is of course on the west coast of Alaska, but it is not even the westernmost point; that comes farther south, at the tip of the Aleutian Islands.

* * *

A "lending library" of pets is run by the California Junior Museum. Children who prove that they know how to look after them may borrow snakes, squirrels, turtles, rabbits, and so on; the most popular are Blossom, the skunk, and Daniel Boone, a racoon.

THE ECONOMIST JULY 19, 1958



BERKELEY- a challenge to insulation

The heat developed by the twin reactors of the new Berkeley atomic power station poses problems of thermal insulation which will require new techniques in their solution. Confining and controlling such intense yet precious thermal energy constitutes a challenge—a test worthy of the knowledge and skill acquired in 65 years' experience of thermal insulation manufacture by The Cape Asbestos Company, to whom the contract has been entrusted.

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✳ At the Berkeley Nuclear Power Station of the Central Electricity Generating Board, the contract for supplying and installing thermal insulation for the TWO REACTOR PRESSURE VESSELS, 16 HEAT EXCHANGERS, THE CO_2 DUCTING AND MAIN STEAM PIPES has been awarded by the main contractors, AEI-John Thompson Nuclear Energy Co. Ltd., to The Cape Asbestos Company Limited.

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THE WORLD OVERSEAS

How Big a Beachhead?

FROM OUR CORRESPONDENT IN BEIRUT

Wednesday

In less than thirty-six hours early this week an epoch in Middle Eastern history ended and another began. The army *coup d'état* in Iraq, with the fall of Nuri es-Said and the highly symbolic sacking of the British Embassy in Baghdad, appears to have swept away the main zone of western influence in the Arab Middle East. At the time of writing, reports from Iraq are still fragmentary and it is still possible that a counter-revolutionary movement may develop in favour of the monarchy. But it seems that the new government is firmly in control in Baghdad and that the rest of the country remains quiet, thus suggesting acquiescence. Both the words and the deeds of the insurgents indicate that the consolidation of their power would mean the end of the Hashemite monarchy in Iraq, the end of the Baghdad pact and the British connection, and most probably the end of the careers of many devoted British servants of the Iraq government. The close alignment of Iraq with President Nasser's United Arab Republic, either by way of a union or of a federation, would not be long delayed.

The old epoch ended in the early hours of Monday morning; the new one began in the early hours of Tuesday afternoon when the United States Sixth Fleet landed marines on a sandy beach south of Beirut. Among the few hundreds who assembled near the beaches to watch the landings were some United Nations observers, who soon bustled off in a white jeep, no doubt to report to Unogil headquarters this new evidence of foreign intervention in Lebanese affairs. The first act of the marines was to cordon off the airport—one of the few Lebanese institutions that has functioned satisfactorily throughout the emergency—in order to secure the arrival of airborne troops and supplies. For the first time, American troops have set foot on Arab soil. Where do they go from Beirut's international airport?

That is the question that is agitating Arab minds, not only in Lebanon but far beyond. President Chamoun requested urgent help on Monday morning. The help so swiftly granted was explained in terms of protecting American lives and property and of safeguarding Lebanese sovereignty. But nobody believes that the United States intervened for those purposes alone. Nothing occurred in the country over the weekend to dictate a switch of American policy from gradual disengagement to intervention. The true answer must be found in the stunning news from Iraq. In other words, President Chamoun shrewdly made use of western consternation at the disappearance of familiar landmarks like Nuri es-Said and Prince Abdul Illah to play his last card.

In the commotion that followed the landing of the marines three possible explanations floated to the surface here. The Americans might intend merely to seal off the Lebanese frontier pending the formation of an international police force. They might propose setting up bases here for eventual action elsewhere, perhaps in Jordan or even in Iraq itself. Finally in some quarters it was charitably assumed that the Americans acted on impulse and themselves had only a hazy idea what to do next. Each of these three lines of thought presents such difficulties that the Lebanese government and opposition are alike floundering from one to another. The more level-headed discount the suggestion that the marines will be used to clean up opposition strongholds. Such action would embitter Arab-American relations for a generation—like the French bombardment of Damascus in 1925, which still rankles. It would be particularly ill-timed, coming so soon before July 24th—the date for convening the Chamber of Deputies for the election of the new president, when the Lebanese problem may find a Lebanese solution.

Could the marines seal the frontier? Certainly. But the United Nations observers have reported, and the government has conceded, that by far the greater part of the frontier is in opposition hands. It is likely that an advance in that direction would lead to clashes between marines and armed bands—a prospect that could hardly be welcome to the American authorities. It is possible that the marines will, in fact, do little, in the hope that their presence alone will quell any spirit of adventure bubbling in Damascus. The dangers from that quarter were always exaggerated and there was never any likelihood that the Syrians would invade Lebanon in force. But such truths are easier to see on the spot than in the steamy heat of Capitol Hill, where the final decisions are taken. There is little doubt that the United States government—not to mention the British—feared that Arab enthusiasm for the coup in Iraq might lead the Syrians to swamp Lebanon.

It is impossible to predict the effect of the landings on the presidential election next week. Last week there were signs that several opposition deputies were prepared to attend the meeting of the Chamber, especially if agreement could have been reached beforehand to "draft" General Chehab. Several "extremists" told your correspondent last week that they were prepared to accept such a solution—not with enthusiasm but as a *pis aller*. It is now possible that the whole opposition will stay away in protest against the western intervention. In such circumstances the election could do little to bring the deadlock to an end. "The opposition has always maintained that President Chamoun would play every card in the pack to stay in power," said one nationalist politician; "There is the proof," he added, pointing to the beaches where the marines were landing.

Telephonic news from Amman on Wednesday was that all was still quiet in Jordan. A few more soldiers in the streets—the country has been under martial law for fifteen months—were the only signs of heightened tension. With his usual bravery King Hussein grasped the nettle by proclaiming himself head of the Arab Federal state, but as Baghdad radio has announced the dissolution of the federation it is doubtful whether his gesture has more than symbolic value. The Jordan army is already stretched to the limit to maintain order inside the country and cannot muster an expeditionary force to march across the desert on Baghdad. Only with substantial military assistance from the West could King Hussein ever hope to restore the position in Iraq. Such action would renew with increasing bitterness the inter-Arab struggle that has already been going on for too long.

Another question, much to the fore here, is the possible Russian reaction. The possibility of Soviet volunteers in Syria and Iraq has been canvassed. But, in fact, it is probable that the Soviet government will content itself with verbal protests. The main Soviet aim in the Arab world is to embroil the Arabs with the West; and as western intervention in Arab affairs, on a scale deserving the now notorious adjective "massive," is doing the job for them, they need not stick their necks out. Seldom can a great power have won so many cheap victories as has the Soviet Union in the Middle East over the last three years.

"Events are moving too quickly for thought," remarked an Arab politician at the time of the American landings. The whole articulate Arab world has its mouth open and its tongue furred with the sour taste of doom. To what lengths will western intervention go, where will it lead? The dilemma of Washington and London is appreciated in some quarters. Action must be taken quickly, if at all; otherwise it might come too late. Yet quick action is often unwise action and may lead to an untoward result. Now that the Americans have established their bridgehead in Lebanon—and effectively secured the country against a Syrian invasion that never was—the best course might be to sit down with some ice packs and think out a realistic objective for the operation.

Pact Without Baghdad?

FROM OUR CORRESPONDENT IN TURKEY

The Iraqi revolution hit Turkey like a whirlwind. On Monday morning, the flags were out in Istanbul for the heads of state of the Moslem members of the Baghdad pact. While diplomats and journalists lounged on terraces overlooking the sea of Marmara, deputations of notables waited at the airport for the Shah of Iran and King Feisal of Iraq. But from Iraq no plane arrived. Mystified, the notables waited. Then came the news: "Nuri es-Said is dead, Feisal vanished." The red carpets were rolled up. Filled with consternation, the chiefs of state, diplomats and journalists packed all the planes to Ankara, Ataturk's austere capital, which was considered a more suitable locale from which the Baghdad powers could face the challenge from Baghdad.

For Turkey, it was a body blow. Close personal ties of friendship linked the regimes in Baghdad and Ankara. Only a few days earlier, Prince Abdul Illah and Nuri es-Said had been walking arm-in-arm with Turkish statesmen. The Baghdad pact—originally a Turkish-Iraqi alliance—was mainly the personal work of Mr Menderes and Nuri. The Ankara-Baghdad axis was a close and intimate one. Now it had vanished overnight, and 150 extra miles of possibly hostile frontier were added to Turkey's southern borders.

But dismay over the Iraqi coup was soon turned to official jubilation in Ankara over the news that American marines were landing in Lebanon. Only on Tuesday morning, before this second act unfolded, Turkish officials had waxed ironic about America's decision to summon the veto-ridden Security Council. Without waiting for Pakistan and Iran to declare themselves, the Turkish foreign minister, Mr Zorlu, immediately announced Turkish approval and even "pleasure" at the news from Beirut. Such a reaction was to be expected. The Turkish government had been itching to intervene in Lebanon ever since the affair began.

Meanwhile, in the closely guarded villa of the Turkish President in Ankara, with King Feisal's chair eloquently empty beside them, the three heads of state pursued their counsels far into Monday night and all day Tuesday. Finally they lined themselves up with a message felicitating President Eisenhower on the American action, and then dispersed to pursue their interrupted holiday in Istanbul. The three delegations openly presented the Iraqi coup as a victory for Moscow, and American intervention in Lebanon as an entirely desirable western reaction to it.

How Iranian and Pakistani opinion will react is as yet unknown, but Turkish opinion is certainly not unanimous. It is in fact deeply divided. The Turkish opposition, with roughly 186 out of 610 seats in the National Assembly, has pronounced itself publicly against the principle of intervention in Lebanon or elsewhere in the Middle East, either by the western powers or by Turkey itself. This opposition, it must be emphasised, is not neutralist; like all Turkish opinion, it is firmly anti-Communist. But it feels convinced that intervention against the existing currents of Arab nationalism and neutralism is utterly useless as a weapon against the Russians' designs in the Middle East, and that, on the contrary, it can only help them.

One effect of the events of the week seems to be a reviving of the wilting solidarity of the Baghdad allies (apart from Iraq). The pact's Moslem members had apparently met in Istanbul to deplore non-intervention by the western powers. Instead, they have had occasion to congratulate them. Now the inevitable cliché, "Can the Baghdad pact live on without Baghdad?", is on everybody's lips in Ankara. The first impulse, at least in official circles, both Turkish and those of the pact itself, is to reply "Yes." Hopes are expressed here that the alliance, minus uncertain Iraq, will even be strengthened and that the United States, unable to offend the Arab world more than it has already done, will now join the pact as a full member. Whether this is realism or mere optimism, events will show.

Gaullist Honours List

FROM OUR PARIS CORRESPONDENT

The decorations have come down. The parade has ended. The fiesta is over. The celebrations of the 14th of July lasted three days this year, as if these "republican" rejoicings could overshadow the death of the Fourth Republic. But memories are not so short; moreover they are now being refreshed by the books and periodicals that are appearing on the bookstalls. The actors of the tragi-comedy are beginning to tell their story. M. Moch, the ephemeral minister of the interior, tries to explain and justify the surrender of the defeated. M. de

Sérigny, director of *L'Echo d'Alger*—the loudspeaker of the *ultras*—speaks for the victors.

Many of the men praised by M. de Sérigny appeared on the front pages again on the eve of the 14th of July, when they figured prominently in the list of military promotions published for the occasion. The choice for preferment seems to deny the whispers about a divorce between the general and his Algerian allies; it certainly makes one sceptical of prophecies that the prime movers of the insurrection will be the only dupes in the change of regime. The general does not seem so ungrateful to those who brought him to power, and the number of rewards for the military leaders of the insurrection has led Parisian wits to call this list of honours "*la promotion du 13 mai.*"

General Salan has been awarded the *médaille militaire*. Brigadier Massu, the paratrooper boss of the committee of public salvation and now acting prefect of Algiers, is promoted to the rank of general of division. A place has even been found for a forerunner of his. General Jacques Faure was involved, at the beginning of last year, in an abortive plot in Algeria. Placed under arrest and then removed from Algiers, he stood as a poujadist candidate in a Lyons by-election. He is now given the command of a division at Tizi-Ouzou.

M. DE SERIGNY, in his book *La révolution du 13 mai*, attributes part of the power of the military in Algeria to the close co-operation between the three services. General of the Air Force Jouhaud, himself a native of Oran, was one of the architects of that understanding; he is now moved up one grade. Another promotion in the air force shows how the wind is blowing. General Challe was one of the two assistants of General Ely—the chief of the general staff—whose republican loyalty was so doubtful that they were removed from Paris in May by the minister of defence. General Ely thereupon resigned and was replaced by General Lorillot. Now General Lorillot is removed from active service, while General Challe is promoted.

M. Moch has attributed the weakness of the government's resistance in May to the hostility of the commanding officers in France and the unreliability of high civil servants. M. Périllier, the prefect of the Toulouse region, was one of the few high officials who showed a determination to act. He now loses his job. General Miquel, the commander of the military area who was, potentially, on the other side of the barricades, receives the legion of honour. M. Baret, who as prefect of Algiers was the only man whom the vacillating government dared to remove from his post in May, is now back in the saddle. He has been appointed general secretary of the Algerian administration.

The trend is obvious (it could serve as a lesson to civil servants intending to show loyalty to a collapsing regime). It cannot even be said that General de Gaulle is kicking victorious soldiers upstairs. On the contrary, they have strengthened their hold on the key positions which could enable the army to play a preponderant part in the political life of the country. Those who still held to the theory of "Algerian dupes" had already had their faith shaken by the appointment of M. Soustelle as minister of information. M. Soustelle is one of the heroes of M. de Sérigny's book which, incidentally, confirms the belief that great efforts had been made beforehand to synchronise the Algerian rising with a Gaullist resurrection at home.

Before the war, Jacques Soustelle, a brilliant young ethnologist, was on the fringes of the extreme Left. During the war, he worked closely with General de Gaulle, and for a period, headed the secret services of Free France. Possibly because of his past, or because of his struggle against German rearmament, he preserved the reputation of a "leftist" in spite of his active part in the Gaullist Rally after the war. When M. Mendès-France appointed him Governor-General of Algeria at the beginning of 1955, it was feared that the *colons* would throw this "liberal" into the sea. They did not have to, so quickly was he converted to their views. And when he left a year later, he received a hero's send-off. The collaboration did not end there. With Algerian funds, distributed by M. de Sérigny, and the help of his former subordinates from the secret services, he did more than merely tour France as the apostle of "French Algeria." He also set up a closely knit organisation—the Union for the Salvation and Renovation of French Algeria (USRAF)—which showed its importance in May.

M. Soustelle's links with the insurrection were so obvious that the government kept him under house guard. His escape is too well known to be retold. M. de Sérigny adds an interesting postscript: M. Soustelle's arrival and the general's pronouncements were the two main stimulants for the settlers and soldiers in revolt.

M. Soustelle has become a symbol. When, at the end of May, the republican party leaders tried to carry their troops into the Gaullist camp, they used as an argument the general's alleged promise never to include M. Soustelle in the government. "Never" lasted six weeks. At a time when the soldiers are strengthening their hold, it is a bad omen to see at the head of the media of mass information, including the broadcasting services, a man who has little love for "defeatist liberals" and "intellectual masochists." The danger is particularly great in the weeks preceding the referendum on the general's constitution.

The Two Germanies

FROM OUR BONN CORRESPONDENT

AT the Socialist Unity Party (communist) congress which ended in east Berlin on Wednesday both Mr Khrushchev and Herr Ulbricht confidently plugged what is now a familiar demand: that the two German states must get together by themselves for the purpose of working out a common national salvation, agreeing by way of a practical start to set up a "confederation," which would gradually install jointly manned machinery for dealing with selected common administrative tasks. In the hope of establishing the smaller state's material claim to equality in partnership Herr Ulbricht unfolded plans for raising the Democratic Republic's elementary standard of living by 1961 to the level of the Federal Republic's. These assertions, taken with the formalities that are being insisted upon to purchase the release of the nine strayed American airmen, re-emphasise how important international acceptance of the Democratic Republic's statehood is to the east German Communists and their mentors in Moscow. The effects of this policy are being felt increasingly in the day-to-day dealings between the two parts of Germany.

So much has naturally been made of the barriers which, for thirteen years, have separated the 17 million Germans under Communist rule from the freer and more prosperous community of 50 million west of the Elbe, that few outsiders appreciate how often and how variously they are nevertheless surmounted. The two states, which officially are not on speaking terms, in fact do a sizeable business with each other every day; and unofficial contacts, collectively or individually organised, are innumerable. Three random, and very ordinary, instances from close at hand will give some idea of the sort of thing that is happening all the time.

Firstly: at 08.24 every day a train composed of the shabby coaches of the east German state railways (which gamely keeps up the title of *Reichsbahn*) leaves Bonn for east Berlin and Leipzig, regularly carrying through passengers. It is but one of several daily connections between east and west; and quite a number of employees of the two states are together concerned in planning and working these services. Secondly: the male lead in a play recently produced at Essen was an east German who had negotiated the engagement privately from his home town, and who returned of his own free will when the run ended. Thirdly: a football team from the Democratic Republic was playing the other day in the neighbourhood of Bonn. There was some pother over the bills announcing the match, which at first proclaimed that the visitors were from Karl Marx Stadt. Corrective strips, printed Chemnitz, the city's pre-communist name, were hastily plastered over the anathema, and all went well. While the Democratic Republic is trying to promote the official contacts, it is also trying, at any rate for the time being, to bridle the private ones, which with good reason, it holds to be politically insidious. The Federal Republic is working more or less in the opposite direction.

OF the regular meetings of east and west German officials those of the agency for supervising interzonal trade are generally considered to be the most important. Under the leadership of Dr Kurt Leopold, a civil servant of middling rank, the Federal Republic has some 15 to 20 officials working permanently at what is called the *Treuhandstelle für den Interzonenhandel* (*Treuhänder* = trustee). The Democratic Republic's counterparts belong unequivocally to its ministry of foreign and internal trade. Their chief until a few weeks ago, when she was packed off for a year's political grooming at the Karl Marx High School, was Dr Liselotte Seemann. It is not yet clear who has succeeded her, but it will certainly be someone of consequence. The annual cash value of the trading oiled by this standing collaboration is DM 1,000 million each way. The negotiations are invariably friendly. At times the west Germans have introduced problems that strictly are outside the province of interzonal trade, and have obtained some satisfaction. At others there has been no response to soundings in extraneous waters. It is not impossible that the *Treuhandstelle* is the precursor of more elaborate machinery for official transactions.

Although official co-operation in other fields is more active than is generally supposed, it is, except for the railway and post office timetable planners' meetings in Frankfurt and Berlin, mainly less premeditated. Berlin's two police presidents, for instance, talk to each other by teleprinter whenever enterprising burglars and the like make it worth while. Representatives of the two ministries of transport usually get together when the need arises to deal with problems concerning interzonal traffic by road and water. And so on. It is the whole range of these official—often called "technical"—exchanges which the east German authorities want to develop and to conduct on a higher plane. Many west Germans, both official and unofficial, would also like to see such a development. Advocating it at the Stuttgart party conference, the rising deputy chairman of the West German Social Democrats, Herr Wehner, declared that everything should be open to discussion with the east Germans—everything save the personal and civic liberty of all Germans alike. The federal minister for all-German questions, Herr Lemmer, of the Christian Democrats, stated warily the other day that "Bonn" was ready to "establish technical contacts with the authorities of the Soviet zone" if thereby it might be made easier for the east Germans to travel to the west.

FOR the east German authorities are showing themselves extremely anxious to reduce the multitudinous private contacts between east and west Germans, almost all of which are made by the former journeying to see the latter. As many as 2.7 million east Germans visited west Germany during 1957, of whom two million accepted the standing west German offer of DM 10 (nearly £1) pocket money, and 1.8 million that of the return ticket to the frontier, which they are unable to buy before leaving home. But the journey has latterly been made so difficult that during the first quarter of this year only 218,000 were allowed to visit friends in the west—462,000 fewer than during the first quarter of 1957. In consequence of similarly calculated and one-sided obstruction there has been at the same time a notable drop in the number of corporately organised meetings of churchmen, academicians, artists, and sportsmen from the two parts of Germany.

No newspapers are supposed to cross the interzonal border in either direction, and few do. But one channel of all-German communication is happily for the most part beyond the control of the censors of either side—the radio. Day after night, night after night, there is scarcely any part of Germany which cannot be reached in this way by the politicians, poets, saints, musicians, and mountebanks of both east and west.

Calm Before Storm in Nyasaland

FROM A CORRESPONDENT IN RHODESIA

THE return of Dr Hastings Banda to Nyasaland last week, after 41 years away, marks the beginning of a new era for the protectorate; but nobody, except the most optimistic African nationalists, is prepared to forecast how this era will end or even whether this new president-designate of the Nyasaland African Congress, who was hailed on his arrival as "our symbol of freedom, as we journey towards secession" from the Central African Federation, will see it out.

The testing time for Dr Banda came when he stepped out of the aircraft to face a gaily curious crowd of thousands. Until that moment he had been a legend of world-wide

success for a nation of 2.5 million whose menfolk often work abroad, but usually bring home merely a bicycle, blankets and smart clothes to signify their achievements in the Rhodesian Copperbelt or the Rand mines. Dr Banda has to his name three American degrees and an Edinburgh medical degree, as well as the reputation of having built up a prosperous London practice. More to the point, he has since 1951 been in the forefront of the Nyasa nationalists' fight against federation, and can claim the friendship of Dr Nkrumah, who invited him to practise in Ghana in 1953. Early this year, as a result of the Nyasaland Congress's failure to make progress towards secession, splinter groups broke off and the Congress faithfuls appealed to Dr Banda to come from Ghana to save them.

At the two large rallies held in Blantyre to welcome him, the Congress showed renewed solidarity, the only noteworthy absentees being the former president, Mr T. D. T. Banda, and Mr Wellington Chirwa, the federal MP who has long defied the Congress's demand that he should boycott the federal assembly. The theme of Dr Banda's speeches was to warn his followers that he had not returned "with self-government in my handbag," and that this objective would involve patient negotiation with the government and a consideration of the viewpoints of other racial groups. (There are 8,000 Europeans and 9,000 Asiatics in Nyasaland.)

The Nyasaland government thinks that there is a chance for "a new dynamic approach," but two factors discourage positive hopes that it can achieve common ground with Dr Banda on such questions as the speed of Nyasaland's constitutional advance within the Federation, the amount of African representation at the 1960 federal constitutional review and the safeguards which Nyasaland will then demand. First is the absence on leave of the governor, Sir Robert Armitage, during this crucial first month of talks; when he returns in August with a ruling from Mr Lennox-Boyd as to how far he may make concessions to the Congress, it is possible that Dr Banda, frustrated by the government's first vagueness, may have changed his present moderate line. Secondly, a tacit time-limit has been placed on Dr Banda by his followers, within which he must show some drastic results. The federal elections, likely in September or October, will also press him into action which may well be extremist and involve a paralysing form of non-co-operation.

IN his own talks with Mr Lennox-Boyd last month, Dr Banda headed a delegation which demanded an immediate "fair share in the government"—calculated at 22 out of 30 Legislative Council seats, instead of the present five seats in 23 (12 officials and six European "unofficials" provide the rest). He has frankly said that this is the means to the 1960 end of removing Nyasaland from the Federation and joining it with Tanganyika. The European unofficials have refused invitations to suggest any kind of constitutional reform, while the officials have stuck to economic arguments. In March, the Financial Secretary initiated a debate which was an imaginary exercise on how Nyasaland would manage if it were allowed to secede: he produced convincing figures to show that the country would have to find an extra £5 million annually to sustain its present rate of development. With the main crops of tea, tobacco, tung and cotton an unreliable basis for the economy, and with minerals tantalisingly appearing either in unworkable amounts or in places so remote as to make mining unprofitable, the economic prospects of expansion for Nyasaland depend on secondary industry, and millions more need to be spent soon to avoid the exhaustion of Blantyre-Limbe's water and electricity resources. But the recession has affected Nyasaland much less than the Rhodesias (though the basic income tax revenue for 1957-58 dropped by 20 per cent with the fall in copper prices); and the budget a fortnight ago provided for a record expenditure, in which pride of place was given to education, which claimed 15 per cent.

ALL this economic persuasion, however, has no more effect on Dr Banda than on the African Members of the Legislative Council. Europeans broadly look on politics today as welfare economics; Nyasaland Africans think more basically of their civil liberties and are disturbed at what they have seen and experienced when working in Rhodesia or South Africa. A recent remarkable statement by the Blantyre Presbyterian Synod points to various results of federation which have "produced a deep and widespread feeling of unrest, like a poison destroying race relations"; the Synod particularly noted the "Rhodesian" attitude of new immigrants, the increase in special police activities (expenditure on police per head of population is still half that of Ghana) and the continuance of emergency regulations which "seriously restrict" freedom of movement, meeting and speech. As well, the unrest has certainly been increased by the reactionary swing last month in the Southern Rhodesian elections, and the unabating call by white Rhodesians for dominion status.

Against this background, it is hard to see how Dr Banda can long maintain his moderate line. He may possibly be able to ignore his radicals for a time and bargain for concessions. But he has an abiding suspicion of the efficacy of constitutional safeguards, and cannot afford to abandon his stand on secession unless Sir Roy Welensky's government, and Rhodesians generally, show a most unlikely "change of heart." It seems obvious, therefore, that the period of quiet after his arrival, and while he confers with his followers, is but a lull before Nyasaland's greatest storm.

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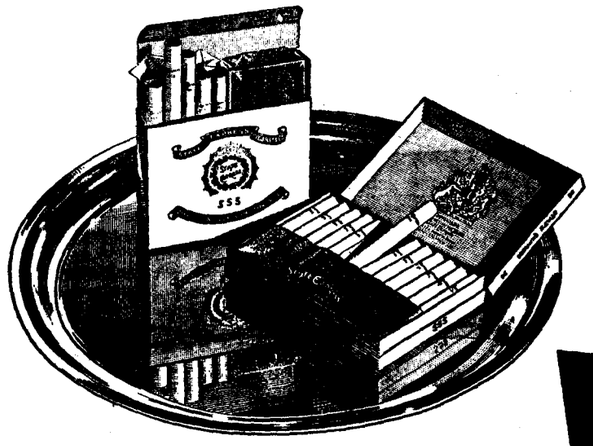

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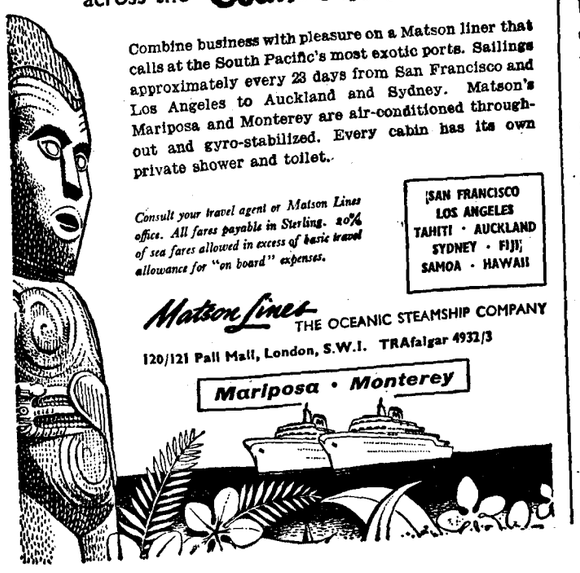

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THE BUSINESS WORLD

Lap Dissolve

When Mr Heathcoat Amory cut entertainments duty in half in his budget this year, he gave the British cinema business the largest injection of extra revenue that it has ever received from any government. The question, however, is whether the injection will prove to be a stimulant or a soporific. If the latter, the dose could not have been more nicely calculated.

In a full year, at the 1957-58 rate of cinema takings, the concession in duty was reckoned at £14½ million, leaving only £12 million of duty on an industry that two years ago was paying £34 million. This gave a good deal more than the trade's wiser heads had expected (though some had hoped for another countervailing increase in licence fees upon their rampant competitor, television). Even though their gross takings must be continuing to fall (the cinemas are doing nothing so unconventional as cutting seat prices and offering the public some of the remission in duty, but admissions are still slumping), the cut in duty rates offered exhibitors the hope of markedly higher net takings and rather lower costs, which should pull a wide fringe of them out of the red ink in which they had slowly been becoming submerged. This chance remains; but it is no longer as bright.

In the first quarter of this year, the slump in attendance was continuing at the worst rate yet: it was just on 25 per cent lower than in the first three months of 1957, which itself had showed a sickening fall throughout the year. At this rate, admissions this year might drop to less than 700 million, half those in 1948, though there have been suggestions from the trade that the rate of decline has moderated since March. Last year's total of 914 million admissions was already lower than had been forecast for 1960 by one market research expert whom the industry called in. At the exhibitors' annual conference this year another outside expert, a psychologist, suggested that the power of television to keep people away from the cinema was likely to increase with the rapid growth of the commercial system and the choice of programmes. After about five years, he thought, there tended to be a slight recovery in cinema attendance by viewers (it might be noted that television by then will probably be developing some kind of third channel).

Though attendances in the first quarter were nearly 25 per cent down, total box office takings were only 17 per cent down; the patrons were being beguiled with higher prices. Out of gross takings of £92.7 million last year, entertainments duty left the exhibitors a net revenue of £66.2 million: in a full year at the new rate of duty, assuming that the decline in attendances moderates a little, box office takings of some £75 million might leave them just about the same as in 1957, with a rather higher rate of levy to pay to producers of films made in Britain and about the same rates of film hire (which are usually based on graded percentages of net receipts). Upon the elaborate figuring of costs for cinemas as a whole that has so often been debated between this industry and the Customs and Excise, this might appear to offer the exhibitors about £5 million profit from showing films, making their main business about as profitable as their sales of ice-cream, orangeade, and the showing of advertisements. Operating profits of the order of £10 million on cinema business as a whole, before providing for depreciation or rent, would offer the trade something better—though not much—than in 1956-57, when it reckoned on a trading profit of about £8 million, 80 per cent of it from "ancillary income."

It is that minor access of income for the time being, enabling the trade to ride out yet another year of slipping trade—with the hope in a year or two, providing things still look bad enough, of getting the remaining £12 million out of some sympathetic government—that could lull this business into sheer

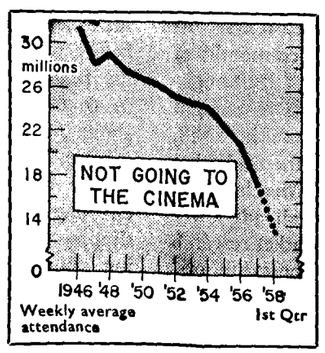
accidie. Nothing has come of the variously brutal schemes of rationalisation, by cutting down the number of halls showing a limited supply of films to a shrinking public, that were suggested by Mr John Davis of the Rank Organisation and other experts last year ; nothing will for the time being. The one demonstration of concerted action that has occurred is characteristically restrictive of competition: levies to make a fund to buy up and sterilise television rights of old moving pictures. Some slight rationalisation does appear to be occurring among the eight or ten distribution companies that maintain elaborate parallel services to move this small supply of films round the country ; but the industry is still far from the common-service organisation for physical distribution of films that could easily handle the job now performed by several overlapping organisations. In the current condition of this trade, the business is disappearing a good deal faster than the people squabbling for a share of it.

One section of the British film industry, as ever, remains absolved from a good deal of the squabbling ; production in Britain is protected by quota, financed by a government film bank, and given an extra penny or twopence out of the till, over and above what it gets through ordinary bargaining, every time a ticket clicks out. These measures do not afford full shelter from the ebb-tide of cinema business ; as total receipts from film hire have shrunk, the share that goes to production in Britain has come down too. In 1957 it was reckoned that producers were losing nearly half a million a year (on risk capital provided largely from public funds). A continued fall in attendance this year at the rate postulated above for exhibition might cut its share of film hire by as much again ; but the Government has again revised the scales of its statutory levy on takings to offer producers rather more than a million pounds extra to offset this. Projection of the British way of life—even on to the screens of nearly empty halls—remains the one element in the British film industry that is guaranteed to capture the imagination of civil servants and ministers ; the rest is an irritating corollary. No better epitome of the attitude of politicians to this industry as a whole has ever been offered than one revealing phrase in, as it happens, a Labour supplementary question this May: "Does the Parliamentary Secretary realise that it is not in the best interest of British film production that its income, to a large extent, should be tied to such an unstable source as cinema admissions ? "

For the big circuit, doing its own distribution and producing some of its own films, opportunities for rationalisation of the wholesaling and retailing of films are more practical than for the broad, tatty fringe of small halls ; even so, to look forward simply to such economies would be a thankless task for managers and a poor lookout for shareholders. The Associated British Picture Corporation, whether or not it foresaw such a cinema slump as has occurred, saved itself from simply that four years ago, when it decided to go into commercial television ; today, along with other programme contractors it is doing well out of "its licence to print money" enabling it to pay a dividend totalling 30 per cent for the year to March 31st, against 20 per cent for 1956-57. In Wardour Street the week before its 1957 results were announced, there were guesses of "£3 million from television and half a million from cinemas." Be that as it may, ABPC did show a trading profit of £3,490,994 (against £2,599,481 in 1956), though it is not saying how that total is made up. "The improved results," said its chairman Sir Philip Warter this week, "are attributable to the achievements of our subsidiary company—ABC Television Limited. . . . The cinema trading results were adversely affected not only by lower attendances but also by the very large sum of over a million pounds which was spent on maintenance."

That sum was in fact spent on "those cinemas which are considered to be the key situations of the future." Sir Philip does not say how many of these there are ; during the year the group closed 12 cinemas, leaving 353 in operation, with one under construction at Preston. It made 14 feature films for cinemas and "various television subjects" last year, and Elstree is busier now even ; it closed some of its branch offices on the distribution side. Its television operations—week-end programmes for the Midlands, Lancashire and Yorkshire—prospered amain (it reckons its viewership now at about 10 million, as against one million when it began in February, 1956), and during the year ABPC acquired the only 4 per cent outside interest in ABC Television, making it a wholly owned subsidiary. "The board is examining the further diversification of the Corporation's activities within the general framework of the entertainment industry, including overseas territories."

One form of transition once favoured in editing movies was the lap dissolve: bringing up one picture behind the other, and then letting the new one shine through and take the place of the old. A similar commercial transition has now manifest attractions for other people in the cinema business than ABPC. Mr Bernstein's Granada is reputedly his rival's envy as well as Lord Hailsham's bogey ; Sir Michael Balcon's name has been mentioned among groups seeking a programme contract on what he sometimes calls "the idiot lantern"; and next week Southern ITV will bring the Rank Organisation on to the little screen as well. Most tycoons in the film business will aver their confidence that sooner or later the rival screens will find a balance ; in the meantime, more and more of them are getting a foot on each side of the fulcrum.



Austria's Power Economy

The sorcerer's apprentice has everything under control

HALF way up the Grossglocknerstrasse, the eye is delighted by the waterfalls of the Käfertal across the valley—at least, on a clear day. When the clouds come down, and at night, these kilowatts do not have to be wasted on tourists ; engineers divert the waters through a mountain tunnel to join the reservoir system serving the two power stations at Kaprun. About one thing the Austrians have a praiseworthy mean streak. They have the strongest objection to letting water power escape without using it—and, if possible, using it several times over. Austria is by no means the biggest producer of hydro-power in Europe or the biggest consumer of electricity per head. Nor is the speed of power development (total output up nearly four times since 1946) so impressive to the visitor as the ingenious meshing together of different sources of energy into a comprehensive power policy.

Austria's power output last year was about 12½ billion units, of which public power undertakings were responsible for practically 10 billion units. Of these 10 billion units, eight billion were from hydro-stations and two billion from thermal stations. The basic principle of Austria's power planning is that thermal power should provide about a quarter and hydro power about three-quarters of total requirements. There are reserves of lignite to provide thirty years' fuel for extended steam capacity in Styria (as low as £40 per kilowatt installed). But water is the great resource and the Austrians are determined to make the most of it, using thermal capacity to balance out between summer and winter. A normal year's output presents this pattern, with steam contributing a good deal more in dry years:

	Winter	Summer	Year
Hydro Stations :—			
Run of the river	20	40	60
Storage	11	4	15
	19	6	25
Steam			
	50	50	100

This contrast between winter and summer hydro resources is in the nature of things. It affects the two big Danube stations (Jochenstein and Ybbs-Persenbeug) to a lesser degree than the mountain river systems.

The Danube run of the river plants can be used, within the limits of seasonal flow, very much as base load stations, with 40 per cent of their output in the six winter months and 60 per cent in the summer—in years when the river is well behaved. Twelve such stations gleam in the eyes of the engineers, who talk in a matter of fact way of extracting 80 per cent of the Danube's energy potential by their means. One of them alone could add a tenth to Austria's power output last year.

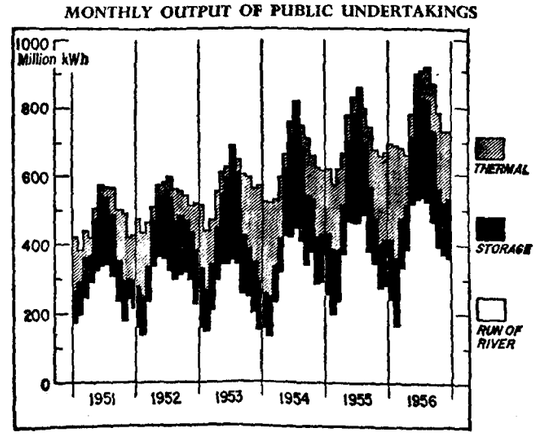
Construction cost of run of the river plants are generally taken at two Austrian schillings per unit of yearly output—say 7d. The actual cost seems to work out somewhere near £175 per kilowatt installed, so that the figure in terms of yearly output presupposes a service use of over 6,000 hours a year. For the storage stations, the cost is put between 4 and 5.5 schillings—say 1s 1d to 1s 6d per unit of yearly output. Fixed costs per unit of output over the years will naturally depend on the service life of the installations and on interest charges—usually taken together at 10 per cent of the investment.

Hydro development is an intense user of capital during the several years needed to bring in a major scheme, but thereafter it offers the prospect of cheap power for as long as planning makes sense. Dependence on rain, snow and the timely melting of glaciers can sometimes be awkward.

WHEN the system has to rely on a bigger output from thermal stations. The swings of thermal, storage and run of the river output are shown in the first chart. The problem that the Austrians are tackling is to translate unwanted kilowatts into valuable energy for use when water is scarce. The answer is two-fold. Use the rivers to the full in the summer and conserve mountain water increasingly for use in the winter. Secondly, use power that would otherwise run to waste at off peak times to pump water up to higher reservoirs for later conversion into peak power.

An illustration of how this pumping works is shown in the second chart. In the Vorarlberg, there is a group of hydro stations that in origin and in present practice serve the needs of Germany and make an important contribution to Austria's power exports—not far short of two billion units last year. One of its important functions is to take care of sudden increases of

MONTHLY OUTPUT OF PUBLIC UNDERTAKINGS

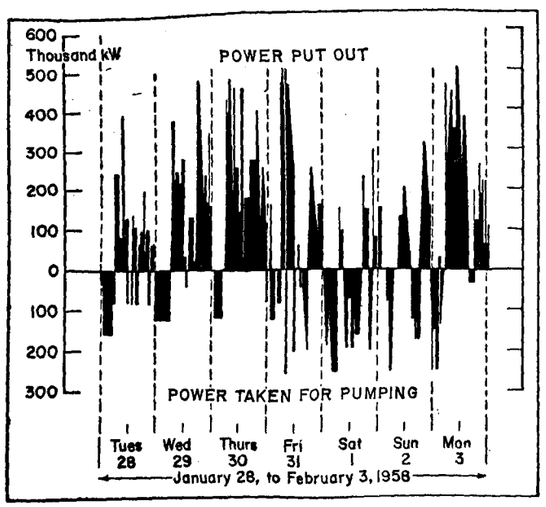


load on the German system that would otherwise cause a frequency drop below 50 cycles. With its new capacity at Lünersee, all automatically controlled, it can swing within two minutes from sending out several hundred megawatts of power to using two hundred megawatts or more for pumping water to the higher reservoirs. The five pumps can be taken out of service in less than a minute and full power output resumed in a couple of minutes. It would take several hours to run up a steam plant to its full rating.

This flexibility is illustrated particularly well by what the chart shows for Lünersee on January 31st. What happened to demand around ten o'clock that morning is not exactly clear, but suddenly the whole system was put into reverse. It had been sending out about 500 MW; then for half an hour it drew 250 MW from the grid system to pump; then for an hour or so it was back to high output; in the afternoon pumping was resumed and in the evening the generators went back to part load. But on every day of the week pumping was being carried out in the early hours of the morning, using surplus power from the Austrian system. The trick (and this is of particular interest here, since day storage plants are contemplated in Scotland and Wales) is that the generators also serve as motors; they are driven by water turbines to generate power, and they take power from the grid to drive pumps when their output is not needed. Superimposed on this night to day storage there is summer to winter storage too. The sums are complicated, but briefly the Lünersee installations are rated to use 535 million units at surplus times to pump water that will produce 410 million units for daily and seasonal peak use. Thus the Lünersee plant acts as big counterweight, taking surplus power or sending power out according to need. All this is down to automatic operation; even the pushing of buttoms has become an unnecessary chore.

The stations mentioned here are no more than particular examples of engineering enterprise among many that impress the non-technical visitor. There are many others worth mentioning and all of them attract a degree of public interest in Austria that one wishes the nationalised industries in this country could foster. British visitors to Zell am Zee this summer should spend a day inspecting Kaprun with its two reservoirs 7,000 feet up and two power stations; the round-trip costing 15s. is about the best tourist value in the world.

ONE WEEK AT LÜRNERSEE



AUSTRIANS react rather sharply to the notion that public power is "nationalised" in a British sense. Yet the practical working out of their system is not so very different from the direction that has latterly been taken by ours. At the top is the Verbundgesellschaft which buys in bulk and sells to bulk distributors, runs the grid network, looks after international power relations, and plans for the future. The shares in the Verbundgesellschaft are wholly owned by the Austrian government, whose representative, it is said, contents himself with appearing at the annual general meeting and nodding five times. The Verbund takes power from the Sondergesellschaften (whose status somewhat resembles that of the power companies in this country before nationalisation). In these special power companies, half the capital at least is owned by the federal government and up to half may be owned by the provinces; commonly the government owns more and the provinces less.

These undertakings provide the bulk of the public supply system. Government influence over their prices is decisive, and there is little doubt that power prices are and have been too low. For example, the Tauernkraftwerke AG (which runs Kaprun among other stations) has share capital and reserves of 1.6 billion Austrian schillings; its profit after interest in 1956 was 1¼ million schillings. Less than one-tenth of one per cent is a distinctly low return, especially for a non-nationalised industry. In fact, the Austrian power system could do more to help itself towards expansion. It spent around two billion schillings last year on investment; a mere 100 million schillings came from its own surpluses and 250 million from depreciation. The rest came from the federal and provincial governments (220 million), the World Bank (330 million), ERP funds (210 million), internal power loans (520 million) and other sources (410 million). The Austrian public have become keen supporters of electric power loans, and their savings doubtless owe something to cheap power. Perhaps the World Bank, which has put $57 million into Austrian power in the last five years, might be inclined to temper its admiration for the good purpose its money has served with the reflection that the consumer could do a bit more towards new investment. But the Austrians have already shown how to develop their own power and with Zurich, the World Bank, and other countries to help—to say nothing of their own investors—they are not likely to go short of investment money.

BUSINESS NOTES

MIDDLE EAST MARKETS

A Heavy Fall

FOR the whole of Monday and Tuesday share markets fell heavily. After a pause on Wednesday they dropped again on Thursday. The *coup d'état* in Iraq had caught investors on the wrong foot; a bull market had been in progress on both the gilt-edged and industrial sides; a bull account had been built up in oil shares. The issue of £10 million 5¾ per cent stock (1976-78) for Mersey Docks and Harbour Board was in the pipe line. The fall in prices was therefore inevitably sharp and prolonged. The movement of the indices gives only rough measure of what occurred. The *Financial Times* industrial index fell from 178.1 on Friday of last week to 174.3 on Tuesday, and rallied to 175.2 with the opening of the new account on Wednesday. Oil shares are not included in that index, and the big movements have been the falls this week up to Thursday of 14s. 4½d. in BP and of about 11s. in Shell. *The Economist* indicator running from Wednesday to Wednesday does include oil shares but does not pick out the days of gloom. At 192.9 it showed a fall of only 1.2 to Wednesday night.

On the first two days of this week the *Financial Times* index of Government stocks dropped from 84.41 to 83.29. It, too, rallied only temporarily on Wednesday. Government funding through the market has come abruptly to a halt. The Mersey Docks issue, which had looked about rightly priced with a gross redemption yield a penny or two over 6 per cent, fell by the wayside. Underwriters had to take up 90 per cent of their obligations, and with an opening price of one discount can count themselves lucky to see their loss approximately covered by commission. Evidently there must now be a holiday from gilt-edged issues. Issuing authorities have been quite extraordinarily unlucky in that not one of the three issues made since the last Bank rate reduction—Liverpool, Jamaica and Mersey Docks—has attracted the public. Now in the industrial market Albert E. Reed comes forward with a £5 million 6 per cent debenture 1979-84 to shareholders only at £98. Those terms must have been designed to look attractive, but in these markets there can be no assurance of success.

Adjustment Unfinished

RE-ASSESSMENT in the markets is not yet complete. As this issue goes to press prices are again falling steeply; War Loan at 66 showed a fall of a further ½ on Thursday and BP at 96s. 3d. one of 6s. 3d. A bull market, reasonably restrained, dies hard, and this one may even yet not be dying. Many investors are still eagerly looking for profitable outlets for their money. An example of their search even while the fall has been in progress is the purchase by institutions under rule 163 (e) of a fair block of the unquoted non-voting £1 "A" ordinary shares of Associated Television at just over £6 per share to yield just under 5 per cent. But most investors are now asking themselves how much the new market situation reminds them of the Suez affair and how much it looks like war. Markets fall into a well-known pattern when war clouds gather: gilt-edged stocks fall; most industrials fall, but shipping shares

	July 11	July 15	July 16	July 17
Gilt-edged :—				
Conversion 3½% 1969..	87	86½	86½	85½
Transport 3% 1978–88 .	66 ⅛	65½	66	65
Funding 3½% 1999–2004	72	71½	71½	71
War Loan 3½%.....	68	66½	66½	66
Oil :—	s. d.	s. d.	s. d.	s. d.
BP.....	112 6	99 4½	102 6	96 3
Burmah	73 9	66 3	68 1½	65 0
Shell	145 0	134 4½	138 9	134 3
Ultramar	68 9	67 0	68 6	67 4½
Industrials :—	s. d.	s. d.	s. d.	s. d.
AEI	50 0	50 0	50 0	50 0
ICI.....	28 9	27 10½	28 6	27 10½
BICC	43 0	42 3	42 0	40 4½
Vickers.....	29 10½	30 1½	31 0	30 9
Shipping :—	s. d.	s. d.	s. d.	s. d.
Brit. & Commonwealth	38 0	37 6	37 6	36 6
LOF	17 9	19 0	19 9	19 7½
P&O.....	30 6	31 6	31 9	31 4½
Copper (£ per ton)	194½	198½	198½	204
Lead (£ per ton).....	69½	69½	71½	73½
Zinc (£ per ton).....	62½	63 ⅜	64½	65½
Rubber (d. per lb).....	22½	23	23	23
Wool Tops (d. per lb)	98	103½	101½	103½
Barley (£ per ton)	20½	20 ⅛	20 ⅛	20½

and commodity prices rise. The table shows that prices have moved in that direction, but as yet they have not gone far. Barley, for example, is the commodity (apart from oil) most vulnerable to a crisis affecting Iraq. It has risen but only 6s. 6d. a ton in an active market. Share movements too have been kept within bounds partly by sheer need of the jobbers to widen their quotations and protect themselves. The jobbers may nevertheless still have to take more stock and at lower prices; but these are not panic markets.

Focus on Baghdad

THE upheaval in the Middle East brought an abrupt reappraisal of the immediate Bank rate prospect. Last week's further fall of more than ½ per cent in the Treasury bill rate brought it very nearly a full point below Bank rate, discounting an early reduction—a reduction frustrated, if it was ever intended, by the new crisis. Inevitably, it has had immediate repercussions on sterling. But while the outlook has been transformed in the shortest term, it is much too early to assess the force of the wider impact. A major disturbance in the Middle East could conceivably postpone indefinitely the chances of any further Bank rate reduction. A major conflagration could even tip the balance of the world economy from recession to inflation and thus reverse the direction in which Bank rate had been likely to move next. If, on the other hand, the crisis is contained, its effect on the economy and the markets could turn out to have been merely a temporary injection of uncertainty and delay.

Within these limitations, one most encouraging factor has been the behaviour of sterling. Any international political

crisis always hits sterling, as an international currency backed by modest reserves; a crisis in the Middle East appearing to threaten Britain's oil interests and revenues would normally be especially disruptive. The present crisis, moreover, comes in the midst of the phase of seasonal strain. In these circumstances, the modest extent of the weakening of sterling this week can be taken as an impressive indication of the strength of underlying confidence. The official rate against the US dollar has fallen on balance from $2.80\frac{3}{4}$ to $2.80 on Thursday when the market was thin. On Tuesday night when the rate was $2.80\frac{3}{16}$ it might have fallen below parity in the absence of official support. On Wednesday no further support was needed and no support was evident in the transferable market, where the rate has fallen to $2.77\frac{1}{2}$. Security sterling also has fallen below $2.78, the lower limit of official sterling for the first time for some months.

Sterling continues to show its weakest front against the Continental currencies: it stands at or near its support point against D-marks, guilders, Belgian francs, Italian lire and Austrian schillings. But it appears that any support the Exchange Account has had to provide at these rates has been small. A somewhat curious feature against this background has been the placing early this week of German and Swiss funds in the money market. It seems likely that these orders represent the execution of decisions taken at the end of last week when an early reduction of the London Bank rate seemed likely. Now the discounts on forward sterling have widened a little, and this has virtually removed the margin on interest arbitrage covered against the exchange risk.

However, the movements in the forward margins have by no means been large. Even after this week's widening of the premium on the US dollar three months forward from $1\frac{13}{16}$-$1\frac{15}{16}$ cents to $2\frac{1}{16}$-$1\frac{7}{8}$, and the concurrent fall of 0.15 per cent in the London bill rate and rise of 0.2 per cent in the New York rate, the forward exchange margin only just offsets the reduced interest differential, leaving no apparent speculative ingredient.

IRAQ OIL

Normal So Far

At the time that *The Economist* went to press, oil still appeared to be flowing normally through the pipelines that traverse Syria to Banias and cross the frontier to Tripoli in the Lebanon, though there were unexplained reports that Syria itself had imposed petrol rationing. Jordan, which ordinarily gets its oil by road tanker from Iraq and has no significant storage facilities, was reported to be receiving oil from Bahrein by air to replace the supplies cut off when the frontier was closed after the revolt in Baghdad. From inside Iraq, officials of the Iraq Petroleum Company were still telling their headquarters in London that operations were proceeding normally without interference.

The company had received no word of the reactions of the new rulers of Iraq to the heads of agreement that had been reached in principle between its managing director, Mr Herridge, and Mr Chalabi, the economics minister in the former government, a few days before the revolt erupted. Under this IPC had agreed to surrender exploration and development rights in parts of the areas over which it holds oil concessions, allowing Iraq to exploit these independently; it was left to the company to suggest areas in which it would be prepared to give up its rights. The company had told the government of its intention to double its current offtake of about 35 million tons a year by the end of 1961. And it had also agreed to furnish details of production costs in respect of 1955, 1956, and 1957, concerning which the two parties had been in dispute about the amount of royalties due to the government.

With the flow of oil supplies from the Middle East, for the moment, proceeding normally, there has been practically no impact yet upon European tanker markets, beyond perceptibly firmer quotations from owners: Shell came into the market on Thursday for the first time in a year, but only for one or two vessels for early autumn loading from the Middle East and Caribbean. The United States Military Sea Transportation Service was reported to have chartered 20 T-2 tankers from the Western Hemisphere to the Middle East, which was to be expected in view of the emergency movement of American forces, though 20 T-2s would represent no more than a fifth of the laid-up tonnage that this service already has under its control.

BRITISH TRADE

A Record Surplus

The London dock strike was largely responsible for the sudden widening of the trade gap last month. Exports usually fall in June but not by as much as the £64 million drop recorded this time; the Board of Trade estimates that some £40 million of this fall was attributable to the strike. Because of the quicker recording on the receiving side, the import figures for May had already been affected by the strike, and there was probably a further reduction in June of some £10 million or £15 million. Had there been no dock strike, the trade gap in May and June would probably have averaged around £30 million a month.

UNITED KINGDOM TRADE

(£ million—monthly averages or calendar months)

		Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to North America*
1957	1st quarter...	352·7	278·8	13·0	61·0	32·0
	2nd " ...	346·9	283·8	10·2	52·9	38·8
	3rd " ...	332·1	265·6	9·8	56·6	37·5
	4th " ...	326·9	280·1	11·5	35·2	35·8
1958	1st quarter...	311·2	273·7	13·7	23·9	34·6
	2nd " †...	305·2	258·8	11·6	34·7	39·2
	April	310·6	265·5	11·8	33·4	36·2
	May	308·4	287·3	14·6	6·4	44·1
	June†	300·6	223·7	8·4	68·5	37·4

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

In the first half of the year, British exports were 5 per cent lower in value than in the same months of last year and imports were 12 per cent lower. But this picture is distorted not only by the recent strike but also by the arrival of the Suez-delayed cargoes a year ago. Making what allowance is possible for these factors, the underlying fall in the value of exports was probably 3 per cent and in the value of imports about 9 per cent. Export prices have scarcely changed between the two years, but import prices have fallen about 10 per cent, which implies a reduction of about 3 per cent in the quantity of exports and a small increase in the quantity of imports.

It is evident that the terms of trade have been entirely responsible for the encouraging showing of the balance of trade in the first half of the year. The gap in visible trade,

Continued on page 232

Stony Path for Profits

More than half the 852 companies caught in the second quarter analysis of profits drew up their accounts on December 31st and they include many of the giants of British industry and international trade. The April-June figures set down in detail on pages 242 and 243 therefore sketch a rough outline of trading in 1957 and just a little beyond. They tell investors nothing of what has happened to earnings in the first half of 1958 or what is happening now. The completion of two years of the analysis on the new basis introduced in the third quarter of 1956 enables a cumulative table of profits to be presented for the year to June 30th with comparative figures for the previous year; the companies included in the latest quarter account for about a third of the total number of companies and to about a half of the gross trading profits.

Profits were hard to earn but they had not actually turned downwards: heavy investment was rewarded by only a small increase of 1.8 per cent in trading profits from £1,041 million to £1,060 million. These are poor pickings in contrast to those enjoyed by the 420 companies which reported a rise of 11¼ per cent in the first quarter of this year—an exceptional quarter in which recovery in motor profits and high earnings from the then expanding steel industry played a dominant role. Despite that exceptional quarterly result, it is still apparent that with stable industrial production industrial profits have been maintained only with difficulty. Advances in profits reported in the four quarters of 1957 ran in the order one per cent, 4¾ per cent, 5¼ per cent and 4¾ per cent. And since new investment was being ploughed steadily in, the return on employed capital must have been falling.

The rate of return on capital employed (at book values) by these 852 companies has fallen from 22.8 per cent to 20.9 per cent. Compared with a year earlier further investment in fixed assets has called for bigger depreciation provisions which total £215 million, absorbing £25 million more from profits: part of this investment has been financed by new issues of loan capital, and debenture interest has risen by £5½ million to £28 million. The tax bill has been cut by £11 million, but still net equity earnings have declined by £1½ million to £355 million. Ordinary shareholders, however, have not been the losers, for net ordinary dividends have risen by £11 million to £130 million. Expressed as a gross rate on issued capital, swollen a little by scrip issues, these dividends represent a notional 15½ per cent, compared with 15¼ per cent a year ago.

There is no distinct divergence of fortune between the producers of capital goods and the manufacturers of consumer goods. Ten oil companies make up the largest single industrial group and their profits rose by a mere one half of one per cent. The other groups bulking large in the latest analysis are food and confectionery (reporting a fall of 6.2 per cent in profits), chemicals and paint (achieving an increase of 10.9 per cent), engineering (where a host of companies report a rise of 7 per cent) and miscellaneous manufacturing (where profits have risen by 14.1 per cent). The textiles trades have fared badly; profits from wool were down by 20.6 per cent and from cotton by 17.2 per cent.

Though profits were hard to come by, the 852 companies, especially the giants of international trade, did not cut their rate of replacement and investment significantly. Net investment in fixed assets was £340 million, raising their book value to £2,887 million, and there was an increase in working capital, with stocks rising by £141 million to £1,836 million and debtors by £87 million to £1,238 million. The total of "quick" assets was £8 million higher at £738 million, but the food and confectionery companies, overshadowed by the giant Unilever combine, reported a sharp decline of £19 million in cash assets and an increase of £15 million in bank overdrafts. In total the bank overdrafts of the 852 companies rose by nearly £26 million to £251 million. These companies were also big borrowers in the capital market: about £109 million was raised in loan capital, including the big issues made by ICI and British Petroleum. Another £73 million was raised by cash issues of ordinary and preference shares. These are big sums but they are overshadowed by additions to reserves of £268 million.

Thus British industry has added to its capacity, but as yet it has not been able to employ it to best advantage. Investors are aware of this steep, stony path, but, looking beyond present troubles, they have already begun to wonder how distant are the more pleasant lanes on the other side of the hill.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published April to June, 1958 — 852 Companies: Previous Year	Reports Published April to June, 1958 — 852 Companies: Latest Year	Reports Published July, 1957 to June, 1958 — 2,337 Companies: Previous Year	Reports Published July, 1957 to June, 1958 — 2,337 Companies: Latest Year
Gross trading profit	1,040,635	1,059,975	2,147,176	2,252,732
Income from investments	45,525	51,529	86,648	97,920
Other current income	1,805	1,537	2,839	2,332
Non-recurring credits	20,693	22,556	48,442	56,198
Total Income	**1,108,658**	**1,135,597**	**2,285,105**	**2,409,182**
Depreciation	189,953	214,821	377,450	429,593
Income tax	363,521	347,596	737,732	737,355
Profits tax	73,324	78,355	160,665	178,672
Directors' emoluments	23,439	24,469	58,361	60,328
Administrative charges	6,349	7,579	19,666	21,708
Contingencies, provisions, etc.	25,492	31,517	46,920	53,154
Pensions	18,926	18,383	32,448	33,937
Minority interests	12,860	13,840	26,585	29,657
Loan interest	22,460	27,892	44,572	55,168
Preference dividends	15,398	15,820	32,465	33,329
Profits retained by subsidiaries	87,587	82,430	178,757	182,293
Ordinary dividends	118,936	129,759	261,726	288,790
Reserves (parent company)	121,188	126,762	254,770	270,031
Brought in (parent company)	189,196	218,421	396,881	449,869
Carried forward (parent company)	218,421	234,795	449,869	485,036

ANALYSIS OF BALANCE SHEETS Published April-June, 1958 (£'000)

Capital Liabilities and Reserves	852 Companies: Previous Year	852 Companies: Latest Year	Assets	852 Companies: Previous Year	852 Companies: Latest Year
Capital (Parent Companies):—			**Fixed Assets:—**		
Debenture	518,180	627,413	Land, property and plant	3,746,579	4,272,937
Preference	421,628	440,879	*Less depreciation*	1,198,890	1,385,498
Ordinary	1,360,363	1,451,347		2,547,689	2,887,439
	2,300,173	2,519,639			
Reserves and Surplus :—					
Capital reserves	733,954	848,574			
Revenue res. and carry forward	1,348,305	1,501,843	**Trade Investments**	316,934	352,038
Total Capital, Reserves and Surplus	4,382,432	4,870,056			
Outside Interests in subsidiaries	187,536	191,970	**Intangible Assets**	99,732	101,121
Current Liabilities and Provisions:—			**Current Assets:-**		
Bank overdrafts and loans	225,120	250,825	Stocks	1,694,896	1,835,591
Creditors	896,171	949,093	Debtors	1,150,539	1,237,745
Other current liabilities	480,685	505,540	Gilt-edged secs.	113,948	104,799
Future taxation	285,551	298,072	Other marketable investments	123,222	135,966
Other provisions	82,940	86,883	Cash	493,475	497,740
	1,970,467	2,090,413		3,576,080	3,811,841
	6,540,435	7,152,439		6,540,435	7,152,439

Continued from page 230

according to the monthly returns, has been running at an annual rate approaching £350 million, but this is not the figure that will appear in the balance of payments accounts. The trade returns include in the cost of imports the charges for freight and insurance, a substantial part of which is paid to British firms and does not enter into overseas transactions. In each of the last two years the actual payments deficit on visible trade has been some £500 million less than the so-called trade gap. That difference is not invariable, but it seems certain that in the balance of payments accounting there has been an appreciable surplus on visible trade in the first half of this year, which could be as high as £150 million on an annual basis. It looks as if 1958 may see a surplus exceeding the existing postwar record of £300 million achieved in 1950. Indeed the figure may be as high as £450 million if the total of "invisible" earnings from shipping, travel, insurance and investments is maintained at last year's level which seems to be its present course.

COAL PRICES

The Gentleman in Millbank

THE Government this week formally refused a proposal of the Select Committee on Nationalised Industries that when it overrules the National Coal Board on a matter of coal prices it should do so by specific Ministerial direction under the nationalisation Act. The Select Committee had suggested this course, in cases where the Minister of Power and the Board disagreed after consultation on prices, after criticising the present "gentleman's agreement" under which the Coal Board undertakes not to change prices without the Minister's consent. The Coal Board, while observing that it hopes for eventual freedom from any ministerial control of its prices, favoured the Select Committee's proposal.

The Government has turned down this proposal that it should exercise its influence through the constitutional forms of the Act for reasons that Sir Ian Horobin gave the Commons this week:

> The Government do not believe that it is possible to conduct great industries like the coal industry except on the basis of constant and confidential consultation between the Board and the Minister. There is a joint responsibility, especially for prices. It is not realistic to suppose that any Government could completely dissociate themselves from the general level of coal prices. It is equally a statutory obligation on the Board so to arrange its affairs that, taking one year with another, it makes ends meet. The Government therefore feel that it is inescapable in this matter that responsibility should be shared, and they feel that to introduce a formal direction would be a very grave step and would hinder the proper relations between the two.

Understandably, Sir Ian did not find it politic to refer to the fact that under the present arrangement, which has no basis in law, the Minister's influence has on several occasions made it impossible for the Coal Board to avoid annual deficits, which comes close to preventing it from fulfilling its statutory obligations.

Two former Ministers of Power spoke in this debate upon the Select Committee's report and the annual report of the National Coal Board, and it is perhaps as well to have their views about this informal price control on record. Mr Robens supported the Select Committee, arguing that the Coal Board should be free to fix its prices subject to consultation, and that if the Government wished to overrule these it should give the Board a direction and place the statutory instrument on the table of the House. Mr Shinwell "did not think there is any political advantage in that": the present Opposition might find itself supporting an increase in coal prices while Ministers were refusing it, and "if we were the Government it might be even worse." He felt, therefore, that the Coal Board should be obliged to consult the Minister; but that, having been consulted, the Minister should leave it to the board, saying "It is your business. You raise the price of coal and you must accept responsibility."

Cutting Costs with Output

BY letting "natural wastage" run down its mining manpower in most coalfields, and abandoning Saturday working, the Coal Board has now deliberately cut its production—by June, down to 6 per cent below the 1957 level. Its labour force is not down nearly as much as that—the latest figure of men on colliery books is 695,800, less than 2 per cent below last year's figure. But higher absenteeism and working only five days a week has reduced the number of shifts worked by a much higher percentage: output per manshift for all miners is now slightly higher than last year, and this is a key factor in mining costs. In its first quarter the Board showed a small financial surplus —£3.8 million compared with £8.8 million in the first quarter of last year. This seems mainly to have been due to a much reduced loss on coal imports; but the economy measures that began during the quarter did have a fairly rapid effect in improving colliery profits, and this seems to have been continuing. In the Commons this week, with many provisos, Sir Ian Horobin quoted the crude rule of thumb that every one per cent improvement in output per manshift, other things being equal, would mean about £5 million a year extra for the Board. At certain times this year this crude measure of productivity has been 3½ per cent higher than in 1957.

This cut in production has not yet enabled the Board to reduce its colliery and opencast stocks of coal—its customers can read the figures of surplus as well as the next man, and are not increasing their own distributed stocks as much as usual. There are signs that the switch to fuel oil has regained some of its pre-Suez impetus: as Sir Ian commented, between 1951 and 1957 coal prices rose 60 per cent while fuel oil prices rose only 20 per cent, so that in comparison with this convenient and powerful competitor coal has gone up a third in price over six years.

In the industrial market, where the remaining informal allocation scheme for coal is going to be dropped, coal salesmen, moreover, have none of the freedom to bargain of their oil competitors. No customer for large quantities of fuel oil need pay the posted price, and some of the discounts given to secure custom are really substantial. In contrast, coal prices are rigidly based on pithead prices controlled by the Ministry, plus freight charges: nor even is the salesman always able to tell a customer what the price will be, simply because he cannot guarantee that a customer will be supplied from a particular pit. Sir Ian this week purported to discern elements of flexibility in the productive capacity of the Board to deal with any sudden re-expansion of demand (the chance that absenteeism might be reduced, plus the hope that investment must pay off some time); it is hard to discover any commercial flexibility for the Board in its increasingly competitive market.



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BANKING HALF YEAR

From Advances to Gilt-edged

THE mid-year balance sheets of the clearing banks seem at first glance to belie the general assumption that no considerable upsurge of bank advances is to be expected after the "ceiling" is formally withdrawn at the end of this month. During the 6½ weeks to end-June every one of the big banks recorded an expansion of advances and the aggregate rose by £68 million to £2,030 million. This is fully £170 million above the low point reached last January, though £50 million below the peak of mid-1957.

It would probably be wrong, however, to deduce from these figures that the trend was significantly upwards even before the news of the Chancellor's relaxations. The greater part of the rise since last January apparently resulted from the seasonal impact of tax-gathering, the effects of which extended further into the year than usual. The strong resumption of the upward movement in the closing period of the half-year, following some weeks of stability in private-sector advances, may mark the beginning of a new trend; but it seems more probable that it was mostly attributable to special influences—notably the temporary inflation of the extraneous intra-bank clearing items that are generally grouped with advances proper. It may be noted, too, that £7½ million of the recorded rise was due to demands from the nationalised industries.

LONDON CLEARING BANKS

	June, 1958		Change since May 21, 1958	Change since End-1957	Change since Mid-1957
	£mn		£mn	£mn	£mn
Deposits	6,668·6		+257·6	−260·4	+178·7
Net deposits†	6,325·0		+205·6	−190·8	+161·5
		%			
Liquid Assets	2,190·3	*(32·8)*	+111·8	−473·5	+ 23·9
Cash	549·8	(8·2)	+ 19·4	− 50·8	+ 32·8
Call Money	425·8	(6·4)	+ 14·2	− 99·6	− 20·4
Treasury Bills	1,111·6	*(16·7)*	+ 86·0	−291·3	+ 56·8
Other Bills	103·3	*(1·5)*	− 7·7	− 31·8	− 45·1
Risk Assets	4,210·9	*(63·1)*	+ 86·0	+281·2	+142·3
Investments	2,181·4	(32·7)	+ 18·0	+132·7	+192·6
Advances	2,029·5	(30·4)	+ 67·9	+148·5	− 50·3
To State Boards	70·7		+ 7·6	− 8·1	+ 13·2
Others	1,958·8		+ 60·3	+156·6	− 63·5

* Italic figures in parentheses are percentages of the asset totals to the *published deposits.* † *After deducting items in the course of collection*

Banking policy, at all events, has plainly been based for some time past upon the assumption that no great pressure upon bank resources would come from the direction of advances. Most of the banks have been prepared to utilise any spare liquidity by purchases of investments, and several of them have returned to the gilt-edged market in strength. Over the past twelve months aggregate investment portfolios have been expanded by no less than £193 million, to £2,181 million, much their highest since the big wave of selling and of depreciation in the first half of 1955. As a result, in spite of some expansion of liquid assets—by £24 million over the 12 months—liquidity ratios have been significantly reduced. The aggregate ratio rose during the closing weeks of the half year from 32.4 to 32.8 per cent; but this compared with 33.4 per cent 12 months before, and was the lowest mid-year figure for three years.

The reversal of the movement of advances during the year has not been matched by any change in the trend of deposits. On the contrary, the rising trend has persisted and recently, indeed, has steepened. Over the twelve months aggregate net deposits have risen by £161.5 million (compared with a rise of £193.4 million in 1956-57); in the closing weeks of the half year they rose by £205.7 million—or by fully £20 million more than in the similar period of 1957. The seasonally corrected index compiled by Lloyds Bank thus rose by another 1.4, to 110.7 (1948 = 100). This compares with 107.9 at mid-1957 and is easily the highest figure since the early months of the squeeze in 1955.

The Midland's Investments

As might be expected, it is in the sphere of investment policy that the individual banks show the most striking divergences. Lloyds Bank, whose deposits represent a little over 18 per cent of total clearing bank deposits, has been responsible for one-third (£65 million) of the net rise in aggregate investment portfolios during the past twelve months—though its investment ratio is still a shade below the average. At the other extreme, the Midland Bank, with 21½ per cent of the aggregate deposits, has increased its investment portfolio by only £24 million—but it still has an above-average ratio. This caution in face of the prospect of falling money rates doubtless stems from the lessons of 1955. The Midland was one of the four big banks that disclosed a depreciation on its portfolio; but, unlike the other banks, it abstained from selling stock and thus did not convert book losses into realised ones. Partly for that reason, and partly, it appears, because of differences in accounting procedure, it showed a larger percentage depreciation than did the others. That presumably explains why it alone is still showing some depreciation. The book value of the portfolio has not been written down at all since the new valuation formula was introduced: at end-June it showed an excess of £5¼ million, or 1.1 per cent, over market worth. The bank states that the maximum life of any stock was eleven years and the average life "within" five years.

PARKING METERS

Now For Some Garages

FOR the past week motorists wishing to use authorised kerb-side parking space in the north west corner of Mayfair have had to pay for the privilege—at the rate of 6d. for an hour's parking and 1s. for two—while their colleagues who have tried parking in this area elsewhere than at the 630 parking meter sites installed by the local council have found the police much more ruthless in exercising their powers of towing away stationary vehicles that are obstructing the Queen's highway. The first parking meter scheme in this country appears to have got off to a good start: there has been the customary howl from various motoring organisations, but traffic wishing to move through the streets of this area have found them visibly freer and the first few days' takings suggest that on average about 70 per cent of the meters are being used during the hours they function—which from experience in other countries is quite good for the first few hesitating days.

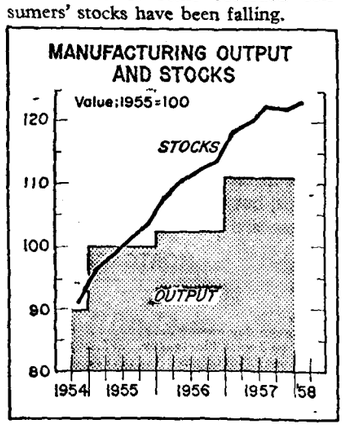
But two things are necessary before this first, and still experimental, scheme can be pronounced a success. The first is that meters should be installed over a much larger area of central London. At present it is still a relatively simple matter for even the short term parker, who has a reasonable argument for using the public highway as a temporary garage, to drive a few hundred yards further on and find free street parking space, even if it means double or even treble banking. This is not the object of meters—to push congestion into a neighbouring area. They are designed to regulate, by the use of the price mechanism, the street space that can reasonably be set aside for the vehicles that want to stop for a short period; and to drive the all-day parker either into the peripheral parking lots at underground, bus and railway stations, whence he can continue commuting by public transport, or into the off-street parking garages that the end of cheap and easy street parking may make it worthwhile to build and operate. There are not many more than a dozen public garages in this central area of London at present, and few of them have ever been completely filled. The arrival of parking meters should give the green light to the various schemes mooted in the last two or three years by private developers and by public authorities for new public parking garages: few of these schemes appear to have been vigorously pressed on with because of the uncertainty whether they would pay as long as

Are Stocks Beginning to Fall?

AN inventory recession begins, classically, with a cut in the volume of goods held by those who have paid for them, as distinct from those who sell or make them. As consumers begin to live off their existing stocks and reduce their orders, "involuntary stocks" may build up farther back in the pipeline: later distributors and then manufacturers start to reduce their stocks too. One of the major questions now concerning the British economy is whether such a stock recession has already begun here: the Chancellor's Bradshaw, on this point, is still rather inadequate and out of date. The value or the volume of stocks of more than thirty items, from agricultural products to industrial raw materials and finished goods, are now regularly recorded and published. The Board of Trade has also been collecting every quarter since 1955 from many thousands of manufacturing and non-manufacturing firms details of changes in the value of their stocks and work-in-progress: more recently the Board has been collecting similar information about stocks held by wholesalers. But knowledge about stocks held by consumers, which would probably be the first to show any general tendency to reduce holdings, is still very sparse.

Stocks of steel and coal held by industries that use them—the only two series of consumers' stocks that are recorded—have recently been falling: steel stocks have been dropping since March, the last date for which figures have been published, and distributed coal stocks so far this year have been consistently lower than last year's. Stocks held by wholesalers of manufactured goods, foods, and agricultural products, according to the Board of Trade's new and still provisional series, rose about 10 per cent in value in the first half of 1957 but fell in the second half so that for the whole year there was an increase of about 3 per cent, a somewhat smaller increase than during 1956.

The total value of manufacturers' stocks of materials and finished goods and work-in-progress rose further last year, but the increase was not so great as in previous years. Manufacturing output, in value, was also rising, as the chart terms: in real terms, it changed little. The total value actually fell slightly in the last quarter of the year, against the usual small seasonal increase, and the slight increase in the first quarter of 1958 was also much smaller than in earlier years. It is difficult to tell to what extent these changes are the result of price reductions. The prices of industrial materials, other than fuel, have been falling for most of the past year, but these account for less than a quarter of total manufacturing stocks, while the prices of manufactured products (other than fuel) have been levelling off. But it is only in the last few months that the volume of some recorded consumers' stocks have been falling.



	Consumers' and Distributors' Stocks: Steel: Consumers'	Steel: Merchants'	Coal: Distributed	Textiles: Wholesalers'	Merchants', Importers' and Government Stocks*	Manufacturers' Stocks: Materials, Work-in-progress & Finished Goods	Finished Goods: Furniture	Paper and Board	Bricks	Cement
	'000 tons	'000 tons	'000 tons	1950 avge. value = 100	December, 1956 = 100 (constant prices)	end-1955 value = 100	£'000	'000 tons	million	'000 tons
End-year:										
1955	3,420	225	18,340	90	116	100·0	2,608	83·0	188	267
1956	3,880	348	17,893	95	100	109·9	2,507	110·0	254	332
1957	4,120	406	18,765	95	100	118·1	2,765	119·3	385	361
Months:										
1957 March	3,980	379	16,167	121	90	114·5	2,965	110·5	385	357
April			16,254	115				115·8	374	368
May			17,094	113				119·5	344	332
June	4,000	391	18,279	109	88	116·2	3,357	118·0	316	321
1958 March	4,220	420	15,065	122	93	118·9	3,129	130·4	593	351
April			14,936	117				131·3	558	332
May			16,143						490	301
June			17,050							

* *Industrial materials other than foodstuffs and fuel.*

street parking was free. The decision of the LCC to allow open-sided garages should also be of help. Local authorities that instal parking meters have the advantage of being able —indeed obliged—to use the net revenue from their meters to help meet the cost of garages. Westminster City Council reckon to receive about £17,000 a year from the meters that they have now installed. Private garage operators may cavil at this subsidy, but the existence of these meters should at least make their existing garages, and many further ones, a worthwhile line of business.

LOCAL LOANS

PWLB Rates Cut

FOR the first time since February 25th the rates at which the Public Works Loan Board lends money to such local authorities as can pass the test of being unable to raise their money in the market, have been reduced. The reduction was clearly due in view of the three reductions in Bank rate and of the general downward movement in money rates that has occurred in the intervening five months. Interest on existing loans is not affected.

PWLB RATES

	Old rate per cent	New rate per cent
Up to 5 years	6¼	5¾
5 to 15 years	6½	6¼
Over 15 years	6¼	6¼

The only doubt must now be whether the reduction has been rightly judged to bring the PWLB rates into line "with those prevailing in the market for loans to local authorities." The fact that mortgage rates in the market moved only slightly at the end of last week when the new PWLB rates were announced suggests that they roughly do. The rate for loans of under 5 years may be an exception: it looks out of line with a current charge of about 6⅛ per cent in the mortgage market for two- and three-year mortgages, but the PWLB lends little on terms as short as that. These are the current mortgage market rates:

MORTGAGE MARKET RATES

(Percent)

	Mid February	Last week	Now
Seven day money	6¼	5–5¼	5
2 to 3 year Mortgages	7 –7⅛	6¼	6⅛
7 year Mortgages	6¾–7	6¼	6⅛
10 to 15 year Mortgages	6¾–6¼	6 upwards	6

Somewhat lower rates than these are being advertised by those corporations that rely on getting their necessary capital from the public direct. For instance, Manchester, having rejected with some excuse its opportunity to come to market, is offering 5¾ per cent for mortgage loans of £50 and upwards of two to eight years' duration.

INDONESIA AND STERLING

An Unlikely Recruit

INDONESIA is at pains to show its desire to re-orient its international trade and finances away from Amsterdam and towards London and the sterling area. Bank Indonesia, the central bank, has this month opened an office in London; and the present governor of the bank, Dr Lukman Hakim (his predecessor, the outspoken Dr Sjafruddin, is leading the rebels in Sumatra and Celebes) has been in London for talks with the Governor of the Bank of England and the Chancellor of the Exchequer. He has doubtless discussed practical intentions as well as ultimate aims. Among those aims is sometimes included membership of the sterling area. It may not be fully understood that this would entail in the first instance important responsibilities, notably alignment of exchange regulations and pooling of overseas earnings, rather than an easy source of new credit. It would also entail a stricter observance to codes of commercial conduct than Indonesia has displayed—though it is noteworthy that Indonesia has recently made a small move to clear the big backlog of blocked profit remittances.

Aside from this particular notion, it does seem likely that Indonesia will over the years draw closer to London, especially perhaps in entrepôt trade. But, unless the prejudices of the politicians are allowed to override economic realities, there should be no wholesale pull-out from Amsterdam. The Dutch still play an extremely important role in Indonesian business. This has recently been exemplified in the trade in tobacco, which has returned to Holland despite attempts to divert it, simply because the product is so closely geared to the Dutch market. And it is not yet clear in London whether or not Indonesian tin is still smelted at Arnhem. In finance, too, the major links are still through Holland, where Bank Indonesia is retaining its main working office overseas, although the bank's delegate for Europe, Dr Khouw Bian Tie, is now stationed in London instead of Amsterdam. Transactions with members of the European Payments Union are settled through the Dutch central bank, though Indonesia can make multilateral use of its sterling through its membership of the transferable account area. The official attitude in Britain to Indonesia's advances is likely to be cautious. Desires here are to see order restored to Indonesia's economy, to see the important British-owned companies in tea and rubber allowed not only to produce but also to remit earnings and shift personnel, and to see less of politics and prejudice in Indonesia's financial ventures.

BUILDING SOCIETIES

Investors Coy

IN a fuller explanation than usual of its decision not to recommend any change in interest rates, the Building Societies Association gives a useful but rough indication of the recent rate of the inflow and outflow of money. The table shows that rough figure, comparing the second quarter of this year (during which Bank rate fell from 7 per cent to 5 per cent) with the second quarter of 1957, when it was steady at 5 per cent.

	June quarters (£ million) 1957	1958
New investment	100	107
Withdrawals	68	79
Net inflow	32	28
Mortgage advances	92	83

Such estimates for the probable outturn of the whole movement based on a 47 per cent sample and blown up in proportion produce a figure that is not close enough to compare with the Association's quarterly return (a 75 per cent sample) due at the end of August, and still less with the Association's quarterly figures plus those of The Halifax and the Provincial societies which should at about the same time make it possible to compile a sample of fully 90 per cent of the movement.

But the indications of trend are probably right. Although reductions in Bank rate have made building society investment look more attractive, the inflow of new money had not responded, at least until the last week or two. Nor had withdrawals dropped. The societies in consequence have had less money to lend on mortgage. This seems to provide powerful backing for the contention that the societies cannot reduce the interest paid to shareholders below 3½ per cent net, nor the interest paid to depositors below 3 per cent net as they would have to do if they were to reduce the interest charged to borrowers below 6 per cent. Again the Association points out that its eyes are not so much on Bank rate as on the rates of interest offered by other claimants to the flow of savings—the Government, the local authorities, finance corporations and industrial companies. This may look like an argument that the building societies cannot reduce their interest rates until the National Savings Committee does likewise, which would certainly be overstating the case. But the societies are entitled to point out that in sticking to a 6 per cent minimum on new mortgages as most of them did they "brought special problems on themselves during the last winter and spring."

With total assets of £193.5 million, or a rise of £30.9 million in six months, the Co-operative Permanent Society shows a growth ahead of the average even after deducting the extra £22.5 million of assets that the Scottish Amicable Society brought in. Excluding the Scottish Amicable, the figures show net receipts of £7.1 million and a rise in the amount advanced over the six months from £12.8 million to £13.9 million. If the management of the Co-operative Society now feels, as apparently it does, that the time is ripe for the opening of more branches the basis for that costly operation is strong. It will have to be kept strong by the maintenance of the cash assets (not to be confused with the liquid assets) at a high figure. Cash and Treasury bills on June 30th stood at £5.3 million, a figure which might have turned out much lower were it not for the good fortune that only £1.2 million of investments in the Scottish Amicable were actually withdrawn. It would not be surprising to see the Co-operative Society build up its cash assets further before it undertakes any more mergers.

GERMAN BONDS

Sinking Fund Victory

THERE is considerable satisfaction in the foreign bond market that the British view about the proper way in which to apply the sinking funds on the Dawes and Young issues has prevailed. The Bank of England as agent of the German government is applying the sinking funds by buying in the market. That means that the Government broker is an announced buyer of the stock at a price normally a shade under the market, and that the large quantities of the bonds that have been bought by German nationals and repatriated are not liable to be turned in against the sinking fund. Buying in the orthodox way is likely to turn out quite economically for Germany which is expected to invest about £200,000 this year in each of the two loans. This volume is still small compared with the steady repatriation demand from Germans attracted by the tax advantages to German residents of these stocks.

PHOTOGRAPHIC FILM

Making the Base

OF the two principal manufacturers of photographic film in Britain, Kodak gets its film base from the United States, applying only the light-sensitive emulsion coating here; while Ilford, since 1950, has been able to draw its supplies from plants located in this country. The Bexford plant at Brantham on the Suffolk-Essex border, which was built on the suggestion and with the help of the Board of Trade twelve years ago, makes film base which is sold to Ilford for coating. This factory, which cost £2½ million to put up, is jointly owned by Ilford and BX Plastics (the latter company is owned by British Xylonite and Distillers); it happens to be the only one in the sterling area, meets between a third and a half of the total requirements of film base, by weight, in this country for home sales and export, and has recently been opening its doors to visitors.

There have been other attempts to make film base in Britain before the last war, but all failed primarily through difficulties met in trying to achieve continuous casting in the form of sheet of the cellulose "dope." The process, to be worthwhile, has also to be undertaken on some scale. At the time the Bexford plant was being built, cellulose triacetate was replacing nitro cellulose and, for X-ray film base, cellulose diacetate or acetate butyrate as the basic raw material. Triacetate makes as good a film base, and has the extra merit of not being highly inflammable; but it is even more tricky to cast continuously at high speed, as it can make a brittle film, and needs a highly expensive solvent, methylene chloride, which calls for a highly efficient system of solvent recovery. Bexford was perhaps fortunate, as it built its first 200 ft x 44 in casting machine direct from a model measuring only 2 ft x 4 in. It now has six machines in operation and a seventh building, reaching an output last year of 29 million ft of film base, valued probably at a little under £2 million, or about a third of that amount of photographic film after final preparation and packing.

INTERNATIONAL FINANCE CORPORATION

New Plans in Rhodesia

AN informal working arrangement is announced between the International Finance Corporation, which is an affiliate of the World Bank, and the Merchant Bank of Central Africa in which Rhodesian Selection Trust is one of the partners. The two bodies will co-operate in the study and financing of private enterprise, predominantly industrial, in the Federation of Rhodesia and Nyasaland. It is not difficult to imagine the advantage to the Federation that a tie up with the IFC and a possible inflow of further investment from outside may bring. To Rhodesia £10 a ton in the price of copper means about £600,000 in the budget outturn and the total budget is only £51 million. But as the recent budget speech by Mr Donald Macintyre showed, investment has been maintained at a high level despite the fall in copper and has now reached the abnormal rate of 43 per cent of the Federation's gross national product compared with 18 per cent in the United States and 24 per cent in South Africa.

On the side of IFC this is the first tie up with a bank in Africa though arrangements have been made with private

institutions in India, in Pakistan and elsewhere. It is well known that both the World Bank and IFC are anxious to deploy part of their resources to the advantage, as direct as possible, of the black man. They are believed for example to be interested in finding suitable investment projects in the British High Commission territories in South Africa. If there is any surprise in the present announcement it is that the other financial institution in Rhodesia—Rhodesian Acceptances (which is connected with Rhodesian Anglo American)—should not be included. That is doubtless covered by the phrase in the announcement: "Co-operative arrangements with such an institution in any country are in no sense exclusive."

ANTI-DUMPING

Whitewash

LITHOPONE used to be the basic colouring material for paints but it has gradually been ousted by titanium pigments and today its main outlet is in the manufacture of whitewash. Two British manufacturers, Imperial Smelting Corporation and McKechnie Brothers, who have found it increasingly hard to combat the inroads of titanium pigments, asked the Board of Trade to put an anti-dumping duty on the 2,000 to 3,000 tons imported annually from Germany. After 18 months the Board of Trade has agreed with some reluctance to set the necessary machinery in motion.

The facts of the case are decidedly odd. Imported lithopone already attracts 20 per cent import duty and is selling in this country for the current British market price of £54 to £55 a ton. Moreover, imports represent only about 10 per cent of total British consumption. But this small margin means to British and German manufacturers alike the difference between spreading the overheads of expensive capital plant over an economic rate of output or running uneconomically below capacity. To run to capacity, the German manufacturer, Bayer, is prepared to export the surplus margin of production at roughly half the domestic German price of £60 to £65 a ton. Bayer's agents in this country have protested sharply that imports are already restricted by Board of Trade quota, that some customers prefer the German product for technical reasons and that they have in any case "never attempted seriously to undercut British market prices." Since British and German lithopone sell here at roughly identical prices, nothing short of the exclusion of the German product will help the British manufacturers to recapture the last 10 per cent of the home market that they now consider vital for their economic future. The difficulties of an industry facing a shrinking market deserve sympathy, but was this really the purpose of giving anti-dumping powers to the Board of Trade?

TIMBER

Softness in Softwood

AFTER a sharp setback early this year stability seems to have returned to the timber market. It has been achieved by joint Swedish and Finnish action in regulating minimum prices for exports and a rebate scheme for Russian timber has been introduced to offset the higher prices charged earlier in the season. That holds the line for the moment but it does not settle what will happen in the autumn. Between the beginning of the year and mid-June prices of softwood have dropped by up to 10 per cent, partly because of reduced European consumption and partly because Canada has been able to compete in Europe almost for the first time since the British timber trade was decontrolled in 1951; consistently high freight rates had until last year kept Canada off the European market. Freight rates for Canadian shipment to Europe have now fallen from a peak of £43 to around £18 per standard and have enabled Canada to return to the market just when the economic pace in Europe was slackening and house building activity was being cut back.

One result of the timber surplus will be the immediate slowing down of timber cutting and processing. Production in Europe—especially of the private enterprise timber interests of Sweden and Finland—has already fallen below capacity. Russia, however, is likely to be influenced less by economic considerations than by a need for sterling. Russia's total exports—about 700,000 standards last year—are only a small percentage of estimated Russian production of up to 12 million standards, and Russia is anxious to sell 250,000 standards to Britain which, as the biggest single customer, took 290,000 standards last year. Up to the end of June Russia had sold only 150,000 standards, about half of it at the high prices ruling last December. Some timber experts think that for the moment Russian harbours may have difficulty in handling much more than the present rate of shipment.

The slow-down in the home timber trade has been significant. British consumption of softwood in the first five months of the year was more than 11 per cent down on the corresponding period of 1957. Purchases, however, were 25 per cent lower, so that the high stocks were reduced by 37 per cent below the peak figure of the beginning of this year. At 357,340 standards at the end of May, however, stocks were still 3 per cent up on May last year. Highest estimates put British total consumption this year at only 1.3 million standards, compared with 1.46 million in each of the two previous years.

The pattern of British imported timber supplies has meanwhile been changing sharply as the table shows:

	Per cent of arrivals 1957	Per cent of purchases Jan.–May, 1958
Canada	14	21
Sweden	33	27
Finland	19	21
Russia	20	19

The lower quality South Swedish output that had greatly benefited from Canada's inability to compete, has taken much of the impact. Imports from the smaller European suppliers—Austria, Czechoslovakia and Poland—have also lost ground to Canada.

SHORTER NOTES

The increase in petrol prices has no connection with this week's events in the Middle East. The ½d. a gallon now added to the prices of petrols other than 100 octane and the ½d. a gallon addition to gas oil, derv, vaporising oil, and light fuel oil prices (heavy fuel oil prices are still unchanged) is the direct result of stronger demand for gasoline in the United States—and in Britain and other principal consuming areas—which has led in the last month to several increases in US Gulf and Caribbean prices.

* * *

At the signing of the agreement between the United Arab Republic and the Suez Finance Company last Saturday the last minute difference as to the interpretation of the exchange rate guarantee was resolved by an exchange of letters. It will be recalled that the £E23 million was to be payable "in pounds sterling in London or in French francs in Paris calculated at the fixed rate of US$2.8715576 to the £E1." It is now agreed that the formula for the sterling portion shall be (in sterling) at least 40 per cent of $\frac{23 \text{ million} \times 2.8715576}{2.80}$. The same formula will be applied to the franc portion (up to 60 per cent of £E23 million), simply converting the resulting sterling at the Bank of France's current buying rate for sterling.

Two items in the South African budget bring further small reliefs to the Kaffir market and the gold mining industry. Producing mines will be allowed to offset expenditure on the exploration and prospecting of new areas. Secondly, normal income tax will not be charged on the profits made by companies whose shareholders are resident outside the Union, from the sale of shares and gold acquired in the Union by money specifically remitted from overseas for this purpose. This concession will clearly benefit the newly formed and American financed South African Investment Trust, but it seems to exclude the sharedealing profits of companies whose shares are partly held in the Union, which is the case for the leading finance houses.

* * *

Provisional estimates for Australia's wool clip for the 1958-59 season are 1,386 million lb (greasy)—a 3 per cent reduction on last season's total of 1,428 million lb, itself a 7 per cent fall on the previous season.

COMPANY AFFAIRS

COURTAULDS

FOLLOWING the fall in the combined profits of Courtaulds and British Celanese of £2.8 million in the year to March 31st the group is now in a "recession . . . the duration of which is difficult to gauge." The chairman of Courtaulds therefore needed to tell stockholders at Wednesday's meeting what he is going to do, for clearly the surmounting of difficulties is the main duty of management. Sir John Hanbury-Williams did his best to outline a new set of ideas. He also warned stockholders that group profits before tax for the first three months of the current year have been below those of the first three months of the last financial year. He said that even if expectations of some improvement in the autumn are fulfilled it is unlikely that group profits for the whole year will be maintained.

The new ideas are twofold. On the textile side Sir John detects redundancy over the greater part of the world and fears that the surplus of productive capacity may in part be enduring. He envisages the production and consumption of both viscose and acetate filament yarn recovering materially from its present level, but expects even so that it will be somewhat lower than was achieved on average in the years since the war. He would like to see textile redundancy eliminated by means that he did not specify beyond giving his blessing to the voluntary loom buying scheme of the Lancashire weavers.

Secondly Sir John's prescription is to broaden the basis of the business. That diversification is the purpose of the subsidiary, Group Developments; that is the function on the board of Mr A. W. Knight. Is the announcement this week of the conclusion of a contract with Russia under which Courtaulds will provide the machinery (worth several million pounds) for a cellulose acetate yarn factory in Russia part of the first fruits? Hardly, for Courtaulds is already to that extent at least diversified. It is in the chemical industry, in engineering, in cosmetics, in packaging film manufacture and in adhesives. But the main investment is still in textiles, to the extent that 20 per cent of all the fibres, natural and synthetic, used in this country are of the group's making. It is going to take time significantly to alter the present tilt of the group's investment and in the meantime holders of Courtaulds £1 ordinary units which stand at 23s. 4½d. and yield £6 17s. per cent, are shareholders in a textile group with uncertain prospects.

UNITED DOMINIONS TRUST

MR J. GIBSON JARVIE, the chairman of United Dominions Trust, shrugs off hire purchase restrictions and the credit squeeze by saying laconically: "The year's results are again a record and they have been achieved despite very difficult conditions." No one can dispute his statement: in the year to June 30th the gross profits of this leading hire purchase finance house rose from £2,028,135 to £2,294,357 and its net profits from £400,203 to £437,942; all subsidiary companies operating during the year made a profit; though none of the overseas subsidiaries has paid a dividend to the parent company, they have earned "substantial profits" and so the directors feel "justified" in recommending an increase in the total ordinary dividend from 18½ to 20 per cent.

Last year's success was founded on the fact that when stock exchange prices were falling deposits with the leading HP finance houses, offering interest above Bank rate and paid gross, looked attractive to investors. Capital so marking time there would not depreciate and could fairly quickly be deployed in some other direction when the time came. UDT was certainly a strong competitor for liquid balances: over the year its current and deposit accounts rose by £20.2 million to £61.8 million, putting well into the shade the fall of £3.2 million to £14.7 million in bank loans and acceptances. The flow of new money into UDT enabled it to finance an increase of £12.3 million to £57.8 million in customers' accounts receivable and of £4.9 million to £17.8 million in bills and notes receivable. UDT's cash balances, on which not much interest can be earned, have risen by nearly £1 million to £8.8 million, but that increase simply keeps the liquidity ratio in trim. The dynamic growth of UDT is evident and investors have discounted it: its £1 ordinary units stand at 101s. and on the new dividend yield only £3 19s. per cent.

NCHANGA

THE Rhodesian Anglo American group of copper companies chose a novel method of securing a 10 per cent cut in production for the year beginning in March, 1958. Production was stopped for that period at Bancroft, whose annual rate of production was estimated at 40,000 tons of copper. But the 10 per cent cut in planned production for 1958-59 comes to only 27,000 tons, so that "Rhoanglo" paradoxically announced that production at Nchanga and Rhokana would be increased by 13,000 tons. Nchanga thus closed its financial year on March 31st in the knowledge that though the price of copper was still bumping along the bottom it would be stepping up production. With copper at under £200 a ton, all the major Rhodesian copper producers could still make small

profits on full production, but Nchanga has the advantage of being the lowest cost producer. It continues to enjoy that advantage even though it has begun to mill lower grade ore from its new open-cast pits.

Mineral royalties are tied to the price of copper, so that a variable element helps to cushion a fall in the price. In addition, the low price has forced all the companies to try to reduce other costs and to some extent they have succeeded. But the fall in the copper price has been so steep and so prolonged that, whatever savings the companies have achieved, their earnings have come down with a bump. In the year to March 31st, Nchanga earned a profit before tax of £6,845,380 (against £15,228,798) and after tax of £4,370,380 (against £9,528,798), and the appropriation for capital expenditure was reduced from £2,500,000 to £1,000,000.

Stockholders could not possibly be protected from the consequences of such a decline. But they were prepared for a reduction in the dividend, and the halving of Nchanga's dividend from 20s. to 10s. (net of Rhodesian taxes of 7s. 6d. in the £) on the £1 units came as no shock. At 9½ xd. the stock offers a yield, net of Rhodesian tax, of 5⅛ per cent.

GEORGE COHEN 600 GROUP

SHAREHOLDERS in the George Cohen 600 Group, engineers and metal and machinery merchants, had been warned that the increase in the interim ordinary dividend in February from 3½ to 4½ per cent was designed simply to reduce the disparity between the interim and final payments. Hence, the reduction in the final dividend from 8½ to 7½ per cent, again making 12 per cent for the year, gives no cause for alarm. But the group's trading results for the year to March 31st are disappointing.

Last September, the chairman, Mr Cyril Cohen, in a cautiously qualified statement, said that while no "marked increase" in earnings could be foreseen the group had budgeted for a profit approximately equal to that earned in 1956-57; earnings in the first few months of the financial year had come up to that expectation. Now, the group's preliminary statement shows that over the whole year gross profits have fallen by nearly 22½ per cent, from £2,336,628 to £1,813,815, and net profits from £1,092,462 to £808,179. Why did this steep fall occur, as it apparently did, in the latter months of the trading year? The group's non-ferrous metals division, battling against falling metal prices, may have taken a knock; the decline in activity in the steel industry may have played a part, for the group is the biggest holder of stocks of steel in this country; and the group's engineering subsidiaries have probably had to operate at smaller margins of profit. Whatever the causes—and no doubt the chairman will set them out in his statement—the decline in earnings led to a fall of 1s. 1½d. in the price of the 5s. ordinary units. At 11s. they yield £5 9s. per cent, and thus still reflect the earlier promise of growth rather than its present deferment.

PINCHIN, JOHNSON

PROFITS of such a manufacturer of paints as Pinchin, Johnson and Associates often swing in time with fluctuations in the output of the British motor industry and the recent recovery there is reflected in the increase in Pinchin, Johnson's trading profit from £1,971,691 to £2,147,839 in the year to March 31st. But this is a competitive industry and profit margins are still squeezed.

The group serves other trades than the motor industry and other markets than the domestic one. Spokesmen for the paint industry have also warned investors that it will be difficult to maintain profits this year. The directors of Pinchin, Johnson can hardly therefore be criticised for playing safe by leaving the ordinary dividend unchanged at 16⅔ per cent, absorbing £378,034 net from a profit after tax of £591,032. This profit is only a few pounds higher than the 1956-57 figure of £580,676, largely because of a big increase in the provision for overseas taxation. The 10s. ordinary units stand at 18s. 6d. to yield just over 9 per cent.

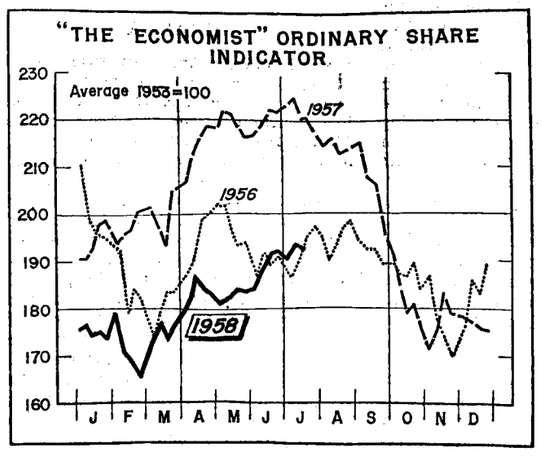
London Stock Exchange

FIRST DEALINGS:	July 2	July 16	Aug. 9
LAST DEALINGS:	July 15	Aug. 5	Aug. 19
ACCOUNT DAY:	July 22	Aug. 5	Aug. 26

MARKETS were advancing confidently when the Iraq crisis broke. The *Financial Times* index of Government securities rose to a peak of 84.41 on Friday but heavy losses on Monday and Tuesday caused a fall to 83.29. A small rally on Wednesday raised the index to 83.43, but prices fell again on Thursday on reports of landings in Jordan. The large gains made at the close of last week reduced net losses in the irredeemables and long-dated stocks; 3½ per cent War Loan lost an earlier gain of ½, tumbling 1¼ on the first two days of the week. A gain of ⅛ on Wednesday was followed by a further loss of ¾ to 66 on Thursday.

Losses in industrial stocks spread to most sections of the market, but were not exceptionally severe except in the oil market. Prices improved with the opening of the new account on Wednesday, but fell away on Thursday. *The Economist* indicator fell 1.2 to 192.9 over the week to Wednesday's close. British Bank of the Middle East dropped 2s. 3d. to 33s. 3d., but London banks showed gains on balance. Losses in stores were not extensive, and motors and steel shares rallied quickly. After the recent sharp rise, hire-purchase shares fell heavily, but recovered again on Wednesday, Bowmaker closing with a net gain of 10½d. to 27s. 7½d. and United Dominions Trust with a loss of 2s. 9d. to 101s. Hudson's Bay tumbled 6s. 3d. on Monday, but subsequently regained 5s. 3d. to 175s. The crisis revived interest in shipping shares, especially tanker companies. London and Overseas Freighters advancing 2s. 3d. to 19s. 9d.

In the oil share market British Petroleum declined from 110s. 7½d. to 96s. 3d at one time but recovered to 102s. 6d before slumping to 96s. 3d. on Thursday. Shell fell to 134s. 4½d. Some Trinidad oils improved. Kaffirs declined over the period in which the quarterly figures were announced.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
June 18	191·7	6·30				
„ 25	192·5	6·25				
July 2	190·3	6·32				
„ 9	194·1	6·12	194·1 (July 9)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
„ 16	192·9	6·17				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
July 9	176·0	6·23	90·50	4·91	8,665	High 179·6 (June 23)	High 207·6 (July 9)
„ 10	176·8	6·20	90·71	4·88	8,827		
„ 11	178·1	6·16	90·78	4·85	9,125		
„ 14	175·8	6·24	90·52	4·90	11,176	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
„ 15	174·3	6·30	90·17	4·95	10,517		
„ 16	175·2	6·27	90·10	4·94	8,839		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 9, 1958	Price, July 16 1958	Net Yield July 16, 1958 § £ s. d.	Gross Yield July 16, 1958 £ s. d.
98⅛	96⅞	War Loan 3% 1955–59	98⅛	98⅛	3 11 7	4 2 8
95⅞	90⅝	Funding 2½% 1956–61	95⅜	95⅝	3 0 1	4 4 0
99⅛	96⅛	Conversion 2½% 1958–59	99⅛	99⅛	2 18 4	3 15 7
97⅛	93⅝	Exchequer 2½% 1960	96⅜	96⅛	3 7 3	4 3 9
98⅛	95⅛	Exchequer 3% 1960	98⅛	98⅜	2 9 7	4 1 5
99⅛	95⅛	Conversion 4½% 1962	99⅜	99⅛	2 15 6	4 13 0
94⅛	88⅜	Exchequer 3% 1962–63	93⅜	93⅛	3 2 5	4 9 6
100⅛	99⅛	Conversion 4½% 1963	100⅛	100⅜	2 13 3	4 14 4
90⅛	83⅝	Savings Bds. 3% 1955–65	89*	89*	3 9 4	4 16 3
81⅛	77⅛	Funding 3% 1959–69	81⅛	81	3 19 3	5 9 1
89⅛	86⅛	Funding 4% 1960–90	87⅛	87¼	10 11 8	12 13 9
79¼	75	Savings Bds. 3% 1960–70	79	78⅛	2 18 11	4 16 10
90⅛	84⅛	Exchequer 2½% 1963–64	90⅛	90	4 0 10	5 11 7
82⅛	78⅛	Savings Bds. 2½% 1964–67	81⅛	81⅛	4 0 3	5 11 1
73⅛	69⅛	Savings Bds. 3% 1965–75	72⅛*	72⅛*	3 19 7	5 10 5
103⅛	99⅛	Exchequer 5½% 1966	103⅛	102⅛	2 18 8	5 7 6
83⅛	78⅛	Funding 3% 1966–68	82⅛*	81⅛*	3 19 4	5 7 11
94⅛	91⅛	Victory 4% 1920–76	93⅛	93⅜	3 3 6	5 1 1
87	81⅛	Conversion 3½% 1969	86⅛	86⅛	3 12 10	5 6 11
98⅛	97⅛	Conversion 5½% 1974	97⅛	97⅛	3 4 8	5 10 5
76⅛	71⅛	Treasury 3½% 1977–80	76	75⅞	3 12 10	5 8 7
76⅛	70⅜	Treasury 3½% 1979–81	74⅛*	74⅛*	3 13 1	5 8 8
101⅛	98⅛	Funding 5½% 1982–84	100⅛*	100	3 3 3	5 10 0
66⅛	60	Redemption 3% 1986–96	66⅛	65⅜	3 6 10	5 1 11
72⅛	64⅜	Funding 3½% 1999–2004	71⅜*	71⅛	3 4 0	5 2 4
75⅛	69⅞	Consols 4% after Feb. 1957	74*	73⅛*	3 2 2	5 8 1
68⅛	63⅛	War Loan 3½% after 1952	67⅜	67	3 0 4	5 5 2
68⅛	62⅜	Conv. 3½% after Apr. 1961	67⅛	67⅛	3 0 6	5 5 11
59⅛	54⅜	Treas. 3% after Apr. 1966	59	58⅜	2 19 3	5 3 8
51⅛	46⅜	Consols 2½%	51	50⅜	2 16 7	4 18 5
50⅛	46⅜	Treas. 2½% after Apr. 1975	50⅜	49⅜	2 18 2	5 1 9
95⅛	90⅛	Br. Electric 4½% 1967–69	93⅛*	93⅛*	3 6 4	5 5 10
75⅛	72⅛	Br. Electric 3% 1968–73	75⅛	75⅛	4 0 4	5 11 6
73⅛	68⅛	Br. Electric 3% 1974–77	73	72⅛	3 16 6	5 8 7
87⅛	82⅛	Br. Electric 4½% 1974–79	86⅛	86⅛	3 7 10	5 8 8
77	72⅛	Br. Electric 3½% 1976–79	76⅛	76⅛	3 12 7	5 8 5
87⅛	82⅛	Br. Gas 4% 1969–72	86*	85⅞	3 11 6	5 8 6
84	79⅛	Br. Gas 3½% 1969–71	83⅛	83⅜	3 13 3	5 7 8
67	60⅞	Br. Gas 3% 1990–95	66⅛	66⅛	3 6 10	5 1 5
75⅛	72⅛	Br. Transport 3% 1968–73	75⅛	75⅛	4 0 4	5 11 6
84⅛	79⅛	Br. Transport 4% 1972–77	82⅛	82⅛	3 11 5	5 10 1
66⅛	60⅛	Br. Transport 3% 1978–88	65⅛	66	3 11 10	5 5 7

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, July 9, 1958	Price, July 16 1958	Yield, July 16, 1958 £ s. d.
88⅛	83	Agric. Mortgage 5% 1959–89	87⅛	87	5 18 5
79⅝	76⅛	Australia 3½% 1965–69	78⅛*	78⅛	6 0 0
95⅜	92⅜	Birmingham 5% 1973–75	94	94	5 11 2
94⅛	90⅛	East Africa 5½% 1977–83	93	92⅛	6 8 0
100⅜	95⅛	East Africa 5½% 1977–81	100⅛	100⅜	5 8 5
62⅝	56	L.C.C. 5½% 1934–2003	62⅛	62⅛	5 3 6
82	78	Met. Water Board 'B' 3% 1976–78	80	79⅜	5 15 0
71⅛	69	New Zealand 4% 1965–70	70⅜	69⅜	6 1 6
98⅛	83	S. Rhodesia 2½% 1924	96⅛	96⅛	...
167⅛	160	German 7% (Br. Enfaced 5%) 1907	165	164⅛	...
		Japan 5% (Enfaced)			

Prices, 1958 High	Prices, 1958 Low	ORDINARY STOCKS	Price, July 9, 1958	Price, July 16, 1958	Yield, July 16, 1958 £ s. d.
		BANKS & DISCOUNT			
29/9	28/-	Bk. Ldn. & S. Amer. £1	29/3	29/6	6 2 0
44/6	39/9	Barclays Bank £1	43/-	44/-*	5 9 1
30/-	27/6	Barclays D.C.O. £1	29/-	29/6	5 8 6
43/6	35/6	Chartered Bank £1	43/-	42/6	7 1 2
47/9	41/3	Lloyds Bank £1	47/3	46/-*	5 13 0
64/6	57/6	Midland Bank £1	63/3	63/6*	5 13 5
35/6	29/6	Nat. Discount 'B' £1	34/6	34/6*	5 15 11
50/9	40/9	Union Discount £1	50/3	49/9*	5 0 6
		INSURANCE			
38/-	32/9	Commercial Union 5/-	34/-	34/-	5 7 10
132/6	113/9	Legal & General 5/-	130/-	125/-	4 0 0
101/3	86/3	Pearl 4/-	90/-	87/6	6 19 0
176/3	154/-	Prudential 'A' 4/-	166/3	167/6	6 2 8
		BREWERIES, ETC.			
36/6	31/-	Bass 5/-	35/9	35/-	6 11 5
24/3	19/7½	Distillers 6/8	23/10½	23/10½	5 4 10
41/10½	37/-	Guinness 10/-	41/10½	41/7½	6 0 0
90/6	75/6	Whitbread 'A' £1	87/-*	86/-	5 14 10
		MOTORS & AIRCRAFT			
14/4½	8/7½	Bristol Aeroplane 10/-	9/1½	9/6	10 10 6
8/9	6/7½	British Motor 5/-	8/9	8/4½	7 9 3
40/9	31/9	Ford Motor £1	39/6	38/6	4 13 8
30/9	24/9	Hawker Siddeley £1	28/3*	27/9	7 4 3
44/9	39/-	Leyland Motors £1	41/6	41/6	6 0 6
93/-	82/9	Rolls-Royce £1	88/-	87/9	4 11 3
8/1½	6/7½	Standard Motor 5/-	7/9½	7/4½	5 8 6

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 9, 1958	Price, July 16, 1958	Yield, July 16, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
49/3	41/10½	7 a 6⅔ b	Babcock & Wilcox £1	47/3	47/3	5 10 0
25/1½	21/7½	6 b 4 a	Dorman Long £1	24/4½	23/9*	8 8 5
54/7½	45/-	5 a 10 b	Guest Keen N'fold £1	53/4½	53/4½	5 12 5
35/3	28/3	†2 a †4 b	Alfred Herbert £1	34/9	34/1½	6 2 8
54/6	41/-	4 a 7 b	Metal Box £1	53/-	54/-	4 1 5
24/3	20/-	8 b 3 a	Stewarts & Lloyds £1	23/6	23/9	9 5 3
57/3	48/-	5 a 13 b	Swan Hunter £1	54/9	53/-	6 14 7
21/6	17/9	7½b 4 a	United Steel £1	21/4½*	20/10½	11 0 5
32/9	28/6	2½a 7½b	Vickers £1	29/10½	31/-	6 9 0
			ELECTRICAL			
52/-	47/-	15 c 2½a	Assoc. Elec. Inds. £1	49/9	50/-	6 0 0
46/9	39/3	4 a 8½b	Br. Ins. Callenders £1	42/9	42/-	5 19 0
29/-	24/7½	43½c 6½a	Decca Record 4/-	25/7½	25/7½	6 16 8
37/3	28/-	15 c 15 c	Elect. & Mus. Inds. 10/-	35/9	36/-	4 3 5
56/3	44/6	4 a 10 b	English Electric £1	53/-	53/6	5 4 7
38/9	29/9	8 b 3½a	General Electric £1	32/-	32/9	7 0 5
			TEXTILES			
16/3	12/3	3 a 3 b	Bradford Dyers £1	12/3	12/4½	9 14 0
23/3	19/6	2½a 6½b	Coats, J. & P £1	20/-	20/1½	8 14 0
25/1½	19/7½	3 a 5 b	Courtaulds £1	23/6	23/4½	6 16 10
34/7½	29/10½	12½b 5 a	Lancashire Cotton £1	33/6*	33/6	10 9 0
35/4½	30/-	2½b 7½a	Patons & Baldwins £1	31/10½	30/7½*	6 10 8
			SHOPS & STORES			
23/-	18/6	6 a 12 b	Boots Pure Drug 5/-	23/-	22/9	3 19 3
41/6	33/6	20 b 7½a	Debenhams 10/-	40/-	39/6	6 19 3
24/6	17/3	50 b 15 a	Gt. Universal 'A' 5/-	23/4½	22/9	7 2 10
45/1½	37/3	10 a 22½b	Marks & Spen. 'A' 5/-	43/9	42/7½	3 16 0
27/1½	21/-	12½a 20 b	United Drapery 5/-	26/10½	26/1½	6 4 5
42/10½	34/7½	26⅔b 13½a	Woolworth 5/-	40/9	39/3*	5 2 0
			SHIPPING			
38/6	29/-	6½a 13½b	Brit. & Com'wealth 10/-	38/-	37/6	5 6 8
22/-	16/6	2 a 8 b	Cunard £1	21/6	22/-	9 1 10
33/3	27/3	9⅓c 10⅔c	Furness Withy £1	32/3	32/9	6 12 0
31/9	22/-	3 a 8 b	P & O. Deferred £1	30/-	31/9	6 18 8
			MISCELLANEOUS			
35/6	27/-	22½c 18 a	Allied Bakeries 'A' 5/-	34/-	33/9	4 8 11½
39/9	31/-	3 a 6 b	Assoc. Port. Cem. £1	38/3	38/9	4 13 0
19/3	13/4½	11 a 9 b	Beecham Group 5/-	18/4½	19/3	5 3 10
36/-	26/6	4½a 8 b	Bowater Paper £1	34/9	34/-	7 7 0
48/-	36/9	4 a 8 b	Br. Aluminium £1	44/9	44/9	5 7 3
47/10½	37/7½	†10 a †6⅔b	Br. Amer. Tob. 10/-	47/3	46/9	6 4 0
25/9	19/9	7½a 17½b	B.E.T 'A' Defd. 5/-	24/6*	25/-	5 0 0
35/6	28/3	4 a 6 b	Br. Oxygen £1	33/9	35/-	5 14 3
19/-	14/4½	3 a 11 b	Dunlop Rubber 10/-	18/6	17/9	7 17 10
30/4½	24/3	4 a 8 b	Imp. Chemical £1	28/7½‖	28/6‖	5 12 3
45/3	37/-	8½a 11½b	Imp. Tobacco £1	44/-	45/3	8 16 10
37/6½	28/-	5 b 2½a	J. Lucas (Inds.) £1	37/2½	37/-	4 1 0
16/1½	12/6	5 a 8½b	Monsanto Chem. 5/-	15/1½	14/10½	4 10 10
14/9	13/7½	5 b 5 a	Ranks 10/-	14/7½*	14/6	6 18 0
38/3	27/9	5 a 9 b	A. E. Reed £1	38/3	37/9	7 8 5
14/3	11/8½	22½c 22½c	Sears Holdings 'A' 5/-	12/6	12/1½	9 5 6
55/6	48/9	12 b 4½a	Tate & Lyle £1	56/3	56/-	5 17 10
55/9	48/6	7½b 7½a	Tube Investments £1	55/3	55/-	5 9 0
64/-	52/1½	12½b 5 a	Turner & Newall £1	59/3	60/6	4 19 3
80/4½	70/6	6 a 11½b	Unilever Ltd. £1	75/9	76/9	4 11 3
104/6	77/-	16 b 4 a	United Dominions £1	103/9	101/-	3 19 2
30/9	26/-	†4¼a †10 b	United Molasses 10/-	30/3	29/11½	8 5 0
			OIL			
113/6	79/6	†5 a †10 b	British Petroleum £1	110/7½	102/6	5 1 10
78/-	59/1½	†5 a †7½ b	Burmah £1	74/4½	68/1½	6 11 10
£17⅛	£13⅞	7½a 17½b	Royal Dutch 20 fl.	£16⅜	£15½	3 1 1
151/3	117/6	†5 a †13⅜b	Shell £1	145/6	138/9	4 14 6
74/6	41/6	... ...	Ultramar 10/-	68/-	68/6	...
			MINES, ETC.			
148/9	115/-	20 a 60 b	Anglo-American 10/-	147/6	145/-	5 10 4
23/6	19/6	†2½a †10 b	Cons. Tea & Lands £1	23/-	22/6	19 6 5
51/6	41/6	6½a 12½b	Cons. Zinc Corp. £1	47/6	47/6	7 18 0
104/4½	80/7½	80 a 120 b	De Beers Def. Reg. 5/-	103/1½	102/6	9 15 5
93/9	76/-	20 b 40 a	Free State Geduld 5/-	91/10½	90/-	6 13 0
7/6	6/6	30 c 30 c	London Tin 4/-	7/-	6/9	17 15 0
54/6	46/6	50 a 50 b	President Brand 5/-	53/6	54/3	9 4 0
17/6	12/10½	16⅝b 1⅝a	Rho. Selection Tst. 5/-	15/1½	15/3	...
28⅜	20	175 b 25 a	Rhokana Corp. £1	26½	25½	0
54/6	46/-	12½a 37½b	United Sua Betong £1	52/6	52/6	19 1
101/10½	84/4½	60 b 60 a	Western Holdings 5/-	100/-	97/6	6 3

New York Closing Prices $

	July 9	July 16		July 9	July 16		July 9	July 16
Alcoa	70½	73½	DuPont de Nm.	185½	185⅝	N.Y. Central	16½	16½
Alumin'm Ltd.	27⅝	27½	Ford Motors	39⅜	40⅜	Sears Roebuck	29⅝	29⅝
Am. Smelting	43⅜	45½	Gen Elect.	60	60⅛	Shell Oil	75½	75½
Amer. Tel.	178½	178⅜	Gen. Motors	39⅝	40⅜	Std. Oil of N.J.	54⅛	54⅛
Anaconda	44½	45⅜	Goodyear	83	84	Tri-Conti'tal	33⅜	33⅜
Beth. Steel	41½	42	Gulf Oil	116½	110½	Union Carbide	89⅜	89⅜
Can. Pacific	27⅜	27½	Int. Bus. M.	368	359½	U.S. Steel	65	65
Chrysler Cpn.	47½	47½	Int'l. Nickel	76½	78½	West'house E.	56⅜	56⅜
Crown Zeller.	48⅜	48⅜	Int'l. Paper	101½	101	Woolworth	47⅜	47⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date (f) Flat yield. (g) On 13% (h) On 30% (i) On 15% (j) On 8% (l) To latest date

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 852 profit and loss accounts published April-June, 1958

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(35)		(48)		(27)		(4)		(61)		(105)		(12)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	13,136	14,198	10,274	11,027	165,285	155,107	27,549	29,392	7,038	8,917	42,390	44,272	100,903	107,980	21,740	24,074
Income from investments	504	328	161	187	2,154	2,455	281	473	48	51	865	1,054	1,971	2,564	647	1,041
Other current income	...	...	...	...	1	...	4	10	...	5	4	...	74	6	...	...
Non-recurring credits	224	228	127	167	3,764	3,457	383	436	39	14	231	301	2,174	2,060	91	702
Total Income	**13,864**	**14,754**	**10,562**	**11,381**	**171,204**	**161,019**	**28,217**	**30,311**	**7,125**	**8,987**	**43,490**	**45,627**	**105,122**	**112,610**	**22,478**	**25,817**
Depreciation	1,227	1,427	1,867	2,144	26,731	29,544	2,070	2,145	604	740	10,130	10,760	16,520	18,992	3,569	4,167
Income tax	4,687	4,669	3,247	3,416	67,467	61,069	10,189	11,090	2,433	3,027	13,137	13,441	34,549	36,969	6,338	7,096
Profits tax	1,543	1,817	785	827	3,873	4,047	3,393	3,690	806	945	3,115	3,206	7,796	8,847	1,693	2,047
Directors' emoluments	483	528	753	820	1,833	1,967	865	865	258	275	1,649	1,741	3,495	3,553	658	741
Administrative charges	58	52	80	90	434	595	52	59	223	91	264	211	439	478	41	1,059
Contingencies, provisions, etc.	100	198	173	318	888	1,347	69	344	28	4	393	291	1,126	1,068	2,125	2,334
Pensions	174	161	92	97	681	539	232	217	12	12	715	374	472	499	40	33
Minority interests	175	259	90	95	2,771	2,643	99	91	88	92	484	499	956	922	848	1,110
Loan interest	1,099	1,199	172	182	2,112	2,046	706	722	512	741	425	532	1,639	1,975	584	720
Preference dividends	360	361	202	201	4,314	4,322	267	268	218	218	408	409	1,096	1,119	381	381
Profits retained by subsidiaries	744	852	599	807	31,619	25,490	1,503	1,634	Dr. 50	86	3,373	3,821	9,360	8,730	3,011	2,745
Ordinary dividends	2,076	2,146	1,441	1,483	13,492	13,736	5,460	5,905	1,161	1,342	4,140	4,350	10,241	11,982	2,107	2,622
Revenue reserves	1,083	987	849	967	5,095	5,785	3,954	2,919	24	1,839	4,723	5,316	14,656	17,653	575	671
Brought in (parent company)	2,738	2,793	1,999	2,211	35,578	45,472	4,166	3,524	1,618	2,426	6,587	7,121	22,068	24,845	4,307	4,815
Carried forward (parent company)	2,793	2,891	2,211	2,145	45,472	53,361	3,524	3,886	2,426	2,001	7,121	7,797	24,845	24,668	4,815	4,906

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(37)		(31)		(33)		(31)		(137)		(15)		(20)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	7,614	7,321	116,040	128,688	29,345	28,118	39,457	35,139	49,671	51,062	81,570	93,089	42,534	40,491	23,943	19,826
Income from investments	1,031	1,029	4,242	5,293	1,220	1,594	1,016	515	3,395	3,790	3,158	3,434	2,914	3,209	300	369
Other current income	...	...	10	39	...	...	692	678	9	...	7	41	...	...	...	...
Non-recurring credits	127	134	1,449	3,007	1,597	1,176	908	1,421	1,452	1,632	3,358	3,334	553	923	460	382
Total Income	**8,772**	**8,484**	**121,741**	**137,027**	**32,162**	**30,888**	**42,071**	**37,753**	**54,527**	**56,484**	**88,093**	**99,698**	**46,001**	**44,623**	**24,703**	**20,577**
Depreciation	1,127	1,401	30,110	31,827	4,479	4,900	9,808	13,816	8,335	9,535	18,037	22,212	13,714	15,117	4,533	4,883
Income tax	3,132	2,739	28,352	31,063	9,427	9,091	11,206	8,304	15,878	15,633	27,726	32,167	12,591	9,762	8,470	6,706
Profits tax	619	625	8,026	9,110	2,632	2,772	2,261	2,333	4,489	4,739	6,264	7,385	2,784	2,547	1,415	1,317
Directors' emoluments	230	271	1,726	1,795	921	951	1,062	1,052	1,657	1,698	3,433	3,633	525	545	671	727
Administrative charges	30	60	270	291	285	234	569	1,090	72	150	813	781	279	197	75	81
Contingencies, provisions, etc.	...	...	3,385	5,132	596	645	1,027	717	637	241	993	994	249	510	16	63
Pensions	626	143	8,112	8,256	839	963	1,641	1,757	1,459	1,411	1,007	986	295	278	21	49
Minority interests	162	114	2,577	2,503	434	235	50	31	732	1,229	1,365	1,770	460	415	910	759
Loan interest	9	8	4,328	6,306	509	641	1,029	1,664	2,281	2,647	2,012	2,230	196	359	336	317
Preference dividends	103	104	1,486	1,502	238	238	261	300	1,122	1,124	1,703	1,718	292	292	440	437
Profits retained by subsidiaries	758	1,473	5,822	6,718	1,868	1,037	2,053	907	5,000	4,196	4,677	4,470	7,396	6,965	3,340	1,532
Ordinary dividends	975	1,112	12,141	14,426	4,063	4,209	2,995	3,426	6,821	7,021	9,843	12,278	3,556	3,756	2,729	2,644
Revenue reserves	1,200	621	13,923	11,199	5,178	4,684	2,785	4,427	5,463	6,180	7,621	9,162	2,966	3,339	1,795	970
Brought in (parent company)	1,318	1,119	36,972	38,455	7,079	7,772	11,033	16,357	6,172	6,753	19,219	21,878	3,846	4,544	2,291	2,243
Carried forward (parent company)	1,119	932	38,455	45,354	7,772	8,060	16,357	14,286	6,753	7,433	21,818	23,930	4,544	5,085	2,243	2,335

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 852 Companies	
No. of Companies	(8)		(25)		(22)		(10)		(75)		(43)		(51)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	19,135	19,517	6,304	5,008	5,105	4,961	186,675	187,756	6,737	5,743	6,646	3,596	31,544	34,693	1,040,635	1,059,975
Income from investments	2,169	2,720	100	124	353	410	16,662	18,441	610	631	509	559	1,215	1,258	45,525	51,529
Other current income	21	17	5	...	...	...	151	3	225	111	7	6	595	621	1,805	1,537
Non-recurring credits	309	1	250	143	211	130	1,137	198	288	1,041	603	616	960	1,053	20,693	22,556
Total Income	**21,634**	**22,255**	**6,659**	**5,275**	**5,669**	**5,501**	**204,625**	**206,398**	**7,860**	**7,526**	**7,765**	**4,777**	**34,314**	**37,625**	**1,108,658**	**1,135,597**
Depreciation	5,144	6,632	716	769	1,482	1,595	23,976	27,659	532	580	554	606	4,688	5,370	189,953	214,821
Income tax	5,492	3,129	2,144	1,649	1,341	1,287	80,511	71,533	2,514	1,745	3,114	1,808	9,576	10,203	363,521	347,596
Profits tax	1,641	4,354	601	538	453	387	13,925	12,981	1,051	417	903	247	3,256	3,177	73,324	78,355
Directors' emoluments	340	362	661	577	511	490	519	589	149	145	98	99	942	1,045	23,439	24,469
Administrative charges	37	51	23	25	48	40	1,253	914	158	165	114	89	732	776	6,349	7,579
Contingencies, provisions, etc.	345	10	34	67	66	23	11,674	15,736	580	697	66	31	922	747	25,492	31,517
Pensions	9	8	49	58	99	99	1,243	1,267	6	4	34	59	1,068	1,113	18,926	18,383
Minority interests	431	667	3	2	11	2	51	266	1	13	...	...	162	123	12,860	13,840
Loan interest	145	286	69	64	134	148	1,551	2,073	7	6	...	...	2,605	3,026	22,460	27,892
Preference dividends	273	574	124	124	189	192	886	895	25	30	112	102	898	909	15,398	15,820
Profits retained by subsidiaries	1,922	2,064	646	353	137	154	1,709	6,124	134	77	...	...	1,966	2,195	87,587	82,430
Ordinary dividends	2,886	2,580	838	768	725	634	23,621	25,031	2,033	2,385	1,422	1,141	4,170	4,782	118,936	129,759
Revenue reserves	3,363	1,620	571	545	396	234	40,131	43,419	665	1,112	1,138	588	3,034	2,525	121,188	126,762
Brought in (parent company)	1,696	1,302	2,393	2,573	1,639	1,716	7,869	11,444	1,512	1,517	1,491	1,701	5,605	5,900	189,196	218,421
Carried forward (parent company)	1,302	1,220	2,573	2,309	1,716	1,932	11,444	9,355	1,517	1,667	1,701	1,708	5,900	7,534	218,421	234,795

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 852 balance sheets published April - June, 1958 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(35)		(48)		(27)		(4)		(61)		(105)		(12)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	94,668	99,276	33,502	36,243	450,264	521,114	95,853	100,248	11,441	12,918	149,898	164,543	275,725	320,380	82,244	90,822
Trade investments	1,006	999	303	284	18,650	19,062	3,886	4,252	193	183	4,220	6,226	8,115	10,795	2,789	3,483
Stocks	17,589	18,636	22,598	24,264	328,182	346,929	29,676	29,587	42,314	48,572	61,803	65,460	202,047	223,646	57,746	72,838
Debtors	9,895	10,227	8,352	9,161	162,671	168,046	16,694	18,715	22,230	25,236	47,216	47,735	143,168	161,211	48,355	46,576
Net balances due to parent company	75	...	84	121	49	1	39	39	...	...	209	174	1,502	1,159	...	...
Gilt-edged	2,619	2,689	457	478	1,295	11,135	1,202	1,025	7	7	3,843	3,988	3,472	3,416	155	164
Cash	7,151	5,819	7,105	6,779	95,321	76,513	11,153	12,594	376	654	24,964	24,709	48,789	64,443	9,290	7,605
Other marketable investments	1,439	1,596	288	265	3,443	3,009	467	533	...	...	3,231	3,160	5,877	9,843	321	436
Intangible assets	4,509	5,214	1,552	1,780	20,011	18,472	1,204	1,151	2,346	2,373	1,239	1,204	1,518	1,970	2	28
Total Assets	**138,951**	**144,456**	**74,241**	**79,375**	**1079886**	**1164281**	**160,174**	**168,144**	**78,907**	**89,943**	**296,723**	**317,199**	**690,213**	**796,863**	**200,902**	**221,952**
Bank overdrafts and loans	4,113	2,877	2,283	2,514	34,812	49,479	1,503	1,412	7,259	5,095	10,881	11,122	17,910	19,383	11,675	14,481
Reserve for future income tax	4,392	4,504	3,402	3,441	51,622	52,550	10,190	11,189	2,773	3,258	11,806	11,915	37,027	40,759	5,738	6,808
Depreciation and obsolescence	8,288	9,495	13,009	14,520	155,137	182,432	7,940	9,130	3,204	3,583	48,809	57,148	96,267	113,614	35,598	39,205
Capital reserves	8,599	9,757	4,653	5,242	30,588	41,623	28,318	28,347	3,633	3,633	28,426	30,297	44,936	66,700	8,532	17,263
Other provisions	1,345	1,868	504	998	2,709	2,879	334	375	643	592	4,706	4,695	4,085	4,869	3,228	4,577
Creditors	9,683	10,497	6,895	7,086	134,717	132,506	14,001	14,355	8,584	9,114	43,286	43,652	85,769	97,664	24,201	22,043
Other current liabilities	7,379	7,958	4,047	4,483	75,105	73,536	12,708	13,757	7,663	17,957	17,271	17,070	49,169	53,908	10,791	10,235
Revenue res. and carried forward	25,777	26,648	12,737	14,147	278,284	313,431	21,855	25,670	9,244	10,880	44,640	48,674	149,918	167,383	32,159	33,324
Net balances due to subsidiaries	...	...	10	14	426	408	3	...	...	...	184	50	184	244	...	...
Minority interests	6,518	6,519	1,274	897	34,810	34,318	2,991	2,827	2,168	2,126	10,499	11,236	14,320	9,959	11,785	12,395
Loan capital	28,199	29,825	3,433	3,457	54,248	52,333	15,779	15,415	14,230	14,199	10,813	11,691	34,889	43,705	14,873	17,891
Preference capital	10,848	10,698	5,355	5,361	98,113	98,327	7,604	7,598	6,600	6,600	12,242	13,135	31,153	32,459	9,713	9,713
Ordinary capital	23,810	23,810	16,639	17,215	129,315	130,459	36,948	38,069	12,906	12,906	53,325	56,514	124,586	146,216	32,609	34,017
Total Liabilities	**138,951**	**144,456**	**74,241**	**79,375**	**1079886**	**1164281**	**160,174**	**168,144**	**78,907**	**89,943**	**296723**	**317,199**	**690,213**	**796,863**	**200,902**	**221,952**
Year's Free Scrip Issues	—	—	47	435	227	97	9,047	1,121	—	—	12,757	4,134	6,672	7,656	—	117

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(37)		(31)		(33)		(31)		(137)		(15)		(20)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	34,429	40,935	588,176	672,173	83,352	91,242	141,810	173,819	208,691	240,061	323,082	354,363	206,571	234,873	103,675	111,076
Trade investments	4,523	4,612	24,046	27,626	10,471	13,517	3,599	4,158	20,512	18,111	27,261	32,065	9,503	9,203	2,775	2,948
Stocks	17,706	18,703	176,468	186,350	83,514	79,347	102,845	125,605	63,851	67,592	205,997	214,113	3,116	3,303	71,308	72,041
Debtors	12,777	11,804	104,395	112,554	61,588	61,366	53,723	63,827	51,503	56,585	141,524	147,370	21,977	22,547	23,952	22,857
Net balances due to parent company	...	...	129	137	1,337	571	86	91	...	...	3,062	1,274	...	...	...	...
Gilt-edged	6,079	5,031	1,015	360	1,288	704	455	508	12,032	9,955	12,460	12,025	11,835	11,334	340	322
Cash	7,743	9,685	23,656	30,059	13,707	16,655	21,005	9,993	36,419	39,227	47,194	53,948	46,613	38,371	8,002	7,632
Other marketable investments	672	652	6,352	9,694	2,205	1,711	218	259	4,155	4,169	4,620	4,553	43,386	49,337	5,039	4,591
Intangible assets	...	...	20,985	21,403	3,895	4,251	650	806	26,895	27,106	6,858	7,060	...	...	4,004	4,172
Total Assets	**83,929**	**91,422**	**945,222**	**1060356**	**261,357**	**269,364**	**324,391**	**379,066**	**424,058**	**462,806**	**772,058**	**826,771**	**343,001**	**368,968**	**219,095**	**225,639**
Bank overdrafts and loans	73	985	17,350	13,636	3,428	3,115	14,458	24,811	11,134	12,927	29,827	36,851	3,281	3,569	8,877	12,102
Reserve for future income tax	3,136	2,768	35,536	38,489	9,145	8,941	11,512	9,839	14,850	16,215	22,992	25,903	16,298	15,908	3,138	2,609
Depreciation and obsolescence	15,336	16,586	150,695	174,522	31,809	34,888	54,729	65,697	48,828	57,439	136,384	152,991	42,061	46,680	40,506	44,296
Capital reserves	7,998	9,034	138,950	159,354	22,466	27,029	15,015	22,882	28,367	24,829	41,724	48,912	102,438	111,996	30,359	30,685
Other provisions	717	598	1,548	1,374	2,608	2,594	5,084	5,298	11,882	12,285	11,929	11,516	1,554	2,026	1,927	1,850
Creditors	10,622	11,086	75,424	81,626	31,216	29,098	65,363	70,074	30,674	33,115	91,107	99,331	65,888	67,746	14,759	13,339
Other current liabilities	7,615	10,948	63,387	63,154	22,829	19,064	24,070	27,740	22,432	22,239	48,626	51,591	11,117	10,439	10,903	9,944
Revenue res. and carried forward	19,647	21,144	111,798	123,893	61,465	64,154	46,514	49,252	73,325	79,846	126,167	135,676	37,535	38,260	34,550	36,703
Net balances due to subsidiaries	...	...	144	514	13	91	3	3	...	...	...	7,207	3,569	35	47	412	365
Minority interests	1,537	605	29,022	29,357	5,250	5,344	320	412	20,968	23,362	24,747	27,621	5,383	5,736	6,336	6,877
Loan capital	215	209	87,163	136,775	12,811	12,609	23,806	30,866	60,284	74,412	49,994	50,738	4,428	7,029	7,587	7,149
Preference capital	3,640	3,696	49,371	49,371	7,769	7,769	8,088	14,088	29,884	30,068	48,886	49,741	8,939	8,939	13,108	13,086
Ordinary capital	13,393	13,763	184,834	188,291	50,548	54,668	55,429	58,104	71,430	76,069	122,468	132,331	44,044	50,593	46,633	46,634
Total Liabilities	**83,929**	**91,422**	**945,222**	**1060356**	**261,357**	**269,364**	**324,391**	**379,066**	**424,058**	**462,806**	**772,058**	**826,771**	**343,001**	**368,968**	**219,095**	**225,639**
Year's Free Scrip Issues	—	—	—	1,183	—	2,361	1,100	155	2,150	4,235	10,452	3,565	3,138	6,547	140	—

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 852 Companies	
No. of Companies	(8)		(25)		(22)		(10)		(75)		(43)		(51)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	129,636	165,753	14,615	15,714	28,648	29,865	430,812	510,209	28,205	30,055	26,742	31,191	204,540	226,064	3,746,579	4,272,937
Trade investments	8,619	8,748	416	447	1,589	1,692	147,367	164,853	1,527	1,853	1,553	2,009	13,811	14,912	316,934	352,038
Stocks	32,781	38,923	16,622	16,363	12,144	12,218	88,583	113,105	3,593	3,016	11,454	9,922	42,959	45,058	1,694,896	1,835,591
Debtors	13,589	14,885	6,588	6,773	7,568	7,441	125,199	136,668	931	1,038	1,935	2,394	56,051	76,987	1,141,881	1,232,003
Net balances due to parent company	...	...	...	...	...	...	1,975	2,079	...	...	...	...	111	96	8,658	5,742
Gilt-edged	12,433	18,399	571	591	405	240	33,655	13,700	4,965	4,637	644	622	2,721	3,469	113,948	104,799
Cash	7,986	9,928	5,252	4,129	2,254	2,470	38,360	44,048	7,477	6,216	8,772	7,061	14,886	19,202	493,475	497,748
Other marketable investments	...	...	527	501	2,100	2,096	32,667	32,941	599	667	3,640	3,698	1,876	2,255	123,222	135,966
Intangible assets	453	400	169	169	503	506	1,200	1,198	6	...	...	...	1,733	1,858	99,732	101,121
Total Assets	**205,497**	**257,036**	**44,760**	**44,687**	**55,211**	**56,528**	**900,018**	**1018801**	**47,303**	**47,482**	**54,740**	**56,897**	**338,688**	**389,901**	**7,739,325**	**8,537,937**
Bank overdrafts and loans	1,427	572	988	1,390	1,446	1,125	18,054	8,945	14	34	1,181	1,911	13,146	22,489	225,120	250,825
Reserve for future income tax	10,330	20,411	2,193	1,665	1,363	1,256	15,586	11,707	2,460	352	2,601	1,007	7,461	6,578	285,551	298,072
Depreciation and obsolescence	35,537	52,358	6,346	7,001	10,728	12,260	213,340	242,662	4,739	5,422	5,931	6,581	33,669	36,988	1,198,890	1,385,498
Capital reserves	56,212	58,397	1,895	1,929	1,790	1,848	63,648	73,343	5,222	5,431	10,441	13,569	49,744	56,474	733,954	848,574
Other provisions	2,130	2,171	276	437	712	745	19,626	17,932	1,192	1,366	104	114	4,097	5,714	82,940	86,883
Creditors	9,808	10,945	4,597	3,926	3,988	4,246	124,325	133,723	3,010	2,882	4,352	3,533	33,902	47,506	896,171	949,093
Other current liabilities	4,423	4,589	2,682	2,574	3,263	2,386	27,433	27,365	3,795	4,302	6,383	6,089	23,531	28,880	466,622	490,108
Revenue res. and carried forward	16,368	16,285	11,066	11,152	11,644	12,079	166,938	210,935	8,147	9,213	10,308	10,480	38,219	32,614	1,348,305	1,501,843
Net balances due to subsidiaries	...	4,050	...	...	...	...	5,236	5,566	...	...	...	...	371	511	14,063	15,432
Minority interests	...	4,560	38	37	86	89	1,764	4,083	44	286	...	...	3,118	3,324	187,536	191,970
Loan capital	4,558	5,709	1,474	1,240	3,227	3,491	36,821	52,369	111	107	...	...	51,235	56,194	518,180	627,413
Preference capital	2,560	5,709	1,474	1,240	3,227	7,021	19,610	19,610	304	305	3,485	3,485	26,722	37,191	421,628	440,879
Ordinary capital	9,340	18,852	3,833	3,766	7,021	9,982	187,637	210,661	18,265	17,782	9,954	10,128	53,473	55,428	1,360,365	1,451,347
Total Liabilities	**205,497**	**257,036**	**44,760**	**44,687**	**55,211**	**56,528**	**900,018**	**1018801**	**47,303**	**47,482**	**54,740**	**56,897**	**338,688**	**389,901**	**7,739,325**	**8,537,937**
Year's Free Scrip Issues	56	200	500	348	—	—	—	3,000	—	136	767	166	1,293	1,723	48,346	37,179

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

STATISTICS

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

	World Trade ..... This week		
British		**Overseas**	
Prices and Wages.....	July 5th	Western Europe:	
Production and Consumption	June 21st	Production and Trade.....	June 28th
Manpower.....	July 12th	British Commonwealth	July 12th
External Trade.....	June 28th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 21st
Industrial Profits	This week	United States	July 5th

World Trade

(Million US Dollars)

	Exports (fob)					Imports (cif)				
				Annual Rate					Annual Rate	
	1955	1956	1957	October to December, 1957	January to March, 1958	1955	1956	1957	October to December, 1957	January to March, 1958
WORLD										
Total (1).....	**84,351**	**93,573**	**100,130**	**101,622**	**92,500**	**88,981**	**98,126**	**106,960**	**105,992**	**100,000**
STERLING AREA										
Total.....	**20,503**	**21,787**	**22,669**	**22,724**	...	**23,533**	**24,308**	**25,882**	**25,559**	...
United Kingdom	**8,468**	9,290	9,684	9,804	9,653	10,867	10,881	11,412	10,984	10,464
UK overseas territories	2,189	2,450	2,517	2,526	...	2,723	3,002	3,244	3,383	...
Hong Kong.....	444	563	529	526	485	651	799	901	873	782
Nigeria.....	371	377	354	307	...	381	428	424	500	...
Other sterling countries.....	9,846	10,047	10,468	10,394	...	9,943	10,425	11,326	11,192	...
Australia	1,748	1,887	2,205	2,220	1,690	2,160	1,964	1,931	2,003	2,020
Ceylon	407	364	353	305	360	307	342	379	339	344
Ghana	244	222	229	199	...	246	249	270	268	...
India	1,276	1,269	1,383	1,404	...	1,413	1,711	2,023	1,833	...
Iraq	519	477	357[2]	498[2]	...	273	321	344[2]	350[2]	...
Ireland.....	311	303	367	359	353	582	512	517	541	542
Kuwait.....	830[2]	840[2]	875[2]	940[2]	970[2]	...	...	...	...	...
Malaya.....	1,358	1,361	1,363	1,374	1,276[2]	1,249	1,357	1,431	1,312	1,411[2]
New Zealand.....	724	770	772	604	824[2]	802	752	830	861	803[2]
Northern Rhodesia	} 484	509	437	372	335[2]	435	499	557	586	540[2]
Nyasaland.....										
Southern Rhodesia										
Pakistan	401	340	337	357	...	290	417	440	448	...
South-West Africa.....	} 1,059	1,185	1,300	1,355	1,164	1,481	1,524	1,696	1,723	1,914
Union of South Africa										
EUROPE										
Total.....	**26,060**	**28,532**	**31,750**	**33,832**	**30,471**	**29,027**	**33,247**	**36,807**	**36,351**	**34,185**
Belgium-Luxemburg	2,776	3,162	3,186	3,194	3,168	2,830	3,272	3,432	3,399	3,133
Denmark	1,057	1,112	1,174	1,287	1,305	1,178	1,311	1,359	1,391	1,309
France	4,911	4,538	5,111	5,283	5,104	4,739	5,553	6,170	5,450	6,035
Germany, Federal Republic.....	6,135	7,358	8,577	9,260	8,223	5,793	6,617	7,478	7,942	7,295
Italy.....	1,856	2,157	2,541	2,662	2,378[2]	2,711	3,169	3,627	3,661	3,107[2]
Netherlands	2,688	2,863	3,098	3,342	3,078	3,208	3,725	4,105	3,886	3,490
Norway	633	772	822	861	762	1,090	1,211	1,274	1,234	1,266
Sweden	1,726	1,945	2,143	2,213	1,834	1,997	2,209	2,424	2,426	2,480
Switzerland.....	1,307	1,442	1,560	1,682	1,483	1,489	1,766	1,964	1,890	1,706
Turkey.....	313	305	345	391	364	498	407	397	428	344
Total related areas (excl. sterling area)	**3,377**	**3,462**	**3,585**	**3,625**	---	**4,463**	**4,621**	**5,175**	**5,070**	...
Netherlands Antilles	803	841	871	846	---	996	1,062	1,163	1,072	...
NORTH AMERICA										
Total.....	**20,337**	**24,385**	**26,288**	**25,657**	**22,324**	**17,525**	**20,021**	**20,520**	**20,582**	**19,214**
United States.....	**15,553**	19,097	20,821	19,990	17,654	12,369	13,751	14,174	14,667	13,952
Canada	**4,784**	5,288	5,467	5,667	4,670	5,156	6,270	6,346	5,915	5,262
LATIN AMERICA										
Total.....	**8,009**	**8,626**	**8,513**	**8,289**	...	**7,550**	**7,940**	**9,103**	**9,830**	...
Argentina	929	944	970	929	931[2]	1,173	1,128	1,310	1,370	1,174[2]
Brazil.....	1,423	1,482	1,392	1,672	...	1,306	1,234	1,489	1,536	...
Chile.....	472	542	456	441	---	376	354	441	466	...
Colombia	580	599	520	496	---	669	657	477	592	...
Cuba.....	607	686	808	501	---	633	714	706	711	...
Mexico	807	874	614	685	...	885	1,072	1,155	1,157	...
Peru	268	308	321	372	279[2]	300	361	400	405	361[2]
Venezuela	1,912	2,116	2,366	2,264	...	1,092	1,249	1,868	2,296	...
REST OF THE WORLD										
Total.....	**6,085**	**6,781**	**7,325**	**7,515**	...	**6,883**	**7,989**	**9,375**	**8,600**	...
Egypt.....	419	409	493	526	485	538	535	524	610	605
Indonesia.....	946	882	911	936	500[2]	631	856	797	732	...
Iran	...	...	...	...	...	295[2]	335[2]	375[2]	410[2]	...
Japan.....	2,011	2,501	2,858	3,052	2,846	2,471	3,230	4,284	3,476	3,210

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years. (1) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (2) Partly estimated.

EXCHEQUER RETURNS

For the week ended July 12, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £6,914,000 compared with a deficit of £1,797,000 in the previous week and a deficit of £7,608,000 in the corresponding period of last year. There was a net expenditure "below-line" of £10,148,000 leaving a total deficit of £251,239,000 compared with £218,053,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to July 13, 1957	April 1, 1958, to July 12, 1958	Week ended July 13, 1957	Week ended July 12, 1958
Ord. Revenue					
Income Tax	2312,500	349,541	376,609	25,887	25,860
Surtax	163,000	27,000	26,700	1,200	1,100
Death Duties.....	163,500	56,600	51,500	3,300	3,100
Stamps	56,250	19,100	15,500	1,100	1,000
Profits Tax, EPT & EPL	275,000	50,900	63,900	5,100	6,200
Other Inland Rev. Duties	...	50	70	...	...
Total Inland Rev..	2970,250	503,191	534,279	36,587	37,260
Customs	1256,940	346,528	367,912	23,537	23,471
Excise.....	932,310	228,030	236,335	3,730	3,865
Total Customs and Excise	2189,250	574,558	604,247	27,267	27,336
Motor Duties	104,000	14,133	14,669	1,681	1,506
PO (Net Receipts).	2,000	...	6,000	...	...
Broadcast Licences	34,000	5,600	10,760	53	266
Sundry Loans	30,000	12,401	13,508	260	188
Miscellaneous.....	110,000	60,200	...	...	...
Total	**5439,500**	**1170,085**	**1183,463**	**65,848**	**66,556**
Ord. Expenditure					
Debt Interest	695,000	168,959	171,595	724	...
Payments to N. Ireland Exchequer.	23,000	18,245	19,607	...	12
Other Cons. Funds	10,000	3,683	3,438	...	62
Supply Services....	4259,584	1089,008	1107,070	82,150	58,300
Total	**5037,584**	**1279,895**	**1301,710**	**82,886**	**58,362**
Sinking Funds....	38,000	8,331	8,660	570	1,280
"Above-line" Surplus or Deficit	— 118,140	— 126,907	— 17,608	+ 6,914	
"Below-line" Net Expenditure*	99,913	124,332	23,545	10,148	—
Total Surplus or Deficit*	— 218,053	— 251,239	— 41,043	— 3,234	
Net Receipts from:					
Tax Reserve Certificates..	73,999	80,246	—67	2,854	
Savings Certificates.....	7,100	14,200	3,100	2,100	
Defence Bonds.....	— 4,305	13,724	— 261	1,788	
Premium Savings Bonds..	20,070	17,915	2,620	500	

* Including net receipts of Civil Contingencies Fund totalling £11 mn. in 1957 and £16 mn. in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1957					
July 13	2,960·0	1,756·7	256·1	...	4,972·9
1958					
April 12	3,120·0	1,492·7	259·4	...	4,872·1
,, 19	3,120·0	1,580·5	252·0	...	4,952·4
,, 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
,, 10	3,150·0	1,561·3	215·3	2·3	4,928·9
,, 17	3,170·0	1,552·8	234·9	0·3	4,958·0
,, 24	3,200·0	1,510·3	202·6	...	4,912·9
,, 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
,, 14	3,290·0	1,476·5	213·1	...	4,979·6
,, 21	3,310·0	1,484·3	220·5	...	5,014·8
,, 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
,, 12	3,280·0	1,611·2	197·9	...	5,089·1

Financial Statistics

THE MONEY MARKET

THE Treasury bill rate fell sharply again at the tender on Friday of last week, to almost 1 per cent below Bank rate. The market syndicate last week raised its bid by 9d. per cent, to £98 19s. 11d., following the increase of 8d. the previous week; but this time outside tenderers appear to have gone further. Moreover, total applications for the unchanged allotment of £240 million rose by £40 million, to £452.8 million, which is just a record, and the market's allotment rate at the common bid dropped from 54 to 43 per cent. The average rate of discount on the whole allotment fell by a further 3s. 1½d. per cent to £4 0s. 3½d.

Credit in Lombard Street became plentiful on Wednesday, and despite substantial buying of bills by the banks some funds remained unlent. Previously, however, conditions had been fairly taut, and on Tuesday, in the absence of special help, a very small amount was taken at Bank rate. Before the week-end, the Bank relieved the shortage with special purchases. Dealings in September and early October maturities this week have been at 3 1/8 and 3 3/32 per cent.

The price of gold in London has risen sharply in the past week, from 250s. 2½d. a fine ounce to 250s. 10d. at Thursday's fixing. This reflects not only the weakening of sterling but also the rise in the dollar price of gold, from $35.10 to $35.12-14, its effective ceiling in London.

LONDON MONEY RATES

Bank rate (from 5½% 19/6/58).....	5 %	**Discount rates**	%
Deposit rates (max.)		Bank bills: 60 days .	4⅛ 4
Bank	3	3 months	4⅛-4
Discount houses ..	3*	4 months	4⅛-4
		6 months	4⅛-4⅛
Money			
Day-to-Day	3-3½	Fine trade bills:	
Treas. bills 2 months	4	3 months	5-5½
3 months	4⅛	4 months	5-5½
		6 months	5¼-6

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	July 17, 1957	July 9, 1958	July 16, 1958
*Issue Department**:			
Notes in circulation.....	2,023·3	2,060·3	2,078·9
Notes in banking dept....	27·0	40·0	21·5
Govt. debt and securities*	2,046·3	2,096·2	2,096·2
Other securities.....	0·7	0·7	0·7
Gold coin and bullion....	0·4	0·4	0·4
Coin other than gold coin.	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts.....	11·0	12·0	10·7
Bankers.....	213·7	215·3	212·1
Others	73·3	73·4	72·9
Total.....	298·0	300·7	295·7
Securities:			
Government	243·0	227·4	258·5
Discounts and advances...	24·8	30·3	12·7
Other.....	19·0	18·9	19·0
Total	286·8	276·6	290·2
Banking department reserve.	29·5	42·4	23·8
	%	%	%
"Proportion".....	9·8	14·0	8·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,100 million from £2,050 million on July 2, 1958.

TREASURY BILLS

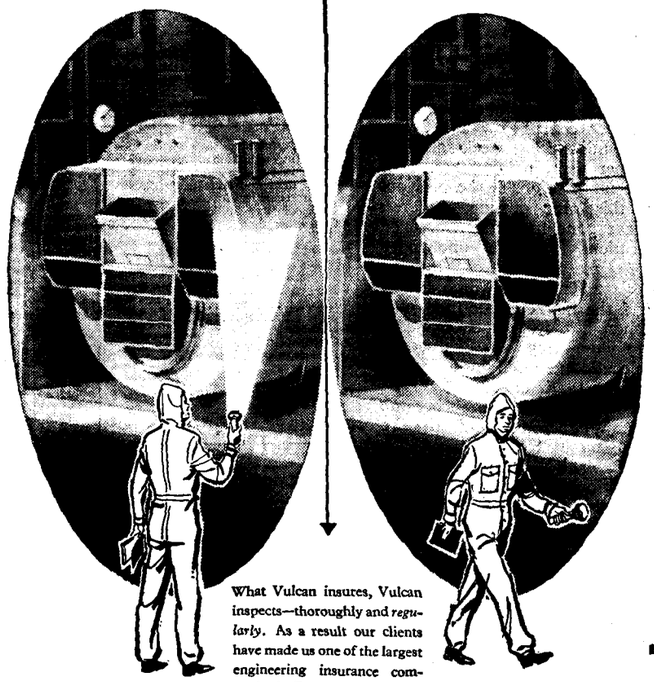
Date of Tender	Amount (£ million)			Three Months' Bills	
	Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1957					
July 12	250·0	424·8	250·0	76 11·24	36
1958					
April 11	260·0	422·0	260·0	106 6·19	59
,, 18	240·0	406·3	240·0	104 0·93	49
,, 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
,, 9	250·0	447·6	250·0	103 10·81	20
,, 16	250·0	422·1	250·0	103 11·49	44
,, 23	260·0	412·2	260·0	96 5·96	61
,, 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	59
,, 13	270·0	413·0	270·0	90 1·77	65
,, 20	260·0	414·1	260·0	85 9·63	42
,, 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
,, 11	240·0	452·8	240·0	80 3·79	43

* On July 11th tenders for 91 day bills at £98 19s. 11d. secured 43 per cent, higher tenders being allotted in full. The offer this week was for £240 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	July 16	July 10	July 11	July 12	July 14	July 15	July 16
United States $...	2·78-2·82	2·80⅛-2·80⅜	2·80⅛-2·80 11/16	2·80⅜-2·80⅝	2·80⅜-2·80⅜	2·80⅛-2·80⅛	2·80⅜-2·80⅜
Canadian $		2·69⅜-2·69½	2·69⅜-2·69⅛	2·69½-2·69½	2·69⅜-2·69⅜	2·68 11/16-2·68 13/16	2·68⅜-2·68 11/16
French Fr.....	1167-18-1184·82	1174½-1175	1174½-1175	1174½-1175	1174½-1174⅝	1173½-1173⅝	1172⅝-1172⅞
Swiss Fr.....	12·15⅜-12·33⅜	12·21⅝-12·21¾	12·21⅝-12·21¾	12·21⅝-12·21¾	12·21⅝-12·21⅝	12·19⅜-12·20	12·18⅛-12·18⅜
Belgian Fr.	138·95-141·05	139·22½-139·27½	139·22½-139·27½	139·22½-139·27½	139·22½-139·27½	139·02½-139·07½	139·00-139·05
Dutch Gld.....	10·56-10·72	10·56⅜-10·57	10·56⅜-10·57	10·56⅜-10·57	10·56⅜-10·56⅝	10·56⅛-10·56⅜	10·56⅛-10·56⅜
W. Ger. D-Mk. ...	11·67⅜-11·84 11/16	11·68⅛-11·68⅝	11·67⅞-11·68⅛	11·67⅝-11·68⅛	11·67⅝-11·67⅞	11·67⅛-11·67⅜	11·67⅛-11·67⅝
Portuguese Esc...	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·30	80·10-80·30	80·10 80·30
Italian Lire	1736⅜-1762⅝	17393-17401	17393-17401	17393-17401	17383-17393	1737-17371	1737-17371
Swedish Kr.....	14·37⅜-14·59⅜	14·45⅛-14·46⅛	14·45⅛-14·45⅜	14·45⅜-14·45⅝	14·43⅛-14·44	14·41⅜-14·42	14·40-14·40⅛
Danish Kr.....	19·19⅜-19·48½	19·33½-19·34	19·33½-19·34	19·33½-19·34	19·33⅜-19·34	19·33⅜-19·33⅝	19·33½-19·33⅝
Norwegian Kr. ...	19·85-20·15	20·00⅛-20·00⅜	20·00⅛-20·00⅜	20·00⅛-20·00⅜	20·00⅛-20·00⅜	19·99⅜-20·00	19·99-19·99¼
		One Month Forward Rates					
United States $		⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm
Canadian $		⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm
French Fr.....		2 5 dis	2-5 dis	2-5 dis	⅛ c. pm	2-5 dis	2-5 dis
Swiss Fr.....		2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2¼c. pm
Belgian Fr.....		⅛ pm-par	⅛ pm-par	⅛ pm-par	⅛ pm-par	⅛ pm-par	⅛ pm-par
Dutch Gld.....		⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm
W. Ger. D-Mk.....		1½-3pf. pm	1½-3pf. pm	1½-3pf. pm	1½-3pf. pm	1¼-1pf. pm	1¾-1¼pf. pm
Italian Lire.....		2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par
Swedish Kr.....		1½-1 1/16 pm	1½-1 1/16 pm	1½-1 1/16 pm	1½-1 1/16 pm	1½-1 1/16 pm	1½-1 1/16 pm
Danish Kr.....		2-1 1/16 pm	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par
Norwegian Kr.....		2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par
		Gold Price at Fixing					
Price (s. d. per fine oz.).....		250/4	250/2½	...	250/2½	250/7½	250/10

BEFORE AFTER —*and the difference?*



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COMPANY MEETINGS

COURTAULDS, LIMITED

TRADE RECESSION AND RISING COSTS

PROBLEMS OF WORLD ABUNDANCE AND SURPLUS PRODUCTIVE CAPACITY

BOARD'S CONFIDENCE IN FUTURE OF MAN-MADE FIBRES

AMPLE RESOURCES FOR NEW INVESTMENTS

The forty-fifth Annual General Meeting of Courtaulds, Limited was held on July 16th in London. The Chairman, Sir John Hanbury-Williams, CVO, in his statement to the shareholders said:

Ladies and Gentlemen, I do not intend to spend too much time by reviewing the events of the past year, because these have been fully covered in the Report of the Directors which you have already received. There are, however, one or two points to which I should like to refer, and I will begin with a few words about the directors and the employees.

Mr R. A. Kinnes, who for the last ten years was Finance Director, has retired after having served as a director of the Company for nearly twenty years. During his whole period of office he rendered most valuable service to the organisation, and I take this opportunity of recording our deep appreciation of all that he has done.

Sir William Stanier, FRS, who has been a director for twelve years, does not wish to seek re-election, but I am glad to say that we are able to retain his services in an advisory capacity. Sir William has rendered distinguished service to the Company, particularly on matters connected with the engineering side of your business, and we are most grateful for the help he has given.

There have been other changes in the directorate which I believe will help to spread the duties and responsibilities more evenly. During the year we have appointed Mr A. H. Wilson, FRS, who is already a Managing Director, to be also a Deputy-Chairman, and at the same time we appointed Mr C. F. Kearton, OBE, to be a Managing Director. In addition we appointed to the Board two members of the staff, namely, Mr R. J. Kerr-Muir, OBE, and Mr A. W. Knight. The former will devote his time mainly to matters of production, and the latter will play an important part in Group Developments Limited, a subsidiary company which in January last was set up in connection with the possibility and desirability of your Company broadening its present activities—I shall refer to this matter again. Both of these gentlemen are well acquainted with the affairs and problems of our organisation; they seek re-election to-day and I commend them to your support.

In regard to the employees, I would say that for them as well as for your Board it has been an extremely difficult and anxious year; many have had to leave after long years of service with the Company, though we believe in conditions which have so far as possible softened the blow. I take this opportunity of extending to all our employees in all the Companies of the Courtaulds Group my appreciation of the services they have rendered; we have a first-rate team and with their loyal co-operation the Company will prosper.

When World War II came to an end, industry in general was in a run down condition, with old and worn out machinery, and capacity was unable to meet a pent up demand caused by shortages which occurred during the war years. In order to meet this situation, which was common to all countries, new and up to date factories began to spring up, and as and when raw materials became available these factories were filled with modern machinery capable of working a six or even seven day week on two and sometimes three shifts. At the present time the world seems to have arrived at a stage where not only is there an abundance of raw materials, but in a large number of industries there is an excess capacity of production. Doubtless these two factors are the main cause of the recession which has set in, the duration of which is difficult to gauge. Such are the conditions which are particularly noticeable in the United States of America, and the textile industry there—including some of the newer man-made fibres—has suffered severely. In other countries, too, most sections of this industry have fared similarly and none of the man-made fibre producing companies has been immune.

This state of affairs has affected the trading result of your Company and also the rate of the final dividend which is being recommended to you today for approval. As is mentioned in the Accounts, the trading result of the Group before deduction of tax is roughly £1,200,000 lower than last year, but this is not quite the whole story since in the year immediately past some £660,000 accrued from British Celanese Limited against nothing for the year ended March 31, 1957. On a comparable basis, therefore, the balance for Courtaulds was in fact reduced by about £1,860,000. If a similar comparison is made for British Celanese, the £660,000 to which I have just referred compares with about £1,600,000 in 1956/1957—a reduction of £940,000. Thus it will be seen that if both of these figures are taken into account, the balance from trading is reduced by £2,800,000. Clearly this is a serious matter brought about by adverse trading conditions and, while we have been able to recommend a final dividend which is somewhat less than last year, I would assure you that your Board share the concern which you may have in this reduction.

In the note of warning which I sounded at our last Annual General Meeting, it was made clear that you must not expect immediate benefits to accrue as a result of the purchase of the Stock of British Celanese Limited. However, as has been stated in the Report, we look for some improvement in the current financial year and in subsequent years we believe that its earning capacity will be strengthened. The steps we have taken give good grounds for this belief, and in order to summarise what has already been said I will restate briefly the form that the reorganisation is taking. One is the setting up of a new marketing organisation to integrate the functions of marketing, promotion and advertising, market research, direct sales, product development and technical service. The second is the merging of the production of acetate, plastics and associated chemical products under the control of British Celanese Limited. The third is the rationalisation of the textile activities under the Textile Division of Courtaulds, Limited, which is concentrating production in those units best equipped to produce quality cloths at competitive prices. These three steps, with the streamlining of administration, comprise our plans for re-organisation—which are in part complete.

The greater part of the capital of your Company is concerned with textiles and the production of textile yarns and fibres. Those which have been most affected during the past year are the traditional and long established viscose and acetate filament yarns—though some of the newer competitive fibres have not escaped. We ascribe the major portion of our loss in trade to the general recession now apparent in the textile industry and, as is mentioned in the Report of the Directors, your Company has been affected by the difficult conditions experienced by exporters of textiles and also by increased imports of textile goods from certain foreign countries. Nevertheless, we remain confident that both viscose and acetate filament yarns will fill a permanent and important place in the industry—probably at a materially higher level of production and consumption than at the moment, though possibly on a somewhat lower scale than that achieved on average in the years since the war.

We cannot, however, rely in the future on securing a level of profit on these yarns comparable with that earned during the years of our peak production and sales immediately after the war, since we have to take into account the important question of costs. The steps in rationalisation which have been and are being taken are leading to major economies, but the Company suffers in common with many others from continually rising costs. By way of example, in the past six years the average earnings of our monthly and weekly staff have risen by approximately one-third, while the average hourly basic rate of pay of our operatives has gone up by about the same proportion. In the case of raw materials, typical examples are coal, which has increased in price during the same period by approximately 45 per cent, and caustic soda by about 40 per cent. To offset serious increases of this kind—which for the most part it has not been possible to recover in our selling prices—our scientists and production staff have made intense and successful efforts to improve methods of production in the direction both of achieving economies and of still further improving quality.

As is customary, we have followed the practice of showing our fixed assets in the Balance Sheet at cost less provisions for depreciation. There is in our Capital General Reserve an amount of over £7 million identified with the increased cost of replacement of fixed assets, and in addition a reserve for obsolescence amounting to approximately

£6,500,000. Today, owing to the fall in the value of money, some of our older assets would cost between two and three times the amount originally spent. On the other hand, it is exceedingly difficult to place a fair value on some of our plant and machinery, which as a result of our policy of rationalisation and the general state of trade may become redundant. This is a problem—common to many companies—which has our continual attention, and I refer to it in order to stress the necessity of keeping substantial liquid funds at our disposal which are available not only for replacement of fixed assets but also for any new developments.

The mention of redundancy brings to mind the whole question of surplus capacity, to which I have already alluded. This exists over the greater part of the textile field throughout the world. There is no doubt that at some time, if the industry is again to become prosperous, there must be some effort to reduce and possibly eliminate the surplus, and the steps which are being taken in the weaving section in this country should be welcomed and encouraged.

Research holds a high place in our activities: the laboratories at Bocking, Coventry, Droylsden, Maidenhead, Spondon and elsewhere continue to work together on a number of matters connected with the production of new fibres, such as "Courtelle," new yarns and the treatment of fabrics. Furthermore, as a result of their investigations in other fields, new end uses and new outlets for our existing products are continually being developed.

I now turn to our trading results for the first three months of the current year, and the outlook for the remainder of this period. Unfortunately, the hoped for improvement in demand for textile products has not yet materialised; in fact, in some sections there has been a further deterioration. Quite recently we have even been compelled to introduce short-time working at one of our mills which handles nylon crimp yarn.

As a result of these conditions, the Group profits before tax for the first quarter of the current year are on a somewhat lower level than in the first quarter of last year. We are hoping for some improvement in the autumn, but even if our expectations are fulfilled it seems unlikely that Group profits for the year as a whole will be maintained.

We must not, however, take too gloomy a view of the future; this is not the first time we have experienced a recession in the textile industry, and although this has been long and severe every possible effort is being made to meet the situation. When business improves, we shall be in a strong position to meet the demands made upon us, and in the meantime we shall use our ample resources to the best advantage.

In this connection I refer once again to Group Developments Limited and the policy of your Company in broadening its activities—a process sometimes known as diversification—but I wonder whether it is realised how wide a field the Courtaulds Group already covers. Our predominant interest is, of course, in textile fibres; indeed, your Company provides approximately 20 per cent of all the fibres—natural and man-made—used in this country. Our fibres are employed in every branch of the textile industry, either alone or in blend with each other, or with the natural fibres. Examples of their universal use are spread through domestic and industrial textile goods as diverse as carpets, furnishings, clothing, household textiles, conveyor belts and fishing nets—to name but a few. When you travel in a motor vehicle, the probabilities are that you will be riding on tyres containing your Company's high tenacity rayon yarn.

We are also substantial producers of chemicals: these may be broadly divided into those that are used in industrial processes—it is perhaps not generally known that we are one of the largest manufacturers in this country of sulphuric acid and carbon disulphide—and those that form part of such end-products as emulsion paints, pharmaceuticals, fine chemicals, adhesives and cosmetics. One of our chemical products is, for example, a constituent of the widely advertised household detergents, and we number the leading chemical manufacturers amongst our customers for some of our other products.

Subsidiary companies of considerable size are engaged, amongst other things, in the production, conversion and printing of packaging films—including the viscose transparent film known in this country under the trade name of "Cellophane"—and in the production of wood pulp in South Africa; these are important interests and they are growing rapidly. In October last a subsidiary company—Courtaulds Technical Services Limited—was formed under the aegis of our Engineering Division, with the object of providing design and consulting services to organisations outside our own Group.

You will see from what I have said that we are pursuing a policy of broadening still more the base of operations of the Company. We have a strong liquid position; we have an efficient Engineering Division; we have large well equipped and well staffed research laboratories; moreover, we have great experience in production and particularly in chemical engineering, and our world-wide trade connections are probably unequalled except by a few other large companies. In short, none of the conditions which are prerequisite to success is lacking, and we confidently anticipate a progressive and profitable widening of the Group's interests.

Copies of the Report and Accounts for the year ended March 31, 1958, and of the Chairman's Statement can be obtained from the Secretary, Courtaulds, Limited, 16, St. Martins-le-Grand, London, E.C.1.

BANQUE INDUSTRIELLE DE L'AFRIQUE DU NORD

The Annual General Meeting was held on June 21st at Algiers, with Monsieur Pierre de Roux in the chair, in the very modern premises at 2,4, Boulevard Saint-Saëns, which are in future to be the registered office of the Company and to house the Algiers Branch.

The Bank balance has increased by 20 per cent, and the net profit amounts to Frs. 120.282.440 as against Frs. 75.490.799. These satisfactory results give a more solid foundation on which to meet any setback in North African economic development whereas, in the long run, this development is now backed on the newly found resources of the Sahara. Though many problems have occured owing to the differences in the evolution of the various areas in which the bank operates, the increase of its business has not slowed down, the Algerian and Paris Branches having made particularly good progress.

Among the principal items in the field of holdings, whose value is estimated at 364 million—an increase of 90 million on the previous year—mention should be made of the Bank's investments in oil companies.

The meeting approved the distribution of a gross dividend of Frs. 285 per share of Frs. 3,000, giving a net coupon of Frs. 234 per share as against Frs. 200 in the previous year.

HANDLEY PAGE LIMITED

DART HERALD: A PRIVATE VENTURE

The annual general meeting of Handley Page Limited was held on July 16th in London, Sir Frederick Handley Page, presiding. He said:

Production of our crescent-winged Victors for the RAF continued as the primary activity of our Cricklewood and Radlett works during 1957. These premier V-bombers have entered squadron service to become the spearhead of British deterrent strategy. We are likely to function at full capacity on Victor production and maintenance for several years.

Of the Victor the Chief of Air Staff has said: "I would say it is as good as anything in the world; it is probably better for the specific task for which it has been built." The Victor emphasised the validity of this view by flying faster than the speed of sound on a routine test-flight; it is the largest aircraft in the world to have done so.

Victor Mark II orders have been placed with your company—as announced in the House of Commons. Even more powerful than Victors at present in RAF service, these new bombers, it has been stated, will have considerable advantages by virtue of a greater performance and because they will be equipped with the powered stand-off bomb.

Much has been heard about the passing of manned combat aircraft in favour of missiles. One thing is certain: V-bombers—and in particular the Victor, acknowledged to be the best of them—are likely to have a long life and development even beyond the advanced stage which we have reached already.

My opinion is that the RAF will need manned combat aircraft for a very long time. Even so, several years ago your company foresaw the decreasing demand. It decided to give emphasis in future to our other traditional speciality: large transport aircraft which will always be manned. To this end, it has offered to the RAF a military version of the jet airliner about which I told you last year in relation to Britain's civil requirements; Transport Command is in urgent need of a modern, jet-powered, long-range freighter and troop transport.

Both airliner and military transport are based upon the proven excellence of the Victor's design, and as such can be developed comparatively swiftly and cheaply. It may well be asked why Britain has not taken advantage in the civil and military transport spheres of the immense research and development work that has been put into its world-beating bombers.

It is with its private-venture Herald aircraft, on which our Woodley works are engaged, that your company is conforming exactly to present government policy that requires the industry to forgo participation of public finance in new civil projects.

It might be expected that in support of our export endeavours we might have had the government's active assistance. In fact, apart from technical help in the form of wind-tunnel facilities, your company has had no practical sponsorship. Our one foreign rival in this sphere is not so handicapped. If a home government or its national airline has not sponsored an aeroplane, it is none too easy to overcome a lack of confidence on the part of foreign operators.

Built in only eight months, the Dart Herald has spent nearly 200 hours in the air on flight trials since it first flew recently. A certificate of airworthiness has been granted to it.

BLACKWOOD HODGE LIMITED

(Earth Moving Equipment)

PROFIT LEVEL MAINTAINED

MR BERNARD SUNLEY'S STATEMENT

The Twenty-fifth Annual General Meeting of Blackwood Hodge Limited will be held in London on Friday, August 1, 1958. The following is an extract from the statement of the Chairman, Mr Bernard Sunley, which was circulated with the notice convening the Meeting.

The Report and Accounts for the year ended October 31, 1957, provide evidence of another year of successful trading and of the further expansion and consolidation of our Group trading operations. In the five years since 1953, nearly £2,500,000 has been expended in the extension and improvement of the fixed assets used by Group Companies and the total gross assets of the Group have been increased by nearly £8 million. This expansion has been financed to the extent of approximately £2,100,000 by the retention of earnings within the business, the balance having been provided by increased liabilities and borrowings. I am sure that Members will agree that this record of growth is one of which we may be justly proud.

Your Directors are confident that our industry must continue to expand in the future in order to meet the world-wide demand for equipment for mining, road building, and other earth moving projects of all kinds and their future planning is directed to ensuring that our Company shall maintain its leading position in the industry.

GROUP PROFIT

The Group profit for the year ended October 31, 1957, before charging taxation, amounted to £1,235,546 which was only £43,260 below the record figure achieved in 1956. The charge against those profits for United Kingdom and overseas taxation amounted to £591,404 so that the Group net profit for the year amounted to £644,142. This represents a decrease of approximately 10 per cent as compared with the preceding year but in all the circumstances, your Directors regard the result as most satisfactory.

DIVIDEND POLICY

Out of the year's net profits there has been paid the Dividend on the 6 per cent Preference Shares amounting to £10,350 net and it is proposed to pay a Dividend for the year to October 31, 1957, on the Ordinary Shares at the rate of 6 per cent less Tax amounting to £58,650 net.

In my Review with the Accounts for 1956, I said that in formulating their Dividend policy your Directors would have regard to the necessity of limiting distributions in order to improve the Company's liquid position but that at the same time it was their intention to endeavour to ensure that, subject to the Company's earnings position, Shareholders should receive Dividends which did represent a reasonable return on the true value of their investment in the Company. In the events which have happened since that time the Company has completed another trading year in which there was earned a satisfactory level of profits but in which there was a further substantial increase in the liabilities of the Group and in which there was no improvement in the liquid position. The effects of the recession in the USA and Canada were very quickly felt in our industry and were aggravated by an abnormal inventory position in America created in anticipation of the commencement of work there on new major road developments which have not yet materialised. The fall in the demand for steel resulted in a reduction of coal and iron ore production, so that the expenditure of mining operators on equipment and spare parts was cut back. The substantial fall in the price of copper and other metals caused producers to cut down not only their production but also their expenditure on supplies of all kinds. Balance of payment difficulties in India and Australia resulted in most stringent import controls. Thus over the past few months we have been faced in many parts of the world with a reduction in consumer demand, an abundance of equipment to satisfy that demand, and all the financial problems created by the world-wide shortage of capital.

CURRENT TURNOVER

In spite of all these difficulties, your Directors are pleased to be able to report that Group turnover in the first half of the current trading year is only fractionally below the level in the preceding year, which indicates that the Group has been able to maintain and improve its competitive position. Profit margins are, however, lower with the result that the Group net profit for the present year on the basis of current estimates and subject to unforeseen circumstances must be expected to be below the levels achieved in 1956 and 1957.

INCREASED NET ASSETS

During the year ended October 31, 1957, the net assets of the Group increased by £640,277 to a total of £3,600,886. The net assets were represented by the issued share capital of the Company, which was increased during the year by the capitalisation of reserves amounting to £700,000 to a total of £2 million and by the reserves and undistributed profits of the Group amounting to £1,600,886.

From this Review of the Group Accounts to October 31, 1957, and from what I have said regarding current trading conditions, you will appreciate that apart from certain difficulties, which are likely to be of a temporary nature and which your Directors are taking steps to overcome, the trading and financial position of the Company is good and the Board looks to the future with confidence.

The steps which have been and are being taken by the manufacturers whose products we sell to improve the range of those products, and the steps which we as a Company have taken and are taking to provide sales and servicing facilities and personnel of the highest quality must, we believe, ensure our future success.

HENDERSON'S TRANSVAAL ESTATES

The forty-sixth annual general meeting of Henderson's Transvaal Estates, Limited, was held on July 10th in London.

Sir Joseph Ball, KBE (the Chairman), presided and, in the course of his speech, said:

The Company's profit before taxation amounted to £97,361 as compared with £68,331, and the net profit, after taxation, was £43,783. Your Directors recommend a first and final dividend of 15 per cent, less tax.

Consolidated Accounts: The profit before taxation and depreciation amounted to £369,774, as compared with £269,775. The Group net profit amounted to £132,860, as compared with £77,156. Transfers to reserves were £36,743, and the dividend £48,599, was the same. The balance to be carried forward, however, increased from £167,088 to £214,606.

The main reasons for the increase in profit before taxation and depreciation were, firstly, a profit from realisation of investments in London and Johannesburg amounting to £23,616, as against a loss of £13,555 last year; and, secondly, profits on the realisation of properties which amounted to £92,588 as compared with £5,705 in the previous year.

The consolidated balance sheet shows current assets at £793,000 against current liabilities of £229,000, giving a surplus liquid position of £564,000.

The market value of quoted securities, together with the Directors' valuation of unquoted securities, total £980,542 as against a book value of £899,415.

The report was adopted.

WALKER CAIN LIMITED

INFLATIONARY PRESSURE OF RISING COSTS

The thirty-sixth ordinary annual general meeting of Walker Cain Limited was held on July 10th in London. The Right Honourable Lord Brocket (the chairman) presided and, in the course of his speech, said:

Although there has been a decided swing to draught beer, our output of bottled beers and stout has been satisfactory.

The Wines and Spirits branch has had another successful year with record sales in both our home and export markets.

I must once again refer to the fact that high taxation is one of the causes of inflation, and a disincentive to hard work. Purchase Tax sends up the cost of living, and looked at as purchase taxes, Beer Duty is 160 per cent on the cost, Spirits duty over 300 per cent and Tobacco Duty 400 per cent.

Income Tax and Surtax are far too high and since the end of the war two thousand million pounds of the people's savings have been taken in Death Duties. Nearly £1 per man per week is paid by employer and employee in National Health stamps.

Government expenditure and taxation must both be reduced or continuing inflation is inevitable.

The group's trading profit declined by £81,946. The continued inflationary pressure of rising costs is one of the major difficulties facing industry today and these circumstances have affected the results of the past year.

The report was adopted and a total distribution of 17 per cent approved.

COMPAGNIE MARITIME DES CHARGEURS RÉUNIS

M. FRANCIS FABRE'S REPORT

At the General Meeting on June 24th, with Monsieur Francis C. Fabre in the chair, the accounts for 1957, which showed a net profit of 524.029.168 francs, were approved, and the resolutions previously submitted were adopted.

The annual dividend, of 700 francs net per share, will be made available for payment as from July 4, 1958 (against tender of coupon No. 8).

The debit side of the Account included capital expenditure 9729 million francs (after deducting 25.977 million for depreciation) other expenditure 4.882 million, running costs 2042 million, short term or immediate liabilities 12679 million.

On the credit side, Capital and Reserves amounted to 21.171 million and current debts to 3665 million.

The report underlines that, contrary to what had been said during the previous year, in 1957, the market in shipping had become unfavourable. Under the influence of a world slowing down of economic expansion and the extremely rapid growth of world tonnage, freight rates plummetted. It is true that the charges of the regular lines are less subject to variations in the world market, but even these lines cannot but be affected. During such a period, and with the development of competition in all fields, the handicap suffered by French lines because of the high costs has been increasingly felt.

At January 1, 1958, the tonnage managed by Compagnie Maritime des Chargeurs Réunis amounted to 273.697 gross registered tons (including 10 liberty ships loaned hull only).

In the course of the financial year 2 new ships have been added to the fleet, the 8,000-ton cargo vessel *Talassa*, first of six cargo boats of this type ordered by the Company, and the banana boat *Kitala*. Since January 1st, a second 8,000-ton cargo boat, the *Tanagra*, has entered service; on the other hand, the banana boat *Katiola*, which was over 22 years old, was taken out of service and sold. Another ship, the cargo boat *Ipsara*, has likewise been sold, but was replaced by a 7,200-ton cargo boat renamed *Korima*, similar to the numerous vessels of this type already operated in the fleet.

The passenger boat *Lavoisier*, taken out of service for lack of work at the beginning of 1957, is still dry-docked at Havre. A chance arose of selling it abroad to a foreign Company, but the authorisation for selling French ships abroad was refused by the Ministry of Merchant Shipping despite the advantage such a deal would have given to the French fleet for the financing of ships better adapted to present-day needs, and to our economy from the large inflow of hard currency.

The Company's new construction programme has not been altered since the last Meeting. It includes four 8,000-ton cargo boats in course of construction, an ore vessel of 28.700 tons and a tanker of 47.000 tons.

The activities of l'Union Aéromaritime de Transport (UAT/Maritime) continued to expand in 1957. Mileage has increased by 12 per cent for passengers, increasing from 324.990 to 341.403 passenger miles (kms).

The fleet operated by UAT in 1957 included 7 DC 6 B 4-engined planes, 1 DC 4, 8 Herons and 4 Noratlas. Since the beginning of 1958, 3 Noratlas and 2 DC 6s have been added. The 2 DC 8s ordered for the Company will go into service in 1960.

The Extraordinary General Meeting held the same day decided to increase the Company's Capital from 2.757.500.000 to 3.515.000.000 francs by drawing on the appreciation of the assets. One new share of 5000 francs effective from January 1st, 1958, will be given in respect of each old share. In an address to the meeting, Monsieur Francis C. Fabre, Chairman of the Board of Directors, after pointing out that future prospects were such as to warrant even greater caution in considering possible distribution than in previous years, said: "Our proposing to you today to double your capital is because we think this operation necessary for the better balance of the structure of your Company and indeed we think it advisable to proceed to do so rather than wait for optimum conditions. We would ask you to examine our proposal from that point of view, bearing in mind that it will not affect future distributions, which will depend entirely on results."

CHERSONESE (FMS) ESTATES LIMITED

MR T. B. BARLOW'S REVIEW

The Forty-Eighth Annual General Meeting of Chersonese (FMS) Estates Limited was held on July 15th in London.

The following is an extract from the circulated review of the Chairman, Mr T. B. Barlow:

ACCOUNTS

The profit for 1957 was £48,971, compared with £47,290 last year. There is an excess tax provision of £15,000 from previous years. £19,500 has been provided for current taxation, £15,000 transferred to Replanting Reserve and £4,000 allocated to Provision for Depreciation of Investments. The dividend is 3d. per 2s. stock unit, less income tax and requires £21,871, which is the same as the last four years.

This Company is one of the few rubber producing companies which has more than half its land planted with coconuts. This crop has been largely responsible for maintaining its constant dividend record. Last year twice as much profit arose from copra as from rubber and in 1958 to date the contrast is even greater.

OUTLOOK FOR RUBBER AND COPRA

Although the price of rubber has fallen during recent months to approximately 22d. per lb. the estimates of production and consumption are evenly balanced. Production of natural rubber in 1958 is estimated at 1,920,000 tons and consumption 1,860,000 tons. Communist countries in the Russian and Chinese block have during the last two years bought approximately 300,000 tons of natural rubber each year. This is about 15 per cent of production and has had an important influence on the market.

European countries are the main consumers of natural rubber now. The USA used to be the main consumer of natural rubber, but today synthetic rubber plants provide 64 per cent of their total requirements for rubber. In Europe many countries are starting synthetic rubber plants, which will soon be in production. So it is to the Asian Countries, whose standard of living is improving, that we must look for increased consumption of natural rubber.

World production of oils and fats during 1957 was 29,700,000 tons, and the estimate for 1958 is 30 million tons, which is an increase of 1 per cent and just about enough to cater for the normal increase in world population. The outlook for copra is good. The price now is the highest it has been for over three years. Because of the Indonesian situation, it is expected that there will be a decline of copra and palm oil exports from that country and this should sustain the price of these commodities.

Under these circumstances if nothing unforeseen occurs the current year's trading should be satisfactory.

The report and accounts were adopted.

ASSOCIATED BRITISH PICTURE CORPORATION LIMITED

IMPROVED RESULTS

The thirty-first annual general meeting of Associated British Picture Corporation Limited will be held on August 6th in London.

In his statement circulated to Members the Chairman, Sir Philip Warter, said that the improved results were attributable to the achievements of their Subsidiary Company—ABC Television Limited. He added: It should, however, be recognised that the rapid success of the television subsidiary is due in no small measure to its ability to draw on the strength of the Group, both in financial resources and in manpower, built up and consolidated over many years of successful cinema trading. The cinema trading results were adversely affected not only by lower attendances but also by the very large sum of over a million pounds which was spent on maintenance.

The Trading Profits of the Group increased from £2,399,481 to £3,490,994. The net profit of the Corporation amounts to £1,105,023 against £727,322 in the previous year.

Despite adverse conditions in the film industry, the Corporation's Elstree studios have been fully occupied throughout the year with the production of fourteen feature films and various Television subjects and it is encouraging to note that in the current year the pressure on our capacity is even greater.

Commenting on the Chancellor's timely reduction in the cinema tax, Sir Philip said: It must now be apparent that this tax has no future and I would hope to see it abolished in next year's Budget.

We believe that the cinemas will continue to play an important part in the entertainment field. The better results being obtained in the current year with some of the new British films encourage us in this belief, and if everyone concerned with production and exhibition will have the faith to concentrate on better films in modernised cinemas with up-to-date service, then the future will be assured.

ABC Television Limited is responsible to the Independent Television Authority for the provision of all week-end programmes in the Midlands, Lancashire and Yorkshire. We are now bringing ABC programmes each Saturday and Sunday to over ten million people in the Midlands and the North and we expect the figure to be even greater by March, 1959.

The success of ABC Television Limited in the future is bound up with its ability to maintain and expand its audiences by constantly striving to improve its programmes which, in itself, will require additional Studio space and other facilities.

AMALGAMATED ROADSTONE CORPORATION

BOARD'S POLICY OF CONSERVATION

MR W. H. GATTY SAUNT ON TRADING CONDITIONS

The twenty-second annual general meeting of Amalgamated Roadstone Corporation Limited was held on July 15th in London, Mr W. H. Gatty Saunt (Chairman and Joint Managing Director) presiding.

The following is his circulated statement:

The Consolidated Accounts show that operating profits—£1,116,775 compared with £1,158,300 in the previous year—were down by £41,525.

When we come to "Net Profits after Tax and Minority Interests", the figure is £323,251 compared with £402,388, a reduction of £79,137 due in part to the fall in operating profits above-mentioned, but to a somewhat larger extent to the facts firstly that the charge for Depreciation was higher by £33,655 and secondly that the previous year's net results were advantaged by £56,471 "Provision for Depreciation no longer required," which arose from profits realised on the sale of older ships, an item which in the year under review figures only to the extent of £3,375.

It is disappointing not to be able to report record results to which, over the last ten years, we have become accustomed. Nevertheless, your Directors consider it most satisfactory to have been able to increase the net amount carried forward by £158,657 after repeating dividends at the rate of 15 per cent per annum on the Ordinary Stock. The Capital Distribution of 5 per cent referred to in the Director' Report derives as to half from the sale of older ships and half from the Capital Distribution being made by Amalgamated Limestone Corporation Limited. Distributed Profits Tax, especially in view of our Preference Dividends which amount to nearly £100,000 per annum, has been an exceptionally heavy burden, now fortunately to be substantially alleviated by the reduction in the rate of this Tax.

TRADING CONDITIONS

The contraction in trade and profits resulted primarily from the substantial reduction of expenditure on aerodromes surfacing and almost all other constructional work, a progressive reduction in expenditure on road maintenance and the relatively long time lag before the Companies operating in our section of the industry can seriously benefit from participation in the programme of new road construction of which we read so much. I must add that this trend has continued during this current financial year which will, we all think, inevitably show some further falling off; not until after the end of this financial year can we expect to benefit from the new road construction programme to which the Authorities are now committed.

After this reference to these temporary adverse factors, I must draw attention to the continued and increasingly beneficial results accruing on our investment of slightly more than half the Share Capital of our Subsidiary, Amalgamated Limestone Corporation. Our loan to that Company of £500,000 which, you will remember, was funded in the form of 6 per cent Redeemable Stock, should be repaid by the date of the Annual General Meeting from the proceeds of its sale of its Plymouth Cement Works to Associated Portland Cement Manufacturers Limited, which, of course, materially strengthens the liquid position of the Company.

CONSERVATION OF RESOURCES

Colonel Cleaver refers in his statement to the Shareholders of Amalgamated Limestone Corporation Limited, to the fruitful results of ploughing back profits. At this stage I think I might refer to the extent to which our own Company has been ploughing back profits ever since the end of the War. It was nine years ago, at the end of October, 1948, that the Balance Sheet first comprised the full increase of our capitalisation resulting from the amalgamation with British Quarrying Company Limited. During these nine years we have provided for Depreciation no less than £2,100,000 and have increased Capital and Revenue Reserves by approximately £1,750,000 as follows:

	At 31st Oct., 1948	At 31st Oct., 1957	Increase
	£	£	£
Capital Reserves	199,296	573,647	374,351
Future Taxation	52,892	659,083	606,191
Rev. Reserves..	42,142	811,220	769,078
	£294,330	£2,043,950	£1,749,620

We have had valuations of the Fixed Assets of the Company and its Subsidiaries revised and brought up to date as at October 31, 1957 by Messrs Gerald Eve & Company and of our ships by Messrs T. W. Tamplin & Company, and the following are the comparisons with the Balance Sheet figures:

	Balance Sheet	Valuation
	£	£
Freehold and Leasehold Property	1,120,000	1,752,000
Fixed Plant and Machinery	1,483,000	3,258,000
Loose and Mobile Equipment.....	254,000	1,005,000
Ships, Including payments on account of new ships	1,121,000	1,546,000

At the date of the Balance Sheet "Payments on Account of New Ships" amounted to £351,172; the figure today is just under £15,000, two new ships having since been delivered and payments completed. There has, of course, been a slump in shipping values since last October and it is only fair to add that a revaluation this month indicates a fall in the value of our fleet of £226,000 from the figure quoted above.

In conclusion, I am glad to report that no labour troubles have marred the happy relationships which exist in all branches of our Corporation and I am sure you will join with me in expressing our thanks to all concerned.

The report and accounts were adopted.

AMALGAMATED LIMESTONE CORPORATION

IMPROVED LIQUIDITY FROM SALE OF CEMENT INTERESTS

CONTINUED PROGRESS OF OVERSEAS INVESTMENTS

The seventh annual general meeting of Amalgamated Limestone Corporation Limited was held on July 15th in London, Colonel D. W. Cleaver, DSO (Chairman), presiding.

The following is his circulated statement:

Trading profits of our wholly-owned undertakings amounted to £175,998 as against £134,225 for the previous year. Of this amount, Depreciation absorbs £63,417, Loan Interest £30,000, Taxation £43,520 (last year £19,314), Auditors' Fees £420, leaving £38,641 to be added to the net amount to be carried forward which will then be £157,490.

Our investments overseas continue to flourish. Ulster Limestone Corporation Ltd. shows comparable profits with those of last year and their trading figures for the current year are such that we may look forward to a continuance of their contribution to our payments to Shareholders with possibly some increase on their previous figures.

The British Standard Portland Cement Co. Ltd., in Kenya, is progressing well. One additional kiln has recently been brought into operation and the Company now has a fully occupied productive capacity of 200,000 tons a year. Further extensions in hand envisage an ultimate annual production of not less than 250,000 tons. Although the Directors' Report has not yet reached us, we hope to receive it in time for a copy to be circulated to Shareholders before our Annual General Meeting. Preliminary profit figures now available indicate a substantial improvement over the very successful results of the preceding year.

Your Directors, therefore, in consequence of this improvement, have considered themselves justified in increasing the distribution of Capital Profits derived from these two Companies to Eight Pence per Share (66⅔ per cent). As was the case last year, however, some of these Capital Profits have been realised since the date of the Accounts and are, therefore, not fully represented in the Accounts now presented to you.

During the year, your Corporation funded £500,000 of its indebtedness to its Parent Company by the issue of 6 per cent Loan Stock redeemable in 1972 or earlier at our option.

SALE OF CEMENT INTERESTS

It is intended to exercise this option forthwith and redeem the whole of this Stock. Our ability to do so is due to the sale of our Cement Works at Saltram, Plymouth, together with certain options on cement lands in Scotland, to Associated Portland Cement Manufacturers Ltd.

It had been our intention to add a third kiln to the Plymouth Works to attain increased production and decrease in costs consequent thereon. Before this new work was put in hand, however, we were approached by Associated Portland Cement Manufacturers Ltd. with the suggestion that we should sell to them our Cement Works and land at Saltram, together with our options in Scotland. Negotiations were protracted, but eventually agreement was reached and the contract for sale was signed on Friday, June 6th, with effect from June 1st. The amount realised by the sale is approximately £1 million. In the opinion of your Board, the outcome of these negotiations has been highly satisfactory in every way and a considerable profit has been made.

We retain possession of our agricultural lime works at Saltoun, near Edinburgh, and at Saltram (Plymouth), with provision for adequate supplies of raw material for many years to come. These, with our other limestone works in Northumberland, Gloucestershire and Somerset, and certain ancillary interests, earned for us last year approximately £90,000 net before Tax. There appears to be no reason why this rate of earnings should not be maintained.

The improvement in the liquidity, not only of your Corporation but of the Group as a whole, resulting from the sale of our Cement interests, cannot fail to be highly beneficial to us all.

POLICY OF CONSERVATION

I have already referred to our interests in Ulster and Kenya which are not Subsidiary Companies because our Share ownership is slightly less than 50 per cent. The policy, which we and these associated companies in both Ulster and Kenya have pursued, of ploughing back all net trading profits, has resulted in the creation of assets and earning power out of all proportion to our £100,000 Share Capital.

The staff and workmen of the Corporation have worked throughout with their usual zeal, and on your behalf I take this opportunity of thanking them for their unfailing goodwill and assistance.

The report and accounts were adopted.

TELEPHONE MANUFACTURING COMPANY LTD.

The twenty-eighth annual general meeting was held on July 14th in London, Mr Fred T. Jackson, OBE, CompIEE (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement: Whilst the rate of output achieved in 1956 was maintained in 1957, there was a reduction in the volume of deliveries of Subscribers' Apparatus to the British Post Office. However, this was offset by increased deliveries in other directions in particular of Line Transmission Equipment, and of Subscribers' Apparatus for overseas customers. But in the latter case price levels are not profitable. The percentage of our sales exported increased from 19 per cent in 1956 to 26 per cent for 1957.

Last year I expressed some anxiety about the effect on our Order Book resulting from curtailment of the activities of the British Post Office brought about by the credit restrictions and the increase in tariffs. The Post Office was forced to ask the industry to accept reductions on the contracts placed and to spread delivery of the balance outstanding over an extended period. In addition the orders placed in 1957 for Subscribers' Apparatus were negligible.

We are concentrating on development work to enable us to expand our business. Such a policy is essential if we are to become less dependent upon Post Office Stores business in the future and we have adequate financial resources for this purpose.

The report was adopted and the total distribution of 10 per cent was approved.

GOODLASS WALL AND LEAD INDUSTRIES

A SUCCESSFUL YEAR

MR R. L. H. LANCASTER ON ACTIVE DEVELOPMENT OF NEW PRODUCTS

The twenty-seventh annual general meeting of Goodlass Wall and Lead Industries Limited, was held on July 10th in London, Mr R. L. H. Lancaster (the chairman) presiding.

The following is an extract from his circulated statement:

The Group profits at £3,036,000 before tax, show an increase of £210,000 in comparison with a figure of £2,826,000 for 1956, and your Directors consider this result to be satisfactory. Taxation absorbs £1,564,000, and after allowance has been made for minority interests, the net consolidated profit is £1,410,000, of which a total amount of £490,000 has been retained by the subsidiary companies.

The year under review was not without its special problems. Substantial falls in value took place in a number of the raw materials held in stock by the subsidiary companies. Lead, for example, fell during the year 1957 from £116 per ton at the beginning of the year to £73 per ton at the end, and considerable falls also took place in most other metals and drying oils. The Company's principal subsidiary, Associated Lead Manufacturers Limited, as you know, has been accustomed to value its stocks on the base stock principle, and was, therefore, able to present trading results largely unaffected by such market fluctuations. Other companies in the Group, however, were, to some degree, affected by the fall in market values though the effect on the 1957 profits was not really substantial.

During the year, the liquid position has improved considerably, in spite of an addition to our trade investments of approximately £365,000, and an expenditure of just over £1 million on fixed assets.

Since the end of the year, the issued ordinary capital has been increased from £3,614,032 to £5,421,049 by a 50 per cent scrip issue. This increase is not reflected in the accounts to December 31, 1957, but the new stock ranks for the final dividend for 1957.

The Directors recommend a final dividend of 9¾ per cent on the ordinary stock, making, with the interim dividend paid in 1957, a total of 13 per cent on the present ordinary stock. This compares with an equivalent rate of 12 per cent for 1956.

OPERATING COMPANIES

Associated Lead Manufacturers Limited.—Bearing in mind the difficulties that inevitably have to be faced with falling markets, this company still produced a satisfactory result. Exports, in spite of keen competition in certain markets, showed an improvement.

Fry's Metal Foundries Limited.—This company enjoyed a satisfactory year, and its profit shows very little variation from the previous year, in spite of the fact that it suffered to some extent from a fall in the values of its stock.

Fry's Diecastings Limited.—This company, too, had an active year, during which the turnover increased.

Goodlass Wall and Company Limited.—This Liverpool company, our main paint subsidiary, had another excellent year, and turnover, once more, showed an increase over the previous year. In the retail field, again, the various Valspar finishes have grown in general popularity, and at times production resources were very fully extended.

Alexander, Fergusson and Company Limited.—This Scottish company, which manufactures both lead products and paints, has again had a very satisfactory year, although trading conditions are now becoming more difficult.

Overseas Companies.—The profits derived from the overseas companies showed, in the aggregate, a considerable improvement over the figures of the previous year.

FUTURE OUTLOOK

It is a difficult matter to form an estimate of the probable trend of profits in the near future. At the conclusion of a successful year, it is well to consider what changes in demand for our products are in prospect that may affect the direction of our future growth.

While it is our policy to lose no opportunity of developing any suitable new product, there has, at the same time, been some fall in demand in recent years for certain of those traditional products which, in pre-war days, constituted the most important side of our business. In an age of rapid technical progress, changes in the pattern of demand are bound to occur; in this connection, I should perhaps explain that, in some cases, the newer developments can be looked upon as direct replacements of our older products, and in others they are in different fields and are only replacements in the sense of creating alternative earning power. Up to the present, new developments throughout the Group have made up for any losses in our traditional fields, and it is our hope that this position can be maintained.

There are a number of new products in a very active state of development and I think we may reasonably hope to receive increasing returns from these different developments, but they cannot be quick or spectacular, rather are we seeking rewards that derive from careful planning for the future.

Our paint interests, principally in Goodlass Wall & Company Limited, of Liverpool, have, over recent years shown remarkable growth, and the contribution which that Company now makes to the Group is important. As you must be aware, competition in the paint trade during the last year or two has become increasingly keen, and continuing growth can only be achieved by great effort and very substantial capital investment.

One of the most interesting developments in recent years, in a field outside our established activities, has been the acquisition of Fry's Diecastings Limited. Pressure diecasting is a young and growing industry, and we look forward to a steady expansion of this company in the future.

Our earning power must, of course, be affected by the general level of economic activity in this country and, indeed, throughout the world, and having regard to this, I feel it will not prove easy this year to maintain last year's satisfactory results.

The report and accounts were adopted.

MILLARS' TIMBER & TRADING CO. LIMITED

TURNOVER MAINTAINED

The annual general meeting of this Company was held on July 16th in London, Mr C. T. Pott presiding.

The following is an extract from the Directors' Statement circulated with the report and accounts for the year to December 31, 1957:

Results for 1957 have not been as good as those for 1956. The Group trading surplus fell from £419,214 to £365,290, but it is gratifying to note that our turnover was maintained at about the same record figure as for 1956. After allowing for taxation and adequate depreciation, the net profit of the Group for 1957 amounted to £112,653. The dividends paid or recommended include a 12 per cent dividend on the Company's Ordinary capital.

Our general trade in Australia continued at a low level. The export trade in Jarrah and Karri was well maintained in volume, but severe competition kept profit margins very small in spite of the large reduction in tramp freight rates.

Millars' Machinery Company Limited had a reasonably successful year, but the credit squeeze and partial cessation of building in this country had an adverse effect on turnover and profit margins.

With regard to the outlook there are some bright spots but, taking the Group's activities as a whole, it is thought that the results for 1958 may be about the same as those for 1957.

The report and accounts were adopted.

DENNISTOWN RUBBER ESTATES

The twenty-fifth annual general meeting of Dennistown Rubber Estates Limited was held on July 11th in London, Sir Harry Townend (the chairman) presiding.

The following is an extract from his circulated statement:

Production for the year under review was again satisfactory—the crop harvested was some 98,000 lb higher than in 1956. This increased crop offset to some extent the decline in the price of natural rubber, and we were able to finish the year with a working profit of £31,351. This compares with £39,810 for the year ended December 31, 1956.

There is a credit of £11,269 for taxation over-provided in the previous year. This credit arises from the fact that under the 1957 Finance Act this Company qualifies as an Overseas Trade Corporation and will be assessed accordingly. We replanted a total of 235 acres in 1957 and hope to deal with a further 200 acres during the current year.

Harvesting commenced in the Oil Palm area of Parit Buntar Estate in June last year and output is gradually increasing. As we have no manufacturing facilities for the production of Palm oil on the Estate, we are selling the fruit locally.

The estimates for the current year are based on a crop of 1,300,000 lb. Up to the end of April, 1958, the crop actually harvested was 428,100 lb, which is ahead of the estimates to that date, and compares with 407,300 lb at the same date in 1957.

The report was adopted and the dividend of 20 per cent approved.

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The salary for a Senior Lecturer is within the range £A2,200-£A0-£2,550 per annum; for a Lecturer within the range £A1,500-£90-£2,100 per annum. In each case cost of living adjustment will be allowed. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.
Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.
Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.
The closing date for the receipt of applications, in Australia and London, is August 22, 1958.

BATTERSEA COLLEGE OF TECHNOLOGY,

LONDON, S.W.11

Applications are invited for the post of READER IN APPLIED MATHEMATICS. Candidates should possess a Degree of a British University, with research qualifications in some branch of Applied Mathematics or Statistics. The candidate appointed will be expected to develop research activities in his field, particularly in relation to modern industrial trends. Experience of teaching in a University or major Technical College is desirable. Salary £1,586 or £1,598 x £50—£1,848 less statutory deductions. —Further particulars from the Clerk to the Governing Body, by whom applications should be received as soon as possible.

MINE SECRETARY required for large Iron Ore Mine in BRITISH WEST AFRICA operated by U.K. Company (private company).—Applicants must be Chartered or Incorporated Accountants aged 30-45 with wide commercial and industrial experience (preferably including wage and labour matters). The duties, which include responsibility for the Accounts, Timekeeping, Wages, Stores and Labour Recruitment departments, are wide in scope, and the candidate sought is one who is a proved organiser and capable of giving expert guidance to subordinates. The post is a senior one and carries a salary of £3,000 per annum plus minimum bonus of 5 per cent plus for married man, marriage allowance at the rate of £10 per month and children's allowance at the rate of £5 per month for each child under 18. Free furnished accommodation and medical attention. Contributory Pension Scheme with retirement at age 55. Dependants' Income Scheme and free Life Assurance. Tours of duty approximately 15 months with liberal leave in U.K. and free outward and homeward passages.—Write, giving full particulars of experience, stating age, married or single, to Box TE.553, c/o 191 Gresham House, E.C.2.

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Mason's Avenue, Coleman Street,
London, E.C.2.

PLEASE QUOTE R.53.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN SOCIAL STATISTICS. Salary scale £700-£850 per annum, with membership of the F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than August 2, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

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HOLLOWAY, LONDON, N.7

The Governing Body invites applications for appointment as PRINCIPAL of the Northern Polytechnic. Candidates should possess high academic qualifications and appropriate educational and administrative experience. Salary scale —£2,350 rising by annual increments of £100 to £2,650 per annum, plus London Allowance. Duties will commence on September 1, 1959, or such earlier date as may be agreed.
The Northern Polytechnic is a major Regional Technical College. To meet current needs and to provide for future development, a large site adjacent to the Polytechnic is now being acquired for a substantial extension.
Form of application, together with full particulars will be forwarded on request, and should be returned to me, duly completed, not later than October 31, 1958.

R. H. CURRELL, A.C.A.,
Clerk.

AUSTRALIA UNIVERSITY OF SYDNEY

LECTURESHIP IN ECONOMICS

Applications are invited for the above position.
The salary for a Lecturer is within the range £A1,500 x £90 to £2,100 per annum, plus cost of living adjustment and will be subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.
Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.
Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.
The closing date for the receipt of applications, in Australia and London, is August 15, 1958.

THE NATIONAL FARMERS UNION has a vacancy in the Horticultural Department for a Male ASSISTANT with administrative experience. Candidates should be between the ages of 25 and 35, and possess a First or Second Class honours degree in Economics, Statistics, or kindred subject. Ability to write clearly and concisely essential. Commencing salary according to age and experience, but will not be less than £750 per annum.—Applications, containing full details of education and previous experience, should be addressed to the General Secretary, NATIONAL FARMERS UNION, Agriculture House, Knightsbridge, S.W.1, by not later than July 31st.

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Applications are invited for the post of ASSISTANT LECTURER in AGRICULTURAL ECONOMICS. The salary scale is £700 to £850 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than July 23, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

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NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (50c) per share, Canadian Funds, has been declared by the Directors of Noranda Mines Limited, payable September 15th to Shareholders of record August 15, 1958.

By Order of the Board,
C. H. WINDELER,
Secretary.
Toronto, Ontario,
July 10, 1958.

ASHANTI GOLDFIELDS CORPORATION LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today declared an Interim Dividend (No. 123) on the Issued Capital of the Corporation at the rate of 1/-d per Share, less Income Tax at 8s. 6d. in the £. This Dividend, which is in respect of the year ending September 30, 1958, to be payable on and after September 12, 1958, to all Shareholders on the Registers on July 18, 1958.
The TRANSFER BOOKS WILL BE CLOSED from July 19, 1958, to July 28, 1958, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.
Registered Address:
10 Old Jewry, London, E.C.2.
July 15, 1958.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today declared an Interim Dividend (No. 39) on the Issued Capital of the Company at the rate of 2.4d. per Share less Income Tax at 8s. 6d. in the £. This Dividend which is in respect of the year ending September 30, 1958, to be payable on and after September 12, 1958, to all Shareholders on the Registers on July 18, 1958.
The TRANSFER BOOKS WILL BE CLOSED from July 19, 1958, to July 28, 1958, both dates inclusive for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.
Registered Address:
10 Old Jewry, London, E.C.2.
July 15, 1958.

CITY OF JOHANNESBURG

5 PER CENT. REDEEMABLE STOCK 1959/1962

NOTICE IS HEREBY GIVEN that in order to prepare the warrants for interest due on September 1, 1958, the transfer books of the above-mentioned Stock will be closed from August 1st until August 8, 1958, both dates inclusive.

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(London Registrars of the above Stock),
G. A. D. HARRISON,
MANAGER.
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London Wall, London, E.C.2.
July 9, 1958.

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A·E·I
JOHN THOMPSON

The Economist

JULY 26, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

USIS 5 AUG 1958 PUBLIC DEPARTMENT

A Prospect of the Summit

If the Middle East crisis does bring the leading men of East and West together in one room, what will they discuss? (page 265)

The Last No Trump

The trouble about the Labour Opposition is not that it has no policy, but that, muffled though this is in the party pamphlets, it always itches to have too many policies (page 268).

Men and Atoms

The Atomic Energy Authority must master its own organisation, as well as the atom (page 307).

Capital Control or Not?

A major curtailment of the activities of the Capital Issues Committee seems due—but the Government makes such promises (page 309).

Miles of Tape

Prospects for a new entertainment industry (page 270).

Nationalism Wins a Round in Iraq

(page 267)

HOW THEY ALL STAND (page 272)

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PARIS	(page 300)
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5 AUG 1958

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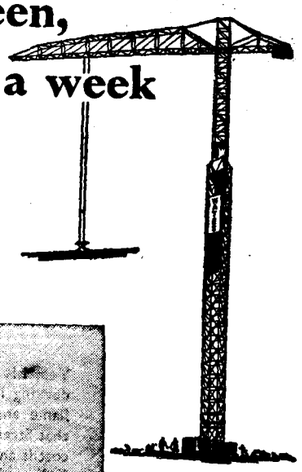

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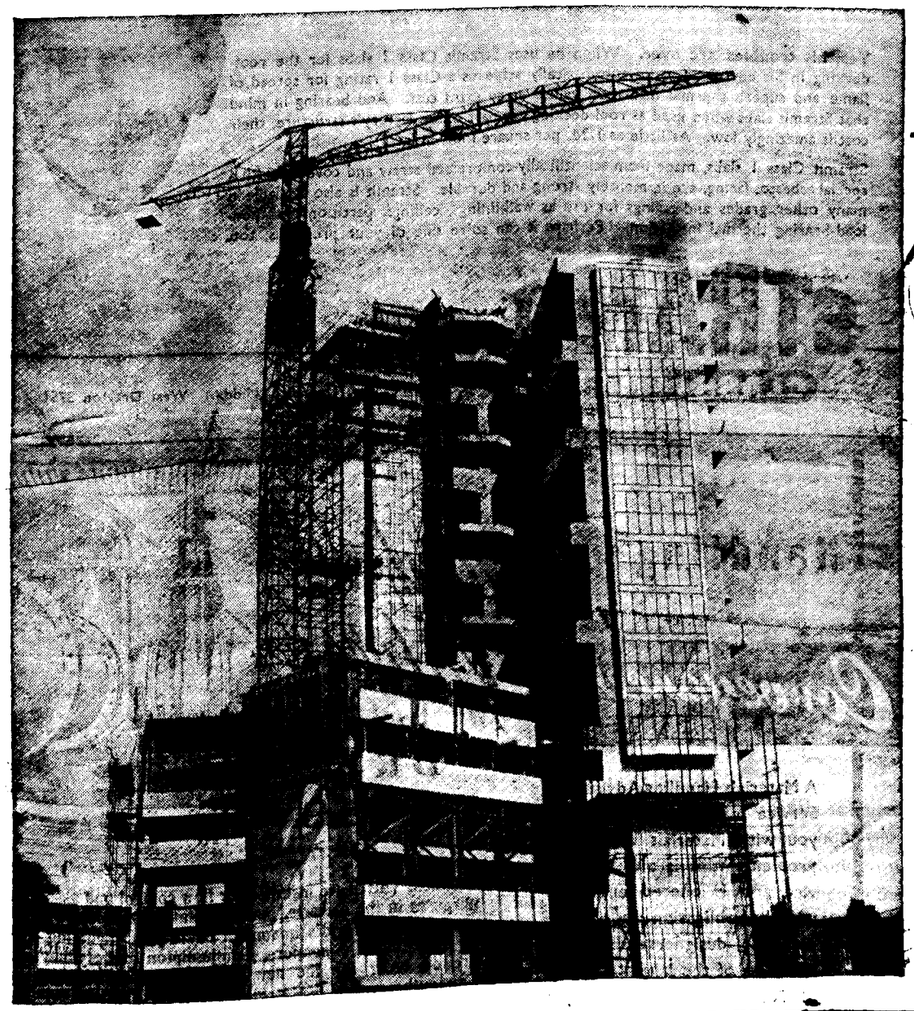

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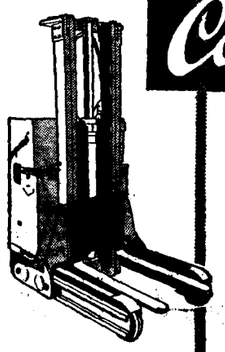

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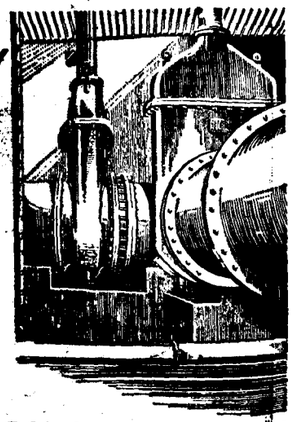

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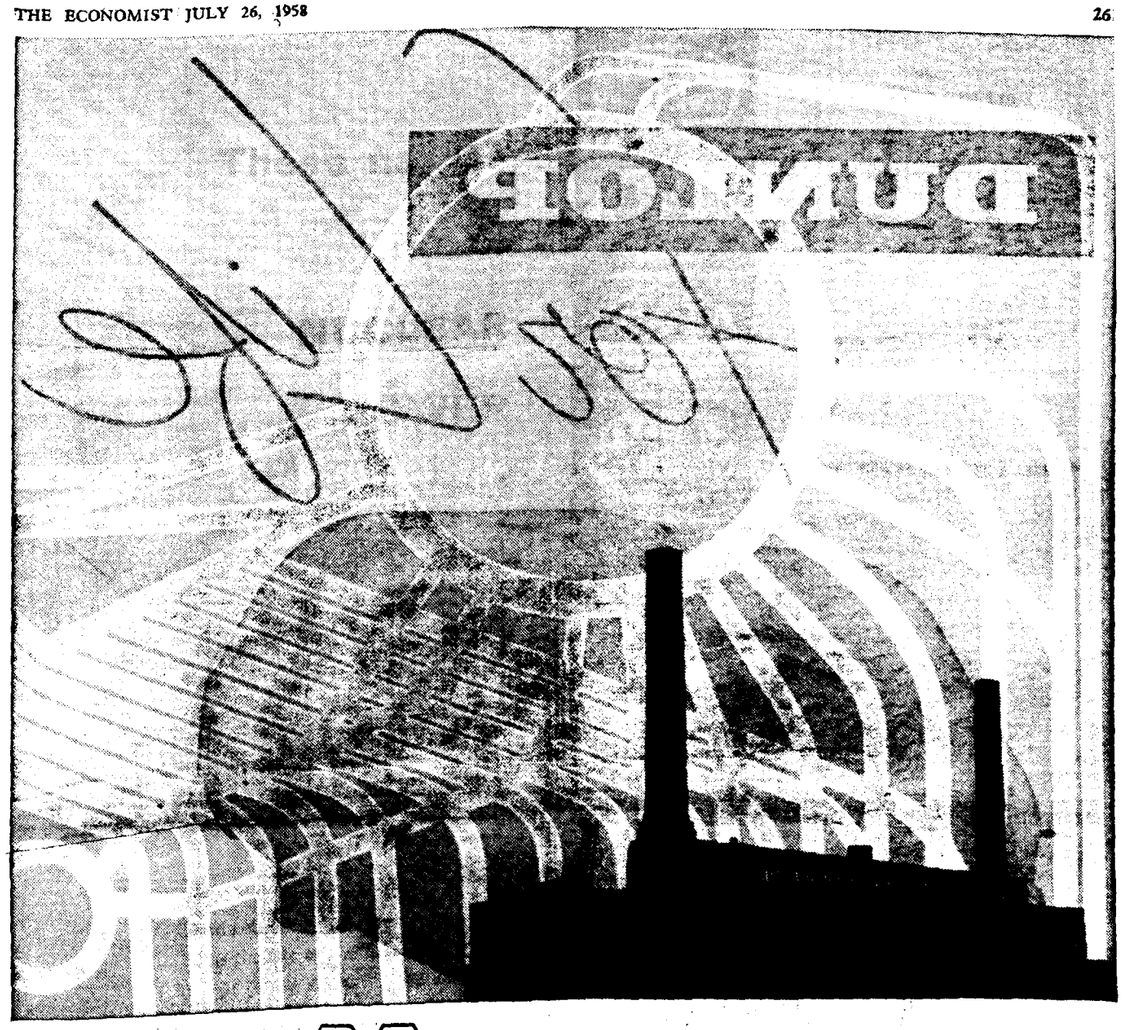

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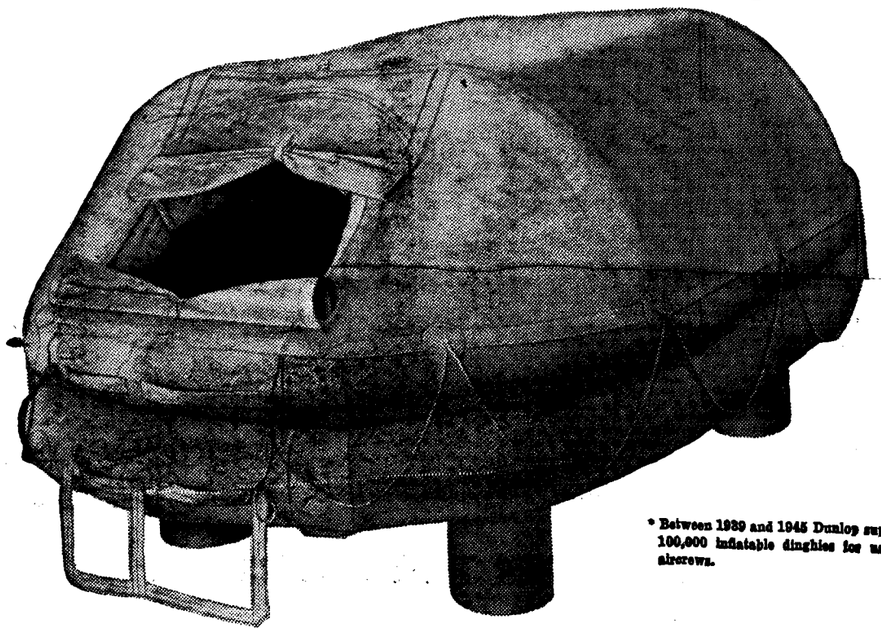

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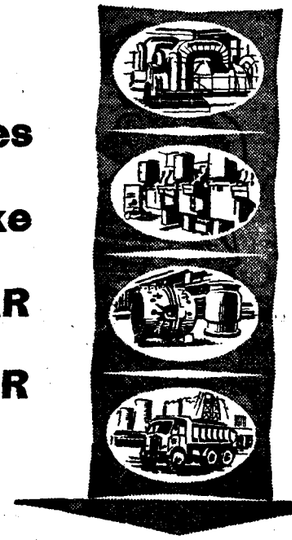

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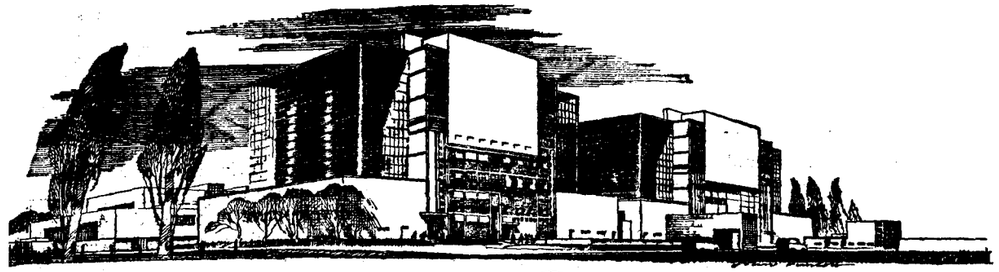

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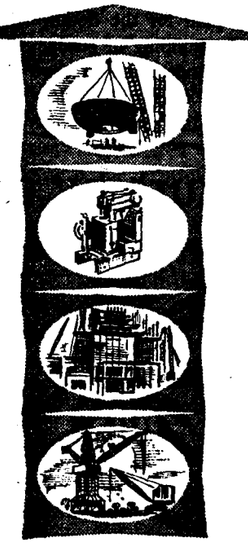

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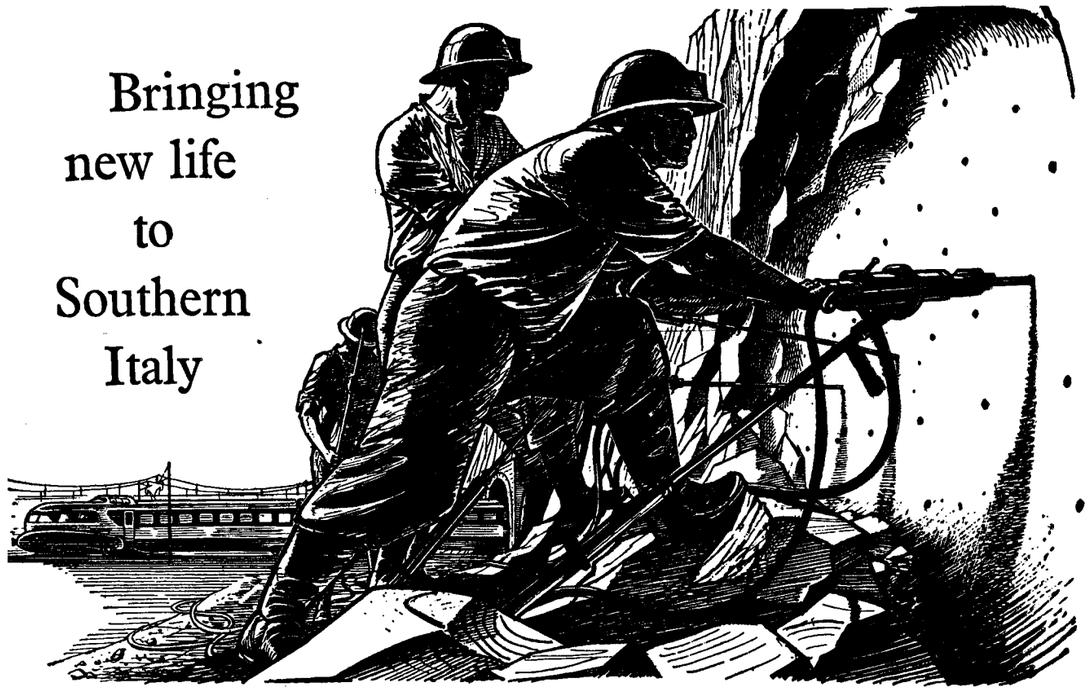

Southern Italy, overpopulated, its soil eroded and impoverished by endless cultivations, is by European standards an acutely 'depressed' area. One reason for this is its isolation from the rest of Italy. In such rough, mountainous country communications are difficult. Recently a ten-year development plan for the South, including land reclamation and the building of roads, railways and aqueducts, has been undertaken at the expense of the Italian Government. This will attract investment capital and bring new life to the land, raising the standard of living in an area where over 50% of the male population are unemployed. An important part of this development project is the doubling of the railway track for more than 80 miles between Battipaglia near Salerno, and Villa San Giovanni in the 'toe' of Italy. Atlas Copco compressed air equipment and Sandvik Coromant drill steels are being widely used in the construction of tunnels, bridges, viaducts and tracks for this vital new communication system — and also in new water power projects for the South.

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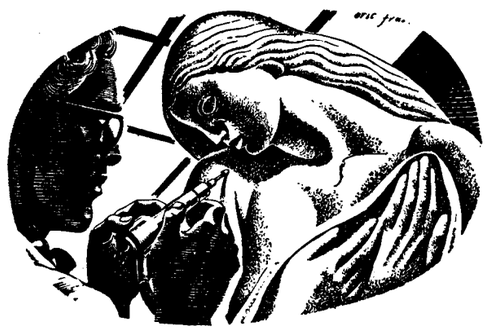

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Atlas Copco puts compressed air to work for the world

The Economist

JULY 26, 1958

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A Prospect of the Summit

THE notes that pass between heads of government have ceased, for the moment, to read like the minutes of sub-committees; under the pressure and stimulus of the Middle Eastern crisis, there is visibly a return to the practice of the great men writing their letters themselves. Mr Khrushchev's messages of last Saturday, confronting the western powers with the demand for an immediate summit conference, bore Mr Khrushchev's personal imprint; urgent and vivid, making its points in hammer-blows. To drive home the urgency he accepted the Anglo-American counter-proposal on Wednesday in what must be record time.

Anyone may show that Mr Khrushchev makes light of logic; in argumentation he is outrageous with his own special outrageousness. From his artless mixture of insult with man-to-man appeal, it is easy to picture the sort of summit meeting that presents itself to his mind's eye—something like the Mecklenburger's idea of heaven, where the righteous sit in front and eat, and eat, and eat, but the ungodly sit at the back and digest, and digest, and digest. President Eisenhower, Mr Macmillan, and General de Gaulle have shown a natural reluctance to rush to Geneva for a session of indigestion. Yet there was an earnestness and an impact in Mr Khrushchev's messages that made it impossible for the western leaders to turn him down out of hand. If they had doubted the earnestness, there were the manœuvres in Transcaucasia, Turkmenistan, and Bulgaria, the mass meetings in the towns of Russia and Central Asia, the military talks in Cairo, the meeting with President Nasser in Moscow, and the stage thunder of press and radio in full blast to show that the Russian rulers were thoroughly aroused and exerting themselves to arouse their people. Who would have thought that Soviet policy had just won a brilliant trick, and that the West had suffered a grave reverse, by the revolution in Baghdad which forced the Americans and the British to take up exposed and unpromising positions in Lebanon and Jordan?

Yet the truth seems to be that the Russian leaders are in as much of a dilemma as the West is. They do not want war, they believe that a danger of war exists, and they see western military activity in the Middle East as a threat to themselves. At home they are engaged on vast economic projects and on still vaster reforms in economic and social organisation: to judge by the appearances of the last few months, Mr Khrushchev, faced with dissent from some powerful colleagues, has bought their acquiescence to his bold domestic reforms by the repression of revisionists, the dragooning of the satellites, and the hardening of foreign policy, especially in Europe. He cannot afford meekly to accept strategic reverses or military rebuffs from the West; nor, equally, can he afford to risk going to war. In the circumstances, when he asked for a summit meeting he may well have meant what he said:

> The chief thing is not to delay, not to waste precious time for nothing, as the guns are already beginning to fire.

This is the sort of language that, for good or for ill, has an impact in the world, and it is not much use for Mr Khrushchev's western addressees to point out, truly enough, that the only guns fired yet have been those that slaughtered the leading men of the Iraqi kingdom.

Two, at least, of their replies showed strong marks of having been written by the men who signed them. General de Gaulle wrote in a vein of his own: incisive, economical, elegant. Since he has the good fortune to stand somewhat on the sidelines in the present crisis, a summit meeting holds no terrors for him; but he invited Mr Khrushchev to calm down first, and he made a scrupulous concession to the desire of London and Washington that the forum of the United Nations should not at this stage be abandoned. Why London and Washington should have (even momentarily) thought this particular patch of ground so advantageous to stand on is not at all clear; perhaps it simply appealed as a way to avoid a meeting called and arranged by Mr Khrushchev *à la* Mecklenburg.

STILL, for all their insistence on the United Nations as the platform on which to meet, Washington and London appeared on Wednesday to leave no doubt that they would meet—London, through the voice of Mr Macmillan (again, a personal voice speaking with characteristic effect, tersely and straightforwardly), expressing its readiness without further qualification. In Washington there was evidently more hesitation, and the signs of British persuasion were evident. Mr Eisenhower said on Wednesday that, if a meeting was wanted, the United States would join in. He was speaking of a Security Council meeting with ministers or heads of government, leaving it open whether he personally would go, or not.

This device of a more elevated meeting of the Security Council is the one that looks likely to be adopted, now that Moscow (to the evident alarm of Washington) has accepted it, bringing in the Arab States for good measure. It has obvious disadvantages. Marshal Chiang Kai-shek would have to be persuaded not to take his seat; and who—before the meeting—would decide between rival Iraqi delegates? But these are not insuperable difficulties. Mr Khrushchev's proposed composition—Russia, the three western powers, India and Mr Hammarskjöld—would have been simpler and easier to work. The western powers, however, may perhaps have feared that this would have implied an admission of a Soviet right to wield influence in Middle Eastern affairs. The admission is not, of course, avoidable for much longer. Very likely they would have been wiser to make it two or three years ago; if they had, their path through Middle Eastern politics since then would not have been smoother, but it might have been less beguiling and less treacherous. But they are not yet ready to make it. With a fairly powerful American force dug in in Lebanon, a slender British one holding the airfield at Amman, the new face of Iraq still inscrutable, and much of the Arab world still holding its breath, it is clear that they will wait, if they can, before taking drastic new decisions.

IT is not hard to see the need for a meeting. The dangers that are seen in it in Washington are dangers not so much of holding it as of bungling it, with public sessions and propaganda speeches, which it is best to avoid. What is hard to see is what the statesmen will discuss when they meet. Mr Khrushchev spoke of "stopping the military conflict that has started." But it has not started; we have only seen a part of the preliminary rush to take up positions; and since neither side wants war, war will be deferred if it is not averted. What is wanted is to put limits to the political and strategic conflict. If that is to be done, neither side can have all that it would want, but both must be assured that its central interests will, within limits, be left alone by the other. To attain that degree of accommodation between East and West will be hard; to make it harder, it must be understood that the accommodation could not possibly work unless it were such that the peoples of the Middle East could themselves accept it. For, though they are not strong enough yet to impose an order of their own upon their region, the upheavals of the last three years have shown them, in a world in which the strong are at loggerheads, strong enough to upset any system that blocks their way.

This fact will necessarily cut across any conventional great-power solution on the lines either of spheres of interest or of neutralisation. The West could not give up its oil interests, which run through the centre of the region from the Mediterranean coast down through the Persian Gulf. It cannot expect to recover influence in Egypt, nor can it abandon its remaining allies of the northern tier, Russia's neighbours, Turkey and Iran. No agreed pattern of spheres of interest looks possible.

In Washington, it is reported, thought is being given to a partial settlement by neutralisation, particularly of Lebanon and of Iraq, on something like the Austrian model. Tempting as it must be to an American government looking for ways of getting its marines back to their ships, this, too, is probably illusory. The integrity and independence of Austria are guaranteed by the powers; while pan-Germanism sleeps, and so long as the stalemate in central Europe remains accepted, the self-denying ordinance can work. But the artificial frontiers of the Middle East are in flux: who can say, after the submission of Syria to pan-Arabism, how long the peoples of Jordan and Iraq will consent to remain independent national states? As for their neutrality, these states—and even Lebanon, which would be the most pacific of them, and perhaps the most apt for neutralisation, if it were not torn asunder by its own divisions—are still in a state of war with Israel, whose life they harass with every form of enmity and boycott open to them. In the present upheaval, some elements flow from the artificial division of the Arab world forty years ago, others from the Palestine war ten years ago. Neither of these agents of restlessness has ceased to ferment. They would be bold heads of government who guaranteed that this seething flux should be preserved unchanged.

There is, then, no Middle Eastern settlement that the heads of government of the great powers could arrive at at this time, even with a great deal more goodwill and more mutual confidence than they possess. Can they agree upon areas that they will stay out of? Egypt, Syria, Lebanon, Jordan, Iraq: these are all places where the great powers can now do no good and where they can only burn their fingers. It will be hard for Moscow and the West to make this admission face to face, and harder still for them to trust each other to act upon it. Still, if there must be a limited objective—as there must—then it can hardly be other than to detach the conflict of the world powers from the cockpit of Arab nationalism, so that world peace is not at the mercy of the turns and twists of Arab politics. Whatever they do, the drama of Arab politics is not concluded, and no concert of powers can ring down the curtain; perhaps the wisest spectator is he who keeps his seat.

Nationalism Wins a Round

THOUGH the revolution in Iraq is nearly a fortnight old, reliable reports of the situation there, and of the coup in which Nuri es-Said, his government, and the Hashemite dynasty were destroyed, brutally, in a couple of hours, have only just begun to come in. Many of the details are still missing. But the causes of the revolt are clear enough. There had never been any sense of popular participation in the series of governments led or engineered by Nuri es-Said. Little feeling of loyalty to the Hashemite regime existed. Among Iraqis in general there were, on the other hand, widespread desires to be Arab and to be neutral; and these aspirations, they felt, were blocked by their government's estrangement from Cairo and by the Baghdad Pact.

In the alarm about the violent manner and disturbing implications of the revolt, it is being said in western capitals that the new government in Baghdad cannot be accepted in international society because some of its members are former colleagues of Rashid Ali al-Kailani. The *coup d'état* of 1941, led by Rashid Ali, had to be put down by outside forces because it was made in league with Nazi Germany, whose interests, at the time, it served. In the years since the war the Rashid Ali coup has come to be recognised as being more of an attempt of genuine Iraqi nationalism to assert itself than merely a wicked fascist plot. Anti-British feeling in Iraq was caused then, as now, by local resentments and by the frustration of the general Arab nationalist movement. It was aggravated by the spectacular German successes early in the war. Rashid Ali conveniently assumed the leadership of a movement which had long been in existence. When their turn came, the present revolutionary leaders took over in much the same way and for the same reasons. The difference now is that they have behind them a still bigger and far more articulate volume of Iraqi discontent, together with the powerful support of triumphant Arab nationalism in other Arab countries.

The revolt was well organised and appears to have received immediate popular support. The loyalist divisions reported marching on Baghdad from the north have failed to materialise. The country is quiet. The ugly blot on the slate of the new government is the murder of the Prime Minister, the Hashemite family, and several foreigners in the violence of the first morning. The situation cannot be compared with that of Egypt in 1952. King Faisal, a shy and unassuming young man, was no Farouk. Under Nuri's firm rule no Iraqi politician made the fortune from government that every Egyptian pasha used to grab as his right.

THE new rulers of Iraq are a mixed bag of soldiers and politicians who have previously found unity only in their opposition to the policies of Nuri es-Said. There have been attempts to find out which is the Muhammad Naguib of the movement and which is the Gamal Abdul Nasser; but the analogy of the Egyptian revolution does not seem to fit. The Iraqi officer corps never went through the process of realignment and sorting-out that the Egyptian army had as a result of its defeat in the Palestine war of 1948. The new prime minister, Abdul Karim Qasim, has been described as a firm disciplinarian whose troops were several times used to put down political disturbances, and as a soldier who bought footballs for his men out of his own money.

The head of the Sovereignty Council is General Najib al-Rubai, an army officer who accepted Saudi money to overthrow Nuri several years ago; but all he then got for his efforts was an unwanted appointment as Nuri's Ambassador to Jiddah, where he remained until recently. He is said to be an extremely pious Moslem and is probably as right-wing as Nuri ever was. The other two members of the council are Muhammad Mahdi Kubbah, head of the Istiqeal party which Nuri suppressed, and Khalid Naqshabandi, recently governor of the northern province of Erbil. Qasim is a Sunni Moslem Arab, Kubbah belongs to a prominent Baghdad Shia family, and Naqshabandi is a Kurd.

A month ago the western world would have been relieved of many of its headaches if the Iraqi government and the United Arab Republic had been

able to conclude the treaty of mutual defence which Colonel Aref, the new deputy prime minister, and President Nasser signed in Damascus on July 20th. It is difficult to see why it took a revolution in Iraq, the landing of American marines in Lebanon, and the landing of British troops in Jordan to achieve a working agreement between the two leading Arab countries of the Middle East. The pact should put an end to what has been the greatest immediate danger to western interests in the Arab Middle East, the rivalry between Cairo and Baghdad. The pipelines to the Mediterranean may now be safe all the way. The expensive intrigues between the two governments are no longer needed. No longer will the shrill radio voices of Cairo and Baghdad keep the desert air hot with insults.

There are, of course, other questions to be answered. Will this triumph satisfy the aspirations of Arab nationalism as preached by President Nasser or must Lebanon, Jordan, Saudi Arabia and Kuwait fall into line? At the sixth anniversary celebrations of the Egyptian revolution, on July 22nd, Nasser gave part of the answer. He proclaimed that King Hussein, too, would be defeated and that the flags of victory would fly over every Arab city.

Now that the dust is beginning to settle in Baghdad the new government is being almost embarrassingly proper in its relations with western countries. Oil continues to flow through the pipelines and oil companies have been assured of the government's co-operation. The leaders say they do not intend to join the United Arab Republic. On paper, Iraq still belongs to the Baghdad pact. No Iraqi statement has been made concerning withdrawal from the pact; according to the treaty a year's notice is required; but no Iraqi representative has turned up yet for the meetings which have just started in London.

Internally, the Iraqi revolution is a success. Externally, it enjoys effective moral support from the Arab countries and from the Soviet block; but the West for the present opposes it as an ally of Arab nationalism subject to possible communist influences. This western attitude may prove long-lived or short-lived; the West may choose to overlook the crimes committed by the revolution and enter into normal relations with it; or the long and barren conflict may continue indefinitely. In the alarm set off by the Iraq revolution America and Britain sent troops to prop up the faltering regimes in Lebanon and Jordan; new trouble in Kuwait, Saudi Arabia, or any of the Persian Gulf states may prompt them to move troops there as well. Iraq's future international position is not predetermined; and it is not in the hands of the new Iraqi leaders alone. It will be influenced by events, still unpredictable in these remaining Arab countries, and by the West's reactions to those events. But the new regime there is a fact which must now be lived with.

THE ALTERNATIVE GOVERNMENT—IV

The Last No Trump

The eighth and culminating Labour policy pamphlet is an anti-climax. The zealots have been muzzled, but the experiment of policy-making in a vacuum has almost comically failed

THE Labour party has its own peculiar system for composing its policy statements for the next election. This is for a group of zealots to draft some frightening first proposals, and then for Mr Gaitskell and the majority of a committee to cross them out and fill up with padding. The last document in the present series, *Plan for Progress*, bears all the marks of this system. Because traces of the first draft remain, the Tories will have some justifiable fun in quoting certain passages to make the floating voters' flesh creep. But for those who are primarily interested in knowing what a Labour Government really would do with the economy, this document is less a menace than a joke.

The keynote of Labour's policy is stated to be expansion. That is of course the right note for Labour to strike, and one should greet the new battlecry with a loud cheer; a short time ago it was said that the keynote would be equality. Once the theme was decided, however, the policy committee has apparently had to edit frantically the zealots' ideas of how to develop it. The statement that present stagnation "is the direct result of the Government's refusal to plan," is an obvious hangover from the first draft. Labour, by contrast, will go in for planning. This to the zealots means that it should set up a row of tigers to encourage businessmen by springing out upon them; but in the final draft, under Mr Gaitskell's careful dentistry, each tiger's tooth is drawn, one by one.

Forward, as the first tiger, the old Labour idea of a National Investment Board, which was originally to be an executive body to do businessmen's investment for them; now, however, it is to be a discussion group which will "spotlight investment needs" by writing

reports. Forward, as the second tiger, the dread discovery that, although the raising of new money can be "usefully" controlled by the Capital Issues Committee, it "is illogical that there should be . . . no control over internally accumulated capital funds." Clearly, says the document, Labour must do something about this intolerable situation whereby the "few hundred dominant firms" who play the "key role in investment in the private sector" are allowed to invest their own money as they like. But all that it proposes is that "a Labour government will . . . require the large firms to draw up and report their investment plans in greater detail and on a longer term basis."

Although it believes in heavy investment at home, Labour also believes in heavy investment abroad. For this reason "Britain must earn an adequate export surplus . . . to enable us to play a far more important role in helping the under-developed countries." On the import side, Labour's main contribution towards improving our balance of payments surplus will apparently be to agree to buy commodities from sterling area countries at above the world price, on the thesis that cheaper commodities from outside the sterling area are bad things. On the export side, it is noted reprovingly that "too many firms adopt a take-it-or-leave-it attitude towards overseas customers," and premonitory sounds are made which suggest that the original draft may here have brought another tiger into the arena. But the final document fades away into such sentences as that the last Labour Government achieved a great deal "by constant publicity and propaganda" and "we shall also review the whole question of export credits." No votes are to be lost by that.

A whole chapter on "Industry and Efficiency" follows; it comes to the triumphant final sentence that "we shall, therefore, seek to promote management studies both outside and inside British industry." Confidence is recognised as important, and is conscripted for socialist service. "There is little reason to doubt," says the statement, "that the return to power of a Labour Government, pursuing policies of expansion and full employment, will in itself do much to create an expansionist mood in British industry." British industrialists, unaware that this would be their reaction to the accession of Mr Gaitskell, will blink.

DO any important points emerge from what may not unfairly be summarised as fifty-six pages of bathos? Three deserve to be noted. One, which has already been briefly commented upon, is the itch that is growing in the Labour party to make the sterling area into more of an autarkic block. The second point, almost equally depressing, is the preference for higher taxes rather than high interest rates as the main controller of the economy; Labour does not seem to have any better argument for this than that the Tories have, on balance, put the emphasis of their policy the other way round.

The third point is Labour's attitude towards prices. This is the part of the document which the real planners of Labour policy are known to have approached with the greatest seriousness—and with the most honest intent. They recognised, first, that if they were to put their main emphasis on expansion then they must accept that they could not also put it on keeping down the cost of living; so they will try to combine expansion with only "reasonable stability of prices" (where everywhere else they promise the moon). Even to achieve "reasonable" stability of prices, however, they must tackle the problems set by the trade unions. The way in which they hoped to do this—and for two years they had hoped that this would be the great achievement of this final policy document—was by means of a great Labour Party-Trades Union Congress concordat. But it is as clear as the horn-rimmed spectacles on Mr Cousins's determined nose that this approach has been a complete failure.

LABOUR expresses its determination to follow a policy of fair shares and to try to secure a temporary price freeze, in the hope that "a permanent peace settlement may grow from a temporary truce." To achieve this temporary truce, the statement says, "might require in the first place somewhat exceptional action on the part of the Government." (Here it edges towards, but does not explicitly adopt, advocacy of temporory price controls.) This temporary price truce, however, would only have meaning if the trade unions agreed not to raise wages; it is obvious that Mr Gaitskell fought hard to achieve a promise from the trade union leaders on his executive that some sort of a wage freeze might be acceptable in those conditions. What he has got instead is a tiny peep of a statement.

> In the conditions of full employment prevailing since the war the trade unions, despite at times severe provocation, have behaved with moderation and restraint. A government which is determined to restore a climate of expansion, maintain fair play between different sections of the community, promote greater equality, and create a price-truce, has the right to rely on the goodwill and co-operation of the trade union movement, as of every other responsible organisation in the country.

Translated into practice under a Labour government this would amount to nothing at all.

Plan for Progress is the last in the series of eight policy documents promised at the Labour conference of 1955. It is the final instalment of the "three-year programme of democratic policy-making on which the work of the next Labour government [will] be based." Some comment is now required on this whole exercise of policy-making by committee. The results have been rather surprising.

When the programme was announced in 1955, the fear was expressed in these columns that it might intensify the iniquitous doctrine of the electoral mandate: that the next Labour government might find itself saddled with specific, inescapable and damaging

commitments, thought up many months and even years before anybody could have any idea of the actual circumstances under which that government would have to work. In the event, the experiment can now be seen to have had almost precisely the opposite effect.

It has done something to diminish Labour's belief in the doctrine of the mandate, and thank heavens for that. True, the first important policy document, *Towards Equality*—which was produced early because the party then believed that equality should be one of its basic tenets—ostensibly committed the party to certain unwisely specific policies in the taxation field; but when Labour's eventual election manifesto is written, many of its commitments are now likely to be wisely forgotten. One other document, *Homes for All*, committed the party to a specific absurdity in the scheme for the municipalisation of most rented houses; but the odds are now that this commitment, too, may be modified out of recognition when the final election manifesto is written. With the exception of these two —and the suspect mathematics of the superannuation document—the other policy documents have represented a steady attempt to get out from under.

The old catchphrases of the left—nationalisation, comprehensive schools for all, and the rest of them—have been covered over with persiflage about state share purchases, encouragement to local education authorities to experiment, and a general scramble for every pressure group's vote. The reports, in short, have been wet rather than wild. If Labour returns to Opposition in a new Parliament, this almost comic experiment in first whipping up dangerous thoughts and then muzzling them seems unlikely to be repeated. But, muzzled or muffled though they may be, those eight documents do still illustrate the basic defect of the Labour party. The trouble is not that Labour has no policy; it is that the party always itches to have too many policies for either the economic comfort of the nation or the political comfort of the British people.

Miles of Tape

The production of tape recorders for use in the home is becoming a major entertainment industry

ONE of the most unusual commercial success stories since the war has been that of the business dictating machine which has established itself as a growing form of do-it-yourself entertainment. In this latter role the tape recorder has already passed well beyond the adult toy shop stage in Britain and is now paddling on the seductive shores of the mass market. It has come a long way in a remarkably short time. Developed in Nazi Germany just before the last war, the tape recorder was finally adapted to practical use by about 1944. When the liberating Allied troops took over Radio Luxembourg, they found recording apparatus that the experts never dreamed existed.

The trail had thus been blazed from the business dictating machine—in which the need was only for rough and very ready operation—to accurate sound reproducers, which business men were quick to see could enter an entirely different market. By 1948 American producers had created and were catering for a domestic market in these new uses in a big way, and at least one high-fidelity British producer was also starting up operations. The German industry also put its first complete fidelity recorder on to its domestic market in that year, and was quickly a big exporter.

In the beginning, apart from its convenience in some offices, only specialist users (like radio stations and gramophone recording companies) and "enthusiasts" welcomed the machine; and sales in Britain were small. But by 1955, sales in this country had crept up to 40,000 a year. Today they are variously estimated at between 60,000 and 80,000 a year, and there are nearly a hundred different models on the British market. They range in price from just under £40 for the cheapest and most austere types, up to around £120 for types designed for the more fastidious enthusiast; very special models for studio work can cost over £1,000.

THE market has split into three fairly distinct parts. Business dictating machines—where high-class reproduction of sound is not usually important, but only intelligibility is required—are one distinct part. Secondly, there has been a boom in accurate sound reproducers for more general use, some at work and some for pleasure. Among the former are a tribe of avant-garde churchmen, delving psychiatrists and progressive teachers. To users in the home, tape recorders were sold at first on the novelty attraction of "hearing



one's own" or to record a special event, like a wedding or baby's first gurgle. They were quickly seen to have some analogies with the camera, and are used by ornithological enthusiasts to record esoteric bird calls and by other sorts of enthusiasts to record speeches by public figures (this last use could raise some interesting problems of copyright). Thirdly, however—requiring higher fidelity and becoming in some ways a different market—are the people who want to use tape recorders for some musical purpose.

"Our average customer is looking for good reproduction of good music," said one quality dealer, who sold tape recorders in a price range near to £100. With very high frequency radio broadcasting (which excludes most atmospheric interference) providing almost perfect reception, the collector of classical music has found that he can make high fidelity recordings of several symphonies for a song—on a £2 tape. Technically, this is contrary to the contract into which a radio owner enters when he takes out a radio licence, and the producers have to be careful when wording their advertisements; but as the BBC obviously cannot stop home recording, the gramophone companies have to lump it.

Possibly the most important trend of all, however, is the inrush which tape recorders have made into the teenage market: the chief attraction here is that "pops" can be recorded at a fraction of the price of an ordinary disc and erased as soon as the song palls (which popular songs do very quickly). Once the basic capital expenditure has been made on a machine and microphone, this is definitely an economic proposition, for the price of a cheap tape recorder is only 50 per cent greater than that of a decent gramophone. After the hire purchase payments have been made on the television set, the tape recorder now quite frequently becomes the next thing on the list for the hire purchasing family with teenage children. "Tape Pals" clubs are springing up all over the country and the boom is on. It will be surprising if, within the next two years, sales in Britain do not rise above 100,000 a year.

THE pattern of production in this entirely new industry is a fascinating study in national industrial characteristics. A very large share of the tape recorders now on sale for general and business use in this country are direct imports from one big German concern, which also has a British subsidiary; imported models from other continental countries are also available here. The British firms concerned with the manufacture of tape recorders are of two sorts. Only a few manufacture all or most of their components, building completely to their own designs. Their most signal successes have probably been at or near the top end of the fidelity market, and they have built up a good business in exports of high-grade equipment to fidelity enthusiasts in the United States. Secondly, a Tom Tiddlers' ground of very small British assembling firms has grown up; by using a common tape-deck, which is the basic chassis, and buying most of its spare parts out, a small firm which assembles only two or three dozen machines a week can apparently still make a reasonable profit.

All the signs suggest that the industry is going to see a deal of technical innovation—and a great widening in the market for its products—in the next few years. If the teen-age craze is going to be important, a major question will be whether the main demand will be for cheapness or for quality; complaints are heard from established producers that the term "high fidelity" is by no means precisely defined. If the demand is for quality, established British producers are well placed to meet it. This country—and America—have been well to the fore in machines which give such expert delights as stereophonic sound; the same innovation is also being developed on gramophone records, but the trade claims that much greater fidelity can be obtained from a stereophonic tape recorder.

A second trend will be towards changes in the size of the machines. Some present tape recorders tend to get the worst of both worlds in this respect. Those used for music reproduction at home often do not need to be portable—and technical efficiency is lost and costs increased by the need in portable sets to keep speakers down to size. In recognition of this, console models, selling at around £80 have been on the market for some time. For businessmen and others who want to carry their tape recorders about, however, even a 20 lb burden becomes a fatiguing bore after a time. One trend in the industry is therefore towards copying those midget radio sets that can be carried in the waistcoat pocket; these need very small valves (called "transistors") about the dimensions of a .22 bullet and printed circuits etched on wafer thin sheets of copper foil. These components cannot yet give reproductions of a quality required for musical recordings, but it is not in that market that portability is important; small components are also expensive, but their price will drop in time.

Innovations in the more distant future could be more startling still. Some Jules Verne-ish prophecies have been made, such as that one day the morning newspaper may be delivered out of the television set, printed electronically and jettisoned through a slot. That day, to most people, will look a long way off. But are all the science-fiction type ideas about tape recorders necessarily so much further off than many normal conveniences of today must have seemed to be fifty years ago?

The advantages of the written over the spoken word, in all forms of communication, have always been that it can be kept recorded, that it can be studied a second and a third time for reference, and that it can be carried about in a portable form; the disadvantages are that the written word misses some of the nuances and actuality which only the spoken word can carry, that words can be spoken more quickly than they are written, and that written words cannot be studied while doing some other things (like driving a car to the office). As an exercise in long-term speculation it is worth taking note that tape recorders are changing this balance of advantages and disadvantages, in almost every respect, very considerably. Only a rash prophet will set limits on where they might not go from here.

WORLD REACTIONS

Where They All Stand

WORLD reactions to the Middle East crisis were not confined to the familiar alignments and alliances of the past. There were some surprises and hurried reversals. It was, perhaps, the first time in the postwar world that no nation—outside the communist block—could be taken for granted. Detailed reports from our correspondents in Beirut, Israel, Paris and Bonn appear in "The World Overseas" on pages 299 to 301. Our Washington correspondent writes on page 289. A brief guide to where everyone stands, or stood, follows:

MONOLITHIC INDIGNATION

Until Mr Khrushchev released his diplomatic fireworks late in the afternoon of Saturday, July 19th—important Soviet announcements are usually so timed that they reach the Sunday press in the West—the *Russian* reactions to this Middle Eastern crisis closely resembled the Soviet attitude to the "Franco-British imperialist adventure" in the Suez canal. But this time the situation is even more serious: the Arabs have become, between the Suez and this crisis, more ambitious; and this time, the Americans are directly involved. The Soviet propaganda apparatus went into action a few hours after the announcement of the Iraq coup; from the moment the American landings in Lebanon were first announced it went into top gear, and it has stayed there ever since.

On July 15th, *Pravda* published a background article on Iraq, which summed up the country's history as a story of colonial dependence on Britain. On the following day, the same paper denounced the action of the US Marines as a "direct act of war and open piracy." On the same day the Soviet statement on the events in the Middle East was published. After having disputed the White House statement of the 15th, the Russians maintained in their communiqué that "the real reason for armed US intervention in the Lebanon is the desire of the oil monopolies of the USA and other western powers to retain their colonialist hold on the Middle East countries and also the obvious bankruptcy of their policy in the Arab East, the collapse of the Baghdad pact and of the notorious Dulles-Eisenhower doctrine."

By the end of last week the Russian people themselves must have been whipped into a state of high excitement by the Soviet propaganda barrage. More and more newspaper space and radio time was being given to the news of the crisis. Giant protest meetings in *Communist China* and elsewhere were announced. In the Soviet Union itself the communist party went into action at full swing. In Moscow, huge crowds thronged towards the British and American embassies, with slogans such as "Hands Off Lebanon." Mass meetings were organised in factories and offices throughout the country; troops in uniform took part in demonstrations.

The Soviet leaders are now more confident in their use of public opinion at home; they employ it more actively than Stalin did and they have started indulging in such luxuries as calling crowds out into the streets. This is a double-edged weapon—but for the moment the party is prepared to use it. The Kremlin does not even hesitate to arouse passions among its own Moslems, though it well knows the power of Moslem nationalism as a disruptive force in the Soviet Union. The size and scope of the protest meetings in Tashkent and other towns of Central Asia shows that the party either deliberately overlooked the risks involved in such action or understood and took them.

The other member states of the Soviet block took their bearings from the Russian reactions: sooner or later, they all began intoning the Russian chant. *Poland* has come nearer to the Moscow line than on any other occasion during the past two years. On Sunday, the Warsaw *Tribuna Ludu* made an attempt to interpret the crisis in east European terms: "Particularly important for us Poles is the fact that the British-US intervention is one of the elements of the (same) policy, a dangerous feature of which is the arming of the west German *Bundeswehr* with atomic weapons, the plan for rocket bases in the German Federal Republic and the obstinate refusal even to negotiate on the initiatives designed to effect an atomic neutralisation of Central Europe."

Although the peace congress now taking place in Stockholm still maintains tenuous claims on the space in Moscow newspapers, the campaign against *Jugoslavia* has entirely disappeared from their columns. For their part, the Jugoslavs have not opposed the Russian attitude: their government condemned the Allied intervention in no uncertain terms. Although there were some indications that Tito might prefer a UN to a summit settlement, the Jugoslavs have always given support to the summit idea.

ARAB UNITY

The Arab world, with the voice of Nuri es-Said silenced, achieved near-unity on the intervention issue—except for King Hussein of *Jordan*, who first proclaimed his intention of rescuing Iraq from the rebels and then cut off all relations with Baghdad. Two curiosities were the silence of *Saudi Arabia*, now increasingly isolated in a pro-Nasser Arab League, and a statement by the Libyan Council of Ministers on July 21st affirming *Libya's* "traditional policy of non-interference in disputes between nations." The Libyans accepted the military support given by a small British force landed at Tobruk.

At Ankara on July 17th the three remaining heads of the Moslem Baghdad Pact powers issued a communiqué welcoming "with satisfaction" the news of the US landings. *Turkey*, *Iran*, and *Pakistan* further resolved to strengthen "still more the solidarity between their countries."

NEUTRALS LOOK TO UN

Neutrals and neutralists judged the crisis solely on the Anglo-American landings. Disapproval of this appearance of "foreign troops" overcame any earlier misgivings on the origins of the situation that prompted the Anglo-American action. Only rarely was it recognised that the troops had, in fact, been invited by the Lebanese and Jordanian governments.

But the neutrals, only one of whom could play any part in a summit meeting proper, had grave doubts about Mr Khrushchev's suggestion for a meeting of the Big Five. *India*, the one neutral state to be summoned by Mr Khrushchev, accepted with alacrity. However, the *Ceylon* prime minister, Mr Bandaranaike, voiced the more general neutral sentiment when he said on July 21st that he favoured UN action to solve the crisis rather than a summit conference of a few nations.

Two neutrals were thrown off balance by the first word of the American landing at Beirut. *Sweden's* initial reaction seemed to be of pique that the UN had been by-passed in this cavalier way. A Swedish resolution in the Security Council called for the suspension of the UN observers' mission in Lebanon; it received two votes, the other one being Russian. After this rebuff the Swedes altered course and were found on July 21st supporting *Japan's* proposal for stiffening the observation group.

The *Sudan's* reactions were even more curious. The prime minister, Mr Abdullah Khalil, was reliably reported on July 15th to have called the American landings "the turning point towards stability," and he was understood to be "eagerly awaiting" British action in Jordan. On July 20th the Sudan even expelled a new counsellor (said to be a specialist in subversion) recently appointed to the UAR embassy in Khartoum. It transpired, however, that the prime minister had been misunderstood; on July 21st, after a long cabinet meeting, Sudan recognised the new regime in Baghdad.

EUROPEAN HESITATIONS

The European allies of the United States and Britain, although scarcely hostile, were less than enthusiastic about the action that had been taken in the name of the West. While *Norway* and *Denmark* began to think once more in terms of contingents to a UN security force, there was some dissatisfaction at the absence of consultation within the Nato system.

To *France*, which had always opposed the Baghdad Pact, the collapse of the Hashemite regime in Iraq was not unexpected or altogether unwelcome. Mr Khrushchev's offer found General de Gaulle readier than his allies to envisage failure in the UN as a reason for pressing on to the summit proper. Opinion in France's second capital, Algiers, which has long considered itself in a state of hostility with Cairo, contentedly observed that the US was now paying the price for its failure at the time of Suez.

Italy's feelings were mixed, too. While official and moderate political circles adhered to the American line, extremists on both sides attacked the western intervention. There were feelings, also, that Italian interests in the Middle East—which include efforts to break into the oil business—would be best served by friendship with the Arab nationalists.

Another Nato partner, *Greece*, found itself in a crisis of allegiance. Greece was saved from communism after the war by armed intervention by Britain and, later, the US. But the Cyprus issue has long sent Greece searching for new friends. The foreign minister, Mr Averoff, had just finished conferring with two of them, Presidents Tito and Nasser, when the American landings began. Athens, as a result, was reduced to an official statement which made nothing clear: "We shall observe all the obligations springing from our friendship towards the United States, short of acting in hostility against the Arabs."

A COMMONWEALTH KITE?

The Commonwealth kept closely in step as the crisis developed, and what misgivings there were about Anglo-American policy remained largely unspoken.

Canada's prime minister, Mr Diefenbaker, did, however, display his independent spirit, addressing letters to Messrs Eisenhower, Nehru and Macmillan, urging them to give a "positive and immediate response" to Mr Khrushchev's letter proposing a summit conference. He insisted that "every opportunity should be explored." Some indication that the Canadians themselves might not be averse to exploration came from the reception given to a speech by the visiting prime minister of *Ghana*, Dr Nkrumah, who addressed the Canadian parliament on July 21st.

Dr Nkrumah said he believed a solution to the Lebanese crisis could be found by obeying three principles: UN forces to replace the American marines, free elections to be held, and Lebanon to be established as a "free and independent state with a status of neutrality." Whether or not this Ottawa kite would be seen by watchful eyes in Washington and elsewhere, it was the first positive suggestion to come out of the world debate.

Australia repeated its wholehearted support for intervention given during the Suez crisis. *New Zealand*, even though it has a Labour government, gave full approval to the Anglo-American landings.

NOTES OF THE WEEK

PARLIAMENT

In Accord

THE most striking feature of the treatment of the Middle Eastern crisis in the House of Commons in the past week has been the continued supremacy of reason over passion in contrast to the behaviour of the House at the height of the Suez adventure. There are several explanations for this difference, but a great deal of credit must go to Mr Macmillan, not only for the manner in which he has justified Anglo-American intervention in the Lebanon and Jordan, but also for the reputation he has patiently been building up with the House ever since he became Prime Minister—a reputation both for courage and for coolness and percipience. When he spoke in the House last week about the decision to send British troops to Jordan at the request of King Hussein he admitted that the arguments for and against such action were closely balanced, and it would be appropriate if part of the explanation of the moderation shown by both sides of the House recently is a sense of modesty deriving from the chastening knowledge that neither the Conservatives nor Labour, when it was in power, or since, have spent much thought on the problem of establishing solid relations with the Arab states.

This welcome note of tentativeness has informed the speeches, not only of Mr Macmillan, but also of Mr Gaitskell, Mr Selwyn Lloyd and Mr Bevan. While this mood prevails, separatist movements within the parties at Westminster are discouraged. Mr George Brown, who acted last week as a militant advocate of the decision to send British troops into Jordan, offered his resignation from the committee of the Parliamentary Labour party on Monday, but was dissuaded by his colleagues. On the Conservative side, the former "Suez rebels" have been relatively quiescent. Conservative emotions have had the outlet of one great cheer—when Mr Macmillan announced the despatch of British troops to Jordan last week. Labour has also had one great cheer—when Mr Selwyn Lloyd announced this week that the British Government would support a "summit" conference in the Security Council under Articles 28 and 31 of the Charter of the United Nations. The main advantages of this period of suspended passion have been the opportunity to make a calmer assessment of the risks of the situation than would otherwise have been possible, and the opportunity to survey the gaps

in Britain's Middle Eastern policy. "Gaps" is perhaps too polite a word: "ambiguities" would be nearer the mark. Is the Baghdad Pact dead, as Mr Philip Noel-Baker declared it to be on Tuesday, or still alive and kicking, as Commander Noble asserted in reply? Are we to seek an agreement with Egypt or not? And what, if any, are Britain's obligations to Israel? If the calmness of the Commons and the tension in the Middle East persist, it seems even conceivable that the two sides of the House might hammer out at least the elements of a common policy.

BAGHDAD PACT

The Empty Chair

For the moment the Baghdad Pact continues to walk and to talk. The committees (or at least the economic committee) began their meetings in London on Monday, as had been planned long before the revolution in Iraq. The prime ministers of Turkey, Iran and Pakistan, and Mr Dulles, are expected this weekend to join British ministers for meetings of the council, the supreme body of the Baghdad Pact organisation. Baghdad itself is not represented. The new government there has been vague in answering questions about the pact, attaching apparently much more importance to its assurances that the Iraq Petroleum Company will not be interfered with; but the expected immediate withdrawal of Iraq from the pact has not taken place.

None of the members has, so far, recognised the new Baghdad government, but recognition, or non-recognition, will certainly be foremost in the minds of all those at the meetings. There are suggestions in Washington that Mr Dulles's purpose in coming to London may be to announce the full adherence of the United States to the pact. The advantages of this move for the United States look uncertain; however, it would raise the spirits of the non-Arab Moslem governments, which have been badly shaken by the events in Baghdad. It would also strengthen Mr Dulles's hand if it is true that he desires to turn the pact into a purely "northern tier" group with no Arab membership.

What may disturb the members more than anything else is the new Iraq government's treaty of mutual defence with President Nasser, who has long opposed the Baghdad pact so vigorously. But Nasser was not alone in opposing it; France never liked it; Israel, and naturally Russia, have always regarded it as a threat to their interests.

How to handle Iraq under its new leadership remains a puzzle. Now that Iraq has proved its Arabism, there is just a possibility that it will not want to quarrel with those who were its friends under the old order. Its new government can hardly subscribe to the pact's military aim—a defensive front against the Soviet Union—or to the political habit of opposition to pan-Arabism, and to all that President Nasser stands for. Yet some kind of bridge will be wanted between the Arab and the non-Arab Moslem states, and Iraq is still better placed than most to provide it. Neutral countries in Europe can work with the "committed" members of Nato through such bodies as the Organisation for European Economic Co-operation. Could Iraq retain an economic association with the ex-Baghdad alliance? If it could, the time might come when the economic association could be spread wider. Perhaps it cannot be done; but if the bridges e to be blown, the Baghdad Pact members will be wise to ave it to the Iraqis to blow them.

KUWAIT

Target for Tomorrow?

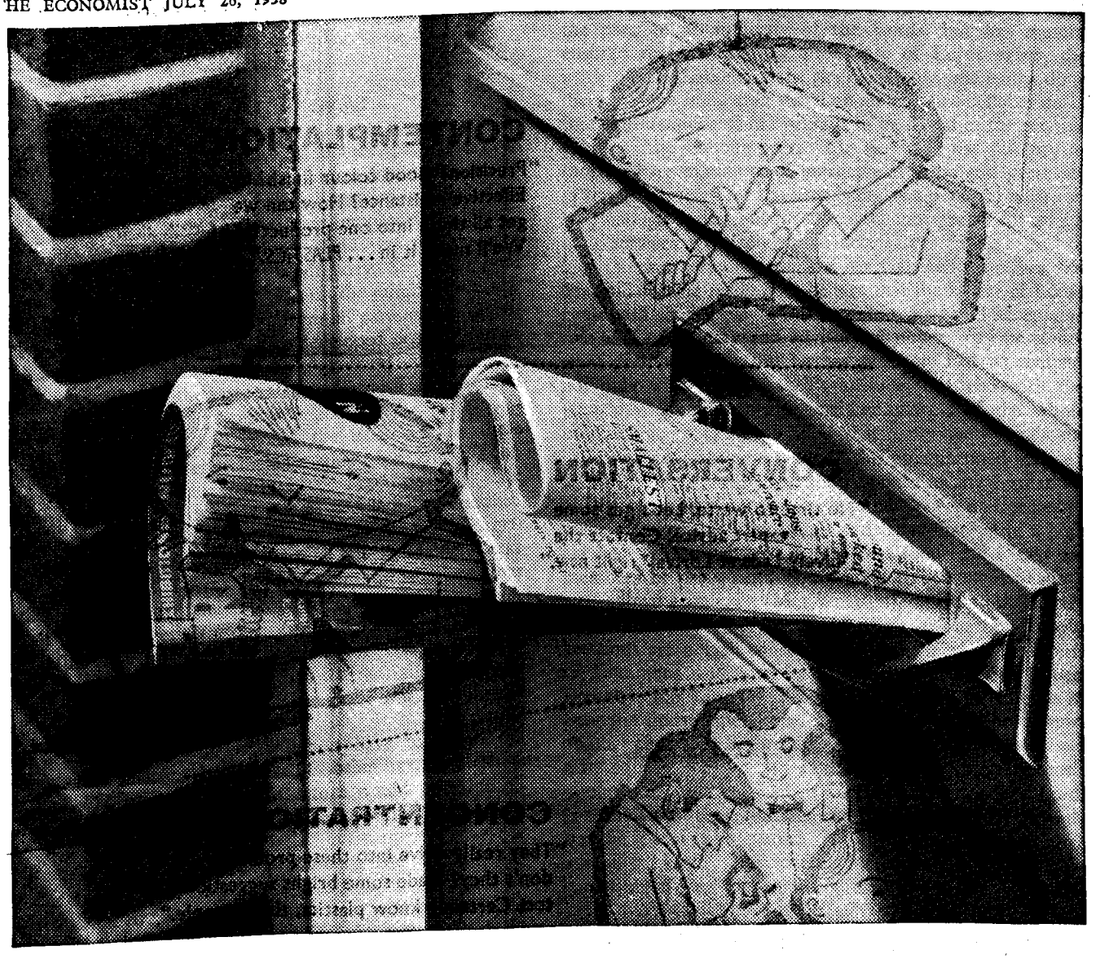
In May, Baghdad confidently announced that Kuwait would soon join the Arab Federation of Iraq and Jordan. On Tuesday, just as confidently, Damascus announced that both Kuwait and Iraq were joining the United Arab Republic of Egypt, Syria and Yemen. The Syrian announcement followed meetings between Shaikh Abdullah al-Salim as-Subah, the ruler of Kuwait, and President Nasser in Damascus on Sunday. But Shaikh Abdullah happened to be in Syria in the first place mainly because his summer palace, high on the slopes of Mount Lebanon, is not safe for holidays this summer. There is no reason to assume that he promised Nasser anything. His foreign relations are, under treaty arrangements, handled by the British Government, and he is well known as a wily and patient bargainer.

In Cairo, on Monday, the chairman of the Kuwait Advisory Council, a body which is the ruler's gesture to democratic pressures at home, boldly stated that Kuwait



would object to any concentration of foreign troops on its soil. Kuwaiti respect for Cairo hospitality has long led visiting notables to say rather startling things there; but in present circumstances the statement had an unusually ominous sound.

Kuwait is a very desirable partner for anyone. It has more oil per square foot than any place in the world. Not only is it desirable, it is worth fighting for; and to forestall any trouble there the British Government has sent troops to Bahrain to keep watch only an hour away by air. Trouble could come in various ways. Egyptian troops, assisted by the siren call of Cairo radio, could make a straightforward attempt to steal the valuable property. There is great enthusiasm for Nasser among the now numerous Egyptian, Syrian and Palestinian inhabitants of Kuwait. Iraqi troops could come in from Basra with the same objective, but at the moment they may be too busy at home to embark on a foreign adventure—even on one only forty miles away. An internal uprising, possibly led by some dissident member of the ruling family, might attempt to oust the ruler and cancel the treaty with Britain. The United States and British Governments, however, are in agreement that the *status quo* in Kuwait must be preserved. Should troops have to land there, it is likely that they would stay longer than they mean to stay in either Lebanon or Jordan.



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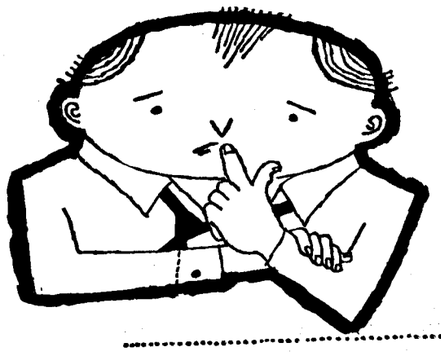

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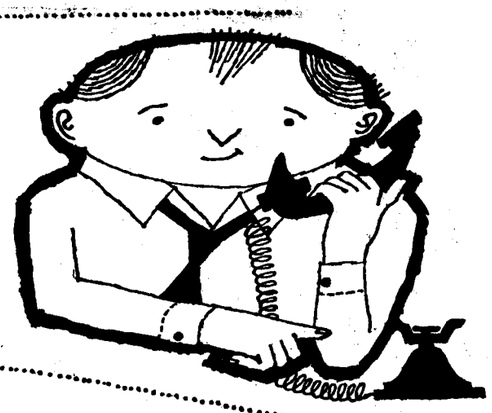



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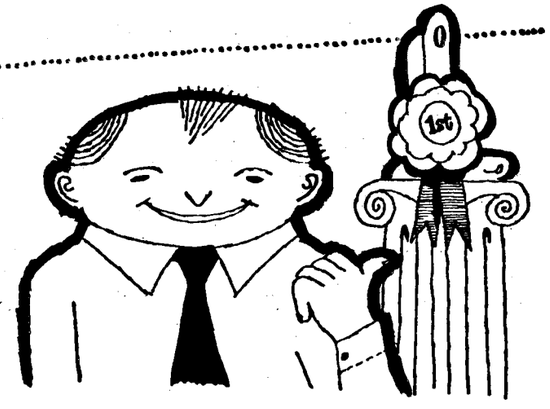



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CYPRUS

Bad to Worse

THE security measures introduced in Cyprus this week are the most severe since terrorism first broke out in April, 1955. Last Sunday, special restrictions, including a night curfew in all big towns, were imposed for a month. At dawn on Tuesday the whole island was put under a general 48-hour curfew. On Wednesday, Sir Hugh Foot announced the arrest of 1,400 Greeks (the number may now be higher) and about 50 Turks from all parts of the island. He said that the size and highly developed organisation of Eoka forced the authorities to arrest many more Greeks than Turks ; but at the same time the Turkish underground organisation, TMT, was officially proscribed.

No one could have accepted the necessity for these measures with greater reluctance than Sir Hugh Foot. But the necessity had clearly become compelling. The Governor said on Wednesday that 51 people had been killed and more than 80 wounded in twelve days ; he had information that Eoka intended to step up its attacks against Turks and British ; the Turks, in turn, were threatening more violence. The Government found itself faced with the need, at all costs, to prevent a civil war. Repression, it is true, inevitably breeds bitter resentment (the Greeks at once replied to the arrests with a general strike) and will make a political settlement harder. But civil war would rule one out altogether.

The British Government will now have to weigh the advantages against the risks of bringing Archbishop Makarios back to Cyprus. His return would probably do more than anything else to introduce some moderation into Greek Cypriot deeds and counsels ; but it might provoke a murderous outbreak of violence among the Turks. Mr Menderes may, after all, be coming to London this weekend for the Baghdad pact meeting. If he does, will it be possible to persuade him that Turkish Cypriots, and particularly their leader, Dr Kutchuk (who has come out with the insane proposal that Turkish troops should be sent to Cyprus) must make their contribution of moderation, as well as the Greeks, if the island is ever to have peace ?

HOUSE OF LORDS

Fourteen Lifers

THE first list of life peers will impress few people with the hope that a new and livelier era is beginning for the upper chamber. It suggests that Mr Macmillan and Mr Gaitskell between them have done or been able to do only the bare minimum intended by the Life Peerages Act—to provide the House of Lords with a reasonably efficient Labour opposition ; it is no disrespect to the first fourteen, who will certainly give of their best, to say that their accession hardly adds a new distinction to that which the House already possesses under the hereditary principle and the ordinary policy guiding honours lists. To that extent, therefore, the honours rest with Mr Gaitskell, who is able to tell his followers that, while he felt that he had to co-operate in working the act after the Government forced it through despite Labour opposition, he has carefully done nothing to suggest that Labour acquiesces in the idea behind the act, and has certainly in no way helped to raise the prestige or authority of the Lords, but has merely ensured that, so long as the House of Lords exists, the work of the Labour party shall be more efficiently done there. Some indication that Labour will not collaborate in frequent creations of life peers is to be found in the relative youth of the Labour peers. Mr Gaitskell has put up, in short, a bare minimum of journeymen peers and peeresses to run the concern for the time being as a practical measure, spry enough to last out for the maximum period for which their services are likely to be necessary.

If this is a correct reading of Mr Gaitskell's motives, Mr Macmillan, who really does believe that the House of Lords could and should play a much more expert and acceptable role as a revisionary and advisory chamber, may be somewhat disappointed. But he has probably had to contend not only with Mr Gaitskell's attitude, but also with the poor pay offered and the unglamorousness of the whole proceeding. It is all too likely that really lively minds see little exciting or remunerative in this escutcheoned service ; and the first list will affect the response to any further set of invitations—unless the fourteen new peers and peeresses make a remarkable impression on debates that are of a high average level anyway. Of the six Labour peers two are members of parliament, one a good trade unionist, one a well-known economist (Mrs Wootton), and the others have respectable public service qualifications. The non-Labour creations are not all conservatives, though what the House of Commons will lose by the departure of Sir Robert Boothby, the Lords will certainly gain. The Church of Scotland finds a spokesman in Mr Noel-Paton, the colonies another champion in Sir Edward Twining, and the peeresses take equality of the sexes into another crumbling male stronghold. As the effective working strength of the Lords is around 100, these fourteen can certainly ease the pressure on the peers whose work is of an exacting and often specialised kind. They will do just exactly that ; it will be surprising if they do much more.

THE DOCKERS

Dock Settlement ?

WITH the dispute over the dockers' wages edging slowly towards a crisis, the Minister of Labour was right to appoint a court of inquiry into the situation. There was indeed little else, short of just standing by while another major strike took its toll of industrial output, that he could do. Neither the employers (who have refused to offer anything) nor the unions (who want a " substantial " increase) have found any common ground during months of negotiation. The unions had already rejected the suggestion of outside arbitration and called a conference of 85 dockers' delegates for next week which, it was rumoured earlier, would recommend strike action. But the union leaders did not want a strike and there has throughout been an element of bluff, though also much tactical sense, in their show of militancy. They know that the Government is frightened of any stoppage in the docks and that a court of inquiry is likely for that reason to recommend an increase when an arbitrator, working under less threatening conditions, would not. In any case, the recommendations of the court are not binding so the unions will still in theory have a free hand after the report is issued. The chances are that a strike that nobody wants will be averted—at a price.

Meanwhile, delegates of the London busmen have finally

decided to accept the offer of a 3 per cent wage increase for their country workers. They did so only " under pressure " and after a stormy meeting at which the delegates freely accused London Transport of not keeping the promises about wages and cuts in services that had been made at the end of the strike. But any anger that the busmen may have felt arose from their own wishful thinking, not from bad faith on the part of their employers. After the railway settlement there was never any question of the country workers getting more than 3 per cent ; indeed, now that London Transport's traffic has declined by over 10 per cent as a result of the strike, even this can be looked on as overgenerous. The considerable cuts in services which will be introduced in the autumn are the inevitable backwash of a strike that never made any sense in economic terms ; the busmen have registered their protest against the cuts, but have no alternative now but to accept them. Some of the delegates said however that if the terms of settlement had been fully understood last month, the strike would never have been called off in the first place ; a few were in favour of stopping work again. But the inertia of the unions is such that it is almost impossible to call men out twice in quick succession and this was never seriously considered.

NORTH AFRICA

France's Oil Diplomacy

TUNISIA'S first fruits of the resumption of relations with France have a bitter taste for the Algerian rebels of the National Liberation Front (FLN). The destination of the oil pipeline which the French intend to build northward from the Saharan wells at Edjele, near the Libyan frontier, has occupied President Bourguiba's attention for some time. If the French build the pipeline across Tunisian territory to the port of Cekhira, near Gabes, Tunisia will receive oil revenues which its treasury badly needs. After much backing and filling, a tentative Franco-Tunisian agreement has been reached, only to be condemned outright in a protest to President Bourguiba from the FLN office in Cairo.

The rebel protest, together with a violent editorial, has now been published in the FLN journal *El Moudjahid*. The FLN takes exception to what it considers Tunisian recognition of France's continued status as a North African power, and of France's right to exploit the oil resources of the Sahara. It also regards the agreement as a French success in planting " a new apple of discord " among the nations of the Maghreb. To Tunisian claims that what strengthens Tunisia's economy is good for all North Africa, including Algeria, the *El Moudjahid* editorial retorts that liberty should come before daily bread.

However much President Bourguiba insists on his loyalty to the cause of Algerian nationalism, it is clear that the present relative clearing of the air between Tunis and Paris is a source of growing concern to the FLN. The Algerian rebel outburst over the pipeline has brought this feeling abruptly into the open. President Bourguiba's dilemma is evident, particularly as the French can claim to have two other strings to their bow: in projects for pipelines running through Algeria itself or through Libya. The Quai d'Orsay may take some quiet satisfaction from the appearance that oil diplomacy is for once working to France's own advantage.

AUSTRIA

Air Space and Oil

UNDER the State Treaty of 1955 the Austrians took on themselves two important obligations: to be neutral, and to pay reparations to the Soviet Union. Recent events have shown them willing, indeed resolved, to remain neutral, but reluctant to pay their debt to Russia in full. On July 17th all Viennese morning papers gave prominence to the Austrian communiqué to the State Department, protesting against the violation of Austrian air space by American aircraft. The communiqué was occasioned by the appearance, the day before, of between 40 and 60 American transport aircraft over the Tirol and the Voralberg. The flights continued for over 48 hours: the local USAF commanders in Germany perhaps did not realise that they were causing an international incident. On July 20th, the State Department informed the Austrian Ambassador to Washington that the Air Force had been ordered to respect Austrian air-space in the future. In spite of this assurance, and although the flights over Austria stopped, Austrian fighters continued to patrol along the northern frontier of the Tirol.

This incident over, the Austrian delegation, headed by Chancellor Raab, left for Moscow on Monday for talks with the Soviet leaders. Their aim was to come to an agreement on the reduction of the supplies of crude oil to the Soviet Union. Since 1955, Austrian oil production has been decreasing ; yet for the past three years Austria has been sending one million tons of oil a year, a third of its annual production, to Russia. Under the provisions of the Treaty the Austrians still owed the Russians 7 million tons ; this was the figure that they went to Moscow to discuss, and when the talks ended on Thursday it was announced that the Russians had agreed to cut the deliveries by half. The Austrians were not disputing their obligation, again incurred by their State Treaty, to deliver about £60 million worth of other goods to Russia. In spite of the awkward moment of their arrival in Moscow, the Austrians have been successful. The relief they have obtained will, they hope, enable them to do something to put their nationalised industries, which are in financial difficulties, in better order.

LABOUR POLICY

Grumbles on the Left

THE preliminary agenda for the Labour party's annual conference suggests that the rank-and-file activists are far to the left of the various policy statements issued in the last year. Thus the notion that the Labour party cannot deprive a citizen of the right to send his child at his own expense to an efficient private school if he chooses is scouted by a number of constituency parties, while of the 141 resolutions on disarmament which were sent in, 98 specifically demand unilateral renunciation of nuclear weapons, and of these a high proportion carefully use the word " unilateral " to make clear where they think the joint Labour-Party-Trade Union Congress statement fell short of true left-wing idealism. Other constituency parties complain in an omnibus way that the party's poor showing in by-elections is the result of the inability of the National Executive Committee to state the case for socialism often enough and clearly enough.

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This may seem to presage some awkward debates for Mr Gaitskell and the party leadership at Scarborough. But the agenda has yet to go through the usual process under which the classified blocks of resolutions are compressed into a few "composite resolutions," during which they lose most of their sting, while local eccentricities—like the proposition of the Newcastle constituency party that a Labour government should initiate "unilateral negotiations with Russia"—get buried. Mr Gaitskell will note with satisfaction that this year the proposals for more nationalisation are even weaker, that the constituency parties have adopted expansionism as their theme in economic matters, and have even more jumbled ideas of how to promote it than the party's statement analysed in a leading article on page 268.

The demand for casting away the British bomb, coupled with many specific demands that American bases and rocket sites be closed, too, may give both Mr Gaitskell and Mr Bevan some trouble if it is pressed from the floor. But in the highly unlikely event of the party riding high again if Middle East affairs trip up the Government, a stirring appeal not to tie the leader's hands on the verge of taking office may do the trick; on the much more likely assumption that Mr Macmillan will still be riding high, an equally stirring call to all hands to trim the party's sails to the fading breeze may be no less effective. Idealism will have, somehow, to be related to the public opinion polls which come out between now and next September.

BRITISH GUIANA

Mr Jagan's Money

THE Colonial Office was no doubt pained at the way Mr Cheddi Jagan described its parsimony to British Guiana in the press conference which he held last week following the discussions with the British Guiana delegation, which came to discuss finance and, in general terms, political advance. Mr Jagan complained both that the British Government has reduced the size of the development planned up to 1960, and that even so the finance it is providing falls short of the total sum by £400,000; and that when he tried to arrange a loan for about £5 million from the Swiss Banking Corporation (repayable in 15-20 years at 5¾ per cent) to defray certain additional development schemes of his own, it ruined his chances by refusing to guarantee it. The Colonial Office, on its side, can only see that British Guiana's development relies very heavily on external loans, that there is a limit to the rate at which this kind of development can be done, that finance has been provided to that limit—or rather that any shortfall can be met from local resources, or from the provisions of the new Development and Welfare Act, which is expected next year.

Mr Jagan may have some grounds for complaint. It is possible that British Guiana could absorb much heavier investment than the Colonial Office thinks—though it does not follow that this should come from governments, rather than private firms, or that it will necessarily stop unemployment or juvenile delinquency. But to guarantee a Swiss—a hard currency loan—would set a new precedent. It was not done for the Central African dollar loan which is the only case of a non-Dominion territory ever going beyond the Treasury, the London money market, or the World Bank for development finance. It would lead to a flood of further requests, or else invidious selection. And surely it must be an implicit condition for enjoying trustee status that all the borrowing is done in the country according that status. But this cannot be the end of the matter. The London market's capacity to absorb colonial loans is small, as was shown when half the Jamaica loan was left with the underwriters—and even after the colonies had been held off the market for 14 months. They compete with a long queue of local authorities and other gilt-edged borrowers. The possibility of foreign loans needs further exploration—though the World Bank (whose colonial loans are guaranteed by metropolitan countries as part of the procedure) is the obvious first line of approach. But Mr Jagan does not improve his chances when he evades questions about his communist beliefs, or implies that he is the fully constituted negotiator for self-government when he is not. All the same, if in default of a guarantee he got a loan at 8 per cent from somewhere, the Colonial Office would be presented with a facer. Finance for the colonies has to be found—whatever the state of the London market.

CEYLON

The Dust Settles

NORMALCY is still a long way off in Ceylon, but some of the wheels that ground to a standstill at the beginning of June have begun to turn again. Mr Bandaranaike has declared that he will be in no hurry to discard the government's emergency powers, but he has eased the press censorship. With the Tamil Federal party suppressed, and immobilised, parliamentary life can hardly be described as normal, but parliament has nevertheless been able to turn its attention to the new Budget (which is discussed by our correspondent on page 303). Mr Philip Gunawardena, the minister of food and agriculture, has got his breath back sufficiently to utter fresh prophecies about the early nationalisation of tea gardens, and those of his cabinet colleagues who are less addicted to blood-and thunder platform Marxism have, as usual, hastened to give discreet assurances that he is speaking only for himself.

Foreign business men have already learnt to be cautious about taking Mr Gunawardena's statements at face value; but they are even more sceptical about Mr Bandaranaike's recent promise that no new private investment project will be nationalised for at least ten years. And, quite apart from the bogey of nationalisation, the bloody communal conflict eight weeks ago has made outsiders even more doubtful about the wisdom of making commitments in Ceylon. As our correspondent points out, the finance minister, Mr de Zoysa, who was seeking funds in North America when the communal storm burst, faces a difficult task in any case in his efforts to attract foreign money.

An encouraging sign, however, is the fact that the prime minister has at last tabled his Bill providing for the use of the Tamil language in administration and schools. Delay in producing this Bill was one of the grievances advanced by the Tamil minority when they launched their satyagraha campaign in the spring. But if the Tamils' political leaders are now excluded from the debating of the Bill, it will be hard to persuade them that it takes full account of their claims. And there still remains the problem of the second Bill promised to the Tamils, which would grant more autonomy to the provinces. Mr Bandaranaike has said that he will hold to his pledge to put forward this Bill, too; but he may have to wait for more of the dust to settle before he can hope to get it passed against the opposition of the Sinhalese extremists who have seemed at times to be dictating their wishes to the prime minister.

ITALY

Signor Fanfani in the Saddle

SIGNOR FANFANI has now safely surmounted the two hurdles that he had to negotiate before he could be confirmed in office. No one supposed that he would fail to win the approval of the Senate. But the vote of confidence in the Chamber, a week later on July 19th, was a much trickier affair. Signor Fanfani got his vote, but his tiny majority of eight was only obtained through the abstention of five Republicans (a sixth was absent) and of four representatives of the two north Italian minority parties.

If Signor Fanfani can really swing his party behind the leftward-looking programme of social reform that he presented to parliament, last week's vote may prove to be an important landmark in the development of his party and his country. But the debate in the Chamber was overshadowed by the crisis in the Middle East. The Nenni Socialists and the Communists, who had some difficulty in wholeheartedly attacking a domestic programme which contained reforms that they had long been advocating, found an easier target for disapproval and denunciation in the government's attitude towards the Middle East crisis. For this clearly showed that, although Signor Fanfani (who is his own foreign minister) may thoroughly sympathise with those of his supporters—especially among the Social Democrats—who want Italy to play a more important role abroad, particularly perhaps in the Middle East, he still believes that Italy's first loyalty is to the Atlantic alliance. The invitation that he has received to go to Washington next week for talks looks like a hopeful sign that Italy may yet find a more satisfying role for itself inside Nato than it has done in the past.

COMMONWEALTH CONFERENCE

Agenda for What?

IF the government has worked out any policy to place before the Commonwealth conference at Montreal which is now only two months away, no clear hint of it emerged from the debate on Commonwealth trade last Monday. A welcome objective, admittedly, was set—all the more so because it proved bipartisan—in that expansion is the aim. We are all expansionists now. But unfortunately when it comes down to the specific things which the Commonwealth, meeting as if it was an economic entity, can do to expand trade, the debate showed that the high objective quickly boiled down to what could be done to bolster special interests—and notably those of particular commodity producers. It is true that speakers on both sides argued about increasing colonial development, the inauguration of a Commonwealth development bank, export credits, international liquidity and other factors in the problem which might be reduced to order on the Montreal agenda. But the greater part of the debate was directly or indirectly about commodity prices and commodity restriction schemes: this should hearten the Commonwealth producers very considerably, especially as Labour added its own little panacea, long term bulk purchase agreements, which, in so far as they are intended to help the producers, cannot but tend to raise prices to the British consumer.

Mr Vaughan Morgan, for the Government, made the point which should have been the keynote of MPs' thinking but was not (apparently they read tons of statistics but missed the vital ones); the United Kingdom, as a consumer country, cannot do much to stabilise prices for commodities for which the whole world is a market. True; but in the endeavour to insulate the producer against world movements in the short sticky period, Britain can saddle itself with onerous commitments which will, without helping Commonwealth producers much or for long, inhibit its power to make its own contribution to expansion.

On the contrary, the problem should be seen from the Commonwealth outward; whatever is discussed in Montreal must be discussed in terms of America and Europe (and even Russia if that country is really going to be so kind as to flood an impoverished world with cheap wheat—which seemed to horrify some MPs). The real spark-plug of expansion—improved international liquidity—cannot be discussed in the Commonwealth context alone. Here the object of the conference is to make the Commonwealth's case to present to other, and wider, economic conferences. Meanwhile, even some of the immediate problems which worry MPs are fast changing. The jump in base metals last week was the more lively because behind the rather illogical stimulus of a war scare lies a little restocking pressure. This may help to prevent Montreal from becoming a commodity producers' conference. Interdependence should find a high place on this agenda.

FREE TRADE AREA

France and the Five Prepare

THE outcome of Thursday's meeting in Paris of Mr Maudling's committee on the European free trade area were not clear when *The Economist* went to press. But there are signs that its deliberations may at last be blessed with one feature conspicuously absent in the past—a clear-cut French approach. General de Gaulle has obliged his ministers to formulate a policy. That policy could hardly be expected to be identical with Britain's. France's economic interests in the matter are not the same as ours. But at least French demands seem to have crystallised out into three main elements. First, a demand that the scheme should be subjected after four years to a French veto on further progress; the more frightening forms of French delaying tactics—the demand for negotiation country by country and industry by industry, even the plea that the scheme should come into force after the common market and more slowly—seem to have disappeared. Second, there is a demand for a special position for France even more favourable than that in the Treaty of Rome. Third, there are claims for a levelling or "harmonisation" of the outer tariff of the free trade area and for a share in the benefits of imperial preference.

The more conciliatory French approach made it possible for the ministers of the six members of European economic community to achieve a measure of agreement when they met on Wednesday in a final effort to formulate a common view. Their efforts have been inspired in part by the executive commission of the community, which is deeply anxious that the free trade area issue should not divide its members. M. Jean Rey, the former Belgian liberal minister

of economics, who is the member of the commission entrusted with "external relations" and hence with the whole free trade problem, has been hastening from capital to capital in the past fortnight endeavouring to reconcile conflicting views. For France's five partner countries (as well as for Britain and the other outsiders, for that matter), one feature of previous French proposals has been anathema —the demands for delay, for an abandonment of the twelve-year commitment to align the tariffs and quotas throughout western Europe in step with the common market of the six countries. Only one element in this tactic continues to arouse the firm opposition of France's five partners. This is the demand for a veto on further advance after four years. All, on the other hand, seem willing to accept a special position for France; and France's five partners concur in some measure with the commission's view that in return for the removal of French demands for delay there must be some British concessions on imperial preference and on the external tariff of the free trade area. Britain may now be able to see the sort of compromises it will have to make if the free trade area is to be attained.

COMMON LAND

Babbling of Green Fields

THE common land of Great Britain, amounting to some four per cent of its total area, includes moors, fens, and forests, village greens and metropolitan "belts." It is subject to a great variety of legal and customary rights, some statutory, some depending on local, centuries-old traditions now often moribund. Whether considered as a materially productive asset or as a resort of quiet, greenery and fresh air for an urbanised population, much of this "uncommitted remnant" is today in danger of disappearing from common use. The report* of the Royal Commission on common land suggests a salvage programme.

Erosion comes only partly from the claims, destructive or exclusive, of the services, of water boards, and of housing authorities. It also arises, to quote the report, from "the collapse of familiar institutions and practices, the uncertainty about the law and rights, and the complications created by motor traffic and other modern developments." The old manorial courts, in which landowners and commoners could, in accordance with law and local custom, agree on the management of common land, disappeared at the abolition of copyhold and customary tenure in 1925; the owners of many commons are, moreover, uninterested or untraceable, but their rights in the soil bar the way to any agreed scheme—even were such agreement reached—for its safeguard and employment. Meanwhile fast motor traffic, unfenced roads, and grazing beasts make a bad combination; when the beasts go, the ungrazed land deteriorates, as scrub, brambles and tussocks encroach on turf.

The commission puts first among its recommendations the setting up of a registration system to remove the present often paralysing uncertainty both as to ownership and as to common rights. Owners and commoners, their rights once established, and local authorities as representatives of the public, should have power to promote schemes for management and improvement—including, where necessary, fencing either of roads or of newly planted trees—subject to the preserving, with temporary exceptions, of public access, and to safeguards for the rights of objectors. The commission places its trust, with a refreshing humanity which is reflected in the whole style of the report, in a grass-roots, pub-and-parish-hall-level regeneration of the co-operative habit to produce schemes suiting the peculiar needs and possibilities of each locality. Much careful legal drafting will be needed to give effect to their many recommendations. But these proposals do not seem expensive. They call for no elaborate administrative machinery; they raise no controversial political issues—unless, negatively, by the assumption that private property in land will continue. The danger to common land now is that this sensible, practical report will be interred in some waiting pigeon-hole.

POLIOMYELITIS

Extended Vaccination Scheme

THIS is the time of year when the weekly notifications of poliomyelitis are watched anxiously to see what the chances are of an epidemic developing. For the first half of this year notifications have in fact been running at about the lowest levels recorded in the years 1949-57 and recently have been about a third of what they were last year.

The Government's announcement this week of an extension of the vaccination programme has therefore not been made against the background of public agitation—in welcome contrast to last summer. Vaccination will this year probably beginning in the autumn, be offered to people up to the age of 25—at present the upper age limit is 15; more hospital staffs and their families are being brought within the programme; and a start is to be made on giving a third injection to those who have already had two. This extension of vaccination presumably means that adequate supplies of Salk vaccine will now be available from America; manufacture of the British vaccine, which is admittedly subject to more stringent testing, is still running into difficulties.

But the scheme could not have been extended, with the present supplies, had all those eligible for vaccination accepted it. Only just over half of the children offered vaccination have been registered, and the danger, as with all immunisation schemes, is that the absence of an epidemic for a year or two creates a false sense of security. Nor would the Ministry of Health be justified in launching a large-scale campaign in favour of polio vaccination, as it did so successfully during the war for diphtheria immunisation, partly because regular supplies of such a tricky vaccine cannot be guaranteed—even from America—and, more important, because such a lot is still unknown about it, particularly about how long the protection given even by three injections will last. What is known is that the protection, whether temporary or long lasting, only extends to the paralytic form of the disease. The vaccinated are as liable as the unvaccinated to be infected by the virus and to pass it on. The present inactivated vaccines, therefore, do not prevent or modify the spread of the virus in a community. To achieve that we must apparently wait for the successful development of vaccines made from live attenuated polioviruses. A great deal of work is being done on these, and an expert committee of the World Health Organisation recommended last year that large-scale field trials should be carried out with them as soon as possible.

* Report of the Royal Commission on Common Land. HMSC Cmnd. 462. 284 pages. 14s.

SHORTER NOTES

The nine Americans interned in eastern Germany seven weeks ago when their helicopter came down there by mistake have been released by agreement between the American Red Cross and its east German counterpart. The Americans have agreed to pay for the keep of the men during their internment. Both sides claim a political victory. The east Germans point out that the American Red Cross was given full powers to negotiate by the US government, a move which, in the eyes of the east Berlin regime, implies a measure of political recognition. The Americans deny this. Common sense has prevailed in practice; but the word war over the abstract status of the east German state still goes on.

* * *

A relaxation of the embargo on strategic exports to communist countries has been in the wind for some time. The list of goods embargoed or controlled today is plainly obsolete, for communist countries produce many of the goods in large quantities themselves. As usual, the United States has been reluctant to go as far as its allies would like in the direction of relaxation. But a shift in the American attitude appears now to have brought a basic political agreement to slash the list of banned goods and amalgamate and shorten the other two curious lists—goods subject to export quotas, and goods that may be exported freely "in moderation."

The Economist

JULY 24, 1858

RELATIONS WITH FRANCE

When Mr Disraeli announced that our relations with France had become confidential, instead of inspiring the nation with fresh confidence, he created an uneasy feeling that our diplomatic position towards France was not, as it always ought to be, strictly representative of the genuine attitude of the two peoples. Nor is this feeling at all diminished by that practical comment on Mr Disraeli's assertion which is afforded by the Queen's intended visit to Cherbourg. . . . It may be, and perhaps is, quite true that England has nothing to fear from the works at Cherbourg, and has reason to trust the present Emperor. . . . We are bound by many considerations to attribute to Louis Napoleon's foreign policy a general sobriety and sanity of conception which is in marked contradistinction to the wild genius which shaped the plans of the great enemy of England. But we do think the present occasion a very timely one for putting most seriously to the English nation the question—whether or not it is fitting that the relations between the two Governments, however friendly, ought to be *confidential* at all? Is it seemly that a Government . . . which has no sympathy with constitutional freedom—which is at the head of an army that is constantly boiling over into menaces against England—which is the censor of a press that cannot conceal its dislike to England—is it seemly, we ask, that such a Government should be expressly complimented and congratulated by the presence of the English Monarch on the completion of the great works which are to reduce the inequality between the naval powers of the two countries . . . and give the hooded diplomacy of France a new advantage against the popular sympathies of constitutional England? We have no wish at all to inspire a senseless panic as to French intentions. . . . But we do say that it is not seemly for England to utter any forced compliments on such an occasion, simply in order to inspire the world with a belief in the firmness of the alliance.

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LETTERS

South African Trials

SIR—Your comment of July 19th described the recent South African Special Criminal Courts Amendment Bill as an exhibition of ministerial despotism. It said also that the Bill set the precedent for a special court "when the Minister does not like the look of the judges who are called to try a case."

The complete answer to such charges (and the authority for a special court to supersede either a court of judge and jury or one of judge and assessors) is contained in South Africa's previously existing laws themselves. The particularly relevant sections are No. 215 of Act 31 of 1917 and Nos. 109, 111 and 112 of Act 56 of 1955.

Special courts—that is courts of two or three Supreme Court judges constituted by the Governor-General—are nothing new in South African legal history. The power to set them up goes back 41 years and more, it being traditional for all offences such as treason to be tried by them. And the Minister of Justice explained in Parliament last week that the amending bill was introduced, not to alter, but to clarify the intention of existing legislation. This was done because of indications that a lack of clarity might lead to proceedings needlessly protracting the treason trial due to begin before a special court on August 1st.

Other points made by the Minister were these: (1) it was the Attorney-General of the Transvaal who recommended a special court for the treason trial because of the complex legal nature of the case; (2) in a special court—as opposed to a court of judge and assessors—the decision had to be unanimous. This was in the interests of the accused as well as of the state; (3) it was the Judge President of the Transvaal who, in consultation with the Minister, had nominated Mr Justice Rumpff to take the treason case, and it was Mr Justice Rumpff who had nominated the other two judges who would sit with him; (4) the amending Bill had reference only to specified offences—namely, treason, public violence and communistic activities; (5) the Department of Justice would be responsible for the daily transport of the accused (who are on bail) to and from the court in Pretoria; (6) the Government welcomed the observers from overseas who were going to watch the trial, and special facilities for them had been arranged at the court.—Yours faithfully,

A. W. STEWARD

South Africa House, London, W.C.2

Russian Farms

SIR—The author of the thoughtful article "Russia's Agrarian Revolution" in your issue of July 5th says in conclusion: "The impact on production ... will be shown in a couple of months, when the farmers decide what proportion of their harvest to sell to the state under the new system."

But surely the farmers won't have any say in the matter. Although the compulsory deliveries in the narrow sense of the word have been abolished, it is still the state which will be laying down the exact quantities of produce to be procured (bought) from the collective farms. The decree issued by the Council of Ministers of the USSR (*Pravda*, July 1st) says explicitly that "the plans of procurement [for a long list of various kinds of produce] are to be laid down by the Council of Ministers of the USSR and to be broken down for the individual constituent Republics." Another paragraph empowers the Councils of Ministers of the Republics to lay down the dead-line for the completion of the plans of procurement by the collective farms and state farms.

No, there is no "revolution" in the countryside, but a thorough revision of the financial and administrative system of procurement; there is no basic change in the character of relationship between the state and the collectivised peasantry.—Yours faithfully,

VICTOR S. FRANK

Munich

Fascists

SIR—Your comments about me under the heading "Black Mischief" contain one or two inaccuracies which perhaps you will be good enough to correct.

You say that I am in accord with the official party line of Union Movement. This implies that I am still a member, whereas I made a complete break from Sir Oswald Mosley and from Union Movement in January, 1957.

I do not "offer to recognise" the State of Israel, though I urge those still bound by obsolete dogma to do so. The passage stating that the quarrel between Fascists and Jews should be "totally renounced and forgotten" gives a fairer picture of the chapter in question.

Fascism is a living creed. My own thinking goes as far beyond Mosley as Mosley goes beyond Mussolini, and approaches finality in the formation of the Fascist concept. What I appear to be alone in recognising is that Fascism cannot succeed without the goodwill of the Jews, and the Jews cannot survive if the Fascists swing in behind the Russians and the Arabs into the anti-Suez lobby. Once we agree on this, we can rapidly achieve a reconciliation which will benefit everybody in the approaching renaissance of the West.—Yours faithfully,

NOEL H. SYMINGTON

Market Harborough

Banking Unions

SIR—Although Mr A. W. B. Payne's letter in your recent issue contains many "terminological inexactitudes," I will content myself in challenging his statement that "an overwhelming majority of bank staffs will have nothing to do with trade unions."

The National Union of Bank Employees is a registered trade union with a membership of over 50,000 bank employees, which represents a substantial number of those employed in the industry. This large membership is held in spite of the fact that many of the banks continue to give every possible support and encouragement to their staff associations.

The latest development in this encouragement is the establishment of secretaries, like Mr Payne, who are paid by their bank employers, but who appear to spend all their time in organising and "pushing" the bank staff association, which is supposed to be an organisation formed to harass the employers into paying higher wages and salaries! To many the situation seems to be, to say the least of it, illogical!

However, from the point of view of the banks there is much merit in the situation. They who pay the piper call the (staff association) tune and, if at any time the members turn and disband the particular staff association (as has been done in the Midland Bank), the bank can call upon their piper to play a new tune and, like the pied piper, he will be certain to get some followers.—Yours faithfully,

P. S. OGDEN

West Hartlepool

The Billion

SIR—Some while ago you explained that the word "BILLION" when used under a USA date line meant 1,000,000,000, but that when used in *The Economist* in any other connection it meant 1,000,000,000,000. We were thankful for small mercies.

Last week, page 227, Austria's Power Economy, the word "billion" was used without definition, but apparently in the American sense, although the text has nowt to do with USA.

For goodness sake, Sir, keep to the ENGLISH sense of the English language, except when reporting the affairs of those people across the Atlantic who corrupt the English tongue.—Yours faithfully,

A. BIDDULPH

Wolverhampton

[*The Economist* in fact gave notice (May 5, 1951, page 1033) that when it uses "billion," without further explanation, it means 1,000,000,000. One could write 12,500,000,000 units or 1.25×10^{10} kWh. But then the noughts go wrong, or the reader has to do a sum on his fingers. If billion were limited to mean only 1,000,000,000,000 it would be wasted on astronomers—who talk about light-years anyway. Measurement in many techniques demands a handy word for thousand million; if not billion, or milliard (a French word not admitted to these columns) what should it be?]

BOOKS

Astringent Economist

Economic Analysis and Policy in Underdeveloped Countries

By P. T. Bauer.
Cambridge University Press. 145 pages. 22s. 6d.

IN the purest etymological sense, Mr Bauer is a reactionary. The epithet should not, in this connection, be taken as a political cuss-word; Mr Bauer's idea of the good society is probably not very different from that of, say, Professor W. A. Lewis—though he is undoubtedly at loggerheads with him over some important questions of practical policy. What Mr Bauer is reacting against is, in the field of methodology, the current tendency to blur all distinctions between positive economics (the establishment, from observation, of uniformities of behaviour) and normative economics (the prescription, given these uniformities and given the ends to be attained, of the principles of policy). In the field of policy, he reacts against an over-ambitious or over-optimistic view of the competence of public authorities to shape economic behaviour; authorities better equipped for such tasks than they were when Adam Smith was saying much the same thing, but not so much better as they like to think. In the field of ethics and politics, he reacts against aggregate-mindedness which assesses physical achievements regardless of their relation to individual choice.

Much of what Mr Bauer writes is of completely general application. But it is particularly important in the context of underdevelopment, because the obvious social differences between developed and underdeveloped countries, and the greater, more urgently felt divergences between standards achieved and standards desired, offer a standing temptation to treat the underdeveloped country as a case apart, where the established uniformities cannot be relied on and the more or less agreed political and ethical norms are suspended. Demonstrating, with a wealth of instance, that the price mechanism does function in the non-industrialised world, that similar economic causes do produce similar effects, Mr Bauer does a thoroughly salutary job; and the cold douches that he administers are much less depressing than astringent and stimulating.

This is not to say that he makes an unanswerable case against, say, Dr Gunnar Myrdal's sociological approach to the question of development. He minimises out of all recognition the essentially social problem of the "break-through," the "take-off crisis." It is significant that he only mentions the population question in order to attack—quite justifiably—the use of national income statistics as a sufficient measure of progress. Never does he face the possibility that a Malthusian equilibrium of stagnation and a precarious subsistence level may be harder to break in the medically knowledgeable twentieth century than it was in nineteenth-century Europe; the notion of the once-for-all effort to break that equilibrium, the "forced march" which pushes economic activity beyond the critical level, is politically too abhorrent to him. The case against the inspirationally led forced march, with slogans for the advance guard and whips for the laggard, has rarely been better made. But Mr Bauer would have written a more impressive book had he recognised the possibility that, given the human condition as it is, the underdeveloped countries face a real choice of evils. The problem of minimising the chosen evil is not solved by denying its existence.

Forty Years of Jordan

Jordan

By Ann Dearden.
Robert Hale. 224 pages. 21s.

IT is a pity that the British troops who landed in Jordan last week did not have the chance to read Mrs Dearden's book before they set out from Cyprus. If they had, they would have had a good idea of what pressures, built up over the past forty years, had brought them there.

Mrs Dearden has succeeded in doing for Jordan what Philby has done for Saudi Arabia. From sources purely Jordanian she has recorded the troubled history of the country from its earliest days. It is her good fortune, and ours, that the whole of Jordan's modern history is short enough to be preserved in the memories of the Jordanians and the English who made it. King Abdullah is the only one who is missing; but he left behind him two volumes of lively memoirs, which Mrs Dearden has used extensively. Her admiration for King Abdullah's policies may not be shared by all her readers; her account of Jordan's role, particularly the role of the Arab Legion in the Palestine warfare of 1948, will be found objectionable in Cairo and Damascus, where another version is preferred; and an Israeli account of the seemingly endless border incidents would be a different one.

Only two and a half years ago the British taxpayer was relieved of paying out over ten million pounds a year to a country that gave him no return, and the Jordanians, briefly secure in the ill-fated Arab Solidarity Pact with Egypt, Syria and Saudi Arabia, were supposedly relieved of the shame of having their expenses paid for by British money. But these arrangements did not work, and British troops are once again in Jordan. Mrs Dearden can offer no solution for today's crisis—her account of Jordan's history ends in the spring of 1957—but her book should be read by all who are still trying to piece together the frightening jigsaw puzzle that the Middle East has become. Jordan is only a small piece, but it has become once more important.

Revolution in Science

Physics and Philosophy: *the revolution in modern science*

By Werner Heisenberg.
World Perspectives: Volume 19.
Harper, New York. 206 pages. $4.00.

The Physicist's Conception of Nature

By Werner Heisenberg.
Hutchinson. 192 pages. 16s.

SCIENCE is the dominating—not to say domineering—formative influence in modern times. Here are two books written for the layman by one of the great pioneers of atomic physics. Professor Heisenberg is the discoverer of the principle of indeterminacy and, more recently, of a formula that may prove to be the long sought-for basic equation of matter. These two books deal with "the revolution of modern science," and no one could be more competent than he to tell us what this revolution means for the life and thought of man. The first of them contains his Gifford lectures delivered at St. Andrews in 1955-56 and carries a helpful introduction by Professor Northrop of Yale University. The second consists of 60 pages of text by Heisenberg and over a hundred pages of "historical sources" quoted from Kepler to de Broglie.

"The basic changes in modern science," says Professor Heisenberg, "must ... be considered ... as affecting every realm of life." There seem to be three. First, science begins "to remember once more that a natural science is one *whose propositions on limited domains of nature can have only a correspondingly limited validity; and that science is not a philosophy developing a world-view of nature as a whole or about the essence of things.*" (Author's italics.) In other words, the mechanistic, materialistic and deterministic philosophies, which claim to be "based on science," are making a false claim. Science leads to a "world view" only by way of an unscientific and illegitimate extrapolation. Although one can talk of the philosophy of science, since there is philosophy behind every activity of man, one can no longer pretend that science could father a philosophy. Thus Professor Heisenberg talks of "the openness of modern physics" and insists—like Newton—that "the existing scientific concepts cover always only a very limited part of reality, and the other part that has not yet been understood is infinite."

The second change is equally fundamental. The physicist, leaving the world of everyday experience and advancing

into the vastness of space or the minuteness of atomic structure, found that the concepts derived from common experience could not be applied to those "other worlds." Like the mystic, he discovered, behind our everyday world of appearances, a reality that cannot be described in our ordinary language without becoming involved in contradictions. While he deals only with the physical side of that reality, he meets the same problems of communication as those met since time immemorial by poets, prophets and god-seekers.

Thirdly, modern physics has discovered "freedom" even among the minutest particles. Natural laws in the everyday world are exact only because the number of particles involved in any event is so immense, and their "freedom" so small, that, for all intents and purposes, their joint effect is "determined." In the subtler realms of manifestation, however—in biology, not to mention the sphere of mind—small numbers of particles can matter very much: what, then, controls them? Certainly no "law of nature," say the physicists.

These three findings truly mark the end of an epoch.

Great Victorian

A Century of Darwin

Edited by S. A. Barnett.
Heinemann. 396 pages. 30s.

THESE essays, by a galaxy of experts, provide a fine refresher course for the non-biologist who is not quite sure where Charles Darwin stands today. He did not say that we were descended from monkeys—that we know. But all the same we may have a vague idea that Darwin's work does not quite stand now, if only because a capricious fate decreed that neither he nor anyone at the time should know of Mendel's kitchen garden activities, and how he had elegantly demonstrated the broad outline of the mechanisms of inheritance. Where, moreover, is Wallace's work now thought to come in? We remember that Darwin demonstrated his views by instancing pouter pigeons and the economically important idea of "progeny selection"—ideas by which followers of Robert Bakewell so "improved" farm animals that British rams and bulls were sent to sire half the flocks and herds of the world. What is now thought about that? Darwin's standing is a particularly interesting topic for the British if only because he has long shared with Isaac Newton the position of being their top scientist.

These modern experts, far from denigrating this great Victorian, are full of admiration. Not only, they tell us, was his thinking thorough, but it was also extremely bold, and where existing knowledge and technology and his own enormous industry could not fill in a blank, he would, time and again, bridge it with a hypothesis that still stands the weight of modern research.

A very cautious reader might object that these experts appear not only to be eminent scientists but also loyal Britons. Such a reader should look at another book—the new translation of Professor Oparin's classic "The Origins of Life on Earth." The sceptical will there find passages that will settle their doubts, for Professor Oparin is an active member of the Russian Academy of Sciences.

There seems to be only one omission in the present excellent volume. It would have been interesting to have had a contribution from a specialist in psychosomatic medicine, which would have attempted to throw fresh light on the giant himself. The Victorians thought of Darwin as an "invalide." A Freudian some years ago wrote of him as a hypochrondriac with marked "conversion symptoms" (he was generally "too ill" to attend dinners or meetings that seemed likely to be either boring or controversial). Might it not have been some (then unidentified), infection picked up in South American jungles? What still seems certain is that Darwin was a very great, and also a very lovable, human being.

The Russian Budget

The Development of the Soviet Budgetary System

By R. W. Davies, (with foreword by Alexander Baykov).
Cambridge University Press. 373 pages 45s.

IN an economy of the Soviet type, the state budget inevitably plays an even more important role than in the west, and indeed at least half of the Soviet national product passes through the budget. An understanding of Soviet public finance is thus of key importance for anyone thinking of studying the Soviet economy. The converse is also true: Soviet budgets are so closely connected with state policies that a broad understanding of economic issues alone makes possible a proper interpretation of the changing structure of the budget.

It is therefore a pleasure to welcome the appearance of Dr Davies's study, which succeeds in combining meticulous attention to detail with the necessary analysis of policy and purpose. The detailed narrative ends in 1941, but this should not deter the potential reader. The essential features of Soviet budgeting have not changed much since the war—though major reforms may now be in train—and the author has provided a valuable general chapter devoted to the questions that have arisen in more recent years. He is particularly successful in describing the many complex interconnections between the budget and economic enterprises, and between the plan and the budget. He rightly stresses the fact that the extreme centralisation of the financial system, and of planning, during the Stalin era, was a consequence of the policy of ultra-rapid industrialisation. The budget was used to concentrate resources for investment in heavy industry. The high rates of turnover tax are carefully examined, and, logically enough, related to this same policy; it is a tax on current consumption to finance non-consumption, falling partly on the urban consumer, partly on the peasant producer.

The various fiscal devices and financial controls are discussed on their merits, as means of carrying out given policies. These sometimes consisted of deliberately killing the goose as well as collecting the golden eggs; for instance, when the private traders and alleged "kulaks" were driven out of existence by crippling taxation amounting to confiscation of capital. There were also other cases of fiscal class war, and indeed even today the income tax on tolerated species of private enterprise is well above normal. Dr Davies makes clear enough what the purposes of state policy were, but does not regard it as part of his task to express approval or disapproval, which is the right course to take in such a book as this. The facts about the financial treatment of the kulaks are there, and it really ought not to matter whether Dr Davies thinks it was right or wrong. Although every now and again some disagreeable events have been slurred over, there can be no accusation of serious bias; the author succeeds in achieving a degree of scholarly detachment not always found in books on Soviet Russia. One should also mention his entertaining account of the crazy finances of the early years of Soviet power. All in all, the book can be unhesitatingly recommended to any serious student of the Soviet economy.

Gandhi Remembered

Talking of Gandhiji

By Francis Watson and Maurice Brown.
Orient Longmans. 141 pages. 12s. 6d.

"BAFFLING" is the adjective that recurs so often in discussions of the personality of Mahatma Gandhi. This, one suspects, is because the millions of words and scores of books published about him are not essentially the work of one category of observer but come from innumerable specialist authorities, each preoccupied with his own aspect of the Mahatma's work. The Mahatma has been studied, attacked, upheld and explained as a holy man, seer, statesman, politician, village uplifter, rural economist, educational and social reformer, philosopher, moralist, nationalist, friend of princes, opponent of caste, upholder of Hindu orthodoxy, demagogue and saint. When historians read what students of comparative religion have written, or moralists what politicians or economists have to say, not one of these authorities recognises the personality that he meets in the pages of the others. It is one of the merits of this book that, by bringing together under one cover the diverse impressions that the Mahatma made on an extraordinary variety of people, it achieves, paradoxically enough, the synthesis that has previously escaped so many specialist authorities.

"Talking of Gandhiji" reproduces four Third Programme broadcasts, consisting of informal interviews with sixty-nine men and women, ranging all the way from the Mahatma's own compatriots and followers to Lord Halifax, Lord Templewood, Lord Mountbatten and other English men and women who knew him well. Their memories were deftly prodded by Mr Watson, who supplies a connecting narrative, admirable in the pertinence of its content and the simplicity of its style. The task, which included a tour of India, occupied Mr Watson and Mr Brown, who produced the programme, for three years. The BBC is to be congratulated on its decision to back what is an important contribution to Indo-British history and to Indo-British friendship.

The book is readable, interesting, authoritative and sometimes exciting. When a new edition is called for, it would be helpful to add a summary of the main facts and dates of the Mahatma's life and an index.

Hero or Adventurer?

The Man Who Presumed: *A Biography of Stanley*

By Byron Farwell.
Longmans. 334 pages. 25s.

STANLEY'S character and career present a riddle that Mr Farwell makes no attempt to solve in this otherwise admirable book. Was Stanley a hero worthy a place next to great Livingstone himself in the pantheon of African explorers—the Dean of Westminster judged otherwise, refusing him burial in the Abbey—or was he an adventurer and self-advertiser, brave and determined indeed far beyond the ordinary, but in other respects essentially second rate? Again, was he one of those white men who are born with the gift of winning the confidence and respect of the African, or was he a harsh taskmaster, ruling by fear rather than love?

These questions were asked about Stanley in his own lifetime and even now history has not given a definite answer. "The Man Who Presumed" supplies all the relevant facts, leaving the reader to draw his own conclusions. So far so good, but a biographer is not quite in the position of a judge summing up for the benefit of a jury; he should not be wholly impartial and a biography is a dull book that has no *parti pris*. The ordinary reader, as distinct from the student, welcomes a string of theory to act as a guide through the labyrinth of historical fact. For instance, Mr Farwell's account of Stanley's extraordinary and unhappy early life would have been more illuminating had he occasionally paused to discuss the way in which the miseries of his youth and childhood may have reacted upon the character of Stanley the grown man.

Comment and discussion are especially called for in cases where the hero's actions have given rise to controversy. Here impartiality is definitely not enough; the author must make up his mind one way or the other, or, at the very least, he must state the arguments for and against and give some indication of his own opinion. Stanley's punitive attack on the Bumbireh islands is a case in point. Was contemporary opinion right in censoring Stanley for the wanton and cruel slaughter of ill-armed natives, or was the affray on Lake Victoria, like Lugard's action at Kampala many years later, a case of necessary intervention, where the verdict of history supports the judgment of the man on the spot against the opinion of well-meaning but less well informed critics?

In "The Exploitation of East Africa" Sir Reginald Coupland has made his own opinion on the matter perfectly clear. "The strangest feature of that grim affair at Bumbireh", he writes. "is Stanley's own insensitiveness," and whilst carefully refraining from any criticism of his own he ends the section dealing with Stanley's Congo expedition by quoting Sir John Kirk's damning comment:

> If the story of this expedition were known it would stand unequalled in the annals of African exploration for the reckless use of the power that modern weapons placed in his hands over natives who never before had heard a gun fired . . . his proceedings will prove one of the principal obstacles that future explorers and missionaries will have to meet when following his track.

Such a judgment, promulgated by a man of Kirk's reputation and reiterated by an authority on East African history, constitutes a challenge which it would seem impossible that any biographer could ignore; but Mr Farwell is content to give a clear and full account of the Bumbireh affair without adding a word either of comment or criticism.

His otherwise accurate book is marred by one or two small slips: Lord Granville was never Prime Minister, "Bana Mkubwa" should of course be "Bwana Mkubwa" and the correct translation of *shauri* is not "council" but "counsel." But the real fault of the book is its impeccable impartiality.

Classic Casualty

The Grand Trunk Railway of Canada

By A. W. Currie.
University of Toronto Press. London: *Oxford University Press.* 556 pages. 68s.

"WHEN the Grand Trunk was projected in 1852, it was to be the longest railway in the world. Later it was characterised as the world's worst commercial failure." This exhaustive study, by the author of the authoritative "Economics of Canadian Transportation," puts on impartial record and into proper perspective the whole complicated financial history of a concern that has been a by-word among English investors.

That "want of capital," characteristic of new and underdeveloped countries, made it impossible to raise sufficient funds in Canada to build this pioneer trunk line and most of its subsidiaries; or to rehabilitate it periodically; or to expand it to meet the needs of growing traffic. Capital from the London money market involved difficulties of absentee ownership and control—or lack of control. Experience with British railways, under very different climatic and traffic conditions, was in critical instances misleading. The conflicting interests of promoters and contractors, creditors and security holders, government and management were not successfully resolved. Time and again rosy anticipations failed to be realised. Endless intricate financial manœuvres and stratagems staved off immediate disaster but left a cumulatively overburdened capital structure from which the water was not squeezed out. Forecasts of costs and revenue proved far too optimistic, especially under the impact of successive unforeseen inflations and depressions, of wars, and of the encroachments of competitors.

The Grand Trunk route through Canada from the American mid-west to Portland had to compete with other through railroads to other Atlantic ports, notably New York; with the St Lawrence system and Erie canal; and, later, through its trans-continental progeny, the Grand Trunk Pacific, with the Canadian Pacific and Canadian Northern. Competition between railroad giants became characteristically cut-throat with agreements and pools as its sequel. The rigid cost structure begot the practice of charging what the traffic would bear. Rate differentials, especially as between

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By JOHN H. DUNNING **35s.**

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local and through traffic, and suspicions of unfair discrimination enhanced the fear of monopoly and led to rate control by the Board of Railway Commissioners, which used returns to the Canadian Pacific Railway as its yardstick. Rate control was part of a whole gamut of political influences and inter-relations, from the first legislation authorising the project to the acquisition of the system by the Canadian government after the first world war, at a price high enough to create difficulties for the Canadian National Railways but too low to placate bitterly disappointed British investors.

Though financially a failure, "the Railway made a significant contribution to the economic development of Canada." It is disappointing that so little emphasis is given to this aspect of Grand Trunk history, but despite this limitation (and the limitations and omissions of the single map) the book is a welcome and weighty addition to the economic literature of Canada.

Strained Relations

Documents on British Foreign Policy, 1919-1939

Edited by E. L. Woodward and Rohan Butler. (Second Series, Vol. VII.) *HM Stationery Office.* 808 pages. 85s.

THIS volume deals with Anglo-Soviet relations from 1929, when diplomatic relations between the two countries, destroyed by the collapse of tsardom, were again resumed after a previous false start in 1924, until 1934, when Russia entered the League of Nations. Its contents are in general very dull because relations between Russia and Great Britain, though officially re-established, remained strained and artificial; and because correspondence with Russia about problems of world-wide or European interest in this period, such as disarmament, has already been published in earlier volumes. Except for the last chapter, the volume is concerned with matters of mainly administrative and domestic interest—bickerings about Anglo-Russian trade, pre-1917 debts and claims, Russian propaganda attacks on Great Britain, and the treatment of British subjects in Russia, particularly the trial of the Metropolitan-Vickers employees in 1933.

The dullness is somewhat relieved by occasional memoranda drawn up in the Foreign Office on issues of a general nature. A memorandum of June, 1929, lays stress on the importance of consulting the dominions before taking any steps to resume diplomatic relations, and reveals that there had been criticism from the dominions of the failure to consult them in advance of the decision to grant *de jure* recognition to the Soviet Government in 1924. Still more interesting is a memorandum of November, 1931, here given in an appendix, in which the Foreign Office analysed the reasons for the peculiar character of Anglo-Soviet relations. This stated that "it is one of the unfortunate legacies of the War that Anglo-Soviet relations have become a subject of the most acute internal political controversy" and that

> so long as one section of opinion, even if a small one, hitches its wagon to the Soviet star, and another longs for nothing so much as the star's eclipse, the task of reducing Anglo-Soviet relations to normal remains hopeless.

The task remained hopeless, not least because Russia's purpose was to exploit and extend internal fissures in other countries, until the rise of Hitler to power in Germany brought the Russian Government face to face with urgent problems of its own. The only other material in this volume that is of much interest for international relations is the series of reports received by the Foreign Office on Russia's reactions to Hitler's success. These form the bulk of the last chapter, which begins in July, 1933. They suggest that the Russian Government came to its senses, and put an end to its previous insistence on nothing but nominal relations with capitalist powers, more rapidly than has previously been thought. But they also confirm that the gulf of suspicion between Russia and the capitalist powers had by then become enormous. And they contain the interesting early warning, conveyed to the British ambassador by the head of a department in the Italian Foreign Office in January, 1934, that, even though Russia was returning to the diplomatic fold, it might solve its problems in due course by means of a Russo-German alliance.

A Decadent Dynasty

The Spanish Royal House

By Sir Charles Petrie. *Geoffrey Bles.* 276 pages. 30s.

SPAIN has been ill served by its monarchs. In a country where the geographical configuration in any case places a premium on disunion, not to speak of the Spanish temperament, a vital and percipient royal house was urgently needed to provide a rallying-point and source of leadership, and neither Hapsburg nor Bourbon, as Sir Charles Petrie's tragi-comical tale plainly shows, supplied that need.

The Catholic sovereigns, Ferdinand and Isabella, got off to a good start, but then a long series of wars, occasioned chiefly by Aragon's involvements, made it impossible to undertake very necessary reforms at home. The imperial grandeur that was Charles V was little short of a disaster for Spain because the nation's energies were distracted to the Netherlands and Central Europe when Spanish interests clearly lay in the Mediterranean and the New World. By the middle of the seventeenth century Spain had become the sick man of Europe, a mere object of policy, with the European states quarrelling over the disposal of the inheritance of Charles II, the last of his line.

Under the first three Bourbons there was a marked improvement. At last domestic reform was undertaken on an appreciable scale, and the economy and culture of the country were fostered; yet these achievements of benevolent despotism were, so to speak, imposed on the country by sovereigns (and Ministers) taking their cue from France, while the essential task of integrating the new ideas with the traditions and habits of old Spain was neglected. In Charles IV and Ferdinand VII, with their fawning on Napoleon, the monarchy established a record of treachery and incompetence from which it has never really recovered—with, eventually, a family split originating the phenomenon of Carlism, which has but served to polarise further the forces of disunity.

In the end, in 1931 as in 1868, as the author remarks, the Bourbon monarchy "collapsed rather than was overthrown": there was no formal act of abdication. It is indeed a *damnosa hereditas* for the *simpatico* Don Juan, the present Pretender, who has at times shown rare courage and intelligence, but who has subsequently disillusioned many of those who set their hopes on him. As for General Franco's idea of installing the Infante Juan Carlos in the vacant throne, anyone who understands Spain must know that this horse just will not run. Sir Charles Petrie, a natural monarchist and a fervent admirer of General Franco, tries hard to believe—and to make us believe—that herein lies the way of salvation. But his own shrewd comments on the position of King Alfonso *vis-à-vis* the Primo de Rivera dictatorship suffice to condemn any such wishful thinking.

The book is a curious mixture of sense and nonsense, of straight narrative and historical tittle-tattle. In spite of loose writing and not infrequent repetitions it is readable, particularly on the fantastic behaviour of Charles IV, Maria Luisa and Godoy and the ineffable Ferdinand in the period aptly described by the author as "the nadir of the Bourbons."

OTHER BOOKS

LA REPARTITION DU REVENU NATIONAL: VOL. II: LES NON-SALARIÉS. By J. Marchal and J. Lecaillon. *Editions Génin.* 388 pages. 2,400 fr.

THE BRITISH COMMONWEALTH: *A Survey and Directory of the Countries of the Commonwealth.* Second 1958 edition. *Europa Publications.* 958 pages. £6.

STATE OF THE UNION YEAR-BOOK FOR SOUTH AFRICA 1958. *Culemborg Publishers.* Cape Town. 452 pages. No price given.

BLUE GUIDE TO NORTHERN SPAIN. By L. Russell Muirhead. *Benn.* 457 pages. 45s.

BLUE GUIDE TO NORTH WESTERN FRANCE. Edited by L. Russell Muirhead. *Benn.* 417 pages. 42s.

CITY OF BIRMINGHAM ABSTRACT OF STATISTICS No. 4: 1955-57. Edited by A. B. Neale and J. D. Wheeler. *Birmingham Central Statistical Office.* 147 pages. 10s. 6d.

THE ESSENTIALS OF PUBLIC ADMINISTRATION. Second edition. By E. N. Gladden. *Staples.* 253 pages. 21s.

SELF-DEFENCE IN INTERNATIONAL LAW. By D. W. Bowett. *Manchester University Press.* 294 pages. 37s. 6d.

AMERICAN SURVEY

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

The Worst of Summits

WASHINGTON, DC, WEDNESDAY NIGHT

MOST officials at the State Department are convinced that an early summit meeting at the United Nations will be an unmitigated disaster. The *Washington Post* summed up the general sentiment on Wednesday by saying that "the United States is in a position of being forced reluctantly to attend a party in its own backyard, determined in advance not to like it." Mr Walter Lippmann believes that "at this time a public confrontation between Mr Eisenhower and Mr Khrushchev would be a ghastly spectacle," while Mr James Reston, in the *New York Times*, declares that "President Eisenhower has agreed to attend what he and his principal advisers profoundly and unanimously believe to be the wrong meeting at the wrong time and place on the wrong subject." The disadvantages of having the headquarters of the United Nations in New York were never more apparent. There is serious doubt whether the New York police can keep the demonstrations of East European minorities under control, especially as there will be every local political incentive to be lenient with demonstrators.

Britain is being widely blamed for having pushed Mr Dulles into this predicament—although Mr Macmillan is partially excused on the ground that he is under strong political pressure from the Labour party. The White House denies that Anglo-American divisions have arisen since Mr Dulles and the Foreign Secretary discussed Mr Khrushchev's invitation last week. Then, apparently, Mr Dulles and Mr Lloyd, disagreeably surprised by the amount of opposition to their armed intervention in the Middle East which has been generated at the United Nations, agreed tentatively that a reply to Mr Khrushchev could not be entirely negative and that a provision of the United Nations Charter, allowing for heads of government to attend meetings of the Security Council, might be one way out. But after Mr Lloyd left, Mr Dulles began to repent of his half commitment, partly because the British government showed signs of taking it up far more wholeheartedly than he had intended and partly because the optimistic news from Mr Murphy, the experienced negotiator sent to Beirut, raised hopes of tidying up the political situation in the Lebanon and of withdrawing the Marines gracefully within the next few weeks. Mr Dulles began to hope that, if a new President could be elected and if Mr Hammarskjöld could line up a stronger corps of observers along the frontier, the crisis would liquidate itself without any need for official recognition of the interest of the Soviet Union in the Middle East.

Mr Lloyd's announcement in the House of Commons and the tone of Mr Macmillan's letter to Mr Khrushchev dashed such hopes. Reluctantly Mr Dulles yielded, in order to avoid the appearance of another rift between Britain and the United States, and now any calculations that the Soviet Union, offended by the grudging way in which the United States assented to the proposal, might decline the invitation to New York have been disappointed. The Americans are convinced that, if a meeting is held while the Marines are still in Beirut, Mr Khrushchev will put them on the defensive. They think he will try to revive the arms embargo for the Middle East. This would force the United States either to take the onus of rejecting what many will think, and what Mr Nehru will urge, to be reasonable or to abandon its military commitments to Pakistan, Iran, Turkey and Saudi Arabia. At present the Americans just do not see how the West can win.

Checks on the Court?

WASHINGTON, DC

IN this year's stakes for the most idiotic entry in the *Congressional Record*, the field is now led by Senator Eastland of Mississippi with a purported "scorecard" of the "pro-Communist" and "anti-Communist" votes of the individual Justices of the Supreme Court; Mr Eastland is chairman of the Senate Judiciary Committee which decides on the fitness of the President's nominees for federal judgeships and high positions in the Department of Justice. Meanwhile, over in the House of Representatives, Mr Howard Smith last week had the satisfaction of seeing four years' work come to fruition with the passage, by 241 votes to 155, of a Bill which would shatter large sections of the federal legal system into forty-eight separate pieces; Mr Smith's main function as chairman of the House Rules Committee is to avoid slipshod legislation.

The reason for these extraordinary attacks on the Court is that the allegiance of both these Democrats is to the South and they share its desire to punish the Supreme Court for its unanimous decision that racial segregation is unconstitutional in publicly-financed schools. But to do this the South must have allies; it has now found them as the result of a succession of ringing libertarian decisions by the Court which have turned the usual conservative upholders of its prerogatives into a group of very angry men.

Senator Eastland, who in addition to being the most subversive segregationist in the Senate is the chairman of the subcommittee which is supposed to "unmask the Communist conspiracy in the United States," has for some time been trying to link these two threats to his peace of mind. Now he has been given the opportunity of identifying the defence of civil liberties with support of Communism by the fact that the particular individuals involved in some, but by no means all, of the recent cases which have caused the most panic among the law-enforcement agencies were suspected or acknowledged Communists or former Communists. Nevertheless his assault on the Supreme Court

would be less important were there not more respectable arguments about its proper function lying around waiting to be picked up by whichever side they happen to suit.

Frustrated liberals have been responsible for most of the historic attacks on the Supreme Court's practice of reasoning from the commandments and prohibitions of the Bill of Rights, some of which are specific and others very broad, in order to over-ride the will of the elected legislature. As a result many judicial conservatives, such as Mr Justice Frankfurter of the present Court and Mr Learned Hand, an enormously respected judge who has now retired from a lower federal court, have urged on their brethren the utmost self-restraint in finding that the Constitution nullifies a statute. Indeed Mr Hand, in a recent series of lectures at Harvard University, has called attention to the Court's Achilles' heel: the authority which it now exercises in order to "keep the states, Congress and President within their prescribed powers" was not entrenched in the Constitution; this specifically authorised Congress to regulate the appellate jurisdiction of the Court and to make exceptions to its scope. Although Mr Hand readily acknowledges that, if the whole scheme was to be made to work, it was essential for the Court in the early days to assume, as it did, the function of interpreting the Constitution and establishing some elements of uniformity in the country's legal system, he enjoins a proper modesty on an institution with such sketchy origins.

WHEN, in 1954, the Republicans were last in control of Congress the conservatives instinctively turned to the shoring up of the foundations of the Supreme Court as a way of blocking any future New Deal. Their constitutional amendment, bitterly opposed by the congressional liberals, would, if it had passed, have deprived Congress of the authority to tamper with the composition and powers of the highest Court. But since then the men appointed to the Supreme Court by President Eisenhower have turned out to be markedly more liberal than those appointed by Mr Truman. It is the former Democratic Attorney General, Mr Justice Clark, who has been writing the most anguished dissents about the handicaps to police work, especially in security cases, which have arisen out of the procedural safeguards insisted upon by a majority which includes and is often led by the former Republican Governor of California, Chief Justice Warren. As a result, another extreme conservative, Senator Jenner, proposed this year that Congress should exercise its rusty power to pull the props from under the Supreme Court by withdrawing five whole fields, in which the Justices' decisions had displeased him, from their jurisdiction. This was too much even for Senator Eastland's committee; but, to teach the court a lesson, it passed a substitute which is supposed to make it so absolutely clear that Congress intends to penalize certain forms of Communist advocacy, to give free range to questioning by congressional committees, and to allow states to dream up their own fancy subversive laws that the Court will in future have no excuse for restricted interpretations of such laws.

On the other hand, Mr Smith's Bill, now passed by the House but unlikely to go farther during this session of Congress, deals with only one of the matters covered by the Senate Committee's Bill, but deals with it more sweepingly. Using as a lever the emotion generated when the Supreme Court affirmed a decision by the State Supreme Court of Pennsylvania that Congress, by enacting a whole network of legislation against subversion in the federal government, had rendered state laws on the subject null by making them superfluous, Mr Smith is trying to outlaw the traditional doctrine of pre-emption. Under this doctrine, in some circumstances Congress has been held by the courts to have taken over a field of legislation which the Constitution leaves to be dealt with at either the federal or state level. The Smith Bill provides not only that in future there will be no more pre-emption unless Congress actually says there is to be, but also that this construction will apply to existing law. This would produce legal chaos: railway trains, for example, would probably have to change their safety regulations every time they crossed a state boundary. But the fact that such a Bill could be passed by the House is an indication of the extent of Congress's annoyance with the Court.

This annoyance may well result in a sharpening of the divisions within the Court. These vary according to the facts of particular cases, but the most striking division—that between the two intellectual leaders of the Court, Mr Justice Frankfurter and Mr Justice Black—was brought out most obviously in the Winston case, which involved at one point the question of whether in proceedings for criminal contempt some of the legal standards of ordinary criminal prosecutions were required. Mr Justice Frankfurter, concurring with the majority, cited the long tradition by which a judge deals summarily with contempts, and added:

> To be sure it is never too late for this Court to correct a misconception in an occasional decision—even, on a rare occasion, to change a rule of law that may have long persisted. . . . To say that everybody on the Court has been wrong for 150 years and that that which has been deemed part of the bone and sinew of the law should now be extirpated is quite another thing.

To which Mr Justice Black replied:

> The power of a judge to inflict punishment for criminal contempt by means of a summary proceeding stands as an anomaly in the law. In my judgment the time has come for a fundamental and searching reconsideration.

Mr Justice Black's arguments in the Court nearly always bring a spontaneous cheer to the lips of those who like to think of the United States as a revolutionarily libertarian society. But, bearing in mind that the nine Justices are appointed for life and have the "awesome" power to over-rule all elected and answerable officials, and that they may yet in a last resort make themselves vulnerable to the wrecking radicals of the right, it may well be that Mr Justice Frankfurter's philosophy provides the more lastingly democratic doctrine.

Ill Wind from the East

THE emergency in the Middle East came just in time last week to strengthen the hand of those trying to save the President's most important foreign programmes from heavy defeats at home. Bills dealing with defence reorganisation, the extension of the Trade Agreements Act and this year's appropriation for foreign aid are moving into their final stages, the last two crippled by hostile fire. The Bill to reorganise the Department of Defence sailed through the Senate on an unanimous vote late last week in a form slightly closer to the President's desires than the version adopted by the House; but, whatever happens when the two measures are reconciled, Mr Eisenhower may count himself lucky to have achieved so large a part of the reforms which he feels are essential if command over the fighting forces is to be streamlined and inter service bickering is to be put down.

All hopes of succouring the foreign aid appropriation, which the House cut with such unexpected ferocity, are now concentrated upon the Senate. Here the appropriations committee, which is preparing its final recommendations, is taking another look at them in the harsh light of what is happening in the Middle East. It is the House, on the other hand, which is counted on to complete the rescue of the reciprocal trade agreements programme which the protectionists on the Senate Finance Committee did their best to turn into a high-tariff Bill.

The most damaging change of all would have provided that the President, who now can reject any recommendation of the Tariff Commission for increases in duties, might overrule it only if he had the support of both the House and Senate—an open invitation to the worst kind of log-rolling. This amendment was beaten on the floor of the Senate by a vote of 63 to 27 before the Bill was passed. But friends of the programme hope that the House, which delighted the Administration by approving a five-year extension, will persuade the Senate, which granted only a three-year one, to compromise on four years; this, which would be the longest extension ever allowed, would enable the Administration to negotiate with the European Common Market. If, as well, the final version permits the carry-over of tariff-cutting authority if it is not used in the earlier years, reductions totalling 20 per cent over the four years would be possible.

Mr Hauge's Farewell

MR GABRIEL HAUGE, the President's economic assistant, is leaving the White House to join the Manufacturers Trust Company, one of New York's largest banks, just as the statistics are vindicating the Administration's approach to the recession—an approach for which Mr Hauge was largely responsible. Indeed, in the exchange of friendly letters announcing his departure, it is a little surprising to find him writing to the President, instead of *vice versa*, that

> you have charted a true course amidst changing economic conditions. . . . You have reminded us that only sensible economics, not razzle-dazzle substitutes, can truly serve the end of equity and social justice.

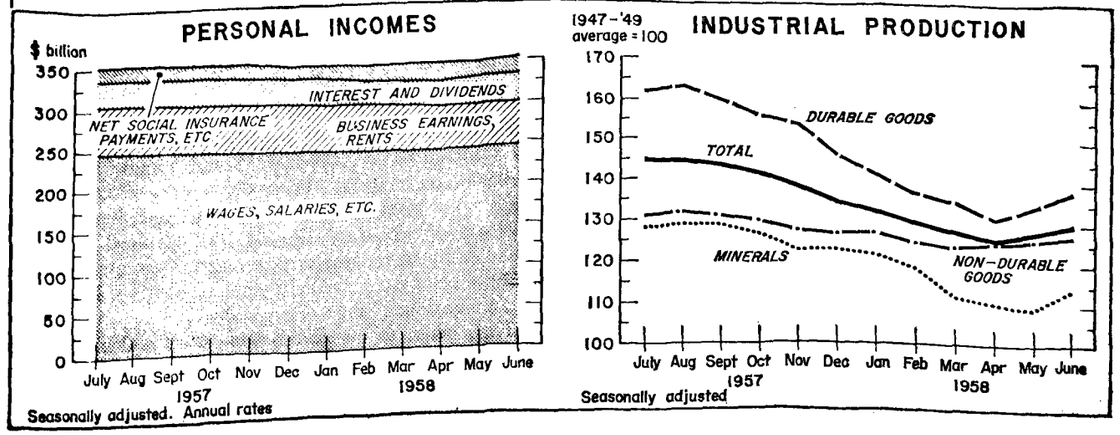
But Mr Eisenhower's reply seems a statement of the obvious:

> Of course I agree in your economic convictions. I cannot help wishing that I could express them so well.

He may be wishing this even more sincerely before long if, as it is suggested may happen, no one is appointed to succeed Mr Hauge.

During the early part of this year Mr Hauge resisted all attempts to stampede the Administration into a full anti-recession programme, with tax reductions, large-scale public works and so on. Yet he was equally insistent that the Administration should not dig in its toes completely, but should take restrained steps such as increasing outlays on housing and roads. That such measures were enough, and not too much, seems to be proved by the index of industrial output which has been rising for the past two months rather more sharply than it did as previous postwar recessions began to turn upwards. However, it is likely to follow their pattern by falling once more before the rise becomes steady; this month's figure, affected by holidays and other seasonal factors, is almost certain to be below June's. June was particularly encouraging because the increase in production was concentrated in factories making durable goods and in the mines, the two basic sectors. But it will be autumn before it can be judged whether a dynamic upward trend has been re-established. Mr Hauge seems sure that it will be by then, and the general economic atmosphere is increasingly favourable, even though some observers are still doubtful about the future.

However, government spending is definitely becoming a stimulating factor and it is expected to continue to go up, while the uncertain international situation may make businessmen less ready to run down their stocks than they have been recently and may even lead to a renewed accumulation of strategic materials and other crucial items. It may also perhaps encourage consumers to buy now in anticipation of possible future shortages, especially of durable goods. That they are in any case developing a more optimistic outlook about the economic future, and therefore about their own spending plans, is indicated rather tentatively by the latest survey from the University of Michigan's Research Centre. And their incomes, which have remained remarkably steady throughout the recession, are now rising again in the all-important category of wages and salaries, out of which comes most of the country's private spending.



Falling Out over Atoms

DESPITE the eleventh-hour intervention of the President, Congress has overwhelmingly rejected the economies imposed by the Bureau of the Budget on the development of the peaceful uses of atomic energy. Both the Senate and the House have passed, with hardly any argument, a Bill authorising the spending of $387 million on research and on the construction of plants. This is rather more than the Atomic Energy Commission had originally asked for, and nearly twice the $193 million which the Budget Bureau decided to allow. The near-unanimity of Congress was no surprise, since the powerful Joint Committee on Atomic Energy had itself been unanimously in favour of the Bill. The puzzle is why the President chose to intervene when he had so little chance of upsetting a compromise that falls short of what the Democratic majority would have liked.

All Mr Eisenhower seems to have achieved by irritating the committee is to increase the risk that Congress may go home without approving the financial and technical aid which the Administration has agreed to provide for the Euratom scheme to lessen Europe's dependence on imported fuel—particularly middle eastern oil. The present crisis makes the need for the scheme more urgent than ever, as the Administration did not fail to point out when hearings began this week. Where it seems to have failed is in convincing the Democratic members of the committee, who want the government to take the initiative in building atomic plants to produce electricity in the United States, that it would be better to wait and profit from the European programme.

The only new reactor which the Administration agreed to build was a $51 million gas-cooled graphite-moderated project, but the appropriation for this is likely to be denied, at least until next year, in the hope—rather a remote one—that private financing may be found. On the other hand, the House seems prepared to provide the money for the first stage of the $145 million plant to produce plutonium for small tactical weapons which Congress has authorised although the President declares it is unnecessary at present. The reactor could, if Congress wishes, be converted to produce electric power; this may be part of the reason for Mr Eisenhower's opposition. His objection to the studies of five different types of reactor to generate electricity, also authorised by Congress, is that they might seem to commit the Administration to a big building programme. If Congress insists on appropriating more than the Administration wants, the President can presumably refuse to spend it. But this would get Mr McCone, the new chairman of the Atomic Energy Commission, off to a bad start in his relations with Congress, in which the Democrats are likely to be stronger than ever next year.

The Fed Lends a Hand

As a result of the revolution in Iraq and the general uncertainty in the Middle East the market in government bonds, already untidy as the result of recent speculation, became so disorderly at the end of last week that the Federal Reserve Board's Open Market Committee was forced to supplement the Treasury's price-supporting operations. For the past month the Treasury had been buying up its own longer-term issues and on Friday the Open Market Committee announced that it also would now buy government securities other than short-term Treasury bills. Until then it had confined its purchases to these bills ever since 1952, with one short exception during 1955 when it helped the Treasury with a refunding operation. Whether it will in fact perform a similar service for the Treasury this time will become clearer when the results of the latest refunding, being conducted this week, are known, but this is definitely not the reason why the Federal Reserve has come into the market. Its officials maintain that their only purpose is to restore order to the market; this explains why they took the unusual course of announcing their change of policy publicly. So far there is no evidence for supposing that this change is more than temporary—even though there are many people, including some government economists, who think that it should be—or that the central bank is once more going to support actively the financial operations of the Treasury as it used to do before 1952.

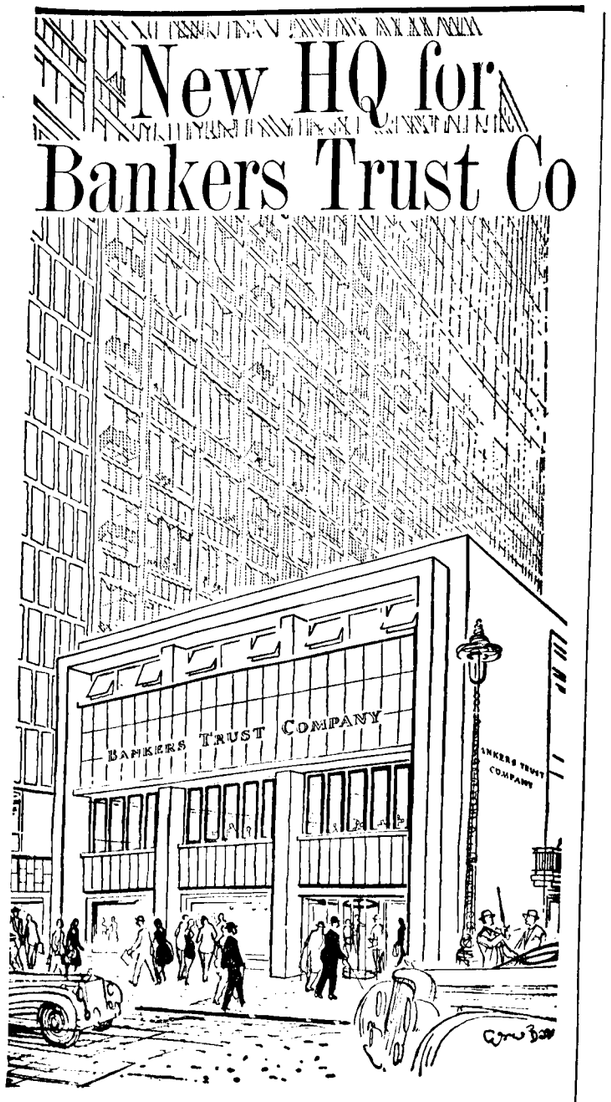
Meanwhile the Treasury itself had given a lift to the market in government issues by announcing that in this week's refunding, for $16 billion worth of securities expiring between the end of July and the middle of September, holders would be offered a one-year 1⅞ per cent certificate in exchange, and that a similar security would be offered soon to raise $3 billion in new money; this will meet all the Treasury's needs until October. In present circumstances, with the market obviously suffering from a surfeit of longer-term government bonds, it would have been very surprising if the Treasury had proposed anything but these short-term issues. However, officials insist that they will return as soon as possible to their basic policy of stretching out the average maturity of the public debt.

Managing Money for Millions

FROM A CORRESPONDENT IN NEW YORK

THE open-end investment trust, or "mutual fund," as it is popularly called, is an American form of investment pool, in which the shares are not sold on the market but offered directly to the public, with each investor sharing in the earnings according to his portion of the total outstanding. In a closed-end trust the shares are limited in number, and are traded in the usual way on the stock market. Before 1940, when all American investment companies were placed under federal government regulation, "mutual" investing trusts were indigenous to Boston, and were organised under Massachusetts law. While these open-end companies were in a direct line of descent from British and Continental joint investment funds, they had certain unusual features which showed that an important new form was emerging. Unlike most of their predecessors, the "Boston Funds" issued only a single class of stock. These shares were offered continuously at a price based on the current value of the underlying portfolio of securities. Finally, the open-end companies stood ready to redeem or repurchase their own stock on short notice by paying the investor in cash for his holding at the net value of the assets per share.

High praise in the government report which led to the Investment Company Act in 1940, and favourable treatment in that legislation, laid the groundwork for the further development of mutual funds, but their growth has exceeded



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the most optimistic predictions of their early advocates. In eighteen years the assets of open-end investment companies have increased more than twenty times, and now exceed $10 billion. The recent successful entry of Lehman Brothers and Lazard Frères and Company, two leading American investment banking houses, into the field indicates that a new period of expansion may be imminent for mutual funds.

The field is one which already offers an enormous choice, at prices ranging from $1.50 to $135 a share. There are approximately 230 separate funds representing every form of investment from institutional bonds to speculative stocks. Total assets range from $100,000, the minimum required by the official Securities and Exchange Commission, to over $1 billion; there are, in fact, two funds with assets in excess of that amount. One of these, the Massachusetts Investors Trust, was the prototype of the open-end trust and for many years remained the largest; it holds only high-grade common shares. Investors Mutual, of Minneapolis, is the front runner at present, both in assets and number of shareholders (250,000); more than a third of its portfolio consists of bonds and preferred stocks. These two types of funds—the "common stock" and the "balanced"—account for 85 per cent of the assets of this type of undertaking; the remainder is made up of funds which are not truly a cross-section of the market, but offer diversification within a given industry (chemicals, atomic energy development, tobacco manufacturing) or within a given class of securities (highest grade bonds, low-priced speculative stocks). Other specialised funds, such as the Canadian International Growth Fund, are invested entirely in foreign securities and offer tax benefits not otherwise obtainable.

The great adaptability of the open-end trust is further demonstrated by the rapid increase in the number of institutional investors who buy these shares. More than 61,000 churches, trade unions and pension and profit-sharing trusts own stock in mutual funds; one well-known fund recently lowered its sales charges for the convenience of an insurance company which wished to invest a lump sum of $1 million. Indeed, million-dollar sales are now said to be commonplace among the larger funds. The great market for trust shares, however, is among middle-class buyers; a recent study of shareholders indicates that the typical individual who owns shares in mutual funds has an annual income of $7,000 and owns $4,900 worth of these shares. There are some 3,150,000 accounts, and nearly a quarter of these shareholders are continuing to purchase additional shares through one of the accumulation plans offered by the sponsors of mutual funds. In this way, even the most modest investor can have the advantage of a diversified holding of common shares and one that is continually supervised. An increasing number of Americans, rightly or wrongly, consider the ownership of equities to be the best available protection in an age when the purchasing power of the dollar is being steadily eroded.

A BASIC idea of the mutual fund, which is common to all investment trusts, is that capital shall be pooled under expert management. Through the open-end funds the small investor may obtain access to the services of leading firms of investment counsellors. That this concept is widely acceptable is evident from the initial success of the One William Street Fund, sponsored by Lehman Brothers, and the Lazard Fund, sponsored by Lazard Frères. While neither of these two firms had previous experience with the management of mutual funds, they have operated closed-end trusts successfully, and their names are well known to the public. The One William Street underwriting, which raised $185 million, had more members in its selling group than any other in recent American financial experience; the Lazard Fund, with a more restrained sales effort, obtained an initial $118 million. The William Street Fund has continued, in the weeks since its appearance, to sell shares at a high rate, but sales of the Lazard Fund have been closed for the present.

While some funds have their headquarters in Chicago, Denver, Philadelphia and other cities, the greatest concentration is naturally in Boston and New York. A side effect of the creation of the two new funds will be a further centralisation of this type of business in the latter city, where "One William Street" will join the "Wall Street", "Broad Street", and "Pine Street" Funds in honouring the peculiar geography of lower Manhattan. The small group of men who manage the trusts and make decisions on the investment of their funds run heavily to PhD degrees and other intellectual achievements but, in spite of their enormous influence, they are almost unknown to the public and prefer anonymity. While they may use well-known experts as consultants—Professor Sumner Schlicter and Mr Beardsley Rumi are among the economists who advise mutual funds—trust managers usually reserve the right to make the final decisions themselves.

They are compensated for taking this responsibility, and for exercising it wisely, by a management fee. This may vary from one trust to another, but it usually is equal to one-half of one per cent a year; thus Lehman Brothers will receive about $1 million yearly for providing an investment advisory service for the One William Street Fund. The cost to the individual investor is about 14 cents a day for each $10,000 invested. Most mutual funds also impose a charge on purchases of their shares to cover costs of distribution; this may not exceed 9 per cent of the net asset value and in practice it averages about 8 per cent. But this is not all milk and honey for the sponsors of mutual funds. Costs of management and of distribution have been rising steadily, and competition for sales is sharp. Funds with less than $10 million in assets cannot be operated economically and it would be beneficial to the entire industry if many of the smaller units were merged. In the past, the SEC has made this extremely difficult by prohibiting the sale of management contracts but a recent court decision may open the way to widespread consolidation.

Take-over in Space

CIVILIAN control over American activities in outer space is definitely established by the Bill which has now been agreed, with practically no controversy, by representatives of the House and of the Senate and which apparently has the full approval of the President; indeed, he is said to prefer the compromise to either of the original versions. Certainly it gives him more power than did either of them, for not only will he have the final decision in all the inevitable arguments between the military authorities and the new National Aeronautical and Space Administration,

established by the Bill, but he will now also be a member of the nine-man board which will set the agency's policy. The Senate had wanted a rather smaller board which would have controlled the operations of NASA, the House a much larger board which would merely have advised the administrator. This post is to go to Dr Hugh Dryden, the present director of NASA's predecessor, the National Advisory Committee for Aeronautics. He will be a member of the new board; the others will be the Secretaries of State and of Defence, the chairman of the Atomic Energy Commission, three independent citizens who are expected to be prominent scientists, and one more government official, who is likely to have some kind of military connections.

The fact that the board will thus probably include two representatives of the Defence Department will help to quiet its fears that the new agency may take over some of its most cherished research. The actual division of functions will be made by the President, with Congress exercising a veto power after the first few months. But the final Bill, as the Senate wished, provides that the services shall retain control of all activities primarily associated with defence, a provision which goes too far, according to some critics, since at present practically all space projects have military applications. It is presumed that, once NASA has been staffed and organised, very little will be heard of it for some time since the space activities that are now, or are soon to be, worthy of the headlines were all obviously begun years ago by the various services, even though some of them are not wholly military in their objects. But the new agency is to employ some 260 "super-grade" experts at high salaries; with so many leading scientists and engineers on its pay roll NASA is unlikely to disappoint those who are counting on it for schemes as long-range and imaginative as outer space itself.

Blue Cross in the Red

THE Blue Cross insurance scheme, which was devised to help hospitals collect their bills and to help patients to pay them, is itself falling victim to financial anæmia. In state after state, these non-profit groups are applying for permission to raise their rates to subscribers because the costs which they have contracted to pay to the hospitals are rising faster than their income from premiums. In New York City, for example, the largest Blue Cross unit, with nearly 7 million members, paid out $123 million in hospital claims and about $11 million in administrative expenses last year, although it took in only $119 million. If its rates, which were last raised in 1952, are not increased, it will soon exhaust its reserves and have to go out of business.

About three-quarters of all Americans—123 million—have some form of insurance against hospital costs. The Blue Cross protects 50 million or thereabouts, 70 million more have contracts with commercial insurance companies, and the rest belong to group health schemes such as that run by the United Mine Workers' trade union. Like the Blue Cross, commercial insurers have been losing money on hospital claims and are raising their premiums. One of the troubles is that, as insurance against such costs has spread, both patients and doctors have been readier to prescribe a stay in hospital. But the chief trouble-maker is the rise in hospital costs, which in New York have gone up about 50 per cent since 1952. The cost of a stay in hospital is expected to go on rising about 6 per cent a year, partly because staffs are being paid better, partly because the standard of care is constantly improving.

For the Blue Cross and the insurance companies to reduce benefits—which some subscribers already complain are too restricted—would be unpopular; but so is the rise in charges. The Blue Cross, the insurance companies and the American Medical Association all fear that either step would increase the risk that voluntary insurance would be replaced by a compulsory government system. In some states, such as Pennsylvania, which have permitted higher premiums, both the Blue Cross and the hospitals have been ordered to make a strenuous effort to cut costs. In New York City, where an emergency increase of 22 per cent has been allowed, a thorough study of the whole problem is to be made by Columbia University's School of Public Health before the state authorities decide whether to allow the full 40 per cent which Blue Cross has requested. This may throw some light on the accusation that Blue Cross is too closely allied with the hospitals to bargain effectively with them to bring costs down.

SHORTER NOTES

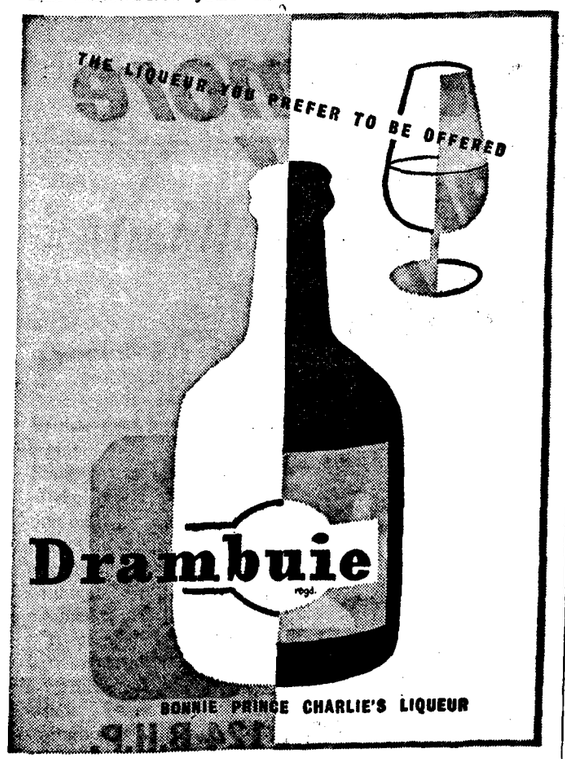
The final figures for the 1958 fiscal year which ended on June 30th showed expenditure of $71.9 billion, $900 million below last January's estimate, and receipts of $69.1 billion, $3.3 billion less than had been calculated in January, largely because of a fall in income tax collections. The deficit on the year therefore came to $2.8 billion.

* * *

Last week two well-known afternoon newspapers in two large cities were acquired by competitors and in effect closed down, leaving each of the cities with only one morning and one afternoon paper, in each case both controlled by one company. The *New Orleans Item*, with a daily circulation of 101,600, has been bought by its morning rival, the *Times Picayune*, and is almost certain to be amalgamated with the city's other afternoon paper, also owned by the Times Picayune Publishing Company. The *Cincinnati Times-Star*, with a circulation of 148,719, has been acquired by the Scripps-Howard chain, which has a substantial interest in the city's only morning newspaper, and has already been merged with its afternoon competitor, the Scripps-Howard *Cincinnati Post*. Both of the casualties had been operating at a loss.

* * *

Mr Chester Bowles and Mr William Benton, once partners in a successful advertising agency, have been partners in misfortune. A Democratic convention in Connecticut chose Mr Thomas Dodd to run for the Senate against the Republican incumbent, Mr Purtell, although in Mr Benton it might have nominated a former Senator and in Mr Bowles a former Governor of Connecticut and former Ambassador to India. Mr Bowles is now seeking, with every prospect of success, the nomination for a seat in the House of Representatives, but he will have a hard fight to secure this consolation prize from his Republican opponent.





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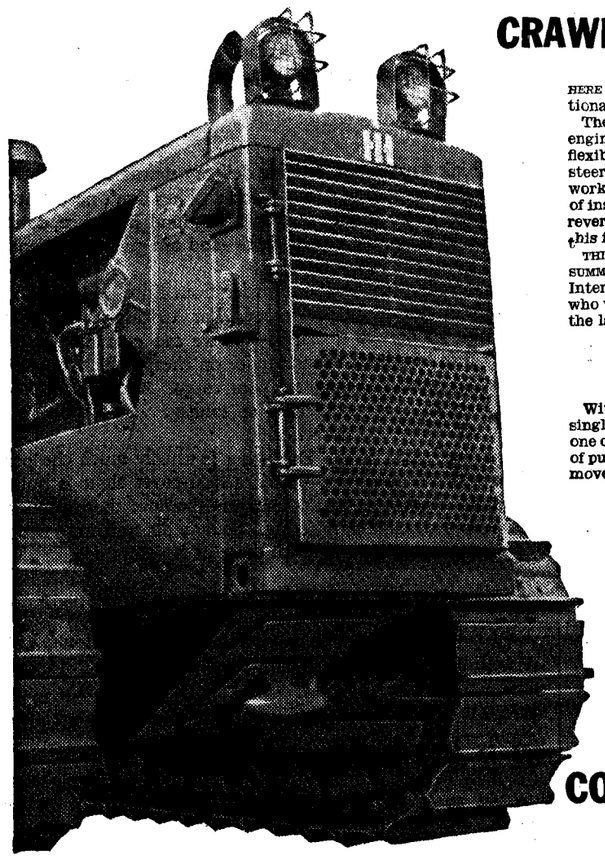

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THE WORLD OVERSEAS

Muddling Through in Beirut and Amman

FROM OUR MIDDLE EAST CORRESPONDENT

PERHAPS—with luck—the last phase of western intervention in the Arab crisis is complete. Ten thousand American troops have landed in Lebanon; two thousand British parachute troops are sitting on and around the Amman military airfield. At a rough estimate, the United States forces in Lebanon enjoy a firepower ten times that of the Lebanese army. Their superiority over the opposition militia is incalculable and crushing. The neat foxholes dotted about the country around Beirut suggest a military effectiveness that is rare and perhaps unnecessary in this country. The enemy has not yet shown up; and it is by no means certain who he is.

It seems that the policy of the United States government is to keep troops in Lebanon until a United Nations force is formed capable of taking over the task. But what is their task? There has been tough talk about storming the stronghold of the opposition in Beirut. Luckily it is not taken seriously. The task could be to seal the frontier—a demand on which Dr Malik, the Lebanese foreign minister, is unshakable. But that cannot be done from foxholes round Beirut airport. Perhaps the most obvious function of a foreign force here is to prevent, by its mere presence, the absorption of Lebanon into the United Arab Republic. Was that ever a serious danger? If it was, is it not one that will persist indefinitely? And is it really contemplated that a United Nations force should sit here for ever to guarantee Lebanese independence?

In any case, the next Lebanese government, whatever its complexion, must change the course of Lebanese policy. The experiment of association with the West has been given a fair trial with both well-known and depressing results. A considerable majority of the Lebanese people, including the sizeable Christian element, have had their fill of great-power entanglements and want to return to a neutrality more or less positive. The least they need is to have tolerable relations with Damascus and the free movement over the Syrian frontier without which Beirut cannot resume its position as a leading commercial and financial centre for the whole of Arab Asia.

In the political field the most conspicuous result of the American landings has been to plunge the country into a still more blinding chaos. The opposition now has two demands instead of one—the Americans, as well as Mr Chamoun, must go. The demand with regard to the Americans has a wide response and the decision of the opposition to boycott the presidential election is now widely understood and accepted. The speaker of the Chamber—a moderate who attacked the landings bitterly—has postponed for a week the session that was planned for July 24th to hold the election. The country now lives under a new threat. A group of leading business men recently announced that its members would order a complete shut-down if the Chamber failed to elect a new President on July 24th. What with a general strike and a general lock-out going on at once, Lebanon will be a good country to stay out of. The best hope is that Mr Robert Murphy, now busily conferring with representatives of all shades of opinion, will reach just that conclusion. But it is hard to see how the Americans can withdraw in the near future after all the pronouncements they have committed themselves to in Washington and New York.

While Lebanon is caught up in a tragi-comic muddle, the situation in Jordan is simple and grim. One look at King Hussein shows how shocking is the impact of the Baghdad revolution. Tense, heavy-lidded, dead tired, he has lost the gaiety with which he originally took up President Nasser's challenge. With his back to the wall in Basman Palace, surrounded by elderly advisers, he assumed without hesitation his dangerous responsibilities as head of the Arab Union of Iraq and Jordan, promising to use "continuous endeavours" to restore the position in Iraq. These are brave words, but they are only words. Can Iraq be ruled, or even influenced, by a voice from one of the seven hills of Amman?

Even government officials loyal to the King admit privately that there is no question of one Arab army marching against another. In other words, a Jordanian invasion of Iraq, repeating the exploits of 1941, is absolutely excluded. A royal attempt in that direction would risk in Amman the same sort of storm that swept away poor young Feisal in Baghdad. In any case, the army is fully engaged sitting on the lid inside Jordan. No extra strain should be placed on its loyalty.

The role of the British troops in Jordan is as mysterious as that of the Americans in Lebanon. At the moment they are officially described as "just sitting on the airfield." Small parties are allowed into Amman for a few hours each evening. The first two evenings they came in unarmed to avoid antagonising local inhabitants. But on the third day a report was received that the opposition was preparing to provoke incidents and the troops appeared with rifles and light automatic weapons. Shopkeepers and bartenders are happy enough to sell to the British. Otherwise their reception in Amman, though quiet, falls far short of enthusiasm.

What next? If words mean anything, the British force will not be used to seek a military solution in Iraq, where the position is rapidly being stabilised. According to King Hussein it will be used if necessary to suppress attempts from outside to overthrow the present regime—attempts which the King regards as certain to materialise. But western diplomats in Amman, caught on the horns of a painful dilemma, are speaking a different language. On the one hand they are casting about for a formula that would permit the British to withdraw with some semblance

of dignity. On the other hand they admit that withdrawal would be a blow to the King's prestige, which might provoke the very explosion that the troops were brought in to prevent. That is just the sort of dilemma that must follow an action which one western diplomat described as "instinctive." Instinct—especially when fathered by ancient myths—is not a good guide on which to conduct policy in the Arab world today.

Jordan is now isolated except for a narrow outlet at Aqaba. The Israeli, Syrian, and Iraqi frontiers are all sealed. Even the Saudi government refused the Americans permission to fly over Saudi territory with oil from Bahrein. How far we have come from the crisis in April last year, when King Hussein was given Saudi troops and money ! There are colonels in Riyadh, too.

In the circumstances the Jordanian appeal to Britain would have been hard to refuse. Prominent in the minds of British officials in the area was the fear of what the consequences of such a refusal would be as far afield as Turkey and Iran. It is not a good policy to abandon friends. Equally, it is not a good policy to encourage friends to edge far out on shaky limbs. That is what has happened in Jordan.

Israeli Doubts and Fears

FROM OUR CORRESPONDENT IN TEL AVIV

THE drone of planes flying in from the Mediterranean and taking course to the east is the only outward sign in Israel that history is being made in the Middle East. And even this drone will probably soon stop, since the Israeli government has asked Britain to order another course for the airlift to Jordan. It is argued in Jerusalem that it is one thing to give transit rights to aircraft once in time of crisis and another to allow the British forces to use an air corridor without a time limit in order to supply the forces landed at Amman.

This change in attitude towards Britain using Israeli air-space appears to be more than a formality. Mr Ben-Gurion has successfully prevented a discussion of the crisis in the Knesset and has transferred it to the committee for foreign affairs and security. This is closed to the press and to the Communist party, whose representation in Parliament is so small that it is not entitled to a seat on the committee. But although Israel's position in the crisis is being discussed behind closed doors, there are unmistakable signs that the first reaction of relief at the western landings in Lebanon and Jordan is giving way to grave doubts about the effect they will have on the Middle East.

It is obvious and well understood here that the coup in Iraq means a further link in the encirclement of Israel by Nasserist forces and thus increases Israel's military danger. Although all the Arab states proclaim again and again that they want to fight Israel, they did not take concerted action during the Sinai campaign. When Syria joined Egypt, however, it became clear that if Colonel Nasser decided to move, Israel could be attacked from the south and the north simultaneously. The Iraqi revolution adds another army to the Nasser camp. The armaments supplied to Iraq as a member of the Baghdad pact would in case of a conflict be used against Israel. Two consequences are drawn from this. The first is that the equilibrium in rearmament which has been upset must be restored. The government is losing no time in making this clear to foreign governments. The director of the ministry of defence is already in Paris trying to get what he can. The Israeli ambassador in Washington, Abba Eban, caught in Jerusalem on home leave when the Baghdad bomb exploded, is back in Washington pleading for arms there. In Jerusalem it is felt that for the first time he now has some prospect of success.

The second consequence is a growing conviction that Israel would be well advised to keep out of the conflict. Mapam on the left, sticking to its concept of neutrality, has advocated such a line from the beginning. It argues that the western armies cannot stay in the Middle East indefinitely, while Israel must live in the region for ever ; that anyway the western powers have for years backed the wrong horse in the Middle East, shoring up tottering regimes which rule against the will of the people ; that it is not Israel's job to take sides in the conflict ; and that there could only be an end to it if the big powers came to an understanding about the region.

These arguments are being repeated, although in a less sharply formulated tone, in other circles. *Haaretz*, the influential liberal paper, asked what plans the West has after the landings are completed. A paper near to Mapai remarked that the British forces in Amman would possibly be the last to be informed of a coup in the Jordan capital. The moment it became clear that western action would halt at the borders of Iraq the belief that western intervention would bring about a solution of the Middle Eastern problem weakened. Today the optimists claim that it might delay Nasserist encirclement for a considerable time ; the pessimists doubt even that.

The latest events have made the government crisis recede into the background. The cabinet has rescinded the instructions of the ministry of the interior defining who is a Jew. The religious block has not yet returned to the coalition, but it is generally felt that the time is not propitious for discussions on explosive topics. Suggestions are being thrown out for the formation of a wide coalition to ensure national unity. But the return of the religious block would in itself ensure the government a very comfortable majority in the Knesset.

The General Eyes the Summit

FROM OUR PARIS CORRESPONDENT

PARIS has been watching events in the Middle East in a mood combining vivid interest with hurt pride. The pride was hurt at the very beginning. The French government was "informed" of the landings, shortly before they took place, but it had not been "consulted" on the subject. Then, while Mr Selwyn Lloyd was conferring in Washington, the French felt once again that they were being left out of account. It has been said that the French government is so keen on entering the exclusive society of the great that it would gladly join the Anglo-Saxon powers—even in a suicide club.

The reasons for French interest are many. Any upheaval in the Arab world has repercussions in North Africa. President Nasser's claim, after the successful Iraqi coup, that Algeria will be among the next to gain freedom may have been a boast, but this revolution is most likely to stiffen the attitude of the Tunisian president and of the Sultan of Morocco in their dealings with the French. Another reason for French concern is France's traditional interest in Lebanon and Syria. But the main cause of French worries is probably the question of oil supplies from Iraq.

France would be the main victim if these supplies were cut off. While only one-tenth of British oil imports comes from Iraq, in the current year France should get from this source 7.6 million tons of oil, that is to say more than a third of its supplies from the Middle East (according to estimates published in *Le Monde*). Financially, the loss would be even more harmful. Iraq is France's only important stake in Middle Eastern oil. The *Compagnie Française des Pétroles* has a 23.75 per cent share in the production of the Iraq Petroleum Company, for which, therefore, it does not have to pay in foreign currency. Elsewhere it must pay in pounds and dollars. The drain of oil purchases on the strained balance of payments would thus be increased.

All these considerations help to explain French behaviour. At first it seemed that the French might try to join in the Lebanon intervention. French ships, headed by the light cruiser *De Grasse*, sailed towards Beirut. Stories that the American commander—reluctant to revive memories of Suez—asked French troops not to land have been denied by all concerned. The fact remains that no French troops did land.

It is assumed in Paris that a summit conference would put France back in the congress of great powers. Hence, though General de Gaulle could not be pleased by Mr Khrushchev's remarks about Suez and Algeria, he was readier than Mr Macmillan to envisage recourse to an eventual summit conference outside the United Nations. It is argued in Paris that the French position is, in fact, closer to the American one than is the British. But Mr Khrushchev's prompt acceptance of the British invitation makes it difficult for the general to become the odd man out. France could only reject the proposals for a meeting in Manhattan if it were prompted by Washington to do so.

West German Misgivings

FROM OUR BONN CORRESPONDENT

THE studied detachment with which, ostensibly, the west Germans are watching the hurly-burly in the Middle East barely conceals a variety of reactions—from genuine sympathy, through perish-the-thought *Schadenfreude*, to misgivings, disapproval, and calculation of the national and personal main chance. Since west German relations with Egypt, Britain, France, and the United States alike were unimpaired by the reserve which Bonn maintained during the Suez conflict, it is only natural that a like reserve should again be the official order of the day. Yet it is not so easy to look detached when the armed forces of one party to the dispute have set off from camps and airfields in your sovereign territory ; nor when you think you could handle the situation so much better than the other fellows, some of whom, as everybody knows, have the disadvantage of being branded for ever with the curse of "colonialism."

Placatory explanations for precipitate conduct have been duly made to the Germans through Nato and through the British and United States embassies in Bonn. Assurances have been given that the military moves are solely defensive. But these emollients do not assuage regret for the gaps in the treaties with the West that permit forces stationed in Germany to fly into and over the country at their pleasure and to use their air bases as they deem fit. Not everybody is as satisfied as Dr. Adenauer is with the present limits of sovereignty. And what price defence ? The French leave for Africa, the Americans for the Levant. The impecunious British have long ago reduced their numbers. The Federal defence ministry is naturally drawing its own conclusions.

The most publicly-discussed aspect of the trouble in the Middle East is the political failure of the West, the apparent complacency, the proven misjudgment, and, above all, the lack of a common constructive political policy for the future, not only in the Middle East, but also in Africa and Asia.

Australia's Urge to Grow

FROM OUR CORRESPONDENT IN MELBOURNE

THE dogged confidence that has prevailed in business circles in Australia, while the rest of the world has been having economic jitters, is the more surprising when one remembers how deeply this country suffered from the slump in the thirties. In the last twelve months they have seen wool prices fall to some 35 per cent below the average for 1956-57 ; metals have fallen by 30 per cent and butter by about 20 per cent. Drought has added its toll to the fall in prices, with the result that the value of exports has fallen by £A172 million to £A820.9 million. Imports meanwhile have risen by £A73.5 million to £A792.5 million, and the deficit on invisible items, to judge by past form, will be at least £A180 million. Imports of capital will have saved the day, but the net effect on Australia's reserves in London has been a loss of over £A70 million in the first six months of 1958. No wonder Australia's representatives are now demanding international commodity agreements. Australians in general, however, show the same philosophic resignation with which they regard droughts, floods and bushfires : these things will pass and are a small price to pay for living in God's own country.

Are they right to be so confident ? Externally the future looks difficult. The Australian economic White Paper for 1958 remarked that "We require an export income of at least £A900 million a year if we are to keep up a reasonable flow of imports without using up our reserves at a hazardous rate." Alas, the prospect for 1958-59 is that exports will not reach much more than £A750 million. In spite of all that has been done to diversify the economy, Australia is still "living off the sheep's back." Wool exports still accounted for as much as 40 per cent of the total value of exports in 1957-58, and for more than half in 1956-57. In the financial year that began on July 1st it is forecast that the wool clip will be 9 per cent lower than last year's, and there is no sign yet of a recovery in prices. This is certainly a bleak prospect for exports.

If exports reach only £A750 million, what will happen to imports ? At present, import licensing is framed to allow total imports of about £A800 million, and for a time the gold and foreign exchange reserves will be allowed to run down without any reduction in this import bill. The reserves can stand it because the high export prices of 1956-57 had built them up by some £A212 million during 1956-57. By December last year they had reached a peak of

£A590 million, and in spite of the recent drain, they are still comfortably on the right side of £A500 million. The government will not engage in any more tampering with trade by means of import restrictions until after the elections in December. If or when the reserves are drawn down to £A400 million or so, it will be time to think of lowering the ceiling. But meanwhile there is so little panic that New Zealand, in its balance of payments crisis, will be allowed to use Australian overseas funds.

So much for the external position. Internally, the central fact is that farm incomes in 1957-58 fell by about £A180 million, by comparison with the previous year, and show no signs of picking up. But Australian businessmen do not seem unduly worried by the drop in purchasing power, even though they have been led to expect only minor tax concessions in the budget that is to to be presented on August 5th. They do not mind if some competing imports are eventually cut, and are hoping that the drop in farm incomes will be offset in other ways : by the cash that must be paid out this year on maturing war loans, by the rise in urban incomes, and by releases from the Special Accounts (compulsory deposits by the trading banks with the Commonwealth Bank, like those now proposed for Britain by Mr Heathcoat Amory). They know that the economy is strongly supported by the banks whose advances rose by about £A70 million in 1957-58 and are likely to go on rising. Above all, the business community knows that the government is committed to maintain Australia's rate of development and immigration, a rate on which all business plans are built and on which all hopes of attracting more overseas capital depend.

THE economic indicators therefore remain cheerful. Unemployment is still less than 2 per cent of the labour force. It rose slightly in June, but this is normal in winter. Industrial production is now increasing rather more slowly, but except in a few industries (notably textiles) it is still increasing. Company profits are high, and since the middle of May stock exchange prices climbed steadily and were checked only by the news from Iraq. On the retail side, the department stores say that their sales weakened from February until a few weeks ago, but one reason for this was summer's refusal to end—in Sydney in June the customers were surfing instead of buying winter woollies. (Another reason may have been the repellent fashions—not even in the Antipodes is one safe from the Sack.) Anyway, boosted by the "never-never," retail sales for the last twelve months will have been higher than in the preceding year. The amount owed by Australians in hire purchase must now be in the region of £A300 million, or £30 for every man, woman and child in the country.

The most important sign of confidence, however, is investment. A survey of manufacturing industry just published by the Department of Trade found that businessmen were preparing to spend, in the first six months of 1958, 5 per cent more on investment than they did in the preceding six months. Some of this increase is merely replacement, reflecting the earlier growth of plant. But there is no shortage of new projects. To name a few : Vacuum Oil is to build a £A16 million refinery in South Australia ; Broken Hill a new £A30 million plant ; and General Motors Holden will spend £A19 million extending its plant in three states.

As the White Paper said:

> . . . The Australian economy has been borne along on a strong persistent urge to grow which has enabled it to surmount adversities, whether of external or internal origin. At times it has thrust ahead too fast ; at other times it has faltered a little ; but its underlying strength has not abated.

Australians certainly believe this, and affirm that, for their money, as the White Paper says, "there can be few countries in the world today which offer attractions as strong."

"Reflex" Comes to Spain

FROM OUR CORRESPONDENT IN MADRID

"REFLEX," the Strategic Air Command's 15-minute alert procedure for the combat take-off of its jet bombers, has been extended to the American bases in Spain. This has been done quietly, without secrecy but without publicity either, in deference to General Franco's government, which likes to decide what the Spanish public is to be told, and when.

The coming of "Reflex" means that the American air bases in Spain are now meshed into SAC's world-wide pattern, that, like the installations elsewhere, they are on a ready-for-war footing. It means, although no one will actually say so, that the B-47 medium bombers poised on "Reflex" readiness in Spain are almost certainly armed with nuclear bombs. "Reflex" would not make much sense if they were not. When asked about the bombs a SAC spokesman told this correspondent: "Well, let me answer you by quoting General Power (the commander-in-chief of the Strategic Air Command): 'We don't carry rocks.'"

"Reflex" consists of three stages: Alpha, when the crews dash to their aircraft ; Bravo, when they man their aircraft and start the engines ; Coco, when they taxi to the runway for take-off. So far there has been no "Reflex" take-off from Spain. If there were, the bombers would be on their way to war unless called back. This alert procedure is in force at the bases at Torrejón, outside Madrid ; at Zaragoza ; and at Morón, near Seville. The three-man crews of every B-47 on "Reflex" alert are ready throughout the twenty-four hours. They always sleep, eat and live together. The red, white and blue jeep assigned to them is always nearby, ready for the dash to the aircraft. During a "Reflex" alert all traffic on the bases makes way for the painted jeeps.

The fact that "Reflex" has been extended to Spain implies that a restrictive clause in America's agreement with Spain has been satisfactorily taken care of by subsequent understandings which have remained secret. Article 3 of the defence agreement signed in Madrid in 1953 states that "the time and manner of wartime utilisation" (of the bases) "will be as mutually agreed upon." Such agreement has evidently been reached ; otherwise it is unlikely that "Reflex" would be tolerated by the Spanish.

The number of B-47s poised on the American bases in Spain is secret. It is never constant ; it can vary within a few hours. Torrejón, Zaragoza and Morón can each accommodate one wing (and possibly more) of B-47s (45 bombers per wing). The build-up of their complements in KC-97 refuelling tankers and in interceptor aircraft is in progress. Torrejón, said to have the longest runway in western Europe, 13,400 feet, is the headquarters of the 16th Air Force which includes in its jurisdiction the five SAC bases in Morocco.

The SAC installations are nominally joint Spanish

American bases. In fact they are entirely American as far as SAC operations are concerned. Spanish jet squadrons participate in the air defence system, and the Spaniards join in the policing of the bases' outer perimeters. Spanish and American Air Police guard the entrances, but only the Spaniards carry sidearms, and the only flags in sight are the red and gold of Spain.

The bases have been nearly five years in the making, and they will revert to Spain in six years' time unless the 1953 agreements are prolonged. The agreements, which are for a 10-year period, provide for two 5-year extensions by mutual consent. But it seems more than likely that before the question of renewal comes up Spain will wish to discuss revision of the agreements in the light of American economic aid. Three months after the Russians sent up their first sputnik General Franco's former foreign minister, Señor Alberto Martin Artajo, raised the question of increased economic assistance from the United States because, he said, a "new situation" had arisen owing to the development of the hydrogen bomb and of long-range guided missiles "which has increased the vulnerability of our territory." So far, however, General Franco has not allowed this argument to be aired further.

The hope seems to have been shelved that Nato will eventually accept Spain as a member. On July 13th the seventeenth anniversary of the Blue Division's departure for the Russian front to fight alongside Hitler's Wehrmacht was ostentatiously commemorated in Madrid with articles in the press (including a reproduction in the Falangist paper *Arriba* of the Blue Division patch: the iron cross complete with Nazi swastika superimposed on the Spanish red and gold), and with gatherings at which congratulatory telegrams were read. The well-wishers included the German Condor Legion veterans' association, Serrano Suñer, about half a dozen cabinet ministers, the secretary-general of the *Movimiento*, and an assortment of generals. But not, apparently, General Franco.

Ceylon's Belt-Tightening Budget

FROM OUR CORRESPONDENT IN COLOMBO

THE new taxes on wealth, capital gains, expenditure and gifts in the Ceylonese budget, introduced on July 17th, are the first major expression of the Bandaranaike government's socialism in tax policy. After the Cambridge economist, Mr Nicholas Kaldor, came here some months ago, it was generally expected that Indian examples in new taxation would be followed ; but the sweeping nature of the reform has caused some surprise. These new taxes, however, will not help the government to balance its accounts in the financial year that begins in October. They will be reflected in the collections only in two or three years' time. (When the finance minister admitted this in parliament, a Trotskyite opposition MP was heard to remark : "You mean we'll collect them.") This suggests that the decision to bring in these new taxes may have been at least partly taken for political effect. The higher duties on luxury imports, including costume jewellery, fruit, ham, bacon, dogs and horses, also serve to create an impression of "soak the rich" austerity. They will not, however, save much in foreign exchange or bring in much new revenue.

Many middle-class families will benefit, but professional and technical men in the upper levels will suffer, from the changes in income tax. Some investors have complained that the budget's total effect will be discouraging to investment, though a development subsidy has also been offered and several tax changes effected to help local industries. The estimates for the new financial year provide for expenditure of Rs1,795 million, exceeding the estimated expenditure for the current year by Rs339 million. Over half the increase is on current expenditure, mainly social services and administration costs. Capital works and development get the smaller part.

ANOTHER source of discomfort is the size of the deficit. The original estimates left a gap of Rs485 million, the highest on record. As the new taxes will yield no benefit for some time, the only immediate gains in revenue will come from higher duties ; these will add Rs20 million. The finance minister expects to get Rs100 million from foreign aid, and Rs160 million by local borrowing. Even if he succeeds, a gap of Rs200 million will be left. There does not seem to be much room for running down assets either. With government spending at a high level, the danger of inflation remains high, too. The tax changes will have a disinflationary effect, but that will take time. If a bigger proportion of government spending was devoted to productive works there would be less cause for anxiety, and it is here that the budget is particularly disappointing. Nor are present trends heartening. National income has been moving down. From Rs609 in 1955, annual income per head came down to Rs571 in 1956 and to Rs569 in 1957. As prices have risen, real income has dropped even more. Unless the commodity markets recover vigorously from the recession, the outlook will remain dim.

Critics have blamed the government for not producing an integrated development plan, in spite of the fact that a planning council has been functioning for some time and several foreign experts have also given their advice. This in itself would not be a cardinal sin if the government

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seemed to have some definite targets in at least the key fields and a better sense of priorities. When this government came into power two years ago, there was a surge of popular enthusiasm. But the government has failed to harness the enthusiasm, even in its nationalisation of the bus services and the port. Left-wing trade union rivalry has been partly responsible for this, but the government is not free from its share of blame. As a result of the failure, popular enthusiasm has tended to flow into disruptive channels instead. The government has now apparently decided that nationalisation is not to be a major rallying cry, but the socialist tone of the new budget provides another opportunity to draw the farmers and workers into constructive effort. Will the government be imaginative enough to make the effort?

Counting Heads, Harvests and Houses

FROM A CORRESPONDENT

THE world as a whole may not yet be as fond as is the western sector of counting its wives and maid servants (if any), its asses, fruits and motor cars, but the itch for enumeration seems to be spreading. The United Nations was only four years old when it picked up one of the statistical tasks let drop by the League of Nations, and started urging plans for a world population census. Now, noting the co-operative enthusiasm engendered among scientists by the International Geophysical Year, the United Nations statisticians are hoping to make of 1960 a similar focal point for social scientists and governments—though, until Russia musters enough courage to play a full part, and until Communist China is invited too, such a project can hardly claim 100 per cent success.

A healthy trend toward realism includes a new handbook of statistical methods and techniques framed with special reference to countries that have to work on slender budgets. UN technical assistance funds will be provided, and $300,000 from the Ford Foundation will be allotted to pay costs in Asia. Next September a three-months session for census officials in that region begins in Tokyo. A similar training centre is to be set up in August in Lima for the Latin American countries.

People are only one set of the entities that are to be counted in and around the year 1960. UN organs are pushing plans for a simultaneous agricultural census, and hoping for a housing census (42 countries have taken one within the last decade, but not all with success); and 48 countries have said that they have plans for an industrial census around 1963.

The reasons for all this tidy-minded effort to count and be counted are clearer to western governments than they may be to regions where timeless traditions still prevail. It is hardly necessary to persuade, say, Britain, Germany and the United States that a census is a very useful exercise inside the country, and doubly useful if constructed with some reference to censuses taken by others so that comparison or contrast becomes possible. It is much more difficult to convince Nepal, Afghanistan or Qatar.

The aim is first to produce statistics that will help all governments to know how many people they have, where they live and what they do; whether they pin the figures on the wall or use them for planning to make life better, or the army stronger is their affair. The second aim is to get into the adding machine all peoples and tribes, whatever they are called or coloured and wherever they may live, so that comparable statistics about all humans can be produced. Comparability was, in fact, the first stated purpose of the 1950 census, but it now takes second place. The UN statement of principles and purposes says that this new head-count is "primarily to satisfy certain national needs for statistical data, and those needs are the major factors in determining the census data." Apparently in 1950 the joint ideal overshot the individual practice, and after a decade of the building up of nationalist steam, the drafters have preferred to cite the needs of individual governments first.

The difficulties still in the way of even the simplest of these censuses are, of course, formidable. Not only is the population census still hampered in certain regions by a hangover of superstition which continues to equate counting people with a curse from God (as did the Israelites when David insisted on numbering his army), but there are other problems posed by a wide variety of habits of living.

Thus the famous pilot census taken in the Sudan in 1953 (to see if a census operation was at all possible amid a nomad population) revealed that "it was not practical to ask the date and year of birth in a country where the Mohammedan, Coptic and Roman calendars are in use." As for residence, a specific problem was posed by a man who had two wives and two households, but should only be counted once; the suggested solution was that his residence be defined as "the household where he kept his pillow." It may have been for similar reasons that the Burmese census still goes by a name which means "midnight count."

IF the population census poses problems for groups which have never before submitted to a modern count, the other censuses are even harder. The UN Statistical Office has acknowledged that "people live in all kinds of places—houses, apartments, huts, caves, convents, boats, penal institutions, and so on." Later in the document the abstract thinkers, uneasy at the prospect of putting jails, tree nests, caravans and split-level ranch houses into an adding machine and getting a fruit salad result, do in fact try to describe a "housing unit" in ten lines of definition and five paragraphs of parenthetical comment; but the first statement still stands.

The industrial census has a harder time setting questions which are basic to emerging and to the most advanced of industrial countries. Standards that have previously held are now undergoing revision, the "twin problems of enterprise statistics and the interrelations between enterprise-based and establishment-based inquiries" are now under study, and the ways in which industrial data are to be tabulated are far from fixed. Meanwhile, out of 71 countries recently consulted, 48 have plans for a basic industrial study within the next five years, so that questions now comfortably latent must shortly be spinning at a faster rate.

What result all this may have in the long run is a question outside the province of the United Nations experts who have this census in charge. In the short run, however, one can only admire the degree of resolution, inventiveness, understanding and technical skill that must be invoked to carry out a world census in a world still suspicious of facts and given more to counting on its fingers than by electronic computer.



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The modern town of Bulawayo dates from 1893, and takes its name from the Zulu word 'ubulawayo', meaning 'killed'—thereby providing a grim reminder of the fate of a rebellious neighbouring tribe in the early 19th century. The Bulawayo of today however is concerned rather with growth and expansion. With an estimated population of 145,000 it is now the principal heavy industrial centre of the Federation.

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THE BUSINESS WORLD

Men and Atoms

At the end of March, the Atomic Energy Authority closed its accounts on the blackest year since surveyors walked a deserted airfield at Harwell twelve years ago. The No. 1 reactor at Windscale was a water-sodden hull of burnt graphite and uranium; doubts were forming about the integrity of Zeta's thermonuclear behaviour; research projects were discarded as their impracticability became apparent; and Sir Alexander Fleck had written two swingeing criticisms of the AEA's organisation and its health and safety measures.

His criticisms were fair. Members of the AEA admit that they were over-extended, that the Windscale fire and the subsequent detailed inquest by three separate committees, of which Sir Alexander was the chairman, compelled a belated overhaul of administration that had been too long postponed by the sheer momentum of a big and busy organisation. Many changes have been made since the AEA's year ended to which no more than a passing reference is made in the report for 1957-58 published this week. It is, however, possible to question whether these are the right changes. Will the AEA be better or worse fitted to carry out its adventurous and exacting work by following what it believes to be Sir Alexander's intentions?

The authority is something more than a single industry. It is responsible for some huge crosses between laboratory and pilot plants, and the sheer size of its installations does not prevent them from springing surprises—sometimes pleasant, sometimes alarming. To this there are two exceptions; one is the uranium processing plant at Springfields, and the other the gaseous diffusion plant at Capenhurst. Both of these can be regarded as industrial processing plants; their end products are unique but they are the outcome of an industrial process. AEA's other atomic factories, and its own overall management demand a system of administration with one foot in pure physics and the other in hard commerce.

In finding this blend of qualities, the Atomic Energy Authority has been remarkably successful. It deserves praise for the conduct of the country's atomic affairs, and in particular for the massive programme of expansion that has been carried through simultaneously on several fronts—in pure reactor physics, in thermonuclear research, in weapon production, in the development of a big civil power programme and in the introduction of industry to new technology. It has undertaken an immense load with outstanding success. But a price has had to be paid—and part of it was the destruction at Windscale. Both the authority and Sir Alexander Fleck recognised that one primary cause of this calamity was the spreading of a limited amount of skilled staff ever more thinly over a rapidly expanding organisation.

The same three men, Sir John Cockcroft, Sir Christopher Hinton and Sir William Penney, who twelve years ago laid the foundations for the research, industrial and weapons divisions of Britain's then embryonic atomic enterprise, were until a few months ago exercising the same functions over a huge organisation employing 30,000 people, with plants spread across England and Scotland. They were doubling the day to day running of those plants with responsibility for AEA policy. These men may have been exceptional in this generation, but it could not follow that all their subordinates were. The main recommendation of Sir Alexander Fleck's committee has been unkindly described inside the authority as "giving every man two deputies." But the fact, long apparent to those inside and outside the authority, was that the leaders most urgently needed deputies in the pre-Parkinsonian sense, on whom major responsibilities could be deployed. Only then could the men at the top have time to take breath to consider future policy

and to take a look at what was happening below them. It was at lower levels, and not in the board room, that tinder was accumulating which set fire to Windscale.

This aspect of the AEA's industrial organisation directly attracted the attention of Sir Alexander Fleck's committee: the fact, for example, that there was no separate manager for the Dounreay site at the northern tip of Scotland, or that one man was responsible not only for the adjoining Windscale and Calder Hall works but also for Chapel Cross, 70 miles away. The solution that the committee suggested would have been applicable to any large organisation that had recently been increasing its functions faster than its staff.

ATOMIC reactors are new creatures and they need a new form book. Should a unicorn be bridled and ridden as an ordinary horse? If so, what about a flying horse? What qualities are called for in performing the apparently routine functions of serving in the control room of a nuclear reactor? How can one be sure of getting operators capable of thinking one jump ahead of the needle on the dial and anticipating from its slightest departure from the normal what the reactor's next move might be? In the organisation sketched by the Fleck committee, these control operators and the works managers in charge of them are put, as they would be in a big chemical plant, at the base of a pyramid extending upwards through a complex chain of command. The premise is that the operation of a reactor is a smooth, almost automatic, function that is unlikely to require either the close attention of the men at the top or even a particularly high calibre of man on the day-to-day job. Experience has now taught that it was wrong to underestimate the hazards of operating a reactor. It would be equally stupid to exaggerate them, but reactors can be mishandled and destroyed, and experience in running them is still limited. So the responsibility that rests on the works manager and his team at the plant is particularly heavy and must continue to be so until complete experience has been gained from many years of operation under industrial conditions.

Since the Fleck committee's report on organisation was published in December, the AEA has made great efforts to put its recommendations into effect. But some of the results can hardly have been expected by the committee. The AEA is short of first-class talent for promotion, and for two reasons. When it was formed in 1954, it gathered a staff from the Ministry of Supply, not all of whom have stayed. But a number have been retained who are now working their inevitable way up the administrative ladder, where they impede the promotion of other men no less worthy but often more able. Secondly, the AEA can look for new managers only from within its own ranks. Nobody outside yet has experience for the job. AEA's rapid growth during the past four years has produced more jobs in top management than there are trained men to fill them. There are promising young men capable of becoming managers and directors five or six years hence; but what it needs now are mature and experienced men who could serve as managers today. Junior officers abound, but few colonels and lieutenant-generals. The new posts created on the advice of the Fleck committee have therefore been filled by wholesale promotion from the lower ranks. Many scientists in the past six months have found themselves with a new title and an unexpected rise in salary. A year or so must pass before the gaps made by these wholesale promotions are filled by new recruits. It has not been found possible to find candidates for every job. Sir William Penney remains the director of Aldermaston as well as the board member responsible for weapon policy, because his own deputy was translated to Sir Christopher Hinton's vacant seat on the board and no one else has yet been found to take over the day-to-day running of Aldermaston.

The translation in mid-career of scientists into administrators has obvious drawbacks. It robs the authority of creative scientific energy; but it does not necessarily breed the kind of manager with a particular experience of administration and of the business methods needed to guide AEA's dealings with British industry and British industry's foreign customers. Against this the AEA would argue that most scientists (chemists excepted) have exhausted their creative capacities when they reach 35 and are then fit only to be turned out to grass in the higher ranks of management. It could also claim with more justice that managers cannot run complex nuclear installations unless their own technical qualifications are of the highest order. Thus the scientist recently put in charge of Dounreay had previously been responsible for the authority's now abandoned work on aqueous homogeneous reactors. He brings to his new job a wide knowledge of the trickier aspects of nuclear chemistry and the more dangerous types of reactor—and both are kinds of knowledge likely to be needed at Dounreay.

IT is tempting to describe the Atomic Energy Authority's response to the Fleck recommendations as a mammoth piece of window dressing, but indeed the committee set the AEA a difficult task. It said that a number of new management posts should be created and filled with men of the highest ability. The fact is that such men do not exist in the numbers needed. The AEA appears to have given less consideration to the committee's alternative suggestion, that it should cut its programme to fit the staff it can get. The new centre for nuclear studies which is being built outside Harwell should take much of the burden of pure physics from the authority, and the universities should be able to play a more active part in a year or so when much of their new equipment is installed. In the United States, the Atomic Energy Commission has avoided

some of the management troubles of the AEA by employing industry as its agent. British industry's growing experience ought to make it possible for the AEA steadily to move in the same direction. One of its new research reactors is indeed being designed and built by a group in industry. Yet the British atomic industry is not showing much anxiety to take research contracts from the AEA and it is even less willing to add to its already heavy costs for nuclear development by assuming full responsibility for specialised investigations. The AEA must not grow any bigger. Before long it will have to think seriously about ways to get its weight down. One of the best ways would be to prepare industry to take more work from it.

Capital Control or Not?

The planning of the investment programme as a whole must be continuously guarded by the Government

—Labour Government White Paper 1946

Let the market do the controlling ..... Let the people who have savings to invest do the choosing

—Lord Grantchester in the House of Lords this week

BY moving on Tuesday to annul the Control of Borrowing (Amendment) Order, 1958, Lord Grantchester was not just asking to have the instrument that governs the Capital Issues Committee put back to where it stood before the fourth of this month—stringent in intent yet leaking like a sieve. He was asking the Government to think again about the whole business of controlling investment. Such fresh thinking might seem oddly timed in advance of the Radcliffe Committee's report. But the Government, which has just approved bankers' special deposits with the same odd timing, had the grace not to use that argument.

The discussion in the Lords was opportune. The direction of financial controls in Britain has turned towards relaxing the stringencies of 1957 in order to stave off recession or to minimise it if it must come. More liberality from the CIC ought to be an important part of that relaxation. But the revised instructions to Lord Kennet and the new statutory order contain a great deal of new stringency as well as a little liberalisation. On the side of liberty can be counted the raising of the exemption from CIC consent from £10,000 to £50,000, but this return to the figure set by the Labour Government in 1947 may have been an administrative necessity. Numerous applications from small businesses for sums in the region of £11,000 are believed to have burdened the lives of the committee. It is also to the good that all capitalisation issues have been taken out of the CIC's purview, though if they are in redeemable scrip they still have to be cleared by the Treasury on the question of tax avoidance. It is surely an odd arrangement that uses the Borrowing Control and Guarantees Act of 1946 (from which all these regulations flow) to cover up for a Finance Act. Among the administrative instructions, it is to the good that the CIC no longer has to decide whether a bank overdraft is a right mode for raising capital.

The rest of the legal changes, as distinct from the administrative instructions, are restrictive. A large number of new financial transactions are brought within the CIC's purview. They embrace nearly the whole range of "paper for paper transactions" and transactions between related companies (except bank borrowing in the ordinary course of business, temporary borrowing without security, issue of shares against property on the formation of a private company, and conversion issues). Much of what has previously been regarded as internal financing now has to be brought to the CIC, and though the experts believe they can already see loopholes, it will doubtless be months before the active business of raising money "ex CIC" gets going again.

THEREIN lies the dilemma. All these restrictions are essential if effective control of capital issues is needed. On past experience still more may be needed later on as nimble minds find new ways around them. Yet there is much that is inherently distasteful in the control itself and in the "star chamber" methods of enforcement written into the Act. The Act deems guilty every director, general manager, secretary and official of any company that infringes and makes him liable to two years' imprisonment "unless he proves that the offence was committed without his consent or connivance and that he exercised all diligence to prevent the offence." As the City well knows, the Capital Issues Committee is not composed of descendants of Judge Jeffreys, but that does not quite dispose of this distasteful presumption of *guilt*.

Those who believe effective control to be necessary argue with force that the CIC ought to be made publicly accountable for its decisions. The reasons for refusals, they say, should be stated and, if possible, some system of appeal should be set up. The opportunity of appeal to the committee itself does indeed exist—and the number of its own decisions that it has reversed should encourage disappointed applicants to restate their cases. The argument against any more formal system is simply that the well worn phrase

"CIC consent" is a misnomer. It is the Treasury that gives or withholds consent, the CIC being simply an adviser. If in practice consents go through automatically while the Economic Secretary personally sees all refusals, that is a Treasury affair.

That reply looks far from conclusive to those who see the control of investment lasting for ever. But if the continued operation of the CIC is not really necessary, then the case for embellishing it with a quasi-legal system of stated cases and possible appeals is much weakened. And those who cry boldly "abolish the CIC" are not just shouting nonsense. The roots of the committee go back well before the war. It is the successor to the Foreign Transactions Advisory Committee set up in 1936 (which also had Lord Kennet as its chairman). The legal basis of all the Control of Borrowing Orders is the 1946 Act. Repeal of that Act would not be practical politics, even if it were a good idea. But its powers are permissive: the Treasury may make orders and it may also rescind them. It would be possible to make a bonfire both of the orders and the informal instructions to the chairman and put the committee into cold storage until some new financial crisis called it into being again. Would disaster overtake the economy if that were done?

THERE are statistics of consents, refusals and partial refusals by the committee, but unfortunately the material for a sure answer to the question is lacking. The proportion of refusals is not high. Over the past 4¼ years it has averaged 10.8 per cent of all the money applied for and 5.3 per cent of the industrial applications. In a period of stringency, refusals on industrial issues have once exceeded 14 per cent. It looks suspiciously as though financial advisers have learned the ropes and avoid putting up a proposal if they think a refusal likely. Though refusals have sometimes been well publicised, they have not been numerous. A more significant number of applications has been pared down. What is not known is the number of consents issued but not used. It could be significant. Much play was made in debate with one such—the £4 million consent which was granted to Gel Tankers, who to market eyes never seemed to have a chance of using it. Lord Lansdowne's correct answer: "It is not the duty of the Treasury or the CIC to decide on the substance of the individual himself who makes the application," still leaves the public to guess how many unusable consents are issued. Some amplification of the statistics seems certain to follow the new order. A column in the quarterly figures will now be needed for "internal financing." Could the occasion not be used also to bring in consents outstanding, and consents expired unused?

Without such figures no statistical comparison between the consents of the CIC and total investment seems worth making. It can only be asserted that the correlation, if any, cannot be close. The CIC is not tied to any sum of money; it simply applies, as well as it can, the tests it has been told to apply. It does not look at local authority borrowing, at the needs of the nationalised industries, or at the Government's own borrowing. That is the Treasury's job, and if anyone is attempting the futile task of trying to allocate savings between different types of investment, that, too, must be the Treasury, though the tap for industrial issues is turned by remote control through its new instructions to Lord Kennet.

THE CAPITAL ISSUES COMMITTEE

	Age
Lord Kennet of the Dene, Chairman	79
Sir Thomas Frazer, Deputy Chairman	74
Sir Otto Niemeyer	75
Sir Percy Lister	61
Mr H. B. Turle	73
Mr M. F. Berry	52
Sir Thomas Barlow	75

Secretary: Mr G. G. Sangster
Members are unpaid

A glance at the latest instruction shows the kind of activity that the Treasury now wishes to discourage by these hit or miss tactics: it has lost a little of its fear of hire purchase; it still wishes to discourage speculative activities in land, in securities, and in commodities. Mercifully that widely drawn instruction is not apparently to be used to curb the small developer of residential housing estates. It is desired to encourage export industries and discourage investment in production for the home market. It is desired to encourage Commonwealth development and investment in areas of persistent unemployment. If any of these objects is being achieved it may be doubted whether the CIC has much to do with it. It deals in consents, not issues: it can forbid, but it cannot encourage anything (except evasion of its own rules). Investors and underwriters, not the CIC, will decide whether Commonwealth projects or export projects are viable.

Today, when potential borrowers are held back by shrinking profit margins more than by the CIC, when underwriters have taken up some stock they did not bargain for, and investors are more than ordinarily selective, is surely the time for an experiment in freedom. If the CIC were sent on holiday such evidence as there is suggests that the market would not be swamped with greyhound shares and property debentures. If the Chancellor is not ready yet for so bold a dash, there are humbler alternatives he might try. The most obvious is to raise substantially the ridiculously low exemption limit of £50,000. But none of this was promised by Lord Lansdowne, speaking for the Government. He offered a consolidated order "which will set out the existing law in one single and intelligible instrument." This has promptly appeared and should make the law understandable. Will it make it wise?

BUSINESS NOTES

IN THE MARKET

Bulls or Arabs

IRAQ, Lebanon, Jordan and the rest have not sufficed to kill the "bull market" on the Stock Exchange. Thursday of last week proved to be a trough. After that industrials and gilt edged both began to edge higher in quiet trading until by Wednesday of this week volume too was recovering. On Thursday recovery broadened. *The Economist* indicator on Wednesday flaunted a new high point for 1958. At 194.3 it shows a rise of 1.4 on the week. The troubles may not be over and in recognition of them oil shares continue to swing widely, but as the table shows they have on balance recovered ground. The gilt edged side of the market has naturally been quiet and, until Wednesday, idle. At 83.00 on Wednesday the *Financial Times* Government securities index showed a rise of 0.47 on the week.

What has happened in the last ten days must have put back any intention there may have been of a further reduction in Bank rate. But if war fears continue to abate, the market will soon start talking Bank rate again. What happened to the Treasury bill rate on Friday of last week reflects the thinking of the more critical days. The crisis had been expected to reverse the course of the bill rate; in the event the rise, by a full ¼ per cent, was the largest for twenty-five years save only for those sharp advances that have followed immediately upon increases in Bank rate. Even so, the jump did not quite offset the reductions in the rate at the two preceding tenders; and at 4¼ per cent, bill rate is by no means high in relation to 5 per cent Bank rate.

	July 11	July 15	July 17	July 24
Gilt-edged :—				
Conversion 3½% 1969	87	86½	85⅞	86⅛
Transport 3% 1978–88	66⅜	65⅝	65	68⅛
Funding 3½% 1999–2004	72	71½	71	71⅛
War Loan 3½%	68	66½	66	67½
Oil :—	s. d.	s. d.	s. d.	s. d.
BP	112 6	99 4½	96 3	100 6
Burmah	73 9	66 3	65 0	67 0
Shell	145 0	134 4½	134 3	140 7½
Ultramar	68 9	67 0	67 4½	68 3
Industrials :—	s. d.	s. d.	s. d.	s. d.
AEI	50 0	50 0	50 0	50 0
ICI	28 9	27 10½	27 10½	29 0
BICC	43 0	42 3	40 4½	42 3
Vickers	29 10½	30 1½	30 9	31 9
Shipping :—	s. d.	s. d.	s. d.	s. d.
Brit. & Commonwealth	36 3	35 9	34 9	36 6
LOF	17 9	19 0	19 7½	19 6
P & O	30 6	31 6	31 4½	31 6

The forces making for a bull market are so far proving stronger than the now receding war fears. Those forces are first the belief that money rates in this country will be allowed, though not at once, to move lower, and secondly the growing hopes that recession in America may not deepen. That background does not make for spectacular rises but it allows investment business to go on. H. J. Heinz and Company is taking advantage of the occasion to make an issue of £2 million 6 per cent debenture stock 1975-84, which has been placed by Helbert, Wagg and Company at 99. A quotation is being sought and the stock may well prove attractive to investors who have no opportunity of investing in the equity of this American controlled company. The new 6 per cent debentures (1978-83) of Pressed Steel Company met with a warm reception; dealings started on Wednesday at a half premium and closed at 1 premium over the issue price of 98½.

One example of the confidence of investors is that by the middle of this week £9,284,900 of Imperial Chemical Industries' £40 million of 5½ per cent convertible unsecured loan stock had been tendered for conversion into ordinary stock and the necessary £6,685,128 of ordinary stock issued in exchange. With more than a week of the conversion period still to run, holders of nearly a quarter of whole issue had therefore already decided to exercise the conversion option. With the £41 million of 6 per cent convertible debenture of British Petroleum also convertible during the whole of this month the result naturally was less striking. Less than 1 per cent of the issue has been tendered for conversion. This is hardly surprising for next year's conversion option runs at the same price, whereas ICI's is less advantageous than this year.

FOREIGN EXCHANGE

Sterling Recovers

THE disturbance in the Middle East seems to have hit sterling much less severely than might have been feared. Last week the Exchange Account had to give support in the official market against the US dollar and against the D-mark; but the amounts involved do not appear to have been very large. Since the Middle East crisis appeared at one point last week to be immediately threatening, and since it occurred at the season of sterling's commercial strain, the resistance denotes encouraging strength underlying confidence in the pound. This week, as the news from the Middle East has improved—or at least has not got worse—sterling has moved upward, regaining most but not all of its losses. The official rate against the dollar has risen from $2.80 to $2.80½, and transferable sterling has risen from $2.77 to $2.77½. Rates against the main Continental currencies continue near the lower support points. The lack of serious speculation against sterling is reflected in the forward markets. This week, the discount on three months sterling against the dollar has fallen slightly, to around 2 cents—though the sharp rise in the London bill rate together with the fall in the US rate would have justified a rise in the forward exchange margin. In the gold markets, the dollar price has risen to a new peak of $35.13½, though the London price has fallen back in conformity with the rise in sterling.

THE ECONOMY

Accelerator to Hand?

"PUBLIC investment," said Mr Heathcoat Amory last week, "is more or less directly within the control of the Government. . . . It is running at a very high level,

and it will doubtless continue to do so. We are keeping it under very close review and if it seems wise to increase the total programme we shall take that action." He was speaking (to the National Production Advisory Council on Industry) the day after Mr Watkinson had assured the House of Commons that this year and next, under the railway modernisation programme that was notionally cut back in September and given an extra £25 million for each year in May, " the Transport Commission now has as much money as it can usefully spend in this year and next year on capital investment." One element of public investment in which there might at first sight be room for an increase if further stimulation were needed, on this testimony, would be ruled out.

Another likely one in the transport field is expenditure on road development: this was not cut in September, and has been steadily increasing, but could probably be stepped up fairly quickly. Quite a number of major improvements do seem to have been brought forward to the point where work could rapidly begin (much depends upon the counties where they happen to be, and the enthusiasm of individual departments concerned with roads). Although cement production is down, some old plants have been taken out, and it might not be too easy to get it up again rapidly; other materials are in very easy supply, and marginal needs of earth-moving equipment could readily be imported (if licences were to be granted more easily than they have been recently).

The only parts of the public sector where specific cuts in investment were imposed last autumn were housebuilding, the Post Office and the gas industry; coal investment was to continue at much the same (money) rate as in 1957, while the railways and electricity were allowed increases, but not as much as they had planned. In considering priorities for increasing public investment, when the time comes, the Government might usefully divide its claimants into two categories, admittedly slightly overlapping: those where heavy investment represents overdue rescue operations, such as roads, railways, possibly hospitals, and much more dubiously coal; and those where it represents development of basic services to provide adequate capacity for an assumed rate of general economic growth, such as electricity. Where the rate of investment can be stepped up in the first category it deserves priority. In the second, though it would be comforting and unusual in this economy to have basic industries developing a little in advance of their manufacturing customers, the plain fact is that between, say, 1955 and 1960 the rate of growth in the British economy is not now likely to be nearly as much as was hoped when these investment programmes were drawn up.

IRAQ

Business Almost as Usual

NEITHER any substantial flow of money out of the Middle East (which is a big holder of sterling), nor any wholesale restriction on trade facilities has followed the upheaval in Iraq. The Export Credits Guarantee Department has announced no new withdrawal of facilities to any of the Middle-Eastern countries. It is already out of the Egyptian market. Holders of short-term policies covering a regular trade in consumer goods with other countries in the Arab world can trade as they wish up to the limit of their cover. On medium-term policies used for capital goods no change has been announced, but it would be reasonable for exporters to expect ECGD to take a little more time to consider propositions that are put up. The department is holding to all its existing contracts, as is its business.

Restrictions already exist on cover for exports to four countries in the area. In November, 1956, cover was restricted to shipments against confirmed, irrevocable letters of credit in respect of Israel, Saudi Arabia, Syria and Jordan. In respect of Israel the restriction was subsequently relaxed but with a proviso that medium term credits should not be accepted for more than four years. In Jordan all restrictions were removed from short term policies, but medium term policies were held to two years' credit.

Middle East Risks

THE war risks rating committee of the Institute of London Underwriters has raised the insurance premium on cargoes to, from or between Iraqi ports against war, strikes, riots and civil commotions from the basic rate of 9d. per cent, ruling in trouble-free parts of the world, to the stiff rate of 5s. per cent. For inland destinations in Iraq there is now a heavy surcharge of 20s. per cent; this land transit cover does not include war risks but does cover riot or civil commotion. These rates have already been in force for some time for the Lebanon and for cargo consigned to other countries through Lebanese ports. The rate of 5s. per cent seems almost to be the standard one when there is crisis in the Middle East; it was quoted for Egyptian ports just before the blocking of the Suez Canal.

As a precautionary move, war risk insurance on the hulls of vessels using ports in the Persian Gulf, Syria, Israel and the Gulf of Akaba will not now be covered by the standard war risk cover but will be for negotiation with the individual underwriters. That step had already been taken for ships using Iraqi and Lebanese ports on July 16th. The rates charged will thus depend upon the underwriters' assessment of risks for a particular port at a particular time. These may be swingeing for Iraqi and Lebanese ports but elsewhere in the Middle East, unless the crisis deepens, they may be nominal. Most British ships are covered against war risks in " clubs " on a mutual basis. They will be less affected by increased rates than foreign vessels insuring in the London market, though British owners naturally stand to lose from any claims their clubs have to pay.

INDIA

Raising the Wind

INDIA'S immediate need of free foreign exchange to finance its commitments in the next few months has been put at some £230 million between now and next spring. Mr B. K. Nehru of the Indian ministry of finance is now undertaking a desperate search for assistance, in Washington, London and Frankfurt. It was reported on Thursday that a meeting will be organised by the World Bank in Washington late in August which representatives of Britain, America and Germany would attend. Thus, even in advance of the autumn meetings of the Commonwealth at Montreal and of the World Bank and IMF in New Delhi, arrangements may be in train for a rescue operation on an international basis.

EXECUTORS & TRUSTEES

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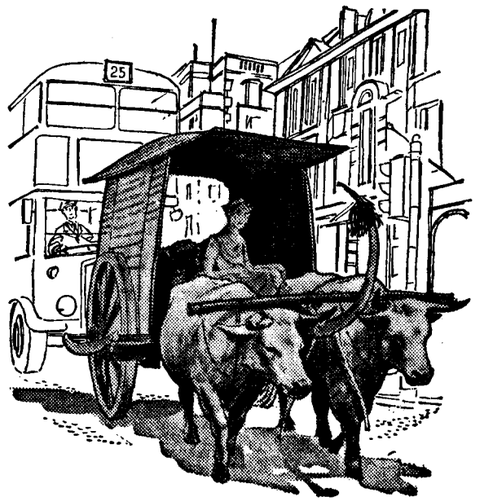

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Trade is our life in Britain: exports are our lifeblood. The power of publicity is now such that in overseas markets the greatness of this country and our skill in invention and production too often are overlooked among the clamour of competition. British trade must have the support that the British story can give: and no other nation can back its work with such a history of high endeavour and vast achievement.

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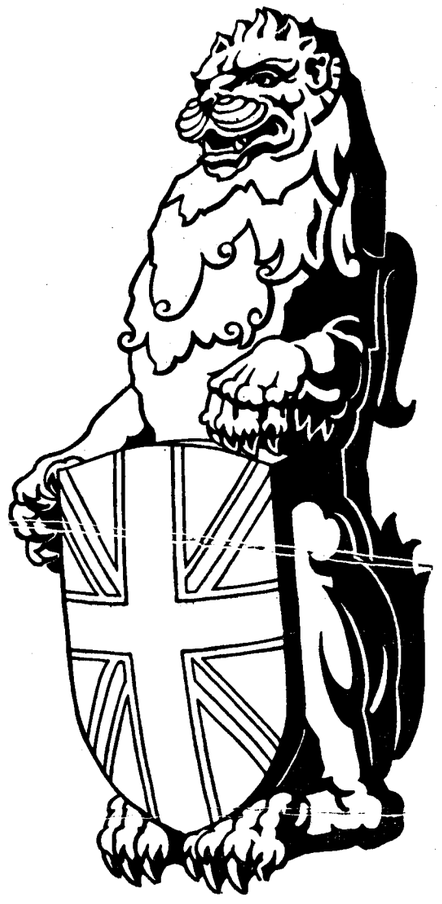

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The organisation aims to tell the real story of Britain's achievements, to claim for the British people and for British industry the credit that is theirs: and by doing so to reinforce Britain's prestige throughout the world to the benefit of our trade and our standard of living.

The Operation Britain campaigns will appear in the press: as posters: in the form of articles and an information service to home and foreign press and broadcasting units: and are supported by the quarterly publication 'Speaking for Britain'—which goes to all parts of the world.

Operation Britain is a non-profit-making non-political organisation. To carry out its nationally important work a steady income is needed, and firms are encouraged to join in the task by becoming Corporate members at the annual subscription of ten guineas: individuals may become members for the sum of two guineas.

MADE IN BRITAIN

Parliaments. *The Parliamentary system of Government is of purely British origin, and has been the model for government in all parts of the world.*



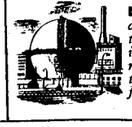
Electricity. *Electricity as we know it derives from the experiments of British scientist Michael Faraday. Today Britain has the world's most closely integrated electricity supply network: one atomic power station already in service, and eleven more under way.*



Television. *The first public Television service in the world opened in Britain in 1936, based on British inventions and development.*



Nuclear Energy. *The first artificially-induced atomic fission took place at Cambridge, England, in 1932. British development of nuclear energy for industry has been the first to bear fruit in the world's first atomic power stations.*



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Post to:
THE OPERATION BRITAIN ORGANISATION
165 FLEET STREET LONDON EC4
(FLEET STREET 5011)

This is an "Operation Britain" Organisation announcement

British Achievements Speak for BRITAIN

The loan of $25 million which the World Bank has approved this week will help two projects for adding 225 megawatts of thermal capacity to the power network of the Damodar Valley Corporation. This serves a highly industrialised region in Bihar and West Bengal, including coal and steel—indeed 150 megawatts will be provided by a new power station fired by waste gases from the steel works now being built by the British group at Durgapur. This new loan will help to meet the rapidly rising demand for power in this area, but it will not add a stiver to India's free exchange resources—which are even more desperately short than power.

India's obvious troubles should not make that country, nor the Western world, now seeking ways of helping, forget that the total of credit—particularly medium term credit—already being found to finance the five year plan is very large. That credit is being found partly by the commercial and financial communities supported by the credit insurers—particularly ECGD—and partly by ECGD direct. There is an example of direct assistance—in effect a government-to-government credit—in the £15 million loan now to be provided by ECGD towards the latter stages of the building of the steel works at Durgapur. The department will apply the money by buying bills issued against the materials imported. The transaction thus amounts to economic assistance, not credit insurance, and the "Berne Club" time limit of five years does not apply. It may be inferred that some of the credit will exceed that limit by a year or two.

LONDON TRANSPORT

The Autumn Nip

LONDON TRANSPORT has not succeeded after all in getting the support of the unions for the cuts it proposes to make in its road services this autumn. As part of the settlement of the strike it had agreed to discuss with them the 10 per cent cut in scheduled mileage that it had announced it would be obliged to make because of its deteriorating finances, the further and accelerated loss of passengers, and possibly also because staff shortages, particularly among operating crews, had made it impossible even before the strike to run all the services that were scheduled. Total mileage actually being run then was almost three per cent less than scheduled, because of this shortage. During the seven weeks of the strike a further 1,500 bus crewmen resigned—out of a total road operating staff of just under 40,000—against less than 900 in the corresponding and strike-free period last year. Since the beginning of the strike, too, the volume of passenger traffic has fallen further by more than a tenth. The executive has now told the unions that it intends to go ahead with the cuts as planned. It is still prepared to discuss with them any consequential redundancies and relocations of staff—but it does not expect any redundancies among its drivers and conductors.

The cuts now being worked out will amount to about nine per cent of scheduled "car" mileage, which counting buses, coaches and trolley buses last year totalled some 380 million miles. This will include the three per cent "cut" that London Transport had already been obliged to make through lack of crews, but it cannot guarantee that similar difficulties after the cuts have become effective will allow all the retained scheduled services to be actually run. The first batch will take place on August 20, when 19 central bus routes will be completely withdrawn and another one will be partly withdrawn, and three garages will be closed down. Later, probably in October, further cuts will be made, including the complete withdrawal of five central bus services and five "poorly used" country services, and the partial withdrawal of five further central and 13 additional country services. Some time in the autumn there will also be reductions in scheduled services on 173 bus and 28 trolley bus routes in the central area. What these cuts will save London Transport is not saying, and can probably only guess at. Much may depend upon how many passengers use the parallel and alternative services that it says are available on the services to be withdrawn, and also on the repercussions on traffic using the routes that the cut services have been feeding. But it is clear that this pruning of activities, and the latest increase in sub-standard fares, are necessary if London Transport is to avoid making operating losses.

HIRE-PURCHASE FINANCE

Barclays' Deal with UDT

THE long discussed entry by one or more of the big banks into the field of hire purchase finance has followed hard on the heels of the Chancellor's relaxation of credit and capital controls that makes such an entry possible. Barclays Bank has agreed to invest £4 million in the United Dominions Trust, largest of the hire purchase finance houses, by subscribing for £1 million of the Trust's ordinary stock at £4 per £1 unit (against the present market price of about £5). For this purpose the issued ordinary capital of the UDT will be increased from £3 million to £4 million, and Barclays Bank will thus acquire a 25 per cent interest in the equity. The agreement will entitle it to appoint one representative to the board, but it will not participate in any way in the conduct of the business, which "will remain entirely separate and independent as heretofore." Arrangements are being made to enable the British Linen Bank, Barclays' Scottish affiliate, to participate in the investment.

The fact that Barclays comes first into this field will be regarded by many people as especially intriguing, since its chairman, Mr A. W. Tuke, gave the impression in his last annual statement that he felt that hire purchase financing should not be mixed with banking. But that, on closer examination, is seen to be the principle that he is now following. Barclays has chosen this particular method of acquiring a minority interest in a major company, in preference to forming or acquiring its own subsidiary, precisely in order to enable it to secure an investment interest without direct involvement in the business as such. It takes the view, indeed, that hire purchase financing requires its own particular expertise, distinct from the expertise and experience of a bank manager.

This is not to say, of course, that other banks will follow the same method of participating in hire purchase. It is known that other plans are afoot, and they might more nearly resemble the full-participation pattern that marked the pioneer move in this field—the acquisitions of two hire purchase finance companies by the Commercial Bank of Scotland. If and when the projected merger of that bank with the National Bank of Scotland is completed, Lloyds Bank, which controls the National, will automatically secure an indirect participation in the hire purchase field.

STANDARD MOTOR COMPANY

A Round to Massey-Ferguson

BAD luck, bad markets and a slow start have combined to give an almost certain victory to Massey-Ferguson in its bid for the new 5s. shares of Standard Motor Company arising from the take-over of Mulliners by Standard. Standard 5s. shares stand at 7s. 6¾d. in the market. Massey-Ferguson, through Philip Hill, Higginson, bids 8s. cash for the new shares, and no one could reasonably expect the former shareholders of Mulliners to refuse the cash. The result is unknown as this issue goes to press, but the Canadian company seems likely to collect about 90 per cent of their holdings and raise its own stake in Standard to about 30 per cent. There is no offer to the general body of Standard shareholders.

The directors of Standard Motor Company—and particularly the chairman, Lord Tedder, who has worked selflessly both for an understanding with Massey-Ferguson, whose tractors Standard makes, and for the protection of the general body of shareholders in Standard—must be deeply disappointed. They were too slow in their reply to the astute and stealthy move of Massey-Ferguson. Not until Friday of last week did they counter the bid with a factual statement. The dividend, they said, is to be raised from 8 per cent to 12 per cent; the break-up value of the assets is about 10s. per share. The implied conclusion is that 8s. in cash is not good enough and the new shareholders ought not to accept. In the kind of market that existed just before the *coup d'état* in Iraq the market price might well have risen above the 8s. and put Massey-Ferguson out of the running, but in fact the market has hardly responded. Obviously no one big is doing any counter-buying.

The Canadian company will finish this round with a massive nuisance value to Standard but not with control; the contract for tractors runs until 1960. What is now the best prospect for the majority of Standard Motor's shareholders—a majority that consists largely of small and medium investors, for most of the big institutional holdings were sold to Massey-Ferguson during the previous buying spree? There are two chinks in the Massey-Ferguson armour. One is lack of cash after a bad year. The other is that the Canadian company must now know that if it values its reputation in this country it must mend its manners. Are these weaknesses not good reasons why the directors of Massey-Ferguson ought to be willing to sit down with the board of Standard and work out an acceptable basis of co-operation? Are they not also reasons why the shareholders of Standard might find that an exercise in trade unionism would do them no harm? They should be clear about their prospects. Though there are suggestions that Massey-Ferguson aims ultimately at control, there is no indication that it ever intends to buy more than a bare 51 per cent to secure it.

MOTORS

High Summer Output

MOTOR output last month, a five week period in the industry's production statistics, was interrupted by the Whitsun holiday, the dock strike, and by the closing week of the strike at Pressed Steel. But the industry still managed to make it a record for June. The daily rate of car production, 4,365 units a day, though not quite as high as in March and April this year, was still well above the industry's previous best in 1955 and also a little higher than the average for the current half year. Car exports, which are counted by calendar months, more noticeably showed the effects of the stoppage at London docks, which most manufacturers use, and plunged to 32,197, the lowest total so far this year. Nevertheless total shipments of cars overseas during the first half of 1958 exceeded a quarter of a

VEHICLE OUTPUT AND EXPORTS

	Month		Daily rate		
	Cars	Goods and public service vehicles	Cars	Goods and public service vehicles	Total
1958 : January	85,639	25,961	4,282	1,298	5,580
February	83,459	27,485	4,173	1,374	5,547
March	109,257	32,869	4,370	1,315	5,685
April	81,255	23,236	4,514	1,291	5,805
May	86,297	25,579	4,315	1,279	5,594
June	104,762	30,014	4,365	1,251	5,616
1958 : Half-year—					
Output	550,669	165,144	...	...	...
Exports	250,883	61,172	...	...	...
1957 : Half-year—					
Output	388,572	138,002	...	...	...
Exports	204,946	61,740	...	...	...

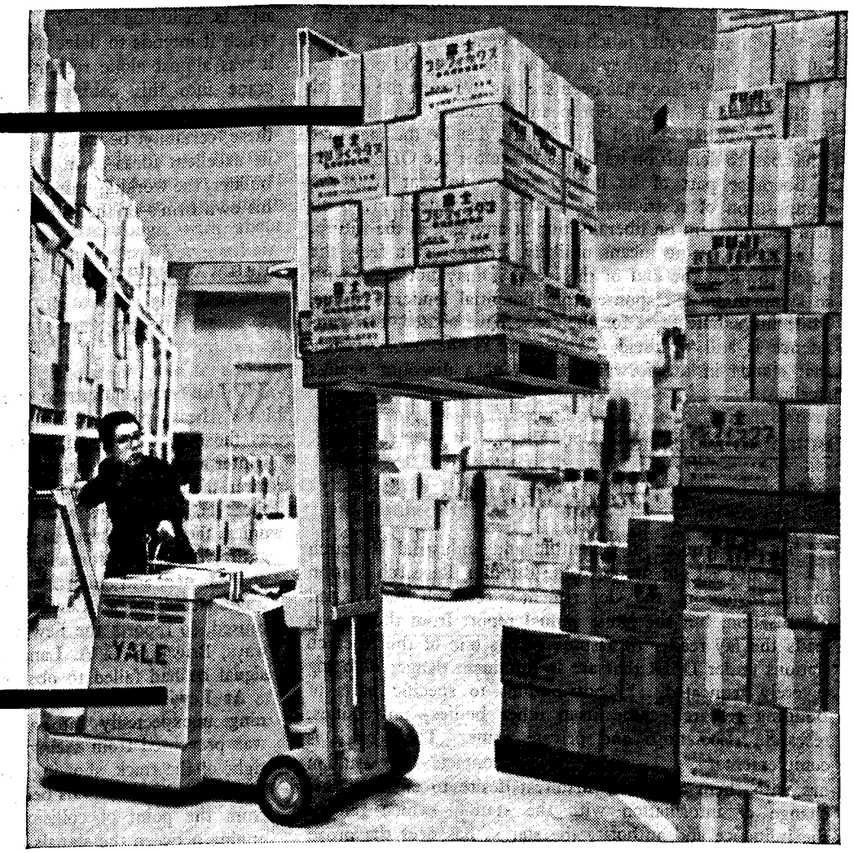
million, of which some 91,600 went to North America. Total output for the six months was just slightly more than twice the export total, at 550,669.

Commercial vehicles have not been selling so well either at home or overseas and output slipped again in strike-troubled June for the fourth month since February. Sales are a little better than during the last couple of years, but are still markedly below the peak levels of 1955-56. For both cars and lorries the end of the main summer season is now approaching. Next month the industry takes its annual holiday. Whether home and overseas sales will keep up their recent prosperous progress through the autumn and winter months, the industry would dearly like to know. At home, where the major part of this year's increased output has been going, the auguries do not give complete confidence.

THE FRANC

France's Respite

IT no longer looks as though General de Gaulle will be faced with an exchange crisis this autumn. His respite is partly attributable to the success of the special loan launched by M. Pinay—and partly to the continued forbearance of France's European partners. One of M. Pinay's first acts as Minister of Finance was to issue a loan linked to the price of gold and bearing important tax concessions, repeating his venture of 1952. When the lists closed a fortnight ago, subscriptions totalled 320 billion francs (£275 million), and of this total all but 30 billion francs converted from the 1952 loan represented new money. Six years ago, the new money brought in was only 195 billion francs, though the book figure was inflated by conversion to 428 billion francs. Around one-fifth of the new money this time seems to have come from private gold holdings. The gold reserves of the Bank of France have been increased



YALE INDUSTRIAL LIFT TRUCKS

In the Far East or Near East—or throughout the western world—Yale Industrial Lift Trucks are busily engaged in stacking goods in warehouses, moving materials and products, easing men of backbreaking tasks. Yale Trucks are available in a full range of capacities and with a wide selection of attachments for handling all types of materials. With these trucks, you can speed goods to market, assure your business more profits and cut handling costs up to 50%.

All Yale Petrol, Electric, Diesel and Hand Lift Trucks are available in currencies of the Free World. All are built to the same high quality standards, no matter where you buy them. Let your Yale Sales and Service Representative help you select the Yale Truck best suited to your requirements.

YALE* INDUSTRIAL LIFT TRUCKS

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by 150 tons, worth $170 million. This accretion has given the French authorities much needed breathing space. They still have to show that they intend to use it to good purpose.

This month, France has been seeking to renew the special credits granted by the European Payments Union early this year. It has secured that facility, despite the fact that it has had to default on its obligation under the OEEC rules to liberalise part of its import trade one year after the reimposition of restrictions. France has indeed given no firm commitment on liberalisation at any date in the future. If, as seems by no means unlikely, France again feels the pinch towards the end of this year, it may not meet with so sympathetic a response from potential lenders. Thus, while immediate fears for the franc have abated, real confidence is still withheld. The franc is the one currency that stands in the forward market at a discount against sterling.

BUILDING INDUSTRY

Research Politics

THE Department of Scientific and Industrial Research has not yet got round to the Building Research Station in its review of the department's research policy and organisation, but the latest annual report from the station leads the lay reader to assume this is one of the research stations under DSIR that are in imminent danger of being severely truncated. "Contributions to specific parts of building research come from other bodies—universities, research associations and private firms. Their work is complementary. . . . The close contacts the station has with them and their manifest desire to ensure interchange of information with the station—which reflects the influence and authority the station has over the broad field of building—is a safeguard against overlapping. Moreover . . . the existence of research by other bodies cannot release the station from the need to maintain research in similar fields. . . . The breadth of the station's work as the only organisation covering the problems of building as a whole, its central position *vis-a-vis* the various separate sections of the industry, and its independence of any sectional bias or interest, have rendered it uniquely able to make an overall assessment of building problems and . . . smooth the path of new developments. If the station stopped work in any part of the field, this independence and ability would be rapidly sapped, it would lose the faculty of assessing the relevance and applicability in particular contexts of research done elsewhere, and would descend to the position of a mere purveyor of second-hand information . . . there is no other body able to give comprehensive and independent advice."

This is strong pleading, and the building industry is certainly an odd one in the sense that it has a tail of many thousands of smallish firms, with a shifting labour force and out-of-doors operation. This is indeed the main reason why it has never been practicable to run building research as an association, with the industry financing it in part. Productivity in building—as distinct from civil engineering—is still low, compared with for instance before the war, and only the really large firms of contractors and the manufacturers of building materials and their trade associations are able to go in for some deliberate research work. The station disseminates a large number of papers and pamphlets covering a very wide range of building aspects, including latterly economics and management—into which it intends to delve much further in the near future: it was almost alone responsible for introducing the tower crane into this country from the Continent, and has pioneered a number of other mechanical aids. Many of these, certainly, benefit larger operations most: too few of its excellent ideas seem to get across to the typical small builder, the working boss who has little time for paper work, his own firm's or the industry's.

RAILWAY SAFETY

Report on Lewisham

WHEN automatic train control is finally installed on all heavy passenger traffic routes, railway accidents such as those that occurred at Lewisham and Dagenham last winter and at Harrow six years ago will become a great deal rarer. The railway accident rate is already very low, but there is, and always will be, the chance of human error, unless the railways were to plump solely for safety and ignore entirely the need for a balance with economy, passenger convenience, and efficient train speeds and frequency. The tragic accidents at Lewisham and Dagenham were both caused, so reports the new chief inspecting officer of railways, Brigadier C. A. Langley, by a driver passing a red signal he had failed to observe in fog.

At Lewisham, concludes the report, the driver, running unexpectedly into a much thicker patch of fog, was prevented from seeing three successive signals on the right of the track, showing yellow, double yellow, and red, respectively, at intervals between 1,030 yards and 138 yards from the point of collision, by the juxtaposition of his engine between the signals and his position on the left side of the cab. Yet he failed, as drivers of trains immediately before had done, to ask his fireman, who was stoking at the time, to watch out for the signals until they were nearing the red, when it was too late, at the speed they were travelling, to brake in time. At Dagenham, both the fireman and the driver were looking for the signal after getting a distant caution previously, but "were uncertain of its position and missed it in the fog." That particular line is equipped with the Hudd system but ATC operates only at distant signals and so could not help the crew to locate the following home signal, which was a semaphore 21 feet above rail level and lit by an oil lamp.

Modern colour light signalling might have helped the Dagenham driver, and ATC of the type the Transport Commission is now installing would have provided an audible warning to the Lewisham crew. The commission is pressing ahead "with the utmost priority" in equipping locomotives and track with ATC equipment at the same time that it is extending the use of various other desirable signalling improvements, such as colour light signalling, track circuiting, and power operated signal boxes, which will improve both operating efficiency and safety. But both programmes will take time. Work has already started installing ATC on the Euston-Blisworth (Northamptonshire), Edinburgh-Glasgow, and King's Cross-York lines, but the whole programme of 5,300 miles cannot be mounted in a twinkle. Meanwhile, the commission is "investigating the possibilities arising from the development of electronics and its application" to railway working.

AIRCRAFT INDUSTRY

Heavy Going

THE team of Vickers-Armstrongs and Rolls-Royce is the strongest in the British aircraft industry and the only one that compares in scale with the American aircraft manufacturers. Even so, both companies are beginning to find the going heavy. Vickers-Armstrongs, with about £10 million at stake in their new turbo-prop Vanguard airliner, are beginning to whip up interest in an aircraft that has been shouldered out of the market by the airlines' current preoccupation with short-range jet airliners. The Vanguard is designed for ranges of up to 2,000 miles; an increase in engine power has made it possible to add an extra two tons to its payload, raising the number of passengers to 139. In this form, Vickers claim that it would make money at half the present tourist air fares. There are no third class fares yet on short services.

Rolls-Royce is less concerned about current sales than about future development. Its Avon engines which power two of the smaller jets, the Comet and the Caravelle, have been cleared for overhaul at 1,000 hour intervals, or as little as two and three times a year. This is a useful bonus for Avon operators. The Avon, however, is a military engine that has been flying in various forms for eleven years, and Rolls-Royce, having built more than one engine for civil use only, has come to the conclusion that with current development costs running at £15 to £20 million and no promise of government support, it can no longer afford to develop new engines unless they find a military as well as a civil market.

SHIPBUILDING

Britain Loses Ground

AT the end of June there were 53 ships of 344,697 tons gross under construction in Britain for foreign owners, the lowest total since the war: it was only 15 per cent of the total tonnage under construction. Moreover, 314,526 tons of shipping were being built abroad for British owners: if one takes into account the fact that ships are generally completed faster abroad, Britain in effect may now have practically no "net exports" of new ships. The low proportion destined for foreign owners may be fortuitously low: 20 per cent of the tonnage currently on order in British yards is for foreign owners. But these figures compare with the peak of 40.4 per cent of all tonnage under con-

Six Months Trade

BECAUSE of the fall in commodity prices and freight charges, Britain's balance of trade was more favourable in the first half of this year than at any time since the war. Imports were, on the average, 10 per cent cheaper than a year ago and there was a reduced demand for many industrial materials, notably for textiles, softwood, paper and steel. These declines, however, were offset by increased purchases of crude petroleum and of finished manufactures.

About half of the 5 per cent fall in exports can be attributed to the dock strike in June. That the overall fall was only modest is due to striking increases in exports of cars, aircraft and aeroplane engines. Shipments of general machinery and plant levelled off; most other exports, such as textiles, coal, steel and chemicals, were down. World trade has shrunk and few countries, other than Germany and Japan, have continued to expand their overseas markets. Indeed, Britain has done better than some and, because of the sharp fall in American exports, had a larger share of the world trade in manufactures in the first quarter of the year than in 1957.

But British exporters face two disquieting facts. Their sales in western Europe, other than in Germany, have fallen off sharply. And in the sterling markets, where total results for the six months were comparatively good, sales are now easing as a result of the fall in producers' incomes and new import restrictions.

Imports by Regions

	1958, 1st half £ million	% change on 1st half, 1957
Sterling area	713	−15·0
Non-sterling area	1,132	−10·1
Of which:—		
Dollar area	380	−24·7
OEEC area	471	+ 0·3
Rest of world	282	− 1·2
Total	1,846	−12·1*

* Allowing for the effect of Suez and the dock strike, the underlying fall was 9 to 10 per cent.

Where Britain Bought Most
(£ million)

	1957 1st half	1958 1st half
United States	267·9	164·7
Canada	151·2	146·4
New Zealand	110·3	91·1
Australia	134·5	89·1
Netherlands	63·3	73·9
Kuwait	70·2	69·0
Western Germany	61·1	68·2
Sweden	71·6	64·4
India	88·2	59·3
Irish Republic	54·0	55·1
Denmark	56·1	54·9
France	55·9	54·6

Import* Gains and Losses

	1958 1st half £ million	% change on 1st half 1957
Wheat	56·2	−13·1
Meat	72·5	−14·4
Fruit and vegetables	145·5	+20·8
Unrefined sugar	48·8	−40·1
Tobacco	24·8	− 0·8
Raw cotton	38·6	−32·4
Raw wool	75·1	−28·5
Rubber	23·8	−23·5
Paper and board	34·1	− 4·2
Timber	53·4	−20·3
Iron and steel	30·5	−21·4
Chemicals	58·5	+ 9·3
Non-ferrous metals	79·7	−15·8
Petroleum and products	200·2	− 9·8
Machinery	71·4	+ 5·0

* Retained imports.

Exports and Re-exports by Regions

	1958, 1st half £ million	% change on 1st half, 1957
Sterling area	748	− 1·9
Non-sterling area	925	− 7·0
Of which:—		
Dollar area	284	+ 1·0
OEEC area	438	−12·3
Rest of world	204	− 5·0
Total	1,673	− 4·8*

* Allowing for the dock strike, the underlying fall was 2 to 3 per cent.

Britain's Best Customers
(£ million)

	1957 1st half	1958 1st half
United States	124·8*	136·6
Australia	115·7	119·0
South Africa	89·0	100·9
Canada	96·3	96·4
India	95·0	78·5
Western Germany	60·0	65·9
New Zealand	63·1	65·7
Irish Republic	53·7	61·3
Sweden	59·2	55·4
Netherlands	64·7	52·7
France	62·8	44·1
Denmark	47·4	38·8

* Excluding repayments of silver bullion.

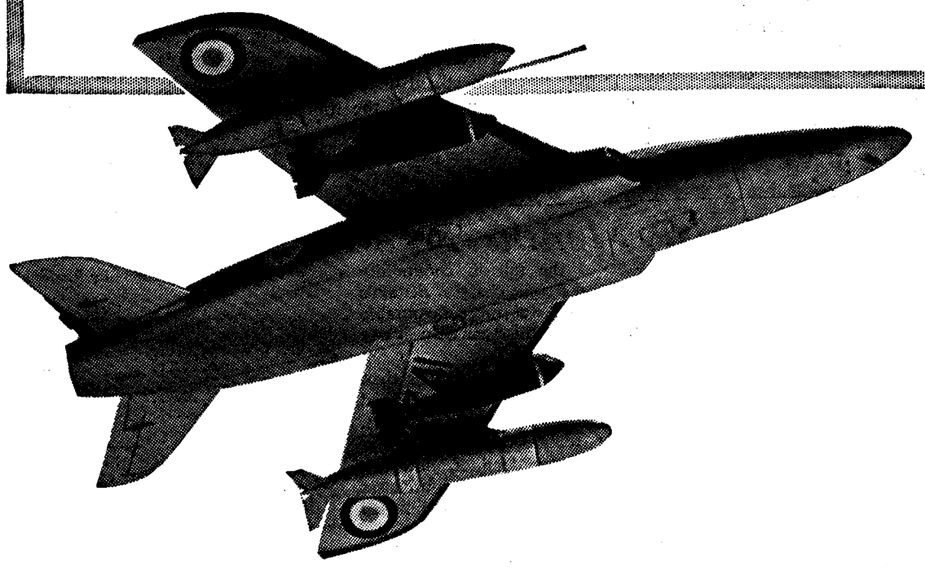
Export Gains and Losses

	1958 1st half £ million	% change on 1st half, 1957
Non-electric machinery	289·7	+ 2·4
Electric machinery	111·6	− 3·2
Motor cars and chassis	95·0	+26·3
Commercial vehicles and chassis	42·2	− 1·9
Aircraft	50·2	+59·9
Ships and boats	24·3	−41·3
Railway vehicles	23·1	+ 2·7
Iron and steel	95·5	−13·1
Non-ferrous metals	42·6	−24·3
Metal manufactures	75·6	−10·5
Chemicals	128·8	− 5·4
Refined petroleum	46·9	+12·2
Wool textiles	42·8	−10·7
Cotton textiles	38·7	−17·7
Coal	11·2	−50·4

CONVICTION—WITHOUT RESERVATION

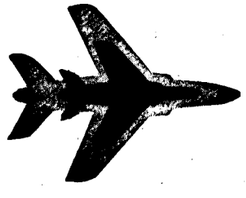
"The Air Council was convinced that manned bombers and fighters would be needed to supplement guided missiles as far as they could see."

Daily Telegraph, 7th May, 1958, report on Conference 'Prospect'



The use of guided missiles is limited to a type of war which all the powers are anxious to avoid. As a result it is in the minor local conflict that major issues could be decided. A strong air component has been proved to be the most economical means of resolving these local conflicts, rapidly and effectively. For all powers, great or small, this "first line" is an essential means of safeguarding vital interests.
The Folland GNAT makes a decisive fighter and ground attack force a sound economic proposition. Decisive because it has a transonic performance with a unique rate of climb and the most advanced armament and equipment—and better manoeuvrability and a higher ceiling than any conventional British fighter in service. Economic because it has reversed the trend to greater size, complexity and cost in fighter design; its simplicity makes it extremely easy to maintain.
Whether as a fighter or in the ground attack role, the GNAT is one of the most effective weapons in the conventional armoury.

FOLLAND GNAT



Interceptor and Ground Attack Light Fighter

Ordered by the Indian, Finnish and Yugoslav Air Forces
Two-seater trainer version chosen by the Royal Air Force

FOLLAND AIRCRAFT LIMITED · HAMBLE · SOUTHAMPTON · ENGLAND

struction late in 1950. The change is not a shrinkage in the total "export market" for ships, but an advance by Britain's competitors: out of the 4,072,596 tons now building for countries other than the country of build, Japan is now building 20 per cent, Germany 14½ per cent, Italy 11 per cent, the United States 9½ per cent, the Netherlands 9 per cent, and Britain only 8½ per cent.

This declining prowess in shipbuilding competition is the most worrying implication of the various quarterly statistics published this week. The shipbuilding conference reckons that during the first half of 1958 three times as much tonnage already on order has been cancelled as the tonnage newly ordered: in the second quarter, indeed, orders were negligible. Orders for some other ships have been deferred: owners are no longer pressing for early delivery, or willing to have vessels promised for later dates brought forward. The industry still seems to be operating at the same rate of about 350,000 tons a quarter that it has maintained for the last three years, though the tonnage "preparing" (i.e., which has been approved and for which material has been ordered) is only about three-quarters as much as a year ago. Little is now heard of its demand that the steel industry should guarantee it enough plates to launch 1¾ million tons of ships this year. Nevertheless, British yards seem to have suffered far less from cancellations than, for example, Japan: and as a whole the industry still has more than four years' work on its books.

BARLEY

Iraq's Second Export

TRADE in Iraq barley came to a standstill after the crisis in Baghdad, though it will probably be resumed soon. At the end of last week, Iraq barley was quoted at £19½ a ton, afloat and paid (exclusive of British duty of ten per cent). Last week's rise in London barley futures was connected mainly with the more prosaic news of bad weather in Canada threatening to reduce the crop and only indirectly with Iraq. The withdrawal of Iraq supplies would not have a marked effect on world trade in barley: last year Iraq produced 1,284,000 long tons out of a world total of more than 52 million tons. Less of this was exported than had been hoped, and earlier this year the carryover available for export was put at 200,000 long tons. Iraq barley is bought chiefly by Britain and Continental countries for animal feedingstuffs; Britain last year bought £428,000 worth of barley from Iraq out of total imports costing over £22 million. But British purchases have been lower recently, because Commonwealth barley, with the advantage of Imperial preference, is cheaper. Prospects for the current crop in Iraq are not bright, for it has been damaged by locusts and drought.

But a fall in barley production and exports could have a serious effect on Iraq's economy. Barley runs a distant second to oil, but it constitutes a large part of all other exports; in 1956, barley sales brought in nearly 5 million dinars, out of total exports, excluding oil, of 13.9 million dinars. Assurances have recently been given by the new government that the Iraq Development Board will continue to function. Barley's importance is marked by the construction of a 65,000-ton silo at Basrah, and by the installation of barley-cleaning machinery. A good deal of the land newly to be irrigated will be sown to barley.

The Paper Bulletin

The July issue of this quarterly bulletin will contain three Special Reports :—

THE OUTLOOK FOR PAPER CONSUMPTION
THE AUSTRIAN PULP AND PAPER INDUSTRY
THE TREND OF BRITISH PAPER OUTPUT

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COMMODITIES

War Clouds Lighten

MOST commodity prices remain above pre-Iraq crisis levels but as the war cloud pattern in markets has become less marked, part of the advances of last week has been lost. And normal seasonal slackness has been making itself felt again. There are fewer fears now of supplies via Suez being held up. But equally there is less thought now about trade recession and more about the need for armaments.

COMMODITY RISE AND FALL

	Beginning 1958	Pre-Iraq	Last week's peak	Thursday's close
Copper (£ per ton)	181½	195½	204	203½
Lead (£ per ton)	73⅜	70½	73½	71½
Zinc (£ per ton)	61⅜	62 7/16	65½	63½
Rubber (d. per lb)	24¼	22½	24½	23 3/16
Wool futures (merino) (d. per lb)	108½	98	103⅞	101½
Sugar ex refinery (cwt)	53s. 9d.	65s. 6d.	69s. 9d.	66s.10½d.
Barley futures (£ per ton)	19½	20⅛	20½	20 11/16

SHORTER NOTES

The World Bank announces its first loan to the Sudan. It is for $39 million, a 20-year loan at 5⅛ per cent including the bank's 1 per cent commission. Amortisation is to begin in December, 1961. Three American banks, Chase Manhattan, Bank of America and First National City Bank, are participating for $1,750,000 (the first three maturities) without World Bank guarantee. The loan is to cover the foreign exchange costs of Sudan's £17.6 million ($50.5 million) programme for improving the efficiency of the railways, river services and the facilities at Port Sudan.

The ordinary dividend of Davy and United, the heavy engineering group, has been raised from 15 to 20 per cent, following a strong advance in trading profits from £641,642 to £1,310,422 and in net profits from £240,992 to £532,265 for the year to March 31st.

* * *

An august body of academic economists has begun a study at the request of the contracting parties of the General Agreement on Tariffs and Trade. The long-range subjects to be considered include the effects on world trade of fluctuations in commodity prices and of agricultural protectionism. The experts are: Professor James Meade, of Cambridge; Professor Jan Tinbergen, of the Netherlands; Sr de Oliveira de Campos, of Brazil; and Gottfried Haberler, of Harvard.

Northeast Airlines, which recently cancelled an order for five Bristol Britannia airliners, has signed another for nine Vickers Viscounts, and will take delivery of an additional Viscount now in the United States for demonstration purposes as soon as import formalities can be untangled. This brings to 400 the total of Viscount orders in ten years, almost to the day, after the first smaller Viscount flew. Douglas Aircraft in America has now flown the one-thousandth airliner of the DC6-7 series, the first of which was delivered eleven years ago.

* * *

The interim ordinary dividend of Imperial Tobacco Company is unchanged at 8½ per cent. For the year to October 31, 1957, it was followed by a final payment of 11½ per cent.

COMPANY AFFAIRS

GREAT UNIVERSAL STORES

UNDER the dynamic leadership of Mr Isaac Wolfson, Great Universal Stores has had a record-breaking run. Whether it is by mail order, hire purchase, short-term credit or cash, this multiple empire supplies clothing, drapery, furniture and almost anything else its well-breeched customers require. It is an empire that never seems to stop growing: Whiteaway Laidlaw, Houndsditch Warehouse, and Hope Brothers are but the biggest of its recent acquisitions. The voteless "A" ordinary stockholders trailed happily along behind, content with bigger dividends, scrip issues and higher market values. As yet they have no cause for complaint. But the pace of "Gussies" progress has been checked.

Stockholders will recognise the symptoms first in the decision to leave the ordinary dividend effectively unchanged, by paying a final of 25 per cent on the capital as doubled by the 100 per cent scrip issue. This, with the interim of 15 per cent on the original capital, makes 32½ per cent for the year to March 31st, equal to the 65 per cent paid on the old capital in 1956-57. They will also notice that though the consolidated trading profit has risen by £1,563,627 to £23,193,764, the latest figure includes about £2,000,000 of profits earned by new subsidiaries now brought into account for the first time; without the new assets, profits would have been down. The directors are at pains to explain why. They say that in 1956-57 a substantial sum was brought into profit in respect of hire purchase collections on contracts first made in previous years; in other words profits a year ago were being swelled by an earlier HP boom, whereas sales and collections are now running level.

The third indication is that, because depreciation is up from £1,429,265 to £1,925,308, loan interest from £552,270 to £691,550 and taxation from £11,207,282 to £12,034,818, net earnings have failed to rise significantly: at £8,181,210 they are only £12,495 higher. So the new assets, acquired through share exchanges, are in effect costing money. Because of the shares issued to acquire them the net dividend disbursement is up from £3,556,271 to £3,886,035, out of a net profit that has not increased. The cover on the dividend has in fact fallen. So, immediately, did the price of the 5s. "A" units—by 1s. 6d. to 21s. 7½d.; they now yield 7½ per cent.

DISTILLERS

THE dividend policy of the directors of Distillers if not overwhelmingly generous, has at least become cautiously progressive. So it is for the year to March 31st, with the ordinary dividend increased from 18¾ to 20 per cent. Profits are moderately higher, with the trading surplus rising from £23.4 million to £24.8 million; last year the chairman revealed that about 75 per cent of the group's earnings came from whisky and

	Years to Mar. 31, 1957	1958
Consolid. earnings:—	£	£
Trading profit	23,369,732	24,800,254
Trade invest. income	1,259,306	1,517,734
Depreciation	1,937,130	2,118,503
Taxation	12,058,558	12,527,172
Net profit	*9,245,821*	*10,023,321*
Ordinary dividend	4,519,597	4,830,520
Ordinary dividend (per cent)	18¾	20
Retained by subsids.	3,060,347	3,616,969
Retained by parent company	1,589,977	1,499,932

gin and it may be inferred that last year's increase in exports of Scotch whisky contributed to the improvement. Net profits have risen from £9,245,821 to £10,023,321 and of the increase the extra dividend takes about half and reserves the other half.

What is the right view of the 6s. 8d. ordinary stock units, priced at 24s. 7½d. to yield 5.4 per cent on the new dividend? Certainly this is a blue chip in a company firmly established in a profitable field of trade. But production of whisky is now coming more closely in line with demand—which could mean that the rate of growth in earnings from potable spirits may be checked. Distilling provides the stable base for the stock. But what is happening to the group's big interests in chemicals? Increased income from trade investments suggests that the chemical side is earning bigger profits. But trade investments do not cover anything like the whole of the big money that Distillers has invested in chemicals, pharmaceuticals, and plastics. The ordinary investor still finds great difficulty in measuring up Distillers ordinary—and he will do as long as the directors are so sparing in giving information about the industrial interests.

GENERAL ELECTRIC

THE trading results of General Electric for the year to March 31st are bad, though no worse than had been expected. In the previous year, profits declined, though sales improved by 10 per cent, and the ordinary dividend was cut from 14 to 12½ per cent. In January, announcing a reduction in the 1957-58 interim dividend from 4½ to 3½ per cent, the directors predicted a "marked decline" in earnings, and the ordinary stock fell from 38s. 9d. to 33s. 6d. Now the final payment is cut from 8 to 6½ per cent, reducing the total dividend from 12½ to 10 per cent, and the stock stands at 32s. 6d., to yield 6.2 per cent.

The mere discounting of this reduction does not make the group's recent trading experience any more palatable. Sales have risen by 6.1 per cent from £98.4 million to £104.4 million, but gross profits have fallen by 22¾ per cent from £6,168,170 to £4,765,143 and net profits by 33 per cent from £2,397,336 to £1,605,480. Orders in hand at the end of the financial year came to £110 million (against £82 million), but if the atomic energy contract is excluded both orders received and in hand are slightly down on 1956-57

Mr Leslie Gamage has taken over the chairmanship from Sir Harry Railing, who is not standing for re-election to the board, and in a newly styled and much more informative set of accounts he makes a detailed statement about the group's recent dismal performance. He says that GEC's "considerable investment" in light electrical engineering differentiates it from its major competitors (with whom, he adds, GEC's results are sometimes "incorrectly compared") and that therefore its results are "very sensitive to immediate conditions." He cites the "unpleasant medicine" of the Government's disinflationary policies as affecting business in all GEC's departments and he confesses that the "increase in manufacturing efficiency" has not been sufficient to offset the rise in wages. It is a comment on the past as well as on the future when Mr Gamage says: "Our policy is to use the present period . . . to expedite in all our factories our programme of plant modernisation and, at the same time, to overhaul, cheapen and make more effective all our distribution methods." The top managerial executive of GEC has been reshaped.

PATONS AND BALDWINS

BUT for the Inland Revenue's carry-over provisions on profits tax, Patons and Baldwins would have paid a total ordinary dividend of 12½ per cent for the year to May 3rd compared with 15 per cent for 1956-57. What the directors did was to pay 5 per cent for 1957-58 and to declare in addition a special interim dividend of 7½ per cent for the current year. It would be reasonable, therefore, to calculate the yield on a 12½ per cent payment; at that rate the £1 units at 31s. 1½d.xd yield 8 per cent.

What are the chances that 12½ per cent will be paid for the current trading year? They are not unreasonable. The precipitate fall in trading profits from £4,927,194 to £1,424,620, marked the need, after wool prices had fallen by about 30 per cent, to write £2,140,105 off stocks; their book value is down from £13,242,998 to £10,283,203. Such a heavy write off is unlikely to be needed again this year; Mr J. S. Bullimore, the chairman, admits to "continuing uncertainty about wool prices" but argues that "present prices have reached a level at which the margin to the grower must be such that any further substantial fall appears unlikely." The volume of trade and the margin of profit on sales are likely to be the dominant influences over the dividend this year, though Mr Bullimore refers to an additional factor—the size of the group's capital commitments—that may affect the dividend decision. Last year the group sold less wool in weight at narrower profit margins and so far this year domestic and export sales are below the corresponding figures of last year, despite lower selling prices, while the volume of orders is still declining. A more reassuring pointer is the increasing interest that Patons and Baldwins is taking in synthetic fibres. Profits from trading may therefore fall again, but if there is no big write-down of stocks they could still be sufficient to cover a 12½ per cent dividend.

TIMBER PROFITS

COMPANIES dealing in timber, whether as importers, exporters or merchants, have had a difficult year. Most of them rely on the banks to finance their stocks, and when the banks restricted credit it was difficult to hold stocks off a falling market. When timber prices fell, stocks were written down, profits were reduced and ordinary dividends were cut. Timber is in surplus; consumption in this country has fallen with the reduction of activity in the building trade; and it is estimated that even less timber will be used this year than last. If, however, after their sharp fall early this year timber prices remain stable—and there is a hope that they may—the companies may not have to write down their stocks so heavily again. In that sense, the very worst may be behind them, though Mr W. J. Atley, the chairman of May and Hassell, argued that "the trade structure is fast crumbling" and that the inefficient firms will be eliminated.

	Previous year	Latest year
Churchill & Sim :*	£	£
Gross profit	131,539	146,695
Ordinary dividend	25%	25%
Price and yield (£1 stock)	*41s. 3d. : 12·1%*	
Denny, Mott & Dickson:*		
Gross profit	252,598	91,508
Ordinary dividend	18%	6%
Price and yield (5s. share)	*4s. 1½d. : 7·3%*	
May & Hassell :*		
Gross profit	358,002	228,323
Ordinary dividend	15%	15%‡
Price and yield (5s. share)	*6s. 3d.xd : 12·0%*	
Millars's Timber & Trading:†		
Gross profit	418,655	364,804
Ordinary dividend	16%	12%
Price and yield (10s. share)	*9s. 3d. : 13·0%*	
John Sadd :*		
Gross profit	85,186	29,752
Ordinary dividend	12½%	Nil
Price (1s. stock)	*1s.*	

* Years ended March 31st. † Year ended December 31st. ‡ Excluding centenary bonus of 2½ per cent; yield calculated on 15 per cent.

A loss on shipping, a considerable write down in stocks, and aggressive competition in the latter months of the year, all contributed to the fall in the consolidated profit of **May and Hassell** from £358,002 to £228,323 in the year to March 31st. Its ordinary dividend was left unchanged at 15 per cent and to it the directors added a centenary bonus of 2½ per cent. But Mr Atley said it was impossible to make any firm prophecy about the current year's trading.

The directors of **Denny, Mott and Dickson** attribute the sharp fall in gross profits from £252,598 to £91,508, bringing in its train a reduction in the ordinary dividend from 18 to 6 per cent, to, first, a write down in stock, due, they say, to lower prices "aggravated by the heavy fall in freight rates" (which, incidentally, has brought Canadian timber back into the British market) and, secondly, to "the abnormally high Bank rate and other measures restricting credit, resulting in a contraction in trade and severe competition."

Millars's Timber and Trading is principally concerned with the trade in hardwoods in Australia and it, too, has reported for the year to December 31st a fall in gross profits from £418,655 to £364,804, and the ordinary dividend has been reduced from 16 to 12 per cent. Until the prices of Australian commodity exports "rise to a more remunerative level," the directors say, "there will continue to be a curtailment in house-building and other Australian works where timber is used." Nevertheless, they expect the 1958 results to be "about the same" as those achieved last year.

Churchill and Sim is one of the very few timber concerns to report an increase in its profits. In the year to March 31st, its gross profits edged up from £131,539 to £146,695, enabling the directors to leave the ordinary dividend unchanged at 25 per cent. That increase would seem to be due to more satisfactory results in the company's plywood division, which like those of other timber companies, went through a bad patch in 1956.

In contrast, **John Sadd** has reported a fall in profits from £85,186 to £29,752 in the year to March 31st and the directors have passed the ordinary dividend, set at 12½ per cent for 1956-57. They explain that though sales were fully maintained and "average profits" were earned in the first half of the financial year, trading conditions deteriorated and selling prices fell after Bank rate was raised to 7 per cent last September. Competition was fierce and stocks at the end of the financial year had to be written down to replacement values, at a cost of about £20,000 to the profit and loss account.

LANCASHIRE COTTON

HOW far can diversification go? Diversification has become the catchword of the Lancashire cotton industry, as it is with other declining industries. Many of the leading companies in it have plenty of spare cash and among them Lancashire Cotton is not alone in proclaiming diversification as its policy. The question for the industry and for the shareholders in the companies concerned is whether the management, skilled in cotton, can adapt their skills to very different kinds of industrial activity. Lancashire Cotton, for instance, has recently announced that it has acquired all the capital of Accrington Brick and Tile and that it has made an offer of 9s. per share (which in the week before the bid rose from 6s. 6d. to 7s. 9d.) for all the 720,000 ordinary shares of 4s. each in Smith and Calverly, spinners, weavers, dyers and finishers of high-class woollen fabrics. Times are not easy either for the building industry or for the woollen industry, though both have better long-term prospects than cotton, so that this may be the right

moment to make a bid. But from cotton to bricks is a big step and so is the other across the Pennines from cotton to wool.

BRADFORD DYERS

THE loss caused to the Bradford Dyers Association by the disposal of the Egyptian concern, Beida Dyers, becomes more apparent as time passes. It cannot be measured simply in terms of the claim for £3 million which BDA has lodged with the Egyptian Government, following the sequestration of its interests. BDA has still to get its Egyptian capital back and meanwhile it has lost the income of a profitable concern which helped to protect its fortunes from the ups and downs in business at home. The loss to BDA may in fact be its greater vulnerability to trade fluctuations.

Last year its profits fell and its ordinary dividend was cut from 10 to 6 per cent. And now the directors have had to announce the passing of the interim dividend for 1958. They point out that the turnover of the group fell by 10 per cent in the first five months of the year, exactly in line with the fall in the volume of trade available to the cotton and rayon piece-dyers as a whole. Margins have been again reduced, producing a "serious drop" in profits, for, so the directors of BDA claim, the textile producers have borne more than their share of the reduced prices being offered by retail stores. In its printing section BDA has again been able to maintain its share of trade, but only at reduced margins of profit and only in a market where trade has shrunk by 14 per cent. Similarly, a fall of 11 per cent in the volume of trade available to the wool section has "seriously reduced profits." And, in addition, the group has had to face the heavy costs of transferring Ripleys Bowling Dyeworks to Brighouse, a move that the directors hope will result in greater efficiency.

The BDA directors are trying to regroup their resources to the changing pattern and smaller volume of trade, but they say "the immediate prospects of trade recovery are not at all promising." There is not a lot for shareholders to hope for this year and the £1 ordinary shares have fallen from 12s. 1½d. to 10s. 7½d.

BLACKBURN AND GENERAL AIRCRAFT

LAST May, Blackburn and General Aircraft delivered its last production "Beverley" aircraft to the RAF. It faces, then, the industry-wide problem of a run down in defence orders and it has plenty of productive capacity to spare. It does so after a year when sales (of which two-thirds relate to aircraft) were practically unchanged, when gross profits at £1,025,013 were only a few pounds higher than the 1956-57 figure of £1,018,491, when the tax-free ordinary dividend was left unchanged at 10 per cent, and when, following a reduction in stocks and work in progress, a net bank overdraft of £513,701 was turned into a cash balance of £389,794. Now, for the year to March 31st next, the chairman, Mr E. Turner, predicts smaller profits, though he hopes they will be about two-thirds of the 1957-58 figure, leaving the present dividend "well covered."

Nevertheless, Mr Turner is optimistic, indulging, perhaps, a little in singing in the rain. He says that the "prospects of the company in the aircraft field are bright." He attaches a good deal of weight to selling the naval strike aircraft, the NA 39, to other customers and to the company's own privately financed "Beverley" replacement, but Blackburn is far from being the only manufacturer with an eye on these markets. Mr Turner also speaks of the company's policy "to diversify activities in every possible way," for Blackburn is already engaged in building, the manufacture of mowers, rollers, agricultural equipment and of spare parts for "Jowett" motor cars (which went out of production some years ago). The success of this policy and, of far greater importance, the ability of the group to keep going as an aircraft manufacturer, will be tested in the not too distant future. And, like other aircraft shares, the 10s. ordinary units of Blackburn offer a high yield: at 15s. 3d. it is 11.6 per cent.

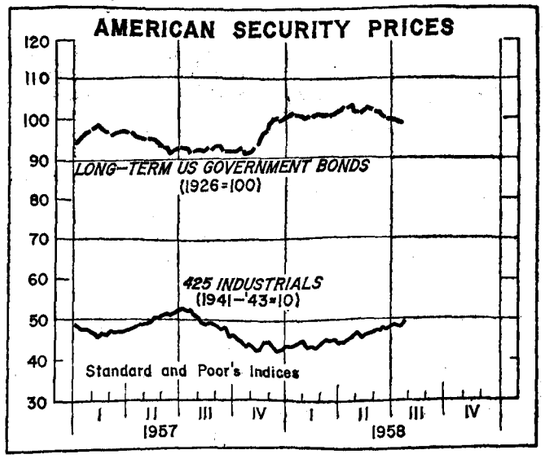
London Stock Exchange

FIRST DEALINGS:	July 16	Aug. 6	Aug. 20
LAST DEALINGS:	Aug. 5	Aug. 19	Sept. 2
ACCOUNT DAY:	Aug. 12	Aug. 26	Sept. 9

AFTER last week's heavy losses, markets recovered cautiously. The rise in the Treasury bill rate was anticipated, and in the week to Wednesday's close short-dated stocks showed mixed gains and losses. Persistent small gains in other issues followed the earlier sharp fall and this rise gathered strength on Thursday. On balance losses of ¼ were common, though 3 per cent Gas 1990-95 fell ¾ to 65¼ and among the irredeemables Old Consols dropped ⅜ to 50¼.

The usual Monday expansion of business was absent this week, but prices improved gradually to show net gains over the week; *The Economist* indicator rose 1.4 to 194.3, lifting it just above the peak reached before the Iraq crisis. Insurance shares recovered from sharp losses, London and Lancashire rose 3s. 9d. on balance to 112s. 6d., after falling 6s. 3d. last Thursday. Breweries were firm, Guinness advancing to a peak of 42s. 3d. Standard Motor gained 2¼d. to 7s. 6¾d. on the proposed increase in dividend, but other motor shares were mixed, BMC rising 3d. to 8s. 7¼d., while Ford declined slightly. Finance houses turned firm, Bowmaker advancing 1s. 3d. to 28s. 10½d. and Olds Discount 2s. to 28s. 6d. After violent fluctuations, Hudson's Bay closed 8s. 9d. higher at 183s. 9d. Television shares advanced strongly. Associated Television closed at 142s. 6d. after reaching 146s. 3d. Associated British Picture gained 1s. 10½d. to 26s. 4½d.

British Petroleum showed a net loss of 2s. 3d. to 100s. 3d., after repeated fluctuations. Shell rose 1s. 10½d. to 140s. 7½d. Trinidad oils rose, TPD gaining 7s. 6d. to 76s. 3d., but Lobitos fell 2s. 3d. to 16s. 3d. A heavy fall in gold shares was followed by a steady recovery. Copper mines and tins were a little firmer, but platinum producers weakened on the cut in the price of the metal.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
June 25	192·5	6·25				
July 2	190·3	6·32				
" 9	194·1	6·12				
" 16	192·9	6·17	194·3 (July 23)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 23	194·3	6·15				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
July 16	175·2	6·27	90·10	4·94	8,839	High 179·6 (June 23)	High 207·6 (July 9)
" 17	172·5	6·37	89·58	5·03	7,775		
" 18	173·5	6·26	89·65	5·00	7,648		
" 21	174·8	6·22	89·62	5·00	7,782	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
" 22	175·6	6·18	89·65	5·00	7,353		
" 23	176·4	6·16	89·82	4·98	7,763		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 16 1958	Price July 23 1958	Net Yield July 23 1958 §	Gross Yield July 23 1958
					£ s. d.	£ s. d.
98 18/32	96 7/32	War Loan 3%....1955–59	98⅜	98 11/32	3 2 10	4 2 0
95 7/8	90 3/8	Funding 2½%....1956–61	95⅝	95 9/32	3 0 7	4 4 9
99 5/8	96 13/32	Conversion 2½%....1958–59	99⅛	99 1/32	3 1 8	4 0 10
97 31/32	93 9/32	Exchequer 2½%.....1960	96 15/32	96 13/32	3 4 2	4 0 10
98 1/2	95 3/32	Exchequer 3%.....1960	98 1/32	98 3/32	2 8 8	4 0 10
99 1/2	95 3/32	Conversion 4½%....1962	99¼	99¼	2 15 4	4 13 0
94 1/2	88 3/8	Exchequer 3%....1962–63	93 3/32	93 11/32	3 1 10	4 9 0
100 1/2	99 1/32	Conversion 4½%.....1963	100 1/32	100 1/32	2 13 4	4 14 8
90 1/2	83 1/2	Savings Bds. 3%.1955–65	89*	88*	3 10 0	4 17 0
81 1/16	77 1/8	Funding 3%.....1959–69	81	80 3/4	4 0 1	5 10 0
89 1/4	86 3/8	Funding 4%.....1960–90	87½	86	11 1 0 / 2 19 6	13 3 9 / 5 4 17
79 1/2	75	Savings Bds. 3%.1960–70	73⅝	78 1/4	4 1 10	5 12 9
90 3/8	84 3/8	Exchequer 2½%..1963–64	90	89 5/8	3 8 7	4 12 0
82 1/4	78 3/8	Savings Bds. 2½%.1964–67	81⅜	81 1/4	4 0 10	5 5 7
73 1/2	69 3/8	Savings Bds. 3%.1965–75	72½*	71 1/8*	4 0 2	5 11 2
103 1/2	99 1/2	Exchequer 5½%....1966	102⅜	102 1/2	2 19 11	5 9 0
83 3/16	78 3/8	Funding 3%.....1966–68	81½*	81 1/4*	4 0 3	5 8 10
94 3/8	91 1/2	Victory 4%.....1920–76	93⅝	93 1/2	3 3 11	5 1 8
87	81 3/32	Conversion 3½%.....1969	86½	86	3 14 3	5 8 6
98 15/32	97 1/4	Conversion 5½%.....1974	97⅝	97 3/4	3 4 7	5 10 4
76 1/2	71 1/2	Treasury 3½%....1977–80	75⅝	75 1/2	3 13 6	5 9 6
76 3/8	70 3/8	Treasury 3½%....1979–81	74¾*	74 3/8*	3 13 9	5 9 6
101 1/2	98 1/2	Funding 5½%....1982–84	100	100 1/8	3 3 3	5 10 1
66 3/8	60	Redemption 3%...1986–96	65¾	65 1/4	3 7 6	5 2 11
72 15/32	64 3/8	Funding 3½%..1999–2004	71⅝*	73 3/8*	3 2 8	5 8 11
75 5/8	69 3/16	Consols 4% after Feb. 1957	73⅝*	66 3/8*	3 0 10	5 6 2
68 1/4	63 1/4	War Loan 3½% after 1952	67	66 1/4	3 1 1	5 7 0
68 1/4	62 3/8	Conv. 3½% after Apr. 1961	67¼	66 1/4	3 1 1	5 4 8
59 1/2	54 3/8	Treas. 3% after Apr. 1966	58⅜	58 1/2	2 19 9	5 4 8
51 1/2	46 3/4	Consols 2½%.....	50⅜	50 1/2	2 17 4	4 19 9
50 15/16	46 3/8	Treas. 2½% after Apr. 1975	49⅞	49 3/8	2 18 6	5 5 2
95 1/16	90 1/8	Br. Electric 4½%.1967–69	93¼*	92 3/8*	3 7 7	5 7 4
75 3/8	72 1/16	Br. Electric 3%....1968–73	75½	75	4 1 0	5 12 4
73 1/2	68 3/8	Br. Electric 3%....1974–77	72⅜	72 1/2	3 17 1	5 9 3
87 7/16	82 3/8	Br. Electric 4½%.1974–79	86⅛	86 3/8	3 8 1	5 9 1
77	72 1/16	Br. Electric 3½%.1976–79	76½	76 1/8	3 13 3	5 9 6
87 3/8	82 1/4	Br. Gas 4%.....1969–72	85⅝*	85 1/2*	3 12 4	5 9 6
84	79 1/4	Br. Gas 3½%....1969–71	83⅜	83 1/4	3 14 2	5 8 10
67	60 7/16	Br. Gas 3%.....1990–95	66½	65 3/4	3 7 10	5 2 9
75 7/8	72 1/16	Br. Transport 3%.1968–73	75½	75	4 1 0	5 12 4
84 1/16	79 1/4	Br. Transport 4%.1972–77	82¼	82 1/8	3 11 6	5 10 3
66 13/16	60 15/16	Br. Transport 3%.1978–88	66	65 1/4	3 12 7	5 6 8

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, July 16 1958	Price, July 23 1958	Yield, July 23 1958 §
					£ s. d.
88½	83	Agric. Mortgage 5%.....1959–89	87	87	5 18 5
79⅝	76½	Australia 3½%.....1965–69	78¼	78	6 0 10
95⅜	92½	Birmingham 5%.....1973–75	94	94	5 11 2
94½	90½	East Africa 5¾%.....1977–81	92½	92½	6 8 0
100⅜	95½	L.C.C. 5½%.....1934–2003	100⅜	100⅜	5 8 9
62¾	56	Met. Water Board 'B' 3%..1934–2003	62¼	62¼	5 3 6
82	78	New Zealand 4%.....1965–70	79¾	79¾	5 15 0
71½	69	S. Rhodesia 2½%.....1924	69¾	69¾	6 2 7
98½	83	German 7% (Br. Enfaced 5%)..1907	96¼	97	...
167½	160	Japan 5% (Enfaced).....1907	164½	163½	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 16, 1958	Price, July 23 1958	Yield, July 23 1958
		% %	BANKS & DISCOUNT			£ s. d.
29/9	28/–	4 a 5 b	Bk. Ldn. & S. Amer.£1	29/6	29/6	6 2 0
44/6	39/9	6 b 6 a	Barclays Bank.....£1	44/–*	44/–*	5 9 1
30/–	27/6	4 b 4 a	Barclays D.C.O. ...£1	29/6	29/3	5 9 5
43/6	35/6	7½a 7½b	Chartered Bank....£1	42/6	40/–	7 10 0
47/9	41/3	6½b 6½a	Lloyds Bank £1	46/–*	45/6*	5 14 4
64/6	57/6	9 b 9 a	Midland Bank £1	63/6*	63/3*	5 13 10
35/6	29/6	5 b 5 a	Nat. Discount 'B' ..£1	34/6*	34/3*	5 16 9
50/9	40/9	6½b 6½a	Union Discount....£1	49/9*	48/9*	5 2 6
			INSURANCE			
38/–	32/9	15 a 21½b	Commercial Union 5/–	34/–	34/9	5 4 11
132/6	113/9	40 a 60 b	Legal & General ..5/–	125/–	126/3	3 19 6
101/3	86/3	†20 a †50 b	Pearl.....5/–	87/6	87/6	6 19 0
176/3	154/–	†132½c †147½c	Prudential 'A' 4/–	167/6	170/–	6 0 10
			BREWERIES, ETC.			
36/6	31/–	36 b 10 a	Bass 5/–	35/–	35/6	6 9 8
24/7½	19/7½	7½a 12½b	Distillers.....6/8	23/10½	24/7½	5 8 3
42/3	37/–	15 b 10 a	Guinness.....10/–	41/7½	42/3	5 15 7
90/6	75/6	8 a 17 b	Whitbread 'A' £1	86/–	86/3	5 15 10
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½a 6½b	Bristol Aeroplane 10/–	9/6	9/2½	10 17 8
8/9	6/7½	12½c 4 a	British Motor.....5/–	8/4½	8/7½	7 5 0
40/9	31/9	3 a 6 b	Ford Motor £1	38/6	38/–	4 14 10
30/9	24/9	7 b 3 a	Hawker Siddeley...£1	27/9	28/9	6 19 3
44/9	39/–	12½c 12½c	Leyland Motors....£1	41/6	41/6	6 0 6
93/–	82/9	5 a 15 b	Rolls-Royce.....£1	87/9	88/–	4 11 0
8/1½	6/7½	8 c 8 c	Standard Motor...5/–	7/4½	7/6½	5 5 10

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 16, 1958	Price, July 23 1958	Yield, July 23 1958
		% %	STEEL & ENGINEERING			£ s. d.
49/3	41/10½	7 a 6½b	Babcock & Wilcox..£1	47/3	46/9	5 11 3
25/1½	21/7½	6 b 4 a	Dorman Long £1	23/9*	23/7½*	8 9 0
54/7½	45/–	5 a 10 b	Guest Keen N'fold..£1	53/4½	53/1½	5 13 0
35/3	28/3	†2 a †4 b	Alfred Herbert £1	34/1½	34/10½	5 19 10
54/6	41/–	4 a 7 b	Metal Box £1	54/–	53/7½	4 2 0
24/3	20/–	8 b 3 a	Stewarts & Lloyds..£1	23/9	23/6	9 7 3
57/3	48/–	5 a 13 b	Swan Hunter.....£1	53/–	53/–	6 14 7
21/6	17/9	7½b 4 a	United Steel.....£1	20/10½	20/10½	11 0 5
32/9	28/6	2½a 7½b	Vickers £1	31/–	31/7½	6 6 5
			ELECTRICAL			
52/–	47/–	15 c 2½a	Assoc. Elec. Inds...£1	50/–	50/–	6 0 0
45/9	39/3	4 a 8½b	Br. Ins. Callenders.£1	42/–	41/9	5 19 10
29/–	24/7½	4⅓c 6½a	Decca Record 4/–	25/7½	26/1½	6 14 0
37/3	28/–	15 c 15 c	Elect. & Mus. Inds.10/–	36/–	37/1½	4 0 10
56/3	44/6	4 a 10 b	English Electric ...£1	53/6	54/–	5 3 10
38/9	29/9	3½a 6½b	General Electric ...£1	32/9	32/6	6 3 0
			TEXTILES			
16/3	10/1½	6 c Nil a	Bradford Dyers....£1	12/4½	11/1½	...
23/3	19/6	2½a 6½b	Coats, J. & P. £1	20/1½	20/6	8 10 10
25/1½	19/7½	3 a 5 b	Courtaulds £1	23/4½	22/3	7 3 10
34/7½	29/10½	12½b 5 a	Lancashire Cotton..£1	33/6	34/1½	10 5 3
35/4½	30/–	12½c 7½a	Patons & Baldwins..£1	30/7½*	31/1½*	8 0 8
			SHOPS & STORES			
23/–	18/6	6 a 12 b	Boots Pure Drug..5/–	22/9	22/6	4 0 0
41/6	33/6	20 b 7½a	Debenhams 10/–	39/6	39/9	6 18 5
24/6	17/3	7½ g 25 b	Gt. Universal 'A'..5/–	22/9	21/7½	7 10 3
45/1½	37/3	10 a 22½b	Marks & Spen. 'A' 5/–	42/7½	43/6	3 14 10
27/1½	21/–	12½a 20 b	United Drapery...5/–	26/1½	26/6	6 2 8
42/10½	34/7½	26⅔b 13½a	Woolworth.....5/–	39/3*	40/6*	4 18 10
			SHIPPING			
36/7½	27/7½	6¼a 13½b	Brit. & Com'wealth 10/–	35/9	36/3‖	5 10 4
22/–	16/6	2 a 8 b	Cunard £1	22/–	22/–	9 1 10
33/3	27/3	9⅓c 10½c	Furness Withy.....£1	32/9	33/3	6 10 0
31/9	22/–	3 a 8 b	P. & O. Deferred...£1	31/9	31/6	6 19 8
			MISCELLANEOUS			
35/6	27/–	22½c 30 c	Allied Bakeries 'A' 5/–	33/9	33/9	4 8 11
39/9	31/–	3 a 6 b	Assoc. Port. Cem...£1	38/9	39/–	4 12 5
20/–	13¼½	11 a 9 b	Beecham Group....5/–	19/3	20/–	5 0 0
36/–	26/6	4½a 8 b	Bowater Paper £1	34/–	34/3	7 6 0
48/–	36/9	4 a 8 b	Br. Aluminium £1	44/9	47/–	5 2 3
47/10½	37/7½	†10 a †6⅔b	Br. Amer. Tob. ..10/–	46/9	46/3	6 5 5
26/–	19/9	7½a 17½b	B.E.T. 'A' Defd..5/–	25/–	26/–	4 16 3
36/9	28/3	6 b 4 a	Br. Oxygen £1	36/9	36/9	5 18 10
19/–	14½	3 a 11 b	Dunlop Rubber..10/–	17/9	18/7½	7 10 5
30/4½	24/3	4 a 8 b	Imp. Chemical.....£1	28/6‖	29/–‖	5 10 6
46/–	37/–	11½b 8½a	Imp. Tobacco £1	45/3	46/–	8 14 0
37/6½	28/–	5 b 2½a	J. Lucas (Inds.)....£1	37/–	37/–	7 4 2
16/1½	12/6	5 a 8½b	Monsanto Chem...5/–	14/10½	14/6	4 13 3
14/9	13/7½	5 b 5 a	Ranks.....10/–	14/6	14/6	6 18 0
38/3	27/9	5 a 9 b	A. E. Reed.....£1	37/9	38/6	7 5 5
14/3	11/8½	22½c 22½c	Sears Holdings 'A' 5/–	12/1½	12/3	9 3 10
56/6	48/9	12 b 4½a	Tate & Lyle.....£1	56/–	56/6	5 16 10
55/9	48/6	7½b 7½a	Tube Investments..£1	55/–	55/3	5 8 8
64/–	52/1½	12½b 5 a	Turner & Newall...£1	60/6	63/1½	4 15 0
80/4½	70/6	6 a 11½b	Unilever Ltd.....£1	76/9	78/6	4 9 3
104/6	77/–	4 a 16 b	United Dominions..£1	101/–	100/–	3 4 0
31/–	26/–	†4½a †10 b	United Molasses .10/–	29/11½	31/–	7 19 0
			OIL			
113/6	79/6	†5 a †10 b	British Petroleum..£1	102/6	100/3	5 4 3
78/–	59/1½	†5 a †7½ b	Burmah £1	68/1½	66/10½	6 14 5
£17⅜	£13⅞	7½a 17½b	Royal Dutch....20 fl.	£15½	£15⅝	2 19 8
151/3	117/6	†5 a †13⅔b	Shell £1	138/9	140/7½	4 12 10
74/6	41/6	... ...	Ultramar 10/–	68/6	69/–	... d
			MINES, ETC.			
148/9	115/–	20 a 60 b	Anglo-American .10/–	145/–	146/3	5 9 5
23/6	19/6	†2½a †10 b	Cons. Tea & Lands..£1	22/6	22/6	19 6 5
51/6	41/6	6½a 12½b	Cons. Zinc Corp. ...£1	47/6	49/–	7 13 0
104/4½	80/7½	80 a 120 b	De Beers Def. Reg. 5/–	102/6	102/6	9 15 2
93/9	76/–	20 b 40 a	Free State Geduld .5/–	90/–	89/4½	3 7 2
7/6	6/6	30 c 30 c	London Tin 4/–	6/9	6/7½	18 2 4
54/6	46/6	50 a 50 b	President Brand ..5/–	54/3	54/–	9 5 2
17/6	12/10½	16⅝b 1⅜a	Rho. Selection Tst. 5/–	15/3	15/1½	...
28⅜	20	175 b 25 a	Rhokana Corp. £1	25½	25½	...
54/6	46/–	12½a 37½b	United Sua Betong..£1	52/6	52/3	...
101/10½	84/4½	60 b 60 a	Western Holdings .5/–	97/6	98/1½	6 2 4

New York Closing Prices $

	July 16	July 23		July 16	July 23		July 16	July 23
Alcoa.....	73⅛	76⅜	DuPontdeNm.	185⅝	191	N.Y. Central .	16⅜	18
Alumin'm Ltd.	27½	28½	Ford Motors..	40⅞	41	Sears Roebuck	29¼	29⅞
Am. Smelting.	45½	45	Gen. Elect....	60⅛	62½	Shell Oil	78½	81
Amer. Tel. ...	178⅜	179½	Gen. Motors..	40½	42½	Std. Oil of N.J.	52⅝	53⅜
Anaconda	45⅜	47	Goodyear	84	87⅜	Tri-Conti'tal..	34	35
Beth. Steel ...	42	44¾	Gulf Oil.....	110½	110⅜	Union Carbide	93	100⅜
Can. Pacific ..	27½	28⅜	Int. Bus. M...	359½	366½	U.S. Steel	66¼	69⅜
Chrysler Cpn..	47⅛	48½	Int'l. Nickel ..	78½	82	West'house E.	56⅜	59½
Crown Zeller..	48⅜	47⅞	Int'l. Paper ..	101	102½	Woolworth...	48	48½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (i) On 15%. (j) On 8%. (l) To latest date.

STATISTICS

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

World Trade ..... July 19th

British		Overseas	
Prices and Wages.....	July 5th	Western Europe :	
Production and Consumption	This week	Production and Trade.....	June 28th
Manpower.....	July 12th	British Commonwealth	July 12th
External Trade.....	June 28th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	July 19th	United States	July 5th

UK Production and Consumption

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

		Unit	Monthly averages			1957			1958			
			1955	1956	1957	Mar.	Apr.	May	Feb.	Mar.	Apr.	May
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948=100	137	136	138	145	134	145	144	146	135	138–139[8]
„ „ *seasonally adjusted*		„	...	...	...	*138*	*137*	*140*	*139*	*139*	*138*	*137–138*[8]
Mining and quarrying		„	108	109	109	119	110	120	117	116	107	...
Building and contracting		„	116	123	123	122[6]	...	124[6]	121[6]	...	...	...
Gas, electricity and water		„	153	160	163	168	157	155	195	194	171	...
Manufacturing, total		„	142	140	143	149	138	151	148	149	137	...
„ „ *seasonally adjusted*		„	...	...	...	*141*	*140*	*144*	*143*	*142*	*140*	...
Engineering, shipbuilding, electrical goods		„	155	151	156	159	144	160	...	...	...	...
Vehicles		„	172	160	165	174	155	179	180	178	...	...
Chemical trades		„	179	185	192	201	191	198	198	200	...	...
Textiles and clothing		„	116	117	116	131	116	125	121	120	...	...
Food, drink and tobacco		„	117	121	123	121	123	136	120	126	...	...
BASIC MATERIALS												
Production of :												
Coal (1) (2)	W	'000 tons	4,250	4,269	4,301	4,665	4,316	4,726	4,579	4,556	4,230	4,414
Pig iron	W	„	240	253	275	277	277	284	273	268	257	250[10]
Steel, ingots and castings	W	„	381	397	417	431	430	443	428	432	408	379[11]
Sulphuric acid	M	„	174·6	187·2	194·7	216·3	199·1	199·5	189·8	207·6	185·9	...
Newsprint	W	„	11·91	12·36	12·55	14·04	12·96	13·61	12·01	11·84	12·75	...
Electricity (1)	M	mn. kwh	6,679	7,263	7,581	7,788	7,117	7,248	8,726	9,448	7,960	7,324
MANUFACTURING												
Textile production :												
Cotton yarns, single	W	mn. lb.	16·91	16·33	16·85	18·16	16·59	18·48	17·38	17·14	15·00	15·03
Worsted yarn	M	„	18·48	19·38	19·48	21·15	19·08	22·49	17·23	17·78	16·42	15·80
Rayon and synthetic fibres, total	M	„	39·32	40·21	41·32	45·03	42·49	48·94	35·72	36·83	36·94	36·22
„ „ „ „ staple fibre	M	„	19·94	21·31	21·93	24·44	22·84	25·90	18·96	19·66	20·92	19·65
Cotton cloth, woven	W	mn. yds.	34·3	31·0	31·4	34·2	31·8	33·7	32·1	31·6	28·0	...
Wool fabrics, woven	M	mn.sq.yds	34·2	33·1	32·8	35·1	31·0	36·1	30·9	30·4	25·8	25·9
Engineering production :												
Passenger cars and chassis	W	'000s	17·26	13·61	16·56	13·94	15·19	19·10	20·87	21·85	20·31	21·57
Commercial vehicles and chassis	W	„	6·53	5·71	5·54	5·38	4·77	5·87	6·87	6·57	5·81	6·40
Metal-working machine tools	M	'000 tons	12·52	12·90	14·10	13·71[9]	...	14·08[9]	13·99[9]	...	...	...
Internal combustion engines	M	'000 BHP	408	411	406	464	389	428	420	436	...	...
BUILDING ACTIVITY (1)												
Permanent houses completed :												
Total	M	'000s	26·42	25·03	25·09	30·30	23·91	27·73	20·09	24·64	21·71	23·47
By private builders	M	„	9·46	10·35	10·54	10·04	10·52	11·22	8·79	10·07	9·90	10·31
By local housing authorities	M	„	15·98	13·86	13·83	18·07	12·50	15·75	11·00	14·17	11·32	12·77
Other	M	„	0·98	0·82	0·73	2·20	0·90	0·76	0·31	0·40	0·49	0·39
WHOLESALE SALES												
Textile houses :		Av. value										
Total home sales		1950=100	98	101	101	118	103	98	84	112	95	99
Women's and children's wear		„	98	102	101	124	104	98	85	119	96	95
Men's and boys' wear		„	94	99	99	114	105	100	67	111	100	93
Piece-goods		„	62	63	64	84	65	63	86	82	64	89
RETAIL SALES (1)		Weekly										
All kinds of business :		av. value										
All retailers		1950=100	139	146	153	143	147	150	140	150	149	154
Independent retailers		„	136	140	146	136	140	142	134	142	141	146
Multiple retailers		„	152	162	173	157	163	167	154	168	167	178
Co-operative societies		„	142	154	164	162	159	166	161	167	164	168
General department stores		„	117	121	127	112	120	120	95	115	123	120
By kind of shop :												
Food		„	148	156	163	158	160	163	162	167	165	169
Clothing and footwear		„	121	127	131	111	126	130	98	114	125	135
Household goods		„	151	153	166	155	151	160	152	157	153	160
STOCKS												
Basic materials :												
Coal, distributed (1)		'000 tons	18,340	17,893	18,765	16,167	16,254	17,094	16,114	15,065	14,936	16,143
Steel (3)		„	1,365	1,573	1,582	1,486	1,551	1,581	1,502	1,554	1,609	...
Copper (4)		„	76·2	59·6	91·5	61·7	71·1	61·9	89·2	94·3	88·6	...
Sulphur (5)		„	66·6	84·6	97·2	87·3	85·0	95·4	73·9	80·7	68·9	...
Newsprint (7)		„	105·0	133·6	145·6	124·6	128·2	138·6	134·4	109·4	104·8	...
Textiles :		Av. value										
Wholesale houses, total (1)		1950=100	90	95	95	121	115	113	123	122	117	115

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks. (5) Average for first quarter. (6) Average for second quarter. (7) From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. (8) For sulphuric acid only, including filter cake from May, 1958. (9) Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent. (10) Figure for June, 243,000 tons. (11) Figure for June, 374,000 tons.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
WHOLESALE PRICES (1) (1953 = 100)													
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94	...
1956	110	104	106	102	103	129	101	102	104	109	108	139	107
1957	114	106	106	108	105	130	108	103	107	113	110	...	106
1958, January	111	105	105	120	106	129	110	103	107	111	109	...	97
„ February	111	104	105	120	106	128	111	102	106	111	108	...	96
„ March	111	103	105	120	106	126	112	102	106	111	108	...	95
„ April	110	102	104	120	106	125	...	102	...	111	108	...	95
„ May	110	...	...	124	...	...	...	...	...	...	...	...	93[3]
COST OF LIVING (2) (1953 = 100)													
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	89	77
1956	108	104	113	103	105	126	107	109	108	109	109	135	112
1957	112	107	116	106	106	129	112	110	114	112	113	152	116
1958, January	113	109	116	117	110	131	...	112	117	114	117	...	118
„ February	113	108	...	119	110	130	115	112	117	114	118	...	118
„ March	113	108	...	120	110	130	...	112	117	114	118	...	119
„ April	112	108	117	121	110	130	...	...	118	117	119	...	120
„ May	...	108	...	121	...	...	...	...	...	...	...	...	120[3]
IMPORT PRICES (5) (1953 = 100)													
1948	37	84	84[5]	59	...	...	82	98	85	80	72	113	75
1956	97	99	102	102	102	124	106	105	102	102	103	...	104
1957	98	102	103	111	103	127	112	110	108	109	106	...	106
1957 December	97	97	102[15]	120[15]	100	129	112	107	104	107	104[16]	...	100
1958, January	96	96	...	...	99	124	112	104	104	109	...	...	99
„ February	95	...	...	118	98	119	112	105	103	109	104	...	98
„ March	92	...	...	...	97	118	110	...	102	109	...	...	97
„ April	92	...	...	...	96	...	...	...	...	...	...	...	98[3]
EXPORT PRICES (5) (1953 = 100)													
1948	42	95	91[5]	68	...	...	78	103	97	84	76	91	77
1956	105	103	104	99	101	143	96	104	102	115	103	...	105
1957	105	106	102	106	103	140	98	105	105	119	105	...	110
1957, December	107	102	103[15]	113[15]	103	141	100	105	105	124	106[16]	...	110
1958, January	99	106	...	...	105	129	99	107	104	115	...	...	109
„ February	105	103	...	117	105	136	99	107	104	112	104	...	110
„ March	102	...	...	...	102	142	99	...	104	114	...	...	109
„ April	103	...	...	...	104	...	...	...	...	...	...	...	109[3]

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras	'000 mn. £
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715	5·12
1956	29·71	198·9	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,865	9·90	6,031	5·76
1957	32·10	198·4	7,902	7,152	35·8	...	165·5	5,241	9,026	6,887	10·13	...	5·71
1958, January	31·47	192·2	7,893	7,012	34·4	...	161·3	...	8,920	6,765	9·28	...	5·51
„ February	31·80	193·1	8,095	6,966	34·9	...	157·3	...	9,018	6,722	9·14	...	5·26
„ March	32·05	197·0	8,038	7,011	35·2	...	158·9	5,044	9,045	6,411	9·10	...	5·25
„ April	32·55	...	8,445	...	35·9	...	160·3	...	9,157	6,626	9·43	...	5·31
„ May	32·80	...	...	...	...	...	157·9	...	...	...	9·06	...	5·27

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192	1,856
1956	406	1,143	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230	2,133
1957	510	1,132	171·9	775	5,644	196·4	258	1,532	1,056	184·2	456	315	2,273
1958, January	514	1,148	169·6	...	5,558	198·8	249	1,549	1,109	173·9	450	317	2,404
„ February	511	1,177	168·1	...	5,530	198·4	251	1,581	1,248	174·6	434	300	2,539
„ March	511	1,214	172·1	...	5,558	...	253	...	1,237	191·2	436	305	2,770
„ April	507	1,259	181·5	...	5,622	...	251	...	1,239	194·3	431	294	2,914
„ May	513	1,321	184·5	...	5,771	...	252	...	1,274	192·0	443	275	3,039

(1) Athens and Piraeus only for Greece, Ireland from 1955 onwards are for home-produced goods only; Germany, F.R. are producers' prices of industrial products; United Kingdom are prices of basic materials in non-food industries only. (2) July-December. (3) In capital cities only for Austria, France, Greece and Turkey; Austria and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) June, 94. (11) June, 121. (12) May, 97; June, 98. (13) May, 109; June, 109. (14) June, 3,076. (15) Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended July 19, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £20,377,000 compared with a surplus of £6,914,000 in the previous week and a deficit of £13,831,000 in the corresponding period of last year. There was a net expenditure "below-line" of £5,482,000 leaving a total deficit of £277,098,000 compared with £253,263,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to July 20, 1957	April 1, 1958, to July 19, 1958	Week ended July 20, 1957	Week ended July 19, 1958
Ord. Revenue					
Income Tax	2312,500	372,509	403,752	22,968	27,143
Surtax	163,000	28,100	27,800	1,100	1,100
Death Duties	163,500	60,800	57,100	4,200	5,600
Stamps	56,250	20,900	16,600	1,800	1,100
Profits Tax, EPT & EPL	275,000	55,500	68,400	4,600	4,500
Other Inland Rev. Duties	...	50	70	...	...
Total Inland Rev.	2970,250	537,859	573,722	34,668	39,443
Customs	1256,940	369,125	392,593	22,597	24,681
Excise	932,310	232,095	239,765	4,065	3,430
Total Customs and Excise	2189,250	601,220	632,358	26,662	28,111
Motor Duties	104,000	14,280	14,828	147	159
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	5,600	6,000	...	...
Sundry Loans	30,000	12,404	11,375	...	615
Miscellaneous	110,000	60,589	14,144	389	636
Total	**5439,500**	**1231,952**	**1252,427**	**61,867**	**68,964**
Ord. Expenditure					
Debt Interest	695,000	168,959	171,595	...	...
Payments to N. Ireland Exchequer	73,000	18,245	19,607	...	...
Other Cons. Funds	10,000	4,051	3,439	368	1
Supply Services	4259,584	1163,958	1196,020	74,950	88,950
Total	**5037,584**	**1355,212**	**1390,661**	**75,318**	**88,951**
Sinking Funds	38,000	8,711	9,050	380	390
"Above-line" Surplus or Deficit	—	—	—	—	—
"Below-line" Net Expenditure*	131,971	147,284	13,831	20,377	
	121,292	129,814	21,379	5,482	
Total Surplus or Deficit*	**253,263**	**277,098**	**35,210**	**25,859**	
Net Receipts from:					
Tax Reserve Certificates	74,198	81,187	199	941	
Savings Certificates	5,600	16,700	−1500	2,500	
Defence Bonds	−4,909	15,694	−604	1,970	
Premium Savings Bonds	21,870	19,025	1,800	1,110	

* Including net receipts of Civil Contingencies Fund totalling £11 mn. in 1957 and £16 mn. in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
July 20	2,980·0	1,784·9	242·7	0·5	5,008·1
1958					
April 19	3,120·0	1,580·5	252·0	...	4,952·4
„ 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·5	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
„ 12	3,280·0	1,611·2	197·9	...	5,089·1
„ 19	3,260·0	1,615·1	228·2		5,103·2

THE MONEY MARKET

THE Treasury bill rate leaped upward at the tender on Friday of last week. The discount houses reduced their common bid by 1s. 3d. per cent, denoting a rise in their discount rate of ¼ per cent. The extent of this move was somewhat larger than had been expected, and the market's proportionate allotment at the minimum bid dropped from 43 to 40 per cent, despite a fall, by £28.5 million to £424.3 million, in the total of applications. The average rate of discount on the whole allotment rose by 4s. 7½d. to £4 4s. 11.39d. per cent. This was still 10d. below the rate immediately after last month's reduction to 5 per cent Bank rate.

Credit has been fairly tight, and the discount market's margins on resales of bills to the banks have been cut rather fine. At times of stringency, the banks have succeeded in buying at 4⅞ per cent. Rates on overnight money have commanded up to 4⅞ per cent. The market was "in" the Bank twice in the week to Wednesday, but the loans taken were very small. On Thursday before the week-end, the authorities gave large special help through market purchases.

The Bank return shows an increase in the fiduciary issue of £50 million, to last December's peak of £2,150 million, to accommodate the holiday outflow of notes. In the past four weeks, this has reached £67.4 million, compared with £54.7 million in the corresponding weeks of last summer.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 19/6/58)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅞–4⅝
Bank	3	3 months	4⅞–4⅝
Discount houses	3*	4 months	4⅞–4⅝
Money Day-to-Day	3½–4⅛	6 months	4⅝–4⅞
Treas. bills 2 months	4⅛	Fine trade bills:	
3 months	4⅛	3 months	5–5⅛
		4 months	5–5⅛
		6 months	5⅛–6

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	July 24, 1957	July 16, 1958	July 23, 1958
*Issue Department**:			
Notes in circulation	2,040·2	2,078·9	2,105·7
Notes in banking dept.	10·1	21·5	44·7
Govt. debt and securities*	2,046·2	2,096·2	2,146·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·0	10·7	12·3
Bankers	208·5	212·1	204·1
Others	75·7	72·9	71·3
Total	295·2	295·7	297·7
Securities:			
Government	257·9	258·5	224·7
Discounts and advances	24·1	12·7	15·1
Other	18·8	19·0	19·1
Total	300·8	290·2	258·9
Banking department reserve	12·6	23·8	47·0
"Proportion"	% 4·2	% 8·0	% 16·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,150 million from £2,100 million on July 23, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
July 19	250·0	416·0	250·0	76 9·94	36
1958					
April 18	240·0	406·3	240·0	104 0·93	49
„ 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	59
„ 13	270·0	413·0	270·0	90 1·77	65
„ 20	260·0	414·1	260·0	85 9·63	42
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
„ 11	240·0	452·8	240·0	80 3·79	43
„ 18	240·0	424·3	240·0	84 11·39	40

* On July 18th tenders for 91 day bills at £98 18s. 8d secured 40 per cent, higher tenders being allotted in full. The offer this week was for £240 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: July 23	Market Rates: Spot: July 17	July 18	July 19	July 21	July 22	July 23
United States $	2·78–2·82	2·79 1/16–2·80 1/16	2·80 1/16–2·80 1/16	2·80 1/16–2·80 1/16	2·80 1/16–2·80 1/16	2·80 1/16–2·80 1/16	2·80 1/16–2·80 1/16
Canadian $	...	2·68 11/16–2·68 13/16	2·68 11/16–2·68 13/16	2·68 1/16–2·68 1/16	2·68 11/16–2·68 13/16	2·68 1/16–2·68 1/16	2·68 11/16–2·69 1/16
French Fr.	1167·18–1184·82	1172 1/2–1173	1174–1174 1/2	1174 1/2–1174 5/8	1174 1/8–1174 5/8	1174–1174 1/2	1173 1/2–1174
Swiss Fr.	12·15 3/16–12·33 3/16	12·17–12·17 1/16	12·18 1/16–12·18 1/16	12·18 1/16–12·18 1/16	12·19–12·19 1/16	12·19–12·19 1/16	12·19–12·19 1/16
Belgian Fr.	138·95–141·05	138·97 1/2–139·02 1/2	139·02 1/2–139·07 1/2	139·02 1/2–139·07 1/2	139·05–139·10	139·02 1/2–139·07 1/2	139·05–139·10
Dutch Gld.	10·56–10·72	10·56 1/16–10·56 1/8	10·56 1/16–10·56 1/8	10·56 1/16–10·56 1/8	10·56 1/16–10·56 1/8	10·56 1/16–10·56 1/8	10·56 1/16–10·56 1/8
W. Ger. D-Mk.	11·67 3/16–11·84 13/16	11·67 1/16–11·67 1/8	11·67 1/16–11·67 1/8	11·67 1/16–11·67 1/8	11·67 1/16–11·67 1/8	11·67 1/16–11·67 1/8	11·67 1/16–11·67 1/8
Portuguese Esc.	79·90–81·10	80·10–80·30	80·10–80·30	80·10–80·30	80·10–80·30	80·10–80·30	80·30–80·50
Italian Lire	1736 1/2–1762 1/2	1736 1/2–1737 1/2	1737–1737 1/2	1736 1/2–1737 1/2	1736 1/2–1737 1/2	1736 1/2–1737 1/2	1736 1/2–1737 1/2
Swedish Kr.	14·37 1/2–14·59 1/2	14·39 1/2–14·40	14·40 1/2–14·40 1/2	14·40 1/2–14·40 1/2	14·41–14·41 1/4	14·41 1/2–14·41 1/4	14·41 1/2–14·41 1/4
Danish Kr.	19·19 1/2–19·48 1/2	19·33 1/2–19·33 1/2	19·33 1/2–19·33 1/2	19·33 1/2–19·33 1/2	19·33 1/2–19·33 1/2	19·33 1/2–19·33 1/2	19·33 1/2–19·33 1/2
Norwegian Kr.	19·85–20·15	19·99–19·99 1/2	19·99–19·99 1/2	19·99–19·99 1/2	19·98 1/2–19·99 1/2	19·98 1/2–19·99 1/2	19·98 1/2–19·99
One Month Forward Rates							
United States $		1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm
Canadian $		1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm	1/16–1/8 c. pm
French Fr.		2–5 dis	3–6 dis	3–7 dis	3–7 dis	3–7 dis	3–7 dis
Swiss Fr.		3 1/2–2 1/2 c. pm	2 1/2–2 1/2 c. pm	2 1/2–2 1/2 c. pm	2 1/2–2c. pm	2 1/2–2c. pm	2 1/2–2c. pm
Belgian Fr.		1/2 pm–par	1/2 pm–par	1/2 pm–par	1/2 pm–par	1/2 pm–par	1/2 pm–par
Dutch Gld.		1 1/2–1c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm
W. Ger. D-Mk.		2 1/2–1 1/2 pf. pm	1 1/2–1 1/2 pf. pm	1 1/2–1 pf. pm	1 1/2–1 pf. pm	1 1/2–1 pf. pm	1 1/2–1 pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–par
Swedish Kr.		15 pm–par	15 pm–par	15 pm–par	15 pm–par	15 pm–par	15 pm–par
Danish Kr.		25 pm–par	25 pm–par	25 pm–par	25 pm–par	25 pm–par	25 pm–par
Norwegian Kr.		25 pm–par	25 pm–par	25 pm–par	25 pm–par	25 pm–par	25 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/10 1/2	250/11	...	250/6 1/2	250/6 1/2	250/8 1/2

PENSION POINTS: 4

The Pensions Problem: a summing up

Plans for a higher standard of state pensions and how this can best be achieved are being widely discussed. In this series of advertisements the Life Offices' Association and Associated Scottish Life Offices draw attention to some aspects of the problem which they believe to be important.

1 The state pension scheme should be confined to meeting basic needs. Consequently, if some grading of pensions by earnings—with graded contributions—is thought to be desirable, the graded pension element must be kept small.

Basic need is with us now and is not something that grows over 40 or 50 years. Any scheme to cover basic needs should therefore mature quickly—benefits emerging quickly. This means pay-as-you-go financing on traditional National Insurance lines, pensions being largely met out of current contributions.

2 The rights of those already covered by occupational pension schemes need careful consideration. Any extension of the state scheme might have serious and far-reaching effects.

Even if suitable schemes were allowed to operate as alternatives to any graded extension of the state scheme, financial and administrative difficulties would in many cases make this unworkable. An over-ambitious state scheme would prejudice existing schemes by adding to inflationary pressure and thus reducing the real value of benefits.

3 Simple arrangements should be made to facilitate the extension of occupational pension schemes to those in small firms. The particular problem of the 'casual' and 'mobile' workers needs investigation.

Certain extensions of the provisions of the Finance Act 1956 would make it much easier to arrange pension schemes for the employees of small firms quickly and effectively. The special problem of 'casual' and 'mobile' workers calls for investigation by Government to determine whether special arrangements—on a voluntary basis—are needed to help them supplement their state pensions.

There are now some 9,000,000 people in occupational pension schemes and the annual addition to net savings amounts to over £300 million. The full development of such schemes is in the best interests of the national economy.

Issued by

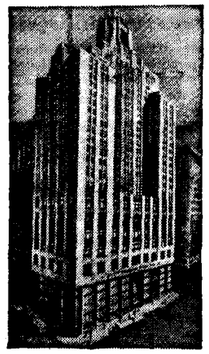
THE LIFE OFFICES' ASSOCIATION

53, KING STREET, CHEAPSIDE, LONDON, E.C.2. *Established 1889*

and

ASSOCIATED SCOTTISH LIFE OFFICES

23, ST. ANDREW SQUARE, EDINBURGH, 2. *Established 1841*



A REPORT FROM

The Philadelphia *Inter*-National Bank

STATEMENT of CONDITION
June 30, 1958

RESOURCES

Cash and Due from Banks	$ 317,499,020.14
U.S. Government Securities	219,329,413.22
State and Municipal Securities	81,068,844.50
Other Securities	20,857,005.68
Loans and Discounts	434,849,050.50
Bank Buildings and Leasehold Improvements	13,786,431.10
Customers' Liability Account of Acceptances	5,896,114.44
Other Resources	4,905,855.87
	$1,108,190,735.45

LIABILITIES

Deposits		$ 995,718,237.67
Acceptances	$14,252,048.74	
Less Amount held in Portfolio	7,943,231.60	6,308,815.14
Reserve for Taxes		4,992,712.29
Reserve for Dividend (Payable July 1, 1958)		1,191,515.63
Other Liabilities		11,929,577.34
Capital Stock ($10.00 Par Value)	$26,478,125.00	
Surplus	48,521,875.00	
Undivided Profits	13,139,877.38	88,139,877.38
		$1,108,190,735.45

FREDERIC A. POTTS,
President

T. GRAYDON UPTON,
Vice President and Manager

FOREIGN DEPARTMENT
THE PHILADELPHIA NATIONAL BANK
Organized 1803
Philadelphia, Pa., USA
Cable Address: "PHILABANK"
Member Federal Deposit Insurance Corporation

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CRÉDIT LYONNAIS

Limited Liability Company incorporated in France

LONDON OFFICE 40 LOMBARD ST., E.C.3
WEST END BRANCH
25/27, CHARLES II STREET, HAYMARKET, S.W.1
Private Safes for rental at this Office

ALL BANKING TRANSACTIONS

TRAVELLERS' CHEQUES ISSUED IN FRENCH FRANCS PAYABLE AT ALL BRANCHES OF THE BANK IN FRANCE AND THE FRENCH FRANC AREA.

BRANCHES IN FRENCH WEST AFRICA, NORTH AFRICA, THE SUDAN, AND IN SYRIA

AFFILIATIONS IN
BRAZIL, IRAN, LEBANON, PERU, PORTUGAL, REUNION ISLAND AND VENEZUELA.

Head Office PARIS Registered Office LYONS

Habib Bank Limited

Established 1941

Head Office: KARACHI (PAKISTAN)

Authorised Capital	... ...	**Pak. Rs. 40,000,000**
Issued & Subscribed Capital	...	**Pak. Rs. 20,000,000**
Paid-up Capital	... ...	**Pak. Rs. 20,000,000**
Reserve Funds	... ...	**Pak. Rs. 20,000,000**
Deposits as on Dec. 31 1957	...	**Pak. Rs. 597,000,000**

With a network of 78 branches in all the important trade centres of East and West Pakistan, Habib Bank Limited is in a position to assist those desiring to establish contacts for exports or imports. The Bank's services are always available for any banking requirements in Pakistan.

The Bank is fully competent to handle all foreign exchange business including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCH
BOMBAY (INDIA)

Habib Bank (Overseas) Limited

Head Office: KARACHI (PAKISTAN)

Branches:—1. Aden 2. Colombo 3. Mombasa & 4. Rangoon.

Correspondents & Agents in all important Cities of the World.

BANK MELLI IRAN

(NATIONAL BANK OF IRAN)
Incorporated by law in 1927
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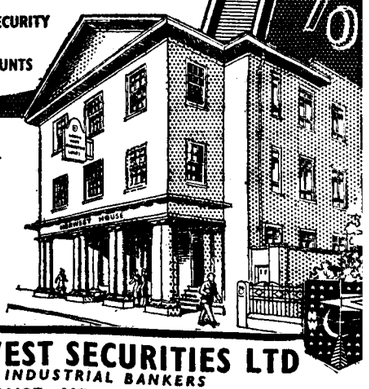

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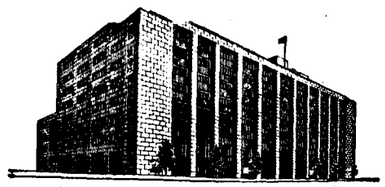

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COMPANY MEETINGS

PATONS AND BALDWINS LIMITED

RESULTS NOT UNSATISFACTORY IN DIFFICULT CONDITIONS

MR J. S. BULLIMORE ON THE POSITION

The annual general meeting of Patons and Baldwins Limited will be held on August 20th at Darlington.

The following is the Statement by the Chairman, Mr J. S. Bullimore, circulated with the report and accounts for the year ended May 3, 1958:

This is the first occasion on which I am privileged to address you as Chairman of the Company. You will recall that at this time last year Mr Philip A. Wright announced his intention to retire from the chairmanship of the Board after the last annual meeting, and my fellow directors then did me the honour of electing me his successor.

I think it is opportune to put on record now an appreciation of the great contribution Mr Wright has made to the development of the Company, and also the initiative and vision he has shown in guiding it so successfully. We are very glad that Mr Wright is able to continue as a member of the Board so that his wide experience and intimate knowledge of all sides of our business remain available to us. I personally very much appreciate his help.

Last January the Directors invited Mr Charles Hansen to become a member of the Board. Mr Hansen has some thirty years' service with the Company, and for the past ten years has been Production Efficiency Manager. As a result he has an intimate knowledge of all sides of our production and its many problems, and I am sure he will make a very valuable addition to our Board. In accordance with the Articles of Association, Mr Hansen retires from the Board at the annual general meeting, and being eligible offers himself for re-election, for which purpose I commend him to you.

THE RESULTS OF THE YEAR AND THE WRITE DOWN ON STOCKS

In the Statement which accompanied the accounts for the year to April 27, 1957, the paragraph on the future outlook said that the year 1957/58, upon which I now have to report, had started satisfactorily with maintained sales of handknitting wools both at home and abroad, and that there was uncertainty as to the trend of wool values which was causing some hesitancy in the booking of manufacturing yarn contracts. This was the position in July, 1957, and so it continued until just after the Company's annual meeting in August. It will be recalled that in September the worsening international balance of payments position, with resultant speculation against and doubts as to the stability of sterling, prompted HM Government to take protective measures by raising Bank Rate to the almost unprecedented level of 7 per cent and the intensification of the credit squeeze through a tighter hand on bank finance. The record sales of the Company in the home market, and indeed of the P. & B. Group as a whole, of last year inevitably meant that the pipeline to the ultimate consumer was, as circumstances turned out, perhaps rather over-full, and the first and natural result of tighter economic conditions throughout the country was a cutting back of stock levels by customers throughout all branches of our trade both in the big stores and the wool shops and in the machine knitting industry.

The promise of 1957/58 as another year of full production and buoyant sales was not, for these reasons, fulfilled in the event, but I have no hesitation in saying that taking conditions as a whole it is not unsatisfactory that sales from the United Kingdom branches of the Company during the year attained approximately 84 per cent by weight of those for the previous year. Similarly in Australia the P. & B. subsidiary company maintained its pre-eminent position in the market with a level of sales only marginally below those of the previous year. Whilst both at home and abroad increasing production and sales costs have meant narrower margins, it is the substantial fall in raw wool prices which began in September, 1957, and continued throughout the Group's year which has nullified what would otherwise have been a satisfactory trading result.

The influence of raw wool prices upon the fortunes of the textile trade as a whole are well known and in the case of your Company have been remarked upon many times. Processing from the raw wool, purchased in the primary markets of the world, right through to the finished yarn, necessarily involves the carrying of large stocks of wool, tops and yarns and these at all times are the main risks of our business. During the Group's trading year 1957/58 raw wool prices have fallen on average by some 30 per cent with the result that it has been necessary to provide no less than £2,140,105 out of the profits of the year to write down stocks to market values ruling at the date of the financial year end. The Board has thought it wise in view of the magnitude of this sum to show it separately in the Accounts and you will observe that this has been done by deducting it as a special item from the surplus brought into Section I of the Accounts. Before this exceptional deduction the surplus brought in is £3,564,725 compared with £4,927,194 for last year.

THE ORDINARY DIVIDEND DISTRIBUTION

Clearly in the face of the need to provide over £2 million for the write down of stocks, the other figures which appear in the Group Profit and Loss Account become somewhat academic and, though I shall comment upon them later, I think I should at the outset of my statement say that had the circumstances relating to Profits Tax referred to in the Directors Report on page 5 not existed, the Board would have recommended to stockholders that the final Ordinary dividend should be at the rate of 10 per cent making with the interim dividend already paid a total for the year of 12½ per cent compared with 15 per cent for last year. There is no blinking the fact that for various reasons the textile trade has been and still is passing through an uneasy time. At the time of writing, sales, both in the home and export markets, are below the corresponding figures for last year despite the lower selling prices which the fall in raw wool prices has made possible. In these circumstances and in the light of the figures disclosed by the accounts for the year 1957/58 the Board considers it would be out of touch with current conditions to make a higher distribution at this time.

The paragraph in the Directors' Report to which I have already referred gives the reasons for the Board's decision in fact to recommend to stockholders that the final Ordinary dividend for the year ended May 3, 1958, shall be at the rate 2½ per cent making a total for the year of 5 per cent. The Board have as has already been announced considered the position of the Group for the year commencing May 4, 1958 in the light solely of the amount to be carried forward on Profit and Loss Account of £748,244 and have declared a special interim Ordinary dividend for the year commencing on that date at the rate of 7½ per cent. The special interim Ordinary dividend will be paid on August 20, 1958 at the same time as the proposed final Ordinary dividend for the year ended May 3, 1958, making a total payment on that date to Ordinary stockholders of 10 per cent.

THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

I have already drawn a comparison between the gross surplus brought into Section I of the Consolidated Profit and Loss Account of £3,564,725 which prior to the provision for writing down of stocks compared with £4,927,194 for last year. The other credits in Section I covering profit on redemption of 4 per cent First Mortgage Debentures by purchase in the open market, interest on short term deposits and investments, etc., and from the Company's trade investment in Fleming Reid & Co. Ltd. total £92,718 compared with £179,047 last year.

Turning to the debit side the charges in Section I follow the usual lines. The provision for depreciation of Group fixed assets has increased from £591,632 to £602,999 reflecting the capital expenditure of recent years. It will be noted that this year only £122,207 has been charged for Bonus to Employees—a reduction of £114,607 compared with the figure for 1956/57. The Group's workpeople and staff throughout the world have given loyal and devoted service in a difficult year and your Board has considered it right to award a bonus albeit on a reduced basis.

Section II of the Accounts sets out the debits and credits which arise on account of taxation both at home and abroad and it will be noted that the figures shown are unusual in that the charges for Dominion and British taxes including Profits Tax which total £451,793 have been offset to the extent of £415,579 by over provisions for taxation in past years coupled with refunds of taxation overpaid or by reason of trading losses in certain countries. Such a position is

indeed welcome in a year in which the picture would otherwise look somewhat bare.

TAX LIABILITIES

Reference has been made in earlier years when bringing back to Profit and Loss Account amounts from taxation reserves which have been found not to be required to the complications of the tax liability of a company such as this with its wide interests in the Commonwealth and abroad as well as in the United Kingdom where in the last ten years such substantial sums have been spent on capital development. Delay in the agreement of liabilities with the tax authorities necessarily involves prudence in the estimates made when the Company's annual accounts are prepared and as progress is made with the final agreement of liabilities any over provision in a particular year is released and flows back to Profit and Loss Account. Stockholders will observe that this year the accounts have been credited with a total of £415,579 of which sum £380,000 comes from tax provisions not required for and taxes repayable on account of earlier years. The past ten years have seen the construction of the Darlington factory, involving nearly £4 million in building work which houses plant and machinery costing more than that amount. The breakdown of these substantial sums into their proper categories for purposes of capital allowances for taxation purposes, in particular the extraction from the building construction account of expenditure which ranks as plant and machinery for tax purposes, has been a lengthy operation. During this period the capital allowances available have been annual allowances, "initial" allowances and "investment" allowances and in both the latter cases these allowances have been increased, decreased, and in part suspended. In the past twelve months progress has been made with these matters and with the agreement of other outstanding points leads to the freeing of £380,000.

For some years industrialists have been calling for the abolition of the differential rates of Profits Tax which levied a penal rate of tax on profits distributed as dividend thus distorting company capital structures and giving rise to other anomalies. It would be unkind not to recognise the courage and indeed wisdom of the Chancellor of the Exchequer in facing up to this problem in the 1958 Budget though one wishes that the flat rate of 10 per cent introduced as from April 1, 1958 could have been lower. However the anomalies in the previous position have now been removed. The Chancellor made it clear that he was not seeking to reduce the levy of Profits Tax as a whole in consolidating on a flat rate of 10 per cent and whether or not the change will be financially beneficial necessarily depends on the relative proportions of distributed and retained profits. Looking back at the figures of profits earned and distributions made to stockholders over past years suffice it to say that if the same relative proportion of profit is distributed then the change to the flat rate basis will have only marginal effect in the future. So far as taxation generally is concerned I cannot but repeat the plea so often made that there must be every effort on the part of HM Government to make substantial economies in all aspects of Government expenditure such as can lead to an alleviation of the still heavy burden of taxation.

The total charge in Section II for taxation amounts to £451,793 with the result that after crediting refunds of tax and over provisions of earlier years and after excluding the interest of outside stockholders in the profits of a subsidiary, there is a balance carried to Section III of £499,317 compared with £1,768,182 last year.

THE APPROPRIATION ACCOUNT

Of the balance of £499,317 brought into Section III of the Profit and Loss Account as Group profits available out of the year's accounting £39,841 has been transferred to General Reserve in the Accounts of Patons & Baldwins (Australia) Limited and £19,884 is required to replace working capital expended during the year in redeeming Debenture Stock by purchase in the open market. This leaves a balance of £439,592 to which has to be added £580,193 brought forward on Profit and Loss Account from last year. Dividends on the two issues of Preference Stock absorbed £119,809 and the interim Ordinary dividend of 2½ per cent paid in February required £75,866.

The Directors' recommendation that the final dividend on the Ordinary Stock shall be 2½ per cent requires £75,866 and leaves a balance on Group Profit and Loss Account to be carried to next year of £748,244. I have already commented earlier on the reasons which have led the Board to make this recommendation.

THE CONSOLIDATED BALANCE SHEET

Group fixed assets have increased over the year from a cost of £13,943,776 to £15,475,056. These figures reflect the quickening pace of the re-organising, modernising and re-equipping of the Alloa factory referred to last year, and the normal replacement of machinery which has reached the end of its economic life. Additionally in the United Kingdom quantities of special machinery have been installed for the processing of yarns from synthetic fibres principally in the acrylic group, and in Australia considerable progress has been made in the modernisation and extension of the Launceston factory. It will be observed from Note 3 on page 10 of the Directors' Report that the Group capital commitments are estimated at £396,000.

As would be expected the value of stocks shows a substantial fall from £13,242,998 at April 27, 1957 to £10,283,203 at May 3, 1958. This reflects principally the heavy fall in raw wool prices which has taken place over the year and also reduced levels of stock holdings resulting from such avoiding action as could timeously be taken during the year in the face of the recession in sales and downward curve of wool prices.

Bank balances and cash have moved upwards from £557,281 last year to £1,192,924. Patons & Baldwins (Australia) Limited has realised the greater part of the investments held last year in order to finance the capital expenditure already referred to above and in addition has had recourse to its bankers for temporary assistance.

Finance continues to be required for the Group's capital commitments and the liability for current taxation both British and Dominion is shown in the Balance Sheet at £1,688,832 and the Board have borne this in mind in deciding its dividend policy.

MAN-MADE FIBRES

In the Chairman's Statement last year it was announced that the Board had decided that the Company should enter seriously the field of yarn production from synthetic fibres and I am glad to say that during the year considerable progress has been made with this development. The Board has for a long while been of the opinion that orthodox worsted spinning machinery is not wholly suited to the production of yarns made from man-made fibres and a start was made some time ago in the installation of special machinery following a considerable period of production research on the problems presented. Our technicians have made visits to the USA and the Continent in this connection, and when the results of the development work showed signs of being on the right lines, arrangements were made to import machinery of the special type considered necessary from the United States, from France, and from Germany. This together with machinery from the home country has enabled us to build up an adequate unit for the production particularly of yarns from fibres in the acrylonitrile group in which come the "Orlon," "Acrilan" and "Courtelle" types of fibre.

It would be idle to say that we have not encountered any problems in this diversification of our traditional interests, and we appreciate the co-operation and sometimes indulgence we have received from many of our customers in the machine knitting trade. At the same time we feel confident that we now have considerable "know-how" and a reasonable production capacity for acrylic yarns which should increasingly help the prosperity of the Company. The contribution of acrylic yarns to the turnover and profits of 1957/58 was by no means inconsiderable, even though the unit was not fully in production until late in the year. In addition to this unit in the United Kingdom plans are well ahead for the installation of a similar plant by Patons & Baldwins (Australia) Limited, which company will greatly benefit from the research and development work of the parent company.

EXPORTS

The year 1957/58 as it progressed proved increasingly difficult in the export markets, and the final outcome of sales equal to nearly 90 per cent of those for 1956/57 can be considered in the circumstances satisfactory, although a substantial weight of orders unshipped at the end of the previous year did help to bolster the figures.

Your Company, apart from its interest in Australia, does a substantial business in New Zealand and South Africa, markets dependent particularly in the case of New Zealand, on purchasing power derived from the sale to the United Kingdom as well as in world markets of primary products such as raw wool. It cannot be repeated too often that trade is a two-way bargain and it therefore follows that a fall in the world price of raw wool is not necessarily of all round benefit. Whilst price reductions in consumer articles such for instance as knitting wool may be welcomed by the knitter, if they stem from a fall in raw wool prices there must be an inevitable contraction in the ability of the producing countries to import. Apart from the national need for exports, a loss of export trade by individual companies such as yours must in the end lead to increased production costs for the home market, or of course standing machinery and unemployment. New Zealand has, because of her external trading position, been obliged to resort to import licensing and exports to South Africa have shown a decline.

In Canada the textile trade has continued in the doldrums and it is difficult at present to see how and when recovery will come. The Canadian Government have recently announced their intention to increase the duties on imports of wool cloth from the United Kingdom but to maintain, in the face of imports from other countries such as Italy, the margin of British tariff preference. Though this in itself has no immediate effect on your Company, Canadian spinners have made an application to the Tariff Board for an increase in yarn import duties. Undoubtedly the Canadian textile industry is in urgent need of a measure of protection if it is to revive or indeed to survive.

The European Free Trade Area plans appear for the present at least to have run into difficulty. As a Company we remain ready to take up the challenge which this bold venture in economic integration presents and it is earnestly to be hoped that the opportunity of associating British industry with the European Common Market through the Free Trade Area conception will not fall by the wayside. A common market among the six Messina countries with Great Britain outside a ring fence is not a prospect to be faced with equanimity.

SHANGHAI

Stockholders will observe from Note I on page 10 of the Directors' Report that during the year the name of Patons and Baldwins (Far East) Ltd., the wholly owned subsidiary company which owns the worsted spinning factory in Shanghai, China, was changed to Mei Foong Worsted Mill Ltd., a name more suited, it is considered, to local conditions in China. Apart from this there has been no material change in circumstances and the statement made in the note on page 10 sets out the position so far as the Group's Shanghai interest is concerned in relation to the financial accounts. It is, however, of interest to say that the Shanghai factory is the last British asset which still remains under British management in China and much credit for this is due to the two remaining employees in Shanghai whose staunchness under difficult conditions deserves mention. Your Board has constantly the problem of the Shanghai assets under consideration and every step has been taken both in this country and in China to protect and maintain the position so far as is possible in the circumstances. It is impossible to say what the future holds in this matter but it can be said that the title to the property in Shanghai has at all times been upheld, and within the framework of the Chinese Peoples Republic the factory has continued to operate albeit at no financial benefit to the Group.

PERSONNEL

Our thanks are due to all P and B workpeople and staff for their wholehearted efforts throughout a year beset by difficulties of one sort or another. Mr Philip Wright during his tenure of the chairmanship fostered a great sense of team spirit among all ranks of the Company's workers and in taking over from him I have been greatly encouraged by the loyalty and hard work of all ranks of our employees.

PROSPECTS

In viewing the prospects for the coming year I consider that the substantial decline throughout the world in the value of practically all primary raw materials must inevitably lead to an overall readjustment of world economy and the initial phase of this is, I believe, now being experienced in the present trade recession. The extent to which this recession may finally develop cannot as yet be foreseen but I am sufficiently optimistic to believe that it will not lead to a complete trade depression. Nevertheless despite the fact that in our own business we are now selling at substantially reduced prices compared with a year ago, the volume of orders being received both from the home and export markets is still declining, and this seems to indicate that conditions are not yet stabilised. To some extent this may be attributable to continuing uncertainty as to wool prices and on these I do not propose to make any prophecy. At the same time present prices have reached a level at which the margin to the grower must be such that any further substantial fall appears unlikely. For our part, having got out of our system the heavy write down necessary to bring our stocks to current levels, I am confident that we are well placed for the future.

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CORPORATION'S ROLE IN FINANCING INDUSTRIAL DEVELOPMENT

ACHIEVEMENT OF OBJECTIVES NECESSITATES TAKING "CALCULATED RISKS"

VIGOROUS ACTION TAKEN TO ARREST FURTHER DETERIORATION

LORD WEEKS' ANSWERS TO CRITICS

The thirteenth annual general meeting of Finance Corporation for Industry Limited was held on July 23rd in the Conference Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, EC, Lieutenant General The Lord Weeks, KCB, CBE, DSO, MC, TD, the Chairman, presiding.

The following is the Chairman's statement which had been circulated with the Report and Accounts for the year ended March 31, 1958:

It has been the practice in recent years for the Chairman of F.C.I. to issue with the Annual Accounts a statement containing comments on the most important features of the accounts and the general position of the Corporation. I propose to follow this procedure in this my first year as Chairman of your Corporation.

The first item calling for comment is "Investments by way of loans and participations" which you will note from the Balance Sheet have fallen during the year from £42,389,000 to £29,296,125. This decrease is the result of repayments of loans by clients and is reflected in the drop in the amount of advances from Lending Bankers. New commitments during the year amounted to £24,527,500 much of which has still to be taken up and is included in the figure of £48,072,000 relating to further investments which the Corporation has undertaken to make. The £50,000 of quoted investments shown on the Balance Sheet a year ago have been sold during the year at a satisfactory profit.

PROFIT AND LOSS ACCOUNT

From the Profit and Loss Account it will be seen that gross revenue, despite a considerable fall in the amount invested has remained at a satisfactory level during the year. This was the result of the repayment to your Corporation of certain loans on which a low margin of interest was earned and their replacement by others at a rate more in keeping with present day conditions.

Surplus on realisation of investments, engagement fees and other income show an increase of some £45,000—a satisfactory increase in the circumstances but as the income under this heading is at the best erratic there is no guarantee that it will be repeated in the current year.

Gross revenue for the year therefore shows an increase of £32,601 over 1956-57 making a total of £339,080.

On the expenditure side, Administration and other expenses and Fees for services as Directors do not call for any comment, and are moderate in relation to the scope of your Corporation's activities. The payment to a retired Director arose from the decision of your Directors following upon the retirement of Lord Bruce to mark their appreciation of his services to the Corporation during the ten years in which he was our Chairman.

The item "Amounts written off investments—£1,200,000," calls for amplification and explanation.

CORPORATION'S AIMS AND RISKS INVOLVED

The Corporation was formed with the object of helping to finance industrial projects deemed to be in the national interest but for which capital cannot be obtained through the normal market channels—usually either because the project is unproved or because the borrowers' capital and profit records are not strong enough to support an application to the market for capital. It is inevitable therefore that many of our financing operations are attended by more than an ordinary element of risk and they frequently involve large sums of money. The margin of profit after tax derived from borrowing from the lending banks at normal commercial rates and lending to clients at slightly higher rates is comparatively small with the result that any losses arising out of the Corporation's investments places a severe strain on its resources.

Certain projects in which your Corporation has an interest and which were referred to by Lord Bruce last year have suffered further reverses in the year now past. Provision for the further losses so far incurred has been made out of the profits of the year and by drawing on virtually the whole of the accumulated reserves and profits of past years. In the meantime vigorous action has been taken in an attempt to arrest further deterioration in these particular investments. It will necessarily be a slow process and it is impossible for me to say at the present time how successful such measures will be.

Against the loss for the year of £902,322 is set the Investment Reserve of £750,000 created in earlier years and the surplus of £175,514 brought forward from the previous year, leaving a balance to carry forward of £23,192.

In these circumstances your Board regret that they cannot recommend any dividend to be paid to Shareholders.

ADDITIONAL SPEECH BY CHAIRMAN AT THE MEETING

Addressing the meeting the Chairman said:

My Lords and Gentlemen,

The accounts have been in your hands for more than three weeks and in addition I issued a short Chairman's statement covering the main points in those accounts.

It is obviously not a pleasant task for me in my first year of office as Chairman to have to submit, on behalf of the Board, accounts which have used up all our accumulated reserves in one fell swoop, which have used up all the profit for the year and which have precluded the payment of any dividend to our shareholders.

I have informed you that vigorous action is being taken, but I have also made it clear that at this moment I cannot prophesy how successful such action may be.

There have naturally been some critics, their main points being:—

(a) That I am unwilling to disclose the names of those clients whose investments we have written down.

(b) That I am determined to consolidate rather than to venture.

(c) That we should not rely only on the small profit we make between the rate at which we borrow and the rate at which we lend, but we should further participate in the future successes of our clients by taking options on their equities or by other means.

(d) That there has been no adequate amplification of my statement that a large loss has been made.

As regards the first point, to disclose the names of our clients who may be in difficulties could be damaging both to this Corporation and in greater measure to our clients.

As regards the second point, there is an obvious difference between being venturesome and being foolhardy.

I was one of the first Directors in 1945 since when the Corporation has financed basic industries and basic developments to the extent of more than £100 million. In all that time it has been recognised that in order to achieve the objects for which FCI was created it is sometimes necessary to take a calculated risk.

If we are to fulfil our function we must expect to make losses from time to time because we are undertaking ventures which are not capable of being financed through normal market channels and are often in the development stage. This policy has been publicised by my predecessor on frequent occasions.

The Corporation has had many successful ventures, successful both in the national and in our own financial interests, but it is almost impossible not to make some mistakes. The record of the past year may promote the view that we have tended to overstep the "risk mark." You will, I am sure, appreciate that there can be circumstances where considerations of national interest can seem to require an extension of the risk period and yet in the end developments which it was impossible to foresee can stultify such a policy.

I can only say that I am, with the full support of my Board, determined to exercise the most careful scrutiny of new cases and to avoid an extension of risk whenever possible if the danger light should appear.

As regards the third point, we have always endeavoured to improve the income we obtain as a result of the difference between our borrowing and our lending rates by obtaining options to convert part of our loans into equity; some of these arrangements have been entirely satisfactory, but it is not possible in every case to implement this course.

As regards the fourth point, the only adequate amplification would be to tell you the details of the cases which it has been necessary to write down in our investment portfolio and, as I have already stated, this is something it would not be prudent to do.

It has always been the policy of the Board to support its clients through periods of unforeseen difficulty in their development. This has been done with success on several occasions, but where it is unsuccessful losses must be incurred.

As a final resort it may be necessary to wind up an ailing company when all other measures fail.

This has happened in the case of the Edgar Percival Company, and as far as FCI is concerned, it is unlikely that any further serious losses will be incurred in this venture.

DIRECTORATE

The retirement of the Viscount Bruce took place at the Annual General Meeting last year, after he had rendered to the Corporation ten years of devoted service. He carries with him the respect and affection of all the members of the Board, the Staff and numerous clients.

The present Board has been strengthened during the year by the addition of Mr Cole, Mr Ray and Mr Weeks; each of them brings to our deliberations a variety of knowledge and experience in industry, investment and economics; you will be asked to re-elect them later in the meeting.

I regret to have to report that on health grounds Sir Findlater Stewart has been advised to reduce his commitments and has accordingly intimated his wish to retire from the Board immediately after this meeting. He has been on the Board since 1946 and has for a long time undertaken the duties of a deputy Chairman.

On your behalf and on behalf of the Board I would like to express our thanks for the help he gave to my predecessor and to myself since I took over.

I will conclude by expressing thanks and appreciation on my own behalf and on behalf of the Board to Mr Nelson, Mr Summers and the other members of our small staff for the work they carry out so efficiently and enthusiastically; I am sure that they also must feel disappointed at this year's results.

The report and accounts were unanimously adopted.

The retiring directors, Mr G. J. Cole, Mr C. W. Allan Ray, Mr H. T. Weeks, CMG, Mr J. A. Pollen and Mr Basil Sanderson, MC, were re-elected; the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Co., was duly fixed; a special resolution adopting new Articles of Association was approved and the proceedings terminated with a cordial vote of thanks to the Chairman for his conduct of the meeting, proposed by Mr E. P. Hatchett and seconded by Mr P. J. Keogh.

THOMAS DE LA RUE AND COMPANY LIMITED

CHANGE OF NAME: GROUP REORGANISATION AND CO-ORDINATION

The sixty-first annual general meeting of Thomas De La Rue and Company Limited was held on July 23rd in London.

Mr B. C. Westall, CBE (the Chairman), in the course of his speech, referred to the changes that had taken place in the structure and activities of the Company. He mentioned that it was proposed to change the name of the Company to The De La Rue Company Limited and said that the purpose was to enable the Security and Potterton Divisions to be formed into wholly-owned subsidiary companies. He added: The Directors of the Parent Company feel that with the rapid expansion that has already taken place and the further developments which will follow, the various sections of the business will be better served.

The Security Division will inherit the title of Thomas De La Rue and Company Limited, and Thomas De La Rue SA Industrias Graficas and The De La Rue Banknote Company Inc. will be subsidiaries of it. The Brazil Company has been formed for the purpose of extending the Company's security interests in that country, which are already considerable, and The De La Rue Banknote Company Inc. has been established in New York with a view to obtaining some part of the big business in Stock Certificates, Bonds, etc., that we think is available to us in that great country. One of the Assets that will be acquired by the new Thomas De La Rue & Company Limited will be the Company's shareholding in the Pakistan Security Printing Corporation. I am glad to report that the Corporation continues to do well.

The Potterton Division will become Thomas Potterton Limited thus carrying on a name and reputation prominent in the Heating field for more than one hundred years.

Reviewing the financial results for the year, Mr Westall said: As has been the case with most manufacturing companies, our results reflect increased sales but lower margins of profit. Group sales as a whole were higher than last year, but in our plastics business, where we had budgeted and prepared for an increase in the last half of the year, we could only maintain the same turnover as in 1956/57.

The Chairman then reviewed the activities of the Security Division, Stationers' Division and the Potterton Division.

Referring to Formica Limited he said: There is every sign that our efforts to carry FORMICA laminates from the kitchen to other parts of the home will meet with success. This we hope will equally apply to the further utilisation by Industry of FORMICA products. To maintain our previous high level of sales and profitability will not be easy, but there are many indications that fabricators, the furniture trade, and the general public continue to prefer an article of the highest quality.

OUTLOOK

Looking at the Group as a whole, and at things as they are now, I think the most we can look forward to in the present year is to equal the past year's results, but thereafter, given reasonable trading conditions, we may expect to see a resumption in the upward trend in our affairs.

The report was adopted and the other business duly transacted. The proposed increase of capital from £3 million to £5 million by the creation of four million Ordinary shares of 10s. each was approved.

The BRITISH BANK of the MIDDLE EAST

Satisfactory increase in figures

The Sixty-ninth ordinary general meeting of The British Bank of the Middle East was held on July 22 in London, Sir Dallas Bernard, Bt., chairman, presiding.

The following is an extract from his circulated statement for the year ended March 31, 1958:

A year ago the accounts presented to you showed a slight reduction from the previous year of some £3,000,000 in the balance sheet total due largely to the effects of the Suez crisis. This year I am happy to report that with those events behind us the movement has been reversed and our cash and money at call at £13,738,000 is £5,100,000 higher than a year ago and our Investments and Treasury Bills at £27,674,000 are up by £4,624,000. Loans and Advances at £26,787,000 are up by £470,000.

We have spent on banking premises and staff quarters £101,000 nearly all on the completion of our buildings in Baghdad and Aden, and propose, as usual, to write off £50,000 out of profits.

The liability of our customers for credits and guarantees at £12,340,000 is £840,000 higher than a year ago.

Turning to our liabilities, the successful issue during the year of an additional 500,000 ordinary shares in accordance with the resolution passed at our Meeting in July, 1956, brings our issued capital up to £2,000,000 and a new item in the balance sheet, Share Premium Account £100,000, represents the premium at which these shares were issued. With the allocations now proposed the published reserves of the bank stand at £2,272,000.

Current, Deposit and ancillary Accounts at £64,239,000 show a satisfactory increase of £9,500,000 on those of a year ago.

The cost of living everywhere in the Middle East is rising and this naturally increases the expenses of the Bank. There is no sign anywhere of a halt in the movement. In fact, the tendency is for costs in those territories without oil royalties to rise to the level of others subject to the inflationary effects of large oil royalties.

Important Political Developments

During the year under review there have been important political developments in the Middle Eastern countries in which we operate. Two new unions of independent Arab states were created there: the Arab Union which includes the kingdoms of Iraq and Jordan, and the United Arab Republic which is made up of the former republics of Egypt and Syria with the kingdom of the Yemen as a federal member of the group. These unions brought about the first modifications of the frontiers between the various Arab states which existed at the end of the second World War.

As was to be expected, political events were not without their effect on trading conditions but our branches continued to function without interruption and the fact that I am able to place before you a satisfactory report of their work is due largely to the fact that the production of crude oil in Iran, Iraq, Saudi Arabia, Kuwait and other producers in the Persian Gulf came to a total of 170,415,000 metric tons as compared with 166,922,000 metric tons for the year 1956.

Visits to Branches

I think you will be interested to know that during the year under review members of your Board visited no fewer than eleven of our branches. I myself went to Kuwait, Basra, Baghdad, Beirut and Amman. In Kuwait I was honoured by being received by His Highness the Ruler, who was graciously pleased to accept from my hands an illuminated picture of the Bank's new coat-of-arms specially prepared for His Highness by the College of Arms. In Amman I also had the honour of being received by His Majesty King Hussein. Our Deputy Chairman, Mr. Eley, accompanied by Mr. Norman, visited Tunis, Tripoli (Libya), Benghazi, Aden, Bombay, Tripoli (Lebanon) and Beirut.

In November, while in Aden, Mr. Eley performed the opening ceremony of our new office building which was completed shortly before his arrival.

These visits were, of course, in addition to regular visits paid by members of the London management to our overseas branches and the normal routine of annual inspections of every branch.

The status of the Bank in the different countries depends upon the service given to the public and the courtesy extended to customers by our Staff and I am glad to say that the Bank occupies a position of high repute in every country in which it operates. Our thanks are due to all our Staff for the services rendered during the year.

Branches

The chairman then reviewed separately the various areas where the Bank is established, and in doing so said:

In Iraq we opened a new sub-Branch in the Karradah suburb of Baghdad in July, 1957, and we now have three offices in the city. Our plans for opening in Mosul are far advanced.

We have found by experience that our connections with India can be adequately served by one branch in Bombay. Trade between the Middle East and Calcutta is not sufficient to justify our maintaining a branch there and so it has been closed.

In Lebanon our branch in Tripoli and our three offices in Beirut have all been busily engaged during the year and continue to increase their business contacts.

In Libya our branch at Tripoli has had a satisfactory year and our new branch at Benghazi is well established.

In the Persian Gulf we shall be opening a branch in the territory of the Sheikh of Abu Dhabi during the current year. At Dubai our branch continued to operate satisfactorily.

At Qatar (Doha) our new office will be opened on 21st June and the office premises at Sharjah have been modernised and the Bank is now open every day.

In Saudi Arabia our two branches at Jeddah and Alkhobar have had a satisfactory year.

In Tunisia since my last report, our office in Tunis has made a good start.

The report and accounts were adopted.

LOBITOS OILFIELDS

INCREASED PRODUCTION

The fiftieth annual general meeting of Lobitos Oilfields Limited was held on July 22nd in London, Mr S. E. Hall presiding in the absence of the chairman, Mr F. C. Bowring.

The following are extracts from the chairman's circulated statement for the year 1957:

Full details of the arrangement made with International Petroleum Co. Ltd. (IPC) for the development of the concession owned by your Peruvian Company, Compañia Petrolera Lobitos (CPL), were given in my circular letter of February 20, 1957. In connection therewith I feel I cannot do better than quote hereunder paragraph 12 of my circular letter to Stockholders of February 20, 1957: "Your Company has before it a considerable programme of capital expenditure comprising a development of its interest in Canada, replacement of one of its tankers now 26 years old, and improvements and re-equipment of its Refinery at Ellesmere Port. The US $18 million received from the sale of one-half of its shareholding in CPL, less US $8 million which will be advanced to CPL for development on Joint Account, will provide US $10 million. This money together with your Company's existing liquid resources, will provide funds for this capital expenditure."

PERUVIAN COMPANY

PRODUCTION. The agreement for IPC to operate the CPL concession on a joint fifty-fifty basis became effective on May 27, 1957. Production for the whole concession over the calendar year 1957 amounted to 6,910,000 barrels, as compared with 6,533,000 barrels for 1956, an increase of 377,000 barrels or 5.6 per cent.

MARKETING. Once again I have to report that our hopes that the Peruvian government would authorise an increase in the sales prices of refined products were not fulfilled. The loss on refined products trading during the year amounted to £442,017, compared with £164,452 in the previous year, so that this question is becoming increasingly urgent and serious.

CANADA

The Redwell Servicing Company and Big Horn Drilling Company, in which your Company has interests, were fully occupied and profits were increased. The Alida Oil Company also extended its activities over the year as follows: (a) It acquired a half-interest in 160 acres situated at Keystone, near Pembina (b) It acquired two drilling reservations in Alberta, each of 7,520 acres.

PROFIT AND DIVIDEND

PROFITS FOR THE YEAR. The profit for the year, before taxation, realised profits on Sales of Investment and adjustments relating to previous years, amounted to £1,175,079 against £1,130,008 for the previous year.

DIVIDENDS. In accordance with my previous statements and the results for the year, I am pleased to advise that your Board is able to recommend the maintenance of the dividend and capital distribution at the same levels as for 1956. Stockholders will no doubt have noted from the statements made by the Chairmen of other oil companies the difficult time through which our industry is presently passing and it would be expecting too much to assume that your Company will not to some degree be affected.

The report and accounts were adopted.

THE BRITISH & COMMONWEALTH SHIPPING COMPANY LIMITED

SIR NICHOLAS CAYZER'S REVIEW

TANKER ORDERS CANCELLED

The third annual general meeting of the British & Commonwealth Shipping Company Limited was held in London on July 17th, with Sir Nicholas Cayzer, Bt, who recently succeeded his uncle, the late Lord Rotherwick, presiding. After paying tribute to his uncle, Sir Nicholas said:

"In taking over the Chairmanship of this Group I am very conscious of the great responsibility which is entrusted to me. Essentially it is my duty to ensure, so far as lies within my power, that the financial structure of your Group is secure and that the profit-earning capacity is fully utilised, for without a strong live Organisation there can be no ultimate benefits for shareholders and staff, and no contribution to the wealth of our Country. I cannot hope, and indeed it would be wrong of me to suggest, that as the story unfolds each year will be better than its predecessor, but what I would hope is that in retrospect we will be able to say that wise decisions were taken which have enabled this Group not only to render a valuable service to the community as a whole but to offer just reward to those who have put their capital at risk and to those who devote thought and energy in furthering the interests of the Group."

Sir Nicholas then referred to the relationships between profits and dividends, and in this connection dealt particularly with the figure of £38 million of Capital Commitments. "We are of the opinion," he continued, "that given reasonable trading conditions we should be able to maintain our profit at a rate which will enable us to proceed with a planned programme of replacement which, although contracted for in part only, has been projected forward to 1965.

"So that there may be no misunderstanding, I must make it clear that if, in the opinion of your Directors, money can be borrowed on terms which appear commercially attractive we should have no hesitation in proposing an issue of Loan Stock, and I think you will appreciate the relevance to this remark in relation to the tanker position.

"Much tanker building has taken place on the basis that long term charters with the Oil Companies would provide sufficient funds to service a loan and leave a margin for the operator. As tankers are not fundamental to our business, and as low rates of hire coupled with high interest charges must at best reduce the operator's margin to small proportions, we have taken the view that although our existing tankers are fixed quite satisfactorily the present time is not appropriate to tie up additional funds in such projects. Accordingly, we have cancelled our orders for three tankers and substituted orders for dry cargo ships for which we have a continuing replacement need, but I should like you to appreciate that we look on this as a pause rather than a full stop."

HANDICAPS

Sir Nicholas stressed the difference between flexibility and vacillation, and went on to consider the taxation position of the British shipowner in relation to his competitors. He said: "You are all aware of the tax advantages which have been enjoyed by those owners who register their ships under certain flags, commonly known as flags of convenience. There is no doubt that because of those special concessions such owners have been in a well placed position to increase their share of world tonnage.

"The shipping industry is a great national asset, accepted by all as unique, which contributes many millions each year in foreign exchange. It will be a tragedy if the British share of world tonnage continues to fall simply because conditions here are less favourable than those which obtain elsewhere.

"Such matters loom large, are much discussed, and are terribly important, but they cannot be considered in isolation. Discrimination in the form of subsidy either by way of a contribution to operating costs or costs of construction or for that matter a stipulation in a trade agreement that goods are to be carried under a particular flag or by a particular Line can be equally damaging. Efficiency must be our aim, but if we achieve efficiency and are competitive we have every right to claim that we should be allowed to compete in world trade on conditions no less advantageous than those enjoyed by other owners, whatever their flag."

BERMUDA SUBSIDIARY

"In this connection I should advise you that we have formed a subsidiary Company with its headquarters in Bermuda, appropriately named the Neptune Shipping Company Limited, and as it was this Company which had ordered the three cancelled tankers it is they who will be responsible for ordering the substitute dry cargo ships."

AIR INTERESTS

Sir Nicholas reported that some progress had been made by Hunting Clan, in that the Company was now allowed to operate Viscounts on the Safari services to East, Central and West Africa, and he hoped that with the introduction of DC 6 aircraft in the autumn the economy and efficiency of the Africargo service would be improved. "But what is equally important," he added, "we hope to be able to offer a better service to those shippers who have given us so much encouragement in the initial stages of development.

"In passing, I must add that I am not happy about the economics of Civil Aviation throughout the world, for I detect an attitude of prestige before profit, of great expectations unrelated to the hard facts of commercial prudence."

THE WAY AHEAD

After referring to his forthcoming visit to South Africa and Rhodesia, he went on to say this about future prospects and the needs of the free world:

"It may be well if I express my views on trade generally. You are well aware that tramp rates have reached a very low level and that many millions of tons of world shipping are laid up. This is a sorry spectacle, and while none of our ships is laid up and only a small proportion of our fleet is engaged in the tramp trade such a situation cannot do other than affect the position generally for rather than lay up tonnage certain tramp owners are prepared to carry cargo at rates which are uneconomic if viewed on other than a very short term basis.

"The effect of this is two-fold, for not only are cargoes diverted from the normal service but for many commodities there has been a general decline in freight rates.

"Concurrently with and contributing to the recession in shipping, there has been a general fall in the price of many commodities. The immediate effect is to help the balance of payments problem of the United Kingdom for we are large importers of raw materials but inevitably this must mean that the producing countries have less money to spend on imports, and unless the cost of their imports, which after all, are our exports comes down the volume of our exports must contract.

"In these circumstances the immediate prospects are none too bright.

"Following his Commonwealth tour, our Prime Minister has recently visited America and Canada, and he has stated that in his opinion the battle of the Free World will be won or lost on the economic front. America is the great creditor nation of the Free World and her responsibilities are obvious. With the terrific economic power which she commands she can do good not only for herself but the right decision at this time can be just as important to the future of the Free World as our fight for freedom was in 1940 when Churchill said: 'Men will still say this was their finest hour.'

"I have suggested what America can do but let there be no mistake, the British Commonwealth and Empire have a great part to play in the resurgence of faith and hope. Continents and countries await our help. They do not ask for bounty. They ask for capital and consumer goods today so that in future years they will be able to produce that ever-increasing supply of materials so essential not only to raise the standard of life in their own countries but to make world trade expand.

"We must now consider the effects of the recession on our own business. Profits for 1958 will be down substantially from 1957. Nevertheless, ours is a continuing business, and if this recession enables us to take stock of our position and formulate our plans on a more solid foundation than that which obtains during a period of nearly uncontrolled inflation, it can be turned to good account. For what is the point of earning large profits, ploughing them back into the business, and finding at the end of the day, because of inflation, you are no better off than when you started?

"Demand must be equated with effort. There is no real conflict today between capital and labour. The one must be complementary to the other. Given the right climate of opinion and an enlightened approach to our problems we can master our difficulties. I subscribe wholeheartedly to the concept of a property-owning democracy, for I think that to look after one's own possessions, whether those possessions be skill, money, or the simple things of one's own home, is a great creator of happiness and an incentive to further effort.

"I construe a property-owning democracy as a society in which initiative and enterprise can flourish, where it is possible to have free interplay of ideas between employer and employee, with the Government holding a watching brief to ensure that the game is played according to the rules. The times are so critical and there is so much to do that we can ill afford to allow any person to sow discord for the sake of political gain. In a democratic country each person is entitled to hold his own opinion, but I cannot believe that the best results will be achieved if the Government becomes the employer instead of the arbiter or umpire."

He paid tribute to the staff of the company and concluded:

"I am proud to lead this team, and I look forward to the future with no lack of confidence and certainly with hope."

The report and accounts were adopted.

THE ZAMBESIA EXPLORING COMPANY LIMITED

The Annual General Meeting of The Zambesia Exploring Company Limited was held on July 14, 1958, at the Chartered Insurance Institute, E.C.2. Mr C. J. Holland-Martin, MP (Chairman) presided.

The Chairman paid tribute to his predecessor, Captain Right Honourable C. Waterhouse, now Chairman of Tanganyika Concessions Limited. Captain Waterhouse had agreed to remain on the Board, and the Company would thus retain his valued services. He welcomed the return of Sir Ulick Alexander, also a former Chairman, to the Board. The Meeting would be asked to resolve that the number of Directors should be increased to nine, and if this were agreed, Comte Jean de la Barre d'Erquelinnes, Mr E. C. Baring and Mr R. F. Medlicott would be invited to join the Board.

He stressed that the Company would be bound to feel the effect of the substantial fall in metal prices, which had obliged the Union Miniere du Haut-Katanga to reduce its dividend for the year 1957, a result which would be reflected in the accounts of Tanganyika Concessions Limited for the year to July 31, 1958, and thus in the Zambesia Company's accounts for the current year to March 31, 1959. Fortunately, an increased dividend for the year 1957 from the Benguela Railway Company would provide a partial cushion.

The Chairman's Review, circulated with the Report and Accounts, stated that the profit before taxation for the year ended March 31, 1958, was £104,319 for the parent Company, and £159,986 for its wholly-owned subsidiary The Zambesia Investment Company Limited, making a total of £264,305 for the group, as compared with £243,595 in the previous year. An interim dividend of 1s. 2 2/5d. (6 per cent) had been paid, and provision made for a final dividend of 2s. 9 3/5d. (14 per cent), less tax, making a total of 4s. (20 per cent) for the year on the increased issued capital of £1 million. The total reserves of the group had nevertheless increased from £676,079 to £691,193.

If the proposals in the Finance Bill now before Parliament became law, no further charge for profits tax would be attracted by the profits of the subsidiary Company earned up to March 31, 1958, which had paid tax at the rate of 3 per cent applicable to undistributed profits. Profits earned subsequent to that date would bear profits tax at 10 per cent whether distributed or not.

The report was adopted.

THE METAL BOX COMPANY LIMITED

Below are excerpts from the Chairman's review of the year. A copy of the accounts and the full review by the Chairman may be obtained on application to The Secretary, The Metal Box Company Limited, 37 Baker Street, London, W.1.

HOME GROUP

Sales, etc.	£55,390,000
Profit before Tax	£4,500,000
Taxation	£2,306,000
Net Profit	£2,194,000

The Capital Expenditure incurred in the last three years was over £12 million. Factories in the course of erection last year and in which some manufacturing operations had commenced prior to completion have now been brought into fuller and more economic production. For this reason and because of improved techniques and economies effected, profit has considerably improved, though this is partly offset by a relatively higher charge for taxation because of a reduction in initial allowances relief.

Combined Home and Overseas figures are:

Sales, etc.	£73,621,000
Profit before Tax	£6,643,000
Taxation	£3,300,000
Net Profit	£3,343,000

The combined Capital Expenditures incurred in the last three years were nearly £15 million.

During this period The Metal Box Company has built six new factories in the United Kingdom and has purchased one.

The subsidiaries of The Metal Box Company Overseas Ltd. have also built a new factory in India, two in South Africa, one in Rhodesia and one in the British West Indies.

Furthermore, considerable additions have been made to existing production capacity both at Home and Overseas.

5½% UNSECURED LOAN STOCK, £6 MILLION

The balance of new money from this loan has enabled the Capital Expenditures to be carried out and has much improved the liquidity of the Company as a whole.

After reviewing the activities of the Company's five product groups, commenting on the 25th anniversary of the Indian Company and the fact that the supply of tinplate no longer presented any problem, Sir Robert Barlow said:

THE OUTLOOK

I remain quietly confident as to our future prospects. The packaging industry is growing rapidly and this is particularly true in relation to foodstuffs. We are in some respects in a leading position; our factories and equipment are fully up to date; our research and engineering development departments should not only maintain our position relative to our competitors, but will almost certainly advance it. Still more important—we have an intelligent and enthusiastic body of men throughout our organisation.

In this expression of my view of the future, there is certainly no complacency. The conditions in which we work, the many materials and methods which we use, are in a state of continual change and present us with many challenging problems. Our organisation lives, as it were, in a state of continuous alert.

At the Annual General Meeting, held on July 18th, the Report and Accounts were adopted and the Dividend approved.

THE METAL BOX COMPANY OVERSEAS LIMITED

This year every one of the overseas subsidiaries has had a record year with the stimulating result that sales have reached £17,993,168 and trading profits have risen to £2,142,858.

Several increases in the manufacturing facilities in a number of territories have taken place during the year.

In South Africa the factory at Walvis Bay was opened and the transfer of production to the new factory at Durban was carried through. The first stage of the move into the new factory at Calcutta was also made during the year. The extension to the factory at Singapore is nearing completion whilst a factory in the Federation of Malaya is shortly to be started. In Rhodesia the new factory is expected to be completed and production commenced by August.

These units are being equipped largely with machinery manufactured by the Home Company and as a result in each case have the finest and most modern production facilities for the type of work they undertake in the respective territories concerned. Customers in these territories can be assured of containers comparable with the quality that is expected in the United Kingdom.

SUBSIDIARY COMPANIES

THE METAL BOX COMPANY OF INDIA LIMITED, Calcutta, Bombay, Delhi, Madras, Mangalore.

THE METAL BOX COMPANY OF SOUTH AFRICA LIMITED, Johannesburg, Cape Town, Durban, Epping, Port Elizabeth, Vanderbijl Park, Walvis Bay.

THE METAL BOX COMPANY OF MALAYA LIMITED, Singapore, Kuala Lumpur.

THE METAL BOX COMPANY OF EAST AFRICA LIMITED, Nairobi, Dar-es-Salaam, Thika.

THE METAL BOX COMPANY (B.W.I.) LIMITED, Kingston.

THE METAL BOX COMPANY OF CENTRAL AFRICA LIMITED, Salisbury.

ASSOCIATED COMPANIES

AUSTRALIA. Containers Limited, Melbourne.

BELGIUM. S. A. Sobemi, Brussels. International Machinery Corporation, S.A., St. Nicolas-Waes.

DENMARK, A/S Haustrups Fabriker, Odense,

FRANCE. Etablissements J. J. Carnaud et Forges de Basse-Indre, Paris.

GERMANY. J. A. Schmalbach Blechwarenwerke A.G., Brunswick.

HOLLAND. Thomassen & Drijver Blikemballagefabrieken N.V., Deventer.

ISRAEL. The Palestine Can Company Limited, Tel-Aviv.

MOROCCO. Société Africaine des Etablissements J. J. Carnaud et Forges de Basse-Indre, Casablanca.

NEW ZEALAND. Alex. Harvey and Sons Limited, Auckland.

PAKISTAN. Hashimi Can Company Limited, Karachi.

SWEDEN. Aktiebolaget Plåtmanufaktur, Stockholm.

CORRESPONDENT COMPANIES

U.S.A. Continental Can Company, Inc.

CANADA. Continental Can Company of Canada, Ltd.

EDGAR ALLEN & COMPANY

RECORD GROUP SALES

The fifty-ninth annual general meeting of Edgar Allen & Co. Ltd. was held on July 24th at Sheffield, Mr W. H. Higginbotham, ACA, FSS, chairman, presiding.

The following is an extract from his circulated statement:

As compared with the previous year, the total value of Sales of the Group was greater by some 6 per cent, and was the highest yet recorded; the resultant trading profit (before taxation) was likewise increased (by roughly 18 per cent) to a total of £779,716; and the already strong and liquid financial position of the Group has been thereby further improved.

During the period the activity of the Parent Company was well maintained; its total sales show an increase of roughly 9 per cent in value over those of the preceding year, and represent some 70 per cent of the total turnover of the Group: while its trading profit, before taxation, increased by £130,218 to £645,950.

DEVELOPMENT AND RESEARCH

Though this year there is nothing spectacular to report, work in this field has continued steadily. In addition to participation in the activities of the British Iron and Steel Research Association, the British Steel Castings Research Association, and the British Standards Institution, much attention has been given to improvements in quality and working properties of the Company's steels, and to the use of non-destructive testing methods. In the Powder Metal section of the Engineers' Tool Department progress is being made in manufacture, in development, and in use and sale of its products. Developments in the Foundry division are now almost completed: it is expected that these will have a considerable and beneficial effect on cost and output.

The Engineering division is giving attention, not only to wider industrial applications of its products, but also to development and manufacture of new products.

The Subsidiary Companies have had, as a whole, a more profitable year: but their performance has been unequal.

APPROPRIATION OF PROFITS

In their proposals for appropriation of the year's higher profits your Directors have had to take into account a number of factors. For example, the intensified competition in export markets—in which the group has a considerable direct and indirect interest—is not merely a question of price, delivery and quality. It is more a matter—especially where large engineering and similar contracts are concerned—of personal and high-level contacts abroad, and of shrewd negotiation of terms of payment which only too frequently involve extension of credit to a degree unknown a few years ago: the hoped for extension of our export business will almost certainly require considerably more working capital. On the other hand, the continued impairment and limitation of reserves by price inflation and heavy taxation minimises the effective value in use of the working capital we have.

Again, the enhanced cost of replacement of Fixed Assets is not covered by depreciation provisions made: to do this—as I contend it should be done—is a matter of legal and accounting difficulties which have still to be overcome. This enhanced cost, unless provided from reserved profits, may in the future have to be met out of capital introduced from outside, as also would the cost of extensions and development. Your directors are of the opinion that at this juncture the interests of the Company and of its Members will be best served by maintaining a high degree of liquidity of current assets, and they have made their recommendations accordingly.

TRADING PROSPECTS

During the year, as we are all aware, this country has passed through still another financial crisis. Severe measures were necessarily taken to maintain the exchange value of sterling—including, of course, the spectacular increase in the Bank Rate (to 7 per cent) in September last. Many informed observers have feared that these and other steps taken to curb inflation might produce severe unemployment: others have felt that there was danger of relaxing them too soon. The truth probably lies between the two opinions.

The Government has now announced the alteration or removal of certain of the restrictions imposed: the Bank Rate has been reduced to 5 per cent: these will undoubtedly operate favourably in restoration of confidence—the mainspring of business activity—and reviving demand. Unfortunately, it will take some time for the trend to be reversed, and for demand to return to its previous levels: until then we must expect that this year's trading will continue to be affected. The Edgar Allen Group is fortunately well placed, however, to take advantage of any such revival.

INDUSTRIAL DISPUTES

Although the policy of restraint imposed last September has undoubtedly achieved much of its purpose, labour disputes and wage demands backed by threat of strike action continue to jeopardise national financial stability. In these matters there is much evidence of ineffective leadership and irresponsibility in both Trade Union and political quarters. A most dangerous feature is the repeated attempt to use the power of organised labour to disrupt, by strike action, the industry and the daily life of the community. Those who do this may well find that, like the Sorcerer's Apprentice, they have aroused evil which they cannot control. It becomes more and more clear that before long the privileges of Trade Unions before the law will have to be regulated and curtailed: their present position of "power without responsibility" is too dangerous, both to their members and to the rest of the community.

Before concluding I must refer to the renewal of proposals for nationalisation of the Iron and Steel and allied industries. Your Directors propose, undeterred by threats of retrospective and punitive legislation to use the powers given to them by the Company's constitution to support (and to employ the Company's funds to support) by all legal and practicable means any activity which is opposed to nationalisation of the industry. On this vitally important and urgent matter I shall be glad to have the opinion of shareholders generally.

The international situation is menacing: the future uncertain and dangerous. We need unity, leadership and courage. I conclude by expressing my hope—and belief—that, as before in our history, these things may be vouchsafed to us, so that we may play our due part in the world's affairs.

The report and accounts were adopted.

JOHN THOMPSON LIMITED

(Steam Power Plant and General Engineers)

CONTINUED EXPANSION OF BUSINESS

The twenty-third annual general meeting of John Thompson Limited was held on July 22nd at Wolverhampton, Sir Edward Thompson, JP, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The combined Profit and Loss Account shows that the gross trading profits of the Group for the year 1957 were £2,411,055, which is a decrease of £139,906 compared with the previous year.

The net profits for the year after charging Taxation, Depreciation and Depreciation Reserve, etc., are £783,851 compared with £939,049 for 1956.

The small reduction in gross profits, in spite of an output increased to £27 million, indicates a continued shrinkage in profit margins, although there are other factors affecting the results.

The continued expansion of the Company's business is shown by the further increase of £664,011 to £10,960,280 in the Stocks and Work-in-Progress as will be seen in the Consolidated Balance Sheet.

With the increasing size of Power Stations and Atomic Energy Contracts, annual comparisons of orders on hand can fluctuate greatly. Nevertheless, orders on hand at the end of 1957 at over £35 million only showed a reduction of about £2½ million.

After reviewing the activities of the Group Companies at home and overseas, the statement continued:

I am of the opinion that there is now adequate, if not excess capacity in the Boiler-making Industry in this country for all Power Station requirements, both of Nuclear and Conventional types. Following the original White Paper on Nuclear Power requirements and encouragement to spend money on Capital Plant to meet this programme, it is hoped that as far as possible this capacity will be used to the fullest extent. For example, if we are not successful in obtaining a further Nuclear Power Station order in the near future, our new Heat Exchanger Shop will be short of work and specially trained men may be on short time, or even become redundant.

Fortunately, with the variety of our manufactures, we are not wholly dependent on the Power Station Programme, and may hope for further orders for Oil Refinery Equipment and Chemical Plant generally. Orders for smaller Boiler Plant for Industry and other steam users are being well maintained, quite apart from our work for the Motor Industry and Building Trades, etc.

Although at the time of writing this report it is rather early to give an accurate forecast of the prospects for this year 1958, with the amount of work on hand, the outlook is not unsatisfactory. So far the rate of rising costs appears to have slowed down, but competition is keener and I cannot see any possibility of increasing our profit margins.

The results, however, for the first three months of 1958 are encouraging; the output to the end of March at just under £7½ million is an increase of 9 per cent as compared with the output for the same three months of 1957.

The report was adopted.

BANQUE D'ETAT DU MAROC

59, QUAI D'ORSAY, PARIS 7

BALANCE SHEET AT DECEMBER 31, 1957

Assets	Fr.	Liabilities	Fr.
Gold Reserves	8,198,967,361	Capital	46,200,000
Liquid Assets	6,183,608,788	Statutory Reserve	11,550,000
French Treasury Bills	8,300,000,000	Supplementary Reserve	1,370,000,000
Investments (Securities)	867,009,233	Bank Notes in Circulation	68,187,213,770
Bills Receivable including Bills Discounted	26,384,253,541	Bank Notes Peseta (Hassani issue)	67,716
Foreign Currencies	1,150,438,958	Bills Payable	182,607,720
Balance with Correspondents outside Morocco	4,632,675,092	Deposit and Current Accounts	12,008,652,479
Balance with Correspondents Inside Morocco	867,791,943	Sundry Accounts	6,262,967,303
Bills for Collection	361,369,542	Collection Accounts	361,369,542
Loans and Advances	9,218,474,578	Moroccan Government Treasury Accounts	20,813,896,657
Sundry Accounts	5,517,818,711	Pension Schemes	2,572,581,401
Current Account of the Treasury	32,895,453,314	Sundries	2,110,869,026
Moroccan Government (Ex South Zone)	15,000,000	Profits brought forward for 1957	11,761,797
Special Advances under the General Agreement of 30 June 1947 as amended	6,553,400,000		
Moroccan Government (Ex North Zone)	8,644,004		
Bank Premises	100,000,000		
Pension Schemes	2,178,877,947		
Sundries	505,954,399		
TOTAL	113,939,737,411	TOTAL	113,939,737,411

BANCO DI NAPOLI

Head Office: NAPLES, ITALY

The Annual General Meeting of the General Council of the Banco di Napoli was held on April 28, 1958.

The volume of Deposits, Savings Accounts, and Current Accounts at December 31, 1957 amounted to Lire 427,328,000,000, an increase of 9.79 per cent over the 1956 figures.

Net profits reached the figure of Lire 676,036,582. After distribution, the capital and reserves of the Banco di Napoli amount to Lire 3,521,495,280.

Board of Directors.—*Chairman*: Ing. Ivo Vanzi, Cav. del Lav.; *Vice-Chairman*: Avv. Guido Azzone; *General Manager*: Dott. Stanislao Fusco, Cav. del Lav.

BALANCE SHEET AT DECEMBER 31, 1957

LIABILITIES	Lire	Lire	ASSETS	Lire	Lire
Capital	500,000,000		Cash		20,505,622,242
Reserves	2,785,871,497		Balances with other Banks		22,761,974,585
		3,285,871,497			43,267,596,827
Deposits & Bonds		207,760,588,968	Government and State-guaranteed Securities		97,378,313,655
Current Accounts		208,083,436,373	Securities & Bonds	163,437,477,236	
Funds held for Third Parties		11,483,953,099	Current Accounts	166,167,466,021	
Guarantee Funds		20,398,244,300	Advances against Securities	10,299,720,316	
Bills & Cheques		14,712,152,782	Carried Forward	6,966,275,427	
Credit Bonds Issued		38,728,799,900	Mutual Credits	83,265,866,547	
Advances against Securities		7,892,599,885			399,971,834,547
Assets Rediscounted		40,909,393,742			7,173,622,903
Acceptances, Endorsements & Guarantees		20,130,875,094	Holdings		673,510,380
Bills for Collection		6,199,889,732	Premises, etc.		1
Sundry Creditors		55,622,327,887	Furniture & Fittings		
Miscellaneous Liabilities		19,399,585,865	Acceptances & Endorsements		20,130,875,094
Contra Accounts		2,797,057,886	Bills Receivable		15,190,698,402
Profit Balance c/f to 1958		2,583,075,571	Sundry Debtors		56,004,437,075
Profit 1957, available for Distribution		676,036,582	Branch Accounts		4,907,042
Banker's Drafts		1,899,003,444	Miscellaneous Assets		18,071,035,351
Securities Deposited as per Contra		128,886,704,277	Contra Accounts		2,797,057,886
Securities Deposited with Third Parties		93,191,846,764	Banker's Drafts		1,899,003,444
			Securities Deposited for Third Parties		128,886,704,277
			Securities Deposited as per Contra		93,191,846,764
		884,641,443,648			884,641,443,648

MOUNTSTUART DRY DOCKS

The fifty-sixth annual general meeting of Mountstuart Dry Docks Limited was held on July 22nd at Cardiff.

Sir Llewellyn T. G. Soulsby, JP (chairman) in the course of his speech, said:

This year's result is probably somewhat surprising to you in view of the considerable time since the laying up of shipping commenced, and which could be expected to affect this year's profit to an appreciable extent. It is gratifying to report that the reverse is the case as our net profit increased from £162,641 to £217,919.

During the last two or three months of our year ending in March, when the shipping recession was being experienced very severely by ship repairers, this Company was fortunate in having several large overhauls and surveys placed in its drydocks and this completed a year, the previous nine months of which had been exceptionally busy with tankers, large cargo vessels, etc.

It is inevitable in mentioning the conditions of the present year that a less cheerful note must be sounded, and it is, of course, difficult to predict, with any assurance, the prospects for the coming months, but when a demand for more ship repairing does come I am confident that the Mountstuart will not fail to do well. This financial year has begun with a shortage of ships to repair, a condition of affairs which the industry has not experienced for the past twenty years.

The report and accounts were adopted, and the dividends of 10 per cent on the Preferred Ordinary Shares, with a bonus of 4 per cent and 13¾ per cent on the Deferred Ordinary Shares, with a bonus of 5¼ per cent, both less income tax, were approved.

LAPORTE INDUSTRIES LIMITED

RECORD SALES TURNOVER AND PROFIT

PARENT COMPANY'S JUBILEE YEAR

MR L. P. O'BRIEN ON CAPITAL PROPOSALS

The fifty-first annual general meeting of Laporte Industries Limited was held on July 17th in London, Mr P. D. O'Brien (vice-chairman and managing director) presiding.

The following is an extract from the circulated statement of Mr L. P. O'Brien (the chairman of the Company).

During the past financial year the parent company of the Laporte Group attained its jubilee and it is, therefore, gratifying that our group of chemical companies has achieved record sales turnover and profit. Every one of our subsidiaries, old and new, contributed to the total earnings, after providing for depreciation but before tax, of £2,117,658—an improvement of 19 per cent over the previous year.

The estimated amount required for taxation, pension fund contributions for back service liability, and undistributed income of a minority member of a subsidiary company is £1,070,655, leaving net £1,047,003 (1957 £909,177). In addition, a capital sum of £50,000 was received in respect of the sale of "know-how" and this amount has been placed to general capital reserve.

It was also a record year so far as capital expenditure was concerned. The amounts spent on fixed assets over the past five years have been:

	£
1957-58	3,557,200
1956-57	1,690,601
1955-56	1,186,478
1954-55	1,166,373
1953-54	986,151

The major part of this expenditure was in connection with new projects to increase outputs, by improved methods, of chemicals made in the Laporte Group for many years.

In addition, large sums have been spent on repairs and maintenance. It can be stated with confidence that your manufacturing subsidiaries were never in better shape, from every point of view, to face future conditions than they are today.

The outstanding capital expenditure authorised at March 31, 1958, was £1,778,000, against which we had entered into actual commitments amounting to £1,090,000. As no further major new plant projects are contemplated at this date, the near future can be devoted more exclusively to consolidation and extension of the affairs of our subsidiaries, on the basis of the means which will be available when the present programme of authorised capital expenditure is completed.

The amount of the issued Ordinary capital converted into stock following the recent issue is £4,057,371 and your Directors now propose to capitalise out of reserves an equal amount and to do it by way of writing up the nominal value of the Ordinary stock units from 5s. each to 10s. effective from April 1, 1958.

At present the unissued Ordinary Capital amounts to £1,644,491, and in order to give effect to the capitalisation of reserves we must increase the authorised amount by not less than £2,412,880. In the circumstances, your Directors propose to seek authority to increase the authorised Ordinary capital to £11,701,862, and that would leave an unissued balance of £3,587,120 to provide for future possibilities of expansion.

RESEARCH

I do not think it is necessary to elaborate under this heading. If it had not been for expenditure on research in past years, we should not be in the sound position we are in today, and so we feel it is essential to pursue the same line of policy on an increasing scale throughout the Group, not only in our chemical laboratories but in all departments.

SUBSIDIARIES

Laporte Chemicals Limited.—It is a happy circumstance that in our jubilee year this company should have reached new peaks of turnover and profit, having made over a million pounds, subject to tax.

Laporte Titanium Limited.—This subsidiary has made excellent progress this last year. The third phase of plant extension at Stallingborough for the manufacture of titanium oxide is nearing completion. This plant has been entering into gradual production in recent months in time to assist in making a contribution to the improved trading margin.

Laporte Acids Limited.—This company transacted a good volume of business and contributed an improved yield on the capital employed. Consequent on the erection of a new sulphur burning plant by Laporte Titanium Limited at Stallingborough to ensure supplies of acid on site for the production of titanium pigments at the lowest cost, Laporte Acids Limited has been deprived of sales to Laporte Titanium Limited and therefore the dismantling of some productive capacity in Yorkshire will proceed by way of scrapping of some of the small units, in order to secure maximum economies.

The Fullers' Earth Union Limited.—This company's earnings declined in the past year. However, the second six months' trading showed an improvement over the first half-year. The budget for this current year is based on expectation of results at least at the rate experienced over the October-March period.

Laporte Chemicals (Australia) Pty Limited.—This subsidiary achieved an excellent trading result which was better than in any previous year.

I believe that our subsidiary in Australia is likely to be a source of increasing prosperity.

Pembina Mountain Clays Limited.—This is a new jubilee year venture—a manufacturing subsidiary in Canada has been acquired; we own 75 per cent of it and the original shareholders have retained 25 per cent of the equity. Our share cost us £210,000.

We believe that Pembina Mountain Clays will give added strength to the Group, especially when the present depressed industrial conditions in North America have improved.

After reviewing the activities of the Associated Companies, the Statement concluded:

SUMMARY

As regards the current trading period, it is apparent that trading conditions generally throughout the world are not so favourable as they were twelve months ago and your companies are, of course, dependent upon the general level of production achieved by the consumers of their chemical products, which are raw materials in their hands. But, as I said at the beginning of this statement and will now repeat, our subsidiaries were never better equipped than they are today to take advantage of opportunities that may lie before them and I, personally, see no reason to doubt the continued prosperity of the Laporte Group.

The report was adopted and at a subsequent extraordinary general meeting the proposed increase of capital and scrip issue were approved.

SPEAR & JACKSON LIMITED

A YEAR OF ACTIVE DEVELOPMENT

The fifty-third Annual General Meeting was held on July 17th in Sheffield.

The following is an extract from the statement by Mr S. M. de Bartolomé, the chairman:

Despite higher turnover from the English factories, a reduced Trading Profit before taxation of £266,239 was reported, mainly a result of increased costs of materials and wages without compensating advances in selling prices. Lessened activity in the lumber industries of British Columbia had also affected Trading profits in the Consolidated Accounts.

Yet the year had been one of development. A new factory block in Sheffield was completed. This had followed the opening three months' previously of the Canadian factory, entirely re-built on a new site. The acquisition of C. T. Skelton & Co., well-known manufacturers of Edge Tools, was finalised as recently as April this year. This company would continue to trade separately and, indeed, in some ways in competition. Associated with John Shaw (Manufacturing) Pty of Sydney in the manufacture of mill saws, Spear & Jackson had now become associated financially with the Australian firm of Trojan Limited of Melbourne, makers of garden tools. The heavy capital expenditure of the recent past should stand the Company in good stead and, thanks to the conservative financial policy followed, all these developments had been financed out of the Company's own resources.

Mr de Bartolomé had every hope that the results for 1958 would be satisfactory and recommended payment of a slightly increased distribution on the Ordinary Capital of 27½ per cent.

The report was adopted.

AIR SUBSCRIPTION RATES

	Airmail	Air Freight*
Australia	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	£6 10s.
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq	£7 15s.	—
Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s.
South America	£9 0s.	—
Sudan	£7 15s.	£6 15s.
U.S.A.	—	$25 or £9
West Indies	£9 0s.	—

*Approx. 24 hours slower than airmail.

APPOINTMENTS
Vacant 9/- a line; Required 6/- a line.

SOUTH AFRICAN SUGAR ASSOCIATION EXPERIMENT STATION

Applications are invited from suitably qualified persons for the post of DIRECTOR OF THE SOUTH AFRICAN SUGAR ASSOCIATION EXPERIMENT STATION at Mount Edgecombe, Natal, 14 miles from Durban.

Applications must give full details of University degrees and other qualifications held and of posts occupied. They should, if possible, be accompanied by certified copies of at least two testimonials. Applicants should have general scientific experience, rather than specialised experience, with administrative ability and some administrative experience in research institutions. They should be between the ages of 35 and 45.

The duties involved will cover the general administration of the South African Sugar Association's Experiment Station at Mount Edgecombe, Natal, and its branches, including staff control and direction and supervision of research programmes. Research covers all aspects of sugar cane agriculture only; sugar milling research is dealt with by a separate institute.

The salary for the post will be determined in accordance with the qualifications of the successful applicant, but will be not less than £3,000 per annum. The post carries pension rights, a free house and free medical benefits. The successful applicant, if at present serving outside South Africa, will be offered a free passage to South Africa and, if he is a married man, his family's passage will be refunded after he has been confirmed in the appointment.

Applications should be addressed to The Chairman, S.A.S.A. Experiment Station Committee, P.O. Mount Edgecombe, Natal, South Africa, from whom any further information about the post can be obtained.

The closing date for applications is 31st August, 1958.

COLLEGE OF TECHNOLOGY BIRMINGHAM
(Designated College of Advanced Technology)
DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the new appointment of—

SENIOR LECTURER IN THE ECONOMIC AND DISTRIBUTION ASPECTS OF INDUSTRIAL ADMINISTRATION.

Applicants must be of graduate or professional status and have the necessary industrial experience.

Salary will be in accordance with the Burnham Further Education Scale—Senior Lecturers (Men) £1,350 x £50—£1,550, (Women) £1,080 x £40—£1,240 plus equal pay increments. In fixing the commencing salary, account may be taken of industrial, professional or research experience up to the maximum of the scale.

Further particulars and forms of application from the Registrar, College of Technology, Gosta Green, Birmingham 4, on receipt of stamped addressed foolscap envelope. Applications to be received within 18 days of this advertisement. Please quote 'W.'

K. R. PILLING,
Clerk to the Governing Body.

HOLLERITH—leading manufacturers of punched card accounting machines and electronic computers—require

ADMINISTRATIVE ASSISTANT

for Secretarial Division of the Company. The post will suit an intelligent man between the ages of 23 and 26, with a sound basic education. Preferably he should be studying for (or have passed) C.I.S. or C.C.S. examinations. He should have had some experience in Company Secretary work.

This is an opening with a stable company of steady growth and high repute. It offers excellent prospects, and promotion can be won by the exercise of personable and industrious qualities. If it interests you, write, with details about yourself (and quoting Ref. No. AA3), to The Manager, Training and Personnel Division,

THE BRITISH TABULATING MACHINE COMPANY LTD.,
70 North Row, London, W.1.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN SOCIAL STATISTICS. Salary scale £700-£850 per annum, with membership of the F.S.S.U. and children's Allowance Scheme.—Applications should be sent not later than August 2, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

VICTORIA UNIVERSITY OF WELLINGTON
NEW ZEALAND

T. G. MACARTHY CHAIR OF ECONOMICS

Applications are invited for this Chair, which will become vacant at the end of 1958 through the retirement of the present holder, Professor H. Belshaw.

The salary will be at the rate of £2,190 per annum, and an allowance is made towards the cost of travel and removal expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in New Zealand and London, is September 30, 1958.

NIGERIAN COLLEGE OF ARTS, SCIENCE AND TECHNOLOGY

(Principal: C. A. Hart, C.M.G., T.D., D.Sc., Ph.D., M.I.C.E., M.I.Mech.E., F.R.I.C.S., A.M.I.Struct.E.)

Applications are invited for appointment as LECTURER in ACCOUNTANCY. Candidates should be Chartered, Incorporated or Certified Accountants with relevant professional or industrial experience. Teaching experience and specifically in Management Accounts would be a recommendation. The Appointee will be required to lecture to students preparing for professional level examinations in Accountancy and for the Examinations of The Chartered Institute of Secretaries. An "In-Service" Course in Accountancy is also conducted.

Salary Scale: Contract appointment: £870-£1,824—including inducement addition to overseas candidates plus gratuity of £100-£150 p.a. Entry point according to qualifications and experience. Pensionable appointment may be made at proportionately lower salary. Other conditions include children's allowances up to £150 p.a. and leave with 1st class passages. Partly furnished quarters at one-twelfth of basic salary rental. Tours 10-18 months but institutional leave annually in long vacation is normally taken.

Applications (6 copies) giving age, qualifications, experience and the names of 3 referees should be sent to The Council for Overseas Colleges, 12 Lincoln's Inn Fields, London, W.C.2. Closing date August 11, 1958.

LONDON COUNTY COUNCIL invites applications for appointment as Housing Welfare Officer. The duties are varied and interesting, including welfare of tenants and old people, problem families, placing and resettlement of families displaced by the Council's housing operations. Possession of a Social Science Diploma or equivalent qualification and experience of social and welfare work would be an advantage.

Engagements will be temporary in the first instance with good prospects of permanent appointment. Commencing salary according to qualifications and experience within the scale of £592-£792 p.a.—Application form H.W.O.12 and further particulars obtainable from Director of Housing, County Hall, S.E.1, to be returned completed not later than August 18, 1958. (1369)

AUSTRALIA

Increasing numbers of British business men are turning their eyes towards the rich rewards offered by investment in the State of Victoria. We seek a man who can interest top-level industrialists in the potential for manufacturing and other projects.

Successful candidate needs first-hand knowledge of Australia and ability to make top-level contacts in the U.K.

Appointment will be for one year in the first place, and offers good prospects.

Write in confidence to:

Box A30,
OFFICE OF THE AGENT-GENERAL FOR VICTORIA,
VICTORIA HOUSE,
MELBOURNE PLACE,
STRAND,
LONDON, W.C.2.

ODHAMS PRESS RESEARCH DEPARTMENT require an additional Senior Research Executive. Surveys undertaken by the Department cover:—
(i) A wide range of consumer product markets.
(ii) The interest and activities of different sections of the population; and (iii) the more specialised field of media research.
Applications are invited from graduates in Economics or Sociology with Statistics who have had experience in the planning and control of surveys. Age not over 35.—Write with full particulars of qualifications, experience, age, and salary required to Personnel Manager, Odhams Press Ltd., 96 Long Acre, London, W.C.2.

IBM Ireland Limited

Position offered to Irish National who is an Honours graduate having some experience in organisation and methods or in management accounting. Preference will be given to a graduate with accounting, commerce, economics, or politics as a major subject.

The successful applicant will be required to spend some years on field work, investigating accounting procedures and presenting reports.

Commencing salary in the range £800 to £1,500 according to age and experience; in addition there is a commission plan. Free life insurance is provided. Applications, in strict confidence, should be received not later than August 4th by

THE MANAGING DIRECTOR,
IBM IRELAND LIMITED,
24 FITZWILLIAM PLACE, DUBLIN.

UNIVERSITY OF WESTERN AUSTRALIA

SENIOR LECTURER AND LECTURER IN ECONOMICS

Applications are invited for the above positions.

Salary for a Senior Lecturer is £A2,150-£A2,500 per annum, and for a Lecturer £A1,550-£A2,050 per annum.

General information and conditions of appointment should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is September 22, 1958.

A VACANCY exists for an economic statistician suitable for a woman aged between 20 and 35. The post carries responsibility for compiling and publishing statistics (mainly originally of industrial activity in non-ferrous metal mining and manufacture) on a world-wide basis. A degree in Economics or Mathematics with some statistical experience would be an advantage but adequate training will be given. Commencing salary about £650 per annum, depending on qualifications and experience.—Applications should be addressed to the Secretary, British Non-Ferrous Metals Federation, 132 Hagley Road, Birmingham 16.

RESEARCH SERVICES have vacancies for men with experience at executive level in Market Research. Technical competence is essential, but an ability to analyse marketing problems and communicate the findings in practical terms to clients is also important. Salary by arrangement.—Apply in writing to D. H. Pickard, Research Services Ltd., 91 Shaftesbury Avenue, W.1.

EXCEPTIONAL opportunity presents itself for two men, aged between 40-48, of proved executive ability, to join a large manufacturing group with Headquarters in the North West, with a view to appointment to Senior Management positions after satisfactory completion of initial probationary period. Candidates must have had executive experience, preferably with a large company, and unless this is purely commercial they must have a technical qualification in Accountancy, Engineering or other Science. Generous salaries paid from beginning, with excellent prospects of rapid advancement. Please send full details, in confidence, but photographs, references, etc., cannot be returned.—Write Box 983.

ADVERTISING AGENCY has a vacancy in its Merchandising department for a young man, under 30, who has had practical selling experience, preferably of consumer goods, and also some management experience. Applicant must have latent ability to develop into a top executive. Applications will be treated in strictest confidence and should be addressed to the Personnel Manager, c/o Masius & Fergusson Ltd., 2 St. James's Square, S.W.1.

BUSINESS AND PERSONAL
9/- a line.

SOUTH YORKSHIRE Contractors offer themselves as subsidiary to Industrial Concern or others, or backing for expansion, present yearly turnover approx. £45,000, present contracts in progress £50,000, not housing.—Write in confidence to Box 984.

INDIAN COMPANIES.—Interested purchasing controlling holdings by personal negotiations, payment in sterling arranged.—Write Box 981, The Economist, 22 Ryder Street, St. James's, S.W.1.

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A FINE CAMERA FROM City Sale & Exchange Ltd., 94 Fleet Street, E.C.4. Wonderful results in colour, expert tuition and advice is free.

PETER, darling—this is the second time we've passed this blasted oak. If you don't stop at the next National Benzole station for a set of their new road maps, I'll get out and walk back home.

THE kiss of a man without a moustache is like beef without mustard (so says a Spanish proverb), or, you might say, like dinner without a good sherry—El Cid Amontillado, or Fino Feria, for preference.

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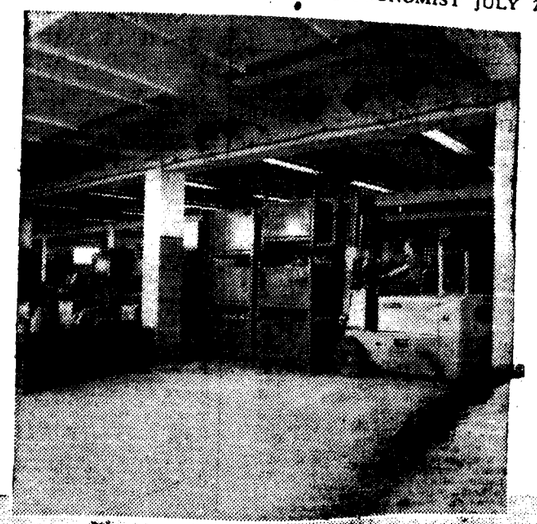

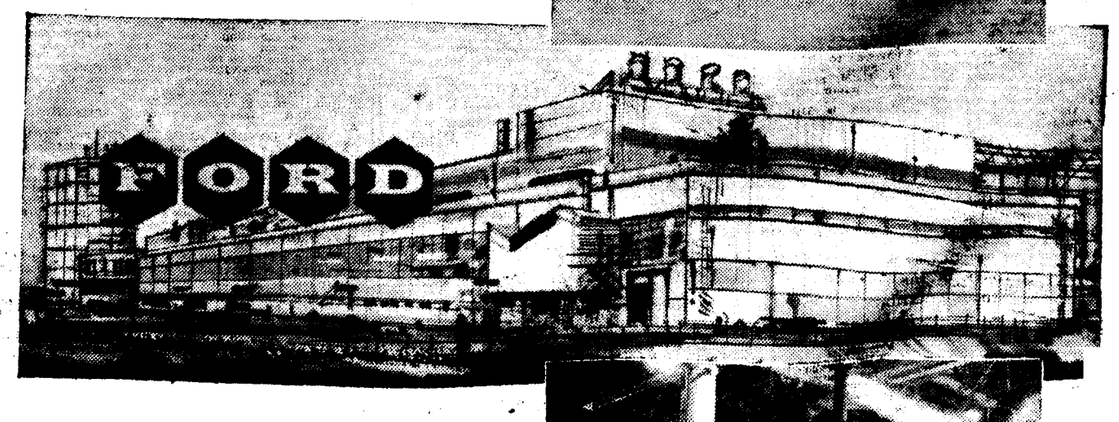

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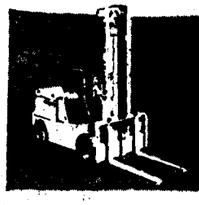

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THE SUMMIT

Peak, Pole or Garden Path?

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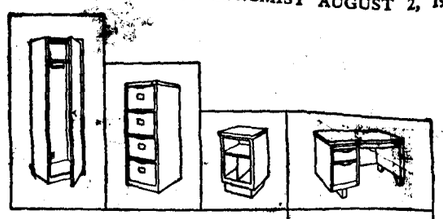

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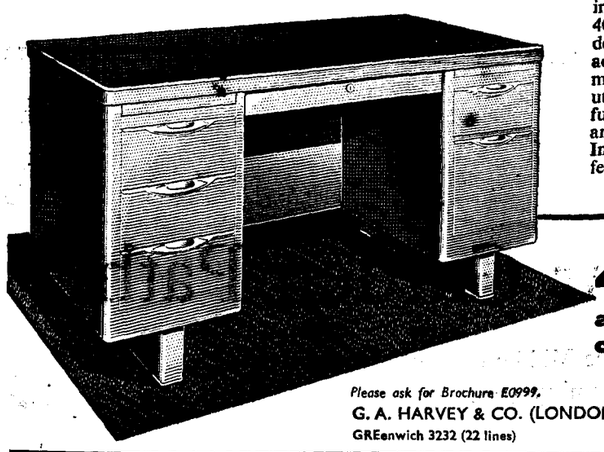

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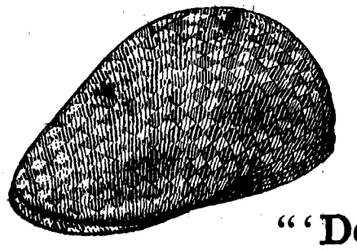



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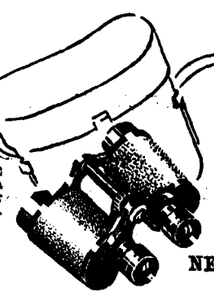



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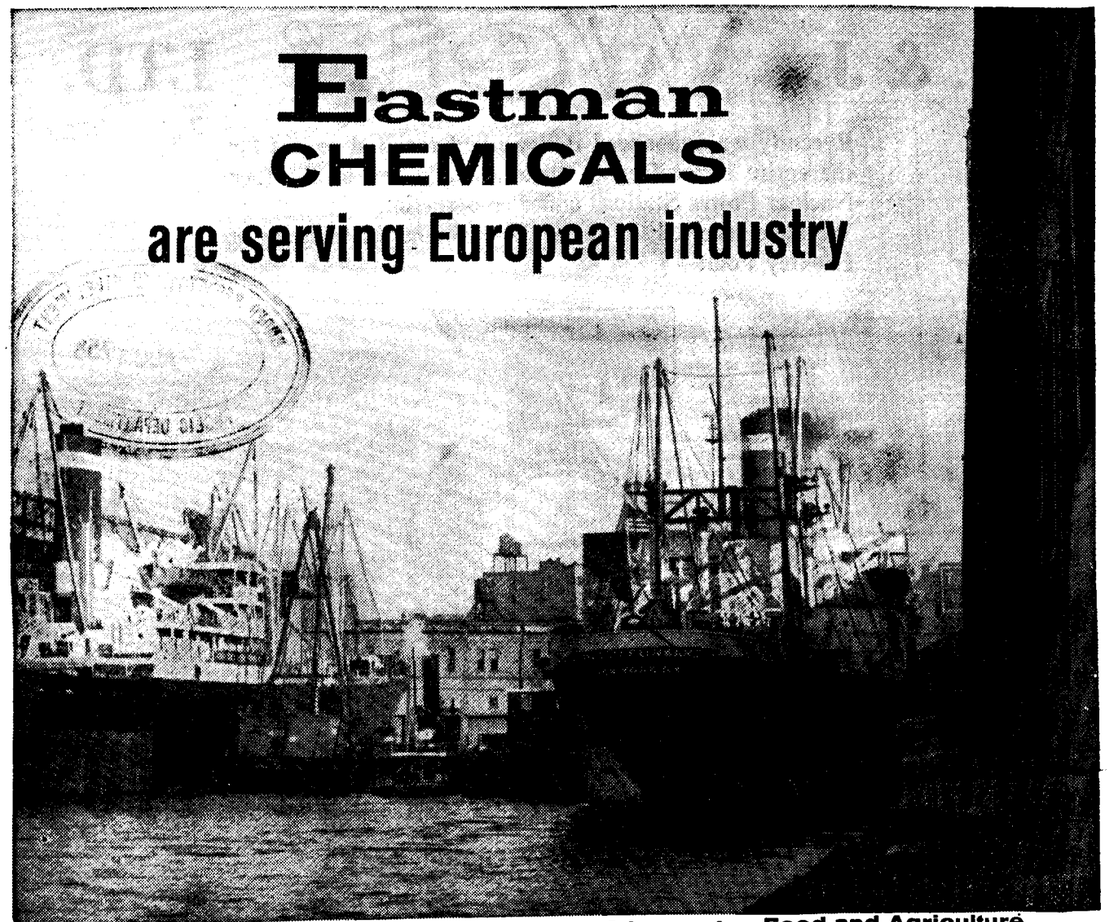

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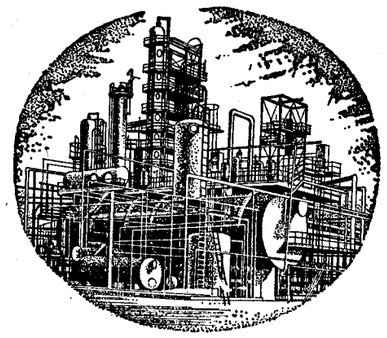

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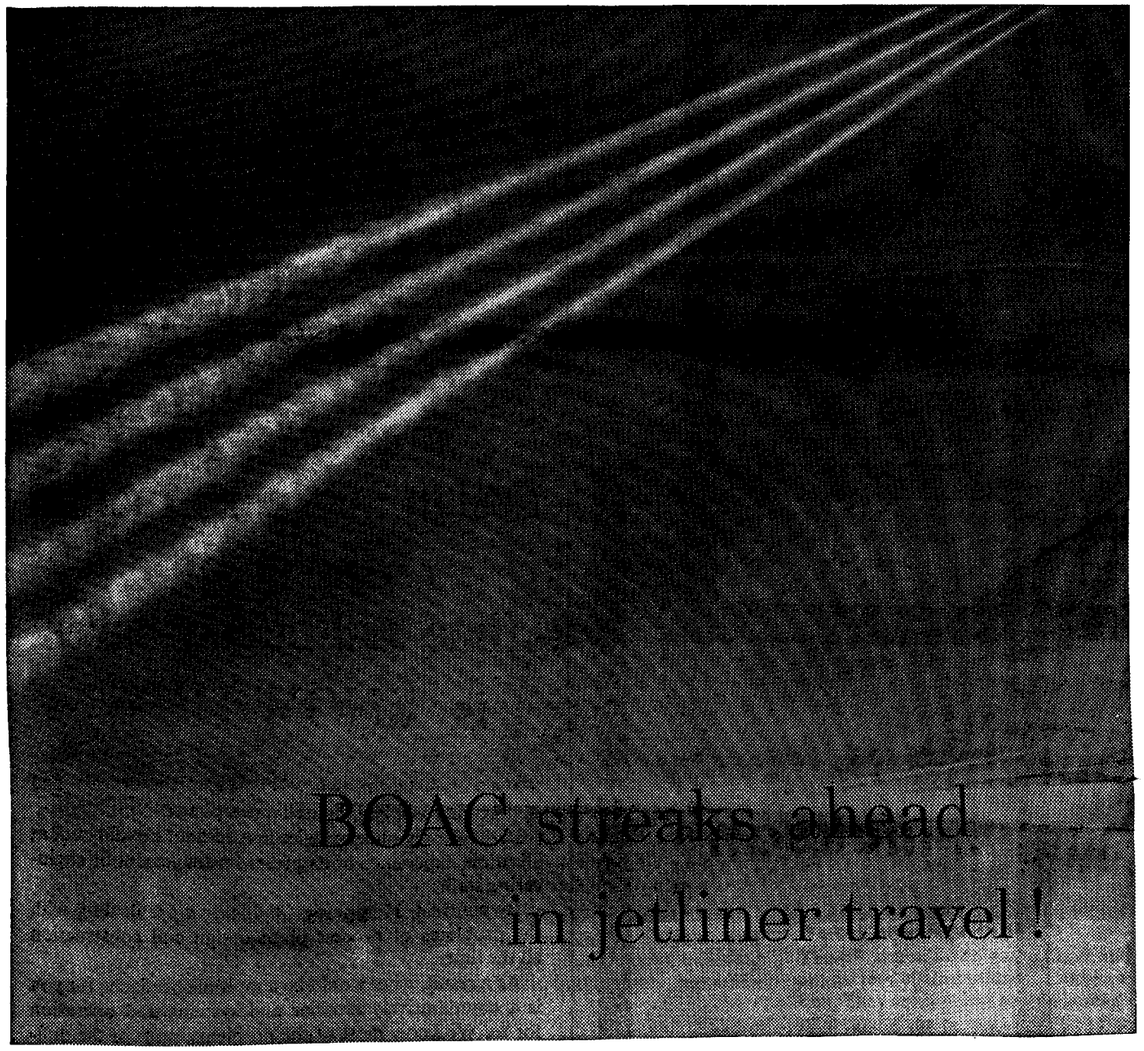

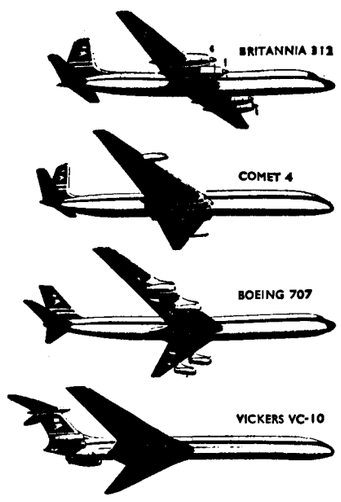

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Peak, Pole or Garden Path?

COOLING one's heels ought at least to have the advantage of giving heads a chance to cool, too. Unfortunately, the tedious wrangling over the proposed discussion of the Middle East with Russia has not provided this advantage. Nearly three weeks after the Baghdad *coup d'état*, new policies for the new situation have neither taken shape nor even been given priority in discussion. The limelight has been stolen by the feverish and fussy debate about who shall meet Mr Khrushchev, where, when and how—with little concern for why and what. Irrelevant tit-for-tats are being exchanged with a high-pitched stubbornness. Mr Khrushchev has been accused, quite inaccurately, of backing out of a New York meeting. He, for his part, has misrepresented the suggestions made by General de Gaulle, Mr Macmillan and Mr Eisenhower to an extent that could hardly be accidental.

Saddening as all this is in itself, more saddening still is the thought that the whole rumpus is getting in the way of much more urgent business. Ever since Mr Khrushchev began it a fortnight ago, public attention has been focused on the question of meeting his demand for a summit meeting, and seriously distracted from consideration of how the Middle Eastern situation can be improved—and of how a meeting with him can help to improve it. Two things have become evident. Western reluctance to meet him is extremely damaging in political and propaganda terms; and even more damage can be done if the West goes to meet him without any clear ideas. Armed with this two-pronged Morton's Fork, Mr Khrushchev can hardly lose—unless the West, to the general surprise, does come to its senses and concentrates on shaping an agreed policy without more delay.

At least it now has a chance of doing so. Admittedly, in the first tense days after the Iraq coup, when reflex actions were snapping on all sides, there was force in the argument that, if a western intervention in Iraq was a real possibility, Mr Khrushchev had better be mollified by a quick meeting, or he might take a more perilous course. But things have changed, and will have changed further by the time a summit meeting happens. The new Baghdad government is becoming accepted, and the reasons for expecting any further armed expeditions just now have lost much of their force. The British and American preoccupation is rather—as is becoming obvious—to find ways of disengaging safely from the positions in Lebanon and Jordan.

To set out these arguments is not to conclude that, as Mr Joseph Alsop and others seem to suppose, those who have supported an immediate meeting with Russia have been motivated by panic. Summitry is shrewd domestic politics almost everywhere in Europe; politicians in many countries—not excluding Russia—are under pressure to show willing on this point; and in Britain, at any rate, both popular press and politicians have correctly noted that the public in general has been seized

by the summit mystique—without any clear idea of what a summit meeting can yield—but repelled by the sordid job of a climbing-down accommodation with upstart Arabs. Hence flows a double stream of escapism, with both pro-summit and anti-summit factions happy to avoid facing the hard tasks that have to be performed in the Middle East.

YET not even the most passionate believer in summitry has been able to show how a conference with the Russians could, in itself, produce a Middle Eastern solution. What it could produce—assuming that it does not become a mere propaganda circus, with Mr Khrushchev playing ringmaster—is an understanding about the limits of the powers' aims and activities in the area, an understanding that would avert the risk of armed conflict between them there. But, as was pointed out in our leading article last week, the time is past when the great powers could impose a settlement in the area, even if they could agree on one, against the wishes of its inhabitants—and, one may add, against the wishes of the Asian-African world as a whole. If, for example, the ideas now mooted for the neutralising of Lebanon on the model of Austria are to stand a chance of success (and the chances are slender, in any case, if only because Lebanon is still in a theoretical state of war with Israel), they will have to have at least the acquiescence of a majority of Lebanese. Further, the great powers would probably have to leave the ordering of the affair in the hands of Afro-Asian and other smaller powers. It is particularly interesting, in this connection, to recall that the Austrian formula was first publicly advocated by the prime minister of Ghana, Dr Nkrumah, during his recent visit to Canada; and that Mr Hammarskjöld announced that he was planning an increase in the number of United Nations observers in Lebanon immediately after Russia had vetoed Japan's resolution proposing that precisely this should be done. The secondary powers, who supply observers and fill the Secretary-General's advisory committees, scarcely seem in a mood to take orders from the summit tamely.

When applied to the case of Jordan, similar logic is cruel logic indeed; but the facts to be faced are cruel. Whatever course American policy takes, British forces simply cannot indefinitely prop up a regime in Amman against which the Arab tide has now turned decisively, both within Jordan's artificial frontiers and beyond them. Thought has to be given now, without delay, to the means of reducing the risks involved in this inevitable act of disengagement—of defusing it, in effect. Merely to "wait and see" implies that sooner or later British troops may either be drawn into a struggle to repress a revolt backed by neighbouring countries or, no less disastrously, may have to withdraw in short order against a background of carnage and more slaughtered friends. An enforced and unplanned withdrawal would carry the risk not only of local massacre, but of a disastrous explosion on the Israel-Jordan frontier, and a violent chain reaction in the oil sheikdoms of the Persian Gulf (whose prospects now are discussed in an article on page 356). Here again there may be a part to be played by the powers of the second rank, acting through the United Nations—not to sustain a monarchy, but to increase the precautions against a conflict on the Israeli border which the United Nations is already committed in principle to take.

It may well be objected that even to discuss these pressing problems is to verge on a breach of honour, on treachery towards our friends, and that to try to solve them amounts to arrant perfidy. It is an objection that is both understandable and commands sympathy. Similar objections were raised when Britain transferred sovereignty to India and Pakistan; princely rulers, loyal old soldiers, and officials who had served their people devotedly within the framework of the Raj were then left to the mercies of nationalist political leaders whom they knew as familiar antagonists. At the time, many people instinctively recoiled from this unsavoury aspect of the withdrawal. An instinctive recoil has now again to be expected; and responsible politicians, and other shapers of public opinion in this country, have to shoulder the thankless duty of preparing their people to face harsh reality.

PUT bluntly, the West's task now is to get its relationship with the Arab world on to the same sort of basis as its modern relationship with other independent states in Asia, Africa and Latin America. This means painful reappraisal and re-negotiation. It means hard bargaining—but on a commercial, not a semi-imperial, basis. It also means that it is more important to talk to Arabs than to talk to Russians.

There will be little profit for the West if it veers from the clumsy posture of appearing to refuse to meet Mr Khrushchev into the even more clumsy one of appearing to want to get together with him simply to settle the smaller nations' fate over their heads. The smaller nations are naturally eager to see the great powers make a start on global issues such as disarmament. They are not in the least keen to see the powers decide the future shape of the Middle East. In the past few weeks they have raised a chorus of criticism against any such idea. From Jugoslavia to Ceylon, from Brazil to Japan, the cry has gone up that the forum for discussion should be not a great-power cabal but the United Nations, and preferably the Assembly. Even in India, Mr Nehru has been sharply attacked for agreeing to come to a five-power summit meeting. The smaller nations must, of course, bear their share of the blame for the current scepticism about the UN as a mechanism for producing ready settlements. But if the Foreign Secretary has been reconverted to faith in the over-riding authority of the United Nations, almost anything is now possible.

If—and only if—the great powers can agree to keep their distance, a group of reasonably disinterested powers of the second rank (Italy looks like a willing volunteer) might be induced to take a hand in making the course of disengagement in the Middle East smoother. On the principle of no representation without perspiration, their demand to be consulted carries a tacit acceptance of a share of responsibility. It is surely more constructive to explore possibilities of this kind than to remain obsessed by the sterile bickering about when and where Mr Khrushchev is to tuck his feet under what table with whom. Whether Mr Khrushchev wants to pushme-pullyou the West up a true peak, or merely up a garden path (some would say he is successfully driving its leading politicians up the pole), the net effect so far has been to lower the quality of discussion between the powers to a nadir of bickering and bathos. Let the date with him be made; but, far more important, let the real policy begin.

Geese before Golden Eggs

Unless decisive action is taken to raise the output of teachers by at least 15,000 a year within five years, educational reform may lag for another generation. The teacher crisis will get worse before it gets better.

A SHORT time ago Essex County Council urgently advised the Ministry of Education that it was short of 700 teachers. The Ministry was not, of course, in a position to put 700 teachers on the next train to Chelmsford—or even one. It will soon be receiving envoys from Essex (which has managed to whittle its shortfall down to 550 by stop-gaps) but will not be able to offer them much more than tea and sympathy. Essex is not the worst off among local authorities. Some of them can almost foresee the day when the school building programme will create classrooms that will remain empty for lack of masters and mistresses. Overlarge classes; a turnover of teachers so high that in some schools only the headmaster has been there for more than a year; attempts at the unofficial rationing of local authority advertising of vacancies—all these are symptoms of the teacher crisis.

This is, admittedly, a critical year anyhow for the schools. In 1958 the biggest single increase in secondary school pupils ever recorded is taking place. But the peak of the bulge has not passed. The total numbers in all schools, primary and secondary, will grow until 1961, when the figure is expected to reach 6,946,000. In the next few years after that it will briefly decline by less than 100,000 and will then rise to a peak of 6,937,000 again in 1968. This takes into account the growth in the numbers of secondary school pupils who stay on a year or more beyond the compulsory age of 15. It takes no account of proposals to raise the school leaving age for all by a year—which would add another 475,000 secondary schoolchildren in 1963, though only 325,000 in 1967.

The bulge has been long foreseen; what was not foreseen is the bulge behind it. At the same time the rapid growth of parents' educational ambitions has taken the authorities unawares. The proof of it is the unexpected increase in the number of secondary school children staying on after 15. The fact seems to be that the predilection of the professional classes for better education, shown in the continuing support for public and other independent schools, is now spreading downwards. The desire for better education is no longer confined to pockets of ambitious parents. It is becoming general, and both political parties are keen to earn marks for providing it. Between them they are promising the educational earth: better teachers (with three-year training instead of two-year), smaller classes (a maximum of 40 in primary and 30 in secondary schools), and in due course the raising of the minimum school leaving age—to mention only the three proposals which make the largest demand on the supply of teachers.

But the supply of teachers is not only inadequate now; it does not look like being adequate at any discernible time in the future. Until the chairman of the Central Advisory Council on Education pointed out in a letter to the Minister of Education that 90,000 more teachers would be required by 1970 there were astonishingly few signs of alarm from the authorities. This estimate was intended to cover the demand for teachers that would arise from all these reforms. But it looks now as if the Central Advisory Council's calculations, made on 1956 statistics, might well be on the low side.

THE crisis has come upon the Ministry like a typhoon in the China seas; and it has got to ride it out. So have the teachers, the children and their parents. It must be hoped that vigorous orders will soon be heard from the bridge. Some have been heard already. Certainly something really drastic has to be done to find more teachers.

Why has the supply of teachers not kept pace? To understand this, and to appreciate the serious choices for educational policy which result from the deficiency, it is necessary to understand the factors

which at any one time influence the level of the reservoir of teachers. The supply is, of course, a function of the difference between those joining and those retiring from the profession every year. The difficulty is that the sources from which recruits are drawn, and the causes of wastage, are so variable. The Ministry of Education cannot be blamed for not being able to predict exactly how many teachers it will have in any given year. But it can be blamed, or its political masters can be blamed, for taking too rosy a view of the prospect. Certainly those, of whatever politics, who promise the public more than in fact can be achieved, can be censured for not facing the inevitable limitations.

This year, when Essex (like Birmingham and other authorities) are very nearly desperate, there are approximately 259,100 teachers; and the number has been increasing at the rate of 6,000-7,000 a year But last year the increase shrank to 4,300. Teachers are drawn from four sources. Two of these can be controlled to some extent: these are the teacher training colleges, from which about 11,500 teachers enter the schools annually; and the universities which produce now about 5,000 teachers, slightly less than half of whom on top of their degree have done a course of teacher training. In addition certain professions provide about 800-odd specialist teachers; and finally, there are the re-entrants—that is, mainly, women who left the service when they acquired family responsibilities and who returned later on; but these may return permanently or briefly, and there are no exact figures for this group or the trend in it.

Against this input, which amounted to nearly 17,000 in 1957, there was a wastage of 12,640. Some 3,230 teachers were lost by retirement, death or ill-health and a further 8,410 for other reasons—mostly marriage. All calculations based on the number of teachers being trained and the number of teachers being lost for "actuarial" reasons are liable to be upset if the marriage rate rises and the rate of re-entry falls. This is what, apparently, has been happening. It is too soon to say that a new trend has firmly set in. But, while it might be supposed that recession would make women want to go out to work in schools if they can, this motive (one hopes) will be temporary; on the other hand, now that there are going to be as many men as women in the marrying age group, the trend to earlier marriage will be accelerated and the numbers of unmarried women reduced. Women teachers are tending to become increasingly a casual labour force.

This is not the only adverse factor on the supply side. The government is committed to increasing the teacher training course from two to three years in 1960. This means that in 1962 10,000 teachers will be "lost" in one year, and about 3,300 in every subsequent year. This would slow down the increase in the number of teachers most heavily in the most critical years. The losses can only be partly made good by bringing in more graduates; originally, it was wrongly supposed that this transition would be possible because of a reduction in the numbers of children at school. The Minister has now tried to reduce the loss by making the existing training colleges increase their places by 1,000 this year and another 1,000 next—which is the top limit of their capacity.

But this expansion will not produce the greater numbers of teachers urgently wanted. It would produce enough teachers only if present oversized classes were accepted indefinitely—or cut down only very slowly. It would, in fact, leave the teacher-force by the mid-sixties very little larger than it is now. Even on the assumption that the annual increase is kept up to 6,000 a year, the Ministry thinks there may be a shortage of 35,000 teachers for achieving the aim of reducing classes to 40 in primary and 30 in secondary schools by 1970. Whatever optimistic hopes are cherished about the contribution from the universities, or the return of married teachers, it is plain that the need can be met only by building new training colleges on a big scale. On the assumption that such new institutions could start turning out teachers by 1963 to make up the gap of 35,000 would mean providing at least 15,000 places—5,000 extra teachers a year.

This would require 12 to 15 colleges, costing in all about £25 million. The figures admit of no other conclusion, given the existing objective of educational policy. And to complete such a programme by 1962 it would have to start at once.

WHETHER even such a huge expansion programme would produce sufficient teachers also to raise the leaving age, and to staff county colleges for compulsory one-day attendance by those leaving school at 15 (or 16) is very doubtful. Given a ratio in secondary schools of 1 teacher to 16 pupils (which may exaggerate the teachers needed) to add 475,000 to the school population will need another 30,000 teachers. In all, we shall need at least 350,000 teachers by 1970; perhaps 370,000.

Before we can have cake we must have bread. On these figures, two urgent objectives can be laid down for education. The first is that, on any showing, it is urgent to build new teacher training colleges—as many as possible and preferably in university towns against the time (decades off) when all teachers will be graduates. The second most urgent need is for the politicians and the public to look at education the other way round; to ask what combination of objectives they can get from the possible supply of teachers, and to stop the incantation "with a bit of effort it will be all right." It will not.

When all the teachers that can be got have been got, it may still be necessary to choose between smaller classes, later leaving, and length of teacher-training. If everything turned out well, with a big expansion of training facilities it just might be possible to have nearly all of them. If things go ill, or even only moderately well, the choice will be clear cut, one or the other. Now is the time for quick action and for absolute clarity—and honesty—about what the alternatives are.

Trade Unions in Recession

The trade unions have spent a year learning economics the hard way. It is doubtful whether the Trades Union Congress at Bournemouth next month will apply these lessons in the right way

THE trade unions have had a hard year, and they might be expected to have some important questions both of strategy and tactics to discuss at the Trade Union Congress in September. But there is no hint of this in the preliminary agenda which has just been issued. It has the usual stuffing—more nationalisation, an end to government interference in collective bargaining, and other ritualistic formulas. These will evoke the proper responses and give the conference the required appearance of brotherly unanimity. All this will deceive nobody. This year there is beneath the surface a new difference of opinion among the union leaders about the whole position of the unions in the economy; it cannot be papered over; and it has been sharpened by events and the clash of personalities in the last twelve months.

The battles of the past year have taught the unions several lessons, but the most important is that they are no longer insulated from economics. For nearly twenty years they have had brimfull employment to back them up in whatever they asked. Many of their younger members had no idea what a firm refusal to grant a wage increase really meant. They have been able to impose work-spreading practices much as they liked. But, suddenly, men as far apart as Welsh coalminers and Smithfield porters have had to face two facts: first, that the days of automatic redistribution from profits to wages have all but departed; second, that employers may back up the insistence that they cannot pay more by preferring to stick out a strike rather than give way. Wage bargaining has suddenly begun to look almost as tough as bargaining at the summit.

An important straw in the wind is that not all unionists are sorry about this. Some of the leaders, at any rate, feel that though the men may have to work harder, management is having to work harder for its living, too; and this, in spite of lurid statements made to the press, will in time be healthy for industrial relations. Claims are beginning to be pitched more moderately, at any rate, compared with the demands for £2 a week and more that were made back in 1952; for instance, it was widely considered, even last January, that Mr Cousins's demand for a 25s. increase for his busmen was an anachronism. Only Mr Ted Hill, demanding 12 per cent for shipworkers, seems to be stoutly standing out against this new moderation. And if, as many unionists, and others, fear, a recession deepens in Britain this autumn, even he may have to be more flexible.

The second lesson that the unions have had to learn has been even less palatable. They have not only discovered that their power in postwar bargaining was derived, not from their own inherent strength and assertiveness, but from the general economic condition of high demand and brimfull employment. They have also discovered that they are themselves not the giants that they, and everyone else, had imagined. In the early postwar years, instead of increasing membership and building up reserves, they allowed the fat to grow around their middles. Contributions were kept low, reserves were invested in gilt edged securities (because any more businesslike investment policy was taboo), and members were not pulled together into effective units for industrial bargaining. These weaknesses had been apparent to outside observers for some time, but until this year, they were never really exposed in all their nakedness. It took the unhappy experiences of the mighty Transport and General Workers' Union during the London bus strike to make the mass of unionists realise that something was badly wrong.

THE full story of the strike has yet to be told, but enough facts have emerged now to show what a great blunder it was. Behind it all was the fact that Mr Cousins did not get on well with his colleagues on the General Council of the Trades Union Congress and was not listening to their advice. He thought of them as standing in the way of his new, more active, unionism; they, in turn, considered him as something of an upstart, over-ambitious and lacking in judgment. In the event, the elder statesmen of the TUC turned out to be right. Relying on the power that his 1,300,000 members seemed to bring him, Mr Cousins presented an impossible claim; he then allowed himself, for fear of unpopularity, to be led along by extremists; he misjudged the temper of London Transport and, almost unbelievably, he was completely taken by surprise when London managed to do without the buses. Worse was to follow for his own prestige when he had to appeal to other unions for money; the unions believe in fighting their own battles and this request did not go down well. But what has been Mr Cousins's loss has been other union leaders' gain, and the moral of the strike will not quickly be forgotten.

There are some signs that the unions are taking these lessons to heart. Mr Greene, the quiet but determined new leader of the National Union of Railwaymen, pointed out this month in the union's official paper that the NUR's funds of £5½ million did not stretch

far over 370,000 members and that reserves per head were, in real terms, less than two-thirds their prewar level. A sign that the unions realise that they must invest in a better second line of leadership is that the penurious pay of union officials is beginning to be edged upwards. But so far there is no sign that the unions are reconsidering their long term policies, which remain instinctively negative and restrictionist.

Three examples of this negative attitude, all likely to be discussed by Congress in some shape or form next month, are topical. One is the reaction of the unions to the Cohen report. This was labelled anti-working class and indignantly dismissed. But where is the TUC's own evaluation of the economic situation? The answer is—locked up in a drawer, because, good as it was, not every member of the General Council could agree on the final wording. Another example is restrictive practices. Many unions give very much more help in raising productivity than they are generally credited with; but restrictionism, such as the mess at present being uncovered at Smithfield, still abounds. Again, unions are being urged to expand their apprenticeship schemes to take in more school leavers, whose numbers are going to rise in the next five years by one half. But these schemes are used by the craft unions primarily to restrict entry into their industries, and as a result, they are almost certain to be kept at just about their present size.

THE truth is that the trade unions still refuse to take up the challenge of the enrichening (and so changing) society. And since they remained so stubbornly unready during the heyday of full employment to recognise that their members' (and the nation's) real stake in the future lies in innovation, mobility, and all the means of productive expansion, rather than simply in more money wages (and always higher prices), they seem hardly likely to greet the risk of further recession and somewhat more unemployment with a change of heart. Indeed the mood of the TUC next month is only too likely to be still more defensive—and defeatist. The trade unions are not alone in this; faced with a slowing-down of trade, the first reaction of most governments is to fly to restrictive measures. Yet this is, above all, the time for constructive thinking, by governments first no doubt, but by trade unions no less.

What is the trade unions' policy for production—without inflation? Even immediately, do trade unionists see that the worst way of coping with the recession will be the reactionary way of merely digging in behind their present jobs and their next wage claims? The best way of defending their incomes, now and in the future, will be to contribute all they can, as producers, to maintaining and increasing the national income as a whole. As it goes up, in real terms, so will their share; that is the principle of the enrichening democracy (which, like all economies, can invest for reward tomorrow only what it does not consume today). And so, too, in their domestic affairs, the trade unions will best increase their membership, not by dragooning workers against their will, but by showing that union dues give value for money. It would indeed be heartwarming to think that these might, after all, be among the themes next month at Bournemouth.

Arabia Phœnix

The Arabian peninsula has become sensitive to the impulses of pan-Arab politics. Western oil interests, and the British treaties with many Arab rulers, make it likely that the West will be embroiled

FOR long the source from which the Arab migrations came, the Arabian peninsula is now merely the hinterland of the Arab Middle East. For thousands of years the excess population of the peninsula moved northward towards the greener pastures of the fertile crescent; but now the movement is one of ideas instead of people, and the direction has been reversed.

In an area nearly the size of the Indian sub-continent there are two kingdoms, 23 protected states, 7 trucial sheikhdoms, an independent sultanate, and a crown colony; with a total (uncounted) population of less than fifteen million. British relations with the peninsula were established to protect the lines of imperial communication to India. These arrangements, embodied in a complex of local treaties, have now been adapted to serve as a protective cover for the oil operations that have become so important to the western world. Only in the past few years has there been much reason to doubt that the arrangements were not completely satisfactory to all concerned. The people of the peninsula were among the last to be affected by the virus of Arab nationalism.

But, though in terms of social progress they are as backward as any people in the world, they are now being stirred up by the same forces that have caused the upheavals farther north and west. They are moved by the desire for independence, unity, and social progress which the radio stations of Cairo, Damascus and Moscow have told them are their right. The importance to the western world of these desires is not affected by the fact that the people who are moved by them do not fully understand what they mean. Agitators in Saudi Arabia, for instance, tell their listeners that communism means that everyone will have a Cadillac, just like the princes.

What is to become of these people who are beginning

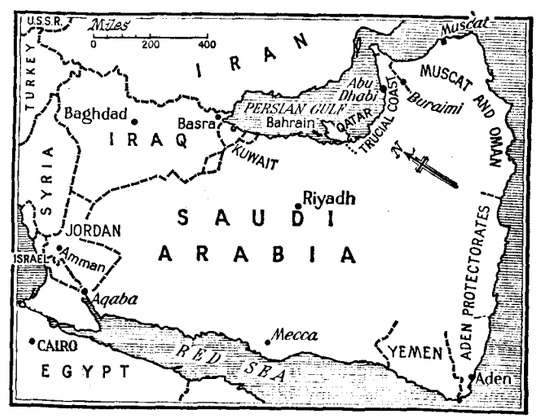
to show signs of restlessness as the news of momentous events in the outside world penetrates the deserts of Arabia? In the days before oil was discovered, it was the British who policed the waters around the peninsula, built lighthouses, laid down buoys and cables, suppressed piracy, put down the slave trade and controlled the traffic in arms. Are the British willing now to use the troops, spend the money, and offer the technical aid that none of the peninsular states, except Kuwait, Bahrain, Qatar and Saudi Arabia, can afford to furnish for themselves?

BRITISH influence is paramount along the western and southern shores of the Persian Gulf and throughout the south Arabian statelets that are dominated by the colony at Aden. From time to time a plan of federation has been suggested for the Persian Gulf sheikhdoms, more often in the form of dread warnings from Cairo that there is such a wicked British plan to impose a foreign ruler over the area; the late Crown Prince Abdul Illah of Iraq was the candidate usually dreamed up by Cairo. Another federation plan has been offered to the rulers of the Western Aden Protectorate; it, too, has been duly denounced from Cairo. The United Arab Republic, having nothing to fear from such federations in themselves, can dislike them only because it regards them as extensions of the British influence which President Nasser has sworn to eradicate from the Middle East. It is apparently of no concern to Cairo that the lot of the poor Arabs might be improved, or that one or more federations of governments now useless could one day provide useful allies to him.

The Persian Gulf states of Kuwait, Bahrain and Qatar are rich because they have oil to sell. They could afford to share their blessings with their less fortunate brethren along the Trucial Coast, but there have been few indications, other than the sending of a few school teachers, that they have any desire to do so. Federation may look fine on paper but in these days it is not a practical measure unless it has popular support, particularly in the oil-bearing states. Federation might work in the barren hills of the Western Aden Protectorate, where some of the rulers are anxious for it, and where no strong public opinion has developed yet. What these rulers seek through federation is an enhanced ability to resist the Egyptian-supported expansionist pressures of the Imam of Yemen. Inevitably, if unfortunately, strength to these Arab rulers means the protecting presence of British troops.

The Imam of Yemen has hitched his creaking wagon to the Egyptian star. He has bought time for his medieval theocracy by allying it with the forces of nationalism that are most dangerous to it in order to gain support in his boundary squabbles with the British Government over Aden and the protectorates. Among the protected rulers, only the Sultan of Lahej has shown any inclination to switch his allegiance from Britain to the United Arab Republic. For this he has been barred from his country; he is now going to Cairo where he can heckle the government of Aden as much as he likes. Comment on his removal was drowned out by the louder noises from Baghdad, Beirut and Amman, but the significance of it will not go unnoticed in Cairo or in the ranks of the loyal rulers.

A legacy of the unfinished conquests of the late King Abdul Aziz ibn Saud, himself once a treaty ruler, is the bundle of border disputes, active or dormant, that Saudi Arabia has today with Kuwait, Abu Dhabi, Muscat, the Aden Protectorates, and, when convenient, with Jordan over the area from Maan to Aqaba. At every one of these points it has been British protection that has stopped further additions to the domains of the house of al-Saud. Though the Saudi Arabian government has enough to keep it busy within its present territory, for reasons of prestige it would probably be willing to assume responsibility for those trucial sheikhdoms that might choose to join it because they cannot



afford to keep themselves. The protection of British interests in them would then remain only in a guarantee of oil concessions already granted. The Arabian American Oil Company has the concession rights within whatever the borders of Saudi Arabia itself may turn out to be. It may be said that the Saudi Arabian monarchy is as shaky as the kingdom of Iraq was proved to be. If this proves true, not only American oil interests but also American strategic interests can hardly escape involvement. Certainly the Saudi rulers are subject to the same pressures that brought down King Feisal in Baghdad; still, it is just possible that they may learn to live with them. As a beginning, they would have to mend their ways and learn to use their money for constructive and productive purposes in order to satisfy the growing number of their own people who are not so much against monarchy as against waste and corruption. They will have to realise the dangers and act quickly.

The Sultanate of Muscat and Oman is described as an independent sovereign state, but its special relationship with the United Kingdom makes it a fair target for Arab nationalist propaganda. Once again the Sultan is troubled by a rebellion in the rough interior of Oman,

where the Imam, a religious leader and traditional adversary, tried to set up a government of his own late in 1955. At the beginning the Omani rebellion was financed by Saudi Arabia and encouraged from Cairo. Lately, the rebels appear to have received some consignments of arms from somewhere, and Cairo radio invents stories of great battles while the thin line of the Sultan's British-led forces tries to hold the ring around the mountain areas where the rebellion has never been quite extinguished.

Britain's problem in the Arabian peninsula has become largely one of being trapped by arrangements made in good faith, for reasons which were good in the past but which have already changed. The British cannot shift or share their responsibilities without seeming to let down their friends. In addition, they—and the West as a whole—do want the firm assurance of access to the oil, which the peninsula offers more cheaply and in greater quantities than any other region of the world. Perhaps the behaviour of the new government in Iraq may hold the answer. If it were proved there that oil supplies do not depend on political influence, then one side, at least, of the puzzle of Arabia would begin to look soluble. This would not by itself solve the problem that is implicit in the British commitment to protect a large number of outmoded and imperfectly viable states in a world that is becoming too difficult for them. But it might enable this political problem itself to be tackled. The alternative prospect is a wearing, and possibly dangerous, series of rearguard actions that would keep Britain embroiled at many points in Arabia for many years yet.

NOTES OF THE WEEK

PARLIAMENT

The Decks Cleared

THE Government has completed its legislative programme for this session; no work remains to be done which would compel it to postpone an autumn general election —if it wanted one—in order to finish a major Bill in the normal tidying-up period after the summer recess. Nor would any emergency recall of Parliament during the summer recess have any bearing on the legislative record of the session, unless there were need for emergency powers in the direst of circumstances.

The Government's prestige stands higher than it did at the beginning of the session; but this is not the result of any Acts that have been added to the Statute Book, except in so far as the melting of the credit squeeze under Mr Amory's rule at the Treasury has been assisted by modifications to the Finance Bill during its passage through Parliament. The main reason for the rise in the Government's stock has been Mr Macmillan's zest for Commonwealth and foreign affairs. His eager journeys abroad, and the care with which he has handled foreign affairs in the House—particularly the Middle Eastern situation—have created an impression that the Government is led by a man who forms his own mind in relative tranquillity of thought and is persuasive in commending his conclusions to the House.

Nevertheless sixty-two Government Bills have been safely enacted or as good as enacted in a busy legislative session. Most of these have involved modest changes in the law, but in three respects the trend of legislation has been significant. Firstly, there has been what one might call a domestic group of Bills which has included the reform of local government and the modification of the Rent Act to relieve any incidental hardship in its working. Secondly, there has been an economic group of Bills which to some extent attempt to lessen the effects of a growth in unemployment: for example the Distribution of Industry (Industrial Finance) Act is a direct but almost certainly uneconomic effort to encourage the provision of new work in areas where unemployment is already above the national average and is likely to persist. The third group of Bills embody the efforts of the Government to apply some of the recommendations of the Franks Committee for the modification of the administrative tribunal procedure in the defence of individual rights, and to get rid of emergency powers surviving from the wartime Emergency Powers Act. The legislation is of unequal merit, but it discloses a pattern of Tory expansionism and libertarianism which, in its intention and sometimes in its execution, is commendable.

BAGHDAD PACT

Defence Without Iraq

IRAQ'S absence from the meetings of the Baghdad Pact council in London on Monday and Tuesday made that country all the more prominent. In one way the meetings came too soon after the revolution in Iraq, for it put the participating ministers under the necessity of appearing, at least, to give the old regime a decent burial before coming to grips with the new. Iraq's future relations, if any, with the pact organisation remain obscure. But the number of countries that recognise the new government is growing rapidly now, and all the pact members, including Britain and the United States, either have recognised it or are on the point of doing so.

The United States did not, after all, become a full member of the pact, but it went nearly as far. Under cover of a joint congressional resolution of March, 1957, and in order to by-pass the slow-moving treaty-making machinery of the United States Senate, Mr Dulles announced that his government would adhere to Article 1 of the pact. Thus the United States undertakes to co-operate with them for their security and defence, and accepts the same obligations

towards Persia and Pakistan as they have to each other. (The American obligations to Britain and Turkey are much stronger, since these two are members of Nato; and the Nato powers are pledged to treat an attack on any of them in Europe or North America as "an attack against them all.") If Iraq were to show any inclination to remain a member of the pact organisation, then separate arrangements would have to be made in that quarter. In dealing with Middle Eastern trouble spots the ministers appeared anxious to see that Lebanon achieves the neutrality that would preserve its identity and that—more difficult still —some formula should be found to permit a British withdrawal from Jordan while avoiding the immediate collapse of the Jordanian regime.

On Tuesday the ministers showed concern about the recent examples of aggression by indirect means. It is understandable that some of the members may feel that the adoption of some international enactment, perhaps like those that deal with narcotics and the slave trade, would save themselves and their governments trouble in the future. Generally accepted, it could mean that no government would ever, in international law, be permitted to fall without its own consent; there would be no end to the task of enforcing it. But no one is likely to succeed in defining just what indirect aggression really is. Early in June the Lebanese government refused to accept the Arab League council resolution asking for the cessation of all inter-Arab propaganda warfare, because it felt that its allegation of direct aggression was more promising. Perhaps a total breakdown of wireless communication would give the world a respite from too many harsh words; but that can hardly be arranged or hoped for by the members of the Baghdad Pact organisation, or even by the United Nations.

Compensations for Turkey

MR MENDERES must be well pleased with the outcome of his travels in western Europe. Preoccupied by the potential threat from Russia, his government set perhaps more store on the Baghdad Pact than any other member. (The Turkish opposition, on the other hand, is at present highly critical of the pact and of the government's enthusiastic endorsement of the western interventions in Lebanon and Jordan.) The revolution in Iraq and the death of the Turkish premier's close collaborator, Nuri es-Said, seemed at first to presage the end of the pact and a serious weakening of Turkey's strategic position. But the near-certainty of the defection of Iraq (which in any case was becoming an increasingly dubious quantity in the pact) may now have been more than offset in Turkish eyes by the announcement of more complete American participation.

Economically, too, Mr Menderes has gone home with something well worth having in his pocket. Turkey's appeal, made some months ago, to the Organisation for European Economic Co-operation that the organisation should rescue it from its economic difficulties, has this week been answered to the tune of perhaps $200 million—half from the United States, a quarter from Germany and the rest from Britain and the European Payments Union. A mission of the OEEC and the International Monetary Fund has been in Turkey investigating the economic situation; and according to Mr Heathcoat Amory, the OEEC Council chairman, the Turks have submitted a "detailed programme" of economic recovery. There have also been some signs in Ankara that the government has at last begun to appreciate the importance, in economic matters, of cutting its coat according to the available cloth. One hopes, therefore, that Turkey has obtained this substantial economic aid because the government genuinely intends to adopt a more sensible economic policy, and not simply because the Middle Eastern crisis has made Turkey's western partners feel that its government must be shored up at all costs.

JUSTICE AND THE PRESS

To Report or Not to Report?

THE occasion for the appointment of the Tucker Committee on the publication of committal proceedings in magistrates' courts was to a certain extent a false one. What caused concern about the trial of Dr Adams last year was not so much the reporting of the proceedings in itself as the prosecution's tactics in the course of them. In the magistrate's court, the prosecution, apparently in order to be sure of a committal, produced a great deal of evidence (so-called "evidence of system") that was not produced at Dr Adams's trial. There is at least a case for saying that these tactics should have been the subject of an inquiry as much as the press reporting of them.

But even if they were justified, the wider question still had to be answered: should the committal proceedings, which may include evidence dropped at the trial and which are usually one-sided, be reported? The Tucker Committee found that those who favoured publicity did so on two main grounds: a general feeling that the press should not be muzzled; and a belief that publication keeps rumour and gossip within bounds. But the committee holds that these contentions are overridden by the importance of ensuring, not only that the accused is tried by an unprejudiced jury, but also that it is seen to be unprejudiced. It is quite true that, in spite of the reporting of the committal proceedings, Dr Adams was acquitted, and the Tucker Committee admitted that it is impossible to prove whether verdicts are affected by such reporting or not. But it argues strongly that proof that the danger of prejudice to a jury is recognised can be found in the frequent exhortations of judges to juries to rid their minds of what they have read and in the safeguards that already exist—the ban on comment on cases *sub judice* and the withdrawal of juries from the court when legal arguments on the admissibility of evidence are heard.

Granted that committal proceedings should continue in their present form, the recommendations of the Tucker Committee are the right ones: that the proceedings should be held in open court, and that the magistrates' discretion to hold them *in camera* should be limited by statute; that there should be no restriction on reporting the proceedings when the accused is discharged; but that when he is committed for trial, only his name, age and so on, and the nature of the charge, should be given immediately and a report of the proceedings deferred until after the trial. It is important to emphasise that it is deferment, not prohibition, that is proposed, for this should scotch any press contention that the recommendation would prevent it from doing its duty by the British public. If there is a duty involved, its fulfilment should not be affected by being deferred. If the press contests this it will really be complaining that deferment will deprive the committal proceedings of any sensational news value they may possess.

Brainwashing in England?

THE argument that newspapers do serve the cause of British justice by their interest in criminal cases can certainly be upheld. Last week, for instance, two newspaper reports gave publicity to police methods of dealing with suspected and accused persons, about which anxiety has long been—rather impotently—felt.

In one case, a mother, whose intelligence was below average and who was suffering mentally from the effects of childbirth, was accused of murdering her baby. At her trial, the defence submitted that the evidence of a detective sergeant was inadmissible, and the judge, upholding the submission and directing the woman's acquittal, said:

> After a great number of what strikes me as being very close to the most bullying cross-examinations of this woman, she was reduced to such a state that she acceded to suggestion after suggestion that was made to her.

The other case concerned a young girl who has been "pardoned" for a theft for which she had been forced to make restitution, and had been placed on probation, but which has now been found to have never occurred. She had confessed to it, she is reported to have said, because of the "hard questioning," accompanied by threats, by three police officers on three separate occasions, at the end of which "I almost believed what they said": on all of which the comment of the chief superintendent of Lancaster's police is: "This matter has been investigated, *and the girl was not treated any differently from any other prisoner.*" (Our italics.)

These cases, it should be emphasised, are not isolated. Time and again the methods of the police have come into prominence at criminal trials: long hours of questioning sometimes through the night, until mental resistance is lowered; promises that the accused will get off more easily if he confesses; threats of what will happen if he does not. There have been other occurrences—the alteration of a date in Lord Montagu's passport, for instance—that have never been explained. But when an accused is found guilty, any complaints made on his behalf against the police tend to be discredited. Now, however, the complaint comes from an undoubtedly innocent person, and this proved false confession must throw doubt on all confessions extracted by a similar process. The police seem to be as anxious to extract a confession as they are to obtain a conviction, perhaps to save themselves trouble, and to do so they resort to a form of what in other countries the British people rightly detest as brainwashing. There are now hard grounds for an inquiry into police methods; Parliament should insist on one.

FRANCE

Bonapartism and Water

IN the constitutional proposals which General de Gaulle's government made public this week, one feature stands out: the powers of the new president. He is not a new Napoleon. But the president is elevated from his largely formal role under the Fourth Republic to become an active head of the state with broad political powers. The new president nominates the prime minister, can demand the reconsideration of a law, and can dissolve parliament. He has remarkable exceptional powers to deal with a threat to the institutions of the Republic, to national independence, or to the fulfilment of France's "international obligations." He is elected not merely by senators and deputies, as hitherto, but by delegates from municipal and county councils and overseas territories. The president does not actually govern from day to day. The prime minister and his cabinet do that. But the executive is strengthened (or, at any rate, the legislature is weakened) by the fact that deputies must resign from Parliament once they become ministers. The assembly is only to meet for two three-monthly sessions during the year.

Not all the proposals are complete and clear. They are now to be submitted to the consultative constitutional committee, which will make recommendations to the government before the final draft is formulated for submission to referendum in September or October. One fundamental problem, however, is already clear—the danger of a political clash between assembly and president. The new president is almost bound to be conservative, elected as he is by the suffrage of a limited college. He may well stand to the right of the assembly and the programmes it wishes to support. It is difficult to tell from the new draft constitution just where decisive political power will in fact reside. Certainly there may be new sources of constitutional strain in the General's attempt to combine Republican virtue with Napoleonic efficiency. And the way any new constitution works in France will plainly be affected by the shifts of power that are going on outside its framework; as the political parties wither away, the army gains new power.

AUSTRIA

Concession at a Price?

HERR RAAB, the Austrian chancellor, spent a week in Moscow between July 21st and 28th; Mr Khrushchev took the opportunity to make certain that the Austrian delegation would act as a mouthpiece, after their return home, for his off-the-record views on the summit. He seems to have spent a lot of time talking to them, informally, on this problem, and he made several points with his customary clarity. First of all, he indicated to the Austrians that he thought Mr Dulles the chief western no-man and habitual stonewaller: apparently he regards the Secretary of State in the same way as the West used to look upon Mr Molotov at the zenith of his diplomatic power. After this, he assured his Austrian guests of the strength of his own position in Russia. He is certain he will still be running the Soviet Union when the present western leaders lead no more. And finally, good host that he is, Mr Khrushchev flattered the perennial desire of the Austrians to build up Vienna into something more than merely the capital of their small republic. He is reported to have said that he would not mind at all if the summit conference took place there.

But summit talk was not the official reason for the visit of the Austrians to Moscow. They came to discuss matters of direct concern to their country, on the whole with profit: they saved the Austrian state over £20 million in reparations to Russia. But at the same time the chancellor finally recognised the Russian-sponsored Danube convention, drawn up in Belgrade in 1948, in the absence of the western powers. Austria can now be expected to join with the rest of the Danubian states, all members of the Soviet block, on the permanent Danube commission.

At a press conference on Tuesday, Herr Raab was at pains to explain that accession to the Danube convention was not the price the Austrians had to pay for the reduction of their reparations bill. Herr Raab stressed the fact that the recognition of the *status quo* on the Danube was an act of free will on the part of the Austrian government, and that he would urge the west Germans to do the same. There is no reason to doubt what he says. The interests of Austrian shipping and commerce were heavily penalised so long as Vienna remained aloof from the Danube Commission. The Austrian shipping companies clearly hoped to capture their share of the traffic along the whole length of the Danube; they could not do this when the government ignored the political position downstream. The Austrians may now be able to introduce a breath of fresh air into the stuffy atmosphere of the Danube Commission. They will not be entirely isolated there; they will probably find interests in common with the Jugoslavs.

DEFENCE

Mr Head Speaks Out

MR ANTONY HEAD'S eloquent and well-documented plea to Mr Sandys to think again before he finally commits the country to an army of no more than 165,000 dominated the debate on the government's white paper on defence organisation. But the plea was rejected by Mr Sandys, who was in a mixed mood of ebullience (because he could claim that voluntary recruitment now really does look like producing his 145,000 other ranks for the regular army) and of nettled defensiveness (because he has been baulked of the somewhat greater reforms to the defence structure which he wanted, but must now say he does not want). Mr George Brown was very unkind on this sore subject.

Mr Head has remained loyally silent for eighteen months, but rightly spoke out when this debate presented him with his last chance to place his misgivings about defence policy before parliament and the public—because once the National Service Acts are not prolonged it will be almost impossible to return to even a selective call-up. He ceased to be defence minister because he believed that an army of 200,000 effectives (i.e., if conscripts were included the total would be larger) was the minimum which our alliances and small war commitments required, and he refused to cut it when it was estimated that the total which volunteering would produce would be an army of about 165,000 of all ranks in an establishment of 375,000 volunteers of all three services. The Government can no longer wriggle out of the fact that they fixed the latter figure as adequate because it was the figure which would enable them to gain the political kudos of abolishing conscription and to make a big financial saving at the same time. Mr Head has pinned this down; but more valuable was his analysis of what a force of 165,000 could do. Even accepting the cut in British forces in Germany to 45,000, Mr Head showed that it would provide barely 25,000 men both for the strategic reserve and British commitments up and down the world. Mr Wigg added an appropriate rider that in cutting our contribution to Nato the Government was endangering the country's most important insurance policy—the one on which British ability to cut the armed forces so finely is in fact based.

All this fell on deaf ears—unfortunately on the Labour side as well as on the Government benches. The Government has forced Labour into the position that it could not acquiesce in the retention of contingent powers of call-up now even if the Government had second thoughts. Government reassurances amount to the suggestion that Mr Sandys could use the RAF regiment as well as artillerymen to do a infantryman's job if need be, and that in a few years Cyprus will not tie up so many troops. The idea that anything else might tie up troops just as badly seems to occur to nobody. The debate was a disquieting exposé of wishful defence thinking on both front benches, but some of the vital issues were ventilated and the OKW pushed into the background.

LABOUR PARTY

Miss Lee at the Top

MISS JENNIE LEE, wife of the treasurer of the Labour party, Mr Aneurin Bevan, has joined the national executive committee of that party in place of Mrs Jean Mann, who resigned after a quarrel over the appointment of Labour party officials in Scotland. Miss Lee was the runner-up in last year's election for the representatives of the women's section on the national executive, and she automatically filled the vacancy created by Mrs Mann's resignation. Mrs Mann's departure may be recorded without comment, but Miss Lee's arrival has fed the hopes of some and the fears of others that she may drive the national executive wildly to the Left. Miss Lee has certainly preserved, in the dignity of middle age, an air of the romantic agitation in which she indulged as a young and ardent Scots lass; but, even so, almost no opportunity arises for turning the national executive upside down before the end of September, when the annual conference of the Labour party is to meet at Scarborough. (And if a general election were to torpedo the party conferences this year, Miss Lee's chances would be still less.) The national executive has now published all but one of the policy documents which it has been preparing since the party conference of 1955. The last document, dealing with Scottish affairs, is to be published in Scotland in the middle of this month. The verdict on them is now a matter for the delegates at Scarborough. Moreover, the delegates will elect a new national executive, and the odds on the various candidates have not yet settled. The present national executive will not meet again (short of emergencies) until the last week of September, but various sub-committees of the executive will be meeting on September 16th, 17th and 18th to consider the business of the conference. Miss Lee's hour is not yet.

NORTHERN RHODESIA

Visitors from Lusaka

AS was to be expected the constitution which the Colonial Office so painstakingly tailored to Northern Rhodesia's peculiar political dimensions has pleased nobody. Everybody—or rather the sectional leaders—have consequently flocked to London, with the governor at their head, and Mr Harry Nkumbula, the president of the African National Congress, who was not invited, at their tail. The Colonial Office scheme, though ingenious, was complex and this is one legitimate source of complaint: that the African elector will never understand it. But it tried to be a fair scheme, giving the Africans votes for the first time and an increase in African representation; and ensuring that black men should vote for white candidates and *vice versa*, while safeguarding

the settlers' and the Federation's interests in the protectorate. In the event, nobody feels safeguarded.

The white Northern Rhodesians are divided between the United Federal party and the Dominion party: the latter have now come out for outright division of the protectorate into white and black areas. The Federals in the main back the Colonial Office scheme (as well they might) but want adjustments in their favour. The Africans are strongly opposed, but they, too, are divided between moderates and extremists. The moderates demand that there shall be parity of white and black elected members with the officials holding the balance; the extremists ask (very moderately, they observe) that there shall be equality between black and white members, counting officials as white men. All the African representatives, however, object to the high property qualification proposed for the "special" roll, and to the fact that this is to be closed after ten years, whereafter everyone will have to be as rich as a white man to qualify.

The Colonial Office will not get agreement: it will have to impose a solution on somebody, and probably on everyone. It will do well to make some concessions to the Africans on the franchise qualifications, which are too high, and thus set an example to the Federation; and there should be no ten-year "concessionary period" in which the poor can get a cheap vote. The "special" roll should stay and steadily increase the number of black voters. The territorial assembly deals largely with African questions, and it should be clear that, within a reasonable period, Africans can hope to play the major role in running it. When such a hope is specifically excluded Africans have, let it be admitted, some grounds for fearing that the object of every change is to smooth the way to dominion status for settlers and servile status for Africans. They are exaggerated fears, but the shadow of partnership should clearly project into the protectorate's future.

VENEZUELA

Gunboats for Democracy

WHEN soldiers and civilians combine to overthrow a regime which both find intolerable, there still remains the little matter of deciding who is to be master in the long run. For Iraq, that stage has not yet arrived. In Venezuela—a country which, incidentally, produces three times as much oil as Iraq—it seems to be at hand. Six months have passed since President Perez Jimenez's dictatorship was destroyed. Its collapse was precipitated both by discontent in the armed services and by civilian riots organised by a "patriotic junta" of angry young men; and although the military outwardly dominated the provisional regime created in January, they were accepted by the civilian politicians only on condition that they carried out their pledge to restore representative democracy. Presidential elections were planned for November.

Last week, the army elements that instinctively recoil from the return of democratic politics showed their hand. The defence minister, General Castro Leon, backed by other army officers, issued what amounted to an ultimatum to the junta, demanding the restriction of press freedom and the outlawing of the Accion Democratica and Communist parties. (Accion Democratica dominated Venezuelan politics during the liberal period between 1945 and 1948, and is likely to do so again as soon as elections are held.)

Fortunately the minister's stand proved to have only limited backing among his fellow officers. Some army units followed his lead, but others wavered, and the navy took its orders from the chairman of the junta, Admiral Larrazabal, who staged an impressive gunboat demonstration in defence of democracy. A one-day general strike called by both trade unions and employers in support of the admiral confirmed his victory. Many of the mutinous officers have now been arrested or exiled. On Wednesday of this week, the admiral repeated his pledge to hand over power to an elected government, and urged the election of a civilian as president. Venezuela has thus cleared another obstacle from its road back to liberty; but the lesson ought not to be lost. It is not easy to bring down a tyrant, but it can be harder still to build up a democracy; and soldiers are not always the most reliable builders, particularly when they have behind them a long tradition of military ascendancy in politics.

LATIN AMERICA

Mr Dulles in Rio

MR KHRUSHCHEV is to be kept waiting while Mr Dulles converses with Latin American foreign ministers in Rio de Janeiro next week. It may be supposed that this will so flatter his southern colleagues that they will forget or at least slide over their more embarrassing economic and political demands. *A Latin American correspondent writes:*

This tactic, like all the previous tactics Mr Dulles has adopted in Latin America, can scarcely succeed unless it is accompanied by some concrete proposals to help solve the area's economic problems. The southern republics are much more businesslike than Mr Dulles thinks. They may not be flattered; they may even be emboldened to make their requests for economic aid more pressing still.

Quite apart from Mr Nixon's personal experiences on his South American tour, the latest events in the Middle East have elicited some sombre reflections among Washington's experts on Latin American affairs. In fact, it does not take much imagination to see the present Middle East crisis as foreshadowing a possible future crisis of Latin America. The southern republics share a common cultural heritage, a common religion, and a common economic grudge against the United States. Latin Americans are not averse to this sort of speculation, and they remember now that the main and decisive opposition to the proposal to establish a common market put forward in the Buenos Aires conference of the Economic Commission for Latin America last year came from the United States. They also recall that Mr Dulles has often managed to travel to Latin America to press for the passage of anti-communist resolutions in the sadly ineffectual Organisation of American States, but when the economic plight of primary commodity-producing nations was being discussed there, only subordinates were sent from Washington to deal with it.

Fifteen years ago the United States could boast without blushing about its good southern neighbours. Today such an expression would be little short of ridiculous. With only two exceptions (Peru and Mexico), every democratic government elected during the last six years has been chosen by a left-wing coalition with a clear anti-United States bias. There is a unanimous demand for more trade with the communist countries, and, as *Life* has just discovered to its dismay, there is an almost massive trend towards neutrality throughout the continent. Of those asked in six capital cities of Latin America whether they thought their countries should help the West, help the Soviet block or stay neutral, 55 per cent opted for neutrality; 35 per cent for the West; and 5 per cent for the Soviet block.

Yet there is no doubt that even within so-called "left-wing" governments there is a sincere desire for better relations with the United States. It must be remembered that the Rio de Janeiro foreign ministers' meeting is being called by President Kubitschek, who has proved a better friend to the United States than anybody expected when he came to office. Now these governments expect the United States to show what it is prepared to do to check the drift towards an alignment of Latin American opinion on something like Afro-Asian lines—looking, perhaps, more to Russia and less to Washington, for economic aid. Mr Dulles's decision to go to Rio first and attend to Mr Khrushchev later is not entirely without point.

EASTERN EUROPE

Shadows Behind the Curtain

SINCE Mr Khrushchev became deeply involved in penning countless letters to other top people, he had to drop some of his former hobbies: the conduct of the campaign against Jugoslavia, which he had made his personal affair, has been taken over with enthusiasm by the Hungarian government. Although the logical course of action for the Hungarians would have been to play down their differences with the Jugoslavs in the present circumstances, they could not resist launching a short-range diplomatic missile in the direction of Belgrade. In a note on July 23rd the Hungarians accused the Jugoslavs of gross interference in their internal affairs.

It took the Hungarians exactly one month to reply to the statement in which the Belgrade government condemned the execution of Mr Nagy and his associates. In their note they do not confine themselves to telling the Jugoslavs that the execution of Nagy was none of Belgrade's business; they introduce new evidence, which is supposed to prove that the Jugoslavs took an unhealthy interest in what was going on beyond their northern frontier, and that they had begun to do this as early as the spring of 1955. Mr Kadar has spent much of his time in office searching for explanations of the revolution of 1956. First it was the fascists and western capitalists who stirred it up and even led it; at Mr Nagy's trial the relapsed communists got a share of the blame; now, the accusing finger points at Belgrade. This is a serious charge, and it would be surprising if Marshal Tito left it unanswered.

While this new quarrel goes on in south-eastern Europe, in Poland a dispute has flared up between the party and the church. On July 27th a statement from the office of Cardinal Wyszynski announced a police raid on the Jasna Gora monastery in southern Poland. The government followed the police action with charges that the church had been distributing "anti-state" publications; criminal proceedings, it said, would be taken. On the same day, a letter from Bishop Golinski, protesting against the raid, was read in all the churches of Czestochowa; in the evening, thousands of people answered the bishop's request to pray at the monastery where the irruption had taken place.

This appears to be the most serious breach of the uneasy compromise, now of nearly two years' standing, between the two most powerful institutions in Poland, the party and the church. If it means a deliberate change of policy by Mr Gomulka, then he is being imprudent. His position, as far as Moscow is concerned, is neither stable nor clarified yet, in spite of the indications he has given that, in time of trouble, he would not stray far away from the fold. It is still too early for him to attempt any final settlement of the state's relations with the church in Poland.

OEEC

Concerted Expansion

A FEW weeks ago, it seemed possible that the meeting of the Council of Ministers of the Organisation for European Economic Co-operation might have the task of burying the European free trade area or taking some initiative to give the talks new life. In fact Mr Maudling's negotiations are still going forward. The finance ministers of western Europe, when they met in Paris this week, talked about recession instead.

In a speech on Monday Sir David Eccles, who accompanied Mr Heathcoat Amory to the meeting, made it clear that the British Government is more aware than ever of the danger of an autumn setback in Europe. And he suggested a concerted effort by European governments to meet the

The Economist

JULY 31, 1858

RESPONSIBILITIES OF MINISTERS

"This great question of the best checks on ministerial responsibility . . . had been gradually brought out into more and more marked importance ever since the Crimean war obliged us to measure the strength and solidity of our English Executive against those at once of our great despotic enemy, and great despotic ally. It was then at once discovered that we relied for the efficiency of our system too much on mechanical checks and too little on individual personal responsibility; and the tide of public opinion set in strong in favour of reposing larger trust and less divided responsibility in the Ministry and in individual Ministers, and demanding ampler results in return for that fuller confidence. The House of Commons, it was felt, was a good enough tribunal for deciding on broad questions of confidence or no confidence; but it was also seen that no strong and capable Executive could be organised unless it were conscious of the general confidence and sympathy of the Legislature in matters of principle, and left to pursue its own way in matters of method, without vexatious interference. This was felt to be the secret of the comparative strength of despotic Executives. And all the opinion of England ran in favour of a strong Government and large responsibilities. Again, the spectacle of the American Government had forced the same class of considerations upon us; there we had beheld, ever since the complete ascendancy of the Democratic party, the power of popular opinion over the conduct of the Executive amounting even to a tyranny, and we saw that the Executive was really weakened thereby, and had no proper constitution, vitality, and strength of its own. The relations of England therefore, with France and Russia, and our interest in the politics of the United States, had already forced the question of the due concentration and limits of official responsibility and its relation to popular government upon us; and when Lord Palmerston came into power in 1855 he was virtually trusted by the nation with the task of revising and strengthening the whole administrative system of the English Government.

danger by expansive policies. His speech was timely, and was sympathetically heard.

Some notes of caution, however, were sounded at the meeting, for elsewhere in Europe, as in Britain, elements of recession and expansion remain delicately in balance. The French economy may well slow down later in the year; but since France already restricts imports severely this may not have much effect on the exports of other countries. The halt in the growth of German industrial production is worrying. But the chief economic institutes in west Germany expect some recovery this autumn. All over Western Europe the steel industry is working well below capacity and pithead coal stocks are still embarrassingly large. But there are some indications on the Continent that the destocking of steel by the engineering industry, which has played a significant part in the steel recession, may soon come to an end. Recovery in steel could in turn help the mines this winter. In Britain, however, there are signs that the steel industry may not pick up for at least another year. Sir David Eccles is right in reminding the governments of the need for a move towards expansion.

REDUNDANCY COMPENSATION

Hard Hearts in Lancashire

THE Lancashire cotton employers' refusal to discuss a scheme of compensation for redundant workers is understandable in the present state of the cotton industry. The scheme, submitted by the cotton unions, provided for a levy, amounting to one quarter of one per cent of the industry's wage bill, to form a fund from which, according to their length of service, workers losing their jobs through the closure of mills or through changes in productive methods should receive a determined number of weeks' pay. A quarter of one per cent is not much in a prosperous industry with plenty of elbow room; in Lancashire's circumstances it has the unmistakable look of a last straw. It is not on grounds of expense, however, that the plan has been rejected, but as a matter of principle. According to the employers' spokesman, it is the business of the State, and not of individual industries, to protect workers against the effect of unemployment; and that is that.

This door-slamming assertion springs from a radical confusion between the purposes of the scheme and that of flat-rate State insurance and national assistance. These are a guarantee of subsistence, part of the Welfare State's "floor," below which, as a matter of national solidarity, no one must be allowed to sink. They are very far indeed from guaranteeing existing standards against dislocation; the higher the level of wages, moreover, the worse the bump with which the redundant worker comes down to floor level, and the greater the natural resistance, however foredoomed, to any shift in the production pattern which may impose redundancy. An industrial scheme which relates compensation to current wages (and its duration to length of service, obviously relevant to the redundant worker's chances of getting a new job quickly) can abolish or at worst cushion the drop; this is obviously the aspect which appeals to the unions. But in so doing it removes one of the most powerful psychological obstacles to industrial flexibility—to rationalisation between firms, to technical labour-saving progress, to all major redeployment of resources; and from this point of view it may constitute, even for the employers' pockets, very good value for money. From industry to industry, evidently, there must be wide differences in the provisions, and in the costs, of such schemes; for some industries it is possible that no scheme whatever may in practice be satisfactory. But it can certainly be affirmed that on the question of principle it is the unions who are right this time and the cotton employers wrong.

SOVIET UNION

Windfall for Mr K

THE Soviet half-yearly progress report makes good reading for Mr Khrushchev. While western governments are thinking of cures for recession, the report claims that Soviet gross industrial output in the first six months of this year was 10.5 per cent higher than in the comparative period of 1957. The new regional economic councils do not yet have the situation under control everywhere, but the economic reorganisation is not expected to hinder the fulfilment of the plans. In the first half of the year 54 million tons of oil have been extracted, and 245 million tons of coal; 27 million tons of steel were produced. (The targets for these commodities for the year are respectively 111.6, 490 and 53.6 million tons.) The one slight drop—in the output and consumption of vodka—must also have been greeted favourably by the authorities.

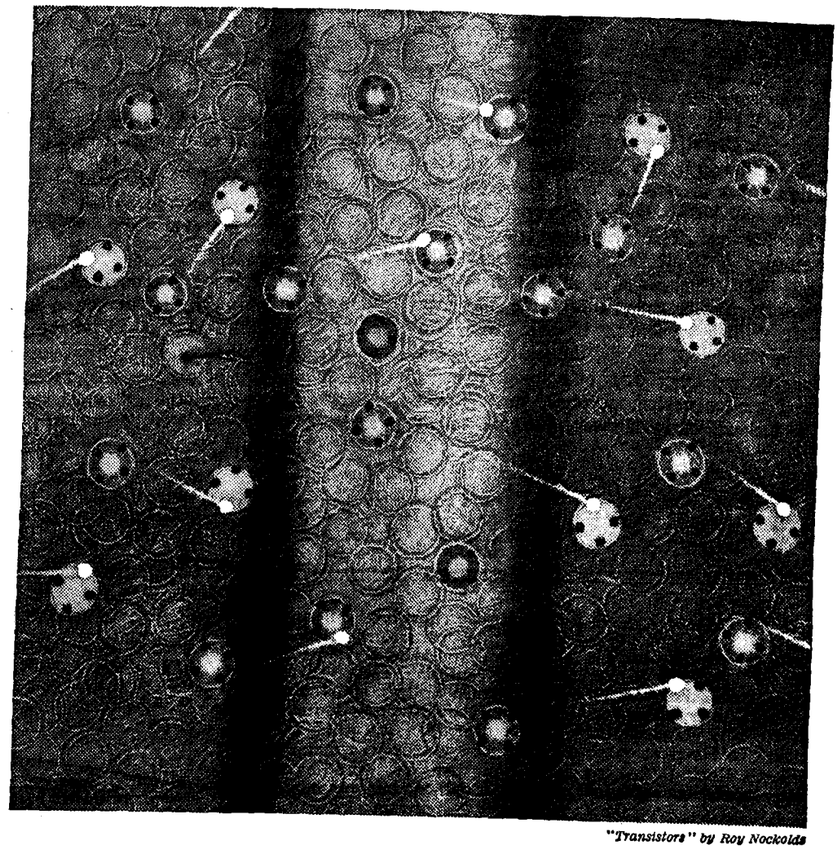
The most cheering news, however, come from the countryside. Usually, good weather in some of the main grain-growing areas is offset by drought or hail in others. This time the report claims bumper harvests not merely in the Ukraine and the Caucasus, but in Siberia and Kazakhstan as well. Admittedly, the yield in parts of the Urals and Kazakhstan fell short of excellence. But the general tone is one of rejoicing with an exceptionally good harvest. Mr Khrushchev must feel relieved that Nature has blessed his schemes of reorganisation. Two-thirds of Russia's collective farms are apparently already now working with their own tractors. The transfer of property, however, was only one part of Mr Khrushchev's rural reforms. The abolition of compulsory deliveries was another; a bumper crop may greatly ease this transition.

TERRITORIAL WATERS

Fishermen's Month of Grace

ICELAND'S threat to extend its fishing limits from four miles to twelve at the expense of other nations that traditionally fish off its coasts is due to take effect on September 1st. Last week the fishery associations of Britain and six other west European countries bluntly announced that they would ignore the ban, and they evidently have government support. Just under a month remains to find constructive solutions to the fishermen's differences and avoid a head-on clash.

The North Atlantic Treaty Organisation is well aware of the dangers of driving Iceland into Russian arms, and discussions about fish have been going on in Nato between Iceland and its allies. The Organisation for European Economic Co-operation has been considering how to help Iceland's economy in other ways. It seems time, too, to put into effect the proposal for a regional conference of the fishing nations of the north-west Atlantic, which was put



"Transistors" by Roy Nockolds

Gazing into the crystal

Modern crystal gazers can now foretell the future with some accuracy—if the crystals into which they are gazing are those of germanium or silicon.

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forward in June when the Geneva conference on the Law of the Sea failed to achieve agreement.

Meetings, of course, will not be of much use if they do not yield constructive ideas which could shift the discussion beyond the battle of conflicting interests on to common ground. For a start, there might be an agreement to stop fishing altogether in certain large areas off the Icelandic coast for purposes of conservation. The great bay to the west of the island is a favourite spawning ground for both cod and herring. The Icelanders, however, are not merely interested in conservation, though they talk about it a good deal. They want to enlarge their own fishing grounds as much as possible; and twelve miles may not be the limit of their demands. If their claims are to be kept within reasonable bounds, the west European nations will have to find other ways of helping Iceland's frail economy. European capital may have to be found for it. And in Iceland, as in Norway, everyone might benefit if foreign trawlers landed part of their catch for processing in the local plants which are now idle for much of the year. Iceland is one of the "peripheral" countries which may be associated with a European free trade area on special terms. Its present problems are a timely reminder that the scheme involves a great deal more than plain free trade.

SHORTER NOTE

The Government has announced that substantial relaxations of the controls on exports to the Soviet block will take effect on August 15th. Details of the relaxations will not be announced till then. But it has been made clear that the British objective of slashing the embargo list to items of "real strategic significance" has been in great measure achieved.

LETTERS

The Billion

SIR—As a former sub-editor, who has often had to check "billion" in the dictionary, let me solve the problem raised by your Anglo-American readership. In text, tables and graphs forbid the word "billion" and replace it by either (if the sense is British) "000,000 million" or (if American) "000 million." The extra consumption of space cannot be counted against the lucidity gained. If you print an astronomical article once a decade, utilise "billion," but with one asterisk and a footnote.—Yours faithfully,

ROBERT SINCLAIR

Amersham

★

SIR—Why have you decided to ban the word "milliard" from your columns? According to Chambers's Twentieth Century Dictionary, it is no more French than million. Both words came to us from France, and both are now English. Compared with "billion," the word "milliard" has the great advantage of meaning one thousand millions and nothing else.

Oddly enough, to use the word "billion" as you wish to use it is a gallicism (as well as an americanism). The Nouveau Petit Larousse says that "billion" in French is a synonym for "milliard." In English it is not.

Stoke-by-Nayland H. A. MORRICE

★

SIR—The main reason for adopting foreign words into the English language, or for inventing new ones, is to make it more efficient—a purpose that should be dear to your heart. The word billion was adopted into the English language a long time ago to denote a million million, and this is still its dictionary meaning. Thus it detracts from the language's efficiency to adopt a foreign usage of billion in order to denote a thousand million. Surely when you are giving information, particularly statistical information, you should avoid any possibility of confusing, even for a moment, your English readers, and I do not see why they should be expected to remember, or turn up, a seven-year-old correspondence to discover what you mean.

If you want one word to denote a thousand million, but are unwilling to adopt the unambiguous milliard (though why you should strain at that, having swallowed regime, role, communiqué, and the many other French words that pepper your columns, is hard to understand), let us invent one. I suggest the thillion.—Yours faithfully,

London, SW3 F. W. P. DEANE

★

SIR—Dietitians use "Calorie" to denote 1,000 calories (which is too ambiguous for me). You could, I suppose, use "billion" to mean a thousandth of a billion. Fortunately "billiard" (1,000 billion) need not offend francophobes.

But milliard will continue to mean 1,000 million without any ambiguity or doubt. Vive la France!—Yours faithfully,

G. MATHIESON

Essex

★

SIR—I am glad to see that Mr Biddulph criticises your misuse of the word "billion," which is so confusing to your non-American readers. Since you have a large number of American readers, you must consider them, but they could not be mystified by the use of the ordinary English word "milliard," whereas all others are misled by "billion." For us, billion is always a million to the power of two, trillion to the power of three, and so on, and it seems a pity that you persist in your policy of ignoring this, as it damages the clarity which you otherwise maintain in your ediorial columns.—Yours faithfully,

Eastleigh ELIOT WARBURTON

Fascists

SIR—In your reference to this Movement in your issue of July 12th you refer to the meeting in Trafalgar Square as minute.

Your description is rendered ridiculous by the fact that the square was full except where the fountains were playing on the crowd. The balustrade and pavement at the back of the square was likewise full, and the steps of the National Gallery were also crowded.

You also ascribed to us a booklet published by Mr Noel Symington, who is not a member and whose opinions have nothing to do with us whatsoever. You further mention certain other bodies, such as the League of Empire Loyalists, who also have nothing to do with us.

Having thus ascribed to us opinions which are in no way connected with us, you should read "Europe: Faith and Plan" which really does represent our opinions and position.—Yours faithfully,

E. J. HAMM

Secretary, Union Movement

Banking Unions

SIR—Mr A. W. B. Payne tells me I should name the banks which practised the "closed shop" in relation to their own internal staff organisations. The one I had particularly in mind was Lloyds Bank's Staff Representative Committee.

Mr Payne, as Secretary of that Bank's Staff Association for nearly twenty years, should remember that prior to the introduction of the National Arbitration Order, 1940, Lloyds Bank's staff were counted as members, given votes for the internal committee, and *could not resign from being represented* by the internal body. The same remarks applied to District and Martins Banks.—Yours faithfully,

T. G. EDWARDS

General Secretary

National Union of Bank Employees

BOOKS

Low's Horse

The Trades Union Congress, 1868-1921

By B. C. Roberts.
Allen and Unwin. 408 pages. 35s.

MR B. C. ROBERTS is reader in industrial relations in the University of London and was one of the first TUC students to attend the London School of Economics in 1945. He has, therefore, been associated with the academic side of trade unionism long enough to know that he was undertaking no ABC work when he began to write this history of the TUC. This first volume spans the period from its formation in 1868 until 1921, when its Parliamentary Committee was replaced by the present-day General Council. A second volume is intended.

The records of the TUC are not so sparse as those of the unions; but they are probably less enlightening, because unions have always been chary of letting even the TUC know too much of their domestic affairs. The old parliamentary committee had to tread its path with less assurance than its successor, the general council. Consequently, this book is a painstaking work of research, an annotated narrative of congress proceedings. Its method is descriptive, and the sequence strictly chronological. The commentary is factual and explanatory, with a minimum of opinion. Where Mr Roberts essays a judgment it is steady and practical—as is his comment about the Webbs—and this is a quality that cannot be attributed to some of the more recent writers on trade unionism.

Any history of the British trade union movement of either the TUC or the earliest unions could be as colourful as, say, Blackpool's South Shore on an Oldham Wakes Monday. That it is normally otherwise is partly the fault of the unions, which themselves obscure the fervour and determination of their pioneers behind lithoprints of bearded gentlemen in stout broadcloth. Who would ever believe it was they who lit fires that blazed the way to social revolution within a century? This book, therefore, plainly records a pattern laid down in 1868, the pattern of the TUC's flexible approach to economic problems, and of adjustments made to fit the circumstance of the day, which always however had one simple general economic aim—that of improving workpeople's living standards.

It emerges very clearly that throughout the history of the TUC the unions have carefully tried to avoid involving themselves in political strikes or, indeed, in sympathy strikes. The first time a general strike came under discussion at the congress was in 1919 and the idea was quickly stifled. Yet Tom Mann had been propagating the idea of a general strike, to achieve peacefully a new social order, for ten years before this, following in the footprints of William Benbow way back in 1831, and the Chartists. Time and time again Mr Roberts records decisions that underline the necessity for any strike to have an economic basis. It was almost historically inevitable that in the recent London busmen's strike, the TUC General Council would advise against any extension that might involve other groups of workpeople.

The publisher's claim that this book will be a standard source of reference is likely to be realised. If so, it will be due largely to the author's concentration on fact, and his total exclusion of personal opinion until the last chapter. This opinion is moderate and realistic, based on the established facts and appreciative of the background and circumstances to which they relate.

The restraint of his writing and its clean, hard presentation break down only once. That is when the author, commenting on rank-and-file trade unionists' disappointment at the results achieved by the first Parliamentary Labour Party from 1906 to 1910 and their inclination to return to industrial action, declares:

> The moment was propitious for the advocates of a more primitive approach to politics, and for the next few years the sane and rational progress of social reform was interrupted by tumultuous industrial strife until in turn this upsurge of frustrated human sentiment was sublimated by the demands of an even mightier conflict.

This unexpected sesquipedalian passage from a utilitarian pen demonstrates that students, writers and historians alike ought to be grateful to Mr Roberts for his literary self-restraint no less than for his real and solid contribution to trade union history.

The Mathematical Approach

Mathematical Economics

By R. G. D. Allen.
Macmillan. 784 pages. 63s.

Economic Models

By E. F. Beach.
John Wiley. London: *Chapman and Hall.* 236 pages. 60s.

SHOULD mathematical techniques be used in economics? To what extent can economists with only a modest acquaintance with mathematics understand these techniques? These books go some way towards providing answers to these questions. The first has now been available long enough for users to presume to assess its value. There is no doubt that it is an important and elegant contribution to the writings on economic theory.

Let us be clear at the outset about the contents of Professor Allen's book. It is not a textbook of mathematics for economists, although when the need for a mathematical analysis of a problem has been argued, the necessary techniques are elaborated in some detail: there are good chapters, for instance, on complex numbers, differential equations, vectors and matrices. Nor is it a book about econometrics, that now fashionable branch of learning which applies modern statistical procedures to assess the fitness of theoretical mathematical models. Professor Allen's guiding principle has been "to start with, and to remain as close as possible to, economic problems of the real world, simplified as an economist might simplify them, and translated into mathematics of no more than moderate difficulty."

About half the book is concerned with dynamic analysis and mainly with a discussion of macro-dynamic models of the post-Keynesian era. The second half is devoted to an analysis of general economic equilibrium, from a modern point of view that produces an admirable account of the relation between the theory of games and linear programming.

Mr Allen has had to be selective in the problems he discusses. As would be expected, his exposition is well disciplined and there is no suspicion of verbosity. Yet, in this lengthy book, no room has been found for the theory of index numbers; the relation of probability theory to economics gets only a bare mention; and there is no discussion of the individual's or the firm's behaviour in risky situations. This is not to criticise Mr Allen's choice. He has set out, not to compile a textbook of economic principles in mathematical terms, but to discuss those problems which so far have been most illuminated by mathematical analysis, drawing a strict, if somewhat arbitrary, demarcation between mathematics and statistics. Without breaking entirely new ground, this book, with its orderliness and masterly reasoning, shows with a new clarity how far mathematical economics has taken us. It leaves no doubt that mathematical analysis can help the economist to understand the nature of his problems. But there is also no doubt that it has to get still closer to the "economic problems of the real world." Mathematical models may perforce involve assumptions that deviate too much from actuality. The statistician will have to be given his say in much of the sphere of economic analysis.

How easily digestible is Professor Allen's book? In spite of the clarity of the reasoning, let there be no misunderstanding—this is not an easy road to follow. Professor Allen declares of his book that "it assumes some little mathematical background." But his conception of a little mathematics will differ from most. In fact it requires an ability in mathematics not far short of university degree standard. For those economists who are trying to acquire the mathe-

matical know-how, Professor Beach offers an introductory course. His book starts very simply—probably too simply for any reader who gets as far as tackling this subject—with the elements of model construction, moving on to the more difficult concepts of dynamic models. The second part of the book describes some of the statistical theory behind econometrics, in particular the basic ideas of the theory of regression and correlation. The treatment is sound but necessarily very condensed in a book of this size, and it is doubtful whether this degree of trimming aids the reader. Alas, there is really no short cut. Professor Beach contends that the essential ideas can be presented without introducing such advanced devices as determinants and matrices. It is difficult to agree.

Episcopal Bits and Pieces

The Archbishop Speaks

Addresses and Speeches by Dr Fisher, selected by Canon Carpenter.
Evans. 231 pages. 18s.

THIS book is a Fisher anthology, copyrighted by the Archbishop. Its 231 pages contain extracts from more than 40 sermons, speeches and articles, and they cover a great variety of subjects, secular and religious.

The extract of most general interest is the Archbishop's address on Christian marriage, given in London three years ago. His views on divorce are those held by a presumed majority in the Church, and his exposition follows the normal lines. "Let us turn," he writes, "to what Jesus Christ says of marriage," and cites the well-known passages in the synoptic gospels, which (but for Matthew's proviso on fornication) are close enough to each other. But the whole sense of them is distorted if we neglect (as most Churchmen do neglect) the fact that Christ was thinking of the horrible divorce law ordained in Deuteronomy xxiv 1. In Matthew and Mark the law is quoted when the topic of divorce is introduced, and there is no doubt that both Christ and His hearers had that and nothing else in mind. This is the law:

> When a man hath taken a wife and married her and it come to pass that she find no favour in his eyes because he hath found some uncleanness [marginal note says "matter of nakedness"] in her, let him give her a bill of divorcement and send her out of his house.

In other words if a bridegroom is disappointed in his bride's figure he may hand her a chit and push her out of the front door. To assume that Christ, because he denounced that degrading and disgusting legislation, would also denounce the Matrimonial Causes Act 1950 is surely the height of unreason.

Still more remarkable to anyone who looks for consistency, is the Archbishop's neglect of the verses in Matthew (v 33-7) that immediately follow the reference to divorce (v 31-2). They deal with the question of oaths:

> I say unto you swear not at all. . . . Let your communication be yea yea: nay nay: Whatsoever is more than these cometh of evil.

There is no ambiguity in this command. The context makes it plain that Christ is thinking not of bad language in conversation, but of the oath sworn in support of an undertaking—the oath that witnesses swear in court, that MPs swear on election, that the Queen swears at her coronation. It is, says Christ, an evil thing. But what does the Archbishop think of it? We know what he thinks from his chapter on the Coronation service. He writes:

> She [the Queen] takes her oath upon the Holy Bible which is then presented to her. The Recognition, the Oath, and the Holy Bible are the foundations of consent between Queen, People and God. Only when they have been securely laid can the rest follow.

Christ's evil thing becomes apparently the foundation of accord between Britain and God. But why, oh why, must we bind unto ourselves verses 31-2 and throw verses 33-7 out of the window?

On other subjects two quotations may illustrate what must be called the intensity and the narrowness of the Archbishop's outlook:

> A Christian will administer drains better than a non-Christian because he knows that he is working for men and women of the community.

> To the Church Christ has entrusted those saving facts of His life, His mission, His redemption, apart from which there can be no sound state.

It seems that no one but a Christian can grasp the fact that he is working for a community and no non-Christian state—Buddhist, Moslem, Hindu, or secular—can be sound. To rescue generalisations of that quality from the limbo of old sermons, and reprint them in a book, was, with great respect, a mistake. Indeed the whole venture may be thought a mistake. Snippets from after dinner speeches and cathedral sermons, which doubtless went down well at the time, look very different ten years later in cold print between book covers. Printing the spoken word is a risky thing, and a wiser Archbishop would have refused the risk. There is much wisdom in Job xxi 35.

Many-Sided Venture

Dartington Hall: *The History of an Experiment*

By Victor Bonham Carter.
Phœnix House. 224 pages. 30s.

THE history of the many experiments carried out at Dartington (well and thoroughly described in this book) began when, in the trough of the agricultural depression and of the "flight from the land," Mr and Mrs Elmhirst bought an estate in South Devon whose only immediate financial assets were its well grown woodlands, and which included a large and beautiful medieval house. Mr Victor Bonham Carter summarises what they had, and still have, in mind:

> The Elmhirsts believe that, although economic problems must be faced first, it is no less essential to provide the means for a full life. In other words a man must have a properly paid job, a decent house to live in, and all those facilities that allow a fair standard of living and adequate time for leisure. . . . There must be access to amenities of one kind or another, in order that the leisure so gained may become a blessing and not a burden.

It has been reasonably easy to tell with fair precision which of their economic ventures have turned out to be successful and which have not. Projects concerned with the management of woodlands, with animal husbandry, with types of farming, building, or layout, with agricultural mechanisation, and so on, can all be measured by methods of accountancy and can often be compared with other ventures. The book shows that a great measure of success has been achieved. This can be asserted more generally if only because, like Holkham before it, Dartington Estate now finds that many of its methods, once so new and dubious, have become accepted agricultural practice.

The co-educational school—on which its founding headmaster, Mr Curry, writes a chapter—has also had much influence. "Progressive?" Yes. "Experimental?" No. For though in this case results are obviously difficult to assess, there seems to have been little attempt to face the task. The present reviewer can testify that its children seem happy and healthy, that they face outside examinations without panic, and that several, now adult, have turned out well. But such an assessment is, to put it mildly, sadly lacking in precision.

However, it is clear that in the school, as in all the venture's less measurable aspects, there has been something warm and humane. If a new Alexander Pope were today to write an "Essay on the Use of Riches," the Elmhirsts could hardly fail to figure as hero and heroine, their role being that of an even more devoted "man of Ross"—the one rich man whom the great satirist caressed instead of scarifying.

Intelligentsia in Russia

Russian Liberalism

By George Fischer.
Harvard University Press. London: *Oxford University Press.* 240 pages. 36s.

THIS thoughtful essay on Russian liberalism as a political factor, by the author of "Soviet Opposition to Stalin," is the thirtieth volume published by the Harvard Russian Research Centre, and is well up to the standard of its predecessors. As Mr Fischer remarks, "unlike Russia's revolutionaries, with their intelligentsia forerunners and Bolshevik heirs, Russian liberals have received little attention from historians—even less attention than the also slighted *ancien régime* and its supporters." Mr Fischer has filled at least a portion of the gap. His book is clearly written and easily read. It contains a valuable bibliography, and three pages of photographic portraits of leading liberals, which unfortunately (perhaps through technical difficulties of reproduction) increase the impression of pompous drabness that so unjustly surrounds the reputation of their subjects.

Russian liberalism drew its strength from two main social groups—the country gentry and the urban professional classes or intelligentsia. The liberalism of the former was more conservative and empirical, of the latter more radical and doctrinaire. Their story begins in the reign of Catherine II and ends with Lenin's seizure of power. Mr Fischer does not cover the whole of this period, but concentrates on what was probably the most significant portion—from the great reforms of the 1860s to the 1905 revolution. One may perhaps regret that he did not take the story up to 1914, for the quasi-constitutional era of 1906-1914 provided some interesting social and political challenges to liberalism, and the liberals were still a force to be reckoned with in those years. Perhaps Mr Fischer will give us another book on this period, which has been grossly neglected hitherto.

Perhaps the most useful parts of his book are those in which he discusses the social status and political role of the intelligentsia, which had no exact counterpart in western Europe, yet "played as crucial a role in Russian liberalism as the business middle-class did in parts of the West." The differences, in political influence and outlook, between the upper strata in Russia and in the West have often been obscured by writers on the subject, not least by Russian Marxists both before and after 1917. It is not so much a matter of "the bourgeoisie" being weak in Russia (the usual cliché) as of there being no Russian bourgeoisie at all. Business men, government servants and professional people—the three main constituents of a western bourgeoisie—existed separately in Russia, with no common ethos to link them. In this Russia was not unique; rather it is the west European—especially the Protestant—nations that are historically unique. Mr Fischer shows himself well aware of the similarities between Russia's development in these years and that of other "underdeveloped" countries in more recent times. For this reason, his book may be recommended to a circle wider than that of mere specialists in Russian affairs.

Drives and Purposes

The Concept of Motivation

By R. S. Peters
Routledge and Kegan Paul. 166 pages. 14s.

The Unconscious

By A. C. MacIntyre.
Routledge and Kegan Paul. 100 pages. 11s. 6d.

IT is refreshing to find philosophers once again taking an interest in psychological problems. Perhaps the further analysis of language has become unprofitable, and there is need of an alternative subject-matter. The physical sciences are too technical now to offer much scope; but the biological and social fields are full of problems that owe as much to untidy thinking as to the sheer complexity of the data.

Mr Peters has chosen a very central area, and has made it clear that, however respectable mechanical analogies may seem for science in general, they do not help much in dealing with motivation. The concept of "drive" in particular comes in for well-merited criticism. What we do, the author maintains, is mainly thought of in terms of rules and purposes. Only when explanation in these terms fails do we sometimes resort to causes. We may be driven *from* purposive rule-following behaviour, but to claim that we are also driven *to* it departs in a radical way from common usage, and glosses over a fundamental distinction.

How far is Mr Peters justified in maintaining, as he seems to do, that "driven behaviour" and "purposive behaviour" are basically different? It is clear that in some ways the point is a sound one, but its implications are a little bit difficult to work out, and Mr Peters himself does not seem to make the attempt. The ordinary man may feel it unnecessary to ask any further questions when a particular action has been explained to him in terms of a purpose or a rule. That is to say, he can refer the behaviour of

United Nations

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others to his own, and only when he finds this impossible does he feel it necessary to go on asking why and to turn his attention to drives and motives and causal explanations of this kind. Perhaps the real difficulty arises because the scientific student of behaviour approaches his subject-matter in a muddled way. He analyses his data, not in terms of some movement in space, but in terms of purposes and rules. Having done this, however, he lets his scientific pre-suppositions take hold of him and he feels that he must rest satisfied only when he has a causal explanation. This he fails to find, for the most part because of the way in which he has obtained his data in the first instance. The point then would be that twitches, sneezes and purposeless movement should be approached in one way, but goal-seeking and conforming behaviour must be handled in another frame of reference. It is true that a piece of goal-seeking behaviour can be reduced to twitches by a perverse and laborious analysis; but this does not seem necessary, and unless we are prepared to carry it out, we should cease to think of it in purely causal terms.

Mr MacIntyre, in his discussion of the unconscious, comes up against some of the same problems in his attempt to disentangle some of the strands in Freud's thinking. He shows that there is an unresolved conflict between Freud's use of insight and rationality on the one hand and his basically mechanical and determinist approach on the other.

These two little books say a great deal with economy and grace. They should be prescribed reading for students in the biological and social sciences, but the lay reader will not find them too technical for his purposes.

Record of Inhumanity

Siberia and the Exile System

By George Kennan.
University of Chicago Press. London agents: *Cambridge University Press.* 263 pages. 37s. 6d.

THIS is an abridged version of what is perhaps the most famous book on Russia ever written. In the course of 1885 and 1886 a forty year old American journalist, George Kennan, accompanied by an artist, George A. Frost, travelled some eight thousand miles over Siberia, in conditions of great hardship and discomfort. His object was to discover for himself the conditions in which the convicts and political exiles lived. He had been in Russia before and, believing the attacks on the Russian government for its treatment of its prisoners to be unjustified, had written and spoken in America in its defence. This circumstance probably helped him to obtain greater facilities and co-operation from the authorities than would otherwise have been forthcoming.

His experiences changed his views. The account of what he saw and heard, together with the results of the most exhaustive research into the documentary evidence, was published serially in the *Century Magazine*, and thereafter in 1891 in two large volumes. Kennan wrote with honesty, sincerity and objectivity, with sympathy for the human suffering which he encountered, and with a strong sense of the moral issue. His book made an enormous impression not only in America, but also, in Russian translation, on a generation of Russian revolutionaries.

The present abridgement, to about a quarter of the size, bears about the same relationship to the original as a picture postcard does to St. Peter's. A great deal of the detailed documentation, which gave the book its particular value, is necessarily lost. But much of the fascinating quality survives, and the grim story, soberly told, with no trace of sentimentality, lives again in Kennan's graphic Victorian prose. Even in our generation, when the record of inhumanity has exceeded a thousandfold in its numbers of victims anything that Kennan could have dreamed of, his work stands as one of the most powerful indictments of an inefficient, unimaginative and brutal bureaucracy ever penned. A few of the excellent original illustrations drawn by his companion are reproduced. There is also a short introduction by Mr George F. Kennan, the first cousin twice removed (not nephew, as stated on the wrapper) of the author.

Two Nations

Handwriting: *A National Survey*

By Reginald Piggott.
Allen and Unwin. 188 pages. 25s.

THIS is an interesting book which claims too much. Its first part is called "an illustrated report on the National Survey of Handwriting." This portentous title disguises an energetic piece of private enterprise. Mr Piggott, through the press, collected 25,000 samples of handwriting, which he analyses by the most primitive statistical methods. Nothing of any significance emerges, and such results as do appear should be mistrusted, since his population is self-chosen; his nation consists of those sufficiently interested to respond to his appeal (for instance, 6.4 per cent of his heavy manual workers—total undisclosed—write italic). But he reproduces several hundred examples, which make fascinating browsing for the student of writing.

The second part has a no less ambitious title: a plan for better modern handwriting. This plan seems to be composed of two parts. The first is a suggestion, for which there is something to be said, that the Ministry of Education should give a lead towards greater uniformity in the teaching of handwriting, so that children should not be bedevilled by conflicting instructions as they move from teacher to teacher. The second is a very normal set of instructions, in the contemporary style, for forming a sub-italic handwriting. Its "national" character is marked by the author's straightening his ascenders and refraining—only just—from calling his writing italic. A Piggott-writer will

emerge with a rather heavy, workmanlike, legible style, to which he can easily add his personal touches; but he will join his letters too often.

The best of the book is in its least ambitious parts. His practical advice is sensible; he writes clearly; and his analysis of the various kinds of fountain pens available on the market is extremely thorough and interesting. The book is well produced and lavishly illustrated.

Poets and Critics

The Romantic Assertion

By R. A. Foakes.
Methuen. 186 pages. 16s.

CONSIDERABLE efforts are being made to reinstate the Romantics and Victorians, who have so long been in eclipse. These efforts are due less, perhaps, to a genuine enthusiasm for nineteenth century poetry than to a realisation that the critical criteria derived from the writings of T. E. Hulme, T. S. Eliot, I. A. Richards and F. R. Leavis have a limited sphere of efficacy. The modern concern with poetic imagery and particularly with metaphor; the modern technique of analysis, which functions at its best with poetry that is highly charged with irony and ambiguity—these do not yield good results when applied to the discursive poetry of the last century. For some decades it has been fashionable to blame the poetry rather than the methods; but it is now becoming apparent that a theory of literary excellence that cannot come to terms with more than a handful of English poets needs to be treated with a certain degree of circumspection.

Mr Foakes opens his book with a reasoned explanation of the failure of modern criticism to cope with poetry that does not essentially depend on the fusion of contradictory elements of experience, and he goes on to demonstrate that the great Romantics all had positive assertions to make about the nature of man and his relation to the universe, to society, to destiny. The sub-title of the book is "A Study of the Language of Nineteenth Century Poetry," but it is rather a study of poetic method. He examines the use of what he calls "images of impression," derived from the natural world, together with a vocabulary of value-words attached to these images; and he suggests that what was a valid and effective method for the Romantics degenerated into rhetoric with their successors, who did not possess the same ability to make large assertions.

Whether anything is really to be gained by the juxtaposition of two such dissimilar poems as "The Eve of St. Agnes" and "Adonais," under the pretext that they both celebrate "the vision of love," is pretty dubious; and sometimes one wonders who on earth Mr Foakes thinks he is writing for. Anyone who can read with profit the first three chapters may surely be assumed to know the outlines of "La Belle Dame Sans Merci" and "The Ancient Mariner," and indeed to have formed a coherent notion of what they are about. But in spite of occasional naïvetés, the book makes an earnest attempt to explain the successes and the failures of nineteenth century poetry so that twentieth century readers may respond to the whole literary tradition with greater respect and comprehension.

OTHER BOOKS

Paperbacks

Faber have entered the paperback field with reprints of works of five of their own authors. They are published at five shillings each:

LORD OF THE FLIES. By William Golding. 248 pages.

COLLECTED POEMS, 1909-1935. By T. S. Eliot. 191 pages.

AN EXPERIMENT WITH TIME. By J. W. Dunne. 254 pages.

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WHO MOVED THE STONE? By Frank Morison. 192 pages.

The latest additions to *Macmillan's* St. Martin's Library are:

TOM BROWN'S SCHOOLDAYS. By Thomas Hughes. 322 pages. 4s.

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LAUGHTER IN THE NEXT ROOM. By Osbert Sitwell. 416 pages. 6s.

FIVE ONE-ACT PLAYS. By Sean O'Casey. 160 pages. 3s.

THE SOVIET UNION IN FACTS AND FIGURES. 1958 EDITION. *Soviet News.* 215 pages. 5s. or 7s. 6d., according to binding.

This is an excellently produced cheap handbook, complete with a map and well over a hundred photographs of different aspects of Soviet life. Climate, population, production, education, science, theatre, literature—these are some of the subjects discussed. The text, as the title indicates, is liberally supported with statistics, statistics that are still subject to the limitations of previous Russian figures but many are a year ahead of those appearing in the English edition of the USSR Statistical Abstract, which was published last year. The structure of government is described, but there is little about the personalities: a photograph of Lenin, Stalin's name among the anniversaries, Mr Bulganin, at the time of going to press, still cited as Chairman of the Council of Ministers, while the text has to be searched to reveal the name of Mr Khrushchev.

ON RISK. The Atlas Assurance Company. 48 pages.

This book, produced by the Atlas Assurance Company to commemorate its hundred and fiftieth anniversary and available in limited quantities from the company, is a pleasingly produced and readable anthology of risks and dangers. The risk that pirates will come aboard, take the irons off your cargo of slaves, and take away your weapons may not be one that the Atlas is often asked to underwrite, but it makes an entertaining scrap book.

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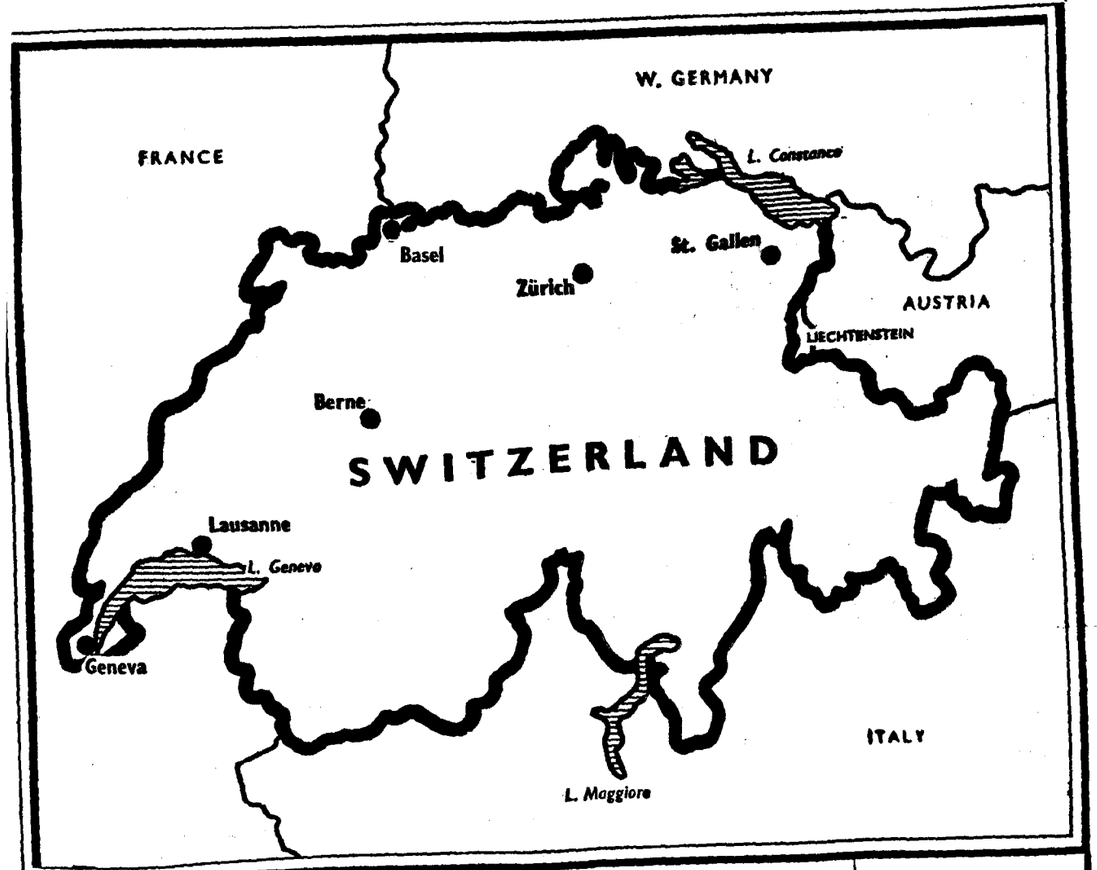

Area (square miles)	15,941
Population	5,117,000 (1957)
Density per square mile	321
NATIONAL INCOME	
Total (U.S. $ million)	5,980 (1956)
Per head (U.S. $)	1,168 (1956)
Money Circulation (U.S. $ million)	1,384 (1957)
EMPLOYMENT	
Working Population (economically active)	2,155,656 (1950)
Male	1,515,232
Female	640,424

DOMESTIC DATA	
Number of homes	1,510,200 (1957)
Homes wired for electricity	1,495,000 (1957)
Cars in use—	
personal	308,700 (1956)
business	59,100 (1956)
Telephones	1,293,743 (1956)
Radios	1,267,827 (1956)
Television sets	35,116 (Feb. 1958)
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Coming to Terms with the Arabs

WASHINGTON, DC

WHEN the American Marines splashed ashore among the sunbathers of Beirut a fortnight ago they were intended to readjust the political balance of the Middle East; instead, in the long run they may prove to have readjusted American thinking about the Arab world. The evening before the landings most people in the United States would have agreed with President Eisenhower when, in all sincerity, he told a group of congressional leaders that the *coup d'état* in Iraq had been engineered by men under the domination of Moscow. The popular image of the Middle East was of a region divided between friendly governments and unfriendly ones, with honour and self-interest commanding the United States to defend the former against the latter. But now there has been a noticeable shift of focus, and attention in Congress is chiefly concentrated, not on the governments, but on the force which is changing many of them, and on the claims of pan-Arab nationalism to the sympathy of Americans.

After it had become plain that the unrest in Lebanon and Jordan could not be neatly fitted into the frame of the Eisenhower Doctrine as an irruption of "international Communism," an official attempt began to justify the West's intervention under Article 51 of the United Nations Charter by defining and, if possible, proscribing "indirect aggression." History has stored away some embarrassing skeletons to rattle in the face of those who open this particular cupboard; no doubt James II, being rowed over the Thames into exile, muttered some similar accusation about the Dutch. Moreover, the next General Assembly of the United Nations will find on its agenda the still unsolved problem, referred back to it by a baffled committee, of defining even the ordinary kind of aggression. But undismayed, a panel of State Department officials is at present sifting through a collection of Radio Cairo's comments about neighbouring governments, in order to sort out the kind which, coming from the Voice of America, would count as fair criticism from those that amount to the "fomenting of civil strife" which the General Assembly denounced in 1950. The department appreciates that Arabs expect their broadcasts to have a savour lacking in, say, the BBC. But if it is possible to draw up a list of broadcasting practices which could reasonably be called improper propaganda, a good many of the uncommitted nations, who ought to disapprove of violent words as well as of violent deeds, could perhaps be rallied to a United Nations resolution deploring such techniques.

The other element of "indirect aggression"—the slipping of arms, and of armed guerrillas, across national borders—presents the State Department with an even more difficult problem. It recently published a long list of instances of alleged intervention by the United Arab Republic in the Lebanese insurrection. At the moment, however, the tendency is to look with a sceptical eye on the possibility of proving infiltration in a region full of drifting tribes and complex family connections. In these circumstances, it is generally agreed that the chances are non-existent of persuading the Egyptians and Syrians to forswear such activities unless an effective guardian force, which in the long run must be a United Nations one, is present on the ground. But there are obvious limits to the area which a United Nations contingent, however swiftly expanded, might be expected to protect.

Only the faintest echoes now linger of the voices, led by Mr Joseph Alsop's, which a few days ago were urging that an attempt be made to unseat the revolutionary government in Iraq. The most painstaking search through Congress and the State Department finds scarcely anyone bold enough to believe that, if the new Iraqi regime stays in power, King Hussein can survive in Jordan without the protection of British paratroopers. Senator Mansfield, the Democratic spokesman on foreign affairs in the upper chamber, has called for a United Nations force to protect "any state . . . threatened by a neighbour by infiltration," but few people in Washington think that the United Nations can be persuaded that the danger to King Hussein is primarily an external one.

THUS the logic of events has whittled down the number of things the Americans might have achieved by intervention. Three hopes remain: the landings in Lebanon may instil a little caution into subversives in other Arab countries; secondly, world opinion may be prevailed upon to condemn the more inflammatory kinds of propaganda, so that the future of Lebanon and Jordan can be left, more or less, to the Lebanese and Jordanians themselves; thirdly, if Mr Hammarskjöld's group of observers can be reinforced, the United Nations will have taken tacit responsibility for the frontiers of two small nations—first Israel and now Lebanon—which are in, but not entirely of, the Arab world.

Beyond this bridgehead of "internationalisation," there remains the problem of finding a policy towards the rest of the Arabs. The earlier reticence of Congress, induced by the determination of the Democratic leaders to display national unity at a time of urgent crisis, is now evaporating along with the urgency. Not all members of the legislature, even among the Democrats, yet go so far as Senator Mansfield; he would like the Administration to consider at once the recognition of the new Iraqi regime and is undismayed by the thought of a still wider extension of Colonel Nasser's influence. But the emerging consensus of opinion seems to be clearly in favour of acknowledging the strength of pan-Arabic sentiment and, by implication, the possibility that there may be further changes in the governments and boundaries of the Arab world.

Shortly after the disembarkation of the Marines, a Gallup

Poll taken in three big cities indicated that roughly the same proportion of people as in Britain—a majority of two to one—supported the landings. But last week Senator Humphrey of Minnesota told his fellow-senators that the "overwhelming majority" of letters he had received was opposed to intervention; and a tally of readers' letters up to the end of last week in the *New York Times*, the *Washington Post* and the *Wall Street Journal* reveals a majority of roughly three to two against the President's decision. If all this is evidence of a growing readiness to accept the resurgence of pan-Arabic nationalism, it has its roots deep in the basic sympathies of Americans. It might have been expected that Democrats would voice hesitations. But one of the most eloquent speeches in Congress came from Senator Styles Bridges of New Hampshire, a right-wing Republican tainted with isolationism, whose words nevertheless carried an authentic American ring:

> In a clear statement of policy we should make it known that we welcome the emergence of the Arab people as masters of their own destiny. . . . They are striving to wipe out the monarchies, the sheikdoms and the ruling castes which until recently controlled the governments in the area. . . . They feel rightfully entitled to a place in the sun and a chance to make their way of life, liberty and the pursuit of happiness.

These sentiments are qualified by a demand that nationalism should submit to the rules (if any can be found) against "indirect aggression." Behind them, no doubt, there also lies a shrewd suspicion that, if Colonel Nasser extends himself far enough, he will soon find himself with a kind of states-rights' problem on his hands. The peculiarities of the American system of government may well insulate Mr Dulles for a time against the opinions now being voiced in Congress; and it is notable that at the meeting of the Baghdad Pact on Monday he cited duty to old friends as the first justification of the Lebanon landings, and expressed scorn for Colonel Nasser's claims to speak for the Arabs. But an increasingly large and vocal section of Congress seems to be out of sympathy with the attitudes that have hitherto guided the Administration's policy. If, as President Eisenhower implied in one of his recent letters to Mr Khrushchev, the retreat from the middle eastern *status quo* is under way, many people feel that it is necessary to come to terms with the force which has set the process on foot.

Freedom for Farmers?

LIKE earlier empires, the autocratic rule which the farm block has exercised for so long over America's politicians, taxpayers and consumers, and indeed over the farmers themselves, is being gradually broken by a combination of dissensions within and changing conditions outside. But there is also a more immediate explanation of why the Senate has just given Mr Benson, the ever determined Secretary of Agriculture, a victory which may mean that he will one day be hailed as the liberator which he has always aspired to be. If nothing is done about agriculture during the few remaining days of this session of Congress—the President has already vetoed one Bill and the House of Representatives has refused to vote on another, both of which would have held farm price supports at high and rigid levels—cotton and rice farmers will be forced by existing legislation to reduce their plantings drastically next season.

Cotton and rice are both leading crops in the South, where politicians still depend on farm votes more than they now do in most other parts of the country. Moreover, certain types of high-grade cotton are already in short supply and textile manufacturers, another southern pressure group, are seriously concerned at the prospect of a further reduction in plantings. For these reasons, Mr Ellender, the Southerner who is chairman of the Senate Agriculture Committee, persevered until he found a price policy which the Senate would approve, and for these reasons Mr Cooley, another Southerner who heads the House Agriculture Committee, may find himself obliged to swallow the Senate Bill virtually unsweetened, much as he dislikes it. The size of the majority in the Senate—62 votes to 11—makes it unlikely that any drastic amendments would be accepted there.

The Senate Bill allows increased plantings of rice and cotton, with special privileges for small growers; removes all the restrictions, which have recently been ineffective, on plantings of maize and other feed grains; and provides for guaranteed prices in three years' time for cotton and rice (for which there are transitional schemes meanwhile) and next year for maize, based on current market prices during the preceding three years, not on the frustrating parity concept which relates farm prices to a formula that has been out of date since 1914. Admittedly, to appease Senator Humphrey of Minnesota, annoyed because his dairy farmers were ignored in the Bill, parity had to be retained as an alternative basis; the Bill also sets minimum prices for all these commodities. But it is expected that the highest guarantees will usually be provided by calculations based on the market price formula and that this will therefore prevail; yet the guarantees will still apparently be lower than present support prices. Mr Benson has not got all the flexibility for which he asked, but he may have got something better in the long run—a modern substitute for parity.

Defence Reorganised

THE Russians share with the President and the popular Secretary of Defence, Mr McElroy, much of the credit for the latest reorganisation of the defence establishment, which Congress has just approved. The President launched his plan in the wake of the first Soviet satellite, which brought to a head widespread uneasiness about the effect of inter-service jealousies on American military progress. Blowing warm at last, after his blasts at the House for not swallowing his scheme whole, Mr Eisenhower has declared that the final version "meets adequately all my recommendations" and has dismissed his disappointments as "minor." They include, however, continued permission for the service secretaries and military chiefs to carry their complaints directly to Congress. The President called this "legalised insubordination," but muzzling the services is unpopular; moreover it would deprive Congress of a useful pipe-line into the vast military machine. Congress also asserted its historic authority by refusing to allow any decision to merge, abolish or reassign military functions in peacetime to prevail if either house disagrees.

In the main, however, Mr McElroy has been given the powers the President felt that he needed to keep abreast of the changing demands of war in the missile age, unhampered by obstruction from the individual services—too much power, some feel. The chain of command, which used to

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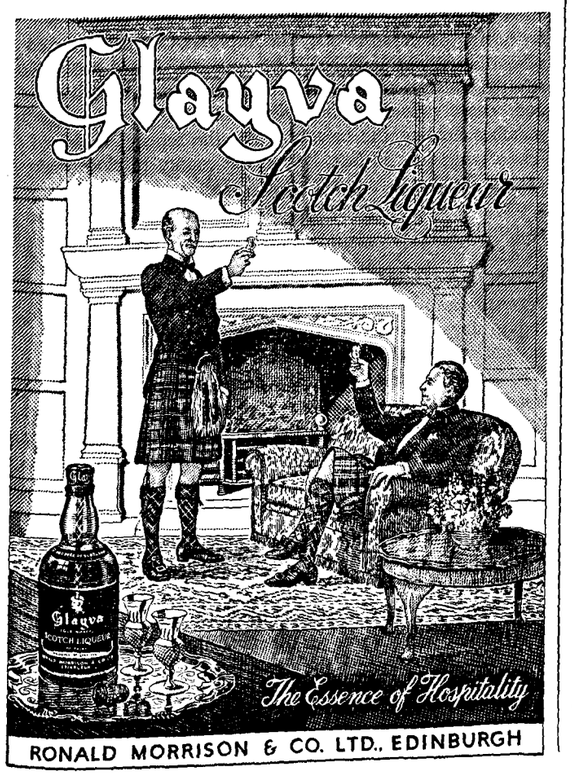

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wind through the service departments, now runs straight from the Secretary of Defence to the unified commands in the field; research is brought under a single director and the Secretary's authority to assign new weapons to whichever service he sees fit is made plain; finally, the staff of the Joint Chiefs has been increased from 210 to 400 officers to assist in the control of operations.

Already, however, the Lebanese affair, with its demands on America's "brush-fire" fighters and an inadequate supply of air transport for them, is stirring up old fears that the Administration is neglecting to prepare to fight limited wars. Last week the Senate Appropriations Committee voted $40 billion for defence, which is $1.2 billion more than the Administration asked and would be the largest defence appropriation granted in peacetime. Part of the excess is for missiles and aircraft, which, it is felt, are too slow in reaching the services, but like the House the committee also voted money to keep the ground forces at their present strengths. The Administration had budgeted to cut them further in order to help pay for new weapons. So far Mr McElroy is determined not to spend this extra money if it is voted, and he seems to have had some slight success in shaking the conviction of Senator Johnson, the leader of the Democratic majority, that, nine months after the first sputnik was launched, the Defence Department still lacks a sufficient "sense of urgency."

Show-down in Virginia

ARLINGTON, VIRGINIA

An historic collision of federal and state law is impending on the very fringe of the capital. In the prosperous Virginian suburb of Arlington, just across the Potomac River from Washington, six hundred perspiring men and women, in the sartorial anonymity of open-necked shirts and drooping summer frocks, recently packed themselves into the hall of Trinity church on an exceptionally humid evening. Many of them were senior civil servants of the federal government. They were assembling as citizens to express their defiance of the State of Virginia's intention of closing down their schools to prevent racial integration, just as similar groups in other parts of the "Old Dominion" had organised themselves to resist the Supreme Court's ban on segregating the races in the schools.

On September 4th, when the school term begins, the Arlington County School Board must accept seven Negro children who have applied to enter four particular white schools, on pain of its members being committed to prison for contempt by a federal court. Under Virginian law, these schools will be closed automatically at the moment that a Negro child crosses their portals. The Governor is then supposed to take personal command of the situation. He must try to persuade the Negro parents to withdraw their children. If, as expected, they refuse, he may keep the schools closed indefinitely. Under such circumstances the state encourages the county authorities to provide tuition grants for sending children to private schools and will also contribute state funds for this purpose. While Senator Byrd's political machine, which runs Virginia as a private fief, would much prefer to shut every school rather than suffer a single exception to the principle of "massive resistance" to racial integration, the state law does provide a way for a county to comply with the law of the United States. At his absolute discretion, the Governor may accede to a plea from the county for permission to reopen its schools on an integrated basis. But from then on it will have to run them without any financial help from the state.

It is much against their will that Arlingtonians find themselves in this exposed position. Being for the most part outsiders who have recently settled in this hitherto neglected corner of Virginia, simply because it is a natural extension of Washington, they are fully aware of the suspicion and resentment which they arouse among proper Virginians. They had a foretaste of this when the Arlington School Board was punished for announcing that it would comply with the Supreme Court's ban on segregation in the schools. This body was the only elected school board in Virginia. The others were appointed by the Byrd machine. At the end of the war the citizens of Arlington, led by the civil servants living there, had risen in revolt against the miserable social services provided by the penny-pinching state government, had abolished the two political parties in the county, and had reformed the county government on a non-partisan basis. The Virginia Legislature granted the county's petition for an elected school board.

By raising local tax rates the authorities of Arlington built up a school system whose high standards are widely recognised. However, being mildly progressive in its approach to education, it was vulnerable to some criticism from those who believed in stressing the "3 Rs" and "fundamental education." Elections to both the county offices and the school board became embittered struggles between the dominant ABC (Arlingtonians for a Better County) group and the conservative AIM (Arlington Independent Movement). In the course of these disputes harsh charges were exchanged, including even that of communist penetration of the educational system.

The segregationists doubtless hoped that these local divisions could be exploited to cripple Arlington's determination not to let the state shut its schools. As a punishment for having promised to obey the Supreme Court the elected school board was abolished. An appointed board was substituted which is evenly divided between educational liberals and conservatives, with a fifth "middle of the road" member holding the balance. But the reprisal backfired. The change has, in fact, helped the county to close ranks against the threat from the state. With neither side having a majority the old feuds over the curriculum and the kind of pupils' reports have had to be composed and the leaders of AIM, which has just dissolved itself as a separate organisation, have joined in the call to preserve the schools. Nevertheless, the last-ditch segregationists are still demanding, in slogans borrowed from the educational conservatives, private schools that would teach "fundamental" subjects "without any frills." For the past three weeks they have been struggling to start a sample school, but they claim that they are being harassed by the county authorities, who are evidently "working to rule" in deciding whether the facilities meet the requirements of every bye-law.

The meeting at the church hall was summoned by a private group of Arlingtonians headed by an official of the federal Civil Service Commission. To the sound of a choir practising in the next room the six hundred troubled but resolute citizens rose for the invocation. They were told that they represented "the great middle ground of folks" and that it was no accident that they were faced with such a difficult problem, since God had brought their ancestors to American shores in order that they should be different from other people. The proceedings were conducted briskly and finished half an hour ahead of schedule. A group of lawyers reviewed the legal position. A permanent organisation, the Arlington Committee to Preserve the Public Schools, was set up. It has three main objectives: to reassure Arlington's teachers that the parents will fight for the school system; to impress the Governor with the county's determination to keep the schools open; and to give legal advice to parents who wish to test the constitutionality of the Virginian laws.

Tactfully enough, the committee's legal advisers favour raising the constitutional challenge in a state rather than in a federal court, at least in the first instance. An injunction will be sought against the Governor on the grounds that the law enforcing the closing of the schools violates the Virginian Constitution. If this succeeds, the Arlingtonians will try to force the state authorities to continue giving the Arlington School Board its share of state funds for education. In fact, these funds supply only about 10 per cent of the cost of running Arlington's schools, so that at a pinch the county could carry on without them.

Everyone is hoping that it will be possible to avoid the intervention of federal troops. Arlingtonians are naturally alarmed at the implications of the federal judge's ruling in Little Rock, Arkansas, which, by suspending integration that had already begun, seemed to provide the segregationists with a reward and an incentive for violence. Arlington fears that troublemakers may be brought into the county from other parts of the state, but the county authorities declare that they are confident of being able to maintain order. The Governor has made references, of calculated ambiguity, to his readiness to use the state militia if matters get out of hand. In Washington itself there is no illusion about the black headlines that will be made around the world by a trial of strength on the doorstep of the capital. And there is still a lingering hope that the Virginia which produced Washington, Jefferson and Chief Justice Marshall will find some way of escaping with honour from the blind alley into which Senator Byrd, the respected chairman of the Senate Finance Committee, has led it.

Paying the Seaway's Way

Next week hearings will open in Washington and Ottawa on the tolls which it is proposed to levy on the 10,000-ton ships, drawing 27 feet of water, which by next spring will be able to travel through the new St Lawrence Seaway into Lake Erie, a route which has been open only to ships drawing 14 feet or less with a capacity of about 1,500 tons. The work on the channels and locks, most of it in the International Rapids section, has been undertaken jointly by the United States and Canada, which is paying over two-thirds of the cost, now put at some $430 million. The tolls are supposed to cover the operating expenses and to pay off in fifty years the money borrowed from the two governments and the interest on it.

The authorities expect to run the seaway at a loss for the first six years or so; in 1959 they estimate that only some 25 million tons of shipping will go through, about twice as much as in recent years. But by 1968 this figure should be doubled—especially as long before then, according to present plans, the channels will have been deepened through to Lake Superior—and the seaway should then pay its way. Some people believe that these forecasts are over-optimistic, mainly because such a flow of ships might be too much for the locks in the Welland Canal, which is already a source of delay.

But the proposed tolls are designed to encourage the desired expansion of traffic. They will be levied mainly on cargo, an unusual procedure intended to make it possible for ships to use the seaway even if they do not have a full load for the round trip. For a journey between Montreal and the Welland Canal each vessel will pay 4 cents for



every gross registered ton, 90 cents for every ton of general cargo, such as machinery or Scotch whisky, entering into international trade, and 40 cents for every ton of bulk cargo; there will be small additional charges for passing through the canal. Bulk cargo, mainly wheat and iron ore, is expected to provide about 80 per cent of the traffic to begin with. The lower rate will also be paid on general cargo if it is being moved from one American port to another or between Canadian ports; it is hoped that this will make it worth while for domestic shippers to use the seaway to send goods from, say, New York to Toledo, even though it would be much faster to send them by rail.

Spokesmen for eastern ports and for the railways, who have always opposed the whole project, naturally argue that these tolls ought to be higher, even though they are already higher than had been expected and higher than those levied for either the Suez or Panama Canals. On the other hand some shipping interests claim that it would have been better to charge less during the initial period and that the tolls will be difficult to compute. However, most of the people who will actually use the seaway are reported to be fairly satisfied, although there are objections to charging for passage of the Welland Canal, free until now.

Heart of Texas

Members of the Democratic party in Texas, who went to the polls last Saturday to pick their candidates for Senator, Governor, and other offices, were offered clear choices between men of the right and men of the moderate left. They chose one of each: a liberal, Mr Ralph Yarborough, to succeed himself in the Senate instead of Mr William Blakley, a multi-millionaire supporter of states' rights, and a strong conservative, Mr Price Daniel, for another two years in the Governorship—mainly, perhaps, because Texans have a habit of granting a second term to any incumbent with a good record. A Democratic nomination in Texas is still usually tantamount to election, even though the state, at the urging of conservative Democrats, gave its vote to Mr Eisenhower in 1952 and in 1956. Republicans in the state owe their single Representative in Washington to Democrats who have voted for Mr

Bruce Alger. This year Mr Alger will have to run hard to keep ahead of the Democratic candidate, Mr Barefoot Sanders, whose name commemorates not his taste in footwear, but a family from which he is descended. The Republicans have hopes, however, of picking up another seat in the 22nd District, which has just been created in Houston, and which will send a conservative to Washington whether it elects the Republican or the Democratic candidate.

A clearer indication of whether the liberals or the conservatives are gaining the upper hand in the Democratic party should be available in September, when the state convention meets; preliminary voting suggests that the conservatives are still ahead. This convention is important because it chooses the State Democratic Executive Committee, which in turn will influence the selection of delegates to the national convention in 1960 which chooses the Democratic presidential candidate. In 1956 the conservative faction seized control of the state machinery, but since then great, though not always harmonious, efforts have been made to promote a liberal revival by Democrats who, in the main, stood by Mr Adlai Stevenson.

Progressive Democrats are encouraged by the victory of Mr Yarborough, the greatest liberal triumph in recent years, and by the fact that Mr Henry Gonzalez of San Antonio edged Mr (Pass the Biscuits, Pappy) O'Daniel, the colourful old demagogue, out of second place in the race for the nomination for Governor. Mr Gonzalez is the first Texan of Latin extraction to become a State Senator and to try to stand for Governor, although nearly a fifth of all Texans are Spanish-speaking; moreover, he is a vigorous opponent of the racial discrimination which few liberals in this semi-southern state dare to oppose openly. Although conservatives will win most of the offices at stake in November, the increasing activity of three formerly submerged voting blocks—organised labour, the Latin Americans and the Negroes—suggests that shifts may be going on behind the political scenes.

Aluminium's War of Nerves

ALUMINIUM is left out in the cold by the Bill which provides subsidies for other hard-pressed non-ferrous metals and a year's stockpiling of copper. The industry, not unnaturally aggrieved by the help proposed for two of its chief competitors, copper and zinc, is now threatening to ask the Office of Defence Mobilisation for tariff increases or quotas, on the ground that growing "cut-rate" imports, at a time when nearly a third of the domestic capacity is idle, endanger the national security. In airing their woes to the State Department the producers stressed a different theme: that they are victims of the Soviet economic offensive.

The State Department is certain to be sceptical about this aluminium pig in a poke; any quotas on aluminium metal would strike directly at Canada, which provides almost all of the imports of primary aluminium into the United States and which is already bitterly resentful of American economic policy on oil and wheat. The Russians come into the picture only because their sales of cheap aluminium in Europe were partly responsible for the decision of Aluminium Limited of Canada to cut its prices in April from 26 cents to 24 cents a pound. The American producers reluctantly followed suit, although they complain that the lower price, instead of stimulating sales, has had the opposite effect of inducing consumers to postpone their purchases in hopes of further reductions. In fact, production in the United States during the first six months of the year was only about 7.5 per cent below what it was in 1957. The 30 per cent or so of capacity which is idle today is just about equal to the expansion of the industry since last year, and in the long-run it will be kept busy only by the exploitation of new uses for aluminium.

Domestic over-expansion, coupled with the pressure on the world price of aluminium, puts the American producers in a pricing dilemma. The wages they pay go up about 25 cents an hour this week under a three-year contract signed in 1955. But the American companies are reluctant to raise their price—even if this only means wiping out part of the recent cut—unless Aluminium of Canada follows their example. The threat of tariff increases may be no more than a broad hint to it to do so. Meanwhile, the steel companies, which have had to recognise aluminium as a dangerous competitor in some fields, have at last taken the plunge toward higher prices; one of the reasons why they have been hesitating was uncertainty about what the aluminium companies would decide.

Life and Death for Fish

FROM A CORRESPONDENT IN OREGON

IN the Columbia river basin in the Pacific Northwest, the United States government and the private electricity companies are engaged in a significant attempt, costing millions of dollars, to preserve one of the world's few great breeding grounds for salmon, that provided by the Columbia and its tributaries. Just twenty years ago the first large hydro-electric dams were raised in the main channel of the river, right in the path of the steelhead trout and salmon which had been travelling back up the Columbia each year since time immemorial to spawn in the gravelly beds of the river's tributaries where they themselves had been born. The headwaters of the Columbia were sealed off from the migrating fish by the towering Grand Coulee Dam; but this is more than 500 miles from the point at which the Columbia empties into the Pacific Ocean and what really mattered then was to get the fish over or round the much lower Bonneville dam, only a little over a hundred miles inland. The answer was found in fish-ladders, a series of pools which provide a gradual change in the elevation of the river.



During the past twenty years hundreds of thousands of visitors to Bonneville have watched as the fish going upstream wriggle across a flashboard from which an official tabulator counts and identifies every fish that passes the dam. This spring the usefulness of this fish count was demonstrated when the State Fish Commissions of Oregon and Washington, on the one hand, and the region's fishing industry, on the other, agreed that the usual May opening of the commercial fishing season on the Columbia would be postponed until 60,000 Chinook salmon had been counted over the Bonneville flashboard, thus insuring that an adequate number had reached the breeding grounds. Where dams are higher than Bonneville—too high for the fish-ladder device—adult fish are trapped below the dam, transported around the dam by special tank trucks and released in the reservoir above.

With these proofs that adult fish can reach their customary spawning grounds, whatever the size of the dam, half of the problem of the Columbia salmon has been solved. But what becomes of the new generations which, when hatched, begin the hazardous journey back to the sea? At Bonneville, a comparatively gentle run-of-the-river dam, only about 100 feet high, these fingerlings, or at least enough of them, can pass downstream without serious injury. But the higher dams, where the levels of the reservoirs may fluctuate by hundreds of feet and where the water smashes through the electric generators, are a different question and one which has only recently become vital. For the hydro-electric development of the Columbia river system has now come to the stage at which every new or proposed dam menaces the existence of the salmon fisheries and it seems inevitable that sooner or later practically every tributary will be dammed. Yet these fisheries support an industry with an annual gross return of $20 million and provide sport for half a million fishermen who live in or visit the Pacific Northwest, quite apart from the tinned salmon which is eaten all over the world.

The matter was given additional urgency late in June when the Supreme Court of the United States, for the second time within three years, affirmed that the Federal Power Commission had authority to license hydro-electric dams in any navigable stream in spite of any objections that might be raised by fishing or other interests engaged in exploiting the water resources of the stream. The FPC, by its very nature, can hardly be expected to show concern for anything except electric power but Senator Neuberger of Oregon has now introduced a Bill in Congress which would eliminate this favoured position for hydro-electricity. The Bill would require the FPC to clear each application to build a dam with the Fish and Wildlife Service, which is responsible for protecting the country's fisheries.

One federal agency, the Army Corps of Engineers, is spending $2,500,000 in an attempt to find some means of passing fish round high dams and fish biologists have also been making "desperate efforts" to save the Columbia River salmon. Among these are experiments with "skimmers," devices for trapping the downstream-bound fingerlings near the surface of the pools behind high dams and transporting them around the powerhouse and its death-dealing turbines. The first of these was placed in operation in June at the Portland General Electric Company's Pelton Dam on the Deschutes river. The fingerlings are attracted to the surface of the pool by setting up, through pumping, a current in the water of the intensity which to them means that here is a safe passage. They are then syphoned off downstream over a screen and into a fish-ladder which circumvents the turbines. The Idaho Power Company's skimmer at Brownlee Dam on the Snake river is a much more complex and costly affair. A 300,000-square-foot plastic net will be put across the reservoir a mile upstream from the dam. Fish caught in its meshes will be drawn off to loading stations at the bank, where they will be poured into tank trucks and moved to a discharge point 12 miles downstream.

Neither of these experiments has yet been proved in operation but on them depends the answer to the question of whether the Columbia river can continue to produce salmon as well as electricity. Before any conclusive reply can be given the Columbia's anadromous fish will have to go through several of their life cycles, each lasting four or five years. But the experts are very doubtful whether any successful solution to the problem has yet been found—or, indeed, whether one can ever be found.

SHORTER NOTES

This week's nomination, by an unprecedentedly large majority, of Governor Faubus of Arkansas as Democratic candidate to succeed himself means in effect that he has been re-elected for the third time; in this state this is an almost unheard-of achievement which he owes to his defiance of the federal government when he called out state troops last autumn to prevent Negroes attending the white high school in Little Rock. His two opponents were as hostile as he to racial integration, perhaps even more so, but they criticised the Governor for using soldiers to resist the order of a federal court and for his announced intention of doing so again if similar circumstances arise. Mr Faubus was originally elected as a liberal but his latest success will, it is feared, strengthen reaction and extremism throughout the South.

* * *

Although no formal declaration of emergency has been made, the Foreign Petroleum Supply Committee has been summoned to hear the government's suggestions for changes in the arrangements made at the time of the Suez crisis for supplying Europe's oil needs, in order to adapt the scheme to conditions which may arise as a result of the present situation in the Middle East, especially should the actual output of petroleum be interfered with. The original committee was composed of representatives of sixteen American oil companies which operate abroad; the new plan provides for representatives of wholly domestic companies as well. Other changes have been introduced to meet the complaints of the Senate's anti-trust subcommittee about the Suez scheme and of the grand jury which recently indicted several of the companies concerned for price-fixing at that time.

* * *

Higher postal rates went into effect on August 1st. First class letters will have to carry the lavender four-cent stamp bearing the likeness of Lincoln instead of the three-cent stamp with the Statue of Liberty. Postcards will cost three, instead of two, cents and domestic air mail seven, instead of six, cents an ounce. This is the first increase in letter rates for 26 years.

* * *

With the organisation of most Hawaiian hula dancers into a trade union, wages of such professional entertainers have risen sharply. But competition from the host of amateur performers is a continuing headache for the organisers of the union.

SMITH'S POTATO CRISPS

NEW RECORDS

The twenty-ninth ordinary general meeting of Smith's Potato Crisps, Limited, was held on July 30th in London.

Mr F. Le Neve-Foster, chairman, in the course of his speech, said:

The Net Profit of the Group, before taxation, amounts to £1,021,533 compared with the corresponding figure for the previous year of £877,302, an increase of approximately 16 per cent.

We have again established new records of production and sales during the year and turnover has been increased, both in number of packets of Crisps sold and figures realised, by more than 10 per cent. This has enabled us to carry the increased costs but the additional profit shown is small in relation to the total turnover figure. The growth of sales during the last ten years indeed has been remarkable; the 540 million packets sold in 1957-58 being considerably more than three times the number sold in 1947-48 when the figure was 168 million.

DIVIDENDS

The Directors recommend a Final Dividend of 20 per cent, plus a Cash Bonus of 7½ per cent on the enlarged issued capital resulting from the Share Bonus distributed in February. With the Interim Dividend already declared on the smaller capital this makes a total distribution of 40 per cent which is equivalent to a dividend of 37½ per cent for the year on the present capital. This compares with 37½ per cent on the smaller capital for the previous year which is equivalent to a rate of 30 per cent on the present capital.

Our new Corby Factory was completed during the year and has proved to be a great success both in production and for purposes of distribution; we have also purchased and opened a new freehold Depot at Chester. During the current year we are continuing our policy of development, including the establishment of a small factory near Liverpool and the purchase of a site at Plymouth for the erection of a factory there.

QUALITY THE KEYNOTE

As the figures show, the demand for our product continues to grow even with the larger production which we can now supply to the market. Quality is the keynote of our policy and we pay the greatest attention to all matters which are necessary to maintain it, using only high quality potatoes and the finest ingredients at all stages of processing. This imparts just that difference in taste and keeping qualities for which Smith's are famous. Unfortunately, our raw material comes in as Nature grows it and not to a standard specification and that sometimes creates problems in production and costings.

I make no apologies for repeating our slogan "There are no Crisps like Smith's Crisps." To the public, Crisps usually means Smith's Crisps.

There seems no doubt that the housewife is using Smith's Crisps more and more as a household food apart from the snack, picnic and bar business. The growing business in our Family Pack, retailing at 2s. 6d., is testimony to this. It is also possible that increased television viewing has added to house consumption because our product is so handy to eat while looking at the screen.

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

RIO DE JANEIRO LAND, MORTGAGE AND INVESTMENT AGENCY

The forty-third annual general meeting of Rio de Janeiro Land, Mortgage & Investment Agency Company Limited, was held on July 23rd in London, Mr Cyril W. Black, DL, JP, MP, FRICS, FAI, chairman, presiding. The following is an extract from his circulated statement for the year 1957:

The accounts for the year 1957 reflect the increased activities of the Group. Freehold and leasehold properties have risen from a book value at the end of 1956 of about £393,000 to a figure at the end of 1957 of over £950,000.

On December 31, 1957, we held quoted investments of a book cost of £31,900, with a market value at that date of £23,573. At May 31, 1958, our quoted securities had a book value of £56,345, with a market value of £61,000 and, during the five-month period January 1, to May 31, 1958, we had realised quoted investments at an aggregate profit of about £5,000.

The profit before taxation amounted to over £72,000, compared with a little less than £11,000 in the previous year; a very satisfactory increase indeed. Your directors recommend a final dividend of 15 per cent, less income tax (making 25 per cent for the year). I feel confident that shareholders will be satisfied with the results. We envisage a successful future for the company.

The report and accounts were adopted.

At a subsequent extraordinary general meeting a resolution was passed increasing the Authorised capital to £500,000 by the creation of an additional 7 million shares of 1s. each.

After the meeting the Chairman announced the board's intention to recommend a bonus issue on a one for one basis in the near future.

SOCIÉTÉ MÉTALLURGIQUE DE NORMANDIE

(Paris)

The annual general meeting of Société Métallurgique de Normandie was held in Paris on June 30th and the following are details of the report presented by the Board:

Output continued to rise and reached a total of 472,000 metric tons in 1957, an increase of 8.5 per cent over the previous year's total.

Subsidiaries maintained their progress and the Company acquired interests in several other enterprises.

Gross profits amounted to Frs. 3,696 million as against Frs. 3,510 million in 1956 and it was proposed to distribute a gross dividend of Frs. 750.

At an Extraordinary General Meeting held immediately after the Annual General Meeting, it was proposed to increase the capital to Frs. 6,000 million either in one or in several operations.

The report, the accounts, and the proposals put forward by the Board were adopted.

GRA TRUST

STATEMENT BY MR F. S. GENTLE, CBE

At the thirtieth annual general meeting of The Greyhound Racing Association Trust Limited, the Chairman, Mr Francis S. Gentle, CBE, reporting that Net Profits had increased from £93,000 to £119,000, said that there had been a small decline in average attendances and that it was more than ever important to study the interests of patrons in order to combat competition from other forms of entertainment.

Improved amenities, brighter advertising and a carefully planned increase in the televising of greyhound races were directed at expanding the community's interest in the sport.

A contract had been signed for the sale of Harringay Arena, which had been operating at a loss. Mr Gentle felt confident that this sale would be completed and that it would result in the Parent Company realising the written-down book value of its interests in Harringay Arena Limited, as well as obviating further losses through that company.

The Accounts were adopted, the proposed dividend confirmed and the retiring Directors re-elected.

HUDSON'S BAY OIL AND GAS COMPANY LIMITED

The following announcement is made by Mr R. C. Brown, President of Hudson's Bay Oil and Gas Company Limited:

Hudson's Bay Oil and Gas Company, Limited, and its subsidiaries had net income exclusive of non-recurring gains of $735,000 for the first half of 1958. This represents a decrease of $579,000 or 44 per cent from net income for the first half of 1957.

Mr R. C. Brown, the Company's President, stated that final net income for the first six months of 1958 was raised to $3,120,000 by gains of $2,385,000 from the sale of investments. There were no similar gains during the first six months of 1957.

Gross operating income of $9,619,000 declined $1,431,000 compared with the same period of last year. This decline resulted from lower volumes of sales and lower crude oil prices.

The Company's crude oil production averaged 20,404 barrels daily—down 3,299 barrels per day or 13.9 per cent from the first half of last year. This decrease which paralleled the experience of the Petroleum Industry in Western Canada was the result of a continuation of conditions of over supply and low demand which developed during 1957.

During the first half of the current year the Company completed 22.1 net exploratory wells—up 8.2 net wells over the same period of 1957. It completed 26.2 net development wells—a decrease of 13.6 net wells from the same period of the previous year.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

AN IMPORTANT TEXTILE ORGANISATION wish to appoint a man to be in sole charge of promoting a new venture to be launched in the near future.

This is a top level appointment and will ultimately lead to a seat on the Board. The successful candidate will be directly responsible to the Managing Director.

His major functions will cover:—

1. Promotional development.
2. Liaison with appointed users and distributors of the product in question.
3. Routine sales service.
4. Through appropriate agencies, he will also be in charge of advertising and publicity.

He should be of good education, appearance and between 35 and 45 years of age, and must have broad commercial experience of the Textile industry in all its phases with particular emphasis on Knitwear. Knowledge of the Retail trade would be an advantage.

The successful candidate must be able to give evidence of having operated successfully in a similar field, or impress the Board that by virtue of his educational background and experience he possesses the potential ability of making a success of the task the appointment carries.

Prospects are excellent. Salary and other considerations by arrangement. A car will be provided and there is a contributory Pension Scheme.

Applications, which will be acknowledged and treated confidentially, should state full details of career, qualifications, age and present earnings, and should be addressed to Urwick, Orr & Partners Limited, 14 Brown Street, Manchester, 2, quoting reference SP/1265 on the envelope.

ACTUARY for J. B. WERE & SON, a leading AUSTRALIAN STOCKBROKING FIRM with headquarters in MELBOURNE. Salary not less than £3,000 Australian currency per annum. Duties particularly concerned with the firm's gilt-edged market operations and underwriting of public body loans and in addition the study of economic trends and government financial policies, etc. Apply, giving full particulars age, experience and personal details, to George Lormer, Palmerston House, 51 Bishopsgate, London, E.C.2.

NEWMAN ASSOCIATION DEMOGRAPHIC SURVEY OF THE CATHOLIC COMMUNITY invites applications from Social Science graduates with some knowledge of statistical methods for the post of Research Statistician to work on urgent, important and interesting research in the field of Catholic education, religious and population statistics. Salary according to qualifications and experience. Particulars should be obtained without delay from Hon. Secretary, 31 Portman Square, London, W.1.

STAFFORDSHIRE COUNTY COUNCIL
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FURTHER EDUCATION DEPARTMENT
WEDNESBURY COUNTY COMMERCIAL COLLEGE

Applications are invited from graduates in Economics or Commerce, with an interest in Statistics, for the post of RESEARCH ASSISTANT. The appointment will begin on September 1, 1958, for three years. Salary £500 x £25–£650.

Form of application, returnable by August 16, 1958, and further particulars relating to the appointment may be obtained from the undersigned on receipt of a stamped addressed foolscap envelope.

J. H. P. OXSPRING,
Director of Education.

Dept. F.E.,
County Education Offices, Stafford.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF SOCIAL STUDIES

Applications are invited for a Granada Television Research Fellowship of a value of between £1,500 and £2,000 a year, tenable from as early a date as can be arranged, for a period of up to five years in the first instance. The Fellow will be expected to undertake research into the public impact of television over as wide an area of inquiry as practicable. Provision has been made by the donors of the fellowship, Messrs. Granada T. V. Network, Ltd., both for the appointment of such Research Assistants and clerical help as the Fellow may reasonably require and for additional expenses arising in the course of the research.

Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than September 30, 1958.

EDITOR to prepare MSS for printing. Good academic qualifications necessary.—Write to The Printer, University Press, Cambridge.

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(UNIVERSITY OF DURHAM)

Applications are invited for appointment as LECTURER in LAW. Candidates should be graduates and/or barristers-at-law. The person appointed will be responsible for the teaching of Law at all levels in the degree of Bachelor of Arts and Economic Studies of the University of Durham.

The appointment may be pensionable or on contract or agreement.

Salary £965 x £50–£1,415 x £75–£1,715. Entry Point according to qualifications and experience. Other conditions include children's allowances (maximum £300), passages on appointment and annual leave, part-furnished accommodation at rental not exceeding 7½ per cent. of salary.

Further information may be obtained from The Council for Overseas Colleges, 12 Lincoln's Inn Fields, London, W.C.2, to whom applications (6 copies) giving age, qualifications and experience, and naming three referees, should be sent by August 29, 1958.

THE GREAT EASTERN LIFE ASSURANCE COMPANY, Singapore, has vacancy for Assistant to General Manager. Applicant should have good indoor life assurance experience and be not more than 35 years of age. Salary in vicinity of £2,500 per annum to suitable applicant. Liberal staff bonuses have been paid in recent years. Successful applicant would be required to contribute 10 per cent of salary to the Company's Staff Provident Fund, the Company adding a similar amount. Housing provided at cheap rental. Long leave with paid passage after three years. Applications, with full details of educational qualifications and experience, to The Great Eastern Life Assurance Co. Ltd., Box 797, Singapore.

EXCEPTIONAL opportunity presents itself for two men, aged between 40-48, of proved executive ability, to join a large manufacturing group with Headquarters in the North West, with a view to appointment to Senior Management positions after satisfactory completion of initial probationary period. Candidates must have had executive experience, preferably with a large company, and unless this is purely commercial they must have a technical qualification in Accountancy, Engineering or other Science. Generous salaries paid from beginning, with excellent prospects of rapid advancement. Please send full details, in confidence, but photographs, references, etc., cannot be returned.—Write Box 983.

CHIEF WORKS ACCOUNTANT

Required by a large manufacturing organisation in the Midlands to take charge of cost accounting at its main and outlying factories. Applications are invited from qualified accountants, aged about 40, who have had wide experience in up-to-date methods of industrial cost accounting and are accustomed to responsibility and the management of staff. The position will carry a substantial salary and participation in a pension scheme.

Replies (which will be treated in strict confidence) should give full particulars of age, qualifications and past experience, and should be forwarded in the first place to Price Waterhouse & Co. 3 Frederick's Place, Old Jewry, London, E.C.2

MARS LIMITED, the well-known Confectionery Manufacturers, have a vacancy in their Statistical Department for a young woman Economist. The department studies certain commodity markets intensively and the successful candidate's work will be mainly in the preparation of objective assessments of market situations. Applications are invited from women who have recently graduated in Economics or Statistics and who have a bias towards Econometrics. The Company provides excellent conditions of employment with 3 weeks' holiday per year, non contributory pension and sickness scheme, with a salary of £600 per annum. Written applications should be sent to the Personnel Officer (Wonieh), Mars Limited, Dundee Road, Slough, Bucks.

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DEPARTMENT OF AGRICULTURAL ECONOMICS

Applications are invited from graduates in Agriculture or Economics for the following appointments at the School of Agriculture, Sutton Bonington, near Loughborough:

ASSISTANT AGRICULTURAL ECONOMIST. Salary scale £700 x £50 to £850, with superannuation benefits and family allowances.

RESEARCH ASSISTANT in Agricultural Economics. Salary scale £550 x £50 to £650.

Conditions of appointment and forms of application, which should be returned by September 1, 1958, from the Registrar, The University, Nottingham.

ECONOMIST. Vacancy for an assistant occurs on the staff of the Cotton Board Economics and Statistics Department. The possession of a good degree in economics or statistics is an essential qualification and some post-graduate experience either in industry or in research would be an advantage. Commencing salary within the scale £700/£900. Contributory pension scheme. Replies, stating age, details of education and experience, should be addressed to Director of Statistics, Cotton Board, Shudehill, Manchester, 3.

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Algeria. Military repression of nationalism in Algeria hardly fits France for the part of advocate of an understanding with Arab nationalism. To the Arabs, it would invite the charge of preaching one doctrine in the eastern half of the Mediterranean while practising another in the western half. They see France as the most colonialist of colonialist powers. Of the three countries of the Middle East whose views General de Gaulle told Mr Khrushchev must be taken into account, two—Turkey and Iran—belong to the Baghdad pact and the other—Israel—is France's old ally from the Suez crisis.

WITHIN the narrow limits that the Algerian conflict allows, French diplomacy has acted adroitly. It has had some help from the haste of the Russians and from the tactical differences between London and Washington. Mr Khrushchev, naturally anxious to drive a wedge between the western allies, and irritated by the feeling that the Anglo-Americans were trying to "bury" the meeting in procedure, has jumped at the renewed French proposal of a summit conference in Europe, purposely overlooking General de Gaulle's insistence that such a meeting must be carefully prepared.

The three-cornered differences among the western allies can serve to delay the meeting if that is what Washington wants; on the other hand, despite General de Gaulle's preference for a European meeting-place and for a pure "summit" meeting free from the hurly-burly of the Security Council, the western powers ought not to have much difficulty in reconciling their tactical differences if they wish. It is more difficult to imagine France as the leader of a group of Continental powers bent on conciliation. This is merely one of the many French plans that cannot get in motion because they are stuck in the sands of Algeria. Only if the meeting is finally held in Europe—more particularly, in Paris—can General de Gaulle expect a useful accession of prestige from it.

Mr Maudling in The Castle

BY OUR SPECIAL CORRESPONDENT

AT times during the past two years the Château de la Muette, Paris headquarters of the Organisation for European Economic Co-operation, has seemed the sort of castle Kafka wrote about. The European free trade area project has preoccupied OEEC since 1956. Intelligent people have been studying the matter; working parties and ministerial committees have been beavering away. But Mr Maudling, the traveller visiting the castle, has found that the decisions he has sought have always just escaped his grasp. There have been moments when his committee has seemed to reach agreement. Next time he has discovered that agreement is as far away as ever. Somewhere behind the scenes memoranda have been passing, say within the French government; negative decisions have been made. The work of Mr Maudling's own committee has had a strange air of unreality.

Last week's meeting was in some ways true to type. Mr Maudling hoped to break the ice on the key subject of the outer tariffs of the free trade area; and he took a constructive new initiative by proposing that the matter should be studied sector by sector, an approach which had earlier been favoured by the French. The committee agreed to this, and adopted an encouragingly empirical series of rules for the guidance of the steering board of experts who are to do the studying. These rules appear to accept the fundamental free trade area principle of different national tariffs by its members against third countries. But other and conflicting ideas will also be considered by the experts; and countries will be able to bring up the problems of industries likely to be injured by internal competition within the free trade area. It is not at all clear whither the steering board will steer.

On other matters of substance the committee hardly made spectacular progress. On agriculture, it accepted a paper by the six members of the European economic community as a basis for discussion; on the subject of a provisional agreement, in case the complete free trade area cannot be drawn up in time, it agreed to wait and see. The only hot debate came when the representatives of peripheral countries—Turks, Greeks, Irish—made loud pleas for consideration for their special problems. The basic differences obstructing the creation of a free trade area were not resolved; they were really not even discussed.

YET the customary good cheer of Mr Maudling's press conference had more justification this time than on some occasions in the past. For behind the puppet-show of the OEEC ministerial committee, some constructive action was taken last week. Mr Maudling justly referred to the meeting of the ministers of the six common market countries on July 23rd, which was memorable for the concessions made by France. The French government made it clear that it was prepared to drop the chief obstacle it has raised against the free trade area—the demand for a *décalage*: that is, that tariff cuts in the free trade area should be slower than in the common market and should start later. France still wants progress after a number of years to depend on a unanimous vote—which would give the French government a veto. But it has accepted the principle that a date must now be set for the scheme. The veto, in other words, would not stop it for good; it would only slow it down, like the equivalent provision in the treaty of Rome. France, for the first time, seems to have accepted the fundamental principle that tariffs shall be reduced throughout western Europe at the same pace as in the European economic community itself. General de Gaulle seems to have appreciated the political necessity of bringing Britain into the European schemes.

France, however, has not given up its other claims. And between now and October, when Mr Maudling's committee meets again, the Six will continue their efforts to see how many they can adopt as common policy. The main French demands are for the application of some sort of Carli plan to the external tariffs of a free trade area, and for some compensation for what France considers the double benefits which Britain would enjoy if it combined a free trade area with the system of Commonwealth preferences. The Carli plan hits at the basic principles of a free trade area—free trade within it, separate national tariffs against imports from outside. Under the Carli plan compensating duties would be levied *within* a free trade area on goods from a given country, say Britain, if the external tariffs it imposed on these products were considerably lower than the external tariffs of other countries.

The Dutch and Germans have not swallowed the Carli plan whole. But a substantial part of it may well appear in the joint proposals of the Six. Unlike the French attempt to delay the whole free trade area, the Carli plan and the claim for some share in the benefits of Commonwealth preference do not conflict strongly with the interests of France's other five partners in the European economic community. Some observers feel, too, that France has now made the chief concessions that it is prepared to make. The situation of the free trade area today may be comparable to the situation of the common market in October, 1956, when France accepted the basic principle of the twelve-year common market, but made certain other claims on "harmonisation" of labour costs, on the outer tariff and on overseas territories, claims to which it stuck in substance in the negotiations that followed.

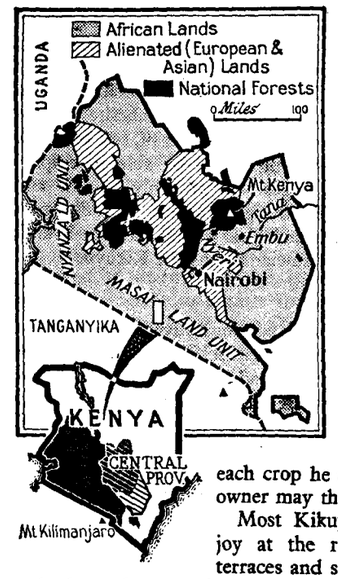
The next meeting of Mr Maudling's committee in October might thus still bring a loud collision of views, particularly on the issue of the Carli plan. The hope is that the sector-by-sector approach now adopted will help everyone to face the issues in an empirical way. Mr Maudling hopes that a meeting of ten days or so in October may bring substantial agreement on the main issues. If the ministers of the Six can achieve general agreement when they meet at Venice in September, his committee may at last come to life. But two years of procrastination have bred a lot of pessimists in the Château de la Muette.

The Black Highlands of Kenya

BY OUR SPECIAL CORRESPONDENT

THE White Highlands—the upland areas of Kenya which have been settled by Europeans—form about a quarter of the fertile land in the colony and produce five times the value of the cash-crops produced in the remaining three-quarters. The Royal Commission under the chairmanship of the former Indian civil servant, Sir Hugh Dow, recommended that some Africans should become tenant farmers in the European Reserve. The settlers do not want Africans interspersed among them. There are many reasons for this; but the most respectable one put forward is that African non-compliance with veterinary regulations and the movement of diseased stock (especially cattle earmarked for bride-price) would be gravely detrimental to European farming. At the same time some Europeans would stomach the "alienation" of a compact area of the White Highlands to African farmers, after purchase by the government. The African wish to penetrate the White Highlands as lease-holders springs partly from a psychological frustration, partly from a sheer desire for land, but it is a factor which any serious plan to create a multi-racial society must take into account. The more European farms in Kenya, the better for its agricultural production—40 per cent of the national income is agricultural. Yet the European farmers farm on extensive methods which still depend on African labour which could become recalcitrant if the plantation workers were unionised and race relations worsened throughout the country. So it seems on the cards that the European reserve will be breached—perhaps with the *quid pro quo* that some European industry be admitted into African reserves. Liberal-minded European leaders, like Mr Blundell, the minister of agriculture, have long been preparing the settlers for this.

The Mau Mau rebellion has brought about one great economic boon which may allow the political problem of the White Highlands to be side-stepped or at least deferred to easier times. This is governmental agrarian dictatorship in Central Province, the home of the Kikuyu. In the very densely populated districts between Nairobi and Mount Kenya land-consolidation is being put through by a large staff of district and agricultural officers. The Kikuyu elders are obliged to decide which strip of land belongs to whom; they must also decide who is to live where in the village (most Kikuyu are indeed already in villages, put there during the emergency). When each man has been assigned his total acreage and consolidated plot, the agricultural officer tells him the percentage of each crop he may grow on it. The owner may then appeal.



Most Kikuyu are beaming with joy at the result. Contours and terraces and strict rules about cattle paths have done much to stop erosion. The farmers are given coffee seedlings from the nurseries, which after a year or two yield a crop worth perhaps £200 to £300. Some have a couple of good part-European milking cows. Tea can be planted in areas of heavy rainfall. Eight or ten acres is an optimum plot. As the Kikuyu live on some of the best land in Africa there is no reason why they should not, being intelligent and very commercial, surpass even the Chaggā of Kilimanjaro.

One sure sign of the success of the land reform is its condemnation by the African elected members, who are now urging the Kikuyu to delay it by multiplying their appeals. Spontaneous anti-European feeling before the emergency caused the closing down of a European-owned dried vegetable factory at Karatina in Nyeri district which gave a steady market for vegetable-growers. The Kikuyu now much regret its loss. If they demand its reopening that will show their lack of sympathy with Dr Kiano, the elected Kikuyu member and lieutenant of Mr Tom Mboya, who is a Luo. Consolidation will prove much harder to put through in the Kiambu district near Nairobi where the Africans lead a cosy semi-suburban life, talking politics, plotting, and growing vegetables for Nairobi.

The success of compulsory planning in Kikuyuland unfortunately does not mean that it will be adopted elsewhere. The government very much wants to introduce consolidation into the Central Nyanza land-unit where there is chaotic cotton growing. But there, one reads, "small pilot schemes are making progress, albeit slowly." Without emergency powers the government can demonstrate and exhort but, as to action, that can only follow the agreement of people born to disagree.

African politicians are charging the consolidators with depriving the people of land. The charge is unfounded, for nobody who does now own a piece of land, however small, has it taken away from him. But it remains true that among the Kikuyu, Embu and Meru of Central Province many Africans are landless. The pressure of numbers is the cause, and it will increase drastically during the rest of the century. An agrarian revolution has been decreed, designed to maximise African production of cash-crops. According to the minister of agriculture, Mr Michael Blundell, incomes per acre could be raised in the Nyeri district from £1 to £18 an acre. The price of progress is that holdings may not be subdivided by bequest; so that all heirs, less one, will be landless and, if they wish to remain in the reserve, must work either for the inheritor or for some other farmer. The prosperous farmer of, say, ten acres owning a couple of cows will indeed be able to employ several men; but their wages will probably be low and virtually uncontrollable by the government. Landlessness is, in any case, a grave psychological wound and, one is told, the only known motive of suicide among the Kikuyu.

THE problem of how much administrative power to use in the cause of African betterment schemes can only be discussed in terms of, first, funds and secondly tribal character. Sometimes there are tribal treaties which must be honoured or the tribe is almost ungovernable: one case is the Masai, fifty years ago the great warrior race of East Africa. Their land unit in both Kenya and Tanganyika of 15,000 square miles is guaranteed their very own; they are milk and blood drinkers; practise almost no agriculture and, although they are dying out, hold themselves in the highest esteem. In general the funds available, for research, education and actual schemes, are too little for the government to embark on agricultural revolutions. The Swynnerton Plan budgeted for a total expenditure of only £8½ million between 1954 and 1959 on African Land Development (ALDEV). In general, also, African conservatism and lethargy keep the brakes on hard. ALDEV has a series of definite limited successes to its credit: a notable one in the severely devastated Machakos district, where landless Akamba were resettled; the resettlement of Luo in South Nyanza; and various irrigation schemes involving Mau Mau detainees such as the Mwea-Tebere and other schemes in Embu. The government has embarked gently on difficult irrigation projects on the Tana, Kenya's only large river, which may one day provide rich land for settlement.

All Europeans in Kenya seem to agree that the country's development depends on high-efficiency supervised African farming with individual ownership. The emergency has shown what the Black Highlands could become if the stimulus of persuasion backed by force were applied more widely in the country. This would entail four district officers instead of one in development areas; it would mean the training of many more African agricultural officers; it would probably also mean the symbolic establishment of some "ace" Africans in the White Highlands just to show that Africans could become pukka large farmers on their own. But such a programme is unthinkable without a larger and steadier stream of British (or American?) aid for the next ten years. If that were granted—and Kenyans consider that Britain's interest in and sympathy with the territory is too weak for it to be granted—there would be a good chance of the Black Highlands' 52,000 square miles booming like the 10,000 square miles of settlerdom.

The War in Malaya

FROM A CORRESPONDENT IN KUALA LUMPUR

WITH the Middle East in its present state of crisis, it is perhaps natural that the small anti-communist war in Malaya should be all but forgotten. The situation there has not indeed been militarily serious for months past; on the other hand, there are few signs that the emergency will be officially declared at an end for many months to come. A great victory was, however, announced last month. The Federation government disclosed that in the past seven months 118 terrorists have surrendered as a result of an operation which was kept completely secret after the prime minister, Tungku Abdul Rahman, had taken newspaper editors into his confidence.

Five "weary and bedraggled" terrorists were picked up by an Englishman on the lonely road between Ipoh and Kuala Lumpur on the evening of October 15th last year; the motorist took them to a police station, and for his gallantry received a reward of nearly £600 ($5,000 Malayan). This "haul" included a political commissar in charge of South Perak—and political commissars have never been known to surrender before. He was obviously war-weary and disillusioned, and readily agreed to take the police back into the jungle to try to persuade his colleagues to surrender too. It was as a result of this episode that the long chain of surrenders took place in the months that followed.



To use a technical Malayan expression, these were "induced" surrenders; groups called on other groups to give up. As the minister of defence, Dato Abdul Razak, said in Kuala Lumpur, it was not the first time that terrorists have been used to help bring in other terrorists, but in the past the circumstances have not been so favourable, nor the outcome so successful. The favourable conditions had been created by an operation code-named "Chieftain" which was aimed at 150 terrorists in South Perak. It was a classic type of Malayan operation—tremendous pressure by the security forces coupled with rigorous food denial measures over a vast area. By October "Chieftain" had killed 19 terrorists but had accepted the surrender of only one man.

The terrorists had, however, been nosed away from their own supply dumps, cut off from their supply channels in the towns and villages, and driven into deeper jungle. They were kept constantly on the move and finally had to live on jungle roots and fruits. They lost contact with other groups; they also lost weight and perhaps courage and morale. Inducements of good food and a return to a free life, with a promise of no prosecution for any offences—plus rewards for assisting the police to cajole other comrades into

surrender—appeared to be what they were waiting for. In South Perak there are now only 31 terrorists left.

Operations similar to "Chieftain" have been going on now for some months in central Perak and in central Johore and south Johore. Dato Abdul Razak declared on Thursday that in the whole country there are still 1,300 terrorists at large. If the 500 known to be on the Siamese side of the northern Malayan border are deducted, the number of known terrorists in the Malayan jungles is 800—compared with a figure of 11,000 in the early years of the emergency. The government is satisfied with the number of terrorists (315, including the South Perak figure) who have surrendered since the "Merdeka" (independence) amnesty was offered last September, although at first this often seemed to have been a flop. The amnesty ended this week on July 31st but the pre-Merdeka terms of surrender based on "fair treatment" are still open.

The most significant point, however, about all the surrenders is that they have been the result of military operations. Men and women did not emerge with their hands up because they had had a change of heart about communism. They came out because they were hungry and tired of being chased and because they were leaderless. There are few records of terrorists surrendering in an area free of military operations. In Kedah, where there are about 300 terrorists, there has not been a single surrender since independence day; on Penang island, only one out of 41 terrorists has given up since then.

The government is now faced with the problem of what to do with the hundreds of ex-terrorists (but not true ex-communists) who are now living freely—albeit, under observation—in the towns and villages of the country. But the Alliance Party government can be proud of the tremendous advance it has made against terrorism in the past two years. There has also been a great improvement in the attitude of the public in general, and of the Chinese in particular, towards helping the government to get rid of the terrorists. The government realises that subversion will now take the place of armed force, and in spite of financial stringency it has wisely done nothing to reduce the effectiveness of its Special Branch, which is perhaps the finest of its kind in Asia.

The Paper Bulletin

The July issue of this quarterly bulletin contains three Special Reports:—

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Tangles in Turtle Bay

FROM OUR UNITED NATIONS CORRESPONDENT

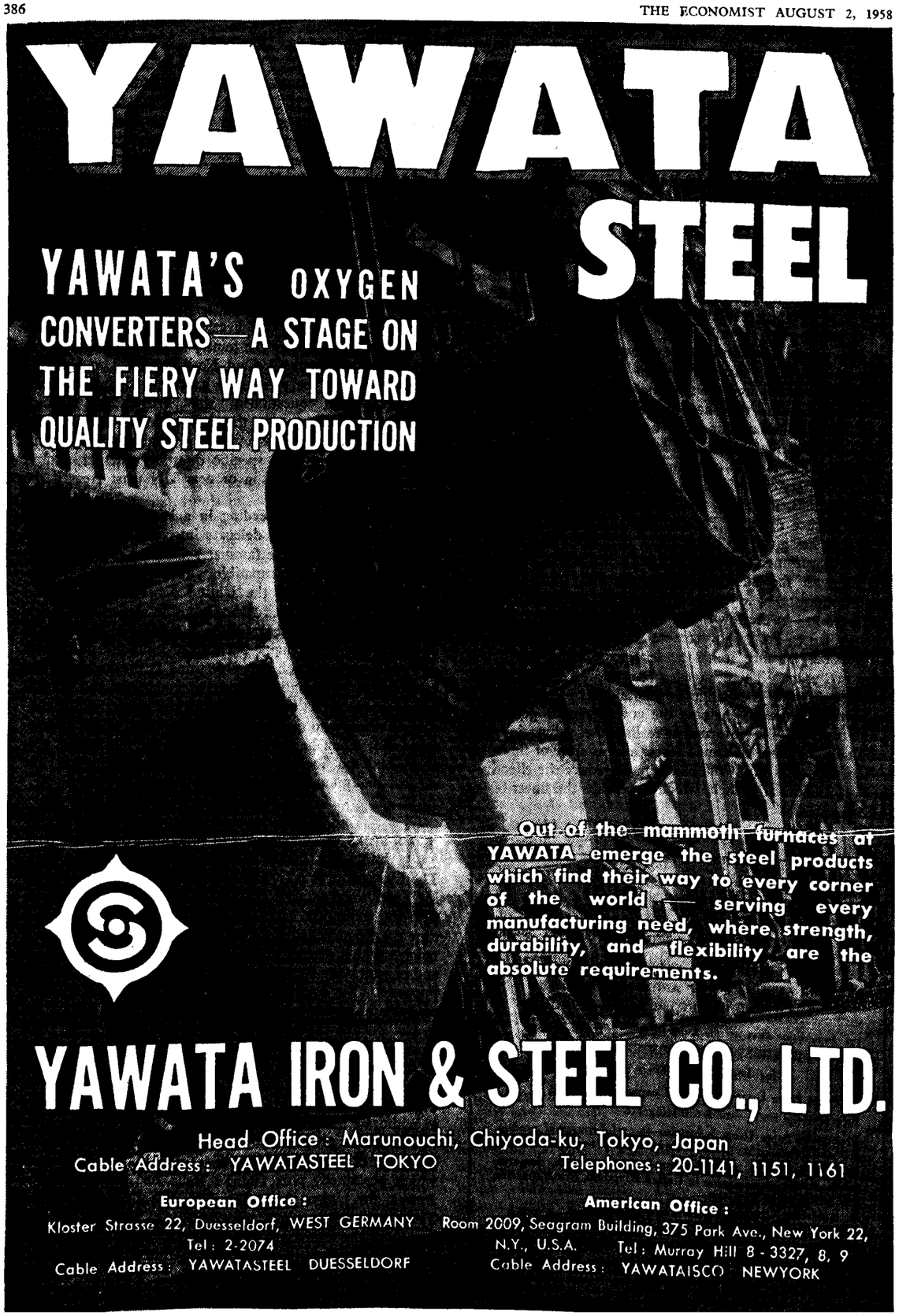
SOME curious things happen in international diplomacy, but your correspondent can recall nothing more curious than the recent attempt by an American delegate to the United Nations, Mr Mason Sears, to move a resolution regretting that his government had been conducting nuclear weapons tests in the Pacific, asserting that this was contrary to the UN Charter, and recommending that his government should discontinue the tests.

It all came about like this. A Marshall Islander, who had twice before signed petitions to the United Nations about the use of Pacific trust territories for bomb tests, this year requested an oral hearing before the Trusteeship Council. Three Americans jointly made a similar request, and in both cases the United Nations agreed to hear the petitions. After the petitioners had made their statements and had been questioned, the Trusteeship Council attempted to disentangle the issues before it: was the council competent to discuss the general problem of disarmament, or only the specific question whether nuclear tests could be permitted in or near UN trust areas if the inhabitants object?

The debate was proceeding in a leisurely and friendly manner until the Soviet delegate introduced a typical cold war resolution, with the familiar sprinkling of phrases like "deep regret . . . incompatible with the terms of trusteeship . . . violation of the United Nations Charter . . . illegally . . ." and so on. A resolution in these terms would probably have secured precisely one vote in the council. Realising this, the amiable Mr Lall of India put in his own resolution saying much the same thing as the Russians, but at one-fifth the length and in the courteous and elegant language which has won for Mr Lall the respect and friendship of many who disagree with the policies of his government. But when he asked for priority for the Indian proposal, and the Soviet delegate supported this request, the cat was really among the pigeons.

MR SEARS was determined to vote down the Soviet resolution, and moved that it be put to the vote at once. The Russians promptly withdrew the resolution, whereupon Mr Sears re-introduced the Soviet text as his own, though with the announced intention of voting against it. By this time the Council had got itself into one of those procedural tangles which are so common at international gatherings and of which the Russians take full advantage for their own purposes. Sir Andrew Cohen, in his usual bluff manner, made an intervention which was intended to be helpful but in fact pushed the delegates deeper into the thicket. The Russians insisted that they could not vote without having in writing the text of a resolution which, until a minute earlier, had been their own. The French delegate suggested a ten-minute recess, during which Mr Sears was persuaded to withdraw his proposal.

The Indian proposal was then put to a vote and defeated by the votes of the colonial powers (other than New Zealand, which abstained) plus China; India had the support of Burma, the United Arab Republic, and the Soviet Union. The proceedings, which were hardly in keeping with the gravity of the issues and at times were on the level of farce, did not add to the prestige of the United Nations.



THE BUSINESS WORLD

Never Never at the Banks?

DRAMATIC moves in the past week by four of the Big Seven banks to acquire a permanent stake in hire purchase finance raise as many questions as they answer—questions of the utmost significance for the future business of the banks and finance houses themselves, for the economy at large, and for the general public. Within one week, a principle of association of the great English deposit banks with companies financing hire purchase has been established. The first plunge taken by Barclays in its association with United Dominions Trust was quickly followed by the Westminster and Martins in their proposed joint deal with the Mercantile Credit Company. Both these participations, as may be seen below, have taken a broadly similar form: that is, the subscription of new shares at a price substantially (and as some shareholders contend unreasonably) below the market quotation. But where Barclays has limited itself to a 25 per cent share in UDT, the Westminster and Martins are to have 20 per cent each in Mercantile Credit. Thursday evening brought the news that the National Provincial Bank has bid £4 10s. for the whole of the 2,105,333 £1 shares of North Central Wagon, standing at 80s. in the market. The Prudential has a majority interest of 54.7 per cent of these shares and will accept the offer. A fifth association will be forged if and when the projected merger takes place between Lloyds Bank's Scottish subsidiary, the National Bank of Scotland, and the Commercial Bank of Scotland, which owns the whole of the capital of the Scottish Midland Guarantee Trusts.

The trail blazed by the Commercial Bank in 1954 was blocked for other banks by the disapproving eye of the Bank of England and by the discrimination against hire purchase issues by the Capital Issues Committee. Now the way has been opened by the credit relaxations a month ago—apparently, under the dispensation permitting the CIC to approve issues "desirable as a means of improving the stability of the hire purchase financial system." Not all people seeking to interpret this maxim would have had in mind an

Barclays—UDT

BARCLAYS BANK, in association with its Scottish subsidiary, the British Linen Bank, is subscribing for £1 million new ordinary stock of UDT, at £4 per £1 unit; the market quotation before the announcement was about £5. At the same time, UDT is to make a free issue of one million 4½ per cent irredeemable preference shares in the proportion of one for £4 ordinary stock held, including the new shares acquired by Barclays. Opposition to the terms of Barclays' acquisition has been expressed by a group of stockholders, who maintain that to bring the bank in at a concessionary price deprives stockholders of part of their equity. Barclays' holding of £4 million will comprise a 25 per cent interest in the equity of UDT. The bank is entitled to appoint one representative to the board, but it will not participate in the conduct of the business.

Martins—Westminster—Mercantile

SUBJECT to the consent of the CIC, and of a shareholders' meeting to be called to sanction an increase in capital, Martins Bank and the Westminster Bank are each to take up 2,476,679 new ordinary shares of 5s. each, at 16s. per share, in Mercantile Credit. Before the announcement the shares stood at 20s. The directors propose a free scrip issue for existing shareholders, but not for the two banks, of one in twenty. Thus the banks come in about 4s. below the market. The directors intend to pay a total of 16 per cent this year and to maintain this rate on the increased capital in 1958-59. The subscription by each bank of £1.98 million is to be paid up in four equal half-yearly instalments. The two banks will hold 20 per cent each of the new capital; with existing holdings of merchants banks banking institutions will hold a majority interest in the company.

increase in the capital of the largest and strongest finance companies; but it is one possible interpretation, and not an illogical one.

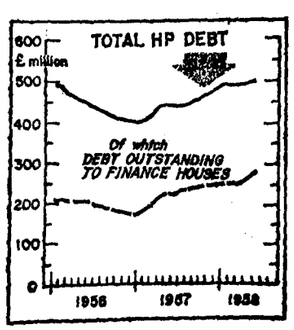
Whatever they do for stability, the participations by the banks will certainly do much for expansion. The £4 million of new capital money that both United Dominions Trust and Mercantile Credit are to secure from banking sources will be multiplied many times over in their own lendings; finance companies reckon they can safely maintain a ratio of one to five between their capital plus reserves and their borrowings from the banks and from the public. Moreover, the direct association with the banks itself seems likely to smooth, and perhaps to cheapen, the finance houses' overdraft facilities. Since the leading finance houses pay less for bank overdrafts than they do for deposits from the public, their need for such deposits could become less urgent as the banks become more liberal. This, together with the association of great banking houses with particular finance houses, may put into sharper relief the contrast of rates paid on deposits in these houses (6½ per cent or so for three months' money) and the deposit rates paid by the banks (3 per cent at seven days' notice) and pave the way for a significant reduction in the high rates paid by the finance houses. This, together with freer access to bank money, should permit some reduction in the interest element in the rates charged to hire purchase customers (though these contain a much larger element of service costs).

At first sight, it might be supposed that those finance houses that can find no association with a big bank will now be under a major disadvantage. But the banks will obviously come under pressure from other finance houses that are now their customers for equivalent treatment; and the kudos implicit in the recognition of the finance houses as fit subjects for bank investment may be expected to be shared in some part by all the larger houses. At the same time, the relaxation by the CIC will presumably permit links of a similar kind between hire purchase finance and the non-clearing banks or the insurance companies.

In these ways, the stability of hire purchase finance should indeed be improved; charges to hirers should be lower, and more effective competition in the provision of instalment finance should give a healthy check to the easy profits earned by all and sundry in the business, and thus curb the temptingly high rates offered by many of the small fry on deposits from the public. One result of all this could easily be an expansion in the volume of hire purchase finance; and if that is subsequently deemed by the authorities to be excessive, the counter measures should not again be of a kind that weaken the strength and efficiency of the hire purchase structure.

PARTICIPATION by the banks in finance companies should thus show modest benefits fairly soon to three separate groups: the banks and their shareholders; the finance companies they are linked with; and people who buy on instalment terms. The ultimate impact of acceptance of the principle of a bank stake in HP could go far wider. Will the banks seize this association as an opportunity for a major broadening of their activities, to re-establish their role as the primary and pre-eminent source of credit for creditworthy customers? In themselves, the deals of the past week do not necessarily imply that the banks are regarding them in that light.

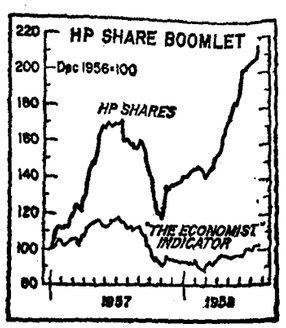
There are three broad attitudes that a deposit banker may take to hire purchase. The first is the traditional view that it is none of his business—the view that most people thought Mr Tuke was expressing in his address to the shareholders of Barclays Bank early this year. The second attitude is that the business is quite distinct, and needs to be managed and directed quite separately, but that a banker may justifiably share in its profitability by acquiring a minority stake in the equity; that is the stand taken by Mr Tuke in his transaction with UDT. The third attitude, which may possibly be closer to that taken by the Westminster and Martins, and even closer to that of the National Provincial, is that the association is a natural one and conforms with the extension and adaptation of a deposit bank's traditional business to the new cirmumstances of the second half of the twentieth century. In this view, the association involves more than a 25 per cent "sleeping" investment stake; it could involve a substantial minority stake (such as the 40 per cent of the Westminster and Martins combined, or of most of the Australian trading banks), or a majority interest, or complete ownership (such as that of the Commercial Bank of Scotland and the National Provincial) or, at the extreme, direct transaction of hire purchases business by a department of the bank.



RETURNS ON HP SHARES

	End-1954 Price *	End-1954 Yield %	September 19, 1957 Price *	September 19, 1957 Yield %	Current Price *	Current Yield %
Bowmaker	13/6	2·64	14/6	5·20	29/10½	4·18
Mercantile	16/9	3·68	13/9	5·00	20/–	3·44
N. Cent. Wagon.	23/6	1·93	47/9	2·35†	80/–	1·88†
Olds	18/7	3·48	25/9	4·45	29/–	4·74
UDT	60/9	3·03	83/9	4·42	102/3	3·91

* Prices adjusted for rights and scrip issues. † Also distributions from capital reserves.



There is no question, at present, of the banks engaging directly in hire purchase business; and if ever they did, they would have to keep the two businesses separate in their books and in their minds. There are undeniable differences of principle between traditional banking business and the business of the finance companies. The primary difference is one of approach. In a hire purchase transaction, the credit is sold along with the goods. Bank credit is solicited by the customer and granted only after real individual scrutiny. The banker, Mr Tuke put it last week, is concerned with character first and security second, the HP finance company with security first, and sometimes security second. Perhaps the quip was a little unkind. Good characters at the banks have been known to be embarrassed by lack of security, and hire purchase companies do take note of the name of the borrower. They examine credits for motor cars and other consumer goods, if usually after the event and usually on a negative basis of avoiding known defaulters; but on substantial credits for machinery their scrutiny is closer. The fact remains that hire purchase companies are rarely left with the goods—though it is desirable that "character" should play a larger part in HP business.

BANKING business, as now transacted, and hire purchase business, as now transacted, are indeed different in principle as well as in procedure. That is not to say that certain types of business now transacted through hire purchase might not, to the profit of both banks and borrowers, be handled at bank counters; a separate question is whether the form should then still be the hire purchase contract. It is possible to see, as a half-way house between hire purchase and a bank overdraft, the use of a bank "loan account." Under a loan account, instead of being given a potential overdraft facility, and charged on the actual daily debit balance, the customer's account is credited with the loan, stages of repayment are agreed, and no rebate of interest is allowed on advance repayment. The loan account is used in Britain for purchases of durable equipment and in other connections—but it is rather the exception. In the United States, the overdraft is unknown and bank lending operations are much more formal than in Britain. Personal loans are granted subject to fixed monthly repayments; and where the borrower pledges security, such as a car, the loan generally carries a lower interest rate. The greater formality in the American banks' lending, which has little appeal to the English banker, permits (together with the comprehensive national service of credit rating) a major extension of activities to cover risks that would otherwise appear unsuitable for banks.

Many English bankers will feel no immediate need to open up new fields by lending to marginal customers on somewhat more formal terms. After twenty years of official restriction, they may say, there is no lack of opportunity for increased lending according to the traditional canons. This is an issue on which observers outside the banks can pass little comment. Two months ago, Mr W. R. Ballantyne, general manager of the Royal Bank of Scotland, gave his opinion that once the directive was lifted the banks might find themselves short of customers—and he was not apparently speaking for Scotland alone. If he proves to be right, English bankers should not turn down out of hand new methods of lending solely because they are not those practised by their grandfathers. The social and economic changes of past decades have left many marks on the banks—high salaries, costly small accounts, a shift of income to classes that do not hold traditional banking security, an inflationary climate that has involved official curbs on bank advances and painful depreciation of the swollen portfolios of gilt-edged.

If the banks use their new freedom to get well and truly back into the lending business—advances form a much smaller proportion of their deposits than in the depression years—they must almost certainly give new thought to the scope of their business. The venture into hire purchase provides a useful opportunity. Hire purchase is by no means the only field for consideration; but the banks should obviously now consider how far, maintaining all proper distinctions, they can benefit from the provision of common services for banking and hire purchase and the efficient linking of the two kinds of business. They should not be inhibited, in their planning and their proposals, by fear of the reaction of the Bank of England and the Treasury. Twenty years of control have blurred the fundamental distinction between the province of the banks and the province of the authorities. The eyes of the authorities should be on the general level of credit, and on maintenance of due quality of credit; if hire purchase is included, control should be through the long delayed bill providing for minimum standards. In the banks, considerations of the presumed "national interest" should not be allowed to get in the way of the provision of wider, more profitable and more economical means of short term credit.

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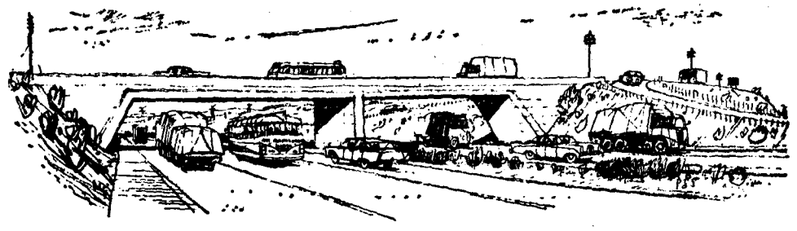
Motoring between the Cities



Two years ago, when the Road Fund was abolished some thirty years after the Treasury started to raid it, the Minister of Transport (for England and Wales) and the Secretary of State for Scotland were made responsible for reporting annually to Parliament on road spending. The Minister's first report, for the financial year 1956-57, came out this week: the Secretary of State's report appeared last April. Between them they show that total spending on new construction and major improvement by the Exchequer and by local authorities from their rate and loan funds, which can fairly reasonably be called Britain's total new investment in roads, came to about £21½ million in the year to March, 1957. Maintenance, repair and minor improvements cost nearly £76 million, and cleaning, watering, snow clearing and administrative expenditure totalled £23¾ million, so that altogether the country was spending some £120 million in 1956-57.

Since the present roads programme was started four years ago "new investment" has risen both in actual amount and as a proportion of total expenditure—from £7.1 million out of a total of £89.6 million in 1953-54 to £21½ million out of £120½ million in 1956-57. Last year it rose further—probably to between £30 million and £35 million. This year it is likely to approach £50 million. And last week Mr Watkinson was talking in the House of Commons of stepping up the level of spending of £60 million that had been planned for the next few years. A modern road building programme takes considerable time to mount. Every scheme has to go through the procedures of negotiation, site surveying, engineering planning and design, land acquisition, orders, appeals, contract preparation and examination—processes that together may easily take two or more years to complete—before physical work can start. Few schemes were in an advanced state of preparation four years ago. But the first fruits of the road programme then begun can now be seen—most graphically in the brown and white scar that John Laing & Son are now cutting across the meadows of Bedfordshire, Buckinghamshire and Northamptonshire for the 53-mile London to Birmingham motorway.

One may question whether even this growing capital spending upon roads is adequate. The Road Research Laboratory reported this week that the number of vehicles on British roads has been increasing at a compound rate of more than 8 per cent since 1946—if continued, this would mean doubling again by 1966—and that vehicle mileage has been increasing nearly as fast. Expenditure on road maintenance in Britain compares favourably with other major western European countries; but investment in new roads and major improvements here is proportionately the lowest of any. Nevertheless, Britain's road programme has at least survived uncut through successive restrictions on public investment; and its rate of growth has probably been as much as the present administrative machine and the legal timetable together could have managed from par.

MR WATKINSON often refers to his "strategy" for the present four-year programme of road works up to 1962, under which schemes ultimately costing the Exchequer £280 million are to be authorised. First comes the initial stage of a national network of fast motor through routes, some of them motorways. There are, at present, five of these:—

1. Great North Road (A.1). Ultimately to have dual carriageways to the North-East coast near Newcastle: 220 miles of dual carriageway and 40 miles of single 3-lane road will cost £40 million. So far 30 miles of twin track have been completed: work on another 50 miles is now going on or will start shortly.

2. London-Birmingham-North-West motorway. The first sections of 71 miles, including the St. Albans and Dunchurch by-passes, will cost £21½ million; they should be finished by November, 1959. Approach roads at either end, from the outskirts of London and Birmingham, all dual carriageways, are also due to be ready about the same time. At Preston the 8½-mile by-pass, built as a motorway at a cost of £2-3 million, should be opened next November. The 11-mile Lancaster by-pass, also planned as a motorway, should be completed by the end of 1959.

3. Birmingham-South Wales through route. The line and engineering designs of the stretch from Birmingham to the end of the Ross Spur motorway, north of Tewkesbury, should be completed by the end of this year. The 22½-mile Ross Spur, costing £6 million, has been started and should be completed by the end of 1960.

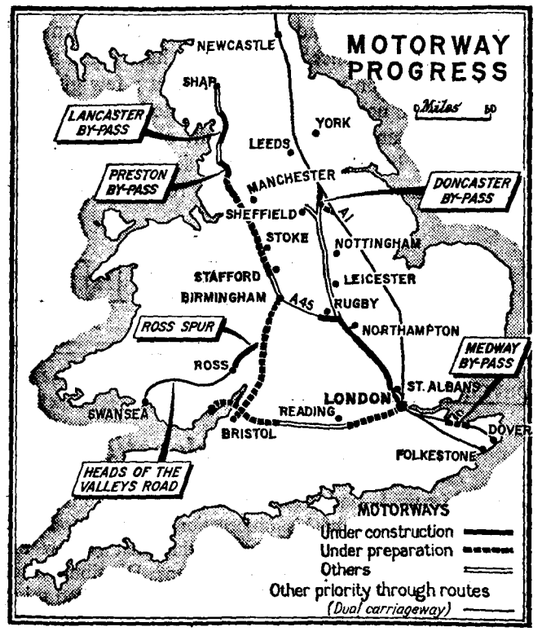
4. South Wales Radial Road (from London to the Severn Bridge). The line of the first 11½ miles, from the Chiswick flyover (now being constructed) at the end of the Cromwell Road extension to the A.4 just west of the Colnbrook by-pass, has just been published: it includes a 1-mile viaduct over the existing Great West Road. The next section, the 11-mile Slough and Maidenhead by-pass, is nearing the stage when tenders could be invited. At the western end, preparatory work has been taking place on the Severn Bridge and several miles of viaduct and approach roads. The whole scheme will cost about £15½ million, including £10 million for the main bridge.

5. Channel Ports motorway. The line of the 25-mile, £10 million motorway by-passing the Medway towns on the A.2 was published last November. The rest of the A.2, and the A.20, trunk roads are to be turned into a fast motor road.

The second part of Mr Watkinson's policy is to clear major bottlenecks in the cities and big towns to give freer passage to the traffic coming off these main trunk routes—and to the extra traffic that they will undoubtedly encourage. Works such as the Hyde Park boulevard and under-pass scheme and the ring roads at Birmingham, Manchester, Sheffield and Gloucester fall under this heading. Thirdly, there are the smaller road works, the easing of a bend, the improvement of a camber, the re-alignment of a cross-roads, or opening up lines of visibility, that do not cost a great deal but can bring large returns in better or safer traffic flow.

FOR a longer view, a special planning section has been set up in the Ministry of Transport to work out, in the light of information about traffic trends that is still only gradually being collected, what the country's road system ought ultimately to be. This review will "cover both the main trunk road system and the special problems of London and other urban areas." For the present the emphasis placed upon the five main traffic routes is probably the best that can be done with virtually no development of detailed traffic engineering studies. The Road Research Laboratory has published three items of information that its sample surveys have brought to light. For rural roads, it records, the present traffic on 62 per cent of trunk roads, 23 per cent of class I roads, and 6 per cent of class II roads now exceeds their designed capacity. On trunk and class I roads in rural areas, only one per cent of the total road mileage was at the time they reported dual carriageway or at least 40 ft wide and that 10 per cent was between 30 ft and 40 ft wide. Third, the department has calculated that one per cent of the road system of the country carries 25 per cent of the traffic and 10 per cent carries 60 per cent of the traffic. These estimates do not mean that all new construction on major through routes ought to be expensive motorways. The widening or by-passing of a number of short, narrow, often built-up stretches, as on the Great North Road, can greatly increase the capacity of the whole road. Moreover, peak use of many routes usually occurs only at summer weekends, when the ratio of private to commercial traffic is far higher than throughout the rest of the week and year and does not deserve expensive remedies.

Whether urban traffic congestion will be eased more successfully here than in other motorised countries is less certain. All the various road works inside towns that form part of the present road programme are expected to bring large returns: the methods the Road Research Laboratory has evolved of assessing the economic value of road improvements, if applied, should help to order the degree of priority between them. But they are all likely to lead to congestion further down the line as traffic speeds faster past each point of improvement, and as more vehicles come on to these urban roads. Parking meters may order the use of such kerbside parking space as can reasonably be set aside for stationary vehicles; eventually, off-street garages may be built because the existence of meters makes them once more economic; and perhaps a few new but very expensive roads inside cities may be cut after appropriate traffic studies have been made. But congestion in the streets and the cost and relative shortage of downtown parking space will



remain—possibly providing a form of ecological process that deters marginal motorists from using their cars in the cities. That much is evident already in the United States, with its more advanced urban highway engineering, and in the few sample traffic studies that have been conducted in present-day London. There appears to be no way of permanently eliminating traffic jams.

Of more imminent concern, perhaps, is the ability of the present administrative structure of local highway authorities to cope adequately with the current roads programme and with any larger programme of expenditure that might be authorised in the next twelve months. Heavier investment in roads might be chosen as a stimulus if the Government should decide that the economy needs one. But how quickly could the "multiplier" take effect through road spending? There are now several thousand small but marginally highly economic projects classed as minor improvements

in London alone, costing up to £10,000, that are not being undertaken simply because the particular local highway authority concerned, of which there are nearly 30 in London, is too dilatory. Similar lethargy exists elsewhere in the country among some of the 1,250 odd other authorities, and has delayed or prevented progress on schemes forming part of the current programme. The ministries have much less power, statutory or persuasive, than is commonly assumed, to induce local authorities to go through the motions of putting schemes under way.

It can take almost as much time and trouble to get a £1,000 scheme under way as one costing £500,000; and the administrative cost in man-hours for some small projects has actually been reckoned as more than the cost of construction. Certain authorities are shining examples of energy and modern ideas of design and methods: indeed, once or twice they have acted ahead of the Ministry on major schemes. But a few give the impression of not being very interested, or are short of surveying and engineering staff, or come up with designs that have been described as "standard nineteenth century textbook." A new roundabout should not need redesigning a fortnight after it is finished—as one was not twenty miles from London.

Outside consultants have now been brought in to reinforce the work of designing and planning, and after three to four years a considerable mileage of new road works and improvements is nearing the stage when tenders could be invited. The level of spending might possibly be stepped up to and beyond £60 million a year more quickly than it is already, given a little more haste by one or two authorities through which pass some of the longer schemes that have been planned. The civil engineering industry, which claims that "it has not really been tested yet," could no doubt accommodate a higher and faster rate of spending, particularly as nothing has really replaced the now ended airfield construction programme. It might have to overcome shortages of one or two types of heavy equipment (which it could import if licences were granted), of drivers of heavy earth-moving machines, and possibly of cement. But the speed with which the London-Birmingham motorway is being constructed—already ahead of schedule—gives an earnest of what this industry can do once it is told to go ahead.

BUSINESS NOTES

DEVELOPMENT PLACES

The Cost of Mislocation

STUPIDLY used—and if Sir David Eccles were to be taken seriously, some of his observations in the House of Commons this week would suggest that that is how the Government intends using it—the new Distribution of Industry (Industrial Finance) Act could be quite a bad thing for industrial development in Britain. Given an accepted policy of Government encouragement of industrial development in places with persistent heavy unemployment, it was perhaps reasonable to offer this to individual towns and to localities much smaller than the existing development areas, and, professedly, on a more genuinely temporary basis. (Scheduling of regions as development areas, too, was originally supposed to be temporary, but no area has ever been unscheduled, and probably no politician will ever dare try it.) But if anything the new policy depended even more upon wise administration than the old. In that "development places" are smaller than development areas, workers in them might well have a shorter distance to move to find work where industry is economic; moreover, the balance of social and economic advantage in protecting small towns from the natural processes of industrial decay, as against whole regions, ought to need much finer assessment.

The Government's blanket offer of assistance to a string of coastal towns and some depopulated areas such as Cornwall and the Highlands does not offer much confidence that the judgment applied will in practice be more careful, and its threat that extension of factories in congested areas or others where unemployment is low (i.e. where production pays) will in future be discouraged even more than it is today, bringing the stick as well as the carrot into policy, suggests a positive enthusiasm for inefficiency. Sir David did not make many bones about the policy:

> I recognise that this may mean refusal to allow a project to go forward in some particular place, even though the labour could be found, but there are other places where the need for new industry is much greater . . . I realise that the location of a new development in one of these places may result in a firm having to bear increased costs both in building the new factory and in connection with the movement of its plant or its key workers, or in the marketing of its products. It is to help to meet such problems that the Act has been passed.

There is no need to be doctrinaire about this. Britain is a small country; and in quite a range of industries, the costs of transporting materials to be manufactured and of moving finished products to be sold are in themselves comparatively small items of cost. Full employment since the war has in any case made the availability of labour a much more important factor in any industrialist's decision about where he should put down extra capacity than it may be in theory or it was in practice before the war. Moreover, it is only in the last few years that housing has ceased to pre-empt an inordinate share of the resources that the country has put into investment: social capital is costly to develop anew and may slow industrial development in economic locations, as has been demonstrated at Corby. Nevertheless, most places that have been suffering from persistent unemployment during a period in which so many factors have influenced industrialists to seek labour must be reckoned to suffer from powerful and deep-seated economic disadvantages.

Four Per Cent

To qualify for this form of industrial subvention, the Government has let it be known, a place will have to have 4 per cent or more of its working population "persistently unemployed for a period of months or years"—which compares with a national average that is now about 2 per cent, but which in the boom was no more than 1½ per cent. Grants and loans will be offered for such things as movement of machinery and plant, the building of houses for workers, levelling of sites and laying of railway sidings. The financial assistance will equally be available for non-industrial development that will provide jobs in the areas now designated (or in adjoining areas where development would reduce unemployment in the "development places"). In the seaside places that make up a surprising proportion of the first list, grants or loans may be given to build new hotels; commercial and financial companies that wish to site offices outside congested areas, for example bank branches and hire purchase record offices, may qualify. The Development Areas Treasury Advisory Committee has been reconstituted to sort out applications and advise the Treasury, which will take the final decision whether or not to subsidise any particular project. It is proposed that the list of places qualifying for help should be revised and published at intervals of about six months: the stated intention, at least, is that places should be removed from the list if their unemployment percentage goes down.

Economically, the chosen criterion of 4 per cent may be difficult to fit into an over-riding policy of avoiding inflation. It is true that this summer, with an average rate of national unemployment of only 2 per cent, achieved after three years of disinflationary policy, the Government has been able to take the brakes off the economy: wage rates have not gone up as much as last year, and prices, if not quite level yet, are only rising very little. But prices, at any rate, have had the windfall of a big drop in the prices of imported goods to assist that anti-inflationary policy; and a government committed to using restraint upon demand in general to achieve this end would be optimistic to assume that 2 per cent of unemployment across the country as a whole, every time a bout of inflation occurs, will be enough to turn the trick. If the average had to be well above 2 per cent, quite a number of areas could be expected to have over 4 per cent and to ask for assistance. As it is, national unemployment this winter could well approach 3 per cent: if so, the queue is going to lengthen sharply.

IN THE MARKET

Excelsior

A BANNER with a strange device appears on another page of this issue. It shows that *The Economist* ordinary share indicator on Wednesday reached a new high point for 1958. At 195.2 it rose 0.9 on the week. That is a true picture as far as it goes, reflecting a bull market that has been slowed down, but not stopped, either by the Middle East, by Mr Khrushchev or by the arrival of the bank holiday. The less sensitive *Financial Times* industrial index shows a similar rise over the same period—though not quite to a new peak. But skipping from Wednesday to Wednesday does not reveal the fact that over the first half of this week markets have not been holding their own. The *Financial Times* index touched 178.7 on Friday and then slipped away to 177.5. Gilt edged stocks, too, have slipped away a little. The *Financial Times* index of Government securities has dropped from 83.70 on Friday to 83.47 on Wednesday, but still shows a net advance of 0.47 on the week ended on Wednesday.

It has seldom looked more probable that the normal holiday slackness will affect markets during this month. Markets seem too narrow for large scale financing to be done and yet look much too buoyant to be easily shaken by disconcerting moves on the political chess board. They should be able to absorb several smaller issues. Whitbread and Company's projected £1¾ million debenture issue may be one such. On the gilt edged side markets are scarcely ready yet for the flow of issues to be resumed, but the decision of the Agricultural Mortgage Corporation to reduce from 7 per cent to 6 per cent the rate of interest charged on new mortgage loans to farmers looks like a pointer to the expected issue. There must be a rough balance between the rates that the corporation charges and those at which it expects to be able to borrow. With the "tap" price of the Funding 5½ per cent stock (1982-84) again rising this week, it seems a fair deduction that the corporation believes it will, when the time comes, be able to borrow sufficiently under 6 per cent to make the new lending rate economic.

THE POUND

Commercial Demand for Sterling

STERLING continues to give proof of the underlying strength that was apparent in the disturbed days that followed the coup in Iraq. The selling then lasted no more than two days and was followed by a vigorous recovery carrying the official rate back to $2.80½. The rate has this week moved narrowly around that figure, and there is even evidence suggesting that the authorities may have been able to pick up a few dollars. There is so far little evidence of the heavy commercial demand for dollars normally witnessed in the autumn apart from some special demand for sugar payments. The exceptionally large purchases of dollars by oil companies which occurred in June have temporarily satisfied their requirements.

The pound, however, remains under pressure against some of the EPU currencies and notably against German marks and Italian lire, which suggests that the EPU account for July will again show a deficit for the United Kingdom. That would accord with seasonal precedents. It would, however, be surprising if the changes in the gold and dollar reserve at the end of July are large. During the month a gold payment of £19 million has been made to meet the June EPU deficit, and supporting operations were required for sterling on the 14th and 15th of the month. On other days it is probable that the Exchange Equalisation Account was gaining dollars.

EXPORTS OF SHIPS

Furling the Controls

THIS week's announcement by Mr Watkinson that the ban on overseas sales, mortgaging, or transfers of ships is soon to be lifted, with the exception of sales of some naval vessels and of sales to the Soviet bloc and China, was glad tidings to the shipping industry. But it also brings into

question the future of controls upon steel scrap. The Minister of Transport added that it was intended to drop the system whereby these sales would be allowed only if the British Iron and Steel Corporation, the common agency that buys materials for steelmaking, was not prepared to match the foreign bid. As it happens there is a considerable volume of steel scrap to spare both here and abroad, and world scrap prices have come down towards the controlled British price. Some of the vast tonnage of laid-up shipping, much of it in ships that are getting on in age, must in the not too far distant future move into the breakers' yards, too. The control on scrap prices and exports, and—possibly—the pool that BISC operates for British ship-breakers, will have to be reviewed by the autumn when the remaining Defence Regulations, which authorise scrap price control, are to be partially replaced by permanent legislation. The control on scrap exports, which stems mainly from the Supply and Services Act, is applied through licensing: only, up to now, no export licences have been granted.

SUPPLIES TO THE SCREENS

FIDO in the Manger

Five trade associations in the British cinema business have now completed their arrangements to stop any more feature films being sold to British television. These are twofold. The associations have declared that exhibitors will book no films from any producer or distributor who allows a film he is handling, British or imported, to be shown on television in this country; and they are setting up a fund, financed by a levy of a farthing a seat on all box office takings, to buy up and sterilise television rights in British films. The major producing and distributing organisations, among which Associated British, and now Rank have television interests, have agreed not to ask the new Film Industry Defence Organisation to buy rights in their films: Granada, which also spans the big and little screens, is responsible for the whole idea in the first place. There have been few dissentients in the industry, apart from one or two exhibitors, wearied by long arguments with the renters over the "break clauses" in division of box office takings, who rather resent the renters being chosen to collect the farthing a seat.

The cinema business is not quite sure whether it will have to register its agreement: perfectly prepared to if it must; and confident that if haled before the Restrictive Practices Court it could obtain judicial blessing for this latest defence mechanism (it is not without some experience in preparing a brief). Mr Bernstein has been quoted as believing that "there is no need for TV to rob the cinema of its product and that TV should be capable of producing its own forms of entertainment." Few other people in the television business have expressed a view—though venerable feature films continue to occupy a significant amount of programmes, generally compressed into a greater crudity than they originally displayed. The tremendous demand for material that the BBC and the commercial companies (using all the resources of networking) now exert has made the operators avid for any cheap visual entertainment for offpeak hours: and old-fashioned though the ex-cinema features may be, far more preparation and money went into them than can be afforded for the most ambitious live programmes on British television, so far.

The BBC and the programme companies are meanwhile under pressure from what they call talent to cut down their recourse to the other comparatively cheap supply of television programmes, those they can rent canned, on film or eventually perhaps on tape, from American television companies. British script writers have been complaining to the Independent Television Authority that in a given week, out of 21 filmed programmes shown on commercial services, 17 had American scripts: Sir Robert Fraser, always a neat man with an irrelevant figure, riposted that of the live programmes shown, almost 100 per cent were written by British authors. This seems to be a point which for more reasons than one the script writers might have been glad not to advertise.

AIR FARES

Why More for Jets?

The demonstration in London this week by Air France of the French-built Caravelle jet airliner put a gently purring cat among the airlines' propeller-driven pigeons. Air France chose this week to announce that they intend to use the Caravelle in service between London and Nice in the spring, clipping 45 minutes off British European Airway's Viscount service and reducing the journey to two hours. Before this, the Scandinavian airline, SAS, will be running Caravelle services to London and playing more havoc with BEA's schedules. And BOAC and (noise permitting) Pan American World Airways will have opened express jet services across the North Atlantic. This prospect has raised sharp cries of "unfair competition" from a number of quarters and started a movement to penalise the jets by putting a swingeing 25 per cent surcharge on all jet airliner tickets.

This odd request comes first from manufacturers of other types of airliner. Vickers-Armstrongs and the Bristol Aeroplane Company have found that airlines are reluctant to buy turbo-props for routes on which jets are likely to appear because they believe passengers will choose the faster of two services. Secondly, jet airliners are proving less expensive to operate than was thought. The difference in operating costs between the fast jet Caravelle and the slower turbo-prop Vanguard is negligible. Therefore on cost plus speed jet airliners have a handsome lead in any selling race against existing turbo-prop airliners, and this is reflected in the industry's order books.

Makers of turbo-prop aircraft are now being supported by some of the big airlines, BEA among them, which have piston-engined or turbo-prop fleets, but relatively few jets. These airlines fear that competition from jet aircraft will divert passengers from their slower services, and cause untimely obsolescence of their fleets. So they argue that passengers should be made to pay more for quicker services and they demand a surcharge on the shorter jet services inside Europe because these have the greatest concentration of piston-engined and turbo-prop airliners already in service.

These arguments are unacceptable. If an airline can carry passengers as cheaply by jet aircraft as by any other airliner, it should not be prevented from doing so by other airlines who do not offer jet services. There is good sense in allowing airlines to offer cut fares for services by obsolete aircraft. There is equal good sense in allowing operators with outstandingly economical aircraft to pass on the benefit of low

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How Output Was Rising

Britain's total output was still growing in the first three months of this year, according to the latest quarterly estimates of national income and expenditure in the current issue of *Economic Trends*. The gross domestic product (the value of all the goods and services produced by the nation) was reckoned to be 6 per cent higher than in the first quarter of last year. Measured in real terms, it was probably 1 per cent higher. Last year the rate of real expansion was 1½ per cent.

There are a good deal of estimation and some unaccountable discrepancies in this accounting; so this continued growth may be viewed a little warily. But the estimate is only in line with other official indicators making more direct measures of physical output: the index of industrial production had not started to go down in the first three months. Moreover it is more understandable when the complete balance sheet of supplies and expenditure is examined (Table I). When imports of goods and services are taken into account, the total supplies available for use at home and for export were no more than a year earlier. Although the apparent consumption of imports may have been a little higher, stocks of imported fuel, materials, and foods were run down, so that the volume of imports was about 5 per cent less.

I—EXPENDITURE AND SUPPLIES

1st Quarter 1958

	£ mn.	Per cent changes from 1st quarter 1957: At current prices	At constant prices
Supplies:			
Gross domestic product	4,896	+6	+1
Imports of goods and services	1,002	−11	−5
Net taxes on expenditure	666	+4	+3
Total*	6,564	+3	**Nil**
Expenditure:			
Consumers' expenditure	3,461	+7	+3½
Public authorities' current expenditure	927	+3	−1½
Gross fixed investment	881	+8	+3
Investment in stocks and work in progress	180	...	...
Exports of goods and services	1,115	−3	−1½
Total*	6,564	+3	**Nil**

* At market prices

Although real resources in the first quarter were the same in total as a year before, they were being used differently. A slightly smaller amount was being sold abroad and the public sector was taking a little less on current account. Investment was still expanding in total, although investment in houses continued to decline and, in real terms, was 12 per cent lower than a year before. Real fixed investment, other than in housing, was as much as 9 per cent higher in the public sector and 5 per cent higher in the private sector. But manufacturers were investing 3 per cent less; the increased investment occurred in other industries, particularly on ships and on road vehicles. Stockbuilding was estimated to be £100 million less than in the same months of 1957, mainly because of the fall in imported stocks. But the total level of stocks and work in progress at the end of March was about 4 per cent higher in volume than at the same time last year.

Undoubtedly the surprising figure in Table I is the big rise of 3½ per cent in personal consumption. But comparison is being made with a period last year when spending on motoring—and possibly on other things—was distorted by the Suez crisis. In a useful new grouping of consumer expenditure (see Table II), an attempt has been made to show quarterly figures of personal spending on cars and motor-cycles. This new series is launched with warnings of considerable possible error: who can tell how many cars are bought on personal accounts as distinct from business accounts? But personal spending on cars in the first quarter of last year was probably some £30 million less than usual, and the total cost of motoring, including petrol, must have been reduced by a larger sum, by no means all of which was transferred to public transport.

II—CONSUMER SPENDING ON DURABLES

(£ million)

	Furniture and floor coverings	Radio and electrical goods etc.	Cars and motor cycles	Total
1956:				
1st qtr.	82	64	76	222
2nd "	89	62	80	231
3rd "	91	67	56	214
4th "	110	91	37	238
1957:				
1st qtr.	92	76	47	215
2nd "	97	70	91	258
3rd "	99	76	80	255
4th "	115	95	64	274
1958:				
1st qtr.	93	75	101	269
Per cent change at constant prices between:—				
1st quarters:—				
'57-'58	+1	−1	+110	+24
'56-'58	+10	+15	+25	+17

For no equally obvious reason, spending on food seems to have been low in the early months of last year; food consumption in the first quarter of this year was 2½ per cent higher than a year before but only 2 per cent above the 1956 level. People smoked and drank rather more in this first quarter than a year ago; they bought slightly less clothing and fewer services and much the same amount of durable goods other than vehicles. The picture of the general trend in consumption throughout last year has been somewhat altered by revisions to this figuring including, in statistical jargon, a change in the base year at which current expenditure is revalued at constant prices. It now appears that, contrary to what the original estimates showed, the rate of increase in consumption did not slacken towards the end of last year but continued at rather more than 2 per cent above the corresponding period of 1956.

Hitherto this quarterly national accounting has been built up entirely from the expenditure side. Now, with some new records of profits (discussed in a following note), estimates have been completed on the income side (see Table III). These provide a good cross-check, although a small balancing item has to be introduced to reconcile the two totals. Company profits as a whole were slightly lower in the first quarter of this year than last: other forms of income were higher. Income from rent seems to have gone up by about 15 per cent; wages and salaries were 6 per cent higher, but, contrary to the experience of the last two years, they rose rather less than the rest of personal income.

III—SHARES IN THE DOMESTIC PRODUCT

(£ million)

	Wages and salaries	Income from rent and self-employment	Gross trading profits: Companies	Public corporations	Other public enterprises	Residual error less stock appreciation	Gross domestic product
Annual totals:—							
1956	12,201	2,526	3,039	337	124	−162	**18,065**
1957	12,942	2,649	3,265	333	131	−168	**19,152**
Quarterly:—							
1956 1st qtr.	2,984	617	710	89	31	− 79	**4,352**
" 2nd "	3,013	628	770	89	24	59	**4,583**
" 3rd "	3,071	628	737	75	32	− 5	**4,538**
" 4th "	3,133	653	822	84	37	−137	**4,592**
1957 1st qtr.	3,176	637	734	109	33	− 85	**4,604**
" 2nd "	3,174	652	832	74	31	25	**4,788**
" 3rd "	3,269	663	837	72	29	− 58	**4,812**
" 4th "	3,323	697	862	78	38	− 50	**4,948**
1958 1st qtr.	3,379	689	727	95	41	− 35	**4,896**

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operating costs in reduced fares. But why should operators courageous enough to commit themselves to jet fleets at a time when others were holding back, now be expected to price themselves out of the market in order to save the skins of their competitors? Why, particularly, should it be assumed that jet airliners can be tolerated on long routes, but must carry a surcharge on short ones where they have least to offer in terms of time saved?

QUARTERLY PROFITS

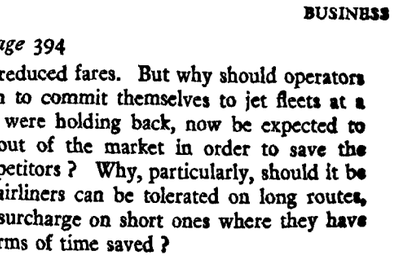
More in the Bradshaw

THE principal aim of the Central Statistical Office in building up a series of company profits quarter by quarter is to put a figure on this crucial item for drawing up estimates of the national income. The series gives a picture of the trend of industrial profits, less detailed but much more up to date than any other available guide. It will be of use to investors as well as economists; and it will be even more useful when, having gathered more experience, the CSO produces, as it hopes eventually to do, separate series for different industries. At the moment, it is content to say that while corporate profits as a whole were lower in the first quarter of this year than in the corresponding period of 1957, profits of companies engaged in manufacture still showed an increase.

The new series is radically different from any other attempt to judge the course of industrial profits. Estimates made by *The Economist* are based on the annual profits of public companies as revealed in their published accounts, and are set out by reference to the dates on which the accounts were published and not on which the profits were earned. Nor can they distinguish between profits earned in this country and those earned abroad by British companies and their subsidiaries. The method used by the CSO is to take unaudited gross trading profits, before depreciation and unadjusted for changes in stock values, specially provided by a number of public and private companies in confidence each quarter. This sample of quarterly results is then multiplied by a factor derived from earlier Inland Revenue returns to give an estimate of quarterly profits for the whole population of companies. The profits so estimated refer only to earnings in this country either from domestic or export sales.

QUARTERLY TRADING PROFITS

		£ mn.
1955,	I	674
"	II	718
"	III	744
"	IV	786
1956,	I	710
"	II	770
"	III	737
"	IV	822
1957,	I	734
"	II	832
"	III	837
"	IV	862
1958,	I	727



Such a method is not free from statistical difficulties. Though the series has not been running long enough to allow a definite judgment, there appears to be a seasonal pattern in profits; that profits are higher in the last quarter of the year may be due partly to residual elements in accounting—say, progress payments being brought in—as well as to bigger sales in that period. Comparisons of the results of any one quarter are therefore limited to the corresponding quarter in the previous year. Secondly, there is a wide difference in coverage among the various industries: shipbuilding and building and contracting, where quarterly profits have little meaning, are poorly represented. Thirdly, the sample covers in all about 40 per cent of total profits; it includes all companies earning more than £1 million a year and it excludes companies earning less than £100,000. The new profits figures have not been running long enough to judge whether the statisticians have eliminated all elements of bias—the profit experience of small companies, for instance, is not necessarily the same as that of the giants—but they provide a welcome addition to economic information.

BOAC'S LOSS

Help or Self-Help?

BRITISH OVERSEAS AIRWAYS CORPORATION is unlikely to be the only big airline to lose money last year. For several years BOAC balanced the tightrope between profit and loss. For the year to March 31st its deficit was nearly £3 million—a setback not easy to recover, for the chances of breaking even in 1958-59 are slight.

Before the last financial year was half way through, BOAC was expecting a net loss of about £2 million, but since this was attributed to delays and interruptions to early Britannia services, it could have been regarded as non-recurring. But BOAC was not then expecting the severe fall in traffic that occurred last winter, first in the primary producing countries hit by falling incomes, and then on the money-making North Atlantic services. So the original estimated loss of £2 million became an actual loss of £2.8 million on a turnover of £53 million. Like other airlines, BOAC was increasing its capacity in expectation of the regular annual increase in traffic of 15 per cent since the war. Last winter this did not materialise, and that cost BOAC £800,000 in a matter of weeks.

Over the whole year, BOAC increased its capacity by 18.6 per cent; on the North Atlantic the increase was no less than 50 per cent as BOAC attempted to recapture traffic lost to other airlines in recent years. But traffic rose by only 9.2 per cent and average loads were barely 60 per cent of capacity. Fortunately loadings are now improving.

Airlines should be able to ride a few months of bad trade without plunging so far into the red as BOAC has done. But air transport seems incapable of accumulating the financial reserves that other businesses regard as essential to normal commercial operation. It is not surprising, therefore, that BOAC's latest report casts about for ways of shifting some of its burden of operating expenses on to other shoulders. The chairman makes a strong plea for government aid to meet the cost of introducing new types of British aircraft into commercial service. He complains of the obligation to pay fixed interest on capital in bad times as well as good and contrasts this with the ability of airlines with equity capital to waive their dividends. Finally he complains of the pin-prick competition in Africa from independent British airlines. To all of this the observer might coldly reply that before BOAC asks for more government help it might be more ruthless about its costs and in particular the costs at its London Airport maintenance base. Streamlining here, it is estimated, could save the corporation as much as £5 million a year, but BOAC will have to apply much more determination to get them.

STANDARD MOTOR

Laurels for Lord Tedder

MASSEY-FERGUSON won a majority of the new shares of Standard Motor Company that were issued in exchange for the shares of Mulliners (Holdings) recently taken over by Standards but victory came only by the narrowest of margins. The offer of 8s. in cash was accepted by holders of 1,881,931 shares (about 51 per cent of the maximum number of shares involved). Massey-Ferguson has thus improved its stake in Standard Motor Company to about 24 per cent. Had it been completely successful its stake would have been over 30 per cent. City expectations were thus happily upset. It had been generally supposed that Massey-Ferguson would collect over 90 per cent of the new Standard shares.

Nearly half the holders rejected a cash bid that appeared to offer a clear profit. This disregard of financial interest is a strong vote of confidence in Lord Tedder and his co-directors and perhaps an expression of distaste for the tactics employed by Massey-Ferguson. But the outcome, however gratifying to the board of Standard, settles nothing finally. In one way or another the two companies have got to find a means of working together. Not only is Massey-Ferguson much the biggest shareholder in Standard, but Standard is the manufacturer here of its tractors on a contract that runs until 1966 (not, as stated here last week, 1960). It is essential that the two sides should get together. And since mutual distrust has now been raised, a formal peace treaty seems essential.

BANK FIGURES

Turn in Advances

BANK statements for mid-July show a further expansion in deposits, following the exceptionally sharp jump in the six weeks to end-June. The seasonally adjusted index of total net deposits compiled by Lloyds Bank now stands at 111.5 (1948 = 100), a rise of 2.2 points in eight weeks to the highest level since the dear money policy started in February, 1955. Advances fell in the first fortnight of July, but the movement is distorted by the swelling of the mid-year figure by the increase in the extraneous intra-bank clearings. In the eight weeks to mid-July, advances rose by £35 million, while in the corresponding (nine weeks) period of 1957 advances fell by £6½ million. This late rise reverses the downward trend in advances apparent sin last summer.

LONDON CLEARING BANKS

	July 16, 1958		Change on Month	Change on Year
	£mn		£mn	£mn
Deposits	6,670·5		+ 1·9	+169·3
"Net" deposits*	6,367·6		+42·6	+151·1
		%†		
Liquid assets	2,257·0	(33·8)	+66·5	− 49·8
Cash	543·2	(8·1)	− 6·6	+ 3·3
Call money	414·9	(6·2)	−10·9	− 18·9
Treasury bills	1,199·8	(18·0)	+88·2	+ 32·3
Other bills	99·1	(1·5)	− 4·2	− 64·7
Risk assets	4,189·4	(62·8)	−21·5	+199·6
Investments	2,192·9	(32·9)	+11·5	+195·0
Advances	1,996·5	(29·9)	−33·0	+ 4·6
State Boards	64·9		− 5·8	+ 13·9
All Other	1,931·6		−27·2	− 9·3

* Excluding items in course of collection.

† Ratio of assets to published deposits.

The banks' purchases of investments—which in the fir half of 1958 reached £133 million—tailed off in the Ju period; but Lloyds Bank made a further purchase of £11 million. Liquid assets rose in total by £66½ million, con pared with £138½ million in July, 1957; in the latest tw months, the increase has been £178½ million, compare with £240 million in 1957. More than half this differenc is accounted for by movements in holdings of commercia bills, which have now fallen to £99 million, a drop of £64 million on the year (reflecting in some part the fall in work commodity prices); and this fall has been sufficient to offse the modest increase on the year of the banks' cash, cal money and Treasury bills, the assets that are governed by the needs of the public sector.

PRICE MAINTENANCE

Not to Discriminate

IN the Chancery Division last week, in the first case of its kind under the Restrictive Trade Practices Act, the Board of Trade applied for an injunction against the Northern Council of Grocers' Associations restraining it from recommending its members to discriminate against certain manufacturers who were not enforcing the prices for their branded goods. The president and secretary of this council gave undertakings not to recommend this; and Mr Justice Vaisey made no order except that the council should pay the board's costs. Section 24 (7) of the Act, under which the board sought an injunction, covers civil proceedings on behalf of the Crown to enforce the prohibition of agreements for collective enforcement of conditions as to resale prices. This primarily concerns collective enforcement by suppliers, but agreements by dealers to withhold orders or discriminate in handling goods against suppliers who do not enforce price conditions or recommend such action, appear also to be unlawful.

The Northern Council, according to the Board of Trade, had written to Kellogg, Petfoods, Heinz, Nestlé, Crosse and Blackwell, and Alfred Birch, saying that "unless they did certain things within 28 days" it would recommend its members to discriminate against them. The Council claims to have 10,000 independent grocers as members of its constituent association who are suffering from price cutting by certain competitors: it has recently been active in encouraging manufacturers to endorce their fixed prices through the courts (as is perfectly legal) by offering "mass displays" featuring the products of suppliers who co-operate with them. In court last week, counsel appearing for it said that the council intended to go to the manufacturers and tell them they must supply their products "at low enough prices to enable its members to compete with their competitors."

At a brief sitting of the Restrictive Practices Court itself this week, when it was advised that preparations for a hearing on the agreements of the Chemists' Federation in mid September had now been amicably agreed, it was stated that eight cases would be ready for hearing in the Hilary Term. The cases already listed—there are three of them—are expected to occupy the Court fully during the Michaelmas Term.

TIN

The Buffer's Problem

To keep the International Tin Agreement effective, the Tin Council has had to apply yet more restriction and to dip yet further into its pocket. Export quotas for the final quarter of this year are reduced from 23,000 tons to 20,000 tons, increasing the percentage of restriction from 40 per cent to 48 per cent. For Malaya this is bitter medicine. Over 10,000 miners are idle and many thousands more are on short time. Two conclusions seem inescapable. First, the co-operation of Russia is becoming increasingly essential to the effective working of the scheme. So far Russia appears to be still deliberating on the Council's approach to join. M. Georges Péter, the chairman, said that contacts have been made not only with Russia, but also with the major consuming countries still outside the Agreement, namely the United States, Japan and Western Germany.

Secondly, the buffer stock manager has clearly had to buy more tin than was expected. Owing largely to Russian exports, the buffer stock's holding of tin at March 31st was 22,400 tons—7,000 tons more than three months earlier and about 2,000 tons above market estimates. The original contribution and two subsequent contributions gave the manager a buying power of about 23,000 tons, so that although purchases will have been at a much reduced rate in the second quarter and should recently have ceased altogether, conservative estimates still put the present buffer stock holding at not less than 25,000 tons. This means that the manager must already have drawn about £1½ million of the special fund contributions in order to hold the price above the £730 floor level. Both the size and source of the contributions to the special fund remain secret. It is thought, however, to be a flexible arrangement under which the Tin Council chairman can call for fresh cash contributions at short notice.

The Price of Stability

There must be many who would support the verdict of the *Straits Times* on the tin agreement: "a pretty stiff price to pay for a half-satisfactory scheme." But the scheme's supporters can now claim that after holding the price steady at £730 a ton at so heavy a cost, there is now a chance of winning through. The market is now brighter than it was a few months ago. Consumer demand is showing signs of revival, and the United States, the biggest consumer, is buying and using more tin.

Above all, Russian tin offerings have suddenly slowed down. Sales had been running at around an annual rate of 19,000 tons for the first six months of this year. In July there has been a dramatic change and little Russian activity has been reported. By agreement, Russia is restricting her sales of high grade metal (99.9 per cent), which can be tendered on the London Metal Exchange, to an annual rate of 5,000 tons. Metal dealers feel reassured that this limit will not be exceeded. The larger amount has been in inferior grades which do not reach LME standards and need not be closely supported by the buffer stock, though naturally they affect the total supply.

INVESTMENT ADVICE

Liability for Negligence

The case heard at Leeds Assizes in which damages were awarded against Martins Bank and against the manager of one of its branches for loss resulting from negligent investment advice, which that manager had given to a customer, has been followed with widespread interest, and not by bankers alone. It has long been in doubt whether investment advice is within the scope of a banker's business; only if it is held to be so can the bank be liable for its officials' negligence in giving it. The banks have made great efforts to avoid being saddled with the responsibility; it is common experience that when a customer seeks such advice the banker goes on his behalf to a broker. But the decision in the Martins Bank case suggests that the bankers' caution has been unavailing.

If it is clear that investment advice is within the scope of a banker's business, then his liability for any negligence is also clear—provided that there is a contractual relationship to found it on, as there is between banker and customer. In the same way a solicitor is liable to his client, and stockbrokers and accountants to theirs, for any negligence in the advice they give. Liability in tort is much harder to establish: only a few years ago accountants, proved to have known that their client was selling his business, escaped liability for the loss suffered by the purchaser resulting from their negligence in preparing accounts: there was no contractual relationship between the purchaser and the accountants. In this regard the law is probably out of step with public opinion, which would surely have given the purchaser the verdict he sought. The anomaly is the more notable in that a negligent action, as opposed to a statement, is actionable in tort as well as in contract.

The report of the Martins' case will be awaited with interest on a further point—the basis of the branch manager's personal liability; the contract with the customer is with the bank, not with the manager. But whatever the legal basis the decision seems to be more clearly in the public interest than did that in the case of the negligent accountants. The man in the street assumes that official status of any kind in the people he deals with gives their actions and their statements additional authority, and it is bound to be disturbed when the law does not support that assumption.

MINORITY SHAREHOLDERS

Easing Oppression

In the case of Scottish Co-operative Wholesale Society Limited *v.* Meyer last week the House of Lords was concerned with the protection of minority shareholders in a private company, who cannot readily dispose of their shares and who have no control over the directors who may run the company without any regard to the minority's wishes. The case concerned a private company, formed in 1946 as a subsidiary of the SCWS to market rayon, for which the society needed the help of Dr Meyer and Mr Lucas. Some 7,900 £1 shares were issued—4,000 to the Society, 3,450 to Dr Meyer, and 450 to Mr Lucas. In 1951, the society tried to purchase both minority holdings at par as part of a reconstruction scheme but failed. After 1951 the SCWS was no longer concerned to work with the minority shareholders. In the words of Lord Simonds it then set out to "destroy" the company and its plans were "ruthless and unscrupulous." It decided to liquidate the company and refused to buy the minority holdings at a fair price. Before 1947 the Court itself could have done no more than order liquidation but by virtue of Section 210 of the 1948 Companies Act it was able to rescue the victims of oppression by ordering a compulsory purchase of the minority shares at a fair price.

This is an eminently satisfactory result. The wording of the section gives a wide discretion to the Court in accordance with the recommendations of the Cohen Commission; but it had been little tested and its interpretation by the bench is particularly important. Lord Simonds thought that relief was clearly available under the section, but Lord Morton was less certain since the conduct of the directors, who seemed to have been the passive nominees of SCWS, consisted "rather of sins of omission than sins of commission." Lord Denning emphasised the desirability of creative interpretation by the House of Lords and stated frankly that it was construing the section liberally.

Section 210 is technically applicable to public companies and it has been suggested that petitions may be issued by minority shareholders in such companies, when the directors

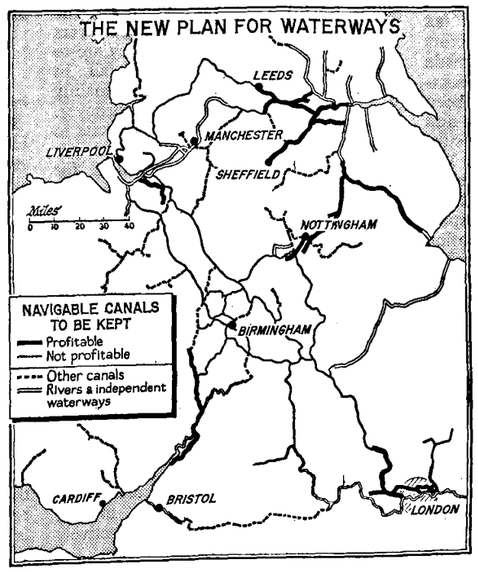
How To Write Off a Canal

It took seventy years to construct Britain's canal system, from 1760 to 1830 when some 4,000 miles of inland waterways were cut. It has taken more than a century to think up a way of disposing of them cheaply since they ceased to have a useful purpose. Eight successive committees of inquiry from 1841 to the last war saw their reports quietly tucked away in pigeon holes: three had suggested compulsory amalgamation as a first step towards redevelopment, which the 1947 Transport Act happened to achieve by putting virtually all the canals still used for navigation and many others besides, some 2,000 miles altogether, into the hands of the Transport Commission. But still no system had been evolved by which every redundant canal could be inexpensively eliminated or put to another use and navigation, riparian and other rights brought to an end. It may cost as much to close a canal and make it no longer a public danger or nuisance as to clear and improve it for navigation.

Four years ago the commission adopted the proposals of its own board of survey about the canals. These were that 771 miles of its canals should be closed; that it should keep in being another 994 miles even though for the greater part they can be used only by narrow boats, are heavily locked, and offer low ton mileages per man-hour; and that the remaining 336 miles, the seven waterways which are most used and between them pay their way, should be retained and actively developed. This was no more than an acceptance of the stage of decline its canals had reached and of what the commission, by itself, could do.

In 1956, the Bowes Committee was appointed to consider the future of the inland waterways system, including those not owned by the commission, and to propose measures for their maximum economic use, administrative and financial arrangements for those that could not be run economically for transport purposes, and the conversion of canal sites to other purposes.

The committee broadly agrees with the commission's internal board as to the canals that should be kept in being. But beyond this point, the committee charts its own course. It proposes first of all that the surplus earned by the ten class A waterways, some £300,000 in 1955 and 1956, should be applied only to their maintenance and improvement and not diverted to the support of the others. Secondly, it suggests that the second group of waterways should be brought into a state that will enable the largest craft built to use them to navigate safely with full loads; that the system of tolls should be abolished on these waterways and replaced by a system of annual licences based on tonnage capacity; and that their net revenue loss, plus the cost of restoration, should be met by a government subsidy (making about £1.2 million annually for five years). Full powers should be provided for developing and charging the economic price for what the committee calls "alien uses" on these two groups of waterways, by which it means the supply of water, the reception of effluent, fishing, and pleasure craft (for which it proposes licensing to raise revenue and prevent old hulks being abandoned).



The committee splits on two points. The chairman and three others believe that the nationalised waterways and BTC's carrying activities should be left with the commission, while the other four members would transfer the canals and the BTC docks to a new body, arguing in face of contrary evidence that the commission cannot be counted upon to uphold waterway interests. As for the redundant waterways, both halves of the committee agree on a subsidy to meet the cost of maintaining and redeveloping or eliminating them. But the first four want to set up a Waterways Redevelopment Board to supervise schemes for filling them in or passing them over to other bodies for other uses, with a complex system of ministerial orders and tribunals, while the second group argues that its new body would be well suited to prepare these schemes, adopting, however, a similar process of orders and tribunals. Writing off redundant canals might have to be a legally complicated business, and there might be a case for some state subvention—the committee's terms of reference almost assumed as much—but could not the commission be left to use a procedure similar to the closing of branch railways instead of setting up more new boards?

drastically alter the nature of the business or dispose of substantial assets against their wishes. But in these cases sanctions other than those of the Court might be more effective.

SHORTER NOTES

The British Match Corporation has left its ordinary dividend unchanged at 11 per cent, but profits before tax in the year to March 31st fell from £2,441,742 to £2,343,646, and after tax from £1,296,182 to £1,131,235. New acquisitions made during the year, designed to diversify the business, have yet to make their contribution to profits.

* * *

The 1958-59 edition of the CABMA (Canadian Association of British Manufacturers and Agencies) Register was published on the same day that the Dollar Exports Council released the report of its recent delegation to Canada. The register lists some 3,200 British industrial products available to the Canadian market; the names, addresses, and telephone numbers of the manufacturers and their Canadian branches or agencies; and their trade marks and proprietary brand names. The register, in English with French translations, costs 15s. and is published jointly by Kelly's Directories and Iliffe.

* * *

Indices of hire purchase business prepared by the Board of Trade for May show a further rise in the new business of the finance houses, so that the outstanding debt to them rose by about 3 per cent, and despite a slight decline in the debt owed to retailers the total instalment debt at £499 million showed an increase of £9 million (about 2 per cent). Household goods shops as a whole continued to show about 31 per cent of their total business done on instalment credit terms.

COMPANY AFFAIRS

ASSOCIATED BRITISH ENGINEERING

ASSOCIATED BRITISH ENGINEERING which manufactures diesel and other engines, has had a chequered career. It was known to be doing badly in the year to March 31st from the interim report issued in November when the interim dividend was cut from 4 to 2½ per cent. Now the directors have passed the final dividend, which was 6 per cent for 1956-57, and they report a decline in profits before tax from £384,038 to £93,572 and after tax from £182,663 to £63,737. The directors now amplify the statement they made in November, saying that the earnings of the marine division have been maintained but that the automotive and industrial division has suffered a "substantial loss." They attribute the loss to the ending of a Government contract, which absorbed 40 per cent of the output of one subsidiary, without "any prospect of future contracts"; to the suspension of a big Indian contract; to the effect of the Suez episode on an Egyptian contract for power generating equipment; and to the credit squeeze and heavy bank interest charges. But the directors do not now repeat the statement they made in November that there were indications, in the light of the order book, that earnings in 1958-59 might improve. Last November the 5s. ordinary units were quoted at 5s. 10½d.; they now stand at 3s. 9d.

W. H. DORMAN

THE results of W. H. Dorman for the year to March 31st are bad as the passing of the interim dividend in February suggested they would be. The net profit has fallen from £57,367 to £12,076. Some of the sting is taken out of the figures by the directors' decision to maintain the final ordinary dividend at 8½ per cent (compared with a total payment of 12½ per cent in 1956-57). The net profit includes £7,403 from a provision no longer required and the preference dividend absorbs £7,906, so that the £9,929 needed to pay the smaller ordinary dividend is short-earned. The dividend decision seems to imply that the directors feel that, after a testing time, the worst is over in the diesel market—orders, in fact, in the first half of the current year are already greater than those obtained in the whole of the previous year. Diesel manufacturers need a high level of orders if they are to break even, and the sharp fall in Dorman's profits last year was mainly due to a drop of 25 per cent in turnover. They depend on their export markets to give them a reasonable profit; 80 per cent of W. H. Dorman's products, for instance, eventually find their way abroad. British manufacturers have some advantages in the production of high-speed custom built diesels over their competitors; they can turn this advantage to profit by vigorous selling throughout the world and W. H. Dorman is now scouring the world's markets.

JOHN BROWN

THE directors of John Brown have switched from the old-fashioned practice of declaring the ordinary dividend free of tax to declaring it gross. And although they were cautious in signalling the change in the interim dividend, they have now effectively stepped up the payment from the equivalent of 8.7 per cent to 10 per cent for the year to March 31st. The increase was unexpected and after its announcement the £1 units rose 2s. 3d. to 27s. 9d., to yield 7.2 per cent.

The increased payment is not backed by exciting trading results. Profits from John Brown's two big engineering and tool-making subsidiaries, Wickman and Firth Brown Tools, have fallen sharply, while the net profits of the group as a whole have merely edged up from £1,347,538 to £1,391,960; profits relating to earlier years have fallen from £264,000 to £135,000. Before tax, profits have risen from £3,232,183 to £3,336,382. Diversification outside the field of shipbuilding has long been the policy of this group but in the latest year it looks as if its traditional interest in shipbuilding has stood it in good stead.

HOOVER

THE reduction in purchase tax in the last Budget helped Hoover. Sales of Hoover's domestic appliances in the second quarter of the year were stimulated by this reduction and over the six months to June 30th they rose by 27 per cent. The chairman, Mr S. Roberts, expects them to remain "satisfactory" over the rest of the year though not at the high level recently achieved. Export sales, however, have risen by only 3 per cent and Mr Roberts deplores the uncertainty caused by the lack of any clear announcement about the European Free Trade Area.

Profits have been jolted up by the increase in sales: over the last three half-yearly periods the movement of gross profits ran from £1,686,000 through £2,071,000 to £2,107,000. The tax charge for the first half of the year is high and as a result the change in net earnings is less impressive, running from £763,000 through £1,161,000 to £852,000. The interim ordinary dividend has been left unchanged at 10 per cent. If the final payment is again held at 40 per cent, the 5s. "A" ordinary units at 42s. 6d. yield 5⅞ on a total dividend of 50 per cent.

INTERNATIONAL TEA

SELF-FINANCED growth can be attractive to investors, so long as it is not too obviously at their expense. They will probably not grumble at the policies of International Tea Company's stores. This group has modernised its grocery shops and developed self-service stores, financing itself by selling its freeholds at present-day values and leasing them back again. The surplus thus realised is carried to capital reserve and there is still another £1,200,000 to come into reserve in that way. The operation is not costless; rents based on present-day values of the properties will be charged against future earnings. But, so far, the increment in sales seems to have been sufficient to prevent stockholders worrying about the future cost. In the last few years trading profits have expanded steadily and the ordinary dividend has been raised. In the year to May 3rd the trading profit advanced from £2,152,367 to £2,446,925 and net profits from £671,563 to £771,410. The ordinary dividend has been increased from 17½ to 19 per cent and a 100 per cent scrip issue is proposed.

On the new dividend the 5s. ordinary units, now standing at 18s. 3d., yield 5.2 per cent. That is not a high yield for a retail trader whose margins of profit are small. It assumes that policies of modernisation and development will go on producing better returns. They should do so immediately after the new policies are implemented. But retail business is competitive and other traders pursue similar policies.

JOHANNESBURG CONSOLIDATED

"JOHNNIES" is far from being the strongest of the South African finance houses. Its interests in gold mines do not include the real winners in the Orange Free State and Klerkdorp areas and much of its income is derived from copper and other base metals and from platinum, now in the doldrums. Some fall in its income in the year to June 30th was to be expected. The fall has occurred, but it is not alarming: before tax the group's income has dropped from £2,469,266 to £2,340,434. After tax, because of a very low tax charge, its net income has actually risen—from £1,598,414 to £1,940,313. More alarming, though not unexpected, is the fall in the market value of the group's portfolio from £20,076,977 to £18,910,965 even though the book value of these investments has risen from £11,930,625 to £12,664,723.

What, in effect, the directors seemed to have done is to insure against the fall in the value of the portfolio at the expense of current dividends. They have written back £500,000 from tax provisions no longer required and from this sum and the year's net income have transferred £1,737,777 to investment reserve, which is more than sufficient to cover the fall in the value of the portfolio in the financial year. But they have cut the ordinary dividend from 25 to 22½ per cent. That dividend is paid on the capital as increased by the shares issued in connection with the purchase in November of 250,000 ordinary units in the "Chartered" company. After the dividend announcement the £1 ordinary shares fell 1s. to 49s., to yield 9⅛ per cent.

HUDSON'S BAY OIL AND GAS

HUDSON'S BAY OIL AND GAS is still effectively controlled by Continental Oil, with Hudson's Bay as a minority partner, but about 10 per cent of its capital was passed on in a rights issue to the public last August. Hudson's Bay's interest in this developing oil company has been a lodestone which has attracted investors to that company's stock. Now, Hudson's Bay Oil and Gas has published a report for the first six months of this year, illustrating the present difficulties of the western Canadian oil companies. Lower sales coupled with lower prices has brought the net income of HBOG in the six months to June 30th down by $579,000 to $735,000—a fall of 44 per cent, compared with a fall of 13.9 per cent in crude oil production. HBOG has sold some of its investments, resulting in a non-recurring gain of $2,385,000.

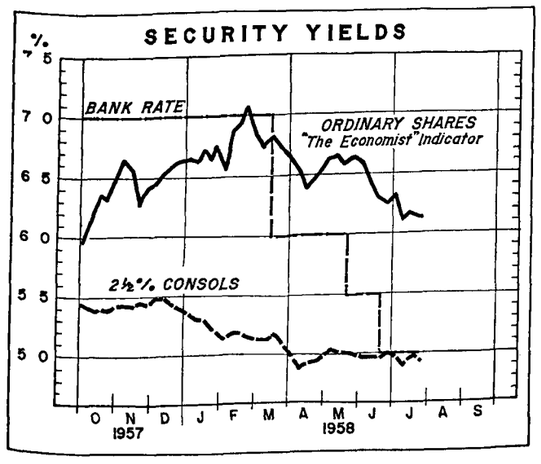
London Stock Exchange

FIRST DEALINGS:	July 16	Aug. 6	Aug. 20
LAST DEALINGS:	Aug. 5	Aug. 19	Sept. 2
ACCOUNT DAY:	Aug. 12	Aug. 26	Sept. 9

GOVERNMENT securities continued to recover up to the end of last week, the *Financial Times* index rising to 83.60 at Friday's close, but prices weakened this week, which brought the index down to 83.47 on Wednesday. Industrial stocks were also firm up to the end of last week, but eased slightly from Monday. *The Economist* indicator rose 0.9 over the week to Wednesday's close, establishing a new high point of 195.2 for the year.

The shares of banks and finance houses were very active following the decision of Barclays to take an interest in United Dominions Trust; Barclays rose 3s. 9d. to 47s. 9d. before easing to 45s. 9d.xd, but UDT fell back to 102s. 6d. after jumping to 111s. before the announcement of the terms of the deal. On balance, Midland gained 1s. to 64s. 3d.xd and Bowmaker advanced a further 1s. to 29s. 10½d. Westminster Bank, Martins and Mercantile Credit showed little change on the announcement of the terms of their deal. There were big movements in insurance shares; Prudential "A" gained 10s. to 180s. before easing to 177s. 6d. and Equity and Law Life touched 147s. 6d. before falling back to 142s. 6d. Among textile shares, Linen Thread were weak on the forecast of lower profits and fell 2s. 1½d. to 15s. 7½d., but Bleachers gained 1s. 4½d. to 10s. 7½d.

Leading oil stocks were mainly lower, but Trinidad producers were strong, Shell Trinidad gaining 10s. to 140s. Canadian Eagle registered rose 1s. 6d. to 58s. 6d., but Ultramar fell the same amount to 67s. 6d. Anglo American was strong among gold mining finance houses, rising to a new peak of 151s. 3d., but Johnnies fell back on the lower dividend. Diamond mines improved, De Beers deferred rising 3s. 9d. to 106s. 3d. Some heavy losses were suffered by tin producers; Tronoh fell 1s. to 9s. 3d.xd and Kinta the same amount to 13s. 6d.xd.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
July 2	190·3	6·32				
,, 9	194·1	6·12				
,, 16	192·9	6·17				
,, 23	194·3	6·15	195·2 (July 30)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 30	195·2	6·13				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%			
July 23	176·4	6·35	89·82	4·98	7,763	High 179·6 (June 23)	High 207·6 (July 9)
,, 24	177·3	6·31	90·06	4·93	8,388		
,, 25	178·7	6·26	90·11	4·91	9,724		
,, 28	178·5	6·27	90·00	4·93	10,904	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
,, 29	177·7	6·30	90·07	4·94	8,954		
,, 30	177·3	6·32	90·07	4·94	8,241		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
INDUSTRIAL PRODUCTION (1) (1953 = 100)													
1948	54	87	82	79	...	52	70	62	70	70	90	69	83
1956	138	128	114	133	139	134	102	128	123	122	114	128	112
1957	146	123	117	145	147	145	102	138	126	126	118	...	114
1957, December	142	121	114	163	151	155	109[6]	138	116	119	124	...	112
1958, January	140	118	117	155	144	155	...	140	122	123	122	...	114
„ February	148	120	120	163	145	142	...	131	113	135	123	...	119
„ March	147	117	123	160	144	...	...	142	124	131	125	...	121
„ April	...	...	...	165	152	...	...	...	124	116	126	...	112[7]
VALUE OF EXTERNAL TRADE (2)													
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[5]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
IMPORTS (c. i. f.)													
1948	243	7,249	285	56·08	264[8]	152[4]	11·36	70·36	414	310	413	64·2	168·0
1956	2,110	13,635	755	162·12	2,315	1,159	15·20	165·34	1,180	721	963	95·1	311·6
1957	2,445	14,302	782	187·16	2,624	1,312	15·40	188·88	1,300	759	1,046	93·3	328·5
1957, December	2,631	13,994	762	210·11	2,747	1,435	15·30	205·86	1,132	757	980	90·3	301·4
1958, January	2,341	13,318	838	216·01	2,692	1,389	14·81	160·88	1,179	738	1,225	81·8	312·5
„ February	2,153	12,267	685	194·05	2,387	1,184	15·39	162·87	1,090	720	955	60·0	276·2
„ March	2,480	13,636	689	223·83	2,576	1,746	18·47	176·91	1,046	810	1,030	99·1	304·9
„ April	2,308	13,578	...	211·27	2,397	...	17·34	162·75	1,144	815	979	88·4	298·8[9]
EXPORTS (f. o. b.)													
1948	165	6,171	228	36·18	151[8]	39[4]	4·11	47·99	226	172	332	45·9	131·6
1956	1,840	13,177	640	132·45	2,571	475	9·01	111·74	906	460	839	71·2	264·3
1957	2,120	13,278	676	155·86	2,996	549	10·94	132·30	981	489	924	80·6	277·1
1957, December	2,251	12,787	743	194·96	3,265	1,102	9·96	134·47	960	518	912	127·2	282·4
1958, January	1,727	14,173	696	174·32	2,598	575	9·97	122·87	998	482	916	103·2	277·2
„ February	1,876	12,466	651	173·59	2,954	457	9·67	124·87	914	411	748	82·8	265·4
„ March	2,092	12,976	746	186·48	3,076	556	11·91	132·15	1,012	471	708	69·2	278·1
„ April	1,999	12,949[14]	...	171·82	2,983	...	10·32	131·28	912	409	758	68·6	265·5[9]
BALANCE													
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3	− 36·4
1956	− 270	− 458	− 115	−29·67	+ 256	− 684	− 6·19	−53·60	− 274	− 261	− 114	− 23·9	− 47·3
1957	− 325	− 1,027	− 106	−31·30	+ 372	− 763	− 4·46	−56·58	− 319	− 270	− 122	− 12·7	− 51·4
1957, December	− 380	− 1,207	− 19	−15·15	+ 518	− 333	− 5·34	−71·39	− 172	− 239	− 68	+ 36·9	− 19·0
1958, January	− 614	+ 855	− 192	−41·69	− 94	− 814	− 4·84	−38·01	− 181	− 256	− 309	+ 21·4	− 34·8
„ February	− 277	+ 199	− 34	−20·46	+ 567	− 727	− 5·72	−38·00	− 176	− 309	− 207	+ 22·8	− 10·9
„ March	− 388	− 660	+ 57	−37·35	+ 500	− 1,190	− 6·56	−44·76	− 34	− 339	− 322	− 29·9	− 26·7
„ April	− 309	− 629	...	−39·45	+ 586	...	− 7·02	−31·47	− 232	− 406	− 221	− 19·8	− 33·4[10]
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)													
IMPORTS													
1948	48	86	59	84	...	...	90	57	64	71	85	46	83
1956	195	136	128	142	171	156	93	125	153	128	136	...	112
1957	223	139	131	148	192	174	89	136	160	128	144	...	116
1957, December	245	136	136[6]	152	209	186	90	170	147	130	148[6]	...	112
1958, January	218	132	...	157	205	188	85	118	153	125	}	...	120
„ February	203	...	...	145	185	166	89	122	142	122	150[13]	...	107
„ March	240	...	...	170	200	248	109	...	139	135	}	...	116
„ April	224	...	...	...	188	...	...	...	...	...	...	...	114[11]
EXPORTS													
1948	37	69	48	48	...	...	55	66	34	70	69	55	80
1956	160	136	120	120	165	117	98	147	130	133	128	...	119
1957	185	133	129	132	188	139	117	155	136	133	138	...	121
1957, December	194	125	140[6]	152	206	276	105	167	136	138	141[6]	...	124
1958, January	159	128	...	134	161	157	105	143	148	138	}	...	121
„ February	164	121	...	134	182	118	102	147	137	121	119[13]	...	116
„ March	188	...	...	141	195	139	126	...	150	130	}	...	118
„ April	179	...	...	...	186	...	...	...	...	...	...	...	116[12]

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average for fourth quarter. (7) May, 114. (8) May, 293·8; June, 291·8. (9) May, 287·3; June, 223·7. (10) May, −6·4; June, −68·1. (11) May, 113. (12) May, 125. (13) Average for first quarter. (14) May, 12,057

Financial Statistics

EXCHEQUER RETURNS

For the week ended July 26, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £7,543,000 compared with a deficit of £20,377,000 in the previous week and a surplus of £1,095,000 in the corresponding period of last year. There was a net receipt "below-line" of £14,716,000 leaving a total deficit of £269,925,000 compared with £280,652,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to July 27, 1957	April 1, 1958, to July 26, 1958	Week Ended July 27, 1957	Week Ended July 26, 1958
Ord. Revenue					
Income Tax	2312,500	402,796	435,741	30,287	31,989
Surtax	163,000	29,000	28,700	900	900
Death Duties	163,500	64,500	60,300	3,700	3,200
Stamps	56,250	21,900	17,500	1,000	900
Profits Tax, EPT & EPL	275,000	61,800	73,100	6,300	4,700
Other Inland Rev. Duties	...	110	70	60	...
Total Inland Rev.	2970,250	58,106	615,411	42,247	41,689
Customs	1256,940	390,840	412,008	21,715	19,415
Excise	932,310	244,620	249,664	12,525	9,899
Total Customs and Excise	2189,250	635,460	661,672	34,240	29,314
Motor Duties	104,000	14,280	16,688	...	1,860
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	5,600	6,000	...	...
Sundry Loans	30,000	12,404	11,376	...	...
Miscellaneous	110,000	61,892	14,892	1,303	748
Total	5439,500	1309,742	1328,038	77,790	73,611
Ord. Expenditure					
Debt Interest	695,000	175,000	175,190	6,042	3,595
Payments to N. Ireland Exchequer	73,000	21,104	22,667	2,860	3,060
Other Cons. Funds	10,000	4,146	3,439	95	...
Supply Services	4389,584	1231,518	1270,369	67,358	74,349
Total	5037,584	1431,567	1471,675	76,355	81,014
Sinking Funds	38,000	9,051	9,190	340	140
"Above-line" Surplus or Deficit		130,876	154,827	1,095	7,543 Cr
"Below-line" Net Expenditure*		149,776	115,098	28,485	14,716
Total Surplus or Deficit*		280,652	269,925	27,390	7,173
Net Receipts from:					
Tax Reserve Certificates		75,539	83,411	1,341	2,254
Savings Certificates		5,200	19,100	−400	2,400
Defence Bonds		−5,257	17,553	−348	1,859
Premium Savings Bonds		24,070	20,144	2,200	1,119

* Including net receipts of Civil Contingencies Fund totalling £1 mn. in 1957 and £16 mn. in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 July 27	2,990·0	1,821·3	228·6	...	5,039·9
1958 April 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·5	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
„ 12	3,280·0	1,611·2	197·9	...	5,089·1
„ 19	3,260·0	1,615·1	228·2	...	5,103·2
„ 26	3,260·0	1,647·4	183·6	...	5,091·0

THE MONEY MARKET

As expected, the Treasury bill rate turned downward again at the tender on Friday of last week, following its sharp upward thrust at the preceding tender after the unheaval in the Middle East. Last week the discount houses raised their bid by 6d., to £98 19s. 2d. per cent, following the cut of 1s. 3d.; nonetheless, the proportionate allotment at the minimum bid dropped from 40 to 36 per cent. Total applications jumped by £25.5 million to £449.8 million, not far short of the record level at the tender preceding the Iraq crisis. The average rate of discount on the allotment of £240 million fell by 1s. 9d. per cent to £4 3s. 2.26d. per cent.

Business in Lombard Street has been fairly quiet, and credit has been in keen demand, partly in association with end-month influences. In the week to Wednesday, market supplies of funds have had to be supplemented from official sources on every day except Friday before the week-end. On Monday and Tuesday this week two or three houses had to take very small loans at Bank rate, but for the most part the stringency has been relieved by official purchases in the market. Dealings in October maturities have generally been at 4 1/16 and 4 3/32 per cent, that is at 1/16 per cent below prevailing rates last week.

Wednesday's Bank return shows a further outflow of notes of £23.2 million, bringing the total outflow in the past five weeks to £90.6 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 19/6/58)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4 1/16–4 3/16
Bank	3	3 months	4 1/16–4 3/16
Discount houses	3*	4 months	4 1/8–4 3/16
Money		6 months	4 1/8–4 3/16
Day-to-Day	3½–4½	Fine trade bills:	
Treas. bills 2 months	4 5/16	3 months	5–5 1/8
3 months	4 5/16	4 months	5–5 1/8
		6 months	5 1/4–6

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	July 31, 1957	July 23, 1958	July 1958
*Issue Department**:			
Notes in circulation	2,059·5	2,105·7	2,128·
Notes in banking dept.	15·9	44·7	21·
Govt. debt and securities*	2,071·3	2,146·2	2,146·
Other securities	0·7	0·8	0·
Gold coin and bullion	0·4	0·4	0·
Coin other than gold coin	3·0	3·0	3·
Banking Department:			
Deposits:			
Public accounts	13·4	12·3	16·
Bankers	205·0	204·1	204·
Others	73·9	71·3	72·
Total	292·3	287·7	293·
Securities:			
Government	244·0	224·7	257·
Discounts and advances	29·9	15·1	11·
Other	18·4	19·1	19·
Total	292·3	258·9	287·
Banking department reserve	18·3	47·0	23·
	%	%	%
"Proportion"	6·2	16·3	8·

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,150 million from £2,100 million on July 23, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957					
July 26	230·0	396·2	230·0	s. d. 76 10·82	% 32
1958					
April 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	59
„ 13	270·0	413·0	270·0	90 1·77	65
„ 20	260·0	414·1	260·0	85 9·63	42
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
„ 11	240·0	452·8	240·0	80 3·79	43
„ 18	240·0	424·3	240·0	84 11·39	40
„ 25	240·0	449·8	240·0	83 2·26	36

* On July 25th tenders for 91 day bills at £98 19s. 2d. secured 36 per cent, higher tenders being allotted in full. The offer this week was for £240 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: July 30	Market Rates: Spot: July 24	July 25	July 26	July 28	July 29	July 30
United States $	2·78–2·82	2·80½–2·80⅝	2·80⅝–2·80½	2·80⅝–2·80½	2·80⅞–2·80⅝	2·80⅞–2·80⅝	2·80⅝–2·80⅜
Canadian $	2·69–2·69½	2·69⅞–2·69⅝	2·69½–2·69⅜	2·69½–2·69⅜	2·69⅝–2·69⅜	2·69⅝–2·69⅜	2·69½–2·69⅜
French Fr.	1167·18–1184·82	1173½–1174½	1173½–1174½	1173½–1174½	1173½–1173¾	1174⅛–1174⅜	1175–1175½
Swiss Fr.	12·15⅝–12·33⅝	12·19½–12·19¾	12·19½–12·19¾	12·19½–12·19¾	12·19¾–12·20	12·19⅝–12·19⅞	12·19⅝–12·19⅞
Belgian Fr.	138·95–141·05	139·05–139·10	139·05–139·10	139·02½–139·07½	139·02½–139·07½	139·02½–139·07½	139·00–139·05
Dutch Gld.	10·56–10·72	10·56⅛–10·56½	10·56⅛–10·56½	10·56⅛–10·56½	10·56⅛–10·56½	10·56⅛–10·56½	10·56⅛–10·56⅜
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·67⅝–11·67⅞	11·67⅝–11·67⅞	11·67⅝–11·67⅞	11·67⅝–11·67⅞	11·67⅛–11·67½	11·67⅛–11·67⅞
Portuguese Esc.	79·90–81·10	80·50–80·75	80·50–80·75	80·50–80·75	80·40–80·60	80·30–80·50	80·30–80·50
Italian Lire	1736⅜–1762½	1736⅜–1737¼	1736⅜–1737¼	1736⅜–1737¼	1737½–1737⅝	1736⅜–1737¼	1736⅜–1737¼
Swedish Kr.	14·37½–14·59⅜	14·41⅛–14·41⅝	14·41⅛–14·41⅝	14·41⅛–14·41⅝	14·41⅜–14·41⅞	14·41⅜ 14·41⅝	14·41⅜ 14·41⅝
Danish Kr.	19·19½–19·48½	19·32½–19·33	19·32½–19·33	19·32½–19·33	19·32½–19·33	19·32½–19·32⅝	19·32½–19·32⅝
Norwegian Kr.	19·85–20·15	19·98½–19·99	19·98½–19·99	19·98½–19·99	19·98½–19·99	19·98½–19·99	19·98½–19·99½
One Month Forward Rates							
United States $		½–⅜c. pm	½–⅜c. pm	½–⅜c. pm	⅝–½c. pm	⅝–½c. pm	½–⅜c. pm
Canadian $		⅛–1/16c. pm	⅛–1/16c. pm	⅛–1/16c. pm	⅛–1/16c. pm	1/16–⅛c. pm	1/16–⅛c. pm
French Fr.		3–7 dis.	3–7 dis.	3–7 dis.	3–6 dis.	3–6 dis.	3–6 dis.
Swiss Fr.		2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm
Belgian Fr.		¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par
Dutch Gld.		1–⅛c. pm	1–⅛c. pm	1–⅛c. pm	1–⅛c. pm	1–⅛c. pm	1–⅛c. pm
W. Ger. D-Mk.		1⅛–¼pf. pm	1⅛–¼pf. pm	1⅛–¼pf. pm	1⅛–¼pf. pm	1⅛–¼pf. pm	1⅛–¼pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swedish Kr.		1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par
Danish Kr.		2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par
Norwegian Kr.		2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/7½	250/7	...	250/5	250/3	250/3½

BEECHAM GROUP LTD

MARKED ADVANCE IN TRADING RESULTS

Strong financial position

* **Trading profit rises by £1¼ millions to £6,093,396**
* **Dividend on increased capital 20% (16¼% in 1957)**
* **Sales reach new record of £34,152,816**
* **Retained profit amounts to £1,234,102 compared with £806,034 last year**

The thirtieth Annual General Meeting of Beecham Group Ltd. was held in London on July 30th. The Chairman, The Rt. Hon. Lord Dovercourt, reported as follows:—

TRADING RESULTS

The results for the year ended the 31st March 1958 showed a marked advance on those for the previous year. The trading profit, after charging £846,588 for depreciation and after providing staff participation in profit, rose to £6,093,396 compared with £4,516,123 for 1956/7. Total sales advanced to £34,152,816 compared with £28,973,884 for 1956/57.

The major part of the increase in profit is attributable to Beecham Foods Ltd. and to the companies in the Western Hemisphere. The remainder of the Group both at home and overseas has continued to make satisfactory progress.

In April 1955, the Group's proprietary food and beverage interests were brought together under a single organisation, Beecham Foods Ltd. This company is now earning double the profit made by these interests in 1954/55, before they were amalgamated.

The increase in Western Hemisphere profit is largely attributable to the progress made in the United States, where Brylcreem is now firmly established.

The American company is now making a material contribution to the total profit of the Group.

After providing for interest on the 4¼% unsecured loan stock, setting aside £3,428,249 for taxation, deducting £5,064 of net profit attributable to outside shareholders in subsidiary companies and providing the dividend payable on the 4½% Redeemable Cumulative Preference shares, the balance available for reserves and for dividends on the Ordinary shares amounted to £2,408,180. Interim dividends equivalent to 11% on the capital as increased by the capitalisation of reserves in May 1958 having already been paid, a final dividend of 9% has been recommended. The total distribution for the year amounts, therefore, to 20% less tax on the increased capital compared with the equivalent of 16¼% for the previous year. The retained profit amounts to £1,234,102 compared with £806,034.

HOME SALES OF GROUP PRODUCTS FOR YEAR ENDED 31st MARCH

	1954	1955	1956	1957	1958
Proprietary foods and beverages	4,395,383	5,982,094*	8,800,276	8,755,034	11,507,365
Proprietary medicines	3,525,384	4,132,413	4,174,889	4,623,048	5,561,097
Proprietary toilet products	4,243,671	4,514,446	4,816,278	5,116,455	5,855,522
	£12,164,438	£14,628,953	£17,791,443	£18,494,537	£22,923,984

** Includes 3 months' sales of the products of W. H. Carter & Co. Ltd.*

HOME TRADE

All sections of the Group's business have expanded. Total home sales of Group products at retail prices rose to £38,601,000 from £31,751,000.

* * * * *

The sales of Lucozade have risen rapidly, while the sales of Ribena were restricted by a shortage of fruit, resulting from the disappointing harvests of the last two years. The acreage of blackcurrants planted for Ribena is being increased progressively.

The Pure Lemon Juice Company was purchased in January 1958 and is being integrated with Beecham Foods Ltd.

* * * * *

The sales of Beecham's Powders and Phensic have been buoyant, while the medicinal products of C. L. Bencard Ltd. have steadily gained acceptance among doctors and their patients.

* * * * *

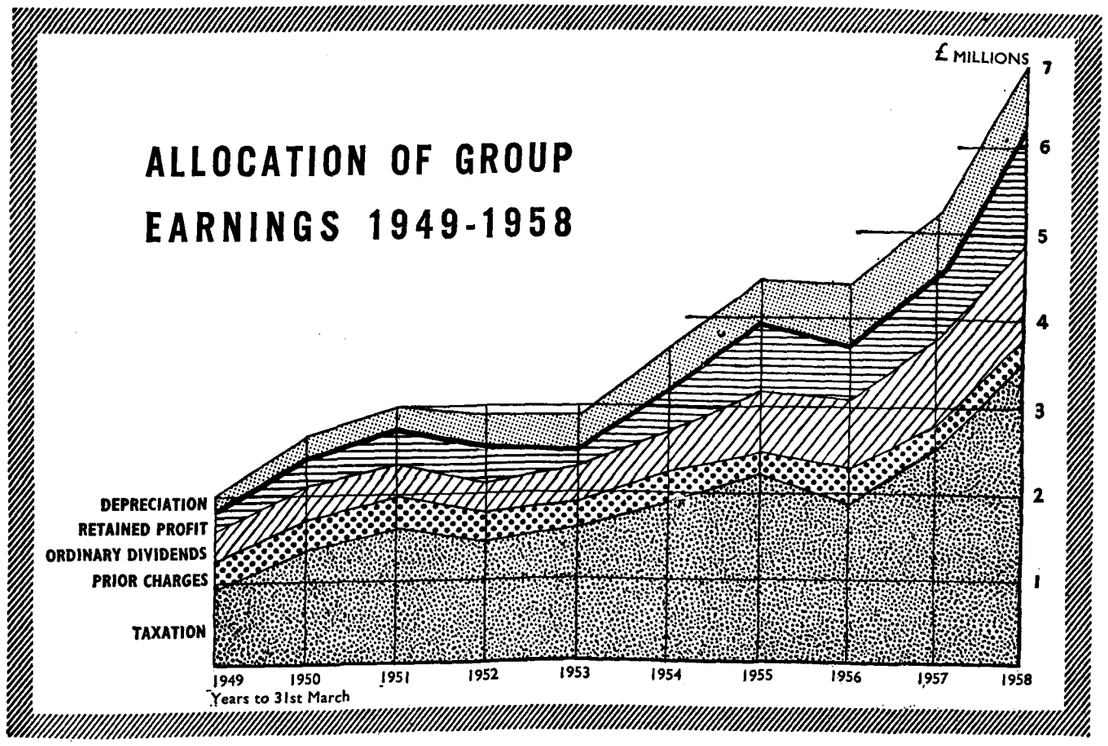
Brylcreem continues to hold its lead against strong competition, of which the most serious is from Silvikrin Hair Cream, another Group product whose sales have risen rapidly in the past year.

* * * * *

The various shampoos marketed by the Group accounted for nearly one third of the total purchases by the public of shampoos of all types in the United Kingdom.

* * * * *

The sales of Maclean's Peroxide toothpaste have made substantial progress in the face of continued intense competition.



OVERSEAS TRADE

Brylcreem, which is having a continued success in the United States, has made steady progress in Canada where it now occupies first place in the hairdressings market.

* * * * *

The Group's business in Europe is being extended, particularly in Germany and Italy. The sales of Lucozade in Ireland have risen rapidly.

The amount paid by the public overseas for Group products was £20,825,000 compared with £19,108,000 in 1956/57.

EXPORT AND OVERSEAS SALES OF GROUP PRODUCTS FOR YEAR ENDED 31st MARCH

	1954	1955	1956	1957	1958
Proprietary foods and beverages	1,724,554	883,066	835,871	715,731	696,957
Proprietary medicines	3,811,237	4,018,543	4,279,926	4,464,242	4,640,735
Proprietary toilet products	2,710,229	3,253,385	4,286,457	5,299,374	5,891,140
	£8,246,020	£8,154,994	£9,402,254	£10,479,347	£11,228,832

CASH POSITION

The increased profit was reflected in the growth of the Group's cash balances which at the 31st March 1958 amounted to £3,797,498. Bank overdrafts were £201,657 and outstanding mortgages amounted to £101,982.

CAPITAL EXPENDITURE

Over the past ten years the fixed assets have expanded by £6,869, 522. The greater part of this expansion occurred in the last five years, during which the total of the fixed assets increased by more than £5,000,000, or at a rate of about three times that of the previous five years.

During these last five years over £2,000,000 was added to the Group's provisions for depreciation and over £3,700,000 was retained out of taxed profit making a total of more than £5,700,000 provided by the Group towards its capital requirements.

	Increase in fixed assets	Increase in accumulated depreciation provisions	Retained profit
Five years ended 31st March, 1953	1,787,217	1,144,986	1,671,691
Five years ended 31st March, 1958	5,082,305	2,055,745	3,735,833
	£6,869,522	£8,608,255	

OF EVERY £ OF TRADING PROFIT

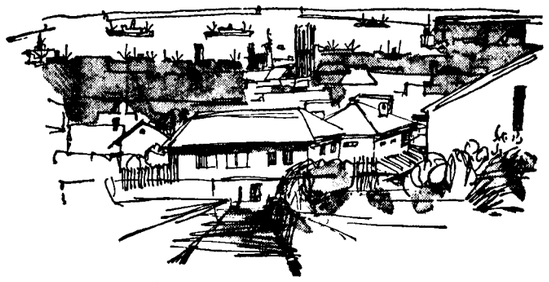
11/3 *went in Taxation.*

6D *was paid in Loan Stock interest.*

4D *was distributed in net dividends on Preference Shares.*

3/10 *was distributed in net dividends on Ordinary Shares.*

4/1 *was retained in the business.*



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COMPANY MEETINGS

THE STANDARD BANK OF SOUTH AFRICA LIMITED

ANOTHER YEAR OF MATERIAL PROGRESS

GENERAL EXPANSION IN ECONOMIC ACTIVITY IN THE UNION

CONTINUING NEED FOR INFLOW OF FOREIGN CAPITAL

SIR EDMUND HALL-PATCH REVIEWS THE YEAR'S OPERATIONS IN SOUTH, CENTRAL AND EAST AFRICA

The 145th Ordinary Meeting (being the Annual General Meeting for the year 1958) was held on July 30th in London. In the absence of the Chairman, Sir Edmund Hall-Patch, GCMG, who was indisposed, Mr John Nicholson Hogg (the Deputy Chairman) presided.

The following is the Chairman's circulated statement:

Since the last Annual General Meeting no changes have occurred in the composition of the Board in London, but the mandate of Lord Harlech as a Director expires this year and he does not propose to seek re-election. Lord Harlech has served this Bank with great distinction since he joined the Board in 1945 shortly after he relinquished the office of High Commissioner for the United Kingdom in the Union of South Africa. He has had a particularly wide and varied experience in politics, public administration and the City. His advice, drawn from this wealth of experience in high office, has been most valuable to us and it will be greatly missed.

A number of changes have taken place in the constitution of our Local Boards. It is with deep regret that I have to record the death last August of Mr A. J. T. Goldby, a most valuable member of our South African Board. In his stead we have been fortunate in obtaining the services of Mr C. S. Barlow. I am also pleased to announce that the Hon. D. G. Shepstone, formerly Administrator of Natal, has joined our South African Board. Other appointments which we welcome are those of Mr R. A. Cooper to the Cape Board, and Mr J. L. Riddoch, CBE, to the Local Board in East Africa of our Finance and Development Corporation. The knowledge and experience of local affairs of these colleagues should prove of much benefit to us. Mr C. A. Barron, who joined us in 1953, has, I am pleased to report, been appointed Deputy Chairman of the Rhodesian Board, an office which fell vacant when Sir Robert Hudson took over the Chairmanship.

During the last twelve months a number of visits to the territories covered by our organisation have been made by your directors. Extensive tours were undertaken by Lord De La Warr and Mr C. H. Villiers, and I was able myself to make brief visits to the Union, the Federation of Rhodesia and Nyasaland, and East Africa. Visits were also paid to our New York and Hamburg Agencies by several of my colleagues as well as myself. The Board in this way has been kept closely informed of local conditions and developments. To this end, also, members of our Local Boards have visited branches in the various territories where we operate. We also had a visit last autumn from the Chairman of our South African Board, Mr Ralph Gibson, and we have the pleasure of welcoming him to our Annual General Meeting this year.

I should also like to mention that a very successful conference was held in London earlier this year of our Chief Executives from each territory. It afforded a good opportunity for the exchange of ideas, the discussion of problems, and the co-ordination of future operations. We expect the results of this meeting to prove very beneficial to our business.

THE BALANCE SHEET

The Balance Sheet figures reflect a total of over £360 million, a decrease on last year of some £6 million. This is accounted for principally by a reduction in the liabilities of Customers for Acceptances, Forward Exchange Contracts, etc. Deposits appear at a slightly higher figure than those for the previous year. In September last the Bank of Rhodesia and Nyasaland took over from us the Federal Government Accounts amounting to over £6 million, and it can therefore be said that other deposits have increased by a similar sum. The loss of these Government Accounts and the sum we have been required to place with the Central Bank in terms of recent legislation have necessitated a reduction in our Investments.

A fall in our holdings of Treasury Bills and Investments is offset by an increase in the items of Advances, Trade and other Bills, Remittances in Transit and Premises.

PROFIT AND LOSS ACCOUNT

From the Accounts it will be seen that, after the usual and necessary provisions, the Profit for the year is £876,542, an increase of £60,873 on that of the previous year. The balance brought forward from last year's accounts was £470,854, so that we have £1,347,396 to deal with.

The recent capitalisation of £160,000 of Share Premium Account in favour of the holders of the fully-paid shares under the capital reorganisation scheme reduced the Reserve Fund to £8,690,000, and increased the Issued Capital to £9,160,000. Accordingly we have this year allocated £160,000 from profits to the Reserve Fund so as to bring it back to the amount at which it stood before the capital was reorganised. The amount written off Bank Premises is £50,000. There remains £1,137,396 for disposal.

An interim dividend of 1s., less tax, per share was paid in January last, and it is now recommended that a final dividend of 1s. 6d., less tax, per share be paid, making a total distribution of 2s. 6d., less tax, per share, the same rate as was paid last year, but on the increased capital. The net cost of the aggregate dividend distribution will amount to £658,375, leaving £479,021 to be carried forward to the next accounts.

STANDARD BANK FINANCE AND DEVELOPMENT CORPORATION, LIMITED

With the Bank's Accounts will also be found the Balance Sheet and Profit and Loss Account of this wholly-owned subsidiary. After making a transfer to Reserve for Contingencies, the Profit amounted to £17,438, which compares with £20,559 last year. Together with £77,279 balance of profit brought forward from last year, there is £94,717 available for allocation. The Board of Directors have decided to repeat the modest distribution of 2s. 6d. per share paid last year which, after deduction of income tax at 8s. 6d. in the £, will take £14,375 and leave £80,342 to be carried forward to the next accounts.

UNION OF SOUTH AFRICA

Out of Africa, as the saying goes, there is always something new. In the past year, however, the main news has been from North rather than South Africa, and the Union has been relatively an area of tranquillity. It is true that the result of the recent General Election in the Union caused some stir but the outcome was not unexpected, and it was only the proportion of the Government's victory that caused surprise.

Economic conditions in the country are not unfavourable, but there has been a considerable fall in the price of some important exports, and difficulties have arisen from the substantial expansion of imports and from adverse capital movements.

During 1957, new record levels of production in the Union were achieved in mining, farming and manufacturing, and sales turnovers in the distributive trade were higher than they were in 1956. Sugar production also rose to a new high level, and in the present season is expected to reach a record figure of 1 million tons.

Less cheerful—when compared with those of the previous year—were the results of the Union's external trade and the balance of payments during 1957. Exports, excluding gold, and imports reached new heights, but a surge of £57 million in imports over the 1956 level was only partly offset by an advance of £36 million in exports: the unfavourable visible balance on external trade (excluding gold) moved up from £92 million in 1956 to £113 million in 1957. Gold exports were more than sufficient to cover this deficit but not adequate to meet the adverse balance on invisible items.

FURTHER RELAXATION OF IMPORT CONTROLS

A further relaxation of import controls resulted in substantial increases in imports of metals, metal manufactures, machinery, vehicles and textiles, apparel, yarns and fibres. Motor vehicles and spare parts alone advanced by no less than £20 million. These large-scale imports brought domestic industries into closer rivalry with overseas manufacturers, and in the course of the year the Government imposed various protective duties. In a country which is still predominantly agricultural, however, the question of tariff adjustments bristles with difficulties. The Government has accordingly appointed a special commission with wide terms of reference to enquire into and make recommendations on the subject. The results of this enquiry will be awaited with keen interest.

Exports of prescribed atomic materials, wool, fruit, maize and diamonds rose in value, but sagging prices reduced the contribution made by copper and lead concentrates.

The net national income rose by £113 million in 1957, which, after allowing for changes in purchasing power, represents a real increase of 5.2 per cent. Private manufacturing industry made the largest individual contribution to the Union's total income. The trend in national income must be considered as very satisfactory in a year which in many respects was more difficult than 1956.

The general expansion in economic activity last year is further reflected in several business indicators which tend to show that not only was there an absolute increase in development, but that the rate of gain, after declining in 1956, increased during 1957. This indicates some revival in economic activity after a period of consolidation. Price levels again moved upwards during 1957, but the movement in wholesale prices was modest and there does not appear to have been any growth of inflationary pressures within the economy during the past year. A feature common to all sections of wholesale trade last year was the apparent shortage of money and the consequent demand for extended terms of credit from the retail trade.

TRADE BALANCES

The balance on current account, that is the visible trade balance adjusted by gold output and other current items, slipped from a surplus of £10 million in 1956 to a deficit of £5 million in 1957. On capital account there was a net outflow of £26 million last year compared with only £2 million in 1956. There was thus a total net decline of £31 million in the Union's gold and foreign exchange holdings against a net gain of £8 million in the previous year.

The continued fall in the Union's reserves of gold and foreign exchange is undoubtedly having an important impact upon domestic developments at the present time. These reserves are one determinant of the amount of money in circulation and during the past year a heavy outflow of funds has, to some extent, had to be countered by an increase in bank credit. To meet this situation it was expected in some quarters that the Bank Rate would be raised, but no action to this end was taken. Certain corrective measures have, however, been introduced to stop the continual drain on the Union's foreign reserves. Under the South African Reserve Bank Amendment Act the commercial banks are now being called upon to maintain supplementary reserves with the Reserve Bank. At the same time stricter control is to be exercised over the remittance of funds from the Union. The object of the supplementary reserve requirements is to contract bank credit and the authorities have specially sought the co-operation of the banks in restraining excessive imports. The effect of these monetary control measures will reduce by approximately £20 million the funds available for lending to the business community and slow down in some measure the general economic activity of the country. In line with these measures in the monetary field the commercial banks recently felt it necessary to raise their lending rates.

NEED FOR FOREIGN CAPITAL

The Bank Rate in the Union has remained unchanged since September, 1955, and, for the greater part of this period, has been well below the levels ruling in the United Kingdom. The disparity of rates goes some way to explain the increased outflow of capital. In addition many foreign investors, rightly or wrongly and for various reasons, are chary of risking capital in long term investments in the Union. Fortunately, a very substantial part of the investment capital required can now be found from domestic savings in South Africa, and it is to be hoped that this tendency will steadily increase. It will, however, take time before the accumulation of domestic savings will be adequate to meet the full requirements of the Union's developing economy. For the time being, the Union needs to import capital to supplement the resources at present available in the country, and it is not in a position to meet an outflow of capital without tightening money.

Another factor tending to modify the economic pattern is the recession which has developed in the United States of America. Apart from its direct effects on many primary markets, it has induced a world mood of hesitancy and caution ; a cogent reminder of the growing interdependence of trading communities throughout the world.

In assessing prospects for the Union during the next twelve months account must be taken of these unfavourable factors. Nevertheless due weight must also be given to the known strength and resiliency of the country's economy, the wealth of its untapped resources, and the singular stability it enjoys by virtue of its great gold mining and uranium extraction industries.

THE FEDERATION OF RHODESIA AND NYASALAND

Although capital continued to be attracted to the Federation at about the same rate in the year just passed as in 1956, there can be little doubt that exceptionally high interest rates on the London Market during the latter part of the year must have resulted, if not in a movement of funds from the country, at least in a diversion of money which might otherwise have been employed in the Federation.

It has long been realised that the Federation, with its economy largely dependent upon copper, would be particularly vulnerable in the event of a sharp downward trend in the world price of that commodity, and a significant deterioration in the country's balance of payments has resulted from the recent slump in the price of the metal. From a record level of £437 a ton in March 1956, the price of copper collapsed to a figure of just over £160 in February of this year. As a result of this and the general easing of world prices of most base metals and primary products, the Federation's external trade reflected a visible unfavourable balance of nearly £14½ million in 1957 as compared with a visible favourable balance of some £29 million in 1956. Including invisibles, there was a total deficit on current account of some £71 million for the year which the inflow of capital cannot entirely cover. This marked deterioration is attributable mainly to a rise of over £18 million in the value of imports of merchandise, and a decrease of over £25 million in the value of exports during 1957. As tax collections are made in arrear, the full impact of the lower price of copper will not be felt until the latter part of this year and in 1959.

CREDIT RESTRICTIONS

It is possible, therefore, that the Federation's period of rapid development and business expansion has, for the time being, received a check. Undoubtedly the country faces a period of economic and financial difficulty. Corrective measures have already been taken by the authorities ; these include the introduction of fairly severe credit restrictions at the request of the Central Bank, increased statutory requirements on hire purchase transactions, and the pruning of Government expenditure. The Federation's economy has perhaps been over-extended in the past few years as a consequence of the boom in the price of copper, but continuing development is very necessary in a vigorous young country. Official announcements indicate the belief in Government circles that measures already taken will go a long way towards meeting the position. Greater productive capacity in a steadily widening field of primary and secondary industries is lessening the country's dependence on copper and is an encouraging feature. In general, confidence in the future of the Federation remains high.

Tobacco continues to be the Federation's second most important export product and, although shipments declined by almost 16 per cent in volume in the year under review as compared with 1956, their value was only some £400,000 less than in the previous year.

The period under review was marked by a request by the Governor of the Bank of Rhodesia and Nyasaland in January to apply more vigorously certain restrictive measures which the commercial banks had originally been asked to undertake in August 1956. This action was necessitated by the rise in the country's adverse balance of payments, which was due primarily to the substantial decline in copper prices, but was accentuated by what would appear to be over-importation by many merchants. This latest request from the Governor of the Bank came at a time when the agricultural community, including tobacco buying and packing houses and Farmers' Co-operative Societies, were approaching the season when peak overdraft facilities are normally required.

CONTINUED DEVELOPMENT

Large-scale development in the Federation is continuing, particularly in the larger centres, although under existing economic conditions some slowing down should be evident from now onwards. The demand for bank finance will naturally continue to grow but credit will have to be strictly curtailed on a selective basis : it may even have to be withheld entirely in the case of undertakings not regarded as essential to the general economic welfare of the country. The implementation of the Governor's wishes will, of course, involve a considerable reduction in the actual level of our advances, but it will be our endeavour to avoid as far as possible undue hardship to our customers.

Despite the deterioration in the Federation's financial position, work continued apace on the Kariba Hydro-Electric Scheme which is of paramount importance in the framework of the country's future developments. By the beginning of 1958, work on the project was ahead of schedule. The first block of the main dam wall and the south bank circular coffer dam had been completed. During the month of February, however, the level of the Zambesi River at the dam site rose above the previous year's unprecedented level, causing considerable damage to access roads and flooding the south bank coffer dam. In addition, the suspension and road bridges across the river were washed away, leaving the blondin cable as the only means of direct contact between the north and south banks. Neither the completed section of the main wall nor the underground power house was affected, however, and the Federal Power Board are confident that the time lost through these misfortunes will be recovered by the end of this year.

Inadequate rail transport facilities in the face of rapidly expanding requirements of a land-locked territory poses an important problem to the Federal Ministry of Transport and, with a view to alleviating the position, a comprehensive programme of expansion and reorganisation of the railway system has been under way in recent years. The current recession may, unfortunately, cause some delay in the carrying out of this programme. During 1956-57 expenditure incurred on major capital work exceeded £10 million, half of which was spent on the south-east line to Lourenço Marques. This additional outlet to the coast has done much to ease the heavy congestion at Beira and a significant feature during 1957 was that the aggregate bulk demand by rail users was met in full.

During the post-war period the Copperbelt of Northern Rhodesia has enjoyed unprecedented prosperity and the whole economy of the area was affected by buoyant conditions. In conformity with the trend in the mining community generally, the miners spent their high earnings freely and all merchants experienced extremely brisk trading. This situation changed rapidly when the price of copper slumped, and the economic situation generally has deteriorated in sympathy with the reduced earning power of the mining community.

The Federal Government are continuing to implement their plan of partnership between Africans and Europeans. One rather disturbing feature still in evidence is the firm and persistent refusal of African spokesmen in Northern Rhodesia and Nyasaland to associate themselves with, or accept as a permanent arrangement, the federation of their territories with Southern Rhodesia. At the same time, indications are not lacking that the more advanced Africans are becoming aware of the economic advantages to be derived from the federation.

EAST AFRICA

The aspirations towards self-government which, at this juncture, are such a feature of the political scene in all colonial territories, are much in evidence in East Africa. In Uganda, for instance, Government policy has yielded to public demand and direct elections to the Legislative Council are to be held in practically all districts. It is greatly to be hoped that this desire for political evolution will be accompanied by a greater consciousness of the responsibilities involved, particularly in the financial field.

In undeveloped countries a combination of economic and political forces, sometimes acting in concert, but more often than not in conflict, determine the degree and rapidity of the growth towards maturity. The economy of the East African territories is particularly susceptible to world economic trends. It has nevertheless stood up well to adverse external influences and the inflow of capital, although still inadequate for the full development of the territories, is not unsatisfactory in the light of present conditions in the capital markets of the world. Progress has, however, often been hindered by the terms in which the Africans' desires and hopes for self-government have been expressed ; these have often been of such a nature as to discourage potential investors.

Coffee, cotton, tea and sisal continue to constitute the major export crops, but falling world prices have had their effect. The price of certain types of coffee has suffered from the surplus of coffee in Central and South America. While the fall in price has been checked to some extent by artificial restriction of shipments from the Americas, the surplus coffee held in storage there remains a threat to future prices. The popularity of manufactured coffee products also continues to increase and this, in future, may diminish the importance attached to high quality coffees, and bring about a change in the taste of consumers to the detriment of the pure high grade product.

Farmers generally had a good year and most crops did well : livestock also flourished. However, the marked downward trend in world commodity prices gives a clear warning to the mixed farmer that, if he wishes to expand production, he must be prepared to enter highly competitive world markets as an efficient low cost producer.

Due to prevailing low prices, the sisal market throughout the period has tended to be depressed. This has not stimulated increased consumption since the demand is inelastic. Some smaller estates have ceased production, while the larger estates have tended to increase output in order to decrease their overhead costs.

Tea continues to be grown in all territories on an increasing scale and, in view of current world marketing conditions, the prices obtained at the Nairobi auctions have been satisfactory to the producers.

CONTINUED EXPANSION OF CO-OPERATIVE MOVEMENT

In Uganda the number of African Co-operative Societies increased in 1957 by 141 to 1,407 with a total turnover of about £5 million. The vast majority are marketing societies and most of them are affiliated to Co-operative Unions which now form an important sector of the cotton and coffee processing industries. The movement is fostered by the Government which provides supervision and advice and also furnishes loan capital ; it is this capital which has enabled the movement to enter the cotton-growing and coffee-processing industries which were formerly the preserves of European and Asian capital. The efficient development of these Co-operative Societies is of major importance to the economy of the country, but at present too many of them lack adequate experience both in production technique and in financial management.

The establishment of local industries continues in all territories but particularly in Kenya around Mombasa, Nairobi and Nakuru. In Mombasa a start has been made on an Industrial Area and considerable expenditure incurred in laying out marshalling yards, etcetera.

ELECTRICITY CONSUMPTION RISING RAPIDLY

The consumption of electricity is still rising rapidly, and it is estimated that the full generating capacity of the Owen Falls Hydro-Electric Station will be utilised by about 1965. Plans are being formulated for the erection of another station below the Falls and two smaller stations, one on the Mazezi River and the other at Kaluma Falls. Other minor projects are also contemplated to augment the sources of electric power, and major and minor distribution schemes throughout the Protectorate are making good progress. The Owen Falls Station now furnishes bulk supplies of electricity to Kenya in addition to Uganda.

There was no congestion at the ports or on the railways in Tanganyika during 1957 : in fact there was excess capacity, except possibly during the height of the produce season. Capital works at Dar es Salaam are in progress and the construction of two rail extensions is contemplated, one of which would open up the Kilombero Valley, and the other would provide transport for the produce of Newala and the Ruvumu Valley. Phase one of the Ruvu River Water Scheme is now two-thirds completed and is expected to be in full operation in the first half of 1959.

Last year the trade of Zanzibar was well maintained but this year the export of cloves has not been adequate to dispose of the crop, and the Clove Growers' Association has been forced to suspend its purchases for stock. As a result, prices have fallen heavily in recent months and business both in Pemba and Zanzibar has been correspondingly depressed. The market has become a little steadier following negotiations for an increased quota of clove exports to India.

Air communications in both Kenya and Zanzibar have been facilitated by the completion of the new Nairobi International Airport in 1957 and by the work in hand at Zanzibar Airport.

Given reasonable political stability, the economic future of the East African territories should be one of steady progress. The national income of Kenya has risen from £50 million to £170 million during the past thirteen years and, despite an emergency which cost the country £26 million, there has been little increase in the overall level of taxation. Similar progress is visible in the other territories and, provided that the political climate is such as to encourage the continued inflow of capital into East Africa, this rate of progress may well continue.

PROSPECTS

This year we are able to record increased profits in most of the territories where we operate. This is very satisfactory, but it is to some extent attributable to the high rates ruling in London which no longer obtain. Credit restrictions are becoming more severe in Southern Africa and may well be intensified. These restrictions limit the advances we can make to our customers, although we seek to meet all well-founded requests for credit within the limits fixed by official policies. There has been a heavy fall in many commodity prices throughout Southern and East Africa. The resulting loss of Government revenue will be serious, particularly in the Federation, and less public funds will be available for essential development. Any serious reduction in the tempo of development will limit the scope for the fruitful employment of our resources. We are still, on the one hand, paying relatively high rates for our deposits and, on the other, we receive no interest on a substantial portion of the reserves we are required by law to maintain with the Central Bank both in the Union and the Federation. The cost of running our business—salaries, pensions

and maintenance costs of a widespread network of branches—shows a steady and, in some items, a steep rise, but we are applying a policy of strict economy in all sections of the Bank's activities. Against this background I feel that we cannot at this time count on the same rate of expansion in our business to which we have become accustomed in recent years.

TRIBUTES

In concluding I would like to make special mention of the valued services rendered by Mr C. R. Hill, our General Manager in London, who is retiring after the Annual General Meeting. He has served the Bank for many years with distinction, not only in London but overseas. His sound counsel in the conduct of the Bank's affairs will be greatly missed. He is to be succeeded by Mr R. E. Williams, who we are confident will prove an able successor.

On behalf of the Directors and the Shareholders I desire to express once again to all the staff, both men and women, wherever they serve, our thanks for their excellent work and wholehearted loyalty to the Bank in another year of material progress.

The report and accounts were adopted and the other formal business duly transacted.

THE MONKS INVESTMENT TRUST LIMITED

LARGER REVENUE

The twenty-ninth annual general meeting of The Monks Investment Trust Limited was held on July 28th at 33 Cornhill, London, E.C., Mr J. N. Buchanan, DSO, MC, chairman of the company, presiding.

The following is his statement which was circulated with the report and accounts for the year ended 15th May, 1958:

The year under review has again been favourable, gross revenue collections amounting to £232,024, against £212,800 for the previous year. After payment of Expenses, Income Tax and Profits Tax there remains £106,457 available for the Stockholders. In September 1957 a free issue of Shares out of the Reserves of the company was made to Stockholders in the ratio of one free share of £1 for each £1 of Stock held. An interim dividend of 2½ per cent on the increased capital has already been paid and we now recommend a final dividend of 6 per cent, making 8½ per cent for the year. This is equivalent to a dividend of 17 per cent on the capital before the free issue, as compared with 15 per cent paid on that capital for the previous year. £20,000 has been transferred to the General Reserve Fund, leaving a total of £23,681 to be carried forward to next year.

The valuation of our Investments as at the date of the Balance Sheet amounted to £3,533,021, as compared with £3,910,993 at the end of the previous year, and the fall is in line with the decline in market value during the year.

In the absence of unforeseen circumstances, it is intended to pay an interim dividend during the current year of 3 per cent. This, however, does not imply an increase in the total payment for the year but is made merely to reduce the disparity between the interim and final payments.

HEAD, WRIGHTSON AND COMPANY LIMITED

RECORD TRADING PROFIT

The Sixty-eighth Annual General Meeting of Head, Wrightson and Co. Limited, Engineers, was held on July 31st at Thornaby-on-Tees.

The following are extracts from Mr Richard Miles's circulated statement:

ACCOUNTS: For more than a quarter of a century our trading profit has shown an upward trend, and the year under review has produced the record of £1,757,581 (£722,574 nett).

On our reorganised capital we have paid an interim dividend of 5%, and propose to pay a final of 12½% (total 17½% covered nearly four times by earnings).

Our heavy capital expenditure programme is still continuing. The cost of our research work in connection with nuclear power development is very high.

Our gross work-in-progress is valued at £22.9m., an increase of £6m. over last year. Some of our larger orders will take three to four years to execute.

NUCLEAR ACTIVITIES: There appears to be a glamour about nuclear engineering, which in due course may be financially justified. Pioneers are not always the people to whom accrue the most profitable returns. Head Wrightson Processes Ltd. are building, or have built, six research reactors. The Parent Company is a member of the Nuclear Power Plant Company Ltd., which is building the first nuclear power station at Bradwell-on-Sea for the Central Electricity Generating Board, and has an agreement over a term of years with Agip Nucleare in Italy. Negotiations for further orders overseas are proceeding.

RESEARCH: In the absence of natural resources for export, our standard of living in this Country can be improved only by selling brains. A high proportion of the re-imbursement for the cost to the nation of the Welfare State must be sought in the same direction.

Our growing Research and Development Department has recently been devoting the major proportion of its effort to problems arising from nuclear power engineering. We are now able to devote more of our attention to development work in our traditional trades: in particular, in connection with plant for the iron and steel industry. As a result, we are now in a position to supply complete plants for the manufacture of steel by any of the latest pneumatic processes.

SOME OF OUR WORK COMPLETED DURING THE YEAR: During the year we put into operation the complete iron-making plant for the Spanish Government Steelworks at Aviles. We were honoured to have the lighting ceremony performed by Senora Franco.

A number of sinter and gas cleaning plants was completed both at home and abroad. During the year we manufactured, erected and commissioned, at the Ebbw Vale works of Richard Thomas & Baldwins Ltd., the first Armco Sendzimir continuous strip galvanising line to be installed in the United Kingdom; and at the Velindre works of the Steel Company of Wales Ltd., the first electrolytic tinning line to be built entirely in the U.K.

A considerable volume of auxiliary plant for the steel and non-ferrous industries was completed, including four of the heaviest straightening presses ever made. Each of these weighed over 450 tons, and they are now installed at Dorman Long & Company's heavy beam mill at Lackenby.

A record number of heavy ladles and carriages of various types and a record tonnage of ingot moulds were delivered.

Winder towers for the NCB at Maltby and at Rufford, the largest coal cleaning plant in Europe at Manvers Main, and other coal preparation plants at South Kirkby, Brodsworth, Cannock Wood and Mardy, were put into operation.

Dock gates were installed at Garston; many standard and special railway wagons for the British Transport Commission and for steelworks were supplied.

Reference has already been made to the PLUTO reactor at Harwell, the D.M.T.R. at Dounreay and HIFAR for Australia. A large number of heat-exchangers for oil refineries and a record number of cooling towers were delivered

We had our highest turnover of drop forgings, and steel and alloy castings. The turnover of our iron castings was amongst the largest achieved, aided by a revival in the demand for cast iron tunnel linings.

DIRECTORS AND PERSONNEL: We have appointed as deputy managing director of the Parent Company Mr N. C. Lake, formerly managing director of The Head Wrightson Machine Company Ltd. He is widely known in the steel and non-ferrous industries at home and overseas.

A tangible expression of our appreciation of the service of our staff and workmen has been to make further improvements in pensions, life assurance and other conditions of service. Special attention is continually being given to staff training.

The spirit throughout the organisation continues to be happy, and it is not a formality when I ask you to express your thanks to our staff and workmen, who have worked well throughout the year.

THE FUTURE: We had a record output for the year but the credit squeeze is reducing our forward load.

The curtailment and/or longer phasing of some of the capital expenditure programmes of the nationalised industries is having a corresponding effect on our order books. The adverse effects may be mitigated to some extent, for a few years, by the results of long-term contracts as they mature. Our recent exceptionally heavy capital expenditure is also having its effect in broadening the basis of our productive capacity, and in increasing efficiency. The fact that we provide equipment, based on continually improving techniques and coupled with vigorous selling and technical service, should also have its effect.

It would require more boldness than the present situation warrants to forecast results over the next few years.

The report and accounts were adopted.

WHITBREAD AND COMPANY

IMPROVED TRADE DESPITE DIFFICULTIES

COLONEL W. H. WHITBREAD ON FUTURE PROSPECTS

The annual general meeting of Whitbread and Company Limited was held on July 28th at the Brewery, Chiswell Street, London, E.C., Colonel W. H. Whitbread, chairman and managing director, presiding.

The secretary (Mr T. H. Hunt) read the notice convening the meeting and Mr D. H. Whinney, of Messrs Whinney, Smith and Whinney, the auditors, read the report of his firm.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1957:—

1956 was a record year for your Company, that is to say it made greater profits than it has ever achieved before in its history. As I explained then, there was an element of inflation in those profits.

At the end of my last report I said that trade so far in 1957 had been good but it would have to improve still further to cover rising expenses. In fact, trade did improve in 1957 in spite of the severe setback which we attribute to the Asian flu epidemic last autumn, and you will see that rather against my prophecies we have just managed to hold our own against the record profit of 1956.

During the last eighteen months the impact of the credit squeeze has created a new problem in the running of a commercial company, so your Board have deliberately followed a "go slow" policy in development so as not to overstep their cash and credit resources.

You will note that, although the balance sheet is an extremely strong one, there is an overdraft on December 31st of over £1 million which we regard as caused by the effect of the credit squeeze on our customers, many of whom paid for their supplies for the peak trade of Christmas later than in the ordinary course of business. It must be pointed out that these accounts with our customers contain a large proportion of Duty, which we have paid in cash.

In the Accounts this year we have brought in an adjustment of Stocks, which to some extent can be considered a windfall, though in fact it represents profits earned by the Company in this and previous years.

RISE OF EXPENSES

Our expenses, as I expected, have risen sharply during the past year, largely as a result of the inflationary climate, and also owing to the use of expensive new media of advertising without any apparent successful trading advantage.

Last year I complained bitterly about taxation, especially Profits Tax, which I am glad to say has now been adjusted to some extent by the present Chancellor. This, without doubt, will result in a benefit to your Company, although not until next year.

The effect on this Company of the adjustment in initial allowances on new plant and buildings announced in this year's Budget will be of comparatively small benefit, but however small, benefits are welcome when the weight of taxation is causing too heavy a strain on industry and restricting its development.

It is always curious to me that politicians, Civil Servants, and even some professional men do not seem to realise that without prosperity in industry there will be no money for the State, for hospitals, welfare, support for nationalised industries or even their own salaries and expenses. Those who can remember the 1931 slump are only too aware that a comparatively small falling off in industrial activity can cause real anxiety for the livelihood of all.

THE ACCOUNTS

Turning to the Accounts you will notice that the net profit for the Parent Company for the year after providing for taxation amounts to £1,134,315, which is an increase of £95,000 over the previous year. The Consolidated Accounts also show an improvement, the profit for the year after providing for taxation amounts to £1,218,283, an increase of £105,000.

This, however, does not give an exact picture of the trading of the Company as owing mainly to certain adjustments in stocks, etc., which have been recommended by our Auditors, there is a non-recurring profit of £191,107 and there is also an increase in income from investments. Eliminating these factors, the trading profit increased from £3,141,607 to £3,144,759.

You will also notice that we have brought into credit provision for taxation in prior years, no longer required, of £90,304.

TEN YEARS' PROGRESS

I do not believe in looking at the profits of a company in any one year without taking a broader vision of several years of its operations, and I therefore am showing you certain figures which show the progress of the Company over the last ten years.

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
	£	£	£	£	£	£	£	£	£	£
Profit before tax	1,396,048	1,133,894	1,289,638	1,572,097	1,595,216	2,220,527	2,002,026	2,087,518	2,435,825	2,588,615
Taxation	749,702	483,210	743,753	967,731	929,592	1,288,995	1,100,125	1,140,362	1,396,445	1,454,300
Net profit	£646,346	£650,684	£545,885	£604,366	£665,624	£931,532	£901,901	£947,156	£1,039,380	£1,134,315
Preference Dividends (net)	23,874	23,874	23,874	22,702	22,788	23,960	23,874	25,045	24,959	24,959
Ordinary Dividends (net)	112,684	253,539	294,258	371,089	417,187	532,432	548,566	556,634	636,153	662,659
Ploughed back, incl. windfalls	537,540	312,199	283,032	395,464	390,607	680,205	844,311	407,811	402,410	536,951
Turnover	14,299,222	14,377,343	14,911,981	16,718,071	17,901,086	18,798,053	18,941,470	20,122,482	21,637,768	22,974,216
Cash and Government Securities	2,787,269	2,207,564	2,080,842	3,025,934	2,691,835	3,113,629	2,550,847	1,462,432	2,246,800	1,218,384
Trade investments	115,245	105,625	105,175	385,690	389,626	405,818	918,712	1,788,917	1,678,200	2,149,005

The above figures refer to Parent Company with exception of cash and Government Securities and Trade investments which include Whitbread Investment Company.

It appears now that the Government has at last taken steps to reduce the velocity of inflation, but it seems to us that there is some confusion between those who advocate a high Bank Rate and orthodox methods and those who wish to restrict credit through the method of directives to the banks (in my opinion the difference between "the big stick" and "old boy" methods) and the effect has been that both sides have got their way at the same time. However, we feel that progress has been made in taking the edge off inflation, and that on the other hand there are definite signs of recession in the retail trades.

As regards the cost of living, it has been entirely in the Government's hands to reduce this, if and when it wishes to, by adjustments of Purchase Tax and Customs and Excise Duties. The retail price of beer, wines and spirits, for instance, is almost entirely dictated by the rate of the Duty and in other commodities Purchase Tax must have the same effect.

Most of us in industry now welcome the policies of the Government but look forward to an early date when money can again be borrowed on reasonable terms so that development can continue, especially in the export trade and in the areas where there are already signs of shortage of employment.

DIVIDEND POLICY

Your Board have carefully considered the present Accounts, taking into consideration the conservative policy in dividend distribution of the past and the prospects for the future, including the available liquid resources, and feel that the wise course is to pay the same final dividend as last year, making, with the interim, a total distribution of 25 per cent against the 24 per cent of last year. They hope that you will not consider this too conservative.

However much profit a company makes at the present time, and however good the prospects for the future, careful consideration in distributing dividends must be taken in view of the Government's policy of restriction of credit.

ASSOCIATED COMPANIES

It is interesting to follow the fortunes of the Associated Companies. By these, I mean those companies in whom we have a financial interest and who retain commercial and technical links with your Company for mutual benefit.

A survey of all those companies who have

been associated with us for an effective period shows that their collective profits for the year before our partnership began amounted to £1,948,551; the combined profits of the same companies for their last available financial year were £2,417,078, an overall increase of 24 per cent.

We are well aware that other brewery companies have shown a rise in profits during the last two years, but taking a broad view not only of our own shareholding but also from the standpoint of the other shareholders in these companies, this does not appear in so short a time unsatisfactory progress.

In some cases, it is too soon as yet to measure the progress they have achieved during association with us, but two of them at least have achieved abnormally favourable results: Morlands an increase of 29 per cent and Norman & Pring an increase of 54 per cent in profit before taxation.

POSITION STRENGTHENED

In looking through the Balance Sheets of the Associated Companies it is noticeable how they have been strengthened, especially in their cash position, and how in some cases they have grown by absorbing other companies.

Many companies during the last eighteen months have approached us with a view to association. In two instances we have come to a mutually satisfactory arrangement, and in two others we have strengthened the ties with companies with which we were already linked.

One of the results of these developments with other companies has been that increasingly heavy demands are made on our management and we are unwilling to expand at such a pace that we might overtax our powers in giving management and technical assistance, and also overstrain the financial resources of your Company.

Whilst some criticism may have been made of our policy, we are satisfied that on a long-term basis the results will be beneficial not only to the shareholders but also to the staff and employees of both Whitbread's and of the Associated Companies. These benefits may be calculated to develop as the association gains strength and confidence.

WINES AND SPIRITS

The sale of wines and spirits is becoming a more and more important part of the activities of all brewery companies. It is with this very much in mind that we have had several meetings with the managers of the wines and spirits companies controlled by the Associated Companies and the wines and spirits companies wholly owned by ourselves, and that, as a result, we are developing a policy of bulk buying and the creation of certain profitable lines of special quality, whose proprietary names we own, and which will be sold by the Group throughout the country.

PUBLIC HOUSE TRADE

Many years ago public houses only sold beer and some spirits; in these days they are beginning to sell so many other articles that they are becoming more like a general store. The brewer-owner of the public house, like the shopkeeper, in selling articles not produced by himself, has to be reimbursed not only for his substantial capital investment but also for essential repairs, maintenance and rebuilding, in order to maintain his ability to sell to the public. It is fair to expect that, as well as this, the owner of the store should receive a reasonable profit.

There are many articles which are sold freely in our houses the producers of which recognise the value to them of these facilities for their distribution provided by your Company, and they therefore pay adequate consideration to the margins we must receive for doing their merchandising.

However, there are some large sellers in our public houses who, utilising the powerful influence of national advertising and near monopoly, do not seem to be prepared to recognise our merchandising value. The solution may be either in securing a larger wholesale discount or in raising the price, and this matter is receiving our careful attention.

The price of beer is one of the very few articles or services which have not increased at anything like the rate of inflation during the last twenty years. As the Chairman of Watney's has pointed out, the price of beer in terms of the real value of money is lower now than it was six years ago, and, tax apart, it is lower than it was before the war. Brewing costs, on the other hand, are four times what they were twenty years ago.

EXPORT

During the last twenty-five years, and indeed before that, the policy of your Company has been gradually to extend their trade throughout the world so that our beer could be obtained in the best condition in every country. Indeed, we now trade in sixty-three countries.

But we have always recognised that this was a long-term policy, and we have been prepared to regard this trade, although in some cases at present uneconomic, as laying the foundation stones for greater trading opportunities in the future. Indeed, as the speed of travel intensifies and the peoples of the world get used to the idea of flying thousands of miles a day or perhaps even between meals, it is evident to us that this policy of having our products established so widely will gradually flourish through natural demand.

BELGIUM

I will take Belgium as a separate part of our export trade, as indeed this is a most successful commercial venture.

This year the Belgian Government have put on an International Exhibition in which, under the auspices of the Federation of British Industries, British manufacturers are displaying their goods and endeavouring to exploit the world market. Your Board have thought it wise, in view of their successful business in Belgium to build *The Britannia* inn beside the British Pavilion. This has met with universal acclamation and praise from all sides, including the British and International Press, and although it has cost many tens of thousands to build we have considered in view of all the circumstances that it is a worthwhile project.

To complete the story, your Company has earned about £3½ million of hard currency during the last five years and nearly a million during the last year.

CANNED BEER

For many years, in fact since 1935, we have been researching into the problems of canned beer. We were absolutely determined that if we put our beer into cans it should retain its well-known high quality and that there should be no risk of deterioration owing to the package in which it was sold.

A few years ago we went into production and have recently acquired our own canning plant, and find that the struggle over many years to produce an article as good in a can as in a bottle has been worthwhile. But your Board look upon canned beer as of limited scope in sales, as we consider that very few will wish to have beer out of a can in circumstances in which a bottle is equally convenient. At the same time, the can is a more handy container in many cases and, therefore, the sale of beer in cans is largely a convenience market.

Your Board will continue to explore the advantages and disadvantages of selling beer in cans, especially now they have achieved a technique in canning which will enable their articles to be sold in the same excellent condition as in bottle.

MANAGEMENT, STAFF AND EMPLOYEES

One of the most important matters that your Board have had to consider during the last few years, and will have to consider even more seriously, is the recruiting and training of young men and women with quality of mind to fill the many positions of responsibility, authority and technical management which are continually needed in a company expanding like ours, especially with its association with so many other companies. This part of our development is being continuously studied as we live in an atmosphere of free enterprise and have to employ in the higher positions those who are capable of appreciating a series of situations and making decisions, qualities which are not always necessary in some other jobs.

The young staff of the Company, as long as they have confidence in themselves, can now look ahead to a future the limit of which it is not possible to calculate, as their progress is limited only by their own ability and the success of the group of companies for whom they are working.

You will be aware that we look upon the problem of appointing, training and inspiring staff as of such great importance that we have one Managing Director and an Assistant Director exclusively employed on this important part of our activities.

Last year I referred to the extreme importance we attached to the appointment of first-rate foremen and that they should be properly paid for their important work of leadership. This year I should like to go one further and say how important we look upon the recruitment of both men and women operatives in our breweries and factories, and that they should be happy, enthusiastic and only contented when they know that their job is being successfully carried out.

THE FUTURE

For the first four months of this year our trade has not been good, in fact April was one of the worst Aprils we have had for many years. In my opinion the reasons for this have been:

1—the continued effects of Asian flu;

2—the extensive cold weather in March and over Easter;

3—a quite definite climate of recession, which is always felt by the retail trades first and is a gradual process.

Those in authority who have achieved this climate as a deliberate policy which was necessary to steady the velocity of inflation, will have a difficult problem to judge the moment in which to take measures to halt recession. Personally, I do hope that this will not be a matter of politics but that, after taking into consideration the state of trade in other countries, the decision will be made on sound economic judgment based on the happiness and prosperity of the greatest number.

In view of the bad start we have made this year, one cannot be too optimistic about the future, and we will have to use our hardest endeavours in order try and retain our present standard of profits. But it may be that if the velocity of inflation is reduced without bringing about a serious recession, then industry will be able to make a further bound forward and thereby create prosperity for all.

The report and accounts were unanimously adopted and the proposed final dividend of 17 per cent, less income tax, making 25 per cent, less income tax, on the Ordinary Stock for the year was approved.

The retiring director, Major Simon Whitbread, was re-elected and the directors were authorised to fix the remuneration of the auditors, Messrs Whinney, Smith & Whinney.

COMPAGNIE GÉNÉRALE DE TÉLÉGRAPHIE SANS FIL

The Annual General Meeting of Compagnie Générale de Télégraphie Sans Fil was held in Paris on June 26th, with Monsieur Robert Tabouis in the chair.

The Chairman's speech underlined the Company's efforts to modernise and increase its means of production as well as the steps taken to extend and diversify outlets for its products.

The following are details from the report presented by the Board of Directors:

EXPANSION

The Company's merger with Société Française Radio-Electrique and Société Sadir-Carpentier led to a considerable increase in its production potential. These two mergers became effective on January 1, 1957, and the Company now possesses 16 experimental and production units, involving ten manufacturing plants and other establishments. The total labour force amounted to 10,000 employees, including 2,000 qualified technicians.

The Company continued to develop its export activities during 1957. At the end of the year under review the proportion of foreign sales in the order book accounted for a quarter of the total of orders in hand from all sources.

PROFITS AND DIVIDENDS

Gross Profits from industrial and commercial activities amounted to Frs. 3,721,698,000. Together with investment revenues and various other sources of income, the total profits for the year reached Frs. 3,980,409,000. After deduction of general expenses, financial charges and company taxes, together with an appropriation of Frs. 1,248,668,000 to the depreciation and general provision accounts, and taking into account exceptional charges amounting to Frs. 9,153,000, the profit and loss account showed a net profit of Frs. 675,065,000.

It was therefore proposed to distribute a net dividend of Frs. 320 in respect of each share of Frs. 2.500 nominal. This dividend, which is equal to that of the previous year, applies, however, to a capital of Frs. 3,998,750,000 instead of Frs. 2,370 million for the previous year.

The report, the accounts, and the proposals put forward by the Board were adopted.

FERRANTI LIMITED

EXPANSION OVER SEVENTY-FIVE YEARS

The fifty-third Annual General Meeting of Ferranti Limited, was held on July 24th in London. Sir Vincent de Ferranti, MC, MIEE, chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1958:

Since we last met, the Company has passed its 75th anniversary, having been formed in 1882 by my father as Ferranti, Thomson & Ince to manufacture his alternator and electricity meter. We have survived in spite of many vicissitudes, particularly at the start of this century when foreign competitors, notably Germany, had unrestricted access to our markets, which were also subjected to severe competition from wholly-owned subsidiaries established in this country by large American concerns. Through many difficult years we have grown, and our output during this seventy-fifth year has been over £24 million of which some £15,500,000 is sales at home while the remaining £8,500,000 comprises direct exports from our factories in the UK and the output of our overseas subsidiaries. We have an order book of £22,500,000, and a capital employed of £13 million. Over 13,000 people are employed in factories, offices and laboratories in England, Scotland, Canada, USA and Australia.

PROFIT AND LOSS ACCOUNT

The consolidated profit for the year amounts to £1,252,971 as compared with £495,322 for the year to March 31, 1957. After provision for tax on all profits earned to date, the net profit is £575,971, against £72,822 last year.

Profits brought forward at March 31, 1957, were £441,917, and, after providing £64,687 for Preference Dividends, we have transferred to General Reserve Account, £600,000. A Dividend on the Ordinary Stock of 6 per cent (£34,500 after deduction of tax at 8s. 6d.) is recommended, leaving undistributed profits carried forward of £313,701.

Your Directors are of the opinion that the Capital of the Company should be brought more into line with the capital actually employed in its business, and, at an Extraordinary General Meeting to be held immediately after the conclusion of the Annual Meeting, a Resolution will be moved to increase the Authorised and Issued Capital of the Company to £4,500,000 and to distribute 500,000 5½ per cent Third Cumulative Preference Shares of £1 each, and 2 million Ordinary Shares of 10s. each to the Ordinary stockholders by capitalisation of £1,500,000 of the amount standing to the credit of General Reserve Account. The permission of the Capital Issues Committee has been received for this issue.

POWER TRANSFORMERS

Operations can once again be divided broadly into two main classes, dealing with commercial and government products respectively. Outstanding amongst the former are Power Transformers and associated equipment, of which the output again exceeded the previous year's figure. Deliveries to the Home Market included five 120 MVA auto-transformers for the Super-Grid, a 145 MVA unit for Blyth Generating Station, and a number of other units of up to 75 MVA capacity. Amongst deliveries overseas were six 63 MVA, 230 kV, single-phase transformers for The Dalles Dam Project of the US Army Corps of Engineers, a number of units for the Tennessee Valley Authority and five 60 MVA three-phase transformers for the Electricity Commission of New South Wales. From overseas, an order for thirteen 180 MVA three-phase transformers for the Niagara Power Project is the most valuable contract for transformers yet placed in this country, whilst the 225 MVA unit on order for the Central Electricity Generating Board at Willington is the largest individual three-phase transformer yet to be produced for service at home.

The level of activity of the Distribution Transformer Group has been maintained.

ELECTRONIC DIGITAL COMPUTERS

The production of Electronic Digital Computers has progressed steadily, and a total of sixteen Pegasus and four Mercury Computers has now been delivered. Work is well advanced on the Perseus Computer, and the first of these equipments will be delivered shortly. Perseus is the latest and one of the most powerful data-processing computers in the world, and is specifically designed for large-scale commercial data-processing.

The first computing system developed in conjunction with Powers-Samas Accounting Machines Ltd., is expected to be ready for demonstration by mid-1958. The ever-increasing interest in the application of digital computers to problems of industry and commerce is shown by the fact that no less than 1,620 people visited our London Computing Centre during the year, and 78 firms carried out computations on a fee-paying basis on the machine there.

The output of Semi-conductor Devices has been trebled, and demand shows every indication of continuing to expand. Development work is still proceeding on a considerable scale, and we are confident of maintaining the lead which we at present hold in high-reliability Silicon Diodes and in high-power Silicon Rectifiers.

A new range of Industrial and Radar Cathode-Ray Tubes has been very well received by the Electronics industry, and production facilities have been set up for a range of Metal-to-Ceramic Seals which has already found wide applications, particularly in the aircraft industry.

GUIDED MISSILES

In the field of Government Equipment, our Guided Weapon activities have continued at full strength during the year. The Bristol/Ferranti Bloodhound is the first ground-to-air pilotless interceptor to be deployed in the air defence of the United Kingdom, and we consider it to be technically in advance of its US and UK competitors. Many highly successful trial firings have taken place both in this country and at Woomera.

Further large export orders have been received for new Radar Equipment, and both the home and export orders received for such apparatus have been the highest on record.

Satisfactory technical progress continues to be made in the development of a new Radar Fire Control System for the English Electric P1.b Fighter Aircraft.

The report was adopted and at a subsequent Extraordinary General Meeting the proposed increase of capital and capitalisation of reserves were approved.

THE TRUSTEES CORPORATION LIMITED

SIR EDWIN HERBERT'S REVIEW

The Seventieth Annual General Meeting was held on July 30th at Winchester House, E.C.2. Sir Edwin Herbert, KBE, LLB, the Chairman, in the course of his speech, said:

The gross revenue at £672,271 shows an increase of £28,164 over the previous year. The Net Revenue for the year after providing £317,817 for Taxation amounts to £341,580, an increase of £21,343. The dividend on the Preference Stock takes £22,640 and the interim dividend of 7 per cent on the Ordinary Capital took £60,375. We now recommend a final dividend of 19 per cent on the Ordinary Stock (making 26 per cent for the year) and after transferring £85,000 to General Reserve, bringing this up to £750,000, there remains £9,690 to be added to the carry forward, making the latter £106,888.

The market value of our investments at £10,243,027 compares with the previous year's figure of £11,327,459.

The primary aim of the investment trust movement is to cater for the small investor who can invest his savings with the knowledge that they will be protected by a diversified portfolio managed by those who have an intimate knowledge of such matters.

To show the extent to which this intention has been realised by this Trust there has been prepared a statistical record covering the past twenty years which appears on page 10 of our Report.

If one had invested £100 in our Ordinary Stock in 1939 and in 1956 taken up the "rights" attached to the holding, the investment to date would have cost £135. This investment is now represented by 370 Units of 5s. each, which today has a market value of over £460, an increase on his capital of £325.

It has been estimated that the pound of today only has the purchasing power of approximately 7s. as compared with the 1939 pound, so if we make allowance for that in calculating the present worth of the holding it still has a value of approximately £160 in terms of 1939 pounds.

Over the same period it will be seen our dividend has risen from 10 per cent to an equivalent of 39 per cent, i.e. 26 per cent paid on capital increased in 1955 by capitalisation of reserves.

From these figures you will see that throughout a period of considerable inflation this Trust has preserved and even increased the purchasing value of the 1939 investor's capital and at the same time provided him with a steadily increasing income.

As we have already announced, we intend to recommend the capitalisation of £750,000 of our reserves and the issue to Ordinary Stockholders of one 5s. Unit in respect of every two 5s. Units held. This operation will not, however, take place until next October. The proposal to make this issue should not be taken to indicate any change in the Directors' policy with regard to the proportion of the Trust's income to be distributed.

It is as yet not possible to make any forecast as to what we may expect in the coming year. Barring circumstances outside our control, I hope that we shall be able at least to maintain the present rate of dividend, adjusted of course to the proposed capitalisation of reserves.

The report was adopted.

GROSVENOR HOUSE (PARK LANE)

ANOTHER SUCCESSFUL YEAR

The thirtieth annual general meeting of Grosvenor House (Park Lane) Limited was held on July 31st in London, Sir Charles Taylor, MA, DL, MP (Chairman), presiding.

The following is an extract from his circulated statement:

I am pleased to report another successful year for your Company.

Two floors of the new wing were brought into service six weeks before contract date and the remaining floors were all ready for use on or before contract date. As a result we benefited materially in September and October last year from the letting of these new rooms.

Banquet turnover has continued to rise and the Restaurant and Grill Room, Lounge and Cocktail Bar have again shown increases. I predicted last year that the full effects of increased operating costs would be felt during this year. In fact towards the end of 1957 Salaries, Wages and other direct costs increased very materially and there will be even greater increased costs from the beginning of April this year.

In spite of this we can look forward to the future with restrained optimism, but I must point out, that our business is very sensitive, and if for instance the economic recession in the United States became worse it would be serious for us. All we can do is to ensure that the business is operated efficiently, that the financial direction remains conservative, and at the same time the Shareholders reap a fair reward when there is a reward to be reaped.

ADDITIONAL ACCOMMODATION

Ninety additional bedrooms, two additional suites and twenty-four new staff rooms have been put into service, and judging from the reception they have had, we have given our customers what they want, modern, dignified and luxurious rooms.

The alterations to the wine cellar, the new goods off-loading bay, the new linen room and various other alterations below ground have been completed. These additional services were necessary for the business as a whole, but of course will not directly earn more revenue.

During the year your Directors have been urged from several sources to build one or more new hotels. As I said a year ago, we are keen to expand your business and to support plans for increasing tourist business, but we are satisfied that it not an economic possibility to build a large modern hotel in central London without including mixed development such as shops or offices. We have, however, urged upon the Government that a new attitude should be taken towards hotel investment, particularly in view of the contribution that hotels make to the balance of payments.

Although we are largely dependent upon the political and economic situation of the world at large, it is true to say that we are now in a position to face the future with more confidence than at any time since the Company was formed. The prestige of Grosvenor House has grown greatly and the management is efficient. A great deal of the credit for this is due to our Managing Director, Mr A. H. Jones, MBE.

The report was adopted and a dividend on the Ordinary Stock of 9d. and a bonus of 3d. per 5s. Stock Unit were approved.

THE LONDON COUNTY FREEHOLD & LEASEHOLD PROPERTIES

PROPERTY REVALUATION

The annual general meeting of The London County Freehold and Leasehold Properties Limited was held on July 28th in London. Mr Thomas J. Cullen (Chairman and Managing Director), presided and, in the course of his speech, said:

Our gross income, including that of our Rhodesian subsidiary, amounted to £2,782,391. Net Revenue, after all outgoings, except income tax, profits tax and interest payable, was £1,060,287. Income tax and profits tax other than profits tax attributable to dividends took £412,804. The proposed final dividend of 8d, less tax, per 10s unit of ordinary stock, makes a total of 1s 7½d, less tax, for the year.

Last year I gave you figures emphasizing the small margin of profit on the rents charged and the high cost of rates and taxes. The company's tenants realised that the rents—especially taking into account the ever increasing cost of services—generally speaking, were uneconomic as a result of rent control. As far as flats becoming decontrolled are concerned, the vast majority of tenants have accepted our proposals for the revision of their rents. Indeed I think it would be true to say that such proposals were readily accepted.

The increases from properties previously rent controlled will be substantially more in the ensuing year than they were for the past year. In the year 1959/60 there will be further increases.

Perhaps we ought not to overlook the possibility of the Socialist proposals for dealing with residential property being put into effect at some future date. It is almost impossible to know what the effect of those proposals would be if they should ever be brought into operation. But of one thing I am certain; if they were, the community as a whole would face higher costs and less comfort. One can only hope that wiser counsels will prevail.

RHODESIAN INTERESTS

In spite of rather more difficult economic conditions in Rhodesia, both Dolphin House, our office property, and Dorking House, our block of flats in Salisbury, continue to give us a satisfactory return. We are also, as you know, constructing a new office property in Salisbury. We expect it to be completed in 1960 with the result that in the year 1960/61 the net income from Rhodesia will be substantially greater.

As a result of a revaluation of our properties we arrived at a valuation of £17,458,089 as at April 1st last. This, after deduction of depreciation and amortisation, represents an increase of £5,551,709 on the previous book value.

At an Extraordinary General Meeting there will be proposed an increase of our authorised share capital by £5 million to enable us to make a bonus issue of £5,080,122 ordinary stock. That will give a more realistic picture of revenue earned in relation to the capital invested. The Directors will, in the absence of unforeseen circumstances, propose a total dividend on the increased capital of 8d per 10s unit for the year to March, 1959.

The report was adopted and at the subsequent extraordinary general meeting the proposed increase of capital and scrip issue were approved.

8 AUG 1958 PUBLIC DEPARTMENT

HOUSE OF FRASER LIMITED

RECORD SALES

MR HUGH FRASER ON FURTHER EXTENSION OF INTERESTS

The 17th annual general meeting of the House of Fraser Limited was held on July 30th in Glasgow, Mr Hugh Fraser, DL, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The Consolidated Profit and Loss Account includes the earnings of new Subsidiaries only from their respective dates of acquisition, but as explained in the Directors' Report, the holders of the additional "A" Ordinary Stock issued as part of the transfer consideration relative to these transactions, are entitled to a full year's Dividend. On account of this exceptional feature, the amount of Unappropriated Profits remaining available for distribution has been reduced in comparison with the amount brought in from the previous year. Stockholders will of course appreciate that the transfer of £398,253 to Capital will not be required in future years from the earnings of these new Subsidiaries and accordingly the Profit and Loss Account may properly be regarded as covering a transitional period in the Company's expansion.

The variations in the amounts of the separate items shown in the Consolidated Profit and Loss Account arise mainly on consolidation of the Accounts of the new subsidiaries, and the Net Profit of the Group is increased to £869,309 (£822,223), after charging the very considerable sum of £1,402,076 (£1,150,275) for Taxation.

BALANCE SHEET FEATURES

In the Consolidated Balance Sheet, the Assets and Liabilities have generally increased in amount, on inclusion of the corresponding items from new subsidiaries. As regards freehold and leasehold properties, the properties of John Barker & Company Limited are brought in at valuation by Messrs Healey & Baker made in December, 1957. The increased value of leasehold properties arises entirely from this source, and no account has been taken of the valuable long leases of properties in Scotland and England occupied by the Parent Company or by Binns Limited. The freehold properties of Wylie & Lochhead Limited which are known to have substantial surplus value, have been brought in to this Account at their existing Book Value.

As stated in the Directors' Report, the Company has expended £1,086,328 in cash within the year, as part consideration for investments in subsidiary Companies. A corresponding reduction in the balances on Current Account is apparent, but the Board is satisfied that all requirements of the Company presently contemplated can be met out of the resources available to the Group.

The Net Surplus Assets of the Group at Book Value, or where applicable, after revaluation, is represented in the Consolidated Balance Sheet by Share Capital and Reserves amounting to £18,687,942, showing an increase of £1,872,658 in "A" Ordinary Stock in issue, and of £11,016,522 in Reserves.

A further extension of the Company's interests was effected in the first month of the current year, when the whole Ordinary Stock of Arthur & Company Limited was acquired in exchange for £141,600 in cash, and an issue of fully paid shares converted into £177,000 "A" Ordinary Stock. The entry of Arthur & Company to the Group renews an interesting family association, as my grandfather and Mr James Arthur were in partnership over a century ago, when the original businesses of the Parent Company and of the new subsidiary were founded.

SUCCESSFUL YEAR'S TRADING

A review of the year's working shows a satisfactory increase in the value of sales, but the additional profit on turnover was, to a considerable degree, absorbed by increased working costs. As I indicated in my last Statement, the unsettled labour situation in parts of the country affected certain areas for a time, but the year's trading was on the whole successful. For this I am happy to acknowledge the efforts of the staff throughout the Group in achieving record sales under varying conditions which must frequently tax their ingenuity to overcome.

On a long term view, I have little doubt that the prospects for further development of the Group Trading are favourable. Indeed, in considering the values of Assets employed throughout the Group, the Board is conscious of the desirability of maintaining a due relationship between earnings and the valuations disclosed.

In the current year however, there has been considerable disturbance to trade through labour disputes, and to a lesser extent through political uncertainties. With the exception of the Barker Group which has been adversely affected by the transport strike in London, the Profits to date have been fully maintained, and I feel sure if normal conditions prevail for the remainder of the year, that the Barker Stores will make good the temporary setback in their expansion programme.

ANALYSIS OF GROUP'S PROGRESS

An analysis of the expansion and reorganisation of the Group over the period of 21 years from 1936 to 1957, shows that 54 retail stores have been amalgamated directly or indirectly with the original business of Fraser Sons & Company, founded by my grandfather in 1849. Exactly one-half in number of these additional establishments were formerly operated as family businesses which were sold to the Group by the retiring proprietors or by their executors. The remaining stores originally formed part of the undertakings of four Public Companies, also closely identified with family enterprise. The names of the various founders are preserved in the numerous trading styles used by the Company's branches, and representatives of their families are still associated with the Group as Directors or Executives, or are recognised by payment of voluntary pensions for past services.

The report and accounts were adopted.

TRUST HOUSES LIMITED

RETENTION OF PROFITS ESSENTIAL

The fifty-fifth Annual General Meeting of Trust Houses Limited was held on July 25th at Brown's Hotel, Dover Street, London, W.

In the absence of Captain A. R. S. Nutting, the chairman, through indisposition, Sir Geoffrey Crowther, the vice-chairman, presided and in the course of his speech said that the year had been a good one financially, the trading profit being some £134,000 larger than it was in 1956-57. The board proposed a final dividend of 6 per cent, making the total distribution on the Ordinary capital 10 per cent, which is the maximum permitted by the Company's Articles of Association.

Commenting on a request made by several shareholders at last year's meeting that the ceiling on the dividend might be removed or at least lifted, Sir Geoffrey said that the constitution of the company gave rise to complications and difficulties considerably greater than might be supposed at first glance. All he could say was that the matter was still under the most active consideration.

He continued: You will find in the profit and loss account a figure of £340,953, which is stated to be the "Net Profit for the year." This figure is nearly two and two-thirds times the total of dividends paid and proposed. Nevertheless, in the considered judgment of your directors, the profits do not at present include any margin, above the 10 per cent, that could safely be distributed.

Let me try to explain this. We do not, in so many words, provide anything for the depreciation of the fixed assets. In the past year, in lieu of depreciation, we have spent £657,962 in the maintenance of the houses and their contents. The sum set aside for improvement and development of properties this year is £200,000 and though this is the largest such appropriation that we have ever made, we regard it as being, if anything, too small. I must emphasise that this ploughing back of profits into our properties is absolutely essential if we are to maintain our position in this very competitive business.

Sir Geoffrey said that since building restrictions and other limitations were removed in 1952, they had concentrated their main attention on deferred repair and maintenance work and on bringing every Trust House up to the standard of modernisation, decoration and repair that they like to uphold.

He concluded: This postwar period is now coming to an end and we have a number of major jobs which are already in mind and may before long be in hand. When they are, you will see that development reserve suffer depletion, and you will, I fear, see all too clearly how small it is. In these days, £440,000 does not go very far when it is a question of reconstructing hotels.

It is not my purpose to depress you. There is always hope for the future, and I can tell you that the current year has begun well. But I do want to impress upon you your board's view that it is not only the limit in the Articles that keeps the dividend down to 10 per cent but also the real necessities of the business. Even if the Articles permitted it, we should have to earn more before we could pay more.

The report and accounts were unanimously adopted.

ALLIED IRONFOUNDERS LIMITED

IMPROVED TRADING RESULTS

The following is an extract from the annual statement circulated by Mr [illegible] Wren, Chairman of Allied Ironfounders Limited.

The trading profit for the year is £2,517,875, an improvement of £230,441 over the previous year after taking into account a loss of £270,061 in Australia compared with £268,092 in 1957. Provision for depreciation again shows a substantial increase at £474,714 and must continue to increase each year whilst our capital expenditure continues on a heavy scale. As a result of the improved profits the taxation charge has increased by nearly £100,000 to £1,262,138. The general reserve is raised by £446,187 to £3 million and a final ordinary dividend of 8¾ per cent is recommended, making 12½ per cent for the year. The company's financial position is strong, current assets exceeding current liabilities by well over £5 million.

THE YEAR UNDER REVIEW

The year's results have proved, I hope you will agree, to be satisfactory. The increase of £230,441 in group trading profits is derived from the UK companies and the South African subsidiary. The figures are even more satisfactory in view of the fact that some of our Works have had to endure a period of short time working. Some are still on a four-day week and we have again had to face losses in Australia. Labour relations throughout the group have been satisfactory.

The British Bath Company Limited.—This company is by far the largest of our three foundries which together permit us to claim to be the largest individual producer of baths in the UK.

Leisure Kitchen Equipment Limited has added greatly to its output capacity and as a result has done very well this year with increased turnover and profit. This company has more than maintained its high reputation for the quality of its enamelled and stainless steel sinks during this period of increased output.

The Heavy Duty Cooking Equipment Division has made further progress during the year and has secured contracts, important in both money and prestige value, at home and overseas.

EXPORTS

The group's total of export sales is down on last year except in the Heavy Duty Cooking Equipment Division. We have a keen Export Department which, despite the difficulties of quotas and similar restrictions in some countries, continues to maintain close touch with all our traditional markets.

After reviewing the company's interests in South Africa and Australia, the statement continued:

PRODUCTS

Among the very wide range of cookers, hot water boilers and open fires made by Allied are the now internationally known names of *AGA* and *RAYBURN*, which are still the leaders in providing the cheapest combined cooking and hot water facilities. Although the past few years have shown a drop in the sales of the free standing type of cooker-cum-water heater, I am confident that a reasonable demand for these tried and proven appliances still continues. A new and cheaper Aga cooker will be marketed under the name of *AGATHERMIC* in July when a restyled Rayburn cooker—available in attractive gay colours—will also be on sale. Interesting new developments in appliances to provide whole house heating with warm air are taking place; one of these is the *AGAVECTOR*, which is already established in the market and should do well when the open plan type of house becomes better known. We also have on field trials larger models of the Rayburn Oil-fired Boiler as well as whole house heaters using solid or oil fuel.

PROSPECTS

The fortunes of your group of companies are almost entirely identified with housing, be it new building, the modernisation or conversion of old houses, or the replacement of out-of-date solid fuel-burning appliances by more modern and economical types.

After commenting on the slowing down of the housing programme as an anti-inflationary measure, the statement continued:

Even if the building outlook does change for the better in the next few months, and there is no immediate evidence available to me at this date that it will, time will be necessary for the full momentum to be resumed. Meanwhile, sales are slightly lower than last year, but when conditions improve your Company will be more than ready and equipped to meet the demand. We are pressing on with work in our laboratories to improve our existing appliances and to design new types based on our wide experience of the domestic appliance market.

BRITISH SUGAR CORPORATION

BEET TONNAGE EXCEEDS 4,500,000

The 22nd annual ordinary general meeting of British Sugar Corporation, Limited, was held on July 29th in London.

The following is an extract from the circulated address of the Chairman for the year ended March 31, 1958:

As a result of the wet autumn and lack of frost during the winter of 1956-57, seedbeds on the heavier soils were indifferent and the crop got off to a slow and unsatisfactory start.

This, combined with the earliest attack of virus yellows disease which has yet been experienced, affected both yields and sugar content, particularly in East Anglia, resulting in a reduction in national yield of beet of approximately ½ ton per acre, and of sugar 1 per cent, compared with the average of the previous five years. There is no doubt that the loss would have been greater had it not been for the control measures taken by sugar beet growers, for the first time on a large scale in this country, in spraying their crops with the new systemic insecticides.

OUTPUT FIGURES

The tonnage of beet delivered was 4,539,359, or an average yield of 11.20 tons per acre, which nine years ago would have ranked as a record for the country. Our output in terms of white sugar was 557,899 tons. The production of dried pulp in all forms from beets delivered amounted to 318,507 tons and of molasses 228,118 tons. Pulp nuts have been received enthusiastically by farmers and the plant, which has produced 3,374 tons during the last campaign, will be increased to turn out 10,000 tons next campaign.

Our spring and autumn mechanical demonstrations were carried out and were very well attended. Progress continued, and it is estimated that 55 per cent of the 1957 crop was harvested mechanically compared with 1 per cent in 1946. Some 36 per cent of the crop was sown with processed seed for use in connection with the mechanisation of the spring work, and with the object of reducing hand labour.

With regard to factory operations, the percentage of sugar extracted has been further increased, labour and coal consumption figures per ton of beet have again been reduced, and with the average daily slicing capacity of 47,346 tons, all round records have been achieved.

As our future programme of renewal and modernisation was largely dependent upon new legislation, capital expenditure during the year at £680,000 was lower than usual pending the passing of the Sugar Act, 1956. The main item was the installation of a modern extraction plant at the Wissington factory, which has resulted in considerable savings, and the opportunity was also taken to introduce automatic control for the major part of the process. A further move in the direction of automatic control was taken by the installation of continuous juice filters at our Kelham factory, which have successfully worked their first campaign and have resulted in a saving of labour and in better working conditions.

THE SUGAR BOARD

Under the 1956 Act the Sugar Board has two main statutory obligations. Firstly, it purchases Commonwealth sugar at the price negotiated under the Commonwealth sugar agreement. Secondly, the Board's statutory arrangements with the Corporation have the effect of ensuring that the Corporation will be able to pay the guaranteed price for its raw material, sugar beet, as determined by the Government at the annual farm price review.

The industry is fortunate in having a research and education committee financed jointly by the Corporation and the growers which is able to concentrate entirely on the sugar beet crop. The findings of the scientists and research workers concerned are conveyed to the sugar beet grower through the Corporation's agricultural development department and field staff with the minimum delay. Improvements of seed, manuring of the crop, mechanisation and labour saving, control of weeds, pests and diseases are but a few of the problems dealt with in this manner.

RESEARCH DEPARTMENT

The Corporation's own research department and central laboratory continue to give valuable service. Constant study is applied to new uses for the products of the industry. Visits were made by members of our staff to the United States of America to study the American sugar industry and to several European countries and through such visits, our technical experts keep abreast of the latest agricultural and technical developments. Many visitors from overseas sugar industries attended our technical and agricultural conferences, thus providing a continuing exchange of information and ideas.

The report and accounts were adopted.

NYASALAND RAILWAYS LIMITED

The annual general meeting of Nyasaland Railways Limited was held on July 30th, in London, Mr W. M. Codrington, CMG, MC (the Chairman) presiding.

The following is an extract from his circulated statement: Operating receipts amounted to £1,089,924 compared with £1,036,454 in 1956, an increase of 5 per cent. Expenditure, however, rose from £819,031 to £881,682, an increase of 8 per cent, leaving a net operating surplus of £208,242 compared with £217,423 in 1956, a decrease of 4 per cent. The ratio of expenditure to receipts was 80.89 per cent compared with the 1956 figure of 79.02 per cent.

After providing £61,250 for interest on the 3½ per cent First Debenture Stock and £111,607 for interest on the 3½ per cent Consolidated Income Debenture Stock, we have been able to recommend an increase in the distribution to the Ordinary Shareholders from 5 per cent to 6 per cent.

Under the provisions of the Finance Act, 1957, this Company qualifies as an Overseas Trade Corporation. As a result, the Company's liability to United Kingdom income tax has been reduced by approximately £40,000.

ECONOMIC AND POLITICAL DEVELOPMENTS

The economic development of the country which we serve has been more rapid in the last three years than ever before: but symptoms are not lacking of an element of inflation in the present state of affairs. And it has yet to be seen whether the recent rapid progress will be maintained in face of the credit squeeze which is now being applied in the general economic interest of the Federation.

The political factor is becoming increasingly important in the future of Nyasaland as a part of the Federation. The basic principle of what is perhaps one of the most interesting constitutional developments upon which our nation has ever embarked in Africa is one of partnership between all races. The realisation of this principle demands a high degree of forbearance by all; and it would be idle to pretend that differences of opinion do not exist about the rate at which progress can be made towards its realisation. There is undoubtedly a genuine desire on the part of many Europeans settled in Nyasaland to see an increasing number of the large African population fit themselves for a greater participation in the industrial, commercial and political life of the country. Our Company for many years, and in spite of many disappointments, has been trying to train Africans for positions of greater responsibility and higher remuneration; and our efforts in this direction are continuing. To pretend that it is easy to inculcate in Africans accustomed to a very elementary standard of civilisation the necessary skills and, above all, a sense of responsibility, would be grossly misleading. But we have achieved some progress through our apprenticeship schemes and through the activities of our welfare organisation. Meanwhile, though as yet it represents only a fraction of our staff, we are trying to help the African Trades Union to develop on sound industrial rather than political lines.

In other spheres the Government and other employers are striving in the same direction. Particular mention might be made of the Government's plan for the creation of a class of "master farmers" trained to cultivate, by modern methods, smallholdings capable of providing them with an income and a standard of living far in excess of that usual in African villages.

It is on the realisation of ordered progress in the economic as well as in the political field that the future of our Company depends: and we shall watch with interest and sympathy the emergence of an African middle class which, with a stake in the country, can contribute not only to its economic progress but to its political stability. Our faith in the future of Nyasaland is evidenced by the steps we have taken and intend to take to increase the carrying capacity of your Railway.

FRESH CAPITAL

Believing as we do that the progress of Nyasaland will make increasing demands on the facilities we offer, we have for some time been investigating the possibility of raising fresh capital. This, as I warned you last year, will necessarily take precedence over the Ordinary Shares.

While traffic receipts since the beginning of 1958 have risen slightly, partial drought in the tea growing districts may reduce exports of that commodity by anything up to 20 per cent or even 25 per cent. The out-turn of the tobacco harvest is also at the moment uncertain. We can, however, I think contemplate this year's operation with qualified optimism.

The report and accounts were adopted.

SIMMS MOTOR & ELECTRONICS CORPORATION LTD.

MR G. E. LIARDET'S STATEMENT ON 1957 ACCOUNTS

At the Annual General Meeting of Simms Motor & Electronics Corporation Limited held on July 25, 1958, Mr G. E. Liardet (Chairman) in the course of his speech said:

The acquisition of Motor & Electronics Corporation Limited (MEC) implements our policy of diversification and expansion.

On December 31, 1957, Simms Motor & Electronics Corporation Limited became a Holding Company only, with the object of co-ordinating the activities of the operating companies.

The Fixed Assets have been revalued at the Finchley factory and in all the companies of the MEC group, such revaluations producing a substantial surplus over the net book values at December 31, 1957. These adjustments have not affected the 1957 Profit, but there will be a substantial increase in depreciation charges in 1958.

The year has been one of progress, and the trading profit before tax is £927,861 compared with £841,711 in 1956.

A further £171,475 has been transferred to General Reserve, which now stands at £900,000.

Your Directors recommend a final Ordinary Dividend of 5½d. per share, which with the Interim Dividend of 6d. per share is equivalent to 1s. 10½d. compared with 1s. 9d. per share paid on the smaller capital at December 31, 1956.

The balance of profit carried forward in the Holding Company has increased from £392,788 to £459,946.

Demand for Group products continued to rise during the year, notably fuel injection equipment for diesel engines, in which sphere I think we can justly claim to be the world's leading manufacturers.

The report was adopted.

RUSTON & HORNSBY LIMITED

INCREASED TURNOVER

The sixty-ninth annual ordinary general meeting of Ruston & Hornsby Limited was held on July 30th in London, Mr W. J. Ruston, chairman, presiding.

The following is an extract from his comments for the year ended March 31, 1958:

Group Net Profit after taxation is £645,684 compared with £693,956 in the previous year. The Net Profit of your company is £506,004 (last year £612,656).

The net earnings of the Group are down on last year, but in part this is accounted for by a further reduction in income from trade investments. We have had to meet a further rise in costs following the wage increase in the engineering industry which was negotiated nationally in May 1957.

I have in the past joined in the general condemnation of the Profits Tax and more particularly the principle of discriminating against dividend distribution. I am glad to see this objectionable principle abolished. However, it is encouraging for companies to know that there is no longer a potential liability to the distribution charge in respect of profits already ploughed back. Even so, the new flat rate of 10 per cent together with Income Tax at 42½ per cent means a taxation burden in excess of half the profits of a business.

INCREASED OUTPUT

I am glad to be able to report an overall increase in the output of the Group, but it is a matter for regret that the uneven spread of this increase to which I referred last year has repeated itself in the year under review. Whilst in some sections of our factories activity has been maintained at a high level, there are others where there has been a shortage of work and it has been necessary to introduce short-time working for occasional periods during the year.

During the year the percentage of our exports, both direct and indirect, rose to a figure considerably in excess of 80 per cent of our turnover.

Exports have expanded to Australia, Argentina, Canada, Iran, Siam and certain European Countries.

NEW MODELS

During the year, after extensive field testing, we have introduced further new models of diesel engines which are already proving efficient and popular in many markets.

Sales of our standard Mark TA Gas Turbine continue to expand. Our Boiler Works and Fabricating Shops are very fully occupied.

Our new Research Centre has been in full operation during the year.

Whilst during more recent months the rate of orders has improved, the pattern of these orders is unbalanced, resulting in certain sections of our factories working well below capacity. Foreign competition—particularly German—is intensifying. Increased costs have resulted in a further reduction in an already low margin of profit.

Having regard to the situation as I see it today and unless some of the difficulties I have mentioned are overcome, the prospect for the immediate future can only be described as uncertain.

The report and accounts were adopted.

DERBYSHIRE STONE

SATISFACTORY PROGRESS IN A DIFFICULT YEAR

The Twenty-second Annual General Meeting of Derbyshire Stone Limited, was held on July 24th in London, Mr John Hadfield, MSc, ARIC, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The Group net profit after taxation was £152,343. Taxation over-provided in previous years amounted to £9,170, and the amount retained in the Group is £87,071. Expenditure on capital account during the year amounted to £193,224.

The roadstone department of the Company was less busily engaged than in the preceding year. In my statement last year I reported that no major road schemes were being carried out in areas which could be reached economically from our works in Derbyshire and Staffordshire. A similar position existed in the year under review.

In the last six months of our financial year there was some considerable reduction in demand for our products for metallurgical, chemical, and building purposes.

The heavy fall in the price of lead affected the profitability of the lead mining activities of our wholly owned subsidiary company, Matlock Lead Mines Limited, but, in spite of this, the removal of ore and development at Riber Mine continue.

The handicaps imposed on the Company by the difficulties referred to were neutralised to a considerable degree by other sales from the extensive miscellany of the Company's products and by the increasing efficiency and productive capacity resulting from capital expenditure in previous years.

CAPITAL EXPENDITURE 1958-59

The expenditure on capital account authorised by the directors is £228,000. The purposes to which the expenditure will be applied are plant erection at Shotton, expansion of output capacity at a number of the Company's works, additions to the Company's fleet of road haulage vehicles, technical improvements, the manufacture of new products, welfare schemes and further improvements of amenities.

Some of the Company plants have capacities considerably in excess of present demand. These plants carry full overhead charges, and if demand increases a higher ratio of profitability should result.

After referring to the formation of a new company, Shotton Slag Limited, and the progress of Caldon Low Quarry, Staffordshire, the statement continued:

The volume of sales from April 1st to date has been very good in spite of the falling off in demand for certain of the Company's products already referred to. I hope that this lower demand is temporary and I incline to the view that the position will improve as the credit squeeze is relaxed.

I am of the opinion that the volume of sales of roadstone should not be less than that of the previous year and, taking an overall view, I consider that unless there is some major disturbance in the national economy, affecting our trading, the results for the current year should be quite satisfactory.

The Derbyshire Stone Group is as well equipped as any organisation in Great Britain for the production of road materials and the basic quarry products and certain other minerals required by many industries and once again I express my very great confidence in the Company's future.

MANAGEMENT

The importance of ensuring a continuation of good management in a Company cannot be over emphasised. Derbyshire Stone Limited is well served by its staff at every level and among the higher executives there are men who have the qualifications which fit them for director responsibility. I do wish to place on record my opinion that the efficient conduct of the Company's affairs in coming years will be fully maintained.

The report was adopted and a dividend of 17½ per cent on the issued Ordinary Stock approved.

CHARRINGTON, GARDNER, LOCKET & CO.

RECORD RESULTS

The fifty-fifth annual general meeting of Charrington, Gardner, Locket & Company Limited was held on July 25th in London, Sir John Charrington (the Chairman) presiding. The following is an extract from his circulated statement:

It is gratifying to be able to report a satisfactory improvement in profits, confirming the expectations expressed when £500,000 of new Ordinary Stock was offered to the Company's Stockholders last summer. Indeed, the profit for the year 1957-58 is a record.

Your Directors recommend a Final Dividend of 5 per cent on the Ordinary Stock which makes a total of 9 per cent. This is the same rate of dividend as was paid for last year but is payable on the Stock now increased to £1,500,000.

The better results are due to improved profits from practically all sides of the Company's activities, though we were fortunate in benefiting from price increases in the summer of 1957.

We have virtually completed the programme of capital expenditure on which I reported to you three years ago. Expansion of our fuel oil business continues, and funds will still be required for this and other purposes in the future.

In the section of our business dealing with sales to industry, coal and coke as well as oil have shown better results, and this is gratifying because there has been some recession generally in industrial demand.

The tendency for sales of bituminous house coal to decline continues, particularly in the London area, but our sales of smokeless fuels show a steady increase.

DECONTROL FACED WITH CONFIDENCE

All control on the sale of domestic coal and coke will be lifted by the middle of July—a decision which I welcome in every way as it opens the door to further opportunities for the efficient and progressive distributor to expand his business. We face the freer conditions which decontrol will bring with confidence and enthusiasm.

In Lighterage, although there was no marked activity in the Port during the year, we have had a satisfactory year's trade.

Our sales of oil, both to industry and domestic consumers, have been quite up to our expectations and hopes, and the tendency to convert from coal to oil has continued. About a year ago we opened in the Birmingham area with a terminal depot at Bedworth, near Coventry. Our sales in this area have been such as to necessitate an enlargement of this terminal before next winter.

Our terminal at Poplar is now nearly completed, and will be formally opened in September next.

As the trend from solid fuel to oil continues, the value of our agreement with the Mobil Oil Company is confirmed.

The report was adopted.

THE SUNGEI KRIAN RUBBER ESTATE

SIR JOHN D. BARLOW'S REVIEW

The forty-ninth annual general meeting of The Sungei Krian Rubber Estate Limited was held on July 30th in London.

The following is an extract from the circulated review of the chairman, Sir John D. Barlow, Bart, MP:

The profit for 1957 was £61,276. There is an excess tax provision of £10,000 because of the Overseas Tax Provisions. £22,000 has been transferred to Replanting Reserve and £7,500 to Reserve for Depreciation of Investments. Taxation on current profits requires £23,000. It is proposed to pay a dividend of 3s. per £1 Stock Unit, less income tax, requiring £13,127. In addition to the dividend a Capital Surplus Dividend of 1s. per £1 Stock Unit, which is not subject to income tax or surtax, will also be paid.

I was appointed as one of the two British representatives of the Inter-Parliamentary Union to attend the "Merdeka" Independence celebrations on August 31, 1957. Unfortunately an accident prevented my going, but subsequently I visited Malaya and had the privilege of discussing matters of mutual interest with Tunku Abdul Rahman and other Ministers. Malaya has started well on the road to nationhood and it is hoped that the country will continue to enjoy its present high standard of living.

STABLE COMMODITY PRICES

The problem of stable commodity prices is attracting the attention of many Governments and individuals at the present time. There has been a series of forceful letters in *The Times* recently, in which the contributors urge the necessity of tackling this question in a forthright manner.

During the last 30 years we have seen the price of rubber vary between 1½d. per lb and 6s. per lb. Such violent fluctuations are a embarrassment to the producer, the country of origin and the manufacturers who use the rubber. It reduces the purchasing power of the rubber tapper, who may be one of the best customers for British made goods. This problem is common to many commodities and many countries, especially those within the Commonwealth.

Great Britain is trying to pursue a economy of protected wages, a welfare state and the highest standard of living in the Sterling Area on the one hand, with complete freedom of commodity prices on the other. Many people are questioning the method. The Commonwealth is becoming increasingly critical, as they are the people who suffer most.

But if the great manufacturing countries demand a welfare state and all that goes with it, then the commodity producing countries have a right to reasonably stabilised prices, otherwise their economy dissolves in chaos, which breeds unrest and Communism. It is not my purpose here to propose a stability scheme, but rather to point out the benefits which would accrue if all those concerned were to co-operate intelligently.

The report and accounts were adopted.

METAL CLOSURES LIMITED

FULL ORDER BOOK

The 22nd Annual General Meeting was held on July 24th in London.

Mr W. V. Esperson (the chairman), presided and, in the course of his speech, said:

The trading profit for the year amounts to £399,278, which is £13,950 greater than for the previous year, but the net result is practically the same owing to a greater allowance for depreciation and more taxation. However, I think you will agree that in a year beset as we were by many difficulties in the form of much higher costs for raw materials and for such services as electricity, gas and oil, the result is satisfactory; there was also a general increase in wages, and another serious difficulty we had to contend with was our want of manufacturing space.

Our total capital expenditure during 1957 amounted to £164,876. The commitments for capital expenditure outstanding at December 31, 1957, amounted to £67,000; of this sum approximately £30,000 has already been spent. We estimate that our capital commitments for the current year will be about £300,000; most of this will be expended on the new factory and on plant and machinery and sealing machines.

During the year our domestic business was well maintained, and we obtained a considerable number of new customers, but our export business was only just about on the same level as during the previous year, this is largely due to the fact that our licensees in various countries manufactured a greater number of their own closures. In all we exported to 37 countries, and in several of them, the most important, the consumption of pilferproof closures has increased considerably, and it is anticipated that further increases will be made in the future. We had a full order book throughout the whole of the year and our turnover was greater than for the previous year.

Our South African subsidiary made a reasonably satisfactory profit for the year ended December 31st last.

Much attention has been given to research and development with some gratifying results, and this aspect of our energies will be pressed energetically as we are fully alive to the fact that no company can expect to progress unless it devotes time and money to development work.

NEW FACTORY

I mentioned at the last Annual Meeting that we intended to build a new factory at Tipton; at the last minute doubts arose in regard to the eventual cost of preparing the foundations, and we determined to abandon that site for one quite close to our West Bromwich factory; namely at Kelvin Way; we have a 99 years lease on this site; work is proceeding on the erection of this factory, and we are hoping it will be completed by the end of the summer.

The work of erecting a new bay at our West Bromwich factory has been lately finished, and this will tend to alleviate somewhat our lack of manufacturing space.

During the first six months of the current year our output of closures and our sales have been greater than ever before, and to date there has been little sign of any recession in our business; we have a full order book, and we face the future with confidence.

The report was adopted and a total distribution of 27½ per cent was approved.

FERRYBRIDGE INDUSTRIES

WIDENING MARKET FOR PRODUCTS

The annual general meeting of Ferrybridge Industries Limited was held on July 25th in London, Mr F. C. T. Lane, FCA (the chairman) presiding.

The following is an extract from his circulated statement:

The net profit subject to taxation emerges at £250,361 compared with that of the previous year of £187,252.

Our overall trade has shown a satisfactory increase. Direct sales to a reasonably well spread export market accounts for approximately 17½ per cent of the 1957 total.

The period of the current year so far expired shows satisfactorily increased sales as compared with the corresponding period of last year. The continued development in design and purpose of our product is bearing fruit, including the special bearing requirements for Nuclear Power projects both at home and abroad and is enabling our sales to be more broadly based as regards consumer industries.

Your Directors are proposing to make a capital issue of ordinary shares of 4s. each to raise about £140,000. This will be a "rights" issue in the proportion of one share for six at a date to be determined, at the price of 9s. per share. Also to increase the capital from £500,000 to £650,000.

The year 1958 has opened in a satisfactory manner and given settled trading conditions we are hopeful that the progress of recent years will be continued.

The report was adopted.

TENNANT BROTHERS

INCREASED BARRELAGE

The seventy-sixth annual general meeting of Tennant Brothers Limited, was held on July 30th at Sheffield, Mr H. K. Wilson, chairman, presiding.

The following is an extract from his circulated statement for the year ended March 31, 1958:

It gives me great pleasure once again to report to you a most satisfactory increase in the barrelage of both draught and bottled beer.

At the World Beer Competition your Company won two prizes — two Prix d'Excellence—in a competition open to the world in respect of our now famous Gold Label Barley Wine, and the increasingly popular Lion Pale Ale.

The expansion in profits during the year under review is again a gratifying feature of the year. This is very largely the result of increased sales, not only of draught and bottled beers of higher quality but equally of the wines and spirits sold by your subsidiary companies.

The Consolidated Net Profit for the year amounts to £162,273, which is £32,762 higher than a year ago. Your Board felt justified not only in recommending a final Dividend of 10 per cent as before, but also in increasing the Bonus from 2½ per cent to 5 per cent, making a total distribution of 20 per cent for the year. Trade recession in other parts of the country may sooner or later affect your Companies, and it may not be possible to adhere to the present high level of distribution in future years.

The report and accounts were adopted.

E. K. COLE LIMITED

POLICY OF HIGH QUALITY AT COMPETITIVE PRICES

The Annual General Meeting of E. K. Cole Limited, was held on July 24th at Westcliff-on-Sea. Mr E. K. Cole, CBE, Chairman and Managing Director, presided and, in the course of his speech, said:

Our turnover substantially increased during the year largely due to our acquisition of Ferranti Radio and Television Limited, but, owing mainly to the initial but non-recurring expenses of establishing and organising the commercial side of the business, the profit margin remaining was almost negligible. This fact, combined with sharply declining Government requirements for certain electronic equipment for the armed forces and the cost of our efforts to gain new export markets accounts for the drop in trading profit from £891,536 to £811,162 during the year.

Television and Radio.—Domestic Television and Radio continued to contribute the largest proportion of our turnover and profit. Demand throughout the Autumn was again heavy. However, immediately after Christmas the retailers and public once again became obsessed with "budget fears," anticipating possible purchase tax reduction, and there was considerable hesitation about buying, with consequent effect on our turnover.

We have continued with fairly normal production, and shall be ready to meet an Autumn demand of normal dimensions.

We have an excellent new range of television and radio sets for the current year, some of which have already been released and are proving highly popular.

Ferranti Radio and Television Limited.—This new Company, established last year, has done well and its range of models has been favourably received.

In all our television and radio activities we are unfailingly continuing our policy of manufacturing products of high quality and reliability at competitive prices, and although in some cases this necessitates working on low profit margins, I feel that it is a policy that will continue to secure our leading position in the industry.

Electronics.—As anticipated, there has been a reduction in development work for Her Majesty's Government, though we still continue to supply both Her Majesty's Government and overseas Governments with a considerable quantity of equipment.

The work on reactor instrumentation still continues to prosper.

Our Airborne Search Radar is being used by BOAC for their Britannias, the Comet IV and the Boeing 707. In addition, we have supplied the equipment for use by the RAF, Transport Command, Aeronaves de Mexico SA, and Iraqi Airways.

Plastics.—During the past twelve months our wholly owned subsidiary, Ekco Plastics Limited, has made still further progress. Sales exceeded those of the previous year and turnover kept pace with the order book.

The Export Market.—We have continued our efforts in export markets and have maintained a considerable turnover.

Heating Equipment.—We have recognised the need to expand our activities in the heating field and we have recently added a range of attractive radiant fires to our catalogue. In addition, we have acquired the Warm-Glow Company Limited, one of the pioneers of electric blankets.

The report was adopted.

SMITH'S POTATO CRISPS

NEW RECORDS

The twenty-ninth ordinary general meeting of Smith's Potato Crisps, Limited, was held on July 30th in London.

Mr F. Le Neve-Foster, chairman, in the course of his speech, said:

The Net Profit of the Group, before taxation, amounts to £1,021,533 compared with the corresponding figure for the previous year of £877,302, an increase of approximately 16 per cent.

We have again established new records of production and sales during the year and turnover has been increased, both in number of packets of Crisps sold and figures realised, by more than 10 per cent. This has enabled us to carry the increased costs but the additional profit shown is small in relation to the total turnover figure. The growth of sales during the last ten years indeed has been remarkable; the 540 million packets sold in 1957-58 being considerably more than three times the number sold in 1947-48 when the figure was 168 million.

DIVIDENDS

The Directors recommend a Final Dividend of 20 per cent, plus a Cash Bonus of 7½ per cent on the enlarged issued capital resulting from the Share Bonus distributed in February. With the Interim Dividend already declared on the smaller capital this makes a total distribution of 40 per cent which is equivalent to a dividend of 37½ per cent for the year on the present capital. This compares with 37½ per cent on the smaller capital for the previous year which is equivalent to a rate of 30 per cent on the present capital.

Our new Corby Factory was completed during the year and has proved to be a great success both in production and for purposes of distribution; we have also purchased and opened a new freehold Depot at Chester. During the current year we are continuing our policy of development, including the establishment of a small factory near Liverpool and the purchase of a site at Plymouth for the erection of a factory there.

QUALITY THE KEYNOTE

As the figures show, the demand for our product continues to grow even with the larger production which we can now supply to the market. Quality is the keynote of our policy and we pay the greatest attention to all matters which are necessary to maintain it, using only high quality potatoes and the finest ingredients at all stages of processing. This imparts just that difference in taste and keeping qualities for which Smith's are famous. Unfortunately, our raw material comes in as Nature grows it and not to a standard specification and that sometimes creates problems in production and costings.

I make no apologies for repeating our slogan "There are no Crisps like Smith's Crisps." To the public, Crisps usually means Smith's Crisps.

There seems no doubt that the housewife is using Smith's Crisps more and more as a household food apart from the snack, picnic and bar business. The growing business in our Family Pack, retailing at 2s. 6d., is testimony to this. It is also possible that increased television viewing has added to house consumption because our product is so handy to eat while looking at the screen.

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

RIO DE JANEIRO LAND, MORTGAGE AND INVESTMENT AGENCY

The forty-third annual general meeting of Rio de Janeiro Land, Mortgage & Investment Agency Company Limited, was held on July 23rd in London, Mr Cyril W. Black, DL, JP, MP, FRICS, FAI, chairman, presiding. The following is an extract from his circulated statement for the year 1957:

The accounts for the year 1957 reflect the increased activities of the Group. Freehold and leasehold properties have risen from a book value at the end of 1956 of about £393,000 to a figure at the end of 1957 of over £950,000.

On December 31, 1957, we held quoted investments of a book cost of £31,900, with a market value at that date of £23,573. At May 31, 1958, our quoted securities had a book value of £56,345, with a market value of £61,000 and, during the five-month period January 1, to May 31, 1958, we had realised quoted investments at an aggregate profit of about £5,000.

The profit before taxation amounted to over £72,000, compared with a little less than £11,000 in the previous year; a very satisfactory increase indeed. Your directors recommend a final dividend of 15 per cent, less income tax (making 25 per cent for the year). I feel confident that shareholders will be satisfied with the results. We envisage a successful future for the company.

The report and accounts were adopted.

At a subsequent extraordinary general meeting a resolution was passed increasing the Authorised capital to £500,000 by the creation of an additional 7 million shares of 1s. each.

After the meeting the Chairman announced the board's intention to recommend a bonus issue on a one for one basis in the near future.

SOCIÉTÉ MÉTALLURGIQUE DE NORMANDIE

(Paris)

The annual general meeting of Société Métallurgique de Normandie was held in Paris on June 30th and the following are details of the report presented by the Board:

Output continued to rise and reached a total of 472,000 metric tons in 1957, an increase of 8.5 per cent over the previous year's total.

Subsidiaries maintained their progress and the Company acquired interests in several other enterprises.

Gross profits amounted to Frs. 3,696 million as against Frs. 3,510 million in 1956 and it was proposed to distribute a gross dividend of Frs. 750.

At an Extraordinary General Meeting held immediately after the Annual General Meeting, it was proposed to increase the capital to Frs. 6,000 million either in one or in several operations.

The report, the accounts, and the proposals put forward by the Board were adopted.

GRA TRUST

STATEMENT BY MR F. S. GENTLE, CBE

At the thirtieth annual general meeting of The Greyhound Racing Association Trust Limited, the Chairman, Mr Francis S. Gentle, CBE, reporting that Net Profits had increased from £93,000 to £119,000, said that there had been a small decline in average attendances and that it was more than ever important to study the interests of patrons in order to combat competition from other forms of entertainment.

Improved amenities, brighter advertising and a carefully planned increase in the televising of greyhound races were directed at expanding the community's interest in the sport.

A contract had been signed for the sale of Harringay Arena, which had been operating at a loss. Mr Gentle felt confident that this sale would be completed and that it would result in the Parent Company realising the written-down book value of its interests in Harringay Arena Limited, as well as obviating further losses through that company.

The Accounts were adopted, the proposed dividend confirmed and the retiring Directors re-elected.

HUDSON'S BAY OIL AND GAS COMPANY LIMITED

The following announcement is made by Mr R. C. Brown, President of Hudson's Bay Oil and Gas Company Limited:

Hudson's Bay Oil and Gas Company, Limited, and its subsidiaries had net income exclusive of non-recurring gains of $735,000 for the first half of 1958. This represents a decrease of $579,000 or 44 per cent from net income for the first half of 1957.

Mr R. C. Brown, the Company's President, stated that final net income for the first six months of 1958 was raised to $3,120,000 by gains of $2,385,000 from the sale of investments. There were no similar gains during the first six months of 1957.

Gross operating income of $9,619,000 declined $1,431,000 compared with the same period of last year. This decline resulted from lower volumes of sales and lower crude oil prices.

The Company's crude oil production averaged 20,404 barrels daily—down 3,299 barrels per day or 13.9 per cent from the first half of last year. This decrease which paralleled the experience of the Petroleum Industry in Western Canada was the result of a continuation of conditions of over supply and low demand which developed during 1957.

During the first half of the current year the Company completed 22.1 net exploratory wells—up 8.2 net wells over the same period of 1957. It completed 26.2 net development wells—a decrease of 13.6 net wells from the same period of the previous year.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

AN IMPORTANT TEXTILE ORGANISATION wish to appoint a man to be in sole charge of promoting a new venture to be launched in the near future.

This is a top level appointment and will ultimately lead to a seat on the Board. The successful candidate will be directly responsible to the Managing Director.

His major functions will cover:—

1. Promotional development.
2. Liaison with appointed users and distributors of the product in question.
3. Routine sales service.
4. Through appropriate agencies, he will also be in charge of advertising and publicity.

He should be of good education, appearance and between 35 and 45 years of age, and must have broad commercial experience of the Textile industry in all its phases with particular emphasis on Knitwear. Knowledge of the Retail trade would be an advantage.

The successful candidate must be able to give evidence of having operated successfully in a similar field, or impress the Board that by virtue of his educational background and experience he possesses the potential ability of making a success of the task the appointment carries.

Prospects are excellent. Salary and other considerations by arrangement. A car will be provided and there is a contributory Pension Scheme.

Applications, which will be acknowledged and treated confidentially, should state full details of career, qualifications, age and present earnings, and should be addressed to Urwick, Orr & Partners Limited, 14 Brown Street, Manchester, 2, quoting reference SP/1265 on the envelope.

ACTUARY for J. B. WERE & SON, a leading AUSTRALIAN STOCKBROKING FIRM with headquarters in MELBOURNE. Salary not less than £3,000 Australian currency per annum. Duties particularly concerned with the firm's gilt-edged market operations and underwriting of public body loans and in addition the study of economic trends and government financial policies, etc. Apply, giving full particulars age, experience and personal details, to George Lormer, Palmerston House, 51 Bishopsgate, London, E.C.2.

NEWMAN ASSOCIATION DEMOGRAPHIC SURVEY OF THE CATHOLIC COMMUNITY invites applications from Social Science graduates with some knowledge of statistical methods for the post of Research Statistician to work on urgent, important and interesting research in the field of Catholic education, religious and population statistics. Salary according to qualifications and experience. Particulars should be obtained without delay from Hon. Secretary, 31 Portman Square, London, W.1.

STAFFORDSHIRE COUNTY COUNCIL
EDUCATION COMMITTEE
FURTHER EDUCATION DEPARTMENT

WEDNESBURY COUNTY COMMERCIAL COLLEGE

Applications are invited from graduates in Economics or Commerce, with an interest in Statistics, for the post of RESEARCH ASSISTANT. The appointment will begin on September 1, 1958, for three years. Salary £500 x £25—£550.

Form of application, returnable by August 16, 1958, and further particulars relating to the appointment may be obtained from the undersigned on receipt of a stamped addressed foolscap envelope.

J. H. P. OXSPRING,
Director of Education.

Dept. F.E.,
County Education Offices, Stafford.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF SOCIAL STUDIES

Applications are invited for a Granada Television Research Fellowship of a value of between £1,500 and £2,000 a year, tenable from as early a date as can be arranged, for a period of up to five years in the first instance. The Fellow will be expected to undertake research into the public impact of television over as wide an area of inquiry as practicable. Provision has been made by the donors of the fellowship, Messrs. Granada T. V. Network Ltd., both for the appointment of such Research Assistants and clerical help as the Fellow may reasonably require and for additional expenses arising in the course of the research.

Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than September 30, 1958.

EDITOR to prepare MSS for printing. Good academic qualifications necessary.—Write to The Printer, University Press, Cambridge.

FOURAH BAY COLLEGE
SIERRA LEONE
(UNIVERSITY OF DURHAM)

Applications are invited for appointment as LECTURER in LAW. Candidates should be graduates and/or barristers-at-law. The person appointed will be responsible for the teaching of Law at all levels in the degree of Bachelor of Arts and Economic Studies of the University of Durham.

The appointment may be pensionable or on contract or agreement.

Salary £965 x £50—£1,415 x £75—£1,715. Entry Point according to qualifications and experience. Other conditions include children's allowances (maximum £300), passages on appointment and annual leave, part-furnished accommodation at rental not exceeding 7½ per cent. of salary.

Further information may be obtained from The Council for Overseas Colleges, 12 Lincoln's Inn Fields, London, W.C.2, to whom applications (6 copies) giving age, qualifications and experience, and naming three referees, should be sent by August 29, 1958.

THE GREAT EASTERN LIFE ASSURANCE COMPANY, Singapore, has vacancy for Assistant to General Manager. Applicant should have good indoor life assurance experience and be not more than 35 years of age. Salary in vicinity of £2,500 per annum to suitable applicant. Liberal staff bonuses have been paid in recent years. Successful applicant would be required to contribute 10 per cent of salary to the Company's Staff Provident Fund, the Company adding a similar amount. Housing provided at cheap rental. Long leave with paid passage after three years. Applications, with full details of educational qualifications and experience, to The Great Eastern Life Assurance Co. Ltd., Box 797, Singapore.

EXCEPTIONAL opportunity presents itself for two men, aged between 40-48, of proved executive ability, to join a large manufacturing group with Headquarters in the North West, with a view to appointment to Senior Management positions after satisfactory completion of initial probationary period. Candidates must have had executive experience, preferably with a large company, and unless this is purely commercial they must have a technical qualification in Accountancy, Engineering or other Science. Generous salaries paid from beginning, with excellent prospects of rapid advancement. Please send full details, in confidence, but photographs, references, etc., cannot be returned.—Write Box 983.

CHIEF WORKS ACCOUNTANT

Required by a large manufacturing organisation in the Midlands to take charge of cost accounting at its main and outlying factories. Applications are invited from qualified accountants, aged about 40, who have had wide experience in up-to-date methods of industrial cost accounting and are accustomed to responsibility and the management of staff. The position will carry a substantial salary and participation in a pension scheme.

Replies (which will be treated in strict confidence) should give full particulars of age, qualifications and past experience, and should be forwarded in the first place to Price Waterhouse & Co. 3 Frederick's Place, Old Jewry, London, E.C.2.

MARS LIMITED, the well-known Confectionery Manufacturers, have a vacancy in their Statistical Department for a young woman Economist. The department studies certain commodity markets intensively and the successful candidate's work will be mainly in the preparation of objective assessments of market situations. Applications are invited from women who have recently graduated in Economics or Statistics and who have a Bias towards Econometrics. The Company provides excellent conditions of employment with 3 weeks' holiday per year, non contributory pension and sickness scheme, with a salary of £600 per annum. Written applications should be sent to the Personnel Officer (Women), Mars Limited, Dundee Road, Slough, Bucks.

UNIVERSITY OF NOTTINGHAM
DEPARTMENT OF AGRICULTURAL ECONOMICS

Applications are invited from graduates in Agriculture or Economics for the following appointments at the School of Agriculture, Sutton Bonington, near Loughborough:

ASSISTANT AGRICULTURAL ECONOMIST. Salary scale £700 x £50 to £850, with superannuation benefits and family allowances.

RESEARCH ASSISTANT in Agricultural Economics. Salary scale £550 x £50 to £650.

Conditions of appointment and forms of application, which should be returned by September 1, 1958, from the Registrar, The University, Nottingham.

ECONOMIST. Vacancy for an assistant occurs on the staff of the Cotton Board Economics and Statistics Department. The possession of a good degree in economics or statistics is an essential qualification and some post-graduate experience either in industry or in research would be an advantage. Commencing salary within the scale £700/£900. Contributory pension sch Replies, stating age, details of education and e should be addressed to Director of Statistic Street, Manchester, 3.

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APPOINTMENTS REQUIRED

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AVAILABLE as salesman for Middle East and Africa, Pakistani National, 35, graduate, knowing English, Arabic, having 12 years' experience of independent Commercial Correspondence, Imports/exports, Indenting, Sales of Chemicals, Dyes, Pigments, Hosiery, Magazines and Provisions.—Write Box 982.

FRENCH LADY, resident England 12 years, Sorbonne 1945, Diploma English Studies (Cantab.) German, B.Sc. Economics in preparation, some science, keen interest international affairs, long teaching experience French and English schools also adults all nationalities, administrative abilities, seeks permanent, responsible position with ethical educational organisation, Western Europe.—Write Box 985.

INDUSTRIAL CONSULTANCY

Management consultant operating in higher management and industrial engineering fields on Continent and G.B., shortly available. Practical engineering background, experience most major industries. Write Box 991.

YOUNG MAN, 33, B.Sc. Econ., Grad. I.I.A. seeks progressive post London area. 5 years shop floor, 5 years junior admin., 2 years management research. Some evening lecturing experience. Perfect German. At present £850 p.a., work study engineer in Midlands. Available September 1st earliest. Box 987.

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9/- a line.

BRITISH MARINE INVENTION developed by U.S. Navy. Wide scope U.S. boating market and oil industry transport. Seeking marketing assistance. Box 989.

TRADE WITH SPAIN

The restrictions and difficulties which have hitherto hampered Spain's International Trade are now being progressively removed. U.K. manufacturers, exporters, and licensors interested in the Spanish Market are invited to apply for particulars of a service for Anglo-Spanish Commerce, Industry, and Finance.—Write Box 986.

"MEETINGS AND RECEPTIONS can be held at the Newman International Centre, 31 Portman Square, W.1. For details apply to the Manageress."

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AIR EDITION

The Economist

UGUST 9, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

UNDER SECRETARY TO GOVERNMENT
14 AUG 1958
PUBLIC DEPARTMENT

Where we Stand .

WESTMINSTER

Journeyman and Harlequin

Mr Macmillan and Mr Gaitskell both won praise from the press in the parliamentary term just ended. How far have they deserved it? (page 431).

AT THE UNITED NATIONS

Back on the Level

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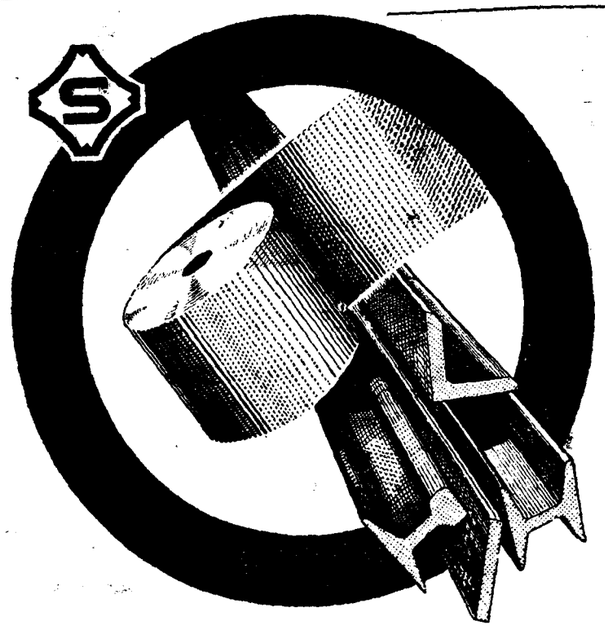

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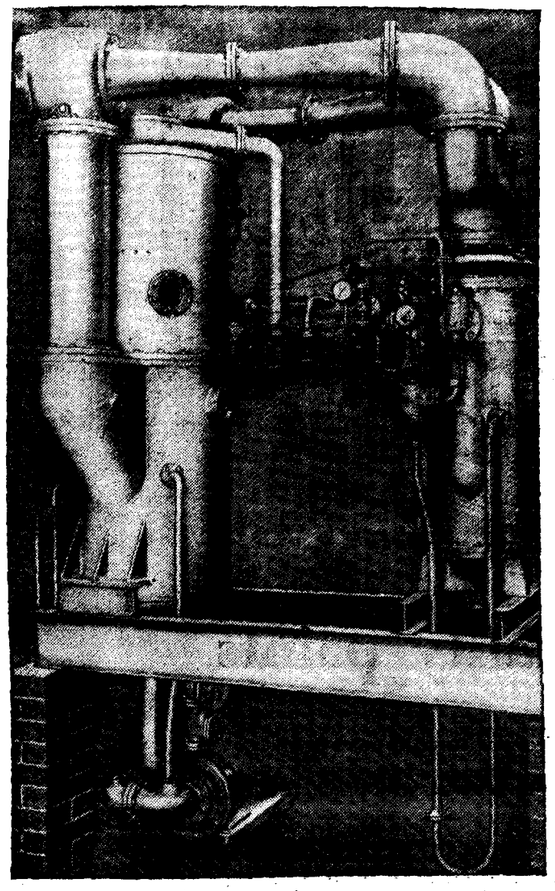

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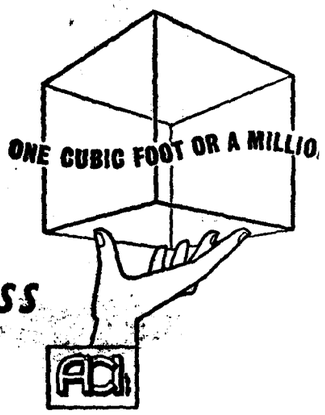

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The Economist

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Journeyman and Harlequin

THE private qualities of statesmen often have a much greater effect on the march of events than their immediate contemporaries recognise. That is why it is so interesting that the common feature of almost all press comment at the beginning of the present parliamentary recess has been praise for the personal achievements of the Prime Minister and the Leader of the Opposition. If this were a sign that both Mr Macmillan and Mr Gaitskell are suddenly finding their feet as major historical statesmen—if it were the harbinger of a new Disraeli-Gladstone age—it would be a considerable national event. How much hope can one hold that it is?

One suspects, while hoping one is wrong, that the rain of golden opinions upon both men is as yet mostly the consequence of temporary political circumstance, not of two sudden accessions to greatness. Consider Mr Gaitskell first. He has always been a man who commands (and deserves) sympathy when things are going badly for those around him, much more readily than he attracts acclaim when things are going well for them. His great virtue—and one whose value to Britain should certainly not be underestimated—is that, more than any other man alive, he can stop Labour from following its demon when that demon threatens to come into the ascendant. He has had two great successes in this vein in the past parliamentary term.

One of them, which attracted insufficient admiration at the time, was the way in which he turned back the wave of anti-H-bomb hysteria and neutralist pacifism which threatened to overwhelm some parts of the Labour movement a few months ago; his crushing of Swinglerism at the time of the Aldermaston march was a classic example of surface tact and behind-the-scenes power. His second considerable achievement was in the last few days of the parliamentary term. The coincidence that the crisis in the Middle East followed so soon after the vote in the privilege debate and the swing of public opinion away from Labour (as a result of Mr Cousins and the strikes) gave some Labour people three things to be very cross and hurt about at the same time; and when it is cross and hurt Labour can act very stupidly indeed. It would be an exaggeration to say that Labour evinced nothing but sweet reason about parliamentary and foreign affairs in the last three weeks before the recess, but Mr Gaitskell succeeded (where every other conceivable contemporary Labour leader would have failed) in ensuring that it evinced something other than unmitigated gall.

Mr Gaitskell therefore emerges from this parliamentary term reconfirmed as the best leader that Labour could have when things are going badly for the party. One's doubt about him is whether he has it in him to be a really great leader for Labour when opportunity beckons, as distinct from a valuable steadier of it when storms blow. Indeed, it would be franker to call this not merely a doubt, but, on the evidence to date, an open disbelief. He has been given, of course, a desperately hard task

for a man of his temperament to perform. It is the misfortune of modern British politics that our left wing party calls itself socialist, at a time when the enrichment of the proletariat has rendered socialism quite evidently out of date. This has left the party in a terrible muddle about the directions in which it wants to ride off. For many months, while the swing of public opinion was going Labour's way, everybody was shouting to Mr Gaitskell that he should find the word of the enigma—the great constructive policy under which a progressive Labour party could unite. But he has not been able to find it. And since a leader as intelligent and courageous as he could not find it, many people have concluded that nobody else could.

ALL history suggests, however, that Mr Gaitskell could have made a better shot at finding it if he had had greater powers of what political commentators politely call personality, and plainer men can frankly call bluff. This is a quality which Mr Macmillan has always had, in a very high degree. Indeed, of all the Prime Minister's political accomplishments, it has perhaps been the most important in promoting his career. When things are going badly for his party, Mr Macmillan is not, in many ways, as admirable a statesman as Mr Gaitskell. He is not well fitted, in those circumstances, to stop his party from turning nasty; indeed there is a streak in the Prime Minister which can turn nasty itself (*vide* some of his very silly personal gibes at Mr Gaitskell, in the days of the Conservatives' recent inferiority complex). One can think of few circumstances in which one would feel much sympathy for Mr Macmillan, however far he went down. But when he is up, when the tide is surging with him, when the bells are ringing, even the whipped ranks of Tuscany can scarcely forbear to greet this debonair and inspiring political charmer with acclaim.

This quality of being easy to cheer is not one which should be discounted in a Prime Minister, as if it were part of a mere harlequinade. While one function of a leader is to guide policy, another is to give a sense of occasion and a feeling of success to his nation and party. There is no doubt that Mr Macmillan is much better than Mr Gaitskell (or than any other post-Churchill British politician) at this. Inevitably, however, it is a quality that has always been much more evident in Parliament (where Mr Macmillan has a majority to cheer him on) than in the country. And this explains much of the Macmillan enigma and myth.

It explains why the parliamentary correspondents were writing long ago that he was making a signal mark as Prime Minister, and why they were so surprised when the by-elections and public opinion polls showed so clearly for so long that he was not; when the polls turned round, they said that it was Mr Macmillan's personality which had turned them. This is almost certainly untrue; all the evidence of the statistics suggests that the remarkably sharp turn-round in electoral opinion, in the course of two weeks in the late spring of this year, did not occur at a time when the Prime Minister's face was greatly before the country, but when everybody was talking about strikes and the threat of strikes. What may very well be true, however, is that, once the snowball has started rolling, Mr Macmillan's personality is of the sort to gain greater further advantage from a favourable incline than Mr Gaitskell's did; if so, this could be a fact of some tactical political importance. It might even have some bearing on the date of the next election.

QUESTIONS of political tactics, however, are much less important than the new light that is being steadily thrown on how Britain is likely—or would be likely—to be governed under these two very different men who are our alternative prime minsters. Mr Gaitskell's achievements during the past parliamentary term carry one considerable, if modified, reassurance. A major question that has always hung over the Labour party has been whether, if foreign or economic storms blew when it was in office, it would hold fast to the tiller—or turn merely emotional, or vote-catching, or (in economic matters) deliberately nasty towards the rich. All Mr Gaitskell's actions in the past parliamentary term have strengthened the impression that, in the last extremity, he would hold on to the tiller; in these last few months he has shown that he has the courage and (perhaps more important) the capability to stand up to the emotionalists among his own folk. Perhaps one legitimate doubt about him, however, is whether he is of the calibre to be able to tackle more than one crisis at a time; if he was being forced to show awkward resistance to his own left-wing supporters in foreign policy, he might then be more inclined to throw them some concessions in economic policy, although probably not *vice versa*.

The question mark over Mr Macmillan has always been different. In the last extremity—which would presumably mean a major threat of Russian aggrandisement abroad or a desperate flight from the pound at home—one has always felt that a Conservative prime minister's course would be less impeded than a Labour one's. The doubt one has always felt about Mr Macmillan has concerned his capacity to look ahead with a lively and coherent philosophy at more mundane and common affairs. Here, too, the experience of the past parliamentary term has been reasonably heartening. For the Prime Minister has not shown the defects that might attach to his virtues.

Although Mr Macmillan is in some respects a demagogue (in the politest sense of that word), the role comes sufficiently naturally for him not to strain after it; he does not think in public speeches and pronunciamentoes, as some other flamboyant characters (such as Mr Bevan and Lord Hailsham) are sometimes accused by their critics of doing. Mr Macmillan is not a wide visionary as Mr Butler is, and this is in many ways a pity; a man of wide and exciting vision should be Britain's leader at this epoch. But he is essentially a practical man, delegating the dog work to committees and subordinates (whom he does not always choose very well), but, it now seems, not shunning the responsibility of making the basic decisions himself at the end.

This is not yet a recipe for a place among the immortal Prime Ministers of Britain. It is entirely possible that Mr Macmillan, like Baldwin, may now be getting greater commendation from the commentators of his generation than he will eventually get from historians; certainly the praise presently being heaped upon him seems to be more a consequence of the recent recovery in the Conservatives' fortunes than a cause of it. He graces the ship of his party best when it is sailing forward with all pennants flying, where Mr Gaitskell attracts most sympathy when he is working hard to prevent shipwreck in his most capable role of the skilled bad weather seaman. The congratulations now being showered on both men, in place of the brickbats that both were getting a short while ago, may be mainly explained by the fact that the wind is now temporarily blowing in the Tories' sails and against Labour. The applause of the columnists should be somewhat discounted, but not dismissed as wholly undeserved, because of this background of events. Mr Macmillan shines before his contemporaries as the metal that catches the sun at noonday, while Mr Gaitskell is the phosphorus that becomes most impressive in the dark.

Back on the Level

The apparent failure of the projects for a summit meeting means that the powers have retained their threatening postures in the Middle East. Can the UN Assembly do anything about it?

THE summit seems to have vanished like a Middle Eastern mirage. Instead of scaling exhilarating peaks, the summiteers face the prospect of plodding through the vast and dusty expanse of the 81-member United Nations Assembly. To come down to earth so abruptly and land in this field full of folk is enough to make anybody feel flat; and it is hardly surprising that all concerned are scouring the plain for scapegoats.

This is an ungainful occupation, even when the scent is not being deliberately confused by the laying of false trails. But some analysis of the causes of the disappearance of the Middle Eastern summit is called for, and may prove enlightening. Mr Mao Tse-tung certainly played his dramatic part in this transformation scene. He had a strong incentive, for his problem was worse than Mahomed's: he could neither get the summit to come to him, nor could he go to the mountain himself. There was every reason for him to seek to "change nature" on the model of the most ambitious Soviet engineering projects by abolishing the unsightly peak altogether.

But Mr Mao was not the only factor influencing Mr Khrushchev's decisions. Nor, to be fair to Mr Khrushchev, can one simply go along with the convenient assumption that he was never at all serious about a big power meeting. His original proposal for a meeting of America, Britain, France, India and Russia at Geneva seemed to be carefully tailored to be as acceptable as possible to the West. True, and naturally enough, his formula met his own essential requirements. But, deferring to American, British and French susceptibilities, he did not propose the participation either of the Chinese People's Republic or of the United Arab Republic. He tipped his hat to the United Nations both by proposing that the Secretary-General should also come to Geneva, and by suggesting that the Geneva meeting should frame recommendations which could then be passed to the Security Council, which would consider them at a session to be attended by the Arab governments.

IN asking for this meeting, Mr Khrushchev's contention was that the events in the Middle East had led to an imminent danger of war there—war in which the great powers would be involved. On that assumption, the composition and place of meeting which he first suggested probably represented the best proposal yet made in the course of the whole exchange on the subject. The various proposals made by the western governments involved bringing in more and more participants; substituting New York for Geneva; strapping the meeting into the Security Council's ill-fitting framework; generalising the debate while keeping the meeting small (General de Gaulle's suggestion); and resorting to the full UN Assembly (the first American move). All these proposals would have made the meeting less apt, in one respect or another, for the purpose originally announced by Mr Khrushchev.

Moreover, each passing day cut away some of the ground from under his feet. The new government of Iraq was first seen to be firmly in the saddle, and then began to be generally recognised by the western powers

and their associates. The crisis in Lebanon was eased —though by no means solved—when General Chehab was elected as the next president. This, it is true, did not halt the build-up of the American forces there. The small British force in Jordan, too, has since been strengthened by the arrival on Thursday of a battalion of infantry, brought from Aden to Aqaba by aircraft-carrier. This move provided a rare display of naval force in the Gulf of Aqaba, and was presumably intended to assert a British determination to keep the southern route into Jordan open, at a time when the air route across Israel was thrown into doubt.

Still, the shadow of a panic war began to lift; and whether Mr Khrushchev himself felt a real fear of large-scale conflict, or merely wanted to exploit that fear, his original dynamic was in any case being lost. Meanwhile he had time to hear the clamour being raised in Asia, Africa and Latin America (and by the exasperating Jugoslavs) in favour of an Assembly meeting as against a big power one. Both these factors must have weighed with him. So, no doubt, did the qualms of the Moscow diehards, those unidentifiable but apparently real beings who suspect their over-agile leader of being too soft towards the West, and who may have muttered darkly that he was getting Russia into the wrong conference, at the wrong time, and on the wrong subject.

LOUD above all sounded the angry gongs of Peking. The Anglo-American proposal for a meeting in Security Council form had the obvious disadvantage that the moment Mr Khrushchev showed himself ready to consider it, he was bound to become embroiled with Mr Mao Tse-tung. The Chinese communist leaders undoubtedly felt that they had already effaced themselves enough in order to help Mr Khrushchev to further his dubious plans to get together with the western imperialists. It was altogether too much for them to watch him accepting a meeting on the least favourable terms to the communist world, with little prospect of any serious purpose being served, and with Chiang Kai-shek, perhaps even in person, sitting in China's chair at the summit.

The record reveals very clearly how sharp Mr Mao's feeling of loss of face must have been. On July 23rd the Peking press was describing the western proposal for a Security Council summit as

> this deceptive plan . . . full of pitfalls and loopholes. . . . Most of the Council members are American-controlled, including the Kuomintang man who represents nobody except the moribund Chiang Kai-shek. . . .

On the 25th, when Mr Khrushchev had agreed to a Council meeting, the Chinese valiantly tried to save what face they could by standing on their heads with the agility of a troupe of acrobats. Mr Mao's party organ, *Renmin Ribao*, hailed the Russian move and faithfully declared that

> The peace-loving peoples of the world welcome and support this proposal . . . (and) hope that a special Security Council meeting with the participation of the heads of five powers can be held as soon as possible.

But the trans-Siberian wires must by then have already been humming, and Mr Khrushchev had to delay any further responses to western messages while he hastened to Peking to patch things up.

Some hard bargaining must have gone on at his secret sessions with Mr Mao. Neither of the communist giants can dictate policy, but each has a grip on the other akin to the complicated holds in which two all-in wrestlers sometimes find themselves helplessly locked. Mr Khrushchev is not altogether "a bear in a bamboo cage," for China is still critically dependent on Soviet trade and technical skill. Personally, however, he needs Mr Mao more than Mr Mao needs him; for Mr Mao has no rivals in Peking, whereas he could at any time switch his invaluable support over to Mr Khrushchev's rivals in Moscow (or elsewhere in the communist realms). As part of the bargain, the Chinese obtained a new Soviet denunciation of Jugoslav "revisionism" —a point which Mr Khrushchev may have been the more ready to concede because he was under the humiliating necessity of toeing Jugoslavia's line about an Assembly meeting. The Chinese, for their part, had to overcome their distaste for any kind of United Nations activity, from which they still remain excluded. (The Assembly, however, is less unpalatable to them than the Security Council, for Formosa has no privileged seat there, and each time the Asian-African group forgathers the pressure to change the occupant of the Chinese chair revives.)

ONLY some startling new turn of events, it seems, can now get in the way of a special meeting of the Assembly, for Russia has demanded it, with China's tacit consent; the United States has hastened to point out that it was originally an American suggestion; and even the British Government has fallen into line with a good grace. There will be few illusions about the risks involved in stirring up the sluggish monster of Turtle Bay. Every possible inducement is offered to the participants in Assembly sessions to make propaganda instead of headway. The background to this particular session will be pervaded by a mighty confusion of concepts—western aggression, indirect aggression by infiltration and propaganda, sovereignty and independence, neutrality, legitimacy, the will of the people—all the concepts that are the most difficult to apply to an area in a state of dynamic instability and chronic social, political and national flux. The conflict of the great powers in the Middle East is as direct and acute as it has ever been—indeed, the unsuccessful assault on the summit has only shown their conflict in still sharper relief—and there is no obvious path that the Assembly can take between them. And a western re-entry into former dependent territories is not the most suitable subject for a display of judicial moderation by the majority of the Assembly delegations.

True, all these points except the last are applicable to a summit meeting too. True, in the Assembly the powers of the second rank will have their chance to put forward constructive proposals to cushion the collisions of the giants (provided the giants themselves are ready to recognise some rule of the road in the Middle East). But the monster of Turtle Bay usually has to be galvanised into effective action by some cataclysm that is visibly imminent or even in progress. It is too apt, when the danger seems to be already receding or just a little remote, to spout mightily and at length and then submerge again, leaving the confusion if anything deeper. It may prove so this time; for all the efforts of those delegations that make up the UN's "volunteer fire brigade," it will be hard for them to persuade the mass on the Assembly floor that urgent things should now be urgently done (say, to buttress the Arab-Israeli borders against the day when Jordan's fate is decided) and that, as well as the giants whose will is not law but fact, a substantial number of smaller states should play an active part in the doing of these things. Is it not possible that the only upshot of an Assembly session—apart from sound and fury—may be an appeal to the powers to get together and climb the summit again?

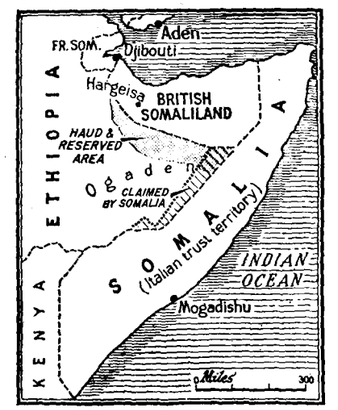
Alarums from the Horn

In less than two years Somalia will be independent. Its fortunes—or misfortunes—will reverberate in the territories of East Africa where Somali populations are scattered

SOME two million Somalis live on the vast snub-nosed promontory known as the Horn of Africa. A Moslem people with strong nomad traditions, they inhabit the three Somaliland territories along the coast and spread into Ethiopia and Kenya. Now that Italy is about to relinquish the position of trustee over the former Italian colony of Somalia, which is the home of about half the Somali people, the Horn of Africa will soon be butting its way into world affairs.

The new state will need a magnum of good luck when it is launched in 1960. Its natural disabilities might have kept it much longer in the slips, but the United Nations fixed a definite date for Somalia's independence in 1950. So, willy-nilly, Somalia in a year or two will be on its own—or at least as much on its own as a state can be that cannot support itself. Somalia is not a viable economic unit; its veneer of administrative and professional class is razor-thin; its territorial limits are disputed. Nor will the harshness of its soil necessarily protect it from the unwelcome attention of more powerful neighbours; its geographical advantages and its links with Somalis in nearby countries could tempt the imperialist-minded. The impact of its independence on the neighbouring British possessions, particularly on British Somaliland, may be brusque. The British Government is already committed, through a statement made in June, 1956, to the principle of some kind of federation between Somalia and the British protectorate if conditions after 1960 are "propitious." But it is no part of British policy to embark a protected people in an unseaworthy vessel. What then are Somalia's prospects?

Since 1950 Somalia's bills have been paid partly by the Italian government and partly by the Italian housewife, who has patiently paid an artificial price for Somali bananas. About a year ago, experts from the World Bank concluded that although Somalia could not sell its bananas competitively, the prospects for other crops were even more discouraging. They estimated that some $6 million a year would have to be found to replace the Italian direct and indirect subsidies. This is not an exorbitant sum, but no one is yet ready to start a subscription. The British view is that Italy, enviably free of colonial commitments, should consider retaining economic responsibility for Somalia while retiring from trusteeship. The Italians retort that they have already contributed generously and that it is now someone else's turn.



Like every other new state, Somalia will also need the loan of technicians, administrators and teachers. The Italian government has made a tremendous effort to produce at least the veneer of an educated class. Somalis who could read and write have been despatched in their hundreds for hot-house training in Italy, and elementary schools have shot up in the villages like mushrooms. The formidable gaps that remain would be easier to fill if the Somalis, who are fervent Moslems, did not suspect every Christian of being a missionary under the skin. The provision of technical and educational aid may be a thankless job; but the alternative is leaving the field open to the Egyptians who, by virtue of Islam, are already odds-on favourites.

With no money and few administrators, Somalia's debut appears confused already: in addition the infant state will inherit an involved frontier situation. The quarrel with Ethiopia over frontiers is on two planes. There is the more or less legal dispute whether Somalia should include a fairly narrow strip of the Ogaden, and there is the deep-seated ambition of Somalia's more single-minded nationalists to get control of the whole of the Ogaden. All Somalis everywhere pay at least lip-service to the ideal of national unity: Greater Somalia is a star with its five points in Somalia, the British protectorate, French Somaliland, Kenya and the Ogaden. The moderates in the Somali Youth League, under the present prime minister, Abdullahi Issa, are realistic enough to appreciate that expansionist claims are better talked about than acted upon. But the League, which has a majority in the Legislative Assembly, is divided into two factions. The leader of the more hot-headed group is Hazi Muhammed Hussein, an Egyptian-trained orator and politician who was recently deposed from the presidency of the League. If this group gets the upper hand in the elections (due this summer, but now postponed until the end of 1959) it may try to turn the doctrine of a Greater Somalia into reality; or it may be restrained by the fact that the Ethiopians already have about as many soldiers in the Ogaden as the Somalis could reasonably hope to raise for their total army.

The Ethiopian government is stalling over the frontier dispute because, as the party in possession, it has no interest in pushing the case. The main concern of the Ethiopians will be to keep their excitable and antagonistic Moslem neighbour as quiet and inoffensive as possible; it is still impossible to tell whether they will choose to make their influence felt by blandishments or threats. It may well depend on how the wind blows from Cairo. The bull's-eye for Egyptian schemers would be to have Somalia another Yemen in the United Arab Republic. As Yemen is useful for the trouble it can stir up in Aden, so Somalia, under a regime linked with Egypt, could provoke upheaval among the Somalis in the surrounding British possessions.

THE Government's problem in British Somaliland is how to get out, not how to stay in. If the Egyptians manage to press forward in Somalia, the Colonial Office may find it hard to ease themselves out as cautiously as the 1956 statement was worded. The policy now is to go ahead with economic, social and political reforms in the protectorate as if it were being prepared for ultimate self-government, but to promise only that proposals for independence and federation will be considered when Somalia's prospects become clearer. The timing is left vague. Somali nationalism is believed to be controllable because personal and tribal antagonism will prevent a concerted rush towards unity. Face to face with a foreigner every Somali is a nationalist; among themselves they have the saying: "My tribe and I against the world; my brother and I against the tribe; I against my brother." However, in the last analysis, and against logic, Somali nationalism could take precedence; and it would be rash to over-estimate the length of time within which it will still be possible to leave Somaliland with grace.

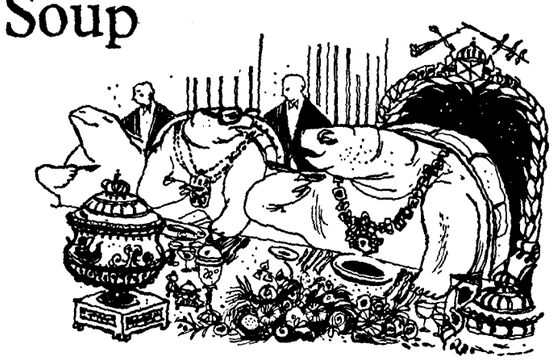
But at the moment the Somalis in the protectorate are not agitating for federation. They are angry with the British authorities, but this has nothing to do with time-limits for independence or unification; they are bitter, first, because they feel they have been betrayed over the Haud, and, second, because they realise that they are lagging behind the Italian Somalis in social, economic and political development. The assembly at Mogadishu has a majority of elected Somali members; the newly formed legislative council at Hargeisa has so far no elected representatives. Preparations for internal self-government have not been hurried; plans for improving the sparse agriculture, building secondary schools or creating a civil service have dragged along at snail's pace. Now at the eleventh hour the programme is going to be speeded up. A commission is touring the country to decide what procedure to adopt in electing representatives to the legislative council. The locusts have eaten up the years, but politicians and administrators now are to be forced on at the same pace as their fellows in Somalia.

THE administrative problem of cramming political evolution into two or three years is enormously complicated by the unremitting and apparently insoluble squabble over grazing rights in the Haud and Reserved Area. The frontier is not disputed; the conflicts concern the sharing of jurisdiction over the nomads from the protectorate who graze their herds on traditional pastures that have now been handed over to Ethiopia. Incidents between the herdsmen and the Ethiopian authorities flare up continually—whether or not by direction from Addis Ababa—with destructive effect on the time of the British liaison officer and on Somali tempers. The tribal leaders do not now dare to cross the border for fear of arrest; quisling leaders are appointed by the Ethiopians, and the herdsmen, in order to escape quickly if it becomes necessary, do not take their women or children across the frontier. Even at their best, Somali women are renowned for their scolding; left alone in the crowded towns under wretched conditions, they make everyone's life a misery. The British are held to blame for the skirmishes, the bullying by Ethiopian officials and even the women's nagging, and visiting members of parliament get a very rough passage through the protectorate.

British Somalis at present are far more concerned with settling their grazing rights than with the projects for self-rule and federation. But this order of priorities could change, especially if the British go on losing face and popularity by being unable to protect their people from the squalid incidents in the Haud. However unready the new states are for self-government, tomorrow in the Horn of Africa is about to arrive.

Trusts and Turtle Soup

Although they have lost most of their original functions, the waiting list is as long as ever for membership of some of the City Guilds of London. Why?



THE scene is a brilliant one. In the Hall, whose regency decoration is gently lit by candlelight, one hundred and fifty men in evening dress are sitting down to dinner. The long tables are set in orderly array with glasses, silver, flowers and fruit; a band strikes up in the minstrels' gallery; waiters start to hurry forward from the wings. A livery dinner of one of London's City guilds has just begun.

There are, in all, eighty of these guilds in the 677 acres of the City of London. They were originally, to a modern liberal's eyes, rather unrespectable organisations: they were the bodies through which the merchants and craftsmen of the middle ages regulated their trades and entry to them. All had strict systems of apprenticeship, and some, such as the Fishmongers and the Salters, held a royal charter granting them a complete monopoly over the sale of their products in London. Naturally, not all the companies were then, or are now, of equal standing. Precedence goes to the twelve great livery companies, headed by the Mercers, the Grocers and the Drapers. The companies' wealth also differs greatly. A few dispose of funds bringing in well over £100,000 a year; others are so indifferently circumstanced that they cannot afford even to maintain their own Hall.

Today, the connection of the City guilds with their original crafts is slight. Sometimes this is for the good reason that their crafts no longer exist: wax-chandling and brodering are no longer listed in the occupation census. Most of the other guilds' crafts have been declining for many years; only 3,500 goldsmiths, 4,700 basket makers and 4,300 coopers still survive in Britain. Even some of the companies which, from their name, might be expected to maintain a link with a major modern industry do not do so; the Grocers have not had anything to do with the grocery trade since the Great Fire in 1666. A few companies still do small jobs by ancient privilege (much to the annoyance of some local authorities who would otherwise be responsible and would like to have these anachronisms abolished). Thus the Fishmongers employ four men to check the quality of fish sold at Billingsgate and a few to prosecute salmon poachers; the Goldsmiths hallmark gold and silver and test the quality of the coinage —for its content of copper and nickel.

Yet, although modern industry may manage well enough without guilds (of the antique kind anyway), entry to the City companies is still controlled much as it was in their heyday (and the pressure to get into some of them is as great). Admission is possible by three methods, patrimony, redemption and service as an apprentice. Patrimony is the quickest and cheapest way in which an existing member can make his son "free" of the company; as soon as the son is over 21, he can get in for an amount which varies between about 13s. and £15, depending on the company. For those who have not had the right father the road of redemption, or purchase of membership, is much more expensive; for a wealthy company such as the Fishmongers, it costs over £100. Another charge, equal for all freemen, is made on election to the livery; this is about £30 for the Fishmongers, and for the Goldsmiths a good deal more. These are considerable sums; yet the waiting list of 200 for the Goldsmiths' livery shows that many people are prepared to pay them. Why is this so?

THERE are two reasons. The first is pageantry. The companies still have a formal place in the government of the City (the 10,000 livery elect the two sheriffs and the Lord Mayor). This gives occasion—if any were needed—for their ceremonial and their traditional dinners. Many of these dinners, with their real turtle soup and barons of beef, are better than can be had in any club or restaurant. Admittedly, times have changed since the closely printed menu for a City feast given to William IV stretched across two feet of silk or the Lord Mayor of 1849 could offer a choice of fifty-six different dishes (all of which a guest could have if he wished) at a cost of 18s. a head. Costs are much higher, menus much shorter and the capacity of the diners much diminished. Typical of the best of post-war dinners might, however, be one of eight courses and nine wines, costing about £6 a head (£3 of which would be for the wine). A poorer company—like the Lord Mayor himself on ordinary occasions—might manage on as little as £2 a head. It is the present cost of labour which makes the City caterers shake their heads most sadly. Whereas food prices have roughly trebled since the war and those of wine little more than

doubled, a waiter who in 1938 earned 5s. an evening now gets 22s. 6d. and overtime. At this rate of pay, prolix speeches become a luxury that few companies can afford.

THE second reason for the popularity of the companies is that they have money. This does not necessarily benefit their members—the companies pay no dividends. But if any member falls on hard times, there are trusts that can be used to help him. More generally, any member who makes a good enough case can ask for backing, though he will not necessarily get it; and companies may help dependants of deceased members. It is said that some members of poorer companies may even cherish the hope that the companies might at some time be wound up, in which case there might be a lucrative distribution of assets to members.

But the main pleasure in being associated with a wealthy company is helping in the supervision of its charities: the pleasure of being concerned in the ownership of big money. How much money in total the companies have they do not reveal. They publish no balance sheets. But they clearly have a great deal. The most recent information comes from the Royal Commission set up in 1880, which found them to have an income from all sources of £750,000 a year. At present-day values this would be worth £3,750,000. The companies' actual income today, however, might not be as high as this; many charitable funds which they administer are invested in gilt-edged securities whose value has depreciated. Moreover, their properties suffered very severely from the war. Sixteen of their thirty-six halls were destroyed and much other property was damaged (the Fishmongers lost assets earning £30,000 per annum in a single night of the blitz). Some of them have had a hard task to get back on their feet. But, in spite of this, the extent of the charitable funds they administer and the property they own still leaves them among the richest non-industrial foundations in the country.

WHAT do they do with their incomes? First priority is given by many companies to education, and more especially to their own schools. The Merchant Taylors and Haberdashers have schools called after them. The Mercers manage St Pauls and also a grammar school for 300 boys in Holborn. (This latter, however, is closing down, because the company can no longer bear the loss which amounted to £170,000 in the last ten years.) The Grocers support Oundle, the Fishmongers support Greshams, and the Skinners support Tonbridge. The companies used also to provide scholarships to the universities, but, now that these are merely subtracted from the state grant which any reasonably deserving and intelligent boy can collect, they do this very much less. Instead, they have turned to grants for postgraduate research and have over the years endowed a number of university chairs, thus helping to buttress one of the weakest points in the state's support for education.

The other activities that the companies support are more closely linked to the crafts with which they are, or were, connected. There is, first, the help they give both in management and money to the City and Guilds of London Institute. The institute runs training courses in nearly every branch of industry, sets exams that are taken by some 100,000 candidates each year, and in general aims to encourage good standards of craftsmanship in Britain. More ambitiously, the companies have helped to set up whole departments of science and technology at various universities—Imperial College, Oxford, Cambridge, Sheffield and Leeds among them. Because, however, of their great dislike of publicity—secretiveness might be a better word—they tend to get little credit for these far-sighted gifts, and are looked on by many people as stuffy, overconservative and obsolete. In fact they rank among the great charitable trusts, corresponding to the foundations set up by eminent industrialists both here and in America. They make a great mistake in not rendering a full account of their good works to the British public and winning friends for their operations. They could with profit have a look at the public relations which, for example, the Ford Foundation and the Carnegie Trust cultivate with such care and foresight.

The Economist

AUGUST 7, 1858

MORALITY OF COMMERCE

We have spoken of the social atmosphere that surrounds *honourable* commerce. And if we are right in what we affirm, the kind of moral discipline given by the society of mercantile men is excellent just in proportion to the greatness of the difficulties and temptations which naturally beset mercantile men. These difficulties and temptations are no doubt great; and what Lord Ellenborough evidently deprecates as the vulgar spirit of commercial life, is that lax and dishonourable commercial morality which springs from habitual compromise with those difficulties and temptations. This lower tone of English commerce has no doubt been rapidly increasing of late years—a fact which is due mainly, we believe, to that rapid multiplication of joint stock companies, which separates the responsibility of direct and individual ownership from the responsibility of practical control. The best influence which true commerce carries with it is closely bound up with the honourable strictness of individual responsibility. It is this which gives the commercial man his self-respect, and which is the root of his powerful influence over others. A laxity in this respect has sprung up in the public companies which is temporarily sapping the great virtues proper to the commercial world. If Lord Ellenborough's evil auguries are verified, it will not be because true commerce exerts an unhealthy and vulgarising moral influence, but because a spurious commercial spirit is taking hold of us. Hitherto England has owed all her great national influence ultimately to the moral solidity of her trade: and if only that do not deteriorate, we fear nothing for the political achievements of those who have been moulded by the social influences of the trading class. It is for that class to prove, as it now may, that it *can* send forth men of stuff as good as either the nobility or the learned professions.

NOTES OF THE WEEK

Mr Macmillan's Mediterranean Journey

MR MACMILLAN told the Commons on June 26th that he was in effect willing to go anywhere and see anyone if it would help towards a Cyprus settlement. He is now proving as good as his word. In spite of the intricacies of summitry, the perplexities of the Middle East and the possibility of disapproval from some of his own supporters, he has flown off to Athens and Ankara in search of some way out of the present tragic deadlock. Whatever the outcome of his journey the Prime Minister deserves warm support for deciding to make it.

Mr Macmillan presumably calculated that now, if ever, was the moment for some imaginative gesture. Last week, at the end of a month during which the death roll mounted to over a hundred, the Greek and Turkish prime ministers at last followed his lead and issued appeals for stopping the violence in Cyprus. On Monday the Eoka leader, Grivas, suddenly ordered the cessation of all activity against British and Turks, with the proviso that if any "provocation" were offered by either, he would resume operations against them from August 10th. Next day the Turkish underground organisation, TMT, also proclaimed a truce.

These developments confronted the British authorities with an extremely difficult decision. In announcing the truce, Grivas may have been partly influenced by orders from Athens; but it is most probable that he also hoped to gain from it a respite from the concentrated security drive against him. If this is so, to slacken military operations would simply be playing into his hands; in any case it was particularly difficult to call them off after the murder by Eoka of two British soldiers last week-end. On the other hand, if the British authorities had failed to make any positive response to the temporary improvement in the island, they would have been letting slam a door that had just slightly opened. In the event, military operations are being pursued against the hard core of Eoka terrorists—whether this is "provocation" to the terrorists will be seen next week. It is balanced by the decision to ameliorate the lot of ordinary Cypriots by lifting some restrictions, notably the night curfew throughout almost all the island, and above all by Mr Macmillan's journey to Athens and Ankara.

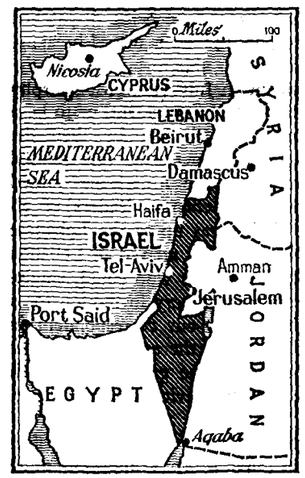
THIS journey is admittedly a gamble, since if it fails to produce an improvement, it can hardly avoid making matters even worse. But in a desperate situation it is a gamble worth taking, especially as there are signs among Greeks and Turks, both inside and outside the island, of a revulsion against the increasing bloodshed. (If Greek and Greek Cypriot opinion is in fact beginning to swing away from Eoka, Grivas's decision to go on murdering "traitors" is hardly likely to reverse the trend.) Mr Macmillan would no doubt be the first to admit that spectacular results are unlikely to flow from his deliberately spectacular gesture. His primary aim must be to get the present temporary truce made into something more permanent; clearly no lasting political settlement can be built on a foundation of terror. If he can really persuade both Athens and Ankara that violence does not in the end pay, and that neither can expect to get its full demands, his journey will have been well worth while.

ISRAEL

Question-Time

ISRAEL has been less involved in the present Middle East imbroglio than in any crisis in the immediate area since Israel came into existence. The revolution in Iraq, the American landings in Lebanon and the British return to Jordan are perhaps long-term results of the Arab-Israel problem, but they were not caused directly by it. In the past few weeks Israel has been involved only because British troops and supplies, and a certain amount of American air support, had to cross Israeli skies on the way to Amman.

The permission to use Israel's narrow air space was granted in support of western determination to shore up a friendly government in Jordan. Israel this week withdrew that permission for four days while the Israeli ambassadors in London and Washington sought satisfactory answers to questions being asked in other places as well as Jerusalem and Tel Aviv. What worried the Israelis most of all was the apparent lack of an Anglo-American plan for the affected areas of the Middle East, or—if there were such a plan — the failure of the two governments to inform Israel about it. Do the British and Americans intend to remain in Jordan and Lebanon indefinitely? After the British troops leave Jordan, are the Americans to remain in Lebanon as a deterrent to Syrian, Egyptian, or Iraqi designs on the Hashemite kingdom? Do the British and American governments believe that King Hussein can continue in power without continuing military support from outside? What guarantee will they give for the security of the state of Israel if troops more hostile than Jordan's arrive on its eastern border? What, when the British and Americans leave, will become of the important quantities of arms that are now being poured into states bordering on Israel? Will they go the way of the former British stocks of arms in Jordan and in the Suez Canal zone?



These questions and anxieties are understandable and reasonable, and Israel deserved an answer to them. Presumably some of them, at least, have been answered, since the Globemasters of the US Air Force resumed their flights from Nicosia to Amman on Thursday. There was no explanation why only American planes were being used. The British and American governments may need reassurance in return—for instance, that Israel would not be anxious to pick up a piece of Jordan should the western troops withdraw and King Hussein and his government fall. An Israeli seizure, in that event, of the Arab remainder of Palestine would drive the other Arab countries into the waiting arms of Russia. Arab nationalism would then become as red as it is sometimes prematurely painted, and the West would be left entirely without friends in the Arab world.

LEBANON

Mr Murphy's Mission

No one can tell where he will next meet Mr Robert Murphy, now in action as President Eisenhower's special envoy to the Middle East. He was expected to arrive in London on Friday (August 8th) for a brief visit. During the past fortnight he has been in Beirut, Amman, Jerusalem, Baghdad, Cairo and Athens. Earlier this year he served as the American member of the Anglo-American "good offices" mission appointed to mediate between France and Tunisia.

Mr Murphy's great achievement since being dispatched from Washington to Beirut, in the near record-breaking time of eleven hours, is that he was able to bring about the election of a Lebanese president on July 31st. Mr Murphy did not choose General Chehab to be president, or to be a candidate—although General Chehab was by then the candidate most acceptable to the Americans. He refused to tell President Chamoun whom the Americans wanted elected. In conversations with Lebanese leaders of all kinds he insisted that the choice was up to the Lebanese themselves. By the time Mr Murphy arrived in Lebanon there was no longer a Lebanese leader who could, single-handed, have got the necessary machinery in motion for a presidential election. It is true, as our correspondent in Beirut points out on page 464, that the emergency is not over; but Mr Murphy deserves some gratitude from all those who want to see the Lebanese living together peacefully again.

On Monday, in his first statement to the press after arriving in the Middle East, Mr Murphy appeared more confident of the region's stability than do many other observers. Of the new government in Baghdad he said only that it was very sincere and that it was wrestling with great problems. He gave no indication when the American troops might be withdrawn from Lebanon. Nothing is known yet of the outcome of his talks with President Nasser, but both the government's reception of him and the comments of the Egyptian press were conspicuously cool; still, merely to go there was, in the circumstances, a sensible step.

One man cannot solve the problems of the Middle East in two weeks, but any step in the right direction gives hope of more. As far as Lebanon is concerned, the pity is that Washington did not send a senior envoy like Mr Murphy two months ago, before the necessity arose for the marines to land.

MIDDLE EAST

Italian Recipe

Defeated Italy and west Germany have benefited in the Middle East for some years from their freedom (however involuntary) from the stigma of colonialism. Neither has colonies or a major interest in the ownership of western oil companies. The Italians, with their Mediterranean interests, feel themselves well placed to arbitrate between the West and Arab nationalism. Signor Mattei, head of the Italian state natural gas monopoly, has already taken advantage of Italy's disinterested position to edge past the fifty-fifty formula for the distribution of oil profits which still governs the arrangements between Middle Eastern states and the major oil companies. He has done this both in Iran and, last month, in Morocco. The latest fracas in the Middle East has inspired new Italian plans for massive western aid to the area, which Signor Fanfani, the new Italian prime minister, has been expounding in Washington, London and Bonn. A political settlement of the problems of Jordan and the Lebanon, he has suggested, should be followed by an aid programme which would place western relations with the Arabs on a new and more productive footing.

The Italians, of course, are not in a position to contribute a great deal of aid themselves. One is reminded of the Krupp "point four and a half" plan in 1955: America was to provide much of the money; Germany, the "non-colonial power" with the goodwill, was to execute many of the projects the money paid for.

There is a danger, too, that new aid proposals may prove no more than an imaginary escape from the political perplexities of the Middle East problem. It is no use supposing that Arab friendship can be bought by aid without further ado, or that aid can save supposedly pro-western governments from unpopularity. Before a Marshall Aid plan for the area as a whole can bear proper fruit, the political structure and the popular forces will have to be brought into some sort of harmony, and relationships established, in oil and in politics, which both sides can accept as durable.

Aware of all this, Signor Fanfani has evidently had in mind that aid might be made dependent on certain clear conditions—for example, an agreement, and guarantees, about the frontiers of Israel. Such strings would probably only arouse Arab suspicion, unless a profound political shift has first taken place towards greater trust between the West and the Arab world. The Italians and Germans do have a constructive part to play in developing this; aid can be of value, too. But none is a substitute for more successful policies by Britain, America and France.

TELEVISED PARLIAMENT

Unfair to Politicians?

There were several elements of high comedy in the way in which Westminster at last decided to do next autumn what Ottawa did a year ago: to allow the Queen's speech opening the next session of Parliament to be televised. The Opposition has asked that the BBC commentator employed should point out that the legislative proposals in the speech are the work of the Queen's ministers, on the assumption that otherwise some cretins in the mass audience might assume that they mirror Her Majesty's own political views. *The Times*, inevitably, has called the televising "a dangerous innovation." Mr Macmillan has assured the Commons that the Government draws a hard distinction between the ceremonial opening and Parliament's day to day business, and that the admission of the cameras for one day next October will in no sense be the thin end of a wedge.

But of course it is a thin end—and of a wedge that has always been bound to be driven in further, whatever Parliament decided this year. It is extraordinary that so many otherwise intelligent people are so eager to be blind to the technological revolution that is taking place in journalism. As surely and as efficiently as the motor car has replaced the horse-drawn carriage, television is replacing the newspaper as the most convenient medium for certain fields of news reporting. Ceremonial occasions, such as Her Majesty's opening of Parliament, certainly represent one of these fields. There can be dispute about how far television will eventually go in reporting parliamentary proceedings themselves—not because a regular intrusion would be so especially harmful to the institution of Parliament (or unduly unfair to politicians), but because it would probably be an uncommercial use of the medium. It will be surprising, however, if in ten years' time the most important parliamentary debates are not covered by at least some recorded television programmes, in the same way as the annual party conferences are now.

There is no real reason for any constitutionalists to be frightened of this, except perhaps on the old eighteenth century argument that there is a certain danger in *any* reporting of parliamentary proceedings. If television had been invented before newspapers, it would certainly have been allowed to report Parliament more readily than they; newspaper reporters can (and in fact sometimes do) show bias in their selective reporting of parliamentary business, while cameras would find it more difficult to lie. The fact that all sorts of ingenious reasons are still thought up for resisting the less harmful intrusion, long after the more potentially dangerous one has been accepted, is interesting mainly for the evidence it accords of one familiar feature of British life: of the instinctive dislike which most of the "best people" in Britain feel towards all new machines. These people have a heavy responsibility to bear for Britain's relapse into the status of an undynamic society.

TRADES UNION CONGRESS

The Economic Consequences of Mr Birch

The leading members of the economic committee of the Trades Union Congress went to the Treasury last week to talk heavy economics with Mr Amory. To nobody's surprise the TUC finds itself on the side of that quite substantial body of economic opinion which thinks that the Chancellor should take more positive steps to avoid recession, and it urged Mr Amory to introduce an autumn budget. Equally unsurprisingly, Mr Amory gave the TUC a polite but non-committal answer. Some people will say that this role of supernumary adviser to the Chancellor of the Exchequer is none of the TUC's business.

But it would be more logical to welcome the news of last week's delegation on two grounds. First, when the economic committee of the TUC is active, this means that some trade union leaders are at least thinking about the wider problems of the economy; when any of them do so, it is a matter of experience that they almost always become forces for moderation within the movement. Mr Wilfred Heywood, the former chairman of the economic committee, regularly emerged as one of the most useful spokesmen at annual Trades Union Congresses, full of wise saws and economic statistics provided by the permanent staff at TUC headquarters. Now that Mr Heywood and Sir Charles Geddes (another notable former member of the committee, recently made a life peer) have retired, there was a fear that no successor to them would arise, and that the permanent economists employed by the TUC would pump out their reports into a vacuum. Instead, however, the role of chairman of the economic committee has been taken over by Mr Birch of the shopworkers' union; he is the robust and powerful figure who, it may be remembered, was chosen by Mr Gaitskell to take part as the third man in his famous television discussion with Mr Cousins. Mr Birch's address in the economic debate at the Trade Union Congress in Bournemouth next month will now be an interesting pronouncement to await.

Secondly, it is noteworthy that the instrument of re-expansion recommended by the TUC was an autumn budget. There has always been a strong case for saying that when full scale expansion can be re-afforded the Government should realise that it is British taxes, not British interest rates, which are most cripplingly and intolerably high. Mr Amory can be accused of having hitherto shown little appreciation of this, while Labour in its recent economic policy document showed no appreciation of it at all. Cynics will say that the TUC has called for an autumn budget mainly because it feared that Mr Amory might after all introduce one, and because it wanted to get the popular suggestion in first. But if last week's meeting means that it has joined the school which believes that a reduction of taxes should be given high priority on any list of expansionary measures—well then, welcome stranger.

MALTA

Demobilising an Economy

The Colonial Office and the Admiralty have most commendably taken advantage of Mr Mintoff's temporary abdication from control of Malta's affairs, to step in with a scheme to reorganise the island's economy on a new, commercial and much more desirable basis. The naval dockyard there is to be converted to a commercial ship-repairing plant. Mr Mintoff has received the plan in a slightly stunned manner, and he is unlikely to want to allow it to proceed without some protracted shilly-shally. He would be no politician if he did not see clearly just where it leads: to a position in which the government of Malta will no longer be in a position to play the Admiralty off against the Colonial Office and *vice versa*, while all the time complaining of imperialistic interference in Maltese internal affairs. The days when the Admiralty sent a battleship for repair at the request of the Colonial Office to keep the place quiet, and the Colonial Office unwisely conceded departmental points to prevent an inconvenient dockyard strike, will be over. All that will matter will be whether the commercial firm running the dockyard can lure other people's ships into Malta for general overhauls. This is a position in which

the Malta government will start carrying the can when things go wrong.

The Admiralty does not hide its indecent haste to be rid of the incubus, agreeing that conversion work shall start even before 1960, when the present naval repair programme will tail off; the Colonial Office has extracted £4,750,000 at one go from the Treasury towards the cost; the Colonial Development Corporation and some local Maltese interests have come in with the rest; and a sound—but rather small—firm of ship repairers has been induced to manage the new commercial concern. Mr Mintoff should note that neither Vickers nor Swan Hunter have made an outcry at not getting a lush job in Malta. In fact, nobody has. The queue of imperialistic exploiters is remarkably short.

Mr Lennox-Boyd was asked, when he announced the scheme, how soon negotiations would start again with the Maltese political parties. He disappointed Labour members when he said November—his programme of negotiations with other colonies is crammed until then. This is not altogether an unfortunate coincidence. There is good reason to deny Mr Mintoff a hand in things until this dockyard scheme is past the point of no return. Then there will be just as great an inducement to hand the reins over to him. The project will not be an easy one. Forty ships a day in ballast may pass Malta, but they prefer to do repairs at terminal ports, and Dutch and German prices will take some beating by an ex-naval dockyard run for a century on uncommercial principles, however well equipped. The time may come when Malta will sigh for the easy-going white ensign. But good luck to the enterprise, and to the others which the Colonial Office is hatching for a non-naval Malta.

FRANCE

The Economic Nettle

ALMOST all of the heap of problems that have fallen into the lap of General de Gaulle imply disagreeable choices and decisions if they are to be solved. The hope implicit in the unusual powers given to him is that, unlike previous French governments, he will be able to make them. So far the general has not grasped the Algerian nettle. But the tax increases announced last week do reveal a refreshing approach to France's economic problem.

M. Pinay's successful gold loan in July bought several months' time. Foreign exchange reserves may now last into the new year. The question has been whether that time will be used to get to grips with the underlying factors behind France's inflation and payments difficulties. Now, at least, an effort is being made to fulfil France's promise to its overseas creditors and keep the budget deficit in check. £42 million is to be raised in fresh taxes, mainly on profits, petrol and luxuries. The finance commission of the National Assembly has protested that the power to raise fresh taxes was not among the powers delegated to the Government when the Assembly adjourned in May. Its protest rubs home that the general's system has one merit, at least: it does enable him to do unpopular things.

In an effort to hold wage demands in check the Government has also decreed cuts in the prices of some household goods and has given the farmers a smaller increase in the price of wheat than they expected. Naturally these measures have caused protests. But the government's action may persuade wage-earners to hold off with their demands until the autumn. It is difficult to see, however, how a new wave of wage increases can be avoided then. The only major factor that may hold inflation in check is the general slackening of pace in the economy, of which several signs have now appeared, notably in the engineering industry.

GHANA

Successful Mission

DR KWAME NKRUMAH, prime minister of Ghana, may well be satisfied with the results of his mission to the United States and Canada. Not only did he make, in his own person, the voice of independent West Africa heard, but he has also evidently done a shrewd stroke of business for Ghana in particular. His talk with the Queen on his return journey might well provide the trip with a gracious pendant, since there can be no doubt that he exerted all of his considerable charm to assure the Queen that a genuine welcome awaits her in Ghana next year if the proposed royal visit goes through.

Dr Nkrumah's proposal for the neutralisation of the Middle East, and in particular for "Austrian status" for the Lebanon, was consistent with a neutralist but constructive foreign policy suited to a small state that has strong ties with the west through the Commonwealth, cocoa and geographical location; in Canada, a sister Commonwealth country, he found the perfect sounding-board for his idea. But it was put forward in Ghana before he left; it did not originate in Canada. Whether or not it is feasible as a plan, it most skilfully set the stage for Dr Nkrumah's visit to President Eisenhower, who now seems to have committed himself at least to a very thorough review of the possibility of reviving the Volta river hydro-electric-aluminium scheme.

This scheme has always been near to Dr Nkrumah's heart; and though the wording of the Washington statement was cautious, the early arrival of a posse of American engineers and consultants seems certain. If the economics of aluminium still look unfavourable, the political conjuncture is propitious. The Department of Commerce has long favoured some sort of American guarantee of money for the scheme (estimated at £300 million three years ago), raised perhaps by a consortium of governments and aluminium firms, and Dr Nkrumah seems to have completed the job of persuading the State Department.

The coping stone on Dr Nkrumah's western policy would no doubt be added by the Queen's visit, which would at once testify to Ghana's stability and magnanimity without compromising the development of the African personality. It may, too, be reassuring that in London Dr Nkrumah is having talks with the chairman of the Council of Legal Education. Dr Nkrumah has shown further finesse in threading his way through the cross-currents of world affairs to Ghana's advantage.

TORY HOUSING POLICY

Who's Subsidising Now?

THERE is little to be said in favour of the detailed proposals for encouraging home ownership which have been put forward by the housing and local government committee of Conservative backbenchers. Building societies, acting on sound commercial principles, will



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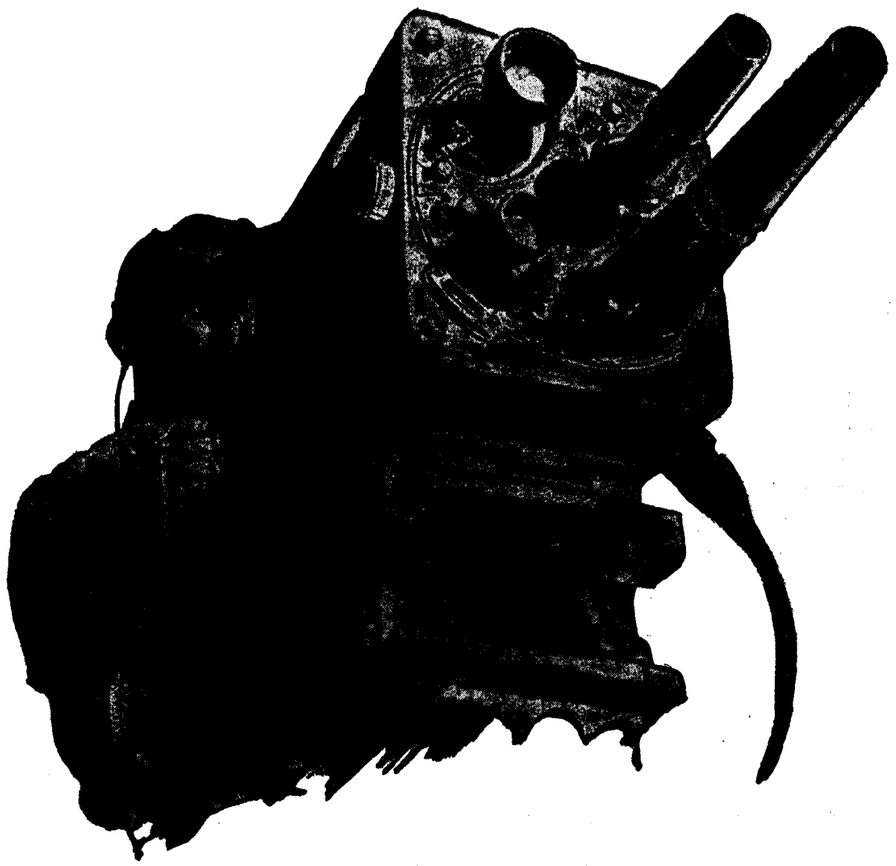

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advance only up to 90 per cent of their valuation of a house; the backbenchers want a government agency, with Treasury backing, to guarantee the other 10 per cent for all new houses and for some second-hand ones. Among other detailed proposals, they want the Schedule A tax on house owners to be abolished. These are proposals for disguised housing subsidies—and Britain needs less of them, not more. To introduce subsidies for people who can afford to buy houses would not be a very logical sequel to the wise Conservative decision in 1956 to cut down the subsidy on council houses built for rent.

The interesting thing, however, is that these proposals have been put forward by Conservative backbenchers in such very detailed form, all trimmed and tabulated ready for legislation. They have now been submitted to Mr Butler's Conservative policy-making committee, in the hope that it will recommend their inclusion in the Government's programme for the next session. Generally, groups of Conservative backbenchers are not inclined to put forward specific legislative suggestions of this kind; groups of Labour backbenchers put up more of them, but Labour governments have learned when to disregard their advice. In principle, it is an excellent thing that Conservative backbenchers should be encouraged to throw up more ideas for consideration; in practice, one's fear is that Mr Butler may be especially inclined to want to win good opinions from Conservative backbenchers just now, even if it means adopting those of their ideas which are bad.

The proper slogan for the Conservatives in this next session will be to devote every penny the country can afford towards encouraging general economic expansion, not to waste money cosseting particular interests. These housing proposals fall into the latter category; so did last week's strange Tory decision that because more people like to live beside the seaside than can find jobs there, the cause of national prosperity will be served by telling industrialists that they must build their new factories there instead of in more economic and accessible places.

LIVERPOOL PRISON

Vick on Sore Spots

THERE is perhaps some danger that the real lessons of the inquiry into allegations of ill-treatment in Walton prison, Liverpool, will be overlooked. Sir Godfrey Russell Vick, QC—after an inquiry at which the warders refused to give evidence in their own defence—satisfied himself that charges should be preferred against thirteen prison officers: in most cases for using violence against prisoners, and in the others for squirting water on prisoners in hospital. In the end, after long, though unavoidable, delays in getting formal statements from prisoners and ex-prisoners, and long arguments about procedure with the Prison Officers Association, charges were heard against only four officers in respect of water-squirting (and against one of them in respect of using unnecessary force as well). The charges against two officers were dismissed, and the other two have been reprimanded and placed on probation.

Some people will take the Vick report as confirming their belief that all prisoners are the wronged victims of bullying prison officers' malice, and they will seize on the suggestion that it should be easier for prisoners to make complaints. But a fussy system for making complaints, which would be choked with frivolous allegations from barrack-room lawyers and could not be properly used by the prisons' large complement of weak-minded men, would be no sensible sort of reform. The important thing is to ensure that the atmosphere of a prison is such that a formal procedure for making complaints is unnecessary. To achieve this two things are needed. The first is the recruitment of the right sort of men as prison officers: people with a difficult social service job to perform rather than the old-fashioned NCO type—which means that warders need both higher pay and a more stimulating job. The second requirement—as part of making the job less dreary and monotonous—is the breaking up of large prisons like Walton into administratively smaller units so that both prisoners and warders remain individuals. In a prison where relations between the staff, from the governor downwards, are good, the governor would know, without having to receive a formal complaint, if ill-treatment was going on. In a prison where the governor is in remote control, with the prison officers a set of discontented and underpaid men with no ready access to him or his deputy, incidents are bound to occur.

The Vick report finds that there was no reason why the Governor, or other senior members of the staff, should have known of the incidents at Walton prison. If the system prevented them from doing so, it should be changed. If their ignorance reflects bad morale, something should be done about that. Otherwise, the publication of the Vick report will merely increase the tension in Walton prison—and other prisons—instead of relieving it.

FEMININE FASHIONS

Sacking the Sack

SUDDEN reversals of a trend in feminine fashions are rarely popular. The squeals of distress which they are apt to elicit spring not only from aesthetic anguish but also from the economic impact of sudden obsolescence, whether on the contents of individual wardrobes or on wholesalers' and retailers' stocks. It is a safe bet, however, that few lamentations will be heard over the sensational back-tracking reported from the current Paris fashion shows. The sack, the chemise, and that truly horrid object—suggestive of a very bad case of *détournement de mineurs*—the maternity-cum-baby-doll line are, it seems, out. Paris, and the House of Dior in particular, has decreed it. But is "decree" really the word? It seems likelier that the change has been dictated by something less easily identifiable than any Parisian *grande maison*, whatever its authority; by that *Zeitgeist* of the mode which it is the great designers' pride to identify and interpret. The sack, chemise, trapeze, and similar devices for obliterating the female shape, appear in retrospect to be the fruit of an error of interpretation. Whatever surmises might be possible during the winter months, when anything from crinolines to bikinis could have been concealed under the perennial tent-like topcoat, summer has revealed, hardly less in Paris than in London, the sack style's almost total failure to catch on. It is possible that the failure is deceptive; that innumerable would-be wearers of sacks, etc., have been frustrated by the faint-heartedness of a retail trade unwilling to throw in its lot with the anti-shape revolution. It is, more plausibly, possible that a contrary influence has been at work; that the peculiar ease with which sacks, etc., can be run up all anyhow and sold cheap, has made them thoroughly non-U from the word go.

Whatever the cause, the effect is obvious. The *Zeitgeist* has laid back its ears and dug in its toes, and Paris has acknowledged its error and conceded victory.

Will things ever be the same again? Will the shiny magazines be able, as of yore, to head an account of the season's novelties with a confident "You will be wearing . . ."? Will the buyers and wholesale designers—whose burnt fingers must by now be giving them considerable pain—start interpreting the *Zeitgeist* on their own account? Or perhaps a cleavage will establish itself, profound and permanent, between two classes of womenkind, divided less, as in the past, by social rank and income than by temperament. On the one hand, one envisages a minority of True Believers who will, at the behest of the latest Parisian misogynist, accept the Umbrella Line (with six-inch drawstring round the ankles), the Dropsy Line (with an inflatable *artifice intérieure* appropriately placed) or the Ku Klux Klan Line (with eyeholes). On the other, the general female populace will, year after year, impenitently and sustained by unsophisticated masculine approval, hew as best it can to the Starlet Line—and let the chips fall where they may.

POLAND

Bishop's Move

In the last days of July, the delicate balance between party and church in Poland appeared to have been upset. The public prosecutor's office, in a statement on July 29th, accused the church of illegalities, such as the publication of subversive pamphlets which it failed to submit to the censor. According to this statement, the first warnings to the ecclesiastical authorities had been issued as early as the middle of May. The Jasna Gora monastery was raided on July 21st; there was some resistance; the police impounded quantities of pamphlets and sealed the printing machines. The church has taken the raid very seriously; the Vatican radio pointed out that the Jasna Gora monastery had never been raided before, not even by the Nazis. Censorship is one of the most sensitive points in the relations between the church and the party in Poland: the church, which has been deprived since the end of the war of most of its secular means of communication with the faithful, will probably continue to press for the abolition, or at least the relaxation, of the censorship of its publications.

Another issue that has long been causing friction between the two institutions is the distribution of charitable goods sent to Poland by Catholic organisations abroad. Since a temporary arrangement came to an end last spring, the goods have been piling up in the Baltic docks while the state disputed the exclusive right of the church to their distribution. The church wants the clergy to do the distributing; the government wants to entrust it to a commission, with some church members. An *ad hoc* agreement at the end of last week has enabled the present stocks to be sent to the flood victims in southern Poland. But the dispute remains unsettled for the future and will cause trouble again.

Last weekend, the official Polish press agency issued a statement to the effect that the general dispute between the church and the state had been settled. The Polish communists are clearly anxious to play down their differences with the church and to achieve at least a temporary *modus vivendi* with it. Although all the modern propaganda apparatus is concentrated in their hands, and party discipline is tighter than it was, the party is still nervous and hesitant when it confronts the traditional strength of the Catholic church. As long as the communists and the catholics in Poland go on being themselves, and their mutual mistrust persists, their truce is likely to remain an uneasy one.

EAST-WEST RELATIONS

Mr K's Forgotten Note

On July 15th, the day the American marines landed in Lebanon, the western embassies in Moscow received a note from the Soviet government proposing a treaty of friendship between the Nato and the Warsaw Pact countries. Because of the trouble in the Middle East that followed, this Soviet blue-print for a European settlement was relegated to the pending trays in the foreign ministries of the West. In quieter days, more would have been heard of it.

Appended to the Russian note was a "draft treaty of friendship and co-operation among the states of Europe," consisting of eleven articles. A reduction in the forces kept by the two pact systems in each part of Germany; a zone free of nuclear weapons; more trade and extended cultural exchanges among the states of divided Europe—all found their place in the draft treaty. But the omissions, and the reasons why the treaty was drafted in the first place, are more interesting than its text. It is in fact a proposal for the consolidation of the *status quo* in Europe. Mr Khrushchev has often said that the conditions for the reunification of Germany did not obtain: the Soviet note took the division of Germany for granted. In its frequent references to the Nato and the Warsaw pact countries, it implicitly accepted the European stalemate. It is very likely that some time before his visit to Berlin at the beginning of July, when he attended the Socialist Unity party congress, Mr Khrushchev gave up all idea that he would get his way with a summit meeting, and the draft treaty of friendship was intended to serve as a substitute for it. (The Middle Eastern crisis caused him to return to the idea of a summit meeting, which he has now dropped again—though a paragraph in his message of Tuesday gives notice, in effect, that he will revive the pressure for "personal meetings" one day.)

Although the note was mainly intended for western consumption, so far only the Hungarians, the Czechs, the Rumanians and the Albanians have found time to reply to it. The chorus of assent, coupled with denunciation of the West, from these member states of the Warsaw pact looks more like the work of their ministries of propaganda than of the foreign ministries: the replies have nothing to do with diplomatic practice. The Hungarians and the Czechs in particular have taken the opportunity to attack "German imperialism" and to denounce Bonn once again as the new habitat of "German militarism thirsting for revenge." The Soviet draft treaty would not have been likely to find a welcome in the west, even had there been more time; it looks too like the documents European statesmen were so fond of signing in the period of diplomacy that ended in the second world war.

NIGERIA

Conference Ahead

The Nigerian constitutional conference next month is casting shadows ahead. As happened before the previous conference, the Federal assembly has staged a debate, ending in a demand for independence in 1960 whether the constitutional and administrative machinery is ready or not. The Federal government has had to reject a demand for complete Nigerianisation of the civil service by 1960. The report of the fiscal commission is out, and, though full of skilful compromise, it bristles with points on which the regions seem likely to clash. The minorities report, expected in a fortnight, will probably be just as controversial.

Meanwhile the struggle for ultimate power is taking shape. Increasingly Chief Awolowo's Action Group emerges as a determined challenger in all three regions of the Federation to a coalition between Azikiwe's National Council of Nigeria and the Cameroons (which rules in the East) and the Northern People's Congress (which is the party of the emirs and notables who run the North). At the Federal centre, all three parties co-operate in a national government; but despite many protestations of unity and harmony, it is very far from being as united a team as it was when the Prime Minister, Abu Bakr Tafawa Balewa, first called it together.

At first sight the Action Group, which is the government party of Western Nigeria, has only a slender hope of becoming a dominant power in the Federation. It forms a sizeable opposition in the East, drawing support from among the non-Ibo peoples; but the North has the preponderance of seats in the Federal legislature and, in alliance with Dr Azikiwe's party, seems impregnable. But Chief Awolowo seems to think that change is on his side: that discontent is breaking up the NCNC and the NPC from within, and that the dynamic well-run Action Group can become what Dr Azikiwe once was—the forward-looking progressive nationalist party. To that end the Action Group is reported to be making alliances with the opposition parties in the North, and is making the most of Dr Azikiwe's disarray. Though Dr Azikiwe has expelled some of his party dissidents, including two NCNC federal ministers, efforts to unseat him have apparently not ceased; he, in his turn, seems to be thinking of making a bid for leadership in Federal politics after independence, if not sooner.

How all this will affect issues at the conference remains to be seen. But it is at least a good sign that Nigeria's leaders seem to be thinking in terms of power in Nigeria as a whole, and not of withdrawing into their own regions. The weakness of federal sentiment in Nigeria worries the officials, but the creation of Nigeria-wide parties, or coalitions of parties, might develop it.

LABOUR PARTY

Sauce for the Capitalist

Business men may find it instructive to compare what the socialist ginger group would do to industry and the economy with what the official Labour party thinks it can do. *Industry Your Servant*, published last week by the Victory for Socialism group is clearly the sort of policy which the party fanatics would like to have written into the official *Plan for Progress*, and perhaps did write into the first draft before it was bowdlerised.

Industry Your Servant demands a programme of public ownership as well as of strict fiscal and physical controls—but, curiously, it does not bother to set out any programme of take-overs. Moreover, though it insists that there is more than one method of exercising public control, it does not itemise them—there is no commendation, for example, of the Gaitskell plan for state shareholdings. There is only a quiet conviction that somehow or other, socialism is going to replace all the unpatriotic, greedy and self-seeking capitalists who now control the 600 big firms—some have got into the nationalised boards as well—by upright, but equally enterprising, socialist entrepreneurs.

For the rest, controls all the way. Only in a "rapidly shrinking" private sector, however, are controls expected to be effective. In this version of Labour's plan, companies private as well as public would not only have to disclose their plans for reinvesting their profits, but also to obtain licences to proceed with them. It is perhaps odd that when so many physical controls are to be slapped on, the monetary mechanism is also to be used—with such innovations as discriminatory interest rates and taxation. The industrialist can take comfort from the fact that if he is to be dragooned, so is the consumer; the latter is to have the quality of his goods safeguarded, but is to be made liable to compulsory saving (in case the business man fails to plough back enough).

To Victory for Socialism, the real purpose of all this is not, of course, to make anybody better off, happier or freer. It is to bring socialism into being—perhaps by the negative process of making everything else impossible. When everyone is in a straitjacket planning is easy, because nobody has any free will at all. This frenetic stuff will make the party's real intellectuals shudder.

OFFICE WORKERS

White Collar and Higher Pay

A survey by the Office Management Association into clerks' pay has thrown up some unexpected results. Many people will be surprised to learn that over the past two years earnings of clerks have risen faster than those of manual workers. Without strong unions or the threat of strikes to help them, the 90,000 clerks in the survey had been given increases in pay of between 11 and 16 per cent since 1956, compared with increases of less than 10 per cent for manual workers; this has brought the pay of senior clerks, at £13 a week, roughly into line with average earnings of men in industry. Young office and errand boys (in common with young workers generally) did much better than their elders; their wages rose by a quarter in these two years, to an average of £4 5s. a week. The average newly trained shorthand-typist now gets £6 10s. a week and a 17-year-old shop assistant almost as much. Can it be that, after many years at the bottom of the wages queue, the white collar worker is staging a comeback?

This would be a rash prediction. Many of the factors making for the high pay of unskilled clerks look temporary. The supply of young people coming on to the labour market in 1956 and 1957 was still depressed by the low birthrate

during the war years. By 1962 the number of school leavers—from whose ranks most junior clerks are recruited—will have risen by half. Moreover, although under Parkinson's Law the demand for clerical staff should increase irrespective of the work to be done (as actually happened during the years of the survey when industrial production was constant and demand for clerks rose), trends in office mechanisation will be working in the opposite direction. These are conditions in which employers should at last be able to get—and to keep—the efficient office staff for which they pine. Conceivably, they may also be conditions in which clerical workers will again feel painfully their lack of union organisation—when the market will no longer be doing silently for the clerks what the trade unions do for their members with a war dance.

INDIA AND PAKISTAN

Drying Up

THE flow of negotiations about the Punjab irrigation waters has not, after all, dried up completely; but it is down to an ominously slow trickle. At the London talks between representatives of India, Pakistan and the World Bank (the background to which was summarised on page 115 of our issue of July 12th), Pakistan has presented its revised plan for the replacement of the river water which India intends to divert for its own use. India, which is committed in principle to footing the bill for the replacement work, has not rejected the new plan outright, but, after expressing some sizeable reservations, has agreed to study it—a study which the Pakistanis fear may be a protracted and inconclusive one.

Time is running short. By next April the new irrigation projects that India has already built will be making an even more painful impact than this year's on deliveries of water to the Pakistani half of the Punjab. Indians complain that Pakistan should have pressed ahead faster with the building of link canals to bring water to the border areas which are losing their historic supplies from across the Indian frontier. Pakistanis retort that they can hardly be expected to build the new canals at their own expense and then see India subtract an equivalent amount of water. They are pressing for at least an initial agreement, to enable them to get on with the building job with some confidence of recouping the cost; and they feel that their revised (and, at £250 million, much less costly) plan represents a major concession.

The United States and Britain get their share of criticism in Karachi. Pakistanis argue that these governments should make any economic aid to India conditional on the execution of an agreed plan for the Punjab waters. That would scarcely be practical politics; but the Bank is in a better position to explain to both parties how their search for foreign aid might be more rewarding if they could reach an accommodation which would make them better risks. It will be sad indeed if no chance of a compromise can be seized, now that the customary tension between the two neighbours has been somewhat eased by the Pakistan prime minister's declaration that war between them is "unthinkable on any issue," and by his government's political courage in dealing firmly with Kashmiri demonstrators trying to cross the cease-fire line into Indian-held Kashmir.

LATIN AMERICA

Adam Smith away from Home

AT first sight few economic schemes seem more unlikely than a common market in Latin America. No region of the western world conducts its affairs in a manner so remote from the principles of Adam Smith. In the mind of the European exporter, Latin America stands for political instability, foreign exchange crises, crazy multiple rates of exchange and arbitrary import restrictions through which only the most ingenious can find their way. There is no simple economic denominator; some of the twenty republics are members of the dollar area and relatively rich; others are neither. The idea of a Latin American common market has received an impetus from the European one—which has set up new preferential arrangements that favour African exporters of cocoa, coffee and bananas against American competitors; but a regional customs union can hardly solve the trading problems of a group of primary producers nine-tenths of whose exports go to markets outside.

In the long run, however, it is a constructive idea. Primary producing countries, as well as industrial ones, can benefit from competition and from greater division of labour. And it is easier to sweep away customs duties before new industries are set up than afterwards. Within the area some of the national economies—such as those of Argentina, Bolivia, and Chile—are in some measure complementary to one another despite their lack of industry. It would be unfair, too, to judge all Latin American economic policies by the standards of the worst. In the past few years a number of countries—Colombia, Peru, even Brazil and Argentina—have made efforts to check inflation and restore some economic health by a dose of orthodox liberalism. Some Latin American economists, including Dr Prebisch, see the development of a regional common market as the next step in this direction.

THE idea already has some drive behind it. Several central American republics have begun to set up a common market in their own area. And the Organisation of American States resolved last year to co-operate with the UN Economic Commission for Latin America in working towards a common market for the region as a whole. The detailed recommendations of a working group which first met in February are published in ECLA's latest quarterly bulletin.

If they are to make progress, without turning into an anti-American movement, these efforts will need more support than they have had from the United States. Latin America's prime economic needs are for development capital and markets for its basic products. If the executive of the new grouping were to play a part in the distribution of American aid and capital, similar to that played by the Organisation for European Economic Co-operation in the distribution of Marshall aid, it would soon gain authority. In all this Washington will have to take a long-term view. The most fervent exponents of federation are leftish groups which aspire to greater independence of North American influence. But it is probably in the interest of the United States to see a strong independent grouping develop to the south, even if it may on occasion bite Uncle Sam's helping hand.

LETTERS

Russia's Agrarian Revolution

SIR—The writer of your article in your July 5th issue evidently does not agree that the new Soviet farm programme really represents "revolution," for he states that, "Mr Khrushchev . . . would probably admit that this is only a programme for the transitional period. . . ." I feel that the revolutionary nature of this programme has been understated, especially when viewed as one of several changes in the Soviet economic set up.

Under the "new order" for Soviet agriculture, obligatory deliveries of farm products to the government at relatively low prices have been abolished. Instead the government will pay the farmers relatively high, fixed prices. This system, a system of parity prices, has brought about huge surpluses of farm products in the United States. It is essentially the same system as has been used in England to revitalise agricultural production when, because of experiences in the second world war, the people decided that never again did they wish to be so dependent upon foreign sources of supply of food products.

That Mr Khrushchev is now expressing a willingness to pay for what he wants is further evidenced by recent statements he has made about a current problem facing the east Germans. Scientists there have been tempted to offer their services in the relatively high paying Western market. Mr Khrushchev has said that if they chose to come to Russia, they would receive wages greater than those enjoyed by their Western counterparts.

All this appears to be part of a pattern in conjunction with the new Soviet economic offensive. Mr Khrushchev professes that these new programmes will bring about a standard of living for the Soviet people greater than that of the United States. Would it not be ironical indeed if these programmes were to succeed, for they all utilise that same profit motive system which was the object of some of Marx's most violent attacks! Furthermore, if they are successful, a future Soviet government will have difficulty discarding them. These programmes may well turn out to be truly "revolutionary."—Yours faithfully,

ROBERT HANEY SCOTT

Kansas State College

Miles of Tape

SIR—Your article in your issue of July 26th throws an enchanting light on a path that is going to lead us back to the atmosphere of ancient Greece and Rome when educated people had something like an aversion to reading. The reader of today will then be, as he was, *semper auditor tantum*; a new work by a favourite author will mean not a rush to the bookshop but *curritur ad vocem jucundam*. Professor Gilbert Murray in the "Rise of the Greek Epic" says: "Where we moderns think of a book as a thing to read to oneself . . . the ancients thought of it just the other way. The recitation was normal, the private reading exceptional." F. G. Kenyon remarks on the "very limited book production" in the period of intense literary creativeness which distinguished the culmination of Greek literature in the fifth century; publicity was by word of mouth ["Books and Readers in Ancient Greece and Rome"]. Professor Franz Blatt of Aarhus in the French edition of his Latin Syntax says: *dans l'étude des langues mortes on a parfois négligé le fait que la littérature ancienne est une littérature qui doit être 'lue' avec l'oreille et non avec l'oeil.*

When tape recording brings back these *Saturnia regna* what a wonderful harvest there is going to be for the golden-voiced, the actors and the elocutionists! The commuter in his railway carriage will travel with a pocketful of tiny cylinders or disks which can be played for his own ear alone. Poetry will flourish when recited by the author himself or by a delightful reader. Pronunciation will be stabilised, so that the *voces jucundae* will be intelligible to us for ever, unlike what Chaucer's utterance would be if heard today. Books will vanish. The blind will need no Braille. To be sure, it would be intolerable to be deprived of the right to skip; so whilst literature will be recorded and listened to, newspapers will still be printed so that he who skips may read.—Yours faithfully, W. J. MOLONEY

Mattingley, Hants

The Shortage of Teachers

SIR—Your article in your issue of August 2nd does little to emphasise the more important causes, the removal of which might go a long way to provide the remedy. I suggest the following as important causes of the shortage.

1. The relatively low pay compared with the rewards of industry and the other learned professions.

2. Teachers doing the most advanced scholarship work in grammar schools now earn less than the head Teachers of secondary modern schools where very little teaching beyond the ordinary level of the GCE is undertaken.

3. The appointment of too many masters means that after 45 years of age the school master has no young hedge prospects—just when he is at prime. If headships were gained after the age of 50, when a man's effectiveness in the classroom is beginning to decline but when he is well able and experienced to cope with the administrative work the position of a headmaster entails, the promotion prospects would be brighter. Further headmasters would hold their positions for shorter periods, thus giving schools the benefit of more frequent changes of head, and there would also be a larger number of vacant headships for assistant masters to apply for.—Yours faithfully, R. E. YORKE,

Deputy Headmaster

Grammar School, Bexhill-on-Sea

Science of Biology

SIR—In *The Economist* of July 26, 1958, two books are reveiwed side by side. One is "Physics and Philosophy," by Werner Heisenberg, and the other "A Century of Darwin," edited by S. A. Barnett.

In the first book the author states that "a natural science is one whose propositions on limited domains of nature can have only a correspondingly limited validity; and that science is not a philosophy developing a world-view of nature as a whole or about the essence of things." He goes on to say that "the existing scientific concepts cover always only a very limited part of reality and the other part that has not yet been understood is infinite." Your reviewer adds that "Science leads to a 'world-view' only by way of an unscientific and illegitimate extrapolation."

Surely if there is any science which sins against the principles enunciated by Werner Heisenberg, it is that of biology based on the evolutionary theory. To judge by the comments of your reviewer, "A Century of Darwin" appears to be, not a critical analysis but another collection of eulogies on Darwin and his work, this time by a galaxy of experts. Presumably these experts are all biologists, a breed which seems to be incapable of the intellectual clarity and honesty common among physicists; their writings show a vagueness in language and such a generous use of time in millions of years that their thinking becomes clouded.

Can your reviewer or any of your readers tell me of any book which fearlessly examines the tremendous difficulties and problems which arise in the application of modern evolutionary theory to the natural world around us? Preferably such a book should be written by a person who has no religious axe to grind.—Yours faithfully,

Buenos Aires W. E. S. HEATH

The Billion

SIR—As milliard is not current English usage, and as billion is ambiguous, I write 10^9 and 10^{12}, pronounced kilo million and mega million respectively. Scientists abbreviate million by M for mega, and by m, pronounced milli, they denote the thousandth part of a unit.—Yours faithfully,

O. P. T. KANTOROWICZ

Cullercoats, North Shields

BOOKS

Payment by Results

Productivity and Economic Incentives

By J. P. Davison, P. Sargant Florence, Barbara Gray and N. S. Ross.

Allen and Unwin. 306 pages. 35s.

FEELING in British industry is beginning to move against systems of payment by results. Between 1938 and 1951, when the proportion of manufacturing workers on piecework rose from 33 to 40 per cent, many employers (though few unions) were still enthusiastic about them. But recently, several important firms, of which Vauxhall is the largest, have switched back to time rates; if American experience is any guide, more should follow soon. Is it true, then, that turning a factory over to piecework has become more trouble than it is worth?

The answer given in this book, which studies the effects of introducing piece rates into various factories, shops and laundries, is a firm "no." Output per head was found to respond well in every case to the changeover from time rates: at worst, it went up by 7.5 per cent; at best, by 291 per cent (when work previously done by six men and nine women was done more efficiently by the six men alone). The average rise in output per head was 70 per cent, and this was made possible not only by harder manual work but because piece rates indirectly increased the drive of management as well. Earnings, of course, rose too, but in only one factory by more than productivity. On the debit side, the losses the firms sustained in more disputes and higher labour turnover were not found to be serious. Many workers seemed pleased with their bonus rather than worried by the extra work they felt bound to do.

The authors naturally do not claim that gains of this order are always obtainable by changing to piece rates. Their survey concentrated on small groups of workers, producing, sometimes pretty inefficiently, a unit that was not too hard to measure. These are ideal conditions for incentive payments; and it might be thought that since most men of this type of job would be working on piece rates already, the authors are merely preaching to the converted. Such, however, is not the case. There are large sectors of the printing, building and service industries, among others, where work is still almost entirely done on time rates; and it is notable that these are just the industries where productivity is still at, or close to, its prewar level.

But there are limits to the application of piece rates, as the authors would be the first to admit. For a start, they are inappropriate where a firm is so specialised that all important speeds are machine determined; or where a firm is so unspecialised that it does not produce a measurable "piece" at all. More important, no change to piece rates can effectively be made without a basis of good industrial relations.

What happens if no such basis exists is examined in an excellent chapter by Mr Ross. He documents five years of more or less fruitless argument between unions and employers over a proposed incentive scheme, during which time relations in the factory deteriorated to near striking point. This was an extreme example; but, in general, the opposition of the unions to piece rates is very understandable. There are fears about redundancy, rate cutting, the fairness of time and motion study and, above all, about the status of craftsmen. For if piece rates can be applied only to semi-skilled men, as is often the case, craftsmen will lose their traditional differential. This upsets the accepted wage structure in a factory and leads to demands that craftsmen, and eventually others, be brought into the incentive scheme. If this demand is met, the whole scheme loses its edge; if not, valuable men may be lost, and strikes, as have occurred recently in the motor industry, may follow.

These are the reasons why many large firms are beginning to edge away from piece rates; those that have done so report better industrial relations with little or no fall in output per head. But for smaller firms, seeking for the first time to get on the plateau of high productivity, an incentive scheme can be a useful tool for management. This book will tell them why.

Reactionaries in France

From Blackmail to Treason: *Political Crime and Corruption in France 1920-40*

By Louis Ducloux; translated by Ronald Matthews.

André Deutsch. 240 pages. 18s.

THE scope of this book is much narrower than its title. It is a reply by a former senior police official to the campaign of hatred and slander directed between the wars at the Republic, and particularly at the Sûreté, by the royalist daily *L'Action Française*. Though he deals at length with libel and revolutionary conspiracy, he says little about blackmail or corruption, and omits much political crime. The assassination of President Doumer by an anarchist, that of Barthou by a Croat terrorist, the hounding to suicide of Salengro by Fascist papers like *Gringoire* are barely mentioned in passing. The author concentrates on the Philippe Daudet case, the Stavisky affair, and the activities of the Cagoulards.

He contends, with good reason, that *L'Action Française* bears a heavy responsibility for the attack on the Republic on February 6, 1934, for the Cagoulards' conspiracy and terrorism, and for the murders by the Vichy militia (largely ex-Cagoulard) of public men they disliked. At a moment when the extreme Right in France hope to exploit the discredit of the Republic, the disarray of its defenders, and the prestige of their old enemy de Gaulle, it is well to be reminded of this faction's odious record—especially as one Cagoulard leader named here, Dr Martin, is playing an active if minor role among the extremists in Algiers. But though the book contains many fascinating details, it is a pity this useful job was not better done. The style is tiresomely colloquial; careless slips occur; damaging quotations are given without their source; and there are serious omissions. The police are defended consistently but not always convincingly. The political significance of events is often dealt with quite inadequately; thus the long account of the riots of February 1934 refers frequently to both M. Chiappe and the Communists, but does nothing whatever to explain the important part that both played.

Yet despite the deficiencies of its presentation, this story provides a timely warning. The most memorable passages are perhaps the two pages of obscene vilification from *L'Action Française*, and the repeated incitements to murder uttered by Maurras, which fill pages 50-2 and 227-8. One may sympathise with the Frenchmen who, impatient with weak and irresponsible politicians, turn with relief in a crisis to a strong leader. But if they permit the tiny fascist minority to exploit the situation, they will face, as this book makes all too clear, a terrible but belated awakening. "Les réactionnaires," said Anatole France long ago, "sont des gens méchants."

Sacred Schools

Inside the Comprehensive School:

A Symposium contributed by Heads of Comprehensive Schools.

The Schoolmaster Publishing Company. 235 pages. 12s. 6d.

THE comprehensive school has evolved into one of the sacred cows of the Labour party. Time alone will show whether it is fit to survive, but since, as yet, we know little about it from the inside, this book is welcome. It is written by the heads of seventeen comprehensive schools; here, however, the trouble starts. Enthusiastic heads of any school (and these seventeen are unashamedly enthusiastic) are apt to be blind to faults in their own schools, and when writing about them, or talking about them, have a tendency to glow. This gives an air of unreality to "Inside the Comprehensive Schools" and it reads in parts like a wordy school prospectus. ("For those who show little aptitude, encouragement is given to develop good characteristics as citizens through class and group projects, visits and out-of-school activities.") On the other hand, monotony has to a certain extent been avoided, by giving to each head a particular aspect of the school to deal with: the timetable; the staff; examinations and assessments; social organisation; and it is encouraging to note the variety of ways in which different heads tackle the same problems.

The arguments in favour of "comprehension" are well enough put, but the authors go too far in that they continually introduce arguments for their schools that are applicable to any good school. "Steps are taken to familiarise pupils with opportunities for employment." "Many people were reassured to be given the information that the experience of the interim comprehensive schools in London showed that many boys and girls who at the end of their primary school lives were assessed as suitable for education in a secondary modern school had taken courses leading to the General Certificate of Education, to careers in industry, etc., etc., etc. . . ." (The style of this sentence is not untypical of the book.) "The boy will no longer study a car by gazing at diagrams, but will have an old machine to strip down." (Notice the emotive connotations of the verbs.)

Of course the obvious advantages are stressed. No one would deny that it is easier in a comprehensive school for a child to be moved from one course to another quite different one without feeling violently uprooted, or that a greater variety of courses can be offered to sixth formers in a comprehensive school as compared with a small grammar school. The case for the establishment of comprehensive schools in compact rural areas is convincingly put, especially by the headmaster of the school at Holyhead.

But disadvantages remain. They are not minimised by the authors, but are treated by them rather as exciting obstacles to be overcome. One of the chief of these is probably the distressing amount of time spent by adults within the school on organisation rather than on teaching. Miss Clarke of Peckham writes: "There may well be over 150 adults working in the school of whom two thirds will be teaching staff." "There is always the problem of time for staff meetings. Only the smaller ones can be called in the lunch hour,"—and she goes on, unflinching—"but the staff never grudge giving their own time, when they realise the value of their joint discussions." (Oh dear!) And there is a final flash: "Heads of Department who consult their colleagues in frequent group meetings. . . ." One cannot help agreeing with the anonymous writer of the first, introductory chapter: "large schools mean much extra work for the staff if their efforts are to be properly co-ordinated."

One agrees with him, too, when he writes a little further on that "many

grammar schools, technical schools and modern schools are more and more reaching out beyond their habitual bounds of curriculum so as to achieve a measure of overlap between schools with different aims." Cannot the comprehensive experiment stop here? The answer given in this book is "No." The experiment must go on, and, for the moment, it will be directed by enthusiasts; the time of danger will come when there are not enough enthusiasts to staff the comprehensive schools, and they may become both big and bad. Even Mr Gaitskell might be afraid of the big bad cow.

The Uses of Economics

The Skills of the Economist

By Kenneth E. Boulding.

Howard Allen, Inc. 193 pages. $3.50.

THIS is a "scope and method" essay with a difference. Despite its title—which implies the important reminder that economic ideas should be operational—it has more concern with scope than with method; more important, its argument aims less at those scrupulous and autarky-minded frontier adjustments between economics and other disciplines which generally characterise such works than at the enlarging and improvement of traffic across the frontiers themselves. It is true that Professor Boulding's first assertion about the economist's role and particular concern suggests the narrowest and most modest of claims—much narrower and more modest than that of modern welfare economics. The economist, he says, is interested in commodities, defined as such by reason of their scarcity, not in human behaviour, and his skill consists in recognising, distinguishing and systematising the relations between different aspects of scarcity, regardless of other characteristics either of commodities or of their producers, owners or consumers. This initial position, in fact, is practically identical with that taken up by Professor Lionel Robbins in his "Nature and Significance of Economic Science."

Once, however, he has established economics on its own autonomous territory, Professor Boulding devotes the bulk of his book to what might be called its foreign policy. Over certain areas, indeed, he suggests something like a condominium with sociology and psychology; but his chief interest is in interdiscipline trading relations. The tools of economic analysis are, he holds, eminently fit for export and use in other, equally autonomous, realms of human knowledge; and economics can and should import and use whatever tools are available not only from other social sciences but also from biology and physics. Do, for instance, the biological laws that limit the size of insects, crustaceans, birds, land mammals, animals in general, throw light on the question of size of enterprise? Is there an economic parallel to the living organism's homeostasis—its "ability to maintain a given structure in the face of a changing environment"—or to the engineer's servo-mechanism? On the other hand, could not biologists usefully look for an analogue, in the cells making up the living organism, to the "profit motive" governing economic regeneration and change of function?—and political science learn from the theory of oligopoly?—and sociology usefully employ, in various quite non-commercial contexts, the notion of exchange?

Professor Boulding is not so rash as to confuse analogy with identity; but the "trade not aid" which he advocates between the sciences offers at least a hopeful mitigation to the break-up of human knowledge. On still more difficult ground, in his final chapter, he confronts what he is not afraid to call the economic ethic—rationality, calculated action, that maximisation principle of which the pursuit of profit is only one possible embodiment—with the "heroic ethic," which refuses all calculation and inspires action literally without counting the cost: the ethic of the poet, the warrior, the saint and the artist. With a humility surely unique among economists, he gives primacy in human affairs to the heroic, at once the seminal principle and the preserver of integrity. "Without the heroic, man has no meaning." But he adds, and it is not only economists who will applaud him, "Without the economic, he has no sense!"

Writer to the Establishment?

Shakespeare from Richard II to Henry V

By Derek Traversi.

Hollis and Carter. 198 pages. 30s.

PROFESSOR DOVER WILSON and Dr E. M. W. Tillyard have exercised the major influence on current views of Shakespeare's second group of English historical plays. They have deepened awareness of the political content of the group, and have demonstrated the close linking of play to play. Yet these critics have given an oddly simple picture of the working of Shakespeare's imagination during an important phase of his development: from their pages, indeed, he emerges as a pillar of the Elizabethan establishment, sagely demonstrating its powerful myth. Hitherto this view has been only fugitively questioned. Now, however, a full length study has been published in which, while the debt to Messrs Dover Wilson and Tillyard is freely acknowledged, the essential ambivalence of the plays is made evident. Mr Traversi's book is of the first importance in showing once again that "to hold a balance between contrasted conceptions is to be true to the Shakespearean intention."

There is no sentimentalising over Falstaff, no doubt that, in the Elizabethan view, Henry V and his war were things politically good. Falstaff's comments, nevertheless, are "relevant if not exhaustive," and what he stands for—what

must, for Elizabethan political ends, be rejected—is a quality of life that is sacrificed at great cost. In their underlying questions, these plays are seen as anticipating both the "dark comedies" and the tragedies, and Mr Traversi rightly traces the links that especially bind *Henry IV* (*Part II*) with *Troilus* and *Measure for Measure*. The argument may appear over-strenuous when he finds Henry V's situation a foreshadowing of the tragic hero's, and there is perhaps too regular an assumption that the ambivalent intention was uniformly in Shakespeare's command. It may be significant that there is no reference to the strained light-heartedness of the Epilogue to *Henry IV* (*Part II*), with its half-promise to bring Falstaff to France in the sequel, and indeed at times we may feel that in these plays we have an alternation rather than a fusion of impulses. In line with this is a perhaps inadequate response to the purely comic element, which can in *Henry IV* (*Part I*) carry only a minimal burden of sadness. But these things are minor in relation to the book's central argument, which has a degree of cogency and subtlety rare in Shakespeare criticism.

The writing is especially good on the two Parts of *Henry IV*, and some critics' easy denigration of Part II should not survive what is said here.

Old Jargon for Old Purposes

The Falling Rate of Profit: *Marx's Law and its Significance to Twentieth Century Capitalism*

By Joseph M. Gillman.

Dennis Dobson. 172 pages. 25s.

THIS is yet another dreary attempt to chew over some of the indigestible bits of Marxian economics: "the law of the falling tendency of the rate of profit," "the law of the rising organic composition of capital," "the law of the secular impoverishment [immiseration, some call it!] of the working-class." The author, who displays a good deal of zeal and industry, begins modestly and "objectively"; but very soon the old jargon is in full flood, and the old purpose is revealed: to show that, however fly-blown some of the laws, the prediction they lead to is as safe as ever —"a breakdown of the capitalist mode of production and its replacement by a socialist mode of production." The serious student who expects something like Mrs Robinson's or Professor Samuelson's re-examination will be disappointed.

Dr Gillman has gone to a great deal of trouble to make computations from a vast volume of statistics in order to give quantitative expression to the Marxian categories that appear in these laws. The sense of this procedure may be doubted, not only because of the inadequacy of the statistical time series, but also because of the unreal nature of some of the categories themselves. Moreover, the results, to anyone familiar with the pitfalls of quantitative proof of this kind of highly abstract theorems, are meaningless. They are reminiscent of the exercises in Mendelsohn's and Varga's "New Data on Lenin's Imperialism," which came out just before the last war and proved satisfactorily to the faithful that the pure word of the Marxian/Leninist gospel was as valid as ever.

In fact, however, Dr Gillman relies mainly on abstract reasoning, in spite of his heavy apparatus of statistical tables. And here the quality of his conclusion may be judged by his explanation of how "the 50 million motor-cars cluttering the American highways" not "all driven by capitalists" are consistent with the law of increasing impoverishment. The secret is the distinction between individual earnings and family earnings. The latter have gone up largely through the employment of married women, the "growing mechanisation of kitchen and other domestic chores" having been "permissive agents."

Eve of Famine

Pre-Famine Ireland

By T. W. Freeman.

Manchester University Press. 352 pages. 35s.

THE great famine caused the death of half a million Irishmen out of a total population of over eight million, and forced the emigration of two million more. Mr Freeman compares this unimaginable catastrophe to an atomic explosion, and certainly Ireland after it, like the world after Hiroshima, was never the same again. All the more welcome, therefore, is this survey of the island's land and peoples on the eve of the famine, based on the extremely detailed 1841 census, on the fine six-inch topographical maps of the Ordnance Survey, mostly made in the 1830s, and on the mass of books and reports dealing with the plight of Ireland at the time.

It requires an effort of imagination to realise the relative importance within the British Isles of pre-famine Ireland, with its population still half as large as that of England and Wales, and with an elegant capital that had not long ceased to be the second largest city of the British Empire. Yet looking backwards with Mr Freeman we can see the seeds of horror to come: the rocketing population, the farms fragmented among hordes of sub-tenants, the fatal dependence of the beggarly labourer on the potato patch to keep his family alive. The picture, in fact, is the familiar one of agricultural over-population; many passages in the book could equally well refer to southern Italy or India today.

This appalling story is given in all its detail and regional variation, from the relative prosperity of Ulster to the mud hovels of the west. Perhaps the detail is at times rather overwhelming. The reader who is imperfectly familiar with Ireland is in danger of losing himself among the outlandish townships and trackless bogs of a hundred years ago, especially as the splendidly informative maps of population distribution are by their nature unable to give much topographic detail. A glossary, too, would have helped, both with traditional Irish terms and with the jargon of physical geography; even an Irish historian may not know the difference between a drumlin and an esker.

Mr Freeman advances no theories in this severely factual survey, and supports no particular school of economic history. If the result is rather unexciting, he has at least provided a sound and useful structure on which historians and geographers may base their further researches.

By Rail and Rope

Switzerland's Amazing Railways

By Cecil J. Allen.

Nelson. 180 pages. 25s.

MR ALLEN is a real enthusiast and he has written a book for those who share his interest. "Switzerland's Amazing Railways" is a good deal more than a description of locomotives, rolling stock, gradients, tunnels and bridges. He describes the history and the details of the construction of Switzerland's mainline railways and provides much interesting material about the difficulties that had to be surmounted in penetrating the great Alpine massif. But in fact much of Mr Allen's book is a guide book to the parts of Switzerland accessible by rail or wire rope, and he has illustrated it by photographs of the high standard to which one has become accustomed from the Swiss. For those who wish to travel among the high mountains but who are unable to walk or climb, this book will be exceedingly useful. The ingenious Swiss have provided mechanical means of transport to an enormous number of mountain peaks and passes from which good views can be obtained and Mr Allen describes these with loving care.

This is the second edition of this book and it is most commendably up to date. However, if it should run to a third edition a proper place-name index must be compiled. It is absurd that in order to find the description of the Crans-Bellalui suspension line one should have to know that it is indexed under "Gondelbahn" and that the Zermatt-Schwarzsee line is not indexed under the name of either terminal.

Two Views on Divorce

The Problem of Divorce

By Robert S. W. Pollard.

Watts. 148 pages. 12s. 6d.

Divorce and Remarriage in Anglicanism

By A. R. Winnett.

Macmillan. 284 pages. 30s.

EACH of these books is likely to prove disappointing, for both are, in the main, polemical and historical, one summing up in favour of no divorce at all for professing Christians and the other for making all divorce considerably easier. Neither really does much more in the way of providing information than to bring up to date the story of a very long and rather local difference of opinion.

If, for example, readers of these two books expect to be given facts and figures about how different divorce laws work out, they will be disappointed. Yet each author could have cited the experience of not very distant countries —say, Spain on the one hand and the Scandinavian countries on the other— as some sort of statistical material should be available. It might also have been possible to get at least an impression of what happens to marriages—now usually monogamous—in Mohammedan countries where divorce is easy but is hedged with certain fairly drastic economic safeguards and other conditions. Nor are we told anything of the effects of the greater expectation of life today. The early death of one of the partners was what, in the past, usually broke up families.

In neither book is there a discussion of the effects on children of a divorce and a remarriage, as contrasted with the effects of continuing an unhappy marriage. Surely to both Christians and agnostics this should be a prime consideration, and one worth discussing for there can be two opinions on it. The authors may plead that they were simply writing histories of what is now the legal and theological situation in Britain with—in the case of the Anglican examination—a side glance at the official opinion of the Anglican communities of the United States.

Two general points do, however, emerge. One is that it really is difficult, because of the wording of the ceremony, to insist, as some have insisted, that the usual Anglican marriage service should be used for the remarriage of divorced persons. The other—often made before —is the unsoundness of the present legal conception of a "guilty" and an "innocent" party to a "matrimonial cause"; it seldom, if ever, fits the facts.

Lapsus Linguæ

American English

By Albert H. Marckwardt.

Oxford University Press. 194 pages. 32s.

MR MARCKWARDT is no Mencken, but has written an informative, light and perspective book, rich in scope and effective in compass. He traces modern American from colonial origins by way of the changed folkways of Americans. The big similarities between English and American are basic: those of grammar and syntax. The big differences are almost solely in vocabulary and word-formation, reflecting American ways of life. The glory of English—never better lauded than by Camden in his "Remains of Britain" nearly four centuries ago—lies in the Teutonic-Romance-Celtic richness of its vocabulary: the wealth of expression of nuances. American has enhanced this richness on Teutonic lines, by multiple word-formation ("living cost wage bonus"). Modern English pays tribute to American in headlinese, filmese, TV-ese, stage-ese, because the laconic pithiness of *The New Yorker* corresponds to what Western society everywhere demands of its spoken and written tongues. (French, Russian, even Yiddish show the same development.) From science, geography, medicine, economics, politics, history—from all fields of knowledge—modern American borrows and refashions compound terms to convey new ideas.

The author analyses the reasons for peculiar American terms: engineer= engine-driver *Anglice;* locomotive= engine; mortician=undertaker; and so on. He analyses the American, but now also British, desire to euphuise economic undertakings: engineer custodian= janitor; executive assistant=clerk; rodent exterminator=rat-catcher. He nicely handles regional American dialects and pronunciations. He gives lists of Indian, Spanish, German and other foreign words by their origins, and his chapter on "The Melting Pot" is especially illuminating. He seems to have missed the frequent German use of "hanging prepositions" in American: for instance, "out on," "off of" (or "off'n of"), "he wants in," "out from under." But it is a useful and entertaining work.

Italian Landscape

A Geography of Italy

By D. S. Walker.

Methuen. 256 pages. 30s.

IT would be interesting to know how many potential geographies of Italy have budded promisingly in the cold north, only to wilt under a Mediterranean sun. Only now has Mr Walker, resisting the delights that have lured many a field worker in the peninsula from strictly scientific pursuits, written the first real geography of Italy to appear in England. If only for this reason, the book will be welcomed by students; they will benefit from reading its general historical introduction, and will find in the careful detail of its regional section much information not otherwise available in English. There are interesting accounts also of the political and economic problems of regions like Sicily and the south.

Yet, in all essentials, this book could have been written twenty or thirty years ago; Mr Walker, although precise and thorough in what he writes, seems out of touch with the growing points of his subject today. In Italy, above all countries, the landscape is largely the creation of man, labouring through the centuries in a Mediterranean environment. The contributions of the various historical periods can be read in the contrasting forms of field, farm, village and town, and in the distribution of forest, marsh and cleared land. A study of the historical evolution of the landscape is regarded by many geographers today as central to their subject, but is lacking in Mr Walker's approach. The medieval city, the Renaissance planned town, the villa and its gardens, brilliant and original features of the Italian scene as they are, also scarcely appear. Even Rome itself is almost incredibly dismissed in under a page, with not even a map to show the uniqueness of its site or the stages of its growth, and no discussion of its current problems of expansion.

In much the same way, the treatment of physical geography produces few references to recent geomorphological research, or to air mass climatology, without which the climate of the Mediterranean world is inexplicable. On the economic side, little use is made of the extensive available material on industrial geography, or to the most important Italian work on land utilisation and systems of agricultural exploitation. Nor is the student helped to make up these deficiencies himself, for his only guide, a "short bibliography," consists of only a few dozen works, mostly historical and almost all in English. It is regrettable indeed that, in a book which is so urgently needed, and which contains much that is excellent, so many chances should have been missed.

OTHER BOOKS

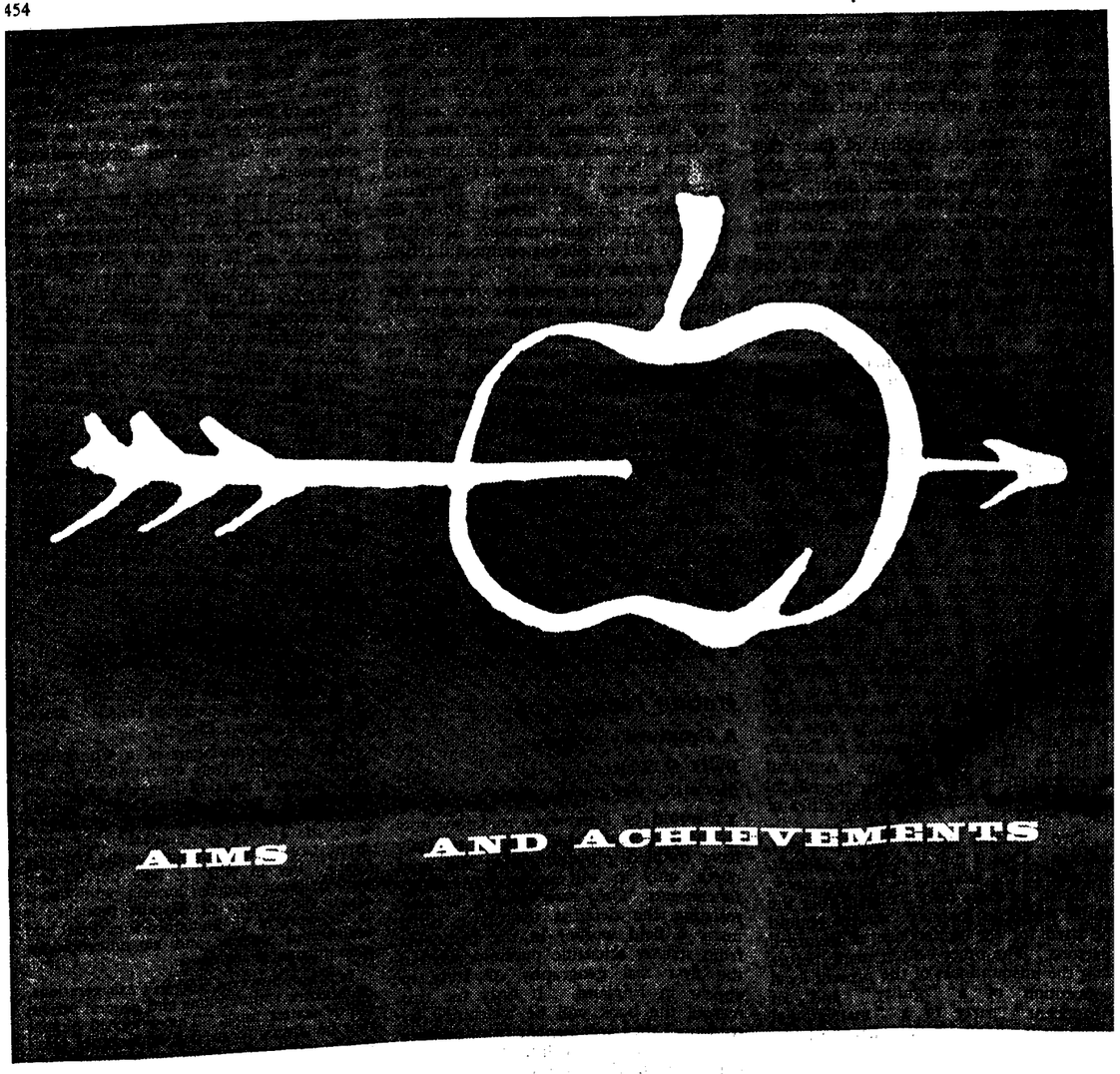
THE CONDITION OF THE WORKING CLASS IN ENGLAND. By Frederick Engels. *Blackwell.* 376 pages. 25s.

This new translation of a Communist classic is instructively accompanied by the exact original texts of Engels's quotations, or rather (to use the editors' term) "garbled abridgements." In their highly critical preface, the editors conclude that the chief interest of "The Condition of the Working Class" lies in what it tells the modern reader about Engels himself and hence about the origins of Marxist thought; it is the work of an immature superficial and embittered student and an unscrupulous manipulator of evidence.

It is not, however, Engels's exaggerations, distortions, suppressions and general venom which matter most. The wretched picture that he draws is, in fact, sufficiently justified in its broad outlines by the unemotional texts of contemporary official documents. His cardinal defect was lack of perspective, both social and historical. He drew an absurdly unrealistic picture of pre-industrial working life; he took no account whatever of the demographic explosion which made industrialisation the only alternative to famine; above all, he mistook the take-off crisis of industrial capitalism—and indeed a crisis within a crisis—for its final term. And this apocalyptic error, perpetuated by Marxists in the teeth of this evidence down to the present day, has not yet exhausted its power for evil.

TABLEAUX STATISTIQUES RELATIFS A L'ECONOMIE FRANCAISE ET L'ECONOMIE MONDIALE. By J. M. Jeanneney. *Armand Colin.* 200 pages. 1,000 frs.

This is a companion volume to the author's book on the *Forces et Faiblesses de l'economie francaise* reviewed in *The Economist* on September 1, 1956. It provides the statistical information on which the excellent charts in its predecessor were based. Since the French figures are given in their international setting, this is a useful reference book on its own. But it is particularly valuable as a statistical supplement illustrating its companion.



The aims of the companies in the GKN Group have a happy knack of becoming achievements. Consider, for instance, one member of the Group—Garringtons Ltd. When Garringtons began production of ferrous and non-ferrous forgings they set out to become the foremost forging organisation in the country. They succeeded. In fact, they went one better, and have grown into the largest and most modern in Europe. Broadly speaking, of every three tons of finished forgings used in this country, one comes from Garringtons.

Other sides of the business have been similarly developed —machining, assembly and the manufacture of hand tools; and recently an entirely new division was opened for the production of gas turbine blades. The Garrington example of turning objectives into milestones is repeated time and again in various Group companies. To travel hopefully, they say, is better than to arrive; but if, as in the GKN philosophy, each arrival is the point for a new departure, then better still—for the Group, for its customers, and for the country.

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AMERICAN SURVEY

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

UNDER SECRETARY TO GOVERNMENT
14 AUG 1958
PUBLIC DEPARTMENT

Inflation Here Again?

WASHINGTON, DC

THE economy is recovering so briskly that Congress has just killed the last big anti-recession measure, which would have provided loans for local public works; the steel companies have decided that demand will be strong enough to support a modest increase in prices; and some economists are now predicting that by the fourth quarter the gross national product will be back to the peak level of the third quarter of last year. But this happy picture—a picture, incidentally, almost entirely independent of the crisis in the Middle East—has been seriously marred in the eyes of Washington by recent and prospective uncertainties in the financial markets.

It all began about six weeks ago with a big refunding by the Treasury. The circumstances were such that it was possible for speculators to obtain one of the new issues with practically no down payment, and they did so in wholly unexpected numbers. The refunding, by pure coincidence, came just at the time when it was beginning to dawn on people that the economic odds favoured not only recovery, but a relatively brisk recovery. Prices of government securities began to drift lower a day or two after the refunding and the speculators took fright. The market then started to drop with dizzying speed and was saved from total collapse only because the Treasury decided to buy back for retirement an unprecedented $600 million worth of the new issue—a move the Treasury could make at the time because it had a temporary surplus of cash in hand.

The market continued to drift down through the first part of July as the economic news continued good and significant numbers of holders of government bonds decided to realise some of the big profits they had made during last winter's rise. Then came the revolution in Iraq and the marines in Lebanon. Genuine panic struck the market and on Friday, July 18th, the Federal Reserve Board announced that it was intervening by buying longer term government securities for the first time since 1952. It has since become clear that to the central bank this move was the exercise of a long-standing exception to its policy of buying only short-term bills, which permits it to intervene if markets become "disorderly," not an abandonment of the policy itself. But the purchases, while comparatively modest in size, did add further to bank reserves, and thus to the amount of money which banks had available to lend, and undoubtedly contributed to a wave of inflationary sentiment that began to dominate the markets.

The amounts added to reserves from this support operation, however, were nothing compared with the next crisis. The Treasury, the victim of the fixed dates on which its securities mature, was forced to undertake another major refinancing, $16 billion worth, in late July. Its offer was conservative—a one-year certificate—and attractively priced. But the markets were so unsettled that holders of the maturing issues would have none of it. It became apparent on the first of the three days on which the books were open that a major failure was in store and the Federal Reserve authorities, giving up a position they had taken on policy for the second time in less than a week, moved in massively to help. This only barely saved the day; by the time the books were closed and the figures added up it emerged that the "attrition", or demand for cash, amounted to $2.8 billion which, allowing for the $7 billion of the maturing issue already held by the Federal Reserve and for its support operations, came to a postwar record. The Treasury was lucky to escape with its skin, and ever since the Federal Reserve has been ruefully contemplating the $1.1 billion of additional reserves pumped into the banking system by its support operation. It will take the delicacy of a genius to extract these potentially inflationary reserves from the banks without causing the bond market to collapse still further.

MEANWHILE, uneasiness of a different kind was developing over the stock market, which has been rising at a pace almost as startling as that at which the bond market has been falling. Experts and "little people" alike have been spending much of their time in the past two weeks asking themselves how it could be happening, if it could last, and whether they should "get out". The number of shares being sold short, that is, for future delivery, on the New York Stock Exchange has risen to record levels in spite of the fact that the short interests have taken a fearful beating in the past two months. Industrial shares are selling at 20 times their earnings and more—the sort of situation that could lead ultimately to a very severe break. The most common opinion is that the market is reflecting a resurgence of inflationary sentiment but, whatever the cause of the rise, it has worried a lot of people, both in and out of government, and the Federal Reserve Board has just moved to check any excessive use of credit for buying securities by increasing the down payment required on new purchases of shares to 70 per cent from 50 per cent of their value.

The inflationary sentiment is understandable. The rise in steel prices coincided with the official statement, made when the Administration asked Congress to raise the limit on the national debt to $288 billion from the present $280 billion, that the budget deficit in the current fiscal year will be about $12 billion; this is easily a peacetime record and is higher even than the deficits during the Korean war—and it is being incurred without an anti-recession cut in taxes. The reasons for this impressive deficit, in order of importance, are the impact of the recession on receipts (corporate tax payments are only now

beginning to go down, and even a brisk recovery cannot prevent a sharp decline from this source); anti-recession measures amounting to a comparatively modest addition of $1.8 billion to estimated spending; a dismaying increase of $1.5 billion in farm subsidies, caused mainly by this year's exceptionally favourable weather in the farm belt; increases of about $600 million in military outlays; and a package of measures unrelated to sputniks or recession which add up to about another $1 billion.

Remembering its recent nightmares, the Treasury is scarcely contemplating with pleasure the job of financing this deficit, even though its cash offering of $3.5 billion at the very end of July did go over reasonably well. To the stock market investor, who also remembers both what has been happening in the money market and the huge increase in bank reserves, the signs point only one way. Even before its two recent support operations, the Federal Reserve, through its orthodox anti-recession policy of easy money, had added sufficient reserves to the banks in the first half of this year to permit them to expand their credit by $8.5 billion; this seems to be enough by itself to provide the sort of liquidity in the economy that has underlain upward movements of prices in the past.

So far people have been catching their breaths after the confusing period of emergency decisions and have not made any conclusive judgments on what will be the ultimate effect of recent events. It is at least possible that the central bank will be able to "neutralise" its latest additions to bank reserves, either by selling bills or by refusing to supply extra reserves in the amounts needed for normal seasonal purposes. But there is always the chance that if, as a result, there is a visible tightening of money, the Federal Reserve will not only be accused of frustrating the economic recovery but will also possibly precipitate the feared break in the stock market. Besides, it can scarcely adopt an effective policy of restraint, or even of moderation of the recent policy of "active ease," when the Treasury will be coming to market for at least $6 billion more in cash before the year is out.

Pan-American Travellers

THE coincidence, last week-end, of Mr Dulles taking off for Rio de Janeiro, despite the apparent imminence of a summit conference, just as Dr Milton Eisenhower, the President's brother, had arrived back from a fact-finding trip to Central America gives a somewhat misleading impression of the urgency with which the United States is dealing with the disrepair in Pan-American relations revealed so horridly last spring when Mr Nixon was stoned and spat upon. But there were good reasons—quite apart from the Secretary of State's distaste for an early summit meeting—for Mr Dulles not to postpone his trip. It would have been a slight to his host, Mr Kubitschek, the President of Brazil, who, although his country was not involved in the affront to Mr Nixon, was the first to hold out an olive branch: he proposed, in May, a review "at the highest levels," of what had gone wrong and the possible remedies. Moreover, Mr Dulles must have been anxious to reassure the Latin American republics, who have been hinting that they do not want to be left out of any summit talks, that a meeting under the auspices of the United Nations would take account of their views and those of other small nations. Mr Dulles cannot afford to widen the splits in the Pan-American block; he will need its support in the General Assembly.

In pressing for immediate steps to cure the "disease of underdevelopment," whether at a Foreign Ministers' meeting or a Latin-American summit conference, the President of Brazil has the support of Dr Eisenhower, who sounded a note of alarm on his return. He had asked for frank speaking, but he was shocked when he was obliged with a picture of the United States selfishly depressing prices and raising trade barriers against the handful of primary commodities on which countries in South and Central America depend.

Dr Eisenhower stressed the "imperative need for bankable loans, not grants"; for help in creating more stable relations between prices of raw commodities such as coffee and cotton, and those of manufactured products; and for a better understanding of American policies—to be fostered by the Latin American governments as well as by the United States. "Bankable" or purely commercial loans, which are already available—upon conditions—from the World Bank and the Export-Import Bank, are hardly a substitute for long-term, low-interest development loans which can be repaid at least in part in local currencies; these may be available, if only on a small scale, if the Senate manages to restore the money for the Development Loan Fund cut out by the House. But at least Dr Eisenhower does not, like the Democrats in the Senate, propose to spend two years and $150,000 studying the problem—and then report just before the presidential election of 1960.

Labour Unreformed?

SUDDENLY rolled into the centre of the political stage by the heated arguments over who had murdered it, the Kennedy-Ives Bill, intended to reform the labour movement, may conceivably be resuscitated as a result of the publicity. But with the congressional session practically over, this would require a complicated procedural operation that seems almost too much even for that accomplished parliamentarian, the Democratic Speaker of the House, Mr Rayburn. He is being accused by Republicans of having smothered the Bill, after it had been approved by an overwhelming majority in the Senate six weeks ago, by waiting to send it to the House Labour Committee until it was too late for it to act at this session. Mr Rayburn's official explanation is that he did not want to confuse the committee by sending it the Senate Bill, which would regulate the election of trade union officials and the management of union finances, until members had finished work on a less controversial Bill regulating trade union pension and welfare funds. But it is said that the real purpose of Mr Rayburn's delay was to facilitate a last-minute manœuvre under which he would have brought the Senate Bill directly to the floor of the House for a quick vote, by-passing both the notoriously slow committee and the reactionary amendments which were likely.

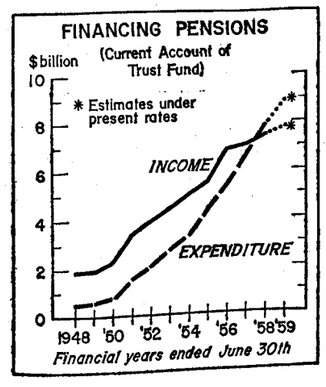
However, Mr Rayburn's procedure would require a two-thirds vote of the House, and his delay in fact gave the lobbyists who opposed the Bill time to ensure that no such majority would be obtained. Senator Kennedy, the Bill's chief sponsor, is putting the blame on the National Association of Manufacturers and other conservative business groups who dislike the Bill. But trade unionists, who gave

it grudging support in the Senate because it was better than they had expected, would prefer no Bill at all and have done nothing to keep it alive. At this point the Republicans realised that, as an issue in the coming election, no legislation at all would be far better than the bipartisan Kennedy-Ives compromise; since the present Congress is controlled by the Democrats, its failure to act could be offered to the voters as proof that only a Republican Congress could be trusted to deal with the corruption and abuses in the labour movement which so shocked the public, including many rank and file trade unionists, only a year ago. As a result some Democratic opponents of the Bill are now having second thoughts about it and there is a possibility that Mr Rayburn may be able to find his two-thirds majority after all.

Meanwhile Senator McClellan's committee, which was responsible for the original revelations about racketeering in trade unions, has conveniently brought the question into the headlines again with a new investigation, accompanied by some sensational evidence, into the activities of the International Brotherhood of Teamsters and its famous president, Mr James Hoffa, who is supposed to reform his union.

Courting the Pensioners

THE House of Representatives last week endorsed, by 375 votes to two, the biennial salutation to the aged that has been a feature of every election year since 1950. The measure proposes an increase of 7 per cent in cash benefits under the federal Old Age and Survivors' Insurance system, bringing a minimum increase of $3 a month, as well as more generous federal contributions to other specific welfare programmes. This year's ritual, however, was complicated by the fact that, for the first time since the inception of the insurance scheme in 1937, outgoings are running ahead of receipts, and the reserve fund, which now stands at about $22.6 billion, may fall to $19 billion by 1962. In view of this, the House has proposed increases in revenue large enough to offset the additional benefits it recommends and also to restore—in its view—"actuarial soundness" to the scheme. The tax on wages which employers and employees each must pay would be raised in January from 2¼ to 2½ per cent and the maximum amount subject to this tax increased from $4,200 to $4,800 a year. In addition, the periodic increases in these rates which the existing law sanctions have been correspondingly adjusted so that in 1969 the pay-roll tax will reach an intended maximum of 4½ per cent each.



Three reasons are given for the deficit in the current operations of the pension fund. Claims from those first brought into the scheme in 1954 and 1956 (especially from farmers) have exceeded expectations; more women have chosen to take a reduced pension at an earlier age; and the recession has forced some elderly workers to switch from jobs to pensions and at the same time has caused contributions to fall below the anticipated level. However, the trustees of the pension fund seem confident that, with the successive increases in rates already sanctioned, the reserve will resume its upward trend in about five years' time—given a reasonably favourable economic climate—despite the growth in the number of eligible pensioners. So far only some 60 per cent of retired persons are qualified to draw social security benefits, but 90 per cent of those now at work contribute to the scheme.

While recognising the rise in living costs since 1954, the Administration has voiced its firm opposition to increased benefits at the present time; not only does it feel that the recommendations (due in January) of the advisory council established by Congress in 1956 should precede any extension of the system, but also that a halt should be called to this electioneering precedent. The Senate, to which the measure now goes, will undoubtedly be influenced by the unanimity of the House vote and the proximity of an election. The President will clearly be torn between succumbing to these same pressures and maintaining the Administration's stand.

Exploding Philadelphia

FROM A CORRESPONDENT IN PENNSYLVANIA

PHILADELPHIA is the most conspicuous of the reformed rakes among American cities. A decade ago the city's chief claims to fame were its historical importance, the tangible mementoes of which were fast being swallowed up by blight, and a municipal government which had become a byword for corruption and complacency during its leisurely sixty-year reign. Today Philadelphia has had half a dozen years of a reform administration; it is hailed as a pioneer in urban renewal and redevelopment; and it is the only three-time winner in the All-America City contest, sponsored by the National Municipal League and *Look* magazine.

The city government does not hide its enlightenment under a bushel. Among its honours is a certificate of achievement from the American Public Relations Association for such innovations as an attractive annual report to Philadelphians, distributed as a special supplement to a leading Sunday newspaper. Unable to rely on the older methods of patronage to build support, the Mayor, Mr Richardson Dilworth, like his predecessor, the present Senator Joseph Clark, has put much emphasis upon efforts to reach the people with challenging explanations of the city's problems and of the plans afoot to solve them. A renewal of the morale of a city's citizens is the crucial core of general urban renewal and nowhere is there greater awareness of this fact than in the ornate Victorian pile that is the Philadelphia city hall. In this connection, the new regime's greatest asset is still the dramatic contrast with the bad old days, which has made possible the successful defence of the reforms against several political assaults.

New buildings and highways are the most immediately impressive aspect of the renascence. Where the Pennsylvania Railroad's old Broad Street station stood, its permanent way protected by a "Chinese wall" that symbolised for Philadelphians their apparent inability to emerge from the eighteen-seventies, there is now rising a complex of bright new office buildings and hotels called "Penn

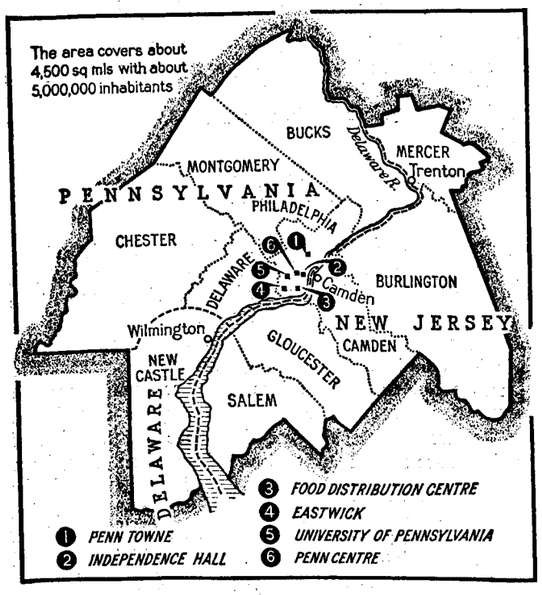
Centre." Architects and planners are critical of its somewhat pedestrian design, but to people generally it is a shining symbol of achievement, and a portent for the slums and honky-tonks that remain in the neighbourhood. Nearby, the Schuylkill Expressway, knifing across the heart of town, is nearing completion. At the south-western edge of the city Eastwick, the largest redevelopment project in the country, received federal approval last October. Not far from this $250 million "new town within a city" will arise a magnificent new wholesale distribution centre for food. Nearly 400 acres of wasteland have been reclaimed for this project, which will in turn free for redevelopment valuable land in downtown Philadelphia now devoted to the congested, insanitary and inefficient wholesale markets.

Other significant projects range from the slum clearance that will give the University of Pennsylvania, Drexel Institute and Temple University badly needed room for expansion, to the little corner, near the Penn Towne housing development, where the American Friends Service Committee has achieved, against considerable odds of red tape and reluctance, an ingeniously rehabilitated set of co-operative inter-racial flats. The authorities like to stress the variety and flexibility of their attacks on decay. For instance, Philadelphia is the first major city to receive federal housing money, not only to clear existing slums, but also to acquire and repair individual houses that are approaching the status of slums. Historic Philadelphia should be more, rather than less, apparent to the visitor's eye when the redevelopment is completed. In fact, one project under way is the creation of a tree-lined mall for little Independence Hall that would do justice to a building ten times its size.

But urban renewal is slow work, involving as it usually does the co-operation of several layers of government as well as of private persons and agencies, and the settlement of numerous and often difficult conflicts of interest. To take the housing field alone, an estimated 5,000 dwellings sink into the slum category each year in Philadelphia, more than the total number of new dwellings built in 1956, or the number of substandard units demolished by all programmes, public and private, since 1945. Nor is it proved that the middle income housing built with government help by private enterprise will attract enough occupants. Penn Towne, the first redevelopment project to be completed under the urban renewal section of the 1949 Housing Act, is far from full today. An elaborate market survey seems to show that there is sufficient demand for the $10,000 to $14,000 homes that are planned for Eastwick, but even so the survey speaks darkly of "environmental deficiencies" and "competition from other sites." Presumably this refers to the outward migration to the suburbs which caused the four counties on the Pennsylvania side of Philadelphia to increase their population by 27 per cent between 1950 and 1955 while the city's stood still.

An even more pressing question is that of finding space within the city's limits for industrial expansion. The city has begun an "industrial land bank," buying likely looking land whenever there is an opportunity, clearing it and providing the necessary services so that sites will be available when prospective purchasers come around. But land in the city cannot usually be bought at a price that will attract industry, and the city cannot resell it for less than it paid without federal help. The federal government, however, cannot legally spend more than 10 per cent of its renewal funds on purely industrial development; the rest must go to projects that are at least partially residential. City officials have become expert at gerrymandering a redevelopment area so as to include the requisite number of dwellings, but the limitation remains a serious one.

The suburbs show scant sympathy for the city's plight. The long years of corruption in City Hall have produced outside Philadelphia a peculiarly virulent form of suburban isolationism. And now, with the city's population one-fourth coloured, and the influx from the South continuing at a rate so great as to overwhelm, at least temporarily, the facilities for assimilation, the race issue has still further stiffened suburban resistance to any hint of metropolitan organisation. There is some functional co-operation, through such agencies as the Delaware River Port Authority, or the recently created Mayors' Committee on Port Commerce Promotion, named by the chief executives of Camden,



New Jersey, Wilmington, Delaware, and Philadelphia. The Greater Philadelphia Movement, a remarkable organisation of civic and business leaders which has had a hand in many of the Philadelphia revolution's strategic victories, is pushing hard for regional planning of highways to help ease metropolitan traffic jams. But the preference of the State Legislature for the rural areas from which so many of its members come is a major obstacle; between 1953 and 1956 grants from the state to south-eastern Pennsylvania where the problem is acute and highways are expensive were smaller, in relation to population, than those to ten other highway districts.

With $900,000 from the Ford Foundation, a seven-year study of metropolitan problems, calling itself Penjerdel for the three states involved, is now under way, with the blessing of civic groups. But progress has been slow, and even the goals of the organisation are not very clear as yet. It will hardly produce a plan for full-blooded metropolitan reorganisation, on the model of Toronto or Miami, if only because Greater Philadelphia spreads over eleven counties in three states. This does not mean that regional co-operation is impossible, but that the new Philadelphia, for all its triumphs, is still battling against odds worthy of its steel.



Not marked on the map

In the land of the granite *kopjes*, where the sand loam lies over the red and yellow clay, tobacco grows bright and green and beautiful to the planter's eye. *Hicks, Delcrest, Yellow Mammoth, Bonanza, Gold Dollar* . . . a silky-leafed harvest ripening under the African sun, richly fulfilling the promise of the soil survey map—and the hopes of the farmer.

Yet, until quite recent years, there were fields in the Mashonaland *bundu* where both hopes and tobacco died despite all assurances of perfect soil fertility and texture. The young growing plants sickened and wilted, with roots rotted away, leaves puny and prematurely yellow. 'This ground is *royiwa*,' observed the boys sombrely. 'Here tobacco will never grow.' And the area was abandoned to wilderness and weed.

To-day, many of those fields are bearing rich and rewarding crops. For the unseen—and, for many years, unsuspected—microscopic soil pest which destroyed the crops *but which no map could mark*, has now not only been identified, but brought under economic and effective control. Root-knot nematodes had been known in Rhodesia for many years as a serious pest of tobacco and strict measures of control were continually exercised in order to ensure the production of clean, healthy seedlings from the seedbeds—the basis of a sound crop. Then in 1951-52 the presence of a non-gall-forming species of these voracious parasites was also established. However, both root-knot and root-rot nematodes were brought under control, and in each case Shell D-D Soil Fumigant proved to be the tobacco saviour. Infested lands treated with D-D average an extra 300 lbs. of leaf per acre—a net increase of nearly 50% in the yield and in the value of the crop, even after the cost of treatment is accounted for. *Which puts D-D, in terms of tobacco, well and truly on the map.*

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Pertinent—or Impertinent?

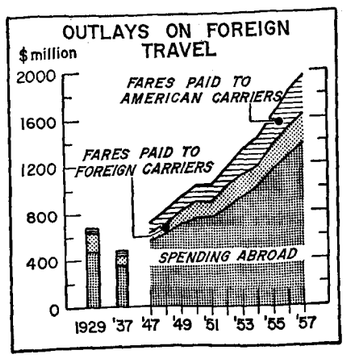
THERE was an authentic touch of Goldfine ingenuousness about the covering notes sent this week to the administrative assistants of most members of the House, asking them to put "near the top of the pile on your boss's desk" Mr Goldfine's reasons why he should not be cited for contempt of Congress. Very soon the House will have to decide whether to support the investigating subcommittee and its parent committee which voted unanimously that Mr Goldfine, Mr Sherman Adams's embarrassing old friend, be held in contempt because he refused to answer questions about the perplexing operations of some of his companies. If the House agrees, it will be up to the Attorney General to take the case to a grand jury; conviction might result in a $1,000 fine and a year in prison for the 67-year-old millionaire.

Any trial will turn on the relevance of the subcommittee's questions, in the light of the Supreme Court's decision in the Watkins case—involving a much humbler defendant—that a congressional committee, if challenged, must make clear to a witness the pertinence of its inquiries to its legislative purpose. The questions Mr Goldfine declined to answer concerned hundreds of thousands of dollars withdrawn from several of his companies and held, for long periods and mysterious purposes, in the form of uncashed certified cheques or banker's drafts. The committee argues that it needs this information to determine whether the Securities and Exchange Commission—one of the government regulatory agencies which are being investigated—requires additional powers to protect the interest of minority shareholders, and also to judge whether the approaches to the commission on Mr Goldfine's behalf authorised by Mr Adams, the Assistant to the President, led the commission to treat Mr Goldfine's companies gently when they broke the law by not filing financial reports. From angry public exchanges, it now appears that Mr Goldfine's own lawyers were divided; those from Boston counselled their client, in effect, "to tell the committee to go to hell" because his private transactions were none of its business, while Mr Robb, the Washington lawyer who is close to the White House, held that his client should answer to the best of his ability all but incriminating inquiries. Mr Robb indignantly denies that he is acting in the interests of anyone except Mr Goldfine, but this may prove to be a case where the interests of Mr Adams and Mr Goldfine coincide. Matters have not been improved for Mr Goldfine by the failure of his East Boston Company once again to file its financial report. This time, to no one's surprise, the SEC has promptly called it to account.

Americans Go Abroad

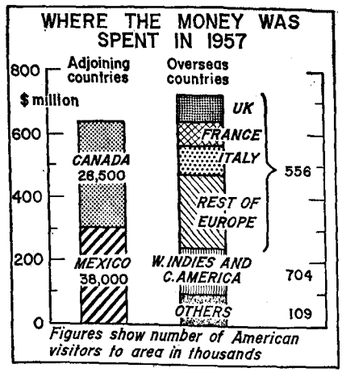
UNTIL the Lebanese landings all the signs—applications for passports, travel reservations, and so on—indicated that there would again this year be an increase in the number of Americans visiting foreign countries. Since very few of them go to the eastern Mediterranean in any case and since the peak travel period—June and July—had already arrived, it seems unlikely that developments in the Middle East will seriously upset this forecast.

The most notable change last year, according to an analysis in the June



issue of the Department of Commerce's *Survey of Current Business*, was that the increase in the number of American visitors to Europe who arrived by air, a regular recent gain, was accompanied for the first time by a fall in their average total expenditure when they got there. This suggests that the additional visitors came from lower spending groups than before, a development which is likely to be accentuated by this year's reduced air fares.

Of the 556,000 residents in the United States who went to Europe in 1957, 205,000 travelled by sea, made an average stay of 71 days and spent an average of $14 (£5) a day while they were there; 351,000 flew to Europe, stayed for 40 days and spent nearly $20 a day, but their average total outlay was only $790, compared with $829 in 1956, mainly because they did not stay so long last year. On the average these 1957 visitors, however they travelled, each spent more in Italy ($342) and in Scandinavia ($311) than they did in the United Kingdom ($279); more of them (321,000) visited France than any other European country, but the United Kingdom, with 294,000, came next and Italy third, with 268,000. Of all the visitors to Europe and the Mediterranean, 264,000 came for pleasure, about one-third of them on "all expense" tours and nearly half of them in the third quarter of the year; 112,000 came on business and 162,000 for family reasons. This last category includes many of the foreign-born residents in the United States who made up 36 per cent of the travellers to Europe from America in 1957.



All but 98,000 of the 813,000 Americans who visited other overseas countries in 1957 travelled by air and most of these went to Cuba, the British West Indies or Bermuda; in these two British colonies Americans spent $86 million. Their total expenditure and frequent visits to Mexico and Canada reflect the ease with which residents on these borders can cross by car for a few hours, for ordinary household shopping, or to gamble at Tijuana or buy British woollen goods in Montreal. About 85 per cent of all the Americans visiting Canada stayed for two days or less and on an average these transients spent only $3 each.

Sport without Competition

FROM A SPECIAL CORRESPONDENT

LATE in June, Congress succumbed to the country's midsummer baseball fever—not, however, by adjourning to the ballpark but by remaining at work to vote for unparalleled business freedom for the entrepreneurs of the national sport. By an overwhelming majority the House of Representatives passed a Bill exempting baseball and other sports played by professional teams from the provisions of the anti-trust laws. The infection then spread to the Senate where 45 Senators, nearly half the membership, signed up as co-sponsors of the House-passed Bill, although a few were sufficiently unsportsmanlike to insist on full hearings before recommending that the Senate take action.

The measure passed by the House was a last-minute substitute for one drawn up by its anti-trust watchdog, Representative Celler of Brooklyn, on the basis of the lengthy hearings held in 1957. The Celler Bill would have followed the suggestion made by the Supreme Court last year and would have subjected the sporting industry to the same restrictions on monopolistic practices as are imposed on other commercial undertakings. Instead, at the urging of an active baseball lobby, the House endorsed the widespread popular view that professional sports are honourable national institutions rather than businesses conducted for profit.

Although special tax arrangements and non-itemised accounting make it difficult to generalise about the profitability of sporting enterprises, it is evident from several transactions in recent years that financiers are finding the baseball business an attractive field. For instance, a one-quarter interest in the Brooklyn Dodgers, obtained for $240,000 in 1944, was sold for more than $1 million in 1950 and is now reported to be worth $2.5 million. In the meantime it has earned, since 1950, an annual return after tax of about 13 per cent and is expected to be even more profitable now that the team has moved to Los Angeles. Television receipts have added enormously to the attractiveness of baseball as an investment and, if pay-as-you-see arrangements are eventually allowed, unprecedented profits are promised; a single game might draw as many as 2 or 3 million viewers, each paying for the privilege, while an actual attendance of one million during an entire season seems quite satisfactory to many teams today.

Despite the apparent lucrativeness of their trade, the proprietors of sporting events have enjoyed a convenient exemption from ordinary business standards, and have employed monopolistic practices to restrain competition and exclude new competitors with a nineteenth century bravado. They have escaped government interference so far because their popular immunity has also had a curious legal counterpart. In 1922, the Supreme Court ruled that the business of baseball was not subject to the anti-trust laws because it was not "interstate commerce" and was therefore beyond the regulatory powers of Congress. In spite of the subsequent expansion of the sport (and of the judicial interpretation of interstate commerce) the decision was reaffirmed in 1953. However, the complacency of the industry was shaken when in 1957 the Supreme Court ruled that baseball's exemption did not extend to football and other sports. The Court also implied that it would remove even baseball's immunity if it were given another opportunity, and suggested that meanwhile Congress might undertake the job instead. The sporting interests at once condemned the decision as "unAmerican" and set about persuading Congress to nullify it and to give their anti-trust exemption statutory protection; but the hearings before Mr Celler's committee merely seemed to confirm the need for regulation.

THE most vulnerable of the restrictive practices are those governing the employment of players. In all professional sports a player can be sold or traded to another team without his consent and without receiving any part of the purchase price. He cannot, moreover, offer his own services to another team. In professional football, the owners of the teams meet each year to allocate between themselves the good football players who are graduating from college, without consulting the players themselves; they must play for the team which thus "drafts" them or else not play at all. Such arrangements are justified by the argument that a wealthy team might otherwise buy up all the best players and thus destroy the close competition which attracts the public.

Such practices not only deprive individual players of their bargaining power but make it possible for the owners of teams already in being to prevent the establishment of rival leagues; the plaintiff in the 1957 football anti-trust case was an errant player who had been suspended by the existing football league for having played in a short-lived rival league. Since then the existing teams have refused to admit new teams, even though many places would welcome them. In baseball the strategic shifting of existing teams has also proved an effective way of excluding newcomers. To reverse a sharp downward trend in attendance, five of the sixteen teams that make up the two major leagues have moved to new home-towns in recent years. Such moves are governed by cartel-like agreements between leagues that would be prohibited by the anti-trust laws.

The most important aspect of giving complete immunity from anti-trust prosecution to the sporting industry would probably be the effect on the television companies. Most sporting enterprises have sought to protect themselves by forbidding the local televising of a game while it is being played, and even by excluding broadcasts and telecasts of sporting events from other cities. These efforts have been attacked with some success by the Department of Justice, relying on anti-trust laws, but would be permitted, presumably, under the House Bill. Backers of "pay-as-you-see" television programmes, financed not by advertisers, but by the viewers themselves under some form of coin-in-the-slot arrangement, would also benefit if sports were freed from anti-trust restrictions. Several baseball teams have made exclusive contracts with such firms—although no such system is yet in actual operation.

The Senate has not yet revealed the strength of its supporting spirit. An early witness before its anti-trust subcommittee was Mr Casey Stengel, the colourful manager of the New York Yankees baseball team, who, supported by several star athletes, managed to carry the day for baseball by failing, in several hours of testimony, to provide a single relevant answer to the Senators' questions. Mr Stengel's jokes, his near-illiteracy and his obvious devotion to baseball baffled the Senators and seemed to demonstrate once more that the national pastime is exempt from ordinary standards of behaviour.

THE ECONOMIST AUGUST 9, 1958

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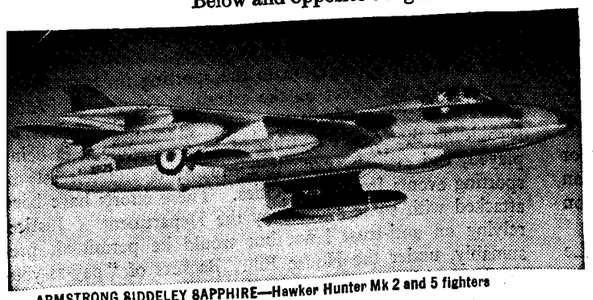


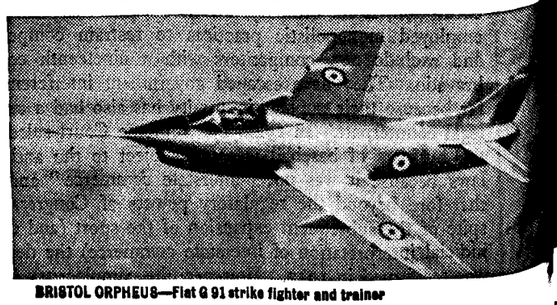
ARMSTRONG SIDDELEY SAPPHIRE—Hawker Hunter Mk 2 and 5 fighters



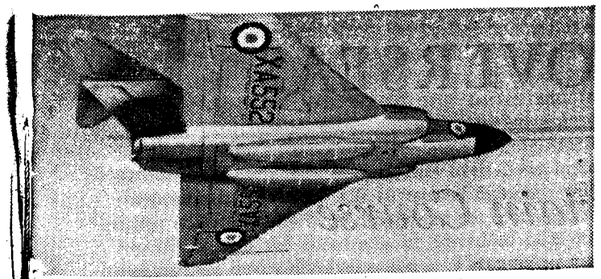
BRISTOL PROTEUS—Bristol Britannia airliner



BRISTOL ORPHEUS—Folland Gnat fighter and trainer



BRISTOL ORPHEUS—Fiat G 91 strike fighter and trainer



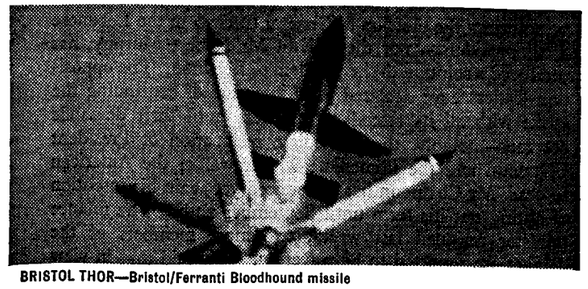
ARMSTRONG SIDDELEY SAPPHIRE—Gloster Javelin all-weather fighter



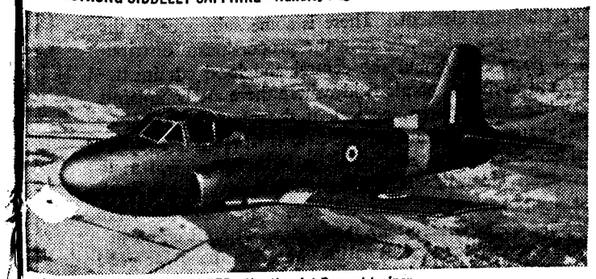
ARMSTRONG SIDDELEY VIPER—Jindivik pilotless target aircraft



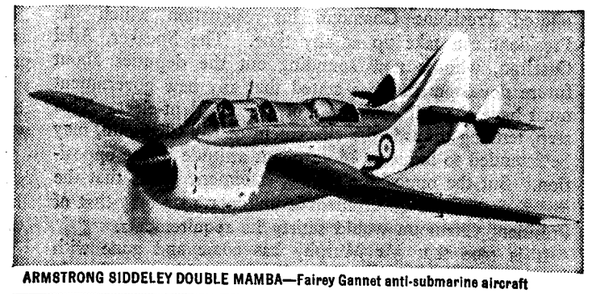
ARMSTRONG SIDDELEY SAPPHIRE—Handley Page Victor bomber



BRISTOL THOR—Bristol/Ferranti Bloodhound missile



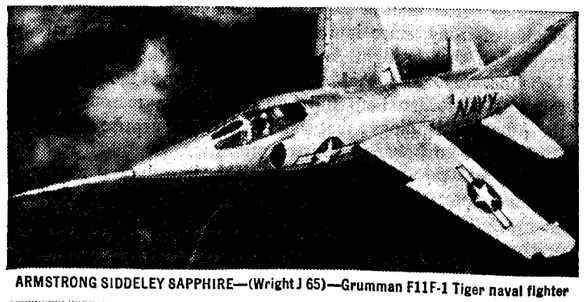
ARMSTRONG SIDDELEY VIPER—Hunting Jet Provost trainer



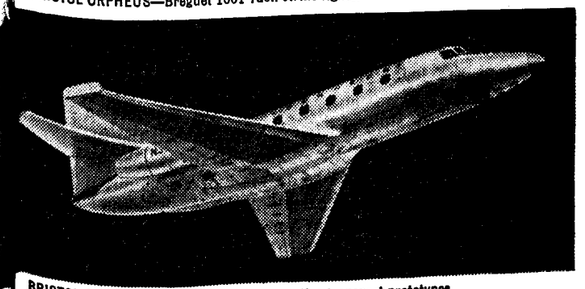
ARMSTRONG SIDDELEY DOUBLE MAMBA—Fairey Gannet anti-submarine aircraft



BRISTOL ORPHEUS—Breguet 1001 Taon strike fighter



ARMSTRONG SIDDELEY SAPPHIRE—(Wright J 65)—Grumman F11F-1 Tiger naval fighter



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THE WORLD OVERSEAS

Lebanon's Uncertain Course

FROM OUR CORRESPONDENT IN BEIRUT

NEITHER the election of General Chehab to the Lebanese presidency, nor the visit of Mr Robert Murphy, has produced a solution to the problem of Lebanon. The opposition leaders have declared their intention of continuing the strike with all its attendant disorders until their demands are met—notably, the immediate resignation of President Chamoun and the immediate withdrawal of the American forces. Mr Chamoun has announced yet again his intention of sitting out his term until September 24th. The finance minister resigned last week; two more members of the cabinet are reported to be wavering. It is said that in view of these defections, the premier, Sami Solh, has already offered President Chamoun his resignation which the President can take up at any time. The Speaker, Adel Osseiran, who is now sounding out the deputies about future developments, has stated that any new government must have the full confidence of the president-elect. This step, tending towards the effacement of Mr Chamoun, may be intended to induce a more pliant attitude in the opposition. But the opposition's latest statement insists that the resignation of the government is unimportant; only that of President Chamoun would satisfy its requirements.

It is true that Mr Murphy has come and gone with reassuring words and smiles. He found his reception in Baghdad better than he expected—a statement with several shades of irony, since it was a hasty reaction to the Iraqi revolution that brought American forces to the shores of Lebanon. He also said that the King and the prime minister of Jordan both fully understood the reasons for the American landings; that should cause no surprise at all. With regard to Lebanon he was optimistic.

If we look through the obscure present into the last week of September, the outcome of the Lebanese crisis seems obvious. On September 24th Mr Chamoun will leave the precincts of the palace for the first time for many weeks, a free and perhaps a happy man. General Chehab will take his place. The Sami Solh government, if it has not disintegrated before then, will resign and make way for a neutral administration. It is still early to say whether the new government will consist wholly of neutrals or of a combination of neutrals and partisans in fair proportions. There will certainly be much palaver before the portfolios are finally distributed. In any case the new government must be acceptable to, or tolerated by, all the main parties to the present dispute.

The policy of the new government was adumbrated in very general terms in a statement by General Chehab on Monday. Unity of the Lebanese is put first among the aims of policy; this is, in effect, a promise of a neutral administration. Unity, said General Chehab, was essential for the realisation of the national objectives, foremost among which was the withdrawal of foreign troops. This suggests that the general wants the restoration of unity—in other words, of law and order—before the Americans withdraw, while the opposition insists that the Americans must go before calling off their strike. There seem to be elements of collision here. But as the most uncompromising leader of the opposition, Saeb Salam, has warmly approved the general's statement, there is perhaps something hidden from the public eye. It is as unsafe to take words at their full face value as to deny them any face value at all. The general's next point was the significant one of the equality of all Lebanese. This suggests a sympathetic attitude to opposition complaints of past discrimination in favour of the Christian element. There is some substance in the opposition's grievances, both in the proportionate distribution of posts throughout the central and local administrations, and in the economic field, where there are complaints of, among other things, neglect of the port of Tripoli to the advantage of Beirut. In the field of foreign affairs, the president-elect expressed himself in terms so general as to be vague. He wants friendly relations with all, but with special emphasis on sincere relations with "brother Arab states."

Whatever the general's real meaning, the need for good relations with the Arab states is imposed on Lebanon by the nature of the country's economy. The greater part of the national income is derived from trade and services; and for the maintenance of the income from these sources, free access to the Arab hinterland is essential. This basic truth has been heavily underlined by the present conflict. A member of the economic research institute at the American University of Beirut has published in a local monthly, *Middle East Forum,* a tentative estimate of the losses caused by the crisis. He puts the loss of income to the end of June (up-to-date figures are not yet available) at between £13 million and £18 million. But he adds:

> this loss of income is less serious than the intangible consequences of the crisis in terms of confidence in this country as a stable and safe place for capital flows and investment and as a trade middleman.

He expressed the fear that the emergency diversion of ships to Latakia, Basra and Aqaba might become a "permanent and attractive practice". He reached the inescapable conclusion that "the nature of the Lebanese economy" makes imperative "some kind of co-operation and interdependence" with the rest of the Arab world.

The above paragraphs contain some sweeping but unnecessarily pessimistic forecasts. But there is a difficulty that may yet prove fatal; there are still more than six weeks to go before President Chamoun's term expires. Six weeks are a long time in the present disordered circumstances—quite long enough for things to go badly wrong. A comparative lull followed the election of General Chehab but in the nights since then lively shooting has broken out again. Most of it is directed skywards; but the birdsong given out by each quarter of the city in turn, warning its neighbours against trespass, is evidence of taut nerves and frayed tempers. Supposing some gunman were to empty his tommy-gun into a truckload of marines; will the Americans persist in the exemplary restraint they have shown hitherto? Supposing two factions fall to serious fighting; will the Army still stand idly by? Supposing the economy takes a nose-dive; will the authorities be forced to take drastic, and perhaps finally divisive, action? These risks seem too serious to be brushed aside for the sole purpose of ensuring another six weeks of near anarchy. Every passing day must add to the difficulty of General Chehab's task of national reconciliation.

Cinderella and the Prince-President

FROM OUR PARIS CORRESPONDENT

CONSTITUTIONS are what practice makes them. M. Pflimlin's surrender last May was not for lack of constitutional powers; it can be argued that what went wrong with the Fourth Republic lay not in the provisions of its constitution but in the manner in which they were applied. Still, the rule that a new regime should begin with a new constitution is traditional in France.

The draft of the new constitution has been submitted to the consultative committee. This purely advisory body is in no position to bring about any great changes. Courtesy, however, requires judgment on details to be suspended until this formality is over and the final project is launched for the referendum on September 28th. Another reason for postponing detailed study is the number of important gaps which the document leaves to be filled later by decree. The size of the lower House and its period of tenure, for instance, are still to be determined, while the provisions for the "federation" of overseas territories—a crucial subject—have been left purposely vague.

But the main lines of the project, obviously cut to measure for General de Gaulle, are clear. And it seems that the President—the Prince of the new system—will not live happily ever after with its Cinderella, the National Assembly, unless Cinderella is content to be his obedient servant. Otherwise, the seeds of conflict are there in the text.

The new National Assembly is to be chosen by direct universal suffrage, though the electoral law remains to be decreed. The President, on the other hand, is to be elected indirectly by a large college of between 40,000 and 100,000 electors. This college will include parliamentarians—from the assembly and the senate—as well as overseas delegates. But the bulk of its membership will come from representatives of local councils. Now, in France the division of local districts favours conservative, rural areas; it has a strong anti-urban bias. (For comparisons with England it is not necessary to go back to rotten boroughs; it is enough to say that under such a system a farmer in Dorset would have a political weight equal to that of some dozens of Londoners or Mancunians.) The President will thus be the choice of the provincial *notables* and, as is shown by senatorial precedents, this indirect method will always give a more conservative result than will the direct elections for the lower chamber. The constitution thus postulates that the President will be to the right of the popular assembly.

The mode of presidential election did not matter greatly as long as the President was mainly a decorative figure. But he now becomes the pillar of the whole constitutional edifice. He chooses the prime minister and nominates his government. His is the right of appointment to government posts, civil and military. He does not merely sign international treaties; he negotiates them. He can insist that parliament reconsider any subject; he can dissolve a recalcitrant parliament, if necessary once a year. Finally, when in his judgment the institutions or the independence of the nation are threatened, when territorial integrity or the fulfilment of international obligations are in danger, the President can take all powers into his hands. He alone decides whether the country needs a dictator.

Faced with a head of state holding such powers, parliament can no longer be sovereign. It can legislate only within a limited field, leaving the rest to the government. True, it keeps a truncated right of veto. Following the form prescribed, it can bring down the government (but not the government's real master, the President) by a vote of censure. The position of the executive in this new set-up is really curious. The government is responsible to parliament, but it exists by the President's grace. Those of its members who are parliamentarians must give up their seats on appointment. And should government and assembly together side against the President, he can, by dissolving parliament, dismiss them both.

THE system may work so long as parliament remains a rubber stamp. A gaullist chamber endorsing the decisions of a gaullist cabinet will create no trouble. But what are the chances of an opposition, of a real alternative, which is the very basis of parliamentary democracy? In case of conflict, the struggle seems unequal. The President is there for seven years and—because of the method of election—is likely to succeed himself, or to be followed by a man of a similar political colouring. The life of parliament, on the other hand, is precarious.

The optimists claim that, faced with a repeated popular verdict, the President will have to submit as Marshal Macmahon had to give way to the parliament of the Third Republic. Yet will he, with the immense powers at his disposal and an army which now has a stake in politics? The French historical analogies that spring to mind—of Louis-Philippe, or of the Prince-President, Louis-Napoleon—suggest that similar structures end in absolute rule or revolution. The constitution seems still incomplete. In the part devoted to the President, it should have a Roman provision for cases of conflict: *aut Caesar aut nihil.* It may not be too bold to prophesy that this constitution, born of an insurrection in Algiers, contains within itself the seeds of revolution, and will end one day with barricades in Paris.

Many French liberals who, from fear of civil war, had given their blessing to the gaullist experiment, are now perturbed by the limitation of parliamentary prerogative and the vast powers attributed to the President. Some of them seek consolation in their faith that General de Gaulle is not a man to abuse his power. But does an adult nation shape its institutions to fit one man? Quite different men may fill the job after him.

Canada's Far West

FROM A CORRESPONDENT IN CANADA

WHEN the Province of British Columbia came to plan its celebrations for its centenary year, it had one considerable advantage; it had few inhibitions about the form such celebrations should take. It is hard to think of anything that might have been excluded from the activities of this summer as being either too undignified or too costly. There has been the visit of Princess Margaret, now concluded, and the gift to her of an island, a massed canoe journey down the full length of the Fraser River, a repetition of the voyage made by Simon Fraser in 1807, (if not of the attendant circumstances) the first flight of the Russian jet airliner across the North American continent, beard-growing among the male population, a naval review, a centenary book, and the first year of the Vancouver Festival, which is intended to become an annual event of music and the fine arts as internationally accepted as that which Stratford, Ontario, provides for the theatre in the East. Such is British Columbia, a province whose history has been marked more by vigour than by regard for convention.

This centenary marks the creation of British Columbia as a single Crown Colony, not its birth as a Province of Canada. Before 1858 there were two separate Crown administrations on the Pacific coast, one comprising Vancouver Island, with its capital at Victoria, the other the settlements on the mainland, accessible only by water and very loosely centered on the settlement named New Westminster at the mouth of the Fraser River (the city of Vancouver, on Burrard inlet, a few miles to the north, had yet to be founded). The impetus to the founding of a united colony came in part from the beginnings of the westward movement in the United States, along the Oregon Trail into the Oregon Territory, and more immediately from the minor gold rush from California northwards to the gold-bearing sands in the Fraser River.



British Columbia began as a field in which the conflicting interests of Canada, the United States and Great Britain, and between the very diverse assembly of individuals from all three countries, struggled for supremacy. In the end those of Canada won, for two reasons. One was negative, a drawing together in the face of the expansionist claims of the United States, over the Straits of Juan de Fuca in 1871 and, twenty-five years later, over the Alaska boundary. The other was positive, the offer by Sir John Macdonald, prime minister of the new Confederation of Canada, to build a transcontinental railway from coast to coast if British Columbia would join the confederation, which she did in 1871. Sir John Macdonald believed in the future of Canada as a nation and in the importance of the railway in the making of that nation; and only he could have secured that it was built when it was.

But it is dangerous to talk of British Columbia as though it were a single entity. All its inhabitants differ from their neighbours to the east, in the three prairie provinces of Canada, but equally they differ among themselves. Their one common characteristic is that they live in a mountainous country. Vancouver contains more than a third of the people of the province and it is primarily a port, but it is also the base of the salmon fishers and of the canning factories. The lumbermen are everywhere where water will float their logs cheaply to a market or a factory. The prospectors, the miners and the engineers are equally widespread; but to them the forests are a nuisance, or places for recreation, not a livelihood. The Cariboo country, hot and dry in summer, raises cattle. Kitimat, on the northern coast, is an aluminium smelter and a new company town. The people of the Okanagan and Kootenay valleys, where Princess Margaret spent her long week-end's rest, are fruit farmers and market gardeners, but the valleys also contain the Doukhobors, the Sons of Freedom, who delight in the dynamiting of a building or a railway track. And, of course, there is Victoria, the capital, which maintains its legend as an olde-Englyshe city mainly for the American tourist, but which also provides a massive sunset home for those whom North Americans tactfully call "senior citizens." In its people, British Columbia is still a province of violent contrast. British Columbia is now the third province in Canada in terms of population, but it is still a long way behind Ottawa, Toronto and Montreal.

Perhaps it is conflict that produces the vigour of British Columbia. Perhaps it is because it lies on the western seaboard of a continent. The vitality is certainly there, and the Vancouver Festival is perhaps a better symbol of it than the fairground atmosphere of a centenary show. Vancouver does contain, and maintain, a distinguished school of painters and of architects. It can establish an annual festival and believe, without too much conceit, that this will come to complement and to rival that of Edinburgh. It does stand at an air crossroads of the world, with Australia and Europe, Mexico and Japan, less than a day's flight away. And, if Princess Margaret falls victim to the enchantment of the Coast in summer and builds herself a permanent home there on her island, she will share that sentiment with Captain Vancouver himself, who almost two centuries ago thought the country commercially useless save for the supply of masts for shipping, but described it as one of the most beautiful he had seen.

Spain's Search for the Past

FROM OUR CORRESPONDENT IN MADRID

THE mausoleum of the Valle de los Caidos (Valley of the Fallen), dedicated to the memory of the Civil War dead, was opened to the public on August 1st. Something of an architectural wonder, it is also something of a political encumbrance. At the foot of the Guadarrama range, thirty-six miles from Madrid, this gargantuan mausoleum is almost within hailing distance of El Escorial monastery, the resting-place of the Spanish kings, which Philip II took twenty-one years to build. General Franco's mausoleum has taken fifteen years; its cost has never been published, but is rumoured to be around 2,500 million pesetas. It is an impressive engineering feat. Most of the structure has been carved out of the interior of a mountain; the crypt, 850 feet long, is surmounted outside by a gigantic cross, 500 feet high, of reinforced concrete and containing a lift.

The Valle de los Caidos was first designed as the burial place of the Nationalists killed in the Civil War. But it has now been announced that the dead of both sides may rest there, provided they were of Spanish nationality and of the Roman Catholic faith. The relatives of those lost in the Civil War have been invited to apply if they wish their dead to be transfered to the national monument. The response is said to have been poor. Many Spaniards nowadays do not share their rulers' preoccupation with the past.

General Franco intends to be buried there, though not yet. The intention—though it has not been publicly announced—is that he and José Antonio Primo de Rivera, the founder of the Falange who was executed by the Republicans at Alicante in 1936, should lie side by side under the main altar. José Antonio is at present buried at El Escorial and his relations have refused to have him moved to the Valle de los Caidos. The Monarchists, for their part, have refused to have the remains of Alfonso XIII brought from Italy for burial at El Escorial; apparently they are opposed to the transfer so long as the Spanish throne remains vacant.

So far no one has in fact been buried at the Valley of the Fallen at all, and the speculation is that only a small, symbolic number of Civil War dead will ever be laid there. People are wondering who would be acceptable from the "Red" side? If the number to be buried is to be small and symbolic, the Republican contingent will presumably have to include someone of considerable stature if it is to be representative of "the other side"—perhaps Julian Besteiro, the right-wing Socialist who died in one of General Franco's jails?

Mao Tse-tung and Titoism

FROM A CORRESPONDENT

THE communiqué issued in Peking on August 3rd, after the talks between Mr Mao Tse-tung and Mr Khrushchev, included a declaration that the Communist parties of China and the Soviet Union would "wage an uncompromising struggle against revisionism, the chief danger in the communist movement, which is clearly manifested in the programme of the League of Communists of Jugoslavia." In the light of recent trends in the relations between the Soviet block and Jugoslavia, the insertion of this strongly worded passage must be attributed to Mr Mao rather than Mr Khrushchev.

The record shows that Peking took the initiative in the current drive against President Tito in communist countries. Although there was strong criticism from Moscow of the contents of the draft programme for the Jugoslav Communists' party congress (which was held at Ljubljana in April), and it was at Soviet instigation that the Communist parties of the Soviet block refused to send fraternal delegates to the congress, there was still a note of remonstrance and appeal in the Soviet comment, and no real broadside against President Tito and his regime was delivered until the editorial in the Peking *People's Daily* on May 5th, which spoke of Jugoslavia in a tone not heard since the death of Stalin. The editorial was reprinted the next day by *Pravda*, but without comment; on May 9th *Pravda* had an editorial of its own attacking President Tito, but in terms much milder than those of the Chinese Communist organ. On May 11th the projected visit of President Voroshilov to Jugoslavia was cancelled, but on May 25th Mr Khrushchev sent cordial birthday greetings to Marshal Tito just as if nothing had happened to mar their mutual relations. Then on May 28th, three days later, the Soviet Union abruptly suspended its financial credits to Jugoslavia, and on June 3rd Mr Khrushchev personally denounced Marshal Tito at the congress of the Bulgarian Communists in Sofia.

This sequence of events indicated a considerable reluctance on the part of the Soviet leadership to take a line of unqualified hostility towards Marshal Tito. This was not surprising, for Mr Khrushchev's prestige as a re-maker of Soviet foreign policy after the death of Stalin had been largely staked on the success of a reconciliation with Marshal Tito. By flying to Belgrade in a dramatic gesture of forgiveness, Mr Khrushchev committed himself to an attitude of confidence in Marshal Tito from which he could not withdraw without serious loss of face. Almost certainly he expected that the prodigal son, having been so generously forgiven, would be overjoyed at being received back into the communist family and would henceforth behave himself, with the result that Mr Khrushchev would not only get the credit among communists for having healed a scandalous schism in the ranks of the faithful, but would also gain a new channel of approach to the western socialist circles which had been favourably impressed by President Tito's regime.

These expectations, however, were not fulfilled. President Tito remained obstinately a heretic, and, what was more serious, his heresy, having been rendered respectable by the withdrawal of all Stalin's charges against him, began to spread in other communist countries where it had previously been persecuted and repressed as the worst of crimes. The example and influence of Marshal Tito were certainly factors in the upheavals of 1956 in Hungary and Poland, and Mr Khrushchev's responsibility for the appeasement of an unrepentant Tito must have also made him particularly vulnerable to attack by his rivals in the Presidium in the early part of 1957. Khrushchev succeeded in crushing the revolt of Hungary by force of arms and revolt in the Kremlin by

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the votes of a packed Central Committee, but he still had to restore his prestige in the Party by showing that his patience with Tito would pay dividends. But the draft programme for the Ljubljana Congress, which officially and clearly drew the lines of division between the Jugoslav and Soviet versions of Communism, dispelled these lingering hopes. Even so, Khrushchev seems to have clung desperately to his belief that he could persuade Tito to mend his ways, and his birthday greetings to Tito a month after the end of the Congress may be interpreted as a last offer of reconciliation—if only Tito would acknowledge his errors and heed the warnings already given to him.

From Peking this long tale of vacillation and indecision must have been a highly irritating spectacle. Communist China had loyally supported Stalin in the earlier cold war against Tito and prided itself on its ideological orthodoxy. Peking accepted the change of policy decided in Moscow under Khrushchev's leadership, but bore no responsibility for it, and watched to see what the results would be. When it became apparent that Tito was obdurate in his heresy, the situation was one that was much more uncomfortable for the Chinese party, faced with a largely non-Marxist intelligentsia and a struggle for elementary industrialisation, than for the Soviet communists who had been established in power for forty years and could point to a vast economic and military power as justification for their rule. As a doctrine imported from Europe, Marxism-Leninism in China owed much of its prestige to the unanimity of its adherents; the mere existence of a rival interpretation not unequivocally condemned as a device of the class enemy was a source of confusion and doubt.

THE need for a decision on Titoism became particularly urgent when the temporary relaxation of the curb on criticism during the "rectification" campaign last year disclosed the extent of the disillusionment with communism among Chinese intellectuals. Since the beginning of this year the "anti-Rightist" drive, which was at first concentrated against the non-communist auxiliary parties of the communist-led government coalition, has been increasingly directed against revisionist tendencies within the Communist party itself, and at the same time there has been an intense effort to speed up the pace of industrialisation, which has been held up by serious bottle-necks and shortages of materials. The insistent call for increased production has been combined with a new campaign of invective against enemies both without and within. In May the members of the Eighth Congress of the Chinese Communist Party, which met in September, 1956, were recalled for a special session to receive directives for the emergency, and the *People's Daily* editorial against Tito was published on the same day that the Congress assembled. A feature of the Congress proceedings was the linking of "bourgeois Rightism" in China with "international revisionism" personified by Tito, both being implicated in the foul designs of American imperialism.

By the most recent development in the new ideological warfare, Mao Tse-tung has got a joint declaration with Moscow that revisionism as represented by the Jugoslav doctrine is the "chief danger" in the international communist movement and that both the Soviet and the Chinese parties will "wage uncompromising struggle" against it. Even allowing for the versatility of Khrushchev, it seems that the boats have now been well and truly burned.

Windfall for Turkey

FROM OUR CORRESPONDENT IN ANKARA

ALTHOUGH the fall and murder of Nuri es-Said was a bitter and personal shock to the present Turkish leaders, it is extremely improbable that Ankara ever intended any serious action against Baghdad. It is true that the events produced some firebrands who were keen "to teach the Arabs a lesson"—neo-Ottoman imperialists who believed that the Arab world had suffered from misgovernment ever since it broke away from Turkey. Turkey too has its Suez group. But there are reasonable Turks who reflect that the close link between the Menderes government and the Nuri es-Said regime could only harm Turkish-Arab relations. They recognise Turkey's need for solidarity with the Arab world in general, and with Colonel Nasser and Brigadier Qasim in particular.

Such ideas stem mainly from the opposition. The crisis has indeed produced that rare phenomenon in Turkey, a cleavage between the parties on foreign policy. While the Turkish government leapt to the support of the western landings both in Lebanon and Jordan, the opposition Peoples party, led by the veteran Ismet Inönü, declared that to take sides in either of these countries was no concern of Turkey's. This attitude is in keeping with the traditions of the party that kept Turkey neutral in the second world war. It is not neutralism, in the sense of non-alignment between the blocks. The Turkish opposition, like all Turks, is firmly anti-communist. But it recognises the necessity of coming to terms with emergent Arabism.

The Iraqi revolution proved a windfall for the Turks in some ways. For years western statesmen and leader writers have been churning forth platitudes about Turkey's vital role in the alliance. Now Turkey had an unmatched opportunity to prove these clichés true. It was Turkey that provided the Adana base, so ideally situated within easy striking distance of anywhere. It was Turkey that took the lead in the "Baghdad Pact without Baghdad" and pepped up the flagging spirits of its dumbfounded allies. It was Turkey that did not turn a hair at Russian pressure or at the Bulgarian manœuvres on the Thracian border.

Mr Menderes also seized the opportunity to press Turkey's allies for more economic aid. This need was desperate. The country's economic difficulties, in particular the chronic shortages, were apparently beginning to threaten his political position and provoke serious rumblings of discontent among a fairly large group of Democrat party deputies. (The petrol supply is so short that for weeks there have been queues at filling stations all over the country and in some parts, the harvest, which should be excellent, cannot be cut quick enough for lack of petrol to work the machines.) Fresh western credits for Turkey were agreed in principle before the Iraqi revolution, but it was probably on the strength of Turkey's cool performance in the crisis that they were rushed through before the August holidays. Turkey got unexpectedly generous credits (a total of $359 million through the OEEC, the International Monetary Fund, and the United States government) and by devaluing the lira in fact if not in name (as described on page 481) it may have started on the road to economic recovery. As a result, the government finds itself more firmly in a saddle which three weeks ago was slipping under the horse's belly.

The Ripening Melons of Peking

BY A CORRESPONDENT

THERE is something to be said for a country in which one is almost never pestered by beggars, never has to tip anybody, and can leave one's belongings about anywhere in the certainty that they will not only not be stolen, but will be returned with an understanding smile. Nowhere else have I found so complete a respect for private property as in Communist China, which has in theory abolished it. This respect for private property is one aspect of the "remoulding of the individual" which is such a particular feature of Chinese communism. China today claims to be a great moral State which, while ruthlessly destroying its enemies, at the same time compels those who accept the regime, Rousseau-like, to be good. It has perhaps gone even further than the Soviet Union in reforming, or appearing to reform, the human being—to reshape his thinking, control his behaviour, and guide his emotions.

Old China hands who revisit China today are astonished by the change of character of the Chinese. Most of them will tell you that you could hardly leave a pencil about in the old China without its being stolen. This new-found honesty may be "honesty by command"—though most fair observers would say that this is not the whole story—but it is none the less effective for that. In one hotel after another, while touring round China, I found myself the only person who locked the bedroom door on going out and deposited the key with the porter. "Nobody ever does it," I was told, almost with contempt. In the end I dropped the habit. Another striking example can be drawn from the astonishingly low insurance rates against theft in China. On one occasion it cost me 1s. 9d. to insure for £250 a large quantity of luggage for the journey from Peking to Shanghai.

"The virtual disappearance of theft since the liberation ('liberation' meaning the communist victory in the civil war in 1949) is most striking," I was told by the vice-president of the Supreme People's Court, a humorous and very intelligent lawyer, who had had his legal training at Columbia University. "How was it done?", I asked naïvely. "Easy," he replied, laughing (whether at me or at what he was saying, I do not know), "stealing comes from envy of the rich by the poor: eliminate the difference between the classes, and you eliminate the envy." Another official, when asked the same question, gave a different answer. "Since the liberation," he told me, "our people have developed a social morale which makes theft a thing of the past."

IT is true that a new class structure has not yet had time to develop in China as it has done in Russia, though very likely it eventually will. The industrial workers are already an élite who are paid about six times what the average peasant gets. Party members also have great privileges, though not high incomes. But the most obviously noticeable feature of this communist society, especially after coming from prosperous commercial Hongkong, is the complete absence of any rich class at all. What upper class there is, at the moment, is mainly formed by the foreign diplomats and foreign technicians. Most of the Chinese, even the top leaders, look like workers, whereas the Russian and east European advisers look like the "petits bourgeois" they clearly are. They travel "soft" class in the trains and take suites at big hotels. But among the Chinese it can truly be said that there is no rich class in an absolute sense. The directors of the biggest factories earn about £30 a month, the average industrial workers about £8 a month. Even this differential has now been reduced by cuts for directors and increases for industrial workers. As for the peasants, they are still desperately poor by any standard. The best off earn £20 a year; many earn less.

One of the oddest features of the revolution to a westerner is the length to which the elevation of the working class and the abasement of the old upper class have gone in Chinese society. There has been a literal turning of the social tables, accompanied by the emergence of a sort of inverted snobbery. Nobody likes to admit his "rich" or upper class origin, except as something that can gradually be worked off and forgotten. The children of rich or bourgeois parents are at a grave disadvantage and many harbour an intense resentment against their parents. It is well known that almost all the Chinese capitalists two years ago hastened to hand over their businesses to the State, but the State was in no hurry to take them. When it did, it agreed to pay the capitalists a fixed interest on the estimated value of the business, of 5 per cent over a period of seven or more years. Some former capitalists today earn as much as £3,000 a year, tax free, from this source, and many western observers have considered this an extraordinary indulgence by the State which the Russians never dreamt of. But things are not the same in China. Far from receiving these interest payments with gratitude, most of the capitalists appear to regard them as a sort of purgatory they have to go through on their pilgrims' progress to working class status—when they will finally have removed the taint of capitalism and shed the burden of wealth, and when their children will be able to say proudly: "My father is an ordinary worker."

THERE have been endless discussions in the press whether a man of bourgeois origin can ever transform himself into a worker and rid himself of the "dual nature" which orthodox Marxism attributes to him; and on how far it is necessary for capitalists "to be born again," in order to make the transition to workers' status, and be "saved" from their dual nature. At one point in the "rectification" campaign last year there was a prolonged controversy about whether or not the transformation of a capitalist to a member of the proletariat involved "discarding the flesh and changing the skeleton." One writer described the spiritual journey the capitalists are required to make as the "ripening of melons," and insisted that the melons should not be picked unripe, that is, that the capitalists should undergo full remoulding before being admitted to the Nirvana of the proletariat. Some of the discussions recall nothing so much as the theological controversies of mediæval Europe: are angels male or female? Ludicrous as they may seem, few Chinese intellectuals make fun of them; those who have, got into serious trouble. But the Chinese enjoy metaphysical discussion. Perhaps the men who hold power feel that this sort of thing keeps the intellectuals innocently busy.



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THE BUSINESS WORLD

No Recession in Steel Prices

EVER since the war Government control of the price of iron and steel scrap, sealed by a virtual ban on exports, has been one of the factors keeping down steelmaking costs in this country. Now, formally at least, it is to end. The British steel industry has enjoyed low and stable prices for "bought scrap" since the late thirties, first by agreement with the scrap merchants and since 1939 under the official price control—one of the few that have been retained so long. This is now being formally discarded (it will end at the beginning of November) at a time when there is a surplus of scrap as well as of steel, and when scrap prices in the world market have come down to levels not nearly as far above the controlled British price as they have been at most times during the past decade. Even if they were, it seems doubtful whether world demand would be permitted to skim off more than the surplus scrap that British steelmakers can now do without. The Board of Trade has announced only that it is prepared to consider applications for licences to export "limited quantities" of scrap, and the British Iron and Steel Federation's expressed hope that the change "would not cause too much upheaval in the market" seems to be shared officially. It would be naive to assume that last week's announcement promises an effectively free market in scrap (or perhaps, indeed, to assume that in this country either buyers or sellers want one). What it may provoke, however, is some review of the internal adjustments of costs inside this industry that are made within the "industry fund."

Two main adjustments have been carried out within this fund. One, which financed the loss incurred on importing iron ore at world prices and selling it more cheaply to British producers by a levy on all steel produced, is at present virtually in abeyance. The other was an attempt to correct the cost distortion caused by the scrap price control now being abandoned. On the world market, the price of scrap moves in some broad relation with that of pig iron, as an alternative steelmaking material; inside Britain, while the controlled price of scrap has borne no relation to the market, the relative advantages of making steel from scrap or pig iron would be artificially distorted.

The managers of the British steel's "industry fund" have sought to correct this balance by charging an extra levy on every ton of "home-bought scrap" consumed in any steelworks, and giving back a remission from the proceeds of this on every ton of pig iron made into steel. From the accounting for the fund given in the annual report that the Iron and Steel Board published this week, the rate of levy on scrap last year would appear to have added about £4 a ton to the price of some £11 a ton for home-bought scrap, and the remission to have given back about £2 of the £20 a ton that pig iron cost—re-establishing a "natural relationship," as the federation and the board saw it, of scrap at about 85 per cent of the price of pig iron.

One may quarrel with the industry's managers about what that natural relationship ought to be, or deplore the price control that led them to devise it: but consumers in Britain have had no reason to be concerned with the one and have enjoyed substantially cheaper steel because of the other. Financially, the levy remission arrangement was designed to be a self-balancing scheme (last year, for example, the levy on scrap raised £17 million and £18 million was paid out on the use of pig iron). Given an artificially low price for scrap, this has a certain logic. But if scrap prices here ceased to be artificially low, would the logic remain? The system seems for the moment unlikely to fade away, simply because indications are that British scrap prices will not in practice be allowed to find a market level. But clearly any genuine move towards what used to be called a free trade area would mean at least some "harmonising" of scrap pricing arrangements, in which the British price could hardly remain far out of line.

Since the beginning of this year, British steelworks using foreign iron ore bought by the industry's

central organisations have been paying roughly the full landed price for it: the levies on production to make up for losses incurred in buying ore expensively abroad and selling it at an artificially low price at home are therefore in abeyance. The fall in freight rates last year made this possible. As landed prices came down, the industry held its internal price for imported ore, while reducing its "ingot levy"; in March this year, while reducing prices of steel because of a net fall in the industry's costs, the Steel Board did not reduce its prices for pig iron or for foreign ore.

Cross-subsidy of ore prices was always open to much more criticism than the scrap-pig iron levy and remission; it spread across the whole of the industry the high costs that were incurred actually only by works that used foreign ore, and thus penalised those relying mainly on home ore. It had been justified over the years on the assumption that high import costs were exceptional and temporary. On postwar experience, it is low prices for imported ore that have been temporary; but for the moment, the board need not decide whether if prices go up it will start this game again.

THIS year has therefore seen the achievement of realism in the prices that British steelmakers pay for the ore they actually use, and the half-promise or quarter-threat of more realism in the prices they pay for scrap. Some elements of subsidy remain in the purchase of semi-finished foreign steel at foreign prices and its sale at British prices, but little is being imported today; and most of the minor subsidies on marginal production or movements of materials within Britain have gone as well. The industry and the board have also reached a fair measure of agreement about the way to determine the prices that steelmakers should charge to their customers. This, too, certainly has its own logic. But it happens to be a way that takes no account whatsoever of market considerations, nor ever could; and the state of the steel market in 1958 is not easy to ignore.

What the board would like is a price for steel that is low and stable but still offering enough return to encourage expansion; and broadly, the industry would accept its current pricing formula as offering just about that. The formula is based upon ascertained costs for materials, labour and the like: in assessing averages for each individual group of products, the highest-cost works are left out of the calculation. Capital charges, for both depreciation and profit margins, are based upon calculations of what total costs would be at new plant embodying the most modern techniques, favourably situated for materials, and operating efficiently. For processes where new equipment offers no marked technical advantages in operating cost, but would cost today far more than existing plant did, this new method can tip the balance in making expansion worthwhile; it seems to have done so, for example, in plate production.

In essence, therefore, the board's formula now offers an "expansion price for steel." It gives no room for adjustment to a situation in which the market for steel, if not the capacity, has temporarily ceased to expand. Production last year in British steel was about 4 per cent below capacity: this year it may well turn out 15 per cent below; and the Steel Federation, at any rate, is reckoning that it may remain below capacity until the second half of 1959. The reaction of some producers, indeed, has been to argue that, since they are now working below the level of operations assumed in earlier pricing formulas, the board should react to the slackening of demand by putting up the price, as American producers manage to do. For the moment the board seems to hold that its new formula for profit margins in steel precludes any reckoning of operating rates at actual works. But certainly it is not thinking of putting prices down, either.

THE board's prices are formally maximum prices; they have always in practice been minimum prices, and there are few signs this summer that any steel producers in Britain are going to regard them as anything else. During last year, at the board's insistence, the industry's conferences abandoned all forms of undertaking that bound member companies to treat the board's maximum prices as minimum prices: but it accepted a formula by which conferences recommended

> that having regard to the need to maintain a healthy and expanding industry the maximum prices determined by the Iron and Steel Board should in general be regarded as appropriate selling prices.

No company, that is to say, can now be formally penalised for charging less than the maximum price; but very few companies are at all likely to do so. The board also proposes to satisfy itself that prices recommended by associations for castings and forgings, which it does not formally control, "are reasonable." This is its interpretation of its statutory duty to promote the supply of iron and steel "under competitive conditions." It is not easy to see how an authority whose main day-to-day activity is price control could reach any other.

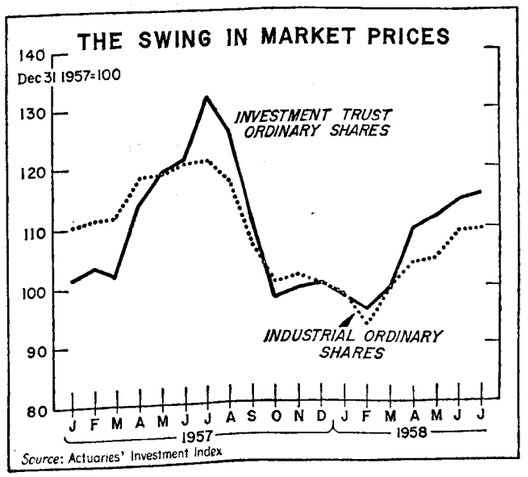
In practice, therefore, "competitive conditions" are likely to mean about as much or as little as they ever have in British steel, or in most other big steel industries, during any short-lived recession in demand. The companies producing most of the individual steel products are too few, and too big, for price competition to break out, whatever the pattern of supervision. There is no sensible way in which the steel board could enjoin companies to sell below what it thinks would be justified on grounds of cost in order to get the business; and indeed its own inclinations, as well as the traditions of this whole industry, would probably be against doing so. This board and this industry, within limits, believe in expansion. The corollary of that is that consumers who have had British steel cheaper than they deserved during the boom must pay more for it during the recession than they would choc

Beating the Averages

Recent performance by the investment trusts is fair, but current yields look for growth. Will it come?

TO whom do investment trust stocks appeal? The speculator, the widows and orphans of tradition and the solicitor nursing a family trust could all make out some case for their interest. Through an investment trust equity the speculator with an eye on a change in the economic climate can back the field on a limited stake. For widows and orphans and the family solicitor, a trust with a high proportion of ordinary shares in its portfolio gives a hedge against inflation. They know that both in terms of dividend and of capital value the trusts have done well since the war—but in inflation, they might reflect, only the dimmest management could have done badly.

What do the trusts offer? First, and not least significant, they offer gearing. They finance themselves fairly heavily with preference and debenture stocks; they invest very heavily in ordinary shares. So a relatively moderate increase in total income becomes magnified (after paying the debenture and preference service) into a much greater increase in the earnings on the trust's own ordinary stock. This gearing element explains what the chart shows—in a rising market investment trust equities tend to rise faster than the general run of ordinary shares and they fall faster in a bear phase. Secondly, the trusts offer a dispersion of risks in their portfolios. The importance of spread can be exaggerated. It gives some protection against an isolated failure if the rest of the market is sound but it does not protect the investor from the major down swings of the market as a whole. The holder of an investment trust equity has to wait while the trust receives its dividends and pays its own dividend but no time lag shelters him from the impact of price changes in the equity markets on the price of his own stock. The trusts are now stuffed with British and North American equities—80 or 90 per cent of the portfolio at market value (which is to say, at market risk) is not uncommon. The risks are apparent to the trusts and in the last two years the inrush into equities seems to have been slowing down, while their switches no longer seem to be aimed at radical alterations to the balance of portfolios.



Switching operations are the product of expert management, the *raison d'être* of the trusts. Less fettered in his decisions than managers of other institutional funds, a trust manager should be expected to beat the market averages: the securities underlying the trust's equity—its break-up value—should rise more and fall less than stock market values as recorded in the various indices. If the manager does not beat the averages, the investor in effect has transferred the power of investment to someone who has shown no more flair for the job than himself. But that is not the manager's whole job. His is expected also to sub-underwrite issues, to take up attractive rights, to buy special lines of stock, and to invest, if the opportunity offers, in first-class private companies. These can be profitable opportunities and they are not available to the general run of investors.

Even so, these advantageous openings are not without some element of cost to the trust's shareholders. Some measure of this lies in the difference between what the trust earns and what it distributes. Management charges have to be met and some portion of the net income, usually in the region of a fifth, is held back in reserve to build up protection for future dividends and capital values. But in no case can such a reserve be a guarantee, and when market values are falling heavily trust managers are likely to be the less willing to draw upon reserves to keep up their dividends. It is because something less than full distribution is the general rule that investment trust equities usually stand below their break-up value, whereas break-up is the only basis for valuing a unit in a mutual fund. It is possible to make too much of the break-up values of investment trust ordinaries and to count the gap between break-up and market values as a positive attraction. But investment trusts ought to be thought of as going concerns, not companies about to wind up. Their earnings, dividends and yields are no less important than break-up values.

What sort of showing have the trusts recently put up? It is fair if not exciting. Some leading trusts whose accounts have recently been published are analysed overleaf. The market values of their portfolios stand well above

book values. The extent of that appreciation is largely a product of the age of the trust and of successful switching at earlier stages into British and dollar equities. But the market values of these portfolios, and hence the break-up values of their ordinary stocks, are lower than they were twelve months earlier. For a rough measure of management performance, the extent of that fall over the latest accounting year can be compared with the fall in *The Economist* ordinary share indicator over the same period. More often than not, the managers have beaten the average—as they should—though the most notable success is scored by a trust which is not so heavily committed in equities as the others and which did not in the past secure their rate of growth. In a few cases, the fall in break-up values is more than that shown by the indicator and this is most notable among trusts which have gone practically all out for equity investment, either in this country or in North America. The last eighteen months of boom and slump have been as difficult for the trusts as for other investors and they have not done much better, if at all, than other investment funds.

Until quite recently the trusts have been receiving dividends from a comparatively lush harvest of industrial profits. As their ordinary earnings went up, many of them raised their dividends—though not all of them managed to do so. Continued growth in income now looks less certain, for profits are harder to earn and bigger ordinary dividend payments from industry are not in prospect. For an investor thinking of income, the yields on current dividend offered by the trusts are not especially attractive. To buy on yields of 5 per cent or less must presuppose capital appreciation to come. In the long run, this may be a reasonable expectation but the sacrifice of yield until appreciation arrives is not light. Short-term appreciation is not relevant to the argument. Since February, the trend in industrial equities has been upward and the trust equities have followed, sometimes carrying their market prices above the break-up values in their last balance sheets. But speculation on short-term gains in investment trust equities values is not likely to be very profitable and given the narrow market can be costly.

Can the investment trusts, against a rather colourless background, grow in popularity when their stocks are usually in firm hands and the market in them is narrow? The Chancellor's new directive to the Capital Issues Committee makes little or no difference to their formal standing as borrowers in the capital market. Some of them have made rights issues of ordinary stock in the last few years, but in most cases these were not a signal of growth so much as the passing on of a share in the industrial rights issues that the trusts themselves had taken up. As a method of gearing a capital fund towards equity growth, the trusts now compete with participating insurance policies, pension funds and unit trusts; as providers of income, they compete with national savings, the building societies, and the hire purchase finance houses. And they have always had to compete with the desire of the investor to follow his own convictions. Most investment trust managers know what they are at, but they would not claim to be more expert than other investment specialists. They will not let the ordinary investor down, but he should expect a moderate living from their services, not a quick fortune.

INVESTMENT TRUST PERFORMANCE

Trust	Accounting Date	Latest Book Value of Portfolio	Latest Market Value of Portfolio	Proportion of Portfolio in Equities	Proportion of Portfolio in North America	Break-up Value of Ordinary†	Approximate Change in Break-up Value*	Approximate Change in Indicator*	Equity Earnings Previous Year	Equity Earnings Latest Year	Ordinary Dividend Previous Year	Ordinary Dividend Latest Year	Price	Yield
ENGLISH:		(£'000s)	(£'000s)	%	%		%	%	%	%	%	%		%
Industrial & General..	31/3/58	10,190	23,440	80·3‡	17·6‡	26/–	–13·3	–12·4	36·4	36·8	27½	29	19/–§	5·09
Invest. Trust Corpn...	1/5/58	9,741	16,659	88·8	46·4	17/–	–11·7	–15·8	21·5	23·3	16	18	16/6	5·45
Atlas Elect. & General	31/3/58	11,411	16,116	91·3	20·3	46/6	–14·7	–12·4	17·7	19·2	10½	12	46/10½	5·13
Trustees Corporation.	31/5/58	5,253	10,243	90·8‡	20·6‡	26/–	–13·3	–15·1	34·5	37·0	24	26	25/9xd	5·05
For. Amer. & General	5/4/58	6,918	9,251	82·0	39·0	50/6	–14·8	–11·1	14·4	14·2	10	10	42/–	4·76
Lake View	31/3/58	4,786	8,385	87·3	38·6	31/–	–13·9	–12·4	18·9	18·8	13½	14½	29/–	5·00
Sphere	31/3/58	4,788	7,914	94·9	26·0	68/–	–11·7	–12·4	24·8	26·5	16	17	47/6§	4·77
London	31/3/58	3,777	7,395	93·4	17·7	23/6	–13·0	–12·4	28·4	32·6	22	24½	23/–	5·33
Bankers.....	30/4/58	4,026	5,925	73·9	11·8	223	–13·9	–15·8	13·7	14·5	9	10	200	5·00
Trust Union.....	31/3/58	3,031	5,689	92·3	27·6	65/–	–11·6	–12·4	21·2	22·9	14	16	65/–	4·93
Anglo-American Deb..	31/3/58	3,023	5,254	83·6	35·0	13/6	–12·9	–12·4	17·7	17·7	13½	13⅜	12/6	5·47
Continental Union ...	31/3/58	2,599	4,574	93·0	29·9	19/–	–13·6	–12·4	24·2	26·0	15	16	16/6	4·85
Consolidated	15/4/58	2,864	4,252	76·4	6·9	57/9	– 6·9	–15·8	21·2	21·0	14	14	44/3	6·33
U. States & Mercantile	4/4/58	2,640	3,965	81·3	16·3	13/–	–13·3	–11·1	21·0	20·8	16½	16½	13/9	6·00
Anglo-Celtic	5/4/58	2,653	3,532	85·6	28·6	11/6	–13·2	–11·1	18·9	19·7	14	14⅜	12/–	6·04
Second Mercantile ...	5/5/58	2,193	3,198	80·8	N.S.	13/3	–15·4	–18·8	21·3	21·6	16	16	14/–	5·71
London & Provincial..	31/3/58	1,956	3,189	86·9	39·8	23/7½	–13·0	–12·4	36·6	34·3	24	25	22/6	5·55
Nineteen Twenty-Eight	31/3/58	2,159	3,074	87·7	28·6	281	–13·0	–12·4	20·3	18·9	15	15	237½	6·53
SCOTTISH:														
Alliance.....	31/1/58	12,480	28,750	87·9	44·2	100/–	– 7·2	–12·7	30·4	31·8	25	25	121/3	4·13
British.....	31/3/58	9,267	15,818	97·0	59·1	18/9	–14·8	–12·4	19·9	21·3	14	16	17/–	4·70
Scottish Mortg. & Tst.	31/3/58	5,036	12,750	88·0	47·0	611	–10·1	–12·4	34·9	38·3	25	28	580	4·83
Third Scottish Nat...	31/3/58	2,045	3,536	97·7	24·3	20/–	–18·4	–12·4	29·1	31·6	22	23	20/6	5·61
First Scottish Amer...	1/5/58	1,980	3,077	86·6	40·7	48/3	– 8·6	–15·8	15·8	16·3	12⅜	13¼	47/6	5·58

* Between latest balance sheet dates. † At date of balance sheet. ‡ At book value. § After 50 per cent scrip issue.

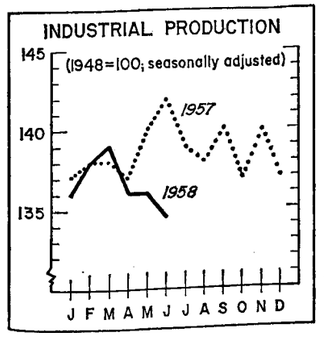
BUSINESS NOTES

THE ECONOMY

Recession on the Record

OFFICIAL statistics are at last beginning to show the recession into which much of British industry was lapsing this spring—at least, according to the latest twist of revisions. Output in May, according to the seasonally-adjusted official index of industrial production, was 136 (1948 = 100), against 140 in May, 1957, and 142 at last year's peak in June; the indications are that in June the index slipped further to 134-135, which would be more than 5 per cent lower than twelve months before. Moreover, most of the indices for earlier months this year have been revised about one point downward this week, making the average level for the first six months of the year 1-1½ per cent lower than for the first half of 1957. Employment in industry has fallen over the year but not nearly as much as output: and this week's figures of unemployment showed just about the usual seasonal fall between June and July.

Manufacturing output in the first quarter of this year was at about the same level as a year before, but in April and May it was markedly lower, in contrast to the upward movement in Spring, 1957. In May it was 139 seasonally adjusted (1948 = 100), about 3½ per cent lower than in May, 1957, and in June it will presumably have come down a good deal more. The continued buoyancy of output in motors, heavy electrical equipment, and a few other specialised capital goods industries serving the public sector is clearly no longer sufficient to offset the downward drag of a much wider range of industries producing consumer and capital goods where the slackening of demand, and some reluctance to hold high stocks, have at length been slowing down production a little.



Political pessimism and optimism about output this year has been turned on and off as succeeding revisions have put a rosier or a duller gloss on the figures. The official statisticians have revealed this week that their latest revisions have arisen from a broad and fairly radical change in the kind of information that the Board of Trade gathers from the engineering industries. Changing over from one basis to the other left some months in which the engineering coverage of the index was far less adequate than it had been up to the end of last year on the old basis or should eventually be on the new one. Nobody who has ever complained about the quality of British economic statistics or the speed with which they are produced has any right to complain about the revisions that arise from such general revisions in the data (if they produce more information rather than less) or from the relatively short time-lag with which some of the indicators are now offered. But the general refinement and acceleration that has been applied to these statistics during the last two years has only served to emphasise one of the awkward facts of life for politicians charged with managing this economy—that the variations up or down upon which they may need to act, quite as soon as they get them, are probably well within the inherent degree of error of the figuring.

STEEL

The Pace of Development

IN the special report on development in the steel industry up to 1962 that it published last year, the Iron and Steel Board reckoned that there would be capacity to produce just under 28 million ingot tons of steel in that year from developments that it had already approved, and possibly capacity for another million tons from schemes that might be approved in the meantime. With a small margin of imports and re-usable steel, the industry might be able by 1962, it thought, to deal with a demand of 29-30 million ingot tons. In the annual report that it published this week, the board disclosed that it has begun to consult with the industry, consumers and the Government to see whether that estimate of demand needs shading in view of the pause in industrial growth over the last two to three years: pending that re-appraisal, it still thinks

> that the objectives of the development programme should remain in general unaltered and should be pursued so far as practicable.

It records that the start of several new projects has been delayed and parts of others have been postponed; and most of the hand mills for sheet and tinplate that it had reckoned might still be operating in 1962, and some of the old steelworks that supplied them, have been closed. As a result, it now reckons that capacity by 1962 may be about 27 million tons, and not until the following year 27½-28 million tons, though there are one or two schemes under consideration that could put this capacity up a little.

This view of future demand and of the capacity required is rather more optimistic than that of the British Iron and Steel Federation last week:

> . . . when the economy grows so much less rapidly than was expected over so long a period, the whole trend of growth must be put in doubt.

How much the difference of emphasis really amounts to will presumably come down to hard figures in the re-appraisal that has begun. These two central bodies of the industry differed significantly last year on development mainly over one big issue, the fourth strip mill. The board felt this would be needed by 1962, the federation "by the middle nineteen-sixties"; the federation accordingly supported a proposal

by Richard Thomas & Baldwins to put down an integrated steelworks at Newport which in the first place would supply billets and slabs but later could add a strip mill. The board now records that RTB eventually withdrew that Newport scheme as "on examination it did not commend itself to the board," and that since the end of the year the company has submitted alternative proposals—which include a strip mill at Newport, which now appears to have the support both of the board and the federation. The decision on this is now with the power that will as it happens have to find the money—the Government; and this has delayed so long as to attract deputations galore lobbying for alternative sites. But so far as timing is concerned, the board's original hopes are out; as it admits in its report, "it would hardly be possible to have extensive new capacity constructed and in operation until a year or two after that date".

IN THE MARKET

Gilt Edged Key

SELDOM has the whole structure of interest rates depended as much on a single stock as it does today. This key stock is Funding 5½ per cent 1982-84—the one medium-long that can still be supplied in large quantity from the official portfolio and about the length in which the insurance companies and the pension funds are now interested as they switch gradually towards longer dates. Therefore it is the rein used to keep an obviously rising market under control. The stock has been allowed to rise a little but by holding the price at just over par (allowing for accumulated interest) and so keeping the yield to a few pence under £5 10s. per cent, the authorities are limiting the advance in the other mediums and longs. That also determines that 6 per cent or near that figure shall still be the rate for industrial prior charges. Equities may rise independently. So within limits may the shorts. The Treasury bill rate may fall, as it did again last week, back to its pre-Iraq level of a shade over 4 per cent. But Funding five and a halves remain in effective control of most of the market. The status of that stock was confirmed on the last Bank rate reduction, when the tap price was held almost unchanged. When the next reduction comes (and it looks more and more a question of when rather than if) it could again be used to control long term interest rates. But that does not mean that the price will not be allowed to edge up so that control is then exercised at a slightly higher level.

The bull market has extended to industrials as well as to gilt edged. At 199.6 on Wednesday *The Economist* indicator shows a rise of 4.4 on the week to a new high point for this year. As almost the whole range of prices rose a little with the opening of the new Stock Exchange Account on Wednesday it caused some surprise that the *Financial Times* industrial index did not advance that day and remained 0.1 below its 1958 peak of 179.6. The tightening of the Wall Street margin requirement from 50 per cent to 70 per cent and the subsequent dip in share prices in America was easily shrugged off in London, and the London view could be right about that. Most stock is not carried on margin in Wall Street and those who are carrying are not required to put up additional cover for existing holdings. The new rule applies only to new commitments and at the most should restrain some of those who had been intending to dabble.

Spare Capacity in Engineering

FIFTY-TWO British engineering firms told the National Institute of Economic and Social Research during the second half of July that with their existing equipment, they could increase their output by an average of 20 per cent (and a handful of chemical firms also said, less specifically, that they could raise output but by a smaller amount). The companies employed between them one-tenth of the total manpower in the metal-using industries (excluding shipbuilding); since more than one-third of these firms employed over 5,000 workpeople, the sample expresses the views predominantly of large firms. It was a small sample, too. But the inquiry was based on detailed interviews, not on a questionnaire; and the institute's team, led by Dr Tibor Barna, was able to pin down as no questionnaire could what firms really meant when they said "below capacity."

Not surprisingly, their rates of operation varied considerably. There has been a big shift in recent years in demand within the engineering industry, leaving some sections overtaxed and others half-idle. There were ten firms, supplying highly specialised products, with little or no spare capacity. Ten others thought that they could readily increase their output by two-fifths or more; these included makers of commercial vehicles, bicycles, rolling stock, light electrical equipment, machine tools and some equipment for general industrial use. The table attempts to summarise the information about different industries.

A further 20 per cent of output throughout the engineering industries, the NIESR team reckoned from their inquiry, would require 7 per cent more manpower (250,000-300,000 more people) and an increase of 3 per cent in hours worked. This addition to the engineering labour force is little more than would have occurred if the rate of expansion between 1954 and 1956 had continued; elimination of short-time and an acceptable amount of overtime would give the extra hours. The figuring implies that fuller utilisation of plant would bring a sharp rise in productivity.

But this calculation is painfully theoretical. Lack of demand and not shortage of labour is now limiting output. And while a general increase in demand would obviously help, it would not solve the problems of all firms. The reluctance of firms to dismiss employees and to give up factory space has hindered the adjustments necessary to adapt output to changing demand. The National Institute speculates: "In the last few years perhaps too much has been spent on increasing capacity and too little on producing a given output with fewer men."

But capacity is still rising. Some of the bigger investments made recently are on the point of completion. Most anxiety is expressed by those firms expecting to bring new capacity into use soon. With shorter order-books and some involuntary stockbuilding, there is some uncertainty about the immediate future in the engineering industry which focuses on the motor industry. And there is a feeling—inside it as well as outside—that the boom in motor cars cannot last.

VIEWS ABOUT CAPACITY AND OUTPUT

VEHICLES	Experience varies according to part of trade and ability to adapt to new requirements.
Motor cars	Productive capacity still unbalanced and post-1954 investment as yet yielded little result. Very fully employed; reluctant to engage more men because of uncertainty about immediate future.
Commercial vehicles	Considerable excess capacity (30-50%) because life of vehicles has lengthened and operators are economising.
Public service vehicles	As for commercial vehicles except that the home market is liable to decrease in long run.
Tractors	Firms not yet up to stipulated targets. Signs of declining demand.
Rolling stock	Capacity for diesel traction fully booked; demand for wagons has fallen off.
Motor cycles and bicycles	Serious surplus capacity. Demand fallen because of competition from other forms of travel and poor export trade.
ELECTRICAL ENGINEERING	All firms have significant and, in some cases, considerable excess capacity but not necessarily in all branches—more marked in intermediate or industrial products than in finished consumer goods.
Heavy electrical plant	Only small increases in output possible.
Lighter products	Increases of 25-30% possible. Experience of manufacturers of domestic appliances very varied.
GENERAL ENGINEERING	Six out of 35 firms had no spare capacity—these were firms making certain kinds of office machines, motor car accessories and specialised equipment for the investment programmes of the steel, coal and electricity industries.
Producers for vehicles industry.	In general (e.g., crankshafts) excess capacity higher than average.
Machine tools, other tools, bolts and nuts, etc.	Excess capacity of 10-60% depending on product.
Makers of machinery for consumer goods industry.	Excess capacity of about 20%. Makers of equipment for which demand has flattened out have switched into new lines only to limited extent.

BANKS AND HIRE PURCHASE

Merchant Bankers Follow

THE association of banks with hire purchase finance has this week taken a new turn. Following the quick succession of moves by big deposit banks—Barclays, Westminster and Martins, and the National Provincial—to acquire interests in three of the largest finance companies, it has now been announced that Samuel Montagu and Guinness, Mahon, two leading merchant banks, are to undertake a joint venture with another large finance house, Olds Discount company. Of the eight finance houses with assets over £10 million, this leaves only three—Lombard Banking (which is doubling its authorised capital), Bowmaker and British Wagon—without a direct association with a bank.

THE NEW ASSOCIATIONS

		PROPOSED FORM AND METHOD OF ASSOCIATION	
Barclays—*U.D.T.*		25% interest	New shares to value of £4 mn.
Commercial Bank of Scotland* —	*Scottish Midland Guarantee Trusts*	100% interest	Purchase of shares from Scottish Motor Traction Co. in 1954, for £1·75 mn.
Martins	*Mercantile Credit.*	40% int. (jointly)	New shares to value of £3·96 mn.
Westminster			
Nat. Provincial	*North Central Wagon.*	100% interest	Offer for shares, involving £9·5 mn.
Guinness, Mahon / **Samuel Montagu**	*Olds Discount*	Industrial Banking Corpn., capital £200,000, owned 50% by Olds Discount and 25% each by two merchant banks.	

* Amalgamation is under consideration with National Bank of Scotland, owned almost wholly by Lloyds Bank; this merger would give Lloyds Bank a large minority interest in the new bank and the finance house subsidiary.

The two merchant banks are making their association with HP finance not by acquiring any direct interest in Olds, but by setting up, in partnership with it, a new organisation. For this purpose, the participants are employing the usefully named Industrial Banking Corporation, hitherto a subsidiary of Guinness, Mahon, and hitherto engaged in investment trading. Its capital is £200,000, and Guinness, Mahon has now sold 50 per cent of the capital to Olds and 25 per cent to Samuel Montagu; the corporation will switch its activities to financing hire purchase. Day-to-day management will be by Olds, and in consequence the registered office has been switched from London to Nottingham. It is understood that the new company will undertake the same broad range of HP business as its finance house parent, and that there may be arrangements for sharing of staff. The board of the company reflects the participation in the capital: Mr Stanley Keywood and Mr Ernest McLennan represents Olds, and the Hon. David Montagu and Mr A. P. B. Guinness represents the two merchant banks.

This move does not represent as striking an innovation as do the moves of the clearing banks. Merchant banks have long considered hire purchase finance respectable; de Stein holds an investment interest in Mercantile Credit, in which, as announced last week, the Westminster and Martins are acquiring a 40 per cent interest and Lazard Brothers have a director on its board; Thomas Tilling—not far dissociated from Helbert, Wagg—has invested in Mutual Finance; and many merchant banks have retained small holdings in finance houses in connection with issuing operations. Nonetheless, the Industrial Banking venture does mark a significant new departure. No plans have been announced for an increase in the capital of the company, but this could obviously be expected if the association works well. Meanwhile, the merchant banks are not expected to disturb their existing acceptance facilities granted to other finance houses.

GOLD RESERVES

Still in Dollar Surplus

FEW people had expected that the long series of gains in Britain's gold and dollar reserves would be maintained in July. The settlement of the large June deficit with the European Payments Union entailed a gold payment of $52½ million; and added to the seasonal commercial strain were the shock to sterling that followed the upheaval in Iraq and the fears of a national dock strike. The gain of $8 million in the reserves in July, to a new seven-year peak of $3,084 million, was therefore a very good achievement. An underlying tide of confidence is seen still to be running strongly in sterling's favour. The fact that the monthly gains to the reserves have steadily shrunk since March is largely a reflection of seasonal factors. In the first seven months of 1958, the reserves have risen by $811 million—and this in spite of a severe fall, of 13 per cent in the first quarter of the year and probably as much in the second quarter, in the exports of the overseas sterling countries.

The July figures again showed a dollar surplus coupled with an EPU loss—a conjuncture that is not necessarily closely associated with the regional balance of commercial payments. Transactions with EPU in July resulted in a deficit of £18½ million—a large figure though smaller than the June deficit of £25 million. Accordingly, while the actual gain in the reserves tailed off in July, the true dollar

balance for the month was rather higher. Excluding the payment to EPU in respect of June, there was a residual dollar surplus of $61 million; this month's payment of

RESERVES SINCE THE CRISIS
$ million

	True dollar balance in period*	Actual change in reserves	Reserves at end of period
1957 :—			
August	−300	−225	2,142
September	−296	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039
June	+ 17	+ 37	3,076
July	+ 22	+ 8	3,084

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, and for small receipts of US aid and special payments.

$39 million in settlement of the July deficit leaves the true dollar balance for the month at $22 million, compared with $17 million in June.

CONVERSION OPTIONS

ICI and BP Results

THE directors of Imperial Chemical Industries must be well pleased with the result of the first conversion option on the £40 million 5½ per cent Convertible Unsecured Loan Stock. Holders who bought at the issue price had the whole of last month in which to decide whether to convert into ordinary shares at the equivalent of 26s. 8d. per share. And holders of more than half the stock did convert, so that £24.3 million of the loan stock has been extinguished and 17.5 million of new ordinary shares issued in its place. The next conversion option is in July next year, when the rate will be 27s. 10d. per share.

Naturally the response of the holders of the £41 million convertible debenture in British Petroleum was less impressive. With that stock the next conversion option will also be at the rate of £4 19s., so that there was no need to hurry and only £750,000 stock (about 2 per cent of the issue) was converted into 150,000 shares.

Imperial Chemical Industries has also announced the details of its profit-sharing distribution. This year £4,993,000 gross is being distributed among more than 90,000 employees—an average of £54 17s. 6d. The net figure after deduction of tax at personal effective rates is £3,716,000, and this is being used to subscribe for £2,866,000 nominal of ordinary stock. The practice is that when an employee is entitled to 40 or more £1 units they are handed over and £1,987,000 nominal will go on October 14th into the names of just over 30,000 employees. The company hopes that they will hold their stock and reports with pride that in the past over 60 per cent of the employees have retained their holdings. It seems to follow that the bout of small selling of ICI that the market saw about a month ago cannot have come from this year's distribution of shares and that some small selling must be expected in October.

BUILDING

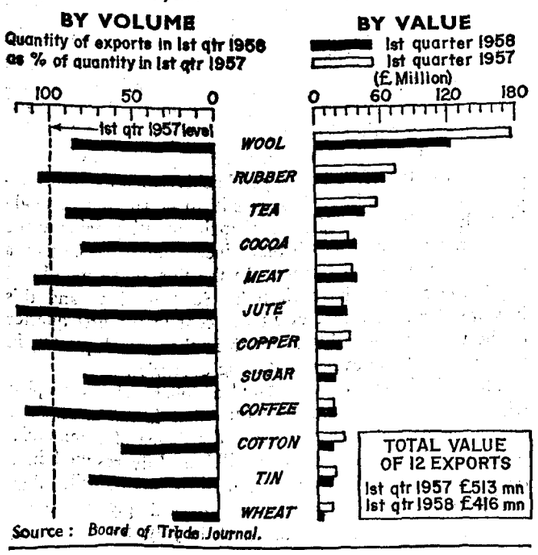
Factories in Waiting

THE Board of Trade's statistics of new industrial building appear so long after the events they describe that they make other investment indicators in the Chancellor's Bradshaw seem positively up to date. This fact of delay, which the board can hardly avoid, means that these figures can do little more than fill in the details of what is already generally expected. The latest batch certainly carry no surprises. Plans for new factory space that reached the stage of an industrial development certificate in the first six months of the present year were 30 per cent lower; schemes on which construction started during the last half of 1957 were about a quarter lower than in the comparable period the year before; and completions were still rising—last year's total of 53½ million sq. ft. of floor space against 48½ million in 1956, was a record.

British industry has thus equipped itself with more than 360 million sq ft of new factory space since the war—equivalent probably to 10-12 per cent of the space it was then using. Its building contractors were still in the process of constructing another 85½ million sq ft in some 2,000 different projects last December, which despite last year's fall in starts and rise in completions was only 11½ million sq ft less than at the end of 1956. Even if the rate of completions quickens again this year, though industrialists have reported that they expect to pay less for new industrial building, this volume of work in hand is more than adequate for another 18 months of site activity. Moreover, there are another 6,000 schemes for 185 million sq ft that the board has approved in the last twelve years that have not been taken further, though most of these now probably never will be. Three years ago, when the board looked into this

OVERSEAS STERLING AREA EXPORTS

The fall in exports from the overseas sterling area in the first quarter of this year affected most countries and most commodities. Australia experienced the biggest drop in export income; falling prices and shipments of wool have lowered the value of Australian exports by nearly one-third this year.



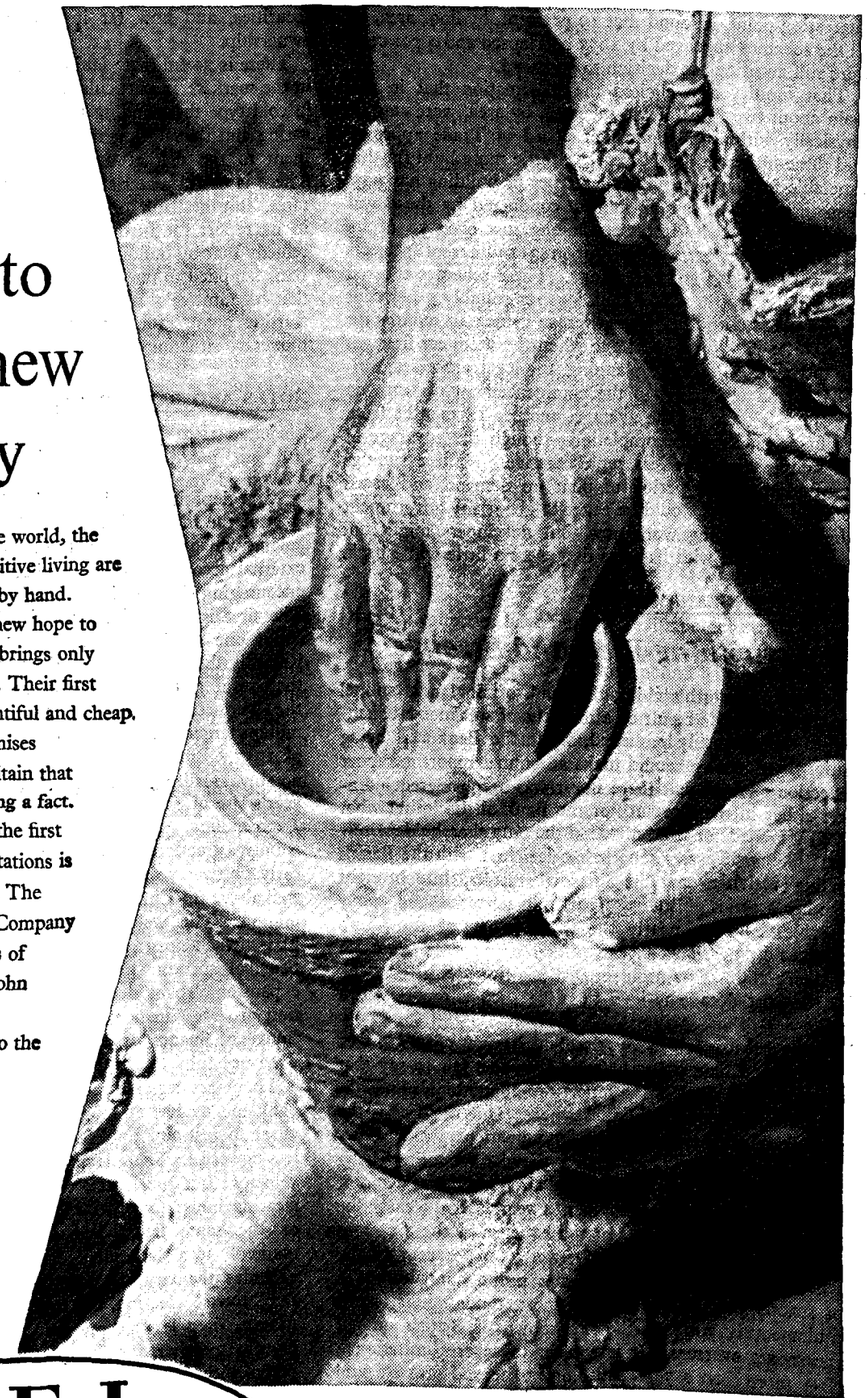
Source: *Board of Trade Journal.*

Power to foster new industry

In many corners of the world, the bare essentials of primitive living are still laboriously made by hand. Industry could bring new hope to such places; lack of it brings only bitterness and distrust. Their first need is for power, plentiful and cheap.

Nuclear energy promises such power, and in Britain that promise is fast becoming a fact.

At Berkeley, one of the first of our nuclear power stations is making rapid progress. The AEI-John Thompson Company has harnessed the skills of such mighty firms as John Thompson, BTH and Metropolitan-Vickers to the task. Today, this consortium of talents is at the service of the world.



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JOHN THOMPSON

interesting point, it found that 19 per cent, by floor area, of all the schemes approved by 1953 had lapsed and 4 per cent were still awaiting the decision to go ahead.

That inquiry also elicited the information that in the main about two-fifths of the schemes, by area, were started physically within six months of Board of Trade approval and three-fifths within the year. A little more light on this timetable for factories and other types of building has now been thrown by a sample inquiry conducted by the Royal Institute of British Architects among just over 50 of its members who were engaged upon 311 different projects between late 1954 and early 1957. These schemes covered £64 million worth of new buildings, or roughly 5 per cent of one year's output. On the average it took 17 months for projects to pass from the stage when the architect first got his instructions, through planning, the legal processes, estimating, and tendering, to the commencement of work on the site. It took, on the average, another 18 months from the first spade cut to completion—though the coverage of the sample here was less representative. These timings occurred during a period of pent up demand and eased controls. Builders would be eager to get at any government stimulated building work now, but developers might not be so concerned with haste as they were a little while back.

BANK OF ENGLAND REPORT

Something Rich and Strange

LIKE Wordsworth's child, the Bank of England's annual report is the result of a moment of weakness. Chancellor Dalton rashly promised, while the Bank was being nationalised, that it would make an annual report. Calmer reflection showed that there never was a considered intention either in the Treasury or the Bank of disclosing what profit was made or what dividend the only shareholder drew out. The result was a report that dealt not with the Bank's trading activities nor its financial results, but brought together a series of statistics partly in narrative and partly in tables covering nearly the whole range of the City's activities in the Bank's year, which happens to close on February 28th. The problem that has lived with the Bank for the past decade is how to make such a report worth while.

This year, it is fair to say, the Bank has got nearer to that desirable end than it has before. It is also fair to say that at two points only does the report reveal anything not available to the informed public elsewhere. One of these is the distribution of the note issue by denominations, which shows that the new "fiver" has been a popular favourite, rising from 14.5 per cent of the total note circulation at the end of February, 1957, to 21.4 per cent a year later. Nearly the whole of that increase was at the expense of the £1 notes which fell in the same period from 75.0 per cent of the total to 68.1 per cent. The other useful contribution is not strictly part of the Bank's report, though it is issued simultaneously with it—the breakdown of British quoted investments overseas. It is subject to severe limitations; it lags more than a year, finishing at the end of 1956 and it deals only with nominal values, which give no clue about realisable values. The total for 1956, compared with 1955, shows a diminution from £2,144 million to £2,110 million; much of that fall occurred in South America, though naturally the figures give no clue as to how far it was due to redemptions, how far to default or failure, how far it reflects changes in exchange rates on the non-sterling securities, and how far it simply represents changes of ownership.

There is useful material in the report's accounts of events in the market: in particular it is interesting to see admitted in cold type that funding through the market tailed off last spring and that during the summer there was a "net payment to the market on account of stock transactions". There is useful material also in the two tables of exchange rates. But the Bank itself is clearly agreed that there is room in its report for further improvement. It is intended to remedy that by building upon the written evidence that the Bank supplied to the Radcliffe Committee, using, subject to that committee's recommendations, that evidence as a starting point "for a more detailed annual review of the monetary situation in future years."

NOTES AND BANK DEPOSITS

Inflating Money Less

BANK deposits have been rising lately, largely as a result of the increased needs of the government (prominent among which is the need to finance the record surplus on external account). But two other financial indicators show encouraging signs of the weakening of inflationary pressure. The first is the active note circulation, which represents about one third as much money as total bank deposits. Recently the note issue has risen to its usual August peak; the rise of £91 million in the five weeks from late June to the Wednesday before the holiday has been about £17 million larger than was the rise in the corresponding weeks of 1957. But the rise in the early summer this year was notably smaller; and from the February low-point, this year's rise of £170 million compares with a rise in 1957 of £200 million. Moreover, at £2,129 million, the note issue is only a fraction above its peak last Christmas. Since the early postwar years, the August peak has been consistently well above the Christmas peak; last year the excess was £62 million. This welcome halt in the expansion of the note issue, which must reflect a more cautious attitude towards personal spending, incidentally accounts for part of the expansion of bank deposits; an increase in the note circulation provides finance for the Government, and when this source of finance dries up, the Treasury has to sell more Treasury bills to the banking system.

There are signs too that the velocity of circulation of bank money has at long last slowed down, and that this offset to restraint upon the volume of bank credit is now less powerful. There is no good general indicator of money velocity; but the figures of turnover through the London clearing house (which exclude clearings between branches of the same bank, and certain local clearings) point markedly to a slackening. The "general" clearing, which excludes the large financial transactions that go through the "town" clearing, has in every month this year, except March, risen less steeply than in 1957; in the first seven months together, the increase has been 2.8 per cent, compared with 6.5 per cent a year before. The smaller provincial clearings show a fall, by 2.3 per cent. The same general impression is given by the Midland Bank's latest index of business turnover (representing all drawings on current accounts except those at a few branches in the City). This index fell from 161 to 159 (1950=100) between the first and the second quarters of this year, a bigger fall than normal at this season.

SHIPPING

Suez Canal Surcharge

BY resolution of the United Nations merchant ships passing through the Suez Canal on and after September 15th will have to pay a levy of 3 per cent on their normal transit tolls in any currency in which the tolls are normally paid. The Banque de la Société General de Belgique has been appointed agent of the United Nations for collection of the surcharge, with sub-agents in Alexandria, Cairo, New York, Geneva, London, Paris and Rome. It is hoped by this means that the cost of clearing the Suez Canal will be recovered by the United Nations in about three years. The British Government has announced that it will reimburse British shipowners for the amount of this surcharge they are called upon to pay, provided that other Governments do the same in respect of their nationals; but the position of owners of ships flying the flags of such countries as Liberia and Panama may be open to question.

THE GOURLEY DECISION

Damages and Tax

FIFTEEN members of the Law Reform Committee find their views so evenly divided that they are unable to recommend any changes in the law whereby the liability to tax of a person entitled to damages has to be taken into account in assessing the amount. The committee was invited by the Lord Chancellor to consider this subject following the decision of the House of Lords in British Transport Commission v. Gourley. This decision reversed previous practice and reduced the damages of £37,720 awarded to Mr Gourley to £6,695 to take account of the income tax and surtax he would have had to pay on his earnings if he had not been injured. The same principle of reduction has already been extended to cases of wrongful dismissal and of loss of profits through the exercise of statutory powers.

Three members of the committee think the law is unsatisfactory. They hold that damages are awarded not for loss of earnings but for loss of earning capacity, which is a loss of natural capital equipment; tax is not a charge of income, but an appropriation out of it and a plaintiff should not be deprived of his right to deal with a gross sum as he pleases, for example, by making covenants or paying pension premiums; the present law is contrary to public policy in that it is now frequently more profitable to pay damages for the breach of a contract of service than to perform the contract.

Three other members form a second school of thought. They would restore the old law by which damages were paid gross but would make the damages taxable in the plaintiff's hands. They contend that he would then be in the same position as if his earnings had not been cut off; the defendant would have to pay the damage actually caused and not get off with a sum discounted for tax; and the Crown would collect the same amount of tax as if there had been no injury or breach of contract.

The remaining members of the Committee do not think any change in the law is called for. They hold that damages are intended to compensate the injured party for a loss actually suffered and no more and they think it would be unrealistic to ignore the tax he would have had to pay. The offending party may get off with much lighter damages if the plaintiff is liable to a high rate of tax but they urge that the principle of damages is to compensate the plaintiff, not to punish the defendant.

The practical difficulties of estimating future tax liabilities are very great and the report places much emphasis on comments in the House of Lords that a broad estimate should be sufficient. With respect, this seems to leave the matter too open. If a taxation adjustment has to be made (in the Gourley case, it absorbed more than five-sixths of the total compensation) should it not be made by the assessment of the gross sum under the tax law, and by the Revenue authorities? Logic seems to be on the side of the second school of thought and even the majority who oppose it admit the possibility that a further review of the effects of the Gourley decision may be needed later.

TURKEY DEVALUES

A Rescue Operation

FEW countries have put off inevitable devaluation longer or with greater damage to their economies than Turkey. For at least ten years the Turkish pound has been artificially valued at its parity of LT 2.80 to the dollar. Since 1953 the effects of this over-valuation on the balance of payments have been partly but quite inadequately cushioned by a cumbrous system of differential surcharges on imports and subsidies on exports. An attempt is now being made, with the help of the IMF and the OEEC to introduce order into Turkish exchange arrangements and to repair some of the damage to the Turkish reserve of foreign currencies. Outright devaluation is still not openly accepted, and for the shop window only the parity of LT 2.80 to the dollar remains. In paying for imports, however, a uniform rate has been fixed at LT 9 to the dollar from the beginning of this week. The foreign currency resulting from Turkish exports meanwhile is being bought at three different rates—LT 4.90 to the dollar for such commodities as tobacco, chrome and copper, LT 5.60 for less essential goods such as grapes, nuts and figs, and LT 9 for all other commodities. The rate of LT 9 will also be applied to all invisible transactions and capital transfers.

The hard-pressed reserves are being buttressed by international assistance of $359 million, of which $234 million is being provided by the United States Government, $25 million by the IMF, and $100 million by EPU. The United Kingdom makes a contribution of $10 million towards the last item. Help from OEEC countries is also being provided by a six months' moratorium on bilateral debts while new schedules of repayments are being worked out.

The outcome of this rescue operation depends above all on the success with which the Turkish Government's own anti-inflationary programme is carried through. On paper it looks impressive. Measures have been introduced to balance the budget, eliminate deficits on state enterprises, restrict credit expansion and hold back capital investment to really worthwhile projects. It remains to be seen how far reality will measure up to these admirable intentions.

TIN

Russian Diplomacy

A MEMBER of the Russian Trade Delegation has announced that the Soviet government has offered to become an "observer member" of the International Tin Council. The Soviet Embassy in London, he said, had written to the ITC at about the time of its last meeting towards the end of July making the offer. The advantages of having Russia as a full member of the tin scheme are obvious. Mr Clifford Waite stated them forcefully when he told shareholders of Consolidated Tin Smelters that the producer members—mostly under-developed countries—were making great sacrifices to maintain the floor price of £730 a ton, while Russia and China were able to sell as much as they wished at that price.

Whether to grasp the half-clenched fist now extended by Russia must however pose for the members of the tin council a more difficult problem. Unless it is a first step leading to full co-operation observer membership by Russia has no great advantage. The benefactors would be the Russians, obtaining advance information not generally available to the trade and still able to use the tin restriction scheme as an umbrella under the protection of which an unlimited quantity of tin could be sold at the floor price.

MOTORS

Now Comes Chrysler

CHRYSLER'S purchase of the American Ford Company's 15 per cent interest in Simca, for a price that has not been disclosed, means that all the big three American automobile makers, as well as two of the smaller firms, now have some kind of stake in the production of small or "European-type" cars. General Motors' dealers in the United States have been marketing the models of its two European subsidiaries, Vauxhall and Opel. Ford still retains its two larger and much more prosperous plants at Dagenham and Cologne, which similarly ship vehicles to the parent's distributors. American Motors markets its own very successful Rambler—which, in May, reached

CAR OUTPUT

	1954	1955	1956	1957
Simca	89,300	141,900	160,800	151,400
Peugeot	73,600	92,100	112,200	126,900
Panhard	13,600	19,300	25,700	38,000
Borgward	52,400	90,100	72,500	79,800
Standard	80,000	85,100	57,000	54,000
Rootes*	80,000	96,700	75,000	88,500

* Estimates for Hillman and Humber models only.

seventh place in the list of new car registrations in that country—as well as the Nash Metropolitan that BMC makes for it here at Birmingham. And Studebaker-Packard, which is hoping to restore its fortunes by dropping the expensive Packard line next year for a new and smaller Studebaker, secured an interest in the DKW range of small German cars a few months ago when Daimler-Benz, whose American distributing rights it now holds, took over Auto-Union.

Chrysler are known to have spent some time scrutinising the possible field. But the list of candidates could not have been long. BMC, Fiat, or Citroen would have been too large organisations for Chrysler, whose American standing has weakened considerably in the last few years, to have thought seriously about. Volkswagen and Renault are state owned and the latter would be most unreceptive to a foreign bid. So about six possibles were left, none exactly inspiring—or inspired—and most lately carrying a full meed of trouble. Neither Peugeot or Panhard in France, smaller and more unimpressive than Simca, have been selling more than an occasional handful of cars in the United States. Borgward is an odd group of three virtually autonomous companies, though in the last two years the group's American sales have leapt from nothing to over 4,000. In Britain, the Massey-Ferguson association must have put Standard, which sold about 6,500 models in the United States last year, low down on the list of possibilities; and the Rootes Group has, perhaps, too many models for its relatively low production to have been an attractive proposition, even though it has the biggest American sale of the six with 12,000 in 1957.

Since December, 1954, when Ford merged its somewhat unsuccessful French subsidiary with Simca, that company has been operating two plants. Unlike other French car firms, its production dropped last year though Chrysler agents handling its American distribution trebled its sales to nearly 6,000. For Ford the sale was probably very welcome since it clearly decided some time ago to concentrate its efforts on Cologne, which will be inside the common market, and Dagenham. But Chrysler no doubt thought that this was the best readily available way of getting a closer interest in the small car business; and with foreign car sales in the United States already well set to double last year's total to 6-7 per cent of the total market, and with more substantial rumours of General Motors and Ford actually setting about tooling up for the manufacture of a small car, it may have felt that time was beginning to press.

SHORTER NOTES

The new 32,500 deadweight ton oil tanker, *Varicella*, launched a week ago for Shell Tankers at the Swan, Hunter yard at Wallsend, took only seven month to build from the laying of its keel. The builders say pre-fabrication played a major role in this performance, which was a good deal faster than anything Swan, Hunter and probably any other British yard has previously achieved.

* * *

International Nickel's second quarter earnings were 63 cents a share, against $1.51 for the second quarter of 1957. Net earnings for the six months to June, after charges, depreciation and taxes, were $21,401,000 against $45,601,000 and deliveries of nickel were 35 per cent lower. A third cut in output this year reduces the annual rate of production to 200 million lbs. each of nickel and copper from mid-July. the shares fell $4 to $148¾ (London terms) on the announcement.

* * *

Schweppes' home sales increased by 20 per cent for the first five months of the year, but bad weather in June reduced the increase to 13 per cent for the first half of the year. The directors have declared an interim dividend of 5 per cent but add a warning that it may not be possible to equal the exceptionally high profits shown in 1957.

COMPANY AFFAIRS

TRIPLEX HOLDINGS

ALTHOUGH shareholders were warned in February that the gross profit of £663,988 earned in the first half of the financial year did not imply that earnings of the Triplex group in the full year to June 30th would top £1.3 million, that figure was surpassed. The gross profit is £1,400,672, more than one and a half times the comparable figure of £911,062 for 1956-57. Revival in the motor industry first made itself felt in April last year: it put the safety glass departments of Triplex on overtime for the first six months of the financial year, and evidently it has kept up this pace.

From such good profits, shareholders expect something extra, and this has been arranged by repeating a 20 per cent payment for 1957-58 and paying a special interim for 1958-59 of 7½ per cent at the same time. The 10s. units at 42s. 3d. give a return of 6½ per cent on the basis of a 27½ per cent payment. The net profit jumped from £311,788 to £466,557, from which the 20 per cent dividend absorbs £116,488. The subsidiaries retain £190,046 and the parent £151,676. Evidently the special payment (declared in this form to avoid profits tax) is well provided for. How long Triplex will maintain such a high rate of output must depend on the continued success of the motor industry.

NCHANGA

NCHANGA Consolidated Copper Mines now has the distinction, as Mr Harry Oppenheimer points out in his address, of being the largest copper producer in the British Commonwealth. It also has the distinction, important just now, of being one of the Commonwealth's lowest cost producers. For the company's latest year (ended March 31st) the average price on the London Metal exchange was £198 and the company's sales come out near that average. Cost of production per ton seems to have been under £150—a figure which should not be used save in the roughest comparison with other mines since the two groups in Rhodesia account differently.

The profit before tax of £6.8 million (against £15.2 million) and the net profit of £4.4 million (against £9.5 million) are both inevitably much reduced but the total dividend for the year of 10s. per share after Rhodesian tax (50 per cent), against 20s. (100 per cent) is reasonably covered. Owing to the special arrangement within the Rhodesian Anglo American group, whereby Bancroft has closed while Rhokana and Nchanga are to step up production, output this year should rise, the benefit to Nchanga being offset by its share of the service of Bancroft's loan capital, which Rhokana and Nchanga are going to bear.

Mr Oppenheimer believes that the recent low prices of copper will not persist in the long run. He believes also that the cuts made by producers in many parts of the world have already been sufficient to redress the balance between supply and demand. The board of Nchanga is pursuing an equalising policy on capital charges to the extent that the company spent last year £3 million on development but only charged £1 million against revenue, so as to minimise fluctuations in dividend.

If Mr Oppenheimer's view of copper is right, and the market is behaving as if he were, holders of Nchanga's £1 ordinary units standing at £11 should come to no harm. But in that event the more marginal mines (for example Bancroft, whose 5s. shares pay nothing and stand at 20s. 3d.) would be a still better prospect.

CONSOLIDATED TIN SMELTERS

THE tin smelters of the world form a select band of about half a dozen. The only one of them that the investing public knows is the empire of the Patino family—Consolidated Tin Smelters—whose £1 Ordinary shares at 24s. 4½d. could be said to yield a shade over 14 per cent—if only it could be assumed that the 17½ per cent payment will be maintained. Unfortunately, no such assumption can be made. The chairman, Mr Clifford Waite, makes it clear that "profits are bound to be severely curtailed. . . . It may not be possible for us to maintain the same rate of dividend on the ordinary stock next year."

The policy of the group is to live by smelting tin—not by dealing in it. The company's interest, therefore, is in the volume of concentrates passing through its smelters at Liverpool and at Penang—not in the price of tin. The consolidated balance sheet shows valued stocks of £4¾ million (against £4.1 million) while a footnote also shows the unassayed and unpriced stocks worth about £2.8 million (against £4.6 million). Neither is a risk item from the company's angle, the necessary forward sales having been made, but the reduction in the holding of unassayed stock—the new ore flowing in—is striking testimony to the way in which restriction has been emptying the pipe line. The still high holding of valued stock may underline how slow that process of emptying at first was and explain the small effect up to March 31st of this restriction on the profit figure.

Trading profits were down only from £1,465,046 to £1,377,427 and consolidated net profit only from £577,632 to £531,219. The ordinary and preference dividends together costing £251,790 were again handsomely covered. Mr Waite, despite his obvious interest in maintaining volume generously, gives high praise to the restricting countries—undeveloped countries largely—for the smooth working of the restriction scheme. Unless there is further recession in America he believes that enough has been done to assure rising prices for tin in the next few months. With some associates Consolidated Tin Smelters agreed to finance Bolivia's contribution to the buffer stock. The loan for that purpose reached a maximum of £3¼ million but is being regularly repaid.

REARDON SMITH

FOR the first half of the financial year to March 31st, Reardon Smith was able to ride out the storm in tramp freight rates on the back of charters made in the prosperous year 1956-57. But no seasonal improvement came to the rescue last autumn, and it became difficult to operate even good modern vessels at a profit. The company's building programme has therefore had to be revised; of the eight berths reserved, two were released last September; two vessels to be delivered in 1950-60 will be larger than originally scheduled; options on the remaining four berths will be taken up only when trading prospects have improved sufficiently.

This is a severe cut in orders for the builders, William Doxford, and it adds to the relatively short but growing list of cancellations in British yards. In addition Reardon Smith has laid up two of its oldest vessels. The working profit tumbled from £2,895,995 to £891,866 in the year ended March 31st, but comparison is running against a year made particularly favourable for tramps by the closing of the Suez Canal. The tax charge fell from £1,366,342 to £381,386 and depreciation was £110,872 lighter at £276,532. A dividend of 5 per cent has been paid for the year, which, allowing for the one for one scrip issue in non-voting "A" shares compares with a payment of 12½ per cent for the previous year. A distribution from capital profits of 2½ per cent has also been paid, effectively half of the previous rate. The smaller ordinary dividend absorbs £117,453 from net profit while £351,649 has been retained. The chairman, Mr Douglas Smith, finds that the outlook "gives no cause for encouragement." The 10s. ordinary units lost 6d. to 13s. 6d. on his statement and now give a gross yield of 6.9 per cent on the combined dividend and capital distribution.

PYE AND THORN

PYE. When Pye launched its £2½ million debenture towards the end of its financial year to last March the prospectus held out no better prospect than that profits before tax would be reduced by up to one-sixth in that year. The preliminary statement, however, now shows that group profits before tax were reduced by only £20,068 to £1,660,592. But a breach occurs farther down the line; the net profit available to Pye has fallen from £685,072 to £590,064. The tax charge declined by £12,827 to £929,000 but minority interests have obviously expanded with the consolidation of more subsidiaries into the group accounts, and

with profits no longer so buoyant, the cover for the dividend on the deferred stock has been whittled down.

A 12½ per cent dividend for the year on the deferred stock has been repeated for the fourth consecutive year, but it is now far from being covered five times as it was in the exceptionally favourable year of 1954-55. The yield on the 5s. "A" deferred units is slender; at 11s. 9d.xd they yield 5.3 per cent. The justification for this modest yield is the wide spread of the group throughout the electronics industry, including a dash of the once popular atomic energy and of the currently fashionable commercial television through its holding in Associated Television, as well as an interest in British Relay Wireless. Radio and television manufacturing is highly competitive and to cover the cost of increased borrowing and still show little change in profits is creditable.

Thorn. During the same period Thorn Electrical Industries improved its gross profit from £2,121,249 to £2,343,238. The steady progress of this group owes much to rationalisation and judicious amalgamation. The arrangement with EMI by which Thorn controls HMV and Marconiphone has made the group a heavyweight in the radio and television receiver industry. The dividend is left unchanged at 17½ per cent to which figure it was raised last year, so that the 5s. ordinary units yield 4 per cent at the current price of 22s. The net profit, owing to increased charges for depreciation and tax, is only £46,778 higher at £681,832.

CENTRAL MINING

WHEN Central Mining and Investment Corporation sold its biggest investment—the shareholding in Trinidad Oil Company—for 80s. 3d. a share it realised a surplus of £8.3 million and money became available for infusing new life into this staid mining finance house. The reorganisation of last year—the formation of Central Mining Finance as the operating company in South Africa, the conversion of Central Mining in this country into a pure holding company, the closer association with Rand Mines on the operating side and the advent of Mr Harry Oppenheimer of Anglo American and Mr Gordon Richdale of the American Englehard Industries to the board were the visible signs of the blood transfusion that was taking place.

The only doubt was the amount of blood that could be transfused and that depended on how much the tax man would first draw off. A dealing company, which Central Mining was until last year, would on the face of it be liable to tax of perhaps £4 million out of its capital profit of over £8 million. Lord Baillieu, the chairman, clearly thought that in the capital reorganisation of last summer he had disposed not of the whole of that liability but of a fair slice of it. The transaction, he then said, "has been arranged on terms which have the effect of using the capital surplus arising from the Trinidad deal as a reserve against the remaining portfolio, and from the standpoint of taxation will mitigate, though not eliminate, the liability."

At last week's meeting unfortunately he could not confirm that view: "The Inland Revenue are still considering our computations in respect of the period ended March 31, 1957." He used the occasion to argue forcefully the disadvantage under which he finds a London registered mining finance house labouring compared with its South African registered counterpart.

In spite of that disadvantage Central Mining seems to have invested nearly £5 million over a wide field since the Trinidad transaction. Last May the chairman reported an investment of £1½ million in North American oil and of £800,000 in South African, North American and British industrials. He now reports further investments of £1½ million in South Africa, £250,000 in Rhodesia, £200,000 in North America and £400,000 in the United Kingdom. But naturally shareholders, their £1 shares now standing at 64s. 9d., against last year's peak of 75s. 9d. and yielding 6.2 per cent on the 20 per cent dividend, would like to know how much of their £8.3 million the tax collector is going to leave them.

London Stock Exchange

FIRST DEALINGS:	July 16	Aug. 6	Aug. 20
LAST DEALINGS:	Aug. 5	Aug. 19	Sept. 2
ACCOUNT DAY:	Aug. 12	Aug. 26	Sept. 9

GOVERNMENT stocks rose strongly under the influence of the satisfactory gold and dollar figures and the sharp reduction in the Treasury bill rate. Short-dated stocks advanced to their best levels this year, 2½ per cent Funding 1956-61 gaining ¼ to 95 21/32. A rise of 1/8 to 103 7/8 was made by 5½ per cent Exchequer 1966, and the possibility of a further cut in Bank rate caused a rise in irredeemables, which were about half a point higher, and in the long-dated stocks, among which 3½ per cent Funding 1999-2004 rose 1 1/8 to 72 1/8. High coupon Dominion and corporation loans were well supported.

The steady rise in industrial shares continued up to Wednesday's close, lifting *The Economist* indicator 4.4 to a new peak of 199.6 for the year, but the latest production figures caused a slackening on Thursday. Bank shares made further gains, Barclays rising 2s. to 47s. 9d., National Provincial 2s. 6d. to 69s. 3d., and Midland 1s. 9d. to 66s. Hire purchase stocks were unsettled, Mercantile Credit falling 1s. on balance to 19s., but United Dominions Trust recovered to 105s. xd. British Aluminium rose 5s. 3d. to 53s. and Aluminium Limited $6 to $59 (London terms) on the firmer metal price. Motor shares strengthened, BMC rising 5½d. to 9s. and component manufacturers shared in the rise. Cinema and shipping stocks gained support and textiles showed good rises, Horrockses Crewdson improving 2s. 7½d. to 35s. and Calico Printers 4s. to 44s.

Oil stocks advanced strongly, BP jumped 5s. 6d. to 104s. 3d. and Shell 5s. to 144s. 4½d. Copper mines showed a burst of strength, Rhodesian Anglo-American advancing 5s. 7½d. to 76s. 3d. and Bancroft 2s. 10½d. to 20s. 3d., but falls occurred on Thursday after the announcement that the American Customs Smelters had cut US price from 27 cents to 26½ cents per lb.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Index Dec. 31, 1957=100. July 30, 1957	June 24, 1958	July 29, 1958	Average Yields (per cent) July 30, 1957	June 24, 1958	July 29, 1958
Ordinary Shares :—						
Electrical engineering	124·9	107·0	106·3	5·03	5·39	5·34
Engineering	129·4	105·6	107·6	4·77	5·66	5·62
Motors and aircraft	124·0	104·7	107·4	5·38	6·24	6·33
Steel	...	94·5	102·3	...	10·16	9·37
Chain stores	123·2	104·8	101·2	3·50	4·22	4·36
Cotton and rayon textiles	106·6	96·1	89·8	8·70	9·15	9·26
Chemicals	118·1	118·1	113·7	4·71	4·94	5·11
Oil	148·5	112·5	109·8	4·42	5·82	5·94
Shipping	137·1	105·3	109·2	5·80	6·50	6·25
Investment trusts	132·1	114·1	115·7	4·01	4·94	4·88
Industrials :—						
Ordinary (all classes)	121·1	109·4	109·6	5·85	6·28	6·25
Preference	95·3	99·4	98·6	6·68	6·40	6·45
Debenture	102·6	105·6	105·3	6·31	6·13	6·15
Total (capital goods)	127·3	104·1	105·8	5·13	6·51	6·45
Total (consumption goods)	112·4	110·5	110·7	6·84	6·59	6·54
Consols 2½%	106·2	108·7	109·4	5·09	4·98	4·94

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
July 9	194·1	6·12				
,, 16	192·9	6·17				
,, 23	194·3	6·15				
,, 30	195·2	6·13	199·6 (Aug. 6)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
Aug. 6	199·6	6·01				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958 High	1957 High
July 30	177·3	6·32	90·07	4·94	8,241	179·6 (June 23)	207·6 (July 9)
,, 31	178·0	6·29	90·11	4·94	8,293		
Aug. 1	178·4	6·28	90·17	4·91	8,405		
,, 5	179·5	6·24	90·33	4·89	10,311	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
,, 6	179·5	6·24	90·44	4·89	9,056		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 30, 1958	Price, Aug. 6, 1958	Net Yield, Aug. 6, 1958 £ s. d.	Gross Yield, Aug. 6, 1958 £ s. d.
98 7/8	96 1/16	War Loan 3% 1955-59	98 11/16	98 11/32	2 7 5	3 19 11
95 1/2	90 1/8	Funding 2½% 1956-61	95 13/32	95 13/32	2 13 4	3 12 10
99 9/32	96 11/16	Conversion 2% 1958-59	99 5/32	99 5/32	2 13 4	3 12 10
97 1/32	93 1/16	Exchequer 2% 1960	96 29/32	97 1/32	3 3 0	4 0 1
98 1/16	95 1/16	Exchequer 3% 1960	98 1/16	98 1/16	2 16 4	4 1 0
99 31/32	95 1/16	Conversion 4½% 1962	99	99 3/32	2 12 1	4 10 1
94 1/8	88 1/16	Exchequer 3% 1962-63	93 1/8	93 7/32	3 1 0	4 8 3
100 1/8	99 1/16	Conversion 4½% 1963	100 1/32	100 1/32	2 10 11	4 12 5
90 1/2	83 1/16	Savings Bds. 3% .1955-65	89*	89*	3 10 0	4 17 11
81 1/8	77 1/8	Funding 3% 1959-69	81	81 1/8	3 18 9	5 8 9
89 1/2	86 1/2	Funding 4% 1960-90	86 1/2	87 1/4	10 19 0	13 2 8
					2 19 0	4 17 2
79 1/2	75	Savings Bds. 3% .1960-70	77 1/4*	77 1/4*	4 1 0	5 10 4
90 1/2	84 1/8	Exchequer 2½% 1963-64	90 1/4	90 1/2	3 6 6	4 10 0
82 1/2	78 1/8	Savings Bds. 2½% 1964-67	81 1/2	81 1/4	4 0 5	5 5 4
73 1/2	69 1/8	Savings Bds. 3% .1965-75	72 1/8*	72 1/8*	3 18 11	5 9 9
103 7/16	99 1/16	Exchequer 5½% 1966	102 1/8	103 1/16	2 16 10	5 5 11
83 7/16	78 1/16	Funding 3% 1966-68	81 1/8*	82 1/16	3 18 0	5 6 7
94 1/8	91 1/8	Victory 4% 1920-76	92 1/8*	92 1/4*	3 3 10	4 19 5
87	81 1/16	Conversion 3½% 1969	84 1/8*	85 1/8*	3 14 3	5 6 8
98 1/16	97 1/16	Conversion 5½% 1974	97 1/16	98	3 4 4	5 10 3
76 1/2	71 1/8	Treasury 3½% 1977-80	75 1/2	76 1/4	3 12 3	5 8 1
76 1/8	70 1/8	Treasury 3½% 1979-81	74 1/8*	75 1/8*	3 12 6	5 8 2
100 3/8	98 1/2	Funding 5½% 1982-84	100 1/16	100 1/2	3 2 7	5 9 5
66 1/8	60	Redemption 3% ..1986-96	65 1/2	66 1/8	3 5 11	5 0 10
72 1/2	64 1/8	Funding 3½% 1999-2004	71 1/8	72 1/8	3 1 7	5 0 9
75 1/8	69 1/16	Consols 4% after Feb. 1957	73 1/2	74 1/8	3 1 7	5 7 2
68 1/8	63 1/8	War Loan 3½% after 1952	67 1/8	68	2 19 6	5 3 11
68 1/8	62 1/8	Conv. 3½% after Apr. 1961	67 1/8	68	2 19 10	5 4 10
59 1/8	54 1/8	Treas. 3% after Apr. 1966	58 1/2	59 1/8	2 18 11	5 3 3
51 1/8	46 1/2	Conversion 2½%	50 1/8	51 1/8	2 16 5	4 18 3
50 1/16	46 1/8	Treas. 2½% after Apr. 1975	50	50 1/8	2 17 6	5 0 9
95 1/16	90 1/8	Br. Electric 4½% .1967-69	92 1/8*	93 1/8*	3 6 8	5 6 6
75 1/8	72 1/16	Br. Electric 3% ..1968-73	75 1/8	75 1/8	3 19 7	5 10 11
73 1/8	68 1/8	Br. Electric 3% ..1974-77	72 1/8	73	3 16 4	5 8 6
87 1/16	82 1/8	Br. Electric 4½% .1974-79	86 1/8	87	3 7 4	5 8 3
77	72 1/16	Br. Electric 3½% .1976-79	76 1/8	76 1/2	3 12 2	5 8 11
87 1/8	82 1/16	Br. Gas 4% 1969-72	85 1/8*	86*	3 11 7	5 8 10
84	79 1/16	Br. Gas 3½% 1969-71	83 1/4	82 1/8*	3 14 2	5 7 2
67	60 1/16	Br. Gas 3% 1990-95	66 1/8	67	3 6 1	5 0 6
75 1/4	72 1/16	Br. Transport 3% .1968-73	75 1/8	75 1/4	3 19 7	5 10 11
84 7/16	79 1/16	Br. Transport 4% .1972-77	83	83 1/4	3 10 5	5 9 1
67	60 1/16	Br. Transport 3% .1978-88	66 1/4	67	3 10 7	5 4 2

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, July 30, 1958	Price, Aug. 6, 1958	Yield, Aug. 6, 1958 £ s. d.
88 1/2	83	Agric. Mortgage 5% 1959-89	87	87 1/2	5 17 9
79 1/2	76 1/2	Australia 3½% 1965-69	78 1/4	78 1/2	5 19 0
95 1/2	92 1/2	Birmingham 5% 1973-75	94	94	5 11 2
94 1/2	90 1/2	East Africa 5½% 1977-83	92 1/2	92 1/2	6 6 8
101 1/2	95 1/2	L.C.C. 5½% 1977-81	101 1/2	101 1/2	5 7 5
62 1/2	56	Met. Water Board 'B' 3% .1934-2003	62 1/2	61 1/2*	5 4 8
82	78	New Zealand 4% 1976-78	80 1/2	80 1/2	5 13 0
71 1/2	69	S. Rhodesia 2½% 1965-70	69 1/2	69 1/2	6 1 6
98 1/2	83	German 7% (Br. Enfaced 5%) ..1924	97 1/2	97 1/2	...
167 1/2	160	Japan 5% (Enfaced) 1907	165	165	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 30, 1958	Price, Aug. 6, 1958	Yield, Aug. 6, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/-	28/-	4 a	5 b Bk. Ldn. & S. Amer. £1	29/9	29/9	6 1 0
47/9	39/9	6 b	6 a Barclays Bank £1	45/9*	47/9	5 0 6
30/-	27/6	4 b	4 a Barclays D.C.O. £1	29/6	28/9	5 11 4
43/6	35/6	7½ a	7½ b Chartered Bank £1	40/6	40/-	7 10 0
48/3	41/3	6⅔ b	6¾ a Lloyds Bank £1	46/9*	48/3	5 7 9
66/-	57/6	9 b	9 a Midland Bank £1	64/3	66/-	5 9 6
36/6	29/6	5 b	5 a Nat. Discount 'B' ...£1	36/3*	36/6	5 9 7
50/9	40/9	6¼ b	6¼ a Union Discount £1	47/9*	48/3	5 3 9
			INSURANCE			
38/-	32/9	15 a	21⅜ b Commercial Union 5/-	35/3	36/-	5 1 10
132/6	113/9	40 a	60 b Legal & General ..5/-	125/-	126/3	3 3 3
101/3	86/3	†20 a	†50 b Pearl 5/-	92/6	92/6	6 11 8
180/-	154/-	†132½ c	†147½ c Prudential 'A' 4/-	177/6	177/6	5 15 8
			BREWERIES, ETC.			
36/6	31/-	36 b	10 a Bass 5/-	35/6	36/3	6 6 10
25/-	19/7½	7½ a	12½ b Distillers 10/-	24/9	25/-	5 6 8
42/10½	37/-	15 b	10 a Guinness 10/-	42/4½	42/1½	5 19 0
90/6	75/6	8 a	17 b Whitbread 'A' £1	86/6	87/-	5 14 11
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½ a	6½ b Bristol Aeroplane 10/-	10/1½	10/1½	9 17 6
9/-	6/7½	12½ c	4 a British Motor 5/-	8/6½	9/-	6 18 10
40/9	31/9	3 a	6 b Ford Motor £1	38/3	39/7½	4 10 10
30/9	24/9	7 b	3 a Hawker Siddeley ...£1	28/10½	29/6	6 15 8
44/9	39/-	12½ c	12½ c Leyland Motors £1	40/3	40/-	6 5 0
93/-	82/9	5 a	15 b Rolls-Royce £1	87/9	89/9	4 9 3
8/1½	6/7½	8 c	8 c Standard Motor ...5/-	7/6	7/4½	8 2 7½

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 30, 1958	Price, Aug. 6, 1958	Yield, Aug. 6, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
49/3	41/10½	7 a	6½ b Babcock & Wilcox .£1	46/9	47/3	5 10 0
25/1½	21/7½	6 b	4 a Dorman Long £1	23/9*	24/1½	8 4 9
64/7½	45/-	5 a	10 b Guest Keen N'fold .£1	52/10½	54/1½	5 10 10
35/3	28/3	†2 a	†4 b Alfred Herbert £1	34/9	34/9	6 0 2
54/6	41/-	4 a	7 b Metal Box £1	53/3	53/6	4 2 3
24/3	20/-	8 b	3 a Stewarts & Lloyds .£1	23/3	23/6	9 7 3
57/3	48/-	5 a	13 b Swan Hunter £1	53/-	53/-	6 15 10
21/6	17/9	7½ b	4 a United Steel £1	20/10½	21/3	10 16 5
33/6	28/6	2½ a	7½ b Vickers £1	32/-	33/3	6 0 5
			ELECTRICAL			
52/-	47/-	15 c	2½ a Assoc. Elec. Inds. ..£1	50/-	50/-	6 0 0
45/9	39/3	4 a	8½ b Br. Ins. Callenders .£1	42/6	43/-	6 16 3
39/-	24/7½	43½ c	14 a Decca Record 4/-	25/4½	25/4½*	6 16 5
38/7½	28/-	15 c	15 c Elect. & Mus. Inds. 10/-	37/3	38/7½	3 17 8
56/3	44/6	4 a	10 b English Electric ...£1	54/6	55/3	5 1 5
38/9	29/9	3½ a	6½ b General Electric ...£1	34/6	34/6*	5 16 0
			TEXTILES			
16/3	10/1½	6 c	Nil a Bradford Dyers £1	10/7½	10/10½	...
23/3	19/6	2½ a	6½ b Coats, J. & P. £1	20/1½	20/1½	8 14 0
25/1½	19/7½	3 a	5 b Courtaulds £1	23/1½	23/6	6 16 3
34/7½	29/10½	12½ b	5 a Lancashire Cotton. .£1	33/10½	32/7½	10 14 8
35/4½	30/-	12½ c	7½ a Patons & Baldwins .£1	31/1½*	32/1½	7 15 8
			SHOPS & STORES			
18/6	14/9	4¾ a	9½ b Boots Pure Drug. .5/-	18/4½	18/4½	3 18 5
41/6	33/6	20 b	7½ a Debenhams 10/-	40/-	41/-	6 14 3
24/6	17/3	7½ g	25 b Gt. Universal 'A' ..5/-	21/9	22/7½	7 3 8
45/1½	37/3	10 a	22½ b Marks & Spen. 'A' 5/-	43/6	44/9	3 12 8
27/4½	21/-	12½ a	20 b United Drapery ...5/-	27/-	27/4½	5 18 11
42/10½	34/7½	26½ b	13¼ a Woolworth 5/-	40/6*	41/9	4 15 10
			SHIPPING			
37/-	27/7½	6¼ a	13½ b Brit. & Com'wealth 10/-	36/6	37/-	5 8 1
22/-	16/6	2 a	8 b Cunard £1	20/6	21/6	9 6 1
35/3	27/3	9⅜ c	10½ c Furness Withy £1	34/9	35/3	6 2 8
31/9	22/-	3 a	8 b P. & O. Deferred ...£1	31/-	31/6	6 19 8
			MISCELLANEOUS			
36/6	27/-	22½ c	30 c Allied Bakeries 'A' 5/-	34/6	36/6*	4 2 2
41/-	31/-	3 a	6 b Assoc. Port. Cem. ...£1	40/-	41/-	4 7 10
20/-	13/4½	11 a	9 b Beecham Group. ...5/-	19/-	19/6	5 2 8
36/-	26/6	4½ a	8 b Bowater Paper £1	34/-	36/-	6 18 10
53/-	36/9	4 a	8 b Br. Aluminium £1	47/9	53/-	4 10 5
48/-	37/7½	†10 a	†6½ b Br. Amer. Tob. ..10/-	47/-	48/-	6 0 10
27/-	19/9	7½ a	17½ b B.E.T. 'A' Defd. ..5/-	25/9	27/-	4 12 8
38/3	28/3	6 b	4 a Br. Oxygen £1	37/-	37/-*	5 8 3
19/1½	14/4½	3 a	11 b Dunlop Rubber. .10/-	18/6	19/1½	7 6 5
30/6	24/3	4 a	8 b Imp. Chemical £1	29/6‖	30/6	5 5 0
47/1½	37/-	11½ b	8½ a Imp. Tobacco £1	40/-	40/6	6 12 0
37/6½	28/-	5 b	2½ a J. Lucas (Inds.) £1	37/-	37/4½	4 0 3
16/1½	12/6	5 a	8½ b Monsanto Chem. ..5/-	15/-	14/11½	4 10 5
15/-	13/7½	6 b	5 a Ranks 10/-	14/7½	15/-	6 13 5
39/3	27/9	5 a	9 b A. E. Reed £1	38/3	38/9	7 4 8
14/3	11/8½	22½ c	22½ c Sears Holdings 'A' 5/-	12/3	12/4½	9 1 10
57/6	48/9	12 b	4½ a Tate & Lyle £1	56/-	56/9	5 16 3
55/9	48/6	7½ b	7½ a Tube Investments. .£1	54/9	54/6	5 10 0
64/-	52/1½	12½ b	5 a Turner & Newall ...£1	62/4½	63/4½	4 14 8
81/-	70/6	6 a	11½ b Unilever Ltd. £1	79/3	81/-	4 6 5
111/-	77/-	4 a	16 b United Dominions. .£1	102/3	105/-*	3 16 2
31/3	26/-	†4¼ a	†10 b United Molasses .10/-	30/9	31/-	7 19 0
			OIL			
113/6	79/6	†5 a	†10 b British Petroleum. .£1	98/9	104/3	5 0 3
78/-	59/1½	†5 a	†7½ b Burmah £1	65/-	68/9	6 10 8
£17⅛	£13⅜	7½ a	17½ b Royal Dutch ....20 fl.	£16	£16½	2 17 5
151/3	117/6	†5 a	†13½ b Shell £1	139/4½	144/4½	4 10 5
74/6	41/6	...	... Ultramar 10/-	67/6	68/3	...
			MINES, ETC.			
151/3	115/-	20 a	60 b Anglo-American .10/-	151/3	150/-	5 6 8
23/6	19/6	†2½ a	†10 b Cons. Tea & Lands .£1	22/9	22/3	19 10 10
51/6	41/6	6¼ a	12½ b Cons. Zinc Corp. ...£1	47/6	49/3	7 12 2
106/10½	80/7½	80 a	120 b De Beers Def. Reg. 5/-	106/3	106/10½	9 7 1
93/9	76/-	20 b	40 a Free State Geduld .5/-	91/3	91/3	3 5 0
7/6	6/4½	30 c	30 c London Tin 4/-	6/4½	6/7½	18 2 4
56/-	46/6	50 a	50 b President Brand ..5/-	54/6	55/7½	8 19 10
17/6	12/10½	16½ b	1¾ a Rho. Selection Tst. 5/-	15/1½	16/6	...
28½	20	175 b	25 a Rhokana Corp. £1	26½	27½	...
54/6	46/-	12½ a	37½ b United Sua Betong .£1	52/6	52/6	19 1 0
101/10½	84/4½	60 b	60 a Western Holdings .5/-	99/4½	99/4½	6 1 0

New York Closing Prices $

	July 30	Aug. 6		July 30	Aug. 6		July 30	Aug. 6
Alcoa	75¼	80⅜	DuPontdeNm.	193⅜	195⅜	N.Y. Central	18⅛	18⅞
Alumin'm Ltd.	29	31	Ford Motors	43¼	43⅜	Sears Roebuck	30⅛	30⅝
Am. Smelting	46⅛	44⅜	Gen. Elect.	63⅜	63⅞	Shell Oil	81½	82
Amer. Tel.	180	182¼	Gen. Motors	43⅛	44½	Std. Oil of N.J.	54⅜	55½*
Anaconda	49⅜	51	Goodyear	89½	90½	Tri-Conti'tal.	35⅜	36½
Beth. Steel	46⅜	45¾*	Gulf Oil	109¾*	111¾	Union Carbide	103	106½
Can. Pacific	28⅜	28⅝	Int. Bus. M.	370	368	U.S. Steel	71⅛	69½
Chrysler Cpn.	52⅛	52½	Int'l. Nickel	82⅜	82½	West'house E.	61⅜	60½*
Crown Zeller.	50⅜	50⅜	Int'l. Paper	104½	103⅞	Woolworth	48¾*	46⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 12%. (i) On 15%. (j) On 8%. (k) To latest date.

STATISTICS

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

World Trade	July 19th		
British		**Overseas**	
Prices and Wages	This week	Western Europe:	
Production and Consumption	July 26th	Production and Trade	Aug. 2nd
Manpower	July 12th	British Commonwealth	July 12th
External Trade	Aug. 2nd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	July 26th
Industrial Profits	July 19th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957			1958 (5)			
		mid-June			July 23	July 30	Aug. 6	July 15	July 22	July 29	Aug. 5
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	93	91	94	90	90	90	85	86	85	86
Food	"	92·0	90·8	98·8	91·8	91·5	92·2	93·8	92·0	91·7	92·2
Fibres	"	83·2	81·8	95·9	93·9	92·3	91·4	77·7	80·3	79·2	79·2
Metals	"	95·7	95·6	79·7	78·4	77·8	77·7	69·8	70·8	70·9	71·4
Other items	"	106·9	96·1	99·2	98·5	9·79	98·2	99·0	100·0	98·4	99·5
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	Apr.	May	June	Mar.	Apr.	May	June
Materials used in:	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	152·4	156·2	154·7	160·4	159·6	155·8	138·7	138·0	137·1	137·
Mechanical engineering	"	168·1	177·3	183·9	181·2	180·5	181·4	185·2	184·8	184·6	185·
Electrical machinery	"	185·7	190·0	181·7	182·8	181·5	180·6	176·8	176·3	176·3	177·
Building and civil engineering	"	137·3	142·4	146·9	146·7	145·9	145·6	146·6	146·1	146·1	146·
House building	"	137·1	142·3	146·4	146·5	145·6	145·5	145·4	144·7	144·7	144·
oducts of:											
Non-food manufacturing (excl. fuel)	"	129·5	135·6	139·9	138·8	138·9	139·7	141·2	141·1	141·0	141·
Food manufacturing	"	143·9	148·1	156·2	159·9	158·7	157·2	153·8	154·1	154·4	154·
mmodities:											
Cotton, raw	"	149·7	154·0	146·2	156·5	154·1	143·6	124·2	122·8	120·2	120·
Wool, raw	"	142·0	145·5	161·3	173·5	178·0	170·6	122·4	118·3	117·8	119·
Rubber, No. 1 RSS, one month future	"	329·9	284·2	260·8	271·0	264·7	268·0	228·2	230·6	214·7	221·
Softwood, imported	"	154·9	156·9	156·1	156·0	155·9	155·9	151·9	150·2	149·3	149·
Copper, ex-warehouse	"	293·7	280·5	189·0	207·2	204·7	197·1	145·9	150·6	153·4	167·
UK RETAIL PRICES	Jan. 17,										
All items(2)	1956=100	...	102·9	105·8	104·5	104·6	105·7	108·4	109·6	109·2	110·
Food	"	...	102·2	104·9	102·7	103·9	103·9	105·7	108·7	108·5	110·
All items	1938=100	242	254	263	260	260	263	270	273	272	2
Food	"	267	269	276	270	273	281	278	286	285	2
Housing	"	138	145	155	154	154	155	167	170	171	1
Clothing	"	256	263	267	266	266	266	270	270	269	269
Fuel and light	"	228	251	268	264	252	255	287	287	273	274
Household durable goods	"	288	308	308	307	307	307	310	309	306	306
Drink	"	260	264	272	271	271	271	276	276	276	276
Tobacco	"	389	411	421	418	418	418	428	428	428	428
urchasing power of £ (based on all consumer spending)	1938=100	39	38	37	37	37	37	36	35	35	35
UK TERMS OF TRADE											
mport prices:											
All items	1954=100	103	105	107	111	110	109	98	99	98	98
Food, drink and tobacco	"	101	101	101	103	104	105	94	96	97	96
Basic materials	"	104	106	110	113	112	111	99	99	98	95
:xport prices:											
All items	"	102	105	112	110	110	110	110	110	110	110
All manufactures	"	102	106	109	108	108	109	111	111	111	111
Metals	"	104	112	118	118	118	115	118	120	119	119
Engineering products	"	103	107	112	109	110	110	114	114	114	115
Textiles (excluding clothing)	"	100	99	101	101	101	101	103	102	103	103
Terms of trade:											
Ratio of import to export prices	"	101	99	96	101	100	99	89	90	89	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	134·3	116·6	109·9	63·3	62·7	64·6	66·6
UK WAGES											
Weekly wage rates:	Jan. 31,										
All workers(5)	1956=100	...	104·7	110·0	108·1	110·6	110·7	112·7	112·7	112·9	113·4
Men	"	...	104·8	110·0	108·0	110·6	110·8	112·6	112·6	112·7	113·1
Women	"	...	104·2	109·7	107·9	109·9	110·0	112·7	112·8	113·1	113·8
	Sept.										
All workers	1939=100	252	272	286	281	287	288	293	293	293	290
Weekly earnings: (6)											
All workers	s. d.	187 3	200 5	212 5	204 7	...	...	...	...	...	...
Men	"	222 11	237 11	251 7	241 6	...	...	...	...	...	...
Women	"	116 6	123 2	129 6	125 10	...	...	...	...	...	...
	Oct.										
All workers	1938=100	351	377	399	384	...	...	...	...	...	...
Men	"	343	366	385	370	...	...	...	...	...	...
Women	"	355	379	398	387	...	...	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figure for food on June 3rd was 94·2.

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US Statistics

Monthly averages or calendar months except where annual rates are shown

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1958, February	119·0	96·1	122·5	118·7	106·8	127·3	120	111	108	304·0	80·64	79·14
„ March	119·7	100·5	123·3	120·8	106·8	127·5	...	111	...	310·8	81·45	79·39
„ April	119·3	97·7	123·5	121·6	106·7	127·7	...	...	...	311·9	80·81	78·69
„ May	119·5	98·5	123·6	121·6	106·7	127·8	...	...	...	322·9	81·83	79·60
„ June	119·1	95·6	123·7	121·6	106·7	127·8	...	...	...	330·6	83·10	...

PRODUCTION AND MANPOWER

	Gross national product[7]	Total industrial production	Manufacturing production						Building	Civilian employment[1]		
			Durable goods			Non-durable goods			New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force seasonally adjusted
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	419·2	143	159	138	199	129	108	167	46·3	67,530	64,708	4·2
1957	440·3	143	160	131	213	130	105	172	48·5	67,946	65,011	4·3
1958, February	425·8[8]	130	137	95	185	125	97	164	48·9	67,160	61,988	6·7
„ March		128	135	91	183	124	95	163	48·6	67,510	62,311	7·0
„ April		126	131	86	178	125	98	164	47·5	68,027	62,907	7·5
„ May	428·0	128	134	91	181	126	99	165	47·1	68,965	64,061	7·2
„ June		130	138	99	184	127	100	166	47·4	70,418	64,981	6·8

TRADE

	Personal consumption[7] Annual rates	All business[3]		Total retail[3]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	269·4	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	284·4	56·3	90·7	16·7	24·5	1,077	266	243	1,719	982	147	149
1958, January	286·2	53·8	90·0	16·7	24·5	1,109	284	220	1,495	928	156	130
„ February		52·1	89·3	16·1	24·3	956	218	203	1,334	837	134	116
„ March		51·3	88·5	16·1	24·1	1,073	...	...	1,541	981	...	134
„ April		52·0	87·6	16·5	23·9	...	...	...	1,516	957	...	...
„ May	288·0	52·3	87·0	16·6	23·9	...	...	...	1,623	1,017	...	...
„ June		...	...	16·5	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income[7]			Consumer credit		Banking statistics[3]		Budget expenditure[4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds[6]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	− 3·9	0·023	...	3·01
1956	330·5	235·2	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	347·9	247·1	11·6	44·78	34·11	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1958, January	348·2	244·2	12·0	43·97	33·74	75·6	92·0	6·0	− 1·2	2·598	3·24	3·60
„ February	346·4	242·2	12·7	43·04	33·30	76·5	92·1	5·5	+ 0·8	1·562	3·28	3·59
„ March	347·1	241·5	13·0	42·56	32·98	78·4	93·0	5·7	+ 3·8	1·354	3·25	3·63
„ April	348·1	240·9	13·4	42·67	32·93	82·1	93·5	6·1	− 2·6	1·126	3·12	3·60
„ May	349·9	242·0	13·7	43·03	32·96	82·6	92·8	5·8	− 0·9	1·046	3·14	3·57
„ June	351·8	244·2	13·7	43·12	33·05	...	...	6·6	+ 4·2	0·881	3·20	3·57

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for first quarter. (6) Bonds due or callable from 10 to 20 years. (7) Revised series from 1956 onwards.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 2, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £10,336,000 compared with a deficit of £7,543,000 in the previous week and a surplus of £34,105,000 in the corresponding period of last year. There was a net expenditure "below-line" of £14,214,000 leaving a total deficit of £273,803,000 compared with £276,480,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Aug. 3, 1957	April 1, 1958, to Aug. 2, 1958	Week Ended Aug. 3, 1957	Week Ended Aug. 2, 1958
Ord. Revenue					
Income Tax	2312,500	435,626	474,226	32,830	38,485
Surtax	163,000	30,000	29,700	1,000	1,000
Death Duties	163,500	68,200	63,200	3,700	2,900
Stamps	56,250	24,100	19,000	2,200	1,500
Profits Tax, EPT & EPL	275,000	68,900	80,400	7,100	7,300
Other Inland Rev. Duties	...	110	70	...	...
Total Inland Rev.	2970,250	626,936	666,596	46,830	51,185
Customs	1256,940	408,608	434,102	17,768	22,094
Excise	932,310	295,149	287,463	50,529	37,799
Total Customs and Excise	2189,250	703,757	721,565	68,297	59,893
Motor Duties	104,000	18,491	16,688	4,211	...
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	6,900	7,600	1,300	1,600
Sundry Loans	30,000	12,404	11,375	...	...
Miscellaneous	110,000	62,697	15,468	805	576
Total	**6439,500**	**1431,185**	**1439,292**	**121443**	**113254**
Ord. Expenditure					
Debt Interest	695,000	194,060	194,570	19,059	19,380
Payments to N. Ireland Exchequer	73,000	21,104	22,677	...	...
Other Cons. Funds	10,000	4,221	3,896	75	457
Supply Services	4292,859	1299,390	1353,310	68,074	82,941
Total	**5070,859**	**1518,775**	**1574,453**	**87,209**	**102778**
Sinking Funds	38,000	9,182	9,330	130	140
"Above-line" Surplus or Deficit	—	—	+	+	+
	98,771	**144,491**	**34,105**	**10,336**	
"Below-line" Net Expenditure*	179,709	129,312	29,923	14,214	
Total Surplus or Deficit*	— **276,480**	— **273,803**	+ **4,182**	— **3,878**	
Net Receipts from:					
Tax Reserve Certificates	97,787	97,945	22,248	14,534	
Savings Certificates	—4,700	19,700	500	600	
Defence Bonds	—5,261	18,367	—4	814	
Premium Savings Bonds	27,070	22,085	3,000	1,941	

* Including a net expenditure of the Civil Contingencies Fund of £4 mn. in 1957 and a net receipt of £16 mn. in 1958

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Aug. 3	3,020·0	1,771·8	229·0	0·8	5,021·6
1958					
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·6	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
„ 12	3,280·0	1,611·2	197·9	...	5,089·1
„ 19	3,260·0	1,615·1	228·2	...	5,103·2
„ 26	3,260·0	1,647·4	183·8	...	5,091·0
Aug. 2	3,[illegible]5·0	1,643·1	192·0	...	5,085·1

THE MONEY MARKET

THE Treasury bill rate at last Friday's tender dropped by nearly 3s. per cent, to £4 0s. 2.49d. per cent—a little below the rate on the eve of the upheaval in Iraq. Thus the rate was almost a full point below Bank rate. The discount houses last week raised their common bid by 9d., to £98 19s. 11d. per cent; together with the increase of 6d. at the previous tender, this exactly offset the sharp reduction a fortnight before. Despite last week's bold increase, the proportionate allotment at the common bid rose only from 36 to 39 per cent, largely because total applications, for the unchanged allotment of £240 million, rose from their near record figure of £449.8 million to a new high point of £468.9 million.

In the money market, credit has been generally short in the week to Wednesday, and on Friday before the week-end very small penal loans were taken at Bank rate. Saturday's turnover was unusually large, but market supplies of funds were just adequate. After the holiday, conditions were at first difficult, and 3⅞ per cent was paid for overnight money, but on Wednesday credit became plentiful and rates on flexible money fell to 3 per cent. October maturities changed hands at 3 1/16 per cent and 3 3/32 per cent.

The Treasury bill rate in the United States has risen this week from 0.98 per cent to 1.17 per cent.

Sterling has been firm in the exchange markets this week, the official rate against the US dollar rising from $2.80½ to $2.80¾.

LONDON MONEY RATES

Bank rate (from 5/6/58)	% 5	**Discount rates**	%
Deposit rates (max.)		Bank bills: 60 days	4 1/16–4 3/16
Bank	3	3 months	4 1/16–4 3/16
Discount houses	3*	4 months	4 1/16–4 3/16
		6 months	4 1/16–4 1/8
Money			
Day-to-Day	3½–4	Fine trade bills:	
Treas. bills 2 months	4	3 months	5–5⅛
3 months	4 1/16	4 months	5–5⅛
		6 months	5⅛–6

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	Aug. 7, 1957	July 30, 1958	Aug. 6, 1958
*Issue Department**:			
Notes in circulation	2,055·2	2,128·9	2,123·2
Notes in banking dept.	20·2	21·5	27·2
Govt. debt and securities*	2,071·2	2,146·3	2,135·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·0	16·5	20·9
Bankers	195·0	204·6	192·5
Others	73·5	72·1	70·2
Total	281·5	293·2	283·6
Securities:			
Government	233·0	257·4	247·1
Discounts and advances	26·1	11·1	6·4
Other	18·2	19·3	18·9
Total	277·3	287·8	272·4
Banking department reserve	22·6	23·8	29·4
"Proportion"	% 8·0	% 8·1	% 10·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,150 million from £2,100 million on July 23, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
Aug. 2	230·0	387·7	220·0	76 4·78	50
1958					
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	96 5·72	59
„ 13	270·0	413·0	270·0	90 1·77	65
„ 20	260·0	414·1	260·0	85 9·63	42
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
„ 11	240·0	452·8	240·0	80 3·79	43
„ 18	240·0	424·3	240·0	84 11·39	40
„ 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39

* On August 1st tenders for 91 day bills at £98 19s. 11d. secured 39 per cent, higher tenders being allotted in full. The offer this week was for £250 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: August 4	Market Rates: Spot: July 30	July 31	August 1	August 2	August 5	August 6
United States $	2·78–2·82	2·80⅛–2·80⅝	2·80⅛–2·80⅝	2·80½–2·80⅝	2·80⅛–2·80⅜	2·80⅛–2·80⅜	2·80⅛–2·80⅜
Canadian $	...	2·69⅛–2·69⅝	2·69⅛–2·69⅝	2·69½–2·69⅞	2·69⅛–2·69⅛	2·70⅛–2·70⅜	2·69⅛–2·69⅜
French Fr.	1167·18–1184·82	1175–1175½	1174½–1175	1174¾–1174¾	1174½–1174½	1174½–1174¾	1174½–1174¾
Swiss Fr.	12·15⅛–12·33⅛	12·19⅜–12·19⅞	12·19⅜–12·20	12·19½–12·20½	12·20–12·20½	12·20½–12·20⅝	12·20–12·20⅛
Belgian Fr.	138·95–141·05	139·00–139·05	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½
Dutch Gld.	10·56–10·72	10·56½–10·56⅝	10·56½–10·56⅝	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56⅛–10·56⅜
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·67⅛–11·67⅜	11·67⅜–11·68	11·67½–11·68	11·68⅛–11·68⅜	11·68–11·68⅛	11·68⅛–11·68⅜
Portuguese Esc.	79·90–81·10	80·30–80·50	80·25–80·40	80·35–80·45	80·35–80·45	80·40 80·50–	80·40–80·50
Italian Lire	1736⅜–1762½	1736⅜–1737½	1736⅜–1737½	1736½–1737½	1736½–1737½	1737 –1737½	1737½–1738
Swedish Kr.	14·37⅜–14·59⅜	14·41⅛–14·41⅜	14·41½–14·41⅝	14·41⅛–14·41⅜	14·41⅛–14·41⅜	14·41⅛–14·41⅜	14·41⅛–14·41⅜
Danish Kr.	19·19⅛–19·48⅛	19·32½–19·32⅝	19·32½–19·33	19·32½–19·33⅛	19·32½–19·33⅜	19·33½–19·33⅝	19·33½–19·33⅝
Norwegian Kr.	19·85–20·15	19·98⅛–19·99⅛	19·98⅛–19·99⅛	19·98⅛–19·99⅛	19·98⅛–19·99⅛	19·99⅛–19·99⅛	19·99⅛–19·99⅛
One Month Forward Rates							
United States $		⅜–⅝ c. pm	⅜–⅝ c. pm	½–⅝ c. pm	½–⅝ c. pm	½–⅝ c. pm	½–⅝ c. pm
Canadian $		⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm
French Fr.		3–6 dis	3–5 dis	2–4 dis	2–4 dis	2–4 dis	2–4 dis
Swiss Fr.		2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm
Belgian Fr.		⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par
Dutch Gld.		1⅛–⅝c. pm	1–½c. pm	1–½c. pm	1–½c. pm	1–½c. pm	1–½c. pm
W. Ger. D-Mk.		1½–1pf. pm	1⅝–⅞pf. pm	1⅝–⅞pf. pm	1⅝–⅞pf. pm	1⅝–⅞pf. pm	1⅝–1pf. pm
Italian Lire		1 pm–par	1 pm–par	1 pm–par	1 pm–par	1 pm–par	1 pm–par
Swedish Kr.		16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par
Danish Kr.		26 pm–par	26 pm–par	26 pm–par	26 pm–par	26 pm–par	26 pm–par
Norwegian Kr.		16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/3½	250/4½	250/3	...	250/2	250/[illegible]

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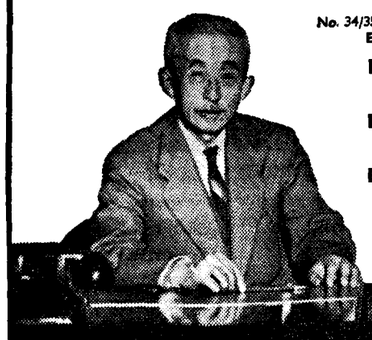

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COMPANY MEETINGS

W. H. SMITH & SON (HOLDINGS) LIMITED

THE HONOURABLE DAVID J. SMITH REVIEWS THE YEAR'S TRADING

The ninth annual general meeting of W. H. Smith & Son (Holdings) Limited was held on August 1st at the registered office of the Company, Strand House, Portugal Street, London, W.C.2.

The Honourable David John Smith, JP, the Chairman, presided. The following is his statement which was circulated with the report and accounts:

ACCOUNTS

The Consolidated Profit for the 52-week year, before taxation, was £1,825,861, an increase of £152,312 compared with the previous year of 53 weeks. The taxation charge, which was not affected by the April 1958 Budget, amounts to £1,094,812, an increase of £82,874. The Net Profit, after charging taxation and taking to credit taxation for previous periods no longer required (£34,000 against £27,000), was £765,049, an increase of £76,438.

The total net dividends on the Preference and Ordinary Shares amounted to £363,687, the same as for the previous year. We were able to put to reserve £395,000, being £77,117 more than in respect of the previous year, and to increase the carry forward by £6,362.

It will be noted that £40,000 has been transferred to Contingency Reserve to cover the subsequent loss arising from the reduction in rates of Purchase Tax in the April 1958 Budget: in accordance with our usual policy the stocks on hand at our Retail Branches, upon which Purchase Tax had already been paid, were immediately marked down.

DIVIDEND

We have decided to recommend the same final dividend as last year, thus leaving the total distribution for the year unchanged at 15 per cent.

The considerations which affected this decision are largely concerned with our policy for the future. This policy, as you will read in the paragraphs devoted to the Retail Management Group and the Wholesale Houses, will continue to require large capital sums and it is our aim, so far as possible, to finance our capital expenditure out of retained profits. We feel, therefore, that this year should be one of consolidation.

REVALUATION OF PROPERTIES

In the financial year ended March 27, 1954, we liquidated our subsidiary company, Hambleden Estates Limited which owned the majority of the Group's freehold and leasehold properties. I mentioned this in my Statement which accompanied the accounts that year and at the same time said that during the year we had undertaken a valuation of our properties. The object of that valuation was to satisfy us that the Balance Sheet value placed on the properties was fully covered.

Since that date many new properties have been acquired, certain old properties no longer required for the purpose of the business have been sold and considerable sums have been spent on developing some of the new and old properties. The Directors therefore arranged for Messrs Alfred Savill & Sons, who carried out the original valuation, to bring their valuation up to date. Their valuation of the Company's freehold and leasehold properties as at March 31, 1958 was £10,337,365. The substantial accretion of about five and a half million pounds over the book value of the properties enables us to eliminate the Goodwill item in the Consolidated Balance Sheet and to carry to Capital Reserve approximately three and a half million pounds.

RETAIL BUSINESS

Formation of the Retail Group.—During the year we have carried through a reorganisation of the retail side of the Company's operations. Under our old system bookstalls and shops formed separate departments and were grouped in thirty Districts under Superintendents, fourteen of the Districts comprising bookstalls and sixteen of them shops. We have now replaced these thirty Districts with eighteen Areas which contain shops and bookstalls. Each Area is controlled by an Area Manager and is largely autonomous. The central direction is in the hands of the Retail Management Group consisting of a Managing Director and a team of experts representing the main departments of the business.

We believe that the new organisation will eliminate certain overlapping functions, lead to greater efficiency and allow greater concentration of effort on the essential business of selling.

During the next few years we expect to incur substantial capital expenditure on refitting our branches with Vizusell so that we may take the fullest advantage of modern merchandising methods. Wherever necessary we shall also rehouse existing businesses.

Gramophone Records.—We have recently taken an important step in opening a gramophone record department in our shop in Kingsway, London. We have been greatly encouraged by the reception which the new department has been given by our customers and during the coming year we shall open similar departments in a number of other shops.

WHOLESALE HOUSES

During the year we moved our Wolverhampton business into new and modernised premises, rebuilt our Hereford sub-House and altered and improved parts of our buildings at Leeds, Liverpool and Oxford. We started on rebuilding our Grimsby House, which should be completed in 1958-59. In June, 1958, work will start on a complete modernisation of our Manchester and Lincoln Houses, and there are plans for improvements and rebuilding in many other towns. It is expected that we shall spend not less than £750,000 on reorganising this side of the business in the next few years. We have experimented with standard fittings based on Vizusell and the introduction of these will effect considerable saving.

The Wholesale Houses had a successful year's trading. This is a highly competitive business and one in which profit margins are low. We are fortunate in having experienced and enterprising men to run these Houses, and we believe that they are aware of, and are very ready to meet, this challenge.

TRENDS

In my Statement last year I referred particularly to the effect of television on reading habits, a matter which is naturally of considerable interest and concern to a business such as ours. With the rapid wider development of television during the past year it has been possible to assess the trend more accurately and there is little doubt that there has been a further decline in the sale of popular fiction. In my opinion other factors are also responsible for this decline, namely increased borrowing from public libraries and the increased size of Sunday newspapers. The remarkable popularity of war books is at last on the wane, and there is a drop in Book Club memberships. On the other hand there is an encouraging sign in the increased sale of children's books—particularly encyclopedias—and there seems no end to the demand for books of the "Do-it-Yourself" and of "Teach Yourself" type. I believe, too, that sales of paper-covered books have not yet reached their peak.

On the stationery side of our business perhaps the outstanding factor is the remarkable growth in the sales of greeting cards. It is now possible to obtain a card to meet almost any occasion.

EXHIBITIONS

The Company has a bookstall in a central position in the British Section of the Brussels World Exhibition where a representative selection of British newspapers, periodicals and books is always on show. We have also, during the past year, had stands at the Ideal Home Exhibition, Hulton's Exhibition for Boys and Girls, the Schoolboys' Exhibition and the Handicraft Exhibition and have found these an excellent means of keeping the Company's name before the public.

SUBSIDIARY COMPANIES

W. H. Smith & Son (Alacra) Ltd. has been settling down in its new factory during the year. There was some interruption of production during the early months in consequence of the move from the old factory. We have not, as a result, succeeded in earning a profit this year. Particular attention has been given to the selection and training of salesmen and we consider that the Company now has a keen and competent sales force. Sales reached a new high level during the year and we have every reason to believe that the momentum will be sustained.

Versatile Fittings (W.H.S.) Ltd. has had a successful year and has earned a profit for the first time. We are encouraged by the number of large concerns who are placing orders for this modern form of shopfitting.

W. H. Smith & Son (Canada) Ltd. is now in its ninth year. Like many British businesses which have established themselves in Canada we have found that progress has been

slow but we have always looked on our Canadian venture as a long-term development and we believe that we have built a sound foundation and that we shall soon start to earn profits. During the past year we have refitted the shops in Montreal, Ottawa and Kingston and as a result, the sales at all these branches have shown a satisfactory upward tendency.

STAFF

I have had many opportunities of meeting members of the staff throughout the business during the past year, and I should like to pay a warm tribute to their enthusiasm and loyalty.

We are very proud of the long service put in by many members of the staff who retire on pension at the age of 65 in the case of men and 60 in the case of women. I am sure shareholders will be interested to know that in the past five years 273 men and 96 women members of the staff have retired and that their years of service amounted to 13,930. More than one hundred of those who retired had completed fifty years' service or over.

Gold wrist watches are presented to male members of the staff who have completed forty years' service and to female members of the staff who have completed thirty-five years' service. Since this gift was inaugurated in 1952, 766 gold watches have been presented.

PROSPECTS

This is always one of the most difficult subjects on which to say anything categorical, as our business is so closely bound up with the buying power and prosperity of the public of this country. But my opinion is that if the economic conditions which affect us remain reasonably normal we should over a period of years, reap the rewards of the plans and expenditure we have in mind.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the Chairman said:

Since the Directors' Report and Accounts were signed the Chancellor of the Exchequer has announced amendments to the Control of Borrowing Order, 1947, and the Board feel that it would be in the interests of the Shareholders to take the opportunity now afforded of bringing the issued share capital of the Company more into line with the capital actually employed in the business.

I referred in my Chairman's Statement to the recent valuation of the properties of the Group at about Five-and-a-half million pounds more than their book figure which provides in the Consolidated Balance Sheet at March 31, 1958, a Capital Reserve of £3,415,129 after eliminating all goodwill.

The Directors at a meeting this morning decided to bring £1,500,000 of this capital reserve into the accounts of the Holding Company by adding that amount to the figure at which the investment in W. H. Smith & Son, Ltd., stands in the books of the Holding Company. The Board further resolved that as soon as the formalities can be completed they will submit to the Shareholders proposals for capitalising this £1,500,000 reserve in the Holding Company in the form of Ordinary capital through the issue of one bonus "A" Ordinary share of £1 for each two "A" Ordinary shares of £1 each, and by the issue of one bonus "B" Ordinary share of 4s. for each two "B" Ordinary shares of 4s. each. This will increase the issued Ordinary capital to £4,500,000, a figure which will still be somewhat less than the remaining capital reserve and the revenue reserves of the Group.

It is intended that the new shares should rank for all dividends in respect of the current year, but this in no way implies that there will be any increase in the amount to be distributed by way of dividend to the Ordinary Shareholders.

The report and accounts were adopted.

CLIFFORD MOTOR COMPONENTS

CONTINUING EFFORTS TO WIDEN FIELD OF ACTIVITIES

The twenty-ninth ordinary general meeting of Clifford Motor Components Limited will be held on September 11th at Birmingham.

The following is an extract from the circulated statement of the chairman, Mr S. C. Joseph:

The Trading Profits of the Group after all charges, but before Taxation, together with Income from Trade Investments and Miscellaneous Income amount to £634,880 (last year £573,993), an increase of £60,887. Taxation totals £338,591 (£292,452) and the Group Net Profit is £296,289 (£281,541). The Balance of Group Profits brought forward is £623,482 (£553,615), which, added to the Net Profit of the Group for the year, gives a figure of £919,771 (£835,156). After deduction of Dividends paid and proposed by the Parent Company £110,055 (£101,674), transfer to General Revenue Reserve £100,000 (£110,000) and Transfer to Investment Reserve £15,000 (Nil), the Undistributed Profits of the Group to be carried forward are £694,716 (£623,482).

The Consolidated Balance Sheet shows that the Current Assets exceed Current Liabilities by £2,256,848. After making the proposed transfer of £100,000 from profits, the General Revenue Reserve stands at £925,000 (£825,000).

REPORT OF THE DIRECTORS

The following are extracts from the Directors' Report:

The year's trading was satisfactory and in a measure reflects the prosperity of the automotive industry with which we are so closely allied. Our efforts to widen the field of our activities continue and several propositions are under investigation.

We continue to benefit from our policy of redeployment and from our capital expenditure programme. We have thus been able substantially to absorb increases in cost of production and thereby more than maintain our turnover in the face of increasing competition. We feel confident that further benefit will accrue.

The arrangement with Rotary Hoes Limited in connection with the Clifford Cultivator is continuing satisfactorily and among other benefits has enabled us to free a Factory at Hall Green, Birmingham. This Factory is being equipped for a further extension to meet the increased demands for the products of Clifford Covering Co. Ltd.

Shell Moulding Foundry Limited is at present still in the development stage.

Our negotiations to purchase a 50 per cent interest in N. C. Joseph (Canada) Limited (domestic hollow-ware manufacturers) were completed during the year.

Clifford Developments (ICE) Limited (a 50 per cent interest) continues its experimental work.

THE CENTRAL MINING & INVESTMENT CORPORATION

LORD BAILLIEU'S STATEMENT

The Annual General Meeting of The Central Mining & Investment Corporation Limited was held on July 31st in London.

The Chairman, The Right Honourable Lord Baillieu, KBE, CMG, presided and, in the course of his speech, said:

The Accounts under review record the first full year of trading by our organisation in its new form. The Central Mining & Investment Corporation remains as a holding company with but a single investment, namely, the whole capital of Central Mining Finance Limited; that company is now the Finance House, operating in London and Johannesburg, with substantial investments in mining and industry and controlling a group of wholly owned subsidiaries including an investment trust. Rand Mines Limited, chief of our associated companies in South Africa, now administers, under their respective Boards, the various associated mining and industrial enterprises that form the CM/RM Group. Consolidated profit before taxation at £2,165,000 for the year owes its considerable expansion on the figure for the preceding 15 months mainly to a substantial increase in profits from share realisations. 1957/58 was not a good trading year for stock markets generally and our trading was in line with the general market experience save for what might be termed a technical realisation, that is, the liquidation of Central Mining Free State Areas.

We are glad to be able to recommend a dividend which, with the interim already paid, amounts to 4s. per share for the year—a slight improvement on the rate for the preceding 15 months.

INVESTMENT POLICY

Progress has been made in developing the policy outlined in my address to you last August. The investments of Wall Trust Limited, mainly industrial and located in the UK and N. America, have more than doubled during the year. The Trust's investments now amount to about £1 million in value.

I would like at this time to bring you up to date with the investment position and for this I shall take as a starting point the position at May 30, 1957, when we held our Extraordinary General Meeting. As at that date we had invested, since the cash payment by the Texas Company for our Trinidad oil shares, £1½ million in Canadian oil and £800,000 in South African, North American and United Kingdom industrial and mining companies; I told you then, too, that the programme on which the Board had been acting envisaged the investment of a further £300,000 to £400,000 in industrial securities and a further £1 million or more in Group mines in the immediate future. In fact subsequent investments by way of shares in, or loans to, South African companies have amounted to a total of some £1½ million; to some £250,000 in Rhodesian companies; approximately £200,000 in North American companies and approximately £400,000 in United Kingdom companies; this is of course merely a continuation of the investment policy which I enunciated at our Annual General Meeting last August. We are continually sifting propositions for investment in many parts of the world and continue to participate in exploratory ventures in Southern Africa under the leadership of Rand Mines.

The report was adopted.

GEORGE NEWNES LIMITED

WELL MAINTAINED RESULTS

DIVERSITY OF PUBLISHING INTERESTS

MR H. C. TINGAY'S STATEMENT

The sixty-first annual general meeting of the Company was held on Thursday, July 31st, at the head office, Mr H. C. Tingay, Chairman, presiding. The following is an extract from his statement circulated with the report and accounts:

The figures for the year again make a satisfactory showing, the gross profit of the Group being a little higher at £1,631,059 as against £1,622,581 last year. After providing for taxation of £667,640 the net profits amount to £963,419.

The long established policy of the Company in diversifying and spreading its publishing interests has demonstrated, in this year in particular, the soundness of that course. The mass-market periodicals in the general publishing field have had to meet, and still have to meet, heavy and costly competition, and this has substantially reduced earnings from that side of our activities. On the other hand, other important sections of the business, and new enterprises in the more specialised periodical fields, have been able to make a larger contribution to the earnings, thus maintaining net results comparable with the record figures of last year.

DIVIDEND POLICY AND APPROPRIATIONS

The parent Company, NEWNES, shows a net profit of £673,686 after deducting taxation and other charges. This compares with the figure of £681,859 for the previous year. In view of the well-maintained position and the conservative dividend policy pursued over past years, the Directors consider that a modest increase in the distribution is called for. Accordingly they recommend a final dividend on the Ordinary shares of 17½ per cent, making, with the interim dividend, 20 per cent for the year as against 17½ per cent last year.

After payment of the dividends on the Preference and Ordinary shares of Newnes, and on the holdings of the minority shareholders in Subsidiaries, there remains a balance in the Group of £911,839, including the amount of £373,415 brought forward from the previous year. Of this, the following allocations are proposed: £85,400 to the Pension Funds of the various Companies; £179,650 to General Reserves, and £200,000 as a special contribution towards the cost, during the present year, of establishing WOMAN'S DAY, a new publication launched in March. After these appropriations and excluding minority proportion there remains a balance of £434,009 to be carried to next year's Accounts.

FINANCIAL STRENGTH

A review of the Consolidated Accounts shows few changes other than those that are normal in the day-to-day trading of the organisation.

The financial structure fully maintains its position of strength. Cash and short-dated Loans amount to £1,587,891, and Tax Reserve Certificates to £918,700. General Reserves, into which Development Reserves and Reserves for Contingencies have now been consolidated, total £3,005,217, and the undistributed profits to be carried to next year's Accounts amount to £434,009.

THE PUBLICATIONS

Of the 57 journals comprising the publishing interests of the Group, 21 come in the general and specialised category, and the other 36 in the trade and technical field.

This year the advertisement revenue reached a new record figure—a sure indication of the very high regard in which our publications are held by advertisers and advertising agents, and again testifying to the advertisers' belief in the pulling power and specialised appeal provided by the periodical press.

In the mass-market WOMAN'S OWN, our colour-gravure weekly, has again been able to issue a net sales certificate of over 2,500,000, and an independent market survey shows that it is read by nearly 7 million women each week. Holding as it does an outstanding position in the women's field, advertisers and their agents know that WOMAN'S OWN is an essential part of any campaign directed to women.

A NEW MASS-SALE WEEKLY

With the rapid and striking development in colour-gravure production, the Company decided after careful thought to launch a new weekly in the popular women's field. WOMAN'S DAY, the newcomer, made its first appearance in March last, having as its initial target a sale of one million copies weekly. In the face of fierce and very costly competition it has made a most promising debut, and a powerful campaign is now in being for this present year firmly to establish the new property in the mass-sale market.

Our PRACTICAL monthlies have continued to do well. PRACTICAL HOUSEHOLDER, now in its third year, has been an outstanding success and has firmly established itself in a leading position in the do-it-yourself field. PRACTICAL MOTORIST, PRACTICAL WIRELESS and PRACTICAL TELEVISION, each in its own field, also cater for the needs of those with a practical turn of mind who like doing things for themselves.

The WIDE WORLD MAGAZINE, in keeping with its long and successful history, has secured the first-use periodical rights of Sir Vivian Fuchs's own story of his Trans-Antarctic journey. Publication will commence in the October issue and will include many of the beautiful photographs taken on the journey.

AMATEUR GARDENING fully maintains the position it has held for so long as the leading gardening weekly in the country with a sale often well over 300,000 copies per issue. The SMALLHOLDER has also had a successful year both in circulation and advertisement revenue.

COUNTRY LIFE LTD

All the Country Life group of publications have done well. Last November COUNTRY LIFE put up its selling price to half-a-crown, long after an increase had been justified by rising costs. The increase was at once accepted by the public, and it is gratifying evidence of the healthiness of the paper's circulation that it is now firmly established on its new basis. Additional features dealing with smaller country houses and auction sales of antiques have proved very popular. HOMES AND GARDENS continues to contribute more and more substantially to the Company's profits, and RIDING also shows a marked increase both in circulation and advertisement revenue.

TEMPLE PRESS LTD

The long established specialised weekly journals of Temple Press, THE MOTOR, THE COMMERCIAL MOTOR, THE AEROPLANE, MOTOR CYCLING and CYCLING, all serving industries of exceptional importance to the United Kingdom export trade, have continued to play their part satisfactorily. But perhaps it is the more recently started monthly journals, most of them linked to the newer industries, which have made the most marked progress during the year. Of these, THE OIL ENGINE AND GAS TURBINE and PLASTICS should be specially mentioned. NUCLEAR ENGINEERING, which was started only in 1956, has achieved a notable success, and has attained a pre-eminent position in this important field.

THE NATIONAL TRADE PRESS LTD

The National Trade Press Limited has had another year of steady progress, and has continued to expand its activities in those industries served by its 21 trade and technical journals. BRITISH CHEMICAL ENGINEERING, now in its third year, has proved to be an unqualified success, and is now playing a worthwhile part in the expansion of this technology. During the year TRADE FAIRS & PROMOTIONS LIMITED has continued to expand its exhibition activities, and entered the overseas field by organising THE BRITISH FASHION AND TEXTILES FAIR in Stockholm.

The Subscription Books Division has enjoyed a very satisfactory year. Primarily concerned with the marketing of volume works by subscription selling, the turnover has been on a record level. Included in the list of major works handled by this Division is the world-famous CHAMBERS'S ENCYCLOPÆDIA. Also the Australia Company, principally engaged in similar activities, has had a good year, and has fully justified the large expenditure incurred in preparing a special Australia Edition of our highly popular children's work PICTORIAL KNOWLEDGE (10 volumes) for sale in that market.

As already indicated, the Company's well-being has been maintained on a level reasonably comparable with the excellent results of the previous year only as a result of its diversified publishing interests. In the general publishing field, competition has become fierce and expensive, forcing down profits and in some cases eliminating them. At the same time new opportunities are open in the more specialised fields, and we must be content, therefore, that the Company remains strong in its resources and is well able to take advantage of opportunities as and when they arise.

The report and accounts were adopted.

LORRAINE-ESCAUT
(Paris)

At the Ordinary General Meeting held on June 17th last the shareholders approved the accounts for the financial year 1957, which closed with a net profit of Frs. 1,295,736,628, and resolved on the distribution of a gross dividend of 8 per cent as before, but applying this year to a capital which, in the course of the year, had been increased from 13 to 15 milliards of Francs by the issue of shares for cash.

The turnover achieved by the Company in 1957 was 99,400 million (against 87,070 million in 1956) and the tonnage produced in the course of the same year was: 1,725,000 metric tons of steel ingots against 1,715,000 tons in 1956 and 359,000 tons of tubes against 307,000 tons in 1956.

Moreover, there were extracted in 1957: 5,241,000 tons of ore against 4,500,000 tons in the preceding year.

As far as the French iron smelting industry is concerned, the production of which increased in 1957 to 14,100,000 tons against 13,400,000 tons in 1956, the problem of supply, which previously had given rise to certain misgivings, was easily solved. On the other hand, cost prices were unfavourably influenced by a series of considerable increases which principally affected fuel and transport. Furthermore, in that field, the hope that the railway freight tariffs in the interior of the Community would be regulated was again shattered and this has led the iron smelting and steel industry in the East of France to put forward a protest against the policy adopted by the "High Authority" which policy acts seriously to the disadvantage of the French forges, which have to import fuel from the Ruhr.

EXPORT POSITION

On the commercial sector, the home market remained very active but, for exports, the position has worsened considerably, leading to a considerable slump in selling prices.

The tube manufacturing industry for its part continued to progress and French production, from 751,000 tons in 1956, reached 867,000 tons in 1957 (in the same year the total production of France and the Saar, taken together, for the first time exceeded one million tons). The industry benefited from a very firm home demand but the export situation at the end of the year showed a marked deterioration.

The Board then stressed that in spite of the increases in steel prices effected in 1957, French steel has remained the cheapest throughout the Community.

The possibilities of self-financing have also remained insufficient and the price problem has not lost its particular gravity.

At the end of the Ordinary General Meeting the Board reported on the construction programme undertaken by the Company. They specially drew attention to the putting into operation in 1957 of the production line making large welded tubes at Sedan and also to an entirely reconstructed and modernised blast furnace at the Longwy Works.

In addition to the current construction programme, the Company contemplates especially the construction of a new blast furnace at Thionville in 1958 and the installation of the first ore concentration plant. Besides, the Company continues working in order to increase the capacity of the rolling mill train for the manufacture of heavy plates at Mont-Saint-Martin, the rate of production of which will shortly reach 25,000 tons per month.

CUSTOM CREDIT CORPORATION

RECORD RESULTS

FIVE YEARS OF PHENOMENAL GROWTH

MR IAN M. JACOBY ON DIVIDEND PROSPECTS

The sixth annual general meeting of the Custom Credit Corporation, Limited, was held on July 29th at Chamber of Commerce Buildings, Sydney, Mr Ian M. Jacoby, chairman of the Corporation, presiding.

The following is his address:

Ladies and Gentlemen: The results for the year are the highest on record and we all owe our thanks to the enthusiasm of the Executives and Staff of both Custom Credit Corporation Limited and National and General Insurance Company Limited and other close associates of the Corporation, and particularly all the members of the recognised Stock Exchanges of Australia, who extend continuous and valued support to our note and debenture issues.

UNPARALLELED PROGRESS

Custom Credit is now five years old and National and General is a little more than three years old. The assets of both companies continue to grow; Custom Credit was registered on July 9, 1953, with £50,000 in assets, and these assets at this date are less than £500,000 short of £50 million. This unparalleled progress is a great tribute to Australia. These figures should clearly indicate what can be accomplished in this great country. In the last twelve months we have had Parliamentary missions to the Northern Hemisphere to attract investment capital to Australia, and the phenomenal growth of Custom Credit and National and General is no more than one indication of what can be accomplished here. Australia is now being recognised by overseas people as a great nation and one with a very definite future, and our own progress forms only part and parcel in the general upsurge in this rapidly growing continent.

Being the first Finance Company to create a successful association such as that which we have with The National Bank of Australasia Limited, this has been responsible for enabling us to rank, in so short a time, among the oldest and the leaders in the Finance Industry. Instalment financing is supplementary to banking, and this has now been generally established in Australia. The third and vital factor in our progress has been the formation of our own tariff insurance company. This year's balance-sheet of our wholly owned subsidiary—National and General Insurance—shows more than satisfactory results and is now contributing a valuable income to the general profits of Custom Credit.

FURTHER EXPANSION ENVISAGED

It is reasonable to assume that the growth in the population of Australia will mean more and more expansion of instalment financing. Continuance of the Federal Government's successful immigration policy, which attracts over 100,000 new people each year, brings further demands for instalment finance. And speaking of migrants, we may say that we pioneered in Australia the Pay Later Plan for the financing of sponsored immigrants, which is showing gratifying growth among business people and residents in Australia, who are bringing out both working people and relatives. Many of these new people have limited assets and resources, and to quickly establish themselves in Australia they must rely upon the instalment credit which is available to them from their earnings and wages. It is highly desirable that these new people should have a home and other amenities as soon as possible, and our services are available for the purchase of home sites, for the building or buying of houses, for furniture and household appliances, for motor vehicles and farm equipment. Each year we finance almost 100,000 new customers, and each year about the same number of customers pay out the full and final balance of the contract.

The finance business is progressive and extremely competitive, and the rates are as low as and in many cases lower than those charged overseas. Although our services are paid for by the consumer it is fair to say that almost all producers of raw materials such as steel, copper, aluminium, rubber, textiles, timber, hides, etc., enjoy the benefits of the money we provide for the large-scale financing of manufactured goods of which these materials form part. Similar benefits accrue to a wide range of manufacturers, therefore instalment financing is necessary to full employment. Any diminution in the funds for instalment financing would seriously affect employment and the welfare of Australia. Consumer demand keeps producers and factories in production, and the less finance or credit for the consumer the less is the demand for manufactured goods.

LONDON OFFICE

Our most important step in this financial year has been the completion of our plans to open a branch in London of National and General Insurance Company. Attractive premises have been obtained on the ground floor in the front of Fountain House, at 130 Fenchurch Street, which is in the heart of the insurance, shipping and banking world, and only fifty yards from the main entrance to the new Lloyds Insurance Building. We have appointed Mr A. T. Hunt as Manager for London and Mr B. G. V. Hebblewhite as Assistant Manager, and expect to officially open the London office late in September this year. The spontaneous growth of National and General requires that we establish in London to assure adequate treaty and reinsurance arrangements.

Also we intend that our London Office will actively engage in Fire, General Accident and Marine Underwriting in the United Kingdom and Europe. At the same time and at the same address, we have registered Custom Credit Corporation but as yet we have no plans to extend our instalment finance business to England. We examined the possibility of applying for listing on the London Stock Exchange, but because of certain restrictive regulations decided to defer this indefinitely.

SATISFACTORY RESERVES

As you know, our capital has now been increased from £3 million to £5 million, and we confidently anticipate that we will be able to maintain our usual 15 per cent dividend payable half-yearly, and to provide the same ratio for reserves. It will be noted that our reserves are now £1,150,000, which may be regarded as satisfactory for a Company in existence only five years. This could be higher had we elected to make our share issues at a premium, but our shareholders deserve prior consideration, and for that reason all new issues have been made at par.

We should make it clear to our shareholders that we have adequate reserves for unearned charges yet to mature—£4,322,539. We have several millions outstanding on loans where the interest is calculated on annual rests and not included in the outstandings. On July 1, 1958, a substantial amount of interest was raised for the current financial year ending June 30, 1959.

The report and accounts for the year ended June 30, 1958, were adopted and the proposed final dividend of 4½d. per Stock Unit, making a total of 15 per cent for the year, was approved and the retiring director, Mr L. W. Coppleson, was re-elected.

NCHANGA CONSOLIDATED COPPER MINES LIMITED
(Incorporated in Northern Rhodesia)

MR H. F. OPPENHEIMER REVIEWS PRODUCTION POLICY

The following are extracts from the statement by the chairman, Mr H. F. Oppenheimer, which has been circulated with the annual report and accounts for the year ended March 31, 1958:

My father, who was appointed the first Chairman of the Company when it was formed in 1937, died in November of last year. He was associated with the property from 1926, the early days of the Northern Rhodesia Copperbelt, and under his leadership the Nchanga Mine overcame the greatest difficulties and became what it is today—one of the great copper producers of the world.

During the financial year ended March 31, 1958, we produced 121,200 long tons of copper—a record for the Company. The average price for electrolytic copper on the London Metal Exchange during the year was £198 per long ton and the profit for the year, after providing for depreciation and tax, amounted to £4,370,380 compared with £9,528,798 for the previous financial year.

Capital expenditure, principally on the opening up of the Chingola Orebody and the expansion of plant to treat the increased tonnage of ore made available from the opencast pit on the Nchanga Orebody, amounted to £3 million but, as it has been our policy during the past years of exceptional prosperity to appropriate more than was required to meet expenditure at the time, it has only been necessary to appropriate £1 million from profits for capital expenditure this year.

COPPER PRICE

Your directors have recommended a final dividend of 7s. net per unit of stock which, with the interim dividend, will make a total distribution for the year of 10s. per unit of stock. The appropriations for dividend and capital expenditure involve a small reduction in the amount carried forward.

We feel this dividend is justified in view of the fact that copper prices during the year were at a low level which we do not think will persist in the long run. It is the policy of the board as far as possible to spread capital charges in such a way as to keep the dividend fluctuations, which cannot be avoided by any copper producer, to a minimum.

During recent months, the copper price has shown an increase from the low point of £160 per long ton reached in February of this year. The present position, as a result of the cuts in production made in various parts of the world, appears to be one of balance between supply and demand. What the immediate future trend will be is difficult to determine since it is dependent on so many factors, such as the course of the current recession, actions of governments and the attitude of producers themselves.

Our confidence in the long-term future of copper remains unshaken, however, and I look forward to the time when the present cuts in production, to which I will refer, will be restored and the copper mining industry will resume its expansion to meet the increased consumption required by a new period of industrial growth throughout the world.

GROUP OUTPUT POLICY

During the year many of the major producers cut their production in varying degrees in an attempt to correct a condition of oversupply of copper which had developed with such serious effects on the price of the metal. We decided that we would fall into line and join with the other copper producers administered by the Anglo American Corporation in effecting a reduction of about 10 per cent in the aggregate planned output of the three companies.

In discussion with Bancroft Mines Limited, a new mine and on that account a high cost producer, it was decided that, rather than apply a 10 per cent cut in production by each of the three producers, Bancroft should from April 1st of this year cease producing for a year, and your company and Rhokana Corporation Limited should increase their output slightly, so that the overall production for the year would be about 10 per cent less than had been planned by the three companies together.

Rhokana Corporation and your company agreed as part of this arrangement to pay Bancroft a sum calculated to be sufficient to cover the cost of the interest on loan capital and of the underground development on that property for the year of shut-down. I am sure this arrangement is in the interests of the three companies concerned and of the copper-producing industry as a whole.

The indications are that the voluntary and unconcerted cuts by producers in many parts of the world have been successful in correcting the im-balance between supply and demand.

Your company was able to enter into this arrangement involving, as it did, an immediate increase in the planned production, because the property has now been developed to a stage where great flexibility both in regard to plant capacity and mining operations has been achieved. The fourth stage extensions to the plant are virtually completed and the underground mine on the Nchanga West Orebody and the open pits on the Nchanga and Chingola Orebodies are all now able to send ore to the plant.

In the present circumstances of the copper market, calling possibly for further swift changes in the scale of production, this is a very satisfactory state of affairs.

Increased efficiencies and the reduction of costs at the mine have assumed greater significance in consequence of the lower copper price levels and every aspect of the use of labour and of machines is being continuously and thoroughly reviewed.

W. J. BUSH & COMPANY

INCREASED TURNOVER

The sixty-first annual general meeting of W. J. Bush & Company Limited was held on July 31st in London, Mr Eric L. Bush (chairman) presiding.

The following is an extract from the chairman's circulated statement for the year ended December 31, 1957:

During the year under review we experienced a satisfactory increase in turnover, which provided an improvement in the utilisation of plant capacity and has resulted in an increase of profit on trading from £656,600 to £867,683. This attracts taxation for the Group substantially in excess of the previous year and amounting to £366,226, as against £251,843. The net profit achieved has risen from £243,004 to £312,837, an increase of £69,833.

By reason of some fall in exports, our experience of turnover for the first five months of the current year has been on a less satisfactory level as compared with 1957, but is higher than for the corresponding period of 1956. Last year I referred to the increased cost of Fuel Oil and although there has been a small fall in the price of this commodity, the cost remains at a considerably higher level than it was two years ago. Generally, we are still faced with operating expenses on an increasing scale.

A USEFUL ACHIEVEMENT

As I had occasion to say last year, the study of efficiency and the application of such study in the conduct of our business remains all important if we are to counter steadily rising costs and more intensive competition. In this task the figures reflect a useful measure of achievement by our Staff at Home and Overseas, and I welcome this as a further opportunity to place on record the thanks and appreciation of the Directors. This result is a credit to all those who have contributed by their care and industry, and is an encouragement not to relax our efforts.

In 1957 the sum of £124,646 was expended on buildings, plant and equipment for the development of the business of the Group. In this connection any alleviation of taxation is of importance and the Chancellor of the Exchequer's recent announcement of increased initial allowances for 1958 in respect of industrial buildings, plant and machinery is very welcome.

OVERSEAS MARKETS

For many years India has been an important market for a range of the Company's specialities. In accordance with its policy of encouraging production within the country, the Government of India has progressively imposed restrictions on importations, and we have deemed it necessary to set up an establishment to manufacture our specialities locally. Although our experience is comparatively short, I am pleased to report that satisfactory progress is being made.

In the Directors' Report reference is made to the sale of a Subsidiary in the USA. In the opinion of your Board, the nature of the business of the Subsidiary—W. J. Bush & Co., Incorporated—was proving incompatible with the wider and more profitable operations undertaken by the Bush Group as a whole.

The report was adopted and a final dividend of 11 per cent on the Ordinary share capital, making 13 per cent for the year, was approved.

HOVIS-McDOUGALL LIMITED

A SATISFACTORY YEAR

MR KENNETH MOORE'S REVIEW

The Annual General Meeting of Hovis-McDougall Limited was held on July 31st in London.

Mr Kenneth Moore, FCA (the Chairman), who presided, said:

The Accounts presented to you today reflect the results of the first full trading year following the merger of the Hovis and McDougall businesses which, you will remember, became legally effective on January 1, 1957.

As you will have seen from the Directors' Report the combined profits of the Company and of its subsidiaries for the year ended March 31, 1958, amounted, before taxation, to rather more than £1,800,000 and were thus handsomely in excess of the figure of about £1,300,000 mentioned in the merger proposals as some guide to the aggregate annual rate of profit of the companies within the Group.

The higher level of profits achieved during the past year is the outcome of a variety of factors of which the following are the more important:

(1) The more effective co-ordination of mill production within the Group, which was one of the main objectives of the merger, has played its part.

(2) The profits of non-milling subsidiaries, taken as a whole, have increased. They make a substantial contribution to the total.

(3) We were spared a recurrence of the losses on wheat stocks and other repercussions of the Suez affair.

(4) Profit margins on baker's white flour which at times have been at a low and uneconomic level, improved during the year to something more nearly approaching a commercial return on the capital employed.

Nevertheless, trading conditions during the year were highly competitive and wages and distribution costs continued to show a rising tendency although at a lesser rate than previously. Expenditure on advertising and sales promotion was at a high level.

We have not been without our problems, of course, but it is fair to say that, on the whole, the companies within the Group have produced more satisfactory results than at one time might reasonably have been anticipated.

ALLOCATION OF TRADING PROFITS

It is interesting to see what happens to the Trading Profits. I need hardly say that the Tax Gatherer takes the lion's share, namely, £1,026,000 out of a total of £1,823,000, or roughly 56 per cent. This leaves 44 per cent for the stockholders. The State takes the whole of its share in cash; the stockholders, if you approve the Board's dividend recommendation, leave more than half their share in the business by way of addition to reserves. To be more precise, the allocation is as follows:

Taxation	56 per cent
Dividends	20 per cent
Amounts ploughed-in by way of addition to reserves, etc.	24 per cent
	100 per cent

I may mention that under the recent Budget proposals, taxation on company profits for the current financial year will, for the first time for a number of years, be divorced from dividend policy and will be at the flat rate of 52½ per cent, namely, income tax at 8s. 6d. in the £ representing 42½ per cent and profits-tax at 10 per cent. This figure of 52½ per cent compares with 56 per cent in our case for the past financial year but, though it is a move in the right direction, taxation on this scale continues to be a factor limiting growth and development. Incidentally, since the State, as a Sleeping-Partner, providing no capital and taking no risks, automatically draws out more than half the profits of commercial enterprise, one wonders why any politician ever harbours thoughts about nationalisation.

The fact that we have been able on this occasion to plough-in rather more than £480,000 has improved the over-all financial position of the Group. In fact, you will see from the Consolidated Balance Sheet that the excess of current assets over current liabilities has increased by about £500,000 as compared with the corresponding figure at March 31, 1957. In all the circumstances, your directors have felt able to recommend a higher dividend than that foreshadowed when we met last year.

CURRENT YEAR'S PROSPECTS

You will expect me, no doubt, to say something of the prospects for the current year. I can only say that, in the first four months already elapsed, profits have been running at a satisfactory level but, with competition becoming more severe and having regard to the confused international and economic situation it would be unwise for me to express an opinion as to how we are likely to fare during the remainder of the year. You may rest assured, however, that we will do our best to overcome such problems as may arise and to further the sales of our products and in particular those of our two main proprietary products, namely, Hovis Flour to the Bakery Trade who bake the well-known Hovis Bread, and McDougall's Self-Raising Flour sold through the Grocery Trade to the housewife for home cooking. By reason of their consistently high quality, both are appreciated and demanded by the public in good times and bad.

I take this opportunity of referring to the offer recently made to acquire the Preference Shares of Hovis Limited—a tidying-up operation which is desirable from several points of view. So far acceptances have been received representing well over 80 per cent of the total issue and we have reason to hope that the offer will shortly become fully effective.

Finally, I should like to express a word of thanks to my colleagues on the various Boards and to our staff and employees throughout the Group for their part in producing such excellent results. I am sure you will wish to join with me in conveying a message of thanks to all concerned.

I may mention that Mr J. F. Morton has, at his own request, today retired from the Board of Hovis Limited on grounds of age after serving the Company for over sixty-nine years—a remarkable record which is unlikely ever again to be equalled. He remains in touch with our affairs as President and a director of this Company and it will be the wish of all stockholders to take this opportunity of extending to him our best wishes and our thanks and appreciation of his outstanding services to Hovis Limited over so long a period.

The report and accounts were adopted and the final dividend of 10 per cent, less tax (making 17½ per cent less tax for the year) was declared for payment on August 15th.

CHAMBERS WHARF AND COLD STORES LIMITED

NOTABLE INCREASE IN EARNINGS

The Thirty-first Annual General Meeting of Chambers Wharf and Cold Stores Limited was held on July 31st at 3 Lombard Street, London, Mr Charles Goldrei (Chairman and Managing Director) presiding.

The following is an extract from his statement which had been circulated with the report and accounts:

The Annual Accounts now presented reflect the results of a very busy year for your Company and show a notable increase in profit over that of the previous year.

The Net Profit for the 52 weeks ended March 28, 1958, after charging Depreciation and other administrative expenses but before Taxation was £350,476, compared with £286,397 for 1956/57. Taxation absorbed £204,598, leaving a balance of Profit remaining of £145,878 against £120,381 for the previous year.

£6,000 has been placed to Staff Pensions and Benevolent Account to make up the deficiency revealed by the Actuaries' Quinquennial Report. £55,000 has been transferred to General Reserve. Your Directors propose the payment of a Final Ordinary Dividend of 15 per cent, making 21½ per cent for the period against 19 per cent last year; this will absorb £53,659, leaving £19,273 balance of unappropriated profit to be carried forward.

The extension to our Riverside Jetty referred to in my last year's report is now completed. In consequence, the Company has one of the finest jetties on the riverside; the improved facilities will enable the Company to operate with greater flexibility. Future extensions to our riverside cold storage capacity and warehouse accommodation continue to be planned in accordance with the policy of your Board to develop the Company's property to the best advantage.

The Fees payable to your Directors have remained unchanged since 1949, and in view of their greater responsibilities arising from the development and progress of the Company since that date, you will be invited to pass a Special Resolution increasing the Directors' Fees. This special resolution will be proposed at an Extraordinary General Meeting to be held immediately following the Annual General Meeting.

CAPITALISATION

During the Meeting the Chairman announced that an Extraordinary General Meeting would be convened to consider a proposal to capitalise £207,377 of the undivided profits of the Company. If the proposal is accepted, Ordinary Shareholders will receive one additional fully paid Ordinary Share in respect of each three Ordinary Shares held.

The report and accounts were adopted and, at a subsequent Extraordinary General Meeting, a special resolution increasing the Directors' Fees was approved.

COMPAGNIE FRANÇAISE DES PÉTROLES

(French Petroleum Company)

The Annual General Meeting of the Compagnie Française des Pétroles was held in Paris on June 24th, the Chairman being M. Victor de Metz, and the following is a summary of the report presented by the Board:

The Company's business during 1957 was much affected by the events in the Middle East.

MIDDLE EAST

Output of the Iraq Petroleum Company, which had been stopped on November 2, 1956, was resumed in March, 1957. The rate of pumping rose by degrees from 11 million tons per annum to 17 million tons at the end of the year; when station T3 has been reconstructed, the rate is expected to reach, and indeed pass, that of 25 million tons per annum normal before the installations were destroyed. The Mosul Petroleum Company produced 564,000 tons during the year, against 1 million in the previous year. The Basrah Petroleum Company and the Qatar Petroleum Company produced 8.4 and 6.5 million tons respectively, against 8.4 and 5.7 million in 1956. A floating pontoon for deep-water drilling was fixed in position near Das Island in the Persian Gulf, ready to start drilling early this year. During 1957 the Company received a total of 8.4 million tons of crude petroleum, 2.6 million in the Eastern Mediterranean and 5.8 million in the Persian Gulf, as compared with 10.4 million tons in 1956; and it received 911,000 tons of refined products, as compared with 587,000 tons.

The Company's holdings in the Iraq Petroleum Company Group were increased by £866,000 in 1956.

OTHER SOURCES

So far, seven boreholes have struck the Hassi Messaoud deposit in the Sahara, the proved oil-bearing surface being now 300 square km. In view of this, it has been decided to construct a 24-inch pipe-line to come out near Bougie. At present a 6-inch line is delivering a small tonnage to the coast. This made it possible to ship the first cargo of Saharan oil to the La Mède refinery on March 3rd this year. Further drilling at Hassi R'Mel has confirmed a significant deposit of natural gas. The capital of the Compagnie Française des Pétroles (Algérie) was raised in the course of the year from Fr. 9,000 million to Fr. 18,000 million.

At 126,000 tons the petroleum output of the Lacq deposit in Aquitaine continued its decline in 1957. The constructing of the installation for working the gas deposit there continued, the 1957 output being 83 million cubic metres of methane and 28,000 tons of sulphur. The 15-year prospecting concession held by the Société Nationale des Pétroles d'Aquitaine expired in 1957, but was renewed for five years for a reduced area of 4,500 square km.

In July, 1957, the French Petroleum Company of Canada successfully placed an issue of 6 per cent preference shares; 95 per cent of its ordinary shares and 6 per cent of the preference shares are now held by the Compagnie Française des Pétroles.

Crude oil handled by the Compagnie Française de Raffinage amounted in 1957 to 6.6 million tons against 7.5 million in 1956.

The Company's subsidiaries in Portugal and Italy continued to operate with success. The Company has decided to take a 25 per cent participation in a new refining company at Strasbourg in view of the needs created by the Common Market.

Three new tankers were put into service during 1957. The fleet operated by the Compagnie Navale des Pétroles now comprises 17 ships of a total capacity of 342,000 gross tons.

PROFITS

Net profits amounted to Fr. 7,264 million. After allocation of a total of Fr. 5,176 million to various purposes, including a statutory dividend of 6 per cent per share, it was proposed that Fr. 2,088 million should be distributed in the form of a supplementary dividend of 6 per cent. The gross dividend was thus equivalent to Fr. 600 per share.

The report, the accounts and the proposals put forward by the Board were adopted.

STERLING INDUSTRIES LIMITED

CONSOLIDATION AND RETRENCHMENT

The Twenty First Annual General Meeting of Sterling Industries Limited was held on July 30th in London, Mr R. A. Harding (the Chairman) presided.

The following is an extract from his circulated statement:

This is my fourth Annual Review, and I am including as an Appendix a summary of the Group figures covering the past five years to give members a clear indication of the trends.

The formation of the present Board was initiated during 1954 and at that time the Bank overdraft stood at £170,000 and the net tangible assets amounted to £244,534; the 1958 Accounts showed a net Bank overdraft of £7,295 and net tangible assets of £406,461. This progress, coupled with an improved Debtor/Creditor position, was largely due to the retention of profits by the operating subsidiaries, and the restriction of capital expenditure to a bare minimum. Clearly any distribution of profits by way of dividends during this period would have seriously retarded the steps necessary to rectify the fundamentally unsound position in which the Company's affairs were.

Shareholders were asked to note the overall decline in the fixed assets, and the relatively low charge for depreciation in the Accounts for the year. It was essential for plant to be kept up to date and competitive, and this would require increased expenditure on new plant, which, in turn, would result in higher annual depreciation charges.

The need for capital reconstruction was readily apparent. The problem had been constantly reviewed by the Company's professional advisers, but a satisfactory scheme, bringing the capital into line with the assets employed, could not be applied until the cash position permitted both the purchase of necessary new plant and distribution of profits by way of dividends. Because the adverse trading conditions, encountered during the year under review, continued for the first quarter of the current year, the level of earnings was not yet satisfactory. Should trading results over the next few months show sufficient improvement to maintain a profit level comparable with the average earnings over the past four years, the Board expect to be able to put a reconstruction scheme before shareholders prior to the 1959 Annual General Meeting.

TURNOVER AND RESULTS

After taxation of £31,386, the Group trading profit of £75,215 for the year ended March 31, 1958, leaves a net profit of £43,829. The principal factors governing reduced earnings were an 18 per cent reduction in Group turnover, and an overall reduction in the level of profit margins, due to the absorption of ever rising costs and the intense competition encountered in the Company's principal activities. These difficulties were common to all manufacturers in the industries supplied and had their greatest effect during the latter part of the financial year.

Considerable encouragement could be derived from the report that all subsidiaries were operated at a trading profit. It was, however, emphasised that the reduction in turnover, and profit, from the main subsidiary, more than offset the increased turnover and profits of the three smaller subsidiary Companies.

In continuance of the policy outlined from year to year, the overall problems of management are constantly under review. Current activities are reflected in recent appointments to the Board, and all necessary steps will continue to be taken to ensure a steady and continued improvement in the Company's affairs.

The report and accounts were adopted.

TRUMAN HANBURY BUXTON & COMPANY LIMITED

INCREASED TRADE

The seventieth annual ordinary general meeting of this company was held on July 31st in London, Mr G. Dent, chairman, presiding.

The following is an extract from his circulated statement for the year ended March 31, 1958:

Our trade showed a satisfactory increase, which was more than double that of the country as a whole, and in the London area exceeded 5 per cent. Draught beer showed a small increase for the first time for some years, and this was mainly in high gravity Pale Ales. Our trade in bottled beers showed a further substantial increase.

Canned beer again shows a very large increase, although sales in this form of container form a very small proportion of total trade. The increase in sales of wines and spirits continued and our subsidiary, Gilbert Reeves, increased its turnover by 20 per cent.

The group trading profit rose by £175,847 from £1,236,447 to £1,412,294. After providing for taxation the group profit available shows an increase of £88,697 from £387,425 to £476,122. Your directors feel that stockholders are entitled to some increased return and recommend the payment of 11 per cent.

It is impossible to forecast the trend of trade during the coming year, but I think it may be difficult to maintain the exceptionally good results achieved this year.

The report and accounts were adopted.

THE EDUCATIONAL SUPPLY ASSOCIATION LIMITED

A RECORD YEAR

SIR HAROLD GILLETT'S STATEMENT

The Eighty-Fourth Annual Ordinary General Meeting of the Association was held on July 31st at Esavian House, High Holborn, London, W.C.1, Sir Harold Gillett, MC, FCA, Chairman, presiding. Included in his Statement accompanying the Annual Report and in his address to the Shareholders, Sir Harold said:

OPERATIONS

I am pleased to report a year of considerable progress. Both the Stationery and Furniture Divisions increased their turnover and profits. The newly acquired businesses, namely ESA Bookshops, Kenya, and The Elmira Furniture Company, Ontario, have, together with ESA (Canada) Limited, contributed very satisfactory profits to the Group during the year under review. The success of ESA (Canada) Limited is particularly gratifying after the hard struggle over the past three years and the executives there are to be congratulated.

An important development undertaken by Esavian Limited, under the management of the Furniture Division, has been the introduction of a range of office furniture in wood which has met with immediate success. A new showroom is being opened in London, at No. 185 Tottenham Court Road, as the headquarters of this section, which will also handle furniture sales to canteens, hospitals, and other non-scholastic organisations.

ACCOUNTS AND DIVIDENDS

The Consolidated Profit and Loss Account shows record trading profits for the Group amounting to £204,183 which compares with £137,936 last year. This profit, after writing off approximately £20,000 non-recurring expenses and providing £20,000 for the Employees Security Account, is the highest so far attained by the Group, and the Directors feel justified in recommending an increased dividend. At the same time they feel that restraint is necessary. The Group needs considerable sums both to finance home operations on an increasing scale and to meet the needs of the recently acquired businesses overseas.

The Directors therefore propose a dividend at the rate of 2s. per Ordinary Share or 10 per cent, less Income Tax, on the Ordinary Share Capital as enlarged by the recent one-for-one scrip issue.

EMPLOYEES' SECURITY ACCOUNT

The former Pensions Reserve of £25,000 has been transferred to an Employees' Security Account, to which has been added an allocation from the year's profits of £20,000. This is approximately 10 per cent of the profits and the transfer represents a step in providing a greater measure of security to employees and their dependants in case of sickness, death or on reaching retirement age. Your Board feel that to encourage continuity of service by offering increased security in employment cannot fail to be of advantage to the Group and those who work for it. In due course, it is the intention of your Board to invest this account outside the Company and place it in the hands of suitable trustees.

PROSPECTS

The new financial year has made a good start, with orders on the books in most cases in excess of last year's. The Furniture Division has obtained a large contract for the supply of school furniture to the Middle East. Demand at home for both equipment and consumable goods is expected to remain at a high level while the "bulge" in school population passes through the Secondary and Grammar schools.

Overseas the prospects are varied. Canada has a high rate of unemployment, which may result in a reduced demand for replacement furniture, although both school and house building continue at high levels.

CONCLUSION

The notable improvement in results has been achieved by much hard work on the part of the entire personnel. The "team spirit" has existed both in the Boardroom and throughout the organisation and I am sure members will wish to join me and my colleagues in thanking especially all employees of the Group for the splendid support which we have received from them.

The Report and Accounts were adopted and the retiring Directors, Major D. Thatcher, Mr Ian Anderson and Mr R. J. W. Appleton, were re-elected.

HACKBRIDGE AND HEWITTIC ELECTRIC

A SUCCESSFUL YEAR

The fifty-second annual general meeting of Hackbridge and Hewittic Electric Company Limited was held on August 6th in London, Mr Anthony M. Browne (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The trading profit of the Group amounts to £480,863 against £434,690 for the previous year. The improvement in the Company's results stems directly from the steps taken during the past few years in improving the manufacturing facilities in the factory.

As mentioned in my last report, facilities have been provided in the factory for the manufacture of a considerably greater proportion of transformers of the largest sizes in accordance with the highest technical and economic standards. We also had an order book enabling us to take full advantage of the production facilities during the past year; coincidently we have been able to increase output of the medium and smaller power transformers.

The Rectifier Division was also well placed with orders. The rectifiers manufactured throughout the year had the benefit of many improvements in design. As a result a record output was obtained for Mercury Arc Rectifiers.

Thus the reduced profit margins generally prevalent were offset over the year by the benefits accruing from capital expenditure, development work and resulting improved designs, and consequent increased output and productivity.

ESSENTIALS FOR FUTURE PROSPERITY

Only by maintaining production at this high level or raising it higher can similar results be hoped for in the future because profit margins are still falling. We know that we can get the production we had hoped for from the factory but we must also be able to obtain a sufficient value of orders to correspond with that high rate of production.

I am happy to be able to say, in this connection, that as regards large equipments we are already well placed with orders ensuring full working in the sections concerned throughout the coming year; and that if the intake of orders for the smaller capacity shorter delivery items continues throughout the year as hitherto, the same good position will apply to all sections.

After reviewing the progress of the company's various products the statement continued:

The net profit of the Group before taxation is £390,147 as against £350,299 for the previous year. Provision for taxation of £225,331 (as against £196,800 the previous year) leaves a net profit of £164,816 against £153,499. The Directors recommend a final dividend of 15 per cent making a total of 20 per cent.

In conclusion I feel that we have completed a successful year, successful in spite of difficult commercial circumstances, successful not only on its own account but in providing some new lines for expansion in the future.

I hope that in spite of the difficulties we face in common with all Industry today, we shall continue to give a good account of ourselves in the future.

The report was adopted.

MACONOCHIE FOODS LIMITED

TURNOVER MAINTAINED

The eleventh annual general meeting of Maconochie Foods Limited was held on July 31st in London, Mr R. S. Mays-Smith (the chairman) presiding.

The following is an extract from his circulated statement:

In my Interim Statement issued on December 23rd last I referred to the difficulties obtaining in the industry and indicated that trading conditions might well continue to be complicated for some time to come. I regret to say that this forecast has subsequently proved to be correct. The overall result is that, whilst the turnover has been maintained, profit margins have substantially decreased.

The trading profits of the Company and its subsidiaries for the year ended February 28, 1958, amounted to £67,000, compared with £150,000 for the previous year. After various charges and bringing back a provision for income tax no longer required of £5,000, the net loss of Maconochie Foods Limited and its subsidiaries amounted to £10,224.

Since the end of the financial year the turnover of the Group has been maintained at the level of the previous year, but, in the difficult trading conditions which still persist, profit margins continue to be affected. It is therefore essential that the profitability of the Group's trading be increased and the Board have again reviewed the whole of the organisation with an eye to effecting all possible reductions in overhead expenses without impairing the Group's efficiency or potential.

The report was adopted.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

CHIEF WORKS ACCOUNTANT

Required by a large manufacturing organisation in the Midlands to take charge of cost accounting at its main and outlying factories. Applications are invited from qualified accountants, aged about 40, who have had wide experience in up-to-date methods of industrial cost accounting and are accustomed to responsibility and the management of staff. The position will carry a substantial salary and participation in a pension scheme.

Replies (which will be treated in strict confidence) should give full particulars of age, qualifications and past experience, and should be forwarded in the first place to Price Waterhouse & Co., 3 Frederick's Place, Old Jewry, London, E.C.2.

A YOUNG ECONOMIST who intends his or her career to be in Marketing is wanted as Research Assistant to the Marketing Manager of a group of companies in the Paper and Stationery Trades. In a developing department this will be a progressive and rewarding job with the stimulating background of sales and product development. Likely applicants are those with a university Economics degree and a rub-off-the-corners previous experience of market survey/research; but in the final choice these qualifications will not be insisted on. Box 993.

WOMAN PERSONNEL OFFICER. A vacancy exists in the Personnel Department of The Mullard Radio Valve Co. Ltd. for a woman Personnel Officer who will be required to work under the guidance of the Senior Women's Personnel Officer and will be expected to take responsibility for the personnel function in a number of the Company's divisions. The work is in a large Personnel Department which is capable of giving the necessary training to help the successful applicant to make the best possible contribution to the function of the department. Applications are invited from young women who possess a University degree in Arts or one of the social sciences, and who are under 30 years of age. Previous industrial experience is not essential but applicants must have a serious interest in working in industry for several years. Apply in writing to Mr J. C. Ross, Plant Personnel Officer, New Road, Mitcham Junction, Surrey.

DEPUTY CHIEF ACCOUNTANT

An expanding Company in Southern England requires a Deputy Chief Accountant. This man will have broad general responsibility for a group of functions, including Budgetary Control, Management Reporting, and Ancillary Services, in a department using most up to date methods and machinery. He must be a chartered accountant with wide experience of industrial work, capable of exercising responsibility and framing policy to meet the needs of rapid growth.

The post will command a high salary and should interest [illegible] up to £2,500 per annum.

Apply with full particulars of experience and qualifications to Box 990.

THE SURVEYS DIVISION of a leading British Market Research Organisation has vacancies for executives and trainee executives. The Division is expanding rapidly and promotion will come quickly to successful candidates who show initiative and demonstrate that they are able to carry responsibility. Graduates in mathematics, statistics or one of the social sciences are invited to apply, in writing, giving details of their education and market research experience (if any) to Box No 719, R. Anderson & Co., 14 William IV Street, London, W.C.2.

NEWMAN ASSOCIATION DEMOGRAPHIC SURVEY OF THE CATHOLIC COMMUNITY invites applications from Social Science graduates with some knowledge of statistical methods for the post of Research Statistician to work on urgent, important and interesting research in the field of Catholic education, religious and population statistics. Salary according to qualifications and experience. Particulars should be obtained without delay from Hon. Secretary, 31 Portman Square, London, W.1.

STAFFORDSHIRE COUNTY COUNCIL
EDUCATION COMMITTEE
FURTHER EDUCATION DEPARTMENT

WEDNESBURY COUNTY COMMERCIAL COLLEGE

Applications are invited from graduates in Economics or Commerce, with an interest in Statistics, for the post of RESEARCH ASSISTANT. The appointment will begin on September 1, 1958, for three years. Salary £500 x £25—£550.

Form of application, returnable by August 16, 1958, and further particulars relating to the appointment may be obtained from the undersigned on receipt of a stamped addressed foolscap envelope.

J. H. P. OXSPRING,
Director of Education.

Dept. F.E.
County Education Offices, Stafford.

ECONOMIST

A leading firm of seed crushers, edible oil refiners and manufacturers of animal feeding stuffs requires an Honours Graduate in Economics to advise the commercial management on market trends. His work will be mainly connected with the buying of raw materials but may also deal with the demand for finished products. The applicant should be at least 25 years of age and it will be an advantage if he has had previous experience in industry or commerce in similar work. He will be expected to develop his own sources of information and must therefore have a flair for getting on well with people and for forming and maintaining friendly business relationships. The position will afford opportunities for foreign travel. The starting salary will be not less than £1,250 per annum; there is a pension scheme in operation and help will be given with house purchase.—Application forms from Personnel Manager, J. Bibby & Sons Ltd., Great Howard Street, Liverpool, 3.

THE GREAT EASTERN LIFE ASSURANCE COMPANY, Singapore has vacancy for Assistant to General Manager. Applicant should have good indoor life assurance experience and be not more than 35 years of age. Salary in vicinity of £2,500 per annum to suitable applicant. Liberal staff bonuses have been paid in recent years. Successful applicant would be required to contribute 10 per cent of salary to the Company's Staff Provident Fund, the Company adding a similar amount. Housing provided at cheap rental. Long leave with paid passage after three years. Applications, with full details of educational qualifications and experience, to The Great Eastern Life Assurance Co. Ltd., Box 797, Singapore.

KAYSER BONDOR LIMITED

Require Executive to take charge of their Statistical and Market Research Department. The man appointed will have had good commercial experience and statistical training preferably with an appropriate University Degree. The post will provide opportunities for progress. Applications with full information will be treated in strict confidence by the Distribution Manager, Kayser Bondor Ltd., Baldock, Herts.

FEDERAL GOVERNMENT OF NIGERIA

Following ACCOUNTANCY STAFF required for the FEDERAL TREASURY. Appointment on contract for tour of 12/24 months in first instance, with gratuity at rate £150 a year. Free passages for officer and wife. Assistance towards children's passages and grant up to £150 annually towards maintenance in U.K. Liberal leave on full salary. Free medical attention.

PRINCIPAL ACCOUNTANTS (M3A/44939/EN) Salary (including Inducement Addition) £2,244 a year. Candidates must hold recognised accountancy qualification, have wide accounting experience, and be competent to assume responsibility for organisation and efficient running of a division of Treasury.

SENIOR ACCOUNTANTS and SENIOR EXECUTIVE OFFICERS (ACCOUNTS) (M3A/44933/1/EN) Salary scale (including Inducement Addition) £1,728 rising to £1,962 a year. Outfit allowance £60. Candidates must hold recognised accountancy qualification, have wide accounting experience, and be capable of organisation and control of section of Treasury, with responsibility for training large staff. Applicants not possessing accountancy qualification, but who hold University pass degree or have passed final examination of C.I.S. or Corporation of Secretaries, considered for appointment with salary scale (including Inducement Addition) £1,608 rising to £1,824 a year.

ACCOUNTANTS (M3A/44929/EN). Salary according to age and experience in scale (including Inducement Addition) £1,290 rising to £1,962 a year. Outfit allowance £60. Candidates must hold recognised accountancy qualification. Write to the Crown Agents, 4, Millbank, London, S.W.1, stating age, name in block letters, full qualifications and experience and quote reference number shown against post applied for.

GOVERNMENT OF THE FEDERATION OF RHODESIA AND NYASALAND

VACANCY FOR BIOMETRICIAN

Applicants should be fully qualified Consultant Biometricians. Duties include design of experiments in all phases of Agriculture and Animal Husbandry Research and analysis of data and related statistical practice. *Starting Salary*: £1,700 on scale rising to £2,050. Application forms and further details from Secretary (R), Rhodesia House, 429 Strand, London, W.C.2. Closing date for completed application forms: September 7th.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of Lecturer or Assistant Lecturer in Economics. Salary in scale £700 x 50—£850 per annum (Assistant Lecturer) or £900 x 50 x 75—£1,650 per annum (Lecturer), with —£1,350 x 75—£1,650 per annum (Lecturer), with F.S.S.U. and children's allowances.

Applications should reach the Registrar, The College, Keele, Staffs, from whom application forms and further particulars may be obtained, not later than September 5th, 1958.

THE R.I.B.A. require a young graduate in statistics, or economics with statistics as a main subject, to assist in a series of inquiries relating to the architectural profession and the building industry. Some experience in research work desirable though not essential. The appointment is for one year in the first place, at a salary of between £650 and £850 according to age and experience.

EASTERN FEDERATION OF BUILDING TRADES EMPLOYERS

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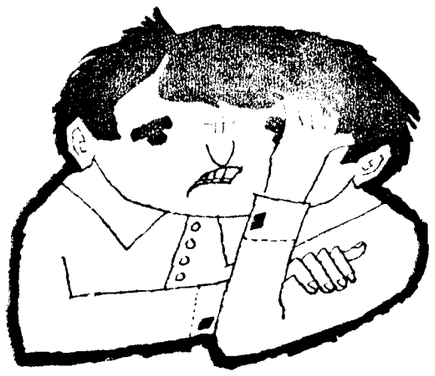

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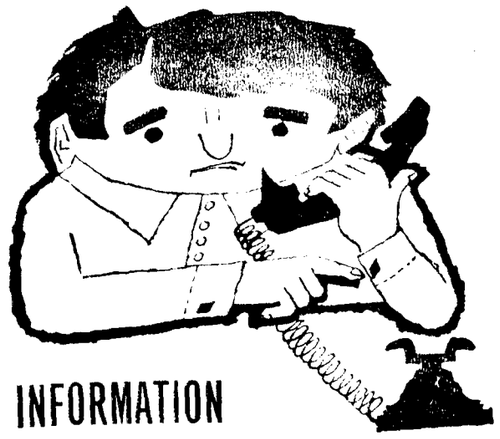

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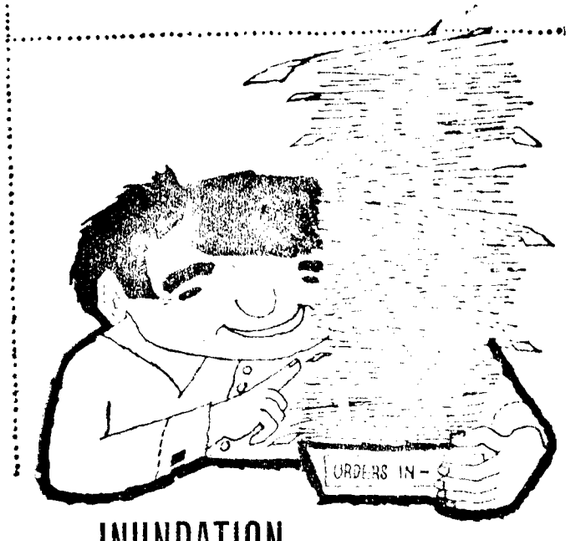

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The Economist

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UNDER SECRETARY 22 AUG 1958

The World and the Arabs

The air is thick with plans for the Middle East, Mr Eisenhower's and others. Their prospects call for sober assessment (page 507).

After 4½ per cent

Following the new Bank rate, what now? (page 509).

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Guidance for British hosts and advice for visiting Russians (page 510).

Emergency in Slow Motion

Our special correspondent reports from the United Nations General Assembly (page 537).

More Bucks for Smaller Bangs

Congress is concerned that present defence policy leaves the United States dangerously unready for limited warfare (page 530).

Aid for India

India's exchange crisis calls urgently for help in which Britain must share. But on what terms? (page 545).

Learning Not to Manage

A new look at the British Institute of Management (page 546).

Brendan Bracken

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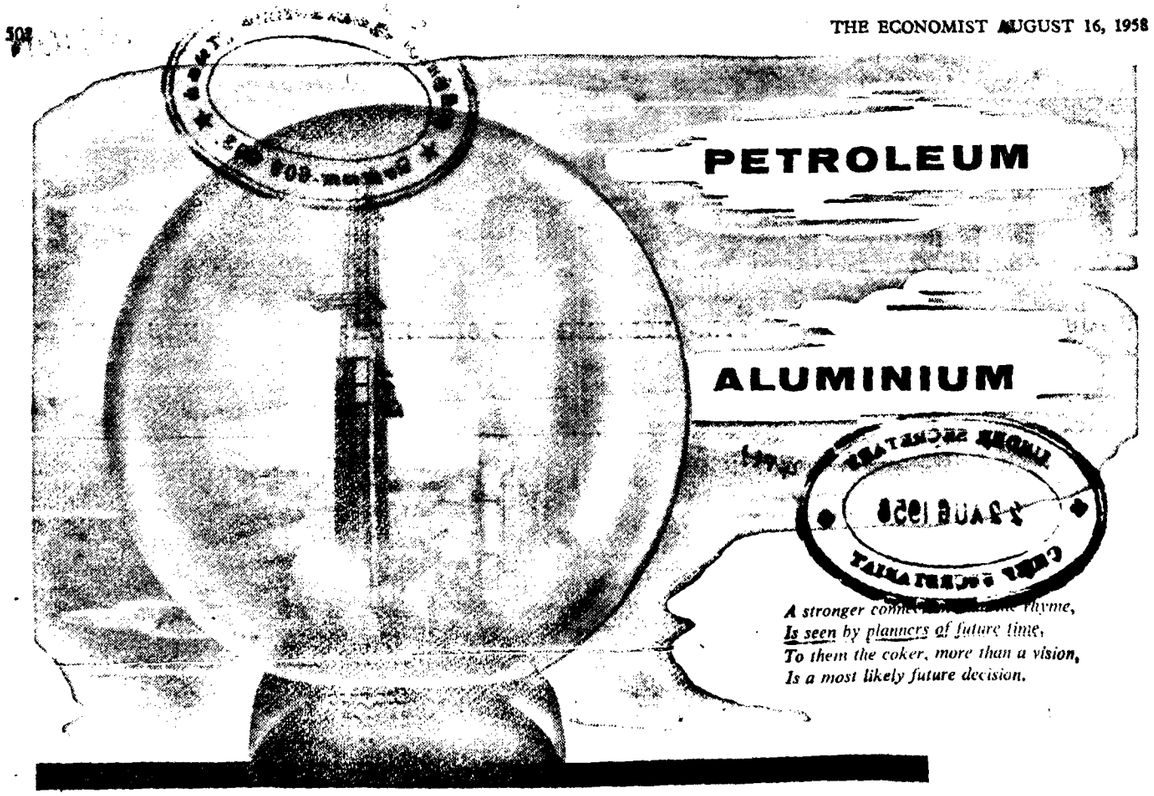

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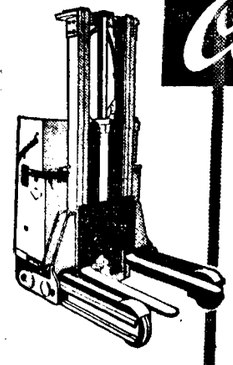

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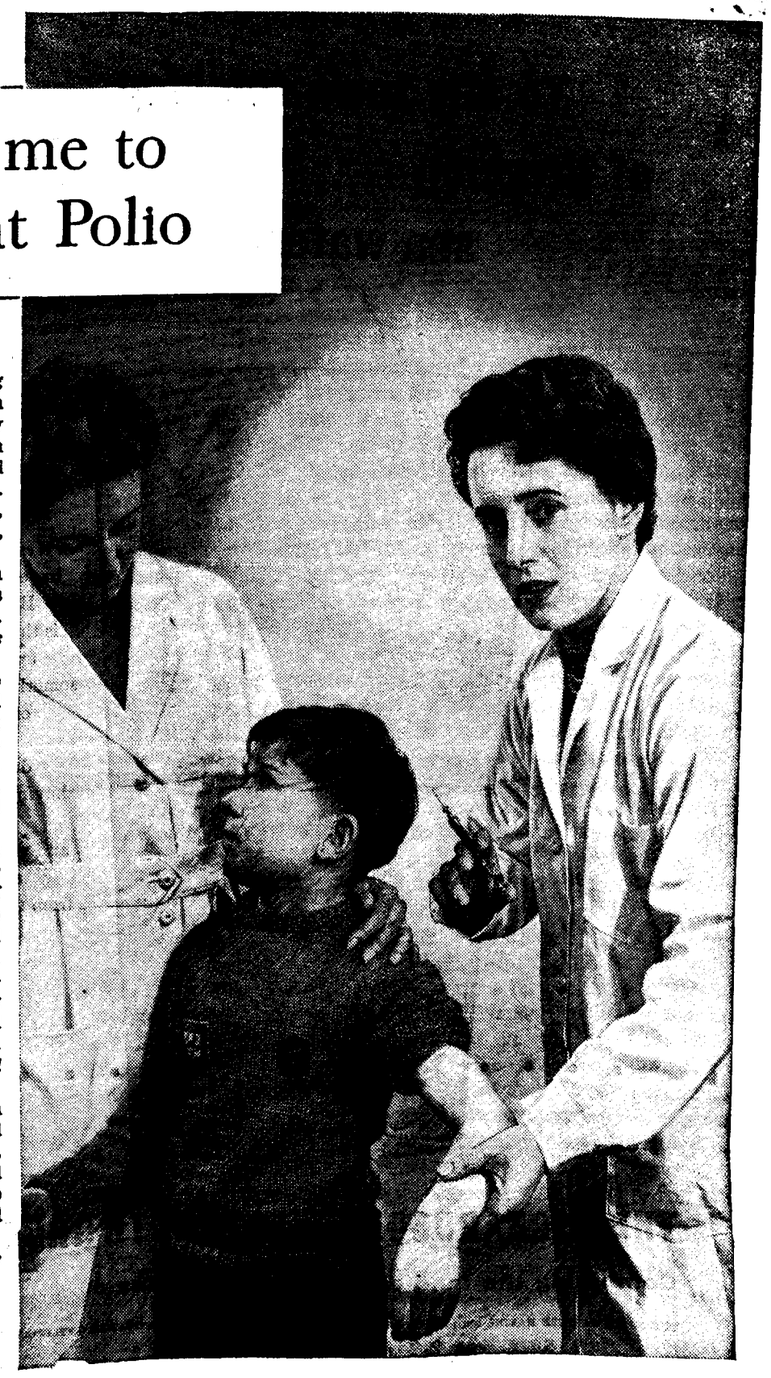

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*"Topical Aspects of Poliomyelitis" "Journal of the Royal Society of Health" Dec. 1956

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The Economist

AUGUST 16, 1958

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The World and the Arabs

DEPRIVED of the full spectacle of a summit meeting, the world on Wednesday was given the opportunity of hearing a voice from the summit when Mr Eisenhower addressed the emergency session of the United Nations General Assembly. The President renewed his pledge that United States troops would leave Lebanon when properly requested to do so. Of Jordan he said that the end of peace there, meaning the fall of the present government through what is now called indirect aggression, could have far-reaching consequences. Neither statement solves the problem that the landings have created, much less the problem that brought them about. Does Mr Eisenhower mean that King Hussein's departure would bring the world again to the brink of war, as the Iraqi revolution did? That would be the wrong lesson to draw from the events of the past month.

Some passages in the President's speech suggested an awareness of this. He went out of his way to avoid a quarrel with Arab nationalism, of which the revolution in Baghdad was a genuine expression. When he asked the assembly to create a United Nations "standby" peace force, he was making a gesture of conciliation; the United States troops on land in the Middle East would in effect be replaced by the "presence" of the United Nations. This is consistent with the ideas that Mr Hammarskjöld put forward on August 9th as part of his own proposals for peace in the Middle East. But the role of such forces remains obscure. Are they to exert the direct influence which in the past belonged to the great powers? A special and permanent United Nations agency in the Middle East might be taken to have a further implication: does it mean that the members of the United Nations, including the Arab members, are being asked to recognise that the capacity of the Middle Eastern countries for independence is limited, requiring the presence of a policeman from outside? The British and French governments have for long, perhaps too long in some places, accepted this as a fact; but the Americans, full of natural sympathy and thoughts of 1776, and with no experience of being completely responsible for the affairs of any Middle Eastern country, have always supported all efforts to end mandatory and colonial ties. The Russians regularly proclaim their attachment to the principle of non-interference by the great powers.

The Arab countries (except for the late government of Iraq, which offended its Arab neighbours by joining the Baghdad Pact) have always rejected suggestions for concerted defence, partly from a determination to remain neutral, partly because every defence plan appeared to them as an attempt to re-establish outmoded controls. They may regard a "standby" force as just such another outmoded control; they may even begin, if the United Nations looks favourably on the plan, to entertain suspicions of the organisation's neutrality.

Similarly, when he asked the assembly to consider means for monitoring the radio broadcasts directed against national frontiers in the troubled

area, and for examining complaints from countries that think themselves endangered by external propaganda, Mr Eisenhower was proposing that the UN should do for the Arabs what they prefer to do, or leave undone, for themselves. He reminded the assembly that such broadcasts violated earlier United Nations resolutions, just as Mr Hammarskjöld last week reminded the Arab countries that they had all, in the past, pledged non-aggression and non-interference in each other's internal affairs. It has to be seen now if Mr Hammarskjöld is given some kind of machinery that will enable him to call any offenders to order. Will even this be enough to persuade the United Arab Republic to change the rasping tone of its broadcasts? Will the quavering voice of the popular Egyptian singer, Umm Kalthum, replace demands for the assasination of King Hussein and the resignation of Mr Dulles? The assembly cannot very well agree to muffle only those insults that are hurled in Arabic. What is to become of Radio Moscow, the BBC, and the Voice of America? It may quickly be found that all propaganda has deftly moved from recognised channels into the limbo of clandestine stations of unacknowledged parentage.

MR EISENHOWER'S strongest plea is for the setting up of a regional economic development plan to assist and accelerate improvement in the living standards of the Arab people. The suggestion is admirable, but any attempt to win over the Arabs by furnishing technical and economic aid may run into the same soft sand that has stopped similar offers. How many countries, other than the United States, are willing to furnish money and technicians through the United Nations? Even the United States Congress has been notoriously reluctant to channel its aid funds through an uncommitted organisation that has communist members.

Though Mr Eisenhower made it clear that the United States is willing to furnish a lot of money, he also implied that the Arab countries that can afford it should share in the task of bringing progress to the Middle East. True, these countries need to co-operate; but it is unlikely that the United Nations can make them swallow a plan of foreign inspiration for the purpose. The President made an eloquent plea; it remains to be seen whether his insistence on Arab management of the development scheme is enough to win over the Arabs themselves. Perhaps it would have been better to make the point without trying to make the sale so quickly. The Arabs have their own ways of dealing with each other which they understand and which westerners, too often, do not.

There have been few indications, except from President Nasser in his more expansionist moods, that the Arabs see unity and the sharing of oil revenues as quite the same thing. The pro-Nasser government in Iraq has made no move yet to offer any share of its oil revenues to Egypt, Syria, or Lebanon. None of the states of the Middle East, except Kuwait, is rich enough to consider sharing its wealth on any large scale. Each one that is blessed with oil needs every penny that the oil can bring it. The new government in Iraq will find, no matter what mismanagement it may seek to prove in stage-trials of former ministers and officials, that it cannot bring prosperity to all Iraqis overnight. Even if the Saudi government, recognising the storm warnings from the banks of the Tigris, were to stop building palaces and supporting battalions of princelings in ludicrous extravagance, it would take more than Aramco can ever pay to make Saudi Arabia a prosperous country. Even the Kuwaitis feel inclined to keep their oil revenues under their own control. The fall of the Nuri es-Said régime pointedly demonstrates that development schemes, no matter how well run or honestly financed, offer no quick cure-all for the ailments of the Middle East.

Perhaps it is unfortunate that Mr Eisenhower put such emphasis on water resources. Arabs will suspect him of trying to revive the Johnston plan for use of Jordan river water by Syria, Jordan, and Israel. Elsewhere in his address the President was more nimble in skirting the dangerous subject of Arab relations with Israel. No Arab government will accept the Johnston plan or take any other step towards peace with Israel until the Arabs achieve the unity of spirit, the family understanding, that they seek more earnestly than any kind of political unification.

If the United Nations, or an Arab development board, is to be charged with the task of making the desert bloom, where is the money coming from? Is the United States willing to pay for this in the same proportion that it has so far paid for the feeding of the Arab refugees? Out of a total of $231 million spent from 1950 to 1957 by the United Nations Relief and Works Agency, the United States found $172 million, the United Kingdom $47 million and France $10 million; only driblets have come from the Arab countries and the rest of the world. The Soviet Union freely criticises the wicked imperialist West for its action in the area, but not a rouble has gone towards the upkeep of the Arab refugees.

FOR all these reasons the President's proposals start the course at the United Nations with a heavy handicap. Yet there is much to be said in favour of their substance, and much to admire in the spirit that prompts them. Evidently the United States government has come to understand that Arab nationalism is not the same thing as communism, even if it has received help from Russia. It shows a genuine concern for the prosperity and health of the Arab people; through the President, it has paid the proper amount of respect to Arab contributions to knowledge; its offers are so generous as to be staggering. It would be greatly to their own advantage if the Arabs agreed to accept all the Eisenhower proposals. Richer countries elsewhere in the world would not hesitate to reap the benefits he offers to the Middle East. Can it be hoped that the Arabs will hesitate to refuse?

After 4½ Per Cent

There is little evidence that Britain faces a serious recession, but rather more that it could soon afford re-expansion.

BANK rate reductions in August are generally as rare and unseasonable fruits as strawberries in January; both emerge only from deep freezes. Yet Thursday's reduction to 4½ per cent had been widely expected. The talk in the City is all of how much further the authorities would be wise to go, during the rest of this year, in the direction of gradually relaxing restraints on demand. Faster now, or not?

There is no doubt that British industry's productive capacity is at present considerably under-employed. This is not a new or surprising thing; indeed it has been a deliberate aim of policy. What is new is that there is now some evidence that a moderate re-expansion of demand should no longer fall foul of three of the main limiting factors by which Britain's economic management has hitherto had to be restrained. In the first place, the Chancellor can feel less daunted by the fear of speculation from Zurich than any of his three immediate predecessors at this stage of any of the last three years. The doghouse season for sterling, when Commonwealth exports of staple raw materials are at their minimum and dollar payments are rising, still has more than half way to run—but so far the pound remains remarkably robust on the exchanges. Secondly, London's relative success in standing up to the long bus strike means that the authorities are probably better situated than in earlier years to resist the tendency of British trade unions to increase their wage claims by an ell wherever there is an inch of expansion in the demand for labour.

The third traditional limiting factor on re-expansion has been fear that an increase in demand at home would divert resources from the export of British manufactures. Exports have been one of the great successes of this year, and in singularly unpropitious circumstances; they are down, but not nearly as far down as many people expected that they would be. (In view of the sharp fall in the exports of the main raw materials from the overseas sterling area, this is just as well for the pound.) The most obvious explanation of Britain's relative export success is that manufacturers have sought out export markets more keenly when they have had surplus capacity available; one of the strongest arguments against re-expansion of demand is that it would be folly to throw this advantage away.

But this argument should not be pressed too far. It is noteworthy that the motor industry, which had its recession last year and in 1956, has this year increased both home and export sales together; moreover it has done so with a considerably smaller labour force than in the 1955 boom. There is some evidence that recessions, like slimming diets, are best for the health when they are over; although a short recession may be an important factor in goading industrialists into a search for overseas markets and into slimming surplus fat off their payrolls, yet it is in the days of recovery from recession that the real advantages of past severity are reaped. If industry as a whole could mark up the same sort of achievements during its recovery from the small recession of 1958 as the motor industry has done during its recovery from its recession of 1956-57, it would be the best possible thing for the British economy.

IF a Chancellor could order demand within the economy like a housewife orders supplies at the grocers, therefore, Mr Amory might well choose that the demands laid upon British industry towards the end of this year should be a little higher than those being laid upon it now. If he makes no further significant moves towards an easier policy, is there any chance that they will be? Or is internal demand doomed to fall further? There is more room for controversy about this than some prophets of depression seem to grant.

The sharp drop suggested by the industrial production index for June has led some people to suppose that the American recession is hitting Britain harder and earlier than had been expected. But it may merely have hit it earlier. Certainly, in the consumer goods trades, unemployment does not seem to have increased since June in the way that some people had expected. The threat of a recession in investment expenditure is perhaps more obvious, and there is a stronger case for early remedial action to meet it; large parts of private industry cannot now be particularly keen on adding to productive capacity which at present they cannot fully use. But, even here, it will be remembered that gloom about investment intentions was the main factor in leading many people to fear that the American recession of this year might turn into a serious American slump; and it is worth taking careful note of what is happening in America now.

American opinion has turned right round from apprehending a deepening of the recession towards expecting a return of inflation. So far, it is true, this seems to have been a revolution of expectations mainly, and one of its rather dangerous manifestations has been to lift share prices on Wall Street to a level patently out of line with current depressed industrial earnings. That raises the spectre that there could be a break on Wall Street this autumn, which might nip the resurgence of confidence in the bud. But it is an economic, sociological and psychological fact that when that rumbustious and mobile society has thought since

the war that it was going to have a recovery or a recession, then it has caused itself to have a recovery or recession. It is an exaggeration to say that in America confidence is all, but it is clearly a very great deal.

On balance, therefore, the most likely hypothesis is that American production indices this autumn and winter will begin to move up. If they do, it is difficult to see how raw material prices can long stay down; indeed some might stage quite a sharp recovery, which would bring succour to the overseas sterling area. But another result of rising raw material prices might well be to start other European countries buying too; industrialists do not usually continue with inventory recessions if the price of inventories has begun to go up.

Mr Amory, in any event, must base his policy at any given moment on a balance of guesses about emerging economic conditions. Perhaps the best guess now is that although by this mid-summer the American recession had spread some way to Britain (as had always been expected), that transatlantic recession is itself fading out—and at a time when sterling still seems unseasonably strong. The implication of this is to discount the cries of those who are urging Mr Amory that he must reflate in order to counter some supposedly dreadful threat of much heavier unemployment in Britain—but also rather to encourage him towards the belief that the time is approaching when Britain can afford to set itself the positive aim of raising demand and production. One expansionist measure for which there are good grounds is an increase in some public investment programmes—in particular, investment in transport.

But, in applying three other measures most obviously to his hand, there is a case for more circumspection. Some people in the City are expecting that there will be yet another reduction in Bank rate before many weeks are past. The past year has shown, however, that Britain derives benefit from having higher interest rates in London than in other international financial centres; and if raw material prices start to edge upwards, New York will not be the only foreign centre where interest rates go up too. Again, any Chancellor should have a strong bias towards removing the present untidy mess of controls over minimum down payments for hire purchase; but, apart from furniture, most of the industries producing goods for hire purchase are not at present those with much spare capacity, and a total remission of controls so soon after the recent strengthening of the sources of hire purchase finance could conceivably cause an undue surge in consumption. Thirdly, although the Chancellor should be looking forward with rising hope to the possibility of an expansionary budget next April, he certainly should not jeopardise that hope by the (always dubious) expedient of an autumn budget. The budgetary reform which Britain most needs is a reduction in direct tax. Administratively that is very difficult in mid-financial-year. Economically it will be all the more effective if it is left to mature until next April.

Across the Curtain

The attempt to "de-officialise" cultural exchanges between Britain and Russia has not been given up, but in an adverse diplomatic climate it is proving uphill work.

UNDER the sponsorship of the Soviet Relations Committee of the British Council, about a hundred incoming and outgoing delegations have passed between Britain and the Soviet Union in the last three years. Much energy and money have been spent on them on both sides. What have they achieved? During the Arctic stillness of the deepest cold war, in the final years of Stalin's reign, a solitary visitor from the Soviet Union resembled a visitation from another planet. This is no longer so. Russian visitors to this country are rapidly becoming part of the familiar scene.

The contacts with Russia have meant different things to different men. The optimists expected greater cultural interchange to help to get rid of political difficulties. The pessimists were not only doubtful of the chances of this; they maintained that the contacts would confuse the issue and contribute nothing to mutual understanding between the two countries. What nobody foresaw in the course of this rather academic discussion was that the subject of cultural relations would itself become another area of diplomatic friction. Yet this has happened. The proposals made by the Foreign Office in April—to discuss, that is, such perennial questions as the free passage of information into Russia, the jamming of BBC broadcasts and the sale in Russia of British books and periodicals—were turned down by Moscow.

While the diplomatic exchanges proceed unfruitfully between London and Moscow, the delegations and visiting parties still pass to and fro. Theatre companies, athletes, violinists, and delegations of every kind and shape come and go; in the British Museum small groups of Russian tourists can be overheard discussing the merits of different types of African headrests. This summer, a group of eighteen teachers and students of English came from Moscow to a vacation course at Oxford; in September, fourteen undergraduates studying Russian, and six senior members of Oxford University, are to spend three weeks in Moscow. There are five Soviet students at British universities on a more permanent basis.

This does not mean that the cultural exchanges exist

on a plane entirely divorced from political reality. After the Hungarian rising, cultural relations with Russia were broken off for a time. The Sadler's Wells company declined an invitation to perform in Moscow; several delegations had to be cancelled in the period between October of 1956 and March of 1957. Not until the spring of 1957 were activities resumed on the cultural front. During that cultural freeze, the Russians seem to have found it difficult to understand that the refusals of their hospitality were made independently of anything the British Government may have had to say in the matter. This belief, on the Russian side, in direct control and constant interference of the state in every sphere of human activity, produces one of the key difficulties in Anglo-Soviet cultural relations.

WHEREAS *kultura* is one of the state's many monopolies in the Soviet Union, the British attitude towards the higher manifestations of the human spirit, and towards entertainment in general, tends to be less tidy. This state of affairs makes not only for misunderstandings of a general nature; it also produces practical difficulties. Because the Russians are able to plan cultural exchanges well ahead, they are liable to interpret the British inability to do the same as a sign of an inclination to obstruct. At the same time, the state monopoly in culture usually produces a uniform crop: there are the vintage classics and the approved contemporaries. This saves the planners in Moscow much of the trouble of deciding what kind of art ought to be exported. Such decisions cannot be avoided in London. So far, the British Council's Soviet Relations Committee has sponsored the non-controversial, "established" art forms. The Stratford company, for instance, is always a safe bet. The fact that an adventurous play, like Mr Osborne's *Look Back in Anger*, had to go to Moscow under the sponsorship of the fellow-travelling Youth Festival Committee may be interpreted by the Russians as a sign of a divided front. Perhaps the Soviet Relations Committee should extend the field of arts that it sponsors.

This committee was originally founded to meet the challenge of the Soviet way of doing things. On the British side, the need was felt for some degree of co-ordination and planning of cultural exchanges. Mr Christopher Mayhew is the chairman of the London Committee; his opposite number in Moscow is Mr Yuri Zhukov, a former editor of the *Pravda*. While Mr Zhukov is perfectly content to carry on as before, the aim of the Mayhew committee is to "decentralise and de-officialise" contacts with the Soviet Union—a meritorious aim; but it is hard to see how, in the circumstances, it can be achieved. Apart from the difficulties in the planning and even the financing of the exchanges, if Mr Mayhew and his committee were either to stop functioning or if they limited their activities to a certain extent at least two fellow-travelling bodies would be only too willing to fill the gap; but they could hardly claim to be representative of anything in this country but themselves.

Apart from the political problems arising from these contacts with the Russians, some practical points have come up in the course of the exchanges. Since the Russians are now coming over to this country in large numbers, they are no longer the object of the same intense public curiosity. They should therefore not complain, as one of their delegations recently did in Scotland, when they are not given priority treatment by the press. Familiarity does not make news. The large delegation, which tends to be unwieldy and introverted, is on the way out. Smaller groups of men, with better opportunities for personal contacts with their hosts, are more in keeping with the times. But prospective hosts should note: experience of personal relations with the Russians points to the fact that some of them have an uncanny knack of putting us into the position of rather prim hosts: either they avoid every subject of interest, or they start shooting the party line too soon and too fast. The best interpreter is powerless to reduce the strain arising from these natural tendencies. This is a very real danger, to be avoided by every means. Young people, especially students, seem to be the best value, within their own terms of reference,

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COMPETITION IN ARMAMENTS

¶ But it would be well if we could know how far this principle of mutual and competing armaments is to go. As we have said, the plan of being well prepared for war in order to secure peace is altogether comparative. What is a good preparation, in one state of our neighbour's defences, will be *insufficient in another*. And if two great countries like England and France are to run a competition in this respect, where will they stop? We have all heard of the two brewers on each side of the Thames who alternately disabled each other's pumps, by alternately sinking their wells deeper, and who, after spending large sums of money, were at the end just in the same relation to each other as they were at first; when they might as well have solved the difficulty by agreeing to adopt a common level as they were ultimately obliged to do. France naturally relies upon her army: England, upon her navy. France has a large land frontier to defend: England, a seaboard, and nearly fifty foreign dependencies. England has never shown any jealousy of the superior land forces of France: France, till now, has not considered it necessary to cope with England in her naval force. In the case of France large land forces, in the case of England large naval forces, are not incompatible with objects of peace. . . . There is a minimum force required for the legitimate objects of each country in times of peace. What better use could be made of the friendly relations between the two countries than mutually to determine what that minimum is, and to abide by it? For each may rest assured that the best preparation for the great emergency of war, when it does come, is to husband the resources of a country, and allow its capital to fructify in the pockets of the people in times of peace, in place of squandering it in providing armaments and stores which, when required for use, are antiquated and useless. . . . England and France would do well to take a lesson from the two London brewers.

as far as personal contacts are concerned. Their visits should certainly be encouraged. Although with some of them no subject, not even the most sensitive of political topics, is barred, even they have a habit of falling back on the party line when pushed too hard.

The organisers of these exchanges can reasonably assure Mr Yuri Zhukov and his friends that the British are not bent on convincing Russian visitors that their political system is better than the Russian—but they would be glad if the visitors began to understand at least some of the differences between the two. The difficulties of contact with the Russians are there for all to see and discuss ; contact is in any case largely subordinated to the political issues of the day ; yet the exchanges resemble more a long-term experiment in pure research, of which no immediate and concrete results can be expected, than an exercise in the practical crafts of the politician or the business man.

Brendan Bracken

***The Economist* records with deep regret the death on August 8th of Viscount Bracken at the age of 57.**

BRENDAN BRACKEN was a man of rare distinction and personality. He did not make it easy for the world to judge him accurately. More and more he lived the life of a recluse, seeing only a small circle of old friends. He encouraged and enjoyed the mysteries about his own early life. The result of this withdrawing of his private self, combined with the fustian style of his polemics, gave the general public the impression of a genial eccentric.

Nothing could be further from the truth. As an operator behind the political scenes, as a lubricant to great events, he had great skill and many achievements. He succeeded at the Ministry of Information, where others had failed, and so made an important contribution towards winning the war ; the secrets of his success were complete candour and complete loyalty. He had the closest knowledge of ecclesiastical politics of any man of his time. He was a devoted and generous chairman of the governors of his own old school, Sedbergh. he had helped scores of young men on their way, and he was a sort of one-man employment exchange for the top posts in industry and the public service.

In 1929 he fought hard to buy control of *The Economist,* then still held by the Wilson Trust for the benefit of the descendants of the original founder of the paper. The trustees were prepared to sell if a purchaser could be found who could be relied upon to maintain the prestige and traditions of the paper. In association with Sir Henry Strakosch and others, the then editor (now Lord Layton) made a bid, but before the negotiations had proceeded far, Brendan Bracken entered the field on behalf of Financial Newspaper Proprietors Ltd., a company which he had lately formed to acquire a group of financial and other papers. Lord Layton recalls that he represented to Bracken that the editorial independence of *The Economist,* untied to any party or special interest, had from its inception been its greatest asset. Bracken entirely agreed ; it had, he said, been the intention of his group to maintain this tradition and he suggested that the two groups should buy the paper jointly and work out a constitution to guarantee the independence that both desired.

The result was a constitution which includes a provision that the appointment or dismissal of an editor of *The Economist* must be approved by a board of independent trustees. This arrangement remains unique in journalism and in the succeeding years no one was more concerned than Bracken to ensure the observance of its spirit and letter. He rejoiced in the paper's growing success and was jealous that its tradition of complete independence should be preserved for the benefit of future generations. To successive editors he was a wise counsellor, a rock-like shield against influence and pressure and a generous friend, whose words of encouragement were always perfectly timed—that is, when criticism was most rampant. *The Economist* pays special tribute to Lord Bracken's concern for its editorial integrity and to the stimulus of nearly thirty years' service as managing director.

The abiding emotion in the hearts of those who knew him is one of affection. That tousle-headed figure (the red turned almost grey in latter years) with the gig-lamp spectacles, the rich flow of words (and the wordless sounds, whenever he ran out of thoughts, to hold the stage until he was ready to go on), the outrageous things he would say and do—and behind it all one of the wisest heads, the coolest and most moderate judgments and the most generous hearts of his generation. Bracken never sought and rarely received widespread popular acclaim. Yet he lived near to the heart of the country's public life, rose to the top in many spheres (most notably at the Union Corporation and the *Financial Times*), and illumined with his rare gift of friendship an important circle of his contemporaries in this country and throughout the English-speaking world.

He kept to himself and bore with the greatest courage a most distressing affliction which caused his untimely death. He lived vitally and gave much of his personality to his generation. Brendan Bracken had still much to give ; for as the years passed his understanding deepened. His memory will remain vivid, refreshed by the thought of his zest for life and of his capacity for affection.

NOTES OF THE WEEK

CYPRUS

Pilgrim's Burden

SUSPENSE hangs heavily over Cyprus (and over Downing Street, too) while the outcome of the Prime Minister's tightly-packed visit to the eastern Mediterranean is awaited. From Athens Mr Macmillan went on last Saturday to Ankara ; on Monday he flew to Cyprus ; on Tuesday, back in London, he assembled the Cabinet to contemplate what must have been an uncommonly closely-figured balance sheet of the expedition. From being a slightly absurd but familiar Mediterranean survival of colonial days, Cyprus has grown in three years to be a nightmare hardly to be borne ; no one will sneer at the urgency of the Prime Minister's intervention.

What can he hope to have achieved ? He carried round with him, like Pilgrim's burden, the Government's proposals of June. He has said nothing, of a specific kind, about the reception he got ; but the Greeks have left no doubt that they would agree to co-operate in the application of the June plan only if certain changes were made ; while the Turks, like Tweedledum, declare that the June plan would be more than they could swallow if a word of it were changed to please the Greeks.

This being so, the only hope would seem to be to announce a new plan which the Greeks could consider different enough, in the material ways in which they desire it to be different, for it to be possible for them to accept it ; while the Turks could consider it to be just the same as the June plan. To suit the Greeks, it would not have to appear to exclude the possibility of a Cypriot choice for union with Greece at the end of seven years or whatever the period of peaceful transition is to be ; and it would not have to appear to promote partition in the meantime, or explicitly to offer partition then. These are not in themselves unreasonable requirements ; since partition would be absurd to the point of indecency, it is not a solution that deserves lip service, as—after all—self-determination is. But the Turks do not think so, or at any rate they have utterly precluded themselves from saying so. To steer the Cyprus question between the rocks of disaster will require subtlety as well as sincerity. The Prime Minister has two factors to call to his aid: the one, that the slaughter is proving unprofitable for all ; the other, that the present Greek pleading that the door to self-determination should not be publicly shut is a far cry from the intransigent Greek demands of two years ago.

ISRAEL

The Interrupted Airlift

THE interruption of the British line of communication to Amman by air across Israeli territory continues. After the Israeli government had withdrawn its permission for the flights last week, flying started again, this time with American aircraft supplying the British troops ; it remained a puzzle why the Israelis would permit American flights for this purpose, but not British flights. The permission for American flights, however, proved short-lived, and this week the British force in Jordan was once again left with Aqaba port as its single line of communication.

Mrs Golda Meir, the Israeli foreign minister, proceeded to make a European tour. After a long talk in Paris with General de Gaulle, she came to London and saw Mr Selwyn Lloyd before he left for New York. She herself was not going on to New York, and in public she was reticent about what had brought her to London, merely saying that she was not here to discuss British flying across Israel. She was, however, far from reticent about Israel's need for arms, and it is known that the Israeli government has addressed a request for arms to London. No Israeli spokesman has been so tactless as to say that the request for arms and the withdrawal of the flying rights were in any way connected. Mrs Meir herself told the press simply that "there came a time when it (the airlift) was going on too long". Other responsible Israelis have indicated that what perturbs them about the British "rescue" operation in Jordan, and indeed about the American operation in Lebanon, is that they have been given no indication of the general policy of which the "rescues" form a part ; they hint at a suspicion that the "rescues" do not form a part of any policy at all ; they would like to know what further aims or objectives the Anglo-Americans might be pursuing in the Middle East. Since those aims or objectives, if there are any, are bound to affect Israel in one way or another, the Israeli curiosity about them is pardonable. Still, it is not likely that they stopped the airlift out of mere curiosity ; for a concrete motive, it is probably necessary to look at Mrs Meir's evident preoccupation with arms deliveries that might restore the present—in the Israelis' view—adverse course of the arms race between President Nasser and themselves. A message from Tel Aviv on page 539 describes the pressure of Israeli opinion on Mr Ben Gurion's government. The British action in Jordan is not popular there ; to be able without imprudence to go on extending facilities for it, the Israeli government would want something to show in return.

LEBANON

The Road Back

THE three-month-old Lebanese crisis appeared to be entering a less critical period as the first withdrawal of American troops began on August 13th. The withdrawal was quite small ; 14,000 Americans, a force perhaps three times as numerous as the Lebanese army and infinitely more powerful, are left behind. It may have been a token withdrawal, to mark western readiness for conciliation as Mr Eisenhower went before the General Assembly in New York on Wednesday. But there was, at last, some indication that the Lebanese were ready to return to normal.

General Chehab's election as president of the republic had enabled Lebanese leaders of all factions, creeds, and parties to discover that there was no longer anything to be gained by keeping the insurrection going. Security forces collecting arms from civilians who carried them openly in the streets met no opposition, though one leader did suggest that the owners were entitled to payment for their confiscated weapons. All sides could claim victory and in doing so could hope to share the spoils. This is the kind of solution that the Lebanese have been seeking, and it would be entirely in keeping with the special code of Levantine political behaviour.

One of the more encouraging aspects of General Chehab's election was that it got as warm a welcome in Cairo and Damascus as in Washington and London. It will be the general's task, when he takes office next month, to keep the country in the good graces both of its neighbours, and of its more distant friends; but it will be still more important for him to help the sects and parties of Lebanon to find a way of living together as a nation once again. Only they can do this, no matter what the United Nations may decide.

JORDAN

The Isolated Kingdom

THE Jordan government is isolated geographically as well as politically. It has no relations with Syria, Iraq, or Israel, three of the four countries on its borders. Only the border with Saudi Arabia is open, and across it come none of the supplies of food and petroleum products that the country needs so desperately. Aqaba, Jordan's tiny port, is inadequately equipped for the amount of traffic that must now go through it. The land route northward from the port to the railhead at Maan is so difficult that it can hardly be described as a road. If the recent visit to Saudi Arabia of the commander-in-chief of the armed forces of the United Arab Republic means that the Saudis are again willing to co-operate with Egypt and Syria, then only Jordan and Lebanon—apart from the British-protected sheikhdoms—are still out of step with the forces of Arab nationalism. And even Lebanon now appears to be settling into some kind of respectable position in the eyes of Cairo.

On Tuesday a military court in Amman sentenced 12 Jordanians and one Syrian to death on charges of attempting to raise an armed revolt against the Jordanian government. Ten other death sentences were commuted to prison terms. The question arises whether these trials, and the severe sentences imposed, actually increase the security of the state, or if they merely strengthen the determination of some Jordanians to hasten the fall of the present government. Will those who want to undermine King Hussein's throne be intimidated, or will they resolve to be more careful? Perhaps they will decide to wait until they believe complete success is in sight; and there is always the chance that the British troops will leave the country again.

Even to Jordanians with no inclination to violence the future must look uncertain. All of their neighbours, except Israel with which they are nominally at war, have joined up with President Nasser or received a friendly nod of approval from him. No matter how much loyalty they have towards King Hussein they cannot be very happy to see their country, which cannot offer them very much even in better times, alone in the middle of the Arab world.

WAGES

Buses go to Court

EMPLOYEES of private enterprise bus companies outside London have been offered the same 5s. a week wage increase as London Transport's country bus crews got. Inevitably, the Transport and General Workers Union and the other unions concerned have rejected this offer as insufficient; but the interesting thing is that they have merely asked that the matter should be referred to arbitration by the Industrial Disputes Tribunal. No doubt the TGWU is trying the Tribunal because it tried the Industrial Court last time; the important point is, however, that any arbitration decision made by the Industrial Disputes Tribunal is binding, while awards recommended by the Industrial Court are not. That the TGWU should submit a busmen's claim to compulsory arbitration, after all Mr Cousins has said against arbitration this year, is a significant thermometer reading of trade union attitudes now.

The Confederation's Expectations

THE Transport and General Workers' Union has also been on the side of the moderates at this week's annual meeting of the Conference of Shipbuilding and Engineering Unions at Paignton. The confederation's wage claim is the most important one on the labour horizon now. The twelve-month-long standstill on engineering workers' wages, agreed as part of the wage settlement in May last year, has proved to be more than a twelve-month standstill in fact—although some union leaders said at the time that they would never accept this. The employers' reply to this year's wage claim is expected the week after next; and it will not be surprising if final negotiations on it are spread out—until the final settlement appears as the beginning of the new year's bout of wage settlements rather than as the tail end of this year's. With Mr Ted Hill as one of the leading figures in the confederation, negotiations are bound to be excitable; but it seemed probable from the speeches at Paignton this week that what the moderates are aiming for is a 6 per cent increase plus some promise of eventual negotiations about a shorter working week. The employers are very unlikely to grant this in full; but as this year's pattern of wage increases has been for a 3 or 4 per cent rise after a year's standstill, the offer the unions eventually manage to wring after more than a year's standstill presumably might not be so very far below 6 per cent as to precipitate a fight.

In any case, apart possibly from Mr Hill, few of the union leaders at Paignton seemed to be looking for battle. The course of wage inflation this year has run less heatedly than seemed likely immediately after the railwaymen's partial victory-through-negotiation in May; if Mr Cousins had accepted London Transport's offer to his busmen immediately after that railway settlement, the odds are that more unions would by now have got more employers a little further on the run. But the last few chastening and unsuccessful weeks of the London bus strike, and its still more chastening aftermath, sit heavily on the memory of many trade union leaders at this time. This is a more potent factor than the news that Mr Amory's efforts brought down the cost of living index by 1.7 points last month. This latter success has had such a puncturing effect on some trade union leaders' oratory that they seem to regard it as almost an unfair propagandist move; the reaction at Paignton, in shrewd premonition of some such news, was to table a motion which more or less said that the cost of living index must be a fib.

GERMANY

Nirvana or Limbo?

THAT Communist China has no representation at the United Nations is an anomaly often commented upon; Germany's exclusion from the same forum usually passes unnoticed. In the affairs of the United Nations, the rich and influential west German state still has no greater responsibility than that of observer. The present is probably one week in which Bonn does not much regret its freedom from the obligation to join in making difficult decisions. Throughout the Middle East crisis the Germans have naturally been thankful for the good luck of their detachment. Yet at the same time, and just as naturally, they have been uneasy at the thought of their impotence in affairs that may eventually touch them rather more closely.

The despatch of United States forces from bases in Germany was an involvement in which the Germans had virtually no say, and which might have had more embarrassing consequences. And there are signs that Bonn was disturbed by Mr Dulles's failure during his recent visit to unfold anything in the nature of a long-term western policy for the Middle East. Detachment cannot last for ever; but at the moment Dr Adenauer is holidaying in northern Italy and Bonn is perforce in a state between Nirvana and Limbo. East Germany, equally free of responsibility, has been notably active in the radio war which the Communist powers are conducting with such vigour in the Middle Eastern air.

THE MOON

Into the Space Race?

SINCE the first sputnik began to girdle the globe a few short months ago, scientists as well as space-fiction addicts have gazed ever more covetously upon the bland face of earth's one natural satellite: the moon. And on each Soviet anniversary, even the least likely ones in any Marxist-Leninist lunar calendar, the citizenry of the free world—alerted by an expectant press—has watched anxiously for the latest sign of Soviet scientific superiority in the slow, spreading red stain that would announce a direct hit by the Russian rocketeers.

Now advance publicity from Cape Canaveral—where publicity has not always been fortunate—anticipates an American attempt between August 17th and 20th. It will not, however, be possible for the simple observer of space and its contents to comment immediately on the accuracy of the American aim. It is extraordinarily difficult to hit the moon, but it is, apparently, easier to go right round the moon and back to earth again—which is what the American rocket is intended to do. If the American shot succeeds—and the first rocket is given no more than one chance in ten—it should be possible for the first time to say what the dark side of the moon looks like; scientists are still cagey about the odds on its looking pretty much like the bright side. Later shots, using "retro-rockets" to slow down the vehicle and achieve a safe landing on the lunar surface, will give more detailed information for the pioneer space voyagers' use. Some time this year—for Cape Canaveral has learned its lesson—the Pentagon's space agency and the US Air Force hope to announce a moon shot which will even put the Navy's *Nautilus* back in the last ice age.

Meanwhile the laggards in the space race show signs of thinking again. The British Minister of Supply, Mr Jones, said in Melbourne on Monday that the Black Knight and Blue Streak rockets could "without much modification" put an earth satellite into orbit. The Royal Society, Mr Jones said earlier, would report to the Government on whether the expense would be warranted or not. Some co-operative Commonwealth effort may be envisaged. No doubt the scientific urge to experiment is strong, but many a taxpayer may reflect, ruefully, that assisting national prestige in the space race as well as the nuclear arms race seems an unnecessary burden. Are there already suspicions that the space leaders are about to go back on their promises to make the fruits of their research available to all mankind?

ELECTRICAL TRADES UNION

Waiving the Rules

IT is depressing, and in some ways surprising, that the latest revelations about the affairs of the Electrical Trades Union have not raised more of a public furore. When it was known that a statement was going to be made by a former member of the Communist party, who had had personal experience of the way in which the party "interfered" in ETU elections, some excitement was aroused in liberal and orthodox Labour circles. It was suggested that as a result of the new allegations the Registrar of Friendly Societies might be obliged to step in. In the event, however, the letter in the *New Statesman* from Mr Young, the ex-communist concerned, has been generally regarded as familiar water over the dam.

The way in which these deplorable situations can arise in some unions is now perfectly well known; the excesses created by them can only be dealt with by new legislation. When a communist stands for election to some trade union office, he generally gets no more than the 4 or 5 per cent of the possible vote which a communist candidate for Parliament normally gets in a working class constituency; the difference is that in union elections more than 90 per cent of the electorate frequently does not vote at all. The communist, supported by his hard core of 4 or 5 per cent of the members, therefore legitimately secures election. Once the communists are in control of a union, or a district of a union, or even a branch, more active opposition to them is likely to flare up. But by then the comrades can make use of their powers of control—including, as a last resort, their own interpretation of which opposition votes can be disqualified as not having been cast "according to the rules."

Liberal newspapers then sit back and say that this is a problem which can only be solved by a show of greater democratic fervour by the "apathetic majority" of the union; this ignores the fact that, in a closed shop union, the rebel who sticks up his head too far labours under a real fear of being deprived of his livelihood. This is not a problem which affects members of the ETU alone; indeed, rather worse things go on in the lower reaches of some other unions. In some factories shop stewards fine members for

disobeying certain rules (such as working too hard), and there is no accurately audited check on where the money from those fines goes.

The legislative remedy is obvious. Where unions do not operate a closed shop, there is no need for a change in the law. Where they do, they should be obliged to register their rules—and those rules should include formal machinery for appeals against expulsions from the union, and should give men wrongfully hounded out of their jobs wider rights to secure damages for civil conspiracy. The Conservative Government has hitherto feared that any action it took which would incur enmity from some trade unions would bring with it an electoral kiss of death. The circumstances under which electoral opinion swung to the Tories this year, during the London bus strike, should have disabused them of this belief. It is extraordinary that the Government does not now see the overwhelming libertarian case—and, less important, the favourable political opportunity—for including the equivalent of a Companies Act for trade unions in its legislative programme for the next session.

STROMA

Islands Galore

HEADS are sadly shaken, these days, over the decline and depopulation of the remoter parts of the British Isles and especially over that of the Scottish islands. Once, it is said, these were a constellation of thriving communities proud of their authentic native culture, nurseries of hardy fishermen and crofters ; now, one by one, they are falling desert as their inhabitants drift towards the mainland fleshpots, leaving their ancestral heritage to the gulls. . . . The islands simply are not, in this day and age, places where Economic Man (or Woman) really wants to live.

This week brings news, however, which opens up a splendid new economic horizon for even the least attractive among them: news that the island of Stroma, which only the strongest-stomached can hope to reach unscathed across the atrocious Pentland tide-rip, where only 18 inhabitants now remain, may be sold by its present owner to an American radio network to figure as a prize in a television quiz programme. This is a dollar market which, so far as one can recall, has been tapped on only one previous occasion: when the winner of another American quiz programme was provided free, for a month, with the services of the Duke of Bedford's butler. It is therefore the more surprising that the deal has met with some opposition on the local county council: so much so, apparently, that the American cosmetic manufacturer who sponsors the quiz programme now threatens to stop the transaction, on the grounds that he " has quite a large overseas business and would not want to become a party to controversy."

The indignant councillors of Caithness should think again, and quickly withdraw their opposition. They seem to be confusing ownership with sovereignty (a mistake with which Americans should sympathise, being in colonial matters especially prone to it themselves). They probably envisage not merely a transfer of title deeds and the substitution of one absentee owner for another, but also a miniature Highland clearance and a further break-up of the Empire. This is to show at once too much and too little imagination. No one is going to cede Stroma to the United States ; on the other hand, the possibilities of the deal, considered as a precedent, are dazzling beyond the dreams of Caithness County Council. Suppose a fashion were to be started ; suppose that Scottish islands—no matter how small, inhospitable, and impractically far from the owner's home base—were to assume, in the estimation of otherwise sated American citizens, the place once held among the Yap Islanders by large, immovable pieces of stone currency. Odder things have happened. The economic situation of Scotland—which, whatever else it may lack, certainly has all the islands anyone could want—would be transformed. The dollar balance would be righted with something to spare. The entire national output of whisky could be consumed at home. And the Scots could afford to look pityingly at the luckless English, who, however intense the overseas demand for ducal butlers, have only a tiny, dwindling and possibly recalcitrant supply from which to meet it.

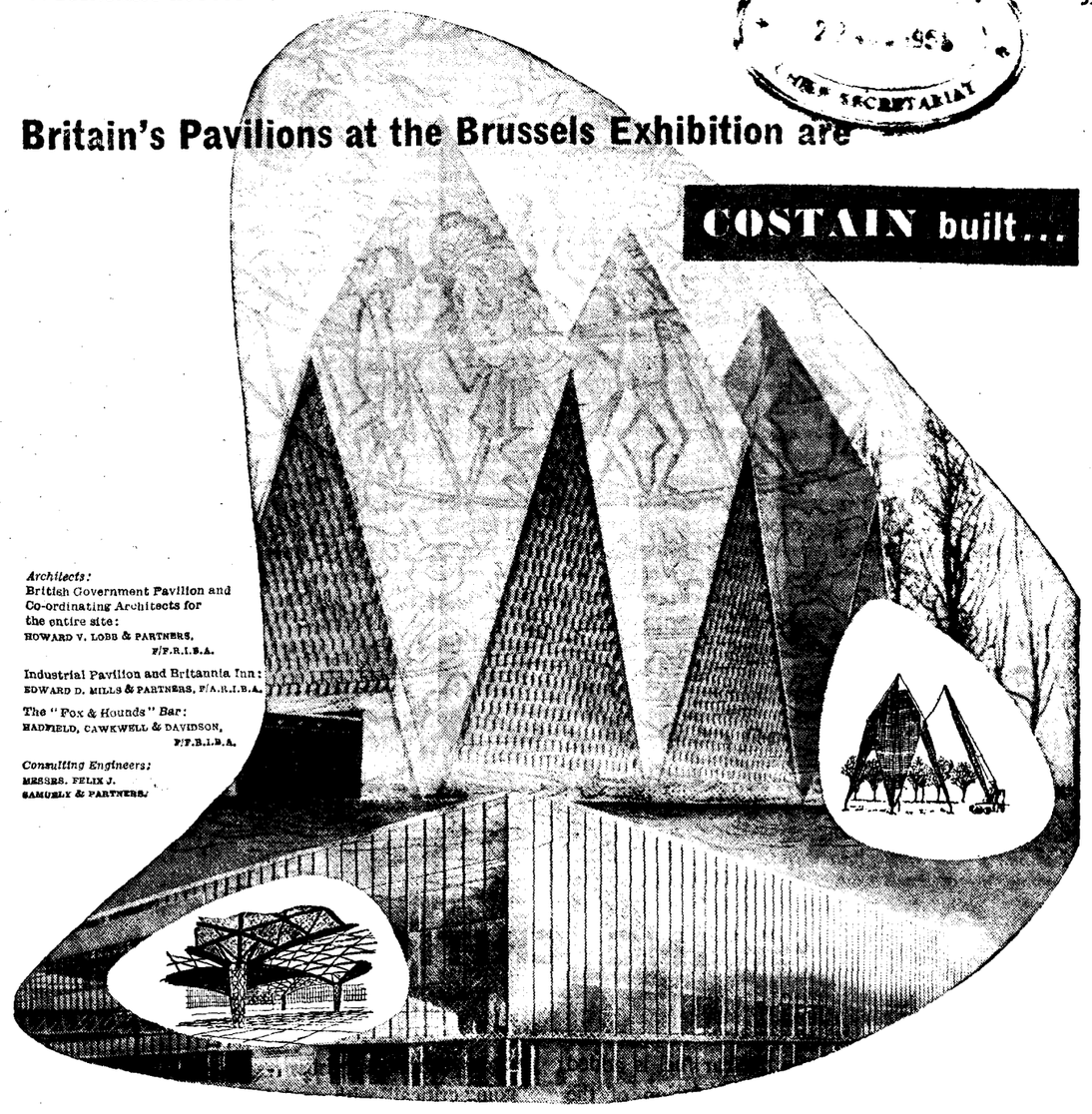
SIERRA LEONE

It Pays to be Bad

LAST week a delegation from Sierra Leone, including the governor and the premier, Dr M. A. S. Margai, kept its appointment on the crowded engagement-diary of the Colonial Secretary. They came to ask him for money. British Guiana and Malta went in before Sierra Leone—and the first got away with £5 million (with which Mr Jagan was bitterly disappointed and over which he now threatens a ministerial crisis) and the second with £4¾ million (with which Mr Mintoff would have been vociferously disappointed had he been there). Sierra Leone got less—mainly, one suspects, because it has not the same record of demanding money with menaces.

It is true that Sierra Leone has had one or two riots in recent years, especially during the diamond rush, but these were squashed before they got prominently into the London newspapers ; and Dr Margai is a mild-mannered gentleman who would rather slow down the onset of self-government than speed it up, and is particularly anxious that if the Queen visits Ghana next year she should find a few days to call on an ancient and loyal member of her domains. Last week, the British Government seems to have agreed to let Sierra Leone try to borrow £3 million from the London market next spring, and if it cannot get it, to bail the colony out. Something extra will probably be forthcoming from Colonial Development and Welfare funds under the new act. But at the same time Sierra Leone is to bear the cost of its own defence when it gets " responsible government," on the theory that Jordanian or Libyan arrangements cannot be extended to ex-colonies.

Sierra Leone wants at least £3 million to complete a development programme that it has financed from revenue for twelve years, during which revenue has risen from £2½ million to £10 million ; but now prices of its staple exports have dropped and the diamond boom is over (and most of the diamond money leaked away). But the country has a reasonably promising agricultural programme (for rubber, palm oil, coffee and cocoa plantations) ; diamonds are still a big export, and so is iron ore. It would seem to have a better economic case for a commercial loan than most other colonies, and a better political case for a good deal of help on generous terms. But cynical colonials will say that Dr Margai may yet have to screw himself up to muttering something about denying Freetown harbour to the navy before he gets Whitehall to recognise it.



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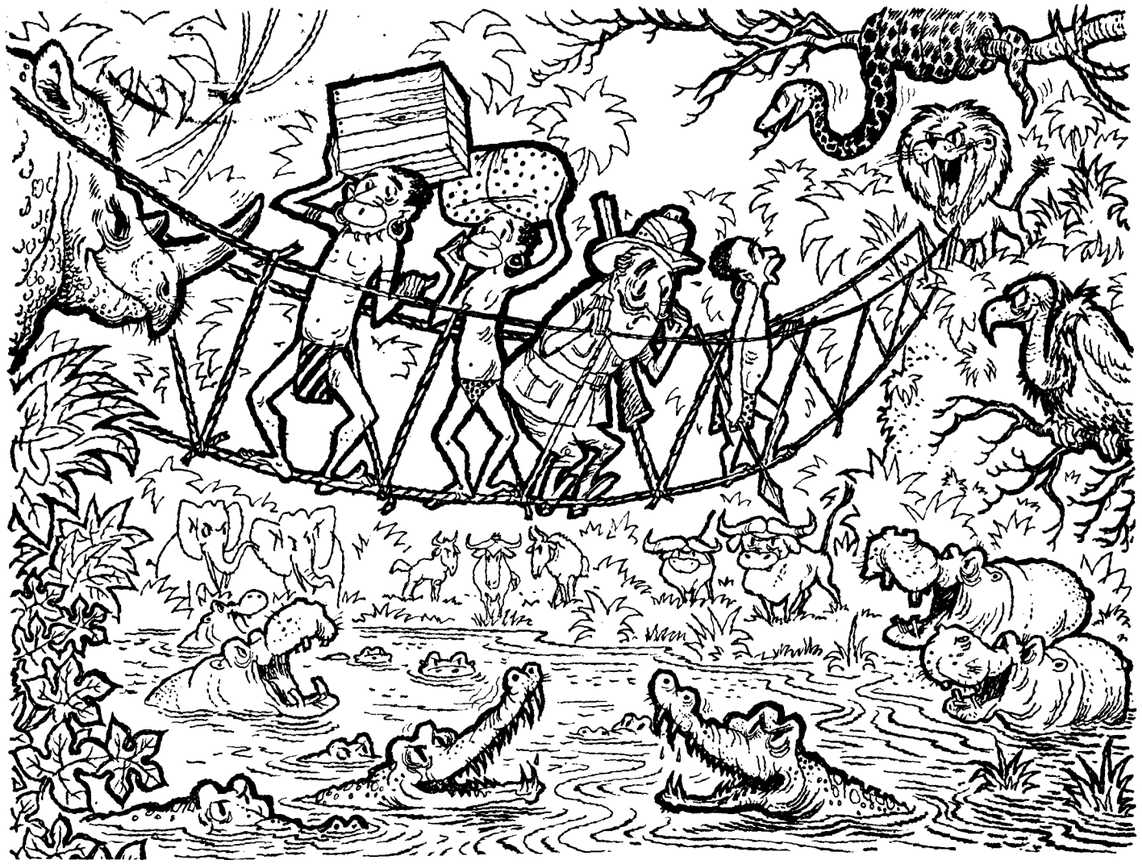

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FRENCH UNION

Safari in the South

GENERAL DE GAULLE will fly south from Paris on August 20th to Madagascar and the sprawling colonies of west and equatorial Africa; after a week's safari he returns through the more familiar, but still politically uncharted, territory of Algiers. The voyage is not exactly one of exploration. The general seems already to have made up his mind on the broad lines of his policy toward the French Union, and the verbal flexibility he showed before the consultative committee on the constitution in Paris last week did not extend to accepting the aspirations of Black Africa's advocates of independence within a French commonwealth.

He is offering the federal relationship, with internal autonomy, which the African moderates, in the person of M. Houphouet-Boigny, his Senegalese Minister of State, believe to be sufficient to guarantee African advance under French guidance and authority. General de Gaulle has rejected the idea of confederation, under which the overseas territories would receive implicit sovereignty, as too one-sided to be acceptable to French opinion; and it is on French economic aid that the African states must rely in the years ahead. The Africans have been warned that to reject the constitutional project in the referendum on September 28th will be to choose secession from the French Union "at their own risk and peril." Before General de Gaulle leaves Paris the constitutional project will have been approved—beyond amendment—by his ministerial council.

When the general sets foot in Tananarive, Madagascar's capital, the brief and bloody history of the French Union will have come full circle. It was in Madagascar in 1946-48 that the armed repression of colonial independence began, and achieved its initial success; Indo-China and Algeria have now taught another lesson. Can General de Gaulle, in the island where the first crimes of postwar colonial policy were committed, begin a new chapter? Can he save France, and its colonial peoples in Black Africa, from the terrible repetition of the mistakes in the Maghreb? Doubting voices have already been heard. The opposition in Madagascar is asking for a constituent assembly, formed by free elections under a full political amnesty, to conduct negotiations on the island's future relations with France. In Black Africa there are fears that the general means to break up the nascent federal systems established in the west and equatorial zones and deal separately with each petty territory. The 15 million electors of overseas France will be voting on an anxious future next month.

NORTH AFRICA

Quarrel in the Maghreb

THE strained and suspicious relations between the Tunisian government and the Algerian nationalist rebels (FLN) have not been improved by the seizure in Tunis on August 7th of the printing plates of the FLN newspaper *El Moudjahid*. The FLN has violently attacked President Bourguiba since early last month for agreeing to the construction of a pipeline through which French oil will flow from the Sahara wells at Edjelé to the Tunisian port of Cekhira, near Gabes. But last week's action in Tunis against the FLN paper, and against the Paris left-wing weekly *France Observateur*, may have wider implications.

Both were seized ostensibly for containing articles criticising President Bourguiba's pro-western and anti-Nasser policies, on which Arab feelings have again been roused by the American landing in Lebanon. The FLN's political headquarters in Cairo, reflecting its present patron's opinions, has now openly fallen foul of its old protector, a breach which could ultimately lead to serious repercussions on the status of FLN troops and training camps on Tunisian territory. Since the FLN forces, now hard pressed by the French on the Algerian side of the border, greatly outnumber the Tunisian army and are incomparably its superior in fighting experience, the military outlook for President Bourguiba is precarious. But the prospect of so damaging a split in Maghreb unity is something that neither side can very well contemplate. The FLN are making direct overtures in Tunis before they carry out their earlier threat to bring the dispute to the attention of the permanent secretariat of the Arab Maghreb, the formation of which was decided on at the Tangiers conference. The Moroccans are anxious to play the role of conciliators—even although there have been reports of clashes between the FLN and the Moroccans along Algeria's western border, where the FLN has never been given the freedom of movement it receives from Tunisia.

Within Algeria itself the French now report increasing FLN activity, probably connected with a major rebel effort in the next month to show their strength and discourage popular participation in the approaching elections. On its side, the French army in Algeria has already launched a massive psychological campaign, directed to secure an impressive vote for General de Gaulle from both Europeans and Moslems. The army is well aware that a failure in the referendum would be the most damaging of blows to the policy on which it embarked on May 13th.

COUNCIL HOUSE RENTS

Red Faces in Glasgow

THE Labour majority of the Glasgow Corporation now faces the uncongenial job—following a terse directive from the Secretary of State for Scotland—of putting right a twenty-year-long dereliction from its statutory duty. The report of the official enquiry instituted earlier this year revealed that the legal obligation to review corporation rents "from time to time" (a phrase interpreted to mean "as changing circumstances demand") had not been honoured, in spite of repeated efforts since 1938 by the Progressive (which means Conservative) minority on the corporation. As a result, corporation tenants continue to pay the five or six shillings a week then current, while buildings and repair costs have tripled, and the consequent additional deficit in the housing account amounts to 4s. 2d. in the total rate of 26s. 8d. This presumably means that any owner-occupier of a Glasgow house with a rateable value above about £65 a year has been paying more, in additional housing rates alone, towards some corporation tenant's rent bill than that corporation tenant has been paying himself.

The report (by the Dean of the Faculty of Advocates, Mr Shaw) scrupulously emphasised the corporation's right

to use its discretion in fixing rents, and in settling the subsidy element for different classes of dwelling. But it showed, effectively quoting the corporation majority's own spokesmen, that this discretion had not been exercised *bona fide* in the interests of the city as a whole, but to the exclusive benefit of the corporation tenants (including a certain number of the councillors themselves), and, latterly, as a means of exerting political pressure on the Government. There are clear precedents for regarding both these exercises as illegal.

The corporation has now set up a committee to prepare a climb down, and so escape the "further action" to which it had rendered itself liable under the Local Government (Scotland) Act of 1947; and at the next municipal elections the wicked Tory Government can be safely blamed for any consequent upheaval in the tenants' budgets. But the story should not be forgotten. It exhibits the *reductio ad absurdum* of the policy advocated by plenty of soft-centred socialists in other municipalities than Glasgow. It also offers as good an argument as could well be found against the Labour policy of general municipalisation of rented property—a policy one of whose ostensible benefits is claimed by its authors to be, precisely, the ability of local authorities to develop a rational structure of rents.

FALL-OUT

Better Safe than Sorry

THE report of the United Nations scientific committee on atomic radiation is a painfully honest document recording how the committee set out nearly three years ago to examine the consequences of fall-out on man, only to be baulked at every turn by the absence of two vital pieces of information. One was precise knowledge of the action of radiation on a living cell. The other was data about the effects of infinitesimal, as opposed to instantly lethal, quantities of radiation. A great deal is known about radiation strong enough to kill or damage in one blow, but almost nothing about the insidious effects of minute quantities of radio-active material drifting gently down from the stratosphere on to crops and pastures for as long as a decade after they first escaped in the fireball of an H-bomb.

Had more been known about the mechanics of radiation damage, the committee would have been in a better position to weigh the likely long-term effects of continuing or abandoning tests of nuclear weapons. Lacking this information, it could only proceed on the basis of increasingly involved assumptions, suppositions and extrapolations. "Present knowledge," concludes the report, "does not permit us to evaluate with any precision the possible consequences to man of exposure to low radiation levels." In the circumstances it is better to be safe than sorry, and to curb any addition to the amount of man-made radiation poured into an already contaminated atmosphere.

That contamination does not, however, come from nuclear weapons alone. Rocks, minerals, and particularly cosmic rays, create a continuous "background" radiation, ten times more intense in some districts than in others. If in the course of seventy years a man can expect to receive a dose equivalent to seven units (the unit, called a *rem*, measures intensity and biological effectiveness combined) then medical X-rays have added at least another seven units to this total, and bomb tests to date less than one unit even in the worst-hit areas. If tests continue indefinitely at the present rate then in a hundred years they will have added between seven and seventeen units to the radiation a man would expect in his lifetime. These are still quantities so minute that their effects defy measurement.

Young Bones

BOMB tests do, however, have a characteristic that sets them apart from other sources of radiation, their release of strontium 90. This element has a chemical affinity to calcium that causes it to be absorbed into bones, especially those of growing children. And here the committee stubbed its toe on a delicate political issue. The western child is partially protected from this strontium by the cow, which grazes on calcium-rich pasture and has no physical need of the biologically inferior strontium. The cow discards much of the strontium 90 she eats, stores a high proportion of the balance in her own bones, and passes on a relatively small quantity to the child who drinks her milk. But the eastern child, living on calcium-poor soil and drawing most of its calcium from crops like rice, will get a much bigger dose of strontium, partly because the plant will use strontium to make up for the soil's calcium deficiency, and partly because the plant cannot filter off the strontium as the cow does. So while the West's immediate concern must be to curb the medical use of X-rays and to improve the technique of using them, in eastern countries, where these medical techniques are scarcely used, the bomb remains a bogy to life and to the health of future generations.

This is the main burden of the report. No one knows whether radiation, particularly radiation from strontium 90, will actually have any physical or genetic ill-effects in the quantities in which it is likely to arise. Gloomily the committee surmises that any effects will be extraordinarily difficult to measure, and that the only hope of accurate assessment lies in research into the fundamental issue of what radiation does to the cell of the human body. In the meantime it is only sensible to regard radiation in any quantity as a menace, and any increase as undesirable. But to say that the report provides hard factual evidence for the immediate cessation of nuclear tests is to read more into its extremely tentative suggestions than the authors can have meant.

THE SUMMIT

Too Open Diplomacy

THE last of the uneasy stages by which the Middle East crisis percolated down to the General Assembly of the United Nations can be said to have been reached on August 11th, when Mr Khrushchev replied to Mr Macmillan's letter, thanking the Prime Minister for his agreement to the Soviet proposal. This took up Mr Khrushchev's first paragraph; he went on: "I could confine myself to this, were it not necessary. . . ." The rest of his letter he devoted to restatements and explanations of the numerous shifts in the Soviet position which marked the correspondence on the Middle Eastern crisis.

This correspondence will doubtless become the future historian's nightmare; it was used on all sides, not only as an instrument to deal with the international crisis, but also as a vehicle for propaganda. Playing up to the

interested audience was an important part of this all too public exchange of views: it is a game that Mr Khrushchev plays well. Such undiplomatic practices were first introduced by men like Trotsky and President Wilson at the end of the first world war; they were defended, in this country, by the Union of Democratic Control. Open diplomacy came to be regarded as essential to democracy. By now, a point has been reached at which all the top level futilities get wide publicity, while the foreign ministries stand and listen. Has anything been learned from the way in which the international crisis has been handled? With the practice as it is now, sincerity or the

North West Passage

COMMANDER ANDERSON and the submariners of USS *Nautilus*, closely followed by USS *Skate*, have demonstrated to the world that the nuclear-powered submarine is a new breed of ship, differing from its predecessors as much as steam differed from sail. This is the real lesson of the two trans-polar voyages, made possible by the singular endurance, range and underwater speed of the nuclear-powered submarines. *Nautilus* stayed submerged about 100 hours for a voyage of 1,830 miles under the polar ice, a feat which would be impossible for the conventional submarine, even though just such a submarine exploration of the Arctic was attempted as long ago as 1931 by Sir Hubert Wilkins. But the normal submarine, which must breathe to recharge its batteries, cannot, even with a snort, remain long enough under the ice-cap. Navigation under the ice requires a further modern development—inertial guidance to replace conventional types of navigational aid which become unreliable near the pole or under water. *Nautilus* and *Skate* have, in fact, the type of inertial guidance which is fitted in the Thor missile (and which will no doubt also be fitted in the Polaris missiles that these submarines will be able to fire). The nuclear-powered submarine has thus added the ice cap to the oceans of the world as an area for commercial navigation and naval strategy. The commercial and military applications of this opening of the North West Passage are worth comparison.

COMMERCIAL

Crossing *via* the North Pole shortens the trip from London to Tokio from 11,200 miles to 6,300 miles. But the quantity of bulk cargo, which is hauled from the Sino-Japanese seaboard to the European seaboard is limited and does not include mineral oil. The commercial routes through the Panama and Suez canals, long as they are, will still be more economical, until the flow of trade radically alters, because so much profitable cargo can be taken on and discharged at intermediate ports. Even the through cargo, like Japanese machinery, would always go by the cheapest route.

The polar route can therefore only come into its own when the cost of operating nuclear submarines becomes less than that of surface operating ships round the world. This will have to include atomic surface ships, which shipowners assume will prove cheaper at first than atomic submarines. But even the conversion of surface ships to nuclear power is not expected for ten years, and some shipowners think the nuclear marine engine will start becoming economic only when ships now building are due for replacement—in 20 years' time.

They may be unduly conservative. But shipowners foresee certain problems which will keep the cost of atomic submarines on the high side relative to surface ships with nuclear engines. To achieve the maximum economies of the power unit (not necessary in warships), commercial submarines will have to be large—and therefore of great draught. This would mean that when approaching shelving coasts they would have to surface, and therefore be capable of standing the stress of heavy weather for a considerable time—and that would add to costs. Moreover, service in such ships, after the pioneering stage was over, would be dull. This already makes it hard to man tankers, so that wage costs would be high relative to the costs of tramp operation. Commander Anderson's feat is not causing shipowners to recast their plans.

STRATEGIC

The military potential is much greater. But it is important to realise that (a) it is some way off and (b) in the long run it might benefit Russia, with its long Arctic coastline, rather more than the west. The virtues of atomic submarines armed with missiles have been fully discussed by strategists. The Americans are planning a fleet of 33, and if half of them carried missiles (16 apiece) the total broadside would be 250 megaton warheads, deliverable from ships lurking under the ice-cap. But the first Polaris missile is not likely to be operational until 1961, if then; Russia has time to draw level, and in any event the absolute advantage will not last long. The Americans claim to see two permanent advantages of having this weapon in the American armoury: (a) it will finally make impossible any Russian surprise attack which would knock out the western retaliatory deterrent "on the ground," since such submarines would be invulnerable; (b) it would lessen American dependence on overseas bases, which might make American relations with many countries much easier. It would reduce western dependence on the Suez and Panama canals.

These advantages, however, lie a good way ahead. To do all that is required of it, the Nautilus-Polaris weapons system must have a range of at least 1,500 miles, and must exist in quantity; by the time that has been achieved, the inter-continental ballistic missile will dominate the strategic situation, while, in the meantime, western coastlines will be highly vulnerable to much shorter-range Russian submarine-mounted missiles. And freedom to move under the ice cap, from Murmansk to Vladivostok, will give Russian submarines even greater manœuvrability.



desire for a settlement does not help the statesmen; they are prevented, by the very nature of the instruments they use, from arriving even at the first stage of a solution. Perhaps in the distant future there will be a return to old-fashioned diplomatic practice, which might give the ambassadors a chance to earn their keep.

CHINA

An Ally too Mighty?

MR KHRUSHCHEV'S retreat from the summit has provided striking evidence of the weight China now carries in the counsels of the communist world. Mr Khrushchev was in Peking from July 31st to August 3rd, on a visit evidently arranged at short notice. It is pretty clear that it was Chinese influence that persuaded him on August 5th to withdraw his agreement to a meeting of heads of government in the Security Council of the United Nations, and to propose a meeting of the General Assembly instead. The Chinese dislike the Security Council, on which the Formosa government occupies the Chinese seat. But the necessity imposed on Mr Khrushchev of retreating from his much-advertised position on the summit ridge was highly embarrassing. His pose of man of peace who will do anything and go anywhere to talk was broken rather abruptly.

It is not the first time that China has exerted what looks like a decisive influence in a reactionary direction in the domestic affairs of the communist block. Mr Mao Tse-tung seems to have been one of the actors in the drama that led to the execution of Imre Nagy. And the communiqué issued after last week's talks in Peking included a strong attack on "revisionism," particularly in its Jugoslav form. China's rulers, unencumbered by the problems of eastern Europe and still in an early phase of their own revolution, do not feel the same pressures to relax the severity of their Marxism as Russia's do. The Chinese evidently have little enthusiasm for Russia's efforts to win opinion in the uncommitted countries by aid and summitry. They want the Russian aid for themselves; and they are more concerned to fight their own battles in south-east Asia than with international relaxation. Evidence of Chinese militancy has been provided during the past fortnight by heavy bombardments of Quemoy and a concentration of air power on the mainland opposite Formosa.

Indeed, this evidence was already building up before Mr Khrushchev flew to Peking. It may even have been alarm at the prospect of a Communist Chinese diversionary action in the Formosa straits, which would have added a new great-power crisis to the existing tension in the Middle East, that caused him to go. If this is true, then Mr Khrushchev's change of course about a summit meeting may have been the price he had to pay to Mr Mao for being spared a Far Eastern incident just now.

There may even have been a further price. According to one report, China's military strength is now in course of being augmented with atomic weapons supplied—on what terms has not been said—from the Soviet Union. Has Mr Khrushchev had to swallow a Communist military version of the doctrine of interdependence?

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EASTERN EUROPE

Revisionists' Corner

THE Hungarian Ministry of Information has published a White Book on the trial of Mr Nagy, General Maleter and their associates; an English edition should reach London soon. Like the Hungarian note of July 23rd to the Jugoslav government, it submits new evidence concerning the activities of the accused. It charges a small group of conspirators with having plotted the 1956 rising a long time ahead. It also acquits the commanders of the Soviet troops in Hungary of illegal intervention and duplicity. At this point the White Book makes its most serious factual blunder, asserting that on the night of November 3, 1956, when General Maleter went to negotiate with the Soviet military command, he was arrested not by the Russians but by the Hungarian authorities. But the Kadar government was not formed till November 4th; now it has assumed responsibility for the abductions carried out at the Soviet headquarters at Tökol a day earlier.

The official Hungarian view of the revolution is now becoming clearer: the small band of conspirators worked closely with the Jugoslav government and there was no explosion of popular discontent. In publishing this White Book, Mr Kadar has clearly been obeying orders from above. But in addition to pleasing Moscow, he has also aimed at diverting public attention from the trials now taking place in Budapest, and at rounding off his case against the "conspirators" before the Jugoslavs reply to the Hungarian note.

While the note from Belgrade seems to be still in the making, the Jugoslavs have, for the first time since the outbreak of the crisis in the Middle East, defined their attitude to the concentrated attacks of the countries of the Soviet block against national communism. The last issue of *Komunist*, the Jugoslav party magazine, discussing the Sino-Soviet declaration of August 3rd, points out a striking contradiction in that it claims, on the one hand, that Russia and China are ready to co-operate with all "peace-loving forces," and on the other that the two powers will continue to fight Jugoslav revisionism.

Since Mr Khrushchev decided to use Stalin's methods in dealing with the communist régimes in eastern Europe, Mr Kadar, the former revisionist, has had to do more than merely toe the Soviet line. He has had to atone for past Hungarian sins. The Jugoslav heresy must be put in an evil light. Marshal Tito speaks a language that other east European communists can understand: this is the threat with which the men in Moscow have to reckon.

SOVIET UNION

Soldiers and the Law

MR KHRUSHCHEV persists quietly with his efforts to bring the officers' corps down from the privileged position it had reached in Soviet society. Soviet army papers have mentioned a project, likely to become law, to replace the courts of honour which deal exclusively with officers by "comradely courts" for all soldiers, without regard to rank. This used to be the procedure in the first twenty years of the Soviet regime until Stalin decided that, while the discipline of the ranks could be left to the commanding officers, an officer's misconduct had to be judged by his fellows in a court of honour.

These courts of honour were introduced on the eve of the war, when it was Stalin's policy to elevate the officers into a privileged caste. Their creation went with the introduction of finer uniforms, exclusive clubs, and bigger pay differentials. Stalin could afford to create such a caste, because simultaneously he held it in check by the strong arm of the security police. His successors, having weakened the MVD, found themselves contemplating the threat of a Bonapartist coup. Since the elimination of Marshal Zhukov in October of last year, they have been trying to weaken the team spirit of the officers' class.

Marshal Zhukov's fall did not remove the influence of the officers at a blow. It was necessary next to remove some of the distinctions and advantages on which their unity was based. General Zheltov, the political head of the armed forces in Zhukov's time, was replaced by General Golikov; since then, the army journals have been full of articles about the leading position of the Communist party in the country's defensive system. Officers cannot be stripped of all their privileges at once; the abolition of the courts of honour will be only one instalment of the plan to put the army in its place. International tension, however, acts as a brake in this drive. Officers' privileges thrive when thrive the armourers.

SOUTH AFRICA

Votes for the Violent?

THE South African government has brought a bill before the Union parliament to give votes to all young people aged 18 to 21—provided their skins are white. The immediate object of this extension of the franchise is to increase votes for the Nationalists, propaganda for whom is fervent in some of the schools. But perhaps it should also be discussed as an interesting democratic experiment. When young people have political views, these are apt to be violent. This does not necessarily mean that they are constitutionally liable to vote right or left according to the country—but it does mean that on specific issues, on which emotion runs high, they are apt to be more extreme than even their extremist elders. In South Africa the most emotional issue is undoubtedly apartheid—represented to the young as the wise and humane policy which the Nationalist party wishes to put through, but which the world, and especially the English and the United Nations, deliberately misrepresent. This should be a clarion call to most South African young people who will, all too probably, be ready to vote for draconian measures to put blacks in their place.

The South African government took as a precedent Kentucky and Georgia—where, however, Negroes can vote—and claimed its measure was no new thing. But it should perhaps consider what would happen if further countries, after examining its bill, decided to follow suit. It would not follow that the young people's vote in Britain would put Mr Gaitskell in power; this would depend on many domestic issues. But British, like Afrikaner, young people would tend to vote for extreme measures on emotional issues. One result no doubt would be an increased vote for unilateral abandonment of the hydrogen bomb. But another result, unquestionably, would be increased political excitability about the colour question. It is all too likely that a majority of young Britons, but a majority of no other age group, would vote for expelling South Africa from the Commonwealth; certainly they would vote against ever implementing that part of the act of union which might appear to promise handing Bechuanaland, Basutoland and Swaziland to South Africa.

SHORTER NOTES

The government of British Columbia may soon get rid of its most eccentric subjects: the Sons of Freedom, a faction of the Doukhobors, have announced their intention to emigrate to Siberia. The Doukhobors, originally a Ukrainian religious sect, with their doctrine consisting of a mixture of anarchism, adamism, and anabaptism, have always shown a healthy disregard for any form of state authority; it is to be hoped that they can preserve this tradition in Siberia if and when they move.

* * *

Marshal Voroshilov, talking at Brussels on Wednesday, took a surprisingly detached view of the Hungarian rising. He said that, in his view, neither a revolution nor a counter-revolution had occurred in Budapest, but that a number of people had behaved in an extremely foolish manner. He thought that Mr Nagy had been "just a fool"; to execute him had been perhaps excessively harsh. The Soviet president was giving his opinions extempore at the Hungarian pavilion at the Fair.

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The Index to *The Economist* is published quarterly. The subscription rate is 10/- a year; single copies are priced at 2/6 each. The Index to Volume CLXXXVII (April to June, 1958) is available from:

The Publisher, 22 Ryder St., St. James's London, S.W.1

LETTERS

Why More for Jets?

SIR—*The Economist* is among those who praise the airlines for their imaginative actions in staking more than £1,000 million on the "jet age." These people enthusiastically forecast lower operating costs from the big jets and look forward to "roses, roses all the way." But on the other hand there is a body of opinion which is concerned about the immense outlay on an economically untried form of transport—with its requirements for longer and stronger runways, expensive new air traffic control aids and noise problems—together with the financial headaches inherent in rendering obsolete great numbers of propeller-driven aircraft which still stand at substantial sums in the airlines' books.

Against this background you say that there have been "sharp cries of unfair competition" about the introduction of the jets and that there have been proposals for "putting a swingeing 25 per cent surcharge on all jet airliner tickets." How can any suggestion of unfair competition be levelled at what is, after all, a particular technical development? As for air fares, they are primarily a matter for the carriers themselves.

What has been discussed, however, is the possibility of easing the economic problems inherent in the introduction of the big jets by the evolution of a differential fare structure, whereby propeller-powered aircraft might be operated at, say, a ten per cent lower fare than the jets. This would, in fact, endorse an old transport principle of charging according to the service provided—in this instance speed—while offering to the travelling public the opportunity of paying less for a slower service at equal comfort.

As for relative costs, no firm figures can be available until there is evidence from jets in service. At present the theoretical formula calculations can be made to show that the "sea-mile" costs of the bigger jets may be marginally less than the proven "seat-mile" costs of existing turbo-prop aircraft. But, on any basis of estimation, the "aircraft-mile" costs of the larger jets is going to be substantially higher than those of any previous commercial aeroplane. Thus, if traffic is limited, the net financial result of flying the large jets is bound to give an inferior financial return than the turbo-props. In other words at, say, 75 passengers a trip between London and New York, the present turbo-props could break even at some 20 per cent lower fare than the forthcoming big jets.

This is the case for the differential. Without it the cost of obsolescence of existing equipment can, of itself, put the air transport operating industry into a serious economic plight. It is a much bigger issue than just an argument on fares. It is indeed the future of an industry which has—imaginatively or otherwise—staked unprecedented sums on speed at, so far, unknown cost.—Yours faithfully,

PETER G. MASEFIELD
Bristol Aeroplane Co., Ltd., Filton

★

SIR—I quarrel with the key statement in your business note a fortnight ago that "the difference in operating costs between the fast jet Caravelle and the slower turbo-prop Vanguard is negligible." I have before me a graph of operating costs prepared by the evaluation team of an airline, which shows that this "negligible" difference amounts to nearly .3 pence per seat statute mile at 500 mile stages, and to over .3 pence at 200 miles. This, to an airline operator, is, in fact, not negligible.

The Caravelle, being a twin engined aircraft, should of course be the cheapest of the pure jets to operate. The bigger four engined ones are for the most part hardly on the same cost graph as the turbo-props on short and medium routes.

You ignore a fact which lies at the heart of this matter, namely that it is not practicable to generalise on jet and turbo-prop comparisons. It is common knowledge that a pure jet needs a long run at operating altitudes (30,000-40,000 ft.) in order to achieve reasonable costs; that a pure jet is very inflexible as to climb and cruise procedures, and if made to fly anything less than an optimum flight plan it incurs high penalties. The turbo-prop has no such problems.

You also write: "On cost plus speed jet airliners have a handsome lead in any selling race against existing turbo-prop airliners and this is reflected in the industry's order books." This may be so in the long haul case—but it is simply not true on the shorter haul, for which 630 turbo-props have been ordered world-wide and under a hundred jets.

A word on speed. There is good reason to believe that on short haul, day in day out, the 425 mph turbo-prop will get there quicker than even the 600 mph jet.

Finally—differentials. You link this company with the demand for a 25 per cent jet surcharge. This demand has come not from the manufacturers, but from airlines. We simply state that there should be a cheaper fare for the turbo-prop on short/medium haul because it can be operated more cheaply and has an enormously greater earning potential. Whether that difference be achieved by charging more for the more expensive jet or less for the more economic turbo-prop is again the affair of the airlines.—Yours faithfully CHARLES GARDNER
Vickers-Armstrongs Ltd.,
Weybridge

Kenya's Black Highlands

SIR—I feel that some of the figures given in your article of August 2, 1958, must be queried and a less satisfactory conclusion reached.

You give the total area of the highlands at 52,000 black and 10,000 white square miles. Measurement on the maps provided in the royal commission report give for the 20 inch rainfall area 14,100 black and 8,900 white; and for the 30 inch rainfall area 6,500 black and 5,100 white. Of these areas alone does the royal commission report say (page 254, para. 7(b)) that therein "rainfall does not wholly or necessarily preclude cultivation." These are the areas which are worth considering.

The royal commission preferred a 30 inch rainfall (CMD. 9801, page 79) but if we take 20 inches as the necessary minimum, and subtract from the European area forest reserves of 3,950 square miles, and from the African area 1,050 square miles, we find 27.5 per cent of the land suitable for cultivation to be reserved for Europeans.

In 1953 there were in Kenya 5,644,000 Africans and 42,200 Europeans, 164,800 Indians and others. There were 222,600 African men, women and juveniles employed by the Europeans (royal commission report, page 164), or only 4.5 per cent of the African population. The Troup report, which one must not mention in Kenya without making some sign against evil, said there were only 4,000 Europeans engaged on 3,000 agricultural holdings. Mr Troup said (page 24) that the right size for a highland farm, except for the dry ranching areas, was 400 to 1,000 acres. There are 1,127 holdings of over 1,000 acres (Kenya Agricultural Census of 1954). Mr Troup says (page 25) that "the highlands are capable of highly intensive production." The royal commission report (page 61) says that "there are good African farmers and given the opportunity there could be more."

With these opinions and these figures in mind, can we not say with certainty that the best policy for Kenya is to subdivide all the land over 1,000 acres on the bigger arable farms into African peasant holdings, to be cultivated under control by proved farmers?

If we are not prepared to go as far as that, could we not admit that the undeveloped and unused land in the "white" highlands be used by Africans. In the Kenya agricultural census of 1954 it is shown that there are 883,200 acres of undeveloped and unused land in the white highlands; 545,700 acres are in production committee areas whose more than average fertility is shown by the high percentage of land under crops. Some of this land was unused because the owners had been driven out by the Mau Mau revolt and may be occupied again, but much remains underdeveloped.

Our chief concern must be to see that the conditions which caused Mau Mau are changed. Land consolidation is not enough. Has anything happened that makes these figures invalid? Is anything being done to meet the bitter resentment, recorded by the royal commission (pages 60 and 380), that the people feel about the land?—Yours faithfully,
London, SW1 T. FOX-PITT

Books for Brazil

SIR—Some years ago I suggested that a fair test of the degree of civilisation of a country was the way it treated books. Examined in that light, and at that time, Brazil came out badly. Since then, Brazil has demonstrated its high regard for books in a most convincing fashion; it has given them a preferential rate of exchange. But alongside this generous treatment are endless obstacles, some of them almost unbelievable. I will pass over the high consular charge, which makes consignments of a lesser value than £250 uneconomic, and thus delays shipments until the individual bookseller's orders reach that amount, and turn to a new obstruction that arose just before my recent visit.

In accordance with the Cultural Convention, of which Brazil is a signatory, it was decreed that books should be free of any customs duty. But when the law was passed, Article 66 of their customs regulations was overlooked, which, although it does not apply to certain books from Argentina, automatically applies to others. The effect of this oversight was startling. Books became liable to customs clearance charges, which, because of the peculiar method by which they are calculated, and the fact that they took no cognisance of the preferential rate of exchange accorded to books, vastly exceeded the duty that had been abolished. For example, in the case of Thor Heyerdahl's latest book, "Aku-Aku," the charge worked out at eleven times, and in the case of a medical book ("Tuberculosis in Animals and Man") at over forty times, the previous duty.

But this absurdity is but one of many, not intended, I feel sure, by the Brazilian Government. The degree of documentation which shipments to their country involve is such that for the port of Recife a shipper has to obtain twenty-one copies of each bill of lading, all of which have to be signed by hand. For all other ports in Brazil fourteen signed copies are required, whereas for the rest of the world four unsigned bills of lading usually suffice.

I cite these few examples out of many because it seems to me a tragedy that a country for which all who know it develop such admiration and affection should allow its bureaucracy to handicap its progress in such a devastating fashion.—Yours faithfully,

STANLEY UNWIN
George Allen & Unwin Ltd, WC1

BOOKS

From Protectorate to Nation

Le Maroc a L'Epreuve

By Jean and Simonne Lacouture.
Editions du Seuil. Paris. 383 pages. 1,200 frs.

OF all the daily newspapers in Europe, *Le Monde* is the most consistently provocative of thought, and here are two of its correspondents proffering a whole book on a subject with which it has throughout dealt with liberalism and competence—the transit of Morocco from French Protectorate to independent nation. Even the photograph they choose for their cover is stimulating—a Sultan in a sweat shirt borne above a sea of acclaiming hands and faces of blends that range all the way from Shem to Ham. Can Morocco, with all its diversity, be counted among the few lands in which a hereditary ruler still canalises nationwide emotion?

The testing-time of the title is the year or so immediately following the first exhilarating hours of independence. The shouting is over; travail has begun. It divides the young nation not into classic left and right, but into "resisters" and "movers"—into those who cling to privilege and tradition, and those who step out in search of new forms of unity, instruction and management. Given an under-educated country, can the latter group work as fast as its partisans would have it do "*without recourse*" (the italics are the Lacoutures') "to *the fatal facilities of totalitarianism*"? Egypt's angry young men have succumbed to the virus; Iraq's may yet do so; Morocco's, so far, have not, and the authors, writing turn and turn about, do their best to explain why.

At one point, they commend the Moroccans for their capacity to concentrate on the job ahead instead of wasting breath on recrimination, and they themselves display the same virtue. There are no postmortems on the Protectorate, which is described only when it forms a backcloth necessary to an understanding of developments since the return of the Sultan from exile in 1955. Among its contributions the authors cite, on the minus side, its omission to train the obvious heirs to the technical work at which it excelled, but, on the plus side, the visible example it set of the virtues of intellectual formation, and of hard work. The two legacies combined have caused an ancient and virile nation quickly to develop talents that no dyed-in-the-wool *Français de Casablanca* ever dreamed were there.

Just as, in Protectorate days, Morocco ran on oiled wheels so long as Sultan and French Resident-General worked together, so today the team Sultan-Istiqlal (Independence Party) works smoothly as a "mover" unit. But a third force is discernible. No—it is not the Berbers. The Lacoutures judge these to be so divided by tradition, and by dialect, that a combination of education (for which they crave) of rural development schemes (into which they are being drawn) and of city life (Casablanca is today the biggest township of Berbers in all Morocco) is fast bringing each Berber region closer to the central government than to other Berbers. The third force of the future is the trade unions, at present welded to the bourgeois Istiqlal but, potentially, a Labour party.

Whether, if this forms and breaks away leftwards, the Sultan will continue to command allegiance; whether Morocco will ultimately join an Arab federation, or will develop along the north-south axis that has carried it in history, from Poitiers to Mauretania; whether its young men will clamour, as Egyptians do, for city desks and higher education to the detriment of rural development and national literacy—these are among the problems discussed. All told, the descriptions of the new life that the country is living is more reminiscent of the Turkish than of the Egyptian revolution.

It has been working in the teeth of tremendous drawbacks. To mass unemployment resulting from the flight of French and local capital must be added the upsets caused by the Algerian war and also the worst year of drought in two decades. Yet in spite of many descriptions of beggary, uncertainty and disappointment, the general impression left by a most readable book is one of resilience, capacity and jauntiness. A Moroccan always stops the bus at the point where his foot first touches the road, without dreaming of walking the few yards to the regulation stop. His independence of mind may madden his fellow-passengers, but, as a national characteristic, it seems to be standing him in good stead.

Germany's Syndicalist Experiment

The Politics of German Codetermination

By Herbert J. Spiro.
Harvard University Press. London: *Oxford University Press.* 180 pages. 32s.

OF the many plans to transform society that flared up in the ashes of defeated Germany, one of the few to be realised in part was industrial *Mitbestimmung* or "codetermination," a scheme to give labour a say in business management. In the years just after the war when so much was being questioned, the German unions, encouraged by the British occupier who wanted to curb the power of the Ruhr owners,

adopted something in the nature of a syndicalist revolution as their first post-war ideal. On the boards of companies, in the plants and factories, in the great industrial federations, elected workers' representatives were to have a share in management decisions, carrying as much weight as the owners themselves.

The scheme sounds odd in British ears. But the climate and institutions of German industrial labour relations are very different from those of Britain. The traditional loyalty of the German worker to his patriarchal firm, the Marxist background of the union movement, the absence of craft unions with their mutual jealousies, the works councils left by the shortlived revolution after the first world war, which played the same vital part in relations on the factory floor as shop stewards do in Britain and America: all this contributed to the birth of the idea of *Mitbestimmung* at a time when workers and management were struggling side-by-side to rebuild their shattered factories.

Only a part of the objective was attained, for the reviving power of the employers held the unions in check. Representatives of labour now sit by law on the boards of all west German industrial corporations, but in an ineffective minority of a third. Still, the works councils, which the law, building on the tradition of the Weimar Republic, also makes obligatory, play a significant part in industrial relations, and in the coal and steel industry the unions won a more substantial victory. Five of the members of the supervisory board of each coal or steel company represent labour and five the owners, with an eleventh man, chosen by the two sides together, holding the balance. And the managing boards below, which carry out day-to-day business, include a labour director responsible for personnel matters and chosen by labour. On the face of things, labour has gained an influential place in Ruhr management.

The difficulty in studying this remarkable experiment is that, as with other features of labour relations, such as profit-sharing or incentive schemes, it is almost impossible to isolate its effects. There are firms without *Mitbestimmung* that have wise managements, decent foremen and excellent records in labour relations. There are firms in the coal industry, where the scheme is in force, whose record is black. Some surveys have revealed apparent profound if subtle shifts in the attitudes of workers where *Mitbestimmung* is in force—a stronger sense of participation in the firm, a feeling that grievances get a better hearing. Others suggest that this is wishful thinking, and point out that wages and profits are about the same in firms with *Mitbestimmung* as they are outside. And on both sides of industry voices can be heard muttering that the workers' representatives on boards, far from bridging the gap between management and labour, have become, as they don their smart grey suits and slip into their black Mercedes, more imbued with management's interests than management itself.

Mr Spiro has succeeded, perhaps better than anyone else who has tackled this difficult subject, in drawing up a fair balance of achievement. There are times, in the early part of the book, when his own language and thinking seem rather too embroiled with the theories that clutter up the subject and which he is analysing; but his fair exposition does bring home the fact that *Mitbestimmung*, if it has fulfilled few of the high hopes of its creators, is a living factor in German politics and in the German labour scene. It has made a contribution to the growing enlightenment of German management about labour matters. Daily contact with management has given trade unionists greater skill and flexibility in negotiation and has made them see their members' interests in an empirical light instead of in the terms of class war. And if the two halves of Germany are reunited one day the institution of *Mitbestimmung* and the labour leaders schooled in it may assume a broader role. If the state-owned factories of east Germany are to be merged smoothly into a free economy, the workers who have sweated to build them up will have to be given some say in running them.

Rendering Unto Caesar

The Later Herods

By Stewart Perowne.
Hodder and Stoughton. 216 pages. 25s.

THE sub-title of this book—"The Political Background of the New Testament"—*is an ambitious one, but the* claim it embodies is fully justified. In writing this volume Mr Perowne has coped with a problem considerably more difficult than that posed by "The Life and Times of Herod the Great," his previous volume; and he has coped with it as could no writer on the subject who lacked intimate knowledge, not only of the country, but also of the governing of its inhabitants. For of Palestine it is so true that *plus ça change, plus c'est la même chose* that only one qualified by experience to recognise and interpret the actions and reactions of Palestinians—who remain the same with the passage of the millennia—can extract the full meaning of much that this book relates. Former British administrators in Palestine will wryly endorse the parallel drawn by the author between the bombardment of the Emperor Augustus with Jewish complaints against the dead Herod the Great and his son Archelaus and those which the complainants' descendants would discharge at the Colonial Office—albeit by more rapid media—in the days of the Mandate.

Out of the fullness of his knowledge Mr Perowne can describe Palestine not only as "a country where tranquillity has never been accounted the *summum bonum*" but also as one "where words have never been recognised as necessarily a reflection of fact." So little have the lands between Aqaba and Aleppo altered in turbulence, in factiousness, in racial, sectarian and political fragmentation (except under the solidifying regime of the Ottoman Turks) that of some of the scenes and situations here depicted Mr Perowne might almost be writing (*mutatis mutandis*) eye-witness accounts taken from the Palestine of his day. Conversely, there was something prophetic about the Emperor Claudius's perception of "what widespread disturbances would be caused by any attempt to organise Jewish migration."

Chapter VI brings out well the causes of the restiveness of the Jews, a people highly conscious of the superiority they felt as a theocracy (Josephus's word) over the Romans—a feeling growing more uncontrolled after the death of the "shock-absorber," Herod the Great. Something of a shock-absorber, too, was Herod the Great's grandson, King Herod Agrippa I, one of the most fascinating, if not always one of the most edifying, of the major characters of this volume. In his earlier "trimmer" days, when he was struggling for survival, King Agrippa's pliancy, persuasiveness and aplomb, his ingenious but dubious financial expedients, his buoyancy while oscillating between success and disaster, suggest a certain affinity with the character and career of the late Horatio Bottomley. But Mr Perowne refers to him as one of the tragic "ifs" of history—he died prematurely after ruling his grandfather's reunited kingdom for only three years—so successfully did he achieve the miracle of pleasing both the Romans and the Jews.

It is upon a very different sort of Jewish leader that the author leans heavily for his facts. On Josephus the historian we have here a chapter that could well be an entry from the Dictionary of National Biography; but it seems hard to reconcile the industrious, meticulous, conscientious annalist with the Jewish guerrilla leader, resourceful and fearless, in a prolonged and desperate campaign against Vespasian and Titus before he became the trusted friend and protégé of his country's conquerors. Only Josephus, by the way, tells us that Herodias's daughter was called Salome: "one of the best known characters in the Bible is nowhere named in it"

The book abounds in illuminating vignettes and penetrating *obiter dicta*: the predatory activities of that "dingy bureaucrat," the Procurator-fiscal Sabinus; the definition of the undefined realm between religion and politics as "the danger-zone in any country"; the "lunar wilderness" of the Dead Sea landscape; the "established rule among terrorists whereby dog always eats dog"; the custom among leaders of democratic movements in the Levant to behave like dictators. Yet not even Mr Perowne's skill can wholly dissipate the confusion caused by the many homonyms not only in the Herodian family but also among the other *dramatis personæ*, or bring order out of the chaos of one of the most complicated and perplexing periods of world history. Nevertheless he succeeds in making his story a highly readable and entirely convincing account of how the best of the



It's the new Alec Guinness film tonight—better not be late for dinner. And there may be dancing afterwards. We've spent most of the day at the pool. The Seabrooks gave a small cocktail party before lunch. The two albatrosses that have been convoying us since Sunday are still alongside. I've got an appointment for a hair-do at 10.30 tomorrow. The sun's tanning *me* and bleaching my *hair!* Today I saw in the wardrobe the tweed skirt I was wearing when we came on board at Southampton. Ugh! It made me wince, it looked so hot and heavy. I'm glad I've picked a husband whose business keeps him on the move between England and Africa. This is the way to travel!

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Herods sought and found a way to enable men to "render unto Caesar the things that are Caesar's and unto God the things that are God's."

The Will and the Writer

The Court and the Castle

By Rebecca West.
Macmillan. 241 pages. 18s.

IT is forty-two years since Miss West, in a brilliant study of Henry James, found the Master to have two weaknesses: "a nagging hostility to political effort" and "blindness to the thing that has been." They are not weaknesses that she would seem likely to forgive today, for she believes that "it is a tendency of creative literature, when it rises above a certain level, to involve itself with statecraft," and she evinces in her critical method a firm adherence to the historical approach. Beginning with an examination of Shakespeare's attitude to kingship, she develops the thesis that significant imaginative writing constantly reflects the current state of political philosophy, and particularly its reading of the grand paradox of power: that "those who are the children of light are irresistibly drawn to assume a task which changes them to the companions of darkness."

But indeed does any human being—we are asked in effect—start as a child of light? Coleridge and Goethe saw Hamlet as such a one, a pure and elevated nature not sufficiently robust for the gross task imposed upon it. But, says Miss West, Shakespeare's hero is in fact meant to be thoroughly bad. He is a strong and gifted man who fails to alter a repellent situation because his own nature is steeped in the very corruption that has caused others to produce that situation. "What excites Shakespeare in this play is the impossibility of conceiving an action which could justly be termed virtuous, in view of the bias of original sin." For this extreme pessimism, Calvinist in its allegation of total depravity, we have fondly substituted the mitigating Hamlet legend of romantic criticism. But Shakespeare, in considering the hard problem of power, starts always from an uncompromising acknowledgment of man's fallen nature. To take on governance is to take on almost certain guilt. A ruler, because he can do what he likes, is certain to do terrible things; if he does not, it will be because he can do nothing at all, and is therefore no good as a ruler anyway. But to reject the burden of governance may in itself be an enormity; no idea was stronger in Shakespeare's mind than that "men must take on themselves the guilt of royalty if the people were not to perish," and it is his final terrible conviction "that man could indeed know himself through action, and that the knowledge would always be shameful." Even Calvin promised to an elect a translation to predestined glory, whereas "Shakespeare is silent and leaves his damned world damned for ever on his page."

Fielding, on the other hand, is an optimist, a serene Pelagian. The human will is indeed corrupt, but it can be purified by human effort—above all, by human love and what Wordsworth was to call the holiness of the heart's affections. Fielding believes that honest *magistrates can clean up a city*; he propagates, in its Protestant and secularised form, that idea of the redemptive woman, successfully interceding for the sinning soul, which was to have such wide currency in popular fiction later. And in the debate which these two great English writers thus initiate, a variety of lesser English writers can be exhibited as contributing each in the light of his time. To her survey of this Miss West adds, as if for good measure, chapters on Proust and Kafka. She displays more sympathy with Kafka, the essentially orthodox religious basis of whose thought she clearly perceives, than with Proust, whose theological implications seem to her Manichaean. It is perhaps in her discussion of *A la recherche du temps perdu* that Miss West's occasional liability to something like critical aberration is most apparent. Nobody who has read, for example, Professor Zaehner's authoritative placing of Proust's central experience within the mystical tradition can be other than startled by its abrupt dismissal here.

Furflung Empire

The Hudson's Bay Company as an Imperial Factor, 1821-1869

By John S. Galbraith. *University of California Press.* London: *Cambridge University Press.* 500 pages. Price 51s.

IT is fitting that this admirable book should have appeared in the year of British Columbia's centennial celebrations, as it concerns the birth pangs of Canada's Pacific coast province. It concerns, too, the problems of policy presented a hundred years ago by the wide plains of British North America, stretching between the Rocky Mountains and the established British colonies of the St. Lawrence-Great Lakes lowland and the Atlantic coast. Four governments were involved, as were wandering bands of Indians and half breeds, a sprinkling of settlers and miners, and the last of the great British chartered monopolies, the Hudson's Bay Company. That astonishing and still flourishing concern exercised from 1821 to 1869 dominion over territories of princely proportions, the whole of what is today the Canadian north and west, an area of some three million square miles.

After its great rival, the North-West Company (heir of the French fur traders), with its continent-wide canoe route from the St. Lawrence to the Pacific, merged with it in 1821, the Hudson's Bay Company enjoyed "halcyon days of unchallenged monopoly in the midst of a wilderness." It defended *this monopoly by diplomacy*, and by vigorous competition on its accessible fringes, against such powerful rivals as the American Fur Company and the Russian American Company and against small traders from encroaching settlements. By 1846 it could no longer preserve against American settlement the lower Columbia river for the fur trade or, "as the sole British interest on the Pacific slope," for Great Britain. The Oregon Treaty transferred it to the United States. The advancing frontier of agricultural settlement in the Prairies and of gold mining after 1858 in British Columbia eventually and inevitably destroyed the fur trading empire north of the forty-ninth parallel as well. It was touch and go whether the British connection would survive.

Using, with lively insight, such rich original material as the Colonial Office papers in the Public Records Office and documents in the archives of the Hudson's Bay Company, the author has brought new light to obscurities in the exciting and complicated story. His readable account of the critical prenational phase of Canadian development is a substantial contribution at once to Canadian history and to a fuller understanding of the transition from commercial to industrial capitalism. No one, moreover, should in future generalise about imperialism and exploitation without studying this important and fascinating case history of a free trade imperial government that hated monopolies, but, intent on economy, was not ready to undertake the financial burdens involved in the assumption of responsibility for the half continent it could no longer leave to a private company. The transfer, after a half century of mounting crisis, of the Hudson's Bay Company's territories to the infant Confederation of British North American colonies solved the dilemma and laid the foundations of modern Canada.

Unsentimental Philhellene

The Morea

By Robert Liddell.
Cape. 255 pages. 25s.

THOSE who have read Mr Liddell's previous travel books ("Aegean Greece" and "Byzantium and Istanbul") will know that they give as much pleasure to those who have preceded him as to those who have every intention of doing so sometime soon, or even to those unfortunates who would simply love to go if only they could spare the time and cash. This book is on what is today more commonly known by its ancient name the Peloponnese (after Pelops who had the misfortune to be served up at a banquet to the gods by his father) than by its mediæval and modern name of the Morea. It is a judicious mixture of useful information about hotels, food, roads and means of transport; improving information about the ruins and the history; descriptions of the scenery and where to find the best views (but he frankly admits that sometimes the scenery is "of a kind that does not cohere into words"); and reminiscences of the author's own travelling experiences.

No *single ingredient* is allowed to obliterate the taste of the others. Mr Liddell does not, for instance, get carried away by his own vicissitudes and encounters; he recounts them only when they add something of interest or vividness to his picture of the country and its people. Nor is he so obsessed by the Morea's classical brilliance that he thrusts its later history to one side. The mediæval Frankish principality of Achaea, whose Villehardouin princes held splendid tournaments, quarrelled with their clergy and gave the local Greeks unusual peace and security, gets its due mention; so does the battle of Navarino, and even the silly British claim to two Morean islands at the time of the row over Don Pacifico's wrongs.

As a writer of practical guidebooks, Mr Liddell has the great virtue of not seeing everything through rose-coloured spectacles. He remarks that "the less said of Greek provincial food, the better," and then goes on to make some truly horrifying comments. When the town is thoroughly dreary or the trains and buses thoroughly awkward, he says so without any nonsense. In short, he is an unsentimental Philhellene—not a sentimental one or a "grumpy Mishellene"—and one can only hope that he is getting on with another book about mainland Greece.

Dark Side of the South

The Deep South Says Never

By John Bartlow Martin.
Gollancz. 181 pages. 16s.

IF there are any optimists who imagine that it will be easy to persuade the Deep South to accept the Negro as an equal, they should read Mr Martin's account of his travels and interviews in Mississippi, South Carolina and Georgia. This series of articles, originally written for *The Saturday Evening Post* is primarily a description of the resistance organised by the "Citizens' Councils" to the Supreme Court's decision that racial segregation in the tax-supported schools is unconstitutional. Much of it is monotonous, repetitive—and profoundly depressing. But Mr Martin is worth reading for his power to evoke the Southern landscape, for the conscientiousness with which he presents unsympathetic characters, for his insistence that the movement is a respectable, representative, middle-class one, although there is always a danger that the Councils may be sucked into the violence they have forsworn.

Many readers, however, will rebel against the feeling of utter hopelessness this book inspires. Southern resistance is a fact that must be reckoned with, but in time it must be affected by the progress in the Border States, which Mr Martin paints in such glowing colours, and by the changes which are taking place in the South itself. The most interesting questions of public policy are raised not by Mr Martin, who is a reporter first and foremost, but by Professor Schlesinger, in the foreword. Although he is a dedicated liberal, Mr Schlesinger wonders if the Supreme Court did not make a profound mistake by decreeing that racial equality should be inaugurated in the South, not in the voting booth but in the most inflammatory setting of all—the co-educational schools. And having decreed it, was it not an equal error to give time for Southern resistance to harden? Mr Martin's book would have been a better one if it had more of Mr Schlesinger's broad perspective.

OTHER BOOKS

TEXTES DE DROIT ECONOMIQUE ET SOCIAL FRANCAIS (1789-1957). By J. M. Jeanneney and M. Perrot. *Colin.* 711 pages. 2,900 frs.

This book is a guide to French economic and social legislation between the outbreak of the Great Revolution and the close of 1957. The method of presentation is chronological. The book is subdivided into twenty established periods (such as the Consulate, the First Empire, etc.) of varying length. Each period is introduced by a summary of the main political facts, a list of governments, economic ministries and so on. The relevant passages from the legal documents are, in turn, preceded by brief explanatory notes. The sources are indicated at the end and an index makes it possible to follow the evolution through separate subjects.

This collection of texts renders a wealth of material easily accessible. It makes it possible to follow the spread of social legislation, of labour and trade union law. It includes major historical documents from *the decree of August, 1798*, abolishing the feudal system, through the Cobden-Chevalier commercial agreement, the Meline protective tariffs, the measures taken by the Popular Front government, up to the postwar nationalisations and the recent European treaties. The book can be picked up as a useful work of reference or read straight through as a history. The idea, and the presentation, might serve as an example to compilers in other countries.

TIDES OF CRISIS. By A. A. Berle, Jr. *Macmillan.* 314 pages. 21s.

Shocked by the ignorance of foreign affairs—even recent ones—displayed by his law students at Columbia University, Professor Berle, who has been both an Assistant Secretary of State and Ambassador to Brazil, set himself to writing a plain man's guide. For those who wish to be told in thirty conversational pages, for example, how the Middle East became the quicksand it is today, this is a most useful book—though it would have been ten times more so if a few maps had been included. More sophisticated readers will be interested to watch an idealistic but fair-minded American struggling, in the light of the mid-twentieth century, to add up the score on imperialism and colonialism, and concluding that anti-colonialism, like anti-communism, is not enough, and that an effective system of international institutions must be created.

THE CONDUCT OF MEETINGS. By G. H. Stanford. *Oxford University Press.* 88 pages. 12s. 6d.

THE INCOME-TAX BURDEN ON STOCKHOLDERS. By Daniel M. Holland. *Princeton University Press.* London: *Oxford University Press.* 240 pages. 40s.

WILLING'S PRESS GUIDE 1958. *Willing's Press Service.* 642 pages. 16s. 6d.

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More Bucks for Smaller Bangs

WASHINGTON, DC

ONE involuntary swallow by Mr Eisenhower could make this a happy summer for the critics of the Administration's defence policy. The appropriations for the armed services, which finally won the joint approval of both Houses of Congress last week, heaped on the President's plate nearly a billion dollars more than he had asked for. The total for military purposes is a record one for peace time and provides, with funds already voted, over $40 billion for the year ending in mid-1959. Part of the extra helping is for additional weapons of massive retaliation, especially missile-firing submarines. But the more interesting part, from the point of view of those Americans who believe that the United States has come to rely too single-mindedly on massive retaliation in recent years, represents an attempt to keep the country's conventional forces big enough and mobile enough to fight wars which, although sizeable, fall short of mutual obliteration. Congress has more than doubled the amount of money allocated for the building of troop-carrying aircraft. It has also instructed the Administration, which has cut the army from 1·4 million men to 900,000 in the last four years and would like to slice off another 30,000 this year, to keep it at its present strength.

It is now up to the President to decide whether to do what Congress wants, or to stand on his right not to spend money which he has not asked for. But it may be hard for him to be quite adamant, since the congressional critics who suspect that the Administration is paying too little attention to the possibility of limited war have been increasingly vocal this year. They will find vigorous support in the book published this week by Lieutenant-General Gavin*. He is a pugnacious ex-paratrooper who rose to be head of the army's research and development division and resigned in a huff last March because he believed that the Defence Department's policy was imperilling American security. His book is an attack on the entire strategic concept enshrined in the phrases "new look" and "more bang for a buck" (a dollar). It will draw appreciative nods from Mr Sandys's opponents in Britain as well as from those of the Administration in the United States.

Neither General Gavin nor any of the other limited warriors denies the urgent need for an effective thermonuclear armoury: the great division of opinion lies elsewhere. The theory behind the original "new look"—that the United States could, without serious danger to itself, rely on the threat of massive retaliation to deter any but the smallest border forays—was dying as it was born five years ago, since even then Russia was acquiring an inter-continental bomber force of its own. It expired on the night that the first sputnik gleamed across American skies, bearing with it confirmation of the fears that the retaliators could themselves be retaliated against on the most massive scale. Of all the senior members of the Administration, only the supposedly inflexible Mr Dulles has publicly shown signs of bending his thinking to these facts, in an article in the magazine *Foreign Affairs* last October. The other leaders of the Administration have implied, by their words or their silence, that they believe one of two things: either that limited war is impossible, except on a very small scale, or that it would be so expensive to prepare for that the United States would be better advised to hope that the threat of the big stick would still work even against an opponent who held one himself.

IF, as the Defence Department's critics assert, the recent crisis in the Middle East has demonstrated that American foreign policy is liable to be faced in the future with a series of situations in which massive retaliation will be irrelevant, there are two ways in which the "new look" strategy might be modified. The first is to make the existing ground forces more mobile, particularly in terms of air transport. Many military commentators in Washington suspect that the landings in Lebanon, made by troops who had been poised on tiptoe in the area for several weeks, were no real proof of American strategic mobility. At present less than one of the army's fifteen divisions can be lifted by air. The Military Air Transport service has about 500 four-engined transports, to which this year's appropriations —including the congressional bonus—may add thirty or forty more; but, even on the most optimistic estimate, the airlift capacity falls far short of what Mr James Forrestal said it ought to be when he was Secretary of Defence ten years ago. Last May a strategic army corps based on the American continent was formed, but of its four divisions only one—the 101st Airborne—is yet ready for operations.

To General Gavin, who says that up to eight divisions ought to be provided with facilities for air transport, the Defence Department can fairly reply that there are difficulties beyond those of mere money. No aircraft has yet been designed that can carry tanks and heavy guns; and there are very few areas of the world, outside Europe, with enough airfields for three divisions, let alone eight, to land on. Until troop-carrying aircraft can be built that do not need airfields, it seems clear that sea transport will still have to be used to move more than a fairly modest force.

The other way of modifying the "new look" is to prepare the army for limited war on a scale somewhere between police actions and nuclear armageddon. As in Britain, the whole concept of limited atomic warfare still lies wrapped in the mists of intellectual debate. It is generally agreed that an outbreak of fighting in Europe would *inevitably* involve the use of strategic weapons. But there is also a growing school of thought in Washington which believes that limited atomic warfare, short of the final holocaust, may be conceivable in parts of the world—say, the deserts of the Middle East or the jungles of South East Asia—where there are few big cities and where neither side would regard defeat as so unthinkable that resort to the ultimate weapons would be preferable. This is where the theory of "more bang for a buck" breaks down. Against ordinary conventional forces, atomic artillery gives the small American army all the bang it needs; but it is now plain that the vast Russian forces—and possibly, soon, their allies—can deploy at least as much nuclear firepower.

General Gavin and the ebullient Mr Daniel Flood, his Sancho Panza in the House of Representatives, believe that this makes it necessary to expand the army to something like twenty-eight divisions. The official position of the army itself, which has now equipped all its divisions with atomic weapons, is that it needs 925,000 men next year rather than the 870,000 that the Administration offers. Most members of Congress will probably be happy to settle for 900,000 men and to prevent the planned cut from fifteen to fourteen divisions. But an influential group in the armed services committees of both Houses is anxious to modernise the army, particularly to hasten the delivery of reconnaissance drones and the medium-range Pershing missile, and to ensure that at least one reserve division could be quickly mobilised.

The feeling in Congress is that, of the three main items it has inserted in this year's defence Budget, the missile-firing submarines stand the best chance of being accepted by the President; the extra airlift capacity is a good second, but the stipulations about manpower became a poor third once the mandatory language originally used in the Bill was dropped by Congress. The theorists of limited warfare find mild encouragement in the supplemental estimates which the Defence Department added this spring to its first Budget request, asking for some extra funds for equipment of which the army has long been short. There are thus some signs that the Administration may be pondering a hesitant and short first step away from the pure doctrine of massive retaliation, but there is still a long way to go before it restores the army to what General Gavin and his friends consider its rightful and strategic importance.

But if this approving atmosphere is to persist until the time comes, as it surely must, for asking Congress to clothe what is not a very original or dynamic skeleton with some form of dollar aid, then in the meanwhile flesh must be put on the bones. Already such responsible Democrats as Senators Mansfield and Fulbright are asking for details of the President's plan, particularly of the economic development scheme for the region. And they are justified in wondering whether any are available, for little had been agreed as recently as a week before the President went to New York, as he himself admitted. But as a golfer he should realise better than anyone else the importance of a good follow through.

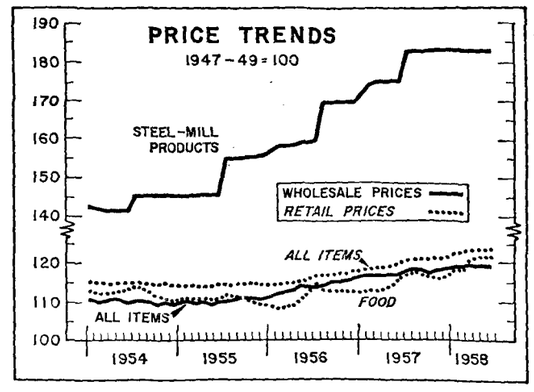
* "War and Peace in the Space Age." By Lieut.-General James M. Gavin. *Harper & Brothers.* 304 pages. $5.00.

On Top of the World

ALONE at the summit instead of having to share it, as he had feared, with a number of difficult companions and with American submarines charting the ocean bed around the North Pole as if it were one of the Great Lakes, President Eisenhower seemed to be on top of the world this week. With him were the American people, relieved that at last their country was again ahead in international leadership and scientific achievement. Congress, looking at President Eisenhower, for the moment, at least, as a national figure rather than a party politician, has good reason to be proud of him. For at the United Nations he did just what his many recent critics had urged. He made a personal appearance and he met Mr Khrushchev's challenge not with denunciation but with reasoned and constructive proposals for establishing peace and prosperity in the Middle East.

As Steel Goes . . .?

THIS year's increase in steel prices varied from the usual annual pattern in many ways. It did not come on July 1st, when wages in the industry automatically went up by from 22 to 25 cents an hour, but a month later, after steel output had been rising steadily, although not spectacularly, for some weeks. It did not break out all over the industry simultaneously, but took about a week to spread from company to company and product to product. It was begun by a smaller firm, not by the giant United States Steel Corporation, more prosperous than some other companies and



therefore better able to absorb higher costs for a time. It averaged only $4.50 a ton, or about 3 per cent less than usual (last year the average was $6 a ton), less than expected, and not enough, so the companies allege, to cover their increased costs. One development was, however, just as usual: Senator Kefauver sent a protest to the President and summoned his anti-trust committee to consider whether the identical increases all through the industry were not evidence of monopolistic conspiracy. He heard only government witnesses—the industry had its say a year ago; one of these, from the Department of Justice, agreed that the circumstances were more than suspicious but confessed that his officials had been investigating the steel industry ever since last year without finding any evidence on which to bring a case to court.

With the industry operating at only about 60 per cent of capacity this year Mr Kefauver feels that, unless there were collusion, some companies would have kept their prices down in order to stimulate demand. He also contends that the increase in steel prices will both nip the

general economic recovery in the bud, by discouraging consumer buying, and stimulate the inflationary tendencies which never died down completely during the recession. But steel does not in fact set the pace for other prices; it does enter into the cost of practically everything, but in such comparatively small quantities that it has little direct effect on the cost of living. In any case this year manufacturers apparently do not intend—or maybe do not dare—to pass on the increase in steel prices to their customers, at any rate not until consumer demand is stronger. Finally, the retail price level is expected soon to regain its stability; the rise has already been checked and prices of food, the most important single element in the cost of living, should turn down before long as a result of this summer's abundant harvest and of the large numbers of cattle and hogs which are nearly ready for market.

Less Tariff, More Protection

PARADOXICALLY, although the form in which the renewal of the Trade Agreements Act has finally come out of Congress is far more acceptable than seemed likely either at the beginning of the year or after the Senate's conservatives had been at work on it, and although the compromise Bill does give the President unusual freedom to reduce tariffs, yet the 1958 Act is potentially more protectionist than ever before. Most of the new provisions are permissive—the President does not have to increase duties under them unless he wishes to—and are not therefore likely to lead to higher tariffs as long as a liberally-minded Administration is in power. But once a reservation is introduced, Congress tends to tighten it in subsequent renewals of the Act. This year offers an ominous example: under the long-standing escape clause procedure, the President has been free to reject a recommendation from the Tariff Commission for a higher duty; now Congress can over-ride such a presidential rejection, if a two-thirds majority can be mustered in both Houses. The Administration comforts itself by maintaining that this will never in practice be possible.

This year, too, the national security clause has been broadened in several ways. The chief amendment equates the national security, originally a defence concept, with the general economic welfare and directs that such things as substantial unemployment in an industry must be considered in connection with its plea for a higher tariff. But perhaps the most objectionable new provision is one which the Administration itself put in to disarm opposition: that in granting pleas for relief under the escape clause, duties may be raised by 50 per cent above the 1934 rate, much higher than the 1945 rate which has been the base until now.

The Administration was prepared to accept these, and a number of other detailed amendments, some of which may prove troublesome, in exchange for the time which was essential if this year's renewal was to achieve its prime purpose of giving the United States sufficient flexibility to negotiate tariff reductions during the period when the new European Common Market is coming into effect. The Act has been extended for four years, longer than ever before and just long enough, it is thought. Even more important the authority to reduce a tariff by 5 per cent a year—20 per cent altogether—is cumulative, allowing time for negotiation, and can be carried forward after the Act expires in 1962; thus if a reduction in a particular duty is not agreed until that year, it will still be possible for a 20 per cent decrease to be granted and to be applied by stages—not more than 10 per cent a year—between then and 1966.

The Reciprocal Trade Agreements Act of 1958 extends for four years, until June 30, 1962, the authority first given to the President in 1934, to negotiate agreements with other countries, without seeking congressional approval in each case, for the mutual reduction of tariff barriers.

A *tariff may be cut* from its present level by 5 per cent a year—20 per cent in all—or by 2 percentage points over the four years. Any duty that now exceeds 50 per cent ad valorem may be cut to that level.

The *escape clause*, which permits a tariff increase if a reduction made under the Act is injuring a domestic industry, now gives Congress power to over-rule, by a two-thirds majority in each House, a refusal by the President to accept a recommendation from the Tariff Commission that a duty should be increased under this clause. To protect an industry injured in this way, the President may now raise a duty to 50 per cent above the 1934 level, basing the change on the ad valorem equivalent if he chooses; he may also impose a duty of 50 per cent on articles now coming in duty free.

The *national security clause*, which permits a tariff increase against imports which are damaging an industry vital to the national defence, now directs that the general economic welfare of an industry, as well as its relationship to the country's military requirements, must be considered when it applies for relief from import competition under this clause.

Other changes made this year affect the peril point calculations, by which the Tariff Commission decides how much a duty may safely be reduced, and the procedures under which the Commission conducts the various investigations for which it is responsible under the Act.

Alice in Harlem

FROM A CORRESPONDENT IN NEW YORK

THE Bible and Uncle Tom's Cabin were the literary sources most popular in the bizarre and heated primary campaign which has just swept New York's Harlem, but the candidates for the Democratic nomination for next autumn's election in this congressional district were in fact racing in the best tradition of the Red Queen. It took the Reverend Adam Clayton Powell all the running he could do to keep in the leading place he had occupied on so many previous election days; as for his defeated opponent Mr Earl Brown, he too ends up just where he started. Next November Mr Powell, the sitting Representative, will be Democratic candidate for Congress, as he has been for seven earlier terms; for safety's sake this year he also acquired the Republican nomination, without opposition. But Mr Brown, a member of the New York City Council, will still be able to oppose him in the election as the Liberal party's candidate. It can, however, be predicted with considerable assurance that Mr Powell will win even more easily in November than he did in this week's Democratic primary.

Mr Powell and Mr Brown are both Negroes, both sons of Baptist ministers, both educated men of intelligence and

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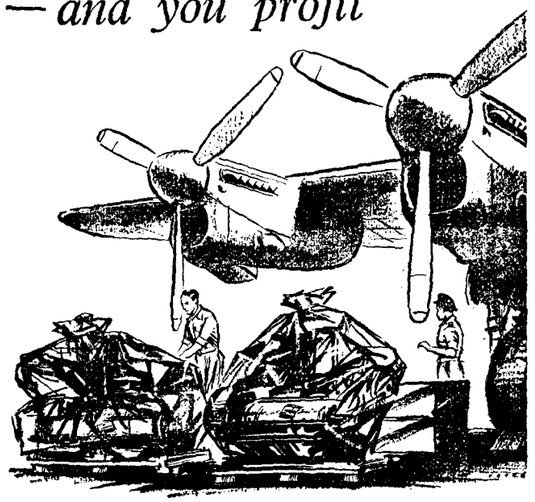

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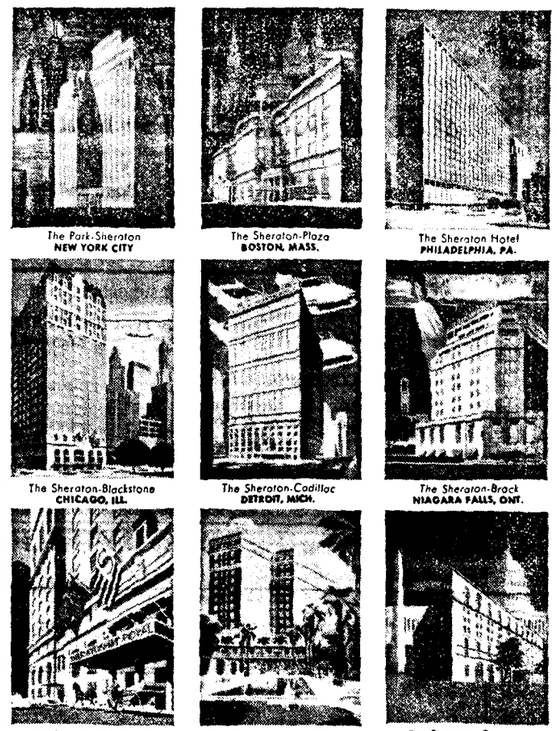

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standing, both claiming to be liberals and defending civil liberties, so neither race nor creed were direct factors in the recent argument. Both have built their political reputations, Mr Brown as a "party regular," Mr Powell as a "maverick," in Harlem, the city's 16th congressional district, a wedge-shaped piece of Manhattan, lying mostly north of Central Park, inhabited chiefly by Negroes and Puerto Ricans who make up perhaps 85 per cent of the 300,000-odd residents. No white man has been elected there as a local representative on any legislative body for some time, but this does not mean that there is agreement on much of anything else. Feuds and gang fights are customary and tides of Puerto Rican immigrants flooding in and out make the district even more fluid and harder to weld together. So does slum clearance, which tears down rookeries holding 5,000 potential supporters and substitutes model housing with room for only 1,000, leaving the other 4,000 lost to the district's political leaders. Yet slum clearance is something which every Harlem politician must uphold.

Always volatile, the political situation erupted in 1956 when Mr Powell, then running for his seventh term as Democratic Representative from Harlem, chose to support Mr Eisenhower rather than Mr Stevenson for the Presidency. Mr Powell had been in trouble with the party organisation before; an independent with a personal political empire, he had shown himself able to command his own following (he is minister of the Abyssinian Baptist Church which has, or so he claims, 10,000 members), raise his own funds, and organise his own races. This year Mr Carmine De Sapio, the leader of the New York Democrats, persuaded the party's leaders in Harlem to refuse official support to Mr Powell and put forward Mr Earl Brown as a substitute. The campaign began with Mr Powell telling party leaders to stay out of Harlem or risk violence and it quickly became evident that Mr De Sapio's censure of Mr Powell would be exploited as a "dirty backroom trick," an attempt by the boys downtown to dictate what uptown should do.

Normally without interest in politics, voting the Democratic ticket by long habit, Harlem began to buzz with speeches and conversation. Mr Brown was reasonable, polite, intellectually challenging but emotionally unexciting. Mr Powell shook his hearers to the soles of their feet, touched their deepest racial grievances, and promised remedies. That he alone could hardly produce these was overlooked, and the result was no surprise. The real loser was Mr De Sapio, whose enemies within the party will be strengthened by this defeat and Mr Hulun Jack, the Negro leader who persuaded Mr De Sapio that Mr Powell could be beaten and who will now no longer be trusted as Harlem's spokesman in the Democratic party.

Now that Mr Powell has won, the real questions emerge from under the oratory. Having been elected on both the Democratic and Republican ballots, as he is sure to be in November, what happens next? Mr Powell has declared himself a staunch if unappreciated Democrat but when he gets to Congress with his twin accolades, he must choose between them. He has made a great deal of the fact that during his seven terms he has accumulated the kind of seniority on committees that gives power in legislation. He cannot sit as a Republican and hold on to that. On the other hand, he has been repudiated within the Democratic party and, while his claims to the rights of seniority may hold, his victory on the Democratic ticket does not automatically give him back his position with the party chiefs. The charge of evading the payment of federal income taxes, curiously unemphasised in this campaign, still hangs over Mr Powell's head, and could be pressed. To re-establish himself in Washington, he may have to abandon his independence. In the end, therefore, it may be Mr Powell and not Mr De Sapio who climbs down.

The other question is perhaps even more important. Mr Powell is fifty years old, colourful, dynamic, shrewd and ruthless, famous for an enormous skill in personal leadership and said to have very few scruples. Possessing a large share of white blood, he orates with the authentic ring of the tribal leader and, though his speeches read like bombast, they sound to his followers like the promises of Jehovah. Thus far, Mr Powell has seemed more or less content with being a local representative and indeed it is doubtful whether he or any other Negro could yet go much farther up the political ladder—to the Senate, for example. He may hold Harlem in his hand, but elsewhere his tactics and his language have shaken the confidence of the liberal Democrats who used to admire him, while winning him only a somewhat mixed respect from the Republicans.

But Mr Powell may not always be content with the plaudits of his local district; if there is no further elective position to which he could reasonably aspire, might he not, watching the progress of a less dynamic but more tactful Negro, Mr Ralph Bunche, picture himself moving about with power in the diplomatic world? His opponent in this week's election accused Mr Powell of having been out of the country too much; his biographical sketch says that he "studied in Europe, North Africa and Asia Minor". In 1954 he was given an Ethiopian decoration and in 1955 he attended the Bandung Afro-Asian Conference as an unofficial observer—and surprised the sceptical by defending American foreign policy. On the recent visit of the Prime Minister of Ghana to the United States, he took every occasion to be seen in official company. Most political observers see in this only the activity of an ambitious and energetic man who loves the limelight, but there is no doubt that the United States is in need of skilled negotiators who can appeal to the dark-skinned in other lands. If this is where Mr Powell's dreams lie, he may seek ways of placating those who fear that his power to move his people makes him more dangerous than valuable.

Cold War in Cars

With ten weeks gone by since the expiration of the old labour contract and no sign of a new one, the cold war in the automobile industry has moved into a critical stage. The industry has announced that it will be recalling some 200,000 workers to begin production of the 1959 models. Meanwhile the executive board of the United Automobile Workers has refused to sanction an immediate walk-out against any one of the Big Three (the General Motors, Ford and Chrysler companies), but has made it clear that this apparent restraint has been exercised for strategic reasons; instead of setting a deadline (as on previous occasions) the union plans to strike without warning when it can cause maximum embarrassment to the industry's new programme, probably in the latter part of September.

This year's battle between Mr Walter Reuther, the union's president, and the Big Three is unlike any of its predecessors. The employers have seen a heavy cut in their profits; they have made a direct bid for public sympathy; and now they will have to swallow an increase in steel prices. While Mr Reuther's vigour seems unimpaired by the recession, he cannot ignore the fact that production is at present running at its lowest level since 1952 and that Detroit has an unemployment rate of 18 per cent. But while the rank and file are more interested in work than in wage increases, there seems little doubt that Mr Reuther can still call the tune; and as the 1959 models go into production labour's morale is rising.

Negotiations have made no progress except to increase obstinacy on both sides. The original offer of the employers to extend the existing contract for two years would have brought an automatic wage increase each year (a "productivity" bonus) of 7 per cent plus a cost of living adjustment. Against this the union is demanding a larger wage increase, a shorter week, a profit-sharing scheme, and a plan to adjust pensions to living costs. An innovation in this year's negotiations is the abandonment by the companies of the usual technique of fixing their original offer with an eye to a later compromise. The rigidity of their stand may have been prompted by a belief that at last Mr Reuther could be put in his place, but it has also banished an invaluable face-saving device.

In this battle of wits, Mr Reuther must pin his faith to a rapid improvement in the industry's prospects. Buick, the only firm yet to hazard a guess, expects the industry's 1959 sales to total between 5.25 and 5.5 million—a gain of one million on estimates for this year. Since the industry could produce this number in nine months, the threat of a strike may not be as effective as Mr Reuther thinks. He must also hope to repeat his past strategy of playing one of the Big Three off against the other two. But there are indications that the companies will maintain a solid front, thus forcing the union into an immensely costly industry-wide stoppage, which might antagonise the recession-conscious public. On balance, the dice seem loaded against Mr Reuther.

No Room for Jets

THIS week's tests of the British Comet IV at New York's Idlewild Airport provide a concrete reminder to harassed airport operators that the commercial jet age has arrived in the air even though there are virtually no adequate facilities for accommodating the monsters on the ground. While the individual airlines are racing to embrace this new symbol of progress, the managers of airports (which are owned by states, counties or cities) complain of inadequate consultation; compared with the large airliners now in operation, the jet aircraft, speaking generally, is twice as large, goes twice as fast, requires three times as much fuel and has some unpleasant personal habits from which the public must be protected. Apart from the major question of safety, few airports are sufficiently distant from the central city or have big enough runways to be suitable for jet aircraft. Noise presents a problem to all but the passengers—who leave it behind them; even if the airport authorities can enforce regulations against noise which satisfy their residential neighbours, they must still protect from whine and blast (through the erection of sound barriers) the sensitive ears of their customers and employees at the airport. A $660 million programme of modernisation covering 156 major airports has been planned, but it is uncertain where the money will come from and whether the results—if and when they materialise—will be adequate.

Meanwhile attention has focused this week on how the domestic airlines will raise the $4 billion they plan to spend over the next four years on jet equipment. The President's special aviation adviser, Mr Quesada, has publicised the findings of a detailed survey of airline finances. While exhorting the airlines to increase their revenue, the report endorsed in guarded terms their claims, made in negotiations with the Civil Aeronautics Board which regulates fares and other matters, that profits are too low—at any rate if private investors are to be interested in the proposed jet programme. While Mr Quesada made it clear that the report was not intended as a criticism of the CAB, he expressed the view that, unless the latter acted realistically and speedily by sanctioning higher fares, the government might find itself subsidising airlines or buying up unwanted jet aircraft.

In contrast, the recent addition by American Airlines of 50 new medium-range jet airliners to its existing order suggests that financial gloom and despondency is not spread evenly throughout the companies. This brings to 110 the number of jets on order for American Airlines at a total cost of $365 million—and the company claims that it can finance the programme without outside help. The deal indicates that this airline intends to introduce jets on the lucrative shorter trips, such as New York to Chicago. The contract contains a novel element: the engines (but not the aircraft) are to be leased for seven years, with an option to purchase. This, the company claims, will save cash and limit maintenance costs.

SHORTER NOTES

Mr Arthur Miller, famous both for his plays and for his wife—Miss Marilyn Monroe—has been cleared, by the United States Court of Appeals for the District of Columbia, of a conviction for contempt of Congress. In his testimony before the Un-American Activities Committee two years ago, Mr Miller refused to name—on conscientious grounds—those he had met at a Communist Writers' group in 1947. While liberals will find encouragement in last week's unanimous decision, there is also disappointment that the ruling was based on technical grounds—that Mr Miller was not adequately warned that failure to answer the question would be adjudged contempt of Congress—and omitted any consideration of the unlimited right of congressional committees to violate a person's conscience.

* * *

The court drama scheduled to start last week, involving Mr Louis E. Wolfson, the fabulous Floridian financier, and the Securities and Exchange Commission, was cut short. At the last minute Mr Wolfson consented to a permanent injunction and has undertaken to make no misleading statements in the future about his holdings or activities in the common stock of the American Motors Corporation. His lawyers are careful to point out that this action is in no way an admission of past guilt but rather a device for avoiding the tedium of a long trial.

THE WORLD OVERSEAS

Emergency in Slow Motion

FROM OUR SPECIAL CORRESPONDENT

New York, Thursday

NATIONALISM is much the safest thing to back in an international body dedicated to curbing it. Never has this paradoxical proposition been more clearly demonstrated than in the first stages of this emergency assembly. "The great surge of Arab nationalism" was depicted with warmest sympathy by President Eisenhower when he seized the limelight on Wednesday—with a rather cavalier regard for the United Nations protocol governing speeches by visiting heads of state. Even the ranks of Muscovy had trouble in forbearing to cheer when the President dwelt on the need to help the Arab countries to fulfil their aspirations. "A true Arab renaissance . . . goals must be Arab goals . . . in a few short years we may be able to look back on the Lebanon-Jordan crises as the beginning of a great new era in Arab history"—the sentiments thus expressed were difficult for even Mr Gromyko to contest. He could only argue that they were false. All the world loves a small new nation (except certain other small new nations); but Soviet love, Mr Gromyko sought to show, was pure, while America's resembled that of the devouring female spider.

These initial exchanges showed how rapidly the powers were adapting their tactics to the conditions of the United Nations assembly and to the prevailing mood of this particular session. It was evident that the 81 delegations would not be favourably impressed if they found they had been snatched from their summer holidays or from the ends of the earth merely to endure in the heat of a Manhattan August a contest in vituperation about aggression, direct and indirect. It is true that Mr Gromyko arrived in New York talking of the imminence of Armageddon, almost like one of the 200,000 Jehovah's Witnesses who had just ended their rally in the same city. It is true that in his speech on Wednesday he again struck cataclysmic notes. But it was hard to find anybody in the United Nations building who took him seriously. It was appreciated that he simply had to say these things, otherwise the irritated question would be asked why an emergency session had been called at all. What caught general attention was the notably restrained terms of the Soviet resolution which he tabled.

Likewise, President Eisenhower surprised nobody when he rattled off the catalogue of post-war crises caused by a nation which he carefully refrained from identifying: but the audience was roused to real interest only when he got to America's positive proposals—particularly the project for an Arab regional development institution, the first Middle East economic organism confined to Arab nations that the United States has ever envisaged. After these two developments nobody was surprised when the Jordan spokesman went to the podium and announced he had just arrived with bags full of terrible revelations about interference in his country's domestic affairs, and then made it clear he was not even going to begin unpacking just yet.

The emergency for which this emergency session was called has, in fact, markedly failed to emerge; rather it has submerged, at least partially. Not all the delegations are peering into the future with the President and descrying a vision of Arab cultural glory; not even from the top floor of the United Nations building can anybody see urgent clouds of world war looming close over Turtle Bay. Slow-motion immediacy has set in. It pervaded the Soviet resolution, in which, with some ingenuity, the only reference to an immediate withdrawal of troops from Jordan and Lebanon was buried in the title. The actual text of the resolution makes it clear that withdrawal would wait upon a strengthening of the United Nations observer group in Lebanon—and the formation of a second United Nations observer unit to supervise a British withdrawal from Jordan. Moreover, the Russians openly proposed a continuing United Nations observation role along both states' borders. Their text, which makes no reference to aggression of any kind, indeed effectively proposed more than the Japanese resolution which Russia had only just vetoed in the Security Council.

FOR the United Arab Republic, Dr Fawzi interjected some first comments which were much gentler than might have been expected after the Cairo press criticism of Mr Hammarskjöld's suggestions a week ago. The first token of American withdrawal, on which Mr Gromyko poured scorn, drew a welcome from Dr Fawzi, though he expressed anxiety to get a firm statement when the withdrawal would be completed. He spoke confusedly, but appreciatively, about "the hand of blessing" that Mr Eisenhower had raised by his economic proposals, and evidently looked forward to studying this hand in accordance with the best principles of palmistry. Dr Fawzi reserved his venom for the villains of 1956—once again a reluctance to name names was shown—and made some play with the British returning to Jordan like the prodigal son. The hazards of speaking extempore excused his failure to remember that the whole point about the prodigal was that his past sins were forgiven and he was royally feasted. Then the assembly adjourned for a much-needed digestive pause, and its own peculiar processes began to operate.

The slowness with which these processes have got started is scarcely surprising in view of the speed with which this session was called. Foreign ministers are still winging through the air towards Turtle Bay, latecomers hastening to arrive before the firstcomers depart: they include all the foreign ministers of the Soviet block and even those shadowy figures, the foreign ministers of the Ukraine and Byelorussia. At first, indeed, it seemed that the familiar assembly machinery might not get under way at all. Alignments were highly confused. The Bandung group was in considerable disorder, with no sign of the solidarity shown in 1956 and 1957 under the impact of the Sinai-Suez conflict. A general

disinclination to mention Israel, and careful effacing tactics by the Israelis themselves, strengthened this trend.

A conflict of instincts raged in the breasts of many Asian and African representatives; western intervention in Asia may be categorically sinful, but so is any threat to the survival of small independent states. The Accra group—the group of African states, including the United Arab Republic, which recently conferred in Ghana—suddenly appeared as a new molecular structure in the United Nations fabric; in its conclaves interesting exchanges took place between Egyptians on the one hand and on the other such states as the Sudan and Libya, not to mention Ghana, whose premier has loudly championed the idea of neutralising Lebanon on the Austrian model. Irishmen and other mavericks skirmished in the lobbies with their sleeves full of new formulæ. But at first one seemed to look in vain for the fire brigade—the group of delegations which in so many past clashes has hastened to interpose compromise suggestions. Its absence virtually forced the Secretary-General to get out in front alone on Friday last week and risk charges of partiality, if only to avert the prospect of the debate shaping up as a mere sterile exchange of accusations. Admittedly Mr Hammarskjöld has recently shown signs of considerable readiness to stick his neck out in his own guarded manner; but he would have much preferred to find a dependable nucleus of delegations willing to do it for him.

Wednesday's pause gave time for the first signs to emerge that the fire brigade is not permanently disbanded. A discreet but very brisk activity was developing among the Indian, Scandinavian, Japanese and other delegations that have ridden the United Nations fire engine in the past. But up to this point the discussion concerned verbal formulæ rather than concrete initiatives. On the face of things admittedly, everybody is in favour of more vigorous United Nations activity in Jordan and Lebanon—though the gulf is wide between the Russian version of continuing the observation of frontiers and the Anglo-American idea of a United Nations "presence" in Jordan, and even between the Russian version and the Secretary-General's cautious but firm concept of United Nations "representation" there.

But it is one thing to approve the principle of an extension of United Nations responsibilities and quite another to flex the necessary muscles to put the principle into effect. Flexing may follow, but at the moment there is no conspicuous rush of volunteers to carry the United Nations flag into the beleaguered Jordanian redoubt. It takes a real feeling of alarm to bring a rush of volunteers out as in 1956, and among the 81 delegations the sense of emergency seems fast evaporating—if it ever existed. Watching hearty greetings being exchanged as old friends meet again here in the cosy, clublike surroundings of Turtle Bay, it is difficult to visualise any form of emergency action at all emerging from this emergency meeting.

Syria Settles Down

FROM OUR MIDDLE EAST CORRESPONDENT

HAVING been given an unfair and unwanted share of the headlines last year, Syria can now claim to feel neglected. The great communist scare has vanished as mysteriously as it came and the country has been left in relative peace to work out the details of its union with Egypt. There seem to be two morals here. The first is that much of the "Middle East problem" stems from false assessments of the trends in the area and from the fears which these false assessments engender. The second is that the western powers are now on the defensive. Instead of trying to influence the course of events in Syria they are clinging to toeholds in Lebanon and Jordan. The change of policy in Saudi Arabia, the paralysis of government in Lebanon, the revolution in Iraq and the absence of startling news from Syria—all these portents indicate a sudden, perhaps a decisive, advance in the march of Arab nationalism.

The abolition of the parties has blurred the pattern of political development in Syria. Apart from the feeble rearguard action put up by the much-overrated communists and an occasional flicker of activity inspired by forlorn exiles in Istanbul and Beirut, the Syrians have settled down quickly to the new regime. The dominant political philosophy is that of the former Baath socialist party, which led the movement towards union with Egypt; and the dominant political figure is Akram Haurani, the former leader of the party and the chief architect of union, who is now one of the four vice-presidents of the United Arab Republic. The other Syrian vice-president, Sabri el-Assali, who was the last prime minister of independent Syria, was never a commanding figure, and his health is now doubtful. Briefly, Baath socialism may be described as a combination of nationalism and radicalism. There is no serious divergence between its principles and those of the Egyptian revolution.

EGYPTIAN influence in Syria has gone further in the army, particularly in the sphere of staff appointments and the more sophisticated technical services. In name this merely represents an interchange of personnel; for each Egyptian serving in Syria there is supposed to be a Syrian serving in Egypt. But there are plausible complaints in Damascus that in this respect Syrians are getting the sticky end of the stick. In choosing the army as the main instrument of penetration, the Egyptians were influenced by the fact that the Syrian army is chiefly an internal security force, accustomed to speaking the last word in Syrian politics. Control of the army means control of the country. Yet there is no sign of serious discontent with "Egyptianisation."

A new question-mark hangs over the always enigmatic figure of Colonel Abdul Hamid Sarraj, former head of the Syrian *Deuxième Bureau* and now minister of the interior for the region. His new post means promotion and presumably higher pay. But does it represent an increase of influence? His former position gave him the power of veto over all state appointments and many private ones as well. There is room for doubt whether his ministerial appointment carries an equivalent authority.

The Iraqi revolution removed one of the most serious anxieties that beset Syrian leaders by breaking the encirclement of the country. The regime of Nuri es-Said had made several attempts to reverse the trend of events in Syria. One of the first acts of the new regime in Baghdad was to send the deputy prime minister, Colonel Abdul Salam Aref, to sign a defence agreement. One of the first visitors to Baghdad after the revolution was Michel Aflaq, the leading theoretician of the Baath socialist movement in Syria. Another was Abdullah er-Rimawi, the best-known Jordanian Baath socialist, who is now living in exile in Damascus.

Suggestions that these exchanges represented Baath socialist attempts to seek a counterpoise against Egypt may be discounted. They mean rather that the Syrians are conscious of their pivotal position in the larger Arab unity that has emerged since the revolution in Baghdad.

There is evidence of a divergence of opinion in Damascus on the subject of Lebanon. Some elements in the army are said to be anxious to "clean up" Lebanon, which they regard as a hotbed of intrigue by Syrian exiles. It is doubtless they who winked at the large-scale exfiltration of arms across the border. Baath socialists take a different view, arguing that the absorption of Lebanon in its present sharply divided state would raise more problems than it would solve. Although Baath socialism has no confessional basis, some of its adherents are doubtful of the genuine Arabism of Lebanese Christians. At any rate they hesitate to press the issue until the Christians themselves show signs of willingness for a merger.

There is also evidence of a mild schizophrenia on the subject of Jordan. The present regime in Amman is regarded as a monstrosity imposed on the unwilling Jordanians by western imperialism. Its disappearance, paving the way for absorption of the country in "historic Syria," is an article of faith. But means of achieving that end are a matter for dispute. An untidy revolution in Jordan might give the Israelis good grounds for marching up to the river line; and there are few people, even in visionary Damascus, who think they could drive the Israelis back.

Israel on the Sidelines

FROM OUR CORRESPONDENT IN TEL AVIV

WHEN the Israeli government allowed the British forces to use Israeli air space soon after the American landings in Lebanon it was influenced by two considerations. It was then believed that the American landings in Lebanon and the British landings in Jordan signified a firm stand against Nasserism and all it stood for in the Middle East, and the Israeli government believed that the *status quo* in Jordan was preferable to the formation of a government after the pattern of the Cairo junta. If the position of King Hussein could be supported only by the British going to his aid by the shortest route, the Israeli government did not want to stand in the way.

The left-wing parties, who are the neutralists in Israel, protested at once, arguing that Israel should do everything to keep out of a conflict in which only the Arab states were involved. Some people who are not ordinarily on the side of neutralism tended to agree with this argument. They consider Nasser and, even more, Nasserism to be Israel's greatest enemy and they are anxious to prevent the encirclement of their country by Nasserist forces; but in this case they doubted whether the presence of British troops in Amman would do the trick.

The leftist parties in the coalition government protested against the airlift, but they did not leave the cabinet. When, however, it seemed clear that the western powers had no definite policy to match their military moves, public opinion in Israel became sceptical of the wisdom of associating Israel with the western moves in any way. The decision to put a stop to the airlift has the support of broad sections of the public who have no sympathy with neutralism.

Reproaches in the British press that Israel is a false friend are shrugged off with a grim smile, and British suggestions that British troops might be necessary to discourage an attack by Israel on Jordan are quoted as examples of the cross-currents in western policy. Things would be different if the western attempts to shore up King Hussein were accompanied by frontier guarantees. Israel fears that once Nasser succeeds in installing governments of his own liking, by way of subversion in the neighbouring countries, he will then turn on Israel and try to wipe it off the map. A situation might easily, and soon, arise in Jordan in which the British might be forced to pull out again and in a hurry. The equipment brought in with the airlift during the last few weeks would then fall into the hands of a new Jordan government, just as the weapons furnished to Iraq under the Baghdad Pact are now in the hands of the Iraqi junta (and Iraq has not even signed an armistice agreement with Israel).

The first moves of the Israeli government after the Iraqi coup were therefore directed towards the acquisition of arms wherever they were to be found. But along with the military problems, a host of political questions crop up. What is Israel to do if King Hussein cannot hold out and there are moves to partition Jordan between Iraq and Egypt? The simple answer that the "activists" would give—to march to the Jordan river—is not accepted by the more thoughtful. The prospect of adding yet more Arabs to the Israeli population acts as a deterrent; so does the recollection that the Sinai campaign ended in the withdrawal from Gaza. It is, however, being said that if a Nasserist regime were to make its appearance in Amman, something would have to be done about the old city of Jerusalem and about the Tulkarm district, where the narrow waist of Israel simply invites an invader to cut the country in two. There is tentative talk about internationalisation of the Arab part of Jerusalem, and of some frontier adjustment.

The Russian note of protest against the Israeli action in permitting the airlift was not delivered until the flights had been going on for some time. It was not decisive in influencing the government to stop the flights. But it did highlight once more the fact that the Russians are now a factor in Middle East politics. Israel is today not only the one country in the Middle East that wholeheartedly believes in western principles of government, and the only genuine democracy there; it is also the one country that could not turn to Russia for help even if it wanted to. For all that, the Israelis feel that their loyalty to the western camp does not bring any automatic returns in security for them. On the contrary, the common western suggestion that the Israeli-Arab conflict is the main trouble is seen here not only as erroneous, but as a disquieting sign that Israel might be asked to make sacrifices in order to help the west come to terms with Nasserism.

Greece's Gleam of Hope

FROM A CORRESPONDENT IN ATHENS

THE success of British efforts to pacify Cyprus through a seven-year interim settlement now depends entirely on clearing up misunderstandings that were—inexplicably, perhaps—left over after the Athens talks between the British and Greek prime ministers last week-

end. The Greek leaders have one question which they failed to clarify with the British premier: "What will happen after the seven-year period?" They seek a formal and binding reply, which must assure them that all solutions will then be open for discussion.

The British delegation arrived at Athens with a basic misconception: that the initial Greek opposition to the British plan for tripartite partnership in Cyprus had now shrunk to mere objections of detail, but not of principle. It is true that, as the two premiers went into detail, Mr Macmillan discovered that his plan could be rendered acceptable to the Greeks, as the basis of a constitution providing self-government, by removing three provisions: the appointment of representatives from Greece and Turkey to assist the governor; the granting of dual nationality (British and Greek or Turkish) to the Cypriots; and the two separate communal assemblies which symbolise the administrative partition of the island.

MR MACMILLAN agreed to waive the dual nationality. Both agreed that the problem of the separate assemblies was soluble—for instance, by limiting their jurisdiction to purely religious, educational and communal legislation. But the Greek and Turkish governmental representation is an essential part of the plan. Mr Macmillan, however, promised to re-examine it. By the time they parted, the two premiers thought that their specific questions could be worked out satisfactorily for all concerned.

The fundamental Greek claim, however, remained that partition should not be the only alternative to a tridominium at the end of the seven-year period. But the Greek government failed to impress its importance upon Mr Macmillan. Hence the pessimism in Athens after the talks, which was in sharp contrast to the British premier's hopefulness.

The Greek position is that when the long-term political future of Cyprus is negotiated all solutions should be impartially considered. A British government declaration to this effect is now being solicited to supersede the Colonial Secretary's statement on partition in the Commons in December, 1956, which Mr Macmillan confirmed as the standing alternative policy when he outlined the "partnership" plan in June. Greek leaders feel that unless the future of Cyprus after the interim period is left "free and uncommitted," Mr Macmillan's visit to Athens will have been in vain. They explain that it would not be necessary to exclude partition specifically. But they insist on knowing that self-determination by the whole of Cyprus as a unit will be equally possible. "If we were offered full *enosis* for seven years—not merely self-government—to be followed by partition, we would turn it down." By this remark one Greek leader wished to explain how important to Greece it is that the British government should make no commitments about partition to Turkey. For there are suspicions in Athens that Mr Macmillan may have made promises to Mr Menderes at Ankara.

Greek pessimism is generating official speculation about what might happen should a provisional settlement, negotiated and conditionally agreed by Athens, not be finally ratified. A British hint in Athens that, failing agreement, the "partnership" plan might be enforced with Turkey's collaboration alone, provoked Greek leaders to threaten to break off diplomatic relations with Britain and Turkey should this occur. Apparently the threat would also hold good in the event of what is called here "forced partition"—such as a British invitation to Turkey to occupy part of the island. Greek officials maintain that such drastic solutions have lately been very much in the British mind. The Greek government believes that if either of these things happened, the impact on public opinion would be so violent that any government daring to oppose the wave of popular anger would be swept away. The present Greek administration also suggests that a change of government might lead to Greece withdrawing from Nato.

It was in order to forestall any ugly public reaction that the Greek government decided to include its annual appeal on behalf of Cyprus in the supplementary agenda of the next United Nations general assembly. But assurances have been given that the appeal will be promptly withdrawn if Mr Macmillan's present efforts have a satisfactory outcome.

The reappearance of the Cyprus issue at the United Nations raises the question how international this dispute now is. Mr Khrushchev's recent letter to Mr Karamanlis suggested that Cyprus would be included in Soviet efforts for a Middle East settlement. The Soviet leader's reference to Cyprus was not in fact an isolated attempt to involve other countries in the Cyprus dispute. It is learnt here on good authority that certain Arab states have been pressing the Greek government to agree to demand that Cyprus should become a demilitarised zone. Their suggestion may have been inspired, but it was based on the fact that Cyprus has been used as a western springboard for intervention in the Middle East. Greek officials intimated that it was only thanks to Greece's good relations with those Arab states that this demand had been held back for the moment.

Despite this generally gloomy outlook, a glimmer of hope can be seen in Greece. There is good reason for believing that Britain, Greece and Turkey are closer now to a temporary arrangement in Cyprus—an essential step towards a permanent solution—than they have ever been in the past two and a half years. It would be unwise not to make the most of it.

Travel Made Difficult

Now that the summer holiday traffic is in full swing it is clear that the guardians of the German Democratic Republic reckon it to be more than ever necessary to keep the east and the west Germans as severely as possible apart. Whereas in July, 1957, some 468,000 east Germans received permission to travel to the Federal Republic, only 78,000 were allowed to make the journey last month. (The figure includes a fair number of persons with a subversive mission.) During the same period there was a commensurate reduction in the number of entry permits granted to west Germans wanting to visit the Democratic Republic.

The practice is growing whereby would-be travellers to the west are advised to support their application for an exit permit with an approving note from their employers, who, more often than not, are the management of some state-owned undertaking. Already at this stage an attempt is made to exorcise the applicant of his regrettable *Wanderlust*. Should it unabashedly persist, he is required to testify in writing that none of his relatives has fled to the West. When the applicant's good faith appears convincing he receives a chit inscribed "The undertaking approves of the proposed journey to western Germany." But as often as not he must set off to the police station with no more than a chilling "The undertaking has taken note of the applicant's intention to travel."

Those who eventually make the trip are pilloried on their return should it become known they have accepted the Federal Republic's offer of ten marks for pocket money, together with a return ticket to the frontier. The excuse proffered by one sinner, that he had accepted on the lofty principle of making it his business to harm the Federal Republic in every possible way, was considered officially to be thin. The worsening obstacles to travel mean hardship for many separated families. Another consequence is that there is no lessening of the westward stream of refugees which appreciably impairs the east German economy.

India the Uncommitted

FROM OUR CORRESPONDENT

HAD Mr Khrushchev achieved his summit meeting, one country, India, would have been there, not because it had interests to defend or spheres to protect, but precisely because it had none: no one was going to discuss Goa. While the great powers haggled, Mr Nehru would have been busy broking. In a world of unforgotten history, traditional connections, far-ranging alliances and firmly taken positions, India, alone of the major countries, stands sufficiently uncommitted to make a go-between.

This lack of Indian commitment did not spring unarmed from under Mr Nehru's cap. He gave it shape, he has trumpeted it into the world's ears, but he did not create it; history did. Other countries have special ties based on religion, language, a common past of success or oppression, geography. The Latin Americans are necessarily one block. Every western European knows that his country belongs to a wider Atlantic civilisation. The Arab thinks primarily of his own, Arab, world. China and Russia are pulled together by the same ism. India alone stands aloof, a civilisation as separate and complete as a pearl in its oyster. Its dominant religion, Hinduism, dominates nowhere else; its languages are spoken elsewhere only in Pakistan and by Ceylon's Tamil minority; its historical experience has been overwhelmingly confined to itself; it has invaded nobody except Ceylon and, except for the British period, its own essential life has been surprisingly little affected by invasions from outside. India's only special connection is with the Commonwealth, its only commitment is parliamentary democracy. Both are important; neither affects India's aloofness in world affairs. The Commonwealth is a sisterhood, a club, a discussion forum, not—of necessity not—an alliance. And Indians consider that whether a country is democratic or not is a domestic matter; external subversion, they consider, can succeed only if the people have lost faith. India has no experience of totalitarian terror.

India is, therefore, particularly qualified to look at the world without special sympathies or antipathies, and its detachment is further confirmed by the special way Indians look at life. Hinduism emphasises the ubiquity of truth, some of which is to be found everywhere, even in a lie; it sees life not in the blacks and whites of Europe but in darker and lighter greys. Indian history, too, teaches patience and the futility of short cuts. Through all the centuries of Islamic attack, the Hindus never despaired; and India got its independence not by the Mutiny but by Non-violence. Naturally, India tends to neutralism; naturally, too, India is quicker to perceive long-term trends—the importance of Arab nationalism, for example—than the answers to immediate problems, such as what to do about Nasserite subversion. No other country can compete with India in articulate detachment. Sweden and Switzerland are European, and their neutrality includes a tradition of silence. China is committed to a power block. Japan has American bases and a war to live down. Pakistan is conspicuously Islamic and a western ally. Nasser has Arab unity to concentrate on. Dr Nkrumah has to think of other Negro states to come. Only India can take a genuine bird's eye view.

That is why Mr Nehru has been able to carve out a great position for India, simply by pointing out what should have been quite obvious facts: that it would become increasingly expensive to hold on to unwilling colonies; that Asians and Africans would in future wish to shape their own destinies; that, as it looks from Delhi or Cairo, there were motes in the western eye as well as beams in Russia's; that the West, when it makes allies of underdeveloped countries, runs the risk of subjecting its whole regional position to the chance of the next local revolution. Propositions such as these are now largely accepted, even by those to whom they are unpalatable. Western policy is more and more based on them.

This success has done neither India nor Mr Nehru much good. Now that the world has accepted so many Indian ideas, it forgets where they came from and remembers only that it did not like the tone in which they were presented or that the process of acceptance was unpleasant. So Mr Nehru is more criticised than ever; and nobody in the world fights India's battles.

INDIA'S success carries another penalty with it: the importance of India has been reduced. When India alone was interpreting the underdeveloped world, Mr Nehru's every word had to be listened to. Now there are Mr Nasser's deeds to watch, and Mr Nehru, for his part, cannot suddenly generate a whole new series of dogmas: Asia and Africa do not change that quickly. What Mr Nehru has to say is now familiar, and there is no quicker way to drop out of the headlines, not only in London or Washington, but in Bombay and Calcutta, too.

In India itself, indeed, the consequences of Mr Nehru's successes go beyond the loss of publicity. Indians are not uncommitted when it comes to their own interests. Now that their world view is gaining acceptance, they begin to want to know why their government has failed over Goa and Kashmir; why nobody brings pressure on Portugal, and why they were reduced to reliance on a Soviet veto on Kashmir. Since they are certain of their rightness on both these issues, they naturally cast about for explanations of such international perversity. The favourites used to be Tory dislike of Congress; the Baghdad Pact; Pakistan's alliance with America; and the Anglo-Saxon weakness for Islam. The first has lost all conviction, especially since Mr Macmillan's visit; the others obviously do not explain, say, the Swedish

position. Some new explanation has had to be sought. The latest, and the most valid yet, is that India's views have too often been sermonised at the world by her foreign minister, and that too many of his sermons have been directed at the West and not enough of them at Russia. The discrepancy between Mr Nehru's reflex to the Suez intervention and his initial silence over Hungary, much resented at the time, has not been forgotten. The result has been that his public has put a bridle on Mr Nehru. They agree with his policy. They accept his philosophy. But they insist that he should not moralise at India's friends. They do not demand that he be the keeper of Moscow's conscience, they simply want him to talk less and in a less moralising tone. The result has been seen in the striking discretion of his comments on the latest Middle East crisis. He may no longer explain to the West too often what it should do in its own interest.

However strongly Indians may feel about Pakistan and Goa, those feelings have, as yet, had singularly little influence on their detachment. They would have considered Nasser the product of his age, and Nuri es-Said a throwback, even without the Baghdad Pact. Nor have they been so far prepared to pay a price for the Russian veto in their favour—after all, they are in possession in Kashmir, and they know that the Russians are aware of the necessity of showing that neutrality pays. Probably nothing short of large deliveries of arms to Pakistan would really push India off balance.

Mr Nehru's personal position has thus been weakened by the very extent of his own success. But this has enhanced, rather than weakened, his potentialities as an honest broker. Another year or two of a discretion imposed by his own public opinion should restore western faith in Indian impartiality. "Your Mr Nehru" may no longer be the introduction to a harangue. When this happens, the unique Indian freedom from every form of entanglement, historical or religious, military or sentimental, may again allow the Indian gift for compromise room for useful manœuvre.

The Strydom Succession

FROM A CORRESPONDENT IN SOUTH AFRICA

MR STRYDOM'S anticipated departure from the South African political scene is posing some ticklish succession problems for the powerful Nationalist party, which may not be without influence on the party's future course of action. It is also reviving a good deal of wishful thinking in opposition circles about political regroupings should the stresses and strains produced by the present jockeying for power among the Nationalists lead to a crisis. There is no obvious successor to Mr Strydom in view, although power in the party definitely lies with the Transvaal extremists whose choice would be the Holland-born high priest of *apartheid* Mr Verwoerd, who is generally credited with having engineered Mr Strydom's election in preference to Mr Havenga as Dr Malan's successor four years ago.

Afrikaner big business, a growing power in Nationalist politics, would prefer a milder, safer candidate like the glib pseudo-moderate Dr Dönges, the Cape leader, rightly calculating that foreign reaction to a Verwoerd regime at this stage would be likely to be extreme with disastrous consequences for the country's economy. Mr Verwoerd and his followers, who control the party machine, may also think it impolitic to take control openly at this stake when the uncompromising arrogance of the minister for native affairs has produced bitter enmity on a wide front, including elements in his own party who have neither forgotten nor forgiven his handling of the notorious church clause issue. In that event the choice may well fall on the Deputy Premier, Mr Swart, an excitable, negative, temperamentally ill-equipped career politician with little vision and tolerance; a critic this week talked of his "blundering ineptitude," referring to his handling of the mass treason trial.

MR SWART has reached the top of the nationalist tree by successfully echoing the catchphrases and shibboleths of race prejudices on which Afrikaner nationalism thrives. At the moment, moreover, he happens to be more or less acceptable all round because he bridges the gap between the fanatical extremism of Mr Verwoerd and the mellower determination and gradualism of Cape nationalism, and he can hold the fort as a stopgap until Mr Verwoerd is ready to take over. Another man with a foot in both camps, who might be more acceptable to non-nationalists, is Mr Schoeman, the hardworking and efficient transport minister, who manages to create an impression of political moderation. Whoever is chosen to succeed Mr Strydom, the broad direction of nationalist policy will remain unchanged, although emphasis and pace will vary under different men and the real struggle for the soul of the party between the extremists and the so-called moderates will continue unabated.

In the United Party, meanwhile, hopeful expectancy and near despair vie with one another—expectancy of troubles in the Nationalist camp and near despair at the thought that the man most likely to succeed Mr Strydom will almost certainly be even more uncompromising and less predictable than he was. There is an influential group in the United Party which has persuaded itself that some form of political realignment is the only hope of cracking the solid Nationalist front. Disheartened by the electorate's reception of their milk and water version of *apartheid* at the general election —race discrimination with justice—they look to men like Dr Dönges and Mr Sauer, perhaps even Mr Schoeman, as possible allies in a new conservative front.

Almost as though anticipating some such contingency, there has been a steady rightward movement in the United Party since the election, and seventy per cent of its parliamentarians would have little difficulty in linking with the more moderate Nationalists. A small-scale rebellion of Afrikaner intellectuals against the party's failure to produce an effective colour policy and to make *apartheid* work as promised has encouraged thought about a possible break in the Nationalist front. Upon all this politicking in the white camp, the voteless, voiceless non-white masses who some day are probably to be the arbiters of South Africa's political destiny look with cynical detachment, growing bitterness and frustration. They are far more interested in the treason trial—in what has emerged and still is to emerge from it in political terms. It mattered little to them whether Mr Strydom or Mr Havenga succeeded Dr Malan, and it worries them (at least the small minority who are able to think in these terms) equally little who will succeed Mr Strydom. They know it will be the mixture as before, probably even more so. To many it would not even matter if a Dönges-Graaff combination were to come to rule South Africa. That is at once the measure of their despair and the depth of the Union's crisis.

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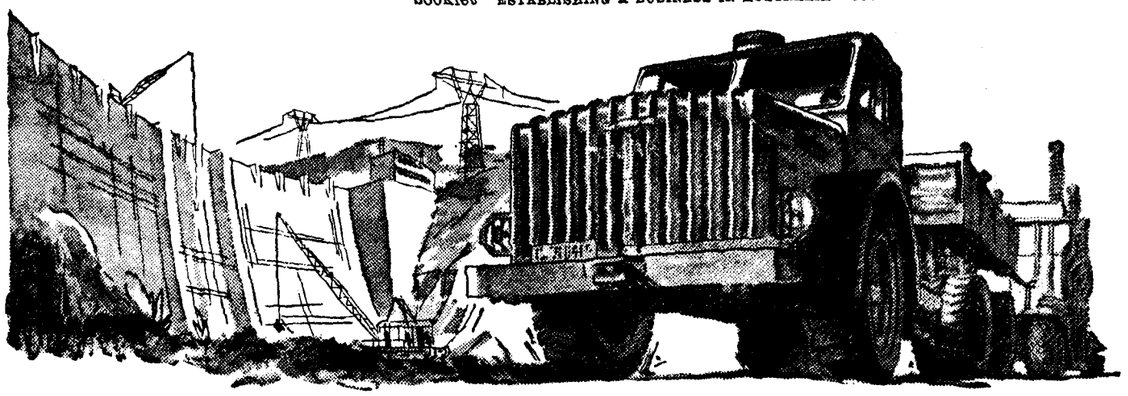

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THE BUSINESS WORLD

Aid for India

A REINFORCEMENT of India's foreign exchange reserve is now urgent; unless it can be secured, default on payments due by India will inexorably occur in a matter of months. Default, however it was veiled and presented, would be an economic disaster, not only for India but also for her creditors; it would have such profound political consequences that it must somehow be prevented. Ways and means of avoiding default and, beyond this, of avoiding a recrudescence of the present crisis, are to be considered at a meeting to be held in Washington on August 25th under the aegis of the World Bank, at which representatives of India, the United Kingdom, the United States, Germany and Japan are to attend.

The task it faces falls into three parts. The most urgent is the problem of meeting India's external deficit between now and June, 1959; the second is the projection of this problem to the end of India's second five year plan in April 1961; and the third, which must be considered if the first two are worth tackling at all, is some assessment of the longer term prospects for India's balance of payments and of the scale of its proposed industrialisation over the period of the next plan.

The facts can be summarised in their brutal simplicity. India's available sterling balances a week ago amounted to £145 million. In addition there is £88 million of gold in the Reserve Bank. By India's present currency law this gold, apart from £1,200,000 of it, is inviolable as part of the minimum statutory reserve against the note issue and £65 million of the exchange reserves is earmarked for the same duty. The Indian Government could by executive action breach this minimum exchange reserve but for obvious reasons of external and internal confidence it will not wish to do so. India, therefore, has today just over £80 million of free reserves to meet its external liabilities.

Against this, India's net commitments that have to be met between now and June 30, 1959, amount to about £200 million. This figure is what remains to be covered after taking export proceeds into account and after allowing for the receipt of credits that are already in the pipeline. The deficit on India's balance of payments from April of this year up to the end of the second five year plan in April, 1961, has been estimated at £460 million, a figure which allows for current trade payments and for the service and capital instalments on external debts already incurred. Of the debt commitments due in this period, nearly half is owing to the United Kingdom, about 20 per cent to Germany, 10 per cent to Japan and the remaining 20 per cent to a wide variety of other creditors, headed by the United States. The bulk of the amount owing to British exporters is covered by guarantees from the Export Credits Guarantee Department. India's free reserves are thus wholly inadequate; they need immediate strengthening, even to meet payments due over the next few months.

Before considering how that reinforcement can be secured, some attempt should be made to assign responsibility for the present dangerous and deplorable state of affairs. The main fault must fall fairly and squarely on India's own shoulders. The ambitious second five year plan, justified as it must be as a long-term investment and as an attempt to raise by even a tiny fraction the pitifully low average income of the Indian people, was launched without sufficient concern about its financial and technical logistics. A figure for external aid was written into it, not as a result of realistic calculation of what the world's capital markets could provide, but by taking as a basic assumption that what were deemed by the planners to be the essential ingredients of India's industrial development over this period would inevitably evoke the world's financial support. This soaring act of faith (it would be harsh to call it cynical guile) that finance would follow the plan has now crashed.

There are, indeed, some mitigating circumstances. Deliveries of capital goods ordered under the plan have been accelerated this year because of the shrinkage in order books in the industrial countries. As a result,

imports have been piling up at an earlier stage than was expected, and the effect of this on the balance of payments has been reinforced by the fall in the prices of some of India's basic exports, such as tea, jute and manganese. Nor can India be blamed for the indefensible efforts now being made by the British Government to limit imports of cotton cloth to this country; this is one of the few lines that India could export on competitive terms and in increasing volume.

The main responsibility, however, remains India's—but that fact does not diminish the need for international action to deal with the dangerous crisis that is now threatened. The meeting in Washington is being convened by the World Bank; but its fate will be very largely determined by the attitude that this country adopts. British exporters are the main creditors. At one remove this means that the main creditor is the British Government, since 85 to 90 per cent of the credits to India have an ECGD guarantee. Hence, the government is not a free agent but a committed guarantor; if an Indian default were allowed to occur the Government would still have to find the sterling to pay British exporters on ECGD policies. This fact provides one reason, and by no means the most important reason, for putting up some sterling first and thus preventing a default which would have incalculable effects on India's credit and on the affairs of the sterling club as a whole.

India's needs are so great that they are entirely out of the realm in which the private investor would lend a hand. Only inter-governmental transactions will cover the gap of some £420 million that has to be filled. The using up of what remains of the free sterling balances seems inevitable. A direct British Government credit could then fortify the reserves, given some assurance on the India side that the reserves would not fall below, say, £150 million up to April, 1961.

If the Indian Government could get a preliminary assurance of substantial British assistance—say to the amount of between £75 million and £100 million—the other creditors would be encouraged to make their contributions and the World Bank perhaps induced to make a stabilisation loan with fewer links to specific projects than those normally attached to its operations. India, for its part, might be expected to reduce the prospective deficit by any further cuts that could be made in less essential imports. In these ways, and with funds already promised from the US Government's Development Loan Fund, the yawning payments gap between now and April, 1961, might be bridged.

But it would be a disservice to India, as well as to other countries now seized with ambitions of economic development, if the gap is filled without some safeguards that it will not open again. The older industrialised countries should not be expected automatically to foot the bills when enthusiasm outruns the constable, even though they would not willingly let a friend slip into a financial crisis that would endanger the whole community of free nations. The under-developed nations of the world have in fact to learn that the process of industrialisation must be financed out of two streams of savings—their own, and those that other countries are ready to provide, according to their reading (not the planner's reading) of the economic and technical merits of the projects that they are invited to assist. They must not suppose that a continuous stream of external assistance can be called up to do the job for them.

Learning Not to Manage

Who shall manage the managers? The British Institute of Management has had to learn that the leaders of industry want information, not leadership or re-education

IT is twelve years since the British Institute of Management was set up; it has still, perhaps, to settle down. Internally, it has gone through at least one revolution since it was formed; not so long ago, when the government withdrew its annual subsidy, there were predictions in the business world that it might have to be wound up. This has not happened; the institute is still alive, apparently able to pay its way on its professional subscriptions, and developing its more successful services. But some important changes have come over its attitudes, ambitions and its approach to professional management. This week a new chairman, Lord Verulam, takes over, and it is announced that Mr Livock, its second director, has resigned. This is the second time that BIM has come under "entirely new management": it is perhaps the moment to take a critical look at its achievements and prospects.

In 1946 Sir Stafford Cripps accepted the recommendations of a distinguished committee under Sir Clive Baillieu for setting up a central management institute. The committee recommended that its main functions should be:

1. to take a lead in promoting research into management problems;
2. to co-operate in the development of training and educational schemes;
3. to undertake widespread propaganda on good management practice;
4. to co-ordinate and harmonise the specialist management bodies and bring them together by affiliation, and to
5. establish itself as a professional body with defined grades.

From the outset many business men regarded this as a

rather starry-eyed programme. And unfortunately, the institute, though its founders worked hard and selflessly in the difficult job of setting it up in those rushed postwar years, managed psychologically somehow to get off on the wrong foot.

It did the obvious things: took a central building in the West End, provided a restaurant and club and consulting rooms and a library; took over a magazine as house-organ; built up a reference library; began to co-ordinate research, or talk about co-ordinating research into management problems (which can mean anything or nothing): and culled the literature of the subject which it conveniently digested in "Management Abstracts" for the busy managing director. The enthusiasts recruited into BIM threw themselves into the business of setting up courses in co-operation with technical colleges and of convening conferences (oh, so many conferences . . .) on management subjects.

BUT the task of bringing in the specialist management bodies that already existed was fraught with internal politics, and it was not achieved without almost fatal dissensions in the early years. These bodies, of which the Institute of Industrial Administration was the leader (others included the Institute of Works Managers and the Office Management Association) were for the most part rather weak organisations with small memberships, which included relatively few of the outstanding practitioners of management in the business world that business men know. With the Institute of Cost and Works Accountants the link was slight; in a sense this body leaned rather more towards its rival professional accountancy bodies. It was natural to try to federate these bodies, their libraries, knowledge, and above all, their patrons and contacts, with the BIM; but working relationships were not achieved without a fight. Indeed, it was not until a year or two ago that an accommodation between the BIM and the IIA was finally reached on a formula that even now is not entirely convincing. (The IIA remains the body which gives letters-designate in general management; the BIM is the organising "parent" body responsible for research). Far too much was heard about squabbles between bodies for which nobody cared much except those pioneers of the "management movement" who happened to have spent lifetimes building them up.

The other aims of the BIM were bedevilled by an internal division on whether "management" could be taught at all, and if so what sort and how much. One group upheld the view that the "art and science of management" could be taught; the other felt that the professed aims of the institute should be more modest, on the view that leaders are essentially born, not made. From this argument—not entirely sterile, but slightly metaphysical—several consequences flowed. One undoubtedly was that while the institute did a certain amount of good work in developing the teaching of "tool subjects" at a fairly junior management level at technical colleges and elsewhere in collaboration with the Ministry of Education, it was far less successful in promoting "higher management studies," at least at the outset. Nor was it at all successful in promoting research into management problems; any approaches it made to the universities were politely received but little came of them. Most business men are mainly convinced that management research is no more than what a good firm thinks out in the heat of action, and that all that is required is to spread information about good management practice: in the academic world, on the other hand, the professed art and/or science of management is often looked on rather sceptically.

Unfortunately for the BIM, the job of telling industry what the best firms do, which might perhaps have enabled it to find its feet and a true vocation, was largely taken over about the same time by another body—the British (originally Anglo-American) Council on Productivity. This was a well run body, with a clear aim, and in contrast to the BIM it had a firm footing with the organised industrial associations. It worked with speed, and its team reports on American practice soon acquired a prestige and even a glamour that BIM publications entirely lacked, however aspiring and useful some of these may have been. In following up its reports, in arranging return visits, in analysing results and in establishing regional bodies, the productivity council cut the ground from under the institute's feet. It may be argued that the bodies had different tasks—but there was no doubt which task interested the body of practical business men most, or which proved to be the spearhead of lively thinking among managers in the early postwar years. Fairly soon after another body with a rather different but again an interesting purpose, the Institute of Directors, began to grow rapidly. This institute, which was concerned partly with making the term "company director" richer and less strange, had quite different objects from the BIM. But again there was over-lapping; it did compete, as did the BPC, with the BIM for business men's time and attention: it produced a far livelier magazine, which was a paying proposition, and it had a more glamorous title. It sounded senior, it had more finance, its publicity was spectacular, and its facilities for luncheon were decisively lusher.

BUT the BIM has been busy learning; some, if not all, of its initial shortcomings are being lived down. It has disencumbered itself of expensive premises; more important, it has disencumbered itself of unwieldly ideas. It recognises now that a reputation for solid work in management research, for example, has all to be made; and it does not pretend as yet to be making it. It seems to have seen, moreover, that the endless obsession with professional status that distinguished it in its earlier years is a mistake; industry is immensely concerned with status, but not in terms of letters or degrees. It is itself "under entirely new management." It further recognises that no institute run by staff whose abilities will of necessity be partly academic, partly administra-

tive, and partly promotional would be accepted by such individualistic creatures as business men as competent to offer them leadership in management. It is now playing a much simpler, and one would think, more hopeful role—that of acting as a channel between firms which by reason of size and resources are leaders in good management and those which are too small to experiment or lack wide contacts, but are anxious to learn from "the man who has done it." In this sense it has taken a leaf out of the Productivity Council's book ; but from the first this idea was implicit in the Institute of Management.

Wisely, moreover, the institute is now concentrating on its regional organisations. It now regards its conferences and courses, though occasionally useful in content, essentially as ways of bringing men with comparable problems together, and creating for managers (who often lead isolated lives) a circle of professional contacts, who can keep them up in the "state of the art." Its formal teaching, organised in 94 technical colleges, it now seems to think of as essentially for junior men and to "lighten" purely technological courses ; and its listing of management courses in a compendious handbook, without the slightest attempt to assess them, is an exercise of the past.

Some people have said that for all the good the BIM has done its functions might be left collectively to the specialist bodies, like the Industrial Welfare Society, the British Productivity Council, the Institute of Cost and Works Accountants, the organised industrial consultants, and most recently the practitioners of operational research. But against that, it is a fact that enough hard-headed business men see a role for the BIM to have subscribed £100,000 when an appeal for help went out. There are now 5,000 members, under a scheme in which an individual is nominated by a firm to carry its professional membership, and the number is rising. This is a small beginning, and there is a good deal to live down. But now that the BIM lives on its own resources, and its own appeal, there is no case for panning. it. The idea of professionalising management, as Sir Stafford Cripps perhaps accepted it under the stress of his own ideology, is a non-starter, but there is plenty of useful work to do. The test will be whether, in the next five years, the BIM can grow from this point. Those who point to the American Management Association as an example should remember that personality, plus the conference habit and the fees accruing therefrom, have made that American organisation ; membership alone now sustains the BIM. Everything depends on whether that membership stays live, and grows ; and that depends on whether it values the services it gets.

BUSINESS NOTES

BANK RATE

Unseasonable Fall

CONFIDENT expectations of a further reduction in Bank rate that had been shown at last week's Treasury bill tender, and in the strength of gilt-edged, were duly fulfilled on Thursday, when the rate came down from 5 to 4½ per cent. This is the fourth reduction in less than five months, since the easing from the 7 per cent crisis rate began on March 22. Much more remarkably, this is only the second occasion in the present century in which the rate has been reduced during the month of August, traditionally a time of strain upon sterling.

The fact that the reduction had, even so, been largely discounted in the City points clearly to the exceptional circumstances that justify it. Sterling had been showing heartening strength through these early weeks of the period of seasonal strain, and had presented a firm front last month to the shock of the new disturbances in the Middle East. At the same time, there has been no resumption of pressure upon resources within the domestic economy. On the contrary, it is widely expected that the margin of slack may widen further. If that were to happen, and if the exchange still held its ground, a still further easing of money rates might be witnessed. But Bank rate is now at a level at which there is elbow room for movement in either direction.

One of the factors that may now tend to work against a further easing of money rates in London is the rising trend of rates in New York. But the New York Treasury bill rate, which has risen in the past fortnight from under 1 per cent to over 1½ per cent, is still well below the London rate. After Thursday's announcement, short dated bills were quoted 3⅞ per cent, compared with 3⅞ per cent for full dated bills at last week's tenders. The "fixed" rates of the clearing banks have been adjusted in step with Bank rate—so that the deposit allowance now becomes 2½ per cent. There will be similar adjustments in most of their interest charges on overdrafts.

Fully as Expected

WHAT has happened fits in perfectly with market guesses. It fits in also with the idea of getting the necessary change made before the autumn meetings of the World Bank and the International Monetary Fund, and before the Bank of England has to face a substantial and possibly difficult refunding operation—the replacement of £448 million of two per cent conversion stock maturing in January. Just because this moderate reduction of what was regarded as a still high Bank rate had been so widely expected, its effect on market prices was minimal.

Gilt-edged stocks rose by ⅛ to ⅛ right down the list, the *Financial Times* Government securities index advancing from 84·57 to 84.61. Some of the short dated stocks naturally rose a little more. Two factors limited the

rise in the medium and the longs: the longs have been heavily bought throughout three preceding days, investors switching out of mediums into longs ; moreover the authorities themselves really fixed the amount of the rise by raising their selling price of the 5½ per cent 1982-84 stock by only ⅛ to 101. By selling substantial amounts they held long term rates almost steady. On the industrial side of the market there had also been substantial anticipatory buying. That was one of the factors producing a rise of 3.6 to a low peak of 203.2 in *The Economist* ordinary share indicator on Wednesday. A little further advance occurred on Thursday after the Bank rate announcement, the *Financial Times* Industrial index rising from 183.3 to 184.7.

The market is nearly always thinking forward towards the next Bank rate move, and the immediate future must depend on whether the rate is being talked up again to 5 per cent or down farther to 4 per cent. First impressions of the market after the announcement do not suggest that the rate is likely to be talked upwards, however much from the Bank's standpoint the possibilities may appear evenly balanced. The overwhelming response for the Agricultural Mortgage Corporation's Loan seems to augur well for the chances of Whitbread and Company's £1¾ million 6 per cent Debenture 1976-81 which has been placed at 99½. Buyers are not likely to lose faith in the gilt-edged market where some of the shorter mediums are now looking cheap.

MOTORS

The First Cloud?

THE news that Vauxhall will have to sack 600 of its 22,000 employees at the end of the month reads strangely when everything suggests that the rest of the motor industry is still riding the boom in cars. The market in commercial vehicles, both export and home, has been sick for some time. But Ford is still selling all the cars it can make, with double shift working and much overtime ; BMC, which has announced that it produced a record total of 504,712 vehicles of all types in its year to July 31st last, is also still finding car sales a thriving business ; Standard, plagued by a further bout of labour trouble at Mulliners, its new vehicle body subsidiary, can market all the cars it is still able to produce ; and even the Rootes Group reports a record rate of production in July. Vauxhall increased its output of cars and commercial vehicles from about 640 a day last November to more than 850 a day in the last couple of months, and, though the company speaks of "the disturbed political situation and economic restrictions in some southern hemisphere countries (which) had aggravated the seasonal slackening of demand," it is also thought that it has found it difficult to sell all the Victors that it may have expected to, particularly in the United States.

CAR AND LORRY OUTPUT

	Year	August to July*	
	1955	1956–57	1957–58
BMC	468,000	347,000	498,000
Ford	307,000	267,500	364,000
Vauxhall	144,000	119,000	180,000
Rootes	120,000	240,500	284,000
Standard	96,000		
Other	92,000		
	1,227,000	974,000	1,326,000

* Estimates.

Sales must be expected to slacken soon at home, especially where the pre-war pattern of a poor winter season appears to have been returning in the last few years, but there is no sign that it is happening yet. As the deepening of the industrial recession elsewhere has allowed the industry to get delivery of materials such as steel with much less delay, it is not obliged to make up its mind about the size of its future orders quite as early, though it wants quick deliveries in the meantime. Meanwhile, the production figures Sir Leonard Lord announced for BMC this week allow a comparison to be made of the changes wrought by the 1956 slump and the present boom in the relative shares of motor output held by the leading manufacturers. BMC's share was about 38 per cent in 1955, before the slump: in its financial year 1957-58 the proportion was about the same. Ford's share rose a little from 25 per cent to 27½ per cent between the same periods and Vauxhall's measured in output still, rose from almost 12 per cent to just over 13½ per cent. But Ford has still to reap the extra capacity of its expansion programme, while BMC, which has completed its programme, could now produce 12,500 vehicles a week against the 10,000 or so it averaged in its latest year. Vauxhall also now has the capacity to produce just over 5,000 a week : In June it was producing at the rate of 4,300 to 4,400 a week.

Treaty Signed at Briggs

THIS week practically all the 22 unions with which Ford Motor has to negotiate in its Briggs Bodies plant at Dagenham have signed the agreement to standardise working conditions there with those of Ford employees that the company has been seeking ever since it took over Briggs five years ago : the agreement should come into force next month. Under it, Briggs employees gain in wages, pensions, and holiday arrangements, lose afternoon tea breaks to which they had become so attached (Ford conditions mean tea brought round on a trolley) and their right to hold union meetings in the company's time without formal permission ; and will no longer be able to refuse the overtime that this company works as a settled policy. The time it has taken to achieve this unification of working conditions is an example of how long it takes in human and administrative terms to knit together companies that have formally amalgamated ; in particular, it has shown the strength that local bargaining can give to troublemakers within a works.

Briggs Bodies had accepted local bargaining completely in its labour relations (as many theorists would like to see British industry do much more generally) and had exceptionally bad labour relations, at the mercy of shop stewards who delighted in showing their militancy at the slightest pretext. The one may not necessarily have followed inevitably from the other : Ford, however, was used to bargaining with trade union executives, and had seen enough of Briggs' incessant strikes not to accept unchecked the peculiar power that shop stewards had managed to usurp there. Signature of this week's agreement will not necessarily weaken that power at all quickly (though since the bell-ringing strike in early 1957 the stewards have in any case been playing their hand rather more carefully); but it puts more leverage behind the management's labour policy.

HP CONSOLIDATION

Finance House Merger

MARKET rumours were confirmed on Wednesday when Vactric, a manufacturer of domestic electrical appliances and precision tools that has had a chequered financial history, announced the sale of its subsidiary finance company, Awley Finance, to Lombard Banking. This is one of the newer companies in the HP field, but a big and rapidly expanding one. Pending CIC consent, Lombard Banking will issue 1,050,000 new ordinary shares of 5s. each, fully paid, and offer these together with £600,000 in cash to Vactric in exchange for the 600,000 £1 shares, fully paid, in Awley Finance. Before the announcement, Lombard shares stood a little over 20s; the acquisition will thus increase Lombard's issued ordinary capital by a little over one-sixth. The directors of Vactric have announced that they are considering a distribution of the Lombard shares to shareholders.

The main attraction of the deal to Lombard Banking is doubtless the opportunity offered for expansion of business—at a time when the ventures by the banks may make competition for business much fiercer. Awley Finance has hitherto been concerned mainly with the products of its parent company, though it also transacted a little outside business. The company will continue to handle the Vactric business, and Lombard Banking welcomes this new stake in finance of domestic consumer goods. Hitherto, it has put the main emphasis on cars and capital equipment. Vactric, in turn, is doubtless glad of the money. Its hire purchase commitments had become heavy and it has recently been advertising for deposits.

BANKS AND HIRE PURCHASE

Nearly All In

CONSOLIDATION in the structure of hire purchase finance continues at a dazzling pace. Last week-end the Midland Bank, in association with its Scottish subsidiary, announced that it was making an offer for all the capital of Forward Trust, a medium sized finance house based on Birmingham. The Midland thus became the fifth of the big seven banks within fifteen days to have announced a venture into hire purchase financing, and on Wednesday this week the "three banks" group—the Royal Bank of Scotland and its two clearing bank subsidiaries, Glyn, Mills and Williams Deacon's—announced an arrangement with British Wagon, a medium-large finance house, to take up new shares to the value of £2.4 million, giving a 40 per cent interest in the equity. The arrangement is subject to approval by shareholders of British Wagon of the increase in capital. The banks are to acquire the £1 shares at 92s. 6d., compared with the market price before the announcement of 106s.; the margin is notably smaller than that of 20 per cent or so secured by Barclays and by Westminster and Martins.

On Thursday Lloyds Bank staked two claims in the HP field one direct and one indirect. It bought, subject to CIC consent, two million newly issued shares in Bowmaker—a 25 per cent stake in the equity of that company. It is paying 29s. 6d. for the new shares which do not participate in the dividend for the year which will end in October. The existing shares stand in the market at 31s. 6d. Also on Thursday Scottish Midland Guarantee—a wholly owned subsidiary of the Commercial Bank of Scotland—announced its bid for the whole equity of Olds Discount Company at a price of 35s. 6d. The market price was then 31s. 6d. This would have given the National Bank of Scotland and therefore Lloyds Bank an interest when the projected merger of the two Scottish banks was accomplished. Apart from that however the announcement expressly states that the National Bank of Scotland and Lloyds Bank are associated with the bid. This left the District as the last of the big seven, and the Bank of Scotland as the last Scottish bank, without a direct HP connection.

The bid by the Midland Bank and the Clydesdale and North of Scotland is 70s. for each of the 750,000 10s. ordinary shares of Forward Trust (previously standing at 62s. 6d.-63s.) and 20s. for the 100,000 £1 preference shares; the total involved is thus £2,725,000. The Midland's offer has already been accepted by Britannic Assurance, which owns 30 per cent of the Forward Trust shares, and by the directors of the trust in respect of their own holdings.

It is to be expected that the Midland and the Clydesdale intend to keep the business of their new wholly owned subsidiary distinct from their banking business: in this, they would follow the practice of the Commercial Bank of Scotland and the intention of the National Provincial. But the full implications of new HP associations have still to be pondered at the Midland, and indeed at the other banks that have navigated so quickly into unfamiliar waters.

STEEL

Output Down Even More

PRODUCTION of steel last month was at the rate of 315,900 ingot tons a week, which is nearly 13 per cent lower than in July 1957 and even making a rough allowance for seasonal factors represents only about 80 per cent of the industry's crude steel capacity. The Iron and Steel Board thinks that steel consumption in the second quarter of this year, though declining, was at about the same level as in early summer 1957: if so, stocks must have been drawn down pretty heavily by consumers, for finished steel deliveries at home were 5 per cent down. Exports were down by nearly a quarter.

Motors and electrical engineering are now about the only remaining points of strength in the steel market: demand for shipbuilding plate has not fallen as much as for light plate, but it is now significantly down. There is widespread working of short-time in the industry, particularly at the heavy end: Dorman Long, for example, could not have happened on an unluckier year for bringing in their new universal beam mill, with structural engineering demand well down, and softening in the plate market has affected other sections of their plant. The process of reducing consumers' stocks of steel to a level more suitable to the kind of production that British engineering expects this autumn is going to be a painful one for steelmakers, even if it is economically healthy in the long run.

Most Duties Back

DUTIES on practically all types of imported steel except motor body sheet will be in force again from September 18th—at the rate of 10 per cent *ad valorem* established last November in an agreement between Britain and the European Coal and Steel Community. When that agreement was signed—it bound ECSC countries' duties on British steel to their "harmonised" rates of from 3 to 12 per cent, and reduced the British duties, which had formerly been from 15 to 33⅓ per cent—a wide range of iron and steel products could be imported duty-free. The British steel industry and some of its customers had been importing heavily in 1955, 1956 and the early part of 1957, and most import duties had been suspended. Duties on light sections, light bars and rods other than in coil, and hoop and narrow strip were restored in September, 1957; those on blast furnace ferro-manganese and most grades of sheet came back in March; from the middle of next month the only products on which duties remain suspended will be cold-reduced sheet and hot-rolled strip for the motor industry, and one very specialised type of high-carbon steel wire rod for making wire used in tyres.

Imports of steel last year were only about half the tonnage brought in during 1956, and so far this year they have been about a sixth lower again than last year's rate. Some semi-finished products continued to be imported centrally by the industry under contracts running out in the early months of this year, but these are now for the most part completed. Of the nearly 300,000 tons of steel imported in the first six months, nearly half has been sheet: the motor manufacturers are still buying from abroad. So far as quantities are concerned, there is little incentive for other British consumers to go abroad for their steel; never since the war have nearly all products been as readily available in Britain. Price here and there might offer a separate incentive; there is a good deal of Continental steel to be had on the cheap, while British producers are still firmly sticking to the official controlled prices as minima. But there is little evidence that any re-rollers or many steel users are yet taking advantage of Continental price cutting.

IN THE MARKET

The Farmers' Loan

A BUOYANT gilt edged market with big investors feeling sure that a further reduction of Bank rate was near assured the prompt and even embarrassing success of the Agricultural Mortgage Corporation's issue this week; the terms when fixed at the end of last week had looked fully as stiff as investors would accept. The Corporation, whose stocks enjoy trustee status and whose shareholders are the Bank of England and other leading banks, uses the money it raises from the public to make mortgage loans to farmers. It is now issuing £5 million of 5½ per cent debenture stock 1980-85 at £98. As with the previous issue (but not with the earlier ones) the Corporation has been allowed to compound for stamp duty and the stock will be free of stamp to holders. It yields £5 12s. 3d. per cent flat and £5 12s. 11d. per cent to redemption at the latest date. These yields when the issue was announced were fractionally lower than those obtainable on the recently issued 18-year Liverpool Corporation 5½ per cent stock. Such a margin is logical only at a time when investors are engaged in switching into longer dates, as they now are.

Agricultural Mortgage Corporation must, in the long run, cover the service of its debentures with the interest it receives from its borrowers, and it has recently brought down its charge on new mortgage loans to 6 per cent. Is the cost of servicing a 5½ per cent stock issued at £98 covered by a 6 per cent lending rate? In this issue the underwriting commissions of 1¼ per cent and the other expenses (£100,000) are disclosed. In most trustee issues these figures are not given. It is however approximately right to say that the initial expenses of a fairly small issue in the gilt edged market are about 2 per cent of the nominal amount and the annual expenses consisting of compounding for stamp duty and of cost of management are about ⅛ per cent of the nominal amount. On that basis a loan at 5½ per cent for 27 years issued at £98 and yielding the investor £5 12s. 11d. per cent to redemption becomes to the borrower a loan at 5⅝ per cent made at £96 and costs to redemption about £5 18s. 6d. per cent. This suggests that the Corporation has no great margin over its current lending rate.

BUILDING SOCIETIES

Halifax Mortgage Policy

RECORD figures accrue to the Halifax Building Society like compound interest to a savings certificate. At July 31st, the total assets of the Halifax topped £350 million —£351.1 million against £329.5 million six months earlier. But the rate of growth is slowing down. Both in terms of new investment less withdrawals, and of money lent on mortgage, the society in the last three months did less business than it did a year ago, when its rates had recently become competitive and money was not on ration to borrowers.

£ million

Quarter ended	Mortgage Advances Last year	This year	Net New Investment Last year	This year
April 30	14·92	14·67	9·12	7·43
July 31	20·87	16·78	8·84	8·29
October 31 ...	22·54	—	7·82	—
January 31	12·68	—	9·34	—

Now that Bank rate has come down again it seems nearly certain that the Halifax directors will feel that the time has come for a reduction of mortgage rates below 6 per cent and of share interest below 3½ per cent net. Equally it is almost certain that the majority of the building society movement will still think the competition of national savings and of hire purchase houses too strong to permit any reduction. This autumn it seems possible that the Halifax will be charging and paying less than other building societies, and so sacrificing investment and getting the pick of the mortgages —as it was two years ago.

BRITISH TRADE

Recovery from Dock Strike

HIGH import and export figures in July reflect a recovery from the delays caused by the London dock strike in the two earlier months. Imports always recover from such setbacks first, partly because ships have to be emptied before they can be loaded and partly because of the quicker recording on the receiving side. The backlog of imports, therefore, would have been worked off; from May to July imports averaged £315 million a month, slightly higher than in the first quarter of the year. But export figures

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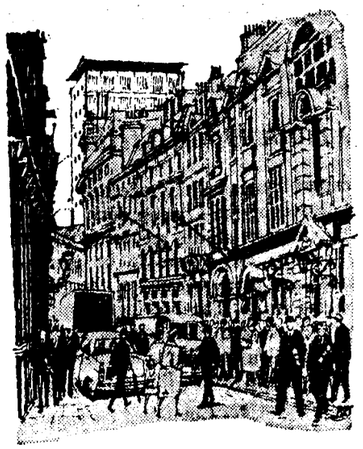
Shifting Head Office Out



WHITEHALL has now shifted some 38,000 of its "headquarter staffs" to offices located outside London, but a surprising number of commercial firms have also found it worth their while to move part or all of their head offices to sites in the London suburbs or farther afield. The size of this movement and the sympathetic interest of other firms who have evidently been thinking about exchanging the bustle and expense of central London for more rural calm was revealed at the recent conference on "Office Location in the London Region" of the Town and Country Planning Association, to which—much to the gratified astonishment of the organisers—more than 80 commercial companies deemed it desirable to send more than three hundred quite senior representatives.

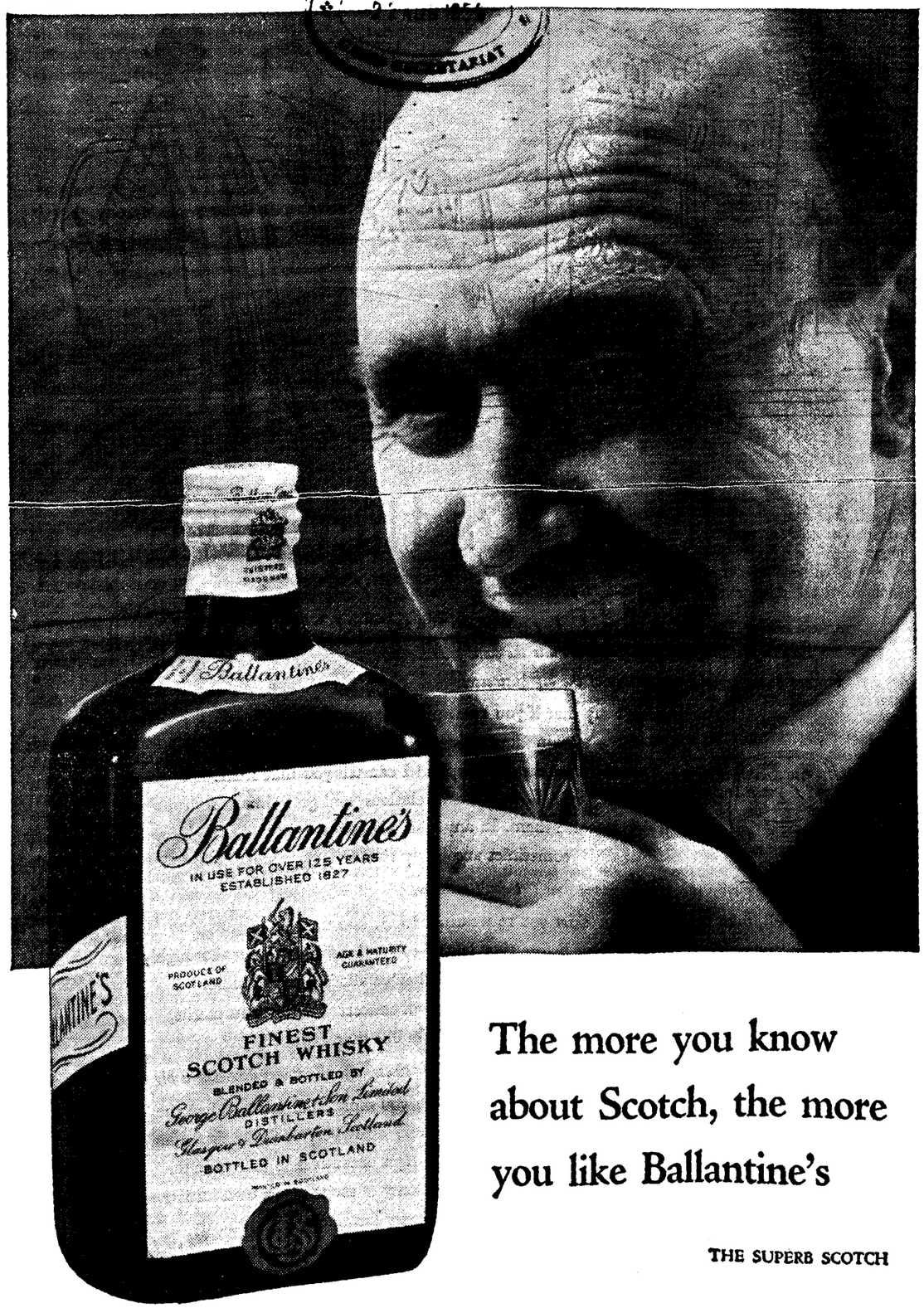
Firms that have moved their head offices say that they have done so because it paid them to rather than from any public spirited feeling that it would help alleviate the social and planning costs of congestion. For some the decision arose from wartime dispersion to scattered and often ill-suited temporary accommodation away from the centre, as happened to the Legal and General Assurance Society whose assistant general manager, Mr P. R. Cahill, read a paper to the conference describing his own firm's experience. The Society now has part of its head office, with nearly 700 staff, at Kingswood in Surrey and the remainder, employing rather more than 1,000, in Fleet Street. Tight restrictions on new office building after the war postponed the chance of bringing back the company's outlying sections and by the time building controls were eased dispersion had been made to work under the impetus of wartime and postwar need. The organisation and the staff had settled down in their new environment, and many of the clerical workers had been recruited locally; these factors together with the relative costs of building anew in central London or outside, made the decision to stick to decentralisation fairly easy to take. Here, necessity had turned out to be a virtue. Though a head office that is already quite comfortably ensconced in the heart of the metropolis is unlikely to seek a change, large firms looking for room to expand have found it a paying proposition to throw out to the suburbs rather more than the mere off-shoots, such as a small out-of-town printing works or warehouse, that was a habit before the war. Smaller firms, employing up to, say, 200 in their head offices, have found it worth while to move the lot, leaving only a *pied-à-terre* for meetings and an accommodation address and telephone, linked by private line with their main premises.

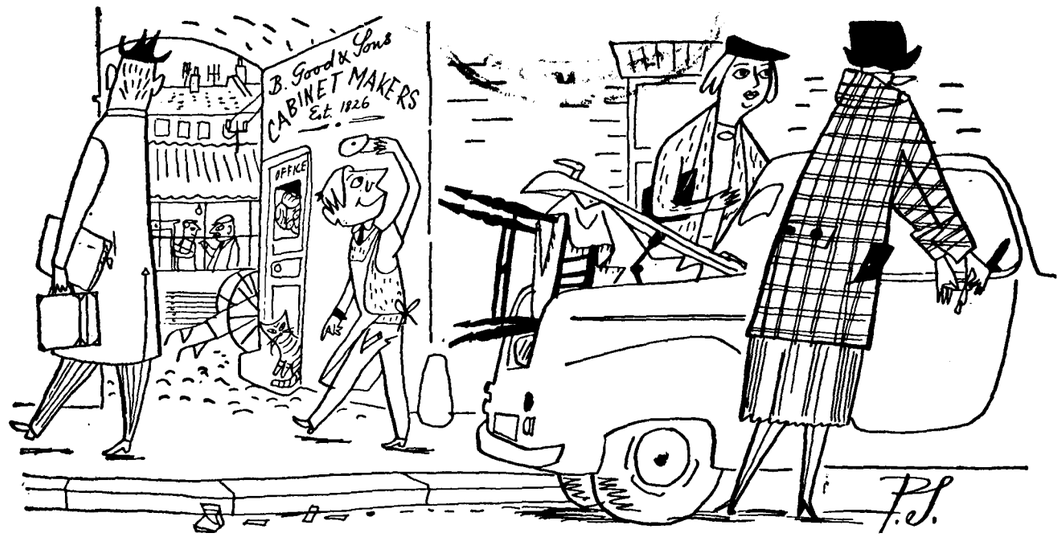


FOR a head office looking for an out-of-town premises, there appear to be three possibilities. It may choose to settle in the "country house" type of building, but most of the more suitable have already been snatched up or are not likely to come on the market. It may take over, with a few alterations, an existing building in a town or the suburbs. Or it might decide to build or lease a new block. Sites are said to be not too difficult to find, though Surrey seems determined to keep its desirable residential aura and Hertfordshire what rural air it still has. Site and building costs range downward from £1,000 per office worker (assuming 100 to 150 sq. ft. for each clerk) outside London—£600 was mentioned at the conference—against between £1,500 and £2,500 per employee in the central area: for rents the comparison is between 6s. and 10s. a sq. ft. outside and anything from 20s. to 45s., or more, inside. Rates are lower outside. Salary scales were said to be lower, though like some other cost comparisons this was disputed. Most firms claim that absenteeism is lower, that staff welfare and morale, to which the greater opportunity to provide sports and recreational facilities contributed, was better and output and efficiency greater, though it was argued that the lower pressure of business in an out-of-town office could lead to a slacker (even slacker?) tempo. The length and discomfort of rush-hour travel enter little, it was said, into the employer's determination of policy and, as one firm claimed after checking with its own staff, are also not a major factor in the employee's own reckoning.

BUT this point was not accepted by everyone. Smedleys advertised for a year ahead locally in Caterham with "Smedleys Ltd. invite YOU to miss your train every day" and thereby filled 90 per cent of its vacancies before it moved. The prospect of recruiting locally does need to be carefully examined. The new towns, for example, have not at the moment sufficient young adults to meet the needs of a number of head offices. But most suburbs and larger towns outside London, besides offering shorter travelling distances, afford a readier supply of married women with experience of office work and willing to undertake part-time work. Technical labour was claimed to be not more difficult to get. Young people with ambition, however, seem still inclined to think of the City as the place to be.

The main snags of moving seem to be the problem of communications, which often means good daily transport as well as telephone, teleprinter, and even closed circuit television where that businessman's new toy pays, the necessity for some duplication of internal organisation and splitting some services—like catering, and the loss of opportunities for face-to-face contacts with customers and competitors ("the overcrowding that to the planner may seem reprehensible is, in the conduct of business, often a great advantage"). But this last point was, it was argued, a minor matter and "no business had in fact been lost." Cases were quoted where, on balance, operating costs per employee, including pay, were between 7 per cent and 10 per cent lower after the move to an out-of-town premises





the things they say!

I always like to support a family concern.



Why do you say that?

Because I don't think you ever find quite the same friendliness between managers and men in one of the big businesses.

You wouldn't say that if you knew much about I.C.I. Being a working journalist, I've seen inside lots of their plants.



I've seen how they're run, and I can tell you that I.C.I. take great interest in the problems of human relations, and go to immense trouble in trying to solve them. In any case, big concerns are sometimes absolutely vital.

I don't see why.

Well, take that 'Terylene' skirt you're wearing. I.C.I. had to spend £5,000,000 on research and development before they felt that 'Terylene' fibre was a thoroughly practical textile material. Since then they've allocated £49 million to construct plants to make the stuff. No small concern, whatever its merits, could have taken on a job like that.



I see what you mean, but a small business has advantages denied to a big one.

Quite so, and no one would agree with you more than I.C.I. When the I.C.I. Board decided to go ahead with 'Terylene', the first thing they did was to appoint a team of their younger executives to take over the project, and they gave that small team plenty of scope for its own initiative. You see, I.C.I. are fully alive to the necessity for delegating authority and do so right down the line. In this way they contrive to combine the advantages of smallness — and bigness — in their own activities.

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are still somewhat affected by the strike; making what allowance is possible in a comparison with last year it looks as if the underlying fall in the value of exports in the first seven months was 3 per cent, the same as at the half-year mark. The July figures do not suggest any significant change in the trend of trade.

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to North America*
1957 : 1st quarter.....	352·7	278·8	13·0	61·0	32·0
2nd "	346·9	283·8	10·2	52·9	38·8
3rd "	332·1	265·6	9·8	56·6	37·5
4th "	326·9	280·1	11·5	35·2	35·8
1958 : 1st quarter.....	311·2	273·7	13·7	23·9	34·6
2nd "	303·9	258·8	11·6	33·5	39·2
May	308·4	287·3	14·6	6·4	44·1
June.....	300·2	223·7	8·4	68·1	37·4
July†	337·8	285·8	12·2	39·7	41·4

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

BIDS AND DEALS

Struggles for Control

IF an active takeover market in companies is a sign of confidence on the part of knowledgeable investors the bulls should take heart. There is now a crop of disputed takeovers. The most interesting, because the most unusual, is the counter-bid by the Government of Trinidad and Tobago for all the share capital of Angostura Bitters (Dr J. G. B. Siegert and Sons). This bid is of 10s. 6d. for each 5s. preference share and 25s. 6d. for each 10s. ordinary share, thus topping by 6d. in each class the outstanding bid by JCB, Limited (thought to represent the interests of American distributors of Angostura). The Colonial Government itself has stepped in in order to keep the business in Trinidad; the intention of JCB is to move it to Bermuda. The Government bid will be made effective even if the acceptance is only 51 per cent. But that does not imply that it is a bid for only 51 per cent of the capital. The practice of obtaining control by a bid for part only of a company's capital such as last week's bid by Federated Securities of 9s. per share for 120,000 5s. ordinary shares (about 14 per cent of the equity) of Brough Nicholson and Hall, the manufacturers of textile smallwares, is frowned on in the City.

A competitor for the Beecham Group's bid for the ordinary shares of Thomas and Evans, makers of the "Corona" soft drinks, has also appeared and forced Beecham Group to bid higher. Schweppes now offers two of its own 5s. ordinary shares for each 10s. unit of Thomas and Evans. With Schweppes at 22s. 4½d. this put a price of 44s. 9d. on the Thomas and Evans shares and was an improvement on the first Beecham bid equal to 42s. 9d. for each Thomas and Evans unit. Philip Hill, Higginson promptly joined battle with a new bid on behalf of Beecham group of one Beecham ordinary plus £1 10s. in 6 per cent loan stock or cash for each Beecham share this is worth about 51s. With all respect to Deloitte, Plender, Griffiths and Company, who commended the first Beecham offer as fair, its sequel underlines the fact that shareholders have nothing to lose by waiting until the last day of any offer. The two dissenting directors of Thomas and Evans have been handsomely vindicated.

The Stothert and Pitt tussle is not a choice between two bids. It is for shareholders to accept or reject a single bid: the offer by Philip Hill, Higginson and Company, on behalf of Spencer (Melksham) to buy all their shares at the rate of two Spencer (Melksham) shares, plus £1 nominal of 6¼ per cent debenture, or £1 in cash for each two Stothert and Pitt shares. Spencer (Melksham), the smaller of these two engineering companies, had made two previous approaches to be taken over by Stothert and Pitt. The directors of Stothert and Pitt did not like the idea, and they like it still less the other way round. They have a fine record as crane-makers, but they are not financiers, and they played the hand oddly. They came out with the rejoinder without first enlisting the support of their big institutional shareholders; they have failed to enlist any merchant bank to oppose Philip Hill, Higginson, though it is known that Lazard Brothers have been their occasional consultants; they have now promised more than to double the ordinary dividend, raising it to 25 per cent, which should be enough to beat the Spencer (Melksham) offer, but they have not shown what profit backing that distribution would have this year; they even left Philip Hill, Higginson time before the offer closes on August 22nd to get out a rejoinder. But the Board took the main point: the debenture to be issued for the cash or debenture portion of the purchase price would be a charge mainly on the Stothert and Pitt undertaking, and to that extent the company is being taken over with its own money. Shareholders should reject the offer.

POTTERY

Coalport Closes

CLOSING of the Coalport pottery has come at a time when the industry generally is doing considerably better than it has in the past two years. Makers of domestic china received a sharp setback in 1956 when purchase tax at the rate of 30 per cent was levied on plates and cups for the first time; 7,000 workers representing about 10 per cent of the industry's labour force, were dismissed and twelve companies, representing about 5 per cent of its capacity, went out of business. Last year, cuts in capital investment had roughly similar repercussions on those sections making the type of pottery used by builders: tiles, pipes, electrical fittings, etc. But this year trade has been steadily recovering. Home sales are running 20 per cent higher than in 1957, and exports are still increasing; the budget halved purchase tax, from 60 to 30 per cent, on china figures and what the trade calls "fancy goods"; and a good proportion of the lost 7,000 workers are going back to the industry.

Some of the industry's most famed and respected companies seem, however, to be still suffering from a hangover of the 1956 depression. This cannot be due to any change in market conditions, for taste is swinging back to the industry's traditional patterns and the demand for fine bone china remains as strong as ever. The Board of Trade's figures show that production of china as well as earthenware was sharply higher in the first quarter of this year than in the first quarter of 1957. The Coalport company and Cauldon Potteries, which is also closing, shared a big

old-fashioned factory that was much too large for their requirements and badly needed modernising. It owned some of the 437 bee-hive ovens that still remain out of the 2,000 used in the potteries before the war, and the decision of the two companies to stop production was prompted in part by the knowledge that under the Clean Air regulations these would have to be replaced. The first continuous tunnel ovens that replaced the old coal-fired bee-hives daunted many small potteries by their sheer size and capacity for work—and also by the difficulty of obtaining the same degree of temperature control. But tunnel ovens now come in quite small sizes, and it seems plain that the degree of modernisation needed at the Coalport pottery would have had to extend well beyond the ovens themselves.

COCOM

Down to Strategic Items

NOBODY in the West can tell or for the present usefully guess whether any extra East-West trade at all will result from the drastic revision of the COCOM list that was agreed in Paris some weeks ago and was published this week (though a few businessmen who had been given the official nod to negotiate on items then on the embargo list but unlikely to stay on certainly hope it will). As Sir David Eccles said in announcing the revisions, the Russians may still prefer to make propaganda about the fact that there are still 118 items embargoed, replacing 181 of which exports were completely forbidden and 25 of which exports were subject to quota ; and to ignore the fact that those remaining form a fringe of highly specialised production and research equipment, metals and chemicals, the direct military significance of most of which is hardly debatable.

Items that have come off the lists include:
aircraft and aero-engines in normal civil use, all civil vehicles, practically all machine tools, nearly all electrical generating equipment, diesel engines, ships except for those capable of doing more than specified speeds, pumps, oil drilling, production and refining equipment, electric motors, turbines, carbon black furnaces, small rolling mills, compressors and blowers, much radio valve-making equipment, industrial diamonds, floating docks, a good deal of research equipment including electron microscopes but not mass spectrometers, almost all industrial ball and roller bearings, aluminium and copper, gasolene and kerosene, glycols, methyl methylacrylate ("Perspex"), and tyres.

These cover a pretty comprehensive segment of potential (or conceivable) trade: the revision frees those businessmen here who have complained about losing trade to go out and get it. It may also leave the Russians slightly less free to send delegations over here waving portentous lists of the exports that might have been: western trade ministries can now at least ask them to put up or shut up.

OIL PRICES

A Second Bite

SINCE the crisis of Suez the world's oil industry has been aiming to get rather more of its oil from the higher cost areas outside the Middle East. This means making more low cost capacity there spare than would necessarily be forced upon it by the level of world demand ; and higher marginal production costs elsewhere. Both elements of increased cost would shave its margins if it were unable to increase its prices. But recovery from recession in the United States, as well as the beginning of seasonal increases in demand for certain products, are now allowing the industry to edge refined products prices upward. World demand, rather than British, has thus set the pattern of the double round of increases in the prices of products sold in Britain, in the middle of last month and now last week. The demand for motor spirit is now at its summer peak in the United States—and in Europe—and the prospects of a good winter for heating oils in the United States are thought to be good. But though the demand for heavy fuel oil has been quite good here this year, the American recession has turned the market there sour and fuel oil prices have been left out of the successive changes: the world price is still less than 0.1 cents a US gallon higher than at the beginning of the year.

All companies marketing in Britain raised their prices of derv, burning oil, and gas oil by ½d. a gallon last week (three weeks previously they put ½d. on each gallon) and all except—so far—Esso added another ½d. a gallon to ordinary grade petrol prices. This time premium grades have been left out (100 octane has escaped on both occasions), though world exports prices for both standard and premium grades have risen by equal amounts. Demand for premium grades in Britain has been growing much more than for standard gasolines: but the companies presumably believed that to widen the differential further in money terms could spoil the growth of this market.

SYNTHETIC RUBBER

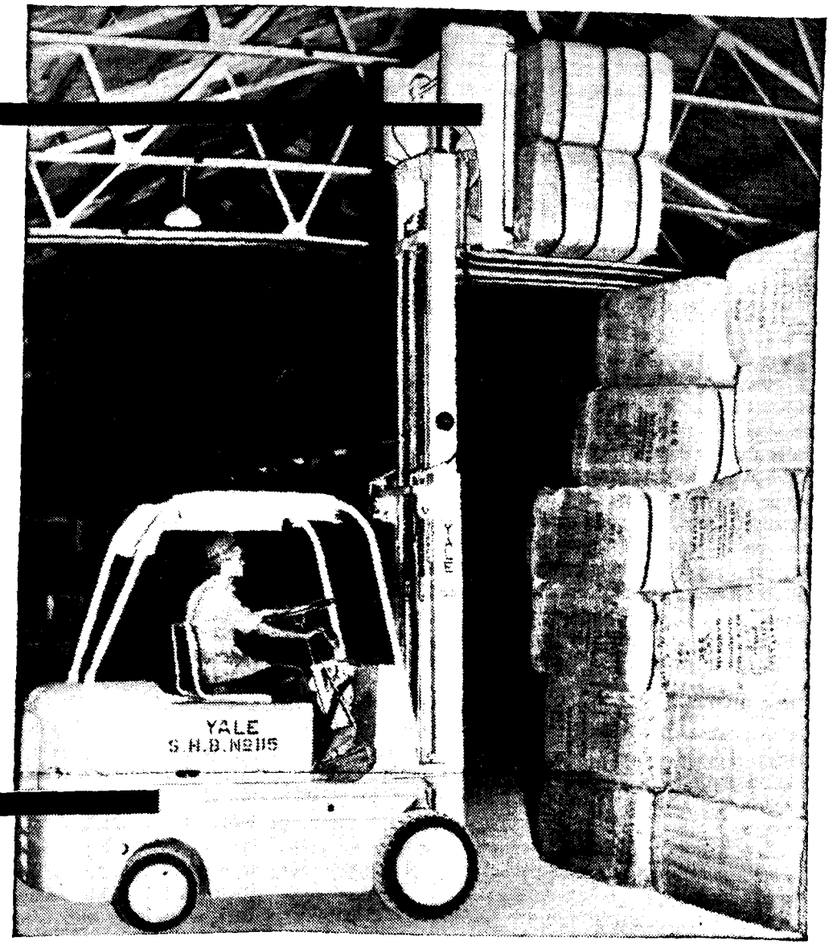
Price Cutting Starts

POLYMER CORPORATION OF CANADA, the Commonwealth's oldest and largest maker of synthetic rubber, has reduced the price of GR-S (general purpose) rubber from 24.1 to 23.25 cents a lb. This is the first price change for more than six years and it cuts the price to consumers in this country from 1s. 10¾d. to 1s. 10d. a lb. This in Polymer Corporation's view is not a declaration of price war on American producers, but a reply to cuts which the Americans were already making here and on the Continent. Synthetic rubber of United States origin is subject to a 10 per cent import duty in Britain, whereas Canadian comes in free. American suppliers working for a depressed automobile industry at home and running at 60 per cent of capacity have nevertheless been selling below 24.1 cents in the British market. On the Continent, American GR-S has been sold at discounts averaging 5 per cent, and occasionally reaching 7 per cent. Canada's Polymer Corporation is working at full stretch and selling all its 150,000 tons a year of current output. Naturally the American producers of synthetic have followed the Canadian move and are now also quoting 23.25 cents per lb.

Total rubber consumption throughout the world may still seem destined to rise, but the existence of a surplus of capacity on the synthetic side automatically affects the natural rubber producers. It is doing so by holding natural rubber output almost steady at around 1.9 million tons a year, and allowing a growing proportion of total consumption to be supplied by the synthetic producers. With big new synthetic facilities now completed or nearing completion in Europe, pressure to find outlets for synthetic rubber seems certain to increase. Italy's synthetic plant

PROBLEM

Fast stacking in storage areas . . .



SOLUTION

YALE INDUSTRIAL LIFT TRUCKS

From Rome to Rio — Bangkok to Birmingham — you will find busy Yale Industrial Trucks at work easing burdens, speeding goods to market, stacking goods in warehouses. You will find that Yale Trucks are equally useful in handling crates, bales, coils, drums or other packages. And you will discover that the savings in time and operating costs achieved by these speedy, economical trucks make them an investment that will increase profits for years to come.

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at Ravenna is on stream; Germany and France are about to start producing GR-S in commercial quantities; in Britain, the International Synthetic Rubber Company's Fawley plant has begun to operate and should be running at its rated capacity of 50,000 tons per annum by the last quarter of this year. For these new producers, Canadian and American price competition may present sticky problems; but in the long run consumers will be encouraged to rely increasingly on synthetic.

EXPORT CREDIT INSURANCE

The Speed Committee

THE procedures of the President of the Board of Trade (who is personally responsible) in reorganising the Export Credits Guarantee Department seem to fall short of the ideal. The decision a year ago to appoint a committee under the chairmanship of Sir Eric Speed to look at the workings of the department was good; no one had had a proper look at the department from the outside since the Niemeyer Committee confirmed in 1929 that export credits were an insurable risk and that the Government could properly underwrite them. Meanwhile ECGD has grown and prospered; its business has expanded tenfold since 1946. The Speed Committee got down to its job and reported, just how promptly is not revealed, but the Board of Trade admits that the "committee reported some time ago."

The President of the Board of Trade has finally decided not to publish the report because "it deals with detailed matters of organisation." Now, when Parliament is in recess, it has been decided to issue to the press a summary of the conclusions. The committee must have examined four main questions:

(1) Is ECGD to remain a Government department? Or would something nearer to public corporation status be preferable?

(2) Should the department be upgraded to match the expansion of its business?

(3) Should it have its own Minister? Or should it remain under the President of the Board of Trade?

(4) Does the Advisory Council drawn from industry, commerce and finance make a useful contribution?

On each of these points the Speed Committee seems to have given a clear answer. ECGD should remain a Government department "because of its use of public funds" (not the best phrase, for though it does pledge Government credit, it does not lose the taxpayers' money), and because of its "dependence on information from Government sources." The committtee also decided that the facilities enjoyed by British exporters "have been administered wisely and competently" and recommends that the department should be expanded. In place of a Comptroller General with the civil service rank of under-secretary, the head is to be called Secretary (with the status of deputy-secretary) and is to have two under-secretary assistants. This is to "enable senior posts to be filled from a wider field . . . and in due course provide better career prospects in the department." The President of the Board of Trade remains the responsible Minister. The status of the Advisory Council (which receives the committee's special tribute) is to be enhanced; it is in future to advise on general policy. This does not mean that it will decide on the Section(2) business (which the department underwrites on Government instructions for political rather than business reasons) but rather that the council should initiate ideas and not merely answer questions put to it. New forms of policy or perhaps the line that Britain should take at the annual meetings of the Berne Union might be suggested by the Advisory Council.

For Services Rendered

THERE is room for two views on some of these points—particularly on the question of public corporation status which is used successfully for credit insurance in several countries. But there is hardly room for two views about the remarkable way in which the Government has chosen to carry them out. The existing head of the department, Mr Roland Owen is to be found another job. The new head will be Mr L. J. Menzies an adviser at the Bank of England to be seconded for from two to three years. His principal assistants will be Mr A. E. Percival from the Board of Trade and Mr A. T. K. Grant from the Treasury.

What would be said about a firm in industry if, first, a report on it was kept unpublished and then the operational head of it was spirited away? Shareholders and the public would have serious misgivings. But in the civil service things are ordered differently. Reports on departments that say where "A" should sit and what documents should pass across his desk are not normally published. There is no suggestion that this one is critical. To upgrade a man in his existing job just because the job has grown and been upgraded is not unheard of but is rare. His reward for having run a department prosperously is a job elsewhere.

This is all according to tradition. Whether it is wise is another matter. Will the workers in the Gresham Street vineyard be inspired to believe that their career prospects in the department are improved when they see the three top jobs being filled from outside? Are overseas observers helped to believe that ECGD does not subsidise British exports, by reading a Board of Trade statement that the department uses public funds? Can the public convince itself that the report really gives the ECGD a pat on the back, when other work is to be found for the Comptroller?

SHIPPING FREIGHTS

Still Becalmed

LAST month's events in the Middle East were momentarily greeted in parts of the shipping freight markets by quite a wave of optimism. But, in the event, freight rates hardly moved beyond a minor ripple or two. One or two Mediterranean coal importers became nervous and paid higher rates for the privilege, and some European grain importers thought it prudent to pay slightly more to secure vessels. But when the Chamber of Shipping index of freight rates for July is published this weekend, it is likely to show even less change than in June. Coal freights fell away last month, and grain, ore and sugar charters on the whole fetched only a little more. In the oil tanker market the United States Military Sea Transportation Service was actively seeking a fair amount of tonnage after the landings in the Lebanon, but this seemed to have had less effect on freight rates than the sudden arrival a few days later of one of the major oil companies for vessels to meet a similar commitment. Single voyage rates rose from the depressed level of a little under Scale minus 50 per cent that they had been keeping to since September last year to Scale minus 40-45 per cent. (Scale rate is the market's datum point, and it is equivalent, on the Curacao-London run, to 32s. 6d. a ton). For the time being tanker-owners appear to be successful in keeping charterers to this higher level, which probably allows tankers built during the war and able to do 18 knots to show a little profit on the voyage (moreover, it may be more worth while at such a rate to continue operating slightly slower vessels than to lay them up).

Whether they will be able to maintain these rates in the next month or two, and whether tanker freights this winter, unlike last, will enjoy a seasonal boom is less certain. It would be logical to think that with so much tanker tonnage looking for employment or laid up it would have to be a really cold winter to have much of an impression on tanker freights. But the market does not always operate logically. Tanker owners may be able to hold out for somewhat better terms until charterers are forced to accept them to fill immediate needs; there can be temporary shortages of tanker tonnage in particular areas that can have a more enduring impact upon freights generally; and laid-up tankers can be a little slow coming on to the market to meet an unexpected increase in enquiries by charterers. Only a few tanker-owners, however, are optimistic; as yet the oil companies do not seem to have taken the opportunity of these low rates to start fixing up their winter import programmes. In the dry cargo market the grounds for any optimism are even more tenuous. Neither the coal nor the ore trades are likely to show much life until European industries pick up again, and there is certainly no sign of that yet. Grain traffic across the Atlantic, which in sheer volume has been just as large this year, even though freights have been 40 per cent lower than in 1957 and 60 per cent down on 1956, is now reaching the end of its 1958 season.

MWADUI MINE

Fifty-Fifty in Diamonds

THE future of the fabulous Mwadui diamond mine, discovered by the late Dr Williamson, has at last been settled. It is to be owned equally and run jointly by the Government of Tanganyika and De Beers. The price of this mine, which produced just over £3 million worth of diamonds (between 50 and 60 per cent of them gem stones) last year, is lower than earlier guesses had suggested. It is £4,100,000 plus Dr Williamson's death duties—a total effective price of about £7 million. In effect, the De Beers group is lending the Tanganyika Government the cash portion (£1,317,272) of its purchase consideration, and is to be repaid gradually out of dividends. The capital of Williamson Diamonds, which will remain registered in Tanganyika, is 1,200 shares of £500 each. Of these, the Tanganyika Government makes up its 600 by accepting 320 in lieu of death duties and financing 280 by the arrangement with De Beers. Each partner will nominate four directors. Mr I. C. Chopra, a shareholder and the late Dr Williamson's lawyer, appears as a director nominated by De Beers.

This financing arrangement is supplemented by agreements between De Beers and the Government which are obviously designed to ensure both that the new partnership will be enduring and that the mine's loyalty to the central selling organisation will extend far beyond its present selling agreement which runs until the end of 1960. Before that time the Diamond Corporation is to offer the company a new contract on terms acceptable to the Government; if mining restriction becomes necessary, Williamson's cut will be no greater than the lowest curtailment suffered by any mine in the De Beers group. The existing lease of the mine, which expires in 1964, is to be surrendered and a new one granted for 21 years, royalties remaining at 15 per cent.

PUBLIC ACCOUNTS COMMITTEE

Star Dust

THE Committee of Public Accounts is understandably provoked at the dust that was thrown in its eyes eighteen months ago about the state of affairs persisting at the Jodrell Bank site of Manchester University's radio telescope. The committee was told by two witnesses from the Department of Scientific and Industrial Research, which was responsible for a large share of cost of the project, that the consulting engineer had changed the design—and substantially increased the cost—entirely on his own initiative and without consulting either the scientist in charge, Dr Lovell, or the university. *The Economist* commented at the time that this statement looked incredible and had been denied both by Professor Lovell and the engineer, Mr Husband, neither of whom gave evidence to the committee. Nevertheless, the DSIR had told the PAC that "a committee was set up to inquire into the whole basis of the design and the reasons for the change and a report (confidential to the DSIR and Manchester University) was in fact published setting out all these matters in some detail." The committee asked specifically whether "it was confirmed that this alteration was made entirely without consultation" and were told "yes." On the basis of this information, the committee made some swingeing comments on conditions permitting such a situation, which the individuals most directly indicated must have found difficult to bear.

This week the Public Accounts Committee has had to take back those comments, and to announce that the information given to it was "gravely inaccurate and misleading," that there had in fact been the fullest collaboration between Mr Husband and Professor Lovell and that the university now desired to be associated with this conclusion. Yet when he gave evidence in March 1957, the eminent secretary of the DSIR, not himself a radio-astronomer, plainly believed that there was written evidence to the contrary—an indication of an extremely odd state of affairs prevailing at the time. Nor does this public retraction absolve those concerned in the Jodrell Bank affair of all criticism; the fact remains unchallenged that the cost of the project rose during construction from little more than £300,000 to nearly £700,000 (the much bigger telescope planned for Australia is tentatively estimated to cost £A500,000). Whether or not this was done on the basis of full consultation with everyone concerned, so huge a discrepancy between estimated and actual cost is not easy to explain away.

SHORTER NOTES

Investment Registry is making a bid for part of the equity of Granada Group which in addition to its cinema circuit has the mid-week independent television programme in the North. The bid is for 300,000 5s. shares—either ordinaries

at 15s. or "A" ordinaries at 14s. This bid, if successful, would not switch the control. The ordinary capital consists of 1,400,000 5s. shares and 1,400,000 5s. "A" shares are now being issued as rights control rests firmly with the Bernstein family. No director of Investment Registry is interested which implies that Mr Charles Clore is not the buyer.

* * *

Group Developments, a wholly owned subsidiary of Courtaulds, has offered to buy the whole capital of Cellon, manufacturers of aircraft finishes, lacquers and paints. The bid is £640,000—£1 each for 640,000 ordinary shares of 5s. This follows the decision of Courtaulds to diversify its business.

* * *

Courtaulds is to discontinue weaving activities at Spondon in Derbyshire where about 220 people will be affected over the next three or four months. The rest of the activity at Spondon (which was the main centre of British Celanese before the merger) remains unaffected.

COMPANY AFFAIRS

FURNESS, WITHY

WITH a dividend reduced from the equivalent on the present capital of 10 4-5 per cent to 10 per cent, Furness, Withy has shortened sail to meet the rougher winds that all shipowners now face. Group profits, drawn under the protection of the Shipping Companies Exemption Order, show a steep fall. They were £1,453,243 in the year ended on April 30th, against £2,599,318 in the previous year, after providing £699,550, against £1,377,571 for United Kingdom tax. The allocation to fleet replacement account has been cut from £700,000 to £400,000. To all appearances this great group in the Atlantic, Australian and Mediterranean trades faces still rougher weather in the current year. But the prospect does not look dismaying to stockholders; the units are only slightly down at 34s. 6d. and yield 5.8 per cent.

Investors are now convinced that the group carries a thick protective layer of hidden assets despite all efforts by the chairman, Sir Ernest Murrant, to persuade them that its lines are really slim. That is the price that shipowners have to pay for ultra-cautious accounting. Investors have an impressive absence of fact from which to draw their deductions. It is evident, for example, that underlying asset values are greater than the balance sheet seems to show partly because several of its big interests consist of investments that just escape having to be consolidated—just under a majority interest in Houlder Brothers, just over a fifty per cent interest in the ordinary shares of Manchester Liners but not a majority of votes as the preference shareholders in that company have votes, and something like a 50 per cent interest in Ore Carriers spread through the group. Evidently the purchase of a few more shares in some of these companies would give the consolidated balance sheet a much more impressive look.

Moreover there is an intriguing but incalculable addition to reserves accruing steadily from the remarkable fact that for more than a generation the Furness, Withy group has been a substantial holder of the parent company's own ordinary stock. The holding which the 1948 Companies Act forced into the daylight is the relic of an unsuccessful rights issue in 1931 which ought to have been independently underwritten but was not. Over the last ten years it has been sold down from over £1 million nominal to £299,430. The full accounts will be awaited to see whether the two for three scrip issue of a year ago forced the holding up again. Meanwhile the chairman has admitted that profits from the sale of these shares have been used in building up the reserves.

UNITED DOMINIONS TRUST

EXPECTATIONS that the Chairman of United Dominions Trust, Mr J. Gibson Jarvie, might have a rough time with his shareholders on the question of the price (£4 a share) at which Barclays Bank has been allowed to buy its 25 per cent interest in UDT were not fulfilled. Shareholders took Mr Jarvie's explanation like admiring lambs and obviously endorsed his deduction that there really could not be any doubt that it was good for the Trust's future to have Barclays as a partner. Mr Jarvie believes that the Trust will be able to "buy" its money at more favourable rates and that "almost certainly our profits will continue to climb."

This is the gist of Mr Jarvie's explanation of how the price of £4 a share for Barclays was fixed and how it was announced at a time when the market price was approximately £5 a share. The negotiations with Barclays started in May during a long series of refusals of applications from UDT by the Capital Issues Committee. The market price was then 90s., not 100s., and the price at which Barclays Bank was to buy was fixed by UDT not by Barclays.

But Mr Jarvie pushed his argument one stage further and more debatably. He revealed that all his applications to the CIC had been turned down with the exception of one permission to issue 60,000 shares at about 80s. per share to provide the London Produce Clearing House (a UDT subsidiary) with £250,000. That permission which UDT rejected as derisory was, of course, for purposes other than hire purchase. He went on to say that the last CIC refusal had been on June 6th; it was followed by the application to issue of shares to Barclays Bank which was immediately granted and immediately announced by the company on July 24th. From this he argued that the Trust could not have made any issue to its stockholders. There seems to be a lack of logic there. The permission for the issue to Barclays Bank appears to have been granted after the latest set of instructions to the CIC became effective on July 4th; the refusals which Mr Jarvie experienced occurred while the earlier ban on new issues for hire purchase financing was still in force. Unfortunately Mr Jarvie did not make that clear.

CANADIAN AND ENGLISH

DRASTIC reorganisation of the unhappy Canadian and English Stores and a further large concession by Mr Harry Brooks, its former managing director and owner of the loan stock, have long been evidently necessary. Both those events are now announced in outline, but whether what has been done will be sufficient to put the relics of this venture on its feet can scarcely be judged from the preliminary announcement. Pooles Central Warehouse, the bulk of the English side of the business, has been sold to United Drapery Stores for an undisclosed sum. Mr Brooks, who has already agreed to cancel £1 million of his loan stock, is to cancel a further £1¼ million.

The £500,000 of preference capital is to be repaid at par and the £125,000 deferred ordinary shares held by Mr Brooks are to be cancelled. This leaves £250,000 of preferred ordinary shares which are to be split into £125,000 15 per cent preference shares, cumulative from February 1960 and £125,000 ordinary shares. These will be added to the existing £125,000 ordinary shares and a further £125,000 ordinary shares are to be issued to Mr Brooks; apparently in return for part of the loan stock he is cancelling.

Obviously shareholders will want to know the sum received from United Drapery Stores for Pooles Warehouses and to know whether the earnings of the Canadian side, which will now be the greater part of the business, look sufficient to service the reduced capital.

GUEST, KEEN

A SURPRISE announcement of a three for ten free scrip issue by Guest, Keen and Nettlefolds pleased shareholders at the end of last week and the £1 shares rose about 1s. 7½d. to 57s. 7½d. The distribution is accompanied by the almost inevitable warning that the issue "does not imply any increase in the total amount to be paid by way of dividend for the current year". Nevertheless the interim dividend to be declared in November is to be 4 per cent on the new capital which will be a slight increase on 5 per cent on the old capital which was paid last year. Shareholders will be disappointed if the total for the year does not also show a slight increase on the 11½ per cent which would be the new equivalent of last year's 15 per cent.

The Guest, Keen and Nettlefolds group, which should be regarded as engineers rather than steel makers, and for that reason was never nationalised, has an impressive record. Last year's 15 per cent dividend was covered more than four times by earnings.

ASSOCIATED BRITISH ENGINEERING

THE full report of Associated British Engineering tells shareholders the grim truth: the group trading profit after tax dropped from £182,663 to £63,737 and the latter figure has to be further adjusted downwards to £30,227 by excluding the pre-acquisition profits of the two Mackay companies absorbed during the year. Reserves which a year ago received £100,000 get nothing, and the shareholders get no more than the 2½ per cent interim dividend already paid; in the previous year they received altogether 10 per cent. The market price of 3s. 6d. for the 5s. shares shows the public assessment of these awkward facts.

Mr Lawrence Robson, the chairman, has now explained the three blows that fell in a single year, mainly on a single important member of the group —Henry Meadows. Ministry of Supply orders for power generating sets ceased, a cruel blow for a company that has not been without government orders for 20 years. A contract was also obtained from Egypt arising out of a scheme for electrifying villages in the Nile Valley. But the Suez episode came and the company, perhaps surprisingly, decided that since the plant had been specially designed there was no alternative to delivering it on extended credit terms. Lastly, an order was secured for 2,000 diesel engines for India but three months after production started the government of India, suffering from a shortage of diesel engines, issued extensive import licences for others. That brought into India competitive engines and produced an immediate suspension of Meadows' deliveries.

Shareholders know now what the problems have been; they have still to see how the group will surmount them. Something has been done. Lloyds Bank has been kind and is financing the group to the tune of £1,273,167, against £501,187 a year earlier. The Dodge Corporation of America has agreed to instal Meadows engines in the trucks it manufactures in India, and with a pruned Henry Meadows, Mr Robson hopes for better results this year. Shareholders will hope so too.

BASS-WATNEY

AN agreement in the brewing trade of which only the most sketchy outline has been disclosed may turn out to be one of the more important mutual protection moves in that trade. Bass Ratcliffe and Gretton and Watney Mann have made an agreement for an exchange of trade. Each company is to be represented on the other's board. It is assumed that the agreement permits the products of each company to be sold at the licensed houses of the other, and the two are among the largest owners of licensed houses in the country.

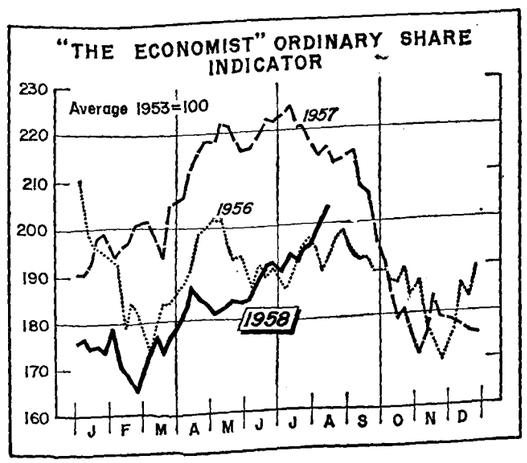
London Stock Exchange

FIRST DEALINGS:	Aug. 6	Aug. 20	Sept. 3
LAST DEALINGS:	Aug. 19	Sept. 2	Sept. 16
ACCOUNT DAY:	Aug. 26	Sept. 9	Sept. 23

MOST sections of the market continued to rise in anticipation of a further cut in Bank rate. When this was confirmed by Thursday's announcement of a cut from 5 per cent to 4½ per cent the gilt edged market advanced further. By Wednesday night the *Financial Times* index of Government Stocks had reached 84.57, a new high point for the year, against 84.06 a week earlier.

Bank shares remained firm as the scramble into hire-purchase continued. Lloyds Bank gained 1s. to 49s. 3d. and Midland Bank rose 9d. to 66s. 9d. Vactric rose 7s. 3d. on the news of Lombard Banking's offer to acquire their hire-purchase subsidiary, Awley Finance.

For the third week in succession *The Economist* Indicator of ordinary shares rose to a new high point and at 203.2 showed a gain of 3.6. Allied Bakeries gained 1s. 9d. at 37s. 9d.; Associated Portland Cement put on 2s. 3d. at 43s. 3d. and ICI rose from 30s. 6d. to 32s. 3d.; Tube Investments improved 2s. 9d. to 56s. 9d. Motor shares were rather clouded over by the announcement of dismissals by Vauxhall but British Motor were firm at 8s. 9d. on the output figures. De Havilland Aircraft improved before Comet IV's record Atlantic crossing and gained a further 1s. 3d. on the news, to show a rise of 3s. 4½d. over the week. Among textiles Calico Printers were weak, shedding 2s. 6d. to 42s. 6d. On the further news of the improved bid from Beechams Thomas & Evans rose a further 4s. to 48s. 6d. Oil shares were mainly lower, BP being 3s. down at 101s. 3d. Coppers were firm earlier in the week but showed some weakening later while gold shares were inclined to ease but firmed up on Thursday. Over the week De Beers Deferred shares lost 4s. 4½d. despite the agreement on the future of the Williamson Mine.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
July 16	192·9	6·17				
" 23	194·3	6·15				
" 30	195·2	6·13				
Aug. 6	199·6	6·01	203·2 (Aug. 13)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 13	203·2	5·89				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
Aug. 6	179·5	6·24	90·44	4·89	9,056	183·3 (Aug. 13)	207·6 (July 9)
" 7	179·5	6·24	90·49	4·89	9,523		
" 8	180·2	6·21	90·82	4·89	9,808		
" 11	181·4	6·17	90·84	4·89	11,818	Low	Low
" 12	182·4	6·14	90·94	4·89	9,970	154·4 (Feb. 25)	159·0 (Nov. 5)
" 13	183·3	6·11	91·37	4·84	10,228		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 6, 1958	Price, Aug. 13, 1958	Net Yield, Aug. 13, 1958 § £ s. d.	Gross Yield, Aug. 13, 1958 £ s. d.
98 31/32	96 1/16	War Loan 3%....1955-59	98 31/32	98 7/8	2 6 7	3 19 9l
95 1/2	90 1/2	Funding 2½%....1956-61	95 15/16	95 7/8	2 18 4	4 2 11l
99 1/16	96 13/16	Conversion 2%...1958-59	99 3/32	99 1/16	2 12 5	3 12 9l
97 1/8	93 7/16	Exchequer 2%.....1960	97 1/8	97 1/8	3 2 4	3 19 8
98 1/16	95 1/16	Exchequer 3%.....1960	98 1/16	98 1/8	2 15 5	4 0 6
100 1/16	95 1/16	Conversion 4½%....1962	99 31/32	100 1/16	2 11 4	4 9 6
94 1/2	88 1/2	Exchequer 3%....1962-63	93 7/8	93 29/32	3 0 10	4 8 3l
100 1/16	99 1/16	Conversion 4½%.....1963	100 1/16	100 1/8	2 10 4	4 12 0
90 1/2	83 1/2	Savings Bds. 3%.1955-65	89*	89*	3 10 2	4 17 3l
81 1/2	77 1/2	Funding 3%.....1959-69	81 1/2	81 1/2	3 18 4	5 8 3l
89 1/2	86 1/2	Funding 4%.....1960-90	87 1/2	88 1/8	10 9 1 / 2 18 2	12 13 0e / 4 16 1l
79 1/2	75	Savings Bds. 3%.1960-70	77 1/2*	78 1/2*	4 0 3	5 9 6l
90 1/16	84 1/8	Exchequer 2½%..1963-64	90 1/2	90 3/8	3 6 6	4 10 1l
82 1/2	78 1/2	Savings Bds. 2½%.1964-67	81 1/2	81 1/2	3 19 10	5 4 8l
73 1/2	69 1/2	Savings Bds. 3%.1965-75	72 1/2*	72 11/16*	3 18 11	5 9 10
103 1/16	99 1/16	Exchequer 5½%....1966	103 1/16	100 1/2*	2 19 11	5 5 1
83 1/2	78 1/2	Funding 3%.....1966-68	82 1/16	82 3/32	3 17 8	5 6 3
94 1/2	91 1/2	Victory 4%.....1920-76	92 1/2*	92 3/8	3 3 8	4 19 3†
87	81 3/16	Conversion 3½%.....1969	85 1/4*	85 1/4*	3 12 10	5 5 2
98 15/16	97 1/2	Conversion 5½%.....1974	98	98	3 4 5	5 10 5
76 1/2	71 1/2	Treasury 3½%....1977-80	76 1/2	76 1/16	3 11 10	5 7 8l
76 1/2	70 1/2	Treasury 3½%....1979-81	75 1/2*	75 1/16*	3 12 2	5 7 9l
100 1/2	98 1/2	Funding 5½%.....1982-84	100 1/2	100 1/2	3 2 6	5 9 4e
67 1/2	60	Redemption 3%...1986-96	66 1/2	67 1/2	3 5 5	5 0 1l
73 1/2	64 1/2	Funding 3½%...1999-2004	72 15/16	73 1/2	3 2 0	4 19 8l
75 1/2	69 1/16	Consols 4% after Feb. 1957	74 1/2	75 1/2	3 1 1	5 6 4l
68 1/16	63 1/2	War Loan 3½% after 1952	68	68 1/16	2 19 1	5 3 3l
68 1/2	62 1/2	Conv. 3½% after Apr. 1961	68	68 1/16	2 19 3	5 3 11l
59 1/2	54 1/2	Treas. 3% after Apr. 1966	59 1/2	59 1/2	2 18 4	5 2 3l
51 1/2	46 1/2	Consols 2½%.....	51 1/2	51 1/2	2 16 0	4 17 7l
51 1/2	46 1/2	Treas. 2½% after Apr. 1975	50 1/2	51 1/2	2 16 10	4 19 7l
95 1/16	90 1/2	Br. Electric 4½%..1967-69	93 1/2*	93 1/2	3 6 7	5 6 5l
76 1/2	72 1/16	Br. Electric 3%...1968-73	75 1/2	76 1/2	3 18 11	5 10 2l
73 1/2	68 1/2	Br. Electric 3%...1974-77	73	71 1/2*	3 16 11	5 7 11l
87 1/16	82 1/2	Br. Electric 4½%..1974-79	87	87 1/2	3 7 1	5 8 0l
77 1/2	72 1/16	Br. Electric 3½%..1976-79	76 1/2	77 1/2	3 11 6	5 7 4l
87 1/2	82 31/32	Br. Gas 4%.....1969-72	86*	86 1/2	3 10 11	5 8 2l
84	79 1/2	Br. Gas 3½%.....1969-71	82 1/2*	82 1/2*	3 13 9	5 6 10l
67 1/2	60 7/16	Br. Gas 3%.....1990-95	67	67 7/16	3 5 5	4 19 8l
76 1/2	72 1/16	Br. Transport 3%..1968-73	75 1/2	76 1/2	3 18 11	5 10 2l
84 1/16	79 1/2	Br. Transport 4%..1972-77	83 1/2	83 1/2	3 10 2	5 8 10l
67 1/16	60 1/16	Br. Transport 3%..1978-88	67	67 1/16	3 9 10	5 3 4l

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Aug. 6, 1958	Price, Aug. 13, 1958	Yield, Aug. 13, 1958 £ s. d.
88 1/2	83	Agric. Mortgage 5%.....1959-89	87 1/2	87 1/2	5 17 9l
79 1/2	76 1/2	Australia 3½%.....1965-69	78 1/2	79 1/2	5 17 6l
95 1/2	92 1/2	Birmingham 5%.....1973-75	94	94	5 11 2l
94 1/2	90 1/2	East Africa 5½%.....1977-83	92 1/2	93 1/2	6 2 8l
102	95 1/2	L.C.C. 5½%.....1977-81	101 1/2	102	5 6 7e
62 1/2	56	Met. Water Board 'B' 3%.1934-2003	61 1/2*	62 1/2*	5 3 9l
82	78	New Zealand 4%.....1976-78	80 1/2	81 1/2	5 12 0l
71 1/2	69	S. Rhodesia 2½%.....1965-70	69 1/2	71	5 18 11l
98 1/2	83	German 7% (Br. Enfaced 5%)..1924	97 1/2	98	...
167 1/2	160	Japan 5% (Enfaced).....1907	165	165 1/2	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Aug. 6, 1958	Price, Aug. 13, 1958	Yield, Aug. 13, 1958 £ s. d.
			BANKS & DISCOUNT			
30/-	28/-	4 a 5 b	Bk. Ldn. & S. Amer. £1	29/9	30/-	6 0 0
48/-	39/9	6 b 6 a	Barclays Bank.....£1	47/9	47/3	5 2 2
30/-	27/6	4 b 4 a	Barclays D.C.O. ...£1	28/9	29/-	5 10 4
43/6	35/6	7½ b 7½ b	Chartered Bank....£1	40/-	39/6	7 11 10
49/6	41/3	6½ b 6½ a	Lloyds Bank £1	48/3	49/6	5 5 6
66/9	57/6	9 b 9 a	Midland Bank £1	66/-	66/9	5 7 11
37/3	29/6	5 b 5 a	Nat. Discount 'B'..£1	36/6	37/3	5 7 5
50/9	40/9	6½ b 6½ a	Union Discount....£1	48/3	50/3	4 19 6
			INSURANCE			
38/-	32/9	15 a 21⅜ b	Commercial Union 5/-	36/-	37/6	4 17 9
132/6	113/9	40 a 60 b	Legal & General ..5/-	126/3	132/6	3 13 10
101/3	86/3	†20 a †50 b	Pearl.....5/-	92/6	92/6	6 11 8
182/6	154/-	†132½ c †147½ c	Prudential 'A'.....4/-	177/6	182/6	5 12 6
			BREWERIES, ETC.			
37/-	31/-	36 b 10 a	Bass.....5/-	36/3	37/-	6 4 2
25/9	19/7½	7½ a 12½ b	Distillers.....6/8	25/-	25/9	5 3 8
43/1½	37/-	15 b 10 a	Guinness.....10/-	42/1½	42/10½	5 16 3
90/6	75/6	8 a 17 b	Whitbread 'A'.....£1	87/-	88/-	5 13 8
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½ a 6½ b	Bristol Aeroplane 10/-	10/1½	10/1½	9 17 6
9/-	6/7½	12½ c 4 a	British Motor.....5/-	9/-	8/9	7 2 10
40/9	31/9	3 a 6 b	Ford Motor £1	39/7½	39/6	4 11 3
30/9	24/9	7 b 3 a	Hawker Siddeley....£1	29/6	29/6	6 15 8
44/9	39/-	12½ c 12½ c	Leyland Motors....£1	40/-	40/3	6 4 0
93/-	82/9	5 a 15 b	Rolls-Royce.....£1	89/9	91/-	4 8 0
8/1½	6/7½	8 c 8 c	Standard Motor...5/-	7/4½	7/3	8 5 5h

New York Closing Prices $

	Aug. 6	Aug. 13		Aug. 6	Aug. 13		Aug. 6	Aug. 13
Alcoa.....	80⅜	81½	DuPontdeNm.	195⅜	195½	N.Y. Central .	18⅜	19
Alumin'm Ltd.	31	30⅞	Ford Motors..	43⅛	43⅞	Sears Roebuck	30⅜	31
Am. Smelting.	44⅜	45½	Gen. Elect....	63⅜	64½	Shell Oil	82	83
Amer. Tel. ...	182½	182	Gen. Motors ..	44½	43⅞	Std. Oil of N.J.	55½*	55½
Anaconda	51	51½	Goodyear	90¼	89⅞	Tri-Conti'tal..	36⅛	36⅜
Beth. Steel ...	45½*	45½	Gulf Oil.....	111¼	111	Union Carbide	106⅛	108
Can. Pacific ..	28⅜	28½	Int. Bus. M...	368	374½	U.S. Steel	70½	70⅜
Chrysler Cpn..	52½	53⅜	Int'l. Nickel ..	82½	83½	West'house E.	60½*	60⅝
Crown Zeller..	50⅜	54	Int'l. Paper ..	103¼	105½	Woolworth ...	46⅜	47½

• Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. On 13%. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 12%. (h) On 15%. (i) On 8%. (l) To latest date.

STATISTICS

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

World Trade ..... July 19th

BRITISH		OVERSEAS	
Prices and Wages.....	Aug. 9th	Western Europe:	
Production and Consumption	July 26th	Production and Trade.....	Aug. 2
Manpower.....	This week	British Commonwealth	This we
External Trade.....	Aug. 2nd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	July 2(
Industrial Profits	July 19th	United States	Aug. 9

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1) 1955	1956	1957	1957 May	June	July	1958 April	May	June	July
TOTAL MANPOWER											
Working population:											
Total	'000s	23,912	24,107	24,188	24,201	24,188	24,210	24,074	24,102	24,070	...
Men	"	16,084	16,188	16,225	16,241	16,225	16,239	16,184	16,198	16,166	...
Women	"	7,828	7,919	7,963	7,960	7,963	7,971	7,890	7,904	7,904	...
Armed Forces	"	803	761	702	708	702	693	622	619	614	...
Civil employment:											
Total	"	22,933	23,149	23,245	23,221	23,245	23,265	23,052	23,077	23,080	...
Agriculture, forestry and fishing	"	1,066	1,032	1,025	1,021	1,025	1,030	967	992	1,002	...
Mining and quarrying	"	862	858	868	870	868	867	862	858	854	...
Building and contracting	"	1,486	1,541	1,519	1,519	1,519	1,517	1,478	1,495	1,495	...
Distributive trades	"	2,811	2,870	2,945	2,934	2,945	2,948	2,965	2,965	2,979	...
Public administration	"	1,289	1,300	1,298	1,301	1,298	1,297	1,285	1,289	1,291	...
Manufacturing industries	"	9,206	9,269	9,271	9,278	9,271	9,272	9,203	9,160	9,119	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955:											
Employees in engineering(2)	"	...	+ 53	+ 48	+ 50	+ 48	+ 49	+ 72	+ 54	...	...
" " consumer goods industries(2)	"	...	− 9	+ 2	+ 3	+ 2	+ 1	− 68	− 83	...	...
UNEMPLOYMENT											
By duration:		**Monthly averages**									
All durations—total	"	232·2	257·0	312·5	313·5	264·7	244·3	443·7	447·5	429·3	411·8
" " —men	"	146·7	168·8	216·6	215·0	182·2	171·4	314·0	309·4	297·8	287·7
" " —women	"	85·5	88·2	95·9	98·5	82·5	72·9	129·7	138·2	131·5	124·2
Temporary or under 2 weeks—men	"	51·5	62·7	65·1	62·1	49·9	49·5	83·9	94·5	89·3	83·6
" " —women	"	36·7	35·5	30·6	29·7	22·4	22·6	43·7	52·4	50·5	46·7
Over 8 weeks—men	"	67·7	65·7	94·3	105·3	88·5	84·4	150·0	145·9	138·2	142·2
" " —women	"	26·5	27·4	35·0	41·1	33·8	30·8	51·0	50·1	46·7	47·9
By industry (4):											
Textiles	%	1·6	1·4	1·2	1·2	1·3	1·1	3·4	4·8	5·1	4·8
Clothing	"	0·9	1·0	1·1	1·1	1·1	1·0	1·7	2·3	2·7	2·5
Vehicles	"	0·4	1·2	1·0	0·9	0·9	0·8	0·9	1·5	1·0	1·0
Engineering, etc.	"	0·8	0·9	1·1	1·2	0·9	0·8	1·7	1·7	1·8	1·7
Coal-mining	"	0·1	0·1	0·2	0·2	0·2	0·2	0·4	0·4	0·4	0·4
Distributive trades	"	1·0	1·0	1·2	1·3	1·1	1·0	1·7	1·7	1·5	1·5
By regions (4):											
Great Britain	"	1·1	1·2	1·4	1·5	1·2	1·1	2·0	2·1	2·0	1·9
London and South Eastern	"	0·7	0·8	1·0	1·0	0·8	0·7	1·3	1·3	1·2	1·1
Eastern	"	0·9	1·0	1·3	1·4	1·0	0·8	2·0	1·7	1·4	1·2
Southern(7)	"	0·9	1·0	1·3	1·2	0·9	0·8	1·7	1·7(7)	1·4	1·4
South Western .(7)	"	1·2	1·2	1·8	1·7	1·3	1·3	2·3	2·1(7)	1·8	1·7
Midland	"	0·5	1·1	1·3	1·5	1·2	1·0	1·4	1·4	1·5	1·5
North Midland	"	0·5	0·6	1·0	1·0	1·0	0·9	1·5	1·8	1·5	1·4
East and West Ridings	"	0·7	0·8	0·9	0·9	0·8	0·8	1·6	1·9	1·9	1·9
North Western	"	1·4	1·3	1·6	1·7	1·4	1·3	2·4	2·6	2·6	2·6
Northern	"	1·8	1·6	1·7	1·7	1·4	1·3	2·3	2·2	2·1	2·0
Scotland	"	2·4	2·4	2·6	2·6	2·3	2·2	3·6	3·6	3·5	3·5
Wales	"	1·8	2·0	2·6	2·5	2·1	2·1	3·9	3·9	3·7	3·6
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	382	279	236	283	309	332	218	208	213	215
Men	"	214	152	122	141	150	161	110	106	107	109
Women	"	168	127	114	142	159	171	108	102	106	105
DISPUTES(6)											
Workers involved	"	55	42	113	31	44	129	27	95	37	...
Working days lost:											
Total	"	315	174	701	73	110	873	187	1,441	1,204	...
Mining and quarrying	"	93	42	43	41	61	24	24	38	54	...
Engineering, etc.	"	56	85	549	20	7	15	127	104	12	...
Other industries and services	"	166	47	109	12	41	834	37	1,299	1,138	...

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada [10]	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	728	3,714[10]	381	204	772
1956	1,608	936	3,286	2,756	1,897	463	1,470	6,807[10]	805	347	1,472
1957	1,648	814	3,622	2,835	2,008	454	1,597	7,521	906	396	1,585
1958, January	1,226	912	3,925	3,059	2,031	422[11]	1,519	8,558	974	365	1,566
„ February	1,651	816	3,712	2,750	1,958		1,468	7,790	920	353	1,471
„ March	1,660	675	3,699	3,009	1,852		1,632	8,481	969	408	1,642
„ April	1,624	668	3,798	2,982	...	...	1,589	7,945	1,028	395	1,600
„ May	1,772	...	3,878	...	...	...	...	7,961	...	438	1,727

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1956	23·9	32·4	7·9	52·2	6·11	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	5·94	251	375	143	143	90·3	368	1,419·3
1958, February	25·3	32·5	6·6	51·6	4·22	233	335	146	138	82·4	358	1,356·7
„ March	28·6	40·0	6·9	48·7	4·20	266	368	151	152	84·3	391	1,431·3
„ April	27·3	37·0	9·8	45·0	4·04	254	337	157	149	81·5	382	1,439·4
„ May	27·7	37·2	8·5	45·4	3·49	278	369	...	154	...	...	1,472·5
„ June	25·7	39·7	5·6	53·0	...	...	...	...	...	...	...	1,447·6

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [6]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1956	68·2	64·5	475	405	707	501	22·38	22·91	165·5	135·0	41·2	34·4
1957	59·7	81·7	469	411	...	...	24·71	22·98	174·7	133·6	45·9	37·8
1958, January	77·1	66·7	399	390	655	548	24·0	24·6	164·3	189·7	57·5	32·4
„ February	62·5	60·4	364	326	666	420	23·8	28·4	164·6	118·6	47·4	31·1
„ March	59·5	61·4	427	376	706	467	24·4	26·6	...	...	51·1	37·5
„ April	67·2	53·3	450	377	...	...	24·1	26·9	...	...	53·4	34·0
„ May	66·7	65·2	487	484	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [8]	Canada	India [9]	New Zealand [5]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	652	56	84	...	75	89[9]	77	7
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	10
1957	1,321	1,836	872	138	289	113	106	104	113	106	110	10
1958, February	...	1,873	835	107	267	114[11]	107	104	115[11]	112	113	11
„ March	...	1,880	808	115	250		108	103		110	113	11
„ April	...	1,883	809	130	223	...	108	104	...	112	114	11
„ May	...	1,906	756	138	207	...	108	105	...	...	114	11
„ June	...	1,929	704	137	213	...	108	...	...	...	...	11

(1) Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, including South West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Prior to 1957, excluding industrial generation for own use. (11) Average for first quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 9, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £75,964,000 compared with a surplus of £10,336,000 in the previous week and a surplus of £31,913,000 in the corresponding period of last year. There was a net expenditure "below-line" of £20,282,000 leaving a total deficit of £218,121,000 compared with £259,285,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to Aug. 10, 1957	April 1, 1958, to Aug. 9, 1958	Week ended Aug. 10, 1957	Week ended Aug. 9, 1958
Ord. Revenue					
Income Tax	2312,500	456,002	491,875	20,376	17,649
Surtax	163,000	30,900	30,900	900	1,200
Death Duties	163,500	71,400	65,900	3,200	2,700
Stamps	56,250	25,100	19,800	1,000	800
Profits Tax, EPT & EPL	275,000	75,900	91,300	7,000	10,900
Other Inland Rev. Duties	...	110	70	...	...
Total Inland Rev.	2970,250	659,412	699,845	32,476	33,249
Customs	1256,940	434,857	461,518	26,249	27,416
Excise	932,310	342,755	346,555	47,606	59,092
Total Customs and Excise	2189,250	777,612	808,073	73,855	86,508
Motor Duties	104,000	19,392	20,639	901	3,951
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	6,900	7,600	...	...
Sundry Loans	30,000	14,176	13,060	1,772	1,685
Miscellaneous	110,000	70,320	23,251	7,623	7,783
Total	5439,500	1547,812	1572,468	116627	133176
Ord. Expenditure					
Debt Interest	695,000	200,700	202,121	6,642	7,651
Payments to N. Ireland Exchequer	73,000	23,548	25,308	2,443	2,631
Other Cons. Funds	10,000	4,221	3,996	...	100
Supply Services	4292,859	1374,290	1399,110	74,900	45,800
Total	5070,859	1602,759	1630,535	83,985	56,082
Sinking Funds	38,000	9,911	10,460	730	1,130
"Above-line" Surplus or Deficit	– 64,859	– 68,527	+ 31,913	+ 75,964	
"Below-line" Net Expenditure*	194,426	149,594	14,717	20,282	
Total Surplus or Deficit*	259,285	218,121	+ 17,196	+ 55,682	
Net Receipts from:					
Tax Reserve Certificates	94,709	97,948	– 3078	3	
Savings Certificates	3,500	22,800	– 1200	3,100	
Defence Bonds	– 6,190	19,213	– 929	846	
Premium Savings Bonds	27,575	23,275	505	1,290	

* Including a net expenditure of the Civil Contingencies Fund of £4 mn. in 1957 and a net receipt of £16 mn. in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1957 Aug. 10	3,040·0	1,742·9	231·8	...	5,014·7
1958 May 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·5	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
„ 12	3,280·0	1,611·2	197·9	...	5,089·1
„ 19	3,260·0	1,615·1	228·2	...	5,103·2
„ 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
„ 9	3,270·0	1,569·9	190·5	...	5,030·4

THE MONEY MARKET

THURSDAY'S reduction of Bank rate by ½ per cent to 4½ per cent had been discounted in the money market to a greater degree than any of the three preceding reductions from 7 per cent. On Friday last week, the Treasury bill rate, already 1 per cent below Bank rate, fell further by over ½ per cent, to below 3⅞ per cent—already ⅛ per cent below the new Bank rate. In the first half of this week there was a strong demand for bills at 3 1/16 and 3 3/32 per cent.

The strength of this outside demand, which at last Friday's tender kept total applications very near the record level of £469 million established the previous week, has forced the houses to make exceptionally large increases in their common bid at the tenders in an attempt to get the bills and reap the gain from any subsequent fall in bill rates after a Bank rate reduction. Last week the market's common bid was raised by 9d., to £99 0s. 8d. per cent, and the proportionate allotment rose from 39 to 55 per cent. But subsequently, despite the demand for bills, credit conditions were taut and the discount houses had to pay up to 4 per cent for marginal supplies of money.

Now the fixed money rates all come down by ½ per cent—the minimum rate on call loans from the clearing banks to 2½ per cent, deposit rates at banks and discount houses to 2½ per cent, and rates on bank advances to 5 per cent for "blue chip" companies and 5½-6 per cent for most other borrowers.

LONDON MONEY RATES

Bank rate (from 5% 14/8/58)	4½	**Discount rates (Aug. 13†)**	%
		Bank bills: 60 days	4⅛–4⅜
Deposit rates (max.)		3 months	4⅛–4⅜
Bank	2½	4 months	4⅛–4⅜
Discount houses	2½*	6 months	4⅛–4¼
Money			
Day-to-Day	2½–3½	Fine trade bills:	
Treas. bills 2 months	4 } 3⅜	3 months	5–5½
3 months	4⅛ }	4 months	5–5½
		6 months	5½–6

* At immediate notice. † Before Bank rate change

BANK OF ENGLAND RETURNS

(£ million)	Aug. 14, 1957	Aug. 6, 1958	Aug. 13, 1958
*Issue Department**:			
Notes in circulation	2,037·1	2,123·2	2,087·7
Notes in banking dept.	38·3	27·2	12·7
Govt. debt and securities*	2,071·2	2,135·3	2,096·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	12·9	20·9	9·6
Bankers	203·0	192·5	204·6
Others	73·0	70·2	71·3
Total	288·9	283·6	285·4
Securities:			
Government	210·9	247·1	259·7
Discounts and advances	37·7	6·4	10·2
Other	18·0	18·9	19·0
Total	266·6	272·4	288·9
Banking department reserve	40·7	29·4	14·9
"Proportion"	% 14·1	% 10·3	% 5·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,100 million from £2,150 million on August 13, 1958.

TREASURY BILLS

*Date of Tender	Amount (£ million)			Three Months' Bills	
	Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at Max. Rate*
1957 Aug. 9	220·0	375·9	210·0	s. d. 77 7·48	% 32
1958 May 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	89
„ 13	270·0	413·0	270·0	90 1·77	65
„ 20	260·0	414·1	260·0	85 9·63	42
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
„ 11	240·0	452·8	240·0	80 3·79	43
„ 18	240·0	424·3	240·0	84 11·39	40
„ 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39
„ 8	250·0	467·9	250·0	77 3·63	55

* On August 8th tenders for 91 day bills at £99 0s. 8d. secured 55 per cent, higher tenders being allotted in full. The offer this week was for £250 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	August 13	August 7	August 8	August 9	August 11	August 12	August 13
United States $	2·78–2·82	2·80⅞–2·80⅞	2·80⅞–2·80⅞	2·80⅞–2·80⅞	2·80⅞–2·80⅞	2·80⅞–2·80⅞	2·80⅞–2·80⅞
Canadian $	...	2·69⅛–2·69⅛	2·69⅛–2·69⅛	2·69⅛–2·69⅛	2·69⅛–2·69⅛	2·69⅛–2·69⅛	2·69⅛–2·69⅛
French Fr.	1167·18–1184·82	11744–11744	11744–11744	11744–11744	11734–11734	11734–11734	11734–11734
Swiss Fr.	12·15½–12·33½	12·20⅝–12·20⅝	12·20⅝–12·20⅝	12·20⅝–12·20⅝	12·20⅝–12·20⅝	12·20⅝–12·20⅝	12·20⅝–12·20⅝
Belgian Fr.	138·95–141·05	139·00–139·05	139·00–139·05	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	139·00–139·05
Dutch Gld.	10·56–10·72	10·56½–10·56½	10·56½–10·56½	10·56½–10·56½	10·56½–10·56½	10·56½–10·56½	10·56½–10·56½
W. Ger. D-Mk.	11·67½–11·84½	11·68½–11·68½	11·68½–11·68½	11·68½–11·69	11·68½–11·68½	11·68½–11·68½	11·68½–11·69
Portuguese Esc.	79·90–81·10	80·35–80·45	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40
Italian Lire	1736½–1762½	1737½–1738½	1738–1738½	1738–1738½	1737½–1738½	1737½–1738½	1738½–1738½
Swedish Kr.	14·37½–14·59½	14·41½–14·42½	14·42½–14·42½	14·42½–14·42½	14·42½–14·42½	14·42½–14·42½	14·42½–14·42½
Danish Kr.	19·19½–19·48½	19·33½–19·33½	19·33½–19·34	19·33½–19·33½	19·33–19·33½	19·32½–19·32½	19·32½–19·32½
Norwegian Kr.	19·85–20·15	19·99½–19·99½	19·99½–19·99½	19·99½–19·99½	19·99½–19·99½	19·99½–19·99½	19·99½–19·99½
One Month Forward Rates							
United States $		⅛–⅞c. pm	⅛–⅞c. pm	⅛–⅞c. pm	⅛–⅞c. pm	⅛–⅞c. pm	⅛–⅜c. pm
Canadian $		⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm
French Fr.		2–4 dis	2–5 dis	2–5 dis	2–5 dis	2–5 dis	2–5 dis
Swiss Fr.		2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼ 2c. pm	2¼ 2c. pm	2¼–1¾c. pm
Belgian Fr.		¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par
Dutch Gld.		1–1¼c. pm	1–1¼c. pm	1–1¼c. pm	1¼ ⅞c. pm	1¼ ⅞c. pm	1¼–⅞c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼ 1pf. pm	1¼–1pf. pm	1¼–1pf. pm
Italian Lire		1 pm–par	1 pm–par	1 pm–par	1–¾ pm	1–¾ pm	1–¾ pm
Swedish Kr.		1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm
Danish Kr.		2⅜ pm–par	2⅜ pm–par	2⅜ pm–par	2⅜ pm–par	2⅜ pm–par	2⅜ pm–par
Norwegian Kr.		⅜ pm–par	⅜ pm–par	⅜ pm–par	⅜ pm–par	⅜ pm–par	⅜ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/2½	250/1½	...	250/1½	250/4	250/3½

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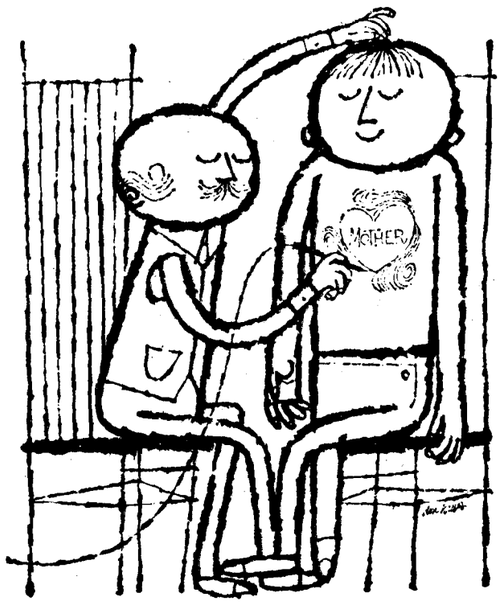

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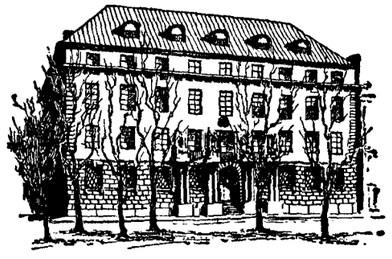

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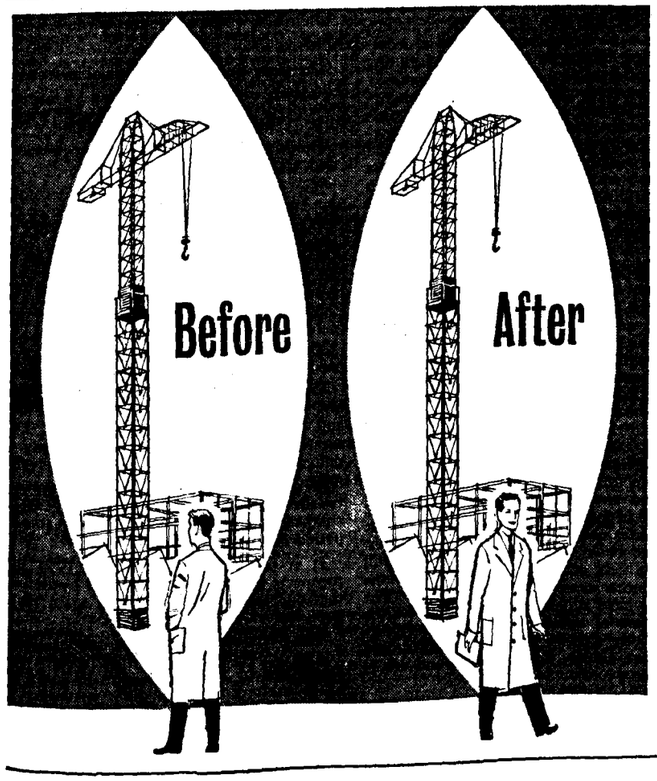

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COMPANY MEETINGS

HICK, HARGREAVES & COMPANY

A VERY SATISFACTORY POSITION

MR W. D'ARCY MADDEN'S SPEECH

The Sixty-seventh Annual Ordinary General Meeting of Hick, Hargreaves & Company Limited, was held on August 7, 1958, at Bolton.

Mr W. D'Arcy Madden, CBE, JP, the Chairman and Managing Director, who presided, said:

The Accounts and the Directors' Report include for the first time the Consolidated Accounts of Hick, Hargreaves & Company, Limited, and Foster, Yates & Thom Limited. In my speech last year I referred in some detail to the acquisition of the issued share capital of Foster, Yates & Thom Limited, which was formally completed on June 28, 1957. The purchase consideration was satisfied by the allotment of 96,000 £1 Ordinary Shares at a premium of £324,000 and a payment of £360,000 in cash. The net current assets of Foster, Yates & Thom Limited amounted to £185,308 and the balance of £594,692 has been attributed in the accounts to the cost of the Fixed Assets. These assets have been professionally valued at £810,960. No consideration was paid for the goodwill of this old established company. In order to coincide the accounting periods, the accounts of Foster, Yates & Thom Limited cover a period of eighteen months

CONSOLIDATED ACCOUNTS

Dealing firstly with the Consolidated Accounts, the available profit, after dealing with Pre-Merger profits of Foster, Yates & Thom Limited amounting to £51,958, is £367,529 and of this 65 per cent is being retained in the business. The Revenue Reserves stand at £1,572,133. The excess of Current Assets over Current Liabilities is £1,944,317. The strong liquid position is particularly satisfactory, cash and investments a year ago amounted to £881,581 and this year, notwithstanding the cash payment of £360,000 on the acquisition of Foster, Yates & Thom Limited, these assets aggregate £900,550.

In the Consolidated Appropriation Account, £20,260 has been set aside for Special Depreciation. This refers to the Foster, Yates & Thom accounts in which depreciation has been calculated on the pre-merger book value of the fixed assets. As I have already said, these assets have been brought into the Consolidated Balance Sheet at £594,692 and to provide for proper depreciation an additional sum of £20,260 is required.

PROFITS AND DIVIDENDS

The Hick, Hargreaves profit for the twelve months, subject to taxation and excluding the net dividend from Foster, Yates & Thom amounting to £25,875, but after deducting the expenses of acquiring the subsidiary company namely, £21,386, amounts to £660,980, which constitutes a record for the Company.

The Foster, Yates & Thom profit for the eighteen months, subject to taxation, amounts to £173,429 of which the proportionate part of the profit earned prior to the date of the merger requires to be ear-marked and is not available for distribution. Even allowing for the fact that the profits stated are for eighteen months, after discounting the additional six months these profits show an appreciable increase over the profits for the twelve months ended September 30, 1956.

The final dividend recommended is 10 per cent and a bonus of 5 per cent which with the interim dividend of 5 per cent makes a total of 20 per cent for the year on the increased capital of £852,000.

So much for the Accounts and the very satisfactory position disclosed by them. I will now turn to the business situation of the two Companies, both of whom being Heavy Engineers are engaged in the manufacture of plant for capital investment and replacement.

ORDER BOOK EXCEEDS £5 MILLION

Taking Hick, Hargreaves first, there has been some reduction in output during the year due to the completion of the Ministry of Supply Contracts, to which I referred a year ago, and consequently there is now some capacity available at the Bolton Works. The order book, however, still exceeds £5 million as it did a year ago and includes a heavy programme of Condensing and Feed Heating Plant for the Central Electricity Generating Board for commissioning to the end of 1962, and to date one large plant for 1963. These contracts have long constituted a solid background to our activities but owing to the greatly increased size of the Power Units, fewer although larger contracts will be available in the future for those manufacturers such as ourselves who are equipped to supply them. The long term outlook in this important direction is consequently not so favourable as in the past, the manufacturing capacity in the country being likely to exceed future demand. Our deaerating and vacuum Plants have maintained their high reputation in many industries and the demand for these plants and for our rotary compressors and vacuum pumps continues at a satisfactory level.

Turning now to Foster, Yates and Thom, satisfactory orders have been received for rolling mill plant, hydraulic presses and for the Company's rotocube mixers and whilst there has been an appreciable decline in orders for boilers, signs of improvement are now apparent. Good progress has been made with the Foster-Wucher W.700 low pressure injection moulding machines. Sales have included deliveries to the United States, Australia, New Zealand, South Africa, Norway, Nigeria, Germany and Brazil. The interest in the machine continues both at home and overseas and agents are being appointed in many countries abroad to handle the enquiries now being received. Important developments are in progress which will widen the field of activities for this machine and its future is very promising indeed. The Company have concluded agreements for the manufacture of special plant and machinery designed by certain American firms and orders have already been received and are in production.

ENCOURAGING OUTLOOK

The outlook for Foster, Yates and Thom Limited is encouraging and I am confident that under the able direction of Major Hill and of Mr Lucas, Director and General Manager at Blackburn, the Foster, Yates and Thom contribution to the Consolidated Profit will year by year become more considerable and important. The association of the two Companies provides a valuable diversification of manufactures and of markets, while the joint manufacturing facilities will become increasingly available for their mutual requirements.

In order to bring the issued share capital of the Company more into line with the capital employed, steps are now being taken for a bonus issue of one share for every two shares held, thereby increasing the issued capital to £1,278,000 through the capitalisation of £426,000 from the Capital Reserve. At the same time, the Stockholders will be asked to sanction an increase of the Authorised Capital to £2 million.

I am sorry to have to tell you that Mr George Arrowsmith, who retired from the position of Chief Engineer two years ago for health reasons, is not seeking re-election to the Board. Mr Arrowsmith has been a Director for 30 years, and I cannot speak too highly of his great services to the Company. Mr Donnison, who succeeded Mr Arrowsmith as Chief Engineer, has been appointed a Director to fill the vacancy, and you will be invited this afternoon to confirm his appointment.

In conclusion, I have on your behalf to record our sincere gratitude for the loyalty and diligence of all personnel in the group, whose labours have achieved the excellent year's results, and to whom a bonus in recognition of their work has been paid.

The Report and Accounts were adopted.

THE BUDLA BETA TEA COMPANY

The sixty-third annual general meeting of The Budla Beta Tea Company Limited, was held on August 7th in London, Sir Charles Miles, OBE (the chairman) presiding.

The following is an extract from his circulated statement:

The profit for the year ended December 31, 1957, after charging Depreciation, is £94,063, which compares with £163,409 for 1956. Upkeep expenditure rose by some £28,000, due mainly to the cost of supplying concessional foodstuffs, whilst the shortfall in crop and the lower prices obtained on the Calcutta market resulted in a fall of approximately £46,600 in the value of sales proceeds.

Your Board recommend a dividend of 20 per cent, less Income Tax.

We are pursuing our policy of uprooting and replanting some of the older tea areas and out of the total planted area of 3,654 acres there are some 300 acres of young tea under five years old.

With regard to the current year, our crop to the end of June is 702,000 lb, which compares with 751,600 lb for the same period last year.

It is too early to assess the 1958 sales prospects with any certainty, but I anticipate that our second flush teas will again realise good prices.

The economic difficulties under which Indian tea companies are working have been recognised by the Government of India and as a result of representations made by the producer associations of North East and South India, certain minor reliefs have recently been announced.

The report and accounts were adopted.

UNITED DOMINIONS TRUST

(Bankers)

ANOTHER RECORD YEAR

MR J. GIBSON JARVIE ON LINK WITH BARCLAYS BANK

The thirty-sixth annual general meeting of United Dominions Trust Limited, was held on August 13th in London.

Mr J. Gibson Jarvie (the Chairman) presided, and, in the course of his speech, said: Your Board take pleasure in having again presented record figures. The year has been a remarkable one in many ways; it has, perhaps, been the most difficult in our history; we have had to struggle with the Credit Squeeze and at the same time a penal Bank rate, to say nothing of the constant discouragement from the Government by their reiterated distaste for hire-purchase business in their fight against inflation—a fight, incidentally, in which the Government never recognised, or declined to recognise, their real enemy.

That we were able to adapt ourselves to the new and very nearly impossible conditions and accomplish what we have done in the year speaks highly for our initiative, our resilience and our ability to adjust the Organisation to a veritable spate of additional handicaps.

THE ACCOUNTS

Reviewing the financial results for the year, Mr Gibson Jarvie said: Profit has risen by over £250,000 to the record figure of £2,294,357. In this connection you will note that taxation has climbed to £1,186,716, while net dividends take only £383,000. I would remind you that this is the third year in succession in which we have increased the dividend. Transfers to General Reserve stand at £410,000 and balance of Profit and Loss Account has increased to £720,257. In the accounts this year we give comparative figures for ten years, and if I may be forgiven for saying so, they make impressive reading. They constitute ten successive record years and total assets now stand at £93,687,920.

AGREEMENT WITH BARCLAYS BANK

Remarkable as the last financial year has been, the new year promises to be still more remarkable since in its first month we have entered into an agreement with Barclays Bank which cannot fail to have a notable effect on the future history of the Company. In the considered opinion of your Board the acquisition of a substantial block of shares in the Company by Barclays Bank is bound to be of so great an advantage to the Company that its value can scarcely be estimated.

Commenting on the difficulties encountered and upon the regulations imposed and changed by the Treasury through the Capital Issues Committee, Mr Gibson Jarvie said: If our growth is not to be completely stopped it is necessary to increase our capital from time to time, apart from additions placed to reserve from annual profits.

He then outlined events arising from the CIC's refusal to allow the Company to increase its capital and continued: In May we commenced general conversations with Barclays Bank to see whether we could reach common ground on the advisability or otherwise of some merger of interests. These conversations were, of course, inspired by the well-known fact that Banks were beginning to discuss the possibility of engaging in one form or another in hire-purchase finance.

Following their refusal, we asked the CIC whether this was their last word; the reply stated that it was their last word.

Negotiations with Barclays Bank then took a more direct course and terms and conditions were arranged between us: the price, however was decided—and by us—when our shares were quoted at around 90s. There was no bargaining about the price—it was fixed by us: the parties came together without pressure from either side: it was a case of mutual selection.

A new application was then made to the CIC seeking permission to make the issue to the Bank and the necessary consent was at once given.

We had done our best to get permission to make an issue to Stockholders. It was refused, so had we not made an issue to Barclays Bank, no issue at all would have taken place.

This transaction is not a speculative one in any shape or form. It is intended as a continuing partnership of interests which is expected to benefit both parties.

We have received £4 million additional cash and very desirable associates. The investment by the Bank carries with it a real interest in the welfare of the Company. With an institution as strong as Barclays Bank substantially interested financially in our Company our position is agreeably simplified.

THE FUTURE

Now what of the future? Under reasonable conditions the Company can and should become one of the world's great businesses. I know of no company which has wider foundations or wider fields for its enterprise. Our capacity for service grows year by year and those services in which we specialise through the various companies comprising the UDT Group are complementary and are interlocking to a degree. That we have been reasonably efficient in the past is vouched for by our results. The records of the years disclose no mean achievement, but with growth and time we gain always in experience, knowledge and, I hope, initiative.

Much of what happens will rest on our own shoulders, on our own selves, but much of it will depend on others. I have on many occasions criticised those uninspired people who have held us back by doing the wrong things, by loading us with unnecessary burdens and handicaps, by seeking their own selfish ends. I have criticised, and with good reasons, Governments and their controls and regulations which have done nothing but harm. I have criticised our turgid bureaucracy for the evils it has perpetrated and I shall continue with my criticism of people or events which make life and business difficult in this much hampered country. That we survive as a country and improve our position at all is a tribute to our character and our capacity for facing and overcoming obstacles of all kinds; it is not the result of inspired Government. But I would ask how long we are expected to suffer senseless strikes which cause infinite damage and bring no benefit to anyone? The country is tired of them.

BURDEN OF TAXATION

The country is particularly tired of the burden of taxation under which we are still staggering and unless taxation is drastically reduced, and that in the not too distant future, we are headed for a drab mediocrity, for a progressive economic decline, if not actual disaster. There is no incentive for the able and the ambitious. People naturally desire to receive what they earn and to be allowed to spend it in their own way. They resent having so much of it, and in many cases most of it, taken away to be spent by the bureaucracy.

The time is coming, indeed, the time has more than arrived when our bureaucracy might be expected to spend its time not in inventing new so-called service to the public, thus creating more jobs for bureaucrats, but in bending its efforts toward less expenditure and fewer useless and unnecessary services, instead of seeking new sources of revenue.

Have the Government ever stopped to consider where penal taxation is leading us? Have they ever remembered that every act of theirs which demands the co-operation of the bureaucracy involves us in ever heavier taxation? The Government at long last have shown signs of strength of purpose in foreign affairs. Will they show the same strength in domestic matters?

The prevailing political philosophy will have to change. If not, an explosion is inevitable. When and what form it may take when it happens, I do not pretend to know. This Government has made one promising start and if they will bend their strength and interest in other directions they can rely on the country supporting them. We could even find ourselves back in our original position—the position which we should never have lost and which we ought to hold today—of being the leading democratic country in all this present uneasy world.

The Report and Accounts were adopted.

THE ASSAM FRONTIER TEA COMPANY LTD

The seventeenth annual general meeting was held on August 7th in London, Sir Charles Miles, OBE (the chairman), presiding.

The following is an extract from his circulated review:

The profit for the year ended December 31, 1957, after charging Depreciation, is £303,711, which compares with £388,301 for 1956.

Total upkeep expenditure fell by some £19,000, although extra expenditure was incurred on supplying concessional foodstuffs. The value of sales proceeds, however, declined by approximately £91,000, due to the shortfall in crop and the lower prices obtained on the Calcutta market.

Although a great deal has already been done, we are continuing with our policy of uprooting and replanting the older tea areas and of the 7,884 acres under tea at the Assam Divisions, some 700 acres are less than five years old.

With regard to the current year, our crop to the end of June is 1,653,840 lb, which compares with 1,714,320 lb for the same period last year. Satisfactory reports have been received on our early teas and I anticipate that our rains manufacture will again meet with a good demand.

The economic difficulties under which Indian tea companies are working have been recognised by the Government of India and, as a result of representations made by the producer associations of North East and South India, certain minor reliefs have recently been announced.

The report was adopted and a dividend of 20 per cent approved.

BRITISH TAR PRODUCTS LIMITED

MR F. WOOLLEY-HART'S REVIEW

The 38th Ordinary General Meeting of British Tar Products Limited, will be held on August 28th in London.

The following is the review by the chairman, Mr F. Woolley-Hart, OBE, which has been circulated with the report and accounts:

Having regard to the conditions that have obtained in Industry generally during the period under review Stockholders will no doubt consider as satisfactory the Accounts now presented. Any apprehension we might have had at the outset of the year following the Suez crisis happily faded as the months went by so far as your Company was concerned. The increase in the volume of trade exceeded our hopes and it is gratifying to point out that our Trading Profit of £126,966 is an increase of £20,368 over the previous year.

Stockholders will no doubt have observed the very substantial increase in the Income from Trade Investments at £77,117. In my last address the repayment by Benzole Producers Limited (formerly the National Benzole Company Holdings Limited) of their prior charges—which resulted in a Capital Profit to your Company of £22,183—was reported and it was then intimated that a further distribution of funds might be anticipated. During the year under review we have received the sum of £45,731 17s. 4d. in respect of the sale of Capital Assets and a dividend of £31,384 12s. 3d. Net, this latter figure covering a period of years to December 31, 1956.

I might add that although Benzole Producers Limited continue to function its operations are now considerably limited in view of the sale to which reference was made last year. Under these circumstances it is not possible to make any forecast as to what is likely to be received from this source in future. However, I am sure Stockholders will agree that this has already proved a most profitable investment.

It will be noted that this year requires a relatively lower provision for Profits Tax due to the greater benefit received for allowances in respect of Capital Expenditure on New Plant and other factors.

DIVIDEND AND BONUS DISTRIBUTION AND FREE SHARE ISSUE

Your Board recognise that the year's results have been favourable and appreciate the claims of Stockholders to participate in the increased Profits. They are, therefore, pleased to recommend a Final Dividend of 17½ per cent, less Tax, which with the higher Interim Dividend paid in January last, makes a total Dividend distribution of 27½ per cent, less Tax, and in addition to pay a Capital Bonus of 5 per cent not subject to Tax.

After the proposed transfer of £92,500 to General Reserve our Total Reserves and Undistributed Profits amount to £344,657, of which your Directors propose that £163,122 10s. should be capitalised and distributed by way of a 100 per cent share bonus as set out in the circular letter to Stockholders which accompanies this address.

The surplus of £301,911 between Current Assets (£448,890) and Liabilities (£146,979) reflects an improvement of £73,416 in the liquid position after an expenditure of some £44,264 on Capital Account during the year.

DEVELOPMENT

It may be remembered that I have from time to time over the past few years mentioned that your Board were endeavouring to find some direction in which our surplus funds could be more profitably employed. I am pleased to say that an outlet has now been found, notably in a very substantial expansion of our Storage Installation. When this extension is completed your Company will have more than doubled its previous storage capacity, the bulk of which is already leased under long-term agreements. I might add that we are in possession of the whole of the finance necessary to cover the Capital expenditure involved.

The results of additions to our Works and those still to be made during the coming months demonstrate that the book value of certain Fixed Assets of the Company are completely out of proportion to the very much higher current market value of these assets. This is borne out by the fact that a valuation made in 1957 on the basis of replacement taken out by a firm of independent valuers has disclosed a figure of about £750,000 (exclusive of Freehold land, Tank Wagons, House Property, etc.) as compared with the relative Book Value of £182,059.

The foregoing provides further evidence of the desirability of proceeding with the Free Scrip Issue to which reference has already been made.

TRADING REVIEW AND FUTURE OUTLOOK

Recovering from the effects of the Suez crisis, the Oil Storage business quickly got into its stride and during the later months of the financial year has progressed smoothly and it is anticipated that throughputs will continue on an improving scale.

In the manufacturing section we are continuing to develop our purchases of semi-refined products for treatment at our Rectifying Plants where additional capacity for the necessary extension will become available as supplies of our traditional raw material diminish. Our crude tar contracts which have been in operation for some 40 years were originally one of the principal mainstays of our business, but the Nationalisation of the Coal Industry in 1947 has completely altered the picture and as and when coke oven units have ceased to produce tar there has been no replacement.

Meanwhile the development of products by Hydrogenation and other processes of the more advanced chemicals from coal tar products, as well as other sources, continues and shows considerable promise.

The results for the year show an improvement upon the previous 12 months, but it must be borne in mind that we are to some extent passing through a period of transition during which the fruits of our new activities are beginning to show before the final effect of the loss of our tar distilling section has been felt. Whilst it follows therefore that we cannot reasonably expect fully to maintain the above-mentioned profits during the coming year, it is the hope of your Board that, under the changing pattern of our business, we shall be able to maintain the cash dividend distribution at the existing level.

The long overdue reform of Profits Tax together with the more recent reductions in the Bank Rate and the proposed increase in Initial Allowances certainly make the financial outlook more favourable.

Staff. In conclusion I must as ever express my sincere thanks to everyone in the Company's employ for their efforts during the past year, which has certainly not been without its difficulties, and in this I know I can speak for Stockholders as well as my colleagues on the Board.

DE WENDEL & CIE SOCIÉTÉ ANONYME

PARIS

The Annual General Meeting of de Wendel & Cie-Société Anonyme, was held in Paris on June 24th, with Comte Emmanuel de Mitry in the chair, and the following is a summary of the report presented by the Board of Directors:

REVIEW

The year 1957 proved to be satisfactory on the whole for the French steel industry. Thanks to a normal supply of essential raw materials, such as fuel, scrap, etc., output continued to increase, and there were no serious difficulties in providing outlets in spite of signs of weakening which became evident in world markets.

Once again, de Wendel & Cie-Société Anonyme made further progress compared with the previous year. Output in 1957 comprised 6,335,090 metric tons of iron ore, 1,869,142 tons of pig iron, and 1,604,585 tons of steel to which must be added the 602,128 tons manufactured on behalf of the Company by the SOLLAC steel works.

Deliveries of semi-finished and finished products amounted to 1,674,773 metric tons and the turnover including all taxes totalled Frs. 104,854,892,851.

Within the framework of the Third Modernisation and Equipment Plan promoted by the French steel industry, de Wendel & Cie-Société Anonyme undertook an important programme of new plant construction which includes:

—the re-equipment of some iron ore workings

—the installation of a new mineral crushing and grading plant

—the construction of blast furnaces in the Orne valley

—the modernisation of various rolling mills and, finally,

—the construction of new dwellings for the Company's personnel.

Output of Société Lorraine de Laminage Continu "SOLLAC," in which de Wendel & Cie-Société Anonyme holds an important interest, rose to 1,329,600 metric tons of strip in 1957, as against 1,168,500 tons in the previous year. A fourth open-hearth furnace was commissioned at the beginning of 1958.

RESULTS

The balance sheet at December 31, 1957, shows that new capital expenditure recorded in 1957 reached a total of Frs. 8,257 million. In addition the item "Other Capital Assets" showed an increase of Frs. 1,539 million. This reflects the considerable investment effort which the Company maintained either directly, or through holdings in its industrial subsidiaries.

After allowing for Frs. 10,083,625,034 in respect of depreciation on capital investments, profits for the year amounted to Frs. 1,145,299,571, and it was proposed to distribute a gross dividend of Frs. 350 per share of Frs. 5,000.

The report, the accounts, and the proposals put forward by the Board of Directors were adopted.

APPOINTMENTS
Vacant 9/- a line; Required 6/- a line.

ACCOUNTANT OVERSEAS

A Chartered or Incorporated Accountant, age 27-35, with experience in industry since qualifying, is required for a senior post in the Head Office of Costain (West Africa) Ltd., at Lagos, Nigeria. This Company is an Associate of the Richard Costain Group, and undertakes Building and Civil Engineering in Nigeria and the Cameroons. Practical experience of budgetary control, costing and modern accounting methods is essential. This is a permanent post, with 18 months' tours in West Africa, followed by 3 months' leave in the United Kingdom.

A commencing salary in the range of £1,700-£2,000 per annum will be offered. Overseas staff are invited to join the U.K. pension scheme after 18 months' service.

Free furnished accommodation will be provided, the employee's family travelling out not later than 3 months after his arrival in Nigeria. An initial kit allowance of £80 will be paid.

Applications should be addressed to the

SENIOR PERSONNEL OFFICER,
RICHARD COSTAIN LTD.,
111, WESTMINSTER BRIDGE ROAD,
LONDON, S.E.1.

MARKETING ASSISTANT required by COLONIAL DEVELOPMENT CORPORATION for London office with possibility of overseas service later. Age 28/32 with minimum 3 years' commercial experience preferably in commodity market sales. Market research experience desirable. Economics degree and/or membership Institute of Export an advantage. Starting salary dependent on qualifications and experience; pension scheme with good life insurance cover; canteen facilities.

MANAGEMENT CONSULTANCY

URWICK, ORR & PARTNERS LIMITED invite applications from men of personality and ability for appointment to the Marketing Division of their Staff of Management Consultants. Applicants should hold a University degree, preferably in Economics or Commerce, and in addition must be able to show a successful record of at least five years in Sales Management, and a dynamic approach to problems of marketing and sales promotion.

Successful candidates will be given special training to equip them for Consultancy at the Company's own Training Centre, and later in the field. Applicants should be aged 30 to 37 years and should be reasonably mobile within the British Isles. Remuneration is high and a profit sharing scheme is in operation. The appointment is pensionable and there are good prospects for advancement. The Company is developing overseas and opportunities will present themselves for working in Canada and on other assignments overseas, if desired.

Please address applications, in confidence, to the Company at Urwick House, 29, Hertford Street, Park Lane, London, W.1, quoting reference D/1111/4 on the envelope.

THE ECONOMIST needs a young man to help in preparing statistics on securities and investment. He should be in his early twenties. Some knowledge of the Stock Exchange and of accountancy would be an advantage though not essential. — Reply to the Deputy Editor.

MONSANTO CHEMICALS LIMITED have a vacancy for a technical writer in their application research department. The post is for a young man or woman science graduate, or arts graduate with interest in science, and requires enthusiasm for writing and presentation of technical information. Ability to grasp quickly user processes and technical terminology is essential, coupled with the qualities of tenacity and precise thinking. The successful applicant will have responsibility for drafting of technical literature in co-operation with scientific and technical staff, and for supervision of a technical library. Previous experience an advantage. Initially the post will be near London but in 1959 the work will be transferred on a permanent basis to new laboratories and library facilities to be erected in Newport, Mon. Salary commensurate with qualifications and experience. Non-contributory pension scheme. Please send full particulars to Personnel Department (DL-081), Monsanto Chemicals Limited, Monsanto House, 10-18, Victoria Street, London, S.W.1.

FIRST-RATE young economist required for transport research by Canadian provincial government. Excellent prospects. Write, Box No. 996.

RESEARCH ASSISTANT wanted by American economist in London. Subject: British Industrial Revolution. Preferable full-time with degree in economics.—Write Box 1000.

THE IMPERIAL COLLEGE OF TROPICAL AGRICULTURE

TRINIDAD B.W.I.

Applications are invited for the post of Bursar at The Imperial College of Tropical Agriculture, Trinidad, West Indies, which will become vacant early in 1959. Applicants should preferably be either qualified accountants or members of the Chartered Institute of Secretaries; or if not they should have had extensive experience of financial administration in an academic institution. The present salary scale is £1,550 x £40—£1,750 x £50—£1,900, the point of entry being determined by the successful applicant's qualifications and experience, but salary scales are now under review and a substantial increase is likely. The post is pensionable and carries entitlement to passages and overseas leave for the officer and his family. Unfurnished quarters will be provided at a reasonable rental.

Application forms and further details may be obtained from the Secretary, The Imperial College of Tropical Agriculture, 40, Norfolk Street, London, W.C.2. Applications must be submitted not later than October 15, 1958.

JOSEPH LUCAS
(ELECTRICAL) LIMITED
require a
MATHEMATICAL STATISTICIAN

to undertake fundamental research into long and short term demand characteristics for the Company's products.

The person appointed will be required to work mainly on problems arising from other investigations into market conditions, and also to suggest new lines of enquiry particularly suitable for advanced statistical analysis.

The post offers variety and interest and the opportunity to work in a rapidly developing industrial market research section.

Applications are invited from men or women graduates whose degree course included statistics as one of the principal subjects. Age preferably between 21 and 30. Industrial experience desirable but not essential. The post is permanent and pensionable. Apply in writing, stating age, qualifications and experience, to the Personnel Manager, JOSEPH LUCAS (ELECTRICAL) LIMITED, Great King Street, Birmingham, 19, quoting reference PM/SE/239.

ECONOMIST

A leading firm of seed crushers, edible oil refiners and manufacturers of animal feeding stuffs requires an Honours Graduate in Economics to advise the commercial management on market trends. His work will be mainly connected with the buying of raw materials but may also deal with the demand for finished products. The applicant should be at least 25 years of age and it will be an advantage if he has had previous experience in industry or commerce in similar work. He will be expected to develop his own sources of information and must therefore have a flair for getting on well with people and for forming and maintaining friendly business relationships. The position will afford opportunities for foreign travel. The starting salary will be not less than £1,250 per annum; there is a pension scheme in operation and help will be given with house purchase.—Application forms from Personnel Manager, J. Bibby & Sons Ltd., Great Howard Street, Liverpool, 3.

A VACANCY exists at the Head Office of a Mutual Life Assurance Office, near London Bridge, in the Actuarial Department. Age up to 26, with passes in some sections of Parts I and II, at least, of the Institute of Actuaries' examinations.

The appointment carries a progressive salary and offers good prospects, and the conditions of service are congenial. Apply, in writing, to the Staff Manager, 48 Gracechurch Street, London, E.C.3.

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Applications are invited for the appointment of Lecturer in Accountancy and Law to teach these subjects to Final Professional Level. Salary, £1,200 x £30 to £1,350 per annum (1956 Burnham Technical Report). Applicants should have teaching experience, good professional qualifications and preferably a degree in Economics or Commerce. Suitable professional and/or industrial experience desirable.

The person appointed will be encouraged to undertake research work.

Further particulars and application form (returnable by August 30th) may be obtained from the Director of Education, 14, Sir Thomas Street, Liverpool, 1.

THOMAS ALKER, Town Clerk and Clerk to the Local Education Authority.

(J 5392)

APPOINTMENTS REQUIRED

INFANTRY Officer (29), married, passed Staff College exam., not redundant, requires Administrative/Executive position from which to make career. Initial salary of less importance than good prospects. Willing to begin in trainee post and work for qualifications provided future is bright. Write, Box 998.

B.A. (Oxon) fluent Italian and French, some German, aged 36, at present in Foreign Office, seeks position in Industry or Commerce, preferably in Export Sales or Market Research. Much travelled, seven years' Middle Eastern experience.—Write, Box 997.

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NOTICE IS HEREBY GIVEN that holders of Bearer Warrants of United Plantations, Ltd. and Bernam Oil Palms, Ltd. who have not already received instructions regarding allotment of bonus shares should apply in writing to the Companies' Offices at Jendarata Estate, Teluk Anson, Federation of Malaya, or, 49, H. C. Andersens Boulevard, Copenhagen V., Denmark, for full instructions.

By Order of the Board,
B. OLSEN,
Secretary.
Jendarata Estate,
Teluk Anson.

NATIONAL OVERSEAS AND GRINDLAYS BANK LIMITED.
Notice is hereby given that the Transfer Books of the Bank will be closed from August 20 to September 2, both days inclusive.

By Order of the Board,
W. KERR,
General Manager.
26, Bishopsgate, London, E.C.2.
August 12, 1958.

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Registered as a Newspaper. Entered as Second Class Mail Matter at New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press, Ltd., London, W.C.2. Published by The Economist Newspaper Ltd., at 22 Ryder Street, London, SW1. Postage on this issue: UK 2½d.; Overseas 3½d.



AIR EDITION
30 SEP 1958

The Economist

AUGUST 23, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

Public Purse-strings

A call for inquiry into, and overhaul of, the present system of Treasury control of government expenditure (page 577).

Roads Closed in Cyprus

Does the plan for Cyprus, evolved after Mr Macmillan's visit, offer a passable way out of the morass? (page 579).

No Golden Fleece

Prospects for the new wool sales and for the Bradford wool textile trade lead to cautious conclusions (page 613).

Ring Around Jordan

With the resumption of the Saudi-Egyptian alliance, King Hussein is now almost completely cut off. Our correspondent in Amman writes on page 607.

Quemoy Again

The volcano of the Formosa Straits has been for a time quiescent, but it is not extinct (page 582).

Nigeria's Last Hurdle

Independence by 1960 must not overlook the rights of minorities or the exercise of effective power at the centre (page 580).

Why the Supermarket Pays

At last self service is bringing prices down (page 615).

Congress's Report Card

Senators and Representatives are leaving Washington after an unusually productive session (page 598).

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 639
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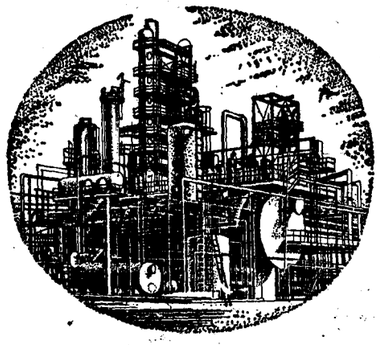
VOLUME CLXXXVIII · NUMBER 6000



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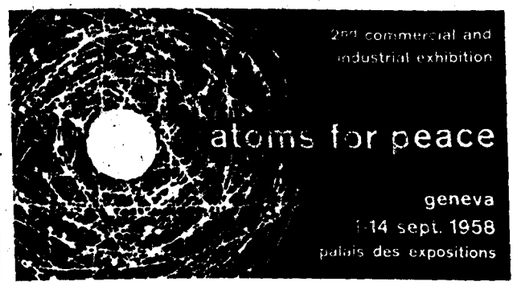

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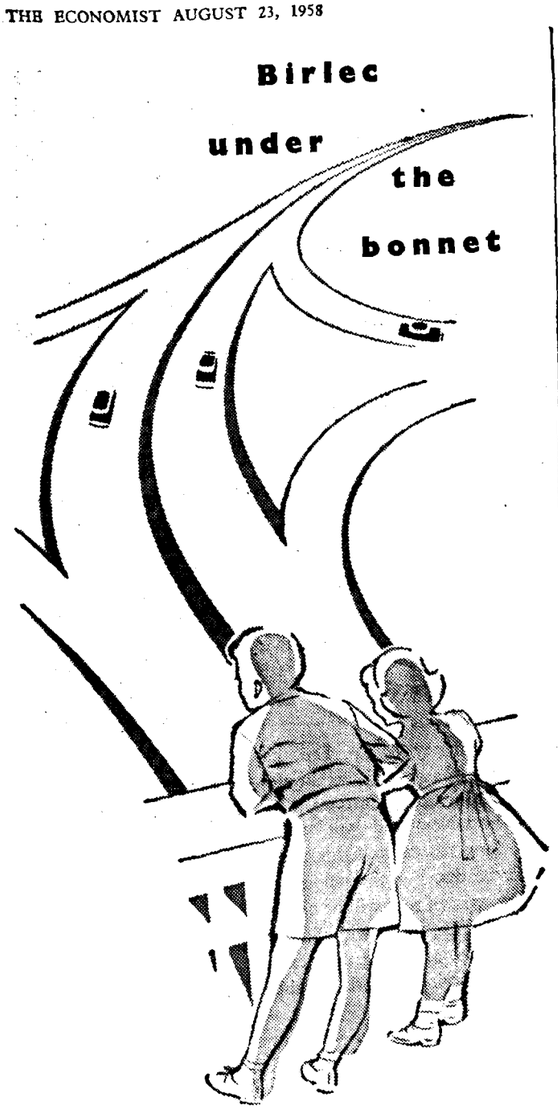

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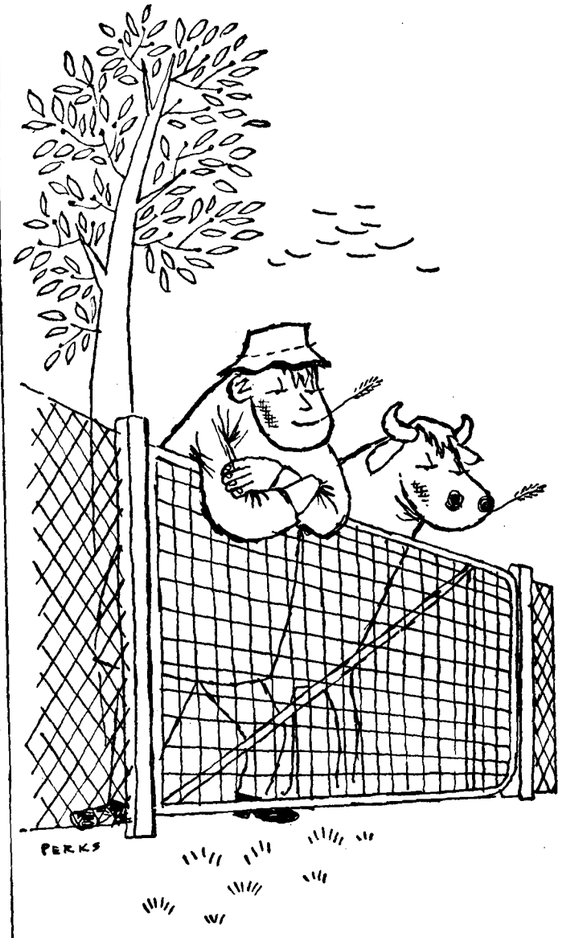

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Smoothing the path of Peruvian sugar



IN Northern Peru the producers of sugar, one of the country's most valuable exports, have long been in the position of a man with a Cadillac who lives at the end of a mountain footpath. The port of Salaverry, near Trujillo, was their nearest port—and it was inadequate. There were no deep-water berths for ocean-going freighters and the sugar had to be carried by lighter to ships in the open sea. As a result the sacks of sugar became wet when high seas were running, and work was impossible for 30 days in each year because of storms.

Now all that is being changed. The British firm of George Wimpey & Co. Ltd. has started construction of a 4,200 ft. breakwater, filled with rocks from Cerro Carretas, a hill overlooking the bay. New roads will be built, a jetty 450 ft. long for cargo lighters, and new deep-water berths. For the whole project 1,000,000 cu. yds. of rock will be needed. Atlas Copco rock drills, fitted with Sandvik Coromant drill steels, are being used exclusively for the quarrying. Work is ahead of schedule, and by October 1958 the breakwater is likely to be completed — the first stage in a scheme which will bring new prosperity to Peru.



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The Economist

AUGUST 23, 1958

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Public Purse-strings

DETACHED observers of public affairs have felt for some time that the present methods of Treasury control of government expenditure need to be overhauled—bell, book and candle-ends. That view has received rather unexpected support from the back bench members of Parliament on the Select Committee on Estimates. They have come to the modest conclusion that an inquiry into "the theory and practice of Treasury control of expenditure" should be carried out, not by themselves, but by a "small independent committee which should have access to Cabinet papers." It is not at all certain that a small committee of this kind, with this exceedingly unusual *entreé*, would be exactly the right tool for the job. But it is important that the Treasury should not now freeze into opposition to the idea of any outside inquiry at all. The object of it would be to see if improvements can be made in the present machinery of Treasury control, not to seek out criticisms of the officials who have had the difficult job of making it work as best they can. Indeed, it is precisely because their problems have lately been increasing so much more rapidly than their powers that Treasury officials must be given credit, on any balanced view, for having done their existing —and very much hampered—job so remarkably well.

In recent years, at least three fundamental changes have occurred in the nature and scope of public spending, and it would indeed be astonishing if Treasury or departmental controls had been automatically and perfectly adjusted to handle them. First, a large part of government expenditure now goes on highly technical projects. Under the traditional system of budgetary control these projects are not vetted by any technical officers except the enthusiasts who are responsible for initiating them, and growing experience suggests that the time-honoured method of subjecting them to lay scrutiny operates in an invidious way. These projects are originally "sold" by technical officers to lay officials in their own departments; the departmental laymen then submit the proposals to other laymen in the Treasury, who are inevitably even less instructed on the scientific details than they. A very possible—and very human—consequence is politely suggested by the select committee, praying in aid the views of a distinguished former civil servant:

> As Sir John Woods has pointed out, it could be argued that departmental officers "may well feel irritated and frustrated if they are cross-examined by the Treasury" on projects "to which they have already given the most careful scrutiny. This may . . . impair their own sense of financial responsibility, since instead of applying their minds to the financial soundness of a proposal, they will tend to concentrate their attention on the problem (rather different in character and often much less difficult) of securing the Treasury's approval to it."

It is not surprising in these circumstances that government scientific and engineering projects—the costs of which are, in any case, very difficult to

estimate in advance—almost always cost more than originally budgeted for.

The second great difference about modern government expenditure is that there is so very much more of it—and because of this much more of the waste that goes on is the result of political decision, indecision, or cowardice. Yet on the administrative side, the annual scrutiny of the estimates, which is the central feature of Treasury control, is still crammed into a very short and hectically busy period between the beginning of December and the beginning of February. One result of this, as the select committee (again very politely) points out, is that "because of lack of time for the task, examination of the estimates may tend to be concentrated on those that have increased, and the possibilities of economies in those that are static, or of greater economies in those which have decreased, may be neglected." Another result seems to be to concentrate too much emphasis on expenditure proposals for the coming year, with too little regard to the consequences for future years. The select committee also agreed with one senior civil servant that, although new policies which will cost money are examined fairly toughly, there is no detailed machinery to prevent a policy "living on its legend and going on because it was approved four or five years ago." This defect is a natural legacy from an age when vast new money-absorbing policies were not being regularly introduced four or five years before; in this age when continuing bills for such policies are coming in every year, it is a misfortune.

THE third, biggest and worst change in the system of Treasury control since before the war is the changed attitude towards supplementary estimates. Before the war when a department came to the Treasury, and after it to Parliament, for permission to spend more than its original estimate in any financial year, it was either a sign that government policy for the conduct of that department had changed during the year, or else it was regarded as a mark of very great shame. Under those conditions, the Treasury's control over the original estimates of all departments was very real; nowadays, it is felt that requests for supplementary estimates must be much more readily granted (without any horrid hints that the minister responsible for asking for them should resign).

In part, this changed attitude towards supplementary estimates is a consequence, as well as the most important cause, of the general weakening and increased difficulty of Treasury control—of the fact that so many original estimates are scientifically complicated and therefore bound to be hazy. Indeed, some new (and, for Treasury controllers, very demoralising) sorts of government expenditure cannot accurately be estimated in advance by anybody; for example, the level of agricultural subsidies each year depends on the size of crops and on prices in the market. In perhaps greater part, however, the new attitude is the consequence of each succeeding year's dose of inflation, and of the rigid refusal to include in any original estimate an allowance for "contingent" increases in costs, even when the contingency is in fact a certainty. There are weighty —indeed some would say overwhelming—psychological arguments in favour of this bluff refusal to "cater for inflation"; but the fact remains that so long as it helps the departments to regard original estimates as something of a nonsense, it must help to make tight Treasury control over total expenditure something of a nonsense too.

THERE is in all this a very wide field for inquiry. Indeed, it looks a much bigger field than could be covered by a "small independent committee"; it could provide proper pasture for a full scale royal commission. Everybody will have his own ideas of what the main recommendations of such a commission would be. It would not be surprising if one of them would be that more technicians should be employed to watch the technicians, both in order to help vet estimates and to act as a small inter-departmental inspectorate of work-in-progress. There seems to be a strong case for the employment of teams of engineers and trained cost accountants, perhaps centred at the Ministry of Works, who could continuously check—to cite one small example—why there are such wide variations in the cost of heating the different types of buildings under the control of different government departments.

But the growth of general government expenditure also raises administrative issues of the widest possible sort. A commission might well find that the case is now established for a full scale satellite department of the Treasury—a Bureau of the Budget, which might perhaps be the whole-time ministerial responsibility of a Paymaster of Cabinet rank. Its job should not be confined to a once-a-year vetting of annual estimates; whether or not there is a case for ignoring increases of costs before they have taken place, there can be no case for ignoring them while they are taking place—for not moving in at once and saying which of the new increases have got to be offset by new economies and which may be covered by supplementary estimates. Such a system would help to begin to banish any idea that the grant of supplementary estimates can be an automatic and relatively painless process; the tradition could be re-established that where supplementaries were asked for, a ministerial head might occasionally be expected to roll.

The big question now may be whether the Treasury would accept the idea of such an inquiry, not as a witch hunt from outside, but as a contribution towards the effectiveness of their own work. There are respectable reasons why they should. One is that, when looking to the present, they deserve every credit for the way they have worked the existing system under great difficulties; another is that, when looking to the future, they should avoid giving any impression of behaving like reactionary trade unionists, afraid that automation, by increasing their productivity, might work them out of a job.

Roads Closed in Cyprus

From the reception it has had, the Prime Minister's plan for Cyprus looks like being one of a series of casualties

MR MACMILLAN'S visit to the eastern Mediterranean did not succeed in its main object; that is not to say that it was a waste of time. Success would have meant the discovery of a course of action in Cyprus which the Cypriots would accept and in which the Greek and Turkish governments would, at the least, acquiesce. At the moment the least regarded of these three parties are the Cypriots; it has come to be assumed, perhaps correctly, that acquiescence by Athens and Ankara is the key, and that if they were to give it, peace and quiet would follow. As for the islanders themselves, the British government has long given up hoping for the support that comes from conviction or loyalty; peace and quiet, that would allow the basis of some sort of future order to evolve, are the most it can dream of.

It is a precarious hope, modest as it is. For the moment, the cease-fire continues, broken only by the occasional bloody murder—for deficient loyalty—of a Greek Cypriot whom Eoka treats as within its domestic jurisdiction, and whom the colonial government is powerless to protect. In announcing the cease-fire on August 4th, Colonel Grivas gave notice that fighting would be resumed if any "provocation" were offered. Obviously it is within his discretion to decide what "provocation" is. An attempt to hold communal elections? The arrival of a Turkish commissioner—say, in October, if the Turkish government agrees to send one? Or simply a resolute police or military action by the British? As is evident, it is Eoka's object to keep the British in Cyprus helpless and inactive, so that all paths are denied to them save the path of *enosis*. If it is remembered how hopefully British spokesmen used to talk, a year or two ago, of "terrorism approaching defeat" and of a "growing realisation that violence and intransigence have failed," then it is easily seen that Eoka has had more success in the pursuit of this object than the British authorities have had in any purpose of theirs. If the Greek terrorists are still as far from victory as ever, this is because the one road not denied to Britain by the Greeks is closed by the Turks.

Does the Foot plan, announced by the Government in June and amended by Mr Macmillan last week, offer an alternative, passable road? Despite the modifications that Mr Macmillan has made after his talks in Athens and Ankara, the plan remains essentially what it was in June: a scheme for self-government on communal lines (Greek Cypriots and Turkish Cypriots having their separate representative institutions) with participation by the Greek and Turkish governments, though Britain would remain sovereign for a period of at least seven years. The British intention is that the seven years should be a transitional period in which things should settle down but the future should not be compromised. But the intention was formulated, in something like desperation, at a time when the Greeks and Turks in the island were at one another's throats. Preoccupied with the communal strife, and concerned to create at least a chance that the Turks would co-operate, the authors of the plan allowed the separateness of the Greek and Turkish communities to loom larger than anyone would have thought of doing two or three years ago—or than Lord Radcliffe, for instance, thought of when he drafted his constitution in 1956. The Foot plan left no doubt how the separateness of the Greeks and the Turks would be protected during the seven years, but it left in great doubt how the single identity of Cyprus was to be preserved thereafter—unless Greeks and Turks should by then be ready to enter into a permanent tridominium with Britain.

BECAUSE of this, Ankara was able, however grudgingly, to treat the British idea of partnership and the Turkish idea of partition as "not irreconcilable"; while Athens, suspecting that the separate communal systems and the Turkish government's foot in the door would in fact prepare the way for partition, began to demand explicit assurances that partition was ruled out. To meet this request is quite beyond Mr Macmillan's power; the most he could do was to reassert, as he did in the Government statement of August 15th, that the deferment of a final solution for seven years would be "without prejudice to the future, or to the views and aspirations of the parties concerned." In a further attempt to make it possible for the Greeks to co-operate, he somewhat demoted the proposed Greek and Turkish commissioners (so that they would not actually sit on the Governor's Council); shelved the idea of extending dual nationality to the Cypriots; and spoke vaguely of a possible all-Cyprus representative assembly in the future. On the other side of the Greco-Turkish balance-sheet, the statement indicates that the governor may now go ahead with setting up separate municipal councils for the Greeks and Turks.

Our correspondent in Nicosia describes on page 608 how the secret hopes that had begun to arise in the island have been dashed by the categorical way in which Mr Macmillan's proposals have been rejected in Athens. In Cyprus, as in London, the hope cannot have been strong. The Greek and Turkish governments have

for long occupied positions over Cyprus that are absolutely opposed. Neither is strong enough domestically to be able to make concessions without risking its own fall—and it is beside the point to blame governments for thinking of their own political future as well as of the merits of the case ; that is the way most governments, and not only in foreign countries, are made. In any event, the most improbable degree of heroic self-abnegation among the politicians of Athens would not get around the fact that the Greeks believe themselves to be in the right and the Turks and the British to be in the wrong.

Not so long ago the Greeks looked forward, with a confidence that was overdone, to the day when Cyprus would be theirs. Things have gone against them, and they would be glad now if they could stop the drift towards the partition of the island. The methods that served for a time to press the cause of *enosis* will not now serve to prevent partition ; they are more likely to hasten it ; but the Greeks, as it seems, have no other methods at their call.

Can the British Government now go ahead with its plan, as it apparently proposes, without Greek co-operation ? It can try ; but it would be false to pretend any confidence that it will succeed. Since the Greek goverment refuses to work the plan, will not appoint a representative to co-operate with the Governor, and opposes the separate communal assemblies unless they are confined to communal affairs and have an all-Cyprus assembly above them, it has to be expected that Eoka will order the Greek Cypriots to boycott the elections if any are held. A few days ago, when a Greek Cypriot was murdered on Eoka's orders, Eoka further ordered the people of the dead man's village to stay away from his funeral, and all—including his own family—stayed away. If the terrorists wield this degree of authority, it will have to be very much eroded before the Greek Cypriots are likely to vote in an election if Eoka forbids it ; and such a process of erosion will take a long time.

Probably, therefore, the present British plan will turn out in the end to be another abortive draft, one of a series ; elements of it may survive in some future construction, while others are sunk without trace. Even so it is probably better to proceed with the attempt to apply it, though in a piecemeal way. The only hope that Britain will eventually extricate itself honourably from the mess that it has made of the Cyprus question must lie in a persistent British effort at political construction, leaving the work of negation to those who make it their business. Something of what is built may last ; it is in any event better than repression alone.

It would be pleasant, but is probably illusory, to suppose that if this course is followed, the mere pursuit of good intentions by Britain will cause the state of the island to improve and a solution eventually to appear. This could happen ; but equally, intransigence or aggressiveness by the Greek or the Turkish governments, accompanied as it would necessarily be by a return of full-scale terrorism, can cause the Cyprus question to get beyond the control of any of the parties to it. Too many national forces are contending in the eastern Mediterranean already. It may be that only a practical exercise in disengagement by Ankara and Athens can rule out the risk of something like a new Balkan war.

Nigeria's Last Hurdle

Next month may decide whether the largest new dominion since India is to be created

JUST over a year ago the leaders of the Nigerian parties, large and small, met in London and fixed 1959 as the date for the independence of the Nigerian Federation. But this left so much to be done in so short a time, and so many issues which still split the Nigerian delegations had to be handed over to special commissions to investigate, that the Colonial Secretary politely refused to bind himself. Next month the party leaders will reassemble in London to try to reach final agreement on the federal constitution—now with 1960 as their dateline. What chances are there of making it ?

The Nigerians have done much in the past year to prepare their country for sovereignty. An all-African federal government under the leadership of Alhaji Abubakar Tafawa Balewa has worked well. Hard work in the Northern Region—the largest and most backward of the four—has brought its government and administration, under the leadership of the Sardauna of Sokoto, to the point at which it will get regional independence next May ; the Eastern and Western Regions already have this. A beginning has been made in the training of Nigerian diplomats. Desperate measures have been adopted to give British officials the incentive to stay at their posts after independence. Agreement has been reached over the Cameroons. The federal electoral register is being compiled so that federal elections (under manhood franchise in the muslim North, and adult franchise elsewhere) can be held in 1960.

Finally, the commissions which were set up to make recommendations on the relations between the regions and the centre have reported—the Raisman commission on finance a month ago (Cmnd. 481) and the Willink commission, on the fears of minorities and ways of allaying them, this week (Cmnd. 505). How the reassembled conference deals with the recommendations of these two commissions—and especially those of Sir Henry Willink and his colleagues—is the last hurdle between Nigeria and independence. If they are accepted as they stand, then, very broadly, constitution-making can proceed apace. If they are thrown aside, Nigeria will end as three Ghanas instead of as the leading West African state, with 35 million people. But perhaps the most beguiling danger of all is that a pretence may be made of accepting the commissions' proposals in principle, but that they will then be whittled down with compromises in favour of the regional governments and against the federal government. Any further compromises of this kind could eventually lead to a break-up—possibly bloody—of the new Nigerian state.

The critical problem which was handed over to the Raisman and Willink commissions can be stated baldly. For good or ill the decision was taken in 1953, under Lord Chandos's aegis, to create an unequal federation of the three existing regions, with the trust territory of the Cameroons as a small fourth—a federation in which a maximum of power should be in the hands of the regions and a minimum left to the centre at Lagos. The regions were tried administrative units. In each of the three big ones two-thirds of the population are of one tribal or religious grouping, the remaining third consisting of a large number of minor tribes. In each of them the dominant group, through a political party, was already on the way to running effective regional governments.

But as the time for British withdrawal drew near, the minorities began to remember past oppression, and to agitate for states or regions of their own, while the regional governments, coming under all-African control, became tenacious of their powers and territories. The whole basis of Nigerian unity was shaken ; the minorities sought to weaken the regions by hiving off ; and the regions were determined to reduce federal control over themselves, and so frightened the minorities still more.

THE Willink commission has cut to the heart of this problem, by deciding that the only real safeguard of minority rights in the regions lies in a sufficient degree of power for the federal government, especially power over the police. It sees no case at all for trying to unscramble the decision made in 1953 and to carve new regions out of the existing ones. Nothwithstanding the simplifications of the map, such surgery would only create new minorities for new dominant groups to oppress. And it would multiply governments without providing human or financial resources to run them. The present structure at least promises to keep government within the resources available to carry it out.

The commission places its faith in a system in which minority rights in the regions should be safeguarded by the normal democratic sanction of the need to woo votes, coupled with adequate federal control over the police to ensure that the regions do not pervert the democratic process. The commission opposes attempts to create constitutional safeguards for minorities five minutes before independence ; experience supports this view. Either, says the commission in effect, we believe that the system of representative government will work and yield rough justice or we do not ; if we do, the only policy is to devote every effort to making it work in the way intended. The commission does concede that certain "minority areas" should be designated, for which boards should be set up (this should please job and car hunting African notables) whose duty would be to lay an annual report on the table of the regional and federal parliaments. But the nub of the Willink recommendations is that no further transfer of power from centre to regions should take place.

The commission's reasoning is that national parties and national leaders, competing for control of the federal government, will have to woo the votes of minorities in the separate regions, since the majorities in the regions are not likely to be in more than temporary alliance ; and, that having won the votes, the parties will have to deal with their constituents' grievances. This automatic check to despotic one-party rule in the regions has already been encouragingly demonstrated in Nigeria. When the Northern People's Party (which controls the North) and the National Council of Nigeria and the Cameroons (which under Dr Azikiwe's leadership rules the East) began to work in a somewhat unnatural alliance, they gave the Action Group (which controls the West) the chance to ally itself with all the discontented opposition parties in the North and East. With their backing the Action Group expects to challenge the other parties at the federal elections in 1960, in which it and its allies intend to fight every seat.

But if this process really is going to safeguard minorities, two conditions must be fulfilled: first, the centre must be worth capturing by a Nigeria-wide party or alliance ; secondly, the centre must have the power to force regional governments to play fair. The federal government must, in short, not only run common services and formulate Nigeria's foreign policy. It must also have adequate financial resources to plan for the country as a whole; and it must be able to enforce law and order, and the democratic process and rights laid down in the constitution, through its control of an impartial police force.

IT is on this critical matter of the police that the Willink commission's recommendations will clash with the views of the Sardauna's government and with Chief Awolowo's—though Dr Azikiwe may support them. The regional governments want to regionalise the police, leaving only a flying squad and a criminal investigation department to the federal power. They argue that in other countries, even in a unitary government like Britain, the police are locally organised. But Nigeria presents a special problem. First the powers of the regional governments are large, and the temptation to suborn the police is correspondingly strong.

Secondly the police have a larger responsibility for maintaining internal security than is normal in western democracies. The minorities will feel secure only if they feel that the police are impartial, which they will never do if they think that the Sardauna or Chief Awolowo or Dr Azikiwe can give them orders. As the commission proposes, the police must be linked to the regional governments, but orders to them must go through the federal police inspectorate or federal home minister. This is the minimum requirement.

It is unfortunate that the Raisman commission appears to have seen none of these issues in making its—no doubt technically competent—fiscal recommendations. It was hampered, admittedly, by its terms of reference, which required it to secure for the regions the maximum proportions of independent revenue. In doing so, the commission's recommendations would leave the federal minister of finance with far too little elbow-room to initiate national policy; for this he would need expanding sources of revenue to finance federal needs and also to finance desirable development in the regions, especially in minority areas. In particular it seems a pity that personal (as opposed to corporate) income tax has been handed to the regions: the Australian system, in which the Commonwealth collects and reallocates revenue, might have been better in the long run.

What policy emerges from these recommendations for the Colonial Secretary? The temptation will be to throw principle overboard in an effort to secure some sort of all-Nigerian agreement. Britain has a profound interest in getting Nigeria launched on Independence without last-minute trouble or recrimination. But it would serve neither Britain's nor Nigeria's interests if last-minute compromise, in order to celebrate independence in 1960, were followed by a collapse in 1970. Mr Lennox-Boyd will do well to stand up staunchly for the Willink recommendations, and to try, if possible, to strengthen the Raisman recommendations to give more financial power to the centre. His chances against a combination of the Sardauna and Chief Awolowo (even if he gets Dr Azikiwe and the minorities on his side) may be slim. But the Nigerian leaders themselves would be wise to look a little ahead when they frame Nigeria's federal compromise—to the time when any one of them may be federal prime minister, responsible for order and development at home and for a united Nigerian voice abroad.

Quemoy Again

Chinese military activity in the Straits of Formosa is a reminder of a centre of world tension for which the western powers, preoccupied with the Middle East, have lately had little attention to spare

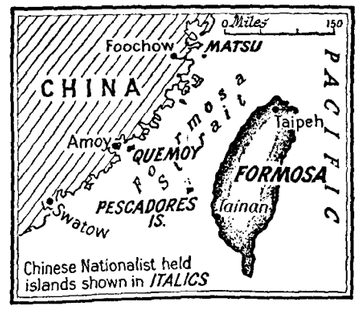
People in some parts of the world cultivate, and make their homes on, the slopes of dormant volcanoes; when the mountain is quiet it is easy to forget the subterranean fires until new rumblings indicate a period of fresh volcanic activity. Similarly, tensions in the political danger zones of the world may be submerged for a while. Such a state of dormant crisis has now existed for several years in the Straits of Formosa. British public opinion, not so long ago, was anxious about the danger that this country might be dragged into war through fighting for the "offshore islands" of Quemoy and Matsu; more recently, since nothing actually happened, it had quite forgotten about them. At the beginning of this month, new alarms and alerts were reported on the South China coast.

It had been known for some time that the Chinese Communists were strengthening their strategic position in the province of Fukien, on the mainland opposite Formosa, by the improvement of communications and airfields. By the second week of August the Nationalist government in Taipeh became alarmed at these military preparations, and alerted all its armed forces. According to a defence ministry spokesman there, the Communists had massed 1,200 aircraft, including number of Russian-built MIG 17s, on the Fukien airfields and had moved troops, tanks and anti-aircraft guns into position opposite Quemoy. So far nothing has come of all this except an artillery bombardment rather heavier than usual—Quemoy has been periodically bombarded since the Communist failure to capture it in 1950—and some skirmishes at sea and in the air which are not much more serious than many others of recent years. The Communist concentration may have been merely a dress rehearsal; or it may have been intended to assist a new diplomatic drive to get the Peking government into the United Nations.

But, it may well be that a real attack on the offshore islands, though not yet on Formosa itself, is intended at a moment of Peking's choosing. The recent bellicose tone of the Chinese Communist press about Formosa, although declarations of intention to "liberate" the island are not new, could have been the verbal build-up for military operations. Some local observers think that Communist China cannot be expected to accept indefinitely the Nationalist hold on islands blocking the harbours of two of its principal ports, and that Peking might have a good chance of taking them without the American Seventh Fleet being able to intervene effectively.

The United States is bound by treaty to assist in the defence of Formosa if the island is subjected to invasion across the hundred miles of sea that separate it from the mainland; but there is no specific American commitment to defend Matsu and Quemoy. American military opinion is reported to be that Formosa could be more easily defended if they were given up. The Chinese Nationalist objections to giving them up are doubtless political rather than military, but they are cogent from the point of view of the Taipeh government because of the demoralizing effect that a surrender, particularly of Quemoy—which has become a kind of symbol of the resistance to communism—would have on the morale of the Nationalist forces. The Nationalist government would probably regard the defence of Quemoy against a serious attack as a matter of life and death for its cause, and would vehemently demand American assistance.

The American government has not directly declared what it will do if there is a determined communist attempt to take Quemoy, but the State Department has recently sent a circular to its diplomatic missions abroad explaining its policy towards China, and from this it appears that the Eisenhower Administration's attitude towards Peking has hardened rather than softened over the past year. The new statement was no doubt partly intended to dispel rumours that the American government was gradually feeling its way towards diplomatic recognition of the People's Republic and withdrawal of opposition to its take-over of China's seat in the United Nations. After this emphatic reassertion of established American policy one must assume that no basic change in it is likely for at least the next two years. The State Department's declaration not only reaffirms the conviction that communist rule on the Chinese mainland will one day pass away; it also explicitly rejects the "two Chinas" solution —the idea that Communist China might be recognised by the United States and brought into the United Nations on condition of recognising Formosa as a separate independent state. Such a compromise may appear a way out of the deadlock, but the difficulty has always been that it is as unacceptable to the Nationalist as it is to the Communists. However intense their mutual hatred the two sides have one thing in common—the principle that there is only one indivisible China, and that either the Nationalist or the Communist government has legitimate jurisdiction over the whole of it.



China, indeed, belongs to the category of nations, including also Germany, Vietnam and Korea, which are divided territorially between communist and non-communist governments, but retain the sense of national unity. The main difference which at first sight distinguishes China from these other examples is the disproportion between the bulk of China, which has passed under Communist rule, and the relatively small area left to the Nationalists; the latter seems too little to take into account, as compared with the non-communist portions of Germany or Korea (which are bigger than their communist counterparts) or even with South Vietnam, which is less populous than North Vietnam, but still comparable in size. But Formosa has nearly ten million inhabitants, a larger population than Sweden, Norway, Austria or Ireland. It is true that the disparity of military strength between Peking and Taipeh is so great that Formosa could now undoubtedly be overwhelmed by invasion from the mainland if its army—more than half a million strong—were not sustained by American military supplies and by the promised aid in an emergency of the American Seventh Fleet. But there are other countries—Germany, for instance—where it is Russian military power that obstructs unification.

The Nationalist regime in Formosa to-day is a fact just as much as the Communist regime on the mainland is a fact, for all that it is the smaller and that it suffers in some western eyes from the defect of being friendly to the West. The American determination to defend Formosa is also a fixed factor in world affairs, at least for the duration of the Eisenhower Administration. After recent experience in Iraq and elsewhere, however, it may well be asked whether the Nationalist government in Formosa itself has any real stability or whether it may one day be overthrown by an anti-western army *coup*. It would be rash to assert that such a thing is impossible, but the signs are that the appeal of pan-Arabism, which makes Arabs outside Egypt look to Nasser as their national champion, has no parallel in any appeal that Peking can make to the people of Formosa or to the troops of the Nationalist army. The Communist regime in China, since it abandoned its earlier gradualism in economic policy and went in for the general expropriation of the bourgeoisie and collectivisation of agriculture, has no longer been able to commend itself on the broad front which it exploited so successfully in the days of the civil war; the land reform carried out in Formosa in 1951-53 has reduced, if not eliminated, the agrarian discontent which was formerly so disastrous for the Kuomintang; and a steady stream of refugees from the mainland informs the people of Formosa that they have higher standards of living, and more freedom, than their compatriots under Communist rule. The economy of the island is indeed in a flourishing condition with the stimulus of American aid. Politically, the old evils of "warlordism" have disappeared; the current administration of Formosa is centralised and efficient. Chiang Kai-shek is still as President at the head of the government, but Chen Cheng, who became prime minister a month ago in succession to Mr O. K. Yui, is a considerable personality who could probably take over without diffi-

culty if Chiang were to die or retire. Ten years younger than Chiang and a former governor of Hupeh, he can claim much of the credit for the regeneration of the Nationalists as a political force since their exile.

The situation that now exists in the Far East is unpalatable to British public opinion, since British official policy has been committed for the last nine years to the *de jure* recognition of the Peking regime as the government of China, and both the Conservative and Labour parties have been in favour of a policy of conciliating it and trying if possible to loosen its ties with the Soviet Union. American and British policies are as far apart as ever on this important issue, and just for that reason it would not be surprising if the communist powers were to concentrate in the near future on the questions of Formosa and China's seat in the United Nations in the hope of opening a rift in the alliance of the western democracies. There is a need for thorough consultation on Chinese affairs between the British and American governments, in spite of their present preoccupation with the Middle East ; even if they cannot evolve a common policy, they should at least be able to avoid the disarray that the sudden onset of unforeseen events might bring.

NOTES OF THE WEEK

UNITED NATIONS

Light from the East

As the full-scale debate droned on in the United Nations General Assembly there were times when it seemed to be seeking a way out, not of the Middle East crisis it was called to solve, but of the session that was meant to provide the solution. On Wednesday afternoon, however, the patients, having lost hope of a cure from the attending physicians, decided to apply their own remedies. Representatives of ten Arab states (the eight Arab League members with Tunisia and Morocco) met in the basement of the UN building and emerged, more than two hours later, in a state of evident camaraderie.

They announced that the ten delegations had agreed on a resolution which was being urgently referred to the Arab governments for their reactions. Perhaps the Arabs had discovered no new or earth-shaking formula for keeping the peace in the Middle East ; perhaps they had merely discovered how much they had to gain if they stopped quarrelling among themselves. It could be counted as progress if they had done no more than agree, as was reported, to a reaffirmation of the principles of non-aggression, non-interference, and mutual co-operation to which they had subscribed twelve years ago at the founding of the Arab League. If this could be made effective, the presence of foreign troops in Lebanon and Jordan would lose its importance for the Arabs.

In the six years since the Egyptian revolution there has been much talk of Arab unity. Many people outside the Arab world took "unity" to mean the complete political and economic domination of the whole Arab world by President Nasser, whose utterances from time to time gave them ample reason to entertain such beliefs. There was never, however, much indication that—except in Syria, whose leaders had flung themselves into Nasser's lap for protection—the leaders of the other Arab states had the same idea. Unity of spirit and the ability to make common cause seemed far more important to them. The Iraqi revolution removed a source of friction from the area ; and the new government there has not had to join the UAR in order to prove its Arabism.

Since 1948 the Arabs have believed that no good could come from deliberations in the United Nations concerning the Middle East. As *The Economist* goes to press the details of what the Arabs have up their sleeves are not known, but it is fairly obviously something that the Assembly will have to accept if the Arabs agree on it. If 1958 were to mark a beginning of co-operation and mutual confidence among the whole company of Arab states, there might then be a chance for the economic development plans that were impractical so long as the political climate was poisoned. This would mean that there would be hope for the Middle East after all.

BOMB TESTS

The Boffins Agree

The nuclear scientists at Geneva emerged this week from their 50-day conclave to report agreement on the feasibility of controlling a ban on bomb tests. This diplomatic triumph for the boffins may conceivably lead to much bigger things quite soon, for their report strays, apparently with intent, beyond the bounds of mere technology. They see fit to recommend the creation of an international control body and the steps necessary to the establishment of the monitoring system (which would, it has been estimated in Geneva, take about three years to put into operation). It is reported that most difficulty arose over the number of actual control posts—the Russians wanting 120 throughout the world, and the Americans 650 ; they eventually settled for about 200. It is hard to imagine that the scientists would have presumed to range as far as they have—or to reach agreement—if their political advisers (whom both sides managed to smuggle into the conference) had had other orders from home. The Geneva talks have thus raised hopes once again that a ban on nuclear tests is politically possible. President Eisenhower himself said on Wednesday that there is now "ground for hope" in reaching such an agreement, and he also spoke, guardedly, of new constructive steps that could "finally lead to summit meetings." Caution is still the watchword.

Meanwhile, the news from the Pacific was of preparations for a fresh series of British tests—the first since Congress approved the sharing of American nuclear secrets with its "atomically advanced" British allies. Is this a sign that the time for testing is running out ?

WAGES

Arbitration in the Dock

Industry's varying luck of the draw in the arbitrators it gets has been vividly shown by the lamentable report of the court of inquiry into the dockers' pay claim this week. Once again it has been demonstrated that the results of these wage arbitrations depend very much on the attitudes of mind of the particular men who happen to be judging them. The chairman of this dock court was Lord Cameron, who was also chairman of the railway court of inquiry in 1955 which declared that the nation "must will the means" towards paying railwaymen higher wages if the railways could not themselves earn them. That earlier Cameron report has borne a signal share of responsibility for the ills that have beset the British economy in the past three years. With his two colleagues on the present court, Lord Cameron has now recommended that dockers should get a weekly increase of about 7s. 6d. on their basic rate, or just over 4½ per cent.

This recommendation is well out of line with other arbitrational recommendations this year. The difference is not merely that the increase suggested is rather bigger than most, in an industry that is doing worse than most ; the difference is that other awards in industries that have been doing badly have been tied, at least nominally, to formulæ about making economies, reducing costs, increasing productivity and the like. In the dock industry—which is riddled with restrictive practices and where one port has recently been hit by unofficial strikes—there was plenty of scope for suggesting some such discriminating formulæ. The court has made no such suggestions, and this is bound to spread the impression that the strings attached to other awards have been face-saving fictions or quibbles. Even more important, in spite of all that has happened this year, the court takes it for granted that a little more inflation is bound to be less disastrous than a dock strike ; it opines that the damage which the economy and the docks "would sustain as a result of a national stoppage cannot be fully measured or foreseen." Many people will think that the damage that would be caused by even a national dock strike would be much less than the damage which will be caused by the reappearance of this familiar note of strictly blinkered alarm in an arbitrational recommendation.

This report is a direct blow at the country's prospects for economic advance without inflation. Could anything be done about it ? A Government that refused to shuffle off its responsibility for leading opinion would recognise that one thing could be. The court has made its report, at least nominally, to the Minister of Labour. The proper course for Mr Macleod would be to say that, although the dock employers and dockworkers are of course free to take what account they like of the argument in the report, he, for his part, explicity and frankly rejects it.

Gas Near Explosion

As it happens, another weighty labour problem has just been dumped directly and inescapably on the Minister of Labour's plate. Gasworkers in this country have in recent years got much the same annual increase as certain workers in the electricity industry ; indeed, settlement of the one claim has traditionally followed directly on settlement of the other. This year manual workers in the electricity industry got an increase, called a "productivity bonus," of just over 2d. an hour or about 4 per cent. Gasworkers expected the same. But electricity supply is an expanding industry, while gas is a fuel which is having a very hard task to hold its own. The Gas Council, following the discriminate pattern which is supposed to have been the distinctive feature of this year's wage increases in the nationalised industries, therefore very properly said that it could afford only an extra 1½d. an hour, or about 3 per cent. The workers were appalled.

The biggest union in this field is Sir Tom Williamson's normally very moderate Municipal and General Workers (NUMGW) ; Mr Cousin's TGWU also has many members in the gasworks, but it is leaving the NUMGW to take the lead. This week, after receiving a flood of resolutions from its branches calling for strike action, the NUMGW reported to the Ministry of Labour that a dispute exists. Ministry peacemakers are now in action, interviewing both sides ; should no agreement be reached, it is expected that the case will be referred to the Industrial Disputes Tribunal. The gasworkers' case has been somewhat strengthened in the meantime by the fact that men in the water industry and manual workers employed by the local authorities have also got a rise of 2d. an hour. But if the wage increase in gas eventually is raised to equal that in electricity, then another large rent will have been torn in the previous rationale behind this year's wage increases: that they should bear some relation to changes in productivity and capacity to pay.

Slowing the Go-Slow

Meanwhile, Mr Cousins's TGWU is still having a busy time. It is playing follow-my-leader to the NUMGW in the gas dispute. It is rubbing its hands over the unexpectedly generous Cameron recommendation in the docks ; and—in accordance with its usual tactic when it thinks that it has the other side on the run—may even be flexing its muscles to ask for more. But its most publicised problem has again been on the London buses. The long strike caused so many passengers to drift permanently away from the buses that London Transport this week at last put its promised cuts in schedules into effect. This has caused inconvenience and another bitter cut in overtime earnings for the men, many of whom are now getting less than they did before the strike started. The union announced a policy of non-co-operation with these new schedules, and the militant "delegates' conference" of busmen then entered the lists again and proclaimed that this non-co-operation would take the form of a go-slow.

Even if London Transport had stood aside and allowed this to take place, the go-slow could only have caused more passengers to leave the buses and given another twist to the ordinary busmen's cycle of misfortune ; as the particular programme suggested by the "delegates" would have put some men in default of their contracts, however, London Transport might well have reacted by dismissing some men —and the union admitted that it could do nothing to stop this. Another strike to keep militants in their jobs would not be welcomed by rank and file busmen now. All this happened while Mr Cousins was on holiday, but, in the words of one union official, was not very far away. It was perhaps a sign that he indeed was not far away that the busmen's delegates were promptly told not to be silly until they had talked to him. On Wednesday the new schedules went smoothly into operation.

FRANCE AND EGYPT

Settling-up for Suez

SAFELY out of the glare of publicity and propaganda, French and Egyptian delegates initialled a number of post-Suez agreements between their governments at Geneva on August 14th. After the claims and counterclaims had been discussed intermittently for nearly a year, the major difficulties were overcome one by one. Once these agreements are signed, cultural, economic and financial exchanges can return to normal.

Sequestrated French property in Egypt is to be released or paid for, French nationals may return to Egypt and Egyptians may go to France, French cultural establishments may be reopened, a payments agreement will take care of financial matters, indemnities paid to French nationals may be transferred, old balances will be settled, and credit facilities resumed. The agreement will not be published until it has been signed; so far it has not received much publicity even in Egypt. The Egyptian finance minister announced in Cairo that France would pay £20 million in "war damages" to Egypt. There is no indication that French interests in Syria are affected by the agreements.

Since the time of the Suez intervention the commination of French policy in Algeria has been one of the few activities in which all Arabs could join. France and Israel, they said, were the arch-enemies of the Arabs. Among the western powers only France has declared openly and boldly for friendship with Israel. Perhaps the Geneva agreements will point the way towards further practical conciliatory measures between the leaders of the Arab world and the West; or have the Arabs come to terms with France because they regard it as the weakest link in a western alliance which they hope to divide? Both are possibilities; it has to be hoped that the first is true.

SAUDI ARABIA

Back in the Fold

SAUDI ARABIA has had five months in which to do penance for King Saud's sin of trying to outwit President Nasser in the struggle for control of Syria. The king's brother, Amir Faisal, who is now virtually the ruler of Saudi Arabia, went to Cairo last week to complete the reconciliation that began with a visit of Field Marshal Abdul Hakim Amer to Saudi Arabia. Rumours that Saudi Arabia was about to join the United Arab States in some way (perhaps as loosely as Yemen) have so far not proved true.

To Cairo it may not matter for the present whether Saudi Arabia actually joins or not, so long as it is on the side of the Arab angels and its armed forces come—as they do—under the nominal command of the Egyptian field marshal. There is no longer any hope, if indeed there ever was any, of Saudi Arabia's co-operating with the western powers in a military policy involving the states of the Arabian peninsula. The Saudi return to the fold tightens the noose round Jordan's neck. In Cairo, Amir Faisal took up the cause of the deposed Sultan of Lahej.

President Nasser and Amir Faisal solemnly said that neither approved of the presence of any foreign troops on the soil of any country. There is no doubt that the Arab desire for neutrality is genuine; but as it happens both these rulers are hosts to foreign troops. Saudi Arabi denies that the air base at Dhahran is American, but ther are American airmen there and American soldiers at Riyadh In Egypt the United Nations Emergency Force guards th Israel-Egypt border and patrols the Egyptian shore of th Gulf of Aqaba. These troops are useful to both countries and they are there according to agreements made with th lawful governments of the two countries. But why d President Nasser and the Amir feel it is their right t protest when other lawful governments in the area choos to have foreign troops on their soil, too? Admittedly Nasser regards them as a threat to him; but if he use United Nations troops to protect himself from the Israelis it is not crystal clear that King Hussein cannot call in foreign soldiers to protect him from the agents of Presiden Nasser.

LORD CHIEF JUSTICE

Lord Goddard's Successor

THAT second most remarkable octogenarian in British public life, Lord Goddard, is to retire from the office of Lord Chief Justice of England. Lord Goddard's twelve-year tenure has been characterised by the expression, in his public speeches, of some remarkably old-fashioned views on the subject of punishment—there has been plenty of scope for liberals to criticise him when he has had his wig off. But it has also been marked by a steady, brilliant (and, incidentally, libertarian) contribution to the evolving law of England while actually on the bench. By any standard this last is the only test of a Lord Chief Justice, and from it Lord Goddard emerges as a great one. The experiment represented by his appointment in 1946—the break with the usual tradition that the office of Lord Chief Justice is a political perquisite—has in this case been a resounding success.

The question now arises whether that former tradition should again be breached in the appointment of his successor. Many lawyers are saying that it should be, as a permanent point of principle; in this extreme latter view, they are very probably wrong. There are considerable, if not always readily understood, advantages in making Parliament the traditional path to England's highest judicial office—both because the fact of that path has encouraged more prominent or promising lawyers to serve a stint in Parliament (often at considerable financial cost to themselves), and because the thought of it has helped to make them less party-political once they get there. Embarrassing though it may be, any break from the old tradition should be a matter of personalities, not principle. This was true of Lord Goddard's original appointment in 1946; the law officers in the youthful Labour government had not by then achieved the great renown which they have earned since. It is also true of the real controversy in the present case; if the new Lord Chief Justice is to be a politician, he will presumably be Sir Reginald Manningham-Buller.

Eighteen months ago, following criticism of his handling of one particular murder trial, Sir Reginald was rather in the public doghouse. This year he has made the most remarkable political come-back of any figure in the Cabinet; he has had one great forensic success, before the Parker Tribunal, and one great parliamentary success, in the privilege debate. But this recovery does not remove Sir Reginald's main disadvantage as a candidate for Lord Chief Justice; it merely makes it less embarrassing for his new political admirers to refer to it. For all his capabilities as Attorney-General, now so unexpectedly blossoming, Sir Reginald is not among the top twenty or so lawyers in Britain most renowned for learned interpretation of the law. For this reason—not for any reason of principle, still less from any desire to bow to outside pressure—it is to be hoped that the Prime Minister will recommend to Her Majesty that the new Lord Chief Justice should be chosen from one of the two most obvious candidates at present on the judicial bench.

SOVIET UNION

Further from Moscow

HOW do Soviet politicians spend their retirement? Mr Khrushchev is evidently trying to establish a convention that they go to unexacting posts in quiet rural surroundings; but the lack of precedents breeds scepticism. Some time ago he told journalists that Marshal Bulganin had undergone an operation and was resting in the Caucasus. Nevertheless, when it was announced last week that the former Soviet prime minister had been appointed chairman of the economic council in the Stavropol region of North Caucasus, the news was greeted as a further mark of disgrace. Marshal Bulganin, when he took over the premiership in 1955 from Mr Malenkov, quickly made himself known round the world as Mr Khrushchev's travelling companion. Yet when, in June last year, it came to a conflict in the party presidium, he apparently showed too little loyalty to his travelling companion. The penalty followed in March: Marshal Bulganin was kicked downstairs from prime minister to chairman of the state bank (Gosbank). He now goes down another bump, to Stavropol.

Stalin used to remove his rivals from this world. Mr Khrushchev is for the time being content to get them well away from Moscow. Of his opponents of last year, Mr Molotov is titular ambassador in Outer Mongolia: Mr Malenkov is nominal chairman of a power station in distant Ust-Kamenogorsk; Mr Kaganovich and Mr Shepilov have also, in theory, provincial appointments; Mr Pervukhin is ambassador in east Berlin. Now Marshal Bulganin joins the group of exiles; and his job in the Caucasus is so ridiculously minor for a man of his past that he must be assumed to be virtually deprived of his seat in the party presidium. At a time when he has to reckon more seriously with his partner in Peking, Mr Khrushchev seems to be trying (by elimination) to consolidate his position in Moscow.

Steam Rather than Water

MR KHRUSHCHEV himself went to Kuibyshev this month for the opening of its huge hydro-electric station. With a generating capacity of 2.1 million kilowatts, and an expected annual output of 10.8 billion kWh, the Kuibyshev station is claimed to be the biggest in the world, though it should soon yield the position to the Stalingrad station, its twin project on the Volga. It was a good occasion to praise the economic achievements of Soviet communism; and Mr Khrushchev did not miss the opportunity. But, this time, he did not let his imagination run away in visions of the limitless possibilities of water resources harnessed by man. On the contrary, he revealed that in the next few years the Russians will concentrate on steam generation rather than hydro-electric plant in the expansion of their electricity capacity.

The Kuibyshev and Stalingrad plants were among Stalin's "great projects" for transforming Nature. The attitude of his successors towards all these giant undertakings was for a time uncertain. It now appears that the projects that have been launched will be completed, though with a time-lag (the Kuibyshev station, for instance, was to have been finished at the close of 1956). The general trend, however, is shifting; and Mr Khrushchev has made it plain why. The Soviet economy needs more power quickly, both for rural development and for industry. Giant hydro-electric stations are cheap to run, but their construction is long and costly; in competition with other important sectors of the economy, they make heavy demands on scarce capital resources.

According to figures quoted by Mr Khrushchev, the most economic development policy for the Soviet Union at this stage is to build fairly large steam power stations in areas where fuel is cheap; low-grade coal and natural gas are particularly recommended. Operating costs will thus not be very much higher and time, a precious commodity, will be saved. This does not mean that the idea of harnessing the Volga, the Kama, the Angara and the Irtysh has been abandoned. Mr Khrushchev claimed that construction costs must be cut; "water resources," he added with his customary humour, "will not run away." Once again the pragmatic Soviet leader has, despite the opposition of many Russian experts, decided on an important change in Soviet economic policy.

TRADES UNION CONGRESS

Frank Exposure

ONLY once before in its ninety years has the Trades Union Congress met at Bournemouth. That was in 1926, the year of the general strike. For the ninetieth congress, which is to be held there the week after next, the general council has produced a 254-page annual report which (as the few people who read it through will find) is considerably better written than usual. The main business of the congress will be to debate this report, under seven different section headings.

The first effective section of the report, on trade union organisation and practice, contains a devastatingly frank description of the negotiations between Mr Cousins and the rest of the general council at the time of the London bus strike—including an almost racy account of the final crucial meeting, at which Mr Cousins declared that "the strike was getting into a position where it must be extended or collapse," and the rest of the council gave him the cold shoulder. There are indications that an attempt will be made at Bournemouth to censure the council for the actions described in this part of the report. That should provide some excitement for the first day.

The next two sections of the report, on education and social insurance and industrial welfare, will lead to much quieter debates. An interesting feature of the motions put down about them, and indeed of some 26 of the 68 motions on the agenda as a whole, is that the white collar unions have played a bigger part in tabling motions than

ever before. The social work of the general council has been quietly extended this year. In particular its newest educational experiment—the one and two week courses which it is running at Congress House especially for part-time trade union leaders—is just the sort of thing which critics have always said the TUC should do ; the question now is whether voluntary workers are going to continue to turn up. The section in the report on insurance suggests that the trade unions still have considerable reservations about Labour's superannuation scheme, especially about its possible effect on the private superannuation schemes which so many workers now enjoy. It also contains a brief account of one of the most shameful incidents of the whole trade union year. The general council had asked small unions whether they would be interested to discuss the possibility of establishing a common superannuation fund for their staffs ; it received so little response from these unions (some, though not all, of them notoriously bad employers) that the idea has had to be dropped.

Two Sorts of the Blues

THE next section of the general council's report, on international affairs, has triggered off the usual spate of motions on the hydrogen bomb. Last year congress accepted what certainly appeared to be an extreme anti-bomb motion, but the general council interpreted it as meaning something quite different. This tactic has proved so successful that would-be left-wing debaters on international affairs are feeling a little chastened.

It is on the economic section of the report that the next series of big debates will come. The economic committee of the general council has been extremely busy since the last congress, despite the retirement of some of its former stalwarts, and has issued a shoal of policy statements on current economic events throughout the year. To read them, as reprinted in the annual report, is to recognise that there has been a greater air of expertise in these policy statements than usual. That is true even of the committee's evidence before the Radcliffe committee. Much of it, to a liberal economist, is arguably nonsense ; but it is at least high-faluting nonsense, written by somebody who knows how the economy works. The effect of this spreading desire in the council to sound informed in its economic utterances should not be under-estimated. But the desire has not spread, as yet, to the economic motions which are to be debated. These are going to provide a forum for a strictly one-way slanging match against wage restraint, and against Government "interference" with the wage policies of the nationalised industries ; a feature of these motions this year is that even the most right-wing of the big unions, such as Sir Tom Williamson's Municipal and General Workers, have joined uninhibitedly in framing them.

After this the congress will wind up by discussing "miscellaneous affairs," in some very odd dribs and drabs. The last day looks like being an occasion for some gentle if unconscious comedy. For politeness sake, congress will no doubt express its unanimous agreement with the sad estimation of the Scottish Horse and Motormen's Association that the recent increase in the speed limit for heavy lorries will have such a bad effect on health "that the working life of drivers operating under such conditions will be greatly shortened." No doubt, too, it will express its agreement that American material now being shown on television will have a frightful effect "on British life and thought and the education of our children." (To nobody's surprise the motion proclaiming this is tabled by the union of technicians who prepare British television material.) The "miscellaneous" section in the general council's report adds to the general air of hidden revelation—in particular with its description of this year's opening ceremony of Congress House. The ceremony, it recounts, opened with a fanfare from the State Trumpeters of the Royal Horse Guards (the Blues) by kind permission of their commanding officer, and continued with a recitation of the lines "Fear no more . . ." from Shakespeare's "Cymbeline" by the vice-president of Equity. The report adds hastily that the arrangements with the Trumpeters of the Horse Guards were helped (i.e., were not vetoed) by the Musicians' Union ; the latter were then allowed to play their own music at a buffet lunch after the ceremony. This little story of proud pomp and circumstance tells much in miniature about the real nature of the older generation of the general council's leaders just now.

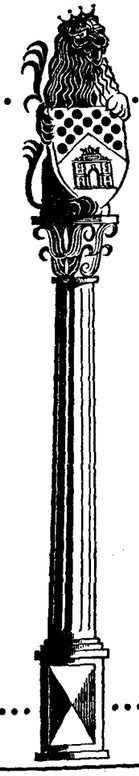
SINGAPORE

The Marines Arrive

AMERICAN marines have reached Singapore before the British commandos. The defence white paper last February promised that a substantial British fleet would be based on Singapore, including a commando-carrying aircraft carrier which would be capable of landing small forces, if necessary well inland, anywhere on the south-east Asian periphery. The plans are still there, but the ships are not—presumably because the Middle East situation has drawn them elsewhere. This is a lesson of the smallness of Britain's present fleet—small, extended, and by and large composed of ships that are dating fast. The arrival of the Americans—though they are not intended to stay—is another indication that the Royal Navy is now auxiliary to the far greater American fleet in policing the western periphery.

The Americans, for their part, will make acquaintance with Singapore, the British naval bastion in the Far East now that Hongkong has effectively ceased to be even a forward naval base. They will find it well-equipped technically, and a useful alternative to their own bases in the Pacific and the Philippines. But their political experiences in the Philippines will no doubt teach them to look behind the scenes at the security of the base itself.

If they do, they will not be left in much doubt of the big, if inevitable, risks that Britain is taking in making Singapore an autonomous state within the Commonwealth. The latest by-election for the city council is only a straw in the wind, but it must be added to others, and it resulted in the People's Action Party gaining the seat with very obvious communist electoral support. It points to the probability that when the general election is held under the new constitution the PAP may find itself in power, led by Mr Lee Kuan Yew, but backed and perhaps infiltrated by communist sympathisers. Their policy—or instructions—can only be to render the base useless to the western powers. Meanwhile fears for the future have so far cut off the inflow of capital that Singapore is contemplating protectionist measures which seem wholly at variance with the economics of a free port. If this in turn increases the troubles of the new city-state, with its fast-growing population, it is the extremists that stand to benefit. The American reaction to



This Electronic Age

We once saw a cartoon of a row of robots making a row of robots, and the owner of the factory was saying to his friend "I wonder where it will all end!"

We are quite ready to admit that we are not averse to some forms of automation. We do, of course, use mechanical aids for many of our activities, from the handling of cash to book-keeping. This speeds up the work to the advantage of the Bank and the customer.

Although we keep in constant touch with developments of mechanical aids over the whole range of our activities, in the final analysis it is the personal relationship of the Branch Manager and his staff towards the customer that matters. We face the electronic age resolute in this belief.

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* *Incidentally, as a reader of this particular publication you are almost certainly one of the 'top 2 million' yourself!*

a military appreciation of Singapore may well be to wish speed to the naval revolution that the *Nautilus* class will bring.

SWITZERLAND

Nippy Neutrals

MUCH huffing and puffing in Moscow has not disturbed Switzerland's canny appraisal of nuclear arms as an essential element in the modern defence of Europe's oldest neutrality. The Swiss are not taking the Soviet Union's protest at the beginning of this month as seriously directed at them; they believe it was really meant for the benefit of Lord Russell and his friends, who first sought to dissuade the Swiss army from so drastically increasing the number of potential nuclear powers. The Soviet complaint that Switzerland's action "runs contrary to neutrality" has, however, raised some eyebrows at Bern. The Swiss resent the suggestion that there can be an outside veto on the type of arms they possess. On the nuclear issue they say they cannot manufacture such arms themselves, and they do not expect to buy them from anybody for years to come. Their interest at this stage is purely technical; if the experts report that a nuclear armoury would neither be strictly defensive nor add anything to Switzerland's existing security, the idea will be thankfully dropped.

The Swiss are doughty diplomatic warriors; when roused, they can send off as nippy a note as the next fellow. This week they came as close as neutrality can get to telling the Hungarian government exactly what they think of it. When two Hungarian exiles, following the example of four Rumanians three years ago, raided their country's legation at Bern last weekend, Mr Kadar's government put in the indignant protest that is more or less common form in this summer of embassy incidents. But to the Swiss an accusation is an accusation, and one coming from the Hungary of Mr Kadar is precious like an insult. Back went the reminder that the true responsibility lay "in the tragic happenings which forced tens of thousands of men to leave their country and find asylum abroad." This, the first official Swiss comment on the events of November, 1956, seems to dispose of the subject.

FRANCE

Vote Without Choice

BEFORE General de Gaulle left Paris on his African journey on Wednesday the cabinet approved the draft constitution which will ultimately go before the country in the referendum on September 28th. The general has not budged greatly from his own first thoughts. The consultative committee on the constitution, in a report written with some parliamentary flair by M. Paul Reynaud, and an official delegation from the Socialist party sought to wring concessions of form, if not of substance, from him. But he was not impressed, sticking firmly to the separation of ministerial and parliamentary status (with which the Socialists agree) and offering only a minor reassurance on the presidential right to assume special powers. Where improvement can be glimpsed is in the government's recognition of some useful changes that the consultative committee wrote into the section on overseas territories. Liberal criticisms of the text as a whole still stand.

But France is not noticeably listening to the liberals. It has accepted the general, and it will accept his constitution, for one and the same reason: that no one contemplates a return to the Fourth Republic. In the absence of organised opposition (except for the communists and some left-of-centre groups) and of any constitutional alternative, there is little choice for the electorate. No one imagines that the brief constitutional debate will turn many votes one way or the other. The issue on September 28th will simply be one of voting for or against the general himself. In case any doubts remained, he mentioned again this week that any check to the constitution would send him straight back to his village.

CRIME IN LONDON

How Real is the Increase?

AN increase in the total number of indictable offences to the highest figure since 1948 (and to nearly a third more than the 1938 total) and an increase compared with 1956 of 9 per cent in offences against the person—the highlighting of these statistics, which were given in the Metropolitan Police Commissioner's report for 1957 (Cmnd 487), must give the impression that London is becoming a dangerous place to live in. Newspaper readers are always prone to equate crime with violent crime and violence with murders and coshings.

In fact, however, the great bulk, nearly 80 per cent, of London's recorded crimes are larcenies. These numbered 99,271 last year out of a total for all indictable offences of 125,754. "Breakings," which include burglaries, accounted for 20,285, and offences against the person for 3,622. Some of the crimes recorded as larcenies were serious offences—for instance, robbery with violence (numbering 398)—but about 40 per cent were "*miscellaneous simple larcenies*" and about 21 per cent were either larcenies of motor vehicles or larcenies from them whether in streets, car parks or private premises. This does not mean that thefts of this sort can be treated lightly. But it does mean that, as Sir John Nott-Bower points out in his report, the remedy is to a certain extent in the public's own hands. So long as people continue to leave valuable articles in unlocked motor cars, or leave their motor cars unattended in streets all night, they must expect the amount of crime to remain high. Does the extensive cover provided by insurance companies encourage an irresponsible attitude towards one's belongings?

There is another aspect on this. The so-called total of crimes is not the total actually committed, but the total "known to the police." If more claims are made on the insurance companies in respect of small thefts, because more people are covered by insurance, then more of these small thefts are reported to the police, and the rise in their total may reflect an increase in insurance as much as an increase in crime. There may, of course, be other factors encouraging people to report offences more readily than they used to, among them the publicity given to crime and criminals. For instance, "woundings," which account for nearly half the total of offences against the person and which are more than double the 1938 figure, include the black eye inflicted by one spouse on another. Husbands probably do not beat their wives more often than they used to; but when they do they are nowadays much more likely to be reported to the police.

COLOUR BAR

Playing to the Gallery

THE Wolverhampton branch of the Musicians' Union has stepped well beyond the bounds of the permissible—it remains to be seen whether it has also stepped beyond the bounds of the legal—in expelling from the union three band leaders who decided, against the wishes of the union, to continue to play in a dance hall which refuses admission to coloured people. It is important that this expulsion should be condemned by liberals who have just as strong feelings about the discrimination exercised by the management of the dance hall as has the union—which no doubt has a high proportion of coloured performers in its membership.

However deplorable some people may find it, a dance hall is not in the position of a common lodging house (which includes the hotel that recently cancelled the booking of three coloured American ladies, allegedly because of a pressure of white-skinned American and Canadian bishops); it is legal for a dance hall to refuse admission to persons to whom the management takes exception. It is obnoxious that any such right should be exercised against a group of people as such, rather than against obvious categories of individuals of any creed or colour (rowdies, gentlemen not wearing white tie and tails, etc.). It is legitimate to bring the force of social disapproval to bear on it—the most powerful expression of which would be for all its patrons to stay away. (In the Wolverhampton example, unfortunately, there must be more than a suspicion that the management is acting with the approval of a substantial body of patrons). But it is entirely illegitimate for a union which operates a closed shop to advertise its own social disapproval by threatening to destroy the livelihood of members who have less progressive views. If this principle went uncondemned it could be extended to the "blacking" of key jobs in firms or public utilities on any issues, political or even sectarian, on which any union differed from the management. This could be a thin end of a desperately dangerous wedge.

IRAQ

Ci-Devants on Trial

DURING their first month of power the leaders of the Iraqi revolution showed a surprising ability to think out policy as they went along. Demagogic outbursts, made in order to win valueless applause, were kept to a minimum and largely confined to the provinces. True, Colonel Abdul Salam Aref invoked the spirit of Mossadeq in a speech at Amara; but in Baghdad relations with the oil company were kept on a higher plane. There were no serious lunges made at the old targets of the opposition—the oil company, foreign contractors, or even the Baghdad Pact.

Now the revolution has reached a second stage, in which the spirit of moderation may be more difficult to display: the trial of a hundred or so ex-ministers, army officers, and high civil servants. Classic demagogues always want victims; is Brigadier Qasim going to be like the rest?

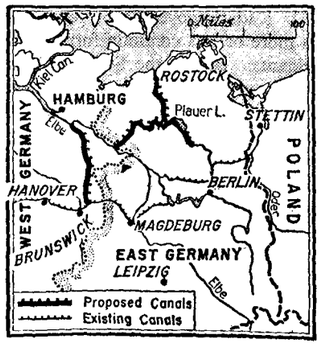
The demand for heavy sentences is a sign of weakness. It suggests a fear of men who might serve as a rallying point for an opposition; it puts a penalty on service to one's country. Civil servants have to, and ought to, obey whoever is in power. The men on trial include some people of competence and ability of a kind of which Iraq is woefully short. By no means all were toadies to Nuri es-Said. Nadim Pachachi fought tooth and nail against a pipeline for carrying Iraqi oil around Syria and through Turkey; Abdul Kerim al-Uzri, probably the most competent economist and financier in Iraq, opposed Nuri on taxation policy. Most of the accused are people who were serving Iraq. The tradition of a national loyalty, as opposed to town, tribal or family loyalty, is a new and often neglected one in the young countries of the Arab Middle East. There would be virtue in respecting—and if necessary establishing—a tradition of service to country as distinct from service to a Nuri—or to a Qasim.

GERMANY

Herr Ulbricht's New Canal

EAST GERMAN propaganda spares no effort to create the picture of an east German economy overtaking and outdistancing the west German "miracle." One announcement of a gigantic industrial project follows another, and all these ambitious plans are expected to materialise in the near future. According to the propagandists east of the Brandenburg Gate, the German Democratic Republic will in a few years possess the most modern ships and harbours on the Continent, and its transport jet planes will fly "higher and faster than anywhere else in Europe."

Behind the appearance of economic megalomania there are some solid achievements in the past and some promise for the future; the west Germans, and those in Hamburg in particular, have begun to take notice. East German economic production has been rising steadily for years past, though the rate of increase has recently shown signs of decline. The east German leaders point with particular pride to their atomic reactor in Saxony and their jet aircraft factory at Dresden. The expansion of their chemical industry is already showing results. Last week the east German authorities announced their plan to connect their new port of Rostock, which is being developed on an ambitious scale, with Berlin and the interior of east Germany by an important new canal; another branch would connect Rostock with the Elbe and therefore with Saxony and Czechoslovakia. This would not only make possible the diversion of the Czechoslovak Elbe traffic from Hamburg to Rostock; it would make east German trade entirely independent of Hamburg port. Herr Engelhard, the Burgomaster of Hamburg, commented bitterly that in normal economic circumstances there was little justification for such a project—but "normal" economic circumstances do not obtain in the bizarre political circumstances of Germany. Hamburg is naturally alarmed, and its reaction is to press again for the pigeonholed project of a north-south



canal to connect Hamburg through Lower Saxony with the west German canal system, which its shipping can at present reach only through east German territory. The economic division of Germany, like the political division, deepens.

HOSPITAL EXPENDITURE

The Offending Radcliffe Infirmary

IT was only to be expected, when early this year the Comptroller and Auditor General drew attention in the civil appropriation accounts to overspending by a teaching hospital, that the Public Accounts Committee would later have some sharp comments to make.

In its latest report, everyone receives a rap over the knuckles: the board of governors of the Radcliffe Infirmary at Oxford, for succumbing to university pressure and committing the Ministry of Health to considerable extra expenditure without prior approval; the Ministry itself for its ineffective control of its agent, the board; the University of Oxford, for failing to meet its full share of the cost.

The root of the trouble at the Radcliffe was the decision, approved by the Goodenough committee on the medical schools in 1944, to turn the infirmary into a special kind of undergraduate teaching hospital. The original estimate was merely a tentative figure for the first stage of this redevelopment; it was never intended to be a firm and final figure for the cost of the work that has since been undertaken, largely at the instance of the clinical professors. Thus when the Public Accounts Committee complains that the complete scheme, estimated to cost £434,390 in 1954, will cost just over £1 million, it is not really being fair. For what has been carried out in the last two to three years, or is in process of being carried out, is not the first stage in a development plan, but the building and equipment of four new departments, three laboratories, staff living quarters and a canteen.

The main concern of the Public Accounts Committee is that much of all this was started without prior approval. But, according to the Ministry, prior approval, had it been asked for, would have been readily given. No one seems to be querying the soundness of a system by which two newly appointed professors of medicine and surgery, finding themselves without hospital beds and naturally wanting the best of everything, were apparently allowed to have their own way. It was not the lack of advance planning (which the committee deplores) that led to a huge and elaborate scheme being grafted on to the original one, but the knowledge that ultimately the taxpayer would foot the bill. The Treasury's remote control might have delayed the scheme, but it would probably not have reduced its cost. That would only have been achieved if more of the money had had to be raised where it was spent—locally.

RUMANIA

Mystics in Trouble

REPORTS from Rumania indicate the relapse of Bucharest into a mood of fear and repression reminiscent of Stalin's day. The immediate cause is the implementation, now in progress, of the decisions made by the central committee of the Rumanian Workers' party in June. Eleven high party officials have been dismissed: the latest victim is Ursile Duma, the secretary of the district committee of Constanza. This was the district where, at the end of 1957, the party leaders received high praise as the first in Rumania to complete the collectivisation of agriculture. At the same time, a campaign has been going on against "negative tendencies" in culture and religion. Writers, theatre and literary critics, and "illegal" theatre groups have all been attacked in the past few months by the party ideologues, who have also rebuked Rumanian students as "stand-offish mystics and chauvinists."

The "liberal" policy of 1956 towards the east European satellites was openly proclaimed. No direct publicity is being given now to the return to the harder line by the communist leaders: the satellite populations, like the outside world, are left to draw their own inferences. In Rumania, as in other eastern European countries, the current campaign is directed against the deviations of national communism: it is on these lines that the struggles inside the parties are being conducted. The first target is the intellectuals, the men who have ideas of their own, often above their station. For a year or two some of the communist leaders, at least, regarded the utterances of intellectuals as politically unimportant and a safe outlet for the milder forms of social unrest. The Hungarian revolution has convinced them of their error; they have seen what discussions at bodies like the Petöfi club can lead to. The issue of rope for intellectuals has stopped.

The Economist

AUGUST 21, 1858

THE DEER-STALKERS

"A dispute between two deer-stalkers in Scotland has resulted in a trial in the Jury Court at Edinburgh, which affords some insight to that system of desolation so fashionable amongst the Highland proprietors, the establishment of deer forests. . . . The jury found for the pursuer, consequently we must assume that there was no sufficient supply of stags. Mr Campbell represented the stock to consist of from 700 to 800, of both sexes, but the Earl seems to have stalked for three dreary days in August, and to have shot only one stag and to have seen another, a young one. He then drove the forest, and found about 100 hinds, but no stags. And then it was said that there were no stags permanently resident in Dalness; they only came from Lord Breadalbane's adjoining forest of Blackmount late in September at the approach of the rutting season. The Earl saw nothing unsportsmanlike in killing stags with velvety horns in August, or whenever else he could find them; his only wish was to find them in Dalness, and not finding them he went to law. The Duke of Athole also supported the view that velvety-horned stags might be shot, and his version of the proper season corresponded with that of the Earl. . . . The Duke stated his own deer forest extended to 100,000 acres, and he rather sneered at the small forest of Dalness of only 10,000 acres. What magnificent notions of desolation these deer-stalkers have. Let us see what is the produce of these deer forests. Mr Campbell, having time to wait for a late forest to show its stags, kills 35; but the Earl of Wemyss, under the pressure of cub-hunting, cannot wait, and bags one stag only. Then the Duke of Athole recounts his exploits in deer-stalking from 1843. . . . In 1843, 30 stags were the produce of the Duke's one hundred thousand of solitary acres . . . in 1857, 66. Here we have the magnificent results of one hundred thousand acres of land laid waste, stripped even of sheep, while industry, improvement, and cultivation are driven from the wilderness as things utterly abhorrent to the amateur stag-butchers.

LETTERS

Across the Curtain

SIR—You say it is hard to see how the Mayhew Committee is to "de-centralise and de-officialise" contacts with the Soviet Union. May I give one example how it might be done. Last October, during my talk with Mr Khrushchev in Moscow, I explained to him how the Anglo-American productivity teams had worked to the advantage of both countries, and suggested Anglo-Soviet contacts should be made on a similar basis. He agreed. I suggested he should send, as an experiment, two Russian textile experts, whom I would entertain in my own home, so they could see for themselves how English people lived, and visit textile factories, where they would be free to see and ask anything they desired.

Last month, after much correspondence, I had two Russian visitors stay with me. The woman spoke perfect English, was well dressed, and most anxious to learn the English way of doing things, even down to the minutest detail of table etiquette. She was from the Leningrad textile institute. Her companion came from a Moscow textile factory, where he was a superior type of foreman—but he spoke no English. They visited about a dozen factories. All my friends who met them were struck with their technical competence; they visited a number of English homes, and everyone agreed that they were charming guests. They were prepared to discuss technical problems with an open mind; when it came to politics they had little to say, for neither was a party member, and they just took for granted their own way of life. This was one way of "de-centralising and de-officialising" Anglo-Soviet relations.

What good it will do I cannot pretend to say. It is reasonable to assume, however, that some of the things they learnt about us and our way of life will be passed on to their friends in Leningrad and Moscow, and if this tiny experiment could be repeated on a vastly bigger scale, some good might result. Incidentally, I have written to Mr Khrushchev suggesting that two English technicians might be invited to the Soviet on similar terms, and allowed to live in a Russian home. I feel this type of exchange can do far more good than official parties.
—Yours faithfully, CYRIL OSBORNE
House of Commons

Alarums from the Horn

SIR—The article in your issue of August 9, 1958, contains misleading assertions which must not escape criticism. In a year or two Somalia is going to be independent. Although Somalia is not economically viable today, we are determined with full confidence that we shall solve that problem together with the others that lie in the way of national unity and stability. We are prepared to accept any help from any power or organisation so long as we are reasonably convinced that it is for our own good. Already the United States has offered financial aid to Somalia if the people of Somalia wanted it.

What is alarming about the prospect of Somali independence? It is only natural that an independent Somalia should embark on a policy for the liberation of the other four Somali territories and for these people to aspire to join forces with their free brethren. Referring to the British protectorate you assert that "it is not a part of British policy to embark a protected people in an unseaworthy vessel." In a moment of failure, when you cannot see your face in the mirror, you try to dodge the real issues. What on earth do you protect us from? We are protected neither from internal tribal feuds nor from external aggression. After about eighty years of British colonial rule and misrule the protectorate is as backward economically as ever. The imperialist finds comfort in your suggestion that "Somali nationalism is believed to be controllable because of personal and tribal antagonism." For years the British administration has been embarking on a most disgraceful programme of stifling nationalism: by encouraging tribal feuds, checking political movements, refusing freedom of thought and expression, creating secret police engaged in espionage and sabotage and terrorising Somali government officials. Today some of our ardent nationalists are undergoing the tortures of exile and banishment—the height of British democracy! On the question of the handing over of the Haud and so-called Reserved Area to Ethiopia by Britain you say: "The frontier is not disputed"—a bold and fallacious statement. The Anglo-Ethiopian Treaties of 1897 and 1954 stand out as cynical pieces of British colonial knavery. Under them the best traditional Somali territories were handed over to an alien, barbarian, feudal and corrupt state—Ethiopia. Today the very existence of the Somalis in these territories and in Ogadenia is in great danger, not to speak of any kind of security; but the morning will surely come.

Oddly enough the British are already receiving punishment for these misdeeds from an unexpected quarter. The liaison officers in the territories are shamefully powerless and the British authorities in the protectorate meet endless humiliations. This is one of the reasons why they are considering how to withdraw.

If there is anything ominous about the future of the Horn of Africa it is only the result of western mischiefs and blunders. Fortunately you still have some chance to undo them if you possess the courage and imagination to make the required adjustments; otherwise you will be ever moving closer to a final catastrophe. Morning is not only sure to come in the Horn of Africa but it has already started; and it is time you knew it did.—Yours faithfully,
London, SW1 AWALEH GEIDI

The Moon

SIR—With reference to your curious comments on page 515 of last week's issue, I have seen the dark side of the moon. Allowing for differences in lighting it looks the same as the bright side. What only Hiawatha's grandmother has seen is the far side of the moon. At the new moon the far side is bright and the dark side is near.—Yours faithfully, J. HYDE HARRISON
Lloyd's, EC3

Cyprus

SIR—For years we tried to solve the Irish question without partition—and failed. Later we tried to end British rule in India without partition—and failed. Why, then, do you so airily take it for granted that partition in Cyprus "would be absurd to the point of indecency"?

Some people talked like that about Ireland and India once.

In point of fact, Cyprus is a sparsely inhabited island, with rather less than one fifth the population of Bombay or Calcutta, and its partition would be a comparatively small-scale operation.—Yours faithfully, H. B. BARWISE
Oxford

Sacking the Sack

SIR—I have only just read your issue of August 9th with its, to me, exceedingly frivolous piece on feminine fashions. To those who perforce must study the evolution of fashion, the demise of the sack was as inevitable—and as gradual—as its birth. *Zeitgeist* (whatever that may mean in this context) had nothing to do with either.

The crocodile tears for the burnt fingers of the buyers and wholesale designers may be cheerfully mopped away. Their fingers are blistered only by the effort of counting their profits as British women snatched sacks off the rails as fast as they could be produced. And against, not following, the advice which they were too busy running to read.—Yours faithfully,
London, SW3 ERNESTINE CARTER

Episcopal Bits and Pieces

SIR—"There is much wisdom" pontificates *The Economist*, saying that Dr Fisher should not have reprinted his speeches, "in Job xxi 35." But this chapter has only 34 verses. The rest is silence.

The Archbishop of Canterbury may, therefore, properly give thanks because, unlike Job, his adversary *has* written a book or at least a newspaper article. But Job's heartfelt desire is expressed in the 31st chapter of which the sixth verse provides an admirable maxim for reviewers: "Let me be weighed in an even balance, that God may know mine integrity."—Yours faithfully,
GEOFFREY MURRAY
News Chronicle, EC4

Cost of Living

SIR—In your note (page 514, August 16th) about the annual meeting of the Confederation of Shipbuilding and Engineering Unions, you refer to "the news that Mr Amory's efforts brought down the cost of living index by 1.7 points last month." Surely this credits the Chancellor with powers which he does not possess? The *Financial Times* (August 14th) reported that, according to the Ministry of Labour, the fall in the index "was due mainly to lower average prices for vegetables, fresh fruit and meat, although these were partly offset by an increase in egg prices." A fall in food prices usually happens in the summer—and is usually followed by rising prices in the autumn. The temporary fall in food prices may have been accentuated this year by the effects of Mr Amory's policies on demand, but to suggest that it originated in Great George Street implies that the Chancellor exercises control over the seasons. This I cannot believe. I prefer to say, "Isn't nature wonderful!"—Yours faithfully,
COLIN CHIVERS
Merstham

City Companies

SIR—The writer of your article "Trusts and Turtle Soup" in your issue of August 9th is ill-informed concerning the constitution and activities of at least one City company, the Goldsmiths.

He says "the connection of the City guilds with their original crafts is slight." But one quarter of the members of the Goldsmiths' Company is connected with the trade of gold or silver smithing. The company also spends very large sums annually to further the trade.

He says "A few companies still do small jobs by ancient privileges (much to the annoyance of some local authorities who would otherwise be responsible . . .)." The hallmarking of gold and silver is anything but a small job and most effectively safeguards the public from fraud. No local authority wishes to take on this difficult service and, in any event, no local authority could be entrusted with duties which extend all over England.

The article further talks of the declining craft of goldsmithing when, in fact, the production of gold and silver articles has been steadily increasing for some years. The latest figures show that this increase still continues.

I am not a member of any City company but before discussing their future do let us get the facts right.—Yours faithfully, A. LAMB
Castle Bromwich

BOOKS

The Process of German Unity

The European Powers and the German Question, 1848-1871
By W. E. Mosse.
Cambridge University Press. 410 pages. 50s.

DR MOSSE'S scholarly study is another historiographical attack on the legend of Bismarck as the German Superman. Already Mr A. J. P. Taylor and others have questioned the view, resolutely held by nearly all German historians and shared by most others, that from 1862 onwards Bismarck planned remorselessly, and with uncanny foresight, to achieve the unification of Germany. The suspicion has dawned that perhaps he remained first and foremost the prime minister of Prussia, serving always the interests of his own state and caring for those of Germany only when they harmonised with Prussian interests. Between the two world wars German historians added to the already well-established legend the more topical view that Bismarck had had to overcome not only great internal obstacles to German unity but also the implacable hostility of the other great powers of Europe. The pre-1914 fears of *Einkreisung* combined with national bitterness about defeat by the "unholy alliance" of France, Great Britain and Russia to produce a still more hero-worshipping version of the Bismarck story. In the mood of national self-pity that set in after 1918 the writings of such historians as Marcks, Oncken, Meinecke and Srbik tended to emphasise the European setting rather than merely the domestic difficulties of the *Reichsgründung*. And they interpreted the behaviour of the European powers towards the German Question between 1848 and 1870 in the light of their attitude after 1914. They represent, as Dr Mosse remarks, "an extreme instance of the 'Whig interpretation' of history."

While not disputing the central significance, for later European history, of the movement to unify Germany, he contends that it was not appreciated at the time by the other great powers. France or Russia were still thought of as more likely menaces to peace than Germany, where the movement for unity failed miserably by 1850. The powers were, moreover, constantly distracted by other issues that were even more importunate at the time—by the Eastern Question and the effects of the Crimean War in the 1850s; by the Italian Question and the aggressive antics of Napoleon III in 1858-61; by the Polish Question, which embroiled all three eastern European powers; by Luxemburg and the Near East in 1867. At all the crucial moments in the accomplishment of German unity, the powers most concerned were simultaneously preoccupied with a host of other problems, among which the German Question was only one, and not obviously at the time the most important. Although the generation before 1848 had been a time of fermenting revolutionary movements, it had also been what Harriet Martineau called it—"The Thirty Years' Peace." Seldom had modern Europe known so long a spell without wars between some of the great powers. The quarter-century of major wars between 1854 and 1878 therefore caught Europe somewhat unprepared, as the fumbling qualities of the Crimean War, and the easy victory of France over Austria in 1859, suggest. Bismarck's task was made easier, not more difficult, by circumstances, and "if he played his hand with great skill, it was a good one in the first place."

This thesis, so contrary to previous assumptions and interpretations, can be defended only by a very detailed and judicious examination of the whole set of circumstances that conditioned the policy of each power at the critical moments in the story. This Dr Mosse attempts and, on the whole, achieves successfully. He concentrates especially on the policies of Great Britain and Russia, and shows how the mutual animosities of the two great flanking powers of Europe and their preoccupations with other (even other non-European) issues left the struggle for German unity to be fought out within the "little Europe" of France, Austria, Prussia and Italy. Within this restricted arena the hostility between France and Austria partly neutralised these powers for Bismarck's purposes, and the Italian Question, by embroiling the powers with one another, smoothed the path for Bismarck's astute manœuvres. There was, in short, no solidly hostile Europe for Bismarck to contend with.

Dr Mosse, by dint of minute and cautious research, proves his point. In the nature of the argument his book is far from easy reading, though a crisp and lucid style makes it as readable as such detailed research can be. The intricacies of the Schleswig-Holstein question have always baffled historians who tried to make them other than tedious. But the outcome of his research is clear and important, and its conclusions are such that the usual version of the process of German unification stands very considerably modified.

Study in Technological Society

Technical Education and Social Change

By Stephen F. Cotgrove.
Allen and Unwin. 220 pages. 25s.

THIS book, latest in a series of "Studies in Society" edited by Ruth and David Glass, presents the results of a study prepared by Dr Cotgrove at the University of London. It may have been a doctorate thesis, although this is not stated, and is intended to furnish sociological background for intelligent discussion of the problems involved in training scientists and technicians in England today. The author is not out to judge or solve: "It is not the purpose of this study to offer a blueprint for technical education, but rather to provide data relevant to policy." The data are provided and their relevance is carefully couched in the subjunctive. Busy administrators in industry or university or government committee—one assumes these are the audience—will be grateful for the summaries at the ends of chapters, for this is textbook reading, complete with statistics, graphs, tables and footnotes.

The history of technical education in England is outlined in its developing relation to industry and to the structure of society. In this connection there are also short chapters on the universities, the secondary schools, the professional associations, with conscientious if glancing references to many controversies, such as the current ferment on architectural education. Some reference could possibly have been made to the great expansion of technical publications, both as textbooks for students and information for industry; this, no doubt, is a separate subject in itself.

The nub of the book is the last chapter, "The Technical Colleges and the Social Structure," apparently a very sensible summing up of the social forces at present influencing recruitment and training of the right men for scientific work in industry. It would be easier to assess this summing up if its presentation were less cold and dry. There is, it seems, a middle ground, unfortunately not a no-man's-land, between the world of humane letters and the world of technical letters; and this ground is occupied—one cannot say cultivated, for it is very arid—by the sociologists. Raw data are sifted through a trained and earnest apprehension, but are they ready for book form? Never a metaphor intrudes. The matter is vital, the manner dead: "Any trend towards greater occupational rewards for educational qualifications will bring the educational system into closer relations with the occupational structure"—and so on.

Legislators hardened to committee agenda may get through this more easily than captains of industry, but both need to know Dr Cotgrove's final point, that any change we now make in technical education should probably not be dominated by the immediate needs of industry. Getting the right men for the applied-science jobs means revision of present social attitudes towards scientific training in general. Perhaps we shall arrive at a new concept of the Renaissance idea of the Universal Man, who will be a Universal Scientific Man. Today, in many large firms, he is still a gadget.

A Catholic View of the Scrolls

The Excavations at Qumran

By J. van der Ploeg.
Longmans. 233 pages. 16s. 6d.

BY now, a bibliography of books and major articles on the Dead Sea Scrolls would number more than eight hundred publications. Much of the literature is severely technical and requires palæographic and linguistic knowledge beyond the layman. The point has been reached where even books of a general expository intent, such as the two outstanding volumes by Professor Millard Burrows of Yale, have to dwell on matters of considerable intricacy. Most scholars do not believe that the enigmas posed by the finds in the Judæan desert will be resolved in some definitive manner by future discoveries. In all of the texts and fragments examined hitherto, the Wicked Priest and the Teacher of Righteousness are left unidentified. This cannot be mere hazard; it points to the fact that the Essenes or Essene-like inhabitants of Qumran used language in essentially symbolic ways. They were men attempting to live in chiliastic expectation and outside the bitter contingencies of time. By its very nature, their literature is alien to the purposes of the modern scholar.

But it is of the most intense relevance to the concerns and sensibility of the theologian. Father van der Ploeg, Professor of Old Testament and Hebrew at the University of Nijmegen, is both scholar and theologian. In his fascinating and authoritative book, he addresses himself to the challenge delivered by such men as Professor Dupont-Sommer, Professor Allegro and Mr Edmund Wilson. Do the Dead Sea Scrolls cast new and direct light on the origins of Christianity? Are the figure of Jesus and his teachings now to be recognised as variants on the Essene Teacher of Righteousness and on Essene beliefs? Is the ritual meal apparently eaten at regular occasions in the Qumran settlement the model for the Eucharist?

Professor van der Ploeg's reply falls into two parts. First, he gives a brief but extraordinarily lucid and comprehensive survey of how the scrolls were found and what responsible scholarship has so far determined about their meaning and historical context. No better account has until now been offered to the general reader. With this book and with Mr T. H. Gaster's translations from the actual texts, he will be able to survey the whole field. Secondly, Professor van der Ploeg seeks to determine what bearing the Essene literature has on Christianity. He believes that there are significant analogies of language and imagination between Qumran texts and the Gospel according to St. John. He also concurs with Dr Kuhn of Heidelberg that there are suggestive parallels between the scrolls and the Epistles of St. Paul. In either instance, the "spiritual climate" was comparable. In the same light, moreover, knowledge gathered at Qumran does have bearing on the history of primitive Christianity.

But to go beyond that is, according to Mr van der Ploeg, to distort the evidence. The Essene rules were fiercely exclusive; Jesus addressed himself to all men. The Teacher of Righteousness was never regarded as a Son of God. The sacramental meaning of the Eucharist has no real parallel in the communal meals of the Dead Sea sect. The Essenes did not wish to "complete" Mosaic law in the sense of giving it a new incarnation. They wished to preserve it in archaic inflexibility. Mr van der Ploeg argues his case with modesty and often emphasizes the extent of our present ignorance. He will be the more difficult to refute.

The Beginning of Reform

British Public Finance and Administration, 1774-92

By J. E. D. Binney.
Oxford University Press. 320 pages. 45s.

NOTHING in the world can make the ancient course of the Exchequer, let alone the other aspects of eighteenth century finance, clear to the amateur; but Mr Binney has come as near to it as anyone can. He goes in great detail, with an admirably clear style, into the way in which public finance was managed in the last quarter of the century, and explains the reforms recommended by his worthy heroes, the Commissioners for Examining, Taking and Stating the Public Accounts, who published fifteen valuable reports over six years.

Comparison with present methods is useless: other purposes were met by other means, and policy was guided by other assumptions. Fundamental problems, of course, remain unchanged, and provide almost comic parallels: for example, subsidies for Scottish herring fishers were a problem then as now; and the way in which the Navy financed its needs by issuing bills against an insufficient supply, which bills were cashed in turn after an increasing delay, so that suppliers raised their prices against the Navy till the system broke down and the bills had to be funded, finds an exact parallel in the Anglo-Turkish Clearing of the nineteen-thirties.

But the main difference, which makes all comparison impossible, is that in those days government was not unitary. Different boards and different office-holders had their separate powers, often freehold, and could not be dislodged. The strength of the system was negative: within the laxer code of what could properly be done with public moneys, there was some check on speculation. People did odd things, such as keeping public money in their hands and using it; but if they misused it, they were often caught; and the rickety old Exchequer, based on personal accountability, comes out better than one expects. Some of the worse features (by modern standards) of the system, such as the setting up of separate funds fed by separate taxes to secure particular loans, were inventions of the eighteenth century. Pitt, with his consolidated fund, broke away from this long before the medieval Exchequer was abolished; and, if one wonders why Pitt's reforms did not come earlier, one may remember that British lenders demanded the same kind of specific security from foreign borrowers a century or more later.

It was a system run by amateurs at the top and clerks promoted by age at the bottom. Change was difficult. The Exchequer was part of common law and almost unattackable. In Mr Binney's period reform began to be necessary; but it was not so much the needs of war that pushed it through as the later demand for a financial system which could be controlled by the government as a whole, and which could be worked with some regard to economic facts.

Daughter of Iron

Gertrude Bell: *From her personal papers 1889-1914*

By Elizabeth Burgoyne.
Benn. 320 pages. 42s.

THIS is a perfunctory biography, *which threads together extracts* from Gertrude Bell's letters and diaries *with a minimum* of elucidation and judgment. It succeeds, however, in throwing more light on the motives and idiosyncracies of a public figure than do the carefully chosen selections that have already been published by her family. Up to now we have had the official portrait: the indomitable woman explorer, daughter of intellectual ironkings, rich, self-confident, imperialistic, clever, who strode round the world, climbing dangerous mountains, making archaeological expeditions into uncharted desert, living among bandit sheikhs, and anatomising all in her rather flat prose. Elizabeth Burgoyne's volume fills in some of the human and emotional background.

What made Gertrude Bell choose the Middle East as her life interest? Her preference for Muslim tribesmen can be seen at an early stage, when as a young woman she travelled to India and the Far East, and she writes with the highest enthusiasm of the wild raiders of Afghanistan. Tales of blood feuds and killings gained her ironical but approving comment. In her youth the cruelty of primitive peoples in some obscure way pleased her; harshness was the counterpart of her extreme courage. As she matured, she softened—though not much—and occasionally she made suggestions to the Arabs about social reform: for example, in the treatment of criminal lunatics.

She combined liberalism with racial pride. She talks of blacks, Chinamen and natives, but approves of the education of subject races, even when it "makes them feel that they are in every respect the equal of the best of us." This book closes when she is forty-six (there is to be a second volume) and brings out two influences which by that age had added sensibility and compassion to her robuster qualities. One was a serious disappointment in love, born with fortitude and generosity, which is reflected in the unusual self-questioning humility of some of the passages in her diary of the arduous journey to Ha'il. The second was the tradition of chivalry of the nomadic peoples among whom she passed so much of her time. Gradually she drops the amused and supercilious comment. She acquires their habit of handling and understanding human beings. She is laying the foundation of her later political work, and looking forward to the period when she could probably say with some truth: "I am happy in the feeling that I have got the love and confidence of a whole nation."

Radio's Adolescence

The Economic Development of Radio

By S. G. Sturmey.
Duckworth. 284 pages. 30s.

Communications and Electronics Buyer's Guide

Edited by C. C. Gee.
Heywood and Company. 500 pages. 5 guineas.

IT is difficult to believe that the industry catalogued here for the first time by Mr Gee, with its 1,400 companies, its £300 million annual turnover and its 2,700 products, is one and the same as that whose stormy origins and economic growth are described by Mr Sturmey in the same cold, flat prose used by Sunday newspapers to record the more squalid proceedings of the courts. Middle age has brought belated decorum and prosperity to the radio industry; the fact that a classified guide can be published and sold at this price is the accolade of its economic respectability. But it was not always so. The vendetta that the Post Office pursued with the Marconi company was based in part on its fear of a Marconi monopoly and the consequences that might follow. No matter how strongly he disapproves of the methods adopted inside the Post Office, Mr Sturmey never suggests that those fears were groundless.

What he does condemn is the lengths to which the Post Office went to avoid using the techniques of which Marconi, and after him the Marconi company, was the acknowledged master. Speaking of the 1919 committee set up to investigate yet again the question of an imperial radio chain of communications, Mr Sturmey writes that

> The election of Sir Henry Norman as the chairman was most unfortunate in view of the known animosity between Sir Henry and the Marconi Company. The Marconi Company refused to give evidence before Sir Henry and robbed the report of the committee of much value. In view of all that had gone before, it is probably not too much to say that such an outcome was desired and that it was hoped that the report of the committee would give grounds for rejecting the company.

And this was no isolated example. Such a feud pursued unceasingly up and down the ether held up the development of radio links in Britain for a wholly unreasonable length of time; it led to what looks like an undue measure of tenderness towards the cable companies who, with their heads buried beneath the oceans, appeared wholly unaware of the threat to their livelihood; and it also delayed the development of public broadcasting in this country.

Public broadcasting may be regarded as a mixed blessing, but the price this country paid for its belated entry was a technical backwardness from which it is fair to say the radio industry in this country never fully recovered until the end of the last war. Although radio techniques were born in Britain, development had reached such a low ebb by the twenties and thirties that the majority of companies were relying almost entirely on research done abroad, particularly in America. Public broadcasting brought a rash of small set manufacturers and assemblers into the industry, many of them "pure dealers often of doubtful honesty and even more doubtful technical ability" (they included a Lisle Street madam who, incredible though it may seem, found radio dealing more profitable than her traditional trade). At least two of today's big radio manufacturers started from small beginnings—Mr Sturmey discreetly omits to identify them.

The war brought an increase in government-sponsored research that put the industry technically back on its feet, and the process has continued since in step with the services' growing dependence on electronics. By the 1950s the transformation of the "radio industry" into the "electronics industry" had been completed. Mr Sturmey stops short of this phase; it would have been interesting to know what he thought of it.

OTHER BOOKS

YEARBOOK OF THE INTERNATIONAL LAW COMMISSION 1957, Volume II. *United Nations.* 147 pages. 12s. 6d.

RELIGIONS: *A Preliminary Historical and Theological Study.* By D. W. Gundry. *Macmillan.* 187 pages. 16s.

A HERO OF OUR OWN TIMES. By Mikhail Yurevich Lermontov, translated by Cedar Paul. *Oxford University Press.* The World's Classics Series. 284 pages. 7s.

NEW GRUB STREET. By George Gissing. *Oxford University Press.* The World's Classics Series. 543 pages. 9s. 6d.

THE VOYAGES AND DOCUMENTS OF RICHARD HAKLUYT. Selected by Janet Hampden. *Oxford University Press.* The World's Classics Series. 471 pages. 8s. 6d.

AUSTRALIAN EXPLORERS: *A Selection from their writings.* By Kathleen Fitzpatrick. *Oxford University Press.* The World's Classics Series. 503 pages. 9s. 6d.

AMERICAN SURVEY

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

Congress's Report Card

WASHINGTON, DC

THE Eighty-fifth Congress doggedly fought its way towards adjournment this week with the usual imitation of a man chasing a departing bus through a crowded street; some unceremonious jostling has come at the end and some presents for the folks back home will be left lying in the gutter. Nevertheless, this has been an unusually effective session. It has been more constructive than might have been expected with a Democratic majority, its eyes afire with the prospect of elections next November, facing a visibly tiring Republican President; and it has shown more self-control than seemed likely when the sputnik and the economic recession were sending gusts of alarm blowing through Congress. Even if this session does not quite merit the Democrats' lyrical claim that it has been the best since the famous "hundred days" under Franklin Roosevelt in 1933, it is leaving both parties with a good deal to be satisfied about.

President Eisenhower, who has given the session the headmasterly commendation of "a pretty good record," has gained something approximating to the three measures he set as his target in the spring: reorganisation of the Defence Department; a substantial extension of the Reciprocal Trade Agreements Act; and at least some funds for the foreign aid programme. It is true that Congress has insisted that disgruntled generals must be free to come and report on their woes, and has inserted a couple of potential booby-traps along the path to freer trade, but the President seems only mildly dismayed by these qualifications. The congressional plough has also turned over ground that has lain too long unbroken with a measure which, by means of scholarships, will send federal money flowing into the general educational system for the first time, and by the admission of Alaska as the first new state in nearly half a century.

But one of the most striking features of the session has been the division of leadership between the President and the senior Democrats in the Legislature—notably Senator Lyndon Johnson, with his conjuror's knack of producing majorities like rabbits out of an evenly-divided Senate. Mr Eisenhower's efforts on behalf of the measures he was interested in have tended to come in fits and starts, veering (as in the case of the defence reorganisation Bill) between apparent acquiescence in, and vehement denunciation of, Congress's handling of them. Had it not been for Senator Johnson's energy, and his trader's instinct for compromise, the year's work would have been far less smoothly productive.

A second characteristic of the session has been the delicate balance between conservatives and liberals on matters involving federal spending at home. For the last twenty years, a loose alliance of Republicans and southern Democrats has dominated Congress on this issue. In March this year, while the winds of recession filled their sails, the liberals were able to put through pump-priming measures such as the one involving substantial increases in federal expenditure on road building. But March went out like a lamb and, when the recession had plainly passed its worst, the conservative coalition reasserted itself to stop any more such "extravagance." However, events have shown that the alliance is effective only in preventing new items of federal expenditure. At the beginning of the year President Eisenhower asked Congress to support more than a dozen measures designed to relieve the federal budget and to shift part of the cost of various existing schemes, affecting sewage disposal and other such ventures, on to the shoulders of the state governments. Consistent though the President's proposals were with conservative political theory, all but one were completely ignored.

The third and perhaps the most dramatic feature of the session has been the discomfiture of the so-called farm block in the House of Representatives, following its disintegration, for the present at least, in the Senate. The decisive vote came in June, after an earlier attempt to freeze price supports at their 1957 levels had been vetoed by the President. Fifty-odd Democrats from the cities—most of whom would previously have supported the farm block—voted to reject an omnibus Bill presented by the Agriculture Committee. Since then the leaders of the farm group have had to retreat step by step. The Bill eventually passed this week gives their pet abomination, Mr Benson, the Secretary of Agriculture, most of what he sought at the beginning of the session, including the abolition of the notorious "escalator clauses" which compelled him to push up the support prices of cotton, maize and rice whenever the vast surpluses began to diminish as a result of lower prices.

IF there are also some black marks to be chalked up against the session, these are in part due to the way in which Congress chooses to run itself. There is bound to be some disorder in a system which, by dawdling at the beginning, creates such a bottleneck at the end that the only way in which a large number of measures can be considered at all is by suspending the rules, a device which means that a Bill needs a two-thirds majority to pass; or a system which allows the chairman of the House Rules Committee, which must release Bills for debate on the floor, to disappear to his Virginia farm in the penultimate week of the session with his pocket full of measures he personally happens not to like; or one which enables the Senate to spend what might have been the last two days of the session indignantly debating a rumour that the Defence Department was studying the conditions under which surrender might be advisable after a nuclear attack.

But there are more specific criticisms and chief among them is the failure to pass the Kennedy-Ives Bill setting rules for the conduct of trade unions—unless the President's eleventh-hour appeal on Wednesday produces a miracle of legislative legerdemain. Having been sat on by the Speaker of the House for forty days, and then cut dead by its own committee when it came up for consideration, the Bill passed clean away after only a brief snarl from its opponents in the House of Representatives. The blame must be shared equally between the Speaker's miscalculation, in holding on to it for so long, and the hesitations of those who felt that it restricted the unions either too little or too much. It may not have been a perfect Bill but, after the past year's revelations of corruption in the trade unions, there is little doubt about how a liberal's vote should have been cast.

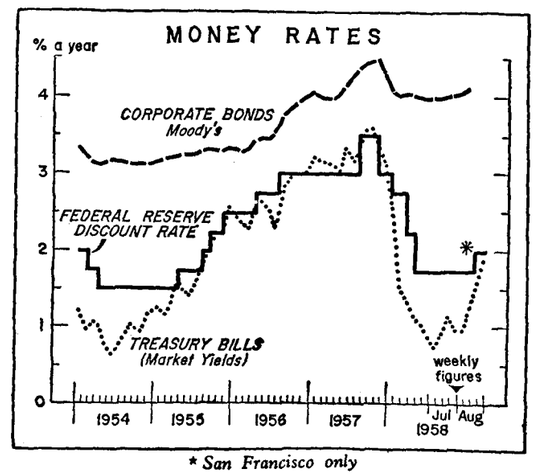
Another disturbing feature was the rash of Bills which sought to over-rule some of the recent decisions of the Supreme Court. In the end, only a handful of these managed to pass either of the two houses and the one or two which seem likely to be approved by both are comparatively innocuous. But it is dispiriting that many members, not only Southerners rankling from the Court's 1954 decision about racial integration in the schools, should have been inspired by the Court's stalwart championship of civil liberties to attempt to curtail its powers. The most threatening development, from the point of view of America's allies, was the struggle needed to get even a barely sufficient foreign aid appropriation past the knife of the House of Representatives. The more internationalist Senate has tried patiently to restore some of the cuts but its chief weapon has been the House's own growing boredom with Washington in summer. It seems clear that for the moment the tide of public opinion is running against the foreign aid programme; many of those who voted for it did so with anxious glances over their shoulders at their constituencies.

Perhaps the situation will improve when the next Congress convenes in January, with the additions from the North which are then expected to join the ranks of the Democrats. The party's liberals are looking with hopeful eyes towards the measures which these new recruits may make possible: federal aid for school construction, which has evaded the last three sessions; a housing Bill such as was thrust aside by the conservative alliance this week; and perhaps other measures of social reform. If their hopes are realised, this Congress, good though it has been, may be remembered chiefly as the forerunner of the Eighty-sixth.

Discounting Inflation

WHEN last week the Governors of the Federal Reserve System allowed—and perhaps encouraged—the San Francisco Reserve Bank to raise its discount rate (the price member banks pay it for the money they borrow) to 2 per cent, they were in effect announcing that this time they intended to keep the economic situation firmly under control from the start. The Federal Reserve Board itself believes that it was partly to blame for the inflation of 1956-57 because it did not restrict credit quickly enough when the economy began to recover from the recession of 1953-54; and many of the board's critics believe that it was to blame for the sharpness of the recent economic decline, because it did not expand credit quickly enough last year. The impact of the sudden change in policy, indicated by the San Francisco increase, was intended to be mainly psychological, to check the inflationary thinking which had developed on the stock market as a result of the huge deficit forecast in the federal budget and of the crisis in the Middle East.

But that thinking, in its present exaggerated form at least, is confined almost entirely to financial circles and, if the increase in the discount rate spreads, as it is expected to do, to the other eleven Federal Reserve districts, the resultant rise in the cost of borrowing money may discourage the economic recovery. Such fears are said to be felt by a number of government officials, even though the Administration is as concerned as is the independent Federal Reserve Board about the danger of inflation. The central bank points out that interest rates were rising before it



* *San Francisco only*

acted, that there is in fact money available for business borrowing and that many of the economic indicators, particularly factory output, have now been improving for three months. The index of industrial production has risen by 7 points since the recession hit bottom last April and in July stood at 133 seasonally adjusted, compared with 145 in August, 1957. But a substantial proportion of manufacturing capacity, including over five million potential workers, is still idle and there is no sign of an upturn in capital spending. The recession may be over, but not everyone is as convinced as are the Federal Reserve authorities that recovery is firmly established. By acting with such unusual promptness, the Federal Reserve also acted bravely; for if it is proved to have acted prematurely, or ineffectively, then the pressure for limits on its independence, for some broader (and more political) method of setting monetary policy, could become irresistible.

More Troops for Little Rock?

WHILE leaving the impression that if necessary he will use federal soldiers this year, as he did last, to ensure that Negro children are allowed to attend the central high school in Little Rock, Arkansas, when it reopens in ten days' time, President Eisenhower has put the immediate

responsibility for maintaining order and for seeing that the court decree is not defied on the State Governor, Mr Faubus. But Mr Faubus, who was at the root of all the trouble last year, refuses to admit that he has any constitutional obligation to enforce racial integration in the schools of Arkansas and he is at present looking for ways of delaying it by further appeals to the courts and perhaps by a special session of the State Legislature. Now that his intransigence has secured him a third term as Governor, Mr Faubus may be somewhat more amenable than he was, but it is unlikely that he will be able to find any satisfactory legal compromise.

In an attempt to avoid a repetition of last year's frustrating deadlock, the Little Rock school board had tried to resume segregation until 1961, but this request for a "cooling-off" period has now been denied by the St Louis Court of Appeals. However much sympathy may be felt for the practical difficulties of the many people of good will in Little Rock, it must give way before the court's firm ruling that

> the time has not yet come in these United States when an order of a federal court must be whittled away, watered down or shamefully withdrawn in the face of violent and unlawful acts of individual citizens.

For the great danger of the Arkansas situation has been that all through the South it encouraged violent defiance of the law of the land as an effective means of postponing racial integration in the schools.

Tennessee, another border state where Negro and white children might have been expected to attend the same schools peacefully, has just chosen as its next Governor an extreme segregationist, pledged to close any school where controversy may develop. And controversy has already developed in several towns in Virginia, all under orders from the federal courts to integrate their schools and all engaged in complicated manœuvres, dictated by state law, to get round these orders. Indeed, it may be here, rather than in Arkansas, that this autumn's first test will come.

Whatever their views on integration all responsible citizens hope that this time federal troops will not be needed. But if they are, the Senate has now indirectly endorsed their use. Over strong southern opposition, which delayed action until almost the end of the session, it has confirmed the appointment of Mr Wilson White to head the civil rights division of the Department of Justice. It was Mr White who last year drew up the legal justification for the dispatch of federal soldiers to Little Rock.

The Moon and a Billion Dollars

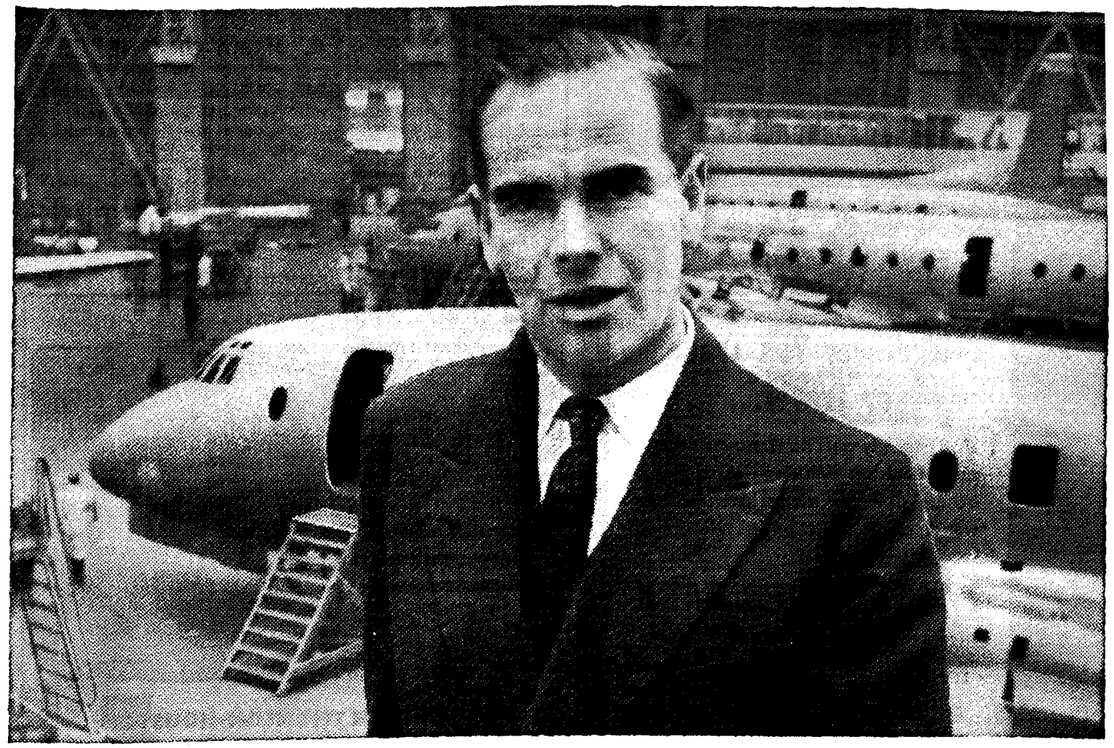
In surviving only the first ten of its 250,000 miles to the moon, the much-heralded rocket at least justified the deliberate official pessimism which surrounded its launching at Cape Canaveral last Sunday morning. After little more than a minute in flight, it disintegrated in the customary burst of flame and smoke and headed, in many pieces, for the ocean bed from whence divers are endeavouring to collect the fragments for the inevitable post-mortem. Disappointment, generally, was heightened because failure occurred in the first of the four stages—in the Thor intermediate-range ballistic missile which had been regarded as a reliable and tested unit. The Air Force, responsible for this first attempt, will no doubt take advantage of the next occasion, in September, when the moon, on its 28-day circuit, again looks down favourably on Cape Canaveral. There is, however, a dread suspicion that Big Red Brother may use the natural advantage of a few days which the course of the moon offers to get in first with a successful launching.

Meanwhile, the programme for outer space contains many attractions. Four more attempts to encircle the moon are planned—two more by the Air Force and two by the Army. To add to the three American satellites now aloft, the Army intends to launch Explorer V later this month, with others to follow in the winter and spring; and the Navy is refashioning its Vanguard programme. The Air Force has concrete, but as yet unapproved, plans to project man into space—and to return him to the earth. The vehicle that would take him on this unnerving journey, designed for speeds of 3,000 and 4,000 miles an hour, may be ready for him in the spring.

While these dramatic demonstrations continue to issue from the Defence Department, the Senate last week confirmed the appointment of an Administrator, Mr Keith Glennan, for the newly created civilian space agency—the National Aeronautics and Space Administration. Mr Glennan, who has been president of the Case Institute of Technology, served on the Atomic Energy Commission in 1951 and 1952. The appointment reversed earlier expectations that the post would be filled by Mr Hugh Dryden, present director of the expiring National Advisory Committee for Aeronautics, who will instead become deputy to Mr Glennan. Mr Dryden's fall from grace seems to have followed his testimony before the House Space Committee, in which he disappointed members about the amount which he estimated could reasonably be spent in space in the immediate future. For this—and for the unfortunate remark that he did not want to catch up with the Russians—Mr Dryden, despite his excellent record, was demoted to second fiddle. NASA expects to spend some $242 million this year, but within two or three years, if it successfully resists the predatory instincts of the armed services, its annual budget may approach $1 billion.

A Bank a Day

A FLURRY of innovations in the Administration's approach to foreign aid has rephrased an old adage: a bank a day keeps the Russians away. The proposals last week, on consecutive days, to establish development agencies both for Latin America and for the Middle East represented an abrupt change in official thinking, which has always strongly favoured a multilateral, rather than a regional, approach towards the financing of economic development abroad. Only the rough outline of the suggested institution for the Arab countries has as yet been drawn. While the United States, and perhaps some European countries, would contribute to its capital, it would draw also on private funds (from the oil companies, it is hoped) and would be administered by the Arabs themselves under the watchful eye of the Secretary General of the United Nations. Since loans



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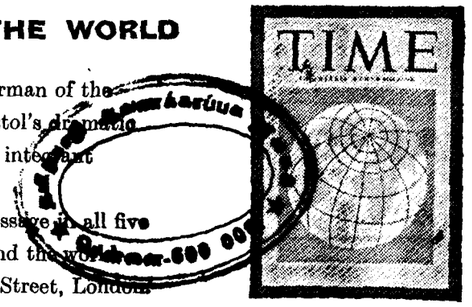

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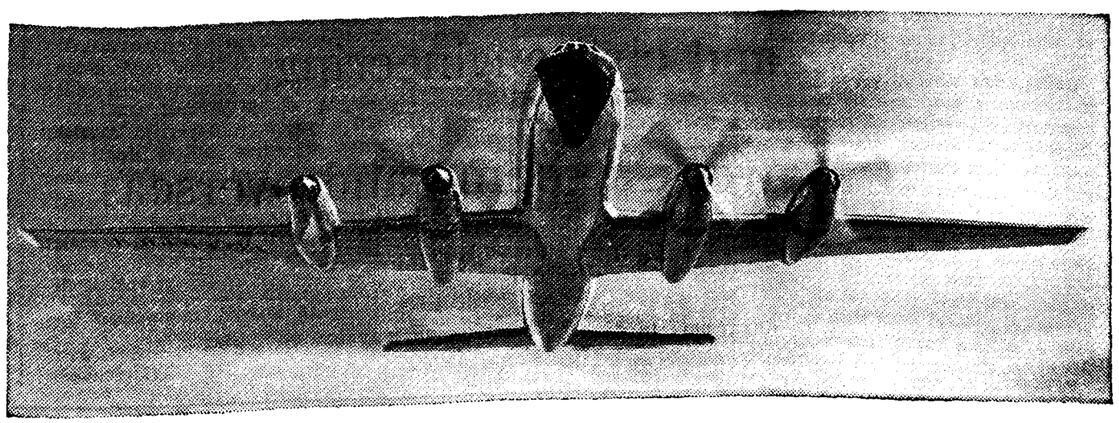



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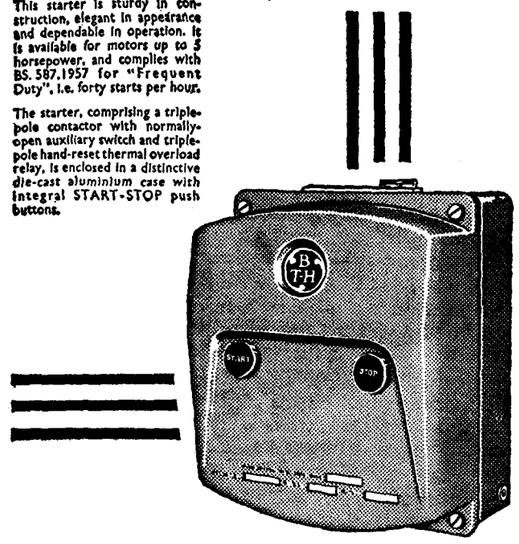

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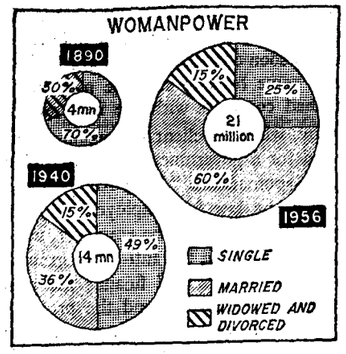
would be made and repaid in soft currencies, the new agency would supplement and not usurp the functions of the World Bank which would still play an important—possibly increased—part in making "hard" loans. One of the main stumbling blocks to the scheme would be the problem of gaining co-operation between Arab countries on projects which inevitably cross national frontiers and the difficulty of persuading the rich oil states to help their less fortunate brothers.

The decision to join with Latin America in an inter-American bank, a policy which has long been opposed by the United States, was in part prompted by a determination not to give more substance to the accusation that American foreign policy ignores its neighbours in favour of those more strategically placed in the cold war; the Administration also hoped thereby to ensure South American support within the United Nations for its middle eastern policy. The United States will co-operate in the administration of the bank, and all members will be expected to contribute to its capital—though some of them may be hard pressed to do so. The decision has been hailed in South America, and President Kubitschek, of Brazil, following up his discussions with

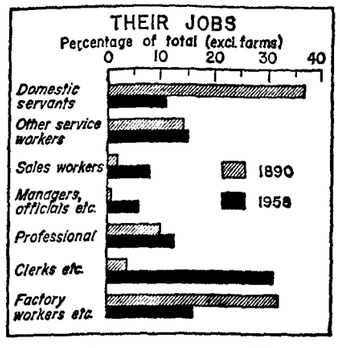
Women at Work

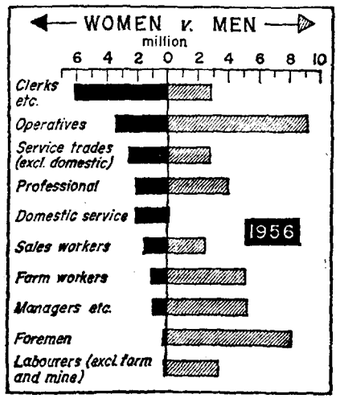
THE attitude of women towards paid employment and of employers towards women workers has changed radically over the last sixty years. This revolution has been documented, both by facts and opinions, in a survey made by the National Manpower Council.* At the end of the last century one half of the women of America never at any time took a paid job. Those who did work were largely young, single girls who left their jobs when they married, never to return unless misfortune deprived them of their breadwinner; today at least nine out of every ten women are likely to work at some time in their lives. The number of women at work has multiplied five times and their importance in the civilian labour force has doubled—from one-sixth to one-third of the total—although their numerical strength is misleading because of the preponderance of part-time work; nearly two-thirds of the women at work today choose some form of part-time job.



The social convention that a woman's place is exclusively in the home has been progressively eroded. The greatest single blow to this concept came with the last war when numbers of women entered the labour force on an emergency basis and acquired a permanent liking for outside work and a supplementary income. Moreover, these unfeminine inclinations can now be gratified more easily because of changes in patterns of marriage and childbearing. Compared with the last century, women marry earlier and have fewer children—they also live much longer. In 1890, 70 per cent of women workers were single and over half were under 25 years old; in 1956, only 25 per cent of those at work were single and nearly half were over 45 years old.

Jobs for women have changed in quality as well as in quantity. The main emphasis has shifted from unskilled and semi-skilled manual work to clerical and sales jobs, which between them now provide 39 per cent of all employment against only 6 per cent in 1890. As a corollary, domestic service has declined in importance though not, rather surprisingly, in numbers. Women have not gained a major breakthrough in the professional field. As of old, teaching and nursing provide the main opportunities, employing today some two-thirds of all professional women. Editors and reporters are an exception; in 1870 this profession was 99 per cent male while in 1950 one third of the jobs were held by women. Here as elsewhere women have supplemented rather than replaced men. Their increased employment reflects an expansion in the kind of jobs—mainly secretarial—that women do well, and a new demand (particularly in shops) for the part-time services they like to offer.





Comparing full-time jobs, a woman's wage averages about two-thirds that of a man. To a large extent the difference is due to the fact that women abound in occupations where earnings are lower. The cause of equal pay has made much progress. Federal civil servants and most teachers receive equal pay, and 16 states (and Alaska) forbid unequal pay by law. Today overt discrimination is rare; more significant is the attempt in some predominantly feminine occupations to keep wage rates low.

The survey includes some generalisations, gleaned from a number of studies, on the comparative advantages of men and women as employees. Women, it says, are less mechanical but more handy; they are as intelligent but emotionally less stable; they take more sick leave, not because they are more often ill but because they have a more flippant attitude to their work; and they are far more likely than men to change their jobs—in 1952, the rate of turnover was 17 per cent for women and 7 per cent for men.

* Womanpower: National Manpower Council. *Columbia University Press.* New York. 1957. London: *Oxford University Press.* 371 pages. 40s.

Mr Dulles, has called for a "Committee of 21" to study common problems—including the delicate question of raw material prices. Meanwhile, the announcement that the Export-Import Bank, together with twelve private banks, will lend Brazil $158 million, to bring some temporary relief to its payments deficit, has been somewhat overshadowed.

The new bold look has on the whole been approved in Congress; indeed, two different schemes for the establishment of a global investment agency had already been discussed in the Senate during this session. But, if the President's proposal for the Middle East matures, he will be asking the Democrats to back up with votes the support which they voiced so freely this week.

Labour Relations to Order

WASHINGTON, DC

IN a society which boasts of the absence of class warfare it seems natural, though not quite logical, to find a special profession devoted to applying soft soap to industrial relations. Until very recently its chief practitioner was Mr Nathan Shefferman, once director of personnel relations for the Sears, Roebuck chain of shops, founder of Labour Relations Associates, and author of *Labour's Stake in Capitalism*, a syrupy pamphlet with such snappy chapter headings as "Our System Pays Off," "Socialism is Anti-Social," and "You Can't Collect on Collectivism." The details of his bizarre career, spread across the reports of the Senate's investigation of corruption in the labour movement, explain those clauses in the Kennedy-Ives trade union bill which would have clipped the wings of "labour middlemen." They would have been made liable to the same penalties as employers for intervening in union elections in factories; the Bill would also have obliged them and their clients to file annual statements with the Department of Labour giving details of the transactions between them. Conservative business groups, such as the National Association of Manufacturers, worked—successfully, as it turned out—against the Bill because it contained these clauses as much as because the rest of it was, in their view, "too soft on labour."

Mr Shefferman, a fruity old gentleman of seventy, who had come to be accepted as a permanent fixture at business and labour conventions, had three main tools—a talent for uplifting pep talks, refined techniques of "indirect aggression" against militant trade unions, and a flair for inducing trade union leaders to see the merits of such common business practices as the unlimited expense account. Rather early in his career, when he was still employed by Sears, Roebuck and Company, Mr Shefferman showed his lack of prejudice by forming a firm friendship with a labour leader, Mr Dave Beck, who was already prominent in the teamsters' (lorrydrivers') union but not yet its president. The friendship was well cemented. Once Mr Shefferman gave Mr Beck $24,500 because "I hadn't done anything for him for ten years and I felt he was entitled to something," on account of "Mr Beck's taking me by the hand and introducing me to a good many people all over the nation and giving me speech material . . . and together we put up a terrific fight in the matter of anti-communism and the key of the free market-place."

Mr Shefferman himself had a rather special pass-key to the free market-place: the heavy discount he was allowed on goods ordered from Sears, Roebuck shops. By acting as purchasing agent for the household requirements of many prominent union leaders and their relatives, he ensured that the men with whom he had to deal on behalf of his employer clients "were not tense or strained" when he came in to see them. Mr Shefferman paid bills totalling $85,000 for the Beck family alone—and, according to the Senate committee's findings, was refunded out of the teamster union's till. When Mr Beck's predecessor as president of the teamsters died, the cost of conveying Mr Beck and his entourage to the funeral was charged to Sears, Roebuck and Company. Never men to shrink from practising what they preached, Mr Shefferman and Mr Beck, symbols of capital and labour in a classless America, indulged in some co-partnership on the side. One of the projects out of which they did well concerned the furnishing of the teamsters' new marble headquarters in Washington.

BUT personal contacts and sermons were not all that Labour Relations Associates had to offer. The firm set out to supply over 300 employers with whatever kind of labour relations the client ordered—a friendly trade union, a master contract with a single union to cover all the company's plants, or, a favourite line of goods, simply no trade union at all. On one notable occasion, in a small town to which a new factory had just come, LRA stirred up the workers to reject the whole notion of unions. Unfortunately, the factory soon changed hands and Mr Shefferman's versatile crew came back to sign the men up for a trade union which had contracts with the new owner.

LRA's special ploy, when its client was against a union which had petitioned for a government-supervised election in the plant, was the spontaneous "Vote No" committee. Although it is against the law for employers to interfere with such elections, LRA, not being the employer, was able with impunity to pick leaders for the anti-union group, hire spies to report on union tactics, and finance the printing of anti-union posters and pamphlets and the provision of "refreshments." If the situation was desperate, a completely phoney, or just a pliant, union might be introduced to confuse the issue. As an extra refinement—of particular use when a newly arrived firm was recruiting its first workers—Mr Shefferman would send in an industrial psychologist who checked off applicants for employment and promotion on an "adaptability scale" by means of a patented device, "the human equation test." This was a cover for probing into personal details about the potential workers, especially their attitudes towards management and unions.

When Mr Shefferman's methods were laid bare before the Senate committee most of the larger employers who had used him, especially Sears, Roebuck, beat their breasts in contrition. But some of the smaller concerns were more robust. One manager declared frankly that he was against trade unions and that, since they brought in professional organisers to run their campaigns for enlisting his workers, why should he not do the same in reply? But this did not cut much ice with the committee, especially as the two other examples before it of firms specialising in labour relations, from the garment and refuse collection industries, turned out to be fronts for New York gangsters.

Cotton to the Rescue

THE August crop report, forecasting another record harvest this year, and particularly the estimate for cotton, putting output at a far higher figure than had been expected, was responsible for saving the farm Bill from being suffocated in the House; and thus for giving Americans a strong push towards lower price supports and fewer controls for farmers. A fall in cotton acreage was inevitable next year since the law fixing the minimum for plantings at 17.6 million acres had expired; but the heavy crop this year meant that the fall would be much sharper than had been foreseen, to 13.7 million acres. Southerners in Congress knew that their constituents would never excuse them if they failed to deal with this situation before going home.

The new Bill, which has been accepted by the Senate, limits cotton plantings permanently to 16 million acres. But for the next two seasons farmers will be permitted to overplant if they accept lower price supports. Price supports for those farmers who keep to their acreage allotments will fall by 5 per cent a year between 1959 and 1962, from 80 per cent of parity to 65 per cent—that is, at present levels of parity, from about 31 cents a pound to about 27 cents. Parity is a variable and far from satisfactory formula which relates the prices farmers receive for their products to those which they have to pay for their requirements. The praiseworthy purpose of the whole operation is to grow more cotton and to keep the price down, so that cotton, instead of going into the government's surplus stocks, will be able to compete with other textile fibres both at home and abroad and to regain the markets which it has lost because it has been too expensive.

The Bill also increases plantings and lowers price supports for rice, continues the wool subsidy and gives farmers who grow maize an opportunity to vote in December on a new scheme for price supports. This would abolish entirely the acreage controls which maize farmers seldom observe in any case and would tie price supports to market prices; the original Senate Bill did this for cotton and rice as well, but the House refused to go along. But if the new Bill does little to get away from the parity concept, it does at least begin the long-sought shift away from a system which guarantees farmers high prices to one which insures them against low prices. And perhaps next year this new long-term approach may be extended to wheat, the worst of the problem crops, and some other commodities as well.

March on Rheumatism

THE National Foundation for Infantile Paralysis has dropped the last three words of its name, now that victory has been won in its twenty-year fight against paralytic poliomyelitis. So far this year there have been fewer than a thousand cases of polio in the United States, although a puzzlingly higher proportion of them than formerly have been of the paralytic variety. But the foundation, which has raised $560 million since Franklin Roosevelt first proposed that it should be formed, mostly from its famous annual March of Dimes, has no intention of folding up this remarkable fund-raising apparatus and stealing away. It will still continue to do work on poliomyelitis—on, for example, the need for additional injections of the Salk vaccine, which it helped to produce—but it has set itself new diseases to conquer: rheumatism and disorders of the central nervous system, including malformations existing at birth, which cause so many deaths and so much misery among children.

Rheumatism in its various forms, including arthritis, is not one of the great killers, but it is the chief cause of disability. It is thought to afflict at least 11 million Americans and probably many more, causing them to lose about 80 million work days a year. This means an annual loss of over $1 billion in wages alone, apart from the care of the victims. Yet up to now, partly because so little is known about the causes of rheumatism, less than $5 million a year has been spent on the research which might lead to the discovery of a cure, although a good deal has been done on drugs which yield temporary relief. By contrast, research into heart disease and cancer, which are more spectacular than rheumatism, absorbs over $120 million a year. Hospital beds set aside for the victims of arthritis and rheumatism number only 700 for the whole country.

The National Foundation is not the first in this field. In 1948 the Arthritis and Rheumatism Foundation was formed and last winter it collected nearly $3 million, a respectable sum although less than a tenth of the $35 million or so which has poured into the National Foundation so far this year. But it has not been possible to find a formula to enable these two benevolent groups to work together peaceably. The smaller foundation fears that it would be swallowed up in a merger. Moreover, the National Foundation, which keeps its local chapters on a tight rein and forbids them to join with other groups in united drives for funds, has proved unwilling to honour, in any merger, the local projects of the ARF, whose branches have always had a great deal of freedom. It will be a pity if these organisational obstacles mean that there is to be wasteful duplication of effort in so worthwhile a field.

SHORTER NOTES

The 1921 anti-dumping law—a familiar battleground for those who market imported goods on the one hand and those who manufacture competing goods in the other—last week received some technical amendments at the hand of Congress. If, as is expected, President Eisenhower signs the measure, domestic producers will find it somewhat easier to gain Treasury support for tariff increases on foreign imports which they consider are selling at less than their "fair value."

* * *

Not for the first time, Congress has intervened to protect the honour and glory of Rear Admiral Hyman G. Rickover from the animosity of his naval colleagues. To offset the glaring omission of his name from those who celebrated the achievement of the *Nautilus* at the White House, he has received the Congressional Medal of Merit for his part in the development of the atomic submarine, as well as an apology from the navy.

* * *

In keeping with the American tradition that the public has a sacred right to know all, Congress has passed, and the President has signed, an Act to remove certain ambiguities in a 1789 statute which gave federal officials a loophole for withholding information.

THE WORLD OVERSEAS

St Euphoria at Turtle Bay

FROM OUR SPECIAL CORRESPONDENT

New York, Thursday

UNDERGROUND rivers, Mr Eisenhower pointed out when he made the opening speech to the Assembly just a week ago, can nowadays be tracked by the use of isotopes, and wells can then be sunk in the right places to tap the subterranean flow. The obscure course of activities at the United Nations in the past week has called for some equally modern development of the water diviner's art. Wednesday afternoon's sudden uprush of fresh, though rather cloudy, Arab fountains came at the end of a week during most of which little could be seen on the surface but an arid waste of speeches stretching to the horizon. Originally it had been hoped that the speeches would be few and to the point : there was talk of an understanding that only one delegation in each group would speak at all. That idea, however, foundered among the rocks of the groups' own internal divisions.

If this has been very much the small powers' session, it was largely due to these divisions : they could make their weight felt all the more because they could not be safely categorised in familiar groups. Anyway, the rolling periods of oratory that boomed round Turtle Bay with increasing meaninglessness as the week wore on provided time for useful work to be done outside the assembly hall. The results of this work—or at least some of the results—broke surface on Wednesday with startling effect.

Until then there were beneath the uninformative surface level of the speeches two distinct lower levels : attitudes made generally known with a view to bargaining, and beneath them again, in hidden depths (the United Nations building has three basements) discreet moves which the movers were at pains to disavow until they felt ready to surface. On the middle level there quickly developed a solid corpus of discussion about shock-absorbers, escape hatches and face-savers, and, in line with the prevailing trend toward competition in sweet reasonableness, the proffered texts drew closer together until only the initiated could appreciate the fine distinctions between them.

For a time the pace slowed. A quiet weekend was had by many, including Mr Dulles and Mr Selwyn Lloyd. True, Hr Hans Engen of Norway suffered a lost weekend and was pursued by *Life* magazine to the point of exhaustion at 2 a.m. on Mr Hammarskjöld's doorstep.

But then he was appointed chief of the " fire brigade," an expression he used when he finally presented the much-revised draft of a resolution on Tuesday : and the difficulties he faced in finding words acceptable—because he neither condemned nor condoned anything anybody had done—were shown by the fact that, even after many modifications, the only member of the Asian-African group found willing to sponsor the draft was Liberia. A dozen members of this group were expected to support the Engen resolution, but the whole group held its skirts demurely aside until the text was so watered down that it was not unfair to summarise it in the words : " Let Dag do it."

The Latin Americans, making the most of the opportunity to assert themselves in face of a shaken United States, and genuinely reluctant to approve anything that might appear an endorsement of the propriety of interventions at the request of governments at odds with their own peoples, secured a minor modification and even then took care to emphasise—though in varying degrees—their independent lines of approach.

EVEN the keenest champions of the Engen text expected only a bare two-thirds majority for it: and the natural question was widely asked what point there was in adopting it if the United Arab Republic was against it. The answer vouchsafed—that, even so, the UAR might well co-operate in practice when Mr Hammarskjöld took wing for Cairo and explained it all to President Nasser—was somewhat dubiously accepted. Anxious questions were also asked about the Secretary-General's power of flight. " Leaving it to Dag " postulated that Mr Hammarskjöld could safely be launched from his thirty-eighth floor window into the void without coming to grief with unhappy consequences for himself and the United Nations. To some eyes he seemed too willing to volunteer for the task of securing the continued survival of Jordan by installing a " presence "—a mystic entity whose intended nature apparently varied according to the time of the week. Although Mr Rifai himself declared that Jordan wanted no substantial presence, this was generally discounted as an opening gambit ; and a lively discussion continued on the question of the composition, scale and functions. It was hardly surprising that people were wondering what—after Unogil, Unef and Untso—this new entity would be called. Still unadopted is a suggestion made in an Israel newspaper: Unicorn—with the lion there already—would be a suitably mystical and elusive beast to join in the struggle around the Jordanian crown.

So Tuesday came, and Hr Engen's text was tabled, accompanied by increasing doubts and by British and American declarations which contained the significant undertaking that they would accept the Assembly's ruling on when the continued presence of their forces in Jordan and Lebanon was no longer necessary. The Asian-African group finally managed to hold their meeting, hummed and hawed over an Indian draft which could not expect to get much more than a dozen non-communist votes because the West found unacceptable its phrase " considers withdrawal should be effected at an early date," and dispersed in polite disorder. On the surface things looked bleaker than ever. The talk was of no resolution being adopted at all: the more derisive suggested that the only thing the Assembly could now adopt would be quite literally a *carte blanche* to be laid in Mr Hammarskjöld's hands. The speeches rolled on, but to no visible end—though Dr Malik did dwell at length on the prospect of reconciling Lebanon's independence with Arab nationalism, a passage the significance of which it was not easy to appreciate at the time.

On Wednesday, however, it seemed that the feast of St Euphoria had arrived. While orators still rose and fell, declaring themselves for or against the Engen resolution, interest suddenly switched to movements in the Arab tents. At first these movements were stealthy, but by mid-afternoon word was spreading like wildfire that all the Arab delegations were working on a joint text for a new draft resolution which would incorporate pledges of non-intervention in each other's affairs and would handle the question of an Anglo-American withdrawal in such discreet language that Washington and London could accept it with good grace. Quick minds flashed back to Mr Hammarskjöld's suggestion in his speech on August 8th that the existing pledges of good neighbourliness between the Arab states might now be renewed, and quick deductions were made. The speeches in the Assembly hall became still more detached from the world of reality, while in the corridors rumour and speculation ran riot. It was hard to find anybody who had actually seen Messrs Fawzi and Rifai publicly embracing, but Dr Malik's beaming euphoria was visible to all.

The credit for this dramatic—to some suspicious eyes, melodramatic—reconciliation was quickly claimed by various parties who had certainly had nothing to do with it. Some sympathy was expressed for the Soviet delegates, who had their nice crisis taken away from them, but it was assumed that Mr Gromyko would manage to present the new development as a triumph for the anti-imperialist forces of the world. The first reactions of the imperialists themselves were, however, disconcertingly cheerful from the Soviet viewpoint. A little time, it was conceded, would be needed to study the finer points of the text, which was not yet publicly available when the last speech ended shortly before midnight in Wednesday's Assembly talkathon and when the night cleaners began sweeping the cigarette butts from under the feet of perspiring correspondents at the press tables. But it was, not unnaturally, the general assumption that if Amman and Beirut proved agreeable, London and Washington would not spurn the apparent opportunity to get off their respective hooks with dignity and grace. At midnight the question remained of who was now liable to find himself impaled in turn.

Mr Hammarskjöld looked like still having a fairly delicate task laid upon him in making the withdrawals possible: but the Arabs seemed to have provided him with a parachute that could make his venture into the Middle Eastern airspace a good deal less hazardous. The " fire brigade's " immediate job appeared to have been done with considerable success: but the next phase, it was assumed, must call for some kind of construction gang. Meanwhile, however, only the more cautious denizens of Turtle Bay were settling down to devote the night hours to examining for flaws the shining web that the Arab delegations had spun, and to wondering if the fibre used was a contemporary non-shrink type, or whether the fabric might shrink to the dimensions of a figleaf inadequate to cover the naked reality of the new Arab relationships. Most of the wearied delegates and observers were reasonably content to await what new wonders the morrow would bring.

Ring Around Jordan

FROM OUR CORRESPONDENT IN AMMAN

THE visit to Cairo of Amir Feisal, Crown Prince and prime minister of Saudi Arabia, marks another stage in the rapprochement between Saudi Arabia and Egypt which now seems virtually complete. The process began last February with the transfer of substantial power from King Saud to Amir Feisal. Other stages were the Saudi foregn policy declaration in March, which was strongly neutralist in tone ; the end of the Saudi subsidy to King Hussein and the withdrawal of Saudi troops from Jordan ; the silence of King Saud during the Lebanese conflict (how eagerly, last year, he would have offered to mediate !) ; the refusal to allow American aircraft to fly over Saudi territory with Bahrain oil for Jordan ; and the visit a fortnight ago of Field Marshal Abdul Hakim Amer, commander-in-chief of the United Arab forces, to the Taif summer residence of the Saudi court.

The gradual change—everything moves slowly in Saudi Arabia—was forced on the Saudi government partly by a financial crisis and partly by strong Nasserist currents inside the country. The final impulse was given by the United States and British interventions in Lebanon and Jordan. Federation was doubtless discussed at Taif and Cairo ; it seems inevitable in the long run. But at the moment, with the Saudi government cautiously following President Nasser's footsteps, that issue is unimportant. The immediate targets of Arab nationalism are King Hussein and his present government.

Amir Feisal's visit to Cairo completes the ring round hapless Jordan. King Hussein has recently harangued army units on both banks of the river in a gallant attempt to retain the loyalty of his soldiers. But despite the plaudits of the bedouin he is a friendless figure standing desperately at bay. Since his props in Iraq and Saudi Arabia fell away he has replied to President Nasser's attacks with increasing violence. His bitterness at the death of his cousin, King Feisal, is understandable ; but is he wise to give it such free rein ? He now stands alone challenging Nasser for the leadership of the Arab world, but torrents are not diverted with ping-pong bats. To the east and north are hostile Iraq and Syria ; to the west is Israel, with which Jordan is still technically at war ; to the south an unfriendly, or at best indifferent, Saudi Arabia. Add to growling neighbours a querulous and discontented household. Two-thirds of the Jordanian people are against the Hashemite regime as a whole ; an even higher percentage is against the government of Sami er-Rifai.

In such circumstances the preservation of the Hashemite house is a formidable, even desperate, task, quite beyond Jordan's own meagre resources. It can be attempted only if substantial and continuing aid is forthcoming from the West. Yet western aid, while strengthening the government, angers the opposition. Thus Jordan is caught in a vicious spiral of mounting tension that threatens to tear the nation apart. This situation will persist whatever Cairo radio may say, or whatever small gangs of infiltrators may do.

The proceedings of the UN General Assembly suggest that the real nature of the Jordan problem is imperfectly understood in New York. When President Eisenhower speaks of " Arab leadership," does he realise that in the present circumstances this means to a great extent the

leadership of President Nasser—a man with whom one "cannot do business"? When he speaks of "Arab goals" does he include among these neutrality between power blocks, Arab unity, the liquidation of positions of "special influence" in the Middle East, and the restoration of Arab "rights" in Palestine? The truth is that the insistence on permanent guarantees for the independence and integrity of the small nations of the Middle East cuts right across some of the most powerful of all Arab aspirations and raises barriers against the advance of the Arabs towards their most cherished goals. Unless this is understood there is no chance of irrigating the wastes of incomprehension that now divide the west from Arab nationalism.

For some months American aid to Jordan has been running at a rate far higher than the former British subsidy. Sums set aside for economic development are not likely to influence the political situation one way or another. More important are grants for immediate budgetary support. In this context, budgetary support means maintenance of the army, police and civil service, failing which the regime would collapse within weeks. American aid so far has been adequate for this purpose, though the method of doling it out has been criticised in Amman. When cash reserves fall to a certain figure the government asks for more and receives another cheque. The system is designed to give the appearance of exercising the control required by United States law and the tougher characters in Congress. But its hand-to-mouth nature can give the Jordanian Government little confidence. There has been consideration recently of an American grant on a bigger scale to ease future planning. The figure of $40 million—which would suffice for eight or nine months—has been mentioned.

Military aid is a more controversial subject. Americans in Amman say that in one year they have given the Jordanian army more fire power than the British did in thirty years. This may be true of fire potential, but not of fire power. Much of the material supplied under the American military aid programme consists of sophisticated weapons—such as modern 155 mm guns—which call for long and expensive training courses. Since the guns arrived in May the Jordanian army has done nothing except polish them. And when, or rather if, training programmes are completed, what then? Heavy weapons might be useful in a war against Israel; they would certainly adorn a parade. But the dangers facing King Hussein are primarily conspiracy and civil disorders. Of what use, then, are advanced artillery and modern armour? In the military, as in the political field, there is room for strong suspicion that both King Hussein and his western advisers are acting without having thought out the objects of their various exercises.

Amid a tangle of confused thought and action the British troops are sitting quietly at Amman airfield. Their behaviour is decorous, though how long they can keep out of larks is a question causing some concern. There is not much to do in Amman. Opinion is broadening here that they will be around for quite some time since, whatever the real purpose of their presence may be, it is unlikely to be fulfilled soon. According to one theory, they are here at the request of King Hussein to help him resist indirect aggression. But that holds no water at all. How can British troops in Amman stop broadcasts from Cairo or the infiltration of small parties from Damascus? A more plausible theory is that they were rushed here to quell nationalist uprisings that might have followed the Baghdad revolution. To borrow a melancholy cliché from the Suez war, they are here "to prevent the forest fire from spreading." But that danger must persist as long as Iraq remains linked with the United Arab Republic and both remain hostile to Jordan. Whichever way we look at it, if the aim is to preserve Jordan for the Hashemites there is small prospect of an early departure. Many Jordanians committed to the regime are quite frank about it: "You cannot get out of it now."

Yet perhaps we can get out of it. The introduction of yet another new concept into the Middle Eastern muddle—that of "a United Nations presence"—may be the cue for a more or less graceless exit. The problem is whether the "presence" is to be ghostly or substantial. If it is the former, the Jordanian government is unlikely to be pleased; if it is the latter, Arab nationalists both outside Jordan and inside will have yet another of the grievances on which they have hitherto waxed fat.

Murmurings in Cyprus

FROM OUR CORRESPONDENT IN NICOSIA

THOUGH none would dare admit it, the secret hopes of many Cypriots have been cruelly dashed by Archbishop Makarios's rejection of Mr Macmillan's proposals for the island. It is true that Greek Cypriot opinion is unanimously opposed to the establishment of two separate legislatures (on the ground that this inevitably leads to partition) and to the mere presence, even in circumscribed functions, of representatives of the Greek and Turkish governments; but many people would have been prepared to accept the British statement at least as a basis for discussion. Athens, however, has pronounced *ex cathedra* against it, and, while Ankara's verdict is still awaited, the mass of the population of the island is "settling down" to another phase of suspense, tension and despair.

Whether Eoka will now unleash its full fury against the British is an open question on which local experts are not agreed. On the positive side there are factors which suggest that such a campaign may be once more averted—rather as it was last January, when Sir Hugh Foot's first round of talks proved inconclusive. It is undoubtedly true that the sovereign influences in both Athens and Ankara now realise that the appalling violence of June and July is something that cannot be repeated lightly, and on the Greek side, with another appeal to the United Nations pending, it seems hard to believe that either Mr Karamanlis or Archbishop Makarios would wish to be cast in the part of instigators of fresh terrorism. Also, in fairness to Eoka, it must be pointed out that all the killings of Britons this year—seven in all—have been essentially "reprisals" for alleged "British atrocities." Amid all the violence and turbulence of the past months there has never been the ruthless murder campaign against the British which marked the first Eoka terrorist tactics.

Unfortunately, the atmosphere is still poisoned by the Greeks' bitter resentment at what they believe to have been the British partiality for the Turks during the June and July riots; and it is pertinent to observe that there are many fair-minded people in the island who consider that Eoka—for policy reasons—might never have hit back against the Turks in the way it did during the latter half of July if it had not been obsessed, rightly or wrongly, with the belief that in the previous weeks the Greek population had not been getting fair treatment or adequate protection from the British. It did not suit the Greeks' book to go for the throats of the Turks then; and it does not suit their book now, for the whole Greek case rests on the thesis that the Turkish population can live happily with them even though they might be the dominant element in the government.

At the same time, however, the island is still a tinder box—and the phrase is not merely a cliché. Terrorist movements must be given exercise to keep them in fighting trim, and few people believe that the present truce can go on for very long; if full-scale violence against the British is not sanctioned, Colonel Grivas's terrorist cadres will doubtless have to find other outlets for their energies. Greek "traitors" (often men or women of leftish leanings) have already been an easy target, and even since the "truce" of August 4th eight Greek Cypriots have been murdered by Eoka. Simultaneously, there has been an intensification of the passive resistance campaign.

In the past two weeks the commercial boycott of British goods has sunk to a new nadir of criminal lunacy and has spread fear and misery among the Greek Cypriot population. When teenage girls have their hair shorn off for wearing English cotton dresses, or when thousands of pounds' worth of British goods lie rotting, unsold and unsaleable in the shops and stores, then there are murmurings almost of disaffection. Nothing, indeed, has come nearer to alienating a large section of the Greek population from Eoka than this insane economic tyranny. Throughout all this, the Greek Cypriots' allegiance to Archbishop Makarios seems to be basically unshaken. They see the archbishop not as the architect of trouble but as the only man who can restrain the fanatics in the island and, at the same time, negotiate effectively with the British to secure what seem to them their inalienable rights. Despite the archbishop's apparent intransigence in the past week, their interpretation may not be so completely divorced from reality.

As well as the perennial question of violence, another big problem is now ominously rising on the horizon. All the pointers are that the Greeks will boycott the proposed election if the British carry through their plan, though in this, as in all things, the final verdict will emanate from Athens. But pronouncements by leading Greek citizens and by the Greek nationalist press in the past week leave little doubt about Greek intentions.

Should the Turks decide to co-operate with the British on the basis of the modified plan then the wheel of the island's fortune would indeed have turned full circle, for the world would be presented with the "traditional" line-up of the British administration, supported by the Turks, trying to carry out the plan in the face of a bitterly hostile Greek opposition. One adventitious factor might upset this situation, it has been suggested; the communists, in true opportunist fashion, could fill the vacuum, and foist themselves into a position as the constitutional representatives of the Greek population. In the kaleidoscopic pattern of Cypriot politics nothing is impossible, but on balance it seems unlikely that the communists could pull off such a stroke at this juncture in the island's history. With Eoka's gunmen in the background, Mr Ziartides and his colleagues of the left would be very brave indeed to attempt such an initiative; and it is very doubtful if at present they sincerely desire it. But the mere theoretical possibility of such a development tends to put the Cyprus problem in a new perspective.

There has been a pattern of inexorable catastrophe about recent events in the island which is almost in the spirit of Greek tragedy. But it would be the most tragic development of all if the new sense of initiative and flexibility in the British approach to the problem—characterised by Mr Macmillan's personal intervention—should give way to a mood of cynical despair. Although no successful outcome appears to have emerged so far from the Prime Minister's talks with the Greeks, there are still fair-minded people who secretly welcome his initiative as a sign of a British resolve to undo the mistakes of the past and get the wretched, futile squabble solved.

His Master's Voice?

FROM OUR PARIS CORRESPONDENT

SCARCELY more than a month separates France from its fateful referendum on September 28th. But, with millions of Frenchmen still away on holiday, the campaign is hardly on the road. General de Gaulle will open it officially for his side on September 4th, on his return from his African tour. Little time will then be left for a voter still to make up his mind. Both the government and its opponents are aware that in this mood of apparent apathy the broadcasting services can have a subtle influence on the electorate. This is why the controversy over the "Gaullist colonisation" of the radio has aroused so much passionate concern.

Earlier this month the press commission of the National Assembly met (parliamentary commissions still assemble and, though they have no power to act, still enjoy the right to get alarmed) and expressed its concern over the growing tendency "towards partial and one-sided information" on the French radio and television. M. Soustelle, the minister of information, decided to hit back hard. He accused the commission of being unrepresentative. And he asserted that only now were efforts being made to give France objective news; hitherto whole departments of the French radio had been "colonised by communists and fellow-travellers."

What are the facts? The bogey of communist infiltration is undoubtedly fiction. Any communists who got on the radio in the days of the resistance movement have long since been purged. Moreover, it could not have been M. Soustelle's intention to reproach other people with their prewar allegiance since, at that time, he himself was prominent on the extreme left.

What is true is that the RTF (the French radio and television), whose statute was never defined, was always less free from government interference than the BBC. There were frequent charges of favouritism, of men being pushed upward by ministers. But governments used to change frequently under the republic and they were coalitions which worked by compromises. By comparison with previous reshuffles, the Gaullist shake-up is really revolutionary.

Since M. Soustelle's appointment as minister in charge, all the key jobs connected with news and comment have changed hands. And all the newcomers are either former members of the Gaullist Rally (the RPF) or known sympathisers of the general. The weekly *L'Express*—which under the editorship of M. Servan-Schreiber is one of the

few French publications not to have been swept by Gaullist enthusiasm—published last week a list of directives issued apparently regularly to the members of the radio's editorial staff. These range from the ridiculous—such as not to mention Colombey-les-deux-Eglises because, seemingly, it annoys the general—to the politically important. Thus, for instance, the broadcasters are apparently ordered to play up any comments favourable to the new constitution, but to play down the activities of, say, the *Union des Forces Democratiques* (a new alliance, hostile to the general, composed of the followers of M. Mendès-France and M. Mitterrand, and anti-Gaullist Socialists and others).

The part played by the radio will gain in importance as the campaign gathers strength. It should soon be possible to hear whether the French broadcasting services are reaching the level of objectivity proclaimed by M. Soustelle or whether they are merely being used to echo his master's voice. By tuning in to France directly, people outside will be able to tell for themselves on what wave-lengths the new regime intends to operate.

Crystal Palaces at Brussels

FROM OUR SPECIAL CORRESPONDENT

THE Brussels exhibition may well be the last of the great international spectacles for which Albert the Good set a precedent in 1851. Financially these exhibitions rarely pay. Their business functions are fulfilled more and more by the plain trade fair. But the Belgians, with their usual business acumen, have managed, at Brussels, to get the best of several worlds. The government, which provides the site, gets the takings at the gate. The national pavilions are paid for by the foreign governments that built them. Belgian business men are paying for the Belgian industrial exhibits, and are also enjoying the benefits of a trade fair without any competitors.

All the same, there are doubts whether the show will prove a paying proposition in the end. It has given the Belgian economy a lift in a time of recession; the roads which have been built to serve it will be a lasting asset; the tourist trade has had a boost. But there have not been so many resident visitors from abroad as were expected. Families from Düsseldorf and Amsterdam, hearing of the soaring prices in Brussels hotels, have chosen to take a coach to the exhibition for the day instead of staying for a week. And the Brussels *restaurateurs* complain that while the exhibition has brought some new foreign customers, their regulars now prefer to eat out at the fair.

Whatever its eventual economic result, however, the exhibition has had a notable political significance. It has been a cockpit of competitive coexistence with the Russian and western pavilions showing off their cultural and industrial achievements.

The Prince Consort himself would probably have felt most at home in the Russian pavilion. It has an authentic Victorian air. Most of the pavilions at Brussels are airy symphonies in structural steel and glass. The Russsian one is faced in expensive stone; the entrance is through a monumental neo-classical portico. Within can be found rows of what look like the largest machine tools in the world, the twentieth century equivalent of the Heath Robinson steam engines and machines that delighted visitors to the Crystal Palace. Above them are the equivalent slogans: "Peace—Democratic Socialism" instead of "Only Through Thee"; before the door an enormous statue of Lenin in a baggy suit parodies the matriarch queen. With its model sputnik on show, its jet aircraft, and its sheer impressive size, the Russian pavilion has made a hit with visitors from all over the world. But as one emerges, gasping for breath, one wonders at the tenacity of this particular culture. For standing at the door is a man selling Coca-Cola.

There could be no more startling contrast to the Russian pavilion than the American one a few yards away. This pavilion is a brilliant piece of modern architecture. A light fanlike roof hangs from a circle of steel girders. At the centre is a pool studded with abstract—some would say gimmicky—shapes. There are far fewer solid objects than in the Russian pavilion, nothing to present America as the greatest industrial power in the world. Quite a few Americans in Europe have been writing to their congressmen to complain; quite a few Europeans have been disappointed, too. But in its allusive way the American pavilion does contrive to reveal something of a living American culture, almost in the anthropological sense—the way Americans live and find expression. "Sunglasses become masks" hangs a caption over a case filled with the strange eye-shapes and wing-shapes that can be seen on the Miami beaches. The strange garb of an American footballer is labelled "the armour of the modern knight."

There is not enough in the American pavilion; it is pretty highbrow and not at all spectacular. Perhaps its gravest weakness is that it fails to convey the vitality that informs America's groping, varied young culture. But it is a brave new departure free from any element of gross propaganda.

The same cannot be said of the British pavilion. Indeed, for a change, Albion has brought off a surprising propaganda *coup*. Almost all the other pavilions are light, with walls of glass. It is almost pitch dark inside the British one. A dim purple light hangs over the waxwork figures of the Court, the crown jewels, the illuminated pictures of the Trooping the Colour and, presiding, Mr Annigoni's portrait of the Queen. In a country that has taken Mr Townsend and Princess Margaret to its heart, the royal spectacle is a hair-raising success. Then come Calder Hall, Dounreay, the Commonwealth and, finally, a sort of walled garden opening on to a pool studded with boats: there are plenty of old chestnuts here, but they are presented with great skill and considerable taste. And, at the end, Britain appears to have pulled another fast one on its competitors. It alone has a separate pavilion where British industrial firms exhibit under the auspices of the Federation of British Industries.

Real cows from Holland and a live priest from Rome are other attractions at Brussels. But perhaps the most distinctive national gesture was that of the tiny principality of Andorra. France, the co-sovereign, disputed the Andorrans' right to exhibit at all; undaunted, this David set up a pavilion next to the French one, consisting of an office with a table and a chair. France thereupon applied sanctions to the little state, and the Andorrans beat a retreat by inviting San Marino to share the pavilion with them. Might prevailed in the end; and Andorra is no longer represented at Brussels. But there was one great moment when the two tiny states, with their minute pavilion, had a vote each in the council of the exhibition on a parity with the great powers.

The Splits, Japanese Style

FROM OUR TOKYO CORRESPONDENT

A FAVOURITE after-dinner pastime in Japanese geisha-houses is the game that Westerners know as scissors-cut-paper, paper-wraps-stone, stone-blunts-scissors. The way it is played by the geishas and their customers has, however, an added novelty. Losers are obliged, amid much hilarity, to get up and do the splits. It is perhaps as well that most Japanese politicians spend a good deal of their time in geisha-houses, because doing the splits seems to be rapidly becoming a sort of occupational hazard for them. Earlier this year the Prime Minister, Mr Kishi, was seen undertaking this embarrassing exercise in relation to Peking and Taipeh. Now it is the turn of Mr Fujiyama, the Foreign Minister, in connection with the Middle East crisis.

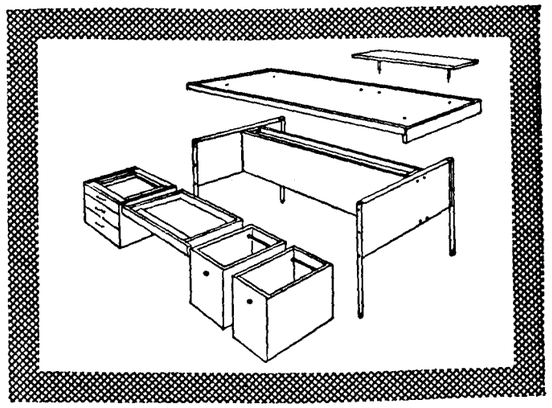
Last September the Japanese Foreign Office announced three "basic principles" of foreign policy: respect for the United Nations, co-operation with the United States, and loyalty to the Afro-Asian group of which Japan is a member. Everyone hailed the first of those principles as impeccable, but a good many people wondered aloud what would happen if the other two should turn out to be incompatible. Which one would then get priority? Mr Fujiyama's immediate reaction to the West's armed intervention in the Middle East appeared to furnish an interesting answer. He made it plain that he regarded intervention as a first-class blunder, well calculated to turn honest Arab nationalists into willy-nilly supporters of communism; and he was in favour of Japan supporting a demand for the West's instant withdrawal. But by the time Mr Fujiyama turned up at the United Nations, he had evidently undergone either a sea-change or a brain-washing, for his address to the Assembly was an extremely watery reflection of his formerly expressed views. There is no secret about the reason for this remarkable dilution. It was effected in deference to Japan's relations with the United States. Confronted with this priority, Mr Fujiyama was compelled to do the splits

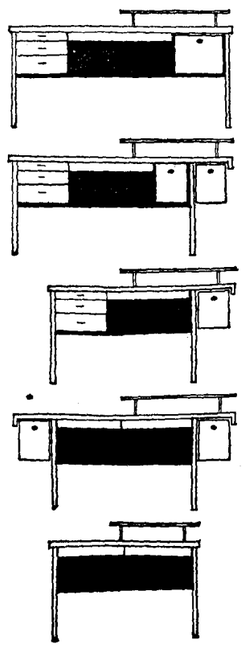
Mr Fujiyama's dilemma is all the more painful because there is not much doubt about where either he personally or the bulk of public opinion in Japan would prefer to stake their sympathies, if given a completely free choice. In this year's general election campaign, Liberal-Democrat candidates were not lagging behind the Socialists in espousing co-operation with the Afro-Asian nations as the first priority of Japan's foreign policy. They did so from conviction as well as because they knew it would be a popular thing to say. Most Japanese seem to be realistic, rather than enthusiastic, about the American alliance. They hasten—all except, of course, the Socialists; but they, however, appeared from the election results to have reached their high water mark—to declare that they are not against it; but they rather disconcertingly add that this is because the alliance is just one of those things that can't be helped. When the Japanese government is compelled by circumstances to accord open priority to the alliance with the United States over all other ties, it does so in the uncomfortable awareness that this lays it open to the charge of subservience and of having an "inferiority complex" towards the West. This is why Mr Kishi so frequently reminds people that he has "always strongly protested" to America about such things as nuclear weapon tests; unfortunately those displays of independence have never convinced his critics. When the government finds itself compelled to support the United States, even to the point of seeming to desert another of its own "basic principles," it is additionally accused of pursuing a devious and two-faced foreign policy.

While it is the Middle East that has temporarily come into prominence as an illustration of Japan's embarrassing position between east and west, the Middle East after all is happily still far away. China remains the rock that threatens to wreck the country's foreign policy. Mr Kishi's face was saved, for the time being, by the undue belligerency that Peking ineptly displayed: Mr Kishi did not have to complete his splits, but was able to throw his weight at the last moment from his left to his right leg. This, however, did not end the story. While Peking sits with sternly folded arms, loudly proclaiming its intention to remain unco-operative, Mr Kishi under domestic pressure has tried to soften the Chinese idol's forbidding expression by hinting that he is not averse to a new approach, this time "through India and other third countries". One of the "third countries" might even conceivably be Russia, which has recently inclined to cordiality towards Japan even as Peking has become more aloof, and whither Mr Kishi is shortly dispatching Mr Nagano, the president of the Fuji Iron and Steel Corporation, as a "roving ambassador". Mr Nagano was associated with Japan's previous steel mission to China, and the mission had virtually concluded a steel agreement with the Chinese when the Nagasaki "flag incident" led to the severing of all trade ties. That Mr Kishi should be persisting in such overtures, even though the Chinese with their usual raucousness have gone on rubbing home their intention to bring the Kishi government down if they get half a chance, is a remarkable illustration of how unhappy and insecure Japan feels about being at odds with the biggest Asian of all.

It is consequently not surprising that the Japanese should be experiencing some impatience with some of the West's policies. Western intervention in the Middle East is still regarded as a major blunder, whatever Mr Fujiyama may feel constrained to say. The relaxations in the trade embargo, though welcome in principle, come at an awkward time—when, because of the quarrel with Peking, the Japanese alone are left outside the China door at which they have knocked for so long, while all their competitors push past. This provides an additional source of irritation regarding America's whole China policy. There is also the matter of Japan's trade with the United States; the state of unbalance of that trade is not mitigated in Japanese eyes either by the flow of dollars from procurement (which is anyhow expected to shrink) or by the fact that the United States government appears to base its reiterated assurances that it will not restrict Japanese exports on the assumption that Japan will continue to restrict them itself through "voluntary quotas". In south-east Asia, Japan sees its best hope of keeping and enlarging its markets there by America supplying those countries with money for development; this, the Japanese think, would be a reasonable price for America to pay, since it is largely American policy that keeps Japan out of the China market. But so far those hoped-for dollars remain a gleam in Japan's own eye. Amid the discomfitures which they associate with western policies, the Japanese politicians may one day tire of having to do the splits; for, as they like to remind westerners from time to time, Japan, after all, is an Asian country.

Variations on a desk





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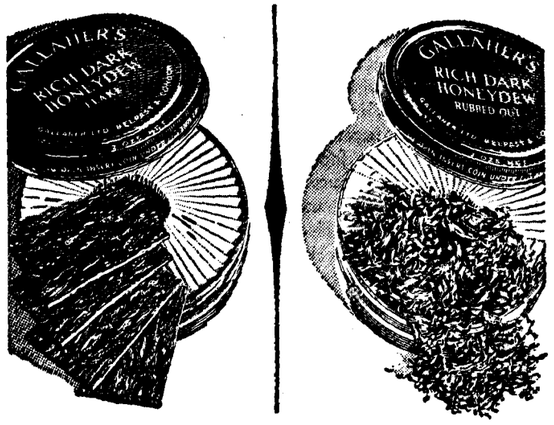


FLAKE **4/11** *RUBBED OUT*

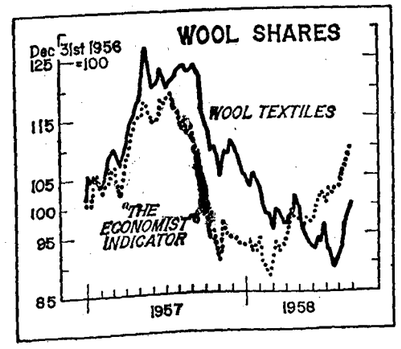
PER OZ.

THE BUSINESS WORLD

No Golden Fleece

YORKSHIRE woollen men take their medicine when they must, and by taking it they clear their system. That is one reason why wool has done so much better than cotton since the war But Yorkshire cannot escape a slump when, as now, wool textiles are depressed everywhere. Wool textile firms are always at some risk on raw wool prices, even though they hedge part of it. Their reports, now coming out, show how costly it has been to trade against falling raw wool prices in this last year. Faces in Dewsbury are long and because they are long now it is possible that the acute stage of recession may be near its end. The most costly orders booked at wrong prices must by now have passed down the supply pipe to be followed by other consignments also booked on a falling market, but likely to involve smaller losses at each stage of their journey.

Wool is not a single industry but rather a multiplicity of industries. In many companies there is a good deal of vertical integration, with the result that financial results blur the division between the different sections. It is an industry mainly of small units and seems likely to remain so, though big groups have been built up by amalgamations, such as those achieved by Illingworth, Morris and Salts (Saltaire). But among so many firms of moderate size (and after a long run of good trading) it is still easy to find units that are prospering. Bradford still has its Bentleys about and some mills are still working overtime even though short time is becoming widespread. Both woollens and worsteds have been hit. Worsteds are now out of fashion for women's wear and part of the woollen side has been sharply affected by Italian competition. The stylish and expensive Italian knitwear that madam can buy in the West end stores does not worry the Yorkshire trade. The cause of worry is imported imitation Donegals and the like containing a high percentage of shoddy. These surmount a 17½ per cent import duty, the Italians having cut their welfare costs by moving the looms from the factory into the home and giving the weaver the status of a home craftsman. Dewsbury, Batley and Morley have been hard hit by this competition and to their credit they have not been agitating for more protection. Moreover though a Free Trade Area would obviously increase this competition—for then the 17½ per cent duty on imports from Italy would disappear—most men in the industry still believe that wool textiles as a whole have more to gain than to lose in a European Free Trade Area that includes Britain. Justification for this view seems to follow from the fact that Britain's exports of woollen textiles to Europe have been relatively well maintained this year despite recession in every major wool industry in Europe; they have suffered much less than cotton exports.



Consumption of raw wool in Britain is now running about 16 per cent lower than a year ago. Nothing like this fall has been seen since the slump that followed the pricking of the Korean bubble. What can be done to speed the end of the recession? The wool merchant who has seen his product drop by roughly 30 per cent in the past 12 months and the top maker who has seen his tops fall almost as much can be pardoned if they feel that no harm would be done by passing the price reductions right down the line. That would at least show whether consumers, many of whom seem resolved to make their suits last another year and spend their undiminished purchasing power elsewhere, can be tempted to change their minds.

Lower wool prices are also already making the industry revise the proportion of man-made fibres that it uses in its mixtures; even that cheapest auxiliary of the textile manufacturer, viscose rayon staple. The price advantage in incorporating synthetics in wool mixtures is much less potent than it was. That will go hard for Courtaulds and ICI. Indeed, ICI seems faced with a tough struggle about the percentage of Terylene to be incorporated in Terylene-wool mixtures: some manufacturers dislike the minimum ratio of 55 per cent Terylene to 45 per cent wool on which ICI seeks to insist; some would prefer 25 per cent Terylene to 75 per cent wool and some even 20 to 80. If the new Australian process (sponsored by Albright and Wilson and others) for imparting permanent pleating properties to pure wool fabrics proves successful that again would do Terylene no good.

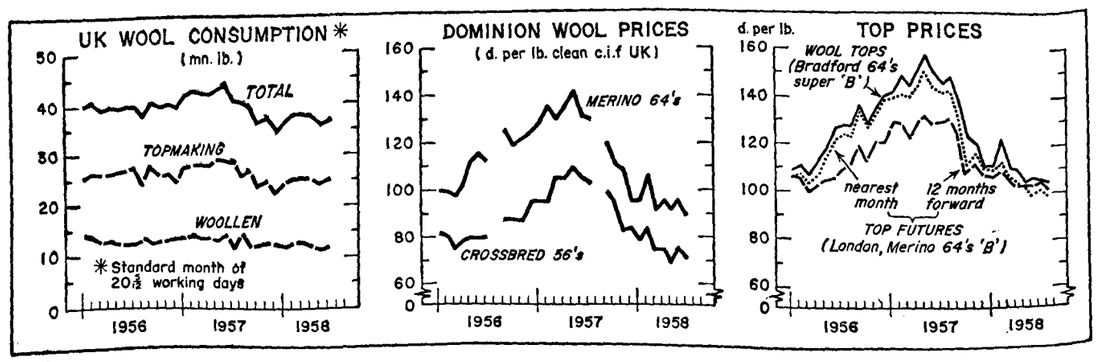
There is an obvious possibility that the trade, particularly the top making and spinning sections, might make more use of the London futures market to minimise the speculative risk on raw material holdings. Yet traders still regard that young market with varying degrees either of tolerance or scepticism. The futures market, it is argued, provides at best an incomplete hedge against the movements in raw wool. As the chart shows, 64s "B" tops in the futures market run persistently below actual 64 B tops on the Bradford market, though not by a constant margin. In general, allowing for that margin and for the cost of dealing, the top maker who sells actual tops and covers himself by buying tops in the futures market is left unprotected for the first several pence of any fall. Top makers usually prefer to cover themselves in the time honoured way—buying wool as they sell tops. But any claim that they are fully protected thus is less than half the truth; many a customer in a falling market has delayed taking delivery or has asked for help. And in the long interval between the end of the one wool season in June and the arrival in England in November of the first new season's wool from the next clip, top makers would be out of business if they held no uncommitted stock of wool.

Top makers have found one way of turning the futures market to their advantage—a way that the founders of the market probably never foresaw. They are selling the forward contract in order to make the tops and deliver them when the contract matures. It is not an ideal method of trading, for most buyers want not a standard 64 "B" top but a particular variant of it. Nor is it ideal for the seller, as some have realised after they discovered that they were delivering through the futures market to their own customers. But it does keep the machinery clothed. Heavy deliveries against the futures contract also partly explain why tops twelve months forward now stand at a premium over the near month. This phenomenon is even more marked on the Antwerp market. Normally a change round from a premium to a discount on the nearest month (such as occurred in May) would be a significant indication that the bear market in wool was ending. But on this occasion the phenomenon may not mark a heartening new confidence in the distant future but merely a sickening realisation by the holder of near month tops that he is going to get physical delivery.

If there were a rise in wool prices—says Bradford—the buying of wool textiles would soon start up again; the clothing manufacturers would come in and buying would spread right along the production chain. If Bradford could only get some orders—say London and Melbourne—wool prices would soon begin to rise and with a higher rate of consumption the apparent surplus of wool would vanish. But what figures there are do not suggest that recovery is imminent or certain. The world clip, thanks to a smaller outturn in Australia, may be about two per cent down at, say, 2,840 million lbs; world consumption for the latest (April-June) quarter was running at an annual rate of about 2,650 million lbs and the carry forward (chiefly in South America) around 250 million lbs. The remainder of the British strategic stock, now about 80 million lbs, is being held off the market for the time being, but not for ever. The New Zealand Wool Commission armed with its largely uncommitted fund of £30 million for supporting New Zealand type wool has played its hand firmly and wisely and has announced substantially unchanged support prices for the new season, which starts in October for New Zealand wool. Only a major disaster could force New Zealand to change its prices in mid-season. The South Africans, less wisely, have tried to dispose of some of the wool they had bought in.

There is not the making of a bull market in the figures. No other recent season has started with an evident surplus of about 12½ per cent of current consumption. It would take a real threat to peace or a general upsurge in commodity prices to jerk wool upwards when the Australia auctions start on Monday. Yorkshire will expect to make its initial purchases in Melbourne, Brisbane, and Perth next week at lower prices than it was paying at the end of June. A fall of up to 5 per cent would not surprise most buyers. The best hope seems to be that the early fall will be sharp enough to tempt buyers in.

Two years' hard labour is the sentence that many in wool textiles now believe that harsh fate has imposed upon them. They look for some small seasonal recovery in the trade in the autumn. They hope that when wool finds a bottom the drastic writing down that many businesses have had to do may prove a little more than sufficient. But the industry is not yet sold out. Stocks of tops are still a little higher than they were a year ago. Stocks cannot be followed all along the chain of production, but at the weaving and clothing manufacturing stages they have probably been reduced. The clothing manufacturers may soon have to buy. But if they do so, they can still be supplied quickly and in quantity. Costs are still rising even though the pace of the advance has noticeably slackened; the wage increase this year was 3 per cent, against 6½ per cent last year and 6½ per cent the year before. The worst of the recession may be over but the time for recovery has not arrived and when it comes it may be laboured.



Why the Supermarket Pays

BY A CORRESPONDENT

At last self service seems to be cutting retailing costs as it ought to—because it is reaching the scale where real economies are to be had

THERE are now 4,500 self service shops in Britain and 70 more are being added every month. Though entirely a postwar phenomenon (there were only 10 in 1947) they have become a familiar feature of the shopping scene. Out of this steady development, however, is now bursting something different and far more dynamic—the supermarket. The current definition of a supermarket presumes self service of a full range of foods and cleaning materials in a selling area of not less than 2,000 sq. ft.—say 30 ft. wide by 65 ft. deep. By this measure, there are still only 175 supermarkets in the UK, but at least five new ones are opened each month, and it is these, and not the smaller shops converted to self service, that are beginning to cause the dramatic lowering of prices to the consumer that one might expect from a major technological upheaval. In new buildings, or housed, like hermit crabs, in former cinemas or dance-halls, the supermarkets show a front of marble, armour-plate glass, terrazzo and stonework, beguile the customer with highlights and soft music, run their own free newspapers and playpens, decorate their openings with film stars and helicopters, and may include a coffee bar, a record "browserie" and a battery of vending machines for use after hours. The difference from the homely self service grocer's shop is clear. The dividing line comes at 2,000 sq. ft.: this 2,000 sq. ft. corresponds roughly to the difference between three and four "checkout lanes," where customers pay, and is a significant watershed (a near miss can call itself a "superette").

The timing of the supermarket's emergence in Britain has not been accidental. Two events in 1954 made it possible. In the middle of the year, the end of food rationing caused a swing to main-street shopping, and at its close, control of building by licences was lifted. By that time, the necessary experience of self service in British conditions had already been gained; after allowing for a 12-18 month production period (find site, haggle over purchase, get contract drawn up, discuss with architect, get planning and byelaw consent, prepare detailed drawings and specifications, go out to tender, cut down on frills when you see the price, wait for materials in short supply, build, equip and stock) the present upsurge is not unduly delayed.

The Co-operative Movement runs nearly half of all British supermarkets, but it owes this lead principally to three societies—Nottingham, Barnsley and Warrington. Private trade development has been rather concentrated in the London area, possibly because only there are to be found shopping centres with as high a traffic density as any provincial centre, but without competition for sites from the speciality shops and department stores that congregate in the West End. Uxbridge, Croydon, Hounslow, Slough, Wimbledon and Kingston: housewives here are enjoying low prices on branded goods as yet unknown to their opposite numbers in Bristol and Birmingham, Glasgow and Newcastle.

The pacemaker in this has been Premier, a subsidiary of the Express Dairy Company formed to build and run supermarkets only, and now operating 16 (plus two superettes). A similar subsidiary—of the Weston group—is Fine-Fare, now with 22. Of the established grocery multiples, only Sainsbury has kept up with these. Progress here is likely to become more rapid, though the giant Home and Colonial group still appears

hesitant. In department stores and variety chains, finally, there are self-service food departments—new or converted—some of which are supermarket size.

The principal economy of the supermarket is in labour costs. Self service makes possible rationalisation and specialisation in retailing, but it is only by operating on a supermarket scale that these potential economies can be fully realised. Self service mechanises the price listing and adding operation; supermarkets allow checkout operators to be trained as specialists and their employment to be statistically related to the weekly pattern of demand. Self service separates the jobs of processing goods from the job of attending to customers; in supermarkets processing can be put on a production line basis. There are appreciable economies of scale, too, in the jobs of price marking and replenishing the shelves. As a result, supermarkets are getting their wage cost down below 5 per cent and even 4 per cent of sales, whereas the smaller self-service stores shave off only a half to one per cent on the counter service ratio of 7 to 8 per cent at a sales level of about £600 per week. At the same time supermarkets may offer better pay and staff amenities.

Since the largest element in retailing costs is lowered, gross margins are raised in spite of lower retail prices. This is a feature of all self service but in the smaller shop it is due to "impulse buying" of goods the customer would otherwise never have noticed, and its effect is not substantial. The grocer with a supermarket, however, can break into the food trades with higher distributive margins such as butchery and greengrocery, and can fix his eyes on the green pastures of "non-food" goods — which offer glittering prizes in higher margins. There is waste in the perishables, but prepacking, high turnover, and refrigeration to the point of sale give the supermarket advantages over the traditional specialist shopkeeper whose trade it is taking. There are risks in buying hardware, stationery, paperback books and the like, but the multiple's statistical approach to stock control enables it to cope with the unfamiliar. A year ago a supermarket company with very keen prices and 15 per cent of its trade in goods other than food grossed 19 per cent against an average of 17.7 per cent for the counter-service branches of six grocery multiples. The one essential is that the article should be something the customer can choose without assistance and can carry away. Beyond that, the only criterion is becoming profit per foot of shelving occupied.

BUT size brings its disadvantages too. It is size, and not self service as such, that destroys a continuing personal relationship with customers. The most serious consequence of this is a sharp increase in pilferage that one-way glass, mirrors, store detectives and prosecutions may check but cannot render costless. No one can measure exactly the rate of loss through customer pilferage, because it is difficult to disentangle from staff pilferage, processing losses, and even errors in invoicing or stocktaking, but it is clear that the supermarket attracts the professional shoplifter, whereas the small self-service grocer's shop does not.

More important than such "leakages," however, is the rise in the fixed capital employed. The supermarket operator has to find a large site in a first-class shopping centre. He has to compete for it with footwear and drapery stores and other trades operating on much higher margins. To get a clear area, he often has to carry out costly alterations to existing buildings, or if he builds anew, he must add, to please the local authorities, one or two storeys he does not want. Some £8 per sq. ft. of selling area "after you have got the building" has been quoted as an average figure for alterations, interior decoration, lighting, refrigeration and other equipment.

Thus the supermarket has shifted costs from variable to overhead, and has set itself a high breakeven point with the chance of big profits if it can work to capacity or near it. In a successful operation, sales may average, with late night opening, 30s. per sq. ft. of selling area per week. The highest known figure is 70s. in the Earls Court Road, but "capacity" may normally be reckoned at around 40s. per sq. ft.

Though the costs of credit and delivery are avoided,

SUPERMARKETS IN BRITAIN, JULY 1958

Type of Organisation	No.	%	Region	No.	%
Co-operatives	83	47·4	London and S.E.	75	42·9
Multiples (10 or more branches)	69	39·4	South West	10	5·7
Independent and small multiples	6	3·4	Central and S. Midlands	24	13·7
Department Stores	17	9·7	North	55	31·4
			Wales and W. Midlands	...	...
			Scotland	11	6·3
			Ireland	...	...
Total	175	100·0	Total	175	100·0

Source: *Self Service and Supermarket Directory.*

heavy advertising and bargain prices are usually necessary to get the sales figures where they have to be. Price cutting seems a "natural" for the supermarkets. Their average costs are somewhat lower than those of their competitors, but their marginal costs are enormously lower, particularly in respect of branded articles requiring no wrapping or processing in the shop. Moreover, a supermarket starting from scratch has to change customers' buying habits to an unprecedented extent; customers may be induced to return by the agreeable convenience of one-stop shopping, but it is price-cutting that has the power to compel them to come in the first place. Finally, once in, they will wander round; their additional "impulse purchases" are greater than in the traditional shop. The supermarket, therefore, must, and can, snap its fingers at the oligopolistic considerations that for so long have restrained the established shopkeeper. Of course, after a certain point, depending on the location, diminishing returns set in, and the relation of sales at this point to the capital invested will determine the profitability of the venture. There is still much guesswork.

It is by no means clear as yet where the economies stop. Those with an eye on the American scene note the growth to over 20,000 sq. ft. and the current development of "super supermarkets" of 100,000 sq. ft. This is in an automobile economy, but Europe's largest, run by the Eklöh Company at Cologne, is operating fairly successfully at 23,000 sq. ft. (it provides nothing as small as shopping baskets, only pushcarts). The major British operators seem to be shifting up a little from the 3,000-6,000 sq. ft. into the 4,000-8,000 sq. ft. bracket, and this is enough to support economically the preparation of fresh meat (the technical problems of doing this satisfactorily away from the store have not yet been solved). They are probably on the right tack in settling down at this size and going now for the economies of the supermarket chain, developing and exploiting their new-found buying power in non-foods, and researching in matters of layout, customer flow, stock assortment, packaging, mechanisation and training. "Each new store we open is cheaper—and better—than the last" one company claims. Another uses a concealed cine-camera to record customers' movements for later study.

The next big change will be the move out of town, but that may not come for ten years and even then there are features of the British scene which may prevent development from slavishly following the American pattern. Britain may get more motor cars and roads, but its population density will always be some ten times greater than that of the USA. We may get more and bigger domestic refrigerators, but we shall always have much lower summer temperatures.

Even at its present size, the supermarket is a big venture. Each one represents an investment of £15,000 to £50,000, or even double that, at a time when many grocery multiples still have a "tail" of branches that they could not dispose of for £1,500. The existence even now of such "tails" is significant, for it has been the continuing administrative responsibilities of the traditional shopkeeper that have often prevented him from adapting to change. It is difficult to take the risks of concentrating on one location much larger financial resources than in the past; to develop the administrative "infra-structure" needed to support non-foods and to adopt the "engineering" approach to designing and running a shop is perhaps even more difficult. As supermarkets cover the country and the system of maintained prices breaks up, one may spare a tear for those amongst the small men—and the not so small—who will be forced to the wall in the small man's traditional refuse, retail distribution. But one must congratulate the housewife on her belated good fortune.

BUSINESS NOTES

IN THE MARKETS

Living Up to 4½ Per Cent

FIRM markets all round—a steady exchange rate, a lower Treasury bill rate, a firm gilt edged market have followed the reduction in the Bank rate from 5 per cent to 4½ per cent. The reactions were all more or less according to expectations, and also in accordance with market estimates; the actual movement of gilt edged prices and yields was small. Over the week ended on Wednesday the *Financial Times* index of Government securities has risen only from 84.57 to 84.70. This was partly because the change had been widely expected and discounted, and partly because the authorities continue to control the long term rate of interest, by holding the price at which they sell the Funding 5½ per cent stock 1982-84, and by taking the head of steam off the market by allowing new issues to come forward. Croydon came to market this week for £4 million of 5½ per cent stock 1974-77 at £99 per cent. Croydon is a good name. The gross redemption yield at £5 11s. 9d. per cent was, when the issue was announced, a few pence better than the yield obtainable on the 5½ per cent Liverpool issue. So the Croydon issue on Thursday met with a quick response and the way seems open to further gilt edged issues. Not many more of them can be 5½ per cent issues at a discount if the market continues to rise.

Last week's reduction in Bank rate had been anticipated in the money market to a greater extent than any of the three preceding reductions. When it came the Treasury bill rate was standing 1⅛ per cent below 5 per cent, and so the adjustment at the tender on Friday of last week was unusually small—indeed, the fall in the discount market's rate was actually smaller than the fall in the week before. Nevertheless, the Treasury bill rate at under 3¾ per cent, shows a bigger margin below Bank rate than that immediately following the past three Bank rate reductions. The discount market last week was outbid by outsiders, and missed most of the bills. But further downward movements in London rates may be checked by the upturn in rates in the United States, discussed in the American Survey.

Much the sharpest reaction to the Bank rate change came from the industrial side of the market where the start of a new Stock Exchange account on Wednesday was the signal for a further general advance. Over the week ended on Wednesday *The Economist* indicator has risen 4.8 to a new peak of 208.0. On the first three days of this week daily markings were 13,903, 12,621 and 12,860, easily the highest run of markings for more than a year. Clearly the reaction of investors to lower interest rates is not the same as that of the authorities who are conceding them. The

rein may have been loosened to avoid or at least minimise recession: investors are looking beyond that danger period to renewed expansion.

Tax Reserve Certificates

CONSEQUENTIAL changes in the interest rates on the fringe of the market follow in leisurely fashion. One adjustment was made this week. As from Wednesday the rate on newly bought Tax Reserve certificates was reduced from 3 per cent tax free to 2½ per cent tax free, the 3 per cent rate had been effective since June 7th. This is the third reduction made so far this year. The certificates which can be used only in payment of income tax, surtax or Land Tax, carry interest only for two years. Some reduction in the current rates charged on loans from the Public Works Loan Board now seems due. The rates as this issue goes to press are 5¼ per cent on loans of less than 5 years and 6¼ per cent on longer loans and the 6¼ per cent rate is markedly less attractive than the terms obtainable either from the mortgage market or by a Stock Exchange issue.

Nevertheless the actual movement of rates in the mortgage market last week was small:

LOCAL AUTHORITY LOAN RATES

	Before Bank Rate change Per cent	Now Per cent
Seven Days' money	5	4½
2–5 year mortgages	5⅞	5¾
10–20 year mortgages	5⅞–5⅞	5⅞–5¾
Over 20 years	5¾	5¾

The smallness of the change reflects partly the fact that the latest Bank rate reduction was widely discounted; moreover the new rates have probably not yet been fully tested.

EARNINGS

A Penny More

ONE fairly consistent feature of all the answers to questionnaires that industrialists have dutifully been supplying to this researcher and that during the last nine months has been that they are working much less overtime in their factories and that more of them have had departments on short time. This is now beginning to reach the official statistics that deal with industrial pay packets. According to the Ministry of Labour's half-yearly survey of earnings, the average industrial pay packet was £10 14s. 1d. last April, only 1s. 8d. more than in October 1957. This increase of just under 1 per cent was the smallest half-yearly rise recorded since the regular surveys started in 1947. In manufacturing alone, the rise was even smaller and men's average earnings at £13 1s. 3d. were only a penny a week more than six months before.

The twelve months' comparison includes the tail end of a period of much more vigorously growing incomes. Manufacturing earnings for men were 5 per cent higher in April 1958 than in April 1957 while industrial earnings generally were 4½ per cent higher. The index of retail prices rose 5 per cent over these twelve months, though it has since fallen: in April it was 5 per cent higher than in April 1957 and about 2½ per cent higher than in October. In each six-month period between April 1957 and April 1958, earnings rose exactly in step with wage-rates. The cuts in overtime had shortened the working week over the year by about half an hour.

MANUFACTURING INVESTMENT

Over the Peak

MANUFACTURING investment now appears to have reached its peak volume about a year ago, though industrialists have since been paying out perceptibly more on their capital programmes because prices have gone on rising. The Board of Trade's revised estimate of spending in the first three months is a two per cent increase over the same months of last year in current values but a three per cent drop in volume. This is fractionally higher than the earlier estimate of a one per cent value increase. But both sets of figures for this first quarter are comparisons with early 1957, when fuel shortage sent vehicle sales plummeting downwards. Had investment in vehicles during the Suez crisis been the same as just before, the Board of Trade reckons that the increase in spending on all kinds of capital assets between January and March this year would have been less than one per cent.

The board has now revised and improved this series of quarterly capital expenditure estimates for manufacturing industries, which are based upon reports sent in by several hundred of the larger firms, by re-aligning them on a quarterly breakdown of investment spending revealed by the censuses of production for 1955 and 1956. This puts the earlier figures in this series on the same basis as that used to compile the national investment figures, with which

VOLUME OF MANUFACTURING INVESTMENT

	1957	1957				1958
	Total Value	I	II	III	IV	I
	£ mn.	%	%	%	%	%
Building Work	261	+11	− 4	− 3	−12	−11
Plant and Machinery	622	+10	+13	+ 4	− 4	− 3
Vehicles	43	−29	− 9	+ 5	+ 8	+57
	926	+ 9	+ 6	+ 2	− 6	− 3

there had always been some discrepancy in results particularly in 1955. That the more recent figures are no longer strictly comparable with those for 1955 and 1956 matters less, since their main purpose is to indicate current changes in industrialists' spending and future intentions. In addition, the board is now publishing actual expenditures, as well as percentage changes, and—more valuable still—changes in the volume of quarterly expenditure, which it arrives at by applying to the current price figures "the most appropriate available price indices." Hedged with proper caution, the new series of volume changes show sufficient of a smooth trend since 1955 to confirm that the level of spending in real terms started to decline last autumn. On new building work, the decline appears to have started during the early summer of 1957.

BANKS AND HIRE PURCHASE

The Scottish Merger

FOLLOWING immediately upon the announcement of the bid for all the shares of Olds Discount company, details were announced last week of the proposed merger of the Commercial Bank of Scotland and the National Bank of Scotland. The two schemes are closely connected, and their

implications reach far beyond Scotland. It is proposed—the approval of shareholders has still to be obtained—that the National shall be merged into the Commercial Bank on the basis of six £1 units, 8s. paid, of National Consolidated stock for five new Commercial Bank "A" shares which will become 10s. shares fully paid. The effect will be that shareholders of the National Bank—that is to all intents and purposes Lloyds Bank—will hold around 37 per cent in the combined institution, which will then be renamed the National Commercial Bank of Scotland. Lloyds' proportion is notably smaller than could apparently be justified on the National Bank's share of combined deposits or of combined balance sheet totals. On either of those bases a share of 44 per cent would have been about right. But it may well be that the capital of the Commercial Bank's existing wholly owned hire purchase subsidiary, Scottish Midland Guarantee Trust, is under-valued in the books, at £2.87 million.

The New Olds

IF the bid for Olds succeeds—and the shares of this finance house are more widely spread than those of other houses that have been the subject of bids by banks—the new National Commercial of Scotland will have interests in two HP finance houses (whose business is to a large extent complementary, Olds doing much block discounting of retailers' paper on "small unit" consumer goods, while SMGT finances mainly cars and capital goods). But it appears that the Scottish bank will not have a majority interest in these companies; that will be held by Lloyds Bank, which through a stake in no less than four hire purchase ventures (see table below) seems likely to have the largest interest in hire purchase of any bank in Great Britain. The bid for Olds involves £9½ million, and that would be a big sum for the Scottish institution. Accordingly, Lloyds Bank is being directly associated in the bid (though it is formally made by Lazards on behalf of the Scottish Midland Guarantee Trust).

The form of the eventual association of the Scottish bank with the two subsidiaries has not been finally worked out, but one possibility is the formation of a holding company to own the two houses in which Lloyds Bank and the National Commercial would be the shareholders. It seems that Lloyds might take as much as 50 per cent in the holding company; and this, together with its 37 per cent in the National Commercial, would give it a total interest of around 68 per cent in both Olds and the Scottish Midland Trust. Lloyds has stated that it does not intend to increase its holding in the combined Scottish bank.

NYLON

70 million lb a year?

WHEN the new £10 million British Nylon Spinners' plant outside Portsmouth is in commission it will add about 20 million lb annually to the country's nylon spinning capacity and raise it to something between 60 and 70 million lb of yarn a year. Current output of nylon is something of a mystery; the figures are totalled

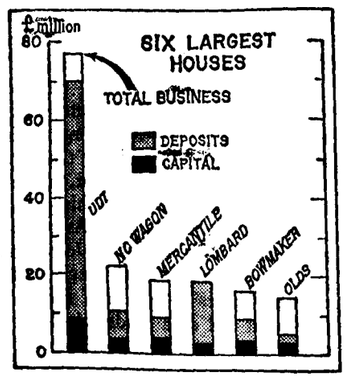
The Finance of Hire Purchase

THROUGH these holiday weeks the structure of hire purchase finance has been transformed. Nine of the twelve members of the Finance Houses association are involved in links with ten parent banks. The first column of the table shows the proposed associations. The right-hand side of the table summarises the existing sources of the hire purchase houses finance, as shown by their last balance sheet (though subsequent increases in capital except those in connection with the bank deals have been taken into account).

FINANCE HOUSE: NEW INTERESTS AND PAST SOURCES

		Date of accounts	HP & other credit business (£mn.)†	Share capital & free reserves* (£mn.)	Loan capital (£mn.)	Advances & bills discounted (£mn.)	Deposits (£mn.)
Barclays: £4·0 mn., 25% in	Utd. Dominions Trust	30.6.58	77·1	8·4	0·2	14·7	61·8
Lloyds: (1) £3·0 mn., 25% in	Bowmaker	31.10.57	16·1	3·6	—	8·2	5·5
(2) ?£6·5 mn., ?68% in‡	Olds Discount	31.12.57	14·9	3·0	—	6·7	5·4
(3) 68% (?) in‡	Scot. Mid. Guar. Trust	26.10.57‡	13·3	2·9	—	2·7	7·4
(4) 34% (?) in‡	Industrial Banking Corpn. (Olds 50%, San. Montagu 25%, Guinness Mahon 25%)			0·2	...	...	...
Midland: £2·7 mn., 100% in	Forward Trust	30.4.58	6·3	0·9	—	2·0	2·9
National Provincial: £9·5 mn., 100% in	Nth. Central Wagon	31.12.57	22·0	3·7	1·3	8·3	6·9
Westminster: £2·0 mn., 20% in	Mercantile Credit	30.9.57	19·2	4·1	0·3	8·9	5·4
Martins: £2·0 mn., 20%							
Royal Bank of Scotland, Williams Deacon's, Glyn Mills: £2·4 mn., 40% in	British Wagon	31.12.57	11·8	2·2	3·2	2·6	5·1
Comm. Bank of Scot.: (1) 32% (?) in	Scot. Mid. Guar. Trust	26.10.57‡	13·3		See above		
(2) 32% (?) in	Olds Discount	31.12.57	14·9		See above		
Other members of Finance Houses Association:							
	Lombard Banking (holding by Cable & Wireless)	31.12.57	19·2	2·9	—	2·2	18·6
	Mutual Finance	31.12.57	3·7	0·9	0·1	0·6	2·0
	(Thos. Tilling)	31.12.57	4·3	1·9	—	0·1	1·9
	Wagon Finance	30.6.57	3·2	0·8	—	2·4	...
	Astley Industrial Trust						

* Italic figures show capital *before* addition of new subscription by banks, but include other issues made since the date of the balance sheet. † Net of unearned interest. ‡ In association with Scottish banks; see business note "The New Olds".



with those of rayon and other synthetic fibres such as ICI's "Terylene" to give a picture that reflects neither the erratic progress of the rayon industry nor the so far unbroken success story of the other synthetic fibres, rather as if the output of wool and cotton was presented as a single figure. With ICI's terylene capacity at present between 22 and 30 million lb of yarn a year, and with another 20 million of capacity under construction, it is probably fair to say that the capacity of the existing BNS nylon spinning plants is somewhere around 50 million lb, and that last year's output was not far short of that figure. This compares with estimates that put the capacity of western Germany, the most serious rival in the export markets, at something approaching 60 million lb not all of it fully employed.

British Nylon Spinners may have to work hard to find buyers for this extra weight of output. For what must be the first time since the company went into business, its last allocation of yarn was not fully taken up by the textile industry. This is in itself no more than a straw in the wind, for there are large numbers of potential users of nylon who have not been able to get yarn allocations. There are even larger numbers who might increase their consumption of yarn if the price were cut, which might very well be the next move that BNS will make. The company intends to use the Portsmouth factory mainly for the production of industrial yarns and to make it the spearhead of a drive to expand new uses, particularly in tyres, furnishing fabrics and ropes.

TELEVISION BOOM

Granada—the Morning After

THEY are heady, these television shares, largely because they are not the investor's accustomed tipple. The taste started a few weeks ago when an enterprising firm of stockbrokers noticed the dramatic improvement in the revenue of Associated Television and tried to get some of the unquoted ordinaries for institutional clients. They succeeded. Several thousand shares were bought and sold at just over £6 a share. Then the public took charge and ATV shares this week topped £9, still unquoted and dealt in under rule 163 (2) which allows certain transactions in shares of companies that have not yet submitted to the full discipline of applying for a Stock Exchange quotation.

If that was sauce for ATV, was it not sauce for Granada Group too? It could be argued that Granada controls at least as successful a television circuit and is capitalised much more cheaply. True there were difficulties. One was that the Bernstein family holds 80 per cent of the equity. Another that there was no self-evident starting point. A 5s. share which paid 5 per cent in 1957 out of earnings of only £158,000 before tax and has just diluted its capital 100 per cent does not look like fireworks. The attraction was the possibility that advertising revenue might exceed £10 million this year, with a prospective net profit before tax of £3¾ million this year from television alone.

A solution was found. As announced last week a bid, now known to have been made by a firm of stockbrokers was put through Investment Registry for a block of the 5s. ordinary shares at 15s. or of the 5s. "A" ordinaries at 14s. With that bid as a landmark dealings started on Monday at just over 15s.; by Monday night the price was 20s., by Tuesday evening 33s. 3d., and by Wednesday evening 41s. 3d. Such times do not last for ever. On Wednesday evening the Stock Exchange Council also took action, and none too soon it banned all further dealings save under special circumstances (such, it is understood, as a deceased account). The transactions done on Wednesday stand, and the proud buyers who secured a few shares at over 40s. have them, it seems, for life.

Rule 163

THE Council of the Stock Exchange gave as its reason the fact that Granada Group has no present intention of seeking an official quotation for its shares. The Council has acted rightly. The numerous variants of rule 163 are intended to allow occasional transactions in various types of scrip not officially quoted in London. They were never intended to encourage the growth of large markets in the shares of companies that have no intention of coming to market or of accepting the discipline as to public information and otherwise imposed by the Stock Exchange on those seeking a quotation. To allow everything to pass would make nonsense of all that has been done to protect the investing public. The Stock Exchange Council has naturally exposed itself to a risk. It will be quite possible for an outside broker by circular or even by advertisement to make a market in the Granada shares and to take out at some price or other the unhappy buyers at over 40s. It is a risk that the Council rightly accepts.

It is also quite possible that the 5s. shares are indeed worth more than 40s. with Granada Television being reorganised as a 90 per cent subsidiary and with the possibility of a profit running into several millions. The modest capital of Granada Group is geared to a fantastic height. It will consist of:

£800,000 4½ per cent 1st preference
£400,000 6 per cent second preference
£350,000 in 1,400,000 5s. ordinaries
£100,000 to be issued in "A" ordinaries to executives
£350,000 in 1,400,000 "A" ordinaries.

The unknown factor is what Granada has to pay for loans raised when television was making losses.

Mr Bernstein, it may be added, has also said that he deplores the speculation in the shares and that the family has sold none either directly or indirectly. All the dealing, therefore, and much more than 50,000 shares seem to have changed hands in the first three days of this week, must have been in the 20 per cent of the company that that family does not own. If the Bernstein family is not interested at 40s., it seems to follow that the bid at 15s. is also doomed to failure. The bid may nevertheless have served its purpose.

AERODYNAMICS

A Revolution—Or Not?

LAMINAR flow is one of those aerodynamic discoveries that occur every so often in the history of flight and either change its face overnight, as the jet engine did, or sink after a brief flutter into oblivion. Developed by Handley Page, laminar flow is a device to reduce the resistance of air to the passage of an aircraft flying through it which, gravity apart, is the most serious difficulty with which the machine has to contend. Such drag is at its lowest when the air flows smoothly, but with the increasing

size and speed of modern aircraft, the tendency for the airflow to break up and become turbulent is difficult to combat. Laminar flow is intended to stop this trouble before it has time to start. The turbulence begins in the layer of air in direct contact with the skin of the aircraft, from there the effect snowballs upwards and outwards through successive layers. By sucking this immediate "boundary layer" into the wing through slots and porous steel before it begins to show signs of digging in its toes, the airflow can be kept smooth over all the most vulnerable surfaces (wings and tail) and the aircraft, as a result, can fly much farther on the same engine power and the same weight of fuel.

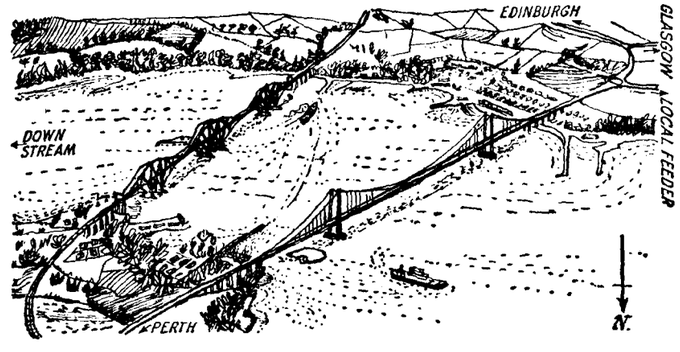
The Ministry of Supply has always given Handley Page considerable support in testing this theory. An old Vampire fighter, its wings modified on these lines, has been flying for three or four years with sufficiently promising results to justify going on to the second stage, a research aircraft designed from the outset for laminar flow. Handley Page is finishing the blueprints for such an aircraft and expects to have it flying in 2½ years. For a research aircraft it is relatively large, being more than 70 ft long and weighing, fully laden, more than 16 tons (and incidentally following the current fashion by putting its engines close to the tail). This is partly due to the need to experiment with wings built to a much bigger scale than those of the Vampire if the results are to be directly applicable to a big, 100 to 200-ton civil airliner. But it also arises from the company's own anxiety to kill two birds with one stone and use the research aircraft as a prototype for a small business jet capable of flying the kind of distances that can only be operated today by big commercial airliners. At its best, laminar flow should increase the range of an aircraft by

Spanning the Forth

A ROAD bridge over the Firth of Forth at a point near Queensferry, where the estuary narrows to less than a mile a few miles upstream from Edinburgh and Leith, became, suddenly, something more than a century old dream a week ago when the joint board set up by the local authorities concerned actually placed orders with contractors for the bridge to be built. The firm that is to undertake the first stage of the work, the pier foundations, the two side towers, and the anchorages for the main cables of what will be the largest suspension bridge outside the United States—and the fourth largest in the world—states that it will start work on the site almost as soon as the Secretary of State for Scotland approves its contract. Moreover, the consulting engineers for the project suggest that the bridge may now be opened for traffic, with two 24 ft carriageways, two cycle tracks and two footpaths, and 12 miles or so of approach roads from the A.8 and A.9 trunk roads to the south and the A.90 to the north, towards the end of 1962 or early 1963—which is less than five years hence. Thus, going on Mr Watkinson's remarks a short while ago on the proposed Severn Bridge, work on that equally colossal scheme—which, with a central span of 3,240 ft or just 60 ft shorter than the Forth, would become the world's fifth largest suspension bridge—could probably start roughly when the Forth bridge is nearing completion.

The new Forth bridge will be built about half a mile upstream and at a slight angle to the now nearly 70-year old cantilever railway bridge, a massive Victorian network of more than 50,000 tons of steel that was eight years abuilding. The road bridge will need some 32,000 tons of steel, including 8,000 tons of 2-ft wide cable containing 11,618 wires; its piers and viaducts will be of reinforced concrete. It, also, will have a clearance of 150 ft which will comfortably allow the biggest aircraft carrier to reach Rosyth naval base further upstream. John Howard and Company have the £2.2 million contract for the substructure, or the first stage. The £8¾ million contract for the superstructure has gone to a new consortium of three firms: Dorman Long, who put up the Sydney bridge; Cleveland Bridge and Engineering, who were responsible for the Zambesi bridge; and Sir William Arrol, who constructed the existing rail bridge. The two remaining contracts, worth over £5½ million for the approach roads and viaducts, have not yet been put out for tender. Forming consortiums, a new habit for the civil engineering industry in this country, has happened once or twice lately in the present roads programme.

An intriguing point about this project is its source of finance. The most recent estimate of the total cost, about £16½ million, is over £10 million greater than in 1947 when parliamentary powers were obtained and the government agreed to put up as a direct grant £4.65 million, or the normal proportion of 75 per cent for Class I roads, and the local authorities committed themselves, not to the remaining £1.55 million as is usually the practice, but only to £500,000. The other £1 million or so it was then said would be met by an exchequer loan to be repaid out of tolls. The whole of the subsequent increase in cost, apparently, is also to be borne by the loan, making it now nearly £11½ million, which seems a curious, topsy way of gearing the finance for a project of this size. Moreover, though the loan is to be repaid from tolls within 30 years "if an extension is necessary in a further period of up to 30 years," no toll charges have yet been settled nor does there appear to have been any scientific survey or estimate of likely traffic beyond an old, now much outdated, figure and the known but not very relevant volume of traffic that uses the present small ferry. That this road bridge has been canvassed for so long and may well be a desirable and useful project by itself can hardly excuse the lack of such prudent figuring, particularly as the last few years have seen the emergence of improved tools for traffic studies and as this scheme is the first modern one to be financed mainly by a loan and toll charges.



60 per cent for a given fuel consumption, and the market for business aircraft is growing rapidly and is still, in contrast to that for commercial airliners, open to all-comers.

BIDS AND DEALS

Penny and Pound Packets

OFTEN the metaphors applied to takeover bids are taken from warfare. Sometimes it might be more appropriate to take them from cards. In an unexciting game of poker, the bids for Angostura Bitters have been raised in pennies. JCB started off with a bid of 10s. for each preference share and 25s. for each ordinary share in Angostura Bitters. The Government of Trinidad and Tobago, anxious to keep the business in Trinidad, ante-ed up and added 6d. to the bids. JCB, not to be outdone, added a penny to each of the offers, making them 10s. 7d. and 25s. 7d., saying that it had no intention of moving the business from Trinidad and that if the Government raised the stakes again it would throw its hand in. The Government did so, raising the bids by another penny to 10s. 8d. and 25s. 8d., saying that JCB's reassurance "is no guarantee that a profitable operation will be continued in Trinidad."

Sometimes there is a suspicion that the normal rules of the game are not being followed. This occurred when Federated Securities, for an unnamed principal, made a bid for only part of the ordinary share capital of Brough Nicholson and Hall, makers of textile smallwares. The offer was 9s. for 120,000 of the 5s. ordinary shares. But apparently the rules are to be followed after all. The principal is Francis Sumner, an industrial holding company, which already owns about 36 per cent of Brough Nicholson and Hall's equity. The latest bid, if successful, would give Francis Sumner control, and, if control is secured, Francis Sumner intends to make a share exchange offer for the remainder of the Brough Nicholson and Hall ordinary shares on a basis not less favourable than the cash bid.

Where bigger sums are involved the game may never start, the two sides getting together to agree. Thus the directors of Thompson Brothers (Bilston), general engineers, have agreed to the offer by John Thompson, the boiler making member of a nuclear power consortium, of 35s. in cash for every £1 6 per cent tax free preference share and one John Thompson 5s. ordinary unit for every two Bilston 5s. ordinary units. As Bilston has 10,394 preference shares and 1,911,584 ordinary shares in issue, the bid, at a price of 24s. 6d. on the John Thompson ordinary shares, is worth about £1.2 million. Before the market suspected an offer, the Bilston ordinary units stood at 8s. 3d. This compares with an effective bid price of 12s. 3d., but before Bilston suffered a trading set-back in 1955 and 1956, its shares fetched higher prices than this.

DRUGS

The Chemists' Cut

A CERTAIN amount of embarrassment all round has been caused by last week's strictures of the Committee of Public Accounts about the profits made by chemists on national health service prescriptions. The drug bill of the health service is running now at an estimated £74 million a year, 40 per cent of which goes to the chemists and the balance to the manufacturers. For years the rising cost of the drug bill was attributed to high manufacturers' costs, particularly for "proprietary" medicines prescribed and sold under registered trade names. The PAC has unearthed some evidence to suggest that much of the high cost could fairly be attributed to chemists.

The sum that a chemist is paid for dispensing a national health service prescription is arrived at by calculating the cost of the drug from the price lists prepared by the big wholesale houses, and adding to this an agreed sum for services. Wholesalers, however, allow a discount on bulk orders. A pilot survey taken among 2,370 chemists, and covering besides commonly prescribed codeine and phenobarbitone tablets such homely remedies as rhubarb pills (no toe of frog?) showed that for the majority of the 30 drugs listed, chemists were making a "concealed" profit that averaged 14 per cent, instead of the 3-4 per cent allowed by the Ministry. The PAC was understandably indignant, and critical of the laxity of the Ministry of Health in allowing profits on this scale to be made three years after the Treasury first pointed them out.

If the Ministry was embarrassed, so also were the chemists. Both underestimated the quantities in which doctors were likely to prescribe certain drugs and the huge tonnages in which patients were capable of consuming them. In some cases, the standard quantity of drug on which prices were calculated has been scaled up by a large factor; that for codeine tablets, for example, has been raised from 1,000 to 5,000 tablets, and the new price includes a sizeable discount. In other cases, manufacturers have themselves cut list prices. But there are two points to offset the benefit a chemist gets from this extra discount In dispensing a bulk consignment into a large number of small prescriptions a chemist loses a certain proportion in the process. A pound weight of a given drug contains, for example, 7,000 grains; but it is physically impossible to obtain from this 70 prescriptions of 100 grains each. The proportion lost varies with the consistency of the preparation; it is, for example, quite high in the case of viscous, sticky liquids and this loss can eat into the chemist's bulk discount. The second, more serious grievance is that one or two chains of retail chemist shops have their own big wholesaling and manufacturing divisions. These companies, by their very trading structure, stand to make much bigger profits on the standard dispensing tariff than the retail chemist who is neither manufacturer nor wholesaler. A separate tariff for the two types of chemist has been suggested many times but the Ministry of Health has baulked at the accounting difficulties this would create.

BUILDING SOCIETIES

Argument on Interest Rates

BUILDING societies cannot reduce their charge for mortgages without also reducing the rates they pay to shareholders and depositors and since the composite rate of income tax has risen again this year by a further penny in the £ to 5s. 7d. their margin of retained profit has been still further narrowed. It is therefore likely that with Bank rate down to 4½ per cent the coming months will see reductions in interest both paid and charged. But in facing the problem the usual divergences between societies have

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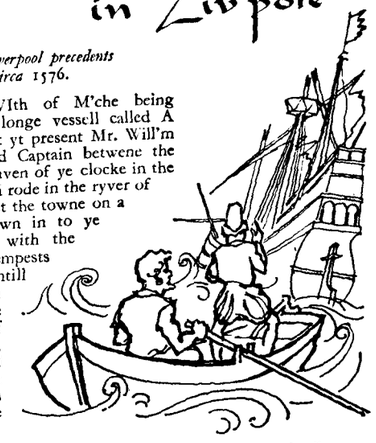
Swift longe vessell in Liv'pole

Extracts from the Liverpool precedents (Municipal Records) circa 1576.

This year the XVIth of M'che being Saterdaye, a swyft longe vessell called A firggett, whereof at yt present Mr. Will'm Standleye was called Captain betwene the howres of vj and seaven of ye clocke in the mornynge rydinge in rode in the ryver of Liv'pole over against the towne on a Saterdaye, sonk down in to ye water and dryven with the surging seas and tempests from place to place untill she was sore spoyled & lost thre goodlie Caste pec's of ordin'nce wch done, with industrie and labour of men & boats was aft'wards brought uppe into ye Poole, &c".



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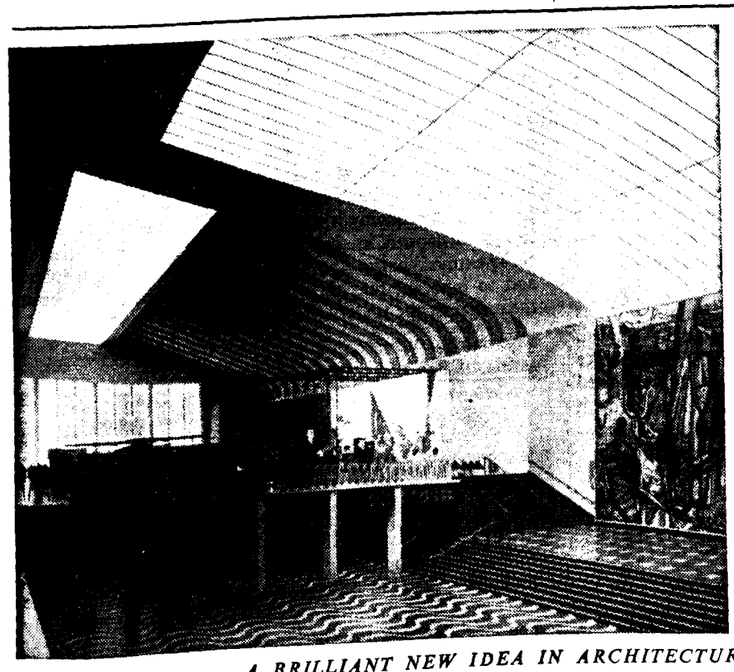

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developed. The Halifax society announced a cut hot on the heels of the Bank rate decision ; its mortgage rate comes down from 6 per cent to 5½ per cent on December 1st for old and new borrowers. Its share interest rate comes down from 3½ per cent to 3¼ per cent and its deposit rate from 3¼ per cent to 3 per cent also with effect from December 1st on existing accounts, though the new rates were made immediately applicable to new investors. The Building Societies Association on the other hand prefers a more leisurely pace. A meeting has been convened for September 12th to discuss interest rates. The clear intention is present in the minds of important members of the Council that interest rates should be held where they are until about the end of this year or early next year and that then lower interest rates may well have to be accepted. If there were yet another reduction in Bank rate before the end of the year, almost everyone admits that rates would have to be promptly reduced.

Big societies including the Woolwich and the Abbey National are standing behind the association's approach and there can be little doubt that the Co-operative Permanent will this week take a similar decision. The problem, as these societies see it, is that there is often a considerable time lag between a lowering of interest rates generally which makes building society investment at present rates more obviously attractive, and the extra inflow of money that could be expected to ensue. There was evidence of a modest improvement in the inflow of money in June and July, but decidedly no flood. The doubt in the minds of these people is not whether the line should be held until December or January and then released, but whether it will be advisable to say so on the occasion of the meeting of September 12th. On that point the movement is divided. Meanwhile there are at the fringe certain interest rates that seem to call for earlier adjustment. Among these are the 7 per cent mortgages owned by the Scottish Amicable society at the time of its absorption by the Co-operative, and still paying that rate. It was doubtful wisdom of the now absorbed society to make the borrowers pay for the society's mistakes in investment policy, and there seems a clear obligation on the Co-operative society to reduce the rate. The group of smaller London societies that last winter moved to 4 per cent net share interest and 7 per cent mortgage interest will also have to do some hard thinking if it wishes to retain the goodwill of borrowers.

That slow motion type of rate adjustment is obviously not what the Halifax society would have liked. It would have preferred the big five societies to announce an immediate cut, allowing the small and medium-sized ones to stay where they were and achieve some growth at the expense of their larger competitors. There is, however, no early prospect of an agreement on such lines.

AMERICAN INSURANCE RATES

Seeing the Light

THE ECONOMIST of July 12th reviewed American underwriting results and described the extraordinary control maintained by the superintendent of insurance over the insurance companies in New York State. By law, companies must submit their rates for the superintendent's approval or rejection before they quote them to their customers. They have the right to appeal to the courts against his decisions, but until two months ago no case of this nature had ever been heard by the State judges—the companies took whatever the superintendent gave them. But at last the worm turned ; an action brought in the appellate division challenged the superintendent's decision and resulted in a crushing defeat for him.

In October of last year the National Bureau of Casualty Underwriters filed with the superintendent a new scale of rates for automobile liability risks, involving an increase of 9½ per cent for private cars and 5.9 per cent for trucks. Motor accidents in New York had been increasing in number for years and shot up by more than 11 per cent in the first nine months of 1957, so the request of the companies seemed reasonable enough. But the superintendent turned it down mainly because he thought a longer period should be taken in deciding whether the rates were adequate. He held that, despite the rapidly worsening conditions, rates should be based on a period going back to 1952, which would mean in effect that, in a period of inflation and enormously increasing traffic, underwriters must fix their rates largely on the conditions of six years ago.

The calculations that the Court went through before reaching its judgment were involved and abstruse, as the following quotation shows :

> Petitioners (i.e. the companies) computed by customary methods the experience loss ratio which is the percentage of the present premium currently being expended for losses. Division of the figure found as the experience loss ratio by the percentage of the future rate that will be available for losses yields the ratio of the defined future rate level to the present rate level, and deduction therefrom of unity (the present rate level) furnishes the percentage of increase required.

The result of this appeal was certainly right, whether the formulae were correct or not. But to a British mind the whole business is simply unintelligible. For the legislature to insist on an insurance company making losses year after year while a civil servant (with almost unlimited power in his hands) hums and haws over the trading accounts to find reasons why rates should not go up would be remarkable anywhere, though in an authoritarian state or in a socialistically planned economy it might be understandable. But that it should happen in the great home of free enterprise is really extraordinary. Are American business men so helpless and so innocent that they need a bureaucrat to chaperon them against the underwriters' wiles ?

MERCURY

The Cartel Sits Back

MERCURY often moves independently from other metals, and its moves are sometimes mercurial. At present demand is slack ; the leading producers, Italy and Spain, cannot sell all their output ; stocks in producers' hands are mounting ; yet the price has been edging upwards. The chief reason is the strong selling policy pursued by Italy and Spain, which together produce about 60 per cent of world supplies. The Italo-Spanish cartel, Mercurio-Europeo, was ruptured in 1948 and has not been officially revived but the two leading producers seem to be maintaining at least a tacit understanding. Their current price of £80 a flask (76 lb) fob remains just above the general market level.



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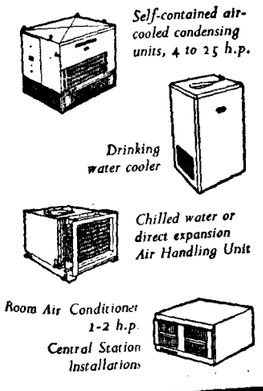

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There has been a double price system since the end of last year, but the open market price in the course of this year has gradually climbed from £70 to £79. This is partly because the flow of Mexican mercury which swamped the market late last year has dried up. Other more marginal producers—Turkey, Chile and Peru and latterly the Philippines—have been offering more metal but the quantities have been insignificant.

The US Government has given an assurance that it will continue to take any domestically produced mercury at $225 and Mexican mercury at $205 (the same price allowing for the $20 import duty) and that assurance has put a floor of around £73 under the market. Italy has reorganised its industry into the new Mercurio-Italio consortium and is understood to have cut back output and to be willing to sit on supplies for the time being.

THE SWITCH TO OIL

Heat on Hire Purchase

HOUSEHOLDERS who use oil central heating have begun to be offered the chance to contract for their oil at the cheapest rates, and to spread their payment for it over the whole year. The Shell-Mex and BP distributive organisation is now approaching customers with the proposition of contracting for an agreed supply—say two or three 500-gallon orders for a reasonable-sized domestic installation—and paying for it by monthly instalments, not in the "lumps" of £30 or more that 500 gallons cost. The oil companies prefer to deliver in the biggest "drops" they can: premium rates are charged for smaller quantities. Whether customers can physically take their requirements in such large "drops" will depend on the size of their own storage tanks: a tank to take 500-600 gallons of gas oil is a fairly large object and not handsome. But storage facilities in homes large enough to use oil central heating today are likely to be substantial: this new method of oil marketing is less likely to meet significant difficulties on this count than the similar ideas now being mooted in the coal trade.

Whether one could hope to sell a householder five tons of coal and let him pay by instalments depends physically on whether he has room for five tons in his cellar and financially on whether it would pay him to store it. While stocks are at their present level the customer need not worry about getting prompt delivery from his merchant—or another. Whether merchants, and behind them the National Coal Board, would be prepared to offer discounts for such quantities—and for the favour of taking the coal off their hands—is another matter: but there are signs that some, at any rate, of the coal merchants are beginning to realise that for the present at least coal has to be sold. The consumption figures should certainly be drumming this lesson home: in the first half of the year Britain used about 3½ million tons, or 3 per cent, less coal than in the first half of 1956 (excluding 1957 as an odd year for the fuel pattern). In the same months deliveries of the black oils for general consumption in Britain (actual figures of oil used have not yet been published) show a rise of 2 million tons, or nearly 45 per cent. This extra oil consumption, reckoned, in terms of coal equivalent, is roughly equivalent to the drop in coal usage: so far this year, one could explain the drop in coal consumption quite simply as a further switch to oil.

GUIDED WEAPONS

One-Man Missiles

PYE RADIO is the latest of a growing list of manufacturers to enter a candidate for one of the most tempting stakes in the guided weapon business, a one-man missile capable of knocking out tanks at ranges of one to two miles. The essence of these missiles is that they shall be both portable, and capable of putting a tank out of action; the two requirements tend to be mutually contradictory since a weapon light enough to be carried has difficulty in packing a warhead large enough to be able to destroy heavy armour. The Australian Malkara missile that the British Army is shortly to test has thrown portability to the winds in favour of fire power and weighs as much as 200 lb. But it remains easy to manœuvre in the field.

The other candidates are all much smaller. A French missile of this type was in the hands of Israeli soldiers and knocking out Egypt's Stalin III tanks during the Suez fighting. This has been followed by a Swiss and a British version built by Vickers-Armstrongs, both claimed to have more powerful warheads but still measuring no more than 3 feet long and weighing, in the case of the Vickers' missile, no more than 30 lb with its launcher. This is well within the capacity of an infantryman who normally carried up to 70 lb of equipment. The Pye missile barely meets the requirement of portability. It measures 5 feet long and carries a correspondingly much greater size and weight of warhead. All these smaller missiles use a common form of guidance, signals sent down wires that are played out by the missile in flight. Pye, which has experience of providing electronics for the Army, plainly believes that the services will set more store by sheer fire-power than they do by neatness and portability. Vickers-Armstrongs believes the opposite, and the interesting feature about both these British weapons is that they have been developed entirely as private ventures and without any Government encouragement by two companies that have not been involved in guided weapon production (a contract of Vickers was cancelled with the demise of the aircraft it was due to arm). The Army has never directly invited tenders for such miniature anti-tank missiles; it has tested but rejected the French weapon. It remains to be seen whether either British make will fare better.

SHORTER NOTES

Imports cheapened again slightly in July; a seasonal decline in the prices of some imported fruit and vegetables and a continued fall in the prices of basic materials more than offset a rise in the cost of imported manufactures. Based on 1954=100, the index of import prices fell from 99 in June to 98 in July; the export price index was unchanged at 110 so that the terms of trade (the ratio of import to export prices) improved from 90 to 89. In the six months February to July the terms of trade fluctuated between 89 and 90.

* * *

A seasonal fall of 7 per cent in the new business of the hire purchase finance houses in June is recorded by the Board of Trade. The total debt outstanding to the finance houses, however, continued to increase, so that despite a small fall in the debt owing to retailers, the total H.P. debt showed a rise of nearly one per cent at £503 million, against £499 million in May.

* * *

Following the announcement that the Admiralty is to lease the Malta dockyard to a new associate company of C. H. Bailey, C. H. Bailey stated that it will find sufficient of the £750,000 equity to have a controlling interest in the company. It is hoped to arrange for a substantial part of the finance by a loan from the Colonial Development Corporation secured on a debenture. The balance of the equity of the Maltese Company is to be subscribed by Maltese interests and by the Colonial Development Corporation.

COMPANY AFFAIRS

ASSOCIATED ELECTRICAL INDUSTRIES

THE half-yearly report of Associated Electrical Industries was largely anticipated two months ago in the statement on trading for the first four months of 1958, made at the time of its £25 million debenture issue. The increased turnover but lower trading profits then foreshadowed are now shown in figures. In the half year to June 30th the value of output jumped £9.4 million (13.8 per cent over the corresponding half of the previous year) to £77.3 million, but the trading profit before tax fell £160,000 to £4,840,000. The group, like Sisyphus, seems temporarily doomed to the task of rolling up the volume of sales gallantly but steadily losing ground. But the comparison with the second half of 1957 is in one way less discouraging;

	1957 1st half £ mn.	1957 2nd half £ mn.	1958 1st half £ mn.
Orders	84·5	93·3	80·2
Turnover	67·9	81·8	77·3
Trading profits	6·76	6·94	6·99
Depreciation	1·76	1·95	2·15
Profit before tax.	5·00	4·99	4·84

the profit before tax has fallen £150,000 but turnover has declined from the high level of £81.8 million, giving a slightly improved profit ratio of 6.3 per cent against 6.1 per cent. This ratio was 7.4 per cent in the first half of 1957. Depreciation—the depreciation of more modern and expensive plant—has played a decisive role in these figures; over the last three half-years gross trading profits have improved, but depreciation has risen still faster, reducing profits before tax in each half year. The change in orders received has been significant; after rising from £84.5 million to £93.3 million between the first and second halves of 1957, they dropped below the comparative figure for 1957 to £80.2 million in the latest half-year. The quarterly dividend is repeated at 2½ per cent.

DISTILLERS

AT 26s. 1½d. xd the 6s. 8d. ordinary units in Distillers yield 5.1 per cent. This blue-chip yield can be justified by the group's historical strength and by the latest financial results. In the year to March 31st, sales rose by 3½ per cent, topping the £200 million mark for the first time; gross income rose by 4½ per cent, from £22,452,798 to £23,463,856; and the ordinary dividend was raised from 18¾ to 20 per cent. Liquid assets of nearly £7 million amply cover outstanding capital commitments of £1.9 million. Later this year, the directors propose to make a scrip issue. When they do so they will review the group's need to finance capital expenditure in the coming years "to ensure that any additional capital required can, if necessary, be taken into account in deciding upon the form of capitalisation to be adopted."

But there are tougher times ahead for whisky and for the group. This is the principal theme of the statement made by Sir Graham Hayman, who has succeeded Sir Henry Ross as chairman. His summing up is that "unsettled conditions" will prevail for a time but that once industry and trade recover the group's "widespread interests will provide good opportunities for further progress. But, on whisky, which with gin continues to contribute about 75 per cent of the group's earnings, Sir Graham has this to say:

> The present production of the industry, after allowing for evaporation losses is approximately 67 per cent in excess of current sales.

Bigger sales of whisky pushed up Distillers' profits last year but now Sir Graham feels that the industry is approaching "much more competitive conditions," both at home where the rate of increase in consumption has been slowing down, and abroad. So the activities of the industrial divisions take on an even greater importance. Last year, these divisions achieved bigger sales and profits, concentrated apparently in biochemicals, plastics and the "more specialised and profitable chemicals" (such as those produced at Grangemouth). Sir Graham describes the market for some of the group's products—which he does not specify—as "hesitant" and "uncertain." If the future buoyancy of Distillers' earnings has to depend more on the industrial divisions, is it not time that shareholders were told a little more about them?

CANADIAN AND ENGLISH STORES

SHAREHOLDERS in Canadian and English Stores lost most of their capital beyond recall when the business of the principal subsidiary, Pooles Central Warehouse, engaged in the cheapest and most vulnerable end of the hire purchase trade, collapsed. Pooles, having made a loss of £1,252,474 in 1956-57, and another of £1,405,800 in 1957-58, may still be making losses, even though the new directors, headed by Mr S. R. Hogg, have closed down a number of its shops. Shares in Pooles, figuring in the books at £400,000, are, Mr Hogg says, "of no value" and the loan to Pooles by the parent company of over £2½ million is "worth far less than the face value." The directors were prepared to liquidate Pooles, but United Drapery Stores has bought it. The price remains undisclosed, but as Canadian and English Stores has to write off £2.6 million after the deal, it seems to be in the region of £300,000. A tax recovery should enable UDS to get rid of Pooles' overdraft; but UDS has taken over a large number of small uncollected HP debts, not knowing quite how bad some of these are; and it will have to meet the bills of Pooles' trade creditors. Do Pooles' shop properties make the price and the headache bearable for UDS?

With Pooles gone, the loan and share capital of Canadian and English has to be reduced. The proposals to do so have not yet been made formally but they include the repayment of the preference capital at par and the exchange of the preferred ordinary stock into new preference and ordinary shares. These proposals were discussed in these columns last week. The most important item is that Mr Harry Brooks, who earlier cancelled £1,000,000 of his loan to the company, is prepared to cancel another £1,125,000 and to convert another £125,000 of it into ordinary shares. His and his family's loan thus comes down to £750,000, of which £250,000 is to be repaid in the next two or three years while the remaining £500,000, non-interest bearing until 1962, falls due next year for gradual repayment at £20,000 per annum. This is the biggest sacrifice that can be obtained from Mr Brooks.

Like it or not, shareholders will have to accept this reorganisation or one at least as drastic.

The share capital, as reduced by the scheme, emerges as £125,000 in 15 per cent 2s. preference shares and £375,000 in 1s. ordinary shares. The capital will, in the directors' opinion, be covered by the net tangible assets of the rump of the business. The rump is meagre: gross earnings of £200,000 or upwards a year will accrue from the stores of Murray Toll and Oxleys Department Store in this country and from retail stores in the thinly populated Maritime Provinces of Canada. From such profits the directors believe they will be able to pay a full year's preference dividend in 1960-61 and an ordinary dividend in that or the following year. Tax would whittle the gross profit down to, say, £100,000 or less. The repayment of Mr Brooks' loan will require £20,000 a year and the net preference dividend about £11,000. Net equity earnings on the £375,000 of capital may thus be in the region of £70,000 or less: the ordinary dividend cannot but be small. Before the scheme was announced, the 1s. ordinary shares stood at 5s. 7½d. and the 4s. preferred ordinary units at 6s. The ordinary shares now stand at 4s. 1½d. and the preferred ordinary, after touching 8s. 4½d., at 7s. 6d. The last chapters of this sorry story have yet to be written.

BRITISH INDUSTRIAL PLASTICS

A RIGHTS issue of ordinary shares by British Industrial Plastics has been given an unusual twist. The company is to issue 2,250,000 new 2s. ordinary shares at 4s. 6d. each, compared with a market price of 6s. 3d. on the existing units. Of this issue, 2,081,353 units will be offered to existing shareholders in the proportion of one for six held, with rights to apply for excess shares. The remaining 168,647 units are offered to the stockbrokers, Messrs Fenn and Crosthwaite without rights to apply for excess shares, "in consideration of their underwriting the issue." The allocation to the brokers in lieu of normal underwriting commission is on current market prices equivalent to a commission of just over 2 per cent, including sub-underwriting. BIP adopted the same way of rewarding the underwriters in a rights issue five years ago. The method is an odd one. It is said to save the company about £10,000 in the sense that BIP takes into its balance sheet the new issue proceeds in full and not, as in the normal way, less an underwriting commission. But, effectively, the cost of underwriting is borne by shareholders notwithstanding, for they lose the value of the rights on the shares allotted to the brokers.

PINCHIN, JOHNSON

THE directors of Pinchin, Johnson and Associates, the paint manufacturers, played safe when they left the ordinary dividend for the year to March 31st unchanged at 16¼ per cent. Investors are playing for safety too, for at 18s. 6d. the company's 10s. ordinary units yield 9 per cent. Arithmetically, the caution is justified for, though the group's gross income advanced from £1,641,294 to £1,810,474, its net income rose by no more than £10,356 to £591,032 (from which the net ordinary dividend takes £378,034.

Caution is even more justified by the background of trade. Pinchin, Johnson serves many markets and many industries. In 1957-58 all its overseas subsidiaries achieved bigger sales, the results of the Canadian company being, as Sir Horace Clarke, the chairman, says "especially encouraging." The French company made a big loss but since its reorganisation its results have improved. Sales in this country, "materially assisted by the marked recovery experienced in the motor car and ancillary industries," reached new records. But, because of an increase in overseas taxation, the surplus available to the parent company from sales by its overseas subsidiaries was lower while the increase in profit at home was "entirely due to the additional turnover, profit ratios being lower."

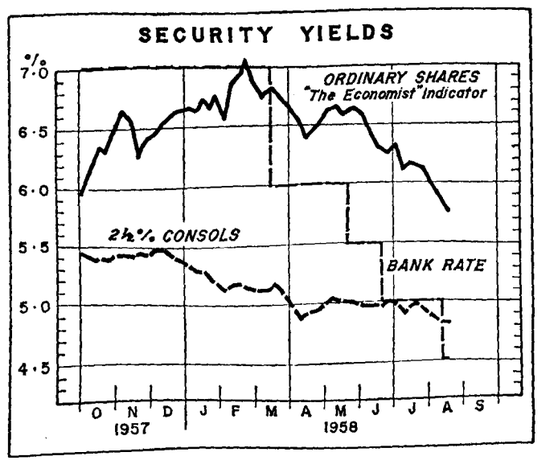
London Stock Exchange

FIRST DEALINGS:	Aug. 6	Aug. 20	Sept. 3
LAST DEALINGS:	Aug. 19	Sept. 2	Sept. 16
ACCOUNT DAY:	Aug. 26	Sept. 9	Sept. 23

THE advance in gilt-edged stocks was checked once the immediate reaction to the latest reduction in Bank rate had spent its course. Prices were hesitant last Friday; fractional gains were made on Monday, when the *Financial Times* index of Government securities edged up to its peak for the year of 84.70, but no further movement occurred on Tuesday and Wednesday.

The main interest of the market was in industrial shares; after a little irregularity on profit-taking last Friday, prices rose strongly in a very active market up to the close of the old account and improved further in the new account, carrying *The Economist* indicator to a year's peak of 208.0 on Wednesday, a rise of 4.8 on the week. Banks continued to attract support, Lloyds rising 2s. 6d. to 52s., Midland 1s. to 67s. 9d. and Barclays 1s. 3d. to 48s. 6d. Among the finance houses, United Dominions Trust advanced 8s. to 110s. and Olds Discount 3s. 9d. to 34s. 6d. Brewery shares strengthened despite disappointing production figures. In motors, Rolls-Royce gained 4s. to 95s. and Hawker Siddeley gained 2s. 4½d. to 31s. 10½d. among aircraft shares. Electrical stocks rose sharply, BICC gaining 2s. 9d. to 46s. 6d. Steel shares advanced on the latest election forecasts, Stewarts and Lloyds rising 1s. 7½d. to 25s. Textiles improved with Bradford Dyers gaining 1s. 3d. to 12s. 9d., but tobacco shares eased slightly.

Oil stocks were generally lower, Shell losing 1s. 3d. to 141s. 10½d., but Burmah gained 2s. 1½d. to 60s. 4½d. Kaffirs had a good week and diamond mines rose, De Beers deferred rising 4s. 4½d. to 106s. 10½d. Coppers were often easier but lead-zinc mines improved. Rubber and tea shares showed many gains, Consolidated Tea and Lands gaining 1s. 3d. to 25s.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
July 23	194·3	6·15				
,, 30	195·2	6·13				
Aug. 6	199·6	6·01				
,, 13	203·2	5·89	208·0 (Aug. 20)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 20	208·0	5·75				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
Aug. 13	183·3	6·11	91·37	4·84	10,228	187·7 (Aug. 20)	207·6 (July 9)
,, 14	184·7	6·06	91·78	4·83	11,310		
,, 15	184·4	6·07	91·76	4·84	11,541		
,, 18	184·8	6·06	91·76	4·83	13,903	Low	Low
,, 19	186·5	6·01	91·76	4·83	12,621	154·4 (Feb. 25)	159·0 (Nov. 5)
,, 20	187·7	5·97	91·82	4·83	12,860		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 13, 1958	Price, Aug. 20, 1958	Net Yield, Aug. 20, 1958 §	Gross Yield, Aug. 20, 1958
					£ s. d.	£ s. d.
99	96 1/16	War Loan 3% 1955-59	98 7/8	98 3/4	3 4 9	3 18 4 l
95 15/16	90 1/8	Funding 2½% 1956-61	95 1/8	95 1/16	2 18 1	4 2 11 l
99 3/8	96 13/16	Conversion 2% ...1958-59	99 1/8	99 1/8	2 9 10	3 11 2 l
97 3/8	93 3/8	Exchequer 2% 1960	97 1/8	97 1/16	3 2 2	3 19 8
99 1/2	95 3/8	Exchequer 3% 1960	98 1/2	98 7/16	2 14 1	3 19 4
100 1/8	95 1/16	Conversion 4½% 1962	100 1/16	100 1/32	2 10 2	4 8 6
94	88 1/2	Exchequer 3% 1962-63	93 7/8	94 3/8	2 19 11	4 7 5 l
100 25/32	99 1/16	Conversion 4½% 1963	100 1/8	100 1/32	2 9 7	4 11 5
90 1/8	83 1/8	Savings Bds. 3% .1955-65	89*	89	3 10 5	4 17 8 l
82	77 1/8	Funding 3% 1959-69	81 1/8	81 1/8	3 17 8	5 7 7 l
89 3/4	86 1/8	Funding 4% 1960-90	88 1/8	88 3/8	2 17 11	4 11 10 l
79 1/4	75	Savings Bds. 3% .1960-70	78 1/4*	78 3/8	3 19 8	5 8 11 l
90 25/32	84 3/8	Exchequer 2½% ..1963-64	90 1/8	90 3/8	3 5 11	4 9 8 l
82 1/4	78 1/8	Savings Bds. 2½% 1964-67	81 1/2	82 1/8	3 19 1	5 4 0 l
73 3/4	69 1/8	Savings Bds. 3% .1965-75	72 1/8*	72 1/8	3 18 10	5 9 10
103 7/16	99 1/4	Exchequer 5½% 1966	100 1/8*	101 1/8 *	2 18 9	5 4 8
83 3/8	78 1/8	Funding 3% 1966-68	82 1/8	82 1/8	3 3 8	5 6 0
94 1/2	91 1/4	Victory 4% 1920-76	92 1/8*	92 1/8 *	3 13 0	4 19 5‡
87	81 1/8	Conversion 3½% 1969	85 1/4*	85 1/2 *	3 5 3	5 5 5
98 15/16	97 1/4	Conversion 5½% 1974	98	98 1/4	3 4 4	5 10 5
76 13/16	71 1/8	Treasury 3½% ...1977-80	76 1/8*	76 1/8	3 11 7	5 7 4 l
76 3/16	70 3/8	Treasury 3½% ...1979-81	75 3/8*	75 1/8	3 11 10	5 7 5 l
101 1/4	98 1/4	Funding 5½% 1982-84	100 1/2*	101 1/8 *	3 2 3	5 9 1 e
67 1/2	60	Redemption 3% ..1986-96	67 1/8	67 1/4	3 5 3	5 0 0 l
73 15/16	64 3/8	Funding 3½% ..1999-2004	73 1/8	73 1/8	3 1 10	4 19 6 l
75 1/8	69 3/8	Consols 4% after Feb. 1957	75 3/8	75 3/8	3 1 0	5 6 2 l
68 1/2	63 1/8	War Loan 3½% after 1952	68 1/8	68 3/8	2 19 1	5 3 2 l
68 1/4	62 3/4	Conv. 3½% after Apr. 1961	68 1/8	68 1/4	2 19 1	5 3 8 l
60	54 3/8	Treas. 3% after Apr. 1966	59 1/4	60	2 18 2	5 1 11 l
51 3/4	46 3/4	Consols 2½%	51 3/8	51 3/8	2 15 9	4 17 3 l
51 3/8	46 3/8	Treas. 2½% after Apr. 1975	51 1/8	51 1/8	2 16 10	4 19 9 l
95 5/16	90 1/4	Br. Electric 4½% .1967-69	93 1/8	93 1/8	3 6 3	5 6 3 l
76 1/8	72 1/8	Br. Electric 3% ..1968-73	76 1/8	76 1/4	3 18 9	5 10 1 l
73 1/4	68 1/8	Br. Electric 3% ..1974-77	71 1/8*	72 1/8 *	3 16 7	5 7 6 l
87 1/16	82 1/8	Br. Electric 4½% .1974-79	87 1/4	85 3/8	3 11 2	5 7 5 l
77 1/8	72 1/8	Br. Electric 3½% .1976-79	77 1/8	77 1/8	3 11 4	5 7 0 l
87 1/2	82 1/16	Br. Gas 4% 1969-72	86 3/8	86 1/2	3 10 4	5 7 6 l
84	79 1/2	Br. Gas 3½% 1969-71	82 1/8*	82 1/8 *	3 13 9	5 6 10 l
67 13/16	60 1/8	Br. Gas 3% 1990-95	67 1/8	67 1/4	3 5 3	4 19 6 l
76 1/8	72 1/16	Br. Transport 3% .1968-73	76 1/4	76 1/4	3 18 9	5 10 1 l
84 1/16	79 1/2	Br. Transport 4% .1972-77	83 1/4	83 1/8	3 10 0	5 8 9 l
67 1/2	60 1/8	Br. Transport 3% .1978-88	67 1/8	67 1/8	3 9 9	5 5 3 l

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Aug. 13, 1958	Price, Aug. 20, 1958	Yield, Aug. 20, 1958
					£ s. d.
88 1/2	83	Agric. Mortgage 5% 1959-89	87 1/2	87 1/2	5 17 3 l
79 7/8	76 1/2	Australia 3½% 1965-69	79 1/2	79 1/2	5 17 6 l
95 1/2	92 1/2	Birmingham 5% 1973-75	94	94	5 11 2 l
94 1/2	90 1/2	East Africa 5½% 1977-81	102	99 1/2*	5 10 6 l
102 1/2	95 1/2	L.C.C. 5½% 1934-2003	62 1/2*	62 1/2	5 3 9 l
62 1/2	56	Met. Water Board 'B' 3% .1976-78	81 1/2	82 1/2	5 9 3 l
82 1/2	78	New Zealand 4% 1965-70	71	72	5 16 0 l
72	69	S. Rhodesia 2½% 1924	98	99 1/2	...
99 1/2	83	German 7% (Br. Enfaced 5%) ..1907	165 1/2	167	...
167 1/2	160	Japan 5% (Enfaced) 1907			

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Aug. 13, 1958	Price, Aug. 20, 1958	Yield, Aug. 20, 1958
		% %	BANKS & DISCOUNT			£ s. d.
30/9	28/-	4 a	5 b Bk. Ldn. & S. Amer. £1	30/-	30/9	5 17 1
49/-	39/9	6 b	6 a Barclays Bank £1	47/3	48/6	4 19 0
30/-	27/6	4 b	4 a Barclays D.C.O. ... £1	29/-	29/9	5 7 7
43/6	35/6	7½a	7½b Chartered Bank £1	39/6	43/-	6 19 6
52/3	41/3	6½b	6½a Lloyds Bank £1	49/6	52/-	5 0 0
68/-	57/6	9 b	9 a Midland Bank £1	66/9	67/9	5 6 3
38/-	29/6	5 b	5 a Nat. Discount 'B' .. £1	37/3	38/-	5 5 3
50/9	40/9	6½a	6½b Union Discount £1	50/3	50/9	4 18 6
			INSURANCE			
38/-	32/9	15 a	21½b Commercial Union 5/-	37/6	37/6	4 17 9
133/9	113/9	40 a	60 b Legal & General .. 5/-	132/6	133/9	3 14 10
101/3	86/3	†20 a	†50 b Pearl 4/-	92/6	92/6	6 11 8
182/6	154/-	†132½c	†147½c Prudential 'A'	182/6	181/3	5 13 0
			BREWERIES, ETC.			
37/9	31/-	36 b	10 a Bass 5/-	37/-	37/9	6 1 10
26/-	19/7½	7½a	12½b Distillers 6/8	25/9	25/7½*	5 4 0
43/4½	37/-	15 b	10 a Guinness 10/-	42/10½	43/4½	5 14 11
90/6	75/6	8 a	17 b Whitbread 'A' £1	88/-	88/6	5 13 0
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½a	6½b Bristol Aeroplane 10/-	10/1½	10/10½	9 3 11
9/1½	6/7½	12½c	4 a British Motor 5/-	8/9	9/-	6 18 10
40/9	31/9	3 a	6 b Ford Motor £1	39/6	39/10½	4 10 3
31/10½	24/9	7 b	3 a Hawker Siddeley ... £1	29/6	31/10½	6 5 5
44/9	39/-	12½c	12½c Leyland Motors £1	40/3	42/6	5 17 8
95/-	82/9	5 a	15 b Rolls-Royce £1	91/-	95/-	4 4 3
8/1½	6/7½	8 c	8 c Standard Motor ... 5/-	7/3	7/4½	8 2 7h

Prices, 1958 High	Prices, 1958 Low	ORDINARY STOCKS	Price, Aug. 13, 1958	Price, Aug. 20, 1958	Last Two Dividends (a) (b) (c)	Yield, Aug. 20, 1958
					% %	£ s. d.
154/4½	115/-	Anglo-American .10/-	148/1½	154/4½	20 a 60 b	5 3 11
25/-	19/6	Cons. Tea & Lands. £1	23/9	25/-	†2½a †10 b	17 8 0
51/6	41/6	Cons. Zinc Corp. £1	48/6	50/3	6½a 12½b	7 9 3
106·10½	80/7½	De Beers Def. Reg. 5/-	102/6	106/10½	80 a 120 b	9 7 0
93/9	76/-	Free State Geduld .5/-	90/-	93/1½	20 b 40 a	3 4 5
7/6	6/4½	London Tin 4/-	7/1½	7/1½	30 c 30 c	16 16 10
56/9	46/6	President Brand ..5/-	55/6	56/9	50 a 50 b	8 16 0
17/6	12/10½	Rho. Selection Tst. 5/-	15/10½	16/-	16⅞b 1⅞a	...
28½	20	Rhokana Corp. £1	27	26½	175 b 25 a	...
54/6	46/-	United Sua Betong. £1	53/3	53/6	12½a 37½b	18 14 0
101/10½	84/4½	Western Holdings .5/-	98/9	100/7½	60 b 60 a	5 19 0
		INDUSTRIALS				
		STEEL & ENGINEERING			% %	£ s. d.
49/6	41/10½	Babcock & Wilcox .£1	49/-	49/6	7 a 6¾b	5 5 0g
25/1½	21/7½	Dorman Long £1	23/9	24/9	6 b 4 a	8 1 7
59/6	45/-	Guest Keen N'fold. £1	56/7½	59/-	5 a 10 b	5 1 8
37/3	28/3	Alfred Herbert £1	34/9	37/3*	†2 a †4 b	5 12 0
54/6	41/-	Metal Box £1	53/6	53/6	4 a 7 b	4 2 3
25/-	20/-	Stewarts & Lloyds. £1	23/4½	25/-	8 b 3 a	8 16 0
57/3	48/-	Swan Hunter £1	53/-	53/9	5 a 13 b	6 14 0
22·4½	17/9	United Steel £1	21/1½	22/4½	7½b 4 a	10 5 8
33/6	28/6	Vickers £1	33/-	33/6	2½a 7½b	5 19 5
		ELECTRICAL				
54/-	47/-	Assoc. Elec. Inds... £1	52/9	54/-	15 c 2½a	5 11 3
46/6	39/3	Br. Ins. Callenders. £1	43/9	46/6	5 a 8½b	5 7 8
29/-	24/7½	Decca Record 4/-	25/7½*	28/-	43½c 14 a	6 5 0
39·7½	28/-	Elect. & Mus. Inds. 10/-	39/-	39/3	15 c 15 c	3 16 5
56/3	44/6	English Electric ... £1	55/9	56·3*	10 b 4 a	4 19 8
38/9	29/9	General Electric ... £1	35/3*	35/9	3½a 6½b	5 11 10
		TEXTILES				
16/3	10·1½	Bradford Dyers £1	11/6	12/9	6 c Nil a	...
23/3	19/6	Coats, J. & P. £1	21/-	21/3	2½a 6½b	8 4 10
25/4½	19·7½	Courtaulds £1	25/1½	25/3	3 a 5 b	6 6 10
35/-	29·10½	Lancashire Cotton. £1	34/-	35/-	12½b 5 a	10 0 0
35/4½	30/-	Patons & Baldwins. £1	33/9	34/1½	12½c 7½a	7 6 8
		SHOPS & STORES				
18/9	14/9	Boots Pure Drug..5/-	18/6‖	18/9	4½a 9½b	3 16 10
40/6	33/6	Debenhams 10/-	41/9	42/-	20 b 7½a	6 11 0
24/6	17/3	Gt. Universal 'A'...5/-	23/9	23/9	7½ a 25 b	6 16 10
45/1½	37/3	Marks & Spen. 'A' 5/-	44/9	44/9	10 a 22½b	3 12 8
28/4½	21/-	United Drapery...5/-	27/10½	28/4½	20 b 12½a	5 14 8
42/10½	34/7½	Woolworth 5/-	41/9	42/9	26½b 13½a	4 13 8
		SHIPPING				
40/6	27/7½	Brit. & Com'wealth 10/-	38/9	38/6	6½a 13½b	5 3 11
23/6	16/6	Cunard £1	23/6	23/6	2 a 8 b	8 10 3
35/3	27/3	Furness Withy..... £1	34/6	34/-	10½c 10 c	5 17 8
34/6	22/-	P & O. Deferred...£1	33/6	34/6	3 a 8 b	6 7 8
		MISCELLANEOUS				
38/6	27/-	Allied Bakeries 'A' 5/-	38/3*	37/6	22½c 30 c	4 0 0
43/3	31/-	Assoc. Port. Cem...£1	43/3	42/10½	3 a 6 b	4 4 0
21·4½	13/4½	Beecham Group...5/-	20/9	21/4½	11 a 9 b	4 13 8
39/9	26/6	Bowater Paper £1	37/3	39/9	4½a 8 b	6 5 10
53/-	36/9	Br. Aluminium £1	50/9	52/6	4 a 8 b	4 11 5
49/-	37/7½	Br. Amer. Tob. ..10/-	48/9	48/6*	†6⅜b †10a	5 19 8
30/3	19/9	B.E.T. 'A' Defd...5/-	27/3	29/-	7½a 17½b	4 6 3
40/3	28/3	Br. Oxygen £1	38/-	40/-	6 b 4 a	5 0 0
21/4½	14/4½	Dunlop Rubber..10/-	20/-	21/3	3 a 11 b	6 11 10
34/-	24/3	Imp. Chemical..... £1	32/3	33/3	4 a 8 b	4 15 8j
47/1½	37/-	Imp. Tobacco £1	46/9*	46/3	11½b 8½a	8 13 0
38/9	28/-	J. Lucas (Inds.)....£1	37/8½	38/9	5 b 2½a	3 17 5
16/1½	12/6	Monsanto Chem...5/-	15/2½	15/10½	5 a 8½b	4 5 0
16/1½	13/7½	Ranks 10/-	15/7½	16/1½	5 b 5 a	6 4 0
40/6	27/9	A. E. Reed £1	39/6	40/6	5 a 9 b	6 18 3
14/3	11/8½	Sears Holdings 'A' 5/-	12/10½	13/6	22½c 22½c	8 6 8
58/6	48/9	Tate & Lyle £1	57/6	58/6	12 b 4½a	5 12 10
58/3	48/6	Tube Investments. £1	56/9	58/3	7½b 7½a	5 3 0
64/-	52/1½	Turner & Newall... £1	62/3	63/7½	5 a 12½b	4 14 5i
84/6	70/6	Unilever Ltd..... £1	83/3	84/6	6 a 11½b	4 2 10
111/-	77/-	United Dominions. £1	102/-*	110/-	4 a 16 b	3 12 6
32/3	26/-	United Molasses .10/-	31/6	32/3	†4½a †10 b	7 12 10
		OIL				
113/6	79/6	British Petroleum..£1	101/3	100/-	†5 a †10 b	5 4 5
78/-	59/1½	Burmah £1	67/3	69/4½	†5 a †7½b	6 9 5
£17⅜	£13⅛	Royal Dutch....20 fl.	£16 4/16	£16	7½a 17½b	2 19 0
151/3	117/6	Shell £1	143/1½	141/10½	†5 a †13½b	4 12 0
74/6	41/6	Ultramar 10/-	67/10½	67/3	... ...	...
		MINES, ETC.				
154/4½	115/-	Anglo-American .10/-	148/1½	154/4½	20 a 60 b	5 3 11
25/-	19/6	Cons. Tea & Lands. £1	23/9	25/-	†2½a †10 b	17 8 0
51/6	41/6	Cons. Zinc Corp. £1	48/6	50/3	6½a 12½b	7 9 3
106·10½	80/7½	De Beers Def. Reg. 5/-	102/6	106/10½	80 a 120 b	9 7 0
93/9	76/-	Free State Geduld .5/-	90/-	93/1½	20 b 40 a	3 4 5
7/6	6/4½	London Tin 4/-	7/1½	7/1½	30 c 30 c	16 16 10
56/9	46/6	President Brand ..5/-	55/6	56/9	50 a 50 b	8 16 0
17/6	12/10½	Rho. Selection Tst. 5/-	15/10½	16/-	16⅞b 1⅞a	...
28½	20	Rhokana Corp. £1	27	26½	175 b 25 a	...
54/6	46/-	United Sua Betong. £1	53/3	53/6	12½a 37½b	18 14 0
101/10½	84/4½	Western Holdings .5/-	98/9	100/7½	60 b 60 a	5 19 0

New York Closing Prices $

	Aug. 13	Aug. 20		Aug. 13	Aug. 20		Aug. 13	Aug. 20
Alcoa	81½	80½	DuPontdeNm.	195½	194½*	N.Y. Central .	19	18⅞
Alumin'm Ltd.	30½	29⅜	Ford Motors ..	43½	41½	Sears Roebuck	31	32½
Am. Smelting .	45½	44	Gen. Elect....	64½	63½	Shell Oil	83	82
Amer. Tel.	182	182⅜	Gen. Motors ..	43⅜	43	Std. Oil of N.J.	55⅞	55½
Anaconda	51½	50⅜	Goodyear	89½	88	Tri-Conti'tal..	36⅜	36⅜
Beth. Steel ...	45½	44⅜	Gulf Oil	111	110½	Union Carbide	108	106½
Can. Pacific ..	28½	28½	Int. Bus. M...	374½	371½	U.S. Steel	70⅞	71⅜
Chrysler Cpn...	53⅜	52½	Int'l. Nickel ..	83½	82	West'house E.	60½	61½
Crown Zeller..	54	52½	Int'l. Paper ..	105½	105	Woolworth ...	47⅜	47⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 12%. (i) On 15%. (j) On 8%. (l) To latest date.

STATISTICS

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

World Trade ..... July 19th

British		Overseas	
Prices and Wages.....	Aug. 9th	Western Europe :	
Production and Consumption	This week	Production and Trade.....	Aug. 2nd
Manpower.....	Aug. 16th	British Commonwealth	Aug. 16th
External Trade.....	Aug. 2nd	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	July 19th	United States	Aug. 9th

UK Production and Consumption

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

		Unit	Monthly averages			1957			1958			
			1955	1956	1957	Apr.	May	June	Mar.	Apr.	May	June
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948 = 100	137	136	138	134	145	141	146	134	138	137–138
„ „ *seasonally adjusted*		„	...	...	...	*137*	*140*	*142*	*139*	*136*	*136*	*134–135*[1]
Mining and quarrying		„	108	109	109	110	120	109	116	107	111	...
Building and contracting		„	116	123	123	...	124[2]	...	121[3]	...	...	...
Gas, electricity and water		„	153	160	163	157	155	138	194	171	155	...
Manufacturing, total		„	142	140	143	138	151	147	149	135	141	...
„ „ *seasonally adjusted*		„	...	...	...	*140*	*144*	*147*	*142*	*138*	*139*	...
Engineering, shipbuilding, electrical goods		„	155	151	156	144	160	166	167	143	...	...
Vehicles		„	172	160	165	155	179	177	178	164	...	...
Chemical trades		„	179	185	192	191	198	197	201	...	...	...
Textiles and clothing		„	116	117	116	116	125	116	120	105	...	...
Food, drink and tobacco		„	117	121	123	123	136	129	126	125	...	...
BASIC MATERIALS												
Production of :												
Coal [1] [3]	W	'000 tons	4,250	4,269	4,301	4,316	4,726	4,315	4,556	4,230	4,414	4,035
Pig iron	W	„	240	253	275	277	284	275	268	257	250	243[4]
Steel, ingots and castings	W	„	381	397	417	430	443	419	432	408	379	374[4]
Sulphuric acid	M	„	174·6	187·2	194·7	199·1	199·5	188·1	207·6	185·9	176·9	...
Newsprint	W	„	11·91	12·36	12·55	12·96	13·61	12·73	11·84	12·75	12·95	13·14
Electricity [1]	M	mn. kwh	6,679	7,263	7,581	7,117	7,248	6,051	9,448	7,960	7,324	6,730
MANUFACTURING												
Textile production :												
Cotton yarns, single	W	mn. lb.	16·91	16·33	16·85	16·59	18·48	16·31	17·14	15·00	15·03	...
Worsted yarn	M	„	18·48	19·38	19·48	19·08	22·49	17·49	17·78	16·42	15·79	16·40
Rayon and synthetic fibres, total	M	„	39·32	40·21	41·32	42·49	48·94	41·01	36·83	36·94	36·22	32·30
„ „ „ „ staple fibre	M	„	19·94	21·31	21·93	22·84	25·90	22·39	19·66	20·92	19·65	17·20
Cotton cloth, woven	W	mn. yds.	34·3	31·0	31·4	31·8	33·7	32·3	31·6	28·0	28·2	...
Wool fabrics, woven	M	mn.sq.yds	34·2	33·1	32·8	31·0	36·1	30·2	30·4	25·8	25·9	27·9
Engineering production :												
Passenger cars and chassis	W	'000s	17·26	13·61	16·56	15·19	19·10	18·50	21·85	20·31	21·57	20·95
Commercial vehicles and chassis	W	„	6·53	5·71	5·54	4·77	5·87	5·79	6·57	5·81	6·40	6·00
Metal-working machine tools	M	'000 tons	12·52	12·90	14·10	...	14·08[6]	...	13·99[5]	...	...	...
Internal combustion engines	M	'000 BHP	408	411	406	389	428	384	436	449	...	...
BUILDING ACTIVITY [1]												
Permanent houses completed :												
Total	M	'000s	26·42	25·03	25·09	23·91	27·73	25·25	24·64	21·71	23·47	23·06
By private builders	M	„	9·46	10·35	10·54	10·52	11·22	10·26	10·07	9·90	10·31	10·45
By local housing authorities	M	„	15·98	13·86	13·83	12·50	15·75	14·04	14·17	11·32	12·77	11·74
Other	M	„	0·98	0·82	0·73	0·90	0·76	0·95	0·40	0·49	0·39	0·87
WHOLESALE SALES												
Textile houses :		Av. value										
Total home sales		1950 = 100	98	101	101	103	98	83	112	95	92	...
Women's and children's wear		„	98	102	101	104	98	81	119	96	95	...
Men's and boys' wear		„	94	99	99	105	100	88	111	100	93	...
Piece-goods		„	62	63	64	65	63	52	82	54	59	...
RETAIL SALES [1]		Weekly av. value										
All kinds of business :		1950 = 100	139	146	153	147	150	151	150	149	154	153
All retailers		„	136	140	146	140	142	142	142	141	146	144
Independent retailers		„	152	162	173	163	167	176	168	167	178	181
Multiple retailers		„	142	154	164	159	166	162	167	164	168	163
Co-operative societies		„	117	121	127	120	120	116	115	123	120	120
General department stores		„										168
By kind of shop :												138
Food		„	148	156	163	160	163	162	167	165	168	154
Clothing and footwear		„	121	127	131	126	130	141	114	125	135	
Household goods		„	151	153	166	151	160	150	157	153	160	
STOCKS												
Basic materials :												
Coal, distributed [1]		'000 tons	18,340	17,893	18,765	16,254	17,094	18,279	15,065	14,936	16,168	17,050
Steel [8]		„	1,365	1,573	1,582	1,551	1,581	1,632	1,554	1,608	1,585	...
Copper [8]		„	76·2	59·6	91·5	71·1	61·9	64·1	94·3	88·6	89·0	...
Sulphur [8]		„	66·6	84·6	97·2	85·0	95·4	89·0	80·7	68·9	78·1	...
Newsprint [7]		„	105·0	133·6	145·6	128·2	138·6	145·4	109·4	104·6	112·8	...
Textiles :		Av. value										
Wholesale houses, total [1]		1950 = 100	90	95	95	115	113	109	122	117	115	...

[1] Great Britain. [2] Provisional estimate. [3] Excluding all screening losses normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for first quarter. [6] Average for second quarter. [7] From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. [8] For sulphuric acid only, including filter cake from May, 1956. [9] Revised series ; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent. [10] Figure for July, 227,000 tons. [11] Figure for July, 316,000 tons.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
WHOLESALE PRICES [1] (1953 = 100)													
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94	...
1956	110	104	106	102	103	129	101	102	104	109	108	139	107
1957	114	106	106	108	105	130	108	103	107	113	110	164	106
1958, February	111	104	105	120	106	128	111	102	106	111	108	...	96
„ March	111	103	105	120	106	126	112	102	106	111	108	...	95
„ April	110	102	104	120	106	125	...	102	106	111	108	...	95
„ May	110	102	104	124	106	126	...	102	104	111	...	...	94
„ June	111	...	105	121	...	...	...	...	...	...	...	...	94[10]
COST OF LIVING [3] (1953 = 100)													
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	89	77
1956	108	104	113	103	105	126	107	109	108	109	109	136	112
1957	112	107	116	106	106	129	112	110	114	112	113	152	116
1958, February	113	108	...	119	110	130	115	112	117	114	118	160	118
„ March	113	108	...	120	110	130	...	112	117	114	118	160	119
„ April	112	108	117	121	110	130	...	113	118	117	119	161	120
„ May	112	108	...	121	111	131	117	...	...	...	119	...	120
„ June	115	109	...	122	110	...	...	...	...	...	...	...	121[11]
IMPORT PRICES [5] (1953 = 100)													
1948	37	84	84[2]	59	...	...	82	98	85	80	72	113	75
1956	97	99	102	102	102	124	106	105	102	102	103	...	104
1957	98	102	103	111	103	127	112	108	107	109	106	...	106
1958, January	96	96	...	}	{	99	124	112	104	104	109	}	{	99
„ February	95	98	...	} 118	{	98	119	112	105	103	109	} 104	{	98
„ March	93	96	...	}	{	97	118	110	103	102	109	}	{	97
„ April	92	...	...	...		96	114	108	...	103	105	...	...	98
„ May	91	...	...	...		95	...	...	...	102	...	...	...	97[13]
EXPORT PRICES [5] (1953 = 100)													
1948	42	95	91[2]	68	...	...	78	103	97	84	76	91	77
1956	105	103	104	99	101	143	96	104	102	115	103	...	105
1957	105	106	102	106	103	140	98	102	105	119	105	...	110
1958, January	99	106	...	}	{	105	129	99	107	104	115	}	{	109
„ February	105	103	...	} 117	{	105	136	99	107	104	112	} 104	{	110
„ March	102	102	...	}	{	102	142	99	107	104	114	}	{	109
„ April	103	...	...	...		104	133	100	...	105	113	...	...	109
„ May	104	...	...	...		102	...	...	...	104	...	...	...	109[13]

TOTAL MONEY SUPPLY [7]

End of period	'000 mn. schillings	'000 mn. francs	*mn.* kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras	'000 *mn.* £
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715	5·12
1956	29·71	198·9	7,633	6,585	31·9	9·17	154·7	4,927	9,227	6,865	9·90	6,031	5·76
1957	32·10	198·4	7,918	7,152	35·8	...	165·5	5,241	9,026	6,887	10·13	...	5·71
1958, February	31·70	193·1	8,110	6,966	34·8	...	157·3	...	9,018	6,722	9·14	...	5·26
„ March	32·05	197·0	8,052	7,012	35·2	...	158·9	5,044	9,045	6,411	9·10	...	5·25
„ April	32·55	200·9	8,459	7,028	35·9	...	160·3	...	9,157	6,626	9·43	...	5·31
„ May	32·80	...	8,590	7,114	36·3	...	157·9	...	...	6,669	9·06	...	5·27
„ June	...	...	...	...	...	...	...	...	...	...	...	...	5·42

GOLD AND FOREIGN EXCHANGE HOLDINGS [8] (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192	1,856
1956	406	1,143	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230	2,133
1957	510	1,131	171·9	775	5,643	196·4	258	1,532	1,056	184·2	456	316	2,273
1958, February	511	1,176	168·1	...	5,530	198·4	251	1,581	1,248	174·6	435	300	2,539
„ March	511	1,214	172·1	...	5,558	198·0	253	1,609	1,237	191·2	436	305	2,770
„ April	507	1,259	181·5	...	5,622	193·4	251	...	1,239	194·3	431	294	2,914
„ May	513	1,321	184·5	...	5,771	197·4	252	...	1,274	192·1	443	275	3,039
„ June	524	1,355	184·6	...	5,830	...	...	...	...	190·5	448	262	3,076[14]

[1] Athens and Piraeus only for Greece ; Ireland from 1955 onwards are for home-produced goods only ; Germany, F.R. are producers' prices of industrial products ; United Kingdom are prices of basic materials in non-food industries only. [2] July-December. [3] In capital cities only for Austria, France, Greece and Turkey ; Austria and Belgium exclude rent ; Denmark includes direct taxes ; Ireland based on August, 1953 = 100. [4] Including direct taxes. [5] Including trade with Faroe Islands. [6] Index numbers of unit value which compare the current average value of trade with its value in 1953 ; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. [7] Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. [8] Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings ; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. [9] Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. [10] July, 94. [11] July, 119. [12] June, 98 ; July, 97. [13] June, 109 ; July, 109. [14] July, 3,084.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 16, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £42,628,000 compared with a surplus of £75,964,000 in the previous week and a deficit of £53,412,000 in the corresponding period of last year. There was a net expenditure "below-line" of £8,741,000 leaving a total deficit of £269,490,000 compared with £340,751,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Aug. 17, 1957	April 1, 1958, to Aug. 16, 1958	Week ended Aug. 17, 1957	Week ended Aug. 16, 1958
Ord. Revenue					
Income Tax	2312,500	483,845	523,493	27,843	31,618
Surtax	163,000	31,800	31,700	900	800
Death Duties	163,500	75,100	69,600	3,700	3,700
Stamps	56,250	26,300	20,400	1,200	600
Profits Tax, EPT & EPL	275,000	82,400	102,200	6,500	10,900
Other Inland Rev. Duties	...	110	70	...	...
Total Inland Rev.	2970,250	699,555	747,463	40,143	47,618
Customs	1256,940	455,945	485,418	21,088	23,900
Excise	932,310	366,475	372,955	23,720	26,400
Total Customs and Excise	2189,250	822,420	858,373	44,808	50,300
Motor Duties	104,000	19,794	21,207	402	568
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	6,900	7,600	...	...
Sundry Loans	30,000	14,176	13,060	...	...
Miscellaneous	110,000	70,824	23,668	504	417
Total	**5439,500**	**1633,669**	**1671,371**	**85,857**	**98,903**
Ord. Expenditure					
Debt Interest	695,000	260,117	261,482	59,415	59,361
Payments to N. Ireland Exchequer	73,000	23,546	25,308	...	...
Other Cons. Funds	10,000	4,255	3,996	34	...
Supply Services	4292,859	1453,140	1480,560	78,850	81,450
Total	**5070,859**	**1741,058**	**1771,346**	**138299**	**140811**
Sinking Funds	38,000	10,881	11,180	970	720
"Above-line" Surplus or Deficit	**118,270**	**111,155**	**53,412**	**42,628**	
"Below-line" Net Expenditure*	222,481	158,335	28,055	8,741	
Total Surplus or Deficit*	**340,751**	**269,490**	**81,467**	**51,369**	
Net Receipts from:					
Tax Reserve Certificates	95,899	104,290	1,190	6,342	
Savings Certificates	3,100	23,600	−400	800	
Defence Bonds	−6,098	19,704	92	491	
Premium Savings Bonds	28,660	24,745	1,085	1,470	

* Including a net expenditure of the Civil Contingencies Fund of £4 mn. in 1957 and a net receipt of £16 mn. in 1958.

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Aug. 17	3,050·0	1,752·2	290·3	1·0	5,093·5
1958					
May 17	3,170·0	1,552·8	234·9	0·3	4,958·0
,, 24	3,200·0	1,510·3	202·6	...	4,912·9
,, 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
,, 14	3,290·0	1,476·5	213·1	...	4,979·6
,, 21	3,310·0	1,484·3	220·5	...	5,014·8
,, 30	4,853·4		233·0	...	6,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
,, 12	3,280·0	1,611·2	197·9	...	5,089·1
,, 19	3,260·0	1,615·1	228·2	...	5,103·2
,, 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
,, 9	3,270·0	1,569·9	190·5	...	5,030·4
,, 16	3,270·0	1,589·9	209·4	...	5,069·3

THE MONEY MARKET

THE discount market raised its bid by only 7d. per cent, equivalent to a cut in the discount rate of under ⅛ per cent, at the Treasury bill tender following the ½ per cent reduction in Bank rate on Thursday of last week. Outside competitors raised their bids notably more than the market; and the proportionate allotment of bids at the minimum price dropped from 55 to 32 per cent. The average rate of discount on the whole allotment dropped by 2s. 10½d. per cent, to £3 14s. 5d. Applications for the unchanged allotment of £250 million dropped by £30 million to £438 million.

Credit supplies have been taut in Lombard Street; in the first week of the new Bank rate the discount market found itself obliged to take very small loans at the penal rate on four days out of six. The Bank gave substantial help through market purchases, directly and through the banks, and it seems that some of the Bank borrowing was attributable to the reluctance of discount houses to sell bills at 3⅛ per cent, compared with the prevailing rate of 3⅛ per cent. At times of stringency, flexible rates on overnight money have ranged up to 3⅝ per cent and even 3¾ per cent; the new rate on the clearing banks' "good" money is 2¾ per cent.

Commercial bill rates have been reduced by notably more than Treasury bills. Three months' fine bank bills have fallen by ¼ per cent, to 3⅞-3⅛ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	**Discount rates** Bank bills: 60 days	3⅛-3⅛
Deposit rates (max.) Bank	2½	3 months	3⅛-3⅛
Discount houses	2½*	4 months	3⅛-3⅛
Money Day-to-Day	2½-3½	6 months	3⅛-4
Treas. bills 2 months	3⅝	Fine trade bills: 3 months	4⅛-5⅛
3 months	3⅞	4 months	4⅛-5⅛
* At immediate notice.		6 months	4⅛-5⅛

BANK OF ENGLAND RETURNS

£ million	Aug. 21, 1957	Aug. 13, 1958	Aug. 20, 1958
*Issue Department**:			
Notes in circulation	2,007·0	2,087·7	2,058·9
Notes in banking dept.	18·4	12·7	41·4
Govt. debt and securities*	2,021·2	2,096·2	2,096·3
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·7	9·6	12·0
Bankers	209·5	204·6	215·0
Others	73·8	71·3	73·1
Total	295·0	285·8	300·7
Securities:			
Government	247·6	259·7	246·3
Discounts and advances	27·2	10·2	10·0
Other	17·9	19·0	19·3
Total	292·7	288·9	275·6
Banking department reserve	20·8	14·9	43·6
"Proportion"	7·0	5·2	14·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,100 million from £2,150 million on August 13, 1958.

TREASURY BILLS

*Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
1957					
Aug. 16	210·0	371·7	210·0	s. d. 79 10·62	% 41
1958					
May 16	250·0	422·1	250·0	103 11·49	44
,, 23	260·0	412·2	260·0	96 5·96	61
,, 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	59
,, 13	270·0	413·0	270·0	90 1·77	65
,, 20	260·0	414·1	260·0	85 9·63	42
,, 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
,, 11	240·0	452·8	240·0	80 3·79	43
,, 18	240·0	424·3	240·0	84 11·39	40
,, 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39
,, 8	250·0	467·9	250·0	77 3·63	55
,, 15	250·0	437·8	250·0	74 5·00	32

* On August 15th tenders for 91 day bills at £99 1s. 3d. secured 32 per cent, higher tenders being allotted in full. The offer this week was for £250 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: August 20	Market Rates: Spot: August 14	August 15	August 16	August 18	August 19	August 20
United States $	2·78-2·82	2·80½-2·80⅝	2·80⅜-2·80⅝	2·80½-2·80⅝	2·80½-2·80⅝	2·80⅝-2·80⅝	2·80½-2·80⅝
Canadian $	...	2·69½-2·69⅝	2·70-2·70⅛	2·70⅛-2·70¼	2·70⅛-2·70⅜	2·70¼-2·70⅜	2·70⅛-2·70⅜
French Fr.	1167·18-1184·82	1172½-1173½	1173-1173½	1172½-1173½	1172½-1173½	1172½-1172½	1173-1173½
Swiss Fr.	12·15⅜-12·33⅜	12·20⅜-12·21	12·20⅜-12·20⅞	12·20⅛-12·20⅜	12·20⅛-12·20⅜	12·20⅛-12·20⅜	12·21-12·21⅜
Belgian Fr.	138·95-141·05	138·97½-139·02½	138·97½-139·02½	138·97½-139·02½	138·97½-139·02½	138·95-139·00	139·00-139·05
Dutch Gld.	10·56-10·72	10·56½-10·56½	10·56½-10·56½	10·56½-10·56½	10·56½-10·56½	10·56½-10·56½	10·56½-10·57
W. Ger. D-Mk.	11·67⅜-11·84⅜	11·69½-11·69½	11·68½-11·69⅛	11·68½-11·68⅝	11·68½-11·69	11·68½-11·68⅝	11·69½-11·69⅝
Portuguese Esc.	79·90-81·10	80·30-80·40	80·30-80·40	80·30-80·40	80·30-80·45	80·30-80·40	80·30-80·40
Italian Lire	1736⅛-1762½	1738½-1738⅝	1738½-1738⅝	1738½-1738⅝	1738½-1738⅝	1738½-1738⅝	1739½-1740⅛
Swedish Kr.	14·37½-14·59⅜	14·43⅜-14·43⅝	14·43⅜-14·43⅝	14·43⅜-14·43⅝	14·43⅜-14·43⅝	14·43⅜-14·43⅝	14·43⅜-14·43⅝
Danish Kr.	19·19½-19·48½	19·33⅜-19·33⅝	19·33⅜-19·33⅝	19·33⅜-19·34⅛	19·34-19·34⅛	19·34-19·34⅛	19·34⅛-19·34⅜
Norwegian Kr.	19·85-20·15	19·99½-20·00	19·99½-20·00⅛	19·99½-20·00⅛	20·00-20·00⅛	20·00-20·00⅛	20·00-20·00⅛
One Month Forward Rates							
United States $		½-⅜c. pm	⅝-½c. pm	⅝-½c. pm	½-⅜c. pm	½-⅜c. pm	½-⅜c.pm
Canadian $		⅜-⅝c. pm	⅜-⅝c. pm	⅜-⅝c. pm	⅜-½c. pm	½-⅝c. pm	½-⅝c. pm
French Fr.		2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5dis
Swiss Fr.		2⅛-1⅞c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm
Belgian Fr.		⅛ pm-par	⅛ pm-par	⅛ pm-par	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-par
Dutch Gld.		1-⅛c. pm	⅞-⅛c. pm	⅞-⅛c. pm	⅛ pm-⅛ dis	⅛-⅜c. pm	⅜-⅛c. pm
W. Ger. D-Mk.		1⅛-1pf. pm	1⅛-1pf. pm	1⅛-1pf. pm	1⅛-1pf. pm	1⅛-1pf. pm	1⅛-1pf. pm
Italian Lire		1⅛ pm	1⅛-1 pm	1⅛-1 pm	1-⅞ pm	1-⅞ pm	1-⅞ pm
Swedish Kr.		1⅛-1⅛ pm	1⅛-1⅛ pm	1⅛-1⅛ pm	1⅛-1⅛ pm	1⅛-1⅛ pm	1⅛-1⅛ pm
Danish Kr.		2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par
Norwegian Kr.		1⅛ pm-par	1⅛ pm-par	1⅛ pm-par	1⅛ pm-par	1⅛ pm-par	1⅛ pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/3½	250/1½	...	250/0½	250/0½	250/1½

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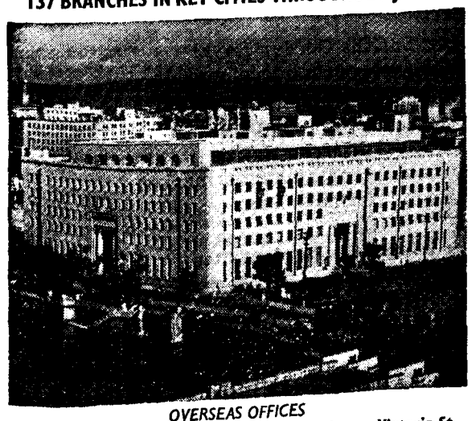

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COMPANY MEETINGS

THE DISTILLERS COMPANY LIMITED

CONTINUING EXPANSION IN SALES OF SCOTCH WHISKY

MARKED GROWTH IN EARNINGS OF INDUSTRIAL GROUP

SIR GRAHAM HAYMAN ON WORLD TRADING CONDITIONS

The eighty-first Annual General Meeting of The Distillers Company Limited will be held in the North British Hotel, Edinburgh, on Friday, September 12, 1958, at 12.30 p.m. The following are excerpts from the statement by the Chairman, Sir Graham Hayman, which has been circulated with the Report and Accounts for the year ended March 31, 1958:

GENERAL OBSERVATIONS ON TRADING

During the year under review, the volume of sales in nearly all sections of the Group was higher than in the previous year, although in a number of cases profit margins were reduced on account of the competitive conditions which prevailed. The total value of our consolidated sales for the first time exceeded £200 million showing an increase of 3¼ per cent over the previous year.

Your Directors consider the results are satisfactory, especially having regard to the more difficult world trading conditions which gained momentum during the latter part of the year, and also the measures taken by the Government to combat inflation, which were bound to have restrictive effects, at least temporarily, on the over-all state of trade.

Last year, as a general indication, a division of our total earnings was given as between Scotch Whisky and Gin and our Industrial activities. The respective proportions of 75 per cent and 25 per cent then given have not materially changed.

ACCOUNTS

Referring now to the Accounts, the profit from trading after charging depreciation is £22,681,751, compared with £21,432,602 last year. The increased profit of the Group is mainly attributable to the continuing expansion in sales of our Scotch Whisky companies, but there has been a marked growth in the earnings of our Industrial associated companies, which arises from the heavy investment programme in recent years, and dividends from these sources are included under Trade Investments. Our income from Trade Investments totals £1,517,734 compared with £1,259,306 last year, and includes a dividend from British Hydrocarbon Chemicals Limited of £935,000 for the year to April 30, 1957.

The appropriation for taxation this year is £12,527,172. In this connection, it may be of interest to Shareholders to know that if the differential rates of Profits Tax had been abolished from April 1, 1957, the Group's liability to Profits Tax would have been reduced by approximately £450,000. This is some indication of the benefit which we should derive next year from this welcome change to a more equitable basis of assessment.

After eliminating the proportion of net profit attributable to outside shareholders in certain subsidiary companies, the net profit of the Group is £10,582,818 compared with £9,817,587 last year. Your Directors consider that the results justify an increase in the total dividend to be paid for the year. Shareholders will recall that the interim dividend was altered from 4 4-5d. per share to 6d. per share to reduce the disparity between the interim and final dividends. Your Directors now recommend that a final dividend on the Ordinary Share capital be declared at the rate of 10d. per share of 6s. 8d., making 1s. 4d. for the year, or 20 per cent compared with 18¾ per cent last year. They also propose to transfer £1,500,000 to General Reserve, which will leave the amount to be carried forward practically unchanged at £2,364,363.

Your Board during the current year propose to examine the capital structure of the Group with a view to bringing the issued share capital more into line with the total funds employed in the business. They will also review the forward needs of the Company to finance projected capital expenditure over the next few years, to ensure that any additional capital required can, if necessary, be taken into account in deciding upon the form of capitalisation to be adopted.

SCOTCH WHISKY

Our distilling operations for the season were carried out under favourable conditions, with production at a somewhat higher level than in the previous year. The erection of new Warehouses and the modernisation of Distilleries and Bonding and Blending establishments, involving as it does a heavy outlay of capital expenditure, marks continued progress and brings with it the attainment of greater efficiency.

Stocks of Scotch Whisky held by the Industry as at March 31, 1958, reached the impressive total of 219 million proof gallons, being an increase of 20 million proof gallons on the corresponding figure for last year. Based on the over-all sales of the Industry during the year under review, and after allowing for normal evaporation losses during storage, this represents between seven and eight years' stock.

Although your Board considers that the Company's own production is reasonably related to prospective sales, there is evidence of a speculative element in the market which is undesirable and gives rise to some concern. In this connection, it is significant that the present production of the industry, after allowing for evaporation losses, is approximately 67 per cent in excess of its current sales.

The following table of sales by the Industry at home and abroad indicates the very substantial progress which has been made in the last five years, and I am glad to say that our brands have enjoyed a satisfactory share of this increased trade.

Sales of Scotch Whisky
(proof gallons)

Year to	Home	Export	Total
Mar. 31, 1954	4,343,000	13,348,434	17,691,434
Mar. 31, 1955	4,912,000	13,660,020	18,572,020
Mar. 31, 1956	5,403,000	15,398,918	20,801,918
Mar. 31, 1957	5,780,000	16,449,503	22,229,503
Mar. 31, 1958	6,075,000	18,118,412	24,193,412

Last year reference was made to Home Trade prices and to the representations made to the Company by the distributive sections of the Trade. Since then our Home Trade price structure has been revised, primarily in order that the margins of profit available to the distributive trade could be increased.

So far as exports are concerned, the United States still remains the predominant market of the industry, taking as it does more than 50 per cent of the total. From reports made by our executives who have recently visited that country, it appears that up to date at least, Scotch Whisky has not suffered unduly from the recession in general business. There is, however, little doubt that competition in the United States is becoming more intense.

In Canada I am glad to report continued progress despite strong domestic competition. The disparity in retail prices between Scotch and Canadian Whiskies, which are fixed by the Liquor Commissions, although remedied to some extent, still remains an unsatisfactory feature; but as a result of representations which are being made, it is hoped to bring about more equitable trading conditions.

Perhaps the most unsatisfactory feature of the export trade during the year has been the New Zealand Government's restriction on imports, as a result of which imports of Scotch Whisky may well be reduced to approximately 40 per cent of the 1956 level. This decision, affecting as it does one of our outstanding markets, is a great disappointment and particularly so as the prospects of early relief appear somewhat remote.

Last year reference was made to the action taken by the French Government, which had made a drastic reduction in the amount of exchange allocated for Scotch Whisky imports. The position remains wholly unsatisfactory despite vigorous representations made to HM Government, which we shall continue to press. I am sure Shareholders will share our dissatisfaction that the value of exports of Scotch Whisky to France during the calendar year 1958 is unlikely to exceed £250,000, against which imports of Wines and Spirits from France to Great Britain may well amount to £10 million.

It is clear that in a general sense we are undoubtedly approaching much more competitive conditions. However, your Company's policy during the difficult postwar years of unsatisfied demand has been to maintain the high quality and distinctive character of its brands, even though this inevitably curtailed our opportunities for increased sales. As and when conditions of free supply return, we may expect consumers to be even more discriminating than in recent years. I am therefore confident that your Company, with its known adherence to established standards of quality, is well equipped to meet the more difficult market conditions which lie ahead.

GIN

Our Gin Group plays an important part in our over-all economy, and makes a significant contribution to the country's export trade.

The total sales of our Gin Companies continued at a high level and, with the exception of the USA, both home and overseas markets showed satisfactory increases. It is undoubtedly true that competition, both at home and abroad, has become more keen, but your Companies' brands have an established position and are generally well received.

In the Home market, profit margins have been somewhat reduced owing to increased costs, but the trading results are satisfactory. During the year retail prices were increased in order to provide more adequate margins for the distributive sections of the trade.

The sales of our USA Company, Gordon's Dry Gin Company Limited, Delaware, showed a sharp fall—in common with certain other major domestic brands—although we still retain the leading position in that market and look for an early recovery in sales.

In South Africa, Gordon's Dry Gin Company at Isando continues to make excellent progress with higher sales for the year.

As stated last year, the fiscal policies adopted by Governments in certain export markets make it necessary for us to consider establishing local manufacture where the potential demand warrants such a course. In pursuance of this policy, your Company is erecting a Gin distillery in Brazil. It is hoped that the plant will be in operation early in 1959.

YEAST

Sales of Yeast during the year were reasonably good, but the trend was again lower. Although competitive conditions contributed to this, the main cause was the still lower consumption of bread in the United Kingdom. This would appear to be a consequence of the higher standard of living, and the provision of canteen facilities at factories on an increasing scale. The amalgamation of more and more small bakers into larger units has also brought about economies in the consumption of Yeast.

In last year's report, reference was made to the reorganisation of our nation-wide distribution system, and also the closing of our Vauxhall plant and concentration of manufacture at our three other factories. I am glad to report that these changes are now almost complete with consequent improvement in our costs and competitive position

Our exports of Dried Yeast showed satisfactory progress, and further expansion is contemplated.

INDUSTRIAL GROUP

Sales of the various Divisions showed encouraging increases in practically all sections during the year, although as indicated earlier in this statement, world trading conditions became less favourable during the latter part, and there was evidence of increased competition. At the present time, the markets for some of our products could be described as hesitant, and while so far there has been no major setback, the immediate outlook is somewhat uncertain.

CHEMICAL DIVISION. Further reorganisation has taken place during the year, so that all chemical interests administered by the Group are co-ordinated and the products are sold by the Chemical Division of the Distillers Company, instead of by separate companies.

Due to the continuing high cost of molasses, an important feature of the past year has been the further diversion from fermentation of molasses as a source of industrial alcohol and other chemicals, to the production of these materials from petroleum. Of our six large fermentation plants, four have now been closed. This change was foreseen when we initiated our petroleum chemicals development at Grangemouth, and the loss of earnings from the distilleries has been more than off-set by our share of the profits from Grangemouth. A more fundamental consideration is that our petroleum chemical manufacturing group affords us materials at an economic cost which, in turn, sustains our expanding production of chemical derivatives.

The sales pattern showed a steady increase in the demand for the more specialised and profitable chemicals, with some falling off, particularly in export markets, of the older bulk lines, due to the establishment of new capacity in other countries.

Our carbon dioxide business continued its steady annual growth, with large consumers taking more and more advantage of the bulk tanker method of delivery which was pioneered by your Company, and which represents the most economic form of delivery of this versatile product.

Calcium carbide output from our plant in South Wales reached a record tonnage in production and sales.

BRITISH HYDROCARBON CHEMICALS LIMITED, GRANGEMOUTH. This Company, in which we are equal partners with The British Petroleum Company Limited, had a very successful year. A full year's output from the second ethylene and ethyl alcohol plants has shown these to be in every way up to expectation and further expansion is under consideration. Other plants at Grangemouth, including those of Forth Chemicals Limited (Styrene) and Grange Chemicals Limited (Detergent Alkylate), also enjoyed increased outputs and sales.

Last year it was reported that a plant for the production of a new type of high density polyethylene was under construction. This work is up to schedule and it is hoped to commence production early in 1959. The product will be sold by our Plastics Division under the trade-mark "RIGIDEX." Meantime, market testing carried out with imported material indicates much interest in this new plastic. Its outstanding properties are rigidity, resistance to high temperatures, and toughness.

During the year, British Hydrocarbon Chemicals Limited commenced the construction of a plant at Grangemouth to produce Phenol. The process to be used was developed by your Company, and it has been licensed widely overseas where a number of plants are in successful operation.

Murgatroyd's Salt and Chemical Company, in which we have an equal interest with Fisons Limited, again had a successful year. Chlorine production was in advance of designed capacities, which enabled the Company to cover the increased requirements of our Plastics Division and other consumers.

BIOCHEMICAL DIVISION. Keen competition persisted at home and abroad, but although the prices obtainable for the basic antibiotics were no higher, our total sales rose in value by 33⅓ per cent compared with the previous year. Lower production costs contributed substantially to the improved earnings for the year.

Our research workers have opened up a new field by the discovery of a Vitamin B. 12-peptide complex which is an effective oral treatment for pernicious anæmia. This further displacement of the injection method constitutes a major advance comparable with our introduction in this country of penicillin V for oral administration. The new product was marketed on July 1, 1958, under the trade-mark "Distivit" Oral.

PLASTICS DIVISION. The three major companies comprising our Plastics Group, namely, British Resin Products Limited, British Geon Limited, and Distrene Limited, all record satisfactory progress. The Plastics industry in this country, as a whole, showed marked growth during the year, and although competition was keen, our position in the home and overseas markets was well maintained.

Our range of synthetic resins and moulding powders, polyvinyl products (p.v.c.) and "Styron" polystyrenes, are finding an increasing diversity of industrial applications. These new uses are greatly facilitated by our Consumer Research laboratories and the technical service team we provide to study the wide variety of consumer problems in conjunction with our customers.

The new plant referred to last year, for the manufacture of oil-resistant synthetic rubber and latices, has been completed and brought into operation, and the products are being marketed under the trade-mark "HYCAR."

BX Plastics Limited, in which we have an equal interest with The British Xylonite Company Limited had a record year of sales and profits.

MAGNESIUM. The earnings of our associated Company, Magnesium Elektron Limited, were well maintained, although sales are being adversely influenced by the cuts in aircraft programmes arising from changes in the Government's Defence policy, and the current year promises to be more difficult.

The "Guardion" system of corrosion protection of ships' hulls by magnesium, developed by our Subsidiary Company, F. A. Hughes & Co., Ltd., continues to enjoy increasing acceptance by shipowners and others throughout the world.

AUSTRALIA. With the exception noted below, the trading results of our associated Company in Australia, CSR Chemicals Pty. Ltd., continued to improve. Unfortunately, however, the world-wide position of one of their main products, cellulose acetate flake, remained depressed.

SOUTH AFRICA. Our associated Company, National Chemical Products Limited, has again had a year of sustained growth, with a corresponding increase in earnings. Its subsidiary, Poly-Resin Products, which specialises in the manufacture of synthetic resins has made marked progress.

TECHNICAL DEVELOPMENT

Our Research Development and Engineering Departments continue to give valuable service to all sections of the Company, and notable contributions have been made by them to the efficiency and economics of the operating units. Useful progress has also been made in the application of Work Study techniques in our major plants.

At the research level, a number of longer term projects, aimed at the future expansion of the business, are being actively investigated. Expansion of the facilities for research has been necessary and during the year, new laboratory construction has been authorised at our Central Research Department at Epsom, and at the Hull and Carshalton establishments of the Chemical Division.

Your Company now employs some 425 professionally qualified scientists and engineers in its various technical departments outside the production field, and its annual appropriation for this highly important work has reached a total of £1.75 million.

I am glad to record our well deserved thanks to all employees throughout the Group for their efforts and loyal service during the past year.

FUTURE PROSPECTS

It is especially difficult this year to attempt a forecast of short term prospects. As already stated, the general pattern of trade became less firm towards the end of the year under review and the overshadowing influences of the trade recession in the USA, coupled with the present levelling out of demand in Europe, are bound to create unsettled conditions for a time. However, your Company is continuing its capital investment programme, and if the easing of restrictions by the Government paves the way for a revival in industrial expansion, I feel confident that our widespread interests will provide good opportunities for further progress.

THE TUNNEL PORTLAND CEMENT COMPANY LIMITED

PROBLEM OF RISING FUEL COSTS

The forty-seventh Annual General Meeting of The Tunnel Portland Cement Company Limited will be held on September 15th at 105 Piccadilly, London, W.1.

The following is an extract from the Review by the Chairman, Mr N. M. Jensen, which has been circulated with the Report and Accounts:

Whereas last year I was able to report that the home market had absorbed the surplus created by somewhat lower exports, I am afraid I cannot say the same this year. The steep increase in the bank rate and the continuing credit squeeze had a marked effect on the building industry and, during the period covered by the accounts, trading has been difficult, particularly as regards the period from September 1957 to April of this year. The reduced demand made it impossible for us to keep all our factories running to full capacity. Our West Thurrock works was particularly affected.

The recession in the export market is accounted for largely by a general reduction in the overall demand and this has accentuated competition. For instance, in our Far Eastern markets the Japanese have a considerable freight advantage over us, but competition from various European countries on both sides of the Iron Curtain has also increased. Most of these countries are maintaining fairly high prices in their home markets and, in some instances, are prepared to sell their surplus production in export markets mainly to obtain foreign currency or to cover part of their overhead expenses. Not only have we therefore suffered a reduction in export tonnage, but there has also been a lower margin of profit.

As far as the home market is concerned there has been a distinct improvement since April, both as regards deliveries and our margin of profit. The export market I fear is going to be difficult for some years to come.

After giving details of the Accounts the Chairman then reviews the Company's interests in the USA and elsewhere abroad, and continues:

COAL AND ELECTRICITY

Two of the chief items in the cost of manufacture of cement are coal and power and their continued increase in price gives cause for some alarm. Furthermore, the quality of coal has decreased as the price has risen. As compared with 1938, the figures for nine months to March 1958 show an increase in delivered cost of 390 per cent and, when calorific value is taken into account, the increase is 454 per cent. By continuous attention to fuel efficiency, we have been able to keep down the increase in the cost per ton of cement to 402 per cent while, for the same period, the price of cement delivered in the Central London area has increased by only 167 per cent. In this situation, we have decided to install plant for oil burning at our West Thurrock works. This will enable us to use either coal or oil, or both, as, from time to time, may be more economical.

Greater efficiency and productivity in industry largely depend upon more supplies of cheaper power, yet the Electricity Authority continues a price policy which favours the domestic consumer compared with the large industrial user. To show you more clearly what I have in mind, I can tell you that in my own home the cost of electricity, during the last twenty years, has risen by some 30 per cent only, whereas at our West Thurrock works, which consumes more than 70 million units a year, there has been an increase in cost of nearly 210 per cent. Not only are we very large consumers, but we possibly have the best load factor and power factor which any electricity supply concern could wish for, and yet our cost of current is only about 15 per cent per unit below what I am paying for my private consumption.

WILLIAM HANCOCK AND COMPANY LIMITED

The seventy-first annual general meeting was held on August 15th in Cardiff, Colonel J. Gerald Gaskell, CB, TD, DL (the chairman), presiding. The following is an extract from his circulated statement:

Profit for the last year's trading to March 31, 1958, increased from £275,606 to £331,346. It is unfortunate that the charge for taxation has increased proportionately so that net profit for the year is £123,414 against £102,525. The Directors are proposing to increase the dividend on the Ordinary Stock from 12½ per cent to 14 per cent.

One reason for the improvement in profit may be attributed to the increase of 1d. per pint in the price of draught beer. Our Wine and Spirit department and the Mineral Water Department have also contributed to the improved results.

Our beer sales have been well maintained and the increase in the price of draught beer did not affect the output. We have arrangements to supply certain other brewers' beers in our own houses where there is an established demand, and this has proved to be advantageous for bottled beer sales.

Now as to the future. Our trade during the months of April and May shows a slight decrease largely accounted for, I think, by the weather. There are other factors, such as unemployment in the Swansea and Llanelly areas and reduced overtime working. On the other hand news has been received that an immediate start is to be made on the £18 million Refinery near Milford Haven. This in time should prove of advantage to our houses in that area.

KEPONG (MALAY) RUBBER ESTATES LIMITED

LARGER CROP

The fifty-third annual general meeting of Kepong (Malay) Rubber Estates Limited was held on August 20th in London, Mr T. J. Cumming, chairman, presiding.

The following are extracts from his circulated statement for the year 1957:

The result of the past year's working was a profit of £222,184 after allowing for replanting expenditure and upkeep as customary. We are recommending a final dividend of 15 per cent, less tax. This, together with the interim dividend paid, makes a total for the year of 20 per cent, less tax.

Although we did not quite reach our published estimate of 9,820,400 lb the total crop amounted to 9,657,083 lb, and this compared favourably with the previous year's figure of 8,904,812 lb. The average acreage tapped was 18,410 out of a full mature area of 22,704 acres, which was about 600 acres less than that tapped in 1956.

Our main product was centrifuged latex, marketed under the trade name "LACENTEX," and this accounted for 77 per cent of the total crop. All our factories maintained their standard in terms of high quality and specification required by buyers.

There is some doubt about the future market for natural latex owing to the competition of various synthetics, but taking the long view of the world's consumption of rubber it would appear there is room for both products.

The report and accounts were adopted.

GORDON (MALAYA) RUBBER ESTATES

The thirty-fifth annual general meeting of Gordon (Malaya) Rubber Estates, Limited, was held on August 20th in London, Mr T. J. Cumming, chairman, presiding.

The following are extracts from his circulated statement for 1957: The profit on the company's operations during the year amounted to £32,337, from which a sum of £15,386 has to be provided for taxation, leaving £16,951 to which is added the balance brought forward from the previous year and £18,500 reserved for United Kingdom taxation last year, now released on our qualifying as an Overseas Trading Corporation. We recommend a dividend of 10 per cent on the Ordinary Stock.

It is satisfactory to record that the estimated crop was exceeded by 93,900 lbs. During the year the new planting was continued and the area referred to last year as 90 acres was extended to 102½ acres. It is proposed to replant 100 acres on Jempol Estate and 120 acres on Francis Estate during the current year.

The market price of rubber has kept fairly steady around 22-23d. per lb. and although there are reports of new factories being installed for the production of synthetic rubber it is anticipated that the world's consumption requirements will absorb all available output.

Progress on the Nigerian properties continues to be satisfactory. On the Oban Estates difficulty has been experienced in obtaining a high stand of budded rubber, but all vacancies are being supplied by budded or clonal seedling stumps. Good progress has been made on Ilushin Estate.

The report and accounts were adopted.

BRICKWOODS LIMITED

MR REGINALD A. N. SHUTTE ON IMPROVED RESULTS

The sixty-seventh annual ordinary general meeting of Brickwoods Limited was held on August 15th at Portsmouth, Mr Reginald A. N. Shutte, OBE, ACA (Chairman and Managing Director), presiding.

The following is an extract from the Directors' General Report dated July 10, 1958:

The weather in the summer of 1957, except for the month of June was again poor and we were disappointed with the beer sales. However, better results were achieved by each of the subsidiary companies and Brickwoods' sales of Wines and Spirits again increased, with the result that the department also showed a better profit.

The increased trading profit tends to mask a slight decrease in the sales of both draught and bottled beer in the year under review.

The profit of the Group, before Taxation, amounted to £864,836 an increase of £42,986. Taxation takes £498,444 against £477,247, leaving £366,392.

It is felt that the results for the year under review justify an increase in the Ordinary Dividend and we have recommended a Final Dividend of 16 per cent which makes a total for the year of 21 per cent as against 20 per cent.

The Capital Reconstruction proposals which have recently been approved by the Stockholders of all classes await the High Court's approval, subject to which, the scheme becomes effective on July 25, 1958.

The consolidation of the four tier 6 per cent Preference Stock into one single 6¼ per cent Preference Stock will be of considerable advantage to the Company and the one-for-one bonus to the Ordinary Stockholders will bring the capital structure more into line with the capital actually employed in the business.

BREWERIES AND DEPOTS

King Street Brewery has been converted from coal to oil firing. Considerable progress has been made with Phase 1 of the repairs of the war-damaged fermenting tower at the Admiralty Road Brewery. The Depot at Bournemouth has been doubled in size. Since the year ended, a modern store for Wine, etc., bottles and cases has been completed for the Group.

Three new licensed houses have been opened in the year under review and three more in the current year; there are another four in course of construction now. Continuing the policy of "fewer and better" licensed houses, a further fourteen On- and Off- licensed premises have ceased trading because of Town Planning requirements or because they were unremunerative.

The sales of beer for the current year are still running below last year's level, but in some of the other field's of activity there are encouraging signs.

The report was adopted.

GEGR. BV 1869

BAYERISCHE VEREINSBANK

MUNICH NUREMBERG

Condensed Statement of Condition June 30, 1958

ASSETS	in 1000 DM
Cash	16.767
Balances at Land Central Bank	76.219
Balances on Postal Cheque Account	1.209
Balances at Credit Institutions (Nostro-Balances)	60.432
Matured Bonds, Interest and Dividend Coupons	765
Uncleared Cheques on other Banks	5.566
Bills of Exchange	213.033
Treasury Bills and Non-Interest-Bearing Treasury Bonds of the German Federal Government and the Lands	48.761
Securities	150.677
Own Mortgage Bonds and Municipal Bonds	4.236
Equalisation Claims and Covering Claims on the Public Authorities	117.795
Holdings in Syndicates	22.550
Debtors	367.382
Long-Term Lendings of the Banking Department	127.552
Long-Term Lendings of the Mortgage Department (against Mortgages on Real Estate and to Municipalities)	699.862
Loans on a Trust Basis at Third Party Risk	13.474
Participations	28.253
Bank Premises	18.677
Other Real Estate and Buildings taken in the course of Mortgage Business	1.218
Office Furniture and Equipment	—
Own Shares	—
Other Assets	20.544
	1.994.972

LIABILITIES	in 1000 DM
Deposits	969.642
thereof	
a) Sight Deposits	338.556
b) Time Deposits	317.758
c) Saving Deposits	313.329
Monies Borrowed at Short Term	4.185
Own Acceptances and Promissory Notes	1.036
Monies Borrowed at Medium Term	7.219
Loans taken at Long Term by the Banking Department	74.756
Loans taken at Long Term by the Mortgage Department	73.448
Bonds issued outstanding in the Market (Mortgage and Municipal Bonds)	716.299
Loans on a Trust Basis at Third Party Risk	13.474
Capital	33.000
Reserves	25.000
Pensions Reserve	21.353
Other Reserves for Special Purposes	24.869
Other Liabilities	31.921
	1.994.972
Own Drawings in Circulation	—
Liabilities arising from Guarantees, including Guarantees of Bills and Cheques, and from Indemnity Agreements	71.670
Endorsement Liabilities on Bills of Exchange in Circulation	2.792

Board of Management: Dr. Dr. h. c. Wilhelm Biber, Munich; Wilhelm tom Dieck, Munich; Albin Harttig, Munich; Jürgen von Köller, Munich; Dr. Werner Premauer, Munich; Dr. Franz Steffan, Munich; Dr. Werner Teichmann, Munich; Dr. Hans Christoph Freiherr von Tucher, Munich; Elmar Warning, Munich. **Alternate:** Dr. German Schweiger, Nuremberg.
Board of Directors: Dr. Ludwig Mellinger, Munich, Chairman; Dr.-Ing. E. h. Karl Butzengeiger, Kommerzienrat Munich, Vice-Chairman.

CENTRAL PERAK RUBBER

The thirty-second annual general meeting of Central Perak Rubber Company Limited, was held on August 14th in London, Mr P. B. L. Coghlan (the chairman) presiding.

The following is an extract from his circulated review:

In my Review last year I referred to assurances which had been given by Malayan Government Officials as to encouragement and safeguards for foreign capital. I am glad to read in a recent speech made in Malaya by the Minister for Commerce and Industry, quoted in the local press, that these assurances have been confirmed and that there will be no discrimination against foreign capital. It is certainly encouraging to know that the Malayan Government fully realises the importance of attracting foreign capital and appreciates the great mutual advantage of such investment. So far their expressed intentions as to the treatment of foreign capital will, I feel sure, create the right "climate" to this end.

During the first six months of 1958 the price of rubber has been depressed and not particularly profitable to producers. This reaction has been due not so much to any considerable over-production of the commodity, but to a general world recession in trade, particularly in the United States. Recently there have been signs that the worst of the trade recession has been seen and there has been an improvement in world commodity prices. The price of rubber today is certainly better than it has been for some months, but this, of course, is to some extent due to the fear of serious trouble in the Middle East and difficulties which might arise there and affect temporarily world supplies and demand. Generally speaking, however, the statistical position is sound; the supply and demand position, according to the findings at the recent meeting of the International Rubber Study Group held in Hamburg, is very closely balanced with an estimated surplus production of only 5,000 tons.

A small improvement in world trade could easily wipe out this surplus and could for a time cause a shortage with a corresponding increase in price. Such a position might easily occur in the latter half of this year, although the trend of world trade is not easy to predict at the present time.

The report was adopted.

BUSINESS AND PERSONAL

CAR ANNUAL CONTRACT RENTAL. AUSTIN/MORRIS/WOLSELEY SALOONS FOR FULL TARIFF WRITE: VINCENTS OF YEOVIL, LTD., COURT ASH, YEOVIL.

1,050 Directorships held by M.P.s listed and Classified in *Business Background of M.P.s*, ed. by Andrew Roth: 10s. to Parliamentary Profile Services, Ltd., 34 Somali Road, London, N.W.2.

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DISGRUNTLED because your name was omitted from the new life peer list? Never mind. Sip that peer among sherries—El Cid Amontillado. It's a noble wine, certain to restore contentment.

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Notice is hereby given that the MAXIMUM RATE of INTEREST allowed by the under-mentioned London Clearing Banks on deposits, which must be lodged for a minimum period of 7 days and be subject to a minimum notice of withdrawal of 7 days, will be TWO and a HALF per CENT. per annum until further notice.

BARCLAYS BANK LIMITED.
COUTTS & CO.
DISTRICT BANK LIMITED.
GLYN, MILLS & CO.
LLOYDS BANK LIMITED.
MARTINS BANK LIMITED.
MIDLAND BANK LIMITED.
THE NATIONAL BANK LIMITED.
NATIONAL PROVINCIAL BANK LIMITED.
WESTMINSTER BANK LIMITED.
WILLIAMS DEACON'S BANK LIMITED.

M. P. GREENWOOD,
Assistant Secretary.

10 Lombard Street, London, E.C.3.
14th August, 1958.

30 SEP 1958

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line

MSL have been retained to advise on the appointment of a

GENERAL MANAGER AND DIRECTOR

for a company in a large paint manufacturing group

which enjoys considerable autonomy, is situated in the North of England and manufactures and markets a range of paints and varnishes for the decorating trade.

The General Manager and Director will be responsible to the Chairman for the direction and co-ordination of all activities of the company.

Salary not less than £3,000 with top hat pension scheme.

The appointment requires a man with experience, at senior executive level, of formulating marketing policy and controlling a sales force in the consumer goods field. In addition he must have had some general management experience. Age range between 35-45 with preference for a man under 40.

No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion. Please send brief details in confidence, quoting reference S.1119. to P. J. H. Fryer.

MANAGEMENT SELECTION LIMITED
17, Stratton Street, London, W.1.

GRADUATE, aged under thirty, required as Personal Assistant to the General Manager of a well-established medium/heavy engineering works in the North of England. Requirements include a good honours degree, preferably in engineering or other scientific field and at least two years' post graduate experience, preferably in industry. Work will be interesting and, for the right man, there will be excellent opportunities for subsequent development within the organisation. Easy access to pleasant countryside and coast. Pension scheme in operation. Assistance with housing available.
Reply, with full particulars of education and experience, etc., and salary required, to Box No. 1003.

JOSEPH LUCAS (ELECTRICAL), LIMITED, require a

MATHEMATICAL STATISTICIAN

to undertake fundamental research into long and short term demand characteristics for the Company's products.

The person appointed will be required to work mainly on problems arising from other investigations into market conditions, and also to suggest new lines of enquiry particularly suitable for advanced statistical analysis.

The post offers variety and interest and the opportunity to work in a rapidly developing industrial market research section.

Applications are invited from men or women graduates whose degree course included statistics as one of the principal subjects. Age preferably between 21 and 30. Industrial experience desirable but not essential. The post is permanent and pensionable. Apply in writing, stating age, qualifications and experience, to the Personnel Manager, JOSEPH LUCAS (ELECTRICAL), LIMITED, Great King Street, Birmingham, 19, quoting reference PM/SE/239.

ADVERTISING AND MARKETING.—You probably have a first in Economics. You are under 25 and of either sex. You wish to turn your analytic genius to advertising and marketing research. You intend to be a Director in your thirties. You will earn £750 a year to begin with and a great deal more afterwards.—Box No. 1005.

H. J. HEINZ CO., LTD., Harlesden, London, N.W.10, have a vacancy for an Economics Graduate (22-26) within the Sales Research Department. This is a new position embracing the extraction and assessment of broad economic data with particular reference to the food industry. Considerable scope can be offered to a person with an inquisitive, analytical approach to problems in this field and the ability to report clearly and concisely upon the findings of investigations will be an added recommendation. The Company operates a Non-Contributory Pension Scheme together with other welfare benefits.—Please write to the Personnel Officer, giving full details of age, education and experience.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Two Junior or Senior Research Assistants are required to assist in an investigation of local government in the London area. Applicants should have a good degree, preferably in Public or Social Administration, Economics or Sociology. Salary scales £450 x £25—£525 per annum and £600 x £25—£675 per annum respectively.—Applications should be sent by 1st September, 1958, to the Secretary, Government Research Division, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

SYDNEY, AUSTRALIA

Vacancies for Senior Lecturers/Lecturers in the School of Humanities and Social Sciences.

The University invites applications for appointment to academic vacancies in the School of Humanities and Social Sciences.
Salary—Senior Lecturers: £A2,211 range £A2,561 per annum. Lecturers: £A1,511 range £A2,111 per annum. Commencing salary according to qualifications and experience.
Applicants for Lectureship must possess a degree preferably with honours or equivalent qualifications.
For appointment as Senior Lecturer an honours degree is essential.
SENIOR LECTURER/LECTURER IN SOCIOLOGY: Applicants to be qualified in Sociology or Social Anthropology or in some related field that includes substantial work in sociological theory or method.
LECTURER IN PHILOSOPHY: Applicants to be qualified in Philosophy, and qualifications in one or more of the sciences and ability to lecture on History and Philosophy of Science will be an advantage.
LECTURER IN GOVERNMENT: Applicants to be qualified in Political Science or some allied study.
Appointees will be eligible, subject to passing a medical examination to contribute to the State Superannuation Fund.
First-class ship fares to Sydney of successful applicants and their families will be paid.
Applications (including the names of two referees) should be lodged with the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded by Air Mail to the Bursar, New South Wales University of Technology, Box 1, Post Office, Kensington, New South Wales, Australia, before 20th September, 1958.

FINANCIAL NEGOTIATION

AN OIL COMPANY, with international interests can offer exceptional opportunities to a man with an intimate knowledge of the City, considerable experience of large-scale financial negotiations, and an accounting/banking/economics background. Salary would be negotiated, but we are thinking in terms of around £4,000 a year. If you would like to arrange a meeting for a preliminary exchange of information, please telephone Mr. Oldfield at Central 5497.

UNIVERSITY OF ABERDEEN

Applications are invited for an ASSISTANT IN POLITICAL ECONOMY to teach Economic History. Salary scale £700 to £850, with appropriate placing. F.S.S.U. and child allowance.
Particulars from the Secretary, The University, Aberdeen, with whom applications (two copies) should be lodged by 6th September 1958.

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9/- a line.

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An Intensive Introductory Course will be held from October 1 to December 10, 1958. Instruction will be given in basic grammar, translation, Press and Radio Arabic, the grammar of Colloquial Arabic and general Middle Eastern topics. Fee: £40 10s. per head.—Enquiries to the Organiser of Special Courses.

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or call at 30 Queen Victoria Street, London, E.C.4.

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Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
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Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
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Malaya	£9 0s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s.
South America	£9 0s.	—
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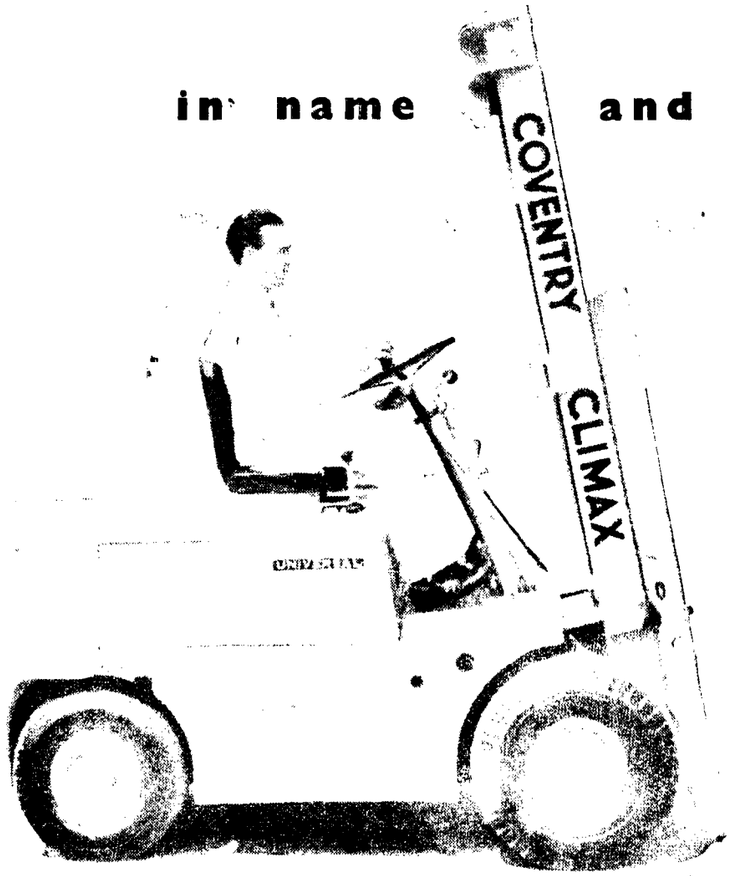
UNIVERSAL

in name and application



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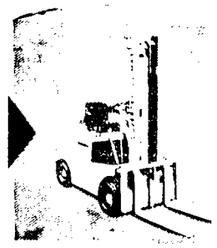
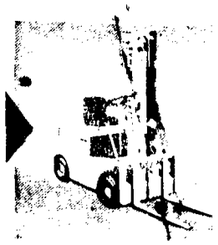


petrol



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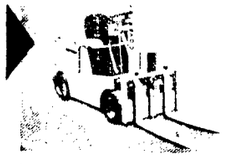

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The Nazis of Notting Hill

There is still time to prevent the outbreak of violence from ushering in a new race war. **But** firm measures are needed — against roughs not immigrants (page 723).

Tasks at New Delhi

On page 749, under the title *Balancing the Free World*, our Washington correspondent discusses dollar aid as a balance of payments operation. *Re-thinking Bretton Woods*, on page 769, presents a wider consideration of the problems of international liquidity.

Bournemouth Diary

Special correspondents review the quietly significant Trades Union Congress (pages 726 and 729).

The Gaullist Campaign

France may say Yes to General de Gaulle but the big questions have still to be answered (page 724).

Nucleus of Power

Our report from Geneva on the international conference on atomic energy (page 772).

Herr Ulbricht Bends the Twigs

The tightening grip of the ruling party in east Germany on the mental conditioning of the young (page 759).

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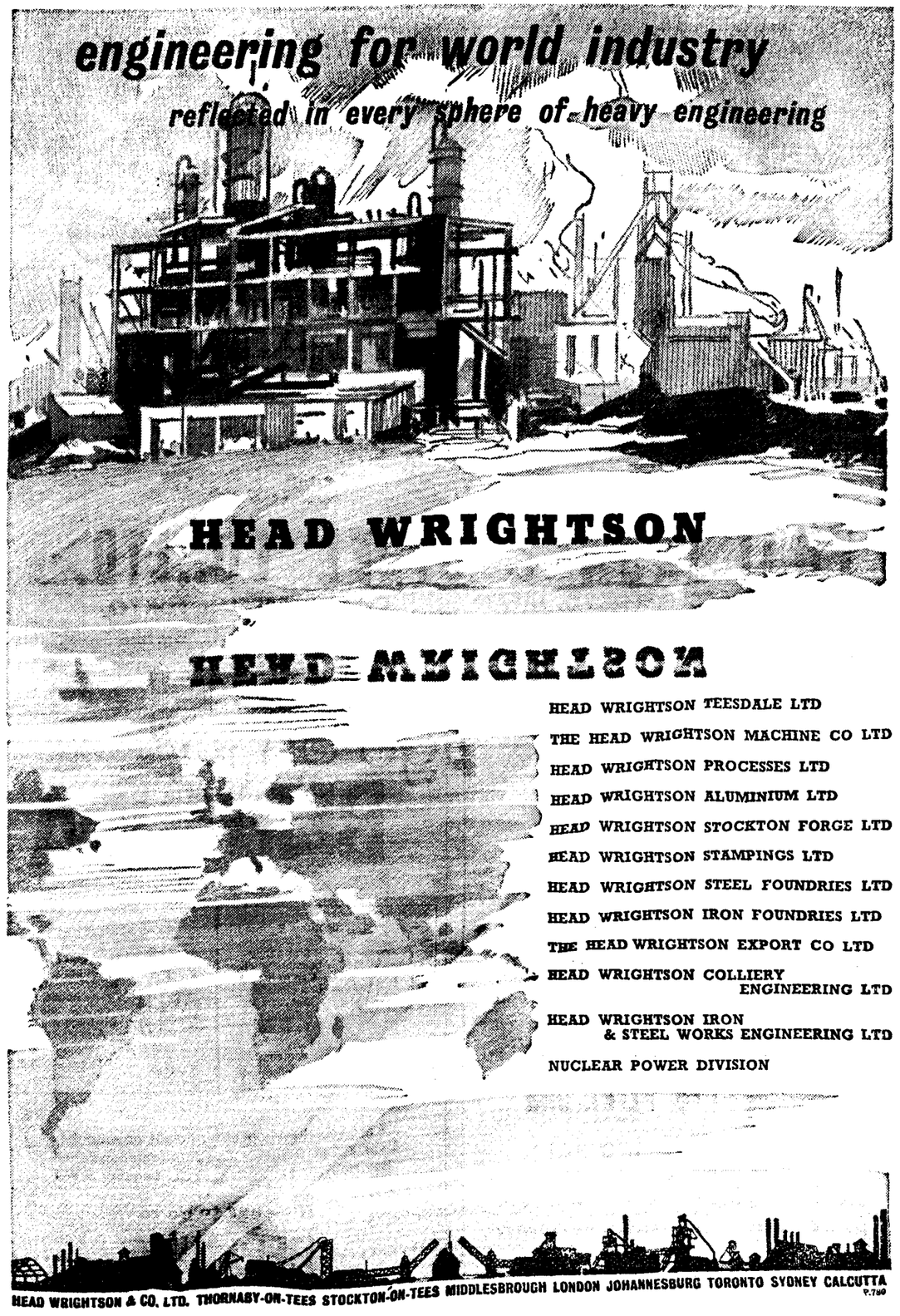

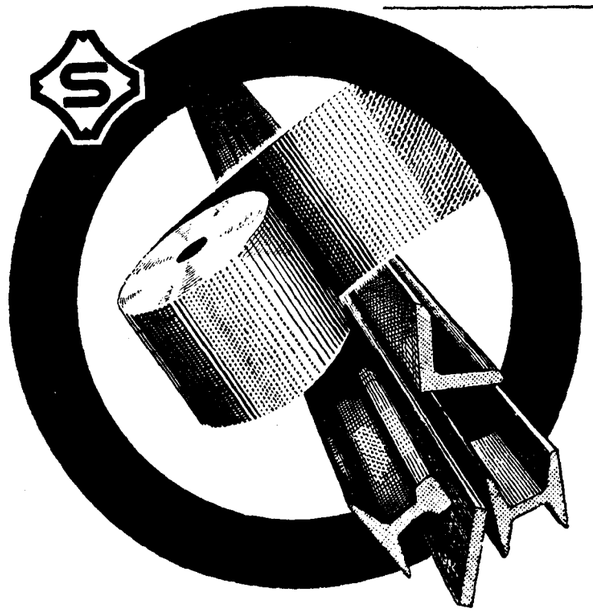

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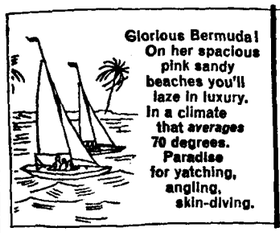

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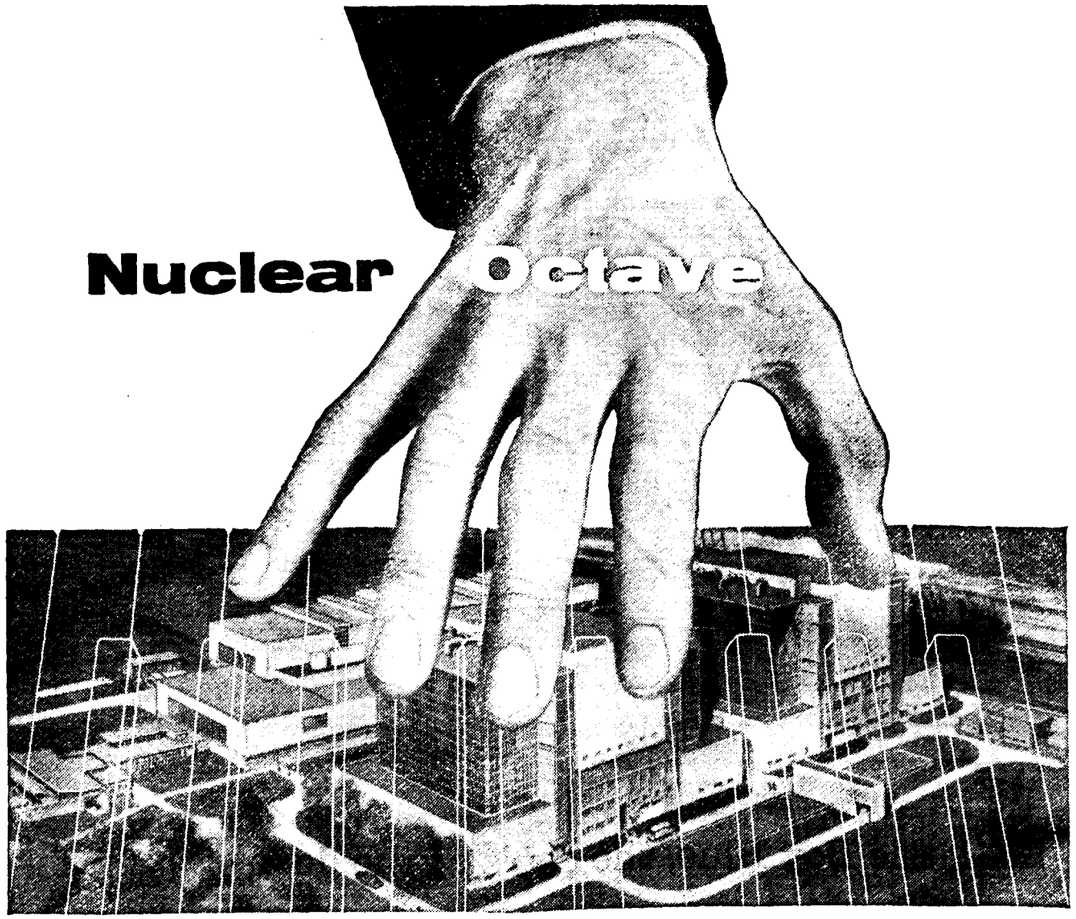

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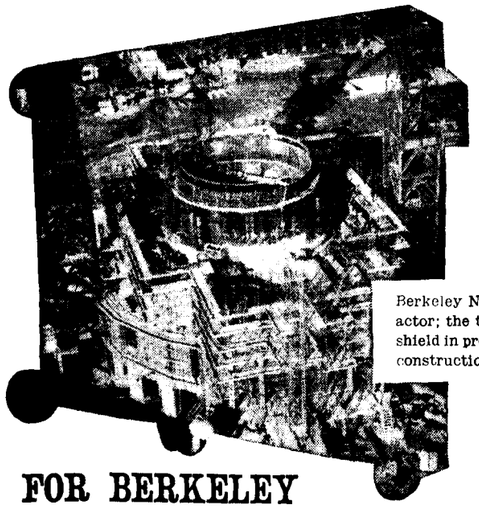

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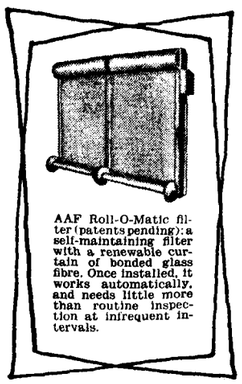

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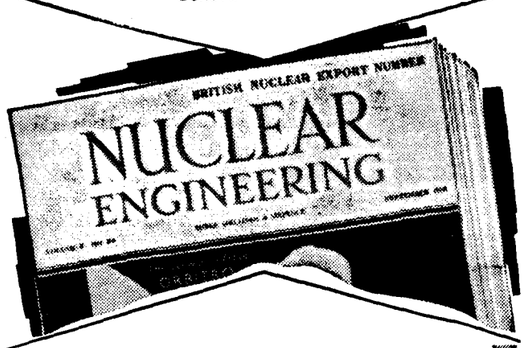

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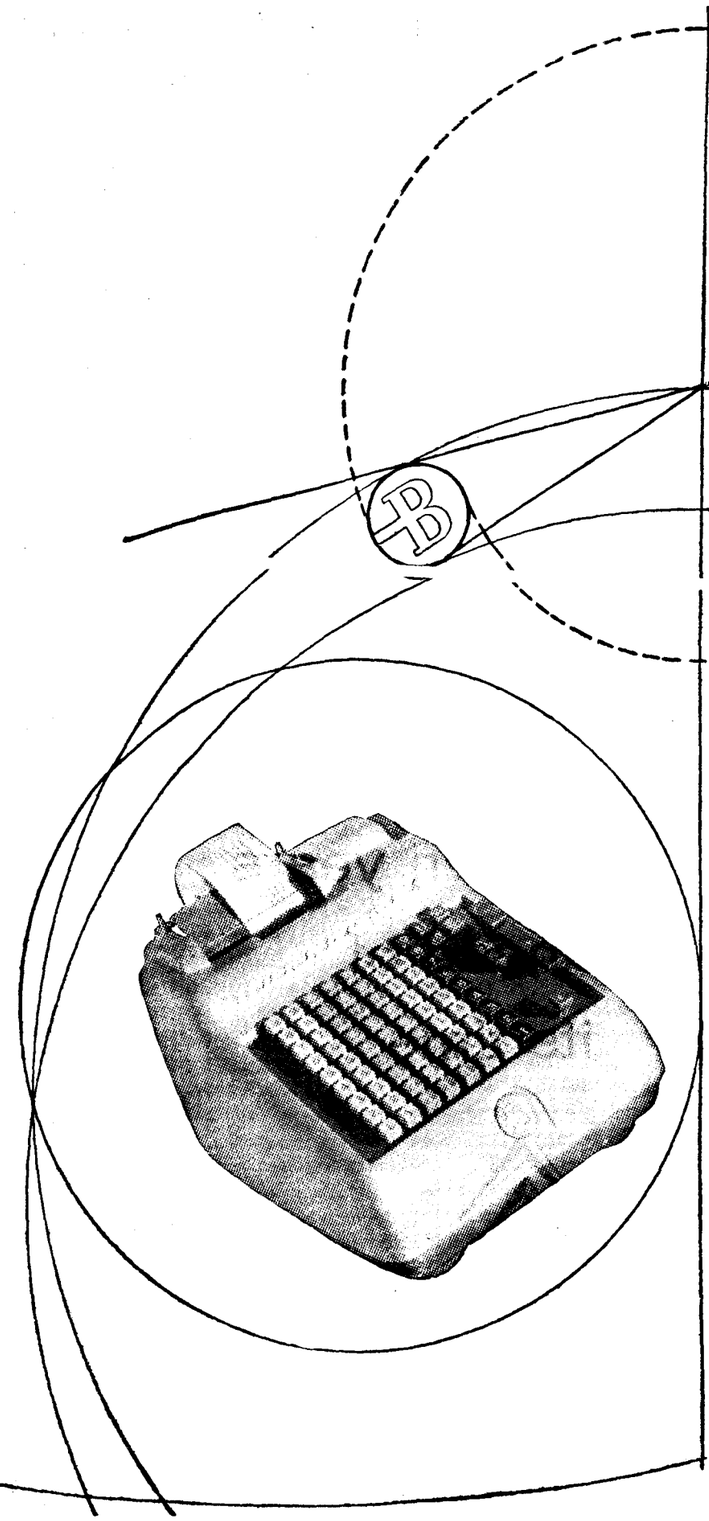

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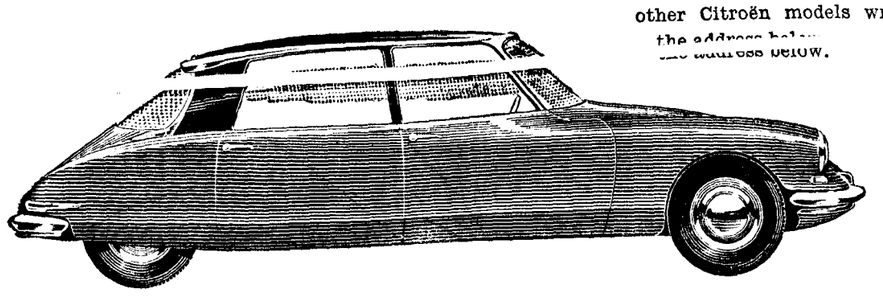

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The Nazis of Notting Hill

WALTER BAGEHOT once said that the worst pain for Englishmen was the pain of a new idea. At least as painful is the explosion of an old myth. Such a myth is the illusion that English people are conspicuously kindly to strangers in their midst. In fact they are generally suspicious and sometimes resentful of "foreigners," including Jews and the Irish. But, as a rule, they have had two great saving graces. One is that they tend to be easy-going in their prejudices; they are often xenophobic in word but only seldom in deed. The other is that, generally, they are law-abiding; they do not press their prejudices with the knife or the boot. The appalling feature of the recent disorders first in Nottingham and then in the so-called Notting Hill district of London is that they have shown what can happen in this land of the free where these natural, national restraints are off.

The first key to what has happened so far is to be found in the rising figures of crimes against the person, especially by young persons without aim, interest or self-respect. White women and ordinary white citizens were being harried and terrorised by the gangs of youths in some districts long before the "smashing idea" of hunting people of a different colour occurred, or was suggested, to them. But now, wherever the coloured immigrants are collected, the rootless youths (and older drunks) have found a focus at last for their activities. There in west London—and soon, if they are not checked, elsewhere—is a stage they can strut upon; into the murky hinterland of the White City greyhound racing track, where there is a sizeable and rather conspicuous coloured minority, the youthful scum of even distant London is riding to battle on the evening tubes. There, too, when the hunt is up, they have found a saddening and an increasing sympathy from some resentful elders who see in their coloured neighbours, sharing inevitably their vices as well as their virtues—and their accommodation—the easy scapegoat for everything that is out of joint in their world. The old smouldering distrust of strangers is fanned by the new orgiastic excitement. The violence that began as another horrid chapter of juvenile crime could too easily become the first act in real and beastly race conflict. It is desperately important to recognise that there are two ways in which this could happen.

The obvious way is if the police fail to restore order, and to stop persecution, in the riot areas; if the fever is allowed to last, it will mount and spread. The other way of making bad worse may be less obviously so, but must be no less harmful. It is to try to end the troubles by penalising the victims; every suggestion, however respectably mooted, for solving the problem by shutting them out really endorses the crypto-Nazis' outcries—and condones their deeds. The problem before Britain today is not one of West Indians, West Africans or Pakistanis. It is this country's own problem, a problem of law and order, and of the kind of education that leaves these young people with nothing better or more

inspiring to do than to be ruffians. It is as important to get the teddy-boys, as it is to get the prostitutes, off the streets. To say that there are also ruffians or vice-mongers among their victims is no sort of excuse. The much talked-of local difficulties, whether of vice or promiscuity or crime or accommodation, are serious social problems—there are plenty left in Britain today—but they are not *per se* colour problems at all, and can certainly not be solved on a colour basis, either by exclusion or even by deportation.

The black fact is that these events are, without qualification, a disgrace to Britain. The first task is to apply the law of the land resolutely to all of whatever colour who break it, but above all, and most rigorously, to those who start the violence. The second is for all responsible citizens to sit down and ask themselves how, in this day and age and in this land, these things can happen in its rising generation. The one thing they must not do is to pretend that the problem can be quietly shipped back to the colonies.

On the widest grounds of public policy, the most reactionary of all responses is to say that this country should "see the warning light," abandon the principle of free entry for all Commonwealth citizens, and permit only selective immigration for the "best" coloured people. This view is not made any the less reactionary by the fact that some of the "best" coloured immigrants—such as students at the older universities—themselves incline towards it. Certainly the extreme conservatives—in some parts of the Tory party and some trade unions—who advocate this view have no economic arguments to back them. The coloured Commonwealth immigrants—having a higher proportion of workers to dependants than the native population, and being generally more mobile—are definitely a net gain to the British economy. As most of them are relatively unskilled and are new entries, it is not surprising that 5 per cent or more of them are unemployed and liable to go on national assistance. But as the British economy needs a revolving pool of around 2 per cent unemployed in order to keep functioning smoothly, coloured immigrants who are unlucky enough to find themselves temporarily in that pool are keeping native British workers out of it, not threatening them with the sack themselves. (To punish these people for sometimes having to look for work is as wildly rough injustice as to persecute them for being usually overcrowded.)

Beside the idea of a colour bar at the ports, a colour bar at certain places of possible tension within the country—such as at particular dance halls in areas where incidents are possible—would be almost a shiningly liberal policy. But if even such minor restrictions as these now spread they will be a great badge of shame for this country. In the main, active colour prejudice in Britain comes from three sources: the louts who want something to be actively demonstrating against, and who are by far the most serious problem now; the "poor whites," including some in the trade unions, with very muddled economic ideas and with a Sunday newspaper mentality that delights in believing the worst sexual horror stories; and thirdly, some "respectable" upper class people, who may have lived in mixed colonial societies overseas, and want to see the "colour difficulty" kept away from our shores. The aim now must be to disperse the first group—the louts—before positive sympathy for their actions spreads to the other two groups, who are merely fuddled or foolish. It is not often that hard punishment is a solution to any problem. This is the exception. Throw the book at the congregating gangs—in criminal persecutions and ordinary actions for assault. Then, with "it can't happen here" wearing perilously threadbare, ask why racial civil war could happen here, and see that it does not. There could be no more urgent advertisement for the large programme of real social reform which none of the political parties has the guts, or the wisdom, to adopt.

The Gaullist Campaign

The constitutional referendum in France is in fact a plebiscite. It will, in itself, settle nothing

THE Place de la République is an unnerving spot for Gaullists. It is not their territory: which is why they must always behave as if it were. The tramp of history across its stones—as recent and recalcitrant as the tramp of working-class Paris from the Bastille to the République last May—has altogether the wrong ring for them. But General de Gaulle's message is of a nation one and indivisible; and not for nothing is he assisted by MM. Soustelle and Malraux and the other experts in psychological warfare. The man of history could do no other than choose republican ground for the opening tattoo of his campaign on Thursday; neither could his opponents do other than gather there to contest it. Paris understands this sort of struggle to possess the past. But the struggle for the present has scarcely begun. France has it in its power to reject Gaullism on September 28th, but no Frenchman really believes that it will. The referendum campaign has been launched upon a strangely acquiescent country.

It is called a constitutional referendum; it is, in fact, a plebiscite and is being deliberately conducted by the

Gaullists as such. Had the Fourth Republic summoned the electorate to give a single Yea or Nay to so bemusing a list of issues, it would have been instantly discovered in all its hapless trickery. How terrible would have been the displeasure of Colombey then; how thunderous M. Soustelle's denunciations; how stern the moralising of an independent press. But times are changed. It is thought the most unremarkable thing in the world that Frenchmen should be expected to settle, at a stroke, the most intractable problems of their postwar existence: to pronounce on the merits of a presidential or a parliamentary regime at home, on a policy of integration in Algeria, and on the political development of the colonial territories and their future relations with the metropolitan government. To solve one is to solve all. To let, say, an Auvergnat approve the general's policy in Algeria but disapprove his proposals for the internal government of France would apparently complicate things too much; yet a Senegalese who wants to have done with colonial ties is empowered to condemn, by that act, an entire constitutional project for a western European state of which he knows next to nothing. This cannot be construed as a consultation of any kind, except upon the personal rule of General de Gaulle himself. In fact, the general has made this clear; if the constitution is defeated, he has said, he will return to his village. His camp-followers, at least, understand. The Pétainists who confess themselves dismayed to find the parties of the republican political "system" tolerated in the constitution, and who call the general's sentiments on his African tour last month more dangerous than those of M. Mendès-France at Carthage in 1954, are still, none the less, ready to vote for de Gaulle.

CONFUSION is one tactic. A second is more forthright. M. Soustelle, whose understanding of his duties as Minister of Information is now almost exclusively electoral, has put the Gaullist argument unhesitatingly to the doubters. Speaking on television last week to "the sincere non-communists" who, "for reasons I respect," might be inclined to vote No, he put the choice: the general—or chaos. This was not unexpected. M. Soustelle, the man of Algiers, still believes in the card he first pulled from his sleeve last May: the spectre of the paratroopers contending with the communists for the lifeless body of the state. Nor does his confidence seem misplaced. The threat of chaos took the trick for the general in May; there is no reason to suppose it will not do so again. The realities of political power in France have not changed in the past three months.

Yet the candour of M. Soustelle has some serious implications. It should jolt the memory of those who choose comfortably to forget how Cincinnatus was called from his plough, and by whom; how his investiture by the National Assembly—the legal basis of his present rule—was secured; and what part his own encouragement of the Algiers insurgents played in it all. M. Soustelle's words are themselves an admission that the paratroopers, like the communists, are a political force not dependent on the general, capable of being used whether he stays or goes, an entity in their own right. General de Gaulle is himself dependent on the army for the execution of his policy in Algeria. If his ideas and the army's were to differ, the threat of force and chaos could as readily be directed at him.

FOR most Frenchmen, however, the possibility of an open break between the general and his military adherents is at present unthinkable. Speculation on the removal of General Salan and the reorganisation of the high command in Algiers once the referendum is over has not seriously shaken the conviction that General de Gaulle has accepted the basic principle of integration, even if he cannot admit the full implications which the settlers themselves attribute to it. His last speech in Algiers, evoking the sanguine prospect of massive industrial development and promising education for every Moslem child, is taken as definitive. For the moment France is not concerned to peer deeply into the future; and neither, it seems, is the general himself. He has to win his vote, and he means to win it in metropolitan France, in Algeria, and in the colonies, by as handsome a margin as can be contrived, before he is willing to depart too drastically from equivocation. What plebiscitary margin he would regard as a vote of national confidence is not, however, clear. The latest public opinion poll has found 67 per cent of the population of metropolitan France so far satisfied with his government. But the bedrock communist vote probably remains unaffected at more than 20 per cent of the electorate; any substantial abstention—it does not even need a direct No—by the voters of the republican centre and left-of-centre parties might still plunge the general into moral doubts on the full validity of his mandate. It is these potential abstainers that the patriotic appeal to avoid chaos is meant to influence.

In fact, the most impressive argument for the general is the failure of his critics to put forward any effective alternative to his constitutional plans. Frenchmen who readily confess to doubts whether the constitution will work as the general expects—and whether it would work at all without him—are none the less determined not to go back to the National Assembly as it was. The Fourth Republic is neither forgotten nor forgiven. However dubious the ultimate character of a Gaullist presidential regime, France has been driven to accepting ills it knows not, in relief at escaping from those it knows too well. For the present the dangers of this abdication of popular sovereignty seem slim enough. The general is no fascist, whatever some of his followers may be; it is hard to believe that the French could ever succumb to the inertia of an Iberian dictatorship. The voter has merely to look around him for reassurance that life goes on as before.

So far, the opposition has made rather heavy weather of it. The Socialist and Radical party conferences next week are expected to show sizeable minorities against the constitution. If M. Mollet's grip on the Socialist machine is broken—and there are signs of growing discontent among the big local federations—it is possible that the balance within the party may swing against the general altogether. Among the Radicals, M. Mendès-France, and the party leaders in the south-west who have been sparring with local committees of public safety since May, are expected to declare against the general. The Christian trade unions are restive, and may influence some of the MRP. But the opposition cannot be organised in time to affect the result; even a call for a constituent assembly to reform the constitution in a republican manner is still likely to fall on indifferent ears. Above all, the opposition outside the communist orbit is very reluctant to make any overtures to MM. Thorez and Duclos—as reluctant as it was in May to use communist votes in the Assembly to save the Fourth Republic in the face of armed defiance from Algiers.

If the general gets his vote on September 28th, what then? It remains to be seen whether the experience of Gaullist rule will noticeably change the party structure in the Assembly after the general elections. The form of balloting—which has still to be settled—may be contrived to reduce communist representation. It will not matter: the next Assembly is meant to be ineffective, and the communists may well prefer the opportunity for subversive action to the powerlessness of wordy debate. The first indication of the new Gaullist course will come from the appointment of the general's prime minister: the name of M. Soustelle cannot be discounted. But the realities of France's crisis will remain when the referendum and the elections are over.

It was Algeria that brought General de Gaulle to power. The Algerian question is still there; the war still goes on. France cannot sustain the burden of armed repression for ever; it must equally be doubted if the burden of an integrated peace could actually be shouldered either. But while the Moslem rebels are in arms there can be no peace whatever the referendum result may say. Will France foot the bill for integration as well as the bill for war? By the spring M. Pinay's financial resources will be running out. If the general perseveres with the existing policy in Algeria, its cost will be such that he must eventually invite industrial unrest and a serious clash with the communists at home. But if he has to call a halt in Algeria, can he face the reaction of those who brought him to power? How long will the army insist on its social mission and its desire for a victory? Will there be another petulant return to Colombey, while republican France fights the battle it refused three months ago? These questions existed when General de Gaulle came to power; they have still to be answered.

Bournemouth Diary

It was obvious from the start of proceedings on Monday that most members of the Trades Union Congress had come down to Bournemouth to try to avoid troubles, rather than to confront them. The front row of the platform exuded the same air of strained bonhomie that Bournemouth hoteliers and shopkeepers adopted in their handling of delegates; dreadful fellows these, the pine trees seemed to whisper, but good for trade. It was the sort of atmosphere which everybody hoped—without quite expecting—could be cut with a butter knife. This had an effect on all three of the questions at the congress which outside observers had awaited with most interest.

The first question was whether Mr Cousins and the general council were going to have a hot or a cold war with each other. It was soon apparent that they were going to have a fairly cold one. This was not because good relations had been restored; indeed, on the general council's side, there was still a greater sense of underlying huffiness than one had expected. Nor did anybody deny that there had been a very serious issue at stake in this year's famous battle; the issue had been that Mr Cousins had thought that the unions should bring the Government to its knees with a near general strike, and the other unions had said they certainly could not—and Mr Cousins had lost. But it accorded with each side's interests to paper over the worst cracks, provided each could give the clear impression that it was the side which was being magnanimous in doing so.

In this delicate struggle to appear to have been wiser-than-thou Mr Cousins got less support from the floor than he might have anticipated; but he was walking constantly on a tight-rope—on the one hand, he did not want to be isolated from all support save that of the communists, and on the other he was determined not to let anybody suppose that the sounds which emitted from him were the sighings of a contrite heart. Indeed, they were so obviously sighings of a different sort that one can understand why other members of the council still find him so intensely irritating. One of Mr Cousins's most considerable, but also least diplomatic, qualities lies in his great powers of condescension; he can condescend to his fellow union leaders from almost anywhere, even from flat on his back. He is perhaps better at this in private utterances than in public speeches; on the rostrum, oddly, he is inclined to sweat (some might even say blush). But the impression

we were meant to get in the early speeches at this congress was that with immense dignity the wounded and ill-used lion was temporarily laying himself down beside the lamb.

Mr Cousins could spread this impression the more readily because lamb seemed a polite appellation for much of the front row of the general council at Bournemouth; a more pointed description by one Cousinsite delegate was that they were a lot of silly old sheep. This front row—which is made up mainly of the chairmen of the various committees on the general council—has been sadly depleted by retirements in the last two years. At Bournemouth it consisted of Mr Yates, Sir Tom Williamson, Sir Tom O'Brien, Sir Alfred Roberts, Mr Beard, Mr Willis, Mr Collinson, Mr Jones, two lady trade unionists—and, more effective than the others, the shopworkers' leader, Mr Birch, and the TUC's own general secretary, Sir Vincent Tewson (plus two of Sir Vincent's lieutenants on the TUC's permanent staff).

Mr Yates and Sir Tom Williamson sat hunched up in the middle of the pale pink line, in an uncommanding attitude of bewilderment. They spent a lot of their time plucking despairingly at the wires of microphones which kept on going on and off, looking morosely at lights in the hall which kept on going on and out, hovering in a perpetual tizzy about how to stop delegates who went on speaking too long, and evincing uncertainty at parts of the agenda on which no delegates wished to speak at all. The mechanical failures in the hall were hardly the front row's fault; but the polysyllabic incomprehensibility of some of their replies to particular debates most certainly was.

Yet two heartening conclusions emerged from the very ineptness of this performance. One was that if this front row can maintain majority support for moderate policies in the movement—and at the moment it is doing so—then any collection of cypher leaders can. The other conclusion, which largely explains the tone of TUC policy this year, is that Sir Vincent Tewson has built up a permanent staff which has steadily increased in importance at TUC headquarters, and is now doing more than anything else to fill the void which was created by the end of the Deakinry in 1955. Just as the civil service tends to make Labour a more moderate party when in office than when in opposition, so this private civil service at Congress House is a continuing influence for moderation upon the TUC. And one of the unforeseen consequences of the bus squabble this year has been to increase its authority, along with that of what militants call the "soft centre" (i.e. the practical realists) as a whole.

This new balance of power has an obvious bearing on the second—and more immediately important—question to which one sought answers at Bournemouth: what is to be the trade unions' wage policy now? Officially, it is to be a policy which still rejects any idea of restraint; the method of debate chosen by the general council was to accept Mr Cousins's motion to this effect, and then for all to row fast behind the motion, although none quite so fast as stroke. As rowing men know, this is not the smoothest method of propelling a boat along; and Thursday's debate included some moments when the craft of congress was rocking rather spectacularly, as well as others when the boatmen were poking each other with the oars. As this article is written, immediately after the second of Mr Cousins's speeches on Thursday, arguments about who has poked whom most effectively still resound. But the debate, although great fun, is less important for the immediate course of wage inflation than an impending event at York—next week's meeting there of the forty unions represented in the Confederation of Shipbuilding and Engineering Unions, to discuss the employers' 3 per cent offer to their latest wage claim.

There are three things the confederation could do about this claim, which will set the immediate tone for wage moderation or inflation now. First, although it would be almost impossible for the confederation to win any strike, there was some speculation at Bournemouth that the threat of a strike might win them a court of inquiry—which, as every wise trade unionist knows after reading the Cameron court's report in the dock dispute, might be very much better for them. But as Mr Macleod has read the Cameron report too, he is presumably hardly likely to fall again for that one. Secondly, the unions are watching very closely the course of smaller industries' wage claims before other arbitrational bodies including the Industrial Disputes Tribunal; if the tribunal and other bodies show any signs of moving from the 3 to the 4½ per cent standard themselves, they will provide obvious channels for the confederation to drive through. Thirdly, however, if none of these channels opens up, more observers than one had expected were betting at Bournemouth that the confederation might accept something not so very different from the employers' present offer—and do so fairly quickly. It is an arithmetical fact, of which not all trade unionists are unaware, that to get 3 per cent at once brings in more money in a year than to get 3½ per cent—after much puffing, panting and demonstration—eight weeks later.

But, although a majority of the engineering side of the confederation might come to recognise this, it is much harder to conceive that the shipbuilding side will do so. For over shipbuilding stands the demagogic figure of Mr Ted Hill. It may be said of Mr Hill, as it once was said of Tennyson, that his thought does not attain to the same height as his towering style; more prosaically, when Mr Hill sees employers, his instinct is still verbally and physically to bash them. The big unions, after this week's arguments about solidarity, cannot want to see a split between the two sides of the confederation; the odds are therefore that one group will compromise with its moderation while the other compromises with its militancy. But at least it can be said that the prospect

of an engineering strike has looked less likely from Bournemouth than it did before Bournemouth; if wage inflation is to be resumed it will not be because recent small steps towards reviving demand have strengthened the unions' bargaining power, but because certain arbitrators are still easily scared.

AND SO to the third major question before congress, and the one that received the most shockingly disappointing answer. Shortly before the congress opened it became known that the Electrical Trades Union had removed Mr Cannon from their list of delegates, because he had been guilty of conduct prejudicial to the union. This meant that he had stood in open election against one of the union's communist ruling clique, was said to have beaten him on the first ballot, and had then protested when some of the decisive votes for him were disqualified by the communist scrutinisers. The newspapers on Monday rightly said that Mr Cannon's late exclusion from his constitutional place on the ETU delegation was a snook deliberately cocked at congress, but wrongly said that this was a considerable communist error of tactics.

Instead, it was probably a master stroke. Mr Cannon's exclusion certainly annoyed congress, but the communists do not mind whom they annoy now; they are concerned only to show those workers whom they oppress that protests against oppression are impotent. So it proved on Monday. Mr Padley of the Shop-workers' Union rose to complain about Mr Cannon's exclusion; Mr Foulkes, one of the communist leaders of the ETU, sprang to his feet to object to this interference in the internal affairs of his union; and Mr Yates, as chairman of congress, after a short period of boggling, ruled Mr Padley out of order. This was no doubt in accordance with congress's rules. But one has only to think what Arthur Deakin would have said in this situation. He would have said that he did not hear Mr Foulkes's point of order. He would have said with Burke that he was not here determining a point of law, but that he was restoring incorruptibility. He would have proposed, with congress's approval, that Brother Padley continue with his speech—and all those in favour say "Aye." And then, to do justice to this mass of decent trade unionists at Bournemouth, there would have arisen from the floor such an "Aye" as would have caused the opening of this congress to reverberate through democratic history. This moment of battle chosen by the ETU was a moment for abandoning legal sophistry, and for being Churchillian.

BUT the present general council (of decent trade unionists, too) just is not made the Churchillian way. Indeed it is not clear of what very positive stuff it is made at all. It is motivated mainly by a gaggle of imprecise ideas about conflicting things that it definitely does not want to do. On the one hand, it does not want to recognise the slow corruption and not-so-latent oppression that are fouling parts of the trade union nest; on the other, it does not want to give up the glory of the tradition of social service and radical reform that has always been the greater part of British trade unions' heritage. On the one hand, it does not want openly to recognise that annual increases in wages cannot exceed annual increases in productivity except in a perpetually inflationary society; on the other hand, it certainly does not want to follow Mr Cousins into a sea of strikes.

It is the main tragedy of irresolute British government in recent years that it has allowed—indeed encouraged—the trade union movement to cling to all these incompatible imprecisions at the same time. One push now—from a Government ready to counter the ETU by introducing a company act for trade unions, and to check wage inflation by closing the automatic escalator which is provided by Lord-Cameron-like arbitration—and the unions would have to make their choice. And their majority choice then, since their heads are not addled, would be to accept the course of social and economic reason without anything worse than a few denunciatory speeches. But that push from the Government is needed. The one clear conclusion from the ninetieth congress is that only a pressure to adapt itself to outside circumstances, not an inherent process of self-betterment, can bring about a further progressive evolution in this amiable jellyfish which your correspondents have this week been observing beside the golden sands of Bournemouth.

The Economist

SEPTEMBER 4, 1858

MISREPRESENTATION

It must ever be a difficult question in morals and jurisprudence to decide how far men are to be held responsible for the statements they may make. It would evidently be absurd and injurious to the interests of society to bind men by every idle word of praise they may bestow on the article they are selling, or the concern they are conducting: it would be still more absurd and injurious to hold them guiltless for grave misrepresentations made solemnly and for the purpose of influencing the minds of others. Between these two classes of cases, there may be border instances presenting difficulties alike to the moralist and the lawyer. But it is clear that the case of "Scott v Dixon" is not one of these: for we have in it the concurrence of everything which can be required to make a man responsible for his statement. We have the statement itself actually, almost confessedly, untrue: we have the knowledge that it was untrue (for the draught of the report which Mr Dixon drew up and submitted to his brother directors shows abundantly that it was no lack of knowledge that induced him to concur in the report that was ultimately adopted): we have the intent to mislead and deceive—and to mislead and to deceive the plaintiffs as part of the public at large: we have the plaintiffs acting on the faith of this representation: and, lastly, we have the injury resulting to them from the reliance they placed on the statements thus given to the public. Where these elements concur, the law of England, whether administered in the courts of common law or of equity, has always held the person making a representation responsible for it; and, in so doing, it evidently coincides with the first principles of natural justice and of morality.

Congress Day-by-Day

Anti-Climax on Monday

The Mayor of Bournemouth was not just being polite when he welcomed the trade unionists at the start of their congress; he meant what he said. This year's weather has kept many visitors away from the seaside, and the thousand-odd delegates with their expense accounts have filled some of the gaps in the city's innumerable hotels. In return, the delegates are getting good value from their week's holiday. The more formally dressed delegates soon began to discard their dark suits (which was not surprising) and the less formal ones to discard their red ties (which was a greater sartorial sacrifice); and the Pavilion became a sea of shirtsleeves and open necks. Another minor sign of congress's greater good sense this year was that the exodus to the beaches started earlier than usual.

Yet, initially, the omens for an exciting conference had seemed good. On Sunday night, the Cannon-fire boomed out from the ETU, which had cut itself off from other delegations in its private residence at the Royal Exeter Hotel. There was also much discussion of whether Mr Cousins would attack the general council for their report on the bus strike. He was looking tanned and cheerful, but had again chosen, rather ostentatiously, to stay at an unostentatious hotel with his own personal friends and away from the rest of the general council, who were at the Grand.

Even the walk to the Pavilion for the opening of congress seemed hopeful. Agents of Mr Lawrence, the St Pancras ex-councillor, were handing out his appeal for reinstatement in the Labour party; and Mr Jimmy Edwards, the delegate of the Variety Artists' Federation, was grinning through his moustaches for the photographers. But from then on things began to disappoint. The crowd of young girls queueing outside the Pavilion was not, after all, evidence of young enthusiasm for trade unionism; they were booking in advance for the variety show which comes on at the Pavilion every evening after the congress has moved out. And inside the hall the proceedings were definitely dull.

THE President's speech was smoothly delivered; the most interesting feature was that—in spite of its criticism of unilateral disarmament, of communists and, indirectly, of Mr Cousins—it roused nary a hiss (though also no more than a polite clap) from the floor. There was a brief stir when Mr Padley protested unsuccessfully at the ETU's sacking of Mr Cannon; and then the formal business of introducing fraternal delegates was interrupted by the longest applause of the day—for the fraternal delegate from Iceland. The debate which followed on union organisation was an exceedingly arid one. White collar unionists played a prominent part in it, not in the least to their credit. Indeed, things came close to farce when one insurance delegate attacked the Salvation Army for not recognising his union, and when a crypto-Tory from the Engineering Surveyors refused to abide by the clock. A sweeping but largely meaningless resolution urging more co-operation among unions was passed unanimously. Finally, after business that could have been disposed of in twenty minutes had been spun out for the whole afternoon, congress adjourned half an hour ahead of schedule.

More Sense on Tuesday:

A Bournemouth evening paper said of the show at the Pavilion this week, "It is chockful of talent; it has something for everybody and there is a bubbling gaiety about it which gets the audience from the start"; the cast was said to include "a family of acrobats in which Mother—she's a big girl—pushes her weight about with considerable success." Unfortunately, this praise referred to the variety show which takes place in the Pavilion in the evening, not to the sessions of the TUC which take place there in the daytime; the latter were nothing like so gay, and they displayed a general council which, now in its ninetieth year and looking every inch a granny, never pushed its weight around at all. This was true of all the debates, including that on the bus strike, on Tuesday morning, which had promised to be one of the highlights of the congress. In the event, it was only mildly illuminating, and that for a rather unexpected reason.

The challenge from the extreme left to the general council's handling of the bus strike had been expected. It came from Mr Burns of the Fire Brigades' Union, who is a very good speaker, and from the communists' principal organiser Mr Haxell—known to his enemies as the squeaking Haxell—who is a very bad one. The things these two militants said were predictable; what was not predictable was the response that their speeches would get from the floor. They got almost none. Only about one out of every five delegates showed any emotion at all, and Mr Haxell kept pausing for cheering which did not materialise. "This is a backward conference," declared another communist, and it is certainly true that the decline in militancy this year has been remarkable; so much so that Mr Cousins's delaying tactic on Tuesday to stop the inquest on the bus strike going further was not, in a strict sense, necessary. Everybody had decided beforehand not to disagree with anything.

THE following debate provided a brief period of comedy. Mr R. Edwards, MP, of the Chemical Workers' Union, had apparently swallowed the Monthly Digest of Statistics; he regurgitated enormous and highly selective chunks of it, in support of a motion to set up a central strike fund which an 83-year-old delegate then announced already existed. (He himself had personal recollections of it being set up in 1899.) Mr Edwards explained, however, that he wanted a much bigger fund, specifically in order to challenge the Tory government; he again got little response from the floor, even though he shook his fists so hard during his speech that he nearly fell off the rostrum. The rest of the day was spent in the bread-and-butter work of passing unanimously various motions on social insurance, public health, factory safety (where a sound point was made about the gross shortage of factory inspectors) and education.

This last subject stimulated a higher level of debate than before in the conference—mostly orthodox Labour party stuff, but with informed comments drawn from both local council and trade union experience. Another motion, ably put forward by the Agricultural Workers' Union, urged that plans should be made for placing at work the increased number of school-leavers who will come on to the labour market in the next few years. This, however, made little impression on the craft unions, from whom much of the resistance to expanding apprenticeship schemes ultimately stems.

Rising Tempo

Wednesday's debates on international affairs were distinctly livelier and an extra red light had to be placed on the rostrum to stop delegates overrunning their time. There were cheers and counter cheers, a few rather self-conscious interruptions and on one occasion, when Mr Haxell maintained that the ETU could always be trusted, even a gust of laughter. Most of the motions, however, were the hardy annuals over which the communists issue a challenge to the general council. There was one urging the need for association with the communist-dominated World Federation of Trade Unions, which got little support; another in favour of unilateral nuclear disarmament, which fared slightly better but was still surprisingly easily beaten; and a last one for cutting down arms expenditure, which was defeated only after

a card vote (but again by a fairly handsome majority). The general council had by this time got into its stride and was steamrolling unwelcome discussion with considerably more efficiency than it had at first. Its success was capped in the evening, when all the "desirable candidates" for council seats were elected with majorities of several million votes. Mr Cousins's TGWU seems to have voted solidly along the orthodox line.

And so to Thursday's major debates on wages, with the timetable now running slightly behind schedule. Mr Birch's speech for the general council was, in trade union terms, a speech of the greatest moderation. It included a sharp undercurrent of criticism of the Cousinsite doctrine that unions should challenge the state; there was courage too, in his emphasis that real wages matter more than money wages, and that the unions' interest was to encourage increases in productivity not as a concession but as a necessity. There was more significance in this speech, and in the surprisingly sympathetic applause it attracted from the floor, than in the fact that the rest of Thursday morning was devoted to the ever-popular sport of slanging the Government and the Cohen council; in these debates Mr Carron, the leader of the AEU, made a disappointingly incoherent speech, and Mr Nicholas, Mr Cousins's normally moderate second-in-command in the TGWU, introduced an unexpected note of acidity towards the general council in a speech on the unlikely subject of postwar credits. The stage was thereby set for congress's most eagerly awaited utterances after lunch on Thursday, from Mr Cousins. His were the speeches of a tart and irritated man, but not of a would-be terror of the earth.

NOTES OF THE WEEK

TERRITORIAL WATERS

Dangerous Games at Sea

THE nautical game of tig off the Iceland coast makes romantic reading, but it is a pretty dangerous form of entertainment. Within two days of Iceland's unilateral move to extend its fishing limits from four to twelve miles, something very like physical force has been used, first by an Icelandic boarding party attempting to arrest a British trawler and then by a British naval party getting the trawler back. Sooner or later some one may let off a gun. Feelings are running fairly high in Iceland already. An armed clash will hardly improve the prospects of eventual agreement on the fishing limits issue, or raise the temperature of Iceland's lukewarm enthusiasm for the North Atlantic Treaty.

The British decision to send trawlers over the twelve-mile line and give them naval protection was not unjustifiable. A gesture to make it clear that Iceland's move is not accepted, and has no legal basis, was in the interest of all the European nations that fish in deep waters. But were three trawler fleets and a fishery protection squadron needed to make the point of principle? A brief sortie by a few guarded ships would have made the point just as well. The Icelanders may well be right that it will be a difficult job to protect British trawlers fishing inside the twelve-mile line for an indefinite period. Certainly the British case has not gained much in world opinion from the show of force. On such an issue Britain would not nowadays be prepared to invite an armed clash with a great power like, say, Russia. To wag the big stick at small friends looks like propping up our *amour-propre*. The Navy has handled its unpalatable job well; but it is a pity that it should have to go to sea against the wrong opponent.

The Government is rightly continuing its efforts to find a compromise. The Icelanders have not given much encouragement, but they have not slammed the door. Some of their recent utterances suggest that they are not seeking an extension of territorial waters—of sovereignty, in other words—but merely of fishing limits. The distinction might be made to provide the ground for a compromise. Skirmishes at sea will not.

CHINA

Peking's Threatening Words

COMMUNIST China has wittily chosen this moment to enlarge not only its own territorial waters, but Marshal Chiang Kai-shek's as well, to the same extent as Iceland has. It has also opened an ominous campaign against Hongkong. A British battalion is being sent to the colony from Singapore—the official explanation being that the move "will enable the battalion to have a change of scene" and that "the open country afforded by Hongkong will provide a useful variation in training."

The Chinese communists have turned the heat simultaneously on Hongkong and the offshore islands before. In the second half of 1954, Peking supplemented its physical attacks on Quemoy with verbal ones on "the swollen American consulate-general in Hongkong" and on the "Chiang Kai-shek gangsters" alleged to have been employed by the Hongkong authorities. The present campaign is, however, both more far-reaching and more violent. It began after the deportation from Hongkong of Parker Tu, the mainland-born principal of a Chinese school in the colony. The statement announcing his deportation on August 6th gave no reason, but the school was considered to be a hotbed of communist propaganda. Since then, two other schools have been closed.

Last week Peking published two notes sent to the British chargé d'affaires. One protested against "a policy of deliberate sabotage and persecution of Chinese education establishments in Hongkong and Kowloon"; the other repeated an earlier protest against alleged violations of Chinese air space by military aircraft from Hongkong. Earlier, the Chinese press had reported the capture of six Nationalist agents, said to have been found aboard a Hongkong merchantman flying the British flag. The *People's Daily*—the Communist party newspaper—has alleged that the British are associating themselves with American "efforts to create tension in the Formosa straits"; the tolerance of the Chinese people, it observed, had limits.

These are threatening words. Although there is no evidence that they foreshadow communist aggression against Hongkong, they serve to remind Britain that, at least in Peking's mind, the British position at Hongkong and the American position in the Formosa straits have become linked.

The Seven League Boots

IN their search for seven-league boots for a good "leap forward" the Chinese communists seem to have reached the stage of intoxication by figures. The politbureau of the party's central committee has held an enlarged session at Peitaho, in Hopei province, where foreign-devil missionaries used to gather. Economic planning was the subject. In industry, the meeting decided, the central problem was to produce more iron and steel, and thereby more machinery. A leap forward in iron and steel was possible as well as necessary. The figure of 6,200,000 tons of steel adopted as a target in February, and the figure of 8,500,000 tons which had been substituted for it in May, were both deemed insufficient by the politbureau:

> After due discussion, the meeting decided to call on party members and the people throughout the country for an effort to produce 10,700,000 tons of steel in 1958, or double last year's figure of 5,300,000.

The increase would be achieved by "popular enthusiasm and initiative," combined with "planning and discipline." That this sounds like a marriage of incompatibles does not seem to disturb the planners. A day after the politbureau's statement the official news services declared the response of steel workers in many parts of China to be enthusiastic. In the more concrete party statements, however, discipline rather than enthusiasm is in evidence. A few weeks ago, the Peking *Daily Worker* was telling workers that the trade unions could do their work well only under the leadership of the party, and warning them not to make demands "which only conform with the economic interests of a very small section of the people."

Some of the realities behind the demand for more steel were emerging last spring, when the New China agency revealed that the local industries of Shanghai would need 900,000 tons of ferrous metals—twice as much as last year. In the large industrial city of Anking an ironworks which planned to produce 7,000 horticultural tools had been allocated only enough iron for 500.

Yet the burst of expansionist high spirits is to be maintained; once again, in the midst of a birth control campaign, the Chinese are being told that there is a *shortage of manpower* in their country, and that the dependants of workers are to be freed from domestic chores so that they, too, may work in industry. In this atmosphere it is no surprise to read of a husband who placarded his house with anti-wife posters reading: "What do you mean by criticising me when I stay late at the office?"

BOMB TESTS

Getting it off his Chest

WHILE a brief Soviet Note agreeing to start further talks on a nuclear test ban at Geneva on October 31st was still in the diplomatic post last week, Mr Khrushchev summoned a *Pravda* reporter to his side and gave him the real story. Unfortunately, said Mr Khrushchev, it looked to him as if the British and Americans were up to their old tricks. The West was still "hedging," and its offer to suspend tests for only a year was "of no importance whatever." His own terms were quite clear: "to end for all time tests of atomic and hydrogen weapons of all kinds by all states." The Soviet Union would, of course, be at Geneva on the day; the business, he thought, would really be so simple that it would be over "within two or three weeks." The West's insistence on progress towards implementing other disarmament measures before extending the nuclear ban beyond one year merely struck Mr Khrushchev as "curious" and "vicious."

It remains to be seen if the Soviet delegation will, in fact, stand on Mr Khrushchev's words; if it does, it will arouse suspicions of the seriousness of Russian acceptance of the real implications of the international control system drawn up by the boffins at Geneva. The Russians are believed to have taken the attitude in the Geneva scientists' conference that control posts in the Soviet Union should be staffed by Russians only—although American observers would be among the international teams allowed to fly over the Soviet Union collecting radioactive samples from the atmosphere.

On the other side, the growing United States interest in underground nuclear explosions—which might prove useful in civil engineering projects and the exploitation of oil shales—has put the Russians on their guard. The Americans said at the Geneva conference on the peaceful uses of atomic energy this week that they were contemplating one big "peaceful" test underground next year. The Soviet academician V. S. Emelianov thereupon declared that the question was one which would have to be discussed at a political, not a scientific, meeting. Another problem looming up—since the Geneva arrangements would not satisfactorily monitor explosions of less than one kiloton (equivalent to 1,000 tons of TNT)—is the development of small nuclear weapons, to be carried by hand, with a force of one-tenth of a kiloton. The Americans are believed to be well advanced with these miniature weapons. The diplomats may calculate that, whatever the boffins achieved, their conference may be rather longer than Mr Khrushchev's estimate, and not so very plain sailing after all.

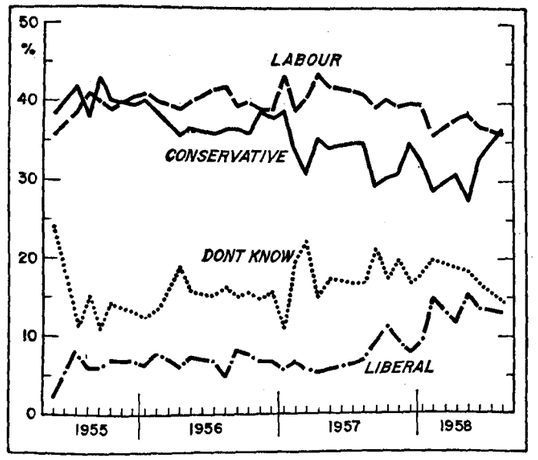
POLITICS

Meeting Which People?

MR MACMILLAN'S coming "meet the people tour" in the Midlands is a shrewd exploitation by the Conservative party of the presence which they regard as perhaps their biggest current electoral asset, in an area where imposing political presences are usually more of a draw than they are in the south. An interesting point is that few of the prophets who had formerly forecast an autumn election have interpreted this tour as a sign that their forecasts might prove correct. With Lord Hailsham out of the country, the Conservatives' central electoral machine seems to be in too much of a holiday mood for this to be intended as the stern eve of battle; and, with the season of international conferences immediately ahead, an unusually large number of other Cabinet ministers are going to be out of the country for an unusually long period too.

So far as one can gather from casual conversation, nearly all Labour forecasters are now placing their bets that the general election will be next May; while rather more Tories profess to believe that it will most probably be in October

of next year. The movement of the *News Chronicle* Gallup poll, which has set election talk spinning, is shown in the accompanying chart. These political dogdays before the party conferences provide a good occasion for detailed study of it. Two preliminary points should be explained about how this chart has been drawn up. First, the line marked "don't know" contains a very small element—



usually under 1 per cent or so—who said they supported such minor parties as Scottish Nationalists. Secondly, the left hand entry on the chart shows actual polling at the 1955 general election—when 24 per cent of the electorate did not vote for any of the three parties; these 24 per cent are shown here as "don't knows" (although many of them, of course, did know but could not get to the polls).

The Tories' Reservoir

WITH these points in mind, and with a warning against reading too much into temporary aberrations, the best starting point for a long cold look at the pollsters' statistics is July, 1955, two months after the last general election. At that time 42 per cent of those who were asked their opinions told the pollsters that they were Conservative, 38½ per cent Labour, 8 per cent Liberals, and 11½ per cent "didn't know." For the next two and a half years the Labour proportion remained remarkably steady at between 38 per cent and 42 per cent; the only two occasions on which the Labour vote went above the latter figure were at isolated moments of political passion during the Suez crisis (when the Conservatives also gained from the former "don't knows") and then in the aftermath of it. By contrast, the fall in the Tory vote from its pollsters' peak of 43 per cent in September, 1955, was accounted for at first almost entirely by a drift into the "don't knows." There was some stability in the Tory vote throughout the latter part of 1956, with a recovery at the end of that year (when former Tories did know, at the time of Suez). Immediately after Suez the fall was resumed, much more sharply though more jaggedly than before.

After about midsummer of last year the lost Tory vote on the polls—following a trend established earlier in by-elections—began to go also to the Liberals; in February of this year, under the influence of their Rochdale triumph, the Liberals' vote on the polls shot up by two-thirds, and at this time the Liberals began also to take a few votes from Labour. In this February the Conservatives were credited in the polls with only 29 per cent, the Liberals with 15 per cent, while 36 per cent were Labour and 20 per cent didn't know.

Between February and August the Labour vote in the polls has remained, on balance, unchanged at 36 per cent. The Tories have recovered from 29 per cent to 36½ per cent by picking up 5½ per cent from the "don't knows" and 2 per cent from the Liberals. The "don't knows," at 14½ per cent, are now again down to what the student of the polls had previously regarded as a near normal figure. Indeed, it would not be surprising if some of the remaining "don't knows" voted Labour in any early general election; excessive—and not always sincere—statements of disgust with their party may recently have become a Labour fashion, where last year it was a Tory one. On the other hand, the Liberal vote on the polls is still above what was previously regarded as normal, and certainly well above the number of Liberals who would actually have Liberal candidates to vote for at a general election. The presumption at Conservative headquarter is that these thwarted—and they hope temporary—Liberal votes should provide a useful reservoir of mainly Conservative support in any early general election; the Tories' main aim between now and whenever they choose to call the election must certainly be to keep them that way. Similarly, the best hope for Labour, despite the contrary advice they are receiving from some quarters, must surely be to try to tap the reservoir by more liberal policies itself. Conceivably, policy about race riots could become an unexpectedly important point at issue here?

ECONOMICS AT THE BRITISH ASSOCIATION

A Comparison of Long Spoons

THE physicists have naturally been the star turn at this year's meeting of the British Association, but the strictures passed by some newspapers on the contribution of the social sciences have been grossly unfair. Certainly Professor A. J. Brown's presidential address to the economics section of the association was a quietly useful exercise in subjecting current clichés about the British economy to sober—if not always uncontroversial—statistical analysis.

A first favourite cliché is that Britain has largely conquered the trade cycle. Professor Brown suggests that we have done no such thing. It is true that no major country in the postwar world has yet—the emphasis is on the "yet"—had a major fixed investment cycle of the prewar sort. But Professor Brown points out that postwar Britain has had a series of inventory cycles remarkably similar in amplitude to that which has consistently troubled the postwar United States; in both countries changes in inventory investment seem to have threatened changes varying between 3 and 5 per cent of the gross national product. The main difference between the two countries is that in Britain the years of peak inventory investment (1947, 1951, 1955 and to some extent 1957) have become years of balance of payments or sterling troubles; while the years of low inventory investment (1950, 1952 and perhaps 1958) have not so far become years of significantly higher unemployment. One explanation of this difference is that changes in inventory investment in Britain most directly affect the demand for imports, while in America they more directly affect demand for domestic products. Another explanation—on which Professor Brown lays some

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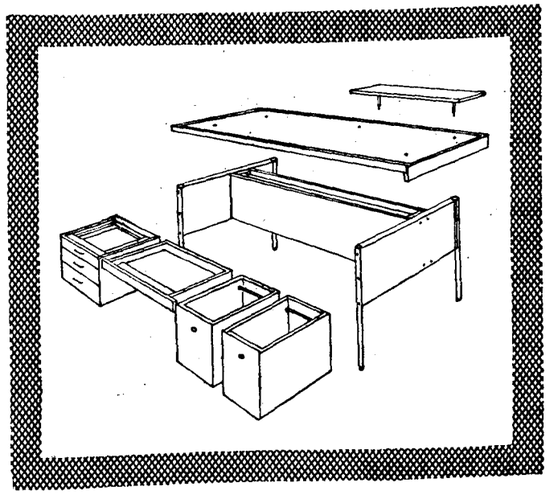

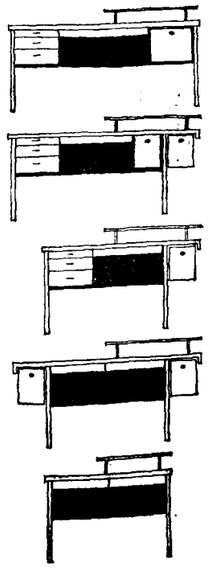

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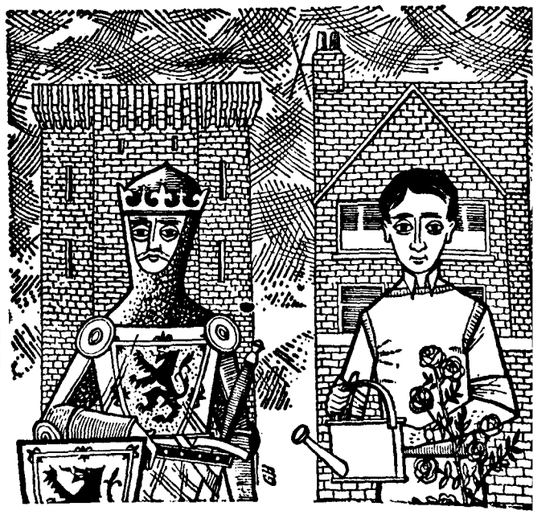



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emphasis—is that, thanks to luck and the Kremlin, sharp changes in government expenditure (including military expenditure) generally came in the right years for Britain. A third explanation is that while before the war employment fell more swiftly than working hours when production eased off, now employers hoard labour; they and the unions prefer to cut hours instead.

This hoarding of labour as a scarce commodity may be partly explained by the fact that employers have swallowed the cliché that the 1950s are necessarily an age of continuing inflation. Professor Brown is not as sure as some other economists that he wants them too dramatically to have to regurgitate it. For his statistical researches suggest that other responses to the age of inflation have been less harmful than economists might have supposed. Despite all the talk of rigidity in Britain's industrial structure, the movement of workers from industry to industry has been about the same in postwar years as in prewar ones; savings have fallen by less than one might have expected in an age of inflation and after an extensive redistribution of income; and Professor Brown is surprised that there has not been a greater flight out of fixed interest securities, and that the expectation of price increases has not by itself caused prices of finished goods (as distinct from of raw materials) to rise more quickly in recent years. This is not to deny evil attributes to the devil of inflation we have recently come to know; but it is to say that the devil of depression we knew before the war was even worse, and has not necessarily been exorcised for ever.

MIDDLE EAST

Arabian Journeys

MR HAMMARSKJÖLD is travelling light through the Middle East. In his baggage is the Arab resolution, but the unanimity that gave it weight at the United Nations does not extend to its interpretation. The secretary-general's first port of call was Amman; from there he has gone, after a short break in Geneva, to Cairo. He is expected to return to Amman next week and also at some point to visit Israel, Beirut and Baghdad. All the Arab states on his route have pledged themselves again to abstain from any action "calculated to change established systems of government"; but they evidently differ in their ideas of what are their precise obligations under this formula.

In Amman, King Hussein and his ministers would like to think that they can invoke the resolution against any attempt to undermine their positions. The Egyptians would not be likely to agree that they have committed themselves indefinitely to any such thing. The United Arab Republic delegation at the United Nations has been looking forward with apparent confidence to the resignation of the Jordanian prime minister, Samir el-Rifai, and to the return of the Palestinian faction, presumably again under Sulaiman Nabulsi. What this would portend for the king himself, the Egyptians leave carefully unsaid.

Mr Hammarskjöld is charged with the making of "practical arrangements" to uphold the principles of international peace and tolerance. One such arrangement would be the so-called "United Nations presence," which the secretary-general has defined as meaning one man—or quite a few. Both the Jordanian government and the secretary-general himself have decided against introducing "quite a few" into Jordan. For the Jordanians such a group would be both too big and too small: too big because it would single out Jordan for special and invidious treatment; too small because it would not be strong enough to guarantee the regime. Mr Hammarskjöld acceded to their argument, the more readily since he would not wish the United Nations to be put in the false position of seeming to be tied up with the fortunes of the Jordanian monarchy. The presence of a single man possibly offers a way out of the tangle. Ambassadors from the United Nations may be acceptable in Arab capitals other than Amman, and while they would be able to observe and report on inter-Arab relations, they could not be expected to prevent internal eruptions.

The Arabs On Their Own

THE Arab League has a new stature, born of its success in New York last month, and new responsibilities. The League Council has not met since June, when it failed to settle Lebanon's claim of massive interference against Syria and Egypt. Since then Iraq has fallen into line with Egypt; the Saudis are back in the fold after a short-lived effort to resist the charms of President Nasser; Lebanon and Egypt are on slightly better terms; but Jordan has no diplomatic relations with Iraq or with the United Arab Republic. The political committee of the Arab League is meeting in Cairo on September 6th to consider the terms of the United Nations resolution.

Though their own resolution called on Arab League members to observe their existing pledge of non-interference in one another's affairs, there is little evidence that they have taken their own instructions to heart. Syrian, Egyptian and Iraqi radio stations, both official and clandestine, have continued to urge revolt in Jordan and to contribute to the instability of Lebanon. The UN resolution requested the secretary-general to make

> such practical arrangements as would adequately help in upholding the principles of the Charter in relation to Lebanon and Jordan in the present circumstances

—and thereby facilitate the withdrawal of foreign troops; but those millions who listen to the voices of Cairo, Damascus and Baghdad have been told about the withdrawal of foreign troops, and not about the rest.

The Arab League remained ineffective for more than ten years because of internal quarrels, some of which have been settled; but it has not been devoid of good intentions. In August, 1953, it proposed the establishment of an Arab broadcasting union to develop the spirit of Arab brotherhood and to provide technical co-operation among Arab broadcasters. All the Arab states signed the proposal, but nothing came of it. In May, 1953, at Beirut, a conference of Arab ministers of finance and economy approved in principle the creation of a financial institution to promote economic development. Nothing came of that proposal, either, though it was similar to those suggested by Mr Hammarskjöld and President Eisenhower last month. Arab League efforts to set up an Arab aviation company and an Arab shipping company, and to improve communications between the Arab countries, have all fallen victim to vested interests in various Arab countries.

If the Arabs are serious in their desire for unity they will have a chance to prove it in Cairo in the next few days—by, among other things, according to Jordan the same measure of Arab respectability that they demand for themselves. Just possibly, they may be able to pull off the same kind of surprise that got them out of trouble at New York.

IRAQ

Home Again

THE revolution in Iraq has brought an end to the exile of Rashid Ali al-Gailani, whose return to Baghdad on September 2nd stirs up memories for the British. It has taken him nearly 18 years to return to the scene of his brief triumph in 1941 when, with the support of a violently nationalist and pro-Axis army group, he seized power. After his overthrow by the British he found his way to Saudi Arabia, where he became an honoured, if occasionally an embarrassing, guest. At Riyadh he was the Iraqi member of a group of foreign Arab advisers to old King Abdul Aziz ibn Saud. The present King Saud did not like the policies advocated by Rashid Ali, who left for Cairo soon after Saud succeeded his father.

The question that now arises is how the new Iraqi government intends to use him, or if it will want to use him at all. He has long been a symbol of opposition to the Nuri regime ; will he now have more than symbolic importance ? Much has changed in Iraq during his long absence. As he left Cairo he said that Iraq's next move, one no less significant than the revolution of July 14th, would include complete unity with the United Arab Republic. Presumably he meant political unity. On the same day, however, the Iraqi minister of economics, Ibrahim Kubbah, said in Damascus that Iraq desired to achieve full political, economic and cultural " co-operation " with the other Arab states. Rashid Ali may find that unity means one thing on the banks of the Nile and something else on the banks of the Tigris.

PRISONS

Higher Still and Higher

THE note of anxiety sounded in the Prison Commissioners' report last year about a renewed rise in the prison population is repeated more urgently in its report for 1957 (Cmnd. 496). Prison statistics naturally reflect, though sometimes after a delay, the criminal statistics ; and the increase in crime, particularly among young people, noted in the Metropolitan Police Commissioners' recent report, has its counterpart in the highest prison population ever recorded—over 24,700 men and women this spring. This figure includes borstal inmates. By March the number of boys in borstals (there are fewer than 200 girls) had risen to over 3,700, well above the previous peak figure of 1952. As a result, borstals which had been turned over to prisons to relieve overcrowding among prisoners have had to revert to borstal institutions ; two old prisons have been converted into them, and the new prison at Everthorpe, near Hull, only completed this year, is to start life as a borstal.

As a result of the increase in young men's crime, many more of those convicted have had to wait in prisons for transfer to borstals. But they are not the only youths whose enforced introduction to prison life worries the commissioners. Their report notes that 321 boys under the age of 21, who, so far as was known, had no previous proved offences, were sentenced to imprisonment. Much less justifiable is the committal to prison before trial of youths who were subsequently found not guilty or who were not sentenced to prison on conviction. They numbered as many as 4,061. They are, of course, a particularly regrettable aspect of a problem to which the commissioners have called attention again and again—without, however, being listened to : in 1957, they point out, over 39,000 receptions in local prisons were of men not under sentence—24,000 of them awaiting trial—whereas the number received under sentence was less than 32,000.

★

The high number of remands in custody underlines the need for the remand centres envisaged in the Criminal Justice Act of 1948. The first of these, the commissioners report, " may be started in 1960." Should not prison investment be concentrated on these rather than on new prisons ? But there is one ray of light running through the report. In spite of the increase in numbers, reference is constantly made to the relaxation of tension in prisons following upon some quite small reform, such as allowing conversation in the workshops. An improvement in " officer/prisoner relationship "—to use the official phrase—is gradually spreading. It is nonetheless important for being achieved without bricks or money.

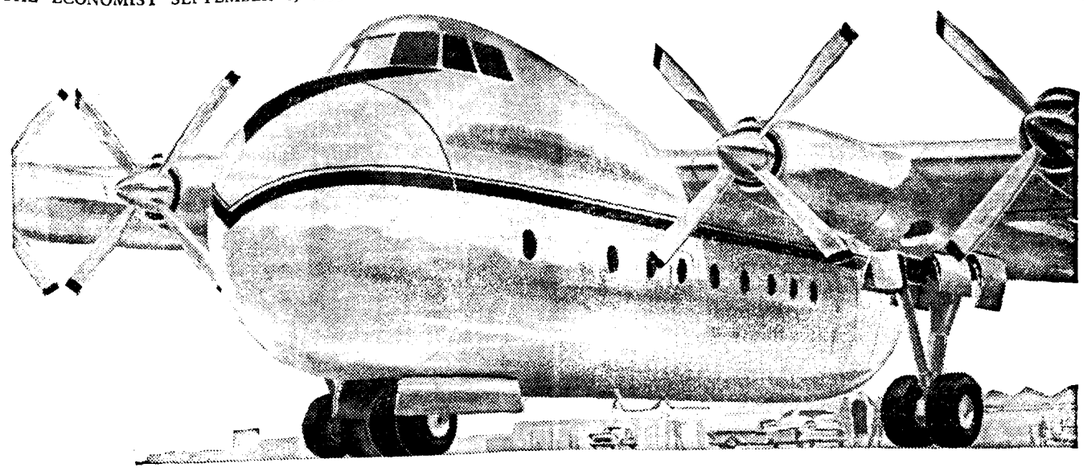
SOUTH AFRICA

Plus Ça Change

SINCE the Nationalist party defeated Smuts in 1948, each South African prime minister has been greeted despondently in Britain as a change for the worse. So it was when Mr Strijdom succeeded Dr Malan, and so it is now with Dr Verwoerd. Each of these started with the same avowed intention of introducing a republic. The choice of Dr Verwoerd also reaffirms the party's commitment to a policy of severe racial segregation ; in his ten years as minister for native affairs, Dr Verwoerd made himself the high priest of apartheid, preaching and—so far as was economically feasible—practising the gospel of territorial separation between black and white.

But as Dr Verwoerd found out, total apartheid and economic commonsense are often incompatible. Although to outsiders he seemed to be pursuing a policy that bordered on fanaticism, in his own country he had begun to be regarded by nationalist intellectuals as a traitor to their doctrine of total separation of black and white. Dr Verwoerd was criticised for listening to the arguments of Afrikaans business men and industrialists who insisted on the necessity of cheap black labour in the towns. On the other hand, he was also unpopular with some of the rank and file of the nationalist party, which criticised him for spending too much money on houses and schools in the African reserves and on his cherished schemes for "retribalization " of urban Africans.

As prime minister Dr Verwoerd will be in a stronger position to impose on the electorate the economic sacrifices that are unavoidable if racial segregation is pressed with honesty to its logical end. But judging from the example of his predecessors, whose fanaticism faded away when they came to office, he is more likely to lower his sights to the squalid expedient of individual apartheid—which deprives South Africa's coloured inhabitants of their dignity and privileges on the cheap.



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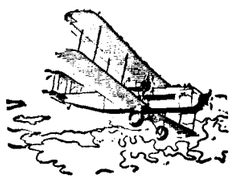

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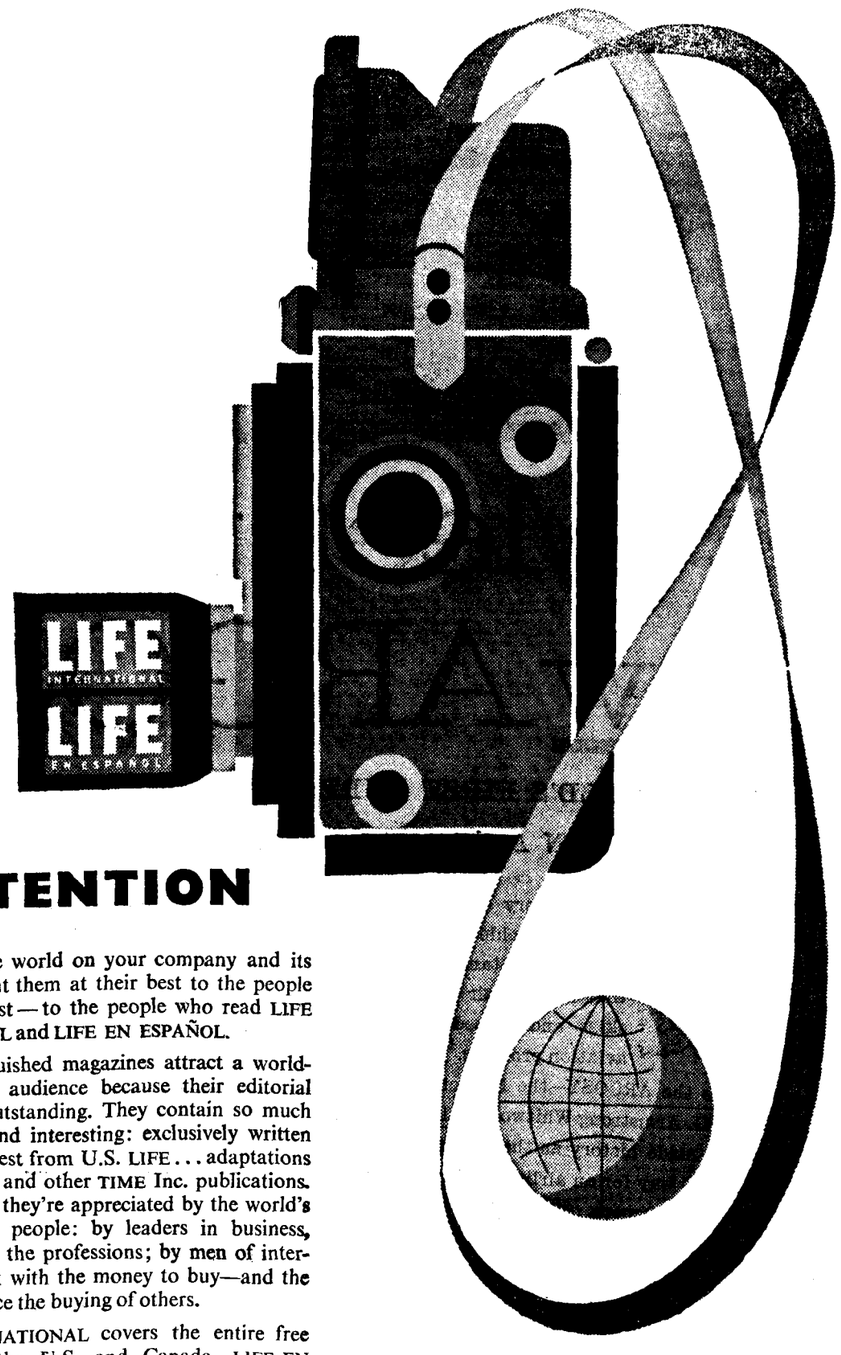

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MEXICO

Rags to Riots

THE Mexican elections which took place early in July went too smoothly. The very ease and decisiveness of the victory of the Institutional Revolutionary Party (PRI) left a sense of frustration among intellectuals and among some radical elements of the working class. It was this sense of frustration that set off last week's rioting in Mexico City. The disturbances had two main sources. Mexican students have been rather hard hit by the rise in the cost of living that followed the American recession. In what appears to have been in part a student rag and in part a political demonstration, they resolved to prevent an increase in city bus fares and actually seized the buses. The retiring administration of President Ruiz Cortines saw itself forced to negotiate with student leaders.

More serious disturbances broke out among workers in *Petroleos Mexicanos* (Pemex), the nationalised oil industry. The dispute arose when left-wing factions within the Petroleum Workers' Union tried to take over the union leadership and to get recognition as the principal bargaining agents for oil workers in the Federal District. The riots became important when the Federation of University Students joined in what was technically an intra-union dispute. The government yielded to the threat of further violence and decided to allow special union elections. In these the Left is expected to make gains.

Until now the troubles have not been serious. There is every indication that they will have died down well before President Cortines hands over to his successor. But although the show of mob opposition has, in itself, not been very dangerous, the underlying problems are real and increasingly urgent. There is a feeling among the industrial workers that the all-embracing PRI has grown indifferent to them. The rank and file, especially in Pemex, are beginning to wonder whether the trade union leaders are not first and foremost politicians with an interest in the prestige of the government. This malaise, moreover, extends beyond the oil industry; similar impulses are at work among the electricians, railway workers, the telegraphers' union and primary school teachers. It is the classical dilemma of the welfare state: whom shall the worker complain to now?

IRISH REPUBLIC

Not Proportional Representation?

Our correspondent in Dublin writes:

THE torpidity of Irish politics has been disturbed by Mr de Valera's proposal to abolish the use of proportional representation in parliamentary elections. PR has been used ever since the establishment of the state. In fact it was provided for in the Government of Ireland Act of 1920, under which Northern Ireland was established. It has been a standing grievance of northern nationalists that the Belfast government lost no time in getting rid of it. In the south, a promise was given to representatives of southern unionists during the Treaty negotiations of 1921 that PR would be maintained. Accordingly, it figured in the constitution of 1922 and it was retained by Mr de Valera when he replaced that, by then, tattered document in 1937 by his own model. He has made things more difficult for himself by providing that constitutional changes can be made only by way of referendum.

The reasons that Mr de Valera advances to support a change are that PR has caused instability of government and promoted the rise of small parties. They are reasons which hardly seem to accord with the facts. Since 1922, only three men have formed governments: Mr Cosgrave, Mr de Valera and Mr Costello. By this austere standard, the administration of the United States is dangerously unstable and British politics are positively Balkan. The first Irish government lasted ten years; the second, sixteen; the third, fourth and fifth, three years each. The sixth, Mr de Valera's own, is now in office with a clear majority. Certainly, minor parties have come and gone; but only three have shown staying power—Mr de Valera's, Mr Costello's and Labour. This result may indeed be the negation of PR—it can be argued that the system has not brought many of the great advantages which its sponsors proclaim, and has been surprisingly much of a muchness with any other system. But there are always minor advantages to be thrown away in any change from an established system to a new one. PR in the Irish Republic has enabled ministers and ex-ministers to retain their seats, which is no bad thing when front-bench material is in short supply; and it has done something to alleviate regional interests.

The real trouble in Irish politics lies in its emphasis on personalities and past history, not in any peculiarity of the voting system. The popular and cynical view is that the present governing party could not win any election without the leadership of Mr de Valera; but if *Fianna Fail* is really in that state, it is difficult to see why it should want to abandon PR. The result of a referendum on this issue is not a foregone conclusion.

CYPRUS

Poker with High Stakes

IN his discussions this weekend with ministers, the governor of Cyprus, Sir Hugh Foot, will be asked how much of the British plan for Cyprus can now be brought into effect. The attitude of the Greek government makes it certain that no Greek commissioner will be sent to the island, and the intransigence of Archbishop Makarios rules out any prospect of significant Greek participation in the proposed elections. The Government has to decide whether to go ahead with a plan that was designed—but has so far failed—to achieve some degree of tripartite collaboration. The resumption this week of violence against the British is a foretaste of the hazards that await the authorities if they proceed with only Turkish approbation.

While it is true that the Greeks have come a long way since the days when they demanded *enosis* or nothing, the gap between their minimum demands and what they consider Anglo-Turkish policy is still unbridgeable, and will remain so until they receive from the British an express disavowal of any scheme for the future partition of the island. The crux for the Government is to what lengths it believes that the Turks will go in their determination to convert the minority rights of Turkish Cypriots into a territorial stake in Cyprus for the Turkish government. The Turkish position may be bluff: there are risks in calling it by disavowing partition, but grave risks, too, in shying away.

FINLAND

Shift to the Right

SOON after President Kekkonen had requested Mr Fagerholm, the Social Democrat, to form a new government at the beginning of last week, Mr Fagerholm realised that, if he was to follow the President's instructions, his was an impossible task. Mr Kekkonen's original intention had been that all the seven parties, including the communists, should be represented in the new government. Political circles in Helsinki received his instructions with amazement; they interpreted them as a gesture meant to attract the attention and benevolence of Moscow, and also as an attempt to regularise the position of the communist party, which, after the July elections, became the strongest group in the parliament. The President quickly found it necessary to change his mind and give Mr Fagerholm a freer hand.

On August 29th the caretaker government of Mr Kuukoski was dissolved and the new government announced. Mr Fagerholm's cabinet consists of five Agrarians, five Social Democrats, three Conservatives, one member of the Swedish party and one Liberal. It has a solid parliamentary majority: out of 200 deputies, the government commands the support of 137 of them. The opposition numbers fifty Communists and 13 left-wing Socialists. The composition of the cabinet is a new departure: the Conservatives, for the first time since the end of the war, have been accepted into the coalition and the socialist left wing excluded from it.

This cabinet is to be welcomed mainly because its formation frustrated the plans of a powerful faction inside the Agrarian party which was working for a "popular front" type of government. This was to be based on an alliance between the Agrarians and the left-wing Socialists, and supported by the Communists: a dangerous combination for both the home and foreign policy of Finland. Now the Finns are waiting, with some nervousness, for Moscow's reactions to the new cabinet, and to the inclusion of the Conservatives in it in particular. On August 27th, the caretaker government had refused a visa for Mr Kuusinen, the veteran Finnish communist now highly-placed in the Communist party of the Soviet Union. This incident will not have put the Russians into a good mood to hear the news of the Fagerholm cabinet. The Finns also remember that the Russians gave solid support to the Communists and the left-wing Socialists in the July elections; indeed, those are the only two groups which the Russians accept as "truly democratic."

WEATHER

August Filldyke

THE bad weather this summer has brought one great consolation to the dripping millions now returning from their holidays; it has given a general subject of conversation and commiseration to while away the long workaday hours at the office. Where did you go? Italy? Wasn't there a landslide there? Or just a long downpour? Both! I am so sorry. Yes, I'm afraid Devon was the same, and France I hear, too. Of course, it's the atomic bomb, whatever the experts may say. You don't think so? Well, all I know is that it never rained like it has this August when I was young.

These rainless summers of the past are, of course, an old wives' tale. But unlike so many of these tales, this one has at least a grain of truth in it. The accompanying table sets down some of the relevant statistics. Admittedly as far as temperature goes, none of the last three summers has been particularly poor—although ordinary people find it

LONDON'S WEATHER

	Sunshine (hours—average per day)				Rainfall (inches—total)			
	May	June	July	Aug.	May	June	July	Aug.
1921–'50 (av.)	6·2	6·6	6·3	5·9	1·81	1·72	2·44	2·24
1957	6·7	9·7	5·7	5·3	1·06	0·98	3·27	3·94
1958	6·4	5·3	6·7	4·1	2·32	4·09	2·59	3·27

hard to believe this. But this year, as the table shows, summer rainfall was well above the 1921-50 average, especially in June; and even more depressing was the constant cloud last month which kept hours of sunshine in London down to only just over 4 per day.

Bad weather, however, does more than just spoil holidays. It causes heavy payments (which have already amounted to over £2 million this year) to be made by insurance companies specialising in the fast growing pluvius business, which includes insurance against bad weather on holiday. (Anybody can take out one of these policies, paying in the summer between 7s. and 25s. for up to £12 of cover against the rain.) Then there are the losses caused to seaside resorts, many of which report slacker business and higher rates of unemployment this year than for some time. Lastly, there are the farmers. They have cried wolf so often before about the weather, only to come up quietly with a bumper harvest later in the autumn, that the townsman has come to regard their economic plaints with some suspicion—even while recognising, and sympathising with, the unpleasantness of their work in the rain. But this year it is hard to see how even the harvest can recover from the floods.

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The Spoor of a Bomb

THERE is no single easy way to detect a nuclear explosion, no magic instrument that will sense out its vibrations and shock waves wherever they occur. Nevertheless, any explosion cannot help but leave certain marks on the face of the earth that, separately, are easily confused with natural phenomena like earthquakes, thunder or lightning, but which together lead as surely to the epicentre of the explosion as the spoor leads to game.

On this form of woodcraft the experts who met in Geneva last month (seven scientists from western countries and sixteen from the Soviet block) have based their recommended system for the detection of weapon tests. Their report, which was published last week-end, is unexpected in its detail, its frankness and its political implications. They estimate that a listening post of 30 men on a treeless plateau could with relatively modest equipment (to be precise, 15 seismographs, three microbarographs, a loop-shaped radio direction finder and a filter for radio-active dust) pick up quite small nuclear explosions over a considerable distance. However, to identify these with certainty it might be necessary in the more doubtful cases to send teams to the suspect site to decide by an on-the-spot inspection whether the shocks recorded were caused by, for example, natural earth tremors or a nuclear test which the testers were attempting to shield from the disapproving eyes of the world.

Provided that this could be done at need, the experts believed that rather less than 200 such posts strung out across the world could form a listening network through which it would be difficult for an illicit nuclear test to pass undetected. Nearly 40 of the posts would be in communist territory. Loopholes do exist, but the proposed system makes it as difficult to take advantage of them as is humanly and technically possible.

HOW TO DO IT

The collective signs by which a nuclear test is recognised are the acoustic waves shot through the air; the seismic waves sent through earth or water; the radio signals formed by the intense radiation accompanying the explosion; and, of course, radio-active fall-out. But the distance at which these signs can be picked up depends on the size of the explosion and its height or depth above ground.

An H-bomb exploding with a force equivalent to a million tons or more of TNT can be picked up at present almost anywhere in the world without the need for new listening posts. Small nuclear weapons are another matter, and these, as it happens, are the types under most active development just now. It is significant that the experts have ignored all weapons below a certain size. Their system is not designed to detect explosions equivalent to less than 1,000 tons of TNT (the bombs dropped on Japan in 1945 were "20 kiloton" weapons—that is, they were equivalent to 20,000 tons of TNT). At the same time, they make it plain that the more listening-posts there are, and the closer their spacing, the better the chances of detection become; it rests with the governments to decide what size of fish are to be caught. The plan described, where posts would be placed from 500 to 1,500 miles apart, depending on local geological conditions, is not designed to catch tiddlers.

UNDERGROUND TESTS

The tests that present the greatest technical difficulty are those conducted far below ground. These will not set up acoustic or radio waves, and almost certainly will not cause any radio-active debris to be carried any significant distance. Beyond a sudden, sharp reading on the seismographs of the listening posts, there will be nothing to show that they have happened. In cases like these, the right to go to the source of the disturbance and have a look becomes the most important single issue in deciding whether or not the international control of nuclear tests is worth attempting. Seismograph readings from several different points would pin-point a reasonably small area as the source of the disturbance, and although it is conceivable that all surface signs of activity could be concealed from the inspecting teams, and that the explosion could be carried out so far underground that no tell-tale cracks appeared anywhere in the surrounding soil or rocks, it remains improbable that the inspectors would be completely bamboozled.

A second technical difficulty is presented by explosions carried out at very high altitude. The methods outlined by the experts are effective for almost any test carried out at altitudes of less than 10 kilometres (6¼ miles) and will still give good results at heights of up to 30 kilometres (18½ miles) and perhaps even further, but there are heights at which the signals and traces will fail to reach the instruments on the ground. A passage in the report considers the monitoring of explosions that take place at heights of more than 30 to 50 kilometres. Such high-altitude tests could be carried out with ballistic rockets or, for that matter, with high-flying aircraft. Whether they would yield enough useful information to justify the trouble of setting them off is open to doubt, but if they should happen, the only methods the experts suggest to monitor them are by appropriately instrumented sputniks circling the earth; or, alternatively, by careful examination of radar effects in the upper atmosphere. Both these techniques need time to develop.

POWER TO INSPECT

A layman reading the report will find his curiosity aroused by the confidence with which the Geneva scientists pronounce on what is, and what is not, possible in the way of monitoring explosions. Their data were obtained from watching their own—and each other's—nuclear tests. On this basis they concluded that instrument readings alone would provide circumstantial evidence of a nuclear explosion. But there could be doubtful cases in which proof could be made conclusive only by actual inspection of the site to which the instruments pointed. No natural phenomenon, however violent, would leave traces of radio-activity behind, and it is the presence or absence of radio-activity on the spot that would usually decide whether or not there had been a nuclear test. When they recommended this, the experts fully recognised the difficulty posed by explosions that might be arranged below ground, but they decided that complete concealment would be next to impossible.

This power to inspect—which extends to regular patrols of aircraft equipped to collect radio-active dust from the air—is therefore an integral part of the recommended system of detecting nuclear tests, a responsibility which, the report suggests, should be put in the hands of a new international agency. It would be wrong to think that the process by which the committee reached agreement on this point was either easy or amicable. Although the scientists attended the conference in their capacities as learned men they were acting under the direct instructions of their governments; and the concluding sentence of the report, that "the conference of experts recommends the control system described above for consideration by governments" is more than a mere form of words. The promised verbatim report of the proceedings may show how, and at what cost to nerves and tempers, this surprising measure of agreement was reached in the end. The proposed powers of inspection may turn out to be the fly in the ointment, or the pearl in the oyster.

LETTERS

Cyprus

SIR—Your correspondent, H. B. Barwise, asks why partition should be more absurd in Cyprus than in India or Ireland.

It was not a very satisfying solution of the religious and political problem in either case, but Pakistan does, at least, consist of two regions, 1,000 miles apart, each with a large Moslem majority, while the six counties of north-east Ireland have a small but stable Protestant Unionist majority.

There is no such basis for partition in Cyprus, where the Moslem minority is dispersed throughout the island. Partition there must mean one of three things.

(1) A series of tiny Turkish enclaves separated politically from the rest of the island. This would surely be an impossible arrangement.

(2) The concentration of the Turkish Cypriots in one-fifth of the island's area nearest to the Turkish mainland. This would mean a very painful transfer of populations, both Greek and Turkish, and would almost certainly be quite unacceptable to anybody.

(3) The splitting of the island into two halves, one for perhaps 90,000 Turks, the other for more than 405,000 Greeks. This, too, would involve a wholesale transfer of populations. It may be what the Turkish Government hopes for, but it would surely be a political outrage.—Yours faithfully,

Glasgow J. M. REID

★

SIR—It is difficult to believe that the British seven-year plan is going to solve the Cyprus problem, and certainly the first reactions of the Greek Government are not encouraging. If there is no ordinary solution it is perhaps worth considering extravagant ideas which might serve to break the deadlock.

Is it possible that there is an island which the Greeks could offer to Turkey and to which the Turkish Cypriots might be moved? This would still leave unfortunately the fear which Turkey has, naturally enough, of foreign ownership of an island so near to her coast.

Another idea is even more fantastic, but stranger things have happened. The study of an atlas stresses the fact that Greece and Turkey are thoroughly adjacent, and if Egypt and Syria can achieve the unlikely event of combining might not Greece and Turkey find a solution in Cyprus in a Federal Union of the two countries. If they could do this in friendship there would be joint ownership. Could these two countries take this gigantic step forward?—Yours faithfully, E. J. GOODISON

Radlett

Home Ownership

SIR—The proposal to abolish Schedule "A" income tax, laid before the Commons in 1957 as a Finance Bill amendment, by the Liberals seems now to be receiving some rather wild supporting fire.

Mr Gurden, MP, writing in your issue of August 30th, is quite astray in stating that Schedule "A" tax "is not recoverable by those . . . living on small fixed incomes, only by businesses showing a trading loss." Persons who are not liable for income tax at standard rate are fully entitled to claim the appropriate repayment of any Schedule "A" they may have suffered at the full rate.

Nor do Liberals claim, as Mr Gurden does, that "a house owner has a freely cashable asset." Partly because of the dangers of home-ownership to those whose jobs may require mobility, we lay even greater emphasis upon share-ownership and popular investment.

The most telling argument against Schedule "A" is that it is a survival from a bygone age in which a taxpayer's house was one of the few tokens of wealth which he could not conceal from the taxgatherer. Today it is not logical to treat a home as a notional source of income, unless other forms of expenditure, such as foreign holidays, antique furniture, stamp-collections and restaurant meals, are to be similarly assessed to tax.—Yours faithfully,

RICHARD S. WAINWRIGHT

Chairman, Liberal Party Industrial Ownership Subcommittee, Huddersfield

4½ Per Cent

SIR—I find it difficult to understand the complacent attitude expressed in your issue of August 16th about the United Kingdom's economic outlook. To my mind there are several fundamental disquieting factors:

1. Commodity prices are low and commodity surpluses still heavy.

2. Shipping freights are extremely low and consequently the shipping and shipbuilding industries are experiencing sharply declining profits.

3. The overseas territories who depend on commodities for so much of their income will be buying less and less. It must be remembered that the effect of falling orders takes a long time to show in the United Kingdom's export figures: most exports in 1958 to date would have been ordered in 1957.

4. Surplus capacity in many important industries, such as coal, paper, cement, steel, textiles, heavy motor vehicles, etc.

All these factors must surely contribute towards a lower level of activity for some time and the effects of declining heavy industrial production have yet to be felt in the consumer and semi-durable trade. It may well be that it is no longer possible to expand real demand in the United Kingdom, even with the help of easier hire-purchase facilities.—Yours faithfully, J. GUY

Singapore

Shifting Head Offices

SIR—In your interesting article on this problem you state that "sites are said to be not too difficult to find, though Surrey seems determined to keep its desirable residential aura and Hertfordshire what rural air it still has."

The proper place in Hertfordshire for offices, and also the most suitable, is in the new towns. At Stevenage, for example, the development corporation is willing to build offices at reasonable rents in its new town centre. The age structure in Stevenage is such that the number of school leavers who will be looking for jobs, many for office jobs, will increase rapidly over the next few years.

The advantages to an organisation of coming to Stevenage include lower rents, no travelling for the staff (all will live within two miles), excellent shopping facilities in the new town centre, and very good housing for key workers.—Yours faithfully, R. S. MCDOUGALL

Stevenage

Rescue at Sea

SIR—The shocking disaster to the KLM aircraft resulting in the loss of 99 lives only 100 miles off the Irish coast, whatever its cause, draws attention once again to the need for fresh thinking on the possibility of an internationally operated and properly equipped air-sea rescue service on the Atlantic route.

The inevitable growth of transatlantic air traffic and the increasing size of passenger planes—for we are within sight of the two and three hundred seater—surely calls for all the countries operating long-distance air lines to give the problem careful thought.

The vast expanse of the Atlantic and the fact that planes do not follow the usual sea route poses a special problem. No ships are usually in the vicinity of a crash, and spotting the disaster from a search plane is not much help to the victims when the nearest vessel is a fishing boat a couple of hundred miles away.

If it is not possible for the countries on both sides of the Atlantic to organise a regular patrolling of the air-lanes by carriers equipped with rescue helicopters, which is probably the ultimate solution, then surely the stationing of suitably equipped flying boats and helicopters, at landward extremities on both sides of the ocean, with trained crews always on the alert, is the very least that transatlantic air passengers and their relatives have a right to expect. This would, in fact, be the natural twentieth century development of the Lifeboat Service which has done, and still does, such magnificent service for surface craft around our coasts.—Yours faithfully, A. DOUGLAS MILLARD

London, W.C.2

Tax Liability on Damages

SIR—Before the decision in the case of the British Transport Commission v. Gourley, it was settled law that in assessing damages for personal injuries "the Court had no concern with the plaintiff's liability to income tax or surtax." The decision of the House of Lords in Gourley's case reduced the amount of damages awarded to the plaintiff from £37,720 to £6,695 in order to take account of the income tax and surtax he would have had to pay on his earnings if he had not been injured.

This decision left grave doubts in the minds of many as to whether justice was done in this case. Apart from straightforward cases of claims for damages for personal injuries, this decision has been applied to claims for wrongful dismissal and in assessing compensation for loss of profit in a case of compulsory acquisition of a trader's premises. In all these cases the decisions do not bind the Inland Revenue, and there is at least a theoretical possibility that the plaintiff may suffer tax twice over.

To highlight the danger of Gourley's case, let me draw attention to two attempts within my experience of guilty parties endeavouring to obtain financial advantage. In each of the cases the defendants were covered by insurance, so that the responsibility for attempting to deduct tax rested upon the insurance company or insurance syndicate. In the one case a garage company had a loss [illegible] claim from which the insurers [illegible] tax at the rate of 8s. 6d. in the pound. The garage company's solicitors threatened to issue a writ and the insurers paid up in full. The second case was also one of loss of use of a commercial vehicle, and again the insurers acting for the defendants threatened to deduct tax. Here negotiations were prolonged, and as this association was prepared to test the issue, proceedings have been pending in the High Court. Heavy legal expenses were involved, but before a hearing could take place the insurers gave in and paid compensation in full.

By settling these two cases the opportunity of testing the issue authoritatively in the High Court has been lost for the time being. It may be that insurers are nervous about trying to follow Gourley too far, as there was an unreported case before Mr Justice Donovan at Durham (Herring v. British Transport Commission) where a claim for damages included an item representing the loss of the earnings which would have been derived by the plaintiff from the use of his lorry had it not been damaged by the defendant, and where it was held that the item was a receipt of the plaintiff's business so that the rule in Gourley's case could not be applied.

Perhaps insurers will now be warned not to try to take wrongful advantage of Gourley's case.—Yours faithfuly,

R. MORTON MITCHELL

Road Haulage Association

BOOKS

Viewers and Viewing

The Age of Television

By Leo Bogart.
Crosby Lockwood. 367 pages. 45s.

WITHIN the past ten years television in Great Britain has grown from little more than an experimental toy to be found in a handful of wealthy homes to a point where two-thirds of all adults have sets, with the rate of ownership much the same in all income groups. Yet this explosive growth of a new mass medium of entertainment and information has produced so far only a faint trickle of published research concerned with its impact on British life. The Americans have been less apathetic and less reticent, and from the late 1940s onwards there has been a substantial body of research over a very wide field: the impact of television on children and family life; its part in politics; its effectiveness in advertising; its reshaping of the use of leisure. Much of this material has come from research financed by commercial interests and some from surveys carried out more parsimoniously (by American standards) at universities. Both sources have produced some firstrate studies and many more that have been poorly conceived and poorly executed.

Mr Bogart, who knows his subject both as a sociologist and as a market researcher, here brings up to date a book first published in the United States in 1956, and provides a discriminating and orderly account of the more worthwhile American work so far carried out. His bibliography suggests that he has tracked down almost every American study likely to contribute to an understanding of television.

The topics dealt with are exhaustive. They include the penetration of television into many social and demographic groups of the population; the appeals of television to its mass audience; the changing content of programmes over the years; the amount and "quality" of time spent viewing; the composition of audiences for various programmes and at various times; the effects on family life; the impact of television on the size and make-up of radio audiences and radio programmes; the changes that have resulted in the reading of books, magazines and newspapers and in attendances at cinemas and at spectator sports; the redistribution of advertising expenditure; the effectiveness of television as an advertising medium; the part played by television in the 1952 and 1956 presidential elections; and television and juvenile delinquency. Then, as a bonus to this encyclopædic account, Mr Bogart adds an appendix on methods of television research. In this last section the author unfortunately maintains his role of reporter; by failing to adopt that of critic he does less than justice to himself.

Probably the most widely used of the intellectually respectable methods of measuring the impact of television is the sample survey, which compares the habits or attitudes of people with sets and people without sets. A common weakness in these inquiries is that the two groups of people already differ in characteristics far more important than the ownership or non-ownership of television sets. For example, a recent British survey showed that TV adults visit friends and relations much less frequently than do non-TV adults; but since the former group is heavily weighted with parents of young children, they are, in any case, and without having television sets, likely to be more housebound. The importance for such surveys of matching TV and non-TV groups in relevant characteristics has so far not been adequately recognised.

In many ways a more satisfactory method of measuring impact is the "before-and-after" technique. Here the behaviour of people acquiring sets is compared with that of people who do not acquire them. This, too, has its difficulties; but such "longitudinal" surveys have been comparatively few in the United States, and the opportunities for them are rapidly disappearing in Britain as the non-owning families become fewer and more markedly deviant.

Throughout the book the reader inevitably reminds himself that the television scene described is American and not British. This is most marked when Mr Bogart discusses the effects of television journalism. No one who saw the television version of Mr David Beck being examined by a Senate committee could afterwards honestly take his place as an impartial juryman at a court trial involving Mr Beck. Similarly, Ed Murrow's documentary on South Africa, largely because of its heavily demonstrated impartiality, could have left viewers with few doubts about the morality of apartheid. "Intrusion" of this kind has so far been shunned by British television.

Queries at Qumran

The Riddle of the Scrolls

By H. E. Del Medico.
Burke. 432 pages. 25s.

IN the world of the Dead Sea Scrolls there are two principal iconoclasts: Professor Solomon Zeitlin and M. Del Medico. The former is convinced that the finds in the Judaean desert are in fact medieval documents. The latter maintains that no such thing as an Essene sect ever existed and that the Qumran caves have nothing whatever to

do with the "library" of a first century Judaean brotherhood. Both men have been thunderingly denounced by the great majority of competent scholars. But neither has been wholly answered. Despite the evidence of carbon tests and archæology, there are in the scrolls linguistic forms that have not previously been known to predate the fifth century AD; and despite the certainty of Father de Vaux and his colleagues, there are many aspects of the caves and the adjacent excavations that do not square with the theory of an Essene monastery and library.

Briefly, M. Del Medico's book, which was first published in France in 1957, puts forward the following thesis. The caves by the Dead Sea constitute a *geniza*, that is to say a hidden place to which Orthodox Jews consigned ritual objects that had in some way lost their "cleanliness" and texts from the Hebrew Bible that were "impure." Such impurity could derive from the actual content of the text (an apocryphal insert or variation on the official canon) or it might result from the fact that more than five corrections had been made by the transcriber. But although impure (*pasûl*), such a scroll could not be destroyed if it contained the name of God or derived from Holy Scripture. It had to be marked in some symbolic manner, by being passed over a flame for instance, and then buried in some hidden place. This practice was enforced with particular rigour by Rabbi Simon ben Gamaliel I, who was seeking to fix the canon of the Old Testament during the early part of the first century AD. The large burial ground excavated near the caves is, quite simply, a Jewish cemetery and the buildings near it are the remains of a Roman military post and a necropolis. The "Essenes" are an invention of the notoriously unreliable Josephus.

M. Del Medico's argument raises problems of extreme technicality. Confronted simultaneously by his assertion that "there never were any Essenes" and by the statement of an authority such as Professor Van der Ploeg "that the existence of the Essenes is not matter for doubt," the layman can only wonder at the inscrutable ways of scholarship. But although only the expert can judge of the validity of M. Del Medico's thesis, "The Riddle of the Scrolls" does make a number of fascinating points. The sole biblical text of which no fragment has been discovered in the caves is the Book of Esther. That happens to be the one and only canonical book not defiled by use outside the synagogue. In other words: there would be no need for burying an imperfect or worn out copy of the Book of Esther in a *geniza*. Some of the scrolls, particularly the Habakkuk commentary and the so-called Manual of Discipline, do show peculiar imperfections. In one case the edge has been torn in a way that neither rats nor natural decay would account for; in the other case there appear to be insertions of apocryphal material and "censorship" marks pointing these up. Many of the manuscripts found in Cave IV can be fairly confidently assigned to the first half of the second century AD and among them there are fragments of the Septuagint. Now that was the time at which the Septuagint was supplanted by the Aquila version and when [illegible] rolls containing the earlier text would indeed be consigned to *genizoth*. Above all, M. Del Medico scores markedly when he asks why the alleged Essenes should have hidden from the approaching Romans scrolls many of which were methodically mutilated. He is also on strong ground when he observes that the reconstructions of an "Essene monastery" go well beyond archeological evidence.

Many of the challenges made by this absorbing book can and have been refuted. Evidence for the existence of an ascetic quasi-monastic settlement on the shores of the Dead Sea is more substantial than M. Del Medico allows. His own treatment of the scrolls is founded mainly on the study of photographs, but photographs are in these matters notoriously inadequate. The Habakkuk commentary, the "War of the Sons of Light" and some of the hymns reflect a coherent, partially heretical world view; it is difficult to regard them as fragments of random burial. Why should wholly unrelated texts (as, for example, in fragment 8 B of the Thanksgiving Hymns) be found in a single scroll, unless we are dealing with a deliberate, doctrinal collation? And yet, when all is said, M. Del Medico has asked questions to which prevailing opinion has found no good answers and he has pointed to some rather loose handling of evidence by his predecessors in the field. The riddle is, in part, a riddle still.

Development and Welfare in the West Indies 1957

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Nostalgic Outsider

Doctor Zhivago

By Boris Pasternak.
Collins and Harvill Press. 510 pages. 21s.

MR PASTERNAK is generally recognised as one of Russia's greatest poets of the twentieth century. Although he lives in the Soviet Union, his first novel is now published outside Russia's frontiers. And it is not a minor work. In this big volume, the author tries to project his philosophy of life against the panoramic background of Russia in transition. The story opens in Tsarist times, runs through war and the early years of the revolution, while an epilogue brings it almost to the present time.

Many characters enter this story. But the central figure—and the chief mouthpiece for the author's opinions—is Dr Zhivago. This young man, brought up in the cultured and wealthy upper classes, which combined unorthodox Christian beliefs with a distaste for the Tsarist regime, is a medical officer during the first world war. For a fleeting moment, he welcomes the revolution and tries to work as a doctor in red Moscow. But soon disappointment with the new order, even more than chaos and poverty, drives him to contract out. With wife and child he seeks isolation in Siberia. But this is not the time for outsiders. After a series of adventures—including a forced stay among the partisans—Zhivago falls to pieces and drifts back to Moscow to die there.

The vast scene and the number of actors remind one of [illegible] one first of Russia's classical novelists. But this is essentially a poet's novel. Its best moments are the nostalgic descriptions of prerevolutionary society with its easy country life and music parties, poetic landscapes and vivid pensketches, unforgettable scenes of chaos and horror. The book, however, seems to lack something in constructive unity and psychological analysis. Outside events, including even a complicated love affair, did not, to this reader, explain Zhivago's collapse.

The explanation may be that this collapse should be taken as a symbol of man's degradation in an inhuman society. Despite the publishers' warning, it is impossible to take this book entirely out of its political context. Soviet censors refused to publish it not merely because it contains casual references to concentration camps; nor even because it includes such a condemnation of stalinist society:

> . . . collectivisation was both a mistake and a failure, and because that couldn't be admitted, every means of intimidation had to be used to make people forget how to think and judge for themselves. . . .

Mr Pasternak's book runs against the whole trend of current Soviet writing. He claims for the creative artist—and for the ordinary man—the right to his own individual vision. (His description of the actual events of 1905 and 1917 are as personal as Fabrice's version of Waterloo in the *Chartreuse de Parme*.) He dismisses Marxism as a superficial, utilitarian creed. His unorthodox Christian philosophy—spread through numerous digressions—sees the evolution of mankind as a process taking centuries. To try to speed it up by revolutionary means is absurd and the bolshevik attempt is, therefore, "a childish harlequinade of adolescent fantasies." It is less astonishing that this book could not be published in Msocow than to see its author unharmed after its publication in the West. This may justify the hopeful note in the epilogue that "a presage of freedom was in the air throughout these postwar years. . . ."

The translators did their best with a very difficult job. How much may have been lost is seen only at the end when Zhivago's poems are rendered literally. But the publishers were right in not waiting for an English poet. An independent novel by Russia's greatest poet is an event, even if it seems to be the nostalgic voice of Russia's past rather than that of the stirring new generation.

His Work is Done

The Decipherment of Linear B

By John Chadwick.
Cambridge University Press. 147 pages. 18s. 6d.

THIS book is at once a narrative of a thrilling story and a memorial to a brilliant man. Ever since Evans opened up the treasures of Knossos, its archives in unknown scripts had been a standing challenge to archaeologists. There were three types of script, of which two remain unbroken; the third, called Linear B, of which many more examples have been found in recent years at Pylos and Mycenæ, were deciphered a few years ago by a young architect, Michael Ventris, in spite of the fact that no bilingual text exists. The language of the archives, to the surprise of almost everyone, including Ventris, who had long clung to the belief that it was likely to be a congener of Etruscan, turned out to be Greek. This fact, and the reading of the archives, have opened a new epoch in the study of Greek archaeology. Ventris, who should have continued as he had started, as the leader of this discovery, was killed in a motor accident four years later, at the age of thirty-four. But he had seen his work acknowledged and, in the touching words of a French colleague, *devant les siècles son oeuvre est fait.*

Mr Chadwick is the only possible author of this book: he shares the merit of the discovery and is co-author with Ventris of the paper that announced it; nor is it possible for the outsider to say how much of the work is his. Ventris was a perfect example of pure and imaginative intelligence, searching in a field where one would have thought that only the professional could succeed; Mr Chadwick is a professional classicist, who was the first to see the possibilities of Ventris's cryptographical approach and added the technical knowledge without which the proof could not be clinched.

Mr Chadwick's book is exactly described by its title. He describes the process of decipherment and the methods which Ventris employed (he puts himself well in the background); he only deals briefly with what they discovered, though he says enough to whet one's appetite. No knowledge of Greek is assumed or needed. The story is fascinating, most of all as a study in human thought and fallibility. Many savants had tried to solve the problem, nearly all starting with some *a priori* assumption; and they came to grief. Ventris's strength appears to have been his modesty. He had his *a priori* assumption too—that it was a language like Etruscan—but he was capable of pursuing his cryptographic approach with complete logic and detachment, without ever forcing the results. Nor did he hide himself in a corner: as he worked, he circulated his "work notes," so that his fellow searchers could criticise what he was doing.

The world gained greatly by Ventris's life and lost greatly by his early death. Mr Chadwick's short and well-written book is a worthy memorial.

The Jungle

The Door Marked Malaya

By Oliver Crawford.
Hart-Davis. 237 pages. 18s.

THE author of this book did his national service after reading history at Oxford and spent 1954 in Malaya as a subaltern with the Somerset Light Infantry. He arrived in Kuala Lumpur just in time for an operation that took most of the battalion into the jungle with artillery and air support, and he soon found himself struggling up the side of a steep ravine under a burden that he had hardly been able to lift off the ground. Emerging after ten days with a profound hatred and horror of the jungle he could not see that anything had been achieved.

The strategy of food denial, as applied under General Templer, did not, in fact, call for much jungle-bashing. The troops were usually required to patrol the jungle fringe and supplement police and Home Guard in sealing the villages. Sometimes these methods would produce no results for weeks on end and it was then that the cry of "Back to the jungle" might be heard in the Operations Room. Nor did it strike despair in every soldier's heart as Mr Crawford suggests.

The jungle is the chief enemy for most of this book. The coastal plain, which often dips into swamp, was even more formidable than the hills, and the author was soon in hospital with physical and nervous exhaustion. As he recovered he became more able to accept the jungle as neutral background and to concentrate his thoughts on the real enemy. By the time he left hospital he had determined to make efficient killers of himself and his platoon. They practised every kind of ambush and before long Mr Crawford had his reward, though not with the platoon he had trained. He saw Communist terrorists only once, but in a model night-ambush he and his men killed two and seriously wounded the third.

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A. M. CARR-SAUNDERS,

D. CARADOG JONES, AND

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Intended for all who want a readable and precise description of present-day social conditions, this is an entirely rewritten and up to date edition of the book first published under the title of *The Social Structure of England and Wales*. *Text-figures* 25*s*. *net*

OXFORD UNIVERSITY PRESS

The fearsomeness of the jungle is overdrawn. Otherwise the Malayan scene is well described and the young man's struggle to master his fears and prove himself in action is interesting. But writing seems to come too easily to Mr Crawford: in much of his philosophising and some of his observations on the situation in Malaya it is hard to see the point. When the terrorists come into view Mr Crawford alerts the reader as well as his patrol. The tense excitement of setting the trap and waiting for the victims to return, and then the wild fury of letting them have it, are vividly conveyed.

Banking and Politics

The Australian Trading Banks

By H. W. Arndt.
F. W. Cheshire, Melbourne. London: *Angus and Robertson*. 216 pages. 27s. 6d.

AUSTRALIA'S banking history is not a happy one. In 1911, the Commonwealth Bank was set up under Labour auspices to provide the people with a counter to the "money power"; and, once bedevilled by politics, banking and credit control in Australia has never shaken itself free of it. To the outside observer, the heat generated by seemingly technical banking matters is a continual source of surprise; and tendentious argument of partisans on either side has made it very difficult to get the issues straight. Professor Arndt, in a concise and well written textbook covering the structure of commercial banking in Australia as well as its role in monetary policy, strikes a welcome note of dispassionate assessment. He points to the central cause of the inefficacy of credit control in Australia as the distrust, even hostility, with which the trading banks eye the central bank. That in turn is largely attributable to the bludgeons and threats (including the threat of nationalisation) with which the trading banks found themselves assaulted in the early postwar phase; but Mr Arndt implies that some of the proud trading banks have never reconciled themselves to following the leadership of the inexperienced newcomer.

Because the Commonwealth Bank cannot easily elicit the trading banks' co-operation, it has found it particularly difficult to build up the institutional framework in which regular central banking techniques would be effective. (When the Commonwealth Bank in 1936 made its one serious attempt to create an open market for Treasury bills, the Bank of New South Wales, "with superb contempt for the central bank," simply raised its fixed deposit rate, and thus put paid to the plan. It is against this background that the Commonwealth Bank has resorted to dubious techniques such as the calls to special accounts. The recent provision for possible calls to special deposits at the Bank of England gives the English reader a special interest in the Australian experience; but great caution must be exercised in interpreting this as a general guide to the use of this technique, since in this respect also the Commonwealth Bank's attempts at regulation have been gravely weakened by the lack of trust and co-operation.

Professor Arndt's treatment of the commercial banking structure is workmanlike, though one or two slips have crept into some of his side references to English banking conditions. And it is disappointing to find no detailed discussion of the Australian banks' foray into hire purchase. But these are minor blemishes in a good book.

Survey as Before

The Initial Triumph of the Axis

Edited by Arnold Toynbee and Veronica M. Toynbee.
Oxford University Press. 742 pages. 84s.

THIS volume completes the 1939-1946 series of the Survey of International Affairs undertaken by Chatham House, a row of large, expensive volumes, which will be on the shelves of every library, but which will not, perhaps, be very often taken down. The present book is a compilation by no fewer than thirteen contributors, and the standard is accordingly uneven, and, in spite of elaborate cross-references, there is no real unity of conception or approach. But perhaps this is asking too much in a volume dealing with a period when events moved so fast and in which no part of the world remained unaffected. And, since so much of the story is familiar and has been better told elsewhere—the fall of France or the Battle of Britain, for example—the valuable parts of this book are those which deal with episodes or areas which most of us had forgotten about. Thus, Dr Toynbee's reflections on the mood of the British people in the summer of 1940 or on the career and character of Sir Winston Churchill are of less interest than Mr Alexander Elkin's chapters on the Baltic states and Finland or than Professor Elizabeth Wiskemann's admirable section on the subjugation of south-eastern Europe.

One of the problems of writing the history of a war is how to deal with purely military events. Indeed, in the case of the second world war there were perhaps very few "purely" military events. The initial triumph of the Axis was due as much to psychological and political warfare as to direct military methods. The summary of operations by General Sir James Marshall-Cornwall, with which the volume opens, is not, therefore, entirely satisfactory in spite of the clarity and conciseness with which it is written. The reader is not only constantly being referred to the political chapters, but he may also feel the need for more information about the structure and organisation of the various military forces involved. The attempts elsewhere in the volume at giving an account of internal politics are somewhat uneven; and the result is, once again, that much familiar ground is covered, as in the case of France, in a rather undistinguished way.

Yet this miscellaneous collection of information has a certain value for reference, however much one may be irritated by affectations like Dr Toynbee's insistence on putting an acute accent on the word "diasporá" which he somewhat misleadingly applies to the German minorities outside Germany's frontiers. Moreover, the reader who turns these pages (and there will be few who will read all through) will find an occasional evocation of the splendours and miseries of 1940-41; and perhaps one day an historian of these epic years will find facts in this volume to assist him.

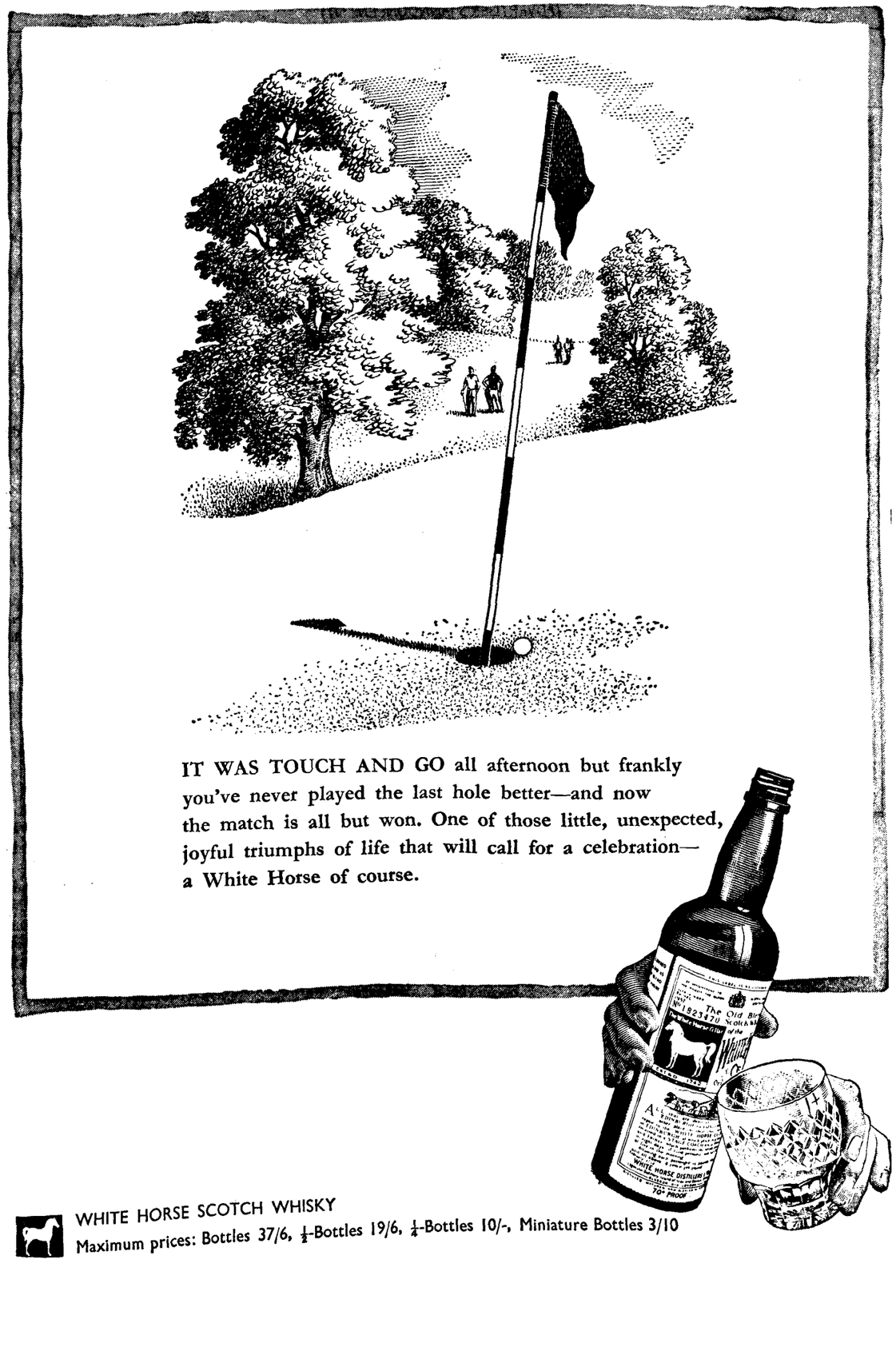
OTHER BOOKS

PHOENIX ASCENDANT: *The Rise of Modern Turkey*. By Irfan Orga. *Hale*. 205 pages. 18s.

This book is really an account of the life of Kemal Ataturk, preceded by a brief survey of Turkish history up to 1881, the year of Ataturk's birth, and followed by an even briefer survey of the twenty years since his death. But if prologue and epilogue have no particular merit, what comes between is both interesting and illuminating. Captain Orga grew up while the new Turkey was painfully rising from the ruins of the Ottoman empire, and he knew Ataturk well in the years immediately preceding the latter's death in 1938. He writes with deep admiration of Ataturk, but makes no attempt either to whitewash his weaknesses or ignore his limitations. In his accounts of Ataturk's extraordinarily complex character and of what he did for Turkey, he combines objectivity with great vividness—although at the cost sometimes of some rather too flamboyant writing. (About Ismet Inönü, who still leads the chief opposition party in Turkey, he is rather less objective.) He points out that Ataturk was not by nature well-fitted for the task of turning Turkey into a modern state. He was not primarily a statesman, but a soldier of genius to whom the constructive but plodding tasks necessary for progress did not come easily. All the same, he was brilliantly successful.

THE MARITIME STORY. By Joseph P. Goldberg. *Harvard University Press*. London: *Oxford University Press*. 361 pages. 52s.

A series of studies of industrial relations, financed by contributions from foundations, trade unions and corporations, is being published by Harvard University in the belief that this aspect of American economic history has been neglected and that this is a good time at which to take stock of the great changes of the past twenty-five years. This book, which deals with the evolution of collective bargaining in a particularly complex industry, and one which is dependent, in some part, upon government subsidy, is particularly timely. Mr Hoffa, the president of the teamsters' (or lorry-drivers') union, has just taken a great step toward bringing about the united waterfront which has so far eluded the seamen themselves, for a variety of reasons which Mr Goldberg discusses. This is a book for the close student of trade union development, but it is interesting to be reminded that before 1915 seamen on American ships were the victims of discriminatory and outgrown laws as well as of harsh economic circumstances; that organisation on the east coast, as opposed to the west coast, was hindered by the flood of cheap labour from Europe; and that the great aim of the seamen's unions has been to give the men afloat their rightful share of American prosperity.



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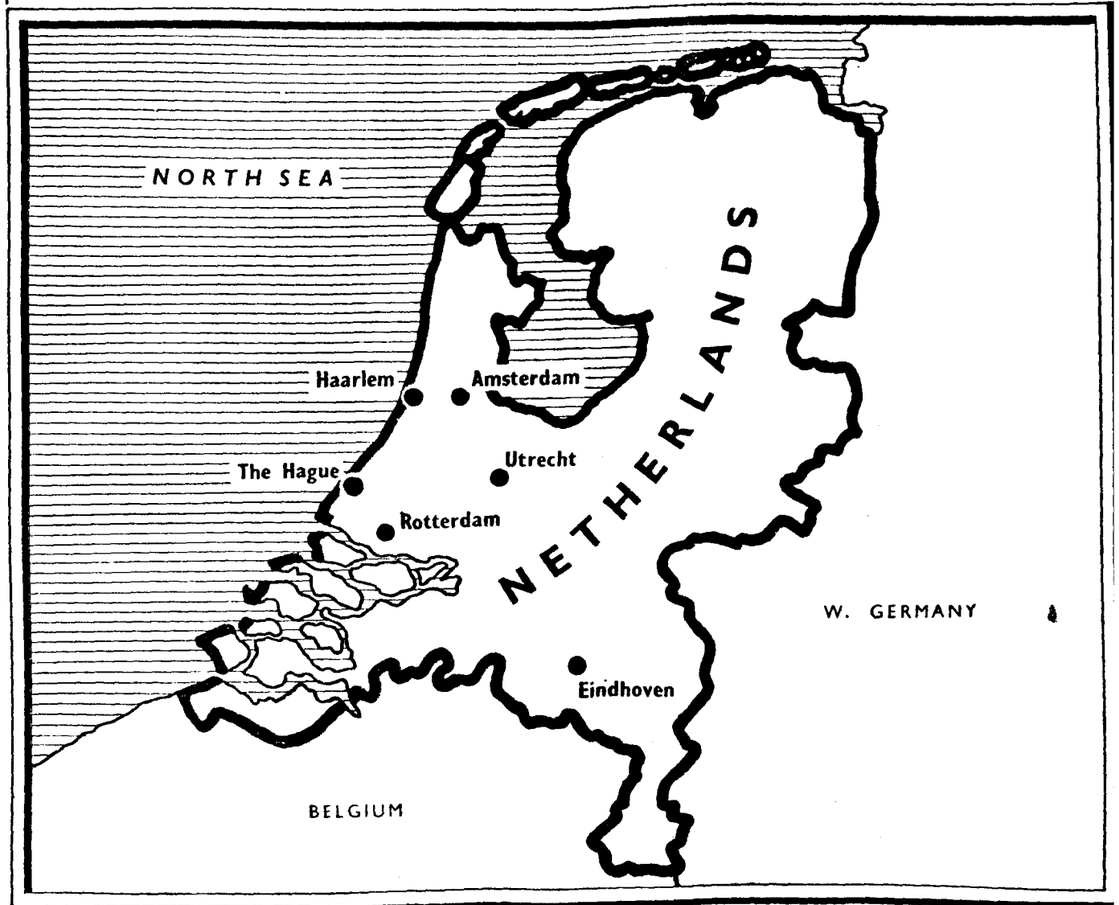

Area (square miles)	12,529
Population	11,046,000 (1957)
Density per square mile	822
NATIONAL INCOME	
Total (U.S. $ million)	6,681 (1956)
Per head (U.S. $)	617 (1956)
Money circulation (U.S. $ million)	1,148 (1957)
EMPLOYMENT	
Working Population (economically active)	3,866,445 (1947)
Male	2,922,842
Female	943,603

DOMESTIC DATA	
Number of homes	2,049,713 (1947)
Homes wired for electricity	1,869,099 (1947)
Cars in use—	
personal	328,000 (1956)
business	130,000 (1956)
Telephones	1,117,186 (1955)
Radios	2,691,000 (1957)
Television sets	250,000 (1957)
Refrigerators (electric)	100,000 (1957)
Electric cookers and ovens	125,000 (1957)
Washing machines (electric)	1,000,000 (1957)
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Sewing machines	1,600,000 (1958)

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Balancing the Free World

WASHINGTON, DC

AMERICAN economic aid to other countries since the war can be described accurately, and without slur, as being mainly a successful holding operation for the international balance of payments. Although few Americans, even among those who have operated the programme, would think of it in that way, its main function has been to preserve the existing order by financing the necessary minimum of imports—not to raise standards of living or to win people from Communism or to meet "rising expectations." Certainly the great bulk of the actual dollars sent abroad has been used for that purpose, first in western Europe, then among a group of allies in Asia and more recently in Latin America. The most interesting evolution in the foreign aid picture in the past year is that the means of performing this balance-of-payments function have been strengthened, while all the talk has been of meeting the "Soviet economic offensive" and of promoting the economic development of the "uncommitted world." Moreover, the new device aimed specifically at this last field of endeavour, the Development Loan Fund, was the only element in the many-sided foreign aid package to be severely cut by Congress this year.

The schemes and techniques for foreign aid, especially those relied on recently, are more numerous and varied than is realised. For example, without much fanfare, the Export-Import Bank has been used increasingly for pure balance-of-payments purposes, having lent large sums this year direct to Brazil, Chile and Colombia and last year to the United Kingdom. Congress this year supplied the bank —always popular in the congressional mind because it is thought of as a device for increasing American exports— with the impressive sum of $2 billion in additional lending authority, more than the entire amount in the economic section of the mutual security appropriation.

Another example is the "sale" of farm surpluses for foreign currencies. The rescue operations for France and Turkey this year included a component of this sort, and in a number of other cases there is no doubt that such sales are being used as a device to save foreign exchange so that the importing country can use it for other essential purposes. Farm surpluses have been a major item in American help to India, Poland, Jugoslavia and Spain—in most cases doing precisely as much as would a grant of freely usable dollars. With the commodities already on hand and paid for, as a result of domestic farm price support operations, it caused Congress little pain to add another $2.25 billion to the authority for this highly useful purpose this year.

Then, of course, there is the International Monetary Fund—certainly not a hand maiden of American foreign policy but nevertheless an institution whose operations in the past two years have accomplished purposes devoutly desired by the Americans. Only this can explain the President's announcement last week that the United States will back an increase in the quotas which member governments pay into the fund. For the American contribution will be a direct charge on the Budget; yet it is the consuming ambition of the Administration at the moment to halt what appears to be an almost uncontrollable rise in that Budget. The recent flood of drawings on the fund can be regarded as a means of "preserving world trade," but they can also be viewed as an essential element in maintaining relative economic tranquillity in some rather desperate situations.

FINALLY, there is mutual security itself. Once again, the "big money" on the economic side turns out to be mainly for balance-of-payments or subsidy purposes, although it is true that in some countries enough dollars have been supplied not only to keep the economy going but also to provide for some growth as well. These funds come in three categories—defence support, special assistance and the President's contingency fund. The total asked was $1,247,000,000 and Congress supplied $1,105,000,000—a rather modest cut and certainly not a crippling one.

These are the funds for keeping alive South Korea, Formosa, South Vietnam, Pakistan, Turkey and Iran among the American allies (some would say satellites); for subsidising Libya, Jordan, Laos, Cambodia and Tunisia among the countries for whom responsibility has been thrown wholly or partly upon the United States by the abdication of either France or Britain; for holding the western foot in the Polish and Jugoslav doors; for showing a proper concern for such amenable states as Ethiopia, Thailand and the Philippines; and for meeting emergencies such as the one now developing in Lebanon and the one which developed previously in Guatemala. The list is revealing: in most of these cases there is either an inherently unviable situation which must be subsidised if the country is to exist at all, or an excessive military burden in part promoted by the United States, or an emergency arising out of political change. The aid which is needed is balance-of-payments aid to enable the present, acceptable, order of things to survive. And that is the aid which the Americans are giving.

The great debate in Washington is over the question of whether this is enough. Unfortunately, all the criticisms from the liberals, who want to meet the "revolution of rising expectations" by vastly increasing the aid which is aimed specifically at economic development, obscure the enormous importance of what has been accomplished by less glamorous operations to date. The great bulk of American money since the war has flowed almost inexorably into situations where an immediate problem existed and a clear-cut practical purpose could be achieved—usually simply the preservation of an existing situation that the United States did not want to see overturned.

The pessimists doubt whether much more than this can

be accomplished; in particular, there is fear that in most of the under-developed world the much-discussed "take-off" point from which development will generate itself is so far in the future as to be almost beyond the reach of any effective help from the United States. It is clear that the Administration, under the particularly imaginative and resourceful leadership in the foreign economic field of Mr Douglas Dillon, the Under Secretary of State for Economic Affairs, intends to try. India, at least, is now receiving large sums—though it did not reach that exclusive category until it got itself into a balance-of-payments emergency—and it looks as if in the future a country need only be under-developed to earn the solicitous attention of the United States. Still, it is no cause for shame that in the past most American aid has been a successful response to emergency, and has been politically oriented. And it is cause for some gratification that Congress has provided the resources for continuing it in that vein.

Offshore Squeeze

MR DULLES'S interruption of President Eisenhower's holiday underlines the seriousness of the squeeze in which the United States has been caught by the Communist attacks on the Nationalist-held islands off the coast of China even more than it does the mounting seriousness of the attacks themselves. The Administration's dilemma arises out of its own policy, considered by many to be ill-advised, of keeping the Communists guessing. It dates back to the controversial Formosa Resolution, passed by Congress early in 1955, when the offshore islands were last threatened: this authorised the President to use American military force as he thought necessary to protect against armed attack not only Formosa itself but also any related positions held by the Nationalist Chinese. These were clearly understood to be Quemoy, Matsu and the other offshore islands, but it was also understood, although never stated, that at that time an attack on these islands would not in itself be regarded as constituting a threat to Formosa. After that the matter dropped out of the public eye until the Communist bombardment was renewed recently.

Then President Eisenhower threw a new light on the situation at his last press conference by revealing that the Nationalists had been concentrating military strength in the islands. As a result they can no longer afford to lose Quemoy or Matsu, although the smaller islands nearer to the mainland may still be expendable. Thus an attack on the islands now involves a threat to Formosa that the United States could hardly ignore without breaking its political commitments to the Nationalists, even though the American defence authorities still do not consider that it is vital to deny these islands to the Communists. The President refused to say whether he was going to order American forces into action, but a series of increasingly ominous warnings, accompanied by the massing of American naval and air power in the area, were obviously designed to convey the impression that he would if the Communists attempted to land on the islands.

So far this calculated vagueness has not succeeded in calling the Communist bluff—if it is bluff—and, as *The Economist* goes to press, the President is presumably deciding how far he is prepared to go to prove that the United States is not bluffing either. Since it seems that the Americans would be obliged to attack the Communist bases on the mainland in order to save Quemoy and Matsu from any sustained invasion, the President may be faced with the choice of risking an atomic war which his military advisers do not advocate, which his allies would not approve of and which his Congress would criticise, or of repudiating his obligations to the Nationalist Chinese and ruining the reputation of the United States as a trustworthy ally.

"It Worked Fine As Long As Nobody Asked, 'Or Else What?'"



Wait for the Court

AT its emergency session last week, the Supreme Court ordered further hearings, on September 11th, in the Little Rock school case, so that it may rule definitively on the merits as well as on the technicalities. The real question is whether the threat of violence is a legitimate reason for undoing progress which has been made toward admitting Negro children into the tax-supported white schools. The Court's action was taken on assurances from the school board in Little Rock that Central High School, the storm centre, would not open until September 15th. If it were to open next week, the Negro children kept there last year under federal guard would not have to be re-admitted and it is no secret that Mr Faubus, the Governor of Arkansas, would not have been adverse to presenting the Court with this *fait accompli*. The school board, however, has fixed September 15th, lest its case be prejudiced, although this argument may not save its members from dismissal under new powers voted to the Governor last week by the Arkansas Legislature. When he signs these Bills, Mr Faubus will also be able to close white schools which admit Negroes, to transfer state money for education to private schools, to let school property to private groups and—a last resort—to establish racially segregated classes in integrated schools.

In adopting these laws Arkansas is following the lead of Virginia, just as that state's own policy of intransigence is about to be tested. Charlottesville, the seat of the University of Virginia, has put off the opening of its schools until September 15th in the remote hope of persuading a federal judge that its policy of exclusion is justified on the score of scholastic standards. But in Norfolk, the biggest city in Virginia, the school board, threatened with contempt of a federal court, has reluctantly agreed to assign 17 Negroes to white schools when they open on September 8th. Schools in Arlington, where the court last year ordered five Negroes to be admitted, and where 25 others are applying, were scheduled to open on September 4th—and, if the state carries out its threats, to close the same day.

The defiant South no doubt derived some encouragement from the President's admission at a recent press conference that he might have said to friends that he personally wishes that integration could proceed more slowly—a statement which Negro leaders have denounced as "incredible." But the official position of the Administration, put to the Supreme Court by the Solicitor General last week, is the strongest possible repudiation of the idea that the law can be frustrated either by mob violence or state defiance.

Empire Statesmen

THE political conventions of the two major parties in New York last week chose their candidates for Governor, Mr Nelson Rockefeller and the Democratic incumbent, Mr Harriman, out of the same mould: that of the man of great inherited wealth who has devoted himself to public service and who, if victorious, might have legitimate presidential ambitions in 1960. But there the similarity ends, for the Democrats felt themselves secure enough to afford the luxury of a damaging internal quarrel and to risk the charge of being dominated by the party machine, while the Republicans, faced with an uphill fight, behaved with a discipline and decisiveness that reflect the master political mind of Mr Thomas Dewey, twice his party's presidential candidate and still a political power. The odds, which seemed to be on the Democrats, are as a result now more nearly even in the Empire State.

Mr Nelson Rockefeller, of the Standard Oil dynasty, is well known as a philanthropist, but he is a new face in Republican politics and a modern one likely to please the Democratic and independent voters whose support he will need to win. The Vice President himself intervened to provide him with a good running-mate in Representative Keating, who is said to have been promised the consolation prize of a federal job if he would undertake the thankless task—in what may well be a Democratic year—of standing for the Senate. Mr Keating has had five terms in the House, where he has shown himself to be conscientious, moderate and constructive, particularly on Negro rights, and he is well known in the state because he runs a popular and forthright television programme, "Let's Look at Congress."

Mr Hogan, his Democratic rival, who was thrust down Governor Harriman's throat by Tammany Hall, the New York County political machine, is an able district attorney, but he lacks legislative or political experience and has no national reputation comparable to that of Mr Finletter, a former Secretary of the Air Force, who was Mr Harriman's choice. Mr Hogan's virtue is that he may win back the conservative Roman Catholic Irish voters who have been drifting away from the Democrats. To this extent he is a good partner for the internationally-minded, left-of-centre Governor. But the Republicans will not let voters who fear and distrust machine politics forget the way Mr De Sapio, the Tammany boss, has dictated to Mr Harriman. It is not yet certain that the Liberal party, which was an enthusiastic supporter of Mr Finletter and which disposes of 250,000 votes or so in the state, will lie down under Mr De Sapio's steam-roller, even if the alternative is to make a Republican victory possible. Its defection would be a serious matter for Mr Harriman, who in 1954 won by only 11,000 votes.

Unlocking Alaska's Wealth

FROM A CORRESPONDENT IN PORTLAND

ALASKANS, who voted overwhelmingly last week in favour of becoming the 49th state, are counting on a burst of prosperity when at last they are able to control the development of their own huge resources. As a territory, Alaska has been administered by the Department of the Interior in Washington; virtually all its land—99 per cent—has been owned by the federal government, and exploitation of its potentialities has been restricted by federal regulations. To establish a tax base for the new government, the Statehood Act allows Alaska to choose 103 million acres from the federally owned lands, about a quarter of the total, including some from what are now national forests, and some which is near established communities or suitable for community development.

The state will have the right to let all this land for development, but not to sell the mineral rights. Some Alaskans foresee a boom rivalling those of Florida and California, but in the new state, a third of which is inside the Arctic circle, it will be petroleum and other resources which are the magnet, not the climate. The federal government, which will continue to own much of Alaska, will still make available free land for homesteads of 160 acres to those prepared to cultivate them. But farming in Alaska requires too much capital to attract many newcomers. Alaskans also had to agree, last week, as a condition of statehood, to allow the federal government to withdraw large areas for defence purposes in north-western Alaska, the part nearest to the Soviet Union.

Among the federal regulations and statutes, some of them long outgrown, which Alaskans feel have been a drag on the development of their territory, one of the most irritating has been the Jones Act of 1920, which has required that all trade between Alaska and the United States be carried in American-owned ships. The effect has been to give shipping interests in Seattle, Washington, a grip on Alaskan trade which has been only slightly loosened by the growing use of air transport between Alaska and Portland and Seattle and motor transport over the 1,600-mile Alaska Highway. The Statehood Act eliminates this requirement, and thereby removes the major reason for Alaska's high retail prices. In some cases these are as much as 75 per cent greater than those in Canada and the Pacific Coast states, and wages have had to follow them upward.

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The Statehood Act also provides that control of the fisheries shall pass to the new state government as soon as the Secretary of the Interior is satisfied that Alaska can administer them adequately. With the fishing industry controlled by absentee operators, this great source of wealth has in the past been exploited for the profit of others. Alaska has never been able to abolish the use of fish-traps, which are forbidden in all the states to safeguard the future catch. Fishing is the leading Alaskan industry with potential sales of more than $100 million a year.

Even more promising is the oil "rush" on the coast of western Alaska, the Kenai Peninsula, the base of the Alaska Peninsula, and the Kateel River area at the base of the Seward Peninsula. All the major American oil producers are engaged in exploration stimulated by a rich strike made four years ago by the Richfield Oil Company. Nearly five million acres are under lease, and geologists optimistically predict that the oil fields will return more to Alaska and Alaskans than the gold fields of an earlier era ever did. As a state, Alaska will receive 90 per cent of the revenues from



oil and gas leases, compared with 37½ per cent when it was a territory.

The 49th state has other resources almost too vast to tabulate. Its forests are capable of sustaining a cut of many billions of board-feet annually, and the pulp industry has been expanding rapidly in the last few years. Practically every known metal has been found in quantity in Alaska, including those of strategic importance in the atomic age. It has vast coal fields and a tremendous untapped store of hydro-electric power. It is estimated that Alaskan rivers can produce more than 20 million kilowatts of electricity.

The short growing season is a handicap to the commercial exploitation of agriculture, but products often make up in size and quality what they may lack in quantity. Vegetables and fruits grow to enormous proportions under the summer's midnight sun. Farm acreage has been increasing about 10 per cent each year. Tourism is another highly promising Alaskan industry. Pacific Northwest airlines, which serve Alaska, have reported that the interest in the territory excited by the imminence of statehood has already resulted in a sharp rise in passenger travel.

The strategic location of the new state is also an economic stimulant. Federal expenditures on Alaskan defence establishments are a secret, but they are obviously vast. Of the slightly more than 200,000 residents of Alaska, approximately one-fourth are members of the United States armed services. The Alaska Resource Development Board notes :

> As the "crossroads of the world" and because of its geographic location, westward Alaska has a tremendous resource asset. It will not only be a centre of national defence, but will also play an important role in northern hemisphere transportation. Under present world conditions, this asset is being extensively exploited—and this exploitation will continue with a resultant flow of millions of dollars into all of Alaska that lies west of the Yukon territory.

The greatest obstacle to the development of Alaska has been the lack of transport. There is only one railway line in the new state, the government-owned and operated Alaska Railroad from the port of Seward to Fairbanks. The Alaska Highway, extending from Dawson Creek, British Columbia, to Fairbanks, is the only long distance road. The others serve only single communities. Statehood, however, may soon end this fragmentation of the country and its dependence on the air and sea. As a state, Alaska will be included in the multi-billion dollar federal highway scheme, as well as in other federal programmes, such as those for pensions and various types of social insurance.

Over 7,000 Alaskans voted against statehood, primarily because they fear the increased cost of the apparatus of a state government and of the federal services which it will now have to shoulder. Since 1950, when the last official census was taken, the civilian population has grown more rapidly than that of any state except Nevada, and it is young and energetic; there are 16 men to every 10 women, and the median age is only 26, five years less than that of the United States as a whole. But in 1956—since when there has been a slight falling-off—there were only 175,000 civilians in Alaska. Any big increase in the cost of government would be felt keenly.

However, Mr Seaton, the Secretary of the Interior, believes that the new income being made available to Alaska will almost offset the rise in spending. In addition to the proceeds from the land grants, Alaska will receive 5 per cent of the return from the sale of any public lands retained by the federal government and 70 per cent of the net proceeds of sales of seal and sea-otter skins by the government. Last year's territorial budget came to about $15 million, and Mr Seaton estimates that, although the first budget of the new state will be more than $21 million, all but $1.4 million of the increase will be covered by new revenues.

Plutonium Reactions

ALTHOUGH Congress disposed of all its international atomic business very satisfactorily before it adjourned, the atom was left in a very unsettled condition at home. This was rather surprising since during the session Mr Lewis Strauss had left the Atomic Energy Commission, where he had been regarded as the chief nigger in the domestic atomic woodpile, to take over responsibility for American atomic developments abroad. Congress has in fact made its peace, for the moment at least, with the AEC but the dispute has been transferred to the President. This was demonstrated when he signed the Bill authorising the AEC to spend $386 million on construction, protesting that over

half of this was for projects which he considered unsound and undesirable and advising Congress not to provide the money needed to start them. In particular he disliked the authority of $51 million for a gas-cooled, graphite-moderated power reactor, to be built by the government if private interests did not undertake it within six months, and of $145 million for an additional plutonium reactor, capable of being converted to produce electric power and therefore more expensive than usual. Congress retorted by voting the necessary funds and, if the President does not spend them, its successor will ask some pointed questions.

His main objection to the plutonium reactor was that the Defence Department doubted whether any more plutonium was needed for military purposes and was conducting a study in order to find out. To this Congress replied that both the AEC and the Joint Chiefs of Staff were convinced that more plutonium was needed and that no risk of a shortage of atomic weapons should be taken. In fact at much the same time the AEC was announcing that plutonium might have far wider uses than had hitherto been thought: elements of plutonium fuel have now been used to produce power from an atomic reactor that had been working on uranium. The importance of this is not only that there will thus still be a use for plutonium, even if the output of weapons ceases, but that plutonium can be produced more cheaply and in infinitely greater quantities from natural uranium than can the fissionable uranium on which power reactors have had to rely so far.

Quizzes Questioned

THE sponsors and producers of quiz programmes, the most popular form of entertainment on television, are themselves confronted with a formidable question: will charges that some contestants are primed in advance with the answers take the lustre off programmes which are scheduled to cost $24 million this autumn? Two weeks ago "Dotto," a quiz sponsored by the Colgate-Palmolive Company, was hastily dropped by the Columbia Broadcasting System and the National Broadcasting Company when a stand-by contestant, who felt he had not been paid enough to keep silent, testified that one of the winners last May had all the questions written down in a note-book before she went on the air. The New York District Attorney's office is now investigating at least three other quiz shows, including the famous "Twenty-one." A Mr Stempel, a contestant who was defeated by Mr Mark Van Doren, the college instructor who ran his winnings up to $129,000, alleges that he was coached, not only in the answers but in suitably dramatic facial expressions, and then finally dismissed on the ground that the viewers wanted new faces.

Mr Van Doren and other winners of jack-pots which have gone as high as $250,000 deny that they received any help; and the producers of "Twenty-One" accuse Mr Stempel of attempted blackmail. The District Attorney, Mr Hogan, for whom this is a happy windfall of publicity at the start of his race for the Senate, says that so far no evidence of crime has been produced, and that for a charge of fraud to be sustained it probably would have to be shown that the sponsor, who pays the bill, was deceived in the nature of the programme.

The viewers, some producers argue, can have no complaint so long as they are entertained—and they probably would not be entertained as well if some control were not exercised behind the scenes. But once viewers realise that, in some cases, at least, they are watching a carefully stage-managed production, their enthusiasm for all quiz shows is likely to wane. This would hardly be a tragedy. Quiz shows are relatively so cheap to produce and have been so sure-fire in their appeal that they have become a blight; twenty-two, in all, are planned for this autumn, although there may be fewer now that the television companies realise that they must exercise more supervision over them.

A Privileged Class

WASHINGTON, DC

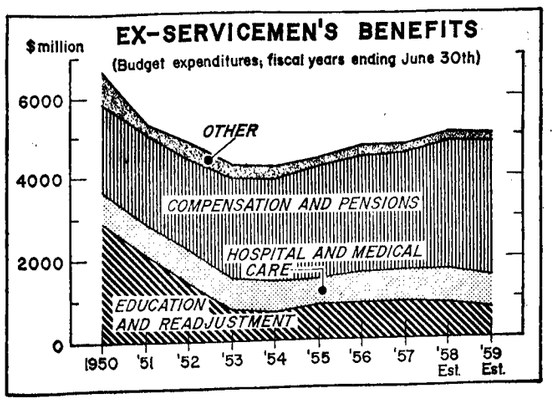
PIT an old professional soldier turned temporary politician against temporary soldiers turned professional ex-servicemen and what do you get? This year's effort by General Eisenhower, aided by General Omar Bradley, to win the battle of the budgetary bulge by trimming ex-servicemen's benefits provides the answer. The old soldier just faded away. Last January the President said that for the United States to answer the Russian sputnik would mean the end of his policy of levelling off the cost of defence. Thus, if there was not to be a permanent deficit in the Budget, belts would have to be tightened and "sacrifices" made in "less essential" domestic programmes. As a result the Budget contained such an inclusive list of candidates for fiscal dieting that it looked as though the Republicans had screwed up courage to offend every known interest group just in time for this autumn's election.

Topping the list were ex-servicemen's benefits, a hitherto untouchable $5 billion item that makes the heart of every Director of the Budget ache. Instantly the ex-servicemen's organisations—from the American Legion to the newly-chartered Veterans of World War I of the USA Incorporated—mobilised their full capacity for massive political retaliation and the President, harkening to the wails of his party leaders, did not even go so far as to send to Congress the special message he had promised at the opening of the session. But neither did the ex-servicemen's organisations get much farther with their efforts to make pensions more generous.

No one questions the right of seriously injured ex-servicemen to compensation for their injuries. What has been challenged by a succession of critics, including a special commission under General Bradley's chairmanship, has been the undiscriminating extension to all the men who serve in the mass armies of modern war of benefits provided in the early years of the country to prevent handfuls of old soldiers from falling into indigence. Despite the much-advertised American horror of "socialised medicine," well over half the patients in the 173 special ex-servicemen's hospitals run by the Veterans' Administration and staffed by government doctors and nurses did not fall ill until after they had left the armed forces. The rule is that men with "service-connected disabilities" have first claim on the hospital beds. After that ex-servicemen with "non-service-connected disabilities" can get free treatment if they cannot afford to pay. There is no real means test: if a man says he cannot pay his word is taken for it. Since, as the result of three major wars, there are nearly 23 million ex-servicemen in the country, about 13 per cent of the population, these privileges represent a substantial slice of an entirely non-contributory welfare state.

Few critics, again, regret the generous measures taken at the end of the second world war and the Korean war to make up to young "veterans" the time they had lost in launching themselves into life. Some of these have amounted to pilot schemes, endorsed even by conservatives in the emotion of the moment, which will have a permanent impact on social legislation. Examples are the "GI Bill of Rights," providing ex-servicemen with the wherewithal for a university education under most flexible conditions, including attendance at foreign universities, and the ex-servicemen's housing programme, which, through governmental guarantees of mortgages, enabled returning warriors to buy a house with no down payment and monthly instalments not much larger than rent.

Having thus set the ex-serviceman up, so that he does rather better in income and status than his average non-serving contemporary, does the country still owe him a special pension? There are two parts to this question. First of all there are the 1,785,496 survivors of the second world war and the Korean war who are now receiving pensions because of disability. Of these more than a million are 10 per cent disabled, receiving $19 a month, or 20 per cent disabled receiving $38 a month. Very few of these have lost much earning capacity. Only 18 per cent of the first category and 23 per cent of the second were in the combat zone, let alone actually in action. They are never re-examined medically after once qualifying for the award, and



their claims eat up $326 million of the $1.4 billion paid out each year in compensation. The Bradley commission suggested that the government should discharge its obligation to these sturdy pensioners by a lump sum or a short-term settlement. It also thought that the whole system of grading seriously injured men should be brought into step with current medical knowledge—psychological and other less immediately obvious impairments being given as much consideration as the loss of a limb, which has always attracted natural sympathy and extra cash benefits.

A potentially more alarming problem for the Budget Director of the future is that of retirement pensions. All survivors of the Civil War and their widows have pensions and, since the passage of a special Act this year, the losing Confederate Army is included as well; it has only two surviving soldiers but two thousand surviving widows. Ex-servicemen of the two world wars and of the Korean war and their widows are entitled to what is virtually an assured pension at sixty-five provided they are 10 per cent disabled from any cause (as most people are at sixty-five), are unemployable (which means in practice unemployed) and have an annual income of under $1400 if single and $2700 if married. This means that, unless they have a private income, these ex-servicemen receive this pension as well as their ordinary old age pension under the federal insurance scheme. Just as the budgetary costs of rehabilitating the ex-servicemen of the second world war and the Korean war are beginning to fall, the burden of supporting the ageing ex-servicemen of the first world war, more and more of whom are now crossing the sixty-five year line, is mounting up seriously.

The way out favoured by the Bradley commission and endorsed in principle by the President's Budget Message is the amalgamation of ex-servicemen's pensions with old age insurance by making those who qualify for the latter ineligible for the former. But this year at least nothing came of this attempt "to relegate the veteran to the class of the non-veteran," a trend in government thinking which is being roundly condemned by the various ex-servicemen's organisations during their current round of annual conventions.

SHORTER NOTES

The Senate has refused to be stampeded on the issue of whether or not the State Department should be legally empowered to withold passports from those who, in its opinion, endanger the peace and the foreign policy of the United States. In answer to President Eisenhower's urgent request for legislation to quash the liberal ruling of the Supreme Court, the Foreign Relations Committee voted unanimously to postpone further hearings until next year.

* * *

The vast deposits of oil-bearing shale in Colorado (and also Wyoming and Utah) could, if market conditions warranted, become a major source of crude oil at prices that are currently competitive. The Denver Research Institute, which has operated a 24-ton-a-day pilot plant for the last nine months, claims that with its new extraction process shale oil could sell on the West Coast at $1.42 to $1.92 a barrel, excluding profit; crude oil is at present selling at rather more than $3 a barrel. The Union Oil Company, on the other hand, has decided to close the pilot plant which it has been running for three years. While agreeing that the product could compete successfully, the company, having gained all the necessary technical experience, is unwilling to launch out on a commercial scale at the present time; any interruption of foreign imports, however, would make such a venture attractive.

* * *

A question of what is and is not cricket on the golf course was raised recently in the New York State Supreme court. A golfer, by appearing to modify his skill in regular games—on which his handicap is based—and to emphasise it in tournaments, had, in the eyes of the club's board of governors, carried off "a remarkable" number of trophies. The club therefore reduced his handicap arbitrarily and the member appealed to the court. On the advice of the judge, the issue was settled out of court; the golfer lost his claim, but gained a written assurance from the board that his sportsmanship was not in question.

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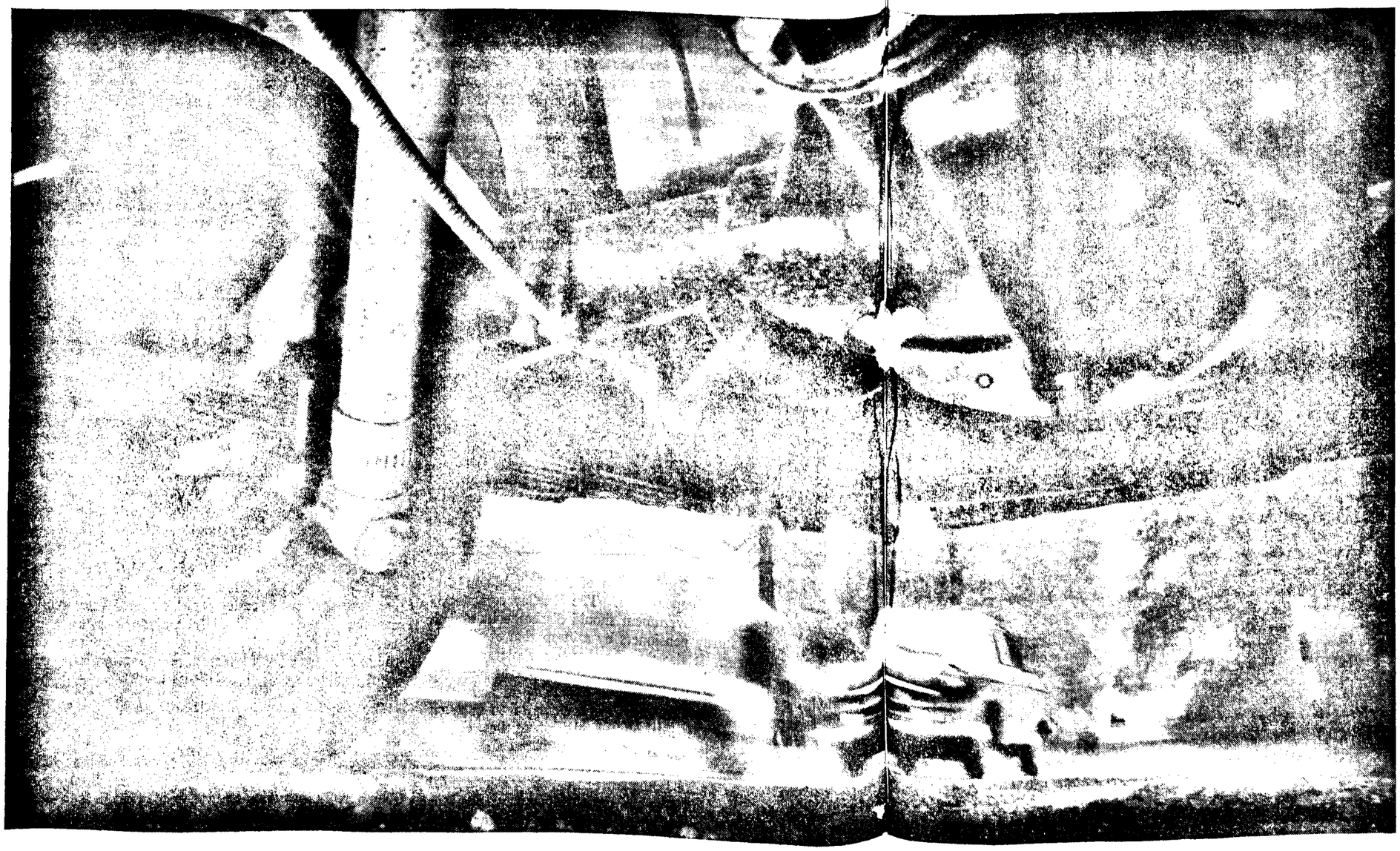

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THE WORLD OVERSEAS

Herr Ulbricht Bends the Twigs

FROM OUR BONN CORRESPONDENT

A NEW school year began this week in eastern Germany, introducing sundry schemes for relating work and play more directly to the requirements of the brave new world billed for 1965. The resources, the tools, and the timetable for completing the creation of a German socialist state were confidently proclaimed by party heavyweights at the fifth congress of the Socialist Unity party in east Berlin in July: by 1960 production in the German Democratic Republic is to equal, man for man, that of federal Germany; by 1965 "socialism" is to reign exclusively supreme. No less a personage than Mr Khrushchev himself intimated to the delegates that the consummation of socialism in east Germany would be a peculiar and important contribution to the advancement of communist global aims.

He promised massive Soviet help. During the next seven years basic raw materials are to be poured into eastern Germany from the Soviet Union in unprecedented volume. A pipeline is being laid, for instance, to carry crude oil from the Baku fields, whose annual flow to Germany is being increased from last year's 1,040,000 tons to 4,800,000 tons in 1965. Displaced as a party politician but still in business as an economist, the new Soviet ambassador in the Unter den Linden, Mr Pervukhin, is making a point of having a large say in the disposal of the consignments. The indigenous satrap, Herr Ulbricht, told the conference that the time had come to take considerably more trouble in the schools to prepare the children for the part they will be called upon to play in these far-reaching economic and political developments. They must be not only equipped technically for the hard economic haul ahead, but also inoculated against the apathy, cynicism and discontent of so many of their elders. Since some 700,000 independent farmsteads remain to be collectivised, and altogether some three million persons are still working in one way or another in the unsocialised sector of the economy, Herr Ulbricht's anxiety to bend the twigs in the way they should go is understandable. Local education authorities have been sharply exhorted to intensify their measures for turning out none but "young socialists."

The new school-year reforms begin in the kindergartens; many brand-new ones have been opened this week, and many more are projected. They are to be known in future as *Kinderhorten*. (Nazi educators, too, used to prefer this less pastoral designation, of which the nearest English equivalent is probably "day nursery.") Their teachers are to be brought more strictly under central direction and the wayward individualists and cranks of the profession eliminated. These plans have been conceived, no doubt, with a double object: to reduce parental influence and to free more mothers to lend a hand in building up the economy.

But the innovation by which Herr Ulbricht seems to be setting most store is that of "polytechnical instruction" in the national schools. After party educationists, invoking the old Marxist principle of the unity of theory and practice, had been bandying the idea about for over six years, Herr Ulbricht demanded in July that there should be immediate action. At the crack of his whip "polytechnical instruction" appeared on September 1st in one shape or another on all school syllabuses. For the seven-to-ten-year-olds it is going to mean chiefly an hour or two's handwork weekly in *Pionier* clubrooms, or in factory workshops if it can be conveniently arranged. For the eleven-to-thirteen-year-olds it will mean much the same sort of thing, with rather more of it. For the fourteen-to-fifteen-year-olds it is to be much more palpable. They are to put in a whole "production day" weekly, either in some local factory or on the land. The sixteen-year-olds, it seems, are to stay mostly in their classrooms. But—in addition to spending more time like everybody else on scientific and economic subjects—they are to devote two hours weekly to a course entitled: "Introduction to the principles of socialist production." They will also spend a consecutive fortnight some time in the year (doubtless during the holidays) on manual tasks in industry or agriculture. Already there is talk of them being roped in with the university students to help to lay the oil pipeline and to build the north-south canal that is to connect the Baltic port of Rostock with Berlin and Czechoslovakia.

ALL these provisions have been made rather hastily, and there are some signs of confusion and friction in their carrying out. The headmaster of a school at Löcknitz openly objected to being asked to submit by mid-August details of his arrangements with local factories and farms; so many people were away on holiday, he pointed out, that it would be impossible to negotiate effectively before the end of the month. Parents are asking what clothes their children are to wear on "production day"; where such extras are to come from; and whether the new-fangled instruction is not likely to interrupt the child's studies harmfully and cause more trouble than it is worth to the factories concerned. A "polytechnical council" has been set up to cope with parental doubts and hostility.

Such symptoms of disagreement and delay are naturally being invested in western Germany with the magnified significance always accorded to every scrap of intelligence, however meagre, suggesting that the enemy is discomfited. It would be over-sanguine to suppose that the regime could be persuaded at present to relax its tightening hold on the schools. The dramatic flight of Professor Hämel, who as Rector should have been presiding this week at the 400th anniversary celebrations of the foundation of Jena university,

and the continuing exodus of so many teachers and valuable members of the learned and technical professions, is only inciting the regime to double its efforts to bind the younger generation to the communist cause.

Precautions of a sterner character are being taken simultaneously to make the prized communist bridgehead in Germany secure. There is intensification rather than relaxation of the travel restrictions, which in the first six months of this year reduced the number of east German visitors to western Germany to 310,677, compared with 1,196,301 in the same period a year earlier. And the unflaggingly notorious east German Minister of Justice, Frau Benjamin ("Red Hilde"), has recently announced that by 1960 all judges are to be appointed by district party functionaries who know the candidates and their political leanings. The division of Germany deepens.

Alice in Hungary

FROM A CORRESPONDENT

"WHY do Hungarians love the Soviet Union?" "Because they like to have a buffer state between themselves and China." This product of mordant Hungarian wit, launched a few months ago, seems to have been badly overtaken by more recent developments—for a buffer is supposed to absorb shocks. But, so it is argued in Budapest, Russia does not absorb the shocks emanating from China; it transmits them to the East European fringe of the empire in undiminished force. As with the killing of Imre Nagy and his associates, Mr Khrushchev is keeping the Chinese wolves from his own door by throwing them satellite scraps.

This melancholy view is confirmed by economic events, too. In the past few months, a series of long-term trade agreements had been concluded with all the brotherly allies from North Korea to Albania, which together take care of three-quarters of Hungary's planned volume of trade for the next three to five years. Of these agreements, the one with Russia makes the most sense and the one with China the least from the Hungarian point of view. The export list contains machine tools, diesel locomotives, tractors, lorries, buses, telephone exchanges, complete steel tube works, vegetable oil and food processing plants and aluminium (which seems to have a sad story of its own). China, in return, will supply such unlikely odds and ends as asbestos, natural rubber, bristles, soya beans, fish fillets, leather and paper goods, clothes and cigarettes. In Kispest, one of Budapest's grim counter-revolutionary suburbs, the Red Star plant is working on a Chinese order for 3000 tractors; while the Hungarian peasants, some of them laden with cash gathered in during last year's free-for-all, when the Kadar regime attempted to offset revenge and terror with economic liberties, cannot buy tractors and in their frustration spend the money on huge weddings and lavish funerals. "The idea," they say in Kispest, "is for the peasants to eat the fish fillets, smoke the cigarettes and let off the firecrackers we get from the Chinese for these tractors."

Aluminium is a particularly Alice-like feature in the network of relations with what is called the "socialist world market." Because of the high cost of coal-based electric power and the inefficient smelting plant, it takes 235 forints of domestic outlay to produce a dollar's worth of aluminium ingot; this compares with the official exchange rate of 11.74 forints to the dollar. Though the official rate is admitted to be a joke, a rate twenty times worse is too appalling to escape (albeit belated) notice. The foreign trade authorities reckon to earn a dollar for not more than 35 or 40 forints of home outlay. So aluminium production has been declared unsuitable as a branch of export industry; but almost in the same breath it was decided to raise output from last year's 26,000 tons to 45,000 tons by 1960, the bulk of it for export. The planners must have walked through the looking-glass—or else the "socialist world market" demands aluminium to replace that dumped on western markets by Russia. Whatever is the reason, it is unlikely to be found in textbook economics—unless Lewis Carroll's has been adopted.

Yet Hungary today can ill afford such generosity towards its bigger brothers. The industrial bubble which burst once in 1953 and again in 1956 cannot apparently be reflated, although, in its leprous isolation from the rest of society, the ruling clique yearns for the emotional satisfaction which only gloriously rising output charts could provide. Thanks to the "shortcomings of the earlier leadership" and the wasteful misinvestment that went with it, the structure of Hungarian industry today is such that, if run flat out, it would devour more imports than it could possibly pay for by exports. Despite the genius of the lower industrial ranks for making do, this is not surprising since, for instance, the coke and ore import bill of the Hungarian steel industry is authoritatively said to be more than it would cost to import the steel instead. As a result, the brakes are on everywhere. Over the next three years, industrial production is planned to rise by 7 per cent, national income by 4, real wages by 2 and farm incomes by 1 per cent a year only.

THIS, obviously, implies the most severe wage discipline. Political control, given the phoenix-like security police, whose every member seems to be conducting a private vendetta for 1956 against the population, is clearly firm enough to make that possible. Already in the first half of 1958, the total wage bill was pushed below last year's "anarchistic" level. A device called average wage control achieves wonders that should make exploiters' mouths water; even workers exceeding their norms are simply told that "the money isn't there" to pay them more. Traces of white-collar unemployment, no doubt contributing to the political docility of the middle class, are in evidence. In the three-year plan, even the output of engineering graduates has been cut by half, from 3,500 to 1,700 a year.

Inglorious, sordid and bankrupt as communism may be in Hungary, it is probably as safe and stable as it ever was in the days of Rakosi's greatest power; for both the rulers and the ruled have learnt their lesson since. Mr Kadar is away on holiday, believed to be spending it with the most august personages of the mother country. The regime, however, has a knack of taking the advice of those august personages before they have even had time to give it. Sniffing at the wind blowing from China, it is re-establishing spiritual continuity with its once-denounced "stalinist" past. The able Mr Biszku's security specialists, confident again that no summit will deflect history from its prescribed path, are less worried about socialist legality and habeas corpus than they were even a year ago. The Hungarian powder keg, ridden by dull little party men united in their determination to hang on, rolls slowly but steadily along.



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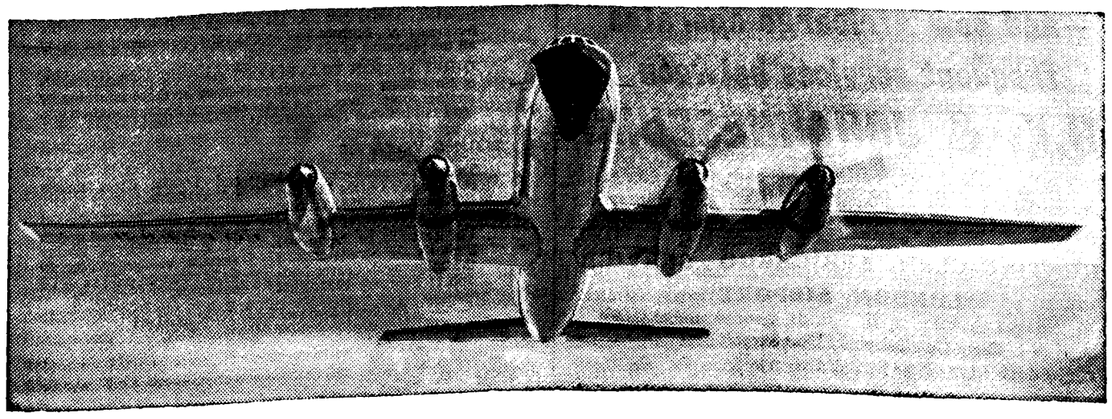

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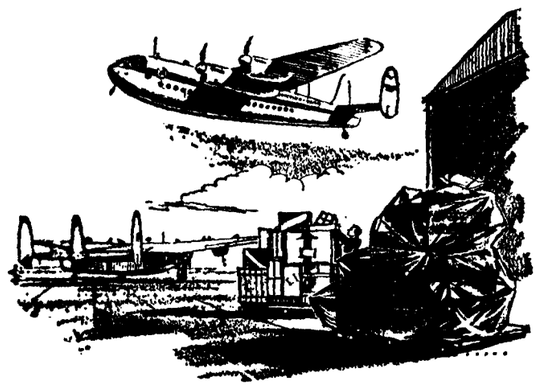

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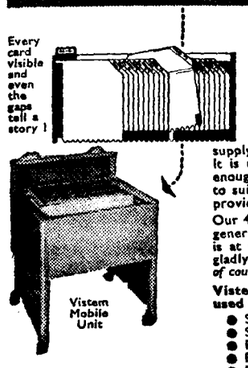

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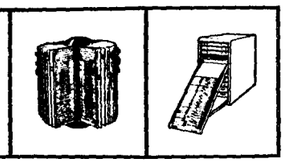

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Algeria's Irish Future

FROM A CORRESPONDENT

WHEN General de Gaulle reached Algiers at the end of his African tour, posters were seen in the streets with a large question mark, a picture of the demonstration on May 13th, and the text: "Was this in vain?" Since the general has never committed himself to integration in the sense understood by the *ultras* of Algiers it is not surprising that they should have doubts about his intentions. He has stated that Algeria is to have a "choice place" among the territories of the French community which he hopes to create; this in itself seems to rule out the idea of an Algeria simply forming one group of departments among others. In other words, while Algeria is to remain French, it is moving towards some type of nationhood. As conceived by General de Gaulle, this involves a kind of mystic integration by which Arab and Berber Moslem are fused into a French environment. The new nation so formed is to be rendered acceptable to the Europeans in it by the success of the general's policy in the rest of Africa.

Even if this success be granted, however, the difficulties are great. It is true that there are 500,000 or more French soldiers in Algeria today who have, according to directives which have been published, been instructed to see that the 3 million Moslems on the electoral roll vote as required. In this way the referendum may produce a result that can be claimed as evidence that the majority of Moslems wish to remain in the French orbit. As long as the army is still present, it may be possible to find Moslems to discuss the future administration of the country according to the *loi cadre*, not so far abrogated, or on some other basis. It is, however, hardly conceivable that the activist element would not soon utilise the new situation to press for secession, or that the national unit formed would last much longer than the Irish Free State once did.

The parallel with Ireland is close. In the last decades of British rule the Catholic Irish were completely integrated as far as political rights and representation in the parliament at Westminster went. A vast scheme of reforms, analogous to that now proposed by the French government, transformed the lot of the Irish peasant. Algerian nationalism is actually in a stronger position, since the country is not isolated from the rest of the world as Ireland was by England's geographical position, but forms the centre of a kindred area which is in full spate of national emancipation. The European minority in Algeria is much smaller proportionally than the protestant minority was in Ireland, being only one in ten compared with one in four; and it is scattered instead of being concentrated. Sooner or later it would seem that Algeria must follow the Irish example, possibly with, say, a tenth of the fertile area excluded to form an area in which the European irreconcilables could enjoy a status comparable to that of Ulster. The prospect is sufficiently probable to make it worth while to consider what special characteristics an Algerian state might have.

Algerians have adopted French methods and ways of thought far more than Tunisians and Moroccans have done, and they are much more accustomed to working with Frenchmen. Algerian workers are established in France in large numbers, just as Irish workers are in England. Algerian soldiers have played as great a part in French wars as Irish foot soldiers played in British wars. At higher social levels there is a small minority of Moslem Algerians who feel themselves completely French, in the same way that Jewish French do. The National Liberation Front (FLN) has a lay outlook which expresses itself in a language totally different from the religious phraseology used by the Sultan of Morocco. The contrast with Tunisia is less marked, but members of the FLN have been heard to express indignation that Mr Bourguiba should have been so illiberal as to have described Tunisia in the draft of the constitution as a Moslem country.

The FLN differs from the Istiqlal in Morocco and from the Neo-Destour in Tunisia in fully recognising the right of European residents to assume Algerian nationality, if they wish to do so, with the same duties and privileges as any other citizen. The implication is that there could be European members in an Algerian parliament and European ministers in the cabinet. Algeria has virtually no upper class with a tradition of government service and there is no surviving tradition of native government. The bourgeoisie is often more French in culture than Arab. Although Algeria is better supplied than the neighbouring states with such professional men as doctors and pharmacists, it is worse off in the top ranks; virtually no Algerian Moslem ever held a position of real responsibility in the administration, or high rank in the armed forces. Though there were a number of lawyers, they did not become judges.

ALGERIA would be a predominantly proletarian state, with lay tendencies. The most active element in the FLN is composed of mechanics and people of similar classes, and the military leaders, who would certainly control the state in its beginnings, are mainly former NCOs. Administration would start from scratch, but it would have no dead wood to clear away. It has made a beginning with such tasks as maintaining the 60,000 refugees just over the Moroccan border, where the organisation is simple but effective. While the struggle lasts, it is hard to judge how strong the reforming tendency is; but the presence of a number of young women with the rebel forces as nurses and auxiliaries suggests that the emancipation of women in a free Algeria might go ahead rapidly.

Algerians are clearly tough people. This was seen in the original forty years' struggle against the French occupation; and it has been seen again today. Beginning with sabotage by some 500 to 1,000 men, armed mostly with shotguns, the rebellion at the end of the four years has produced a casualty list of over 100,000 Algerians killed, with presumably another 300,000 wounded, while there are still between 30,000 and 50,000 under arms, effectives being limited by shortage of arms rather than recruits. Another 200,000 are refugees in Morocco and Tunisia, while within the country 485,000 villagers have been "resettled"—that is, moved from their homes and made to live in the proximity and under the control of the French army. Yet the struggle continues and the strength of the organisation in France was shown last week by the extent of the damage done to oil installations in one night.

It is clear that an independent Algeria would differ in material respects from other Arab states and be an important factor among them. If it proved capable of assimilating the European element which remained in it, it could play a special part with regard to both the Arab world and to Europe.

Moscow Looks for Oil

FROM OUR SPECIAL CORRESPONDENT

WESTERN governments are not alone in spending a lot of time worrying about oil. Moscow, however, looks for its future supplies not to the Middle East but to a rapidly expanding home output. Only last year did Soviet production of crude oil approach the 100 million ton mark. Now, according to Mr Khrushchev, production should be more than doubled within the next seven years—that is to say, within the new planning period. By 1965 Soviet oil output is planned to reach the impressive target of 220 to 250 million tons a year.

The rapid expansion of the Soviet oil industry is consistent with the drive to " catch up with the United States." To make its industry more efficient, the Soviet Union must modernise its fuel base. The following table shows that coal is still by far the most important Soviet fuel. If the planners' expectations come true, the fuel balance will be completely altered and, by 1965, oil and natural gas should account for exactly half the total. Particularly striking is the increase in the natural gas output, which was less than 6 billion cubic metres at the beginning of this decade ; it should reach 60 billion cubic metres in 1960 and 150 billion in 1965.

SOVIET FUEL BALANCE (percentages)

	1955	1958*	1960*	1965*
Coal	64·8	59·8	55·1	44·0
Oil	22·4	26·1	27·1	32·3
Natural gas	2·4	5·9	10·1	17·2
Other fuels	10·4	8·2	7·7	6·3

* Planned.

The switch in fuels is being accompanied by an important geographic shift to the east. Until the war Soviet oil meant Baku. The Caucasian republic of Azerbaidjan (where the Apsheron peninsula contains the Baku deposits) still accounted for more than 70 per cent of a total Soviet extraction of 31 million tons in 1940. After the war, the shortage of oil was acute. The Caucasus had been devastated, and Moscow even looked momentarily towards Persia for its supplies. It was at that time that prospecting and drilling were stepped up in the regions between the Volga and the Urals, which won the name of the " second Baku." The new zone rapidly drew ahead in production. Azerbaidjan has now dropped to third place behind the Tartar and Bashkir republics (incorporated under Russian republic in the table below). Out of this year's output of 111 million tons, Baku should supply 15 million tons and the new Volga-Urals regions some 93 million tons.

SOVIET OIL OUTPUT
(million tons)

	1940	1945	1950	1955
Soviet Union†	31·1	19·4	37·9	70·8
Russian Republic	7·0	5·7	18·2	49·3
Azerbaidjan	22·2	11·5	14·8	15·3
Central Asia*	1·4	1·9	4·4	5·5

* Turkmen, Uzbek and Kazakh Republics. † Including minor sources. Total Soviet production reached 83·8 million tons in 1956, 98·3 in 1957 and should reach 111·6 this year.

The affinity between Islam and petroleum apparently holds true in the Soviet Union. There, too, oil seems to be struck in areas inhabited mainly by Moslems. In addition to the regions that have been mentioned, the Soviet search for oil is particularly active in the predominantly Moslem republics of central Asia. Up to now, it has met with its greatest success in the Turkmen republic. But the Moslems do not have a monopoly of new wells: at the latest session of the Academy of Sciences in Irkutsk it was reported that important deposits had been discovered in eastern Siberia and that they should be exploited soon.

The target set for the Soviet oil industry is ambitious, but the industry has been advancing at an increasing pace for some time. In the first postwar five-year plan, the production of crude oil rose, on an average, by less than four million tons annually. Under the next plan (1951-56), the average annual increase was about 6.5 million tons ; it rose to some 13 million tons in the last three years. Mr Khrushchev's present objective assumes an average annual increment of about 20 million tons. The planners pin their hopes chiefly to the apparently greatly improved drilling equipment and methods of the industry.

A rapidly expanding supply of oil and natural gas should help the Soviet Union to modernise its industry and to decentralise it. Industry will no longer have to be concentrated around coal fields. Natural gas, in particular, should relieve some European parts of the Soviet Union from the high cost of transporting coal from Siberia. Soviet plans may still be far from American performance, but in technological matters Mr Khrushchev is clearly emulating his rivals in competitive co-existence.

A Check on God's Banker

FROM A CORRESPONDENT IN ROME

FROM the first round of the affair of the *Anonima Banchieri* Signor Luigi Preti, the Minister of Finance, emerged on the whole with most of the available credit after having vigorously punctured that of " God's banker," the Commendatore Giuffrè who is the leading figure in the curious affair. Fraud has yet to be proved against the organisers of the *Anonima* but enough of their transactions has come out to show that they are a fit and proper subject for thorough investigation by a comparatively new government pledged to root out corruption.

In its eight years or so of operations the *Anonima* based much of its collection of deposits on the willing co-operation of the clergy in central Italy. In return for financing ecclesiastical projects, some of them as preposterous as they were ambitious, the Commendatore and his associates could rely on a steady stream of deposits from people willing to take the clergy's advice on how best to invest their savings. Where exactly all the money came from to pay the enormous rates of interest which the *Anonima* is said to have paid is not yet clear: the Commendatore spoke darkly of contributions from America and from " other channels of charity." It was the recent warnings issued by the Vatican forbidding priests to have further to do with the Commendatore, rather than any action by the government, which first brought about the fall of this strange combination of religion and capitalism.

The danger in investigating it from the government's point of view was that the result might have been a boomerang and that prominent members of the Christian Democratic Party would be shown in some way to have been involved. There was an obvious chance for the anti-clericals to loose a few more shots at two of their blackest *bêtes noires*, Signor Andreotti, the former Minister of

Finance and now the Minister of the Treasury, and Professor Gedda, the leader of the Italian Catholic Action movement. The first is generally looked on as far too close to the Vatican ; the second is the carefully picked nominee of the Vatican to defend the interests of the Roman Catholic Church in the many labyrinths of public life into which his powerful movement extends. The accusation brought against Signor Andreotti was that he had stopped an earlier inquiry into the *Anonima* at the request of Professor Gedda. They both denied this and Signor Preti himself supported his fellow-minister though there is good reason to suppose that as a Social Democrat he was not wholehearted about doing so. Signor Andreotti has now been formally cleared by the cabinet, after a long meeting at which the right-wing Christian Democrat ministers made no secret of their resentment at Signor Preti's handling of the case.

The final account may turn out to be more interesting as a sidelight on Italian eccentricities than as a floodlight on corruption in high places. A number of gullible people will probably have lost their money. Their loss may exacerbate the traditional anti-clericalism of the Romagna and Emilia, the main fields of the Commendatore's activities. But the parliamentary opposition and anti-clericalism on the national scale will need to unearth some more convincing mud before they can turn the affair into something deadlier than a passing storm in the teacup of the August sun.

Ceylon's Discontents

FROM OUR COLOMBO CORRESPONDENT

MR BANDARANAIKE might be described as a prime minister who is apt to do the right thing, but belatedly. He could have piloted through the bill providing for the "reasonable use " of the Tamil language with less difficulty on earlier occasions: for instance, at the same time as the Sinhalese Only Bill in 1956, or immediately after the opposition United National party's bid to whip up support by staging an anti-Tamil language " pilgrimage " to Kandy had been defeated last year. But he waited, and had eventually to introduce it in a House of Representatives whose Tamil members were under house arrest and while the country was in a state of emergency.

As it turned out, the decision to place the bill before parliament this month after feelings had been inflamed by the communal violence at the end of May was not without cost to the government. One junior minister voted against the bill and has had to be dismissed. By itself, Mr Belligammana's exit is no great loss, but before him there were Mr Rajaratne (who is still under house arrest as a known leader of the violent Sinhalese extremists) ; Mr Iriyagolle, another junior minister ; and Mr S. D. (Sam) Bandaranaike, the premier's cousin and a party stalwart.

The government still commands a safe, if not large, majority. But in the present climate of opinion it is doubtful if the prime minister will risk introducing the legislation, promised in last year's " Bandaranaike-Chelvanayakam pact," for the creation of regional councils which would make for more provincial autonomy and lessen suspicion among the Tamils of domination by a Sinhalese government at the centre. Some Sinhalese see in these councils the thin end of the federal wedge, and strongly oppose them.

The point now is whether the language legislation alone is enough to allay the bitterness among the Tamils. Their threatened *satyagraha* on August 20th did not materialise. Most of their leaders are still under house arrest, and it was obvious that no large-scale activity could be organised ; but there was anxiety lest some sort of demonstration might be staged. Mr Chelvanayakam, the Federal party leader, however, issued an appeal asking the Tamils to refrain from any action, and the day passed without incident. The Federal party leadership cannot, of course, be kept in detention indefinitely, and what they do when they are free again remains a question. Some of them, and some of their supporters, may have had a sobering shock during the nightmare days of May, for which they must take their share of the responsibility. Some Tamils may also be satisfied with the language bill ; but among them there are fanatics as well as moderates, and Mr Chelvanayakam, who may be counted among the latter, has not always had his views endorsed in the past.

The Tamil Federalists may eventually decide that it is best not to adopt a course of action that involves the risk of violence again. But the future will not be determined by them alone. The government probably hopes that the continuing state of emergency and the muzzling of extremist opinion, together with the painful memory of what happened in May, will help to make people weary of the communal issue. But the activities of the Sinhalese extremists have also to be taken into account. One danger arises from the decision by a group of assorted marxists to espouse communalism as an expedient. Mr Sam Bandaranaike has formed a new party whose manifesto is a rather frightening amalgam of communalism and marxism. Some former followers of the food minister, Mr. Philip Gunawardena, have joined this group. They are arguing, privately, that as realistic socialists they must support the " aspirations of the masses "—in particular, the demand for the enthronement of Sinhalese as the only official language and the eschewing of all " cosmopolitanism." Rumour has it that this brand of " socialism " has the blessing of communist embassies in Colombo.

IT is perhaps in the United National party that the greatest danger to the government lies. The party has shown little regard for principle in its attempts to extract political advantage from the language issue. Even if Mr Dudley Senanayake, its current leader, is acceptable to liberal opinion, there is a strong suspicion that he does not know (or cannot always influence) what some of his followers are doing. The party fancies it has a fighting chance at the next elections, and may be tempted to make what it can out of the communal issue. With the UNP, the right and left communalists, and the Federal party all in the scene, there is a risk of emotions being further inflamed.

Mr Bandaranaike's best chance lies in cutting the ground from under the rabble-rousers' feet by removing at least part of the rabble's discontent—which is basically economic ; that is why it has been easy to portray the Indian and the Tamil as usurpers of jobs. The recent ambitious budget probably reflects the government's awareness that this is the line it must take both for the country's sake and for its own survival. Even with its manifest shortcomings, the budget serves as a starting point ; but to take the country further along this path will need not only shrewd economics, but also the ability to stir the people and mobilise their enthusiasm.

Pakistan's Bootstraps

BY A CORRESPONDENT

PAKISTAN, like India, is anxiously searching for foreign funds; and it has been disappointed by its failure to obtain low interest rates in London. Its first five-year development plan (1955-60), a revised version of which was published this summer, is still in some jeopardy, although the targets have already been scaled down. In 1957 total spending under the plan was reduced from £870 million to £810 million, of which £560 million was earmarked for the public and £250 million for the private sector. Consequently the expected increases in national and per capita incomes were lowered from 20 and 12 per cent respectively to 15 and 7 per cent. (India's first plan (1951-6) increased national income by 18 and per capita income by nearly 11 per cent.) Allowing for internal inflation, it is doubtful whether 1960 will show any marked improvement in the living standards of the poor, assuming that a substantial part of the increase in income will be reinvested as part of the development programme.

Although the original plan aimed at building a firm agricultural base before embarking on industrialisation, it mistakenly assumed that by 1960 Pakistan would have no cause to worry about food. Today the food problem, not only in East Bengal with its chronic shortages, but also in West Pakistan—the former granary of India—threatens to undo industrial progress and to become the most important political issue. According to official estimates covering the last three years, Pakistan had to import two million tons of food at a cost of £35 million in foreign exchange; an additional £50 million worth of food was received as foreign aid. The government hopes that by June, 1959, large-scale food imports will cease, but few share this optimism. Floods and droughts have contributed to the problem; moreover, large amounts of food have been smuggled across the Bengal borders into India, a movement which the government is opposing by military measures. Even more serious is the threat of water-logging and soil salinity, which lead to an annual loss of about 50,000 acres of good land in West Pakistan. It has now been decided to reclaim 250,000 acres. (Work on another 185,000 acres was completed last year.) About 1.6 million acres of untilled land is expected to come under cultivation during the plan period. Additional capacity for storing grain will be created, food will be imported on a longer term basis, and the production and import of fertilisers will be increased.

ON balance, then, Pakistan may just succeed in feeding a population which is growing annually by 1.35 per cent, and in closing the food gap which, in the western province alone, has amounted to 400,000 tons of wheat a year. If it fails, and the situation is actually worse at the end of the plan, the prospect of further development will be meagre indeed. But to succeed it is not enough to rely on splendid new dams; the government will have to tighten up its cumbersome planning machinery and squarely face the question of land reform.

The bewildering rapidity of governmental changes has not only prevented ministers from being acquainted with their predecessors' policies, but has also severely strained the administrative services which could otherwise have provided the continuity necessary for planning. It is frankly admitted that the plan has had to be cut down not because its former proportions were too large, but because of delays in implementation. The National Economic Council could not review developments under the draft plan until February, 1957, when the first two years had already expired and about £220 million, or 27 per cent of the total, had been spent on development. The president disclosed that while the construction of new barrages was going ahead, plans had not been prepared to colonise the lands they would open up. Revenue did not rise as expected, while administrative expenditure increased. Shipping delays and increased freight charges caused by the closing of the Suez Canal, the fall in commodity export earnings, a prolonged drought in 1957 which affected jute and tea, the shortage of technical personnel and lack of accurate estimates also contributed towards the setback.

LAND reform in West Pakistan, where the provincial assembly is still largely controlled by landlords, remains untackled. In the eastern province *zamindari*—a feudal system involving cash levies and even forced labour—has been abolished by law, but there it was easier to make progress, partly because much of the land was owned by Hindus, partly because the system of land tenure was uniform. The revised plan accepted the need in principle for a ceiling on holdings, but also suggested settling people on newly irrigated areas in order to relieve pressure on land. "Village aid"—the community development programme—now covers about 11,000 villages; and by 1960 it is planned to cover as many as 26,000, roughly a quarter of all Pakistan's villages.

The plan seeks to rectify the imbalance between industry and agriculture which the drive towards industrialisation before 1956 had created. Even so, industrial production rose last year by 15 per cent, and 10 per cent of Pakistan's exports now consist of manufactured goods, such as cotton and jute textiles and cement. New industries are intended to be import-saving, but the emphasis now is on consolidating existing capacity. East Pakistan's needs will receive priority; development there has been slower, mainly because of transport and power difficulties. The Pakistan Industrial Development Corporation has completed over forty projects ranging from a 350-mile gas pipeline to jute mills, shipyards and engineering works; but even more important, it has created a nucleus of technical and managerial skills, and provided private capital with the confidence and experience it needed.

The plan leans heavily on foreign grants and loans—up to about £300 million; indeed Pakistan is now dependent on a regular dose of external assistance, without which the strain on the economy would have been unbearable. A white paper published last year revealed that between 1951 and 1956 Pakistan had received £240 million from various sources, and as the pace has lately been accelerated, the cumulative total of foreign economic aid is now in the region of £350 million. The Soviet Union has not contributed towards this amount; however, it has become a buyer of Pakistani jute, a not insignificant development in view of primary producers' fears of being left with unsold stocks. Although accusations are often bandied about that ministers have used foreign aid to further party political ends, most of them are without substance. It is a pity, nevertheless, that the plan, in spite of its achievements, has not fired the public's imagination, as in India. The political problem is still the main obsession.

The greater danger



Across the hot sky of Central America, sulphurous smoke drifts ceaselessly from Izalco's lava lips, and at night the clouds glow red from her fiery breath. The ground trembles. Shutters rattle. On the ceiling, the bead-eyed salamanders jerk and scatter. To-morrow will see new cracks in the patio, wider gaps in the wall. A few dead, maybe. Many, if *el temblor* has been very bad, making the night brazen with fear and frenzy.

Many. Twenty? Fifty? A hundred—and world headlines? Yet between 1948 and 1954 *seven thousand* died from malaria *each year* in Guatemala alone. The death and incapacitation caused by the ravages of this disease resulted in an estimated loss in agricultural production of some $100,000,000 a year. And this terrible story has been told in many tongues, for wherever there is malaria, there is no greater danger to man: no greater hindrance to progress and development: no more vicious killer.

Against this danger, eradication schemes such as the great 7-year campaign in Guatemala, which was commenced in 1955, are mankind's greatest hope. Conducted in conjunction with similar campaigns in neighbouring countries, this plan allows for five yearly sprayings of 290,000 houses, followed by a two-year surveillance period. The target: *Anopheles albimanus, A. pseudopunctipennis and A. vestitipennis.* The aim: complete eradication of malaria, with resultant vast economic benefits to the entire country. The weapon of destruction: dieldrin, developed by Shell. *And dieldrin alone.* Few insecticides are more lethal to disease-carrying insects, none more persistent in effect. To the deadly, delicate-winged *Anopheles*, dieldrin itself spells death. And a promise to mankind everywhere.

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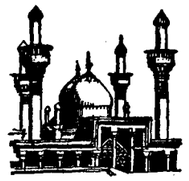

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THE BUSINESS WORLD

Re-thinking Bretton Woods

PRESIDENT EISENHOWER has confirmed that the annual meetings of the International Monetary Fund and the World Bank in New Delhi early next month will be able to talk business; and he has given an air of reality also to plans and aspirations to be aired at the Commonwealth economic conference in Montreal next week-end. The American administration has agreed in principle that international means of credit and capital should be increased—a need that this year has been strongly urged from Whitehall (as well as from more detached places). The President last week instructed his Secretary of the Treasury to propose at New Delhi "prompt consideration" of three schemes: a general increase in the quotas of member countries of the International Monetary Fund; an increase in the authorised capital of the World Bank; and the creation of a new affiliate of the World Bank to make long term loans for industrial development, with provisions for repayment in local currencies.

This particular scheme is best regarded as an adjunct to American foreign aid, in which political considerations vie with economic considerations; a report from Washington on foreign aid appears in the American survey on page 749. An increased capital for the World Bank would provide for a useful extension of United States guarantees of the Bank's loans raised from private investors, but it would not add to the Bank's immediate resources; 80 per cent of members' subscriptions are uncalled and comprise simply a reserve liability. The World Bank has had great success in expanding its activities and in marrying sound financial judgment with technical acumen. Few people would wish to disturb its principles of commercial operation, but there may be limits to the amount of money the Bank can thus disperse on good projects to good borrowers. As for new institutions, the International Finance Corporation (the existing affiliate of the World Bank) and the Commonwealth Development Finance Corporation were both set up to meet an alleged "gap" in facilities. Their comparatively slow start is a reminder that institutions do not solve everything.

The urgent need is to increase the efficacy—which means, in the first place, the resources—of the International Monetary Fund. President Eisenhower did not indicate the scale of the increase that he had in mind. Most people would be surprised if he were to go as far as Mr Diefenbaker, who recently proposed an all round increase in quotas of 50 per cent. But even that would barely restore the Fund's free resources of convertible currencies to their level before the depletions of the past two or three years. Much more is needed. More is needed, too, than additional credit; the upsets in international payments since the war have been due both to a lack of liquid resources and to a structural weakness in the mechanism of the international economy. If such an economy is to function smoothly there must be means within it for the prompt correction of the forces that disturb it. The real task for finance ministers and central bankers is to reconsider, almost from first principles, the way in which international finance should be expected to work, and the means of helping it to do so.

Fortunately, there is no immediate crisis of world payments; the outstanding difficulties, notably those of India, are attributable to domestic rather than to international influences. Twice in four years, the world seems to have straddled an American recession without adverse effects on its supply of dollars. Indeed this year's meetings of the Fund and Bank will be the first for four years to be free of immediate uncer-

tainties about the world's major currencies. The breathing spell should be helpful to a sober and much-needed appraisal of long-term needs; mercifully it has not thus far induced any sense of false security.

AN appropriate starting point for a deeper look at some of the major issues may be a brief reminder of how "problems" of international balances of payments arise. When a region within a country experiences, say, a decline in productivity and production, the result is quickly seen in a decline in its income and living standards; but since its buying power falls concurrently with its earning power, it has no "currency" problem of finding the means to pay its external bills. But a separate nation that experiences a similar fall in productivity and earning power does run into a currency problem *vis à vis* other nations. It will usually try, vainly, to prevent any fall in its internal buying power, despite the fall in its earning power, and the result will be an excess demand for foreign currency. The prime institutional force making for this result is a separate national banking system. If countries make external stability their overriding objective (as was broadly the case in the days of the gold standard) then the national banking systems can be operated in alignment, and problems of currency shortage will be few. But as domestic economic policies have come to take precedence, and not only banking policy but also fiscal and general financial policies have given primacy to domestic rather than international needs, maladjustment on the exchanges has increased in extent and duration.

This contrast between adjustment within an economy and adjustment of an economy as a whole has important lessons. Regional adjustment takes place smoothly because the monetary adjustment is automatic; and the harshness of the material adjustment is cushioned in various ways—including direct and indirect subsidies, movement of workers, and inducement to industrialists. Adjustment of national economies within the world economy will proceed smoothly only if specific measures are taken. In the last resort, these measures must be of one of two kinds. They may emulate the harsh automatic processes and seek to redress the disturbed balance between buying power and earning power; these measures are not politically welcomed anywhere. Or they may emulate the cushioning processes, through the medium of international (rather than national) credit. The key characteristic of any system of international payments is the relative weight that it gives to "adjustment" and to "credit."

The system embodied in the Bretton Woods agreement of 1944 tried bravely but superficially to get the best of both worlds. The years of depression and the immense influence of Keynes made Britain determined to avoid the restoration of a strait-jacket of the gold standard type that would expose the domestic economy to the contamination of a world (and particularly an American) slump. On their side the American negotiators cited the years of competitive devaluation and exchange control that followed the break-up of the gold standard as a warning of the danger of abandoning all external discipline; and the Americans, too, knew that they would have to find most of the money. In the event, the agreement affirmed the principle of exchange stability, but it also made specific provision for periodic exchange adjustments to correct a "fundamental disequilibrium." This vital concept was left undefined, but it was specifically provided that the Fund, in applying this test to any request by a member for a devaluation, would take no account of the "domestic social or political policies" of the country concerned. In effect, if not in form, domestic policies were sacrosanct.

These two conflicting objectives, independent domestic policies and stable rates of exchange, were never properly reconciled. The credit lines to be made available by the Fund were designed to cover short term difficulties; deep seated maladjustments were to be removed by occasional, but once for all, departures from exchange stability. The result was a compromise with a built-in weakness. The lines of credit were neither large enough to cope with really big departures from equilibrium, nor were they made conditional on corrective action by debtors or creditors themselves.

In part, this intrinsic weakness was apparent from the start. *The Economist* expressed its fears that this would be "a fair weather Fund." In retrospect, the description is apposite; and the weather has not been fair. But the storms have been of a very different nature from that envisaged in the years when the postwar future was being planned. Inflation, not depression, has been the upsetting influence; the periodic recessions in the United States have been short and slight, and have had no disastrous international effects. The inevitable result has been that the obligations of members of the Fund to remove all restrictions on current payments have not been observed; and even under this shelter, exchange crises have been experienced with disheartening regularity.

YET within the limitations that the twentieth century mood of economic nationalism and economic independence sets on the smooth working of international payments the general result has not really been so bad. Largely with the help of regional bodies such as the Organisation for European Economic Co-operation and the European Payments Union, restrictions on current trade and payments have been greatly reduced. If it is a far cry to the open doors of 1914, the present conjuncture is an incomparable improvement on the chaos and senselessness of the internecine restrictions after 1931. But can this lurching progress be maintained? Three particular special influences that have supported world payments in the past few years seem likely to give diminishing relief in future. First, a large contribution has been made to world liquidity,

and a corresponding strain has been imposed on sterling, by the drawings on the large sterling balances built up in the war. Secondly, a substantial injection of credit has been made through the European Payments Union. Thirdly, more than half the disbursements of the International Monetary Fund since 1946 were concentrated into the two years 1956 and 1957; its loans of $1,770 million to needy borrowers, and pledges of substantial further sums in standby credits, made for the first time a real contribution to averting a major exchange upheaval. But the result of this burst of activity, which coincided with the arrival of Mr Per Jacobsson as managing director, has been to run down the free resources of the Fund to very low levels. Hence the urgency of a scheme for more international credit—and a more viable international system. The two are inter-connected.

Some people would say that the fundamental fault lies in the attempt to maintain fixed rates of exchange. Professor James Meade has long argued that if domestic policies are to be kept independent and trade is to be kept free, adjustment must be taken by the rate of exchange; while practical men in the exchange market have long pointed out the technical disadvantages of working an exchange within the present narrow limits of under 1 per cent either side of parity. Both arguments are strong; but they are not decisive. In a world of wage inflation, flexibility of exchange rates, whatever its merits in the abstract, can be dangerous. Moreover, as was seen from Germany's stand in 1957, it is not only a down-valuation that is resisted on political grounds; Switzerland, it has been said, would rather become a monarchy than give up the stable rate for its franc.

The modern world has thus set itself a difficult task. If it rules out flexible exchange rates, it must expect to meet much greater difficulty in maintaining exchange stability than in the days of the old gold standard, simply because independent countries (and there are nowadays many more of them) insist on their own monetary policies and on their own choice of domestic economic policy. This alone is a decisive reason why bigger reserves and more credit are needed to keep the system working smoothly today than were needed before 1914, when the Bank of England could run the gold standard on a shoestring.

BUT the credit must not be a palliative. Advanced countries have recently absorbed large amounts of international credit and used them to play out time rather than remedy their underlying weaknesses. Credit granted automatically, as in EPU transactions and as originally envisaged under the IMF, may be credit used to poor purpose. There has been a reaction in recent years from the principle of the automatic credit, and this is to be warmly welcomed. As the IMF has become more liberal in considering requests, it has simultaneously become more probing in its scrutiny; it needs to be satisfied, in particular, that any drawings above 50 per cent of a country's quota are in support of a sound programme likely to ensure enduring stability at realistic rates of exchange. Mr Jacobsson has revealed that the aid to Britain during the Suez crisis, which with the standby credit totalled $1,300 million, an unprecedented 100 per cent of the quota, "was granted on the basis of a declaration by the British Government that strict financial and credit policies would be pursued; that quantitative restrictions would not be reimposed; and that the value of the pound sterling would be maintained."

This is the right emphasis; the Fund should not err in the direction of mollifying any potential recipient. In the end, maladjustments in world payments are bound to lead to adjustments in domestic economies; and the time to make them is when the country in difficulties receives international aid. If international credit is made to some extent conditional, it will far better serve its ends; and it will be far easier to persuade the creditors to grant it. The review of the Fund's resources should certainly include a review of its lending terms.

The review might also include the Fund's organisation. The present United Nations type of organisation, with its board of seventeen executive directors with weighted voting powers and governors from each country meeting in sterling's season of commercial weakness, has at times seemed to exacerbate the strains on the exchanges. A notable contrast may be found in the managing board of the European Payments Union, a seven man body of experts meeting away from the glare of publicity and seldom putting an issue to the vote. If the Fund is to be given more discretion in its lending, it may be necessary to give more autonomy to its executive. The organisation of executive directors is unwieldy and is said to be unconducive to intimate dealing in confidence. Here also is a legacy of the troubles and suspicions of the inter-war years: the New Dealers had an intense distrust of bankers.

Bankers are better regarded today, and an attempt to achieve closer relations between central banks and the IMF, and closer international banking co-operation through the IMF, is certainly overdue. Greater confidence between world bankers and finance ministers would itself make an important contribution to smoothing world payments. And it might aid greater, bolder and wider use of the standby credit—in which Britain in particular, needing not ready cash but a demonstration of international support to counter a speculative run, has a very special interest. Confidence, as Britain has so strikingly witnessed in the past two years, is the overriding influence on the exchanges. The aim of the re-thinking on Bretton Woods, at a time when current problems can be seen in much better perspective than in those confident winning years of the war, and when prewar memories no longer rankle strongly, must be to re-establish the co-operation and stability of the old days in the vastly more difficult modern circumstances of managed and fully employed economies.

Nucleus of Power

BY OUR SPECIAL CORRESPONDENT AT GENEVA

NOT one of the two thousand scientific papers that are being presented to the United Nations Atomic Energy Conference at Geneva attempts to explain the irresistible drawing power of the atom for men and for nations. No other field of science and probably no other field of human activity could have called forth the effort that has gone into this conference —the overwhelming tidal wave of written and spoken words sweeping down the corridors of the Palais des Nations, and carrying with it six thousand unresisting delegates and a flood of instruments, models and scientific exhibits. The world's three great industrial powers plainly attach an importance to their reputations for setting the pace in nuclear progress that seems to run beyond the advantages, industrial or scientific, that they are likely to get from leadership. Abstract physics can never have had such a glittering international showcase —nor any industry at such a youthful stage as nuclear power.

Britain, America, Russia and to a lesser extent France, are bidding not so much for business as for prestige and each country has its own methods of gaining this end. But the British, Russians and Americans do seem to be playing this game according to their own unwritten rules, avoiding as if by tacit agreement subjects likely to embarrass each other and the attendant security officers. Even the joint Anglo-American announcement, made before the opening of the conference, that all security restrictions had been lifted from thermonuclear research, was not a competitive job. It may have caused the Russians to alter a paragraph or two in their papers, but it cannot upset their claim that the first step to bring the control of fusion into open discussion was taken two years ago by Professor Kurchatov in the historic paper he read at Harwell; they have this week presented to the conference, rather as one presents a bouquet, four volumes covering Russian thermonuclear work from 1951. Only the French and the lone wolf of thermonuclear fusion, Dr Edward Teller from the United States, have introduced an off-beat note: the French by describing the principles on which they intend to build a gaseous diffusion plant and Dr Teller by describing with relish the economic and commercial advantages to be gained by blasting peaceful thermonuclear holes in harbours and rocks. This suggestion produced the only ruffle of the week, but was expanded in a considered way by other American scientists.

No serious challenge has emerged to Britain's claim to pre-eminence in practical nuclear engineering; but it does not follow that all is well with this country's reputation as a scientific power. When British work is measured against that of other countries it is evident that pre-eminence in the industrial applications of nuclear energy—for as long as it lasts—has been at real expense in terms of basic research left undone. A country short of scientists and resources cannot easily divide them between two forms of scientific activity, pure research and active development. But the proportion of British papers on pure physics is rather disappointing and the scientist who seeks information on developments in basic research is attracted not to the British section of the exhibition, but to the American.

HERE, the Americans come nearer than anywhere else to carrying off the laurels of the exhibition. They have staged a most remarkable demonstration of scientific work which deserves unqualified praise—and is certainly getting it from the visiting scientists. This exhibition has involved the dire cost of setting back American research into some basic problems of nuclear physics by as much as six months. Whole sections of laboratories have been closed down and their equipment and the men who designed it transported bodily to the garden of the Palais des Nations. It includes some of the most important apparatus for thermonuclear research. The demonstration was strongly backed by the State Department and deplored by those scientists who will suffer the brutal interruption to their working schedules. The present result fully justifies the decision, but part of its cost may be a temporary slowing down of American research.

Neither Britain nor Russia has been so ambitious, though they may have to try harder in the future. The Russians rely almost entirely on models, diagrams and flow sheets and they are taking no part in the commercial exhibition at the other end of Geneva. Britain's part in both exhibitions presents a bold exploitation of the Atomic Energy Authority's practical thermonuclear work at Harwell and Aldermaston and a vigorous trumpeting by industry of its practical lead in the construction of commercial power stations. This strong practical note runs throughout Britain's contribution to the conference and there is no doubt about its impact. Without knowing just how they manage to do it, British scientists emerge as unrepentant takers of risks, picking a system such as Calder Hall or Zeta (which for all its shortcomings still comes nearer to controlled thermonuclear fusion than anything described at the conference) and backing it to the full. The Americans hedge their bets, to a degree where some dissipation of resources would seem inevitable, among a multiplicity of competing projects, whether they be future power reactors or equipment for fusion research. "We have avoided a frontal attack," says Dr Teller, describing American work on fusion. This attitude to nuclear matters is typical of American research and also of Russian. Britain has made a frontal attack in the two important fields of fission and fusion with considerable success. For continued success, the widest knowledge of the basic physics is essential and in this matter, the country is living too much on past achievement. For more than half a century, Britain was the acknowledged centre of this type of research, from Rutherford to Sir John Cockcroft, who first split the atom 25 years ago. Today the laboratories of other countries have a number of scientists who left Britain seeking exciting work and better pay. Geneva shows that their replacement is urgently necessary.

BUSINESS NOTES

THE CREDIT WAR

Bare Bones Banking

BANKS, like oil companies, exist in what the industrial economist calls oligopoly—neither free competition nor one-firm monopoly, but co-existence of a few giants each watching closely over his shoulders at the others' behaviour. The characteristic of this pattern of organisation is that nothing is done by halves. When the giants doze, the air is of peace; when one giant breaks the spell, the others have to follow; competition becomes hectic and even ruthless. That is why on virtually every day since late July the public has been presented with another innovation in the banking sphere. So far, fortunately, the innovations have been welcome and indeed overdue. The breath of competition in banking is invigorating.

This week competition has been carried by the Midland Bank into a new field, the provision of a utility cheque service to personal customers at stated and remarkably low charges. Moreover, the service is being introduced with a forcefulness that the other banks may take as war. The popular style announcement of this service follows that introducing personal loans in setting a new tone in bank publicity in Britain; and personal cheques, unlike personal loans, are to be pressed in a powerful advertising campaign embracing the press, the cinema and television. The pace is indeed getting hot.

The essence of the new service is that it segregates the provision of the transfer facilities of a current account from other banking services, and thereby cuts the charge for the service to a bare minimum. Customers who open personal accounts will be given books of ten cheques of a distinctive colour at a charge of 5s.; and they will pay no other bank charges. The charge of 6d. a cheque includes 2d. for stamp duty; the remaining 4d. is low indeed compared with normal bank charges. These charges vary from bank to bank, and even within banks there may be no standardised pattern. The charge is normally linked to the number of entries, with an allowance for the credit balance in the account. Often this works out at around 7d. to 9d. an entry, debit and credit, and in addition the customer has to pay the stamp duty on his cheques.

Personal cheque accounts are designed for people with limited calls on bank services—particularly, in the words of the announcement, "technicians, artisans, factory workers and their wives," people for whom a bank is still "shrouded in an air of faintly forbidding mystery." Only one reference (which can be that of the employer) is needed to open a personal cheque account; and after the initial interview, the customer is unlikely to have contact with the bank manager, unless he should have decided to switch to the full banking service. Until he does, he will be unable to use facilities such as those for handling investments and foreign business, for making standing orders, for any overdrawing of the account—the bank is particularly firm on this—or for the new personal loans. The Midland is obviously hoping that this bargain basement service will attract a new class of customers into its branches, and that the new customers will regard this as the first stage in availing themselves of a full banking service. The Midland's move is bold, and its aims are good; but European experience of postal cheque systems raises the question whether the venture of a single bank can provide the full advantages of a utility banking service.

Two Stand Aside

THE Midland's announcement was made just as the last of the big banks had made known its reaction to last week's innovation of personal loans. Most of the banks are following the Midland in introducing these loans, and in detail the schemes are similar—fixed monthly repayments over periods of six to twenty-four months, interest at a flat 5 per cent charged on the full initial amount of the loan, and free cover against death. The amounts, too, have been in the range first announced by the Midland, £50 to £500 with consideration given to higher amounts—yet the Midland has now decided formally to double its maximum, to £1,000. The banks offering the personal loans are: the Midland, Barclays, the Westminster, Martins, District, Williams Deacon's, the CWS bank, and in Scotland, the Royal Bank of Scotland, British Linen, and the Clydesdale and North of Scotland, and British Linen (the last two being subsidiaries respectively of the Midland and Barclays).

Two of the Big Five, Lloyds and the National Provincial, have stood aside. Both make the point that the relaxation of the credit squeeze has given their managers wide discretionary powers to make advances of the standard type—and both give the reminder that these rates (6-6½ per cent) are notably below the true interest rate of up to 9½ per cent on the average balance that the 5 per cent flat rate on personal loans involves. It remains to be seen whether these two banks can both satisfy their customers and secure

entered into. The interest and repayment terms have yet to be concluded.

Thus India is being seen through its immediate emergency. The World Bank's aegis in the discussions has been most helpful and it is certain to be needed again when discussions are renewed about the inescapable problem of financing the remaining two years of the second five-year plan. On this no decisions have yet been taken and much will depend on the concurrent measures that India can undertake itself towards sounder economic policies. The only assistance beyond next March, promised during the Washington negotiations, was a commitment by the United States to furnish India with another $200 million of farm surpluses against payment in rupees and the postponement until 1967 of the repayment of the 1951 wheat loan of $190 million. Germany has also indicated a readiness to consider postponing the instalments on debts amounting to some $160 million. The Indian balance of payments deficit to be covered between March, 1959, and the end of the Five-Year Plan in April, 1961, is put at $600 million, over and above the running down of sterling balances and the $350 million that will be needed between now and next March.

MANUFACTURING INVESTMENT

Further Outlook Not Settled

INDUSTRIALISTS are never quite sure what their investment outlays will be a year or eighteen months ahead. It is therefore difficult for the Board of Trade exactly to interpret the returns it gets periodically from a sample of several hundred manufacturing companies about their investment intentions. First forecasts of next year's spending, which the board asks them to make in the summer of the current year, are usually higher than the capital expenditures they eventually undertake. The Board of Trade tries to allow for this tendency towards over-estimation. But its method is not altogether satisfactory. The original forecast of investment spending in 1957, derived from reports the board received in the summer of 1956, suggested a small drop of one per cent. Returns received a few months later led the board to estimate a rise in spending of one per cent and this was again revised to an increase of 7 per cent in the summer of 1957 when further reports were requested. This final estimate turned out to be correct: the final estimate of manufacturing investment in 1956, similarly made in the summer of the year in question, also proved to be roughly right.

MANUFACTURING INVESTMENT

	Actual			Estimated	
	1955	1956	1957	1958	1959
Value :					
Building work.....	+38	+23	+1	−2	−25
Plant and machinery.	+11	+20	+11	−2	−10
Vehicles.....	+20	−4	−2	−2	−10
Total.....	+19	+19	+7	−2	−16
Volume :					
Total.....	+13	+12	+2		

The Board of Trade's first estimate of investment spending this year, using similar methods to interpret the returns industrialists made in the summer of 1957, was that it would be at about the same level as last year. A few months later, after a second enquiry, this was revised to an increase of 2 per cent. Now, after a third enquiry conducted in the last two months, the board has produced an estimate of a drop of 2 per cent. These changes are quite small and are well within the margin of error in a survey of this kind. They at least suggest that manufacturers' investment spending in 1958, with prices of capital goods still slowly rising, is not likely to be any higher than it was last year. The quarterly figures of actual expenditures published two weeks ago revealed that the volume of manufacturing investment, after allowing for price changes, started to fall towards the end of 1957. But it is difficult to know what precise value should be placed on the board's first forecast for 1959—a fall of about 16 per cent derived from the returns that have come in from manufacturers in the last two months. Industrial investment next year is certainly likely to be lower: whether it be that much lower remains to be seen.

GERMANY LENDS

From Frankfurt to Johannesburg

WITH a strong currency and interest rates more moderate than they were, Germany is becoming a force in the international capital market. With controls on capital exports virtually dismantled, German investors can buy securities on any of the world's stock markets. Recently, they participated directly in a *tranche* of a capital issue by the Belgian company, Petrofina. Now, for the first time since 1914, they are to be asked to subscribe for the whole of a new issue by a foreign company—Anglo American Corporation of South Africa, whose associated companies since 1950 have raised about £13 million in Switzerland and £2½ million in Holland. For a fee of 1,250,000 D-marks, plus "certain other charges and expenses," the Deutsche Bank will, in effect, underwrite a loan of 50 million D-marks. The bank, on Anglo American's behalf, will offer German investors 50,000 5½ per cent bearer bonds of 1,000 D-marks each at par, redeemable between 1964 and 1974. The Deutsche Bank is unlikely to be worried if some of the bonds are left on its hands. The bonds may also be attractive to other German commercial banks. The rate of 5½ per cent compares with upwards of 6 per cent currently being paid by German industrial borrowers on bearer bonds, but the Anglo American bonds have their attractions. They are in a form useful in arbitrage transactions. Moreover, they are convertible up to September, 1963, into ten fully paid £1 ordinary shares in Anglo American. That is equivalent to a price of 170s. 6d. for Anglo American, against a current price of 156s.; these terms involved quite tough negotiation, though the first approach seems to have come from the German side. If they convert, German investors will have a small equity interest—just under 5 per cent—in the largest of the South African finance houses, with a vast spread of interests in gold, diamonds, copper, coal and other minerals.

From Johannesburg to Mwadui

THAT spread of interests looks more attractive to the Germans than direct participation in diamonds. But, indirectly, they are financing the recent diamond mine transaction. Anglo American is lending the money to De Beers at 5¼ per cent, but retaining an option to convert the loan into De Beers deferred shares at 120s. The £4.2 million thus raised will be used by De Beers to finance both the 50 per cent interest in the Mwadui mine of Williamson Diamonds that De Beers has just bought and the loan it is making to the Tanganyika Government to cover that government's 50 per cent participation in the Williamson deal. De Beers thus avoids dipping into its massive reserve funds. But it had to go to the South African Reserve Bank for the foreign exchange needed to buy the Williamson shares (requiring, it seems, about £3½ million in Canadian dollars, to pay the Williamson family for its shares, and about £500,000 in East African currency, to pay Mr I. C. Chopra for his). In granting the foreign currency, the Reserve Bank asked for an undertaking that every effort would be made to raise an equal sum abroad. Anglo American has met that undertaking by securing a hard currency, D-marks.

Having put money, indirectly, into diamonds, the Germans may ask how long the Central Selling Organisation will continue to turn a cold shoulder to their diamond cutting industry. The German industry has no quota of diamonds at the Central Selling Organisation's "sights." When diamonds were in short supply it was, rightly, growing restive at having to buy from middlemen in Belgium, at their prices. But if the German merchants now asked for a quota, it is difficult to see how the Central Selling Organisation could refuse.

CREDIT TREND

The Liquidity Curb

THE banks are not expecting that their new personal loans will quickly absorb large sums; the individual amounts are small, and the service would have to be used

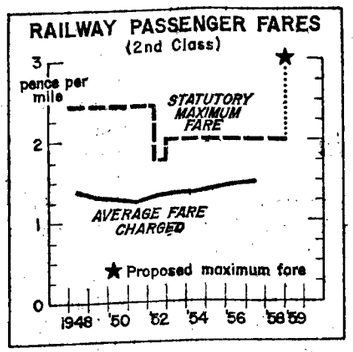
Freeing the Railways—Chapter Two

STATUTORY recognition that road competition had stripped the railways of their monopoly of inland transport appeared belatedly in the Transport Act of 1953. Parliament then ruled that the Transport Commission should be granted normal commercial freedom to fix its own charges for carriage by rail. It was obliged to publish and observe maximum rates (or "reasonable" charges for certain special traffics) that would be subject to the jurisdiction of the Transport Tribunal: below these maximum levels it would be free to charge what it thought best in the light of competing transport facilities. Such a scheme of maximum charges governing freight traffic was introduced in July last year (though not before the "headroom" in the commission's original draft scheme had been perceptibly cut by the tribunal). Last Monday the commission lodged with the tribunal a similar draft scheme for maximum passenger fares on the railways and on the road and rail services of London Transport.

This scheme is much simpler than the one for freight. The commission are asking the tribunal:

(i) to raise the maximum ordinary passenger fare outside the London area from 2d. to 3d. a mile second class and from 3d. to 4½d. a mile first class;
(ii) to fix new maximum fares for road and rail travel in the London area equivalent to 3d. for the first mile and just over 2d. a mile for longer distances;
(iii) to remove the long-standing legal obligation to charge reduced fares for early morning journeys (up to 60 miles and completed before 8 a.m.);
(iv) to provide a single maximum season ticket scale in place of the separate and slightly lower scales for, respectively, the London area and elsewhere;
(v) to fix higher maximum rates, or allow "reasonable" charges to be made, for certain other services, such as the all-night London services, continental boat trains, passengers' luggage, sleepers, and seat reservations.

Even if the tribunal were to pass this scheme without amendment, the commission has no intention of imposing the full maximum rates immediately they were sanctioned—say, sometime early next year. Nor would it be commercially prudent for it to do so, though some increases may soon be necessary, since most ordinary fares have already reached the existing statutory maximum levels. The commission is in fact seeking much greater flexibility in meeting future competition and to enable it to raise fares to cover increases in costs without costly procedural delays. The amount of "headroom" between present fares and the maxima proposed in the draft scheme varies. On London Transport services it will be between 8 per cent and 25 per cent, depending upon distance; on season tickets it will run from 8 per cent to 50 per cent; and on ordinary British Railways passenger fares it will be 50 per cent.



Two-thirds of the travellers on British Railways pay concessionary fares lower than the present full fare of 2d. a mile second class. Some of these reduced fares have been made for commercial reasons such as the cheap-day or mid-week returns at off-peak times. Others have less justification, such as the anachronistic early morning ticket used by one in every eight railway travellers.

More than a quarter of all railway journeys are made on season tickets, and as these are used mainly at peak times when they form most of the traffic, the season ticket holder pays less than a full fare for a service that is more expensive for the railways to provide. The new maximum rates will, however, still give the holder of a monthly season a discount on the maximum ordinary fare of as much as 40 per cent on a single 10-mile journey and 50 per cent on one of 20 miles outside London, and 15 per cent on 10 miles and nearly 30 per cent on 20 miles in the London area.

The range between these differential fares has already been narrowed. In 1951 the growth of concessionary fares had reduced the average takings per passenger mile to 1.24d., against the full third-class single fare of 2.44d. a mile. The cheapest rate, on workmen's tickets, worked out at 0.72d. a mile. The tribunal reduced the statutory maximum third-class single fare from 2.44d. to 1.75d. a mile in May, 1952, and raised it again to 2d. a mile in January, 1953. The full fare actually charged was raised to 2d. from 1.88d. a mile only in September last year, but meanwhile the lower rates had been increased and the cheapest average rate last year, for season tickets, was just under a penny a mile, while early morning tickets averaged 1.16d. a mile. The commission is gradually moving towards a system of differential fares based upon commercial justification. But although improved passenger services and better equipment are attracting more traffic, peak-hour travel is increasing while off-peak use of the railways is still declining. The commission may have to give more serious consideration to charging more for these increasingly expensive peak-time services; the new charges scheme will not do much to meet these costs.

most extensively before it took up a large proportion of total bank advances. Moreover, unless they make substantial reductions in their investment portfolios, the banks are not well placed to make any large increase in total advances. Despite the large surplus that Britain is earning in external payments, the finance for which needs to be raised by the Treasury from internal sources, the Government has been able to avoid any large increase in borrowing from the banks—an achievement that reflects the success of funding sales of gilt-edged to the public. Furthermore portfolios of commercial bills have been falling steadily for a year. Consequently, bank liquidity ratios have been kept taut. In the five weeks to the clearing banks' make-up on August 20th, liquid assets fell by £57.8 million, and net deposits by £55 million. A fall in deposits in August has previously been experienced since the war only at times of heavy pressure on the exchanges. The upshot was that the banks' liquidity ratio dropped from 33.7 to 33.4 per cent—two points below the ratio in August of 1957 and 1956. Advances showed no response to the lifting of the official curb; they actually fell by £3½ million in the month. Total investment portfolios rose by £6.2 million; more than half this rise is attributable to Barclays' participation in United Dominions Trust, reflected in a rise in its trade investments.

LONDON CLEARING BANKS

	August 20, 1958 £ mn.	Change on Month £ mn.	Change on Year £ mn.
Deposits	6,576·4 (100)	−94·1	+150·0
"Net" deposits*	6,312·6	−55·0	+142·4
Liquid assets	2,199·2 (33·4)	−87·8	− 71·1
Cash	541·0 (8·2)	− 2·3	+ 10·1
Call money	404·6 (6·2)	−10·3	− 17·3
Treasury bills	1,162·0 (17·7)	−37·7	− 1·0
Other bills	91·6 (1·4)	− 7·5	− 62·9
Risk assets	4,192·1 (63·7)	+ 2·7	+212·8
Investments	2,199·1 (33·4)	+ 6·2	+183·4
Advances	1,993·0 (30·3)	− 3·5	+ 29·4
State Boards	64·3	− 0·6	+ 14·1
All other	1,928·7	− 2·9	+ 15·3

* Excluding items in course of collection.

TIN

Coercing Russia

A QUOTA of 750 tons now governs imports of Russian and Chinese tin into Britain for the three months, September to November. With the benevolent neutrality of the United States, Britain has thus made an important move to rescue the International Tin Regulation scheme from the strains put upon it by a flood of Russian tin. British imports of tin from Russia rose from 316 tons a quarter in 1956 to 2,090 tons in the second quarter of this year. For the first half of 1958 they have been at the average rate of 6,000 tons a year. Tin miners are out of work; production in the East, in Africa and in South America is being drastically cut back. And the buffer stock, having held the price steady at £730 a ton, appears to be at the end of its published resources and is living on the special unpublished contributions of some of its determined members. Had they agreed to moderate their exports of tin the Russians might have earned the gratitude of the tin producers, mostly underdeveloped countries, for abating their distress.

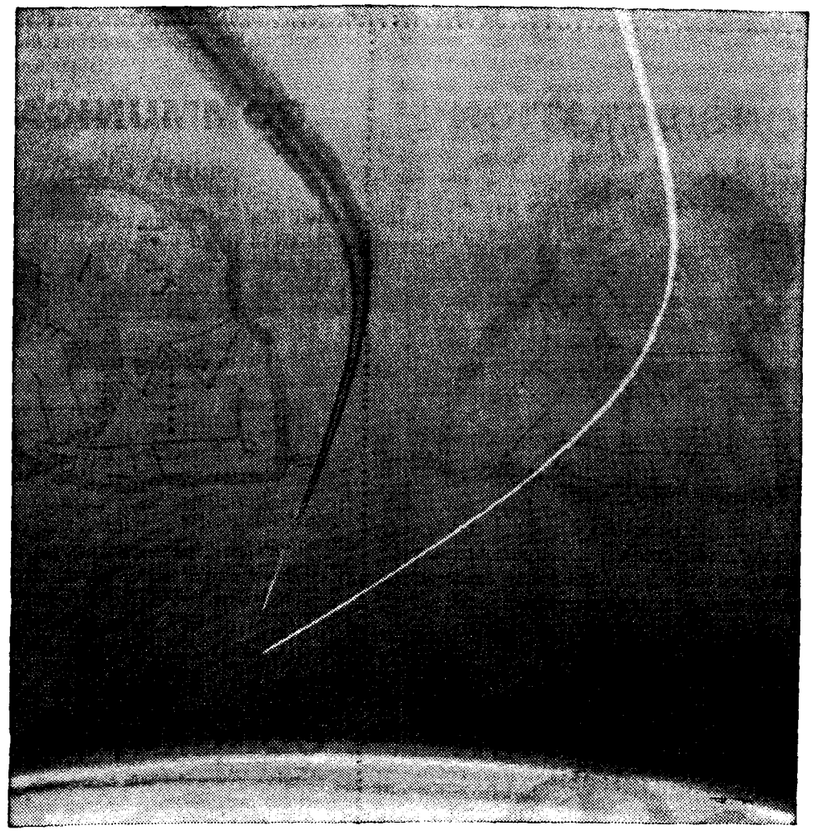
But while the Russians offered to send an observer to the Tin Council meetings, who would have collected statistical and other information, they would not bind themselves to shoulder burdens along with the other producers. Plenty of nonsense is talked about "Russian dumping." Dumping, if it means anything, means exporting below cost, and nobody knows what Russian costs are—or the size of the output at Novosibirsk, or even whether this tin is indigenous or Russian smelting of Chinese concentrates. The one certain thing is that the restriction scheme and the buffer stock gave Russia an umbrella to cover its unrestricted exports. Now that Russian and Chinese tin are off open general licence and limited by quota, Britain has in effect nominated Russia an involuntary member of the tin restriction club. The quota of 750 tons for the current quarter is half the annual rate at which imports of Russian tin have just been running; 50 per cent is also about the rate of curtailment that the co-operating producers are imposing on themselves.

An International Commodity

BRITAIN may get from Malaya, Indonesia, Thailand, Nigeria, the Congo and Bolivia gratitude that might have been Russia's. What else has been gained or lost by the British initiative will depend first on what other consuming countries do. The Netherlands has announced action similar to the British. Malayan sources report that eight other countries including Denmark are lined up. If all the consuming members of the International Tin Council followed the British lead and if the United States, which is not a member, maintained its complete embargo, as presumably it will, between 70 per cent and 80 per cent of the world's outlets would be closed to Russian tin or under control.

The effect was that the metal market and the stock exchange behaved for a moment as though this ended the matter. For the first time in many months tin rose well clear of the £730 support level. Bear closing was the chief element in the buying which carried it up to £745½ a ton at the beginning of the week; it fell back to £730½. Tin shares had a brief rally, the number of markings in the "miscellaneous mines" group in the first three days of this week rising to 291, against 213 in the first half of last week. But more cautious thinkers soon began to wonder whether it is not too early and too facile to regard all this as a victory. The three main present outlets for Russian tin, Britain, Holland and Denmark are likely to be effectively controlled, as well as some others. Most of the world's smelters will also be prevented from resmelting Russian tin. But some other outlets will almost certainly remain open; one is West Germany and another is Japan. West Germany would not, presumably, re-export Russian tin on any large scale without inviting reprisals. Japan might take some Russian (or Chinese) tin, but the price advantage would have to be significant enough to offset the favourable freight rate from normal eastern sources.

Yet tin is an international commodity and in the long run it will seep round artificial trade barriers if there is sufficient pressure behind it. The question rests on the size of Russian supplies and their source. Much tin of Chinese origin has recently been going to Russia, replacing Chinese trade that formerly came to the West. The assumption is that Russia is smelting and consuming much of the output of the Chinese mines but also deriving part of its exportable surplus from the balance. It is known also that Russian exports have at times included old stock. How far Russia



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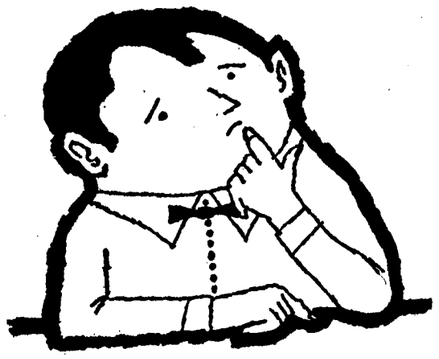

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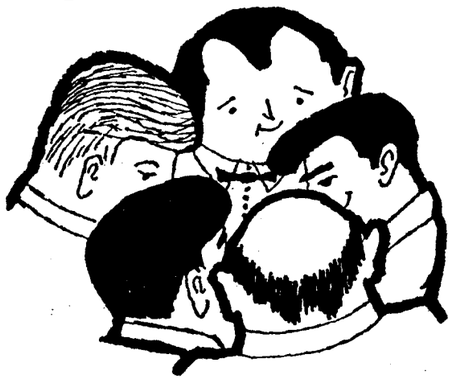

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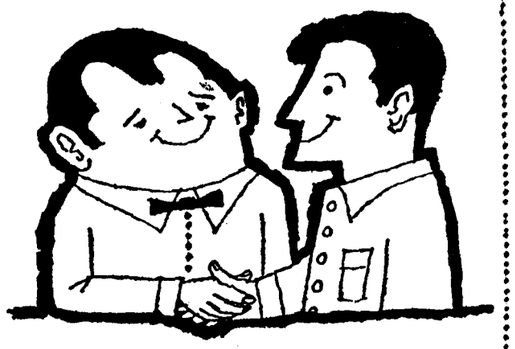

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plans to be a continuing exporter of tin is anybody's guess. But if that is Russia's intention, the tin will in time find outlets in international trade.

BANKING SUMMER SCHOOL

Scotland's Show

THE banks' sudden break-out into competitive innovation has caused no less excitement among bankers than among the public; and it has given real stimulus to the bankers from nearly fifty countries now at St Andrews for the eleventh international banking summer school. Besides Scottish hospitality and the charm of St Andrews, Scotland this year can claim a special hold on bankers' attention. It is from Scotland that much of the pressure and initiative for the new ventures in banking have come. The Commercial Bank of Scotland was first off the mark with an interest in hire purchase finance in 1954, and ever since Scottish bankers in competition have been pressing to follow. In June, when mention of banks in relation to hire purchase was still kept behind closed doors, an outspoken plea for participation, and direct participation, was made by Mr W. R. Ballantyne, general manager of the Royal Bank of Scotland in his presidential address to the Scottish Institute of Bankers. This week, in the opening address to the banking summer school, Mr Ballantyne's remarks were warmly endorsed by Sir John Campbell, a director and lately general manager of the Clydesdale and North of Scotland Bank which is a subsidiary of the Midland. Unlike some English bankers, Sir John made no exclusive distinction between hire purchase lending and traditional banking. He looked also towards further fields of reform to attract new sorts of customer into the banks. The first was a bargain basement form of cheque service—which the Midland Bank happened to announce two days after he spoke; the second was "greater competition" for working class saving—was he implying more competitive rates on deposit accounts?

The extent and pace of the recent innovations (at the time of writing, no news of a war in deposit rates has been received) has given English and Scottish bankers new pride and self-respect; and this is visible at the summer school. No longer need bankers feel staid, backward or regimented. In some ways, such as the simpler cheque service, they are moving nearer Continental practice, and in others, such as personal lending, they are following America. But to many countries, banking in Britain has now forged ahead, and will be closely watched not only, as it has always been, for its example in the traditional business, but also for its experience in new fields that quite recently seemed remote.

STERLING BALANCES

Who Holds Pounds?

QUARTERLY figures of overseas sterling holdings, a welcome recent addition to statistical knowledge published in *Economic Trends*, reveal an unexpected increase in the United Kingdom's sterling liabilities over the second quarter of the year. During this period, the sterling holdings of all overseas countries (but excluding non-territorial organisations) rose by £29 million to £3,271 million. At the end of June, 1957, such holdings stood at £3,494 million. So the broad generalisation that the United Kingdom has been strengthening its gold reserves and paying off sterling liabilities in recent months remains valid. But in the second quarter of this year, the rest of the sterling area reduced its sterling holdings by £5 million while non-sterling countries increased theirs by £34 million. Given the sharp running down of India's sterling during this period and the more modest withdrawals by some other countries, it follows that certain members of the sterling area must have been adding to their balances on a fair scale. The increase in the sterling balances of non-sterling countries is in part due to the larger deposits on German account made as a result of inter-governmental arrangements to bring forward the repayment of German debt, but it also reflects a general building up of working balances with the return of confidence in sterling.

Economic Trends also shows that overseas acceptances outstanding in the London market have dropped by £17 million to £123 million during the second quarter of the year, the whole of this being attributable to reduced use of acceptance credit facilities by customers in non-sterling countries. The latest total for overseas acceptances compares with £184 million outstanding at the end of June last year. The fall, of no less than one-third, reflects the deterrent effect of high interest rates in London as well as the curtailment of refinance credits which were exploited in the difficult months of last year as a means of "bearing" sterling.

BUILDING SOCIETIES

Mortgage Rate Problem

IF the chances of the Building Societies' Association announcing a reduction in mortgage rates at its meeting next week hung only on the statistical returns of the Building Societies' Association they would be poor. The return from a 75 per cent sample of the movement showed a net inflow of money in the second quarter of £19.4 million, against £16 million in the previous quarter, but against £22.5 million in the second quarter of last year. They showed new mortgage lending of £62.4 million, against £56.1 million in the first quarter, but against £69.6 million in the second quarter of last year. And it is common knowledge that the demand for mortgages far exceeded the supply of money that would have been needed to fill the demand for mortgages. But the issue is far more complicated. There is, first, the common experience that recently, and particularly since the latest reduction of Bank rate, the inflow of money has improved; there is, secondly, the growing suspicion among building society men that, though the demand for mortgages still exceeds the supply of money, demand has passed its peak, and, finally, there is the painful fact that a lending rate of 6 per cent which looked low when Bank rate was 7 per cent, looks high when it is 4½ per cent.

Decision will not be easy. If the societies depart from the present 3½ per cent net paid on shares and 6 per cent charged on mortgages, interest rates will not find another resting point nearer than that already chosen by the Halifax society—3¾ per cent net paid and 5½ per cent charged. With the composite rate of income tax this year one penny up at 5s. 7d. in the £, that looks as though it would leave

most societies a margin of profit, after charging management expenses, of less than 5s. in the £100 and some with much less. Even a 5s. per cent margin does not allow an expanding society to maintain its reserve ratio.

The advocates of no hasty change also argue that the relief to the borrower of a cut of ½ per cent in the mortgage rate is small. On a mortgage for £2,000 repayable over 20 years at 5½ per cent the monthly payment is £14; the monthly payment at 6 per cent is £14 11s. 8d. Is it worth it? Is the gain to the borrower, who could if he wished cover the difference by adjusting the life of the mortgage by about one month per year of its unexpired term, greater than the loss to the shareholder? Is it worth facing another possible longish period of insufficient money to lend for such marginal advantages?

A decision will have to be taken. If it comes down in favour of making a reduction late this year or early next, that will be partly because building society men are convinced that the downward trend in interest rates is well established. They also realise that they will face public disapprobation if they do not do it. But borrowing on house property in this country is far from costly. Share interest of 3½ per cent net is worth more than 6 per cent gross—more indeed than the rate charged to borrowers. The whole cost of administration and the whole cost of any addition to reserves is covered notionally by the difference between the composite rate and the standard rate.

FUEL CONSUMPTION

Oil Moves Up

Oil consumption has been striding ahead again this year while coal consumption has been languishing. Up to June total consumption of petroleum products in Britain was 20 per cent up on the first six months of 1956—leaving aside the Suez-troubled first half of 1957—while total inland coal consumption was running 5 per cent below two years ago. The "black oils" have again been increasing far more than the specialised major products such as motor spirits. Fuel oil deliveries have increased by a half since 1956 and now comprise a third of all deliveries of petroleum products. This reflects the special increase in deliveries to power stations, gas works, and in the earlier months of the year to central heating plants: general industrial demand has not grown so much. The private motorist was still buying more with deliveries to dealers up some 12 per cent over two years ago, and most of this increase again went to the premier grades. The continued decline in commercial demand for motor spirit is again reflected in the fast rising deliveries of "derv" fuel, up 14½ per cent over the first six months of 1956. The recent popularity of paraffin heaters is still pushing up burning oil deliveries, even though they became subject to purchase tax last April: deliveries were up 38 per cent on 1956 in the first quarter and 44 per cent up in the somewhat warmer second quarter.

The steady switch to oil firing at power stations evoked some heated remarks from Mr Ernest Jones, president of the National Union of Mineworkers, at the Trades Union Congress this week. He again pressed for a restriction on oil imports and a review of the oil contracts made by the electricity supply industry. The significance of this switch to oil should not be exaggerated: total deliveries of fuel oil in the first six months of 1958 were equivalent on a thermal basis to less than 7 per cent of the total tonnage of coal used during the period.

SHORTER NOTES

The rise between July and August of 41,000 in the numbers of people wholly unemployed was about 20,000 more than might be expected from normal seasonal influences. But there was a fall of 7,000 in the numbers temporarily stopped and the total of 446,000 on the unemployment registers in August represented no more than 2.0 per cent of all employees, compared with 1.9 per cent in July and 1.2 per cent a year ago.

* * *

In the Vacation Court this week, the directors of the Granada Group agreed not to take action on the resolutions passed at an extra-ordinary general meeting on August 25th until after the hearing of a motion, presented by Mr Roger Whipp, a stockbroker. The resolutions included a proposal to issue 5s. shares at par to executive directors and executives of the group. A similar proposal concerning shares in the subsidiary of Granada TV Network is also not yet to be acted upon. The motion claims *inter alia* that the rights of the minority shareholders of Granada Group had been prejudiced.

* * *

The value of manufacturers' stocks and work-in-progress rose more than was seasonally expected in the second quarter of 1958. Stocks of materials and fuel fell by 4 per cent in value, work-in-progress increased by 1½ per cent and stocks of finished goods increased by as much as 9 per cent, after a 5 per cent increase in the first quarter. Altogether the total value of stocks increased by one per cent, against a rise of 0.6 per cent in the first three months.

* * *

As Philip Hill Higgison is now prepared to pay cash at 21s. 6d. per share for all the Beecham Group ordinary shares which may be taken by shareholders in Thomas and Evans who accept the Beecham offer, the Beecham Group is in effect offering 51s. 6d. per share in cash. The Beecham offer becomes unconditional once more than a 50 per cent acceptance is obtained. The shares of the rival bidder, Schweppes, stand at 22s. 9d., putting a price, though not cash, of 51s. 2d. on the Schweppes bid.

* * *

The Chartered Bank is to make a scrip issue of 600,000 ordinary shares of £1 each to the holders of the 4,400,000 shares. The directors hope to maintain the present rate of dividend of 15 per cent on the increased capital.

* * *

The Federation of British Industries has published as a three-shilling booklet entitled "The British Commonwealth, Commonwealth Preference, and the Sterling Area" a short factual survey of these three subjects. It was originally written as a paper for a committee studying the free trade area proposals and it includes up-to-date tables of the margin of tariff preference enjoyed by goods traded within the Commonwealth.

Authenticated by Montague Burton Ltd.



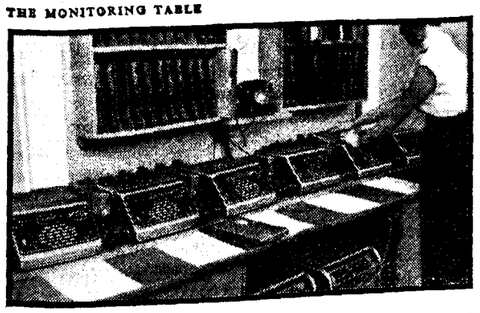
Miss Gwen Smith of Montague Burton Ltd.

We are the economists..



THE TYPING POOL at Montague Burton's factory

THE MONITORING TABLE



We girls, that's to say, who work in the typing pool at Montague Burton's factory in Leeds—Gwen Smith, Vera Bligh, Mary Arthurton, Pat Law, Valerie Melnyck and the rest of us. This is a big important factory, but there are only twenty-two of us, including a supervisor, and we do just about *all* the typing. There used to be forty girls here; but that was before they installed Tape-Riter. They didn't sack anybody. Girls just gradually left to get married, and didn't need to be replaced. We all love working with Tape-Riter. It's very easy to operate; and we get through a lot more work each day—without any interruptions, too. And the manager tells us that Tape-Riter saves the firm nearly as much in a year as the *whole* cost of installing it.

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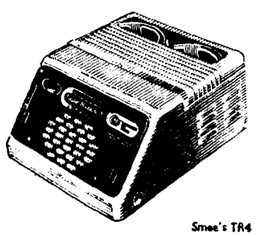

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His early life seemed to promise a great future. Educated nowhere near the humble cot of a rough farmer, his school reports were always good, especially actually for maths and geom. Top in trig., he was obviously destined for the Massachusetts Institute of Technology where he majored in economics, got the autograph of Hartley Withers, and read the life of Lord Keynes twice.

The remarkable fact remained, however, that in spite of his tiny job in the City (correct) it remained tiny (wrong). The more he studied international retarded bonds, payments per bend, and the dollar tranche, the less well he did actually financially. Indeed he never even began to get going until he discovered that so far as the Higher Money is concerned, instinct is the only true guide; and he never truly made good until he proceeded by a system of hunches and winks, a glance at what the stars foretell, a sixpenny horoscope from Brighton Pier out of a slot machine, and a special method, after a long stare at the tea-leaves in the bottom of his tea-cup at breakfast, of walking along Threadneedle Street without treading on a crack between paving stones.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

COMPANY AFFAIRS

ASA

IN the middle of this month the American-South African Investment Company (ASA) will be launched on Wall Street. That is a milestone for the Kaffir market, for it will channel the dollars of American investors into gold shares, gold bullion, and, to a lesser extent, South African industry. The venture, conceived by Mr C. W. Engelhard, has been most actively encouraged by the South African government. For instance, if ASA buys bullion (and it can hold up to a quarter of its assets in that form) the bullion will be stored by the South African Reserve Bank free of charge. And, of greater importance, a proposal in the latest South African budget seems likely to relieve ASA from tax on any capital gains it makes in dealing in gold shares (which will form not less than half its portfolio). Moreover, any dealing profits made by South African registered finance houses, such as Anglo American and General Mining, from the sale of shares to ASA are relieved of tax as well.

It is thought probable that ASA, a closed-end investment company incorporated in South Africa, will offer on Wall Street not less than one million £1 shares at about $28 a share (equivalent to £10). Some of these shares will be placed with investors in Paris and Brussels. The net proceeds of the issue would amount to about £9.3 million. From five mining finance houses, ASA has arranged to buy a portfolio of gold shares in the new mines in the OFS, Klerksdorp and Far West Rand at average prices calculated over the period June 16th to September 26th. ASA will also buy shares in SA Pulp and Paper and in Scaw Metals; it has options to acquire a few more Kaffir and South African industrial shares; but initially it does not seem to have any gold bullion. Initially, the Kaffir shares are not being bought through the market, but directly from the finance houses; Anglo American and General Mining, because of the tax angle and because they are more deeply committed to the new mines than the other "shops," are the biggest sellers. At these average prices the cost of the portfolio to ASA should be about £7.9 million. ASA may therefore begin life with a book profit, for the portfolio at current prices is worth about £8¼ million. ASA's appeal to American investors is twofold: first, it provides a hedge of gold against the dollar and, secondly, it provides an expectation of a rising income.

Most of the shares ASA proposes to buy are already paying dividends and all the mines are in the early years of their life. The income ASA will receive from them will for all practical purposes be free from tax, both in South Africa and in the United States. It hopes to pay dividends twice a year, but to distribute only a small part of its income; the remainder plus any capital gains is to be retained and re-invested. Thus ASA can help to underpin the Kaffir market; that hope was one of the reasons for the firmness of Kaffir prices this summer.

THE RANK ORGANISATION

THE 25 per cent fall in cinema attendances this year the closing of more and more cinemas, and the demand from within the industry for drastic schemes of rationalisation were hardly signs that investors could ignore. But the preliminary figures of the Rank Organisation were so wretched that Rank 5s. ordinary shares lost 2s. to 8s. 6d. The group's trading profit has been slashed from £7,335,153 to £4,615,796. Net profits from trading have fallen from £1,773,078 to £223,095. The reason for this more than proportionate fall is a high rate of depreciation and tax. The Inland Revenue does not grant a depreciation allowance on cinema buildings, but the Rank Organisation continues to provide for depreciation at a full rate. Various extraneous profits have been brought into account, but the directors have had no other recourse but to cut the ordinary dividend from 12½ to 5 per cent.

	Years to end-June, 1957 £	1958 £
Rank Organisation:		
Trading profit	7,335,153	4,615,796
Net profit	1,773,078	223,095
Ord. dividend (per cent).	*12½*	*5*
Gaumont-British:		
Trading profit	3,449,650	2,037,804
Net profit	908,076	289,082
Ord. dividend (per cent).	*15*	*7½*
Odeon Ass. Theatres:		
Trading profit	684,170	582,485
Net profit	98,233	40,303
Odeon Properties:		
Trading profit	937,215	810,493
Net profit	135,161	75,458
Brit. & Domins. Film:		
Trading profit	570,067	664,140
Net profit	206,479	260,076
Prov. Cinematograph:		
Trading profit	817,755	665,515
Net profit	201,787	170,628
Rank Cintel:		
Trading profit	1,034,050	834,600
Net profit	420,012	334,525

As the table shows, the decline in earnings is echoed in the accounts of all except one of the important companies within the Rank Organisation. The exception is British and Dominion Film Corporation, which is concerned with the production of films at the Pinewood studios and not with distribution and exhibition.

At 8s. 6d. the 5s. ordinary shares of the Rank Organisation yield £2 19s. per cent. The yield is risible, and sits oddly with the yield of £9 13s. per cent offered by the 10s. units of Gaumont British at 7s. 9d. Admittedly that company is almost solely concerned with the exhibition of films, but the difference in yields can hardly be justified either by hopes for a more rational organisation of the cinemas of this country or by the Rank Organisation's entry into commercial television through Southern ITV.

ROYAL DUTCH/SHELL

ROYAL DUTCH/SHELL'S quarterly report is always an event in Throgmorton Street. The statement on the group's trading experience in the six months to June 30th brought the price of "Shell" Transport £1 ordinary stock down by 3s. 1½d. to 140s. They later improved to 141s. 10½d. Is this reading justified?

Certainly the latest results, set out in the accompanying table, look disappointing compared with those of the first two quarters of 1957. But the first months of last year were quite exceptional for Royal Dutch/Shell; the group, after the Suez crisis, was gathering in benefits from its operations in Venezuela. Once Middle Eastern oil began to flow freely again the markets for oil products had lost their buoyancy and there was a return to less dramatic earnings in the latter months of last year. That period would provide a fairer basis for comparison and it is not deeply depressing. Sales are down from the peak and profit margins are certainly finer. But, tentatively, from the latest quarter's results it can be argued that the worst is over: sales picked up a little in the second quarter and margins were not put through the mangle again.

SALES AND INCOME

(£ million)

	1957				1958	
Quarter	I	II	III	IV	I	II
Sales:						
Incl. duties	643·8	663·6	667·9	659·0	613·3	629·4
Excl. duties	528·3	527·4	516·0	519·0	483·4	477·9
Income:						
Gross	103·3	108·0	92·4	73·0	70·0	69·4
Net	51·7	58·8	56·9	45·3	38·7	36·4
Income/sales:*						
Gross (%)	19·5	20·5	17·9	14·1	14·4	14·5
Net (%)	9·8	11·1	11·0	8·7	8·0	7·6

* After deducting sales taxes and excise duties from turnover.

What hope does that offer for shareholders? The capital of Royal Dutch and Shell is now swollen by the enormous rights issues and earnings per share over the first two quarters of this year have fallen from Fl. 3.61 to Fl. 3.40 for Royal Dutch and from 3s. 5d. to 3s. 3d. for "Shell." Such earnings are far below those of the first months of 1957. In the second quarter of this year capital expenditure again ran at about £92 million and the group's liquid balances were reduced slightly from £452 million to £446 million. From these results, shareholders in "Shell" can draw only one rational conclusion: that the ordinary dividend is likely to be left unchanged this year at 18¾ per cent, tax free, on the increased capital. On that assumption the £1 units yield 4.6 per

cent, which does not suggest that there is much to go for immediately.

FURNESS, WITHY

IN the consolidated balance sheet of Furness, Withy, drawn up on April 30th, the total assets are valued at £50.7 million. The true worth of these assets is higher partly because the fleet is entered at written down cost, partly because the group shelters behind the 1948 Shipping Companies Exemption Order, and, finally, as was explained here on August 16th, the group owns large interests in other shipping companies which, by a tiny number of shares, just escape having to be consolidated as statutory subsidiaries. Sir Ernest Murrant, the chairman who obviously believes in conservative accounting, has this to say:

> Trade investments, £1,426,496, consist of miscellaneous holdings about which I will only say three things, viz: they yield a satisfactory return; they contribute indirect benefits to the group as a whole, and so far as any statement can be held to be reliable in fluctuating conditions, they are worth today considerably more than the amount at which they stand in the balance sheet.

The other unusual feature in Furness, Withy's balance sheet is that subsidiaries of the group own ordinary shares in the parent company. The recent two for three scrip issue would have swollen this holding of £299,438 at the end of April, 1957, to about £499,000. At the end of April, 1958, the holding is shown as £469,060. The group therefore, in the last financial year, must have sold about 30,000 shares, adding an unspecified and untraceable sum to reserves.

In the balance sheet, liquid assets of £9.2 million compare with capital commitments of £14.4 million. There is no sign that Furness, Withy is trimming its fleet replacement programme, although, like Cunard earlier in the year, the group has not earned sufficient profits to take full advantage of investment allowances accruing on ships built during the year. The accumulated allowances are carried forward "in the hope that future earnings will be sufficient to take advantage of them." In 1957-58 the gross profits, "after providing for contingencies," fell from £6,195,602 to £4,385,749 and the ordinary dividend was cut from the equivalent of 10 4/5 to 10 per cent. On that dividend the £1 ordinary stock units at 33s. 6d. xd. yield £5 19s., reflecting more, perhaps, the hidden asset values of the group than the trading prospect.

MUREX

MUREX, the metallurgical company, has had to re-phase its capital expenditure programme, trimming some items in that programme and deferring others. Expenditure will be held down to between £500,000 and £600,000 a year. The decision was hardly avoidable, for the group's profits have been brought down by losses on metal stocks and, as the chairman, Mr Arthur Smout, reveals, there has been "a reduction in demand for certain of the traditional products upon which the company was founded and world-wide competition has become more intense." This is reflected in the fall in trading profits from £1,019,085 to £978,352, in net profits from £351,709 to £291,650 and in the cut in the ordinary dividend from 20 to 17½ per cent. The decision is an unpleasant one to take because the re-phasing of capital expenditure may interfere with plans to replace metallurgical products that have fallen out of favour with new ones.

The re-phasing will keep Murex out of the capital market for some time. The company had received the consent of the Capital Issues Committee to raise £1,300,000 on an unsecured loan stock and to borrow £500,000 from the banks (that loan being repayable out of the proceeds of the new issue). There is now no need to appeal to the capital market, the group's own resources and the bank loan being sufficient to cover the modified capital programme. The yield of 6⅞ per cent on the £1 ordinary stock units at 51s. suggests that investors are reconciled to a long pull.

London Stock Exchange

FIRST DEALINGS:	Aug. 20	Sept. 3	Sept. 17
LAST DEALINGS:	Sept. 2	Sept. 16	Sept. 30
ACCOUNT DAY:	Sept. 9	Sept. 23	Oct. 7

AFTER a slack start, conditions became brighter at the close of the account on Tuesday and a much firmer note appeared throughout the market at the opening of the new account.

Gilt-edged stocks opened firm on Wednesday and further confidence was evident in the market when the gold reserve figures were known, though the rally only brought prices back to about where they had stood a week earlier. Over the week 3 per cent War Loan 1955-59 was unchanged at 99½ and 3½ per cent War Loan showed a gain of only ⅛ at 68⅞ while 4½ per cent Brit. Elect. 1974-9 showed a loss of ⅛ at 85⅛ xd. The *Financial Times* government stock index was 83.97 on Wednesday evening, against 83.99 a week earlier. Dealings began last Friday in the new 5½ per cent Kent loan at ½ discount but improved to par; the 5½ per cent Croydon stock also reached par.

Bank shares were a firm market, Barclays rose from 56s. 6d. to 60s., National Provincial from 77s. 9d. to 79s. 6d., and Chartered Bank from 55s. to 47s. Shares of hire purchase companies were mixed, Astley gained 2s. 6d. to 34s. 6d. and Bowmaker 6d. to 27s. 9d., but UDT declined 1s. 6d. to 101s. and Midland Counties Motor lost 8s. 9d. to 93s. 9d.

Industrials regained most of their early losses and *The Economist* indicator rose 1.4 to a new high point for the year of 208.8. British Match improved 3s. 6d. to 37s. on the full accounts; Wall Paper Manufacturers rose from 95s. 6d. to 98s. 6d. and Davy & United improved from 69s. 6d. to 71s. 3d. xd.

The oil market was subdued, both Burmah and Shell showing losses of 1s. 10½d. over the week at 71s. 10d. and 141s. 10½d. respectively. Tin shares were very firm though there was some reaction on Wednesday. British Tin improved from 15s. 6d. to 17s. 3d.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Index Dec. 31, 1957=100. Aug. 27, 1957	July 29, 1958	Aug. 26, 1958	Average Yields (per cent) Aug. 27, 1957	July 29, 1958	Aug. 26, 1958
Ordinary Shares :—						
Electrical engineering	122·5	106·3	114·9	5·12	5·34	4·94
Engineering	124·7	107·6	113·5	4·96	5·62	5·34
Motors and aircraft	121·6	107·4	114·4	5·50	6·33	5·97
Steel	...	102·3	108·5	...	9·37	8·82
Chain stores	120·7	101·2	107·2	3·55	4·36	4·12
Cotton and rayon textiles	110·6	89·8	98·8	8·41	9·26	8·52
Chemicals	114·7	113·7	125·2	4·83	5·11	4·65
Oil	134·8	109·8	110·3	4·86	5·94	5·93
Shipping	130·4	109·2	116·2	6·14	6·25	5·84
Investment trusts	126·0	115·7	124·9	4·25	4·88	4·52
Industrials :—						
Ordinary (all classes)	117·7	109·6	116·0	6·00	6·25	5·91
Preference	96·3	98·6	101·1	6·62	6·45	6·30
Debenture	102·2	105·3	105·5	6·33	6·15	6·14
Total (capital goods)	123·6	105·8	113·0	5·29	6·45	6·03
Total (consumption goods)	111·0	110·7	118·4	6·90	6·54	6·12
Consols 2½%	103·8	109·4	110·3	5·21	4·94	4·90

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Aug. 6	199·6	6·01				
,, 13	203·2	5·89				
,, 20	208·0	5·75				
,, 27	207·4	5·75	208·8 (Sept. 3)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
Sept. 3	208·8	5·72				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
Aug. 27	188·0	5·96	91·82	4·87	10,139	190·2 (Aug. 22)	207·6 (July 9)
,, 28	187·3	5·98	91·77	4·87	9,550		
,, 29	185·3	6·04	91·51	4·89	9,971		
Sept. 1	186·0	6·02	91·45	4·93	10,021	Low	Low
,, 2	188·1	5·95	91·54	4·93	9,010	154·4 (Feb. 25)	159·0 (Nov. 5)
,, 3	189·4	5·91	91·72	4·90	10,366		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 27, 1958	Price, Sept. 3, 1958	Net Yield, Sept. 3, 1958 §	Gross Yield, Sept. 3, 1958
					£ s. d.	£ s. d.
99	96⅛	War Loan 3%....1955-59	98⅜	98⅜	2 4 2	3 19 0
95⅛	90⅛	Funding 2½%....1956-61	95⅛	95⅛	3 0 3	4 5 6
99⅛	96⅛	Conversion 2½%....1958-59	99⅛	99⅛	2 9 0	3 12 7
97⅛	93⅜	Exchequer 2%....1960	97⅛	97⅛	3 2 9	4 0 9
98⅛	95⅜	Exchequer 3%....1960	98⅛	98⅛	2 13 5	3 19 4
100⅛	95⅜	Conversion 4½%....1962	100⅛	99⅜	2 11 2	4 10 1
94⅛	88⅜	Exchequer 3%...1962-63	93⅛	93⅜	3 0 6	4 8 3
100⅜	99⅜	Conversion 4½%....1963	100⅛	100⅛	2 10 4	4 12 7
90⅛	85⅜	Savings Bds. 3%..1955-65	88⅛	88⅛	3 12 1	4 19 8
82	77⅛	Funding 3%....1959-69	81⅛	81⅛	3 19 1	5 9 4
89⅛	86⅛	Funding 4%....1960-90	88	88	10 18 7 / 2 18 5	13 4 5 / 4 16 7
79⅛	75	Savings Bds. 3%..1960-70	78⅜	78⅛	4 1 0	5 10 6
90⅜	84⅜	Exchequer 2½%..1963-64	90⅛	90⅛	3 7 5	4 11 4
82⅛	78⅜	Savings Bds. 2½% 1964-67	81⅜	81⅜	4 0 5	5 5 7
73⅛	69⅜	Savings Bds. 3%..1965-75	72⅛	72⅛	3 19 4	5 10 5
103⅞	99⅛	Exchequer 5½%....1966	101⅛	100⅜	3 0 9	5 7 2
83⅞	78⅜	Funding 3%....1966-68	82⅛	82	3 19 2	5 8 1
94⅜	91⅛	Victory 4%....1920-76	92⅜	92⅞	3 4 6	5 0 6
87	81⅜	Conversion 3½%....1969	85⅛	85⅛	3 14 3	5 6 11
98⅛	97⅛	Conversion 5½%....1974	98⅛	98	3 4 9	5 11 1
76⅛	71⅛	Treasury 3½% ...1979-81	76⅛	76⅛	3 12 7	5 8 8
76⅜	70⅜	Treasury 3½% ...1979-81	75⅞	75⅞	3 12 10	5 8 9
101⅛	98⅛	Funding 5½%....1982-84	101	101	3 2 7	5 9 7
67⅛	60	Redemption 3%...1986-96	65⅛	65⅛	3 6 6	5 0 8
73⅛	64⅛	Funding 3½%...1999-2004	72⅛	72⅛	3 3 2	5 1 5
76⅛	69⅞	Consols 4% after Feb. 1957	74⅛	74⅞	3 1 11	5 7 10
68⅛	63⅛	War Loan 3½% after 1952	67⅛	67⅛	2 19 9	5 4 7
68⅛	62⅜	Conv. 3½% after Apr. 1961	66⅜	66⅜	3 0 3	5 4 8
60	54⅜	Treas. 3% after Apr. 1966	59⅛	58⅛	2 18 11	5 2 4
51⅛	46⅜	Consols 2½%.....	51⅛	51⅛	2 16 3	4 17 8
51⅛	46⅜	Treas. 2½% after Apr. 1975	49⅜	49⅜	2 17 11	5 0 6
95⅛	90⅛	Br. Electric 4½%..1967-69	93⅛	93	3 7 6	5 7 10
76⅛	72⅛	Br. Electric 3%...1968-73	74⅛	74⅛	4 0 8	5 10 10
73⅛	68⅛	Br. Electric 3%...1974-77	71⅛	71⅛	3 17 6	5 8 8
87⅛	82⅛	Br. Electric 4½%..1974-79	85⅛	85⅛	3 8 9	5 8 8
77⅛	72⅛	Br. Electric 3½%..1976-79	77⅛	77⅛	3 12 2	5 8 3
87⅛	82⅛	Br. Gas 4%....1969-72	86⅛	86⅛	3 11 4	5 8 9
84	79⅛	Br. Gas 3½%....1969-71	82⅛	82⅛	3 14 11	5 8 4
71⅛	66⅞	Br. Gas 3%....1990-95	67⅛	67⅛	3 5 8	5 0 1
77⅛	60⅞	Br. Gas 3%....1990-95	74⅛	74⅛	4 0 8	5 10 10
76⅛	72⅛	Br. Transport 3%..1968-73	74⅛	74⅛	3 11 0	5 10 0
84⅛	79⅛	Br. Transport 4%..1972-77	83⅛	83⅛	3 10 8	5 4 5
67⅛	60⅛	Br. Transport 3%..1978-88	67	67⅛		

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Aug. 27, 1958	Price, Sept. 3, 1958	Yield, Sept. 3, 1958
					£ s. d.
88⅛	83	Agric. Mortgage 5%....1959-89	87⅛	87⅛	5 17 6
79⅞	76⅛	Australia 3½%....1965-69	79⅛	79⅛	5 18 8
95⅜	92⅛	Birmingham 5%....1973-75	95	95	5 9 5
94⅛	90⅛	East Africa 5½%....1977-83	93⅛	93⅛	5 12 9
102⅛	95⅛	L.C.C. 5½%....1977-81	99⅛	100⅛	5 7 6
62⅜	56	Met. Water Board 'B' 3%..1934-2003	62	62	5 3 0
82⅛	78	New Zealand 4%....1965-70	82⅛	82⅛	5 9 3
72	69	S. Rhodesia 2½%....1924	72	71⅞	5 17 0
99⅜	83	German 7% (Br. Enfaced 5%)..1907	99⅜	99⅜	...
169	160	Japan 5% (Enfaced)....1907	168⅜	168⅜	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Aug. 27, 1958	Price, Sept. 3, 1958	Yield, Sept. 3, 1958
		% %				£ s. d.
			BANKS & DISCOUNT			
31/9	28/-	5 b	4 a Bk. Ldn. & S. Amer. £1	31/9	31/-	5 16 2
60/-	39/9	6 b	6 a Barclays Bank....£1	56/6	60/-	4 0 0
32/3	27/6	4 b	4 a Barclays D.C.O. ...£1	31/6	31/-	5 3 3
47/-	35/6	7⅛ b	7⅛ a Chartered Bank....£1	45/-	47/-	6 7 8
58/3	41/3	6⅛ b	6⅛ a Lloyds Bank £1	57/-	57/-	4 11 3
80/-	57/6	9 b	9 a Midland Bank £1	76/-	76/9	4 16 0
39/-	29/6	5 b	5 a Nat. Discount 'B'...£1	39/-	37/-	5 8 1
52/9	40/9	6⅛ b	6⅛ a Union Discount....£1	51/-	52/9	4 14 10
			INSURANCE			
38/-	32/9	15 a	21⅛ b Commercial Union 5/-	37/-	37/-	4 19 0
37/6	113/9	60 b	60 b Legal & General ..5/-	135/-	137/6	3 12 9
01/3	86/3	†50 b	†20 a Pearl....4/-	95/-	95/-*	6 8 0
85/-	154/-	†132½ c	†147½ c Prudential 'A' £1	185/-	185/-	5 10 0
			BREWERIES, ETC.			
37/9	31/-	36 b	10 a Bass....5/-	37/6	37/9	6 1 11
26/10½	19/7½	7½ a	12½ b Distillers....10/-	26/6*	26/6	5 0 8
43/7½	37/-	15 b	10 a Guinness....£1	43/4½	43 7½	5 14 6
90/6	75/6	8 a	17 b Whitbread 'A'....£1	89,6	90/-	5 11 1
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½ a	6½ b Bristol Aeroplane 10/-	11/9	11/11½	8 19 9
9/5½	6/7½	12½ c	4 a British Motor....5/-	9/-	9/4½	6 13 5
42/3	31/9	3 a	6 b Ford Motor....£1	41/-	41/9	4 6 3
32/7½	24/9	7 b	3 a Hawker Siddeley...£1	30/9	31/10½	6 5 5
44/9	39/-	12½ c	12½ c Leyland Motors....£1	43/9	44/-	4 5 10
95/3	82/9	5 a	15 b Rolls-Royce....£1	92/9	93/3	8 0 6
8/1½	6/7½	8 c	8 c Standard Motor...5/-	7 6/3	7/6	8 0 6

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Aug. 27, 1958	Price, Sept. 3, 1958	Yield, Sept. 3, 1958
		% %				£ s. d.
			STEEL & ENGINEERING			
50/-	41/10½	7 a	6½ b Babcock & Wilcox..£1	49/6	49/-	5 6 3
25/6	21/7½	6 b	4 a Dorman Long....£1	24/10½	24 9	8 1 7
60/1½	45/-	5 a	10 b Guest Keen N'fold..£1	59/-	59/6	5 0 10
37/9	28/3	†2 a	†4 b Alfred Herbert £1	37/-*	36/9	5 14 3
55/3	41/-	4 a	7 b Metal Box £1	53/9	55/3	3 19 8
26/4½	20/-	8 b	3 a Stewarts & Lloyds..£1	25/6	26/-	8 9 3
57/3	48/-	13 b	5 a Swan Hunter....£1	54/6	56/-	6 8 7
24/-	17/9	7½ b	4 a United Steel....£1	23/3	24/-	9 11 8
33/9	28/6	2½ a	7½ b Vickers....£1	33/6	33/9	5 18 8
			ELECTRICAL			
15 c		5½ a	Assoc. Elec. Inds...£1	53/3	53/3*	5 12 8
47/-	39/3	4 a	8½ b Br. Ins. Callenders..£1	45/6	44/6	5 12 5
30/3	24/7½	4.3½ c	14 a Decca Record 4/-	29/9	30/3	5 15 6
39/7½	28/-	15 c	15 c Elect. & Mus. Inds. 10/-	38/9	39/4½	3 16 3
56/6	44/6	10 b	4 a English Electric ...£1	56/3*	56/6	4 19 3
38/9	29/9	3½ a	6½ b General Electric ...£1	36/3	36/-	5 11 4
			TEXTILES			
16/3	10/1½	6 c	Nil a Bradford Dyers....£1	14/6	15/1½	...
23/3	19/6	2 a	6½ b Coats, J. & P. £1	21/3	21/-	8 6 8
25/4½	19/7½	3 a	5 b Courtaulds £1	24/6	24/-	6 13 5
35/6	29/10½	12½ b	6 a Lancashire Cotton..£1	35/-	35/3	9 18 8
35/4½	30/-	12½ c	7½ a Patons & Baldwins..£1	34/4½	33/4½	7 9 10
			SHOPS & STORES			
18 c		3 a	Boots Pure Drug..5/-	19/3	19/-*	3 15 10 m
20 b		7½ a	Debenhams 10/-	42/9	44/3	6 4 3
25 b		8 b	Gt. Universal 'A'..5/-	23/3	23/6	6 18 3
20 a		22½ b	Marks & Spen. 'A' 5/-	45/6	46/-	3 10 8
20 b		12½ a	United Drapery...5/-	28/6	28/10½	5 12 8
26⅜ b		13½ a	Woolworth.....5/-	42/-	42/6	4 14 3
			SHIPPING			
18 c		3 a	Boots Pure Drug..5/-	19/3	19/-*	3 15 10 m
20 b		7½ a	Debenhams 10/-	42/9	44/3	6 4 3
25 b		8 b	Gt. Universal 'A'..5/-	23/3	23/6	6 18 3
20 b		12½ b	Marks & Spen. 'A' 5/-	45/6	46/-	3 10 8
20 b		12½ a	United Drapery...5/-	28/6	28/10½	5 12 8
26⅜ b		13½ a	Woolworth.....5/-	42/-	42/6	4 14 3
			SHIPPING			
18 c		3 a	Boots Pure Drug..5/-	19/3	19/-*	3 15 10 m
20 b		7½ a	Debenhams 10/-	42/9	44/3	6 4 3
25 b		8 b	Gt. Universal 'A'..5/-	23/3	23/6	6 18 3
20 b		12½ b	Marks & Spen. 'A' 5/-	45/6	46/-	3 10 8
20 b		12½ a	United Drapery...5/-	28/6	28/10½	5 12 8
26⅜ b		13½ a	Woolworth.....5/-	42/-	42/6	4 14 3
			SHIPPING			
13½ b			Brit. & Com'wealth 10/-	38/6	38/3	5 4 7
10 c			Furness Withy.....£1	33/3	33/6*	5 19 5
8 b			P. & O. Deferred...£1	33/9	33/6	6 11 5
			MISCELLANEOUS			
30 c		22½ c	Allied Bakeries 'A' 5/-	37/-	37/-	4 1 1
6 b			Assoc. Port. Cem...£1	42/6	43/-	4 3 10
9 b			Beecham Group...5/-	20/10½	21/4½	4 13 8
8 b			Bowater Paper £1	37/9	38/3	6 10 10
8 b			Br. Aluminium £1	53/10½	53/9	4 9 5
†10 a			Br. Amer. Tob. ..10/-	48/-*	48/3	6 0 3
17½ b			B.E.T. 'A' Defd...5/-	27/9	28/3	4 8 5
4 a			Br. Oxygen £1	39/9	40/3	4 19 5
11 b			Dunlop Rubber..10/-	21/7½	21/9	6 8 10
8 b			Imp. Chemical.....£1	33/6	34/-	4 14 3 j
8½ a			Imp. Tobacco £1	46/3	47/-	8 10 3
2½ a			J. Lucas (Inds.)....£1	39/3	38/9	3 17 5
8½ b			Monsanto Chem...5/-	14/8½	14/6*	4 13 3
6 b			Ranks.....10/-	16/-	16/-	6 5 0
9 b			A. E. Reed.....£1	41/-	40/3	6 19 3
22½ c			Sears Holdings 'A' 5/-	13/7½	13/10½	8 2 6
12 b			Tate & Lyle.....£1	58/9	59/6	5 11 0
7½ b			Tube Investments...£1	59/7½	59/7½	5 0 8
12½ b		5 a	Turner & Newall...£1	63/4½	62/4½	4 14 8 i
11½ b			Unilever Ltd.....£1	86/-	86/3	4 1 3
16 b			United Dominions..£1	102/-	101/-	3 19 2
†10 b			United Molasses .10/-	32/3	32/-	7 14 0
			OIL			
†10 b			British Petroleum...£1	101/3	101/10½	5 2 5
†7½ a			Burmah £1	73/1½	71/10½	6 5 0
17½ b			Royal Dutch....20 fl.	£16⅜	£16	2 15 0
†13½ b			Shell £1	143/1½	141/10½	4 12 0
			Ultramar 10/-	67/-	65/3	... d
			MINES, ETC.			
†10 b			Anglo-American .10/-	157/6	156/3	5 2 7
†10 b			Cons. Tea & Lands..£1	25/3	25/-	17 6 6
12½ b			Cons. Zinc Corp. ...£1	51/6	54/-	6 18 6
120 b			De Beers Def. Reg. 5/-	106/3	106/3	9 8 0
40 a			Free State Geduld..5/-	93/9	92/6	3 4 11
30 c			London Tin 4/-	7/1½	7/7½	15 14 10
50 b			President Brand ..5/-	59/-	59/3	8 2 10
1½ a			Rho. Selection Tst. 5/-	16/6	16/10½	...
25 a			Rhokana Corp. £1	26⅜	26⅜	
37½ b			United Sua Betong..£1	54/6	54/-	18 10 0
60 a			Western Holdings .5/-	101/3	101/3	6 3 10

New York Closing Prices $

	Aug. 27	Sept. 3		Aug. 27	Sept. 3		Aug. 27	Sept. 3
Alcoa	79	77⅜	DuPont de Nm.	195½	197	N.Y. Central	18⅝	19
Alumin'm Ltd.	29½	29⅜	Ford Motors	41⅜	41½	Sears Roebuck	32½	32⅝
Am. Smelting	43⅜	44½	Gen. Elect.	63½	64	Shell Oil	84½	83⅛*
Amer. Tel.	183⅜	187½	Gen. Motors	43	44	Std. Oil of N.J.	55⅞	56
Anaconda	50⅛	51⅛*	Goodyear	89⅜	90½	Tri-Conti'tal.	38	37⅜
Beth. Steel	46⅜	46½	Gulf Oil	111	111½	Union Carbide	108⅝	109½
Can. Pacific	28⅛	28⅜	Int. Bus. M.	373½	374½	U.S. Steel	75½	75⅛
Chrysler Cpn.	51½	52¼	Int'l. Nickel	84⅜	83⅛	West'house E.	61⅛	34*
Crown Zeller.	54⅛	55	Int'l. Paper	107⅜	110	Woolworth	47½	48⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 12%. (i) On 15%. (j) On 8%. (k) To latest date. (m) On 14⅔%

STATISTICS

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

World Trade ..... July 19th

British		Overseas	
Prices and Wages.....	This week	Western Europe :	
Production and Consumption	Aug. 23rd	Production and Trade.....	Aug. 30th
Manpower.....	Aug. 16th	British Commonwealth	Aug. 16th
External Trade.....	Aug. 30th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Aug. 23rd
Industrial Profits	July 19th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957			1958 (6)			
		mid-June			Aug. 20	Aug. 27	Sept. 3	Aug. 12	Aug. 19	Aug. 26	Sept. 2
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	93	91	94	89	90	90	85	85	85	85
Food	,,	92·0	90·8	98·8	92·1	95·9	96·2	91·7	92·6	92·9	93·1
Fibres	,,	83·2	81·5	95·9	89·5	89·1	87·6	78·8	78·1	76·2	75·6
Metals	,,	95·7	95·6	79·7	78·1	76·2	75·7	70·9	70·4	70·3	71·2
Other items	,,	106·9	96·1	99·2	98·7	98·4	98·0	100·1	100·4	100·3	101·2
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	May	June	July	Apr.	May	June	July
Materials used in :	June 30,										
Non-food manufacturing (excl. fuel)	1949 100	152·4	156·2	154·7	159·6	155·8	155·0	138·0	137·1	137·5	137·1
Mechanical engineering	,,	168·1	177·3	183·9	180·5	181·4	180·9	184·8	184·6	185·2	185·5
Electrical machinery	,,	185·7	190·0	181·7	181·5	180·6	178·4	176·3	176·3	177·4	177·7
Building and civil engineering	,,	137·3	142·4	146·9	145·9	145·6	146·3	146·0	145·9	145·8	145·7
House building	,,	137·1	142·3	146·4	145·6	145·5	145·9	145·0	144·9	144·8	144·7
Products of :											
Non-food manufacturing (excl. fuel)	,,	129·6	135·6	139·9	138·9	139·7	139·9	141·1	141·0	141·0	140·9
Food manufacturing	,,	143·9	148·1	156·2	158·7	157·2	156·2	154·2	154·4	154·8	155·1
Commodities :											
Cotton, raw	,,	149·7	154·0	146·2	154·1	143·6	144·2	122·8	120·2	120·2	119·7
Wool, raw	,,	142·0	145·3	161·3	178·0	170·6	166·1	118·3	117·8	119·1	114·6
Rubber, No. 1 RSS, one month future	,,	329·9	284·2	260·8	264·7	268·0	269·9	230·6	214·7	221·7	231·8
Softwood, imported	,,	154·9	155·9	156·1	155·9	155·9	156·5	150·2	150·2	150·1	150·1
Copper, ex-warehouse	,,	295·7	280·5	189·0	204·7	197·1	187·4	150·6	153·4	167·0	171·5
UK RETAIL PRICES	Jan. 17,										
All items(1)	1956=100	...	102·0	105·8	104·6	105·7	106·6	109·6	109·2	110·2	108·5
Food	,,	...	102·2	104·9	103·9	106·7	108·4	108·7	108·5	110·9	106·9
All items	1938=100	242	254	263	260	263	265	273	272	274	270
Food	,,	257	269	276	273	281	285	286	285	292	279
Housing	,,	138	145	155	154	155	155	170	171	172	173
Clothing	,,	256	263	267	266	266	266	270	269	269	268
Fuel and light	,,	228	251	268	252	255	264	287	273	274	275
Household durable goods	,,	288	308	308	307	307	307	309	306	306	305
Drink	,,	260	264	272	271	271	272	276	276	276	276
Tobacco	,,	389	411	421	418	418	418	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	39	38	37	37	37	36	35	35	35	36
UK TERMS OF TRADE											
Import prices :											
All items	1954=100	103	105	107	110	109	108	99	98	99	98
Food, drink and tobacco	,,	101	101	101	104	105	103	96	97	99	98
Basic materials	,,	104	106	110	112	111	110	99	96	95	94
Export prices :											
All items	,,	102	106	111	110	110	111	110	110	110	110
All manufactures	,,	102	106	109	108	109	109	111	111	111	111
Metals	,,	104	112	115	115	115	115	120	119	119	119
Engineering products	,,	103	107	112	110	110	112	114	114	115	115
Textiles (excluding clothing)	,,	100	99	101	101	101	101	102	103	103	102
Terms of trade :											
Ratio of import to export prices	,,	101	99	96	100	99	97	90	89	90	89
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	116·6	109·9	101·9	62·7	64·6	66·5	66·6
UK WAGES											
Weekly wage rates :	Jan. 31,										
All workers(3)	1956=100	...	104·7	110·0	110·6	110·7	111·1	112·7	112·9	113·4	113·7
Men	,,	...	104·8	110·0	110·6	110·8	111·2	112·6	112·7	113·3	113·5
Women	,,	...	104·2	109·7	109·9	110·0	110·5	112·8	113·1	113·5	114·0
All workers	Sept., 1939=100	252	272	286	287	288	289	293	293	295	296
Weekly earnings : (4)											
All workers	s. d.	187 2	200 8	212 5	204 7	...	...	214 1	...	...	...
Men	,,	222 11	237 11	251 7	241 6	...	...	253 1	...	...	...
Women	,,	115 5	123 2	129 6	125 10	...	...	131 3	...	...	...
All workers	Oct., 1938=100	351	377	399	384	...	...	402	...	...	...
Men	,,	323	345	365	350	...	...	367	...	...	...
Women	,,	355	379	398	387	...	...	404	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figure for food on August 5th was 92·6. (6) Figures relate to April survey.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1958, March	119·7	100·5	123·3	120·8	106·8	127·5	119	111	107	310·8	81·45	79·39
,, April	119·3	97·7	123·5	121·6	106·7	127·8	...	109	...	311·9	80·81	78·69
,, May	119·5	98·5	123·6	121·6	106·7	127·8	...	109	...	322·9	82·04	79·81
,, June	119·2	95·6	123·7	121·6	106·7	127·8	...	...	...	330·6	83·10	80·76
,, July	119·2	95·0	123·9	121·7	106·7	127·7	...	...	...	339·2	83·80	...

PRODUCTION AND MANPOWER

	Gross national product[7]	Total industrial production	Manufacturing production						Building	Civilian employment[1]		
			Durable goods			Non-durable goods			New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force seasonally adjusted
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	419·2	143	159	138	199	129	108	167	46·3	67,530	64,708	4·2
1957	440·3	143	160	131	213	130	105	172	48·5	67,946	65,011	4·3
1958, March	425·8[5]	128	135	91	183	124	95	163	48·6	67,510	62,311	7·0
,, April	429·0	126	131	86	178	125	98	164	47·5	68,027	62,907	7·6
,, May		128	134	91	182	126	99	165	47·1	68,965	64,061	7·1
,, June		131	139	103	184	129	102	168	47·6	70,418	64,981	6·8
,, July	...	133	141	104	186	130	104	170	48·4	70,473	65,179	7·3

TRADE

	Personal consumption[7] Annual rates	All business[2]		Total retail[3]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	269·4	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	284·4	56·3	90·7	16·7	24·5	1,077	266	243	1,719	982	147	149
1958, February	286·2[5]	52·1	89·3	16·1	24·3	956	218	203	1,334	837	134	116
,, March		51·3	88·5	16·1	24·1	1,065	228	229	1,541	981	151	134
,, April		52·1	87·6	16·5	23·9	1,047	219	211	1,516	957	...	134
,, May	288·3	52·4	86·9	16·6	23·9	1,053	217	207	1,623	1,017	...	143
,, June		53·1	86·6	16·6	24·0	...	...	...	1,396	836	...	...
,, July	...	...	...	16·6	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income[7]			Consumer credit		Banking statistics[8]		Budget expenditure[4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds[6]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	330·5	235·2	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	347·9	247·1	11·6	44·78	34·11	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1958, February	346·4	242·2	12·7	43·04	33·30	76·5	92·1	5·5	+ 0·8	1·562	3·28	3·59
,, March	347·1	241·5	13·0	42·56	32·98	78·4	93·0	5·7	+ 3·8	1·354	3·25	3·63
,, April	348·1	240·9	13·4	42·67	32·93	82·1	93·5	6·1	— 2·6	1·126	3·12	3·60
,, May	349·9	242·0	13·7	43·03	32·96	82·6	92·8	5·8	— 0·9	1·046	3·14	3·57
,, June	352·0	244·7	13·2	43·12	33·05	84·7	94·9	6·6	+ 4·2	0·881	3·20	3·57
,, July	358·9	251·4	13·0	...	...	...	...	6·6	— 3·7	0·962	3·36	3·67

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for first quarter. (6) Bonds due or callable from 10 to 20 years. (7) Revised series from 1956 onwards.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 30, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £17,687,000 compared with a deficit of £6,354,000 in the previous week and a deficit of £11,647,000 in the corresponding period of last year. There was a net expenditure "below-line" of £8,251,000 leaving a total deficit of £306,030,000 compared with £326,730,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Aug. 31, 1957	April 1, 1958, to Aug. 30, 1958	Week ended Aug. 31, 1957	Week ended Aug. 30, 1958
Ord. Revenue					
Income Tax	2312,500	538,671	577,084	30,965	32,914
Surtax	163,000	33,200	33,600	700	1,000
Death Duties	163,500	80,600	76,300	2,400	3,900
Stamps	56,250	29,100	22,800	1,500	1,200
Profits Tax, EPT & EPL	275,000	93,800	116,700	5,900	6,900
Other Inland Rev. Duties	...	110	70	...	...
Total Inland Rev.	2970,250	775,481	826,554	40,565	45,914
Customs	1256,940	503,927	536,449	23,750	26,347
Excise	932,310	412,715	407,075	27,615	17,700
Total Customs and Excise	2189,250	916,642	943,524	51,365	44,047
Motor Duties	104,000	20,329	21,207	535	...
PO (Net Receipts)	2,000	600	...	*Dr. 2,200*	...
Broadcast Licences	34,000	8,500	9,400	1,600	1,800
Sundry Loans	30,000	14,176	13,060	...	...
Miscellaneous	110,000	71,703	24,722	698	102
Total	**5439,500**	**1807,431**	**1838,467**	**92,561**	**91,863**
Ord. Expenditure					
Debt Interest	695,000	268,892	268,459	3,745	...
Payments to N. Ireland Exchequer	73,000	26,374	28,359	2,927	3,051
Other Cons. Funds	10,000	4,269	4,011	14	15
Supply Services	4292,859	1620,762	1660,954	97,322	106264
Total	**5070,859**	**1920,297**	**1961,783**	**103908**	**109330**
Sinking Funds	38,000	11,591	11,880	300	220
"Above-line" Surplus or Deficit	**124,457**	**135,196**	**11,647**	**17,687**	
"Below-line" Net Expenditure*	202,273	170,834	21,971	8,251	
Total Surplus or Deficit*	**326,730**	**306,030**	**33,618**	**25,938**	
Net Receipts from:					
Tax Reserve Certificates	109,355	123,020	12,468	10,067	
Savings Certificates	700	34,700	−1100	6,000	
Defence Bonds	−6,749	24,041	−188	2,659	
Premium Savings Bonds	31,970	27,155	1,750	1,120	

* Including net receipts of the Civil Contingencies Fund of £16 mn. in 1957 and 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Aug. 31	3,070·0	1,758·6	235·9	1·3	5,065·7
1958					
May 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·5	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
„ 12	3,280·0	1,611·2	197·9	...	5,089·1
„ 19	3,260·0	1,615·1	228·2	...	5,103·2
„ 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
„ 9	3,270·0	1,569·9	190·5	...	5,030·4
„ 16	3,270·0	1,589·9	209·4	...	5,069·3
„ 23	3,270·0	1,630·9	164·0	...	5,064·9
„ 30	3,260·0	1,636·1	174·9	...	5,071·0

THE MONEY MARKET

INTEREST rates in the London market continue to be held in check by the upturn in rates in New York. That movement has now reached substantial proportions. Lask weekend the Treasury bill rate in New York rose for the fifth successive week, from 2.16 to 2.46 per cent, the highest level since January. The rate was thus nearly ¼ per cent above the re-discount rate of 1½ per cent still held by New York and most other centres, in the face of the lead given by San Francisco and Reserve Banks in the South.

In London, the Treasury bill rate again rose slightly at the tender on Friday of last week, by 5½d. to £3 14s. 11½d. The discount market maintained its bid unchanged for the third week in succession at £99 1s. 3d. Outside tenderers shaded their bids closer to that of the market, and as total applications fell by £13 million to £424 million while the allotment rose by £20 million to £270 million, the market's proportionate allotment at the minimum bid rose sharply from 28 to 53 per cent.

Little fresh money has been available from the clearing banks, and on four occasions in the week to Wednesday the discount market has found itself "in" the Bank at the penal rate, though in each case the amount involved was small. On Friday before the weekend, the Bank also gave a large amount of help through special purchases. November bills have changed hands at 3⅛ and 3⅜ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	3⅝–3½
Bank	2½	3 months	3⅝–3½
Discount houses	2½*	6 months	3¾–3⅝
Money		Fine trade bills:	
Day-to-Day	2½–3½	3 months	4½–5½
Treas. bills 2 months	3½	4 months	4½–5½
3 months	3½	6 months	4½–5½

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	Sept. 4, 1957	Aug. 27, 1958	Sept. 3, 1958
Issue Department:*			
Notes in circulation	1,988·9	2,047·6	2,037·8
Notes in banking dept.	36·4	53·4	13·2
Govt. debt and securities*	2,021·2	2,096·3	2,046·3
Other securities	0·8	9·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·3	12·9	15·1
Bankers	206·2	206·0	210·6
Others	72·1	70·1	70·8
Total	290·6	288·1	297·1
Securities:			
Government	229·6	224·2	264·1
Discounts and advances	21·6	8·2	16·1
Other	19·0	18·9	20·4
Total	270·2	251·3	300·6
Banking department reserve	38·9	55·3	15·0
"Proportion"	% 13·3	% 19·1	% 5·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,050 million from £2,100 million on September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
Aug. 30	240·0	359·3	240·0	82 5·03	59
1958					
May 30	260·0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	49
„ 13	270·0	413·0	270·0	90 1·77	49
„ 20	260·0	414·1	260·0	85 9·63	36
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
„ 11	240·0	452·8	240·0	80 3·79	43
„ 18	240·0	424·3	240·0	84 11·39	40
„ 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39
„ 8	250·0	467·9	250·0	77 3·63	55
„ 15	250·0	437·8	250·0	74 5·00	33
„ 22	250·0	437·4	250·0	74 6·25	28
„ 29	270·0	424·1	270·0	74 11·48	53

* On August 29th tenders for 91 day bills at £99 1s. 3d secured 53 per cent, higher tenders being allotted in full. The offer this week was for £270 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: September 3	Market Rates: Spot: August 28	August 29	August 30	September 1	September 2	September 3
United States $	2·78–2·82	2·80⅛–2·80⅜	2·80⅛–2·80⅜	2·80⅛–2·80½	2·80⅛–2·80⅜	2·80⅛–2·80⅜	2·80⅛–2·80⅜
Canadian $	...	2·71⅛–2·71½	2·72⅛–2·72½	2·72⅛–2·72⅜	2·72⅛–2·72⅜	2·72⅛–2·72½	2·72⅛–2·73
French Fr.	1167·18–1184·82	1172½–1172⅝	1172½–1172⅝	1172½–1172⅝	1172½–1172⅝	1172½–1172⅝	1172½–1173
Swiss Fr.	12·15⅛–12·33⅛	12·20–12·20⅛	12·20–12·20⅛	12·20–12·20⅛	12·20½–12·20⅝	12·20⅛–12·20⅛	12·20–12·20
Belgian Fr.	138·95–141·05	139·00–139·05	138·97½–139·02½	139·00–139·02½	138·97½–139·05	138·97½–139·02½	138·97–139·02
Dutch Gld.	10·56–10·72	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56½–10·56⅜	10·56½–10·56⅜	10·56⅛–10·56⅜	10·56½–10·56
W. Ger. D-Mk.	11·67⅛–11·84⅜	11·69⅛–11·69⅜	11·69⅛–11·69⅜	11·69⅜–11·70	11·70½–11·70⅝	11·70⅛–11·70⅜	11·69⅛–11·70
Portuguese Esc.	79·90–81·10	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40
Italian Lire	1736⅛–1762½	1737½–1738½	1737½–1737⅝	1737½–1738	1738½ 1739	1738½–1738⅝	1737½–1738
Swedish Kr.	14·37½–14·59½	14·43⅜–14·43⅝	14·43⅜–14·43⅝	14·43⅜–14·43⅝	14·43⅞–14·44⅛	14·44⅛–14·44⅜	14·44⅛–14·44
Danish Kr.	19·19½–19·48½	19·33⅛–19·33½	19·33⅛–19·33½	19·33⅛–19·33½	19·33⅛–19·33½	19·33⅛–19·33⅜	19·33⅛–19·33
Norwegian Kr.	19·85–20·15	20·00⅛–20·00⅜	20·00⅛–20·00⅜	20·00⅛–20·00⅜	20·00½–20·00⅝	20·00⅛–20·00⅜	20·00⅛–20·00
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
Canadian $		⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm
French Fr.		2–5 dis	2–5 dis	2–5 dis	2–5 dis	2–5 dis	2–5 dis
Swiss Fr.		1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1c. pm
Belgian Fr.		½ pm–par	½ pm–½ dis	½ pm–½ dis	½ pm–½ dis	½ pm–½ dis	½ pm–½ dis
Dutch Gld.		1–⅛c. pm	½–⅛c. pm	⅜–⅛c. pm	⅜–⅛c. pm	⅜–⅛c. pm	½–⅛c. pm
W. Ger. D-Mk.		1½–1½pf. pm	1½–1½pf. pm	1½–1½pf. pm	1½–1½pf. pm	1½–1½pf. pm	1–1pf. pm
Italian Lire		1 pm–par	1 pm–par	1 pm–par	1 pm–par	1 pm–par	1 pm–par
Swedish Kr.		⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis
Danish Kr.		2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par
Norwegian Kr.		1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/6½	250/8	...	250/5½	250/6½	250/7½



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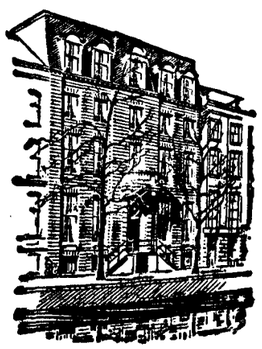

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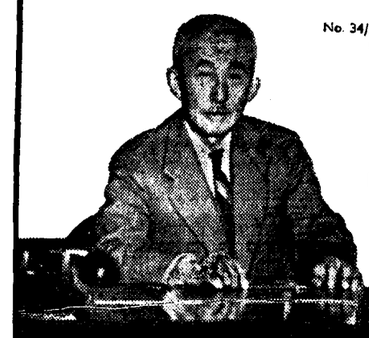

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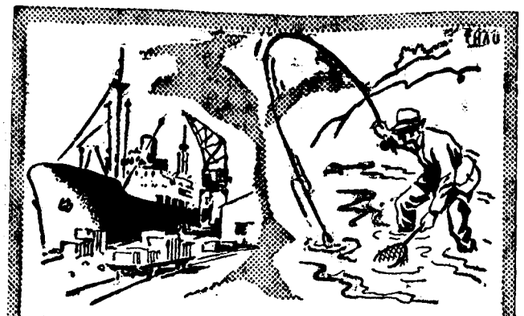

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COMPANY MEETINGS

DAVY AND UNITED ENGINEERING CO. LIMITED

BENEFIT FROM PLANT MODERNISATION : MR D. F. CAMPBELL ON RECORD PROFITS

The eighty-fifth annual general meeting of Davy and United Engineering Co. Limited, will be held on September 26th at Sheffield.

The following is the statement by the chairman, Mr D. F. Campbell, circulated with the report and accounts:

It is with deep personal regret that I record the sudden death, in December last, of Mr W. W. Franklin, who was Technical Director of the Company. Mr Franklin served his apprenticeship with the Company and apart from service in the Royal Navy during the 1914-18 War, he spent his entire career with the Company. His loss is keenly felt by his colleagues and his many friends.

PROFIT AND LOSS ACCOUNT

The Group trading profit for the year is a record and amounts to £1,310,422 as compared with £641,642 in the previous year.

Depreciation has absorbed £175,208 and will continue to increase as further capital expenditure is incurred under the Development programmes.

The additional provision for contingent claims, amounting to £61,931, is the normal amount set aside to meet possible expenditure during guarantee periods and the increase over the previous year is wholly because of the much greater volume of contracts delivered in the year. There are no items of an exceptional nature.

The profit, before taxation, thus amounts to £1,024,163. Taxation requires £491,898, leaving net profit of the Group £532,265.

The Directors have appropriated £50,000 to Plant and Machinery Replacement Reserve; £54,000 to Group Income Tax Initial Allowances Equalisation Reserve, and £250,000 to General Reserve, and have recommended payment of a dividend for the year of 20 per cent, less income tax, amounting to £130,197.

BALANCE SHEET

The principal features of the Consolidated Balance Sheet are the increases in Fixed Assets and in the gross value of Work-in-Progress. There is also a new item, viz., Associated Companies.

The increase in Fixed Assets arises from expenditure on the current Development programme and relates particularly to Buildings and Plant and Machinery.

In March 1958 the Company occupied the new Design and Administrative offices at Darnall, Sheffield. All activities at Sheffield are now concentrated at Darnall. Efficient Design Offices are as necessary to Davy-United as well equipped manufacturing workshops and already much benefit is being felt from this highly successful new building. It was with some sentimental regret, however, that Park Iron Works was sold and vacated. David and Dennis Davy commenced in partnership in Sheffield about 1830, and transferred their business to Park Iron Works in 1850. Park Iron Works had thus been the site of the partnership and subsequent company for 108 years.

At the date of the Balance Sheet the Park Iron Works premises had not been wholly vacated and the payments received on account of the sale to that date are shown as a deduction from the Fixed Assets.

In my statement last year I referred to the formation of Davy British Oxygen Limited and the Company's interest therein is included in Associated Companies. During the year the Company also took a financial interest in Continuous Casting Company Limited and this is also included in Associated Companies.

The substantial increase in the gross value of Work-in-Progress is referred to in the Report of the Directors; the sub-contractors mentioned are mainly manufacturers of plant and equipment not produced by the Company.

Cash at Bank and in Hand of £353,333 consists principally of the sterling equivalent of foreign currency deposits and balances in overseas banks, representing money to be spent abroad in executing export contracts.

During the year the shares in the former subsidiary company, Duncan Stewart & Company Limited, were sold to Bookers Engineering Holdings Limited. What has been sold is, in effect, the goodwill of the Sugar Machinery business and this included the transfer to Bookers of the administrative, technical and sales staffs concerned with sugar machinery. The Glasgow Works remain your property and continue to contribute to Group profits. There were, however, good practical reasons for disposing of the sugar machinery business to a company extensively concerned with sugar and with whom our relations are most cordial. Indeed, it was implicit in the transaction that manufacturing facilities for certain classes of sugar machinery would continue to be available to Duncan Stewart at both our Sheffield and Glasgow Works.

Having reviewed the principal features of the Accounts, you will wish me to make some more general comments on the Company's affairs. I believe that stockholders will derive some satisfaction from the year's results. The profit earned is a record by a substantial margin, but there has been so much ill-informed comment on industrial profits in recent years that it is important that our new result be viewed in proper perspective.

SUCCESS OF BOARD'S POLICY

In my statement to you two years ago, I said that our policy was to increase the return on the capital employed, not by increasing the margin of profit included in our prices, but by shipping more goods through our factory doors in any year per capita of employment. That is what we have done and that is what, in the main, accounts for the very considerable increase in profits. It arises from greater output; from better profits from the Middlesbrough foundry; and from the inclusion of a useful contribution from the recently formed Instrument Division. All this has been achieved by the policy which I have stated to you year after year; that of re-investing a substantial part of the Company's earnings in the installation of the most modern plant and equipment. It may fairly be said that the year's result is the first real reward from this long range policy, achieved after many difficulties and disappointments. It is also the culmination of more than ten years' hard work by many people in Davy-United and I am sure that the thanks of the stockholders will go with exceptional warmth to all those who have laboured so unremittingly. Not the least of the reasons for your Company's strength is the remarkable degree of comradeship and enthusiasm at all levels under the dynamic leadership of the Managing Director, Mr M. A. Fiennes. Our relative success this year is a great encouragement to them and is something of which all may feel proud.

I would point out that the capital employed in Davy-United today is of the order of £5 million. The balance of profit left, after taxation has taken nearly half, is only about 10 per cent of the capital employed and is certainly no more than is necessary to keep the Company financially healthy.

ENGINEERING DIVISION

The contracts delivered in the year include the Blooming and Slabbing Mill installed at the Lackenby Works of Dorman Long (Steel) Limited. The Company has received contracts for this new Steelworks valued at over £3 million and during the year a Billet Mill was also delivered. At the Shotton Works of John Summers and Sons Limited we have delivered a large volume of equipment designed to increase the capacity of the Hot Strip Mill. We have delivered a large 12 ft 4-High Plate Mill to the Appleby Frodingham Steel Company and this has gone into operation successfully since the year under review ended. We have also done an extensive re-construction of a rolling mill at Steel Peech & Tozer which we originally supplied in the late 1920s. Other substantial contracts were completed for Shepcote Lane Rolling Mills, for Richard Thomas and Baldwins Limited and for the Steel Company of Wales. In the export field, we despatched a Skelp Mill and auxiliary equipment to the Broken Hill Proprietary Company in Australia; a Reversing Hot Strip Mill to Surahammars Bruks AB in Sweden and Cooling Bed equipment for Acindar Industria Argentina de Aceros, SA in the Argentine.

DAVY AND UNITED ROLL FOUNDRY LIMITED

This company had a record year and it is evident that Davy-United rolls and steel castings enjoy a fine reputation. Following the purchase some time ago of additional land adjacent to the site at Billingham, a new fettling shop has been erected and this and other improvements in working conditions have led to higher output and greater efficiency. It may be said that the first phase in the progressive modernisation of the old works is now virtually completed. While further work remains to be done in due course, the Roll Foundry business is now on a sure economic foundation, with a resourceful and enthusiastic management.

STEELWORKS CONSTRUCTION DIVISION

This division was instituted some two years ago to undertake contracts for complete steelworks and complete departments within a steelworks. It is currently engaged in dealing with the Company's share of the contract for the Durgapur Steelworks of the Government of India and is also engaged in formulating schemes for prospective contracts. A substantial branch of the Division has been created at Durgapur and I am pleased to say that the site works coming

within the responsibility of the Division are proceeding satisfactorily. Shipments are proceeding according to programme, and while a satisfactory profit is expected in due course no part has been brought into account in the year under review.

INSTRUMENT DIVISION

Members may recollect that I referred to the formation of this division two years ago. It is proving successful and has already earned profits covering more than the cost of its original development. Created originally to pursue the development of instrumentation as applied to rolling mills, the field has been extended to other activities and substantial expansion of its business can be expected in the next few years

PROSPECTS AND DEVELOPMENT

As a Company we are largely dependent upon the steel industries of the world and upon the British steel industry in particular. Of course, we serve the important aluminium and other non-ferrous industries also and we have some diversification in our rolls, steel castings and instruments businesses. Nevertheless, the economic employment of the great bulk of the Company's assets depends upon a continuing demand for heavy steelworks plant and principally for rolling mills and forging presses which are our speciality. The demand for such plant arises partly from the need to replace obsolete equipment and partly from continuing growth in the demand for steel itself, calling for the establishment of new steelworks.

It is well known that, by reference to consumption in the countries enjoying a high standard of living, the potential world demand for steel is in excess of present production, but whether this potential can be realised depends upon many political and economic factors which are outside the scope of this statement. That the world demand for steel will continue to grow seems reasonably certain if the nations of the world preserve their sanity and to that extent the long-term prospects of your Company should be hopeful. What is harder to predict is the rate of growth and this carries the corresponding problem of whether your Company should be expanded still further, at what rate and to what size.

In my statement to you last year, I drew attention to the special report of the Iron and Steel Board published in May 1957, stating the intention to increase the capacity of the British steel industry by nearly 40 per cent by 1962 at a cost of about £800 million. I went on to say that your Directors considered this to warrant a further expansion in this Company's capacity, though the necessary finance would first have to be assured. However, the economic climate changed shortly after my statement was published. The Government's measures of last autumn had the effect that, even if the additional finance could be raised, the terms would not, in the Directors' opinion, be to the advantage of the members. Furthermore, although we have received some substantial contracts from the current development programme of the British steel industry, it is evident that the growth of steel capacity will be at a somewhat slower rate than was envisaged a year ago. This may well be a short-term fluctuation and it is noteworthy that the latest Annual Report of the Iron and Steel Board indicates that there can be little doubt about the need for additional capacity for wide strip, although at a later date than originally expected.

There is also some uncertainty in export markets and a growing demand for long-term credit. Perhaps the most disturbing feature is the fact that the British steel industry has again become a political football and the uncertainty thus created is rendering difficult the raising of finance for large new steel developments.

ACCELERATED PLANT REPLACEMENT

Taking all these factors together, your Directors concluded that it would be wise to moderate the further development programme as originally proposed. Instead, they intend to proceed with a programme of accelerated plant replacement, in such a way as to obtain the highest and most efficient output from the existing buildings. This may involve the need for some short-term finance, which is currently being negotiated.

The current development programme, costing about £3 million, will be coming progressively into operation during the next few months. The Directors' Report refers to the steps which have been taken to finance this scheme. I refer to it here because the consistent policy of ploughing back retained profits into fixed assets has resulted in some shortage of cash. Both the recent Debenture Issue and the forthcoming Rights Issue are designed, not only to provide the money necessary to pay for the plant and machinery involved, but also to provide additional working capital and thus improve the liquid position.

Finally, I can say that in the absence of something quite unforeseen, the present order book and the rate of production give sound hopes for believing that the results during the next two years should be satisfactory to members.

GALE LISTER & COMPANY LIMITED

DIVIDEND MAINTAINED

The twenty-second annual general meeting of Gale Lister & Company Limited was held on September 1st at Leeds, The Right Hon. The Earl of Hardwicke, chairman, presiding.

The following are extracts from his circulated statement for the year ended March 31, 1958:

The profit amounts to £43,090 compared with £42,727 for the previous thirteen months. Your directors propose to maintain the dividend at 12½ per cent. Company turnover has again increased and it is disappointing that this is not reflected in the profit and loss account. This is due to the poor experience of our subsidiary, Tom G. Porter & Company (Leeds) Limited. Costs, too, have continued to rise, and the increase in the Bank Rate came at a particularly unfortunate time so far as the company was concerned in that it coincided with the period in which we resort to bank borrowing to finance the stocks we require over the Christmas period.

Two years ago I stressed the need to spend more on advertising and that it was the policy of your Board to devote this increasing expenditure to our Dowcester and Marievale Sherries. This is now beginning to yield results.

Towards the close of our financial year we were able to acquire a licensed hotel in the Harrogate area, and a new subsidiary, Gale Lister Hotels, Limited, has been formed. I am sure it will become a valuable source of additional earnings.

The report and accounts were adopted.

UNILEVER LIMITED AND UNILEVER N.V.

INTERIM ANNOUNCEMENT OF CONSOLIDATED TURNOVER AND RESULTS SIX MONTHS TO 30th JUNE, 1958

The Boards of Unilever Limited and Unilever N.V. announce the Companies' estimated consolidated turnover and results for the first six months of the current financial year. The figures, which are unaudited, have been calculated on the same basis as those published in the Annual Report and Accounts. The corresponding figures for the first and second six months of 1957 are given for comparison.

Total value of turnover for LIMITED and N.V.:

1958 Half-year 30th June	£860 million
1957 Half-year 30th June	£846 million
1957 Half-year 31st December	£874 million

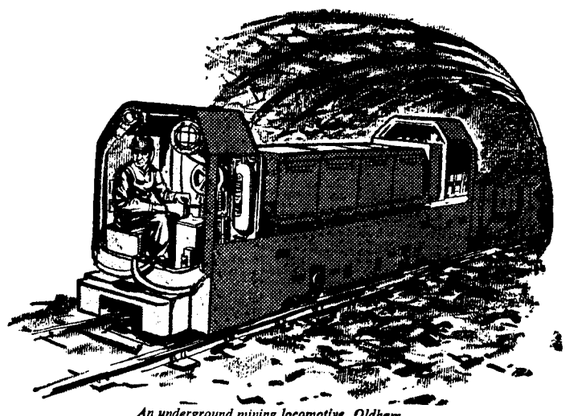
Deductions are shown in brackets (all figures are shown in £ millions)

	1958 Half-year 30th June			1957 Half-year 30th June			1957 Half-year 31st December		
	Comb'd	Limited	N.V.	Comb'd	Limited	N.V.	Comb'd	Limited	N.V.
Profit before taxation	43·2	20·0	23·2	43·7	22·4	21·3	41·6	19·4	22·2
Taxation on profit for the period including foreign taxes	(22·3)	(9·8)	(12·5)	(23·1)	(11·3)	(11·8)	(22·0)	(9·7)	(12·3)
Profit for the period after taxation	20·9	10·2	10·7	20·6	11·1	9·5	19·6	9·7	9·9
Exceptional items (incl. taxation adjustments previous years) ..	·6	(·6)	1·2	(·1)	·2	(·3)	2·3	·9	1·4
Amounts attributable to outside shareholders' interests in subs.	(1·2)	(·4)	(·8)	(1·1)	(·4)	(·7)	(1·0)	(·4)	(·6)
Consolidated Net Profit	20·3	9·2	11·1	19·4	10·9	8·5	20·9	10·2	10·7

After considering the effect on net results of price variations in oils and fats, the Directors do not think that any transfer to or from stock reserves is called for.

28th August, 1958.

'Our latest technical advances have paved the way into new and valuable markets...' Mr. John Oldham, O.B.E.



An underground mining locomotive. Oldham batteries are now widely used in such equipment.

SALES UP IN ALL DIVISIONS—EXPORTS AHEAD AGAIN

FURTHER INCREASE IN PRODUCTION ABSORBS RISING COSTS

INCREASINGLY competitive conditions have prevailed—says the Chairman, Mr. John Oldham, O.B.E., in his Statement—but I am glad to say that both at home and overseas there has been an increase in the volume and value of production and sales of the Group.

Costs in the way of wages, salaries and other expenses continued to rise, and at the year's end the value of lead stocks was reduced, consequent upon the fall in the price of that metal during the year. Thanks, however, to the increased production, the burden of these increased charges has largely been absorbed.

There is a reduction in the profit of the Parent Company for the year in spite of the fact that the turnover was substantially maintained—accounted for by increased expenditure during the year on technical development and sales promotion, designed to expand the Company's range of production and open up new sales outlets at home and overseas.

Whilst the full benefit of these developments has yet to be derived, good evidence is to be found in the expansion of group sales that this programme is bearing fruit.

In a year when we have spent so much time and money in development and sales promotion, it is not only gratifying but reassuring to be able to maintain our dividend and increase our reserves.

PRODUCTION: Our new 'Pg' double-sleeve battery went into production during the year. Its advent marks another important step forward in the diversification of the series of batteries manufactured by the Company.

With its increased capacity and long life the Oldham 'Pg' battery is well suited for operation wherever high power and rugged construction must be combined to meet the most arduous conditions of service. Increasing numbers of 'Pg' batteries, some of which weigh about six tons, are now being specified for original equipment and replacement purposes at home and abroad.

EXPORTS: Direct exports have gone ahead during the year and again exceeded those of the previous period. Over 30% of our home production during the year has gone into direct exports to over 80 countries.

FINANCIAL RESULTS

Net Profit of Parent Company before charging taxation—£164,295 as against £220,471 in the previous year.

GROUP PROFIT—subsidiaries as a whole have shown an increased profit from £232,226 to £247,297 and the Group as a whole has shown a profit of £411,592 as against £452,697 in the previous year.

DIVIDEND: having paid an interim dividend of 7½% the final dividend of 10% is maintained.

RESERVES: Aggregate capital and Reserves now amount to £1,619,561. This is £1,011,278 greater than ten years ago.

SUMMING UP: In concluding my report last year, I said that our policy of expanding and deploying our resources for direct exports and overseas manufacture had placed the Company in a good position to share in the demand for its products throughout a large section of the Commonwealth, the Continent of Europe and other parts of the world.

Events during the period of my present review confirm the confidence I then expressed, as is reflected by the fact that sales in all divisions have increased during the year and the progress of our overseas companies is both satisfactory for the present and promising for the future.

Our latest technical advances have paved the way into new and valuable markets, and our technologists continue to have our support in their important development work.

In personnel and in organisation, and particularly in developing the next generation of management, we continue to make steady progress to meet the needs of the times.

Without attempting to prophesy, I remain optimistic about the future. Whatever success we may have will be a natural corollary to the foundations we have laid. Based upon those foundations, and of course subject to conditions beyond our control, we can look forward to the Company's continued expansion with confidence.

A copy of the Annual Report and Accounts will gladly be provided on request.

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FURNESS, WITHY & COMPANY

HIGHER GROSS REVENUE OFFSET BY OPERATING COSTS

SIR ERNEST H. MURRANT ON PROBLEMS CONFRONTING SHIPPING INDUSTRY

The sixty-seventh annual general meeting of Furness, Withy & Company Limited, will be held on September 24th at Furness House, Leadenhall Street, London, E.C.3.

The following is an extract from the statement by the Chairman, Sir Ernest H. Murrant, KCMG, MBE, which has been circulated with the report and accounts for the year ended April 30, 1958:

It is always disappointing to report a reduction in earnings, but the problems which beset the Shipping Industry have received so much publicity in recent months—in Parliament and elsewhere—that the results of the 1957-8 operations should not be surprising to Stockholders, but rather should be regarded as reasonably satisfactory.

Our experience, however, has been that whilst gross revenue has increased, operating costs have increased to an even greater extent. Trading Profit, after charging all expenses and operating costs and contingencies, shows a fall of £1,809,853; on the other hand, Dividends from trade and other investments are up by £123,816. Depreciation, on a normal basis, amounting to £2,694,450, has been charged against profits, and taxation in various forms amounted to £927,852. The net amount of profit dealt with in the Company's Accounts is £1,014,347 compared with £1,371,009 last year, or with £1,036,586 in 1956.

TRADING CONDITIONS

As has frequently been mentioned, the Liner trades in which your Company is concerned (either directly or through Subsidiaries and Associates) are world wide. It is natural, therefore, that experiences are not uniform. The Mediterranean trades operated by Prince Line and Johnston Warren Lines have been sadly disrupted, firstly in Egypt, then in Cyprus, Syria and Lebanon, by political conditions.

The service which we have established from London to the Great Lakes ports of Canada and the United States showed a loss last year, due in part to increased competition and increased operating costs, but chiefly because of the necessity to operate with small chartered tonnage. When the St Lawrence Seaway is opened in the Spring of 1959 we shall be able to provide larger and more economical tonnage in our own ownership, which it is hoped will be justified by the expansion of direct trade with the Great Lakes ports, and not alone by the diversion of trade from Ocean ports.

Our New York/Bermuda service produced disappointing results although we were able to provide sailings in excess of our contract obligations. Operating expenses, however, were higher; there was increased competition for freight, and air services not only increased but also held passenger fares to a highly competitive level.

Although our investment in Airwork Limited has not developed in the direction originally anticipated (namely in Transatlantic freight traffic) the business continues to expand satisfactorily in other directions, notwithstanding the continuance of many irksome restrictions. Since the acquisition of Transair Limited a substantial interest has been purchased by Airwork in another independent operating company, which will further strengthen and broaden the framework of the Company's business. Satisfactory results have been achieved by Airwork, and a reasonable dividend has been received in the past year, and is assured for the current year.

INSIDIOUS MENACES TO BRITISH SHIPPING

During the past few months the affairs of the Shipping Industry have been the subject of a good deal of discussion in Parliament and elsewhere. Attention has been focused upon the menace of the growing volume of shipping which has taken advantage of registration in countries which impose no taxation other than purely nominal annual fees. A considerable amount of such shipping is beneficially owned in the United States or financed by United States capital.

There is nothing legally wrong about it; it does, however, create a serious handicap both to Shipowners who register their ships in countries where they are expected to, and obliged to pay their share of whatever taxation may be imposed upon them, and also to the countries, such as ours, which look to their national shipping to help the economy through invisible export earnings. But while attention has been particularly focused upon the problem of how to counteract, or match, the advantages enjoyed by these Panhonlib ships (Panama now has 4,129,000 gross tons of shipping and Liberia 7,466,000 tons, other important and insidious menaces continue to flourish and remain unchecked in various forms of discrimination, and nationalism.

Much has been done in recent months to remove a variety of domestic restrictions which owed their existence to wartime conditions. But if British shipping is as important to the welfare of the State, and to the national economy, as it is known to be, knowledge of the facts, and the removal of domestic restrictions are not adequate to counteract the discrimination, freedom from taxation, subsidisation and other benefits which are enjoyed by shipping with which British owners are obliged to compete.

At the present time, with the general market freight index being only about half of what it was in 1957, and with one and a half a million gross tons of shipping laid up in British ports alone, the statistical position of British shipping is worthy of record, viz., in 1939 (the last year before the war in which about half the British tonnage was destroyed) tonnage registered in Great Britain was 17,891,000 gross, world tonnage at that time being 68,509,000 gross. In 1957 the comparable figures were Great Britain 19,857,000 tons gross and world tonnage 110,246,000 gross. Thus, in spite of all the replacement of lost tonnage by British owners, Great Britain's percentage of world tonnage has fallen from 26.11 per cent to 18.01 per cent, a striking commentary upon the growth of tonnage under other flags, principally those of the countries granting freedom from taxation. There has, of course, been a change in the general pattern through the growth in the amount of tanker tonnage (included in the figures quoted), but the net result is that whilst there has been an increase of 60.92 per cent in world tonnage, Great Britain's share has fallen from 26.11 per cent to 18.01 per cent in the course of a comparatively short period of years.

BANCO DE CREDITO DEL PERU

Head Office: LIMA

CONDENSED BALANCE SHEET 30 JUNE, 1958

ASSETS			LIABILITIES		
Cash and Funds available	S/.	485,634,104.32	Capital	S/.	80,000,000.00
Loans and Discounts	„	1,741,276,465.47	Reserves	„	98,745,958.91
Securities	„	23,951,340.33	Deposits	„	1,983,368,658.75
Securities held as Guarantee for Savings Deposits	„	47,657,750.00	Exchange Operations	„	245,073,524.57
Bank Premises, Furniture and Fixtures	„	26,800,001.00	Provisions and Sundry Creditors	„	498,356,442.91
Exchange Operations	„	249,501,482.93	Interest Collected, Commissions and Other Income	„	131,339,208.98
Sundry Debtors	„	336,967,634.35			
Interest Paid and Payable, Personnel Expenses, Taxes, etc.	„	125,095,015.72			
Total	S/.	3,036,883,794.12	Total	S/.	3,036,883,794.12
Securities held as Collateral against Loans, and in Safe Custody	„	1,353,614,503.77	Deposits of Securities held as Collateral against Loans and in Safe Custody	„	1,353,614,503.77
Bills for Collection	„	2,293,993,960.90	Deposits of Bills for Collection	„	2,293,993,960.90
Mortgage Guarantees	„	147,970,109.57	Mortgage Guarantees	„	147,970,109.57
Debtors per Contra	„	145,189,144.47	Creditors per Contra	„	145,189,144.47
General Total	S/.	6,977,651,512.83	General Total	S/.	6,977,651,512.83

BRITISH MATCH CORPORATION

Salient features of the accounts and of the statement by the Chairman, The Rt. Hon. Lord Kindersley, C.B.E., M.C.

	Year ended 31st March	
	1958	*1957*
Group trading profit before tax	£2,344,000	£2,442,000
Profit (less tax and outside interests)	£1,001,000	£1,277,000
Dividends (less tax): Preference	17,000	17,000
Ordinary	391,000	391,000
	£408,000	£408,000
Preference capital	525,000	525,000
Ordinary capital	6,188,000	6,188,000
Reserves	10,990,000	7,560,000
Outside shareholders' interests	2,073,000	2,387,000
	£19,776,000	£16,660,000
Fixed assets	12,945,000	8,580,000
Net current assets	6,831,000	8,080,000
	£19,776,000	£16,660,000

RESULTS

Record trading results have been partially offset by exchange losses.

REVALUATION OF ASSETS

Physical assets of the U.K. and Australian match companies have been revalued at their current worth and the resulting increase placed to reserve. Fixed assets in the remainder of the group will be revalued this year.

FINANCE

The capital structure of the group has been simplified by the acquisition of the minority interests in Bryant & May.

MATCH INDUSTRY—U.K.

Bryant & May are making good progress with their re-equipment programme, which should be completed by 1960 at a total cost of £1,500,000.

Sales of Swan Vestas and bookmatches exceeded post-war records.

Total sales were as follows, in units of one million gross boxes:

	1953	*1954*	*1955*	*1956*	*1957*
British	12.8	12.0	11.7	11.4	11.3
Imported	4.8	5.5	5.8	6.2	6.1
	17.6	17.5	17.5	17.6	17.4

MATCH INDUSTRY—OVERSEAS

The company has profitable match interests in the Commonwealth and South America.

	1953	*1954*	*1955*	*1956*	*1957*
Group sales	29.8	30.7	30.0	31.3	30.3

DIVERSIFICATION

The group is extending its interests in timber utilisation and packaging. £500,000 has been invested in The Airscrew Company & Jicwood Ltd., which manufactures "man-made timber" (particle board) and fans. Interests have also been acquired in two packaging companies. In Canada Kootenay Forest Products Ltd., a logging and lumber company, has been acquired for £1,000,000.



Copies of the statement and accounts, and of the booklet "Matches Plus!" describing the group's interests outside matches, from British Match Corporation Ltd., Fairfield Road, London E.3.

DONALDSON TEXTILES LIMITED

GROUP TURNOVER AGAIN A RECORD

The twelfth annual general meeting of Donaldson Textiles Limited was held on August 28th in London. Mr Alasdair Donaldson (the chairman) presiding.

The following is an extract from his circulated statement:

The Consolidated Trading Profit amounted to £441,990 compared with £544,234 in the previous year. The net profit for the period is £167,256 against £213,645 in 1956/57.

During the period under review, your Group again achieved a record turnover but our results have been materially affected by the heavy fall in the price of wool which took place during the year. Last year I considered it necessary to mention in my statement that the wide fluctuation in wool prices which had been a feature of postwar trading must always cause concern in relation to profit stability. This point has been clearly emphasised during the course of the financial year.

In a vertical organisation such as ours with its various stages of manufacturing covering Spinning, Dyeing, Knitting, Assembling and eventual distribution to the Retail Stores, it is inevitable that there must be considerable stocks in the pipe line. The stocks of the Group have been valued at cost, or realisable value where lower, which necessitated a considerable write-down to bring them into line with current values at March 29, 1958. Had it not been for these stock write-downs, the profits for the period would have been similar to those of 1956/57.

Throughout the year, however, we saw a significant change in the pattern of trading. The growing tendency of many retailers to delay the placing of seasonal orders has resulted in higher stocks having to be carried at certain periods of the year in anticipation of meeting requirements at the height of the selling season. This is a matter which must cause concern owing to the additional financial burden being imposed on manufacturers to meet this situation.

In contrast to our experience in the home market, we saw a decline in our export sales. This applied particularly to the dollar markets where the continued selling strength of garments made from synthetic yarns against all wool products affected us materially.

Operating costs continue to rise despite our continued efforts to control this position. Your Board appreciate that this tendency can only be counteracted by finding improved methods of production with a subsequent rise in productivity. Every step will be taken to achieve this object.

I consider it would be wrong to minimise the fact that the Wool Textile Industry in common with others has been going through a period of hesitancy in recent months. The recent decrease in the bank rate, followed by the announcement of an easing of the credit squeeze, however, should assist traders by allowing stocks to be brought to more normal levels and therefore stimulate trading conditions.

The present slowness in placing forward orders has resulted in our bookings over the first three months of the current year being lower than in the corresponding period last year.

The report and accounts were adopted and the final dividend of 17½ per cent on the "A" and "B" Ordinary Shares, less tax, making 25 per cent for the year, was approved.

CARTER & CO. LIMITED

INCREASED EXPORTS

The fiftieth annual general meeting of Carter & Co. Limited, was held on August 28th in London, Mr C. Cyril Carter, chairman, presiding.

The following is an extract from his circulated statement for the year to March 28, 1958:

The reorganisation of the Group internal and operational structure, is proving to be beneficial. The creation of a new subsidiary, Carter Tiles Limited, to operate our two main tile making units at Poole, was achieved by reviving our subsidiary Hartington Supplies Limited, which had not traded for many years, and changing its name. This operation, no mere nominal administrative changeover, is already proving to have been well worth while. Sales of the new company have been maintained, indeed slightly increased. Its white glazed tile, "Carter Dolphin White," has achieved wide recognition for its quality, is highly regarded and in steady demand. The "Dolphin" range has since been successfully extended to include coloured glazes. Our work in the field of special decoration, both in mosaics and tiles, has been important and interesting. We were glad to receive a commission to carry out a large tile decoration for the United Kingdom Pavilion at the Brussels exhibition—a mural some 70 feet long—and the details of another, and larger, tile and mosaic mural for a new building in Lagos are now under discussion with the architects.

In spite of import restrictions in some of our best markets, intensified efforts have resulted in an increase of our tile exports of 41 per cent, making the percentage of export sales to home trade 11.6 per cent, a noteworthy achievement. We are anxious to increase the volume of our exports, for obvious reasons. We have entered into a contract to supply large quantities of glazed tiles to Canada on a recurring and possibly increasing basis.

SALES OF "POOLE POTTERY"

Carter Stabler & Adams, Limited (famous for its "Poole Pottery") has again increased its valuable contribution to Group results. Sales for the year increased appreciably and the home order book is very healthy.

Contracting companies: Tenders grow more and more competitive and orders go increasingly to the lowest tender, irrespective of quality of product and workmanship. This position can only be offset by greater attention to productivity at the contracting end. New methods and materials are being examined.

The trading difficulties of these companies reflect the general situation which is causing concern in the building industry. Nevertheless they not only pay their way very satisfactorily, but produce for the Group valuable contacts with the architectural profession and the building industry.

Our relatively small subsidiary, The Marbolith Flooring Company, Limited, can, we believe, increase its value to the Group by the adoption of improved methods. Its managing director paid a short visit to Germany during the year and met the leading contractors for similar flooring in a country where this type of floor covering, of a high quality, is firmly established. As a result of the visit we are hoping not only to improve the product itself but to adopt new laying techniques which will, we think, enable us to offer a material and service of an even higher order. In general, the volume of orders at the moment is not unsatisfactory considering the circumstances.

The report and accounts were adopted.

BUSINESS AND PERSONAL

9/- a line.

ENERGETIC firm representing several important British engineering concerns will provide office and other services to manufacturers interested in French market. Excellent references.—Write I.M.R., 56 rue de la Victoire, Paris IXeme.

STATISTICAL CONSULTANCY SERVICES offered, more particularly Trend Forecasting and Administrative Controls. Box 1013.

REPUTABLE MARKET-RESEARCH CONSULTANTS who have previously carried out research for the Iron Castings Trade and who are prepared to investigate a specialised field in this trade should contact Box 1007.

Invest in

CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

FIVE AND A HALF PER CENT FOR FOUR TO TEN YEARS

For further particulars apply:

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

"WHICH?" quarterly reports on stringent independent tests of consumer goods naming brands in order of value for money. "WHICH" is available to members of the Association for Consumer Research Ltd., 7d. Great James Street, London, W.C.1. Anyone can join at 10s. a year and will receive four consecutive issues of "WHICH".

1,050 DIRECTORSHIPS held by M.P.s listed and Classified in *Business Background of M.P.s*, ed. by Andrew Roth: 10s. to Parliamentary Profile Services, Ltd., 34 Somali Road, London, N.W.2.

"THE WEEK," the brilliant survey in *The Observer* every Sunday that gives you a clear perspective on a whole week's news in 15 minutes' easy reading. Let *The Observer* put the world in your hands on Sunday.

A CAMERA FOR THE WAISTCOAT. The precision Minox £71 8s.—City Sale & Exchange Ltd., 1 Leadenhall Street, E.C.3.

DESPERATE of Kensington forced to move. New flat must contain good space for prized store of El Cid Sherry. Willing to move to any district. Put up with any inconvenience. Pay any rent.

Invest with the

MORLEY CORPORATION

in Trustee Securities without cost.

5¼ per cent for 2, 3 or 4 years.
5¼ per cent for 5, 6 or 7 years.

Apply Borough Treasurer, Town Hall, Morley, Yorks.

INCORPORATED SECRETARIES' QUALIFYING EXAMINATIONS

are HELD each JUNE and DECEMBER, at 85 centres in U.K. and overseas. Copy of syllabus and details regarding membership may be obtained from:

THE SECRETARY,
THE CORPORATION OF SECRETARIES,
DEVONSHIRE HOUSE,
13, DEVONSHIRE ST., LONDON, W.1.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARk 8392.

B.SC.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E., Law, free from the Registrar, 60 Burlington House, Cambridge.

SUCCESSFUL TUITION FOR THE B.SC.ECON. DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if Entrance is included). Moderate fees, instalments. Over 920 Wolsey Hall students passed Lond. Univ. B.Sc.Econ. exams. 1951-57. —Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

VENNER LIMITED

(Electro-Mechanical Engineers)

MR A. A. ROWSE ON DEVELOPMENTS

Mr Arthur A. Rowse, CBE presided at the Annual General Meeting of Venner Limited on August 26th. The following is a summary of his remarks.

The Company had sustained a great loss in the death of Mr John Brooke, for sixteen years Managing Director.

Orders from Australia had increased while the Aircraft Division had benefited by commercial acceptance of the engine unit to which the Company contributed and the electrical storage battery manufactured within the group had demonstrated its outstanding qualities. A battery weighing about six pounds had delivered three horsepower for seven minutes, and then been re-charged. Defence applications of the battery were extensive.

Parking meters had been incorporated into the British way of life and since the close of the financial year their installation in England had started. The Electronics division was making encouraging progress. In the Time Switch division competition had remained very keen and general trading had been difficult, partly because of Governmental restrictions both at home and abroad.

As regards the future it was recognised that competition was likely to become even keener: the Company had, however, a range of generally accepted products and its quality was well regarded. The Board was therefore reservedly confident,

The Accounts for the year 1957 were adopted and a dividend of 15 per cent was confirmed.

INSTITUTE OF SPAIN, 102 Eaton Square, S.W.1. Term begins October 13th. Classes and lectures on the Spanish language, literature and culture. Library of over 10,000 volumes. Courses at the Spanish Universities. Special preparation classes for the Certificate of the Institute of Spain and the Diploma of the University of Madrid (advanced level).—For full details apply to the Secretary, SLO 8381.

APPOINTMENTS

JOSEPH LUCAS (ELECTRICAL), LIMITED require a

MATHEMATICAL STATISTICIAN

to undertake fundamental research into long and short term demand characteristics for the Company's products.

The person appointed will be required to work mainly on problems arising from other investigations into market conditions, and also to suggest new lines of enquiry particularly suitable for advanced statistical analysis.

The post offers variety and interest and the opportunity to work in a rapidly developing industrial market research section.

Applications are invited from men or women graduates whose degree course included statistics as one of the principal subjects. Age preferably between 21 and 30. Industrial experience desirable but not essential. The post is permanent and pensionable.—Apply in writing, stating age, qualifications, and experience, to the Personnel Manager, JOSEPH LUCAS (ELECTRICAL), LIMITED, Great King Street, Birmingham, 19, quoting reference PM/SE/239.

CENTRAL OFFICE OF INFORMATION requires Information Officer (unestablished). Duties: study of economic, social and political developments in the Commonwealth, particularly in UK Dependencies, and selection and presentation in form of reference papers of factual information. University degree, a good knowledge of relevant sources of information, and experience in preparing basic material to serve information purposes (e.g. factual articles, reports, lectures or broadcasts) are desirable qualifications. Salary £1,110 to £1,285 (male): £1,040 to £1,209 (female). Write giving details of age, education and experience to: Manager, Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4., quoting P.E.1699. Only candidates selected for interview will be advised.

APPOINTMENTS

Vacant 9/- a line: Required 6/- a line.

INDUSTRIAL ECONOMIST

is required by the

UNITED KINGDOM ATOMIC ENERGY AUTHORITY,

Industrial Group Headquarters,

TECHNICAL POLICY BRANCH

RISLEY, WARRINGTON, LANCASHIRE

The Technical Planning Section of this Branch is responsible for the formulation of broad policy proposals for the Industrial Group of the Authority and the work involves forward planning of the future Reactor programme and its associated plant. The successful candidate will be responsible to the Manager, Economics and Programmes, for the development of cost functions for the major technical processes of the Group in diffusion and chemical plants and nuclear reactors, and the application of the results of these studies to the formulation of policy proposals for the future design and operation of nuclear plant.

Possession of an appropriate honours degree is essential, together with at least five years' experience in economic analysis of industrial processes from which has been acquired a sound appreciation of the economic problems of forward planning.

Membership of a senior engineering institution would be an advantage.

Salary up to

£2,080

according to qualifications and experience.

Contributory Pension Scheme.

A house or assistance towards legal expenses on house purchase may be available.

Send postcard for application form, quoting reference 2589, to Recruitment Officer, U.K.A.E.A., I.G.H.Q., Risley, Warrington, Lancashire.

Closing date: September 29, 1958.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF SOCIAL STUDIES

Applications are invited for a Granada Television Research Fellowship of a value of between £1,500 and £2,000 a year, tenable from as early a date as can be arranged, for a period of up to five years in the first instance. The Fellow will be expected to undertake research into the public impact of television over as wide an area of enquiry as practicable. Provision has been made both for the appointment of such Research Assistants and clerical help as the Fellow may reasonably require and for additional expenses arising in the course of the research.

Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than September 30, 1958.

CHARTERED ACCOUNTANT

The UNITED KINGDOM ATOMIC ENERGY AUTHORITY invite applications from CHARTERED ACCOUNTANTS, preferably between 35 and 50, with some years of professional experience after qualifying followed by experience in a large commercial organisation, for an appointment on the Authority's permanent staff. The successful applicant will be required initially to spend two to four years in Johannesburg, South Africa, where the duties at present include liaison and administrative work as Senior U.K. Representative of the joint U.K./U.S. Office concerned with uranium procurement. Recent experience in a responsible position in the mining or chemical industry and/or with a large commercial organisation on high level negotiations would be an advantage. Subsequent employment is expected to be in a responsible post in the United Kingdom.

The appointment to the Authority's permanent staff will be on a basic United Kingdom salary within the range £2,100-£2,600 with membership of the Authority's contributory pension scheme. Whilst serving overseas allowances covering accommodation and other additional expenses will be payable; normal family return fares paid.

Application forms, obtainable by sending a postcard to the Establishments Officer, United Kingdom Atomic Energy Authority, Room 317, 11, Charles II Street, London, S.W.1, should be completed and returned to him by September 22, 1958.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of Lecturer or Assistant Lecturer in *Economics*. Salary in scale £700 x 50—£850 per annum (Assistant Lecturer) or £900 x 50 —£1,350 x 75—£1,650 per annum (Lecturer), with F.S.S.U. and children's allowances.

Applications should reach the Registrar, The College, Keele, Staffs., from whom application forms and further particulars may be obtained, not later than September 30, 1958.

CITY OF BIRMINGHAM

ASSISTANT TO STATISTICIAN

Applications are invited for the appointment of an Assistant (male or female) in the Central Statistical Office of the Town Clerk's Department. Candidates should have a university degree in science, mathematics or economics. Experience of research involving the analysis and interpretation of mass data will be an advantage. Salary A.P.T.II (£725-30-845).

Applications, giving age, where educated, details of degrees, diplomas, etc., particulars of any previous occupations, including details of statistical training and experience, with names of three referees, to the Town Clerk, Room 30B, Council House, Birmingham, 1, not later than September 22, 1958.

J. F. GREGG, Town Clerk.

Council House, Birmingham, 1. August 29, 1958.

ECONOMIST, University of Peshawar, Pakistan, as professor of economics and Director of the Board of Economic Enquiry, to teach several courses in economics and to administer research projects in socio-economic studies. Some experience in research work and an academic background including some work in sociology and anthropology would be desirable.

The assignment would be for three years, with possible consideration of a shorter period. The University will pay travel expenses to and from Peshawar for the appointee and his family and a rupee salary and will provide housing. The University's rupee payments will be supplemented by a dollar (or pound) grant to be awarded by The Asia Foundation through the University for the three-year period.

This position offers a unique opportunity to undertake economic research in a challenging area of Asia and to do pioneer work in some of the economic problems that confront a country such as Pakistan. A number of research projects have in the past been undertaken by the Board of Economic Enquiry in co-operation with the National Planning Board of Pakistan. The Government of Pakistan is making an annual grant of Rs. 25,000 to the Board, and it is possible that there will be additional income to the Board from various sources for special research projects. Interested candidates should submit their curricula vitæ to The Asia Foundation, 550 Kearny Street, San Francisco 8, California.

A.E.I.—HOTPOINT LTD.

CHIEF WORKS ACCOUNTANT

This expanding and virile domestic electric appliance organisation has a vacancy for a Chief Works Accountant. The post which is based in London is a senior one and involves the development of the Company's costing, etc. procedures and taking charge of the department which consists of a Works Accountant and associated staff in each of the Company's three batch and flow line production factories.

Applicants should be between the ages of 30 and 40 and should have several years' experience, some in a similar position to the post being advertised, of standard costing, budgetary control and production of management statistics in addition to good professional qualifications.

The Company's pension scheme, salary scales, etc., are good and this is an attractive post from the point of view of remuneration, prospects of development and interest of the job.

An immediate vacancy also exists for an *experienced*

WORKS ACCOUNTANT

to take charge of the works accounting, costing, and payroll functions at the Company's Peterborough Factory, employing some 2,000 persons, when the present holder of the position retires in 16 months' time.

Applicants should have several years' experience of modern costing methods, preferably in large scale light engineering, in addition to good professional qualifications, and should be between the ages of 30 and 40. The four figure salary will depend on experience and qualifications.

Applications giving all relevant details should be made to the:

PERSONNEL MANAGER,
A.E.I. HOTPOINT LTD.,
CROWN HOUSE,
ALDWYCH, LONDON, W.C.2.

BRITISH TRANSPORT COMMISSION require Economist/Statistician. Candidates should have some years' experience as an economist in the business world and understanding of the problems of high level management in a large organisation, ability to write briefly and clearly in non-economic language, and a good knowledge of the structure of the economy and of sources of statistical information. Direct experience in inland transport is desirable but not essential. Good academic or professional qualification required. Starting salary will depend on qualifications and experience, but will be in the region of £1,200 per annum. Superannuation scheme. Certain free travel facilities. Medical examination.—Write, giving age and details of education and career, to Principal Establishment and Staff Officer, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days. S.A.E. for acknowledgment.

RENOLD CHAINS LIMITED have a vacancy for a STATISTICIAN in their Economic Survey and Central Statistics Department.

The duties will be concerned with the analysis of current economic developments and their significance to the Company; and with statistical investigations, based on data produced both within the Company and by outside sources, into a wide range of industrial problems.

Candidates should have a good educational background and an appreciation of statistical method based on formal training in statistics and, preferably, on actual experience in this kind of work. A lively and informed interest in current affairs is essential; possession of a University degree and/or membership of a professional body would be an advantage.

Minimum starting salary will be £730 p.a. Conditions of work are excellent. Facilities include membership of Pension and Profit Sharing Schemes.

Please write with full details to—Personnel Officer (Men), Renold Chains Limited, Renold House, Wythenshawe, Manchester, quoting reference S.L.

CONSUMER RESEARCH LIMITED has a vacancy for an Assistant Research Officer. Applicants should have had experience in Market Research and qualifications should include a working knowledge of economics/statistics. Apply:—Personnel Officer, Consumer Research Limited, Lincoln House, 296-302, High Holborn, London, W.C.1.

Two additional

RESEARCH EXECUTIVES

with experience of defining marketing problems, planning and controlling market surveys to reporting and presentation stage are required. In one case, experience in control of Retail Audits will be a particular advantage. Posts carry good salaries and the work is absorbing in the variety of problems handled.

Letters will be treated with the fullest confidence. Address to:

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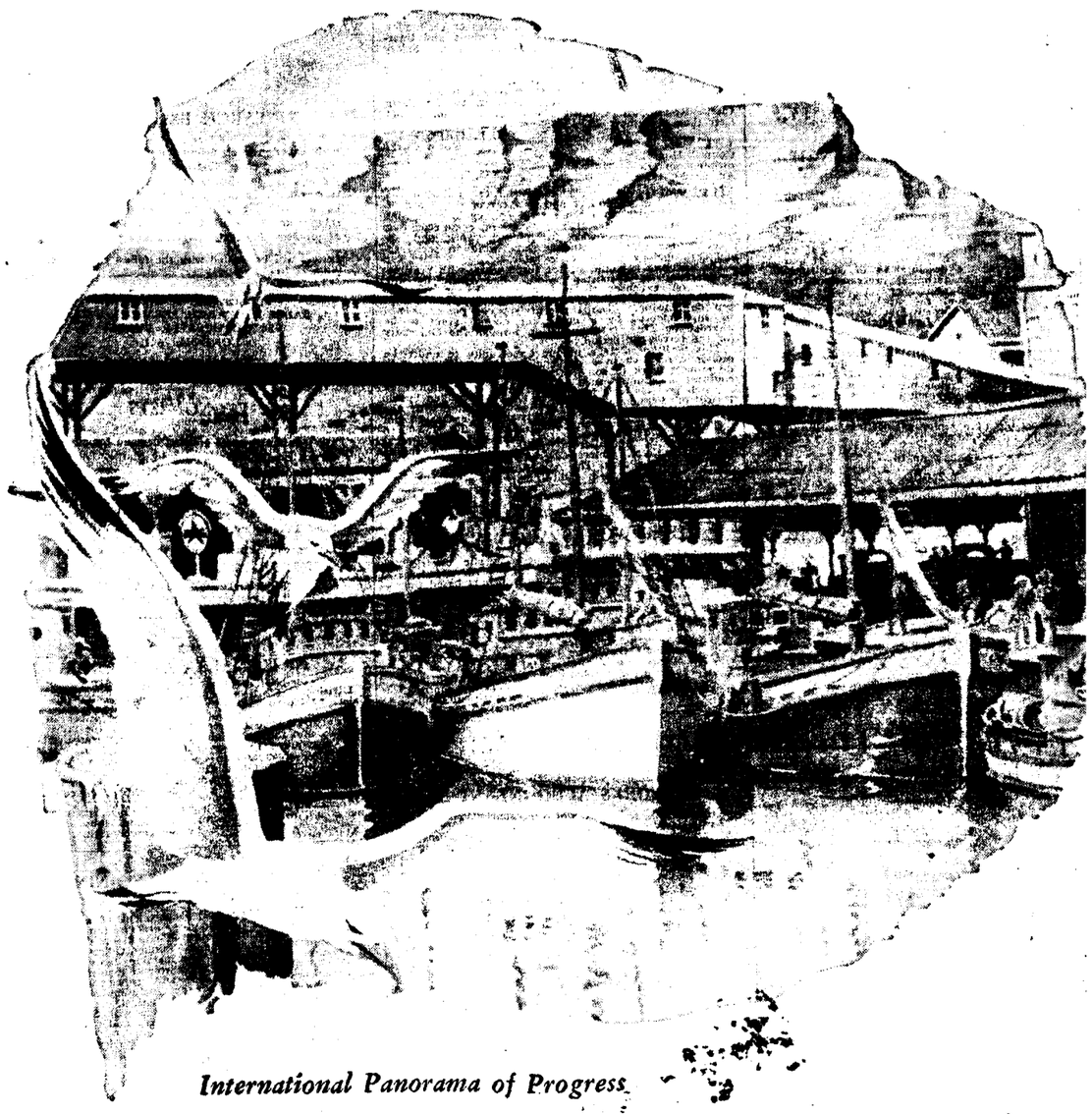

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AIR EDITIO

The Economist

SEPTEMBER 13, 1958 ONE SHILLING AND SIXPENCE FOUNDED 184

UNDER SECRETARY TO GOVERNMENT
22 SEP 1958
PUBLIC DEPARTMENT

What Gospel for Montreal?

Commonwealth development does not mean that Britain should buy its raw materials at above the world price or that the sterling dominions can run exorbitant deficits on London money (page 815).

The Warthog Underneath

100 per cent mortgages are being advocated to build up the number of owner-occupiers. They are neither a sound approach nor an effective counterblast to Labour's proposals to municipalise rented houses (page 861).

In Dr Verwoerd's Backyard

Britain and South Africa might well compete instead of clashing (page 820).

Uncle Sam Goes to School

Federal funds for schools are a sign of a changing attitude towards education in the United States (page 841).

A Year of "Dief" and "Mike"

Our Ottawa correspondent describes the Canadian political scene on the eve of the Montreal conference (page 851).

Quemoy and Moscow

China's aim is evidently to isolate America, but its own alliance with Russia remains the real key to the Formosa crisis (page 817).

Wanted: a Face

The Liberal party now needs to become recognisably and conspicuously liberal (page 819).

Ex-WD

How big is the trade in Government surplus goods, and who handles it? (page 862).

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 894

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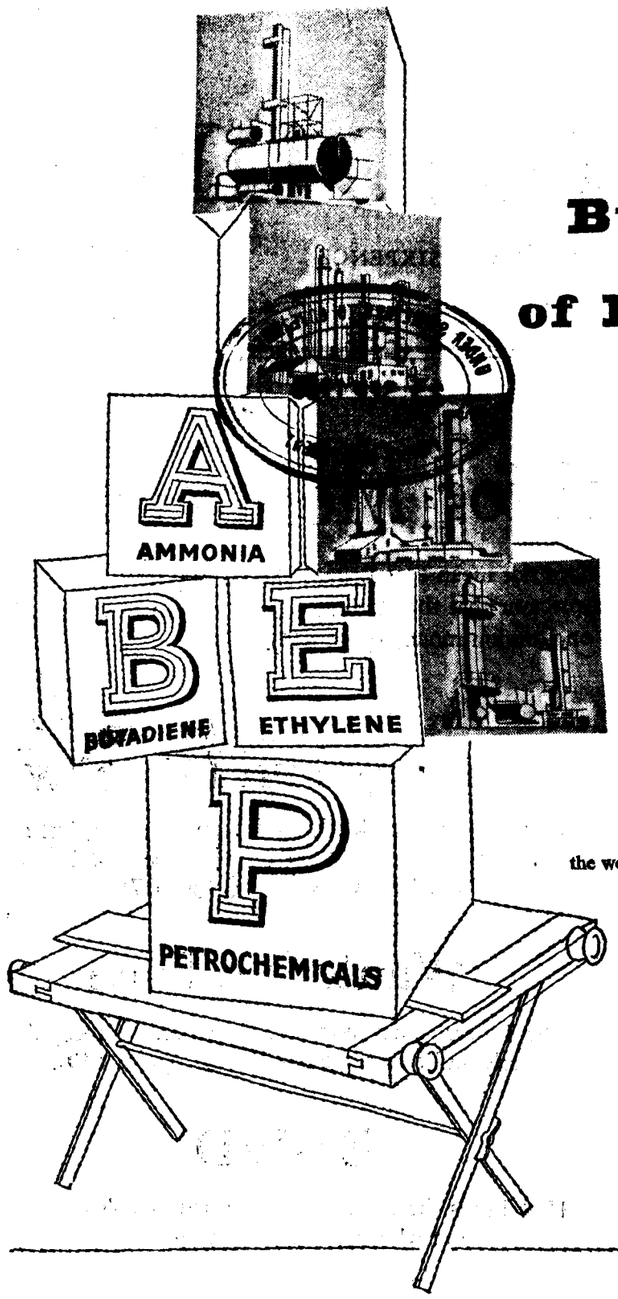
VOLUME CLXXXVIII · NUMBER 6003



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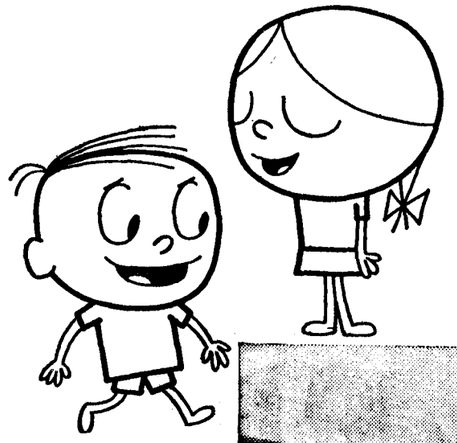
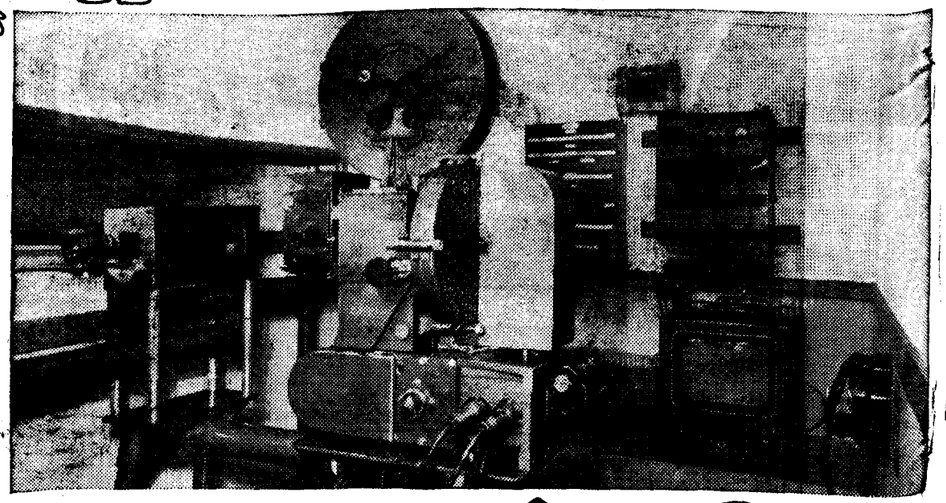
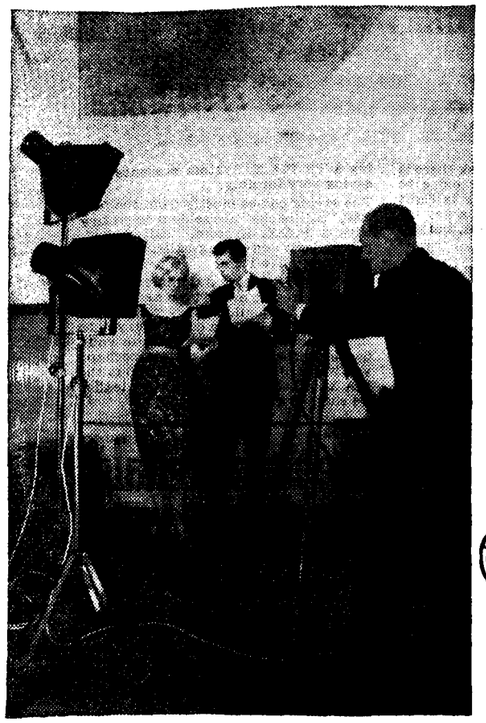


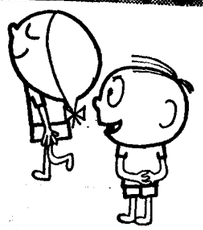
Where ya goin?

C.P.V.
Why?
See the Television Department. Comin'?

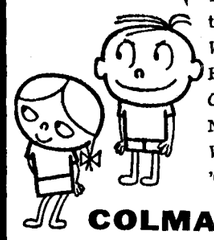




What's that?
That, Susie, is the most professional closed circuit in London.
What's it for?
Showing commercials on television.
Why?
See how they'll come out, of course.
Where's the television?
They've got sets all over the place at C.P.V.
Why?
Save them coming down to one of the theatres, silly.
One *of the theatres?*
That's C.P.V. for you—professional!



What are those people doin'?
Making a screen test.
How do they make it?
They photograph the girl with a television camera so the casting director can see how she'll look.
Where's the casting director?
He's watching on a television set in another room.
Can I have a screen test?
No.
Why not, Sammy?
'Cos C.P.V. are looking for *new* faces.



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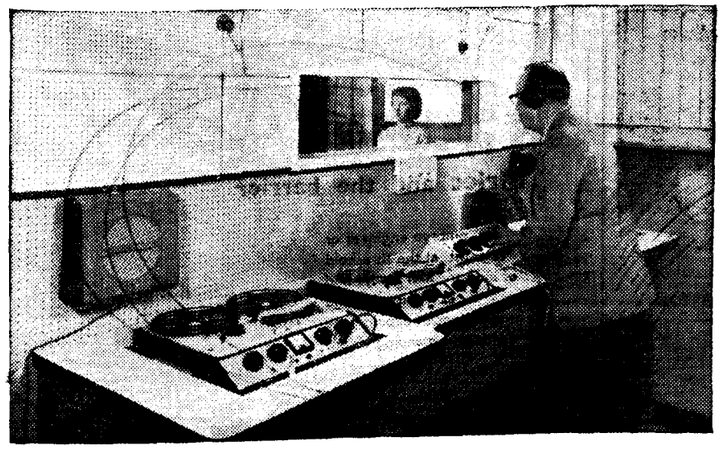
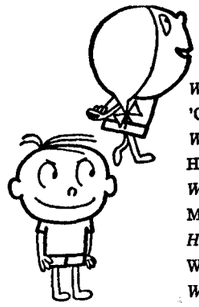




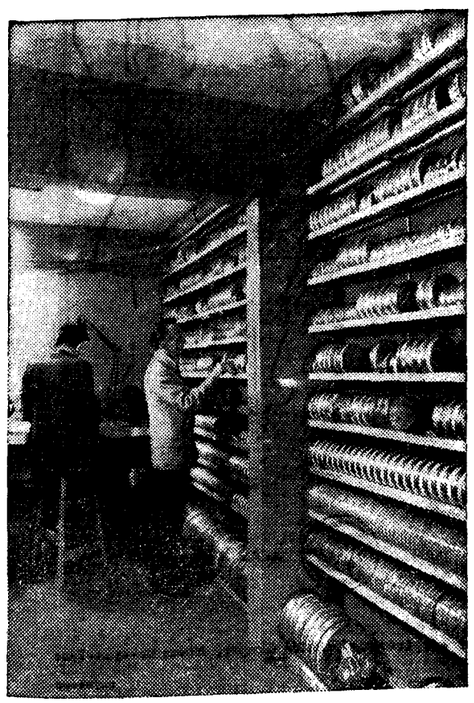
What's that? Spaceship?
'Course not—it's a recording console.
Who's that man?
He's a C.P.V. recording engineer.
What's he doin'?
Mixing voices and music together.
How's he do it?
With gramophone records and tape machines.
What happens if I press one of those buttons?
They'll fade us out before we get to the last alice.

What's that red light on for?
Shush! They're recording.
What're they recording?
Shush! Demonstration tracks.
What's a demonstration track?
A rough sound track before they make the final one.

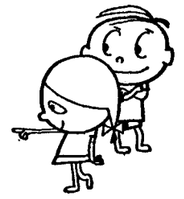


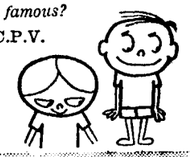
What's it for?
C.P.V. to show the idea to the client.
What's a client, Sammy?
Shush!





What's in those tins, Sammy?
Commercials.
What are all the names?
What names?
Shell, Pepsi-Cola, Austin, Findus, Manns, Knorr, Lyons, Breeze, BEA, Marlboro . . .
They're some of the people that C.P.V. work for.
All those people?
And lots more. See those tins marked Sunblest?
We're in those.
Does that mean we're famous?
I told you—we're a C.P.V. commercial.





Who are those funny people?
Producers, scriptwriters, designers and executives.
What're they doin'?
Having a script conference.
How d'you know?
'Cos they're all arguing.
Why are they arguing?
'Cos they want the script to be good.
Do C.P.V. make good commercials?
Susie—you do ask some silly questions.





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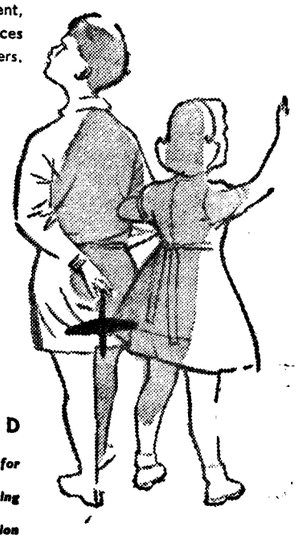

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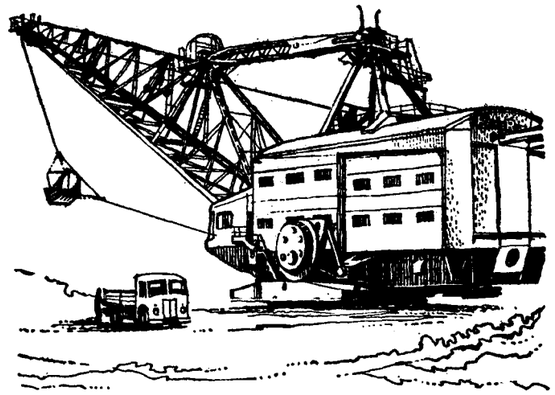

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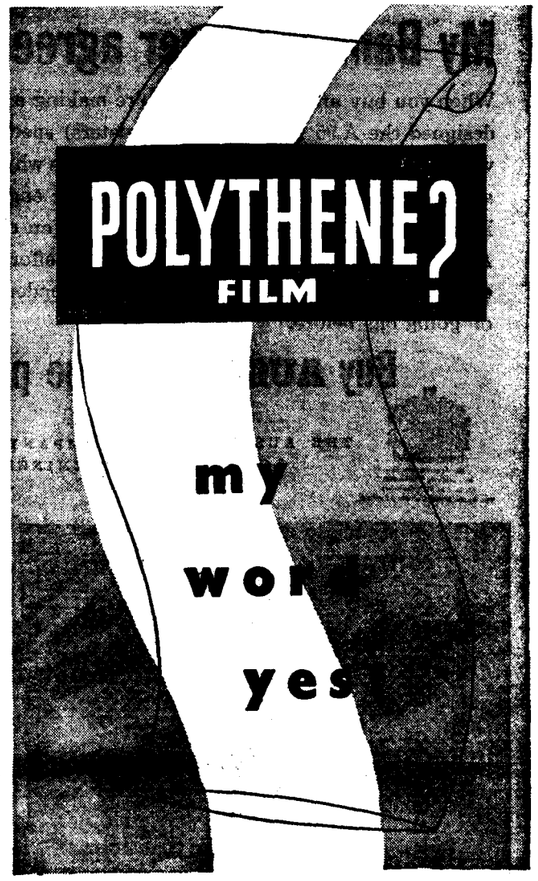

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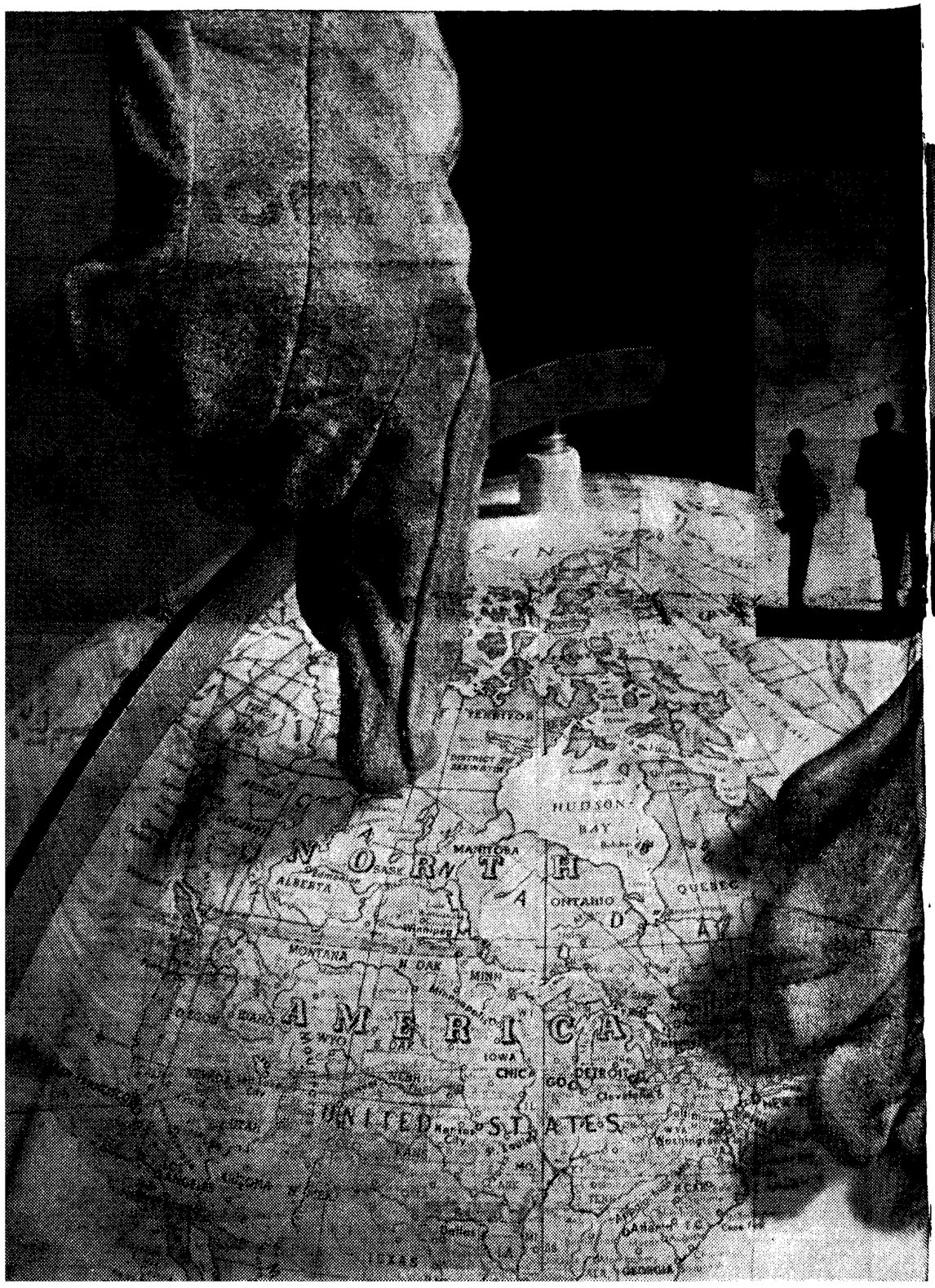
THE ECONOMIST SEPTEMBER 13, 1958



VIEWPOINT



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The Economist

SEPTEMBER 13, 1958

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Which Gospel at Montreal?

NEXT week's Commonwealth economic conference at Montreal is an occasion poised halfway between an opportunity and a danger. To say this implies no disrespect to the Commonwealth ideal; it is merely to recognise that elbow room for mistakes as well as for family progress has been created by the unusual circumstances in which this gathering has come about.

Previous crucial conferences in Commonwealth economic history have taken place when and because there has been a clear and common *idée en marche* in the chancelleries of the Commonwealth, which the assembling ministers have all been anxious to translate into a policy. That was certainly true of the Ottawa conference in the thirties, whether or not the mood then translated into the innovation of imperial preference was a wise one. It was equally true of the London conference of 1952, which gave birth (in response to a definable urge in all the Commonwealth capitals) to the Robot plan for gradually removing import restrictions and for restoring sterling convertibility. Even though the convertibility side of Robot has never been implemented, the 1952 conference was a real turning point; in none of the periods of trouble which have beset sterling since then has Britain returned to stricter import control by licensing, while in every crisis before 1952 Britain always did. But it has been very difficult all along to see any similar swelling prelude to a common imperial theme for Montreal.

Nevertheless when the idea of this conference was mooted last year by Mr Diefenbaker, who has the inestimable advantage of paying for his imports in dollars as well as being a Commonwealth idealist, it seemed obvious that Britain must go along enthusiastically with it. From the depths of the sterling crisis of 1957, the British Government felt certain that one or more promising imperial economic themes for Montreal would turn up. Since then, as it happens, two of the most promising candidates have fallen a little by the way: the main forum for discussing plans for increasing international liquidity has presumably (with American help) been switched to the International Monetary Fund meeting at New Delhi next month, and the scheme for a European free trade area (although its implications for the Commonwealth will certainly be studied next week) does not yet seem to be at a stage where Commonwealth discussions about it can be very precise.

In the place of these two hard items for the agenda, however, two new attitudes of mind have arisen before Montreal; and both are of a sort which need to draw prompt rebuttal from Britain. The rebuttals should be bluntly worded. First, "Commonwealth co-operation" does not mean that Britain should, in family duty bound, buy its food and raw materials from Commonwealth countries at above the world price. Secondly, "Commonwealth development" does not mean that even the richer sterling dominions should be encouraged to run exorbitant balance of payments deficits financed by our money.

Unfortunately, there have been clear indications that both these cosy views have been gaining ground in some overseas sterling countries this year. The most publicised example of the first of them was the New Zealand butter controversy which was settled on emollient political, not economic, terms. But the new tendency was even more widely illustrated when the officials from Commonwealth countries arrived in London last May to draw up the preliminary agenda for Montreal. They promptly formed themselves into working parties which were said at one time to be discussing no fewer than seventeen separate commodities, nearly all with the aim of underpinning (i.e. increasing) their prices—and thus raising costs to British industry quite considerably.

To a British Government which wanted to think beautiful thoughts about increasing international liquidity and expanding total world trade, this orgy of intended protectionist exploitation of our family relationship was very disturbing. "Oh God! Oh Montreal!" said Samuel Butler three-quarters of a century ago, and at one stage this summer there was a clear tendency in London to echo him rather desperately:

> Preferest thou the gospel of Montreal to the gospel of Hellas,
> The gospel of thy connection with Mr Spurgeon's haberdasher to the gospel of the Discobolus?

The trouble, as that earlier Mr Butler pointed out, was that the haberdasher's brother-in-law blasphemed beauty by saying that he did.

PROBABLY, now that the day for conferring has arrived, the worst of these fears will not be realised, and there will not be too much blasphemy of liberal beauty on the commodity front at Montreal. The most likely outcome may be that the Commonwealth ministers will support the view that some of these international commodity problems should be remitted to full-scale international conferences; only this week representatives of 35 countries are meeting in London, under the auspices of the United Nations (not of the Commonwealth alone), to discuss a genuinely international approach to the problems of copper, lead and zinc. Any stabilisation (i.e., price increasing) scheme which emerges will be against the short term interests of industrial countries, of which Britain is one; but it will not discriminate against British industry's costs in particular, as a purely private scheme of "switching" our imports to higher cost price Commonwealth producers would do.

A bigger danger at Montreal could conceivably arise from misapplication of the great aim of Commonwealth development. A clear distinction needs to be drawn here. If the Montreal conference aims at an expansion of total world trade and discusses ways of promoting Commonwealth participation in it, if it tries to devise some new system for concentrating investment in the Commonwealth on projects that will produce the particular goods for which world demand seems most likely to rise, then it will be a great boon. If it channels greater aid from the richer to the poorer Commonwealth countries, then it may be a wise political initiative. But if it seeks merely to "liberalise" the present sterling financial system in a way that will provide a readier helping hand to any and all Commonwealth countries which run into exorbitant deficit, then it will be a considerable misfortune.

It is perhaps unkind to cite New Zealand as an awful example again; for it has had an exceptional run of economic bad luck this year. But the current situation there is symptomatic of sterling's long postwar weakness. The latest reports suggest that New Zealand is likely to have a deficit in its balance of payments of between £55 and £75 million this year; for a country with a total population of just over two million this would seem to imply a deficit per head of between about £25 and £35. (An equivalent experience for Britain would be a balance of payments deficit of between about £1,250 and £1,750 million in a year, which would be rightly regarded as a quite intolerable crisis.) Yet New Zealanders have a higher standard of living than Britons, so that there is no moral case for saying that the sterling area system should be devised to make it easier for them to run deficits of this sort. It is not at all certain that investment in New Zealand will at present bring higher returns than investment in domestic British industry, so that there is no obvious economic case for inter-Commonwealth lending on this scale. And if sterling is to remain as the main currency used in international trade, all the Commonwealth countries that share the common reserve have to order their affairs in such a way that they do not run deficits of this magnitude, even in particularly bad years, even under the unluckiest conjuncture of circumstances.

THIS has relevance to the proposal, which some people hope to see on the agenda for discussion at Montreal, for establishing a new Commonwealth Bank. This could mean several different things. It could (but probably will not) mean a sterling area central bank which would recruit directors from all the sterling area countries, would take charge of the central gold reserves, and suggest remedial policies when there is a run on those reserves; at best (if the directors could insist on the sternest policies for those countries whose deficits had caused the run) this might be a useful device, and even at the least it is difficult to see how a permanent meeting place of Commonwealth financial luminaries of this kind could be harmful. Or, secondly, a Commonwealth bank could mean merely a development fund, to which each of the richer Commonwealth countries would contribute a set sum (preferably according to its standard of living, not merely according to its past lending traditions), in order to aid development in the poorer members of the Commonwealth sorority; that would be a worthy humanitarian project. (Such a bank might also be a useful intermediary to raise some dollar loans from the World Bank and other sources, and plough them into the Commonwealth). Or, thirdly, a Commonwealth bank could mean merely a fund, mostly set up with money which Britain has not really got from its own savings (plus a few Canadian dollars), on which all Commonwealth countries could draw when they have insufficient sterling balances and have relapsed into exorbitant individual deficits. That would be to base Commonwealth economics on a system which the sterling area simply cannot afford. The policy required at Montreal next week is a policy for common wealth, not for common inflation.

Quemoy and Moscow

The isolation of the United States in the crisis over the offshore islands contrasts glaringly with the firm alignment of Peking and Moscow. Yet in that very alignment there are some reassuring signs of the limited nature of the crisis.

OUT of the haze of gunsmoke over battered Quemoy, the true aims of the Chinese communists' pressure on that Nationalist outpost seem to be emerging. It is now more than two weeks since China threatened an "imminent" landing on the island, and demanded its surrender. A week of further bombardment having failed to produce a white flag, the mainland batteries ceased fire, and the mainland press explained that the garrison were being given time to "repent"; but on Monday heavy shelling was resumed, while Peking complained that the unrepentant Nationalists had merely used the lull to bring in reinforcements. By then, however, it had come to look as if China was contemplating a protracted siege rather than any early assault.

Somewhat parallel events unfolded on the wider stage of world politics. Inside China, the whole vast population was bombarded with orders to "mobilise" to resist allegedly imminent American attacks. (One profitable by-product was the usual mass of pledges by workers to step up output.) Another, probably, was a timely tightening of discipline essential for the formation of the new "communes" described on page 831. Longer-range salvoes from both Peking and Moscow saturated the outside world with alarming thoughts of global war. The United States was given plenty of time to bring up naval and air reinforcements into the Formosa area, and their movements were then duly exploited as evidence of "American war provocation," as were the many and varied American statements on the crisis. Then, at the weekend, when the guns ringing Quemoy had fallen silent, the Chinese government called for the resumption of the ambassadorial talks with the United States which began their desultory course in 1955 and petered out altogether last December. On the international plane, just as in the narrow waters round Quemoy, China's tactics seemed to be to build up heat to near flashpoint and then suddenly lower the temperature.

Playing with fire is always dangerous; but if the Chinese rulers can be sure of keeping the temperature under control, these tactics are obviously profitable from their point of view. In effect, they have dragged Mr Dulles back to the brink on which he was perilously poised in 1955, and they show every intention of keeping him unhappily teetering there as long as they can. They have left themselves a line of retreat by stressing the idea that it is America alone that is threatening aggression (their own designs on Formosa being classed as a purely domestic matter). As and when they may wish to disengage, they can tell their own people that the aggressor has been foiled, and tell the outside world that they are showing most praiseworthy restraint.

Meanwhile, the question of the offshore islands is outstandingly suitable to the general communist purpose of isolating the United States. The grave doubts about involvement over Quemoy that are now disturbing many Americans are mild when compared to the feelings of America's allies. True, there is widespread sympathy for the argument that the ten million people of Formosa cannot simply be handed over to Peking in a bag. The British Labour party, for one, while strongly disapproving of General Chiang Kai-shek, has again suggested that Formosa should be placed under United Nations administration pending some kind of referendum on its fate—a suggestion which would be worth more serious consideration if there was any clear indication how the UN could be equipped to rule the island. But there is no enthusiasm anywhere in an anxious world to share America's unreal obligations to the Nationalists, and there is acute concern over the apparent extension of those obligations to cover the offshore islands unconditionally. Britain's feelings in the matter are scarcely affected by its stake in Hongkong (which, like Formosa, is deliberately excluded from the South-East Asia treaty area and, like the offshore islands, has lately come under the burning glass of China's propaganda campaign). Hongkong could be defended only if the Americans were ready

to go to war for it; but even this very sound argument for Mr Dulles's "thus far and no farther" policy does not weaken the general and understandable British feeling that to draw the chalk line through the offshore islands makes no sense.

The United States, having committed itself so deeply to the Nationalists and having let them commit themselves so deeply in Quemoy, now faces the prospect of losing the confidence of all its small Asian allies if it lets General Chiang down, or of letting the rifts widen between itself and the rest of the free world if it continues to take risks in backing him up. In the long term, the dilemma might be resolved by quietly extricating the Nationalists from Quemoy and Matsu at a time when worldwide attention was not focused on them, and then rallying a solid block of moderate international opinion round the idea of an independent Formosa—an idea which at present is anathema to Nationalists and Communists, Americans and Russians alike, but which remains the most realistic idea available. But no long-term policy can now rescue America from its immediate predicament. Nor are the proposed American-Chinese talks in Warsaw likely to produce any early accommodation, for the two parties are entering upon them with firmly contradictory terms of reference: the United States can agree to nothing that might prejudice the Nationalists' rights, while the Chinese will not even discuss Formosa at all.

A GLARING contrast thus emerges between America's unhappy isolation and China's confident claims to have the solid backing of the whole communist world (as well as widespread sympathy in "uncommitted" Asia and elsewhere). The contrast itself is undeniably real. But at the same time it is now crucially important to examine the precise nature of the solidarity claimed by the communist powers. Soviet support for China was reaffirmed at the highest level in Mr Khrushchev's message to Mr Eisenhower on Sunday. The President's prompt reaction, however, was to ask Moscow in effect to use its influence by restraining Peking from violent action. This exchange prompts three questions. Is Russia really committed to China up to the hilt? If not, is it likely to wish to restrain China? And if it does so wish, how much restraint can it impose?

Answers can fairly safely be given to all three questions, though they need to be qualified. Russia is not at Mao Tse-tung's orders, and in certain circumstances it might well have a strong interest in urging caution upon him—and substantial means of backing up its words of warning. But there are very clear limits to its power of restraint. The relationship between the two communist giants is now close to one of equality. It has been greatly changed since 1950, when, although it was clear from the beginning that a communist China would not be just another Soviet satellite, it was obviously the junior partner.

Economic and political factors have combined to bring China up to its present status of more equal partnership. Last year it produced 130 million tons of coal and five million tons of steel. For a country with 600 million inhabitants these are still low levels, but China has at least laid the foundations of its industrial revolution. Its dreams of modern industrial greatness still cannot become realities without Soviet support; the economic aid agreement signed in Moscow on August 8th was one more reminder of this dependence. But this economic inequality is now largely offset by political factors. Since Stalin's death, the revelations about his crimes and errors have burst the balloon of Moscow's infallibility; and the continuing struggle for power in Moscow has forced all the contending parties there to court the unchallenged Chinese leaders. No sane Soviet leader would invite an open breach with Peking, as has twice been done in the case of Belgrade.

China is thus in a position now to lay down a good deal of law for the communist world, and it has not been slow to use this power. In 1956-57 Mr Mao encouraged the Poles to stand up to Russia, and also launched his "let all flowers bloom" and "correct the wind" campaigns for more freedom of controversy on the home front, arousing high hopes among the stirring intellectuals of Eastern Europe. Then, after the shock of the Hungarian rising and the welling up of "dangerous thoughts" in China itself had made him change course, he and his colleagues became the keenest of all instigators of witch-hunts against "revisionists," with Mr Khrushchev sometimes appearing a rather reluctant laggard in their rear.

IT would be wrong, however, to mistake the occasional creakings of the Moscow-Peking axis for symptoms of deep-rooted or inevitable conflict. The two parties may differ over tactics, but when they meet it is not only to bargain but also to concert their action; it is the matching of near-equals. It is now reasonably clear that when Mr Khrushchev was in Peking at the beginning of August, they reached an understanding, among other things, on the project of applying pressure against Quemoy. They presumably agreed that a threat to the offshore islands would, while remaining within the limits of skilful brinkmanship, advance China's claims both to Formosa and to its proper place in the world's councils, and acutely embarrass America. Mr Khrushchev must have been persuaded that the risks involved were small. Such as they are, he will now have to share them.

If the United States has to stand by Chiang Kai-shek, Mr Khrushchev likewise could hardly fail Mr Mao the image of a frightened Russia tugging at the sleeve of a reckless China is an over-simplified and false one. Both the communist powers have much to gain from the present situation, so long as it remains under control; and both have a very strong interest in seeing that it does remain under control. Beyond the brink is disaster.

22 SEP 1958

Wanted: a Face

The real task of the Liberal Assembly next week is to decide, not how many Liberal candidates should stand at the next election, but what they should stand for

POLITICIANS are in season again. With the September partridges come the Liberal Assembly next week and the Labour party conference later in the month. With the pheasants next month the Tories meet. Two moods dominate the homing politicians this year. They are either excited or apprehensive; the Liberals are both. With well over three years of this Parliament already spent, the next election is now at least in sight; and the public opinion polls are being read as piously for omens as if they were the entrails of Roman chickens. The Tories are excited because it looks as if they may flout all precedents and complete a hat-trick of wins. The Labour party, faced with three losses in a row, is correspondingly apprehensive—and will probably confer correspondingly querulously. The great need of the Liberals is to confer intelligently. They are excited because of the bump-up in their support and by-election votes this year; they are apprehensive because the vision of a real Liberal revival may be fading as the general election approaches.

They are right to be apprehensive, just as the Labour party has good reason to be downright alarmed. What happened earlier this year was that voters oozed steadily away from the Conservatives but, quite ostentatiously, did not seep over to Labour; what many of them did was to go Liberal, provisionally, simply because this non-socialist, non-trade union alternative was there. Now there are signs that they are flowing back to Mr Macmillan. This is the weakness of the Liberal revival so far; the voters that the Liberals then got have not been made to feel that, by voting Liberal, they are committed to anything distinct. The first question for the Liberals next week is not how many Liberal candidates should stand at the election; it is what the Liberal candidates who stand should stand for. A little party does not become a great political movement unless it presents a recognisable face to the people.

This does not mean that the Liberals ought now to saddle themselves with a comprehensive programme of policies in detail; it is not pamphlets *à la* Transport House that are wanted from them but consistent principles persistently applied. Revival or no revival, they are not going to form a government; and they should be seeking backing, not for promissory notes, but for liberalism. But it does not mean, either, that they should go on, as they have tended to go, from hand to mouth picking up what support they can find from whatever interests may be locally discontented; easy come, easy go is the only outcome of that kind of chameleonism (which the Tories do very much better).

What face should the Liberals, as liberals, now wear? It should be recognised straightaway that, if they are to justify their political existence, they must be not for but against—implacably, even violently against—all special interests, whether of trade unionists, farmers, cotton manufacturers or bureaucrats. That is the first lineament of proper liberalism today: no favours or favourites. The second is reform: the Liberals should be for—frankly, intelligently, resolutely, even unpopularly for—the redress of all the grievances and evils in the still twisted or thwarted parts of our society; wherever the state of the law is itself the encouragement of crime, the stimulus to vice, the source of racketeering or the denial of reasonable individual liberty, choice or status, the Liberal voice should ring out.

BUT what about retrenchment, that other old cry of good liberalism? It is still a good cry; nothing is needed more than a reduction of taxes for the advance in wealth creation and the wider freedom of choice for everybody that every real liberal passionately wants to see. The trouble is that, during the vote-catching, the Liberals have made it seem vastly too easy. Cut defence; that is the panacea. No doubt there are things, costly things, that this country should not try to do in defence; they ought to be left to wealthier allies. And the pruning hook should always be busy; Mr Macmillan is said to be whetting it again just now. But, in the world today, defence is not expendable. Every government would gladly spend much less on defence if it thought it could do so safely. To pretend that, as things are, there is fat enough here to feed a great programme of retrenchment is a deception.

What is more, there are some things on which good liberals will want to see more public money spent, not less. Still at the core of their reforms is, or should be, education: not just the angry argument about how children should be selected for different sorts of schools, but the real need to make all sorts of schools lead somewhere, instead of being, too many of them, dead-ends, producing resentful dead-enders; not only what sort of schools, but in this scientific age what sort of schooling and for how long; not just schools but universities and colleges which should be the arch over all. There are roads to be built, slums to be torn down, arts to be assisted. These are some of the liberal causes that will cost money. Some retrenchment there must be; how, if not from defence?

There is one sensible liberal answer. It is broadly to

draw a distinction in the social services between the needy and the rest. The fat in this formidable commitment is not "waste" as it is commonly regarded, but the fact that provision is made uniformly for everybody, whether they need it or not. The welfare state which all liberals supported—Beveridge is a liberal word—was intended to institute a national minimum, a floor, below which nobody would be allowed to fall; it has become a universal provider. The right rational course now is to give, in some cases, more to the needy and, generally, less to the non-needy. Liberals should be firmly in favour of, say, hospital charges to patients who can afford them and needs tests for higher pensions, just as they should have greeted with their loudest cheers the abolition of both the bread subsidy and rent restriction. These measures are all of a piece, and the piece is liberal.

The voter should know then that, over the whole range of public finance, Liberals will support the spending of money where it is really needed (including defence as well as education) but not where it is not needed. He should be told, too, quite unequivocally, that Liberals will hold no brief of any sort in any circumstances, by-elections or not, for sectional claims upon the economy. If earlier this year the Liberals had spoken out loudly, without any dissembling, for free trade in Rochdale and cheap food at Torrington, their vote would not have been very much lower, and they would be remembered now for what they stood for, not simply as the harvesters of disgruntlement with the Tories. They would have a face, not a mask.

And that Liberal face has to be set immovably against invasions of individual choice and freedom either by the State itself or by that great estate within the State, the trade unions. The Liberals should press unceasingly for the implementation, in all its spirit and letter, of the Franks report on the arbitrary procedures of administrative tribunals. One specific piece of legislation they should sponsor here and now. That is a company act for trade unions to bring their processes of election and jurisdiction under impartial scrutiny. No Liberal can be opposed to the legitimate functions and rights of trade unions. But his emphasis now will be on their duties, to individual workers and to the country, when their power to exact a ransom for their members beyond the fruits of their labour holds back the whole economy for fear of fresh inflation.

A Liberal party cannot insist upon a precise and detailed party line. It will have its nonconformists. But it must strike consistently and clearly a liberal attitude; and it must not angle for illiberal popularity. Mandarins in all their British variety should quail at the mere sound of the Liberal voice, always asking all the awkward questions on all the unmentionable subjects. Socially, for example, Liberals should stand courageously for a radical approach to the problems of crime and punishment, of licensing and gambling, of prostitution and homosexuality, of marriage and divorce. Individual liberals may dissent from this or that solution; but all liberals will support a party that makes realistic radicalism, whether in social reform or in economics or in politics, its business. That is what a Liberal party is for; that is the face it should be looking for at Torquay.

In Dr Verwoerd's Backyard

Three little Ghanas are budding under South Africa's impatient eye. Britain cannot shirk the challenge, and might yet turn it to advantage

THE coincidence of Dr Verwoerd's appointment as prime minister of South Africa with the outburst of violence against coloured people in some British cities makes this an apt moment to review relations between the two countries. These relations turn to a great extent on different attitudes to racial policy. It is natural for South Africans to ask "what do you think of apartheid now?" when Britain's liberal but often theoretical approach to race relations runs into its first big test at home. It is no less natural for Britons to ask "what next?" when supreme office in South Africa falls to the man who, as minister for native affairs, has done so much to undermine what they regard as essential human rights, and who advocates the most radical version of apartheid.

In his first statements the new premier has made it plain that on racial policy his aims are precisely those he pursued as minister for native affairs; he now has more power to carry South Africa faster along the same course. His references to the British High Commission territories (Bechuanaland, Basutoland and Swaziland) suggest that he has taken to heart the Tomlinson commission's argument that any substantial measure of geographical segregation requires the incorporation of these large enclaves in the Union. He has repeated his party's insistence that South Africa must become a republic, and his desire to see its economic growth less dependent on foreign support is obvious. The implications are plain—among them the implication that the remaining *présence Britannique* in South Africa must inevitably be the target of the man who now seems set to rule the Union for at least five years.

Many people take comfort from the belief that Dr Verwoerd, like Dr Malan and Mr Strijdom before him, will prove less inflexible after becoming prime minister, if only because in the past he was concerned solely to get his own way, while in future he will be mainly concerned to hold his party together. He is certainly not prime minister by the wish of his cabinet colleagues; it was the Senate, recently inflated in order to steamroller the constitution, which voted him in. He may, indeed, now apply the brakes. But it would be unwise to count on it. Dr Verwoerd is tough.

AT this moment, moreover, Britain is about to initiate, right in South Africa's backyard, policies which Dr Verwoerd is bound to think provocative and may think downright hostile. For long Britain has been content to make concessions to South Africa's "inspired Nationalism" (as Dr Verwoerd has extolled it), hoping only that the tenuous connection with Crown and Commonwealth, and the passage of time, might have some moderating influence. Official relations have been carefully correct and as cordial as possible. South Africa has co-operated, if not enthusiastically, in Commonwealth economic policy; Britain has supported South Africa, if not enthusiastically, in the United Nations. But it has become quite clear that public opinion here is wholly opposed to handing over the three protectorates to Nationalist South Africa. In deference to the Union's views these areas were left under tribal organisation—and one of their chiefs, Seretse Khama, was exiled after marrying a white woman. But this policy has run into the sands.

The constitutional commission on Basutoland reported a few weeks ago that this protectorate was ripe for the first stage of responsible government—an all-African elected legislative council, and an executive council with two white *ex-officio* members and two Africans. There is little doubt that this report will be implemented; the Commonwealth Relations Office would drag its feet longer at its peril. Basutoland will then be on the first rung of the classic British colonial ladder to independence. Bechuanaland will demand at least as much, though Swaziland may be content to retain purely tribal institutions for some time. In Africa, as elsewhere, politics breeds politics, reform generates fresh demands, and one advance towards self-government follows another at an ever quickening pace. Basutoland will soon be at the constitutional stage that Ghana reached little more than ten years ago.

The nesting of miniature Ghanas in South Africa's own bosom is bound to intensify its agitation for the transfer of the protectorates. But evidently British opinion, official as well as public, will at the same time be hardening against transfer. A continued erosion of parliamentary institutions, free speech, and the rule of law in the Union would stiffen British resistance; and constitutionally as well as politically it would be very difficult to hand over British protectorates to a republic outside the Commonwealth. The growth of parliamentary government in the protectorates would make a transfer still harder; it is laid down in the Act of Union of 1909 that this can be done only after local consultation.

All this, moreover, must be set in the context of the continuing emergence of more non-white states to sovereign status in the Commonwealth, which must make any British government more sensitive to the fact that the Commonwealth is now multiracial. Already Ghana, Nigeria and the West Indies have shown, by their representations after the recent race riots here, that the non-white Commonwealth intends to jog Britain's liberal conscience pretty sharply in these matters.

Is a clash with the Union therefore inevitable? If it were, it is clear that Britain would have to hold its course. If this speeds South Africa's transformation into a republic, that must be accepted. The objection that in so doing Britain will be "deserting" the million English-speaking white South Africans cannot be treated as an overriding one. Their allegiance to the Crown is to be commended, and their loyalty in wartime is remembered; but they neglect multiracial politics, and they would oppose the political advance of the protectorates as much as the Afrikaners do.

But, on this issue at least, there may in fact be no direct clash. Even Dr Verwoerd's South Africa is showing a new sensitivity to foreign opinion; one example is its eagerness to accept the recent United Nations compromise proposal for South-West Africa, under which the southern part of that area would be annexed to the Union, and the northern held as a UN trust territory. And South Africa, when the issue comes up, may in fact find it surprisingly hard to object to political development in the protectorates; for Britain can ask if this is not exactly what the theory of apartheid requires in Native areas. If South Africa desires to take these territories under its wing, it is up to it to show that they will lose no political rights thereby, while gaining economically. Their political advance could serve as a challenge to South Africa to set up British parliamentary institutions in areas set apart for Bantus, like the Transkei.

It must be added that Britain is likely then to be challenged to do as much economically for Basutoland as South Africa does for the Transkei. A constructive competition could thus be engendered between the two governments to equip all such African areas south of the Limpopo with both political and economic viability. True, this would not directly affect the African underdog's position in the white-settled areas of South Africa. But it would introduce three black Trojan horses, quite constitutionally and quite unimperially, into Dr Verwoerd's domains. They might bridle him rather than he them. None of this, of course, condones apartheid.

It goes almost without saying that any such policy could be carried out only if the people involved understood its purpose and trusted its sponsors. This in turn means that such a policy would have to be carried out with clean hands. Britain cannot be constructively liberal abroad and tarnished with racialism at home. As recent events have shown, race prejudice in Britain itself has now to be faced and fought with a new skill and courage. That is a necessity in itself; it is also a necessity if this country is to exert any good influence on events in Southern Africa; and it is a necessity if Britain is to retain its position in the new multiracial Commonwealth of sovereign sister nations.

NOTES OF THE WEEK

RACE TROUBLES

Keeping Britain Tolerant

THE Government's handling of Britain's race troubles so far should be a cause of very modified satisfaction. It is welcome that it is taking the matter appropriately seriously. The Cabinet has discussed the troubles in the context both of domestic and of Commonwealth policy, and Mr Butler has made two statements in which he has at once put forward sensible appeals to the public and set the disturbances in much-needed perspective—actual damage to persons and property has been slight so far, while a mere brawl between two factions in Nigeria in the same period left six people dead. Mr Butler was undoubtedly right, too, in declaring that the Government would take no hurried decisions on policy.

Unfortunately, three of the things that Mr Butler said suggest that the Government is in danger of getting some of the emphasis in policy wrong. Although he rightly said that it would take a great deal to persuade the Government to abandon the traditional British ideal of an open door to Commonwealth immigration, he plainly inclines towards measures which may restrict the flow of coloured immigrants by any means short of legislation; this indication will require watching. Secondly, Mr Butler seemed to make the quite invalid point that unemployment among coloured people indicated that too many were coming to Britain for the pool of jobs available. With total unemployment in this country at only 2 per cent, it needs to be said again and again that even the 8 per cent or so of coloured workers who are still looking for jobs, and are ready to move wherever jobs become available, are an economic asset from this country's point of view; the only place where unemployment comes into this argument is as part of the mechanism which regulates the inflow.

Thirdly, Mr Butler slipped in the tart little remark that he was not convinced that the Wolfenden proposals for getting prostitution off the streets are a complete answer to the vice problem. Nobody has suggested that they are; what the Government needs to ask itself now is whether it is not better to take prostitution out of the lamplight into obscurity, where deeper remedial measures can be efficiently deployed against it, than not to take it out of the lamplight at all. The main objection to this part of Mr Butler's speech, however, is that his remarks may have encouraged more people to suppose that there is a close, direct and rational connection between the wider evils of prostitution and the colour problem. There is not; some white prostitutes have chosen Commonwealth immigrants (by no means only coloured immigrants) as their protectors, but if the immigrants were not there they would merely choose British undesirables as their protectors instead—they would not fade away. The fact that sexual prejudices have played a xenophobic part in the racial tension which hooliganism has turned to account provides no proper occasion for slipping in an adroit word or two to help the Government in its evident embarrassment over the Wolfenden report.

The Commonwealth Steps In

COMMONWEALTH reactions to the Notting Hill disturbances have been quickly revealed. Three ministers have come from the West Indies, including Mr Manley, the premier of Jamaica, to investigate on the spot and discuss matters with the British Government; the Ghanian and Nigerian representatives have also made their protests, though, as might be expected, they are anxious to emphasise the distinction between West African students and West Indian settlers. But the slight difference of viewpoint here should not obscure the main point. Britain is expected to set a multiracial example at home to the multiracial Commonwealth abroad; Mr Manley considers the riots as far more serious, for example, than Little Rock. It is clear from the statements of Commonwealth representatives and newspapers that a very high standard indeed is expected of a country which, though historically it has hardly been noted for its exceptional admiration of foreigners (whatever their origin), has a reputation for being generally restrained on the race issue itself. The problem is now to find means to preserve and develop this sensible colour-blindness, while firmly putting down the trouble-makers, whether teenage gangs (the bigger part of the problem) or organised purveyors of hate (the smaller part of it—as yet).

Several ministries are involved in this review of policy—among them education, health, labour and housing—and West Indian ministers will help them. But the root causes of colour prejudice and xenophobia need a fuller clinical examination than government departments can give, or sociologists have so far offered. Perhaps a well-financed commission of medical men, social scientists and surveyors, criminologists and others should now be set up to make a proper investigation of a problem which is likely to become a permanent feature of the British urban scene.

CYPRUS

The Archbishop's Future

THE background to last weekend's Cabinet discussions with Sir Hugh Foot on Cyprus was not propitious; the Greek government announced its intention of thwarting (exactly how is not clear) the unilateral application of the British plan, while in Cyprus a leaflet signed by Grivas accused the British security forces of provocation and threatened to kill one Englishman for every Greek life lost. (The predicament that the authorities face in dealing with Eoka is discussed by our Correspondent in Nicosia on page 852.) It is believed, however, that the Government is determined not to give way to violence, and not to pigeon-hole the Macmillan plan. At the same time, it is anxious to maintain a flexible attitude towards the best methods of getting the Greeks lined up at the starting-post without simultaneously causing the Turks to scatter.

It seems that the Cabinet is adopting a more pragmatic attitude towards the problem of Archbishop Makarios's future. Would his return to Cyprus (he has now publicly expressed his readiness to return) facilitate or impede progress towards a settlement? It would certainly antagonise the Turks; it might provoke them to violence which, by a series of chain reactions, could lead to a general conflagration. There is, moreover, no certainty that the archbishop's writ runs among the Eoka extremists. On the other hand, the great majority of Greek Cypriots still regard him as their leader, and his continued exile is a major obstacle to securing their co-operation. If he exchanged his pleasant retreat in Athens for the harsh realities of life today in Cyprus, he might be led to moderate his present intransigence—especially if some way could be found of persuading him, and the Greek government, that partition is not the inevitable end of the Macmillan plan. If his ability to restrain Eoka's violence proved illusory, he might lose some face; but, what is much more important, Eoka might end by losing much of its hold over ordinary Cypriots.

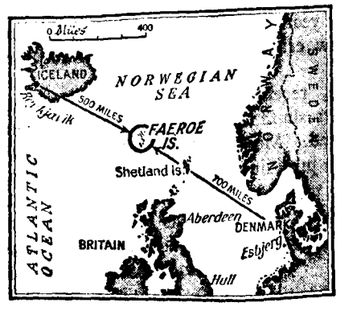
To bring back the archbishop would be a gamble based on frightening uncertainties; in any case, it would have to be carefully timed. But it is a gamble that sooner or later will have to be made, preferably in combination with some mollifying gesture towards the Turks.

TERRITORIAL WATERS

In Iceland's Choppy Wake

THE talks with Denmark on fishing limits round the Faeroe islands, which are starting this weekend, are a reminder that Iceland is not the only one of Britain's northern neighbours that disagrees with the British view. Under the Anglo-Danish fishing agreement, which still has seven years to run, British trawlers may fish around the Faeroes up to the three-mile limit. The Faeroe islanders have been wanting to extend their own fishing limits for some time. Their wish has been given urgency by the fear that British trawlers, harassed off Iceland, may crowd into their waters instead. They are now pressing for the twelve-mile line.

Denmark's interest in the issue is a divided one. As the power responsible for the Faeroes, it has to put their case. But there are also Danish deep-water fishermen who share Britain's dislike of a general enlargement of national fishing limits. Something of the same conflict of interest is apparent in the Russian attitude. The Russians have not been averse from extending their own limits, and have backed the claims of smaller countries for political reasons. But their own trawler fleets fish off Iceland too.



Some of Britain's allies, however, share Iceland's wish to enlarge their national fishing grounds. If no general agreement on the extension of limits is reached soon, Norway and Canada may well be tempted to follow Iceland's example on their own. The British resistance to the Icelandic claim is correct in international law, but it should not be forgotten that a great many countries share Iceland's wish to change that law; the sooner some agreement is reached, the better Britain's chance of stemming the flood of fresh claims.

Iceland has now proposed that the whole question of territorial waters be considered by the imminent United Nations Assembly. The atmosphere of the assembly may be even less favourable to the maritime nations that seek to limit extensions of territorial waters than was that of the conference which met at Geneva to consider the problem earlier this year; but, even so, an attempt to reach agreement in the assembly would be better than mere acceptance of the present deadlock.

TRADES UNION CONGRESS

Bournemouth's Fag Ends

OUR correspondent who attended the TUC writes: Second thoughts about the ninetieth Trades Union Congress need add little, on its most absorbing topic, to what was said here last week. The general council showed that it had contained Mr Cousins, Mr Cousins showed that he had not been cowed by the general council; and, as this was the compromise of attitudes everybody was seeking, everybody was happy—although no-one, perhaps, has won prizes. With some relief after Thursday's small storm, congress turned to its final day—and kept down to the low average level of previous debates. Nationalisation, which has sunk over the years to bottom place on the agenda, occupied much of this last lap. The first motion on the subject in effect criticised the managers of the nationalised industries for being sufficiently intelligent to manage private companies as well. Next came a communist-inspired resolution supporting the nationalisation of all basic industries, which is a policy that is not only unpopular in the country but now also conflicts with the official views of the Labour party. The general council had decided beforehand that the motion should be "remitted" for their consideration; but Mr Yates, in a sleepy moment, put it to a direct vote where a sleepy congress passed it unanimously. The council will now probably handle the resolution as it did the communist one on European security that slipped through by accident last year—prepare a "short report" reducing the motion to "practical terms" and leave it at that. Nothing much was therefore lost; but the vote will give the indefatigable Mr Haxell something further to talk about, which is a pity.

Cries of "Whack O!" greeted Mr Jimmy Edwards, the radio headmaster, who at the end of the conference seconded a motion deploring the use of American material on British television. Mr Edwards's delivery, as one would expect, was brilliant, but what he said was the acme of restrictionist nonsense. He called television, which is certainly by now the nation's most popular pastime, a self-inflicted wound and compared it to a water closet; there can be a legitimate doubt whether such reactionary views are entitled to respect. But Mr Edwards's main point was that the amount of American material—much of it more popular than anything produced here—should be severely cut in order to give greater employment to members of his own organisation. The curious thing about this suggestion, which again was

passed unanimously, is that if it were taken seriously by the public, or used as propaganda by the Conservative central office, the socialists would stand to lose several million votes of infuriated viewers. But the TUC being what it is, nobody does take it seriously and television fans will continue to be able to see cowboys and Indians biting the dust.

The last event of the week was the announcement that Mr Willis, of the London Typographical Society, will take over Mr Yates's presidential chair for the coming year. Mr Willis is an able and tough negotiator, who is certainly no disbeliever in direct action and strikes against the master printers if he thinks that they will help his members ; the two occasions in the past eight years when *The Economist* and other London weekly papers have had to appear in strange dress and from strange places bear witness to that. He also cannot be called a shining advocate of the removal of restrictive practices. But he is a constitutional union leader and—as one of the dominant urges of his trade union life—a fierce anti-communist. And it is unlikely that his succession to the very moderate Mr Yates will lead the general council any closer to Cousinism.

WAGES

Laughing Gasworkers

WITH the award this week of a 4 per cent increase to the country's gasworkers, the stage has finally been set for the coming bargaining over wages in engineering and shipbuilding. Two distinct precedents have now emerged. One set by the awards to workers on the railways and on London's country buses gave increases of around 3 per cent, the money to be found by making economies in services. The other strand was started by the 4 per cent award to builders in June, was strengthened by a similar increase given later to workers in electricity and water, and was confirmed by the Cameron recommendation last month that the dockers should get 4½ per cent without making any economies at all. The gasworkers' claim was still, however, something of a test case. For though gas wages are traditionally linked to those in electricity, the gasworkers had been offered an increase of only 3 per cent because their industry faces difficulties that electricity does not. If this had been accepted either by the unions or at arbitration, the chances of holding an anti-inflationary line in engineering would have been strengthened.

But it was not accepted. The men threatened to strike over their claim and last week, by a majority of 2 to 1, a board of arbitration gave the unions nearly all they asked. The board itself, though a rather unusual one (the employers and unions each chose one member to sit with the independent chairman, rather than all three being appointed by the Minister of Labour) was of the same sort as was used in the last dispute in the gas industry in 1953. The supposed merit of this system lies in the speed at which a special board can report because, unlike the Industrial Court or the Industrial Disputes Tribunal, it is a temporary body and has no accumulation of cases waiting to be heard. The disadvantage of the system is that a special board having no continuing responsibility for curtailing wage inflation, is more likely to hand down the sort of easy money award that was made to the gasworkers this week. Its decision showed again how right most of the unions were in thinking that they could get higher wages more easily by outflanking the employers through appeals to such arbitration than by trying to batter them in a head-on collision. The engineering unions have been watching quietly to see what form of arbitration gives them the greatest chance for a breakthrough of their own.

Meanwhile, all is blood and thunder from the shipbuilding unions. Mr Ted Hill has contemptuously turned down the shipbuilders' offer of a 3 per cent increase, even though this was not linked, as was the engineering employers' offer, to a year's standstill. The employers have replied that had they been able to judge the shipbuilders' claim on its own merits they would have made no offer at all ; they are very cross that Mr Hill's undertakings to look at restrictive practices after last year's settlement have not been translated into any action. But the presumption on Thursday, as the unions met at York, was that neither side is really looking for a showdown ; it was expected that the next move will be for the unions to make another appeal to employers to raise their offer or to reduce the standard working week—and if no agreement is reached after this, to go to some sort of arbitration. This is being decided as we go to press.

RUSSIA

Congress Dances—to what Tune?

THE All-Union Congress is, in theory, the highest organ of the Soviet communist party ; in practice it is a combination of rubber-stamp and sounding-board. The twentieth congress, held in February, 1956, was memorable for its secret session, during which Mr Khrushchev delivered his famous indictment of Stalin's rule. The statute stipulates that congresses shall be held every four years, but the twenty-first, it has now been announced, will be held at the end of January. It will be an extraordinary session, called to endorse the new seven-year development plan.

In the last two years, Mr Khrushchev has introduced a number of important economic reforms. The decentralising of economic control through the creation of regional councils and the transfer of state-owned machinery to collective farms are the best known. They were accompanied by others, such as the cancellation of compulsory deliveries of food. The Soviet planners have also abandoned the five-year period which had been their hallmark. The current plan (1956-60) was dropped half way. Future plans are to stretch over a seven years' span. Mr Khrushchev is now to inaugurate this new era by presenting a plan for the years 1959 to 1965.

At the same time, recent political vagaries may be reflected in a political reshuffle at the top. This is not yet to be taken for granted. Marshal Bulganin's formal dismissal from the party presidium, announced last Sunday, was merely a logical sequel of his fall from favour last year. On the other hand, if the time is thought ripe for another purging, the numerous party gatherings at various levels which will precede the January meeting will naturally provide excellent opportunities. In any case, the new economic directives themselves will have a great political significance. Will Russia's economic race with the United States once again be concentrated on heavy industry, or will an attempt now be made to catch up with American living standards ? An answer should be available soon, as Mr Khrushchev's latest " theses " will have to be published well in advance of the congress to allow for the usual country-wide campaign.

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ATOMIC POWER

Politics and Orders

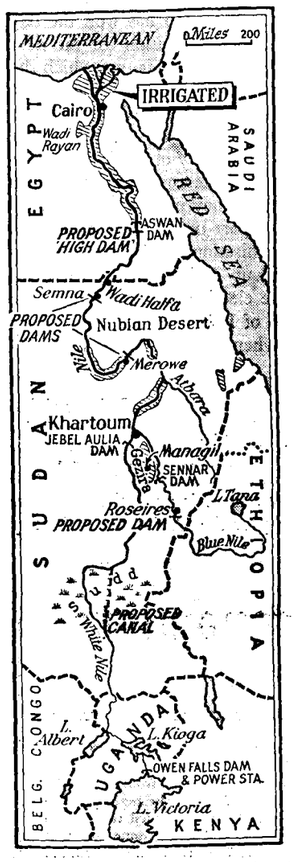
THE Geneva exhibition has thrown revealing light on the race for economic nuclear power. It has once more made plain the short-term lead that Britain still enjoys in the engineering of nuclear power stations, but it has also shown the great potentialities and breadth of American research; many visitors were impressed by the possibilities of the boiling-water reactors which will be at the heart of the joint development programme to be undertaken by the United States and the European Atomic Community. In Italy a British concern has already got the contract for a power station at Latina to be built for Signor Mattei's ENI; but it now seems almost certain that a second Italian station, to be built in southern Italy and financed by the World Bank, will be supplied by the American International General Electric Company. In technical matters the Italians do not want to put all their money on one horse.

There may, however, be a political element in the choice, too. It is reported that a far lower tender for the station was submitted by the British General Electric Company. One of the political motives for the choice may well be the new agreement for aid and technical cooperation between the United States and Euratom, of which Italy is a member. British representatives are expected to go to Brussels later this month to carry on the negotiation of an agreement between Britain and Euratom. Its terms may well be based on the agreement between Britain and Japan, signed in July, an agreement notable for the generosity of its provisions about the supply of fuel. That ace, however, has already been trumped by the Americans in their agreement with Euratom. Its terms are generous, not only on fuel, but also on inspection. Euratom's own inspection system will be regarded as sufficient to ensure that any plutonium produced in power reactors is used for peaceful ends. It will be difficult for Britain to avoid following this precedent in any agreement with Euratom. And it will certainly be an advantage if broader political links can be devised to give Britain a place in the counsels of the new community comparable to that which the United States will have.

THE NILE

Muddied Waters

EGYPT has called in plumbers to mend what may turn out to be a leaking valve in its heart. In introducing political opportunism into the question of the Nile waters, it has chosen to go in for rabble-rousing instead of orderly negotiation. The use of Nile waters has been regulated, since 1929, by an agreement made between Egypt and Britain (acting on behalf of the Sudan). When the Sudan became independent, its goverment said it was not to be bound by previous agreements which it considered unjust, among them the Nile agreement. As seen from Khartoum, the injustice lies in the limitation of the Sudan's use of water between January 1st and July 15th. Sudanese irrigation plans are limited, while Egypt remains free to develop its irrigation as fast as it pleases. This year the Sudanese government notified Cairo, as the 1929 agreement requires, that it intended to test its new Managil canal before July 15th. When no answer was received, the water was turned into the canal on July 2nd. Perhaps it would have been better if the Sudanese had waited, not because the canal uses water that would otherwise irrigate Egyptian fields, but because this year the river level has fallen to a record low, and the Egyptian fellahin are therefore open to suggestions that they are being deprived, and that only by an adventure into the Sudan can their government assure them of an adequate supply of water.



As the news of the action taken at Managil moved slowly down the river, the Cairo radio and press went into action. The Khartoum government, said Cairo, was wicked, greedy and uncooperative, but the Arab Sudanese people would surely not stand by while the Arab Egyptians starved in villages farther down the Nile.

Egypt demands Sudanese recognition of the 1929 agreement. The Sudan insists on a new agreement. Each has taken a stand it cannot easily give up. The present argument is based on pettiness, but the stake is a matter of life and death. Both countries need an agreement on Nile waters, for until one is made President Nasser cannot begin his high dam at Aswan, and the Sudanese cannot plan their agricultural development. There are signs that the Sudanese government's concern for internal matters such as irrigation and communications are more important to it than adventures in the world of Arab politics. As yet there has been no sign from Cairo that the welfare of the Egyptian fellahin is the government's principal aim.

LABOUR

Retreat from Barbarism?

THE most interesting feature of the revised agenda for Labour's annual conference this year is the almost comic resemblance of parts of it to the Tories' agenda a year ago; it is now Labour's turn to tell its leaders indignantly that the party's failure to make headway in the country must obviously be due to bad propaganda from the top rather than to public disinterest in the party's true principles.

The annual report of Labour's national executive, published with the agenda, shows that the party is clearing its decks for the general election which it firmly believes will be held before next year's conference. The row about candidates between the trade unions and the co-operatives has been patched up by an agreement which gives way to the co-operators while pretending to the unions that it doesn't. In Transport House itself, too, discretion has won the day against reform ; Labour's central organisation for the next election seems to be substantially the same as that which the Wilson report of 1955 so sharply criticised for losing the last election. In the constituencies, more of the Wilson reforms seem to have been carried out ; there are more full-time agents in marginal seats, and the quality of the best Labour agents has considerably improved since 1955. But it remains very doubtful whether all constituency parties have devoted as much time as the Wilson report urged them to give to what should be their main organisational task—the compilation of really efficient marked-up registers for their area ; one's impression is that, come election day, the Tories are still going to be streets ahead of Labour in knowing where all their supporters live and whence to call them.

One other pre-election manœuvre by some Labour right-wingers is the delicate task of trying to drop the chairlady. The chairmanship of the Labour party normally passes automatically and according to strict rote among the members of the national executive ; there is no real importance in the job, but in an election year the Tories can make any *bêtises* which are uttered by the Labour chairman sound more significant than they are (remember 1945 and Harold Laski). Some of the big trade unions have now realised, with some apprehension, that the new chairman for 1958-59 is scheduled to be Mrs Barbara Castle ; they have therefore devised the unusual idea that she might be persuaded to stand down and yield the chairmanship to that now well-known and inoffensive favourite of the touchy floating voter, Mr Aneurin Bevan. This attempted Retreat from Barbarism might understandably be blocked by the lady herself, but it is an interesting exercise in trying to get out of the frying pan into the (presumptively) quenched fire.

The Economist

SEPTEMBER 11, 1858

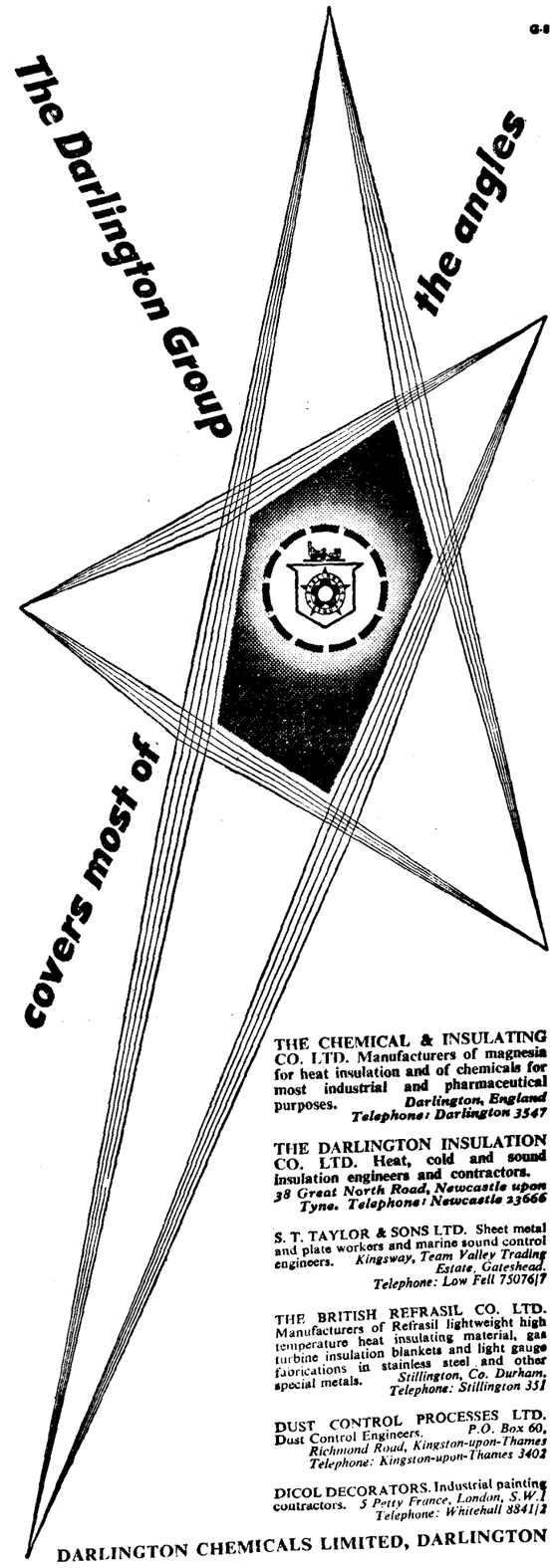
MIDDLE CLASS SCHOOLING

The Oxford Examination of volunteers from provincial schools seems to have already fulfilled the main purpose for which it was instituted. It was intended to bring to light the weakness of these schools, and it has done so. Out of about 1,100 candidates, we believe 700 have been rejected. . . . There is one point especially in reference to the recent examination on which we have the best grounds for feeling sincerely grateful to the Oxford examiners. It is well understood that the greater number of the failures were failures in the commonplace elements of an English education. Now we believe that this result cannot but prove the best possible antidote to the only real danger which all wise men felt might attend the scheme—we mean the risk lest it should operate to concentrate the attention of schoolmasters on their best scholars, to the prejudice of the mass of less promising pupils. . . . This fear was not groundless. Such examinations have a tendency to create too wide a distinction between the education of the many who are dull or heedless, and the few who love study. The Oxford examiners have done their very best to turn attention back to the most elementary teaching, in the benefit of which *every* pupil must share, rather than to set a premium on the successful production of narrow but high scholarship. For thus doing they certainly deserve the best thanks of the middle classes. . . . The special scholarship of a University career should be left to Universities to nurture. The teaching of schools, if it is to be worth anything, should be thorough, but not special or narrow. . . . Elementary teaching at school must be broad as well as thorough, if it is to educate the elastic mind of children. An elementary classical education is so much better than a scientific, merely because it is far *wider* in its interests, because the number of faculties it brings into play is far greater. But even a classical education for school-boys is not wide enough, and will not elicit the full powers of average boys.

DR PAULING

Is Rudeness Really Necessary?

If Parliament had been sitting, exchanges at question time would no doubt by now have revealed exactly what did happen to Dr Pauling, the distinguished American scientist, at London Airport ; because it is not sitting, comment on the affair is bound to be only half-informed. One's first impulse, however, is to assume that Dr Pauling had a thundering grievance when he was refused permission to stay in this country beyond the date marked on his visa because he wanted to attend a meeting on nuclear disarmament. Much play has been made by his distinguished clerical and scientific friends with the damaging remark attributed to an immigration official—that visitors are not allowed to come to this country to attend public meetings, especially if directed against the Government ; it is pretty clear, however, that this statement—if it really was made—was a mistake. Dr Pauling and his friends now have the satisfaction that the Home Office has retracted it, and he has official Government permission to attend and urge a ban on the bomb to his heart's content. In fact, the remarks attributed to the official sound rather like a bullied, short-tempered junior official's unconsidered version of the Home Department's rule of thumb on such matters. This is that communists and fellow travellers are not encouraged to come to meetings convened here especially to make mischief ; and several have been turned back. It is a rule that is at the best a regrettable expedient and requires the most sceptical supervision ; the policy should invariably be "when in doubt, relax." Dr Pauling was not going to a communist-run meeting ; "ban the bomb" is a perfectly respectable battle-cry, even though (when applied to the western bomb only) it has communist support. It was right that the Home Office should be firmly told—and if necessary by highly placed personages—that it should not have been so inhospitable in this case. To that extent British liberals are all warmly indebted to Lord Russell and Canon Collins ; the Home Office's attitude to foreign migrants and visitors (especially those with dollars to spend) is still far from satisfactory. But one's thanks are somewhat chilled by the unnecessary rudeness and exaggeration with which they made their salutary points ; indeed, when Canon Collins chooses the occasion of a sermon to a captive audience in St Pauls Cathedral to call the Home Office "liars" and worse, this may arouse emotions for which chilliness is not perhaps the right word. What actually happened at the airport, in terms of human courtesies on either side, let it be said, is unknown.



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CHINA

Mao's Super-Sparta

WHILE the Chinese coastal batteries have been pounding Quemoy, a drastic social transformation has been launched in the hinterland. Last month the Chinese press and radio began to feature reports of the formation of "people's communes"; and now the communist theoretical magazine, *Red Flag*, has described this new form of regimentation in detail.

The initiative came from Mao Tse-tung, who has now ordained that the whole population must eventually be organised in these communes. Between August 17th and 30th, this was discussed by the party politbureau. Administrative distinctions between town and country, farming, industry, trade, education and the army are to disappear. Collective farms and other local organisations will be merged to form much larger multi-purpose units within which labour can be switched from farming to small-scale industry. Among the communes already established, many embrace about 10,000 families each. In Honan province, where the plan has been put into full effect, 350,000 factories and workshops have been drawn into them. Communal eating houses and children's homes are to free most women for labour outside the home. *Red Flag* emphasises that the communes are to be "organised along military lines," and equally well designed to deal with the struggle against nature or with any human enemy —two functions described as "interchangeable."

This far-reaching reform of Chinese life recalls the unsuccessful Soviet project for grouping collective farms in "agrotowns." But Mao will have learnt something from Stalin's and Khrushchev's mistakes in this respect, and if his plan succeeds, it will not only give the party a tighter grip on the people; it should also release both the male and female labour resources which China needs to increase production in both farming and industry. The question is how far, and for how long, human nature will accept such a rigorously spartan way of life.

GERMANY

Unity and Ulbricht

ON July 2nd the Bundestag requested the West German government to approach the four former occupying powers and ask whether they would be willing to resume discussions on the future of Germany. A few days later, at the fifth congress of his party in East Berlin, Herr Ulbricht redefined the communist position on German reunion. Now the powers have the fruits of these initiatives before them. On September 5th, the East German government in Pankow proposed to the "Big Four" and to the Federal government in Bonn that negotiations on a peace treaty for Germany should now begin. Four days later, in a note to the same four powers, the Bonn government proposed the formation of a commission to consider the German question.

Pankow's note is accompanied by a list of Herr Ulbricht's conditions for unification: in the main, that there should be an "uprooting of the militarist and fascist forces" in the Federal Republic; that it should leave Nato; and that the two German states should accept a loosely defined "confederation." Whereas the East Germans suggested that a Bonn-Pankow joint commission should function in parallel with the four-power commission, Bonn addressed itself only to Britain, France, Russia and the United States, taking the familiar position that the Pankow government is undemocratic and unrepresentative, and that any dealing with it would imply its recognition.

In terms of propaganda, the East Germans have probably scored. They got in first with their note, and they have also produced something that might appear, to some members of the opposition parties in the Federal Republic, to be a possible proposal for German participation in solving the German problem. Their proposal has evidently been worked out with Soviet approval, and it represents one more attempt to gain prestige for Herr Ulbricht's regime. But there is no sign that the unacceptable communist terms for reunion, so often rejected in the past, have in any way been modified.

End of a Monopoly

IN the last two years the problems of Ruhr coal, always so inflammable politically, have changed radically in nature. The British and American occupiers in early post-war years, and the European Coal and Steel Community since, have been much concerned to maintain competition in the Ruhr and to prevent its mines from abusing the commanding monopoly position they enjoyed in the supply of energy to western Europe. Today coal, no longer in chronic short supply, is piling up at the Ruhr pitheads. Management, with a surplus of coal on its hands, has been allowing labour to drift from the mines. The Ruhr mine owners, like the National Coal Board, are facing not only the problems of recession, but the broader problems of competing in the energy market with American coal, with fuel oil and with nuclear power, and of adapting their industry to an age in which it no longer enjoys a virtual monopoly in energy supply. In the past year the politics of German coal have consisted of a noisy battle between the Ruhr owners and unions, demanding protection from their new competitors, and Dr Erhard, the minister of economics, who has been strenuously resisting their demands. Last week the first significant government measures to meet the new situation were announced.

Dr Erhard has certainly given some ground. He has agreed to ask the General Agreement on Tariffs and Trade for permission to restrict further imports, and has given permission for a gentleman's agreement between coal and oil concerns to restrict sales of fuel oil. But these measures will only have limited effects. Existing contracts mean that imports of American coal will remain large—perhaps of the order of 12 million tons this year compared to 16 million tons in 1957. There will still be no administrative restrictions on sales of fuel oil.

Side by side with the protective measures are new departures in price policy. Dr Erhard hopes that the new competitive situation will spur the mines not only to close uneconomic pits and concentrate their efforts on the most economic coals, but to introduce more flexible pricing arrangements. Now the mines are to be allowed to sell off their stocks to industrial customers at a 10 per cent rebate. Long-term sales contracts at low fixed prices will be offered as a bait to regular buyers. Imported coal may be re-exported at cut prices. In the period of coal shortage the High Authority at Luxemburg, fearing discrimination by the Ruhr in favour of German customers, was reluctant to

give its blessing to such developments. If it allows the Ruhr greater flexibility in pricing, it might do well to ask for a *quid pro quo*—the replacement of the three existing Ruhr selling agencies, which work closely together, by a genuine market system operated by a large number of competing companies.

The High Authority has faced the coal recession hitherto in a fairly liberal way, resisting claims to restrict imports into the community as a whole. But it too is under pressure to change its tune.

CONSUMER EXPENDITURE

Spare-Time Spending

How much money people spend on everything is recorded quarterly by the Central Statistical Office; nowadays the annual blue book on national income and expenditure, published this week, adds only the frills. One such frill is its recording of the amounts going annually on entertainments, reading, hobbies and the like. Nobody can say how much is spent on spare-time occupations and whiling away leisure as a whole, but the table lists the main items which might be thought to compete with each other for the money left over for such indulgences.

It may seem surprising that such indulgence spending still takes only 24 per cent of the average consumer's budget, that this share has remained stable for several years, and that ten years ago the share was actually higher. But this is because these items, with the exception of motoring and newspapers and magazines, have risen less in price than most. In particular, smoking and drinking have become relatively much cheaper; since 1948 the price of drink has risen only 2 per cent and that of tobacco only 13 per cent, while prices generally have gone up 40 per cent. In real terms, consumption of the indulgence items on our list has gone up nearly one-third since 1948, while total consumption has gone up only one-fifth; since 1954 the corresponding increases have been 9 per cent for "indulgences" and 6 per cent for total consumption.

Last year cinema-going declined by 18 per cent, the sharpest fall experienced in the uninterrupted decline over the last ten years; other forms of entertainment gained 2 per cent more custom. Rather more newspapers and 4 per cent more books were bought than in 1956, but no more magazines. Both smoking and drinking increased by 2 per cent; beer consumption went up for the third year in succession and, unlike every other year in the past ten except 1952, there was a slight increase in the amount of pipe tobacco and cigars bought. Household durables were just back to their peak in 1955, but that still remains the record year for spending on motor cars. Nevertheless the most significant long term trends shown by the table are still that the British public has doubled its real purchases of household durables and electrical gadgets, and quadrupled its motoring, in the last ten years.

	Spending at current values (£ million)				Percentage changes in volume*	
	1948	1954	1956	1957	1954–1957	1948–1957
Drink	826	818	898	940	+ 9	+ 11
Smoking	764	855	935	979	+ 6	+ 14
Books, newspapers, magazines	133	180	208	219	+ 5	+ 11
Miscellaneous recreational goods	103	132	147	160	+10	+ 29
Entertainments	180	189	198	193	−10	− 17
Radio, electrical and other household durables	134	274	284	317	+ 7	+103
Motoring	105	419	527	574	+23	+297
Total of above	2,245	2,867	3,197	3,382	+ 9	+ 32
Total of above as percentage of all consumer expenditure	27	24	24	24		

* After revaluation at constant 1954 prices.

CHILE

Paper Mill Politics

Chile has a tradition of electing middle-of-the-road governments. The tradition was broken in last week's presidential elections when Sr Alessandri, the right-wing candidate, received the most votes and was closely followed by Dr Allende, whose policies swing at least as far in the opposite direction. The one thing on which most Chileans agree is that it is time for a major change in economic policy. People have got tired of their country teetering on the edge of bankruptcy. The rate of inflation is legendary; there is 10 per cent unemployment, an enormous budget deficit, and the collapse of copper—the price has been halved in the last two years—turned the knife in Chile's economic wounds. But the results of this election show that voters were fairly evenly split between those who thought the change should come by way of more private enterprise and more dollars, and those who put their faith in economic union with the neighbouring states and more trade with the communist world.

Sr Alessandri, a member of a famous political family, is nevertheless a businessman who makes no bones about distrusting politicians. Since many Chileans, struggling against rising prices, are thoroughly fed up with political manœuvring, this line of approach is popular. His platform was based on the idea that he would run the country like his own successful paper mill, with no concessions to political expediency. He is an enemy of planning in any form, and reserves his sharpest attacks for economists who "pretend to foresee the future." He boasts of having no economic policy except common sense and free enterprise. He blames the country's woes on previous governments which, according to him, interfered with the natural movement of the free market.

His election has been welcomed in the United States, where Dr Allende's communist support and neutralist tendencies were regarded with suspicion. But although Sr Alessandri is a stronger advocate of foreign investment than Dr Allende (who believes in as much South American self-help as possible) he is not at all cowed by Washington, and may well follow a very independent policy. He has been compared with General de Gaulle, and indeed he shares many of the French leader's characteristics. Since 1949 Chile has had no diplomatic relations with Russia, and the United States has heavily discouraged the sale of copper to the Soviet block. Although Sr Alessandri does not hold with the doctrine of political neutrality, in the sacred name of good business he may well encourage trading with the communist states.

* * *

Correction: In the leading article "The Nazis of Notting Hill" in *The Economist* last week, eight lines from the end on page 724, the word "persecutions" should, of course, have been "prosecutions."

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The Fifth Republic

General de Gaulle's constitution, on which the electorates of France, Algeria, and the French colonies will vote on September 28th, proposes a strong presidential regime, appreciably different from the parliamentary rule of the Fourth and Third Republics. Its principal features are as follows:

The President

The President of the Republic appoints the prime minister. (Under the Fourth Republic the premier, then styled President of the Council, had to be invested by an absolute majority of the National Assembly.)

He may *dissolve* the Assembly, provided it has been in existence for one year, after consulting the prime minister and the presidents of the two houses of Parliament. (The right to dissolve was given to presidents under the Third Republic, but was not exercised after President MacMahon's fiasco in 1877. Under the Fourth Republic the cabinet had power to dissolve only in complicated circumstances involving two ministerial defeats in the Assembly within a period of 18 months. There was one such dissolution, by M. Edgar Faure in 1955.)

He may assume special powers in a national emergency after consultation with the presidents of the two houses of Parliament and the Constitutional Council. (New power.)

He may submit disputed Bills to a national referendum, if asked by the cabinet or by both houses of Parliament. (There was no referendum under the Third Republic; under the Fourth the right was restricted to constitutional revisions which had failed to get the requisite majority in Parliament.)

He is elected for seven years by a college comprising the two houses of Parliament, departmental general councils, overseas assemblies and municipal councils. Re-election is not barred. (Under the Third and Fourth Republics the college was restricted to the parliamentarians; under the Fourth, the president could be re-elected once.)

The Constitutional Council is a new body of nine members (of whom the president names three members and the chairman) and existing former presidents. Its responsibility is to oversee all elections and referendums, and to be consulted on constitutional questions of law and before the president assumes emergency powers.

The Government

The prime minister is appointed by the president, but he and the cabinet are responsible only to the Assembly. (The Third Republic did not officially recognise a president of the council until late in its career; under the Fourth he had to be invested by the Assembly.)

The prime minister is assumed to have the Assembly's confidence until the opposition offers a motion of censure signed by at least one-tenth of the deputies. A motion of censure has to be approved by an absolute majority; if it is defeated, its sponsors may not introduce another in the same parliamentary session. (The Fourth Republic also required an absolute majority for motions of censure, but governments which found themselves in a relative minority always, in practice, resigned.)

Ministers must give up their parliamentary seats on appointment. (New provision.)

Parliament

Parliament consists of the National Assembly and the Senate. The Senate is allowed to originate Bills, except financial Bills, origination of which is reserved to the Assembly. The president of the Senate assumes the presidency of the Republic until an election is held to fill any vacancy. The final word in unresolved disputes between the two houses rests with the Assembly. (The Senate thus gets back the name, and some of the status, it enjoyed under the Third Republic; under the Fourth it was called the Council of the Republic and had largely nominal powers.)

Parliament sits for a maximum of five and a half months each year. It may meet in extraordinary session for 12 days at the request of the prime minister or of a majority of the Assembly. (Under the Third Republic the parliamentary year had a minimum of five months, under the Fourth of seven months.)

Voting rights in Parliament are personal, may only be delegated in exceptional circumstances, and no person can be delegated more than one vote. (Delegation of voting was common under the Fourth Republic, with rectifications of individual votes officially recorded.)

The domain of parliamentary legislation is defined and restricted; it may be extended by organic law voted by Parliament. (Officially, the Fourth Republic was forbidden to delegate legislation of any kind, but legislation by decree was by no means unknown.)

Overseas Territories

Each overseas territory is given a choice between retaining its present limited autonomy, integration into the French Republic as an overseas department, or entry into a federal community as a fully autonomous unit.

Members of the community freely direct their own affairs, but the community controls foreign policy, defence, common economic and financial policy, and policy on strategic raw materials.

Changes of status by member-states of the community may be negotiated; if a member-state becomes fully independent it ceases in consequence to belong to the community.

The community possesses a president (the President of the Republic), an executive council, and a senate. (The effect of this Gaullist policy is to sweep away the provisions of the constitution of the French Union in 1946.)

Rejection of the constitution by a colony implies immediate secession from France.

"Association"

France or the community can make agreements with states that wish to associate themselves with the republic or the community "to develop their civilisations." (New provision.)

BOOKS

From Craft to Science

A History of Technology: Volume IV. *The Industrial Revolution 1750-1850*
Edited by C. Singer, E. J. Holmyard, A. R. Hall and Trevor I. Williams.
Oxford University Press. 728 pages. £8 8s.

THIS, the fourth volume of the great History of Technology, appears at a time when technology commands more interest among economists than ever before. The theorists speculate about the volume and character of the technological development required for stable growth. On the empirical side, Professor Jewkes has published a study of the conditions that promote inventions, and a group of economists at University College, London, are investigating the circumstances of technical innovation in particular industries. Though some of this interest comes from following up old lines of thought, it derives its force from the obvious extent to which improvement in standards of living depends upon invention. It is not merely that invention is more rapid than ever before and assumes more spectacular forms; our dependence upon technology is no longer obscured, as it was in the nineteenth century, by the possibility of massive acquisitions of natural resources from unsettled regions. What conditions determine the pace of technological advance is thus a crucial question. So is the problem, canvassed in recent years by Mr Colin Clark, whether technical progress has reduced the need for capital accumulation, whether economic growth has depended less on the volume of capital goods than on the quality of the knowledge embodied in them.

The period 1750-1850 is particularly relevant for such issues, and this volume will be frequently raided by economists and historians in search of facts to support, refute or merely frame hypotheses. All the technical changes of that momentous century are described in language that is intelligible to the layman and illustrated by aptly chosen diagrams and pictures. Here is a mine of information. But it must be confessed that the reader will have to prospect for the ore-bearing veins. In method, if not in arrangement, the volume is in direct descent from the universal dictionaries of arts and science of the nineteenth century, strong in accurate description but with little concern to explain or interpret. This is not said in depreciation. An intelligible exposition of the functioning of a machine or process is as difficult as a coherent account of the tactics of a battle; and within their limits—which seem to be imposed by the design of the volume, since the historians among the contributors restrict their scope no less than the technologists—the individual chapters are excellent. The old favourites of the industrial revolution—the inventions in textiles, steam and metallurgy—have never been better described. And there are two excellent chapters on machine tools and precision instruments, which were much more central to the stream of technical progress than the textile inventions, but about which the standard works are obstinately reticent. As in previous volumes, some of the most welcome chapters come from technical experts whose work has hitherto been hidden in the esoteric journals of their craft. There is, for example, a masterly treatment of building and civil engineering by S. B. Hamilton of the Building Research Station at Watford.

But it is surely a pity to confine a history of technology to narrowly technical terms of reference. Such a history ought somewhere to examine the problem of how far technical progress has occurred in bursts and how far it has been gradual and continuous; how far it has been the result of fluke or the random play of inventive genius, and how far the result of deliberate effort. It would no doubt be unreasonable to ask historians of technology to analyse the effects of new techniques on costs and so fill up two of the economists' empty boxes, labour-saving and capital-saving inventions. But they surely ought to consider how far the relative scarcity of labour, capital and raw materials has influenced the course of technological change. As it is, only one influence upon technology receives any systematic treatment, and that is science, which is discussed in a brief concluding chapter by Professor Ubbelohde. This emphasis no doubt reflects the interests of the editors, who are distinguished historians of science. But science is not the only influence—very evidently not in the period covered by this volume, since, with the possible exception of the steam engine and certain parts of the chemical industry, scientific discoveries had a very limited effect on technological advance. Indeed, the final feeling after reading this volume is how primitive were machines and processes even in 1850, how far they fell short of the scientific possibilities. Perhaps a hundred years hence textbooks will date the beginning of the modern world from the dynamo and the internal combustion engine, and James Watt and Cartwright and the other inventors of the period covered by this volume will be included with the ingenious but anonymous projectors of the sixteenth and seventeenth centuries.

The Writer's Craft

Writers at Work
Edited by Malcolm Cowley.
Secker and Warburg. 276 pages. 21s.

WHEN the editors of the *Paris Review* decided that the least expensive way of getting famous literary names into its cover was by way of interview, they can hardly have hoped to elicit a generous book's worth of fascinating material. From the sixteen writers whom their emissaries pumped—with that highly specific skill which is revealed hardly at all in the question itself, almost entirely in the answer which it prompts—they got in fact a wonderfully rich, varied and stimulating set of confidences. There is autobiography here, and personal character and quirks and foibles, and revelation of insight and of blind spots, and, uncannily well caught, a succession of authentic speaking voices; "Writers at Work" could be read simply as a series of brilliantly lively portraits. (The Americans jump out from the page much more vigorously than the Europeans; Dorothy Parker, James Algren, William Styron, make Moravia and Mauriac and E. M. Forster seem comparatively thin and flat—though Joyce Cary runs them close.)

But to anyone interested in writing as such—in the creative impulse or germ, the conditions fostering it, the growth and unfolding of theme and character, the relation of the writer with his daemon—this book is far more than a set of clever "profiles." It is unique. There have indeed been such revelations in the past by individual writers as diverse as Keats and Kipling, Somerset Maugham and Virginia Woolf, but nothing quite like this multiple focusing, as by converging searchlights, of varied experience and temperament on the creative process. The rays light up no single formula, no universal sequence of gestation and birth. At most, it can be said of these writers that they all start from something small—a particular face, an unexplainably vivid mental image, a news item, an atmosphere, a single personality—rather than with a widely conceived purpose or large-scale plan. Is this fortuitous?—or characteristic of one or two generations?—or, discounting all professions to the contrary, a universal trait? Some create in the process, almost with the physical exertion, of writing, with only the vaguest previous idea of how their theme will develop; for others creation is virtually complete before pen is set to paper. There are the note-takers and dossier-builders, and those to whom such devices are abhorrent, who find that what has been written about, even talked about, beforehand becomes sterile. Some writers are happy to see a character taking the bit between his teeth and bolting along his own course; to others such rebellion signals total failure. . . . And so on. The proof of the pudding is in the eating; variety justifies itself.

On the wider, and desperately hackneyed, theme of the author's relationship to society, little is said. All agree, if they mention the topic at all, that a writer must be immersed in his time, must have a coherent attitude and ethic—but because a lack in these respects makes for feeble writing, not because writing should have a definite social aim. The angle of convergence of those searchlights is perhaps—even though it extends from Mauriac to James Thurber, from Faulkner to Françoise Sagan—not quite wide enough. No one is Angry (or *Angst*-ridden); there are no mandarins, no prophets, no nihilists, and no cosy commercials. But to complain because this extremely creditable enterprise was not even more ambitious would be grossly unreasonable; and moreover the editor's preface holds out hope of a second volume. Readers of "Writers at Work" will, if and when it appears, assuredly snap it up.

What Turned the Tide?

American Contributions to the Strategy of World War II
By Samuel Eliot Morison.
Oxford University Press. 80 pages 12s. 6d.

PROVOKED by Lord Alanbrooke's memoirs "The Turn of the Tide," Admiral Morison delivered two lectures at Oxford in May 1957, which now appear, slightly extended, as a characteristic book: knowledgeable, opinionative, salty and well worth reading. On the war in Europe his views are only to be expected: insistence that the Americans were right about Overlord and Dragon and that "the massive thrust to the enemy's heart" was preferable to "successive stabs around the periphery to bleed the enemy to death." The final plan he concedes to have been "a sensible compromise." If it is now clear that the shortage of landing craft in 1944 was due to a shift in priorities in January 1943 in favour of escort vessels for the Battle of the Atlantic rather than to Admiral King's desire to feed the Pacific Fleet at the expense of Europe, the question in dispute, then as now, was surely where best to use what we had in the way of landing craft, in the meantime; before Overlord. Admiral King thought them "better employed in the Pacific to keep the Japanese off balance," the British (for various and perhaps conflicting reasons which did not aid their cause) wanted them in the Mediterranean.

Admiral Morison, deeply suspicious, one feels, of Mediterranean adventures, although he grants that "the Mediterranean campaigns did bring substantial benefits," goes on to conclude that but for "unremitting" American pressure "there would have been no invasion of Northern Europe" and therefore, he reminds his British readers, no capture of the V2 launching sites, in 1944. If some of these readers take leave to feel that this assertion carries the evidence a shade further than their recollection of it, few will have had the Admiral's opportunities to seek it out so thoroughly and so intimately or could generalise from it with such crisp clarity, essential fairness and astonishing freshness.

With the war in the Pacific Admiral Morison seems even more at home, and this very familiarity perhaps makes the going in the second lecture harder for the British reader. It will repay his attention. He will be told, *inter alia* (and all of it of interest), that the reason why Admiral King wanted no part of the Royal Navy in the central Pacific was simply because it was "short-legged," having to return to base once a fortnight to replenish and refit, whereas the Americans had already devised their Mobile Service Base, which enabled their Pacific Fleet to stay at sea for months on end. To sum up: after the initial defeats at Pearl Harbour, Wake Island and in the Philippines, the Americans (comparatively unhampered in the Pacific by Allied argument) "did not make a single major strategic error"—unless, the author seems to say, it was to win too fast to be ready for what followed.

Preface to Rise and Fall

The South Wales Coal Industry, 1841-75
By J. H. Morris and L. J. Williams.
University of Wales Press. 289 pages. 25s.

THE story of the South Wales coalfield falls into three fairly clear chapters. In the impetuous and unregulated development from 1870 to 1913, output bounded from 13 million tons a year to the peak figure of 56 million tons. In 1913 there were markets in almost every country for South Wales coal as the most effective fuel for raising steam. In that year the coal export trade amounted to 36 million tons. Today that trade, which had brought about the phenomenal expansion of the coastal towns of Cardiff, Barry, Newport and Swansea, is virtually extinct.

The competition of oil was only partly responsible for the contraction of the market for South Wales coals and for the depression lasting a quarter of a century. The deflationary policy of the 1920s and the worldwide financial crisis of 1930 had the effect of reducing South Wales to a depressed area. At the same time, underground haulage and ventilation problems were increasing in an ageing extractive industry, and the costs of mining operations were mounting. As a consequence of the almost complete loss of the export trade in the crisis of 1940, production at the end of the second world war had fallen to where it stood in the 1880s—at the 20 million ton mark, with the graph going down, not up.

The third phase in the troubled history of this world famous coalfield is the Coal Board's effort to stem the output decline and to reorganise the collieries to an extent that will assure the capacity for output for many years to come. This is a battle between forces of development in some part of the coalfield and of decay in others.

This book has most of the merits of the scholarly approach but unfortunately much of the prosiness of such an approach. It is really a preface to a larger theme, but the authors have done wisely in compressing the yield of their extensive research into a specific volume. The 1840s saw the end of canals, which were of limited value in the mountainous terrain of Wales, and the coming of the railways. The book provides an authoritative and much needed study of the opening stages of the transition in the social and industrial history of South Wales that was to have such far-reaching effects.

Why Logic?

The Uses of Argument
By Stephen Toulmin.
Cambridge University Press. 264 pages. 22s. 6d.

THE central topic of Professor Toulmin's book is one that has always been important in philosophy—the question of the nature and purpose of logic. His thesis is an heroic one: that logic ought not to deal with what it has dealt with since Aristotle studied the syllogism, with analytic truth and with contradiction. Mr Toulmin suggests that those who have conferred chairs endowed for the study of logic on a person whose main interest is in questions of the logical validity of arguments have been guilty of fraudulent conversion; but he would have counted the appointment of Leibniz as fraud.

Mr Toulmin takes logic to be the study of the assessment of arguments and contends that, if it studies nothing but logical validity, then it can be of no use for discussing arguments that make no claim to logical validity. But this is not correct: when an argument is set out in such a fashion that the premise entails the conclusion, then it is possible to see just what assumptions it involves. Mr Toulmin derides A. N. Prior for quoting Hume that no premise that does not mention an obligation can entail a conclusion about our obligations, but Hume was throwing light on the nature of the step from giving a description of someone's situation to pronouncing on his obligations. Philosophers have always used the concept of logical validity to disentangle the various kinds of assumptions and the various kinds of inference that are used in arguments which are not logically valid. Professor Toulmin, either naively or wilfully, fails to understand this type of discussion.

A second contention, which gives no support to his thesis, is that it is not true that the only good arguments are the logically valid ones. Certainly the refusal to accept any arguments as good, except those where the premise already implicitly or explicitly states the conclusion, plays an important part in generating the philosophical problems about scepticism, though perhaps not such a fundamental part as is often thought; but this mistake was a mistake on the part of philosophers, not of logicians. The results of the study of logical validity may be applied without falling into it.

Professor Toulmin's thesis must not be confused with another: the thesis that it is not always the job of a philosopher, when he investigates a statement, to say what its logical consequences are, to give a logical analysis of it. Few philosophers nowadays would suggest that J. L. Austin's point—that to say "I know that . . . " is to give a guarantee—ought not to have been made since it does not state the logical consequences of "I know that . . ."

As for what logic ought to study, what the subject is that is not logic and not empirical science, Professor Toulmin has only the most general remarks to make. What philosophical points he himself makes—an interesting discussion of assertions of logical necessity, for example—belong with the logic which he is criticising.

Paper Making

The British Paper Industry, 1495-1860: *A Study in Industrial Growth*

By D. C. Coleman.
Oxford University Press. 367 pages. 55s.

DR COLEMAN'S researches have produced a highly readable and lucid study of the growth of the British paper industry. The result is all the more creditable because for much of the period there is a distinct lack of statistical material on this industry. The author takes as his starting point the earliest known paper mill, the existence of which can be traced back to 1495; he ends his story in the middle of the nineteenth century, when the gradual introduction of wood pulp as a papermaking material in place of rags was about to revolutionise world pulp and paper industries. In between, the industry's progress is skilfully sketched from its early setbacks in the sixteenth century to its steady expansion in the latter half of the seventeenth and throughout the eighteenth century. In addition, there are enlightening chapters on the changing organisation of the industry, the origin of its finances and the growth of trade unions and trade associations.

Clearly, the early expansion of a paper industry in this country owed much to the high duties against imported papers that survived well into the last century. Dr Coleman sees in this situation a classic example of the "infant industry" argument for protection without which, he thinks, the industry might not have survived. But when duties on paper were finally repealed in 1861 the effect was negligible. By then other forces were at play. The production process was now mechanised, handmade paper had declined in importance and manufacturing units were larger. British producers could hold their own against foreign competition. Yet the major changes brought about by the use of wood pulp were still to come, although the industry was blissfully unaware of the revolution on its doorstep. As late as 1861 a papermaker asserted that "there is no probability of any substitute for rags [as a raw material] being discovered." In fact wood pulp changed both the scope and, in many ways, the character of the paper industry. Coinciding with the spread of literacy, its introduction produced a huge expansion in output and consumption. This book serves as an admirable background to this more recent and more significant period whose economic history has still to receive detailed treatment.

Britain Supreme

The Vanwall Story

By Louis Klemantaski and Michael Frostick.
Hamish Hamilton. 63 pages. 18s.

SUPREMACY in International Grand Prix motor racing has a salutary effect on a nation's prestige, particularly in respect of its engineering products. At last, after many years of expensive failure, Britain is winning more important races than its Italian rivals. Before the war ERA (English Racing Automobiles) attempted to wave the flag in a field composed of Italian, German and French competitors. Success was confined to small races. After the war ERA, Alta, HWM and BRM attempted to vanquish the might of Alfa-Romeo, Maserati, Ferrari, Mercedes-Benz and Lancia, to little avail. It needed the wholehearted intervention of Mr Tony Vandervell and his Vanwalls to bring home the victories.

This book is a reminder that Mr Vandervell's present success has not been lightly accomplished. Mainly in pictures and with no attempt to be highly technical, the joint authors present material, already historical, that emphasises the many racing cars which Vandervell built before attaining a team of the race-winning potency of his 1957 Vanwalls. One is reminded, too, of the many highly skilled drivers who, because they were able to drive his experimental cars sufficiently fast round the circuits to provide data of real value, contributed to the existing supremacy of these Vanwall GP cars—Gonzales, Parnell, the late Peter Collins, Farina, who first put the Silverstone lap record to over 100 mph, Taruffi, Mike Hawthorn, Alan Brown, and the late Ken Wharton.

These drivers and a series of Thin Wall Specials constituted the research, the ground work, that has culminated in Mr Vandervell's race-winning team of Vanwalls. The authors have provided a concise, well-illustrated reference to a considerable British achievement.

A Short-Lived Party

The Independent Irish Party 1850-9

By J. H. Whyte.
Oxford University Press. 201 pages. 25s.

IRISH politics seemed to lapse into inactivity between the Young Ireland rising and the birth of Fenianism. In fact the period between these two landmarks witnessed the rise and fall of a vigorous and able political party based on the union of agrarian and Catholic interests. This party, although its career was brief and uneventful, played an important part in the history of Irish nationalism in later years. The Fenians were animated partly by the spectacle of the failure of constitutional agitation in the fifties, and the Home Rule movement led by Butt and Parnell, learned from the mistakes of their predecessors.

This interesting phase in Irish history has been rather neglected by historians. There are numerous books about Irish nationalism in the earlier and later years of the nineteenth century, but the middle years have not attracted much attention. The authorities on the period are unreliable, biased or incomplete. Many of the authors were actors in the events which they described, who magnified their own importance and failed, naturally, to relate the movement in which they took part to later and more important manifestations of nationalism. This gap in Irish history has been satisfactorily filled by Mr Whyte's well-documented, well-written and well-balanced book.

The Independent Irish Party progressed very rapidly in the years 1850-52. Public opinion was aroused by the tenants' grievances, the Ecclesiastical Titles Bill and the Stockport riots. The Tenant League and the Catholic Defence Association were the organisations that gave the party its success in the general election of 1852. Thereafter the party showed a lack of cohesion and, by the time of the general election of 1859, it had disintegrated. The forces of political patronage and electoral bribery were used against the party and never in its favour; the landlords were hostile; and the Catholic clergy were divided in their support. The attractions of the Whig and Tory parties made it difficult for the Independent Party to procure suitable candidates. The structure of Irish politics was unfavourable to the survival of the party, which, after a striking initial success, was doomed to a short life.

Prussian Characteristics

Bureaucracy, Aristocracy and Autocracy: *The Prussian Experience 1660-1815.*

By Hans Rosenberg.
Harvard University Press. London: *Oxford University Press.* 250 pages. 40s.

PROFESSOR ROSENBERG'S sociological analysis of the origins of the Prussian state goes further back than most works on the subject in its search for the reasons for the "moral and political earthquake" (that is, the rise and fall of Hitler's Germany) which, in his own words, "disfigured and besmirched the wrinkled historical face of my native land." In the period the author deals with, the Prussian state was built up by several rulers, with varying degrees of vigour; they could hardly be said to have been agreed on the aims they were pursuing. They did, however, succeed in imprinting certain characteristics on their dominion, and it is in these characteristics that Professor Rosenberg is mainly interested.

He deals with such subjects as the emergence of dynastic and bureaucratic absolutism, and some of their concomitants—the rise of public law and of a bureaucratic élite, and the rewards, loyalty and discipline this élite succeeded in acquiring in the course of time. The "Prussian experience" often closely resembled that of other European states; the author perhaps should have devoted more attention to the differences. He does, however, make some interesting points on the interchange between the military and administrative personnel in early Prussia; on the militarisation of social life; on the transformation of Lutheranism into the peculiarly Prussian puritanism.

Professor Rosenberg's treatment of the subject is such that it is hard not to feel that he has somehow fallen between two stools. His attempt to explain the recent past through the very distant past may be questioned by the historian; it probably would be more fruitful to start a sociological inquiry at a much later date.

OTHER BOOKS

CONSTITUTIONS OF NATIONS. *Second edition.* By Amos J. Peaslee. *Martinus Nijhoff,* The Hague. Three vols. 896, 880 and 919 pages. £8 15s.

INTERNATIONAL GOVERNMENTAL ORGANISATIONS: *Constitutional Documents.* By Amos J. Peaslee. *Martinus Nijhoff,* The Hague. Two vols. 719 and 832 pages. £5 15s.

Massive, monumental, monolithic, there is nothing that quite describes Mr Peaslee's achievement, just as there is no other constitutional collection quite as comprehensive as his in the English language.

These are fascinating volumes. The national constitutions cover every independent country on the globe from Afghanistan to Jugoslavia, with prefatory notes and short bibliography for each. It is pleasing to observe that the demand for the first edition in 1950 exceeded supply. Since then Mr Peaslee has had to record major changes in the constitutions of 35 out of his total of 89 nations.

Certain sections are necessarily cryptic: "The editor is informed by the authoritative government officials that there is no written constitution of Yemen." The United Kingdom is, of course, the big problem. Mr Peaslee starts gamely with Magna Carta and ends with the Parliament Act of 1911 and the Statute of Westminster of 1931. But within his space it is a hopeless task. Even so, he does not help himself by allotting more pages to New Zealand than he does to the United Kingdom itself. One wonders what an Albanian or an Omani, relying on this work, would make of us.

For practical reference, it may be that the new international series will prove more useful. Once again Mr Peaslee is all-embracing: the Pan-American Sanitary Organisation sits side by side with the Permanent Court of Arbitration at The Hague. All those who have to pick their way through the network of international organisations must count themselves indebted to Mr Peaslee's patience and thoroughness.

We regret that the price of Willings Press Guide was stated, in error, to be 16s. 6d. The correct price is 30s., plus 1s. 6d. postage.

LETTERS

Jet Fares

SIR—At first reading, your article of August 30th conveys the impression that you see no case whatever for a jet fare differential. This initial reaction is, however, contradicted by your concluding paragraphs which seem to suggest that fare differentials between different types of aircraft would come about naturally if the present system of fare fixing by International Air Transport Association were abandoned. I am quite sure you are wrong in this and I am therefore obliged, before setting out the case for an IATA agreement on a jet fare differential, to refute your suggestion that "this system of regulation has largely served its purpose."

It is absurd to regard IATA as a private cartel of the airlines: it is essentially a part of a complex system of international regulation. The trends of international aviation policies demonstrates only too clearly that there are strong pressures towards more nationalistic and more restrictive attitudes. Even the United States, the champion of freedom of the air at Chicago in 1944, has shown a marked tendency in recent traffic rights negotiations to take a protectionist position. In these circumstances, and quite apart from other arguments in its favour, the IATA fare-fixing system makes possible more liberal traffic rights policies than would be adopted without it. The abandonment of this system at the present time would be much more likely to lead to more restrictions than to greater competition.

I approach the problem of fare differentials, therefore, from the assumption that if air fares were not fixed by IATA agreement some other system would be devised by Governments to control them. I concede, however, that the present system creates certain difficulties. The most important of these is that fixed fares inevitably lead to more intensive competition in the quality of service and this, in turn, may lead to higher operating costs.

This problem has been dealt with successfully by IATA as far as the quality of service aboard the aircraft is concerned. Differential fares are now agreed for a wide variety of different qualities of cabin service. Performance competition remains, however, an unresolved problem. The very rapid rate of technical progress in aeronautics has produced, and will continue to produce, great improvements in the competitive performance of aeroplanes. This, combined with the pressures towards more intensive competition in the quality of service, makes for very rapid aircraft obsolescence. This problem has been greatly aggravated by the advent of the jet, for the competitive importance of recent speed increases is so great that, without fare differentials in favour of propeller aircraft, it threatens to make obsolete the bulk of the world's existing aircraft fleets. And this process will continue. The Caravelle, which may set the competitive pace in Europe for a little while, will itself be made obsolescent in a few years by the DH 121.

This unduly rapid obsolescence of aircraft makes air transport more expensive than it need be. It is against this increasing capital-costliness of the airline business that the proposal for a fare differential is aimed. It is essential to slow down the present equipment race; only thus will future fare reductions be possible.

Air fares must be brought down if traffic expansion is to continue at the rate planned by the industry. Lord Douglas has announced that BEA's aim is to bring down European fares by about 20 per cent the year after next. Against this background it is pure metaphysics to argue whether a differential is a higher fare for jets or a lower one for propeller aircraft. There should be no difficulty in the immediate future in agreeing a differential which would equate the supply and demand for each kind of aircraft: jet capacity will be in short supply for some time. Such an agreement would give the airlines time to find out something they do not yet know—how much jets will actually cost to operate when theory is translated into practice. Above all, agreement on a jet differential would have the effect of turning aircraft design away from its present exclusive preoccupation with improving competitive performance and towards the lower cost vehicles on which the future expansion of the industry will ultimately depend.—Yours faithfully,

STEPHEN WHEATCROFT,
Economic Adviser to BEA

London, W.1

Australia

SIR—Your correspondent's report on "Australia's Financial Tightrope" on August 30th gave many interesting facts, yet the overall impression was of a nation in danger of a serious financial recession. It would be unwise of any man to risk forecasting the economic future of any country in the unstable conditions that exist throughout the world, but all the signs are that Australia is riding the storm better than most nations.

The rise in unemployment there has been fractional, whereas elsewhere it has often been threatening and dangerous. Hire purchase has continued to expand while in many other countries it has barely marked time. But perhaps the best barometer of a nation's welfare is the stock market. And here the Australian pointer is at progress. The mood is towards expansion.

The latest news to reach me from the stock exchange in Melbourne shows that during August the market hit its peak

for the year. Investors took in their stride the federal budget which, according to your correspondent, "no one liked" and a world situation that was still obscure. A sample of the stocks most actively traded shows that 60 per cent moved upwards, 32 per cent down and 8 per cent stayed as they were. Of the 37 companies reporting a profit, 26 found their results better than last year, 11 not so good. The official report commenting: "Overall, the picture was of textiles, pastorals and base metals being dull, while electricals, building materials, finance and most leaders were very high."

Mr Gerard Noall, chairman of the Melbourne Stock Exchange, has made these points which are of special importance in view of the Commonwealth conference at Montreal: "Effects of less favourable export prices are less important than before World War II. There may be delayed reactions to lower export income, but so far as the share market is concerned this may be offset by the substantial optimism regarding Australia's future growth and development."

This is the important point. Almost daily I am meeting British industrialists who want to know about Australia, what it holds for their companies, and how they go about establishing themselves in the rich industrial area of Victoria. These, much more than any budget, are the symptoms that will spell not merely greater prosperity for Australia, but more trade for Britain as well.

Each month sees new British firms of all sizes taking the plunge and grasping their opportunities. The fruits can be very ripe. Only a week ago I was able to announce the award of two contracts, together worth nearly £10 million, to British companies and their Australian associates. And there will be more to come. As states like Victoria expand in almost every field of industrial activity the opportunities for British firms will grow. Australia and Britain need each other more than ever today.—Yours faithfully, W. W. LEGGATT

London, WC2

British Institute of Management

SIR—Whilst it is true that the Baillieu Committee envisaged a central management institute which would establish itself as a professional body with defined grades, nowhere in the original Memorandum and Articles of Association of the British Institute of Management does the word "profession" appear; the stated object of the Institute was to establish and maintain a central institution for persons concerned with or interested in management, and the membership of it was to be unlimited. As the word "management" was to be interpreted in the widest sense to include management in relation to industry, commerce, national and local government, public enterprise, agriculture and institutions of every kind, the potential membership of the Institute was enormous. Unfortunately, the first Council of the Institute, a government nominated one, decided at the outset to limit the membership to approximately five hundred invited individuals, mainly high-ranking executives in industry and commerce. Many thousands of applications for membership from persons concerned with or interested in management were rejected, and, in consequence of this restrictive and unauthorised policy, the BIM, which could have been self-supporting from its early days, was dependent on government grants for its maintenance. Since its incorporation in 1947 the BIM has received approximately £500,000 from the taxpayers' pockets to aid in its "Learning Not to Manage," and whilst it may be that the customary though varying annual subsidies from this source have ceased, it is a fact that the Institute has received quite recently a further grant of £10,000 for its adult education.

It is stated that the Institute is now apparently able to pay its way on its professional subscriptions. The sum of £100,000 subscribed when an appeal went out must not be regarded as professional subscriptions; furthermore, the 5,000 members under a scheme in which an individual is nominated by a firm must not be regarded as professional members; they are non-professional, being representative members only of firms which pay annual subscriptions to the Institute. Representative membership with voting rights can be purchased *ad lib*, for each subscribing firm is allowed to nominate one representative for each £10 of its annual subscription. If it has not already happened, the position shortly will be reached when the Institute is virtually an employers' association and the non-professional representatives members dictate the policy and control the activity of the Institute. Within this body are the remains of the Institute of Industrial Administration, a professional institute which for more than thirty years had awarded to its members professional gradings. It has been announced that this Institute has been dissolved and its membership integrated with that of BIM. The members of the IIA have sacrificed their professional qualifications and status and they have no allotted representation on the Council of BIM.

In "Learning Not to Manage" it is stated that the accommodation between BIM and IIA was finally reached on a formula that even now is not entirely convincing. What is convincing to one who has knowledge of all the facts is that the manner of the so-called dissolution of the IIA was irregular. Efforts are being made to have the dissolution declared null and void.—Yours faithfully, J. H. BINGHAM

Nottingham

★

SIR—The cynical sneer in your issue of August 16th at the work of bodies for which nobody cared much except those pioneers of the "Management Movement" who happened to have spent a lifetime building them up reflects an attitude which lost Britain the leadership in modern management techniques and made necessary the successful visits of teams to America which you applaud.

As a member of the old Institute of Industrial Administration, I too criticise the BIM but for a very different reason. I agree that it has not succeeded in professionalising management, but would strongly disagree that Mr Stafford Cripps' idealogy is a non-starter. Others better qualified than I have argued convincingly the need to recognise a "Body of Management Knowledge," and who better than Colonel Urwick?

I suggest that the BIM has so far failed not because its original functions were wrongly defined but because they were never faced up to. The professional status of the accountant is recognised because his responsibilities are clearly defined and the examination which he passes is sufficiently searching for success to be accepted as a guarantee of the knowledge necessary to carry out the job. But by what logic is a knowledge of figures held to be a qualification for managing men. Would you invite the Institute of Cost and Works Accountants to nominate divisional commanders in the Army and flag officers in the Navy?

When the BIM clearly defines the nature of the body of knowledge required of a "manager" and establishes an examination of a sufficiently high standard I believe it will achieve the status which is its aim. I am convinced that within years men who are professional managers and for whom technical qualifications are only a part of their preparation, will be those who are most sought after as leaders of our industrial society. Heaven help us if we cannot one day recognise that to have completed a balance sheet or to have taken a photograph of what a correspondent in *The Times* called the "Moon's backside" are not primary qualifications required of a manager.—Yours faithfully,

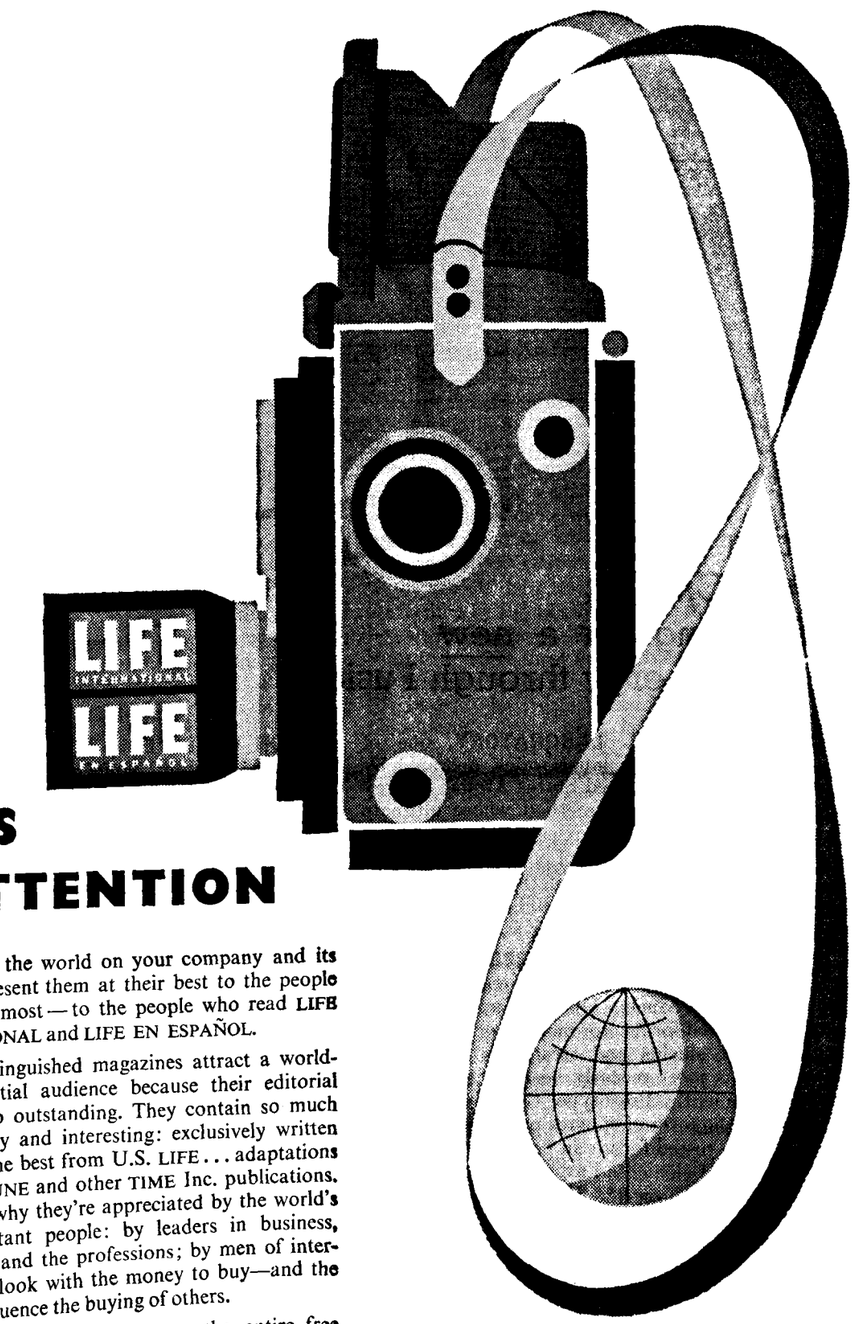
G. W. SHUTTLEWORTH

Haywards Heath

The Billion

SIR—Having read the large correspondence arising through the dispute about the use of the word "billion" I should like to point out that "billion" is to be considered an international word used in most civilised languages, and means, except in British English, a million million (i.e 1,000,000,000,000). To use the "billion" in the sense of only a thousand million naturally causes confusion not only among your American readers, but also among your many readers of other countries. If as a foreign reader I might suggest something, I should beg British and other English speaking people to use the "billion" exclusively for a million million and if the "milliard," "billiard," etc., are unacceptable to the English language, please create another word, but do not permit the "billion" to mean two very different amounts!—Yours faithfully,

Bratislava LEWIS HAEBERLE



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AMERICAN SURVEY

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

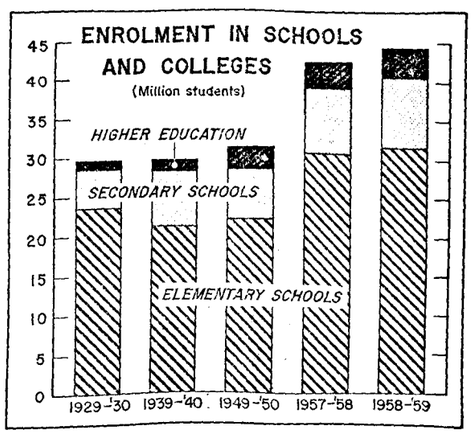
Uncle Sam Goes to School

WASHINGTON, DC

THIS is the season of the year when, after the long, hot summer, American mothers pack their offspring back to school with an ill-disguised relief that always brings joy to newspaper cartoonists. For some of the children, in the South, the new school year will be marked chiefly by the continuing efforts of the segregationists to keep the black ones separate from the white ones. For all of them, however, the reopened schools will be the scene of another struggle, less spectacular but hardly less important: the growing battle over the standards and quality of the country's educational system.

Since the schools last reassembled a year ago there have been two events which have hastened American education along new paths. One was the coming of the sputnik. With its demonstration of the achievements of Russia's scientists, it strengthened powerfully the voices of those who have long been complaining that the educationists, in their zeal to give young Americans "life-adjustment," have forgotten to give them enough old-fashioned academic skills. A Gallup Poll taken shortly after the sputnik's appearance found that seven out of ten Americans thought that young people at school should be made to work harder, and that a large majority wanted mathematics, physics and chemistry to be made compulsory in secondary schools.

The other event was the passage by Congress, at the end of its session last month, of a measure which will provide federal aid for four years to remedy some of the schools' most glaring defects. This infusion of federal money is hailed by liberals as the end of a drought. Hitherto, because of the conservatives' insistence that education is a function solely of the states, the federal government has contributed no more than a trickle of funds to the publicly-financed school system, amounting to less than four per cent of total expenditure last year; and this money has been confined to special fields, such as help for localities where a large number of federal employees live, and the provision of certain kinds of vocational training. Although the new law is modest in scope—it will add little more than one per cent to total spending on education in the coming year—it brings new hope to the thirsty.



Roughly half the grants to states will go to buy extra equipment for laboratories and classrooms, that will help to improve the teaching of science, mathematics and foreign languages. This shows where the emphasis of the measure lies; it was inspired chiefly by a desire to increase the supply of young scientists in order to strengthen the nation's defences. It will also broaden the guiding and counselling services in the secondary schools; their job will be to pick out the brightest pupils and steer them into the right acadamic channels. The federal loans will be offered to students who want to go on to college, with preference to those who wish to be trained as teachers or scientists. It is estimated that each year about 100,000 of the schools' best students are prevented from going to universities by lack of money. The Administration and the liberals in Congress would have preferred to offer scholarships to some of these impoverished intellectuals; but the conservatives in the House of Representatives, fearful lest the students be "demoralised," and anxious to get the government's money back, insisted on loans, which will probably prove less attractive.

It is clear that, in the eyes of some, the new measure concludes the federal government's responsibility; it is an emergency measure designed to fill a temporary need. But the great majority of teachers, as well as many other people, feel that there are good reasons for maintaining and extending a programme of federal aid. A tidal wave of young students, the result of the Americans' reproductive enthusiasm since the war, has been rolling upwards through the educational system in the last eight years. The result this autumn is a shortage of 133,000 classrooms—a deficiency of more than one in ten of the total needed, and only 10,000 less than last year's deficiency—and a lack of almost exactly the same number of properly qualified teachers. Many ramshackle buildings are kept in use, teachers are employed without proper training and a fifth of all elementary classes are packed with thirty-five or more pupils to a room. And soon the surge will hit the universities and colleges; enrolments for these are expected to double in the next ten years.

In theory, the money to put this right should be found by the states and local authorities. But many local authorities are approaching, or have already reached, the legal limit of their borrowing power, and it is doubtful whether most state and local governments could screw up

enough political courage to raise the necessary taxes. It is this which makes the liberals hope that next year Congress will pass a measure granting wider aid to education, although it killed such a move in 1956 and 1957 and a similar Bill died of inanition in a committee of the House of Representatives this year. The expected Democratic gains in the November elections may help. Unfortunately, many of the gains are likely to be in marginal districts in the North where the Republican incumbents are also comparatively progressive on this issue ; the real reactionaries of both parties come from districts where they are entrenched up to their necks.

And, alas, money is not all. It is easy to jeer at the " progressive " theory of education although it may well be that, in a country rich enough to keep so many of its children at school to the age of 18, a fair number of them will find their intellectual level in courses on car driving, housework and (a Californian contribution to the groves of learning) " bachelor living." The point is that, when this approach to education is combined with the dire effects of a shortage of funds, those capable of higher pursuits are apt to suffer. Down among the grass roots where parents live there are signs that a partial return to old loyalties is being pondered : to the " scholarly " subjects, to special treatment for the gifted, to the virtues of competition among pupils.

Changes, if they come, are likely to be slow and undramatic. For instance, in the District of Columbia, the nation's capital, a four-track system which grades the curriculum according to the student's abilities is now in its third year. Now a new physics programme and a course in Russian are being added in the high schools, and an experiment is being made in starting mathematics and advanced courses a little lower down the ladder than before. And yet the District of Columbia still eschews such things as examinations.

If America were isolated from the world, it might not matter very much if many of its young men and women were a couple of years behind their European contemporaries in arithmetic or the study of foreign languages, or if, in Dr Gallup's words, " fewer people bought and read books in this nation than in any other modern democracy." But the sputnik has probably made this impossible. It has led most people to accept the principle of federal intervention to help the schools and it may do more ; it may lead parents to reflect that America is being challenged not only in science and technology but also in its ability to produce an intellectual society in which " culture " and " scholar " will be words as polite as " disc-jockey."

Offshore War in Washington

PRESIDENT EISENHOWER'S sudden decision to break his holiday and broadcast to the American people on the situation in the straits of Formosa suggests that he has taken to heart the condemnation which came last weekend from Mr Acheson, the former Democratic Secretary of State:

> We seem to be drifting, either dazed or indifferent, toward war with China, a war without friends or allies, and over issues which the Administration has not presented to the people and which are not worth a single American life. Apparently, also, the President and Secretary Dulles, with or without military advice, will make all the decisions for us, surrounded by secrecy to keep everyone guessing.

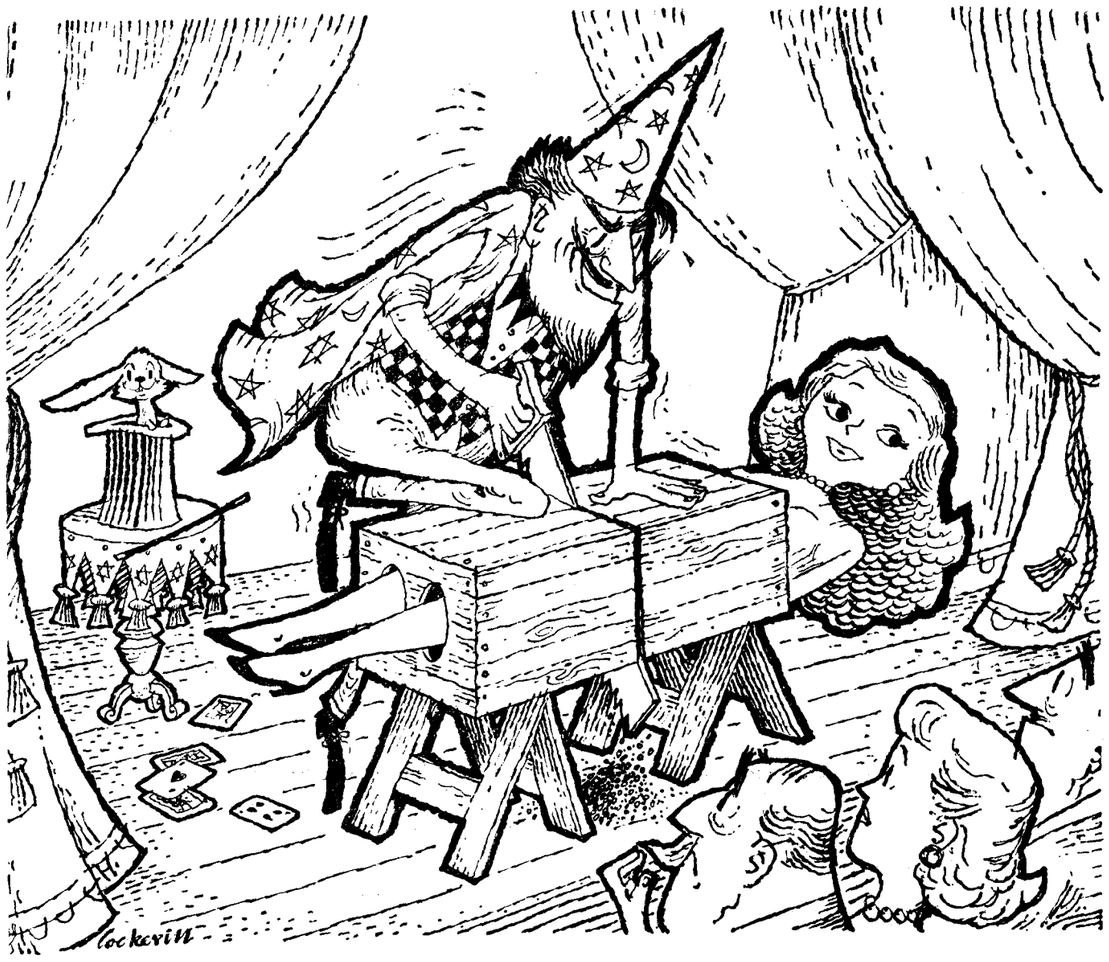
This condemnation was underlined by the hostile tone of the questions at the present Secretary of State's press conference this week and was supported by all the Democratic Senators who have at last been tracked down to their holiday retreats for comment. Their reactions and the contrary ones of their Republican opposite numbers make nonsense of the Administration's contention that there is no need to consult Congress at this point, since the basis of present policy is the Formosa resolution which was passed in 1955 by overwhelming bipartisan majorities. The crisis may have cooled down off the shores of China in the past week, but it has warmed up in Washington—rather belatedly. The hope now is that in his speech, which is not available as *The Economist* goes to press, the President may offer some compromise by which the Communists and the Americans abroad, the Administration and its critics at home, may extricate themselves from their present deadlocks without losing face.

The main source of this week's heat was the informal briefing for the press given by a " high government official," who turned out to be Mr Dulles himself, after his meeting with the President on Thursday last week to discuss the offshore islands. Mr Dulles put a more specific interpretation on the somewhat equivocal official statement, and made it clear that it had definitely been decided to use American forces if necessary to defend Quemoy and Matsu against invasion. The usual explanation of this rather odd performance was that Mr Dulles was trying to commit the President to take action when Mr Eisenhower himself had not yet made up his mind. But another possibility is that the President was afraid of the effect on some of America's allies and on the uncommitted countries of saying that he would intervene to save the Nationalists on the islands, but that Mr Dulles did not want to leave the Communists in any doubt about the certainty of such intervention. This would not be to protect what he admits are unimportant pieces of real estate, but to establish the principle that force must not be used to achieve territorial ambitions.

Maine Goes

REPUBLICANS who had hoped that the Democratic tide was flowing less strongly, now that the recession is ending, awoke on Tuesday morning to find that it had swamped Republican Maine. This New England state has been moving cautiously for several years toward a two party system, but few expected that four out of the five important offices would fall to the Democrats. It is no great surprise that Governor Muskie, who in 1954 became the first Democratic Governor in over twenty years, is to be the state's first Democratic Senator in over forty. But he also swept into office, by narrow margins, the Democratic candidate for Governor, Mr Clauson, whose defeat had been forecast, and a second Democrat for the House of Representatives. The Republicans now hold only one of Maine's three seats in the lower house. The victory of Mr Clauson is an important gain for the party organisation in Maine, since the Governor, whose term is for the first time to run for four years instead of two, controls political patronage in the state.

Ever since Maine was admitted to the Union in 1820 it has voted in September instead of in November, and in



'HALF-LIFE'

But there's no "magic" about radioactivity. Both its intensity and its rate of decay can be measured. The standard of comparison between different materials is taken as the period during which levels of radioactivity are progressively halved—the "half-life".

Titanium, for instance, has a very short half-life—after exposure to radiation, it is quickly safe to handle again.

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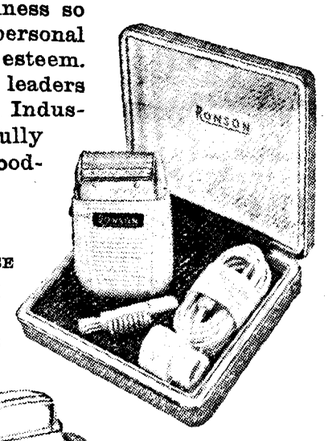

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the long years of Republican rule before the New Deal its vote was a reliable pointer to what the rest of the country would do two months later. But the old saw, "as Maine goes, so goes the nation," became a joke in 1936 when Maine and Vermont were the only states not to vote for Mr Roosevelt. Today, however, neither party is inclined to write off Maine's final bit of political fortune-telling. (This is its last "early bird" election.) The Democrats, who hope to increase their majority in the Senate and the House, are delighted to have one Senator and one Representative in the bag. The Republicans do not conceal that their worst fears have been confirmed.

It would be surprising if Republican candidates all over the country did not revive their demands that Mr Adams, the President's Assistant, should resign. Senator Payne, Mr Muskie's defeated rival, benefited, like Mr Adams, from the largesse of Mr Bernard Goldfine, and now that the results are in, Mr Adams looks like a heavy political liability even though Mr Muskie magnanimously refrained from mentioning "Goldfinism." Indeed, Mr Muskie campaigned virtually without benefit of national issues, although Maine has suffered from the recession. His personal popularity, as the son of a Polish immigrant who has made good, and his record as Governor made it unnecessary for him to wage a partisan campaign which would only have alienated the Republicans who presumably voted for him. According to the registration figures of 1956, there are two Republicans to every Democrat in Maine, but many must have joined the Republicans simply because the Democrats had never won. The Republicans can only be thankful that there is not a Muskie in every state.

Divided on the Danger?

Six of the Federal Reserve Banks—chiefly those in the industrial north-east—have not yet raised their discount rates, the interest charged on loans to their member banks, although the Governors of the Federal Reserve System have shown how anxious they are to nip any new inflation in the bud. Not only have they allowed the discount rate to rise from 1¾ per cent to 2 per cent at six Reserve Banks, but they have also permitted the free reserves of the commercial banks, which represent their uncommitted lending power, to fall just as the autumn upswing in business is expected. Some of the reasons why the New York Federal Reserve Bank, the most important and the most independent of all, has nevertheless been postponing a rise in its discount rate are indicated in its *Monthly Review*, which suggests that the vigour of the recovery which is undeniably taking place has yet to be proved, and that there is still some way to go before idle resources are reabsorbed. Its doubts were sustained this week by the employment figures for August, which show that, on a seasonally adjusted basis, 7.6 per cent of the labour force was out of work—the highest point reached in this recession.

This is the more disappointing because the other economic news continues to be encouraging. The value of construction during August reached a new record, at $4.8 billion; the rate at which stocks were being liquidated slackened in July; and, most important of all, the decline in spending by business for new plant and equipment, which was a prime cause of the recession, seems to be ending sooner than was expected. The Department of Commerce now estimates that it is levelling off in the present quarter, at a seasonally adjusted annual rate of $30.3 billion, and will begin to turn up slightly in the fourth quarter. Spending for the full year is still estimated at $31 billion, down 16 per cent from the $37 billion of last year. Finally, the threat of an automobile strike, which would have a depressing effect on steel and other industries, seems to be receding.

The prospects of business recovery, coupled with the knowledge that the Treasury must finance a heavy deficit during the next nine months and the fears of inflation which this has stimulated, have already brought sharp increases in interest rates. The Treasury bill rate fell slightly this week, to 2.36 per cent, but it was the first time in six weeks that it had not gone up. Other short-term rates, rising in sympathy, have made it likely that the "prime rate," the rate which the banks charge their best risks, may soon go back to 4 per cent from the 3.5 per cent to which it was reduced earlier this year.

Exploding St Louis

FROM A CORRESPONDENT IN MISSOURI



St Louis, Missouri, a city of 860,000 people near the confluence of the Mississippi and Missouri Rivers, likes to call itself "The Gateway to the West." But it is in many ways an eastern city, with touches of southern conservatism and respect for tradition. Today, however conservatism is not enough. As the famous newspaper of the Pulitzers, the *Post-Dispatch*, puts it, "Progress or Decay—St Louis Must Choose."

Decay in St Louis follows familiar patterns, with occasional local embellishments. Here, as elsewhere, there is the mass migration to the suburbs: St Louis County, which adjoins the city, contained 50,000 people in 1900; it has over 600,000 now, and will soon surpass the city proper. The latter, meanwhile, has taken in swarms of newcomers, notably southern Negroes, whose coming has intensified the flight to the suburbs, although St Louis, in a border state, has succeeded in avoiding extreme racial tensions. Judged by the occupation and education of their inhabitants, about 70 per cent of the neighbourhoods in both St Louis and the county fall in the middle ranges; the remaining 30 per cent in the county, however, are mainly above average, those in the city mainly below. The centre of the city has lost importance as the big shops have opened attractive suburban branches in the midst of acres of free parking space, and as established industrial plants have become obsolete without freeing space for new ones to be built. In a recent two-year period the Chamber of Commerce had inquiries for industrial sites totalling 3,100 acres, or more than four times the immediately available space.

The plight of St Louis is made worse by lack of progress in the hinterland, from the depressed coal fields of southern Illinois to depopulated Arkansas; by the emergence of new "gateways to the West" such as Houston and Dallas; and by the national trend toward decentralised distribution, which has hurt the big wholesale houses which are so important to the city's economy. As a final irony, despite such elements of decline, urban congestion is becoming worse. There are 38,600 fewer people entering St Louis daily than in 1950, but 4,700 more automobiles.

A promising start toward solving these problems was made in 1955, when voters in the city and county approved bond issues totalling $166,746,000 for a variety of public works ranging from an addition to the Art Museum to expressways that might ease the daily burden of harassed commuters swarming to and from work in a city that lacks effective public transport. With the aid of urban renewal funds for the federal government the city quickly cleared several blocks of the slums that used to greet visitors stepping out of Union Station into the Plaza area, in the heart of the city. But then came delays; the first ceremonial spadeful of earth has only recently been dug for the middle-income housing that is part of the project, after many vicissitudes in arranging for private capital to build it. And a larger scheme, for commercial, industrial and residential redevelopment of the nearby Mill Creek area, is still further from realisation. Aside from 6,200 units of public housing, there has been very little building in the city; not one major office building has gone up since 1930.

Meanwhile, many of the suburbs are booming. But their growth is unplanned and authority over it is fragmented. The county government, rather halfheartedly reformed and strengthened in 1950, has a professional planning staff, but it cannot operate in any of the ninety-seven incorporated places within the county. These municipalities range in size from 13 acres to 5,485, and in population from 25 people to 56,000, with almost a fifth under 500 each. Nearly half have no full-time municipal employees, and none employs a full-time professional planner. Few offer adequate public services; only 8 of the 97 clean their streets; barely a third of them have more than a single police officer. Yet, because the tax base is narrowly residential—only 5 per cent of the property in the county is industrial—tax rates a head in the 16 largest municipalities in the county rose by an average of 184 per cent between 1945 and 1955. Nor are the plums evenly distributed: the city of Clayton, which contains a fashionable shopping district, had an education rate of $1.68 in 1955-56, and got far better schools for it than did Maryland Heights with a $3.58 rate. Despite all this, incorporation of further "cities" goes on apace, often for the most trivial reasons.

CLEARLY, governmental changes are in order. In the city, Mayor Tucker, a former professor of engineering at a university in the town, was re-elected overwhelmingly in 1957, only to see the voters reject his plea for a modernised city government by a two-to-one margin a few months later. The alliance that beat this reform was an ill-assorted and negative affair, led by the teamsters (or lorry-drivers') trade union, the National Association for the Advancement of Coloured People, and most of the Board of Aldermen. The aldermen's motives, at least, were clear; their jobs were in jeopardy, for the new plan called for a smaller board with more members at large. The NAACP feared that Negroes would have less representation on this board, although anti-Negro propagandists were simultaneously denouncing the proposal because it would have established new safeguards for Negro rights.

As for the teamsters, they have in their "community relations" programme the nearest thing to an effective political organisation in the city, and they seem to consider themselves the guardians of the little man's rights against a big business administration in City Hall. Their excuse is largely the mayor's associations with Civic Progress, Incorporated, an organisation composed mainly of businessmen, whose activities have been well-intentioned, often energetic, and sometimes effective, but who have lacked tact and sensitivity in dealing with the diverse, individually insignificant but collectively potent interests who often stand to lose, or think they do, from "progress." The failure of governmental reorganisation is not crippling, but the defeat certainly hurt the forces of reform in the city, and probably alienated the suburbanites further.

In the same eventful year that saw Mr Tucker's triumph and humiliation, a research team, marshalled by the local universities and supported largely by the ubiquitous Ford Foundation, produced a major report on St Louis. A new metropolitan government, more or less on the Toronto model, was essential, the report maintained, for satisfactory economic growth and effective handling of the area's problems. The survey claimed to find public opinion favourable to such a step, but no one knows whether that opinion can be mobilised to produce the separate majorities in both city and county which are constitutionally required. A City-County Board of Freeholders is now at work drawing up a scheme which will, presumably, reflect the findings of the survey, and which will probably be presented to the electorate in 1959. To win this time, the friends of reform must not rely on articles in newspapers, and virtuous pronouncements. They must, instead, borrow a leaf from the teamsters' book, by developing a solid organisation and a flair for dramatising the issues. Otherwise, the choice between progress and decay for St Louis will once again be blurred.

Integration at the Polls

WITH all action on racial integration in the schools frozen until the Supreme Court makes its decision on the Little Rock case, the Department of Justice has started action on another front in the battle of guaranteeing full citizenship to Negroes. Celebrating the first birthday of the Civil Rights Act of 1957 with its first prosecution under that Act, the department has applied for an injunction to prevent the officials responsible for registering voters in Terrell County, Georgia, from discriminating against would-be registrants because of their race.

The department has always said that it would wait until it had a cast-iron case and this appears to be it: all of the five Negroes who were not allowed to register last April because they could either not read or not write correctly were college graduates and four of them were school teachers. The registrars are accused not only of turning down these Negro applicants without justification but of applying different and stricter standards to Negroes than to white applicants. This accusation is supported by the registration figures for Terrell County: in 1956 only 48 of the country's 5,036 Negroes of voting age were registered while 2,679 of the 3,233 white citizens were.

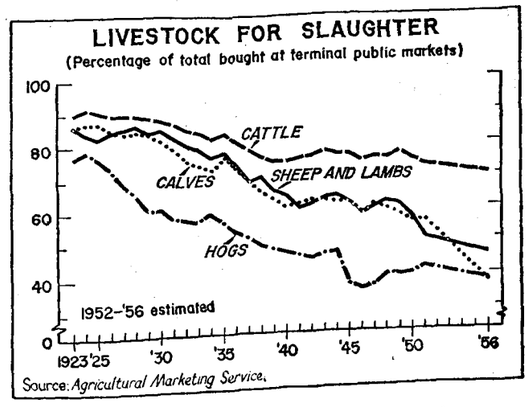
One of the most controversial sections of the 1957 Act provides that an injunction against an infringement of voting rights can be obtained without a jury. This provision is very relevant in the present case, for only last month a grand jury in Terrell County refused to indict three policemen accused by the Department of Justice of killing two Negroes and assaulting three others. With no need for a jury the department is expected to obtain its injunction and the registrars, if they refuse to obey, can then be cited for contempt of court and imprisoned. It is unlikely that they will obey for already the state authorities are breathing fire and thunder in their defence against this "tyrannical" attack from Washington.

The case thus seems sure to reach the Supreme Court in its turn, gathering on its way some of the defiance and bitterness that has been stirred up by the educational issue. Much of this might perhaps have been left buried if discrimination at the polling booth had been tackled before discrimination in the schools. For few honest citizens can deny that the Negro should be allowed to vote, while many find it impossible to stomach the thought of him sitting beside their daughter in school.

By-passing the Stockyards

FROM A CORRESPONDENT IN COLORADO

THE owners of the sixty-six terminal markets for livestock—better known as the stockyards—are hoping that the growing tendency of livestock owners and meat processors to deal with each other directly, thus by-passing the stockyards, may be checked by the new Act giving jurisdiction over all retail meat sales to the Federal Trade Commission, which already supervises other retail trade practices. Under the old law all the activities of any



firm with an interest in a meat processing plant were regulated in theory by the Department of Agriculture; in practice this meant that they were not regulated at all. As a result an increasingly popular way of escape from the much stricter control of the FTC has been to find—or acquire—an excuse for registering as a meat packer, or processor, with the Department of Agriculture.

Over 2,000 firms have done this, many of them for legitimate reasons; but for some of them, including several of the large chains of supermarkets, meat processing makes up only an infinitesimal proportion of either their business or their investment. The old law obviously encouraged food companies to set up processing plants and the tendency has been for these to be supplied with livestock by direct purchase, either from the range, in which case the processors do their own fattening, or from the commercial feeding lots which have sprung up all over the west. Cattle are brought in to these from the range in large numbers and they are in effect factories for live meat.

This system has the further advantage of eliminating middlemen's profits and the supporters of the compromise Bill which has now gone through Congress—more drastic changes had been hoped for—argue that the system, by driving down the retail prices of meat, also drives down the prices paid to the farmers. Certainly, as the chart shows, it is doing serious damage to the stockyards; in the Denver area, for example, in 1953 only 4 per cent of the 600,000 cattle sold to packing plants did not go through the city's terminal market; in 1957 it was by-passed by 25 per cent of the 790,000 cattle sold. The operators of the Denver stockyard tried to insist that livestock dealers who wanted to use the market must sell all their animals there or none, but the Supreme Court frustrated this attempt to secure more business. Now the operators are thinking of doing a little by-passing in their turn, circumventing the dealers by sending their own agents straight to the farmers to round up business.

High Spirits

FROM A SPECIAL CORRESPONDENT

CONGRESS'S farewell present to the distilling industry was in practice a gift mainly to a single firm, Schenley Industries, Incorporated, one of the largest distillers in the United States. The present, wrapped up in a Bill making numerous changes in the excise tax provisions, was the extension to twenty years from eight years of the period for which bonded whiskey may remain in government warehouses for ageing without paying the federal tax. The Schenley company not only specialises in bonded whiskeys but also stepped up its output sharply in 1950, expecting that production would be curtailed as a result of shortages caused by the Korean war. These never materialised and the whiskey remained in bond instead of being sold. Congress thus saved Schenley from having to pay tax this year on these accumulated eight-year-old supplies, to the fury of the three other big distilling companies, whose stocks of bonded whiskeys are much smaller and who argue that Schenley will now have an unfair advantage because it will be able to sell off its supplies gradually as ten and fifteen-year-old whiskeys, which are supposedly better.

Two of these rival firms, Seagrams Ltd and Hiram Walker, are Canadian and are being accused in their turn of unfair practices by Schenley Industries. The company claims that they collected a windfall of $64 million when the United States lowered the duty on Canadian whiskey from $2.50 to $1.25 a gallon. Instead of reducing their prices these two firms have, according to Schenley, been using these "excess profits" to undercut Schenley's market through extensive advertising.

All whiskey producers are, of course, also interested in getting Congress to lower the actual federal tax on distilled spirits; this now accounts for nearly half of the retail price. The present rate is $10.50 a gallon, increased from

$9 during the Korean war as an "emergency" measure; state taxes—$2 a gallon in most cases—are also troublesome and are threatening to rise still higher. Taxes on distilled spirits, coupled with the effects of the recent recession on the readiness of consumers to make luxury purchases, have been having a depressing effect on sales of spirits as a whole this year; in 1957 213 million barrels worth $4 billion were sold. The recession may accentuate the inroads which the smaller American producers have been making on the major distillers in recent years. The independent firms which can sell a good quality whiskey at prices lower than those of the heavily advertised brands have done well out of the current tendency of consumers to hunt for bargains. In fact this tendency first showed itself, before the recession, late in 1956 when Seagrams put up its prices—the first time since the end of prohibition in 1933 that prices had been increased independently of a tax increase.

Another reason for the improved position of the small distillers in recent years is that they produce mainly straight bourbon (whiskey made predominantly from maize) rather than blended whiskeys (mixtures of whiskey and neutral spirits or of different kinds of whiskeys). During and immediately after the second world war straight whiskeys were scarce and the big producers turned to blends to eke out their supplies. Since 1950, when straights again became plentiful, sales of bourbon have more than doubled. Straight whiskeys now account for nearly 25 per cent of all liquor sales and blended whiskeys for less than 33 per cent; bonded whiskeys have fallen to only 5½ per cent, while sales of imported Scotch whisky have moved up from 6 to 7 per cent of the market. These have increased by about 135 per cent since before the last war and, although the rise in Scotch's share of the market has levelled off in recent years, the volume of sales has continued to go up as total consumption of liquor has gone up.

WHISKEYS as a whole, however, have not done so well; in the last five years their share of the total liquor market has fallen from 82 per cent to 75 per cent, largely because of the growth in popularity of gin and vodka, particularly for hot weather drinks, during the last few years. In 1957 12 per cent of all spirits sold in the United States was gin and 7 per cent vodka, compared with 9 per cent and 2 per cent respectively in 1953. The old highball (whiskey and soda) has been replaced by gin-and-tonic or a screw-driver (vodka and orange juice) as the standard drinks during the summer months, not only in the sophisticated metropolitan areas but all over the country. And when winter comes more people are now gin-minded than ever before as a result of the flood of jokes about extra super dry martinis; some of the vodka drinks, particularly the Bloody Mary (vodka and tomato juice), have also become accepted before-dinner drinks.

The increase in liquor consumption does not mean that America is becoming a nation of drunkards; indeed the distillers, anxious that their industry shall not be given a bad name, maintain that alcoholism is actually declining. However, it seems that the number of casual drinkers has been growing. This may be because drinking spirits has now become generally acceptable in mixed society. The cocktail hour has grown to a national institution, even in the traditionally dry Midwest, and a much more long-standing national institution, the *Saturday Evening Post*, has just begun to carry advertisements for liquor, a change in its traditional policy which it considers to be "compatible with the viewpoint of the vast majority of its readers." Further, more and more women seem to be buying the family's supply of spirits when they do the family shopping. And finally, more than 80 per cent of all Americans now live in areas where liquor may be sold legally—only Oklahoma and Mississippi still have statewide prohibition.

Looking After the Millions

ECONOMY moved out of the driver's seat this year to make room for the recession and the sputnik. But both Congress and the President, horrified by the prospect of an unending succession of $80 billion Budgets, are struggling, in their separate ways, to bring spending under control. In the past month Mr Eisenhower has been weeding out the excesses of a Congress which finds economy easier to preach than to practise. He began by boldly vetoing a $6 billion appropriation Bill for various agencies because it contained $589 million which he regarded as unnecessary. This was the first time he had vetoed an appropriations Bill and the first one to be vetoed since Mr Truman made an unsuccessful attempt in 1949. Congress repassed the Bill without the $589 million, although there was grumbling that the process amounted to an "item veto"—the power to veto a single provision in a Bill which Congress has always refused to give to any President.

Since then, in the interests of future Budgets, Mr Eisenhower has vetoed as extravagant a Bill for aid to depressed areas and another for airport construction, and he has refused to spend the last $200 million of $1 billion voted by Congress for special assistance to low-cost housing; with the recession ending, stimulants of this kind are not justified. Last week it was announced that buying for the strategic stockpile would be limited to three materials, and this week the Defence Department said it will not use the money to start four additional missile-firing nuclear submarines which Congress provided over the Administration's objections. Civil servants are going to find the cash for their own pay-raises by working harder.

For its part, Congress, after years of debate, has passed a budget reform, which was advocated originally in a sterner form by the Hoover Commission on Government Reorganisation, that Congress hopes will restore to it control over about a third of each year's spending. This has been lost because Congress often votes lump sum appropriations for long-term projects and unspent balances accumulate; the Defence Department now has about $27 billion on hand. The method of appropriation is not to change, but the President each year must submit to Congress a maximum figure for actual spending under each appropriation head; if it is not all used, the balance would lapse each year. Although the Administration approves the Bill, it doubts whether it will save a great deal, while it will mean the hiring of many new budget officers. A more effective way of reasserting congressional control over spending may well be the refusal of the House this year to permit projects to be financed by borrowing from the Treasury instead of by appropriations. This device has been greatly favoured by the Senate for circumventing the notoriously niggardly House Appropriations Committee where housing, highways, mineral subsidies, small business, and depressed areas are concerned. But the House turned it down in every case.





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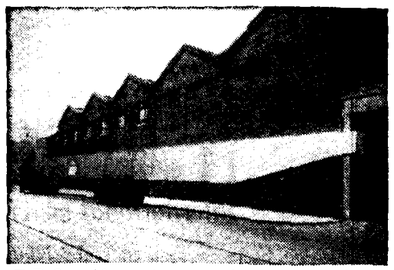

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FROM OUR CORRESPONDENT IN OTTAWA

As the Canadian Parliament adjourns (unusually late) and makes way for the Commonwealth trade and economic conference, it is difficult not to blink in astonishment at the way in which the political scene has been transformed since a year ago. The change is equally dramatic whether you look at the end of the parliamentary session or anticipate the start of the Commonwealth conference. Just under a year ago the Conservative government was bedevilled by the fact that Britain's proposal for a free trade area with Canada had been revealed at the meeting of Commonwealth finance ministers at Mont Tremblant Lodge, north of Montreal. The surest way to arouse ministers' anger was to confuse this proposal with the Mont Tremblant conference which, they kept on saying, was just a meeting of the whole Commonwealth which accepted Canada's proposal to hold a Commonwealth trade and economic conference; this was a great triumph for the new Conservative government, to be overshadowed only by the great things which would come out of the full-dress conference in 1958. But the Conservatives are not now talking much or loudly about the assemblage which will gather in Montreal next week. On the contrary, they are warning people not to expect spectacular results. It will be thoroughly useful, they say, but nobody must now suppose that the Commonwealth wants to isolate itself from the rest of the world; world solutions cannot be found without the United States and western Europe; so, just don't expect too much to be achieved at Montreal.

On the political front Mr Diefenbaker has not yet lost any significant measure of popular support since his sweeping victory on March 31st. He can point to a substantial record of legislation, and the 200 Conservative backbenchers presumably remain loyal and satisfied, for they appear as anonymous and indistinguishable as they did on April Fool's Day. Yet in this session the government should have had everything its own way. The Liberals, outnumbered four to one, came back in May discouraged and unhappy. Mr Diefenbaker's main problem, it seemed, would be to keep his own supporters contented and at least reasonably busy: he had nothing to fear from the opposition. In any case, Mr Pearson was inexperienced as an opposition leader, unfamiliar (it was said) with domestic problems, and manifestly unsuccessful with the electorate.

Yet in less than four months, leaving all party inclinations aside, Mr Pearson has unquestionably emerged with more respect, more influence and more prestige than any Liberal has enjoyed since June, 1957. There is no more of an attempt to imitate the organiser's stereotype of what a politician should be: there is no more bowing to advice against his own judgment. The Pearson of the election campaign was widely regarded as a phoney, because he was phoney. When the real Pearson shows himself next time, the electorate is likely to demonstrate that it likes Mike much better than the image invented by party organisers and rather badly projected by L. B. Pearson. Certainly this has been demonstrated in the House of Commons, where, by remaining calm and reasonable, Mr Pearson has emerged as an impressive opposition leader.

A few, largely unexpected, Conservative ministers have also added to their stature. They include Mr George Hees, minister of transport, whom the Liberals used to consider a buffoon; they felt differently after Mr Hees scored some devastating victories over Mr Lionel Chevrier, the former Liberal minister of transport and seaway president. Another minister who has added much to his laurels is Mr George Nowlan, an imperturbable Nova Scotian. He has had the difficult task of devising the two most contentious measures introduced late in the session—the new Broadcasting Act and the amendments to the Customs Act changing the basis of valuations for duty; and he has established a name for steady commonsense which some of his colleagues must envy. Something of the same quality has won respect for Mrs Ellen Fairclough, now holding the difficult portfolio of immigration. For all-round competence the star of the ministry has, perhaps, been Mr E. Davie Fulton, a young British Columbian from a political family, who is minister of justice. The ministers who have not fared so well, in purely parliamentary terms, include the minister of finance, Mr Donald Fleming, whose curious combination of aggressiveness and platitudinous earnestness invites opposition; Mr Gordon Churchill, Mr Howe's successor at the ministry of trade and commerce; and Mr Sidney Smith, secretary of state for external affairs, who has taken longer to master the technique of being a minister than most people had expected.

It is debatable whether Mr Diefenbaker himself has gained or lost in standing. He is still complete master of the House: he is still unrivalled at forensic tricks, and more than once he has had to use them to clear up sticky situations created by inexperienced ministers. He has mastered Mr Mackenzie King's art (not without conscious study) of weaving a thick cocoon of words around awkward insects. But he has not entirely managed to repair the fumblings and inconsistencies which from time to time have raised doubts about what must be going on behind the scenes.

The unkind way of putting it is to say that the government has sometimes seemed to be staggering from speech to speech with no clear sense of direction. If this has been the impression left on close observers, however, it has probably not yet reached the public. The only long-term anxiety which the Conservatives might feel springs from the difference between Mr Diefenbaker's and Mr King's popular appeal. Mr King's methods suited his appeal, which was primarily that of a "downy old bird." But they could be disillusioning if followed too far by a

man elected as a prophet. "For if the trumpet give an uncertain sound, who shall prepare himself to the battle?"

Even to have these remote doubts aired so soon after the March 31st election is a triumph for Mr Pearson. It could not have been achieved by Mr Paul Martin nor any of the other former ministers who were supposed to be more aggressive political fighters. They have sunk more and more into the background, as Mr Pearson gradually developed his own way of being opposition leader. By dint of extremely hard work (and the wise choice of Mr Maurice Lamontagne as his economic adviser), Mr Pearson has established a peculiar pre-eminence: far from rivalling Mr Diefenbaker as an orator, far from crusading as a knight in shining armour, he offers the appeal of contrast. He is on the way to establishing the Liberals as calm, reasonable men, following consistent views, interested in sensible policies rather than in fireworks. It is an appeal that takes time to build up; but Mr Pearson knows his party has plenty of time.

Cypriot Suspicions

FROM OUR CORRESPONDENT IN NICOSIA

SIR HUGH FOOT has returned to an island engulfed by despair and communal bitterness. While the eyes of politicians have been focused on the London talks, the attention of the British and Greek communities in the island have been riveted on the recent Nicosia murders and the gun battles at villages such as Lyssi and Liopetri. The Grivas leaflet last weekend followed several days of uncertainty about the exact significance of the sudden eruption of violence. Did the killings foreshadow a mass outbreak by Eoka? The leaflet seemed to show that the terrorists' position has not basically changed; the cold-blooded eye for an eye campaign is to be resumed—but only because the British "had broken the truce" of August 4th.

The predicament of the authorities is an appalling one. If they relax their vigilance, Eoka builds up its strength and intimidates the Greek population to such an extent that the work of government is in some instances almost paralysed. If they take the offensive they are open to the charge of "aggression" and the mass of Greeks rally behind the resistance movement, while innocent Britons get murdered in reprisals. It is the kind of situation which cannot be solved by extremist action of either sort but only dissolved in a political settlement—and of this there is scant sign.

What has been specially disturbing in recent weeks is the way in which the struggle between certain sections of the security forces and Eoka gangs has degenerated almost into a Mediterranean type of vendetta. The tragic pattern of events is repeated again and again. A gun battle flares up in which perhaps a handful of Eoka are killed; Eoka takes revenge by killing a British serviceman; the troops hit back hard in a desire to avenge their comrade's death; the terrorists strike again in reprisal; the security forces hit back (probably harder) and inevitably innocent Greeks get involved; hysterical agitation about the alleged ill-treatment of civilians ensues and is invariably denied. When all due allowance is made for the straightforward sincerity of the soldiers' approach, and the distasteful duties which they have to carry out, the question must still be asked whether the recent offensives against Eoka have been wisely timed. To many observers it seemed strange that they should take place just when relations with both Mr Karamanlis and Archbishop Makarios were most precariously poised.

The other disquieting feature of past weeks is the manner in which "non-combatant" Greeks still rally behind Eoka's banner whenever the terrorists are under pressure from the military. The extent to which their support of Eoka is genuine and the extent to which it is the result of intimidation is a baffling question. But broadly speaking it is true that in periods of comparative calm there are strong undercurrents of opposition amongst the Greeks—notably against the excesses of the passive resistance campaign. But it only needs a village clash, with bandits fighting against odds, for these same Greeks to rally to the side of the gunmen who cease to be regarded as fanatics and are acclaimed as patriots and heroes. The moral of all this is not that the military should refrain from engaging a ruthless enemy but that if they should embark on an all-out offensive they would have to deal with the mass of the Greek population.

The vexed question of how to deal with violence is now indissolubly linked with the urgent issue of the return of Archbishop Makarios. Informed opinion has veered considerably towards the view that the chances of pacification, if not of settlement, are greater if the archbishop is in the island than if he is kept out; and there is little doubt that his presence is more likely to curb than to encourage certain forms of juvenile lawlessness. (He would, however, probably have his work cut out to steer a navigable course through all the cross-currents of the Greeks' domestic politics, from which he has been safely sheltered in Athens.) But any attempt to railroad him back to suit Britain's convenience would be extremely foolish—a rumour that this was the British stratagem evoked a chorus of protest from the Greek Cypriots. If any co-operation is to be got out of the archbishop, arrangements for his return must be accompanied by some semblance of good grace and generosity, even though this may hurt the pride of British officialdom.

OVERSHADOWING all else, of course, is one big query: how far will the British really carry through the plan? Officially it is still "on," though no detectable enthusiasm has attended the preparatory administrative work which is now reported to be well under way. The government may be commended for going ahead and averting political stagnation; but few observers share the belief attributed to government circles that once the plan is launched, the Greeks will see the advantages of it and want to join in later. On present form, such a *volte-face* by Greek politicians seems unthinkable, after all their hysterical agitation against the plan (though many ordinary people would have been quite glad, when the amendments to the plan were announced, to let these be the basis for discussion). Meanwhile the Turks, who now plainly feel they are in the home straight, make matters worse by habitually harping on the "reconcilability of the plan with the Turkish concept of partition"—a phrase which makes every Greek in the island believe that the whole thing has been an Anglo-Turkish plot.

At this late stage it is hard to think of a course of action which does not run head-on into trouble. Yet despite its apparent fruitlessness, Mr Macmillan's initiative last month was a worthwhile move, and it may be that the same qualities of imagination, flexibility and courage will have to be shown again if the island is to avoid deadlock and disaster.

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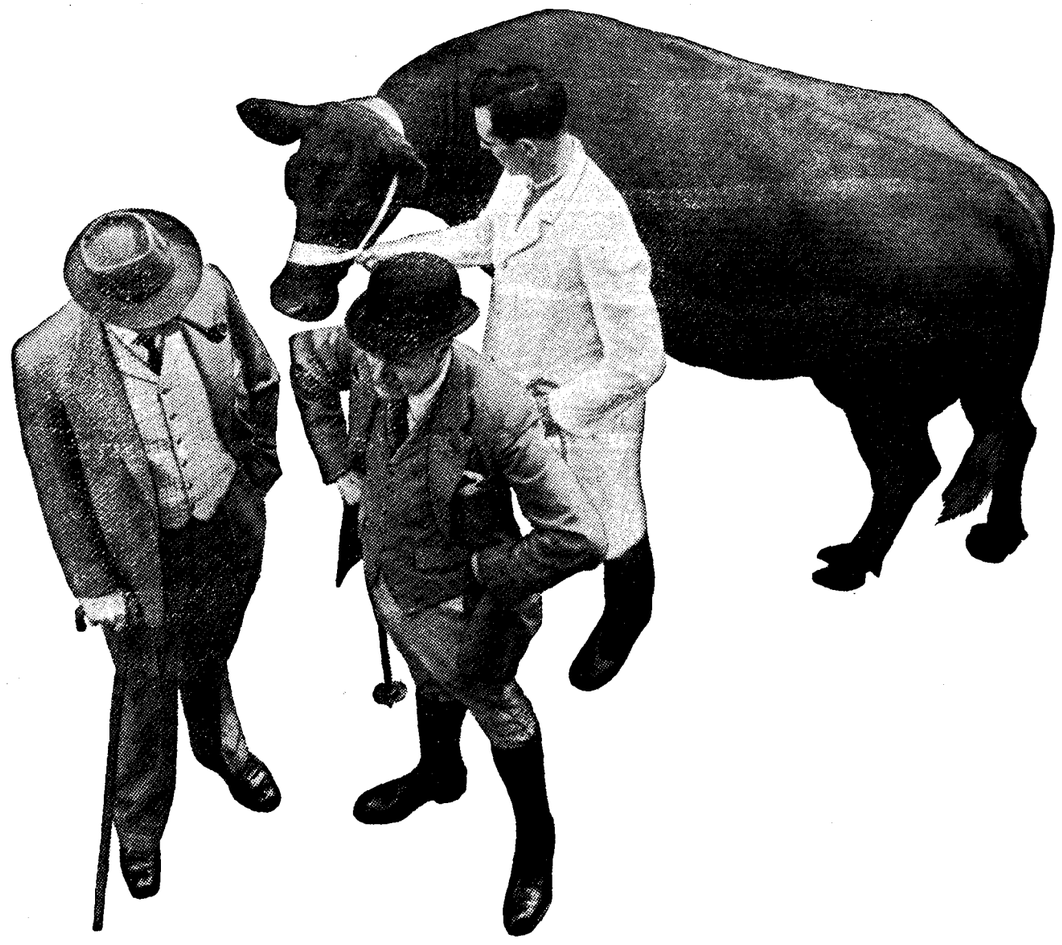

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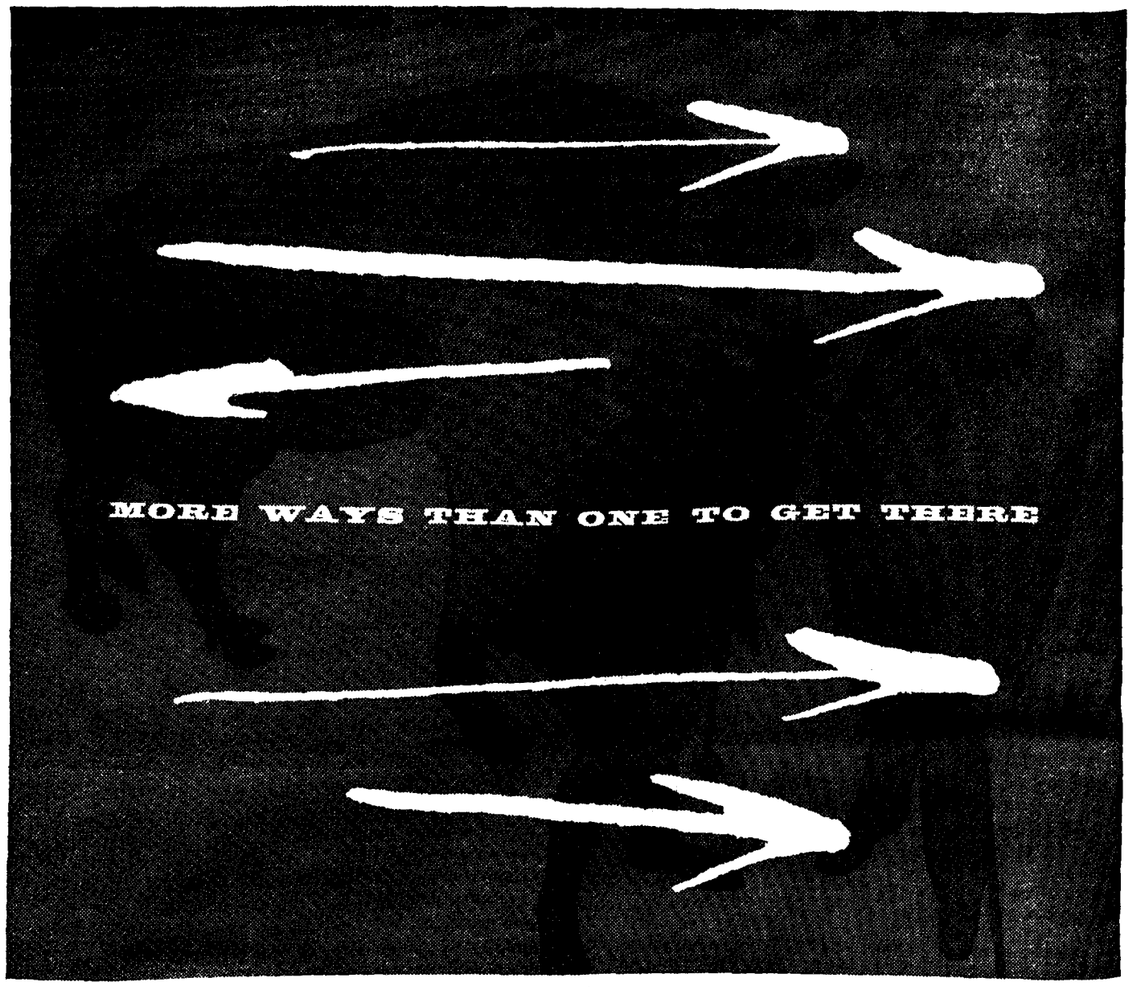

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The French Referendum—I

All Sorts of Gaullists

FROM OUR PARIS CORRESPONDENT

A HUGE V dominated the statue of the Republic in the *place* of the same name. Half of the square behind the statue was closed off ; the front half, where the official stand had been erected, was fairly crowded, though not packed to the edges. Even so, the crowd was not small, considering that these were invited guests, whose special cards had carried them through numerous control points. The criterion for their selection was soon obvious. A young man who dared to put up a solitary "No" sign was immediately taken to an ambulance ; plainly, there was no room for dissenters. From the press stand, one could see, behind barriers a few hundred yards away, a crowd of counter-demonstrators occasionally raising anti-Gaullist posters. By the time M. Malraux took the rostrum they had been driven back by helmeted policemen, armed with truncheons, and Gaullist toughs using special belts. When General de Gaulle spoke, the hostile echo came from a distance, faint and sporadic, drowned in applause. After the ceremony, it was easy to discover the secret of the audience's apparent unanimity. The square was surrounded by the biggest concentration of police that your correspondent has ever seen ; they were armed with new truncheons nearly a yard long. It required physical courage as well as intellectual conviction to be audibly hostile to the Gaullist constitution on this Fourth of September.

The show was a success ; the popular ceremony a fiasco—and the government has realised it. The original invitation was issued to the people of Paris with the idea of obliterating the memory of the republican march in May. But it was quickly realised that the marchers, particularly the Communists, would contest the general's claim to the heart of revolutionary Paris. By then, however, it was too late to draw back ; the challenge had been issued. The government sought a way out by distributing invitations and mobilising the police. But, as a result, many uncommitted onlookers were repulsed, sometimes with blows. The general has realised that such ceremonies might give rise to the jibe that the Fifth Republic is only for invited guests hidden behind police helmets. This is probably why he has now postponed his provincial tour.

THE selective character of the inaugural ceremony does not mean that General de Gaulle will not muster a massive vote for his constitution. On the contrary, his advisers consider that anything less than two-thirds of a high poll would be a relative failure. French rulers, when in power, seldom lose a personal plebiscite (Napoleon III had an overwhelming majority on the eve of his empire's fall). And this referendum, for all its constitutional framework, will be a vote for or against the general. The issues involved are many, but at the poll there is room for only a single answer.

For years the general has enjoyed great personal prestige in the country. His backers' problem now is to build him up as a father figure for all Frenchmen. In a divided country the appearance of unity, however, can only be achieved through confusion. By his carefully ambiguous statements on the crucial Algerian question, the general has put the equivocators of the old regime to shame. If the Radical party used to be called a club for all comers, the nearest analogy to the neo-Gaullist platform is a department store in which all customers can find something to buy.

Last week, two conservative leaders urged their followers to vote for the constitution. M. Reynaud declared that a negative vote would bring the paratroopers and civil war. M. Duchet, on the other hand, dismissed all talk of a "colonels' plot" as mere fancy. This week, M. Defferre rallied the important Socialist federation of the Marseilles region to the general on the ground that he stands for a liberal, negotiated settlement in Algeria. At the same time, General Chassin (of the extremist *Mouvement du 13 Mai*), and the psychological warfare experts launching the campaign in Algeria proclaimed openly that a vote for the constitution is a vote for the integration of Algeria into France. A book could be filled with these contradictory statements.

The role of Gaullist propaganda is to camouflage such contradictions, to preserve the impression of unity, and to spread the feeling that the general's only opponents are Communists and their dupes. By no stretch of the imagination can one now describe the French radio as unbiased. Even the obstacle of broadcast time allotted to the parties has been adroitly overcome. The pro-Gaullist groups which have sprung up like mushrooms after rain since May have been given as much time as the big established parties. Thus the Gaullist voice will predominate in the party broadcasts, as if the campaigning in the normal news and talks were not enough. Finally, as in the good old Napoleonic times, the prefects have been asked to do their best for the regime in the provinces.

General de Gaulle's two main assets, in addition to his undoubted personal hold, are general contempt for the previous regime and fear of civil war. For many Frenchmen the Fourth Republic stands for an era of failures and disappointments. Its final capitulation to the Algiers *junta* did nothing to redeem its record. Now the general is for many Frenchman the hope of a new deal. For the middle classes, in particular, he is the symbol of order, stability and a vague notion of national greatness.

The Fourth Republic had the good grace to die at the height of a boom, after a period of unprecedented economic expansion. The next financial crisis may be round the corner, but for the moment the industrial workers are in a far from fighting mood, while the middle classes are only thinking of peace and quiet. In these circumstances, the professional soldiers serving in Algeria are helping the Gaullist cause in a dual capacity. They are its chief electoral canvassers on the spot ; and they are also the bogy to frighten the waverers at home. The general does not have to blackmail. He merely gives warnings that he will retire if the constitution is defeated. It is left to others to threaten that after him will come the deluge.

In normal times, the results of a poll are estimated on the basis of party alignments and strength. Today, however, the personal factors are of greater importance. Nevertheless, since nothing succeeds like success, most of the parties have by now rallied to the general. On the extreme Right, M. Poujade (apparently hurt that no seat was found for him in the cabinet) said that he would vote against, leaving his troops freedom of choice ; most of them are likely to respond to Gaullist appeals. The conservative

Thus there is some objection to every possible course. Mr Casey may, in the view of his critics, be falling between several stools, but as none of them is safe to sit on he may be none the worse for that.

As Egypt Sees It

FROM A CORRESPONDENT RECENTLY IN CAIRO

THE effect of the Iraqi revolution on the politics of the Arab world is very much in evidence in Cairo. Except for occasional and brief periods of relative amity, Egypt and Iraq fought each other over Middle Eastern policy ever since they disagreed about the Charter of the Arab League when the League was founded in 1945. It was this conflict between the two leading Middle Eastern countries which addled the unity that the League was supposed to promote. Now that the aims of the Iraqi Republic are in broad conformity with those of Egypt, the Egyptian government no longer fears that any Arab government can successfully oppose the onward march of the Arab revolution.

Neither Jordan nor Lebanon is taken seriously in Cairo as an antagonist. President Nasser and his advisers are convinced that in Lebanon internal conditions will ensure that the government emerging from the compromise of General Shehab will be—despite the presence of large numbers of American troops—sufficiently pro-Nasser for Egypt's purposes, and that in Jordan the Hussein-Rifai regime is doomed. They are also convinced that Saudi Arabia will keep in step with Egyptian policy now that it has not got Iraq to lead the opposition to Cairo.

The Egyptian government is, and will remain, uneasy as long as British and American troops are in the region, because it believes that they impede the evolution of the united Arab policy that is the aim of the radical nationalists. There is, in consequence, a great deal of annoyance in Cairo at the refusal of the Jordanian government to put a time-limit to the stay of the British forces ; this refusal is considered to be a breach of the spirit of the Arab resolution at the United Nations. This is borne out by Egyptian propaganda, which has restored much of its former bitterness towards Jordan, whereas towards Lebanon, where the formulation of a compromise seems likely to bring about the withdrawal of American troops, it remains relatively moderate. Even so, the Egyptian leaders feel sure that it is only a matter of time before the British do evacuate Jordan and the regime there collapses. Some of them privately express the opinion that Britain would avoid bloodshed if it could persuade King Hussein to appoint a caretaker government which would hold elections (for the Baath-led opposition to win) and then take himself quietly into exile. The danger of action by Israel would be minimised by such a peaceful change.

Although this analysis is very satisfying to Egypt, it raises new problems and anxieties for President Nasser. It was relatively easy for him to fight Arab governments that opposed the popular nationalism of the area, but now he faces the much more intricate problem of constructing in the near future the Arab nation that he heralded in the Egyptian constitution. So salutary has been the experience of trying to unify Egypt and Syria that the emphasis now is on the need for a period of calm in order to consolidate nationalist gains. It is claimed in Cairo, for example, that Colonel Aref asked President Nasser in Damascus to agree at once to a declaration of Iraqi-Egyptian union but that President Nasser advised him to go home to consolidate his revolution and think about the matter later.

It is evident, also, that President Nasser has advised the exiled Jordanian Baath leaders (who await in Cairo and Damascus the dawning of their new day) that they should not leap head first into union with the Arab Republic. It is admitted in Cairo that it would be most embarrassing to have Jordan, with its bankruptcy (for could it count on American money, even if it wanted it, after a revolution ?), its refugees, and its long frontier with Israel, thrust on Egypt's shoulders at the moment. Later, with the Iraqi revolution consolidated and in federal relationship or union with the Arab Republic, and with Saudi Arabia a member of the United Arab State, perhaps the financial problem could be faced. But there would remain the problems of defence, security and administration, all of which would require co-ordination.

This reappraisal has revived interest in Cairo in a settlement with Britain. In the Egyptian view, the consolidation of the Arab revolution as it extends to new territories makes it all the more necessary to exclude the Middle East from the cold war so that the Arabs will be free to devote themselves to their own problems. If the western powers would accept the neutrality of the Arab world and would resume, and even encourage, normal trading relations with Egypt and Syria, the preponderant, and therefore threatening, position which the Soviet block has acquired in the United Arab Republic could be reduced considerably, and one cause of big power tension in the region removed. Influential Egyptians say that one consequence of this change of western policy would be the immediate moderating of Egyptian propaganda directed to areas such as the Persian Gulf and Aden. They say that oil policy, Buraimi and the Aden frontier could all be handled rationally and constructively in the new atmosphere and that Egypt would be prepared to play its part to see that they were.

BRITAIN, so the Cairo argument goes, is the power that could most suitably foster a détente of this sort capable of enduring for some years. The logic of British opposition to Egypt is believed to exist no longer because Iraq, the country on which its policy was based, is now aligned with the Nasser policy. Furthermore, Britain has recognised the Iraq Republic and therefore, in effect, the reality of the Arab revolution. Finally, British interests elsewhere in the region stand to gain considerably by a détente.

The vitriolic anti-western speech made by President Nasser last week is in obvious conflict with these privately expressed views and it might reasonably be concluded from it that he has no intention of changing his policy, whatever his close associates might say about it. Certainly no one in Egypt would suggest that the Arab revolution could be halted at this stage ; the most anyone would say is that it has reached a phase which could be more orderly and evolutionary. But President Nasser is said to believe that neither Britain nor the United States has the slightest intention of reaching a political settlement with Egypt and that he must therefore continue to oppose western policies until he has some convincing indication that they are willing to do so. He would not regard a financial agreement at Rome as evidence of a change of heart, but would be prepared, it is said in Cairo, to make a new diplomatic effort if Britain were willing.



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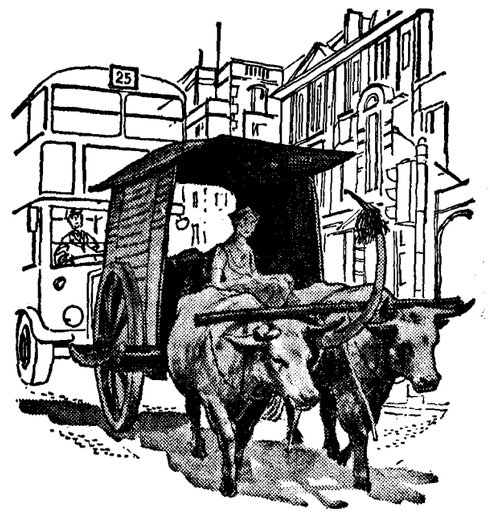

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THE BUSINESS WORLD

A Warthog Underneath

THIS month the party political conference halls start buzzing. Then and when parliament comes back, an old acquaintance will try to join in. The 100 per cent mortgage is a fellow with an ingratiating manner, but it is worth looking at his credentials before inviting him to the rostrum At first glance they seem excellent enough to insure him a welcome at both the chief political gatherings. Rents have been put up and home ownership looks like the tenant's escape from higher rents and it might help those who want to realise property too. And does not home ownership instil the virtues—good citizenship, responsibility, respect for property and a desire to save? Why deny it to young couples who are getting married but have not saved enough to put down the deposit be it 20 per cent, 10 per cent or even (under the Macmillan plan) 5 per cent of the valuation of the house they want to "own"?

That is part of the case for extending still further the property borrowing democracy. Lend the owner occupier the whole cost (or valuation if it is lower) argues a group of Conservative MPs. The managing director of one big building society argues likewise, and Windsor Borough Council actually does it. Experience, say these authorities, shows that the borrower will not default. Default by owner occupiers never has been a serious problem for the building societies. On the rare occasion when one of them runs into mortgage trouble, it is usually due to an over-liberal loan on a commercial property. The ultimate security for an owner occupier's loan may be his house, but the effective security is his pay packet and his honesty. Careful lenders who ensure that the monthly payments do not exceed a quarter of the family's net income do not lose money.

Working results of the Macmillan plan have been highly favourable. That plan enables building societies to lend up to 95 per cent of cost or valuation, whichever is the lower, on low priced houses built since 1918 and up to 90 per cent on older ones, any loss on the excess advance over the building society's assumed normal advance being divided equally between the building society, the local authority and the Treasury. Losses have been quite small — just over 30 defaults among more than 37,000 advances and since the building societies found the money, public money has only been used to the extent of the public share of any loss. The commitment of £1.3 million shown in the table is only the theoretical liability of the local authorities on business done in 1956-57. Could the Macmillan plan be extended to permit advances up to 100 per cent? That idea appealed recently to the managing director of the Alliance society, Mr Lewis Cohen.

ADVANCES FOR HOUSES

	Years ended March 31					
	1954—1955		1955—1956		1956—1957	
	No.	£ mn.	No.	£ mn.	No.	£ mn.
Local Authorities						
Small Dwellings Acts:—						
For acquisition	15,431	17·1	17,587	19·2	13,161	13·3
For construction ...	8,017	12·8	7,559	13·3	4,616	8·4
Housing Act, 1949 :—						
For acquisition	10,584	12·6	20,187	24·0	25,605	29·3
For construction ...	4,257	6·6	7,849	12·7	7,670	13·4
Total.....	38,289	49·1	53,182	69·2	51,052	64·4
Guarantee to Building Societies (Macmillan Plan).....	10,696	n/a	16,041	n/a	10,509	1·3*
	Calendar years					
	1955		1956		1957	
Building Societies Total Advances (including Macmillan Plan).....	342,462	394·4	276,065	334·9	294,055	370·9

* Theoretical liability of Local Authorities.

One obstacle is that the building societies have not at the moment enough money to do all the good quality mortgage business they are being offered. Any commitment to lend more on certain houses would therefore simply result in fewer mortgages being financed. Mr Cohen clearly saw that if 100 per cent mortgages were to be worked through the building societies it would be necessary for the Government to provide money for them. His suggestion was that the Government should rediscount certain selected mortgages—those made to people on local authority housing lists wishing to buy houses at not more than £2,000.

That could be enacted, but if it were the result might please neither Mr Cohen nor the intending house purchasers. The scheme ought to produce a large increase in house buying: it would have failed if it did not. Therefore the price of houses would rise. A refusal on the part of the valuers employed by the building societies to follow a rising property market might temporarily establish a widening difference between price paid and valuation (which would be equivalent to re-establishing a deposit by the buyer) but in the end house prices would have to conform to the market. The landlords and the builders would be helped out with the money that the Government had put into the building societies and the owner-occupier's future income would be charged with repaying it.

Such repercussions on property prices could be most unfortunate. But they are not the only nor even the main reason why nearly all the main figures in the building society movement are firmly convinced that the 100 per cent mortgage, for all its superficial attraction, is just a warthog underneath. They hold that a man should have some stake, if only a small one, in the house he "owns," for reasons that are as much social as economic. Should the responsibilities of home ownership really be thrust upon people who have not saved even five per cent of the price? And will those houses not become millstones round their necks? If a man has a stake in his home there is good reason for saying that he will keep it shipshape and that it will not depreciate unduly. But the man who could not put up 5 per cent of the price might also be hard put to it to pay the repair bills. Just because the default rate is low in selling houses on long credit to people who have substantial stakes in them, it does not follow that other people with no initial stake at all would be equally punctilious payers.

It is pure assumption—an assumption, however, that Windsor Council and a few other local authorities are now putting to the test. Windsor Council is selling some of its own houses to approved buyers (existing council tenants, and others qualified to be on the council's housing list) for a down payment of only £1 and a repayment period extending up to 30 years. The council is charging a fixed rate of interest of 5 per cent and financing with temporary money below that figure. A double risk—first on interest rates and secondly on the quality of the new owner occupiers—is thus being undertaken on a limited scale.

Some may see in the move towards 100 per cent mortgages an answer and an alternative to Labour's proposal to vest virtually all the rented houses in the local authorities. Certainly a proposal to create any monopoly landlord must be closely looked at—there is some evidence that in the new towns the landlord can be oppressive. Labour must be persuaded out of any tyrannical implications of its programme, or if need be fought on them. That is the purpose of the "rented homes campaign," to be launched next week. But the answer to the Labour programme is not to dispose of the rented houses to less suitable owner-occupiers on less commercial mortgage terms. There will always be plenty of people for whom a rented home is best and the best thing for them is plenty of rented houses and plenty of landlords letting them in competition.

Ex-WD

Since the war, the Government has managed to recoup about £1,000 million of the cost of goods it no longer wants—or perhaps never really did

SALES of "Government surplus" are as old as armies, and today cover as wide a range of products as modern armed forces demand from an industrial economy. They do not occur only in the aftermath of major wars, but all the time; nor do they dispose only of the haversacks, pocket compasses, and blankets that Boy Scouts buy from Milletts, but also of machine tools, lorries, precision instruments, and big tonnages of steel scrap. In a recent typical year sales of metal scrap, machine tools, vehicles and "warlike stores" formed over half of Ministry of Supply disposals; clothing sales came to a mere 7 per cent and instrument sales even less. The end of a world war, certainly, is the time when the business becomes really huge and the hustle to clear surplus supplies attracts most notice. The sale of War Department lorries after the first world war gave a start to Britain's road haulage industry. The sale of unwanted equipment and supplies after the second helped to equip British engineering and meet the pent up demand for civil goods while new production was getting under way. It made a few private fortunes in the process, and fetched the Exchequer in the first four years of peace no less than £750 million from private dealers and foreign governments. Since then, sales have brought in only about £250 million. From the peak, at more than £250 million in 1946-47, turnover on disposals dropped to a bare £30 million or so three to four years later and to less than £20 million a year by 1952-53 and 1953-54.

The services always have something to sell and even the current turnover of well above £40 million a year is a sizeable business. Much military planning and purchasing of goods is of necessity against contingencies that happily never arise. Goods in constant use or supplies that have deteriorated in reserve still have a re-sale or scrap value. New developments in military technology can suddenly make large quantities of existing equipment obsolete. Moreover, as in the last few years, there may be major changes in strategic and political thinking that mean sudden increases or drastic

reductions in the scale of future needs or even the abolition of entire areas of defence effort, such as AA Command and Coastal Defence. The latest defence policy has produced another "bump" in the turnover of Government sales, but a much smaller one. The market now is decidedly sticky. Steel and non-ferrous scrap prices have plummetted downward, the markets for second-hand machine tools and commercial vehicles are depressed, clothing sales are sluggish, and some manufacturers are complaining vigorously about large offerings by the ministries.

Civil servants in the Ministry of Supply and the service ministries who handle surplus disposals have few chances of playing their markets. They are unable, without a great deal of uneconomic administrative effort, to get long notice of what might be declared surplus; still less can they cull the actual goods in advance from ordnance depots up and down the country to take advantage of temporarily good re-sale prices. Conversely, because service storage space has to be cleared quickly of unwanted goods, their chances of holding on to surplus supplies for good prices are limited. Now it might be a long wait. It may be possible, as now, to spread the sale of machine tools over a year or eighteen months; in any case the closing of ordnance factories happens to be conveniently spread out. Industries where demand is slack for new goods often tend to exaggerate the importance of Government sales upon normal trade. It is in the disposals authorities' own interest not to spoil the market, and Government disposals seem never to have exceeded 10 per cent of the total sales of any item (that was in steel scrap when the country was still short of it).

Several departmental and parliamentary committees in the last decade have investigated the way these sales are carried out, and it may be that the "disposals business" is now about as efficient as it can be, given the need to keep overheads within bounds. This trade has always provided and probably will always provide good Sunday newspaper stories of stores sold off at knock-down prices and then having to be bought again expensively a year or so later. But the departments have to balance the cost of striving for one kind of efficiency against the real savings it offers—particularly in the "screening" process. This is intended to ensure that one ministry does not sell to dealers a piece of equipment needed now or soon by another. All ministries which sell goods have been made responsible for finding out whether surplus items may be needed elsewhere, and buying departments periodically send them "shopping lists." Auction catalogues are circulated by the disposal branches to universities, nationalised industries, and in the first postwar years were sent to some local authorities as well as to the other ministries. But once the catalogues are printed, further delay while buying departments make up their minds can be costly and too many withdrawals can upset the auction. Most goods that a service finds redundant have a narrow specialised use. They may no longer be in a usable condition, may be obsolete, or their remaining "shelf-life" may be short; and even where usable the cost of modifying or holding on to them a little longer may make the exercise not worthwhile. Moreover the price another department offers may be less than what private industry would pay. Transfers of surplus goods between ministries have never exceeded 5 per cent of total disposals turnover in any year since the postwar peak: an exhaustive screening system could easily cost more than it saved. There is no need to build a concrete wall to stop a tap dripping.

IN 1951, when the volume of disposals ceased to justify a central organisation under the Ministry of Supply for both home and overseas sales (though the Admiralty, as ever, managed to retain responsibility for its own disposals) the task was largely passed back to the departments that buy the supplies originally and accordingly ought to know more about the possibilities of finding another market for them. The Ministry of Supply still disposes of all War Office surplus stores in this country as well as selling of vehicles and machine tools for all three services: it also handles the breaking up of ammunition and explosives. Other departments do a little: the Stationery Office sells surplus office supplies, the Post Office sells Admiralty communications equipment, and the Ministry of Power sells surplus coal and marine fuel (when it can). Overseas disposals, nowadays, are very small: the evacuation of the Suez Canal Zone four years ago was the occasion for the last marked flurry of activity.

The public auction is not, however, the major outlet for disposals. Only about a third of the total receipts from the Supply and Air Ministries' sales come from auctions, and the Admiralty conducts no auctions at all. How surplus stores are sold depends upon a great number of factors: the avoidance of delay and wasteful use of money and service manpower, the quality, nature and location of the goods, the number of potential buyers and the desire to get a good price. After fourteen years of postwar experience, the disposals branches have accumulated a considerable store of marketing expertise. Most surplus material has only a limited market, but auctions are generally held when the number of buyers is large and not readily identifiable, and very large quantities of miscellaneous items become available, as in clothing, vehicles, machine tools, engineering stores and small portable pieces of service equipment with a ready appeal to consumers such as binoculars, wireless set kits, furniture, and small tools.

Tendering is preferred where potential buyers are fewer and more identifiable, or where the goods are less easily or cheaply transportable to central depots. Scrap metal is usually sold by competitive tender, as are more specialised pieces of plant. Warlike stores that have not been "demilitarised" before sale are sold to known buyers to facilitate safety precautions and "after-sales" policing to ensure that their military value is subsequently destroyed. Dis-

posals branches also deal direct with individual firms or foreign governments where interest is likely to be confined to them.

But the public auction attracts the greatest interest and, in general, the most criticism. The disposals authorities find a network of dealers a necessary adjunct to their business. The condition and quality of surplus material vary widely. Dealers will take the speculative risk and the financial burden of buying it, sorting it out, and clearing large lots in smaller quantities over a period of time to people who actually have a use for it. They are often prepared to exercise considerable ingenuity in finding markets for apparently quite useless material or to cannibalise worn out equipment to get out of it what the consumer will buy. The ministries have never thought it worth their while to do anything of that sort themselves. How many dealers there are in Government surplus no one knows. They range from large firms like George Cohen and Sons, Thomas Ward, and Milletts—which have other business of their own—to the smaller dealers who ride to the auctions in their Rolls-Royces and the working man who may take a day off to chance his bid for £50 worth of equipment he thinks he can find a better price for.

Though single lots of binoculars or army officers' shoes are put up at auctions for the benefit of the general public (and usually go to dealers, as the public usually does not bother to go), the prices fetched are for bulk lots of uncertain quality. The Ministry will not have it that these are "give away" prices, and is confident that it can now effectively guard itself against price rings. Most auctions attract several hundred dealers, bidding is brisk, and where comparisons are possible prices do not compare unfavourably with secondhand values (in some cases items have reserve prices). Comparison with original purchase prices is more difficult and not often done, but occasionally specialised items of plant in good condition are discovered to have fetched more than they cost new (several years before in a period of inflation). These auctions have long become almost a routine business. Fifty-four are scheduled to take place this year at Ministry of Supply depots and nearly 190 assorted lots were knocked down for more than £23,000 in under an hour and a half on the first morning of the latest three-day sale at Woolwich Arsenal. But auctions are not what they were. The chance of making fortunes, honestly or otherwise, is decidedly more difficult. There is more "Ex-WD" material available again: but consumer demand is much more elusive.

BUSINESS NOTES

IN THE MARKETS

Quemoy Holds No Terrors

THE story of the market is again that of the dog that did not bark in the night. On the rumblings at Quemoy the market did not fall. Over the week ended on Wednesday the *Financial Times* index of Government securities is up from 83.97 to 84.30, following a minor setback on Friday of last week, and on the industrial side *The Economist* indicator has risen 1.1 to a new peak of 209.9. Quemoy produced little more than a shrinkage in the volume of business and a check to the rise. The fact that buyers delayed buying seems to promise that money will be coming into the market shortly.

On the gilt-edged side, that justifies the expectations of continued strength and should justify a resumption of new issues soon. The prospects for whatever small gilt-edged issues are now launched are improved by the fact that the flow of issues in the industrial market is small. Such minor operations as the introduction of the 5s. ordinary shares of Telefusion (which enjoyed a hectic start on Thursday, rising from 15s. 9d. to over 18s.) have absorbed attention there. What buying there has been in the gilt-edged market this week has largely concerned the very short stocks, for the money market appears to be increasing its holding of bonds, and the irredeemables where personal funds play an important part. The banks seem unlikely significantly to increase their investment holdings until they see how more competitive lending affects their liquidity. It was in the mediums that hesitancy, on the part of the pension funds, was most marked this week.

Only the most volatile among the financial community dared to talk about a further reduction in Bank rate this week. If that had indeed been added to all that has already been done to loosen the credit rein, it would presumably have meant that the authorities were taking a much more gloomy view of the likelihood of recession than is the investing public; it could almost have been a bear pointer for industrials. But that is not the present mood of the industrial market. It would be wrong to say that buyers now are ignoring the risk of trade recession. They are still slightly restrained by it. But they are thinking in terms only of a minor recession and trying to look beyond it; Wall Street and American recovery are helping them.

STEEL

Down to American Levels

FOR this year as a whole, the British steel industry reckons that it could have produced 23½ million ingot tons of steel; in August it was producing at the rate of little over 15½ million tons a year. Even allowing for the season (and steelworks have been shutting down for longer holidays this year than they would if they could sell more steel) this is 30 per cent or more below capacity. Demand is still pretty active for sheet steel, but for few other products: though actual consumption of steel is now reckoned to be sharply down, the Iron and Steel Board as well as the Federation has now no doubt that consumers are beginning to use up their stocks.

FINISHED STEEL: CONSUMPTION AND STOCKS

	Quarterly Consumption		Consumers' Stocks	Stocks as Months' Supplies
	Actual	*Seasonally corrected*	End of quarter	
1956: I	3,602	*3,470*	3,660	3·2
II	3,538	*3,440*	3,770	3·3
III	3,045	*3,350*	3,750	3·4
IV	3,386	*3,300*	3,880	3·5
1957: I	3,492	*3,370*	3,980	3·5
II	3,427	*3,330*	4,000	3·6
III	3,153	*3,470*	4,000	3·5
IV	3,554	*3,460*	4,120	3·6
1958: I	3,525	*3,400*	4,220	3·7
II	3,400	*3,300*	4,130	3·8

But they still have plenty to use up. At the end of June the fall was just beginning to show: consumers held about 90,000 tons less finished steel than three months before. But their stocks still amounted to close on four months' consumption. If they have continued to use up the steel in the yard rather than buy more (money is beginning to be worth more than steel these days), and exports are still sagging, the British steel industry's operating rate may now, or very soon, be below that of American steel.

COAL

Peering through the Gloom

WHEN economic expansion begins again, how much of the national fuel market will coal have lost—and how can the industry make ends meet in the meantime? These were the questions looming over the National Coal Board's summer school at Oxford last weekend: Sir James Bowman offered the gloomy delegates neither prophecies nor comfort. His only forecast was the short-term guess that this year's coal consumption may be eight million tons less than in 1957, not seven million tons less as he had reckoned earlier in the summer. He made no pretence that the gains in productivity, and to some extent in costs, that the board has gained by cutting out some of its highest-cost output this year could significantly offset "really serious financial difficulties" arising primarily from the fact that it is not managing to sell all of even this reduced output, and is itself having to finance unsold stocks that now total 13½ million tons. These will be exacerbated if the miners get a wage increase at their second try this year.

For the present, the board is determined not to go back on its long-term investment plans, nor on the short-term mechanisation drive that has contributed somewhat to its higher productivity: indeed, Sir James emphasised the need to "obtain the optimum use of the mechanical aids of all kinds which have been introduced" (which has been somewhat neglected in the recent effort to get the machines in and working somewhere). It rests its confidence on long-term expansion in the economy, as any nationalised industry must. It has not yet, publicly, joined the miners in pressing for further reductions in the oil conversion programme inherited by the Central Electricity Generating Board. "Except in certain specialist processes," declared Sir James, "the economics of coal versus oil is still in favour of coal, although the balance is now so delicate in some industries that it will require all our efforts to maintain and, if possible, improve it." Unfortunately, the board's room for manœuvre on prices, for example by "opening its concertina" wider, is beginning to be limited by the market as well as the Minister of Power. Even if it were confident of clearing more smalls by cutting prices (which it is not), demand is now soft in some of the sections of the market where it retains a monopoly, as for example in metallurgical coking coals. The length of the current recession in industrial demand could prove crucial for the economic—and political—future of this industry.

PRE-MONTREAL

Dropping in for Aid

COMMONWEALTH ministers on their way to the Montreal Conference have been dropping in on Washington and New York to see what can be done in "raising the wind" in the American markets before proceeding to the harsher soil of Canada. Mr Morarji Desai, the Indian Finance Minister, has confirmed the arrangements previously outlined in Washington by which $100 million is being made immediately available by the United States in order to help cover India's deficit up to the end of next March. Beyond this, the Administration has promised deferment of instalments on the 1951 wheat loan and a new wheat loan of $200 million on which the service is to be paid in local currency.

The finance minister of New Zealand, whose immediate needs in London are being met by a £10 million overdraft at the Midland Bank, is negotiating a similar banking credit in New York. The American banks can be more generous in their interest charge than London—the Midland overdraft is at 5½ per cent—but they are being more exacting in the matter of security. There is a suggestion that the gold holding of slightly over £8 million of the Reserve Bank of New Zealand should be hypothecated.

CONSUMPTION

Spending Still Rising—More Slowly

PERSONAL spending has gone on rising this year even if little else in the economy has. In the first three months it was up 7 per cent over last year. For the second quarter complete details are not yet available, but, compared with the same period a year before, spending on items that make up about two-fifths of total personal expenditure rose 4½ per cent in that quarter after a 5½ per cent increase in the first. That does not necessarily mean that the rate of growth is slackening. The first quarter's figures looked a deal better than they really were because sales of cars in the Suez-shadowed first quarter of 1957 were well below half their normal level, because rents again rose sharply, and because tobacco prices were raised last autumn. In actual quantities of goods and services bought the growth was not so large; it was 3 per cent, which was still the largest quarterly increase for quite some time. Over the items for which figures appear early, drink, tobacco, housing, household equipment, and clothing, the increase in volume over last year in that quarter was less than one per cent: in the second quarter it was smaller still.

Apart from higher rents and more as well as dearer tobacco, this increased spending has been going mainly on food—up 5 per cent by value and about half as much in volume in the first quarter. Fuel and light outlays and car purchases rose sharply but comparisons are difficult owing

PERSONAL SPENDING
(January to June)

	1956	1957	1958	1956–57	1957–58
				Percentage change in volume	
	£ mn.	£ mn.	£ mn.		
Food	2,156	2,190	...	+ 1	...
Drink	402	421	431	+ 2½	Nil
Tobacco	440	470	498	+ 3½	+2½
Housing	555	590	671	+ 1	+1½
Fuel and Light	316	319	...	− 3½	...
Household equipment	297	335	337	+11½	+1
Private cars	156	138	...	−14½	...
Clothing	618	648	647	+ 3½	−2
Total (incl. others).	6,491	6,738	...	+ 1½	...

to the aftermath of Suez: compared with the first quarter of 1956 consumers bought about 4½ per cent more power and heat for 18 per cent more money. Expenditure on beer has been falling, but more has gone on other forms of drink. Spending on household equipment is only fractionally up, while clothing outlays have been falling off.

PERSONAL LOANS

HP Controls Now

THE introduction by banks of personal loans—this week the Bank of Scotland has joined the majority of banks operating such schemes—has renewed the cry for abolition of the Board of Trade's controls of hire purchase contracts. These specify minimum down payments (at present one fifth for furniture, one third for cars and one half for household equipment) and maximum periods of repayment (two years for most articles). A personal loan has important differences from a hire purchase contract. The goods are not in the lender's ownership or even charged as security; a personal loan, like an overdraft, is granted on the local manager's assessment of the character of the applicant, and bank overdrafts have always been subject to a different set of controls from those governing hire purchase. Nonetheless, it may seem invidious to continue to restrict finance for the hire purchase customer at the time that new facilities, fulfilling a similar purpose, are being provided for the bank customer. The government view seems to be that the timing of any move on HP controls must be aligned with the desirability of giving a further stimulus to spending.

Meanwhile, the Midland and at least one other bank are not making available under personal loans a greater proportion of the cost of goods being purchased than is allowed by the Board of Trade on hire purchase contract. Other banks take the view that their loans are personal to their customers and not rigidly tied to goods; a customer could thus receive the full amount to cover an intended purchase.

The limiting factor on all personal loans is the bank's assessment of ability to repay. Most banks are leaving this entirely to the discretion of their managers, but one of the big banks operating the scheme is stipulating as a general rule that a loan should not exceed 15 per cent of the customer's net income after tax. This is rather below the percentage worked on by big New York banks, which centralise decisions on personal loans in a department at head office and lay down the criteria of credit assessment in the closest detail.

The response to the schemes so far has been encouraging; applicants have been more impressed by the simple arrangements and the death cover than they have been deterred by the height of the interest rate as applied to the average balance. The Midland reports several thousand loans already arranged; more than half have been for purchases of cars and around one fifth for house repairs. The average amount has been around £170; that at the Westminster has been a little higher. This week the Midland has opened its service of "personal" cheques providing a cheque account at a cost of 6d. for each cheque. No counter moves have yet been made by other banks.

Finance Houses Unruffled

UNLIKE some retail stores, the big hire purchase finance houses are making no dramatic move to meet the direct competition of the banks in instalment credit. A meeting of the Finance Houses Association on Thursday decided on a modest reduction in maximum service charges on cars: maximum commission rates to garages remain unchanged at 15 per cent of the quoted service charge, so that the garage will have plenty of incentive to send the customer to a finance house.

Leading finance houses have, since the mid-August reduction in Bank rate, been applying the new scale. This is 7½ per cent (formerly 8 per cent) for new cars; 8½ per cent (9 per cent) on used cars up to five years old; and 10 per cent (11 per cent) on older cars. The bank's charge for personal loans is a uniform quoted 5 per cent. Apparently the finance houses are not worried. In any case, for the majority of the big houses, in which the banks now have an equity interest, the issues are by no means clear cut.

Personal Loans for Cows

OUR correspondent in Dublin writes: The Irish banks are peculiar in that their deposit accounts are much greater than their current accounts—£197 million against £118 million at the end of last June. This contrast has made for a degree of dignified immobility that arouses criticism, not always well-informed, from time to time. These last three weeks, in Ireland as in Britain, have seen a minor banking revolution.

The change of most immediate importance is the entry of the National Bank and the Munster and Leinster Bank into the provision of credit for the specific purpose of buying livestock. Irish farmers have been worried by the slow rate of progress in the eradication of bovine TB, which depends on the replacement of infected beasts. Also, although the improvement of grasslands has still a very long way to go, it is apparent that the cattle herd can be immensely increased. Under the new scheme (which is being studied by the other banks), two-thirds of the cost of a TB-tested heifer will be advanced to the farmer on the sole security of a veterinary certificate. Repayment, at the normal interest rate, will not begin for two years. These loans will be available for farmers who wish to buy tested heifers or to retain heifers for breeding. This seems a thoroughly useful form of assistance; and it is welcome as a link between the banking system and agricultural development.

The National Bank, which has acquired 45 per cent of the share capital of Bowmakers (Ireland) Ltd, is interested in applying hire-purchase to farmers' needs of machinery



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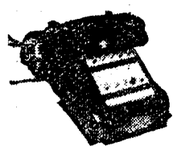

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People vary enormously. They buy a wide range of brands in any particular product-group; they often spread their reading over a wide selection of national newspapers and magazines. One thing, however, is predictable. The vast majority of them—especially the housewives—read their regional evening paper every day. ¶ In none of the large centres of population so far covered by the Newspaper Society Readership Survey does any other single medium give the advertiser the chance of making such effective contact with so many people (Conurbation average over 76%). And the Survey shows that the more you want to contact the families who earn and spend more, the greater is the claim of the evening paper.

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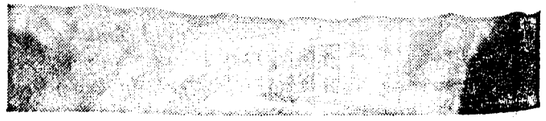

fertilisers and seeds. If successful, this innovation is likely to affect the business of country shops which often give long credit at imprecisely calculated rates of interest. On the other hand, it has been noted that many farmers still prefer to pay cash for such things as electrical equipment in preference to buying them on hire-purchase terms.

Finally, the Bank of Ireland and the Hibernian Bank are being merged. Bank mergers in Ireland have been rare indeed, and it is felt that the Republic is more than well-served with nine banking companies. As it happens, these two banks do not over-lap to any great extent; but the agreement points the way to other combinations which would make possible considerable economies.

NATIONAL INCOME

The Elements of Growth

INDUSTRIAL production is the kind that makes the news: it can be measured comparatively easily and quickly, and every month its production index sets the whole pattern of opinion about the progress of the economy. Other kinds of production cannot: and it is only once a year, in the Blue Book on National Income and Expenditure, that the Central Statistical Office hazards any estimates of the output of the rest of the economy. These estimates are shaky, being beset with conceptual difficulties (Is a bus running empty producing a potential consumer satisfaction? If an efficient shopkeeper manages to cut his margins, is he reducing his output of distributive service?): but many of the "hard figures" of manufacturing output, also, are a good deal softer than they look. As the table shows, it is the accelerated growth of some of the service trades, coupled with the uninterrupted advance of electrical generation, that has made possible a slight advance in the national product in recent years, even though manufacturing output has stopped rising and is now declining quite sharply.

PATTERN OF THE BOOM—AND AFTER

	Volume of Output (1948 = 100)					
	1952	1953	1954	1955	1956	1957
Agriculture & Fishing	114	116	118	118	123	126
Mining & Quarrying	109	109	110	108	109	109
Manufacturing	116	123	133	142	140	143
Construction	104	111	115	116	123	123
Gas, Electricity, Water	128	134	145	153	160	163
Transport & Comm'ns.	117	120	123	128	130	132
Distribution	104	111	118	121	122	125
Finance	106	107	112	116	115	118
Government	102	103	101	98	96	94
Professional services	112	114	116	119	122	125
Other services	95	96	97	99	100	101
Gross domestic product	111·0	116·4	122·5	127·2	127·6	129·6

But it still seems true, in Britain at least, that manufacturing is the prime mover. In more fortunate economies, a "drift from the factory" can be argued to spell increasing opulence: in Britain, it may do that, too, but on the latest evidence it also takes the main drive out of expansion. Over the last 20 years, with pauses in 1952 and since 1955, the gains in manufacturing productivity plus the relative reinforcement of the industries where those gains can be made have been the most important elements in economic growth in this country: 1½ million out of the 2½ million extra people who swelled the labour force between 1939 and 1957 went into manufacturing. Since the war the distributive trades have been gaining labour even faster than this, and since 1956 they have gained some workers from manufacturing. But this has been primarily a matter of replacing the assistants who left the shops during the war; if one allows for the reclassification of labour statistics in 1948, the distributive labour force even today is probably not quite back to 1939 levels (nor has "professional, miscellaneous and financial service" employment grown significantly). And the blue book's authors do not allow much growth in productivity to the service trades. From 1948 to 1957, for example, its figures suggest a growth of only 5 per cent in output per head in distribution, against one of 25 per cent in manufacturing—though the shops are now handling far more business than before the war with about the same labour force.

The Rewards of Manufacture

SOFTER demand for manufactured products over the last couple of years, less overtime, and much more short time has not checked the growth in the payroll of these industries: their wage bill went up 5½ per cent between 1956 and 1957. They were able to match this with a similar rise in the value of their net output (i.e., turnover less their purchases of materials and components from outside): but the volume of their output rose only 2 per cent. The blue book provides figures enabling an estimate to be made of average annual wages and salaries in manufacturing. These have their limitations: the statisticians of the Central Office use an average yearly total of wage and salary earners in these industries (from Census of Production figures) that is consistently nearly 500,000 less than the Ministry of Labour records as being employed there in the middle of each year, and the inclusion of directors' fees in the total salary bill slightly exaggerates the average salary fee (with these excluded, the 1957 average would be about £710 a year). But they give some indication at least of the spread of rewards between working in overalls or in white collars.

WAGES AND SALARIES IN MANUFACTURING

	Average wage £ per year	Index number 1948 = 100	Average salary £ per year	Index number 1948 = 100
1948	280	100	482	100
1949	291	104	500	104
1950	303	108	518	108
1951	331	118	556	115
1952	360	129	588	122
1953	382	137	610	127
1954	409	146	648	135
1955	444	159	686	142
1956	477	171	727	151
1957	507	181	764	158

ROCKETS

Black Knight

THE designers of the Black Knight rocket have done a sound and thorough job for which they fully deserve the country's congratulations. But it is as well to be quite clear about what is involved in asking this rocket to do a job for which it was not initially designed. Black Knight is essentially a lash-up on which to test various designs of nose cone for the 2,500 mile ballistic weapon Blue Streak that should be ready for test in the early 1960s and it ha

made an excellent first shot at this difficult task. There are a number of different systems for dissipating the heat that would otherwise burn up the missile's thermonuclear warhead before it reached ground. The cone can be wrapped, onion-like, in various expendable outer layers that burn off in succession leaving the main structure intact, or it can have a ridged outer surface that serves to conduct away the heat. The statement that two dozen or more Black Knights are likely to be fired suggests that several designs may be under test.

It requires the simplest rocket for such investigations. Such a rocket has to carry little or no payload. The rocket's mechanical reliability is obviously of prime importance but its job is to carry the experimental nose cones to the same height that the Blue Streak will reach. It has neither the space nor the power supply for the many instruments needed to guide and place a satellite in orbit. Nor is it, for the same reasons, capable of carrying any form of warhead and it is in no sense a prototype of a ballistic weapon. To convert Black Knight into a sputnik launcher would require the addition, according to the Minister of Supply, of two extra stages. This would change the basic simplicity of the existing design and add enormously to the cost and complexity of the project. Because Black Knight has been successfully fired, it would not follow that Black Knight plus two would be equally trouble free ; the difficulties of most rocket launchings occur not when the first stage is fired, but when the point comes for the second and third rockets to take over. If the Royal Society persuades the government to support a satellite research project, it might well prove simpler and in the long run cheaper to wait for the bigger, more powerful and fully instrumented Blue Streak itself than to try to adapt Black Knight for functions for which it was never designed.

FOREIGN EXCHANGE

Sterling again above Par

After a momentary dip below parity with the United States dollar the pound has quickly recovered to around $2.80\frac{1}{4}$. By long tradition September is the worst month in the year for sterling, and last week's weakening of the rate was due to sizeable commercial demand for dollars, by tobacco companies and others, on a market rendered nervous by the Quemoy affair. The Exchange Equalisation Account did not support the pound on the fall and the subsequent recovery has been equally unaided. The recovery is partly a reflection of the weakness of the United States dollar, which stands at or below its parity against all European currencies including the French franc. Against the Dutch guilder sterling looks much weaker ; the rate is at support point and has needed some official assistance.

The outstanding movement in the foreign exchange market however has been the weakness of the Canadian dollar, which has slipped this week from $\$2.73\frac{3}{8}$ to $\$2.75\frac{1}{4}$ against sterling. Its premium against the US dollar has narrowed to 1.8 cents, compared with 4.7 cents a year ago. The persistence of a high premium on the Canadian dollar in the earlier months of this year was due to the continued flow of American capital to Canada and in particular to the issues of bonds then being made by Canadian provinces and corporations in New York where interest rates were low. Now that the bond market has broken, these issues have stopped, and the Canadian dollar has been deprived of the capital inflow which had been supporting it.

D-MARK LOANS

Germany Lends Again

Hot on the heels of news of the Anglo American DM50 million convertible bond issue come other events which show that Germany is now striding boldly into the business of foreign lending as becomes the strongest creditor nation in Europe. One such event is the start in Bonn of negotiations on extensive Greek requests for German credits. A direct government to government loan equivalent to $100 million is involved in addition to a $103 million credit for capital development. German support is also being enlisted to obtain for Greece the $300 million credit from the European Investment Bank to be set up as part of the common market scheme, though a request for a loan from an institution not yet established to a country not a member of the body that will establish it may seem far fetched.

Discussions have also been taking place between Bonn and OEEC headquarters in Paris for funding the bulk of the DM4,250 million ($1,000 million) credits that Germany has already extended to EPU. The proposal is that this should be converted into a debt owed direct to German investors by an issue of EPU bonds in the German market. The German authorities favour the move because it would drain off excess liquidity from the German money market. If this were done now it would require a major change in the legal status of EPU. But it is not yet certain that the Germans intend to make the change before EPU is liquidated.

DIAMONDS FOR GERMANY

A Change of Front?

The Central Selling Organisation has no desire to discriminate against the German cutting industry, and would be pleased to receive applications on behalf of individual German cutting firms on the same basis as applications are received from cutters in other countries. . . . Up to date the Central Selling Organisation has received no applications for supplies of gem diamonds from any German cutting firm.

The tone of this announcement from the Diamond Syndicate suggests that it is trying to set the record straight. To the Germans, however, it will appear as the lifting of an unwritten ban: there would have been no point, they can argue, in applying for a "sight" if an application was to be turned down. That might well have happened in the past. The announcement follows hotfoot on the German loan to Anglo American. The amicably conducted negotiations about this loan did not touch on supplies of diamonds to German cutters, but once the loan was arranged, the question could not be left unanswered.

The Central Selling Organisation has answered it in the right way. German diamond cutting employs under 4,000 people, and is now to be put on the same footing as the American, Dutch and English cutting industries. Like them it will have to bow to the preferential treatment,

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Geneva Landmarks

Scientists now leaving Geneva drunk with words are inclined to say that nothing new has come out of the past fortnight's marathon conference on atomic energy and to a limited extent they are right. There has been only one radical new proposal, a system for controlled fusion put forward by the American Dr Christofilos that is in theory superior to any other method yet explored—Zeta included—but which may in practice prove impossible to engineer. Nuclear physics no longer bounds forward by a series of great discoveries and it is unreasonable to expect that it should. What has emerged from the conference is a mass of specialist detail of considerable importance to those with strong technical digestions, new reminders of the closely paralleled work carried out in different countries, and an opportunity for the cross-fertilisation of ideas among men who work very much in isolation.

Fusion

Deep differences appear between the British approach and the American or Russian approach to the engineering of thermonuclear apparatus. All three agree that the first object is to raise the heat—or more precisely, the energy—of the feed gas high enough, and to hold it long enough, for fusion to take place. They agree (except Dr Christofilos) that the only chance of doing this is to wrap and then squeeze the gas in the only "container" that is capable of holding it at fusion temperatures of millions of degrees, namely a magnetic field. They have different ideas about the size, shape and method of building these magnetic containers, which they debate almost as if they were tangible physical objects. In Zeta, the container assumes the shape and function of an inner tube, holding an ever rising pressure of gas. In the magnetic trap or bottle system which the Americans and Russians and indeed many British scientists, see as the most promising alternative to Zeta, these magnetic fields behave more like the liner of a thermos flask which is subsequently filled with wildly excited particles of gas.

The Russians, who have a taste for jumbo-sized research apparatus, have just constructed a vast magnetic bottle on these lines, nearly 40 feet long. This requires 4,000 kilowatts of electric power to energise it and is potentially capable of temperatures of 1,000 million degrees centigrade, or ten times that at which fusion begins to yield a net gain of energy. The Russians have been running in this equipment during August, and some of them gave the impression of being doubtful whether it would work as well as they hoped.

Fusion is still a matter of promise, not actual achievement. Present instruments are not sensitive enough to measure whether it has ever taken place inside existing equipment, although it is highly probable that it has. This inadequacy of instrumentation denies real knowledge about what is happening and is a barrier to progress. It means that the only certain way of demonstrating that fusion has occurred is to scale up apparatus to a point where these results will be so obvious as to remove all doubt. This is now being done not only in Russia but also in Britain and the US. The bigger plants should be working next year, but it has yet to be shown that scaling up in size brings about a corresponding improvement in performance. Moreover, there are serious engineering difficulties in the way of obtaining the extremely high degree of vacuum, the strength of magnetic field, and even the rapid input of electric current, in these bigger plants on all of which the success of the reaction can depend.

Nuclear Power

The attitude of scientists towards nuclear power is noticeably more sober than it was two or three years ago. Experience has brought out engineering difficulties latent in many systems and the two leading designs emerge as the Calder Hall type of gas cooled reactor and the American boiling water designs. These latter are basically simpler even than Calder Hall types. The reactor is a kettle in which water boils and from which steam is taken to the turbines. Without boilers or heat exchangers, the capital cost of the American system is lower, while prototype boiling water reactors have proved capable of giving three times more heat than was originally expected. Even though it will be some time before the first 180 mW boiling water power station is finished, this design must be considered as British industry's most serious competitor. It seems certain to be picked by the World Bank for the power station which it is financing in Southern Italy.

The strength of the Calder Hall system lies in its relative ease of engineering, its cheap fuel and the growing experience of not only British but also of French engineers in this type of design. Britain is working on mark II and III reactor designs ; other countries are still designing and commissioning their first-generation stations. Even the Americans, long opposed to the Calder Hall system, have recently begun their own work on gas-cooled reactors. But British engineers were not particularly impressed by the papers that the Americans presented ; perhaps they felt that the size of power station picked for study was in some cases not chosen to show the Calder Hall type at its best.

Electricity Costs

At the same time, there was a marked reluctance on the part of the delegates to chance their arm on estimates of atomic electricity costs. This again may be a sign of caution acquired with experience. Early American cost estimates have proved wildly wrong and the Russians say flatly that the only way of knowing what a reactor costs is to build it and then add up the bill. They expect the cost of electricity from the first 100 megawatt unit of a 6-reactor, 600 megawatt power station commissioned last week to cost twice that of power from their more efficient thermal stations, and slightly less than that from their highest cost stations. The only detailed papers on costs were two British ones which showed that nuclear power is working out slightly dearer than early estimates suggested, not because designs have disappointed but because of changes in interest rates and second thoughts about the possible value of by-products like plutonium. The cost of nuclear power in the first commercial stations is likely to work out at 0.77d. a unit against an average of 0.6d. for coal fired stations, whereas a year ago it looked as if the cost of electricity from the two types of stations was likely to be roughly equal. But really big 500 mW stations such as that being built at Hinkley point are expected to produce electricity at between 0.6d. and 0.7d. a unit.

Not all countries, however, can use 500 or 800 megawatt power stations, as British companies have learned. The British and American exhibitors who came to Geneva in considerable numbers hoping to do business are returning home disappointed. Instrument makers did good trade, although the attendance at the commercial exhibition, as distinct from the scientific and government sponsored one, was poor. But the atomic manufacturing groups now feel this is not the way to sell nuclear power, and it may be difficult to get them to support a similar commercial exhibition in the future. British companies are, moreover, concerned about the sharp price increases asked by the Atomic Energy Authority for the nuclear fuel that it manufactures for their power stations. It is said that the price has been raised in some cases from £17,000 to £21,000 a ton—a big element in the cost of a reactor holding several hundred tons of fuel.

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formalised in firm contracts, that is given to the Belgian industry, employing about 10,000 people, on Antwerp quality gems ; it will have to buy the gems in parcels as offered at the sights—a practice which usually means that a cutter has to re-sell those grades not suited to his purposes ; and it will have to accept the syndicate's choosiness about which firms are granted " sights."

Since the war only one application for a sight has come from Germany, and that was for industrials. The deal fell through, as the parcel offered was too mixed for the German firm's purposes. On gems, the German cutting industry has specialised on melée, small round stones of less than a carat a piece. German cutters have bought these openly from New York and, far from openly, from Antwerp where trading in diamonds to or from Germany has been forbidden. The middlemen took their turn, but they sold retail the stones the Germans specifically wanted. The German industry may still be willing to pay for such a service. But if the parcels offered by the syndicate—say, of melée—take the needs of the German cutters into consideration, then direct trade is possible. The announcement suggests that that is in mind.

IFC IN AFRICA

New African Links

FOLLOWING the arrangement recently announced whereby the World Bank's affiliate, International Finance Corporation is to examine projects jointly with the Merchant Bank of Central Africa, IFC is working out similar arrangements with Rhodesian Acceptances (the issuing house sponsored by Rhodesian Anglo American) in Rhodesia and with Union Acceptances (the issuing house sponsored by Anglo American and Barclays DCO) and IFC in South Africa. These arrangements will provide for joint study and investigation of various projects and for IFC to become an " investor of last resort." IFC is known to be keen to make some investments of direct advantage to Africans ; it will be recalled that the agreement with Merchant Bank of Central Africa was described as " non-exclusive."

NON-FERROUS METALS

No Working Party for Copper

IF the outlook in the non-ferrous metal markets this week had been as bleak as it was a few months ago when the United Nations conferences on copper, lead and zinc were planned, it is possible that the result of the conference would have been quite different. As it is copper is holding its own at just over £200 a ton—well clear of the worst—with no more support than the voluntary production cuts that a large number of important producers have made. So the London conference has this week reached a quick decision: there will be no Governmental action on copper, and no working party much less any international scheme to deal with a burdensome surplus. It would be an exaggeration to say that not even Chile wanted a working party, but Chile did not press the idea.

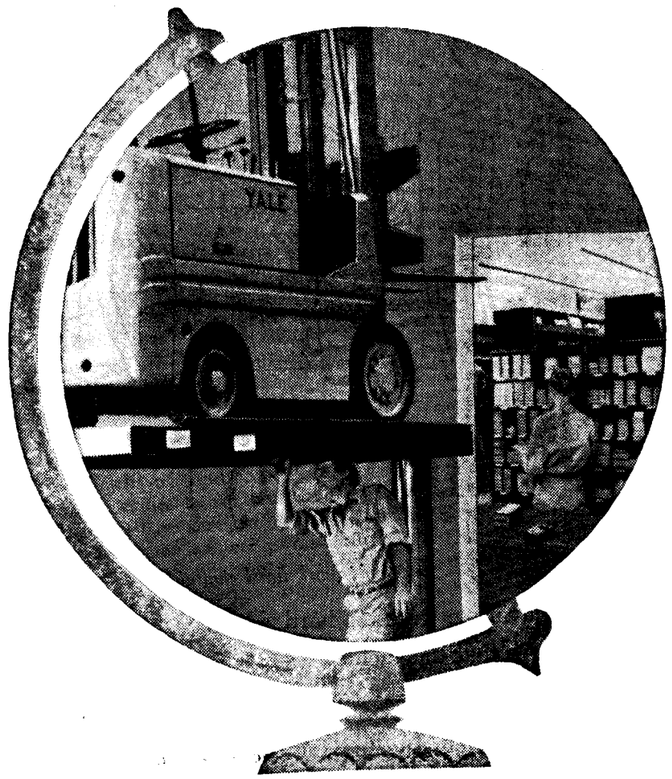
As *The Economist* goes to press the decision on lead and zinc (considered together) still hangs in the balance and is much more doubtful. It seems certain that the United States favours a working party for the two metals. But the metal that has been taking the selling pressure this week—tin—is the one that already has its control scheme and is not on the conference agenda. The flurry last week that followed the imposition of a quota on Russian and Chinese tin is over. Cash tin is back at the support price of £730 a ton, with the buffer again having to hold it there. Forward tin is a little below the cash price. The cause of the trouble is, surprisingly enough, still Russian tin. It seems that Russian tin coming on the market this week came from a ship that arrived recently at Liverpool with an August bill of lading. It looks possible that this tin will be deductible against the current three months' quota.

RESTRICTIVE PRACTICES

An Order to Compete?

WHEN it investigated Britain's trade in imported timber some years ago, the Monopolies Commission found that 90 per cent or more of the business was handled through agents of overseas suppliers and importers who were on " approved lists." These agents and importers undertook to deal exclusively with one another, precluding other merchants and timber consumers from buying more directly, and controlled further entry to the approved lists by other merchants. The commission recognised that in any event there were sound economic reasons why most of the trade would pass through these " recognised channels," but it thought that agreements restricting entry and other kinds of trade were against the public interest and should be brought to an end. In November, 1953, the Government told the Timber Trade Federation that it proposed to implement the commission's recommendation: and in February and March, 1954, the various sections of the TTF concerned did cancel these agreements and undertakings. In February last year the Board of Trade instructed the commission to find out how far the trade had complied with its recommendation, and whether any other arrangements having similar effects to the agreements abandoned had been adopted. And in July, in a report printed this week, the commission reported that in its opinion the former agreements concerning hardwood and softwood, though not those concerning plywood, had been replaced by arrangements having much the same effect, in that " a substantial and influential body of the members of the sections and associations concerned . . . will not buy from, or sell to, persons who are not named in the appropriate list."

A new case of exclusive dealing of this kind would not now fall within the scope of the Monopolies Commission, but would require to be registered and eventually considered by the Restrictive Practices Court. One already held to be against the public interest by the commission, and in respect of which an undertaking has been given, could still be dealt with by an order from the Board of Trade (though after 1960 businessmen concerned, subject to the Board's permission, will have a right of appeal to the Restrictive Practices Court). This one does not merely present the Board with the question whether to try to frame an order to prevent these restrictive practices in a trade where very few consumers, even, seem to have been anxious to try to take advantage of freer bargaining. It further emphasises the fact that the Registrar of Restrictive Practices will eventually have to develop some similar machinery for " follow-up " investigation of agreements abandoned after



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And not only I.C.I. people. Already 1,600 leaders of other
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a Court decision (as well as those formally abandoned even before registration). Until that is in being and operating effectively, it will be impossible to judge whether Britain's revised method of investigating monopoly will have achieved anything at all—beyond a strengthening of legal sanctions for individual resale price maintenance and somewhat fuller employment for the company lawyers.

FOREIGN CARS IN THE UNITED STATES

Beyond the Rubicon?

SALES of foreign cars in the United States this year have passed the point, measured as a proportion of the total market there, that one or two domestic manufacturers went on record as saying not so long ago would compel the industry to think seriously about entering the small car field itself. Total foreign sales have almost doubled between the first half of last year and this, from just over 80,000 to almost 160,000. As a proportion of the total market, they have jumped from 2¾ per cent to 6¾ per cent—beyond the critical 5 per cent—but this is only because domestic sales have slumped by a third. If the market for the American manufacturers' own slightly refurbished 1959 models, still longer, plushier, and more chromium plated, does pick up, will imports still keep on growing as fast?

FOREIGN CAR SALES IN THE UNITED STATES
(January to June)

	1956	1957	1958
West German	28,636	38,575	60,314
British	12,574	30,597	57,843
French	1,864	9,051	25,974
Italian	217	1,087	8,761
Swedish	51	3,816	6,260
Other countries	22	105	179
Total Foreign	43,364	83,231	159,331
Total Foreign and American	3,088,487	3,070,958	2,368,359

If one counts in the sales of the highly successful *Rambler* of American Motors—nearly 80,000 in the first six months of 1958—and if some of Studebaker-Packard's hopes for its new models should also be realised, the small car market in the United States could soon exceed the 500,000 to 600,000 a year mark that has been the other, somewhat higher, "critical point" quoted by those in the industry who have been prepared to commit themselves.

British firms are tussling hard with the Germans for first place in American imports this year. By the middle summer months they had regained the leadership in monthly sales though on the half-yearly total West Germany was still slightly ahead. Among individual makes, the Volkswagen was still well in front with some 40,000 models sold in the six months, more than a quarter more than at the same time last year. Ford, drawing upon its new distributing opportunities with American Ford's dealers, more than doubled its sales and shot easily into top position among British makes. But total British Ford sales in the United States are still only about a third of Volkswagen's.

"CORONA" BID

Victory to Beecham

BEECHAM GROUP has beaten Schweppes, and gained control of Thomas and Evans, manufacturers and distributors of "Corona" mineral waters. Holders of 79 per cent of Thomas and Evans ordinary shares have now accepted the offer of one 5s. Beecham ordinary share plus 30s. in an unsecured loan stock (cashable through Philip Hill Higginson at 51s. 6d. altogether) for every 10s. share. The offer has been extended to September 22nd. Minority shareholders would be foolish not to close with this offer, for at 51s. 6d. the shares seem fully valued. That price was reached only because of competitive bidding between the Beecham Group and Schweppes. Their final bids were about equal and it was then clear that neither was willing to go much above 51s.

Holders of 14.7 per cent of the Thomas and Evans equity, including the two joint managing directors Mr Frank Webster and Mr Glyn Williams, had the support of Hambros Bank and had accepted the Schweppes offer. But, apart from them, few others seem to have rallied to the Schweppes standard. Now that Schweppes has withdrawn, the associates of Hambros Bank have accepted the Beecham bid. Their original stand at the outset of the struggle for a better price has been vindicated. One point now needs clarifying: will the Beecham group run Thomas and Evans as a separate entity or will it integrate its door-to-door delivery service with its other soft drink interests?

WOOL

The Fall Checked

WOOL sales were resumed in London this week in circumstances that made it certain that prices must be substantially below those of last season. Selling in Australia and South Africa had already started and prices have been ranging from 5 per cent to 15 per cent below those of the end of last season. An average drop of 7½ per cent in the primary markets must have its repercussions in London even though spinners and topmakers have run their stocks down in the knowledge that they could rely on the London September sale for quick supplies if they went too far. Moreover, recession in the Yorkshire mills was deepening during the summer months. Bradford did apparently need a little wool quickly and made most of the competition at the London sales which opened firmer than expected with prices 2½ per cent to 7½ per cent down compared with the close in July. The bulk of the 54,000 bales offered comprises 32,000 bales of New Zealand wools, about half of them slipes.

On the outlook, the best that can be said is that after the initial sharp fall wool has not dropped further. Australian prices also are now steady. At present levels the price support schemes of New Zealand and South Africa could be a useful steadying influence, and it is always permissible to hope that the Eastern block will turn out a bigger buyer than had been expected.

BOLSA

Money for New Business

THE Bank of London and South America foreshadowed this week a rights issue to shareholders in the proportion of one for two, which will raise its issued capital from £5,050,000 to £7,575,000. Terms are being decided in conjunction with the Capital Issues Committee. Shareholders will hope for a modest bonus element in the price; the £1 shares at present stand at 33s. The capital

is needed for three main purposes. The first is the contingent liability on the new Bank of London and Montreal, set up jointly with the Bank of Montreal in the West Indies, and beginning operations next month. The authorised capital of the new bank is £7 million, subscribed equally by the two banks, with at present £5 million paid up. The share of the Bank of London and South America, however, consists mainly of the business, assets and organisation of its existing branches in Venezuela, Colombia, Ecuador and central America. Active measures are being taken by the new bank to acquire branches in Kingston, Jamaica, and Port of Spain, Trinidad. In view of this expansion, the Bank of London and South America feels it necessary to be ready to subscribe its additional £1 million.

Secondly, the bank has major commitments to rebuild some of its own premises ; plans for the next four years may absorb around £3 million gross. Thirdly, demands for financing exports of capital goods have been increasing in the past few years, and buyers have been pressing for longer credits. The bank feels that the finance of both premises and medium-term export credits should properly be found from permanent capital. Sir George Bolton, the chairman, is confident about the prospects in the Caribbean and Latin America. Asia and Africa, he states, are destroying their attractions for foreign investors. Latin America and the Commonwealth should benefit. Sir George plays down the effect of political instability and currency depreciation: business has a way of going on, and going on profitably. "We must get used to dealing with communities which do not really believe in governments."

DSIR

Below the Salt

IN its report on the affairs of the Department of Scientific and Industrial Research, the Select Committee on Estimates is anxious to be helpful. The DSIR is undergoing major re-organisation ; in the committee's words, "many criticisms which might have been levelled against the Department's general organisation as lately as November 1957 (when the committee began its inquiries) had been rendered out of date by July 1958 (when it finished them)." It is not the DSIR that gets the sharp edge of the committee's tongue, but some of the government departments that use, or should use, its facilities.

The impression that emerges from the evidence is that such departments are prepared to use the DSIR but not to take it into their confidence. The Road Research Laboratory, for example, works almost full-time on questions referred to it by the Ministry of Transport. But the Ministry rarely, if ever, asks the laboratory to look over the tenders submitted by contractors for major road or airport building projects to see whether these make the best use of new techniques or offer scope for economies. Likewise the Admiralty, which runs its own ship research laboratories, knows what work is being done by the DSIR in the same field, but does not inform the DSIR in return of its own programme, though it is prepared to give details of work done to DSIR scientists who have been cleared for security. How, asks the committee, can the DSIR conceivably ask the Admiralty for specific data when it does not know what work the Admiralty does ?

The committee suggests much closer co-operation between the Admiralty and DSIR, including a sharing of their research facilities. It was plainly not impressed by the suggestion that there was no duplication between the investigations conducted by the Admiralty and the DSIR, into the design of ships and propellers. In other cases it makes the more drastic recommendation that where a DSIR laboratory is working more or less wholly for a particular government department, that department should take it over. Thus the Road Research Laboratory would become part of the Ministry of Transport and the laboratories specialising on pest infestation, radio research and water pollution would be taken over by other departments. This might give the laboratories greater status in the eyes of the civil servants—and it is in line with the policy of the DSIR in divesting itself of activities that can be satisfactorily sponsored elsewhere.

SHORTER NOTES

Building and civil engineering contractors took £645 million worth of orders for new work in the first half of 1958, £54 million or nearly 8 per cent less than the year before. New contracts for housing and for new industrial and commercial development were down by 17 per cent, 11 per cent, and 6 per cent respectively. But public authority contracts, apart from housing, were 7 per cent higher, at £207 million: this would include, however, the big contracts for the road programme let in the early months of 1958.

* * *

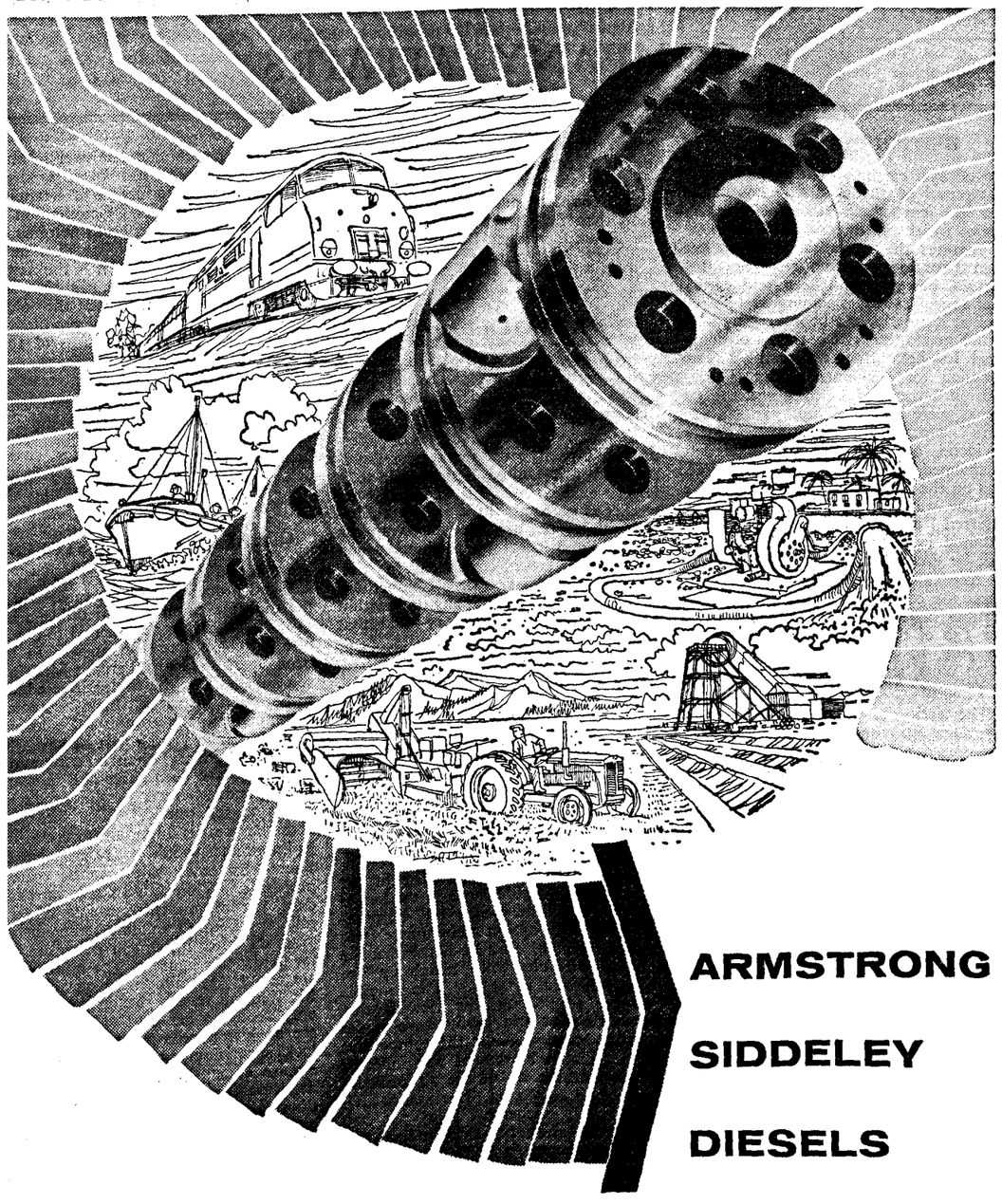
Hillman has put its new 1½-litre overhead valve engine into the Minx for 1959, with new rear-axle ratios, and is offering the car in new two-tone colours with a changed radiator grille. Prices are unchanged, except for the estate car version, which comes down by £40 10s. Ford is introducing a 12-passenger version of its Thames van, somewhat on the style of the Dormobile: no purchase tax is payable on this vehicle, which will cost only £640.

* * *

Odhams Press this week produced the first four-colour gravure page ever published in a British newspaper, by preprinting the advertisement on a reel of newsprint later run through the ordinary letterpress printing of the *Daily Herald*. The paper stretches slightly in the gravure process, so that the coloured advertisement does not remain in register with the letterpress: Odhams have dealt with this by printing identical advertisements on the top and bottom halves of the page, in what they called a "wallpaper" technique, but later they hope to compensate for the paper stretch by control techniques. One of Odhams' other announcements this week was less happy ; it decided to merge its picture magazine *Illustrated* with its text magazine *John Bull*.

* * *

British European Airways has reduced weekend fares on its internal air services from London to Glasgow, Edinburgh, and Belfast to less than the first-class return fares charged by British Railways. Though few Londoners can have been taking short-weekends in Scotland or Ulster, and the main volume of passenger travel on these routes will be businessmen travelling on weekdays by rail or air at unchanged fares, these are eight day excursions allowing travel on consecutive weekends: the railways will be lucky not lose a slice of their business.



Armstrong Siddeley diesels are used throughout the world for hundreds of different jobs. You will find them in Tierra del Fuego and the Belgian Congo, in Antarctica and Hong Kong. In ships Armstrong Siddeley diesels power stand-by generating sets and the pumps for deckwashing. On farms they drive electric light plants, irrigation systems, hydraulic pumps and agricultural machinery of all kinds. Armstrong Siddeley diesels range from giant marine and loco. engines, to be made under licence agreement with the famous firm of Maybach, to small stationary engines of 10, 20 and 30 horsepower. These are simple to install, economical to run, and easily maintained. They are the most adaptable, rugged and reliable engines in the world today.
If it's a job for a diesel engine, it's a job for Armstrong Siddeley.

ARMSTRONG SIDDELEY MOTORS Coventry and Brockworth ENGINE BUILDERS TO THE WORLD

COMPANY AFFAIRS

BRITISH PETROLEUM

THE eye catcher in the half-yearly report of British Petroleum is the 100 per cent scrip issue of ordinary shares which the directors now propose. It requires the capitalisation of no less than £101,200,670 from reserves. Investors, however, had been told earlier that a scrip issue was coming, and if they look at it soberly, as a book-keeping item which makes the price of the £1 ordinary stock less heavy, they will realise it is no occasion for excitement. But Throgmorton Street had its fling and the £1 units were marked up 5s. 9d. to 111s. 4½d. The interim ordinary dividend on the old capital is left unchanged at 5 per cent, tax free, and on the scrip issue the directors give a clear warning that it must not be inferred "that the total sum to be distributed in respect of the current year will be greater than that so distributed in respect of 1957." The capitalisation alters the conversion rights on the convertible debenture stock and the rates per £50 of that stock will be changed, for July, 1959, from 10 ordinary units to 20 units, and for July, 1960, from 8 to 16 units.

The scrip issue can make no real difference to the dividend prospect; investors can infer that directly from the group's trading results in the six months to June 30th, as set out in the accompanying table. If these are compared with the first half of 1957 they appear to be startlingly good. But this is a false comparison, for in that period British Petroleum was still living under the shadow of the Suez crisis, reducing its offtake of the cheaper Middle Eastern oil and buying oil at high prices in the Caribbean. The latest results are more directly comparable with the second half of 1957, and then it becomes clear that British Petroleum has been affected by the recession in world trade. Sales at 31 million tons are much higher than the 22 million tons sold in the first half of 1957 but are one million tons lower than

SALES AND PROFITS
(£ million)

Six months ended	June 30, 1957	Dec. 31, 1957	June 30, 1958
Gross sales	386·4	406·6	404·2
Net sales	293·2	302·7	295·1
Gross profit	49·2	65·4	57·9
Net income	22·4	32·2	25·9
Gross profit/Net sales %	*16·8*	*21·6*	*19·6*
Net income/Net sales %	*7·6*	*10·6*	*10·0*

sales in the second half. A similar pattern emerges from the comparison of sales by value, while profit margins have been reduced a little. The relative cheapness of Middle Eastern oil does give British Petroleum a present advantage, but in a competitive struggle the spread and security of marketing outlets throughout the world are of equal, if not greater, importance. The recent results of the Royal Dutch/Shell group suggested that the worst might now be over for the oil companies. But that is not to say that shareholders in either group should count on anything more in dividend than they received last year. On the assumption that British Petroleum will pay the equivalent of the 1957 dividend of 15 per cent, tax free, its £1 units at 111s. 4½d. yield 4.6 per cent.

BOWATER PAPER

COMPARED either with the first half or second half of 1957, the trading results of the Bowater Paper Corporation for the first half of 1958 are most satisfactory. There is a surplus of paper-making capacity; the market for newsprint in the United States and, to a lesser extent, in this country has weakened; competitive trading has reduced profit margins on wrapping papers; and costs of production and distribution have continued to rise, though at a slower rate. Competition is, in fact, keener than at any time within Sir Eric Bowater's memory—and that certainly includes the late thirties.

Yet after drawing attention to these bearish factors and to the unlikely prospect of any immediate improvement, Sir Eric repeats his confidence in the longer term prospect on which the Corporation's big expansion programme was carried through. And he hopes that the full year's results will "match up" to those achieved in 1957. The tangible evidence supporting this view is that Bowater's sales and profits have so far held up stoutly against the competitive blasts. This achievement was reflected in the marking up of the £1 ordinary stock by 9d. to 38s. 9d. The interim dividend is left unchanged at 4½ per cent and on the assumption that the final, too, is unaltered, the £1 units on a 12½ per cent dividend yield just under 6½ per cent.

	Six months ended		
	June 30, 1957	Dec. 31, 1957	June 30, 1958
	£'000s	£'000s	£'000s
Sales of paper, etc.	44,811	46,887	47,476
Other sales	7,684	3,160	4,680
Total sales	*52,495*	*50,047*	*52,156*
Trading surplus	8,303	8,849	8,795
Net income	2,631	3,392	2,728

Why are these results better than most people had predicted? First, while the group has produced and sold slightly less newsprint, the biggest cut in output seems to have occurred at Corner Brook and not at the new mills in Tennessee. Moreover, newsprint prices have not been shaved either in the United States or in this country. Secondly, the reduction in output has forced the group to institute some economies in production costs, offsetting to a slight degree the erosion of margins. Thirdly, the introduction of a new machine for newsprint in the Mersey mills has enabled the group to turn another one over to kraft papers and there has been a slight increase in the production of wrapping and packaging papers. Competition in this field is fierce, but profit margins on these papers are still higher than those on newsprint. Fourthly, it is the newer and more efficient machines that are being fully utilised, while the older machines take the cuts in production. Finally, in the first six months of 1957 the results of Bowater-Eburite, through which the group's packaging interests are controlled, were not fully consolidated. In all, this interim report suggests that the equity of Bowater Paper, highly geared though it is by prior charge capital, is not in danger so long as the recession in trade remains comparatively mild.

GREAT UNIVERSAL STORES

GREAT UNIVERSAL STORES is the biggest and probably the most successful of the multiple empires. But unlike some of its rivals, it has not hurried to cut its hire purchase terms in answer to the banks' personal loans. Perhaps Mr Wolfson believes that the competitive edge is to be found in prices. In his statement accompanying the group's full accounts for the year to March 31st he says, "In these inflationary though competitive times we have been successful in maintaining and, wherever possible, reducing prices to the public." The hire purchase business is important to GUS, but its importance should not be exaggerated. Short-term credit sales can be equally profitable. While GUS's hire purchase debt, net of unearned profits, is £27½ million (about £1 million higher on the year) its other instalment debts are not far below this figure at £24 million and are about £2½ million up on the year. Mr Wolfson reveals that in this country only about 10 per cent of GUS's sales are on hire purchase terms. That may look surprisingly small, but the GUS empire extends into multiple tailoring, department stores, mail order and the door to door sales business, where cash and short-term credit sales play a big part, as well as into furniture and other expensive household goods, where the HP contract predominates. "Universal" in the title of the company is no misnomer and it is a source of strength.

Great Universal Stores brings the profit on HP contracts into account in instalments as the debt is paid off and the profit really earned. This is orthodox practice. But the time lag between sales and profits can have an important influence on a given year's earnings. Thus, GUS's profits in 1956-57 were swollen by continuing repayments on contracts made earlier when the HP business was booming. In 1957-58 sales and collections ran level with those of the previous year, so that

profits on HP were lower. That is why the trading profits of the group, excluding new subsidiaries, were down, by £536,468, to £21,093,669. Business, however, may now be picking up, for although the public were not spending in the spring as freely as it had been, the group's sales are now "in advance of the same period last year." If there were some easing of the HP and credit sale restrictions GUS would be among the first to benefit, but only if and when that occurred would it seem wise to look beyond an ordinary dividend of 32½ per cent again. On that dividend the 5s. "A" shares at 23s. 9d. yield 6.9 per cent.

OFS DIVIDENDS

OVER the last few months Kaffir prices have continued to rise. Shares in the new mines have been bought by a slowly widening circle of investors, not as a speculation on the price of gold nor as a hedge against any currency, but on intrinsic merits of yield and growth. The autumn batch of OFS dividends from the mines in the Anglo American stable was therefore awaited with more than usual interest. The dividends were judged slightly disappointing, especially that of F. S. Geduld, and Kaffir prices weakened. F. S. Geduld, because of the rich borehole results in the so-called "jackpot" area, has always been in the limelight and its price has been bid up to a high level, higher comparatively than that of Western Holdings, which also mines high-grade ore and has "jackpot" possibilities. The dividend of Western Holdings is better than was expected. Nothing out of the way was expected from the other mines. Just what potentialities President Brand, for example, has are not yet clear, but its growth prospects have certainly not been discounted as heavily as those of, say, Welkom. The American-South African Investment Company, interested in capital appreciation, bought a large number of the Welkom shares. The total cost of ASA's initial portfolio has now been put at just over £8 million. This is slightly higher than the original estimate, but as the shares were bought at "average" prices from the finance houses ASA will still start life with a book profit.

	Dividends Mar. 1957	Dividends Sep. 1957	Dividends Mar. 1958	Dividends Sep. 1958	Price Sep. 10	Yield £ s. d.
F. S. Geduld 5/-	...	1/-	2/-	3/-	93/9	5 6 8
Pres. Brand 5/-	2/6	2/6	2/6	2/6	58/6	8 10 11
Pres. Steyn 5/-	1/3	1/6	1/3	1/3	29/9	8 8 1
W. Holdings 5/-	2/-	3/-	3/-	4/-	102/6	6 16 7
Welkom 5/-	...	3d.	3d.	3d.	17/3	2 17 11

COPPER PROFITS

THERE is a grain of comfort in the latest of the quarterly reports from the Rhodesian Selection Trust group of copper companies: the profits of two producers, Roan Antelope and Mufulira, recovered a little in the last quarter of the year ended on June 30th. This recovery was due to a better price for copper, to a small reduction in operating costs (for a low copper price has been a great trimmer at the mines) and, for Roan, to a bigger volume of sales.

SALES AND PROFITS
(£'000s)

	Year to June 30, 1958 Qtr. I	Qtr. II	Qtr. III	Qtr. IV
Roan Antelope:				
Sales (long tons)	*18,875*	*19,918*	*18,719*	*19,932*
Sales revenue	3,719	3,564	2,997	3,402
Gross profit	643	512	288	529
Mufulira:				
Sales (long tons)	*21,900*	*23,159*	*22,089*	*21,699*
Sales revenue	4,503	4,441	3,795	3,977
Gross profit	1,092	1,068	622	908

Profits over the whole year are very much lower. Mufulira's profit has fallen from £10,339,000 to £3,690,000 and Roan's from £7,268,000 to £1,972,000, while the estimated profit attributable to the parent company, RST, has come down from £7,416,000 to £2,882,000. The final dividend payments have not yet been announced, but cuts in these payments can be hardly less severe than those already made in the interim dividends. The 5s. shares in Roan Antelope now stand at 8s. 3d. and the 5s. units of RST at 17s. But, immediately, these prices are much more under the influence of the labour dispute in the copperbelt than of currently reported or, even, currently earned profits.

London Stock Exchange

FIRST DEALINGS:	Sept. 3	Sept. 17	Oct. 4
LAST DEALINGS:	Sept. 16	Sept. 30	Oct. 11
ACCOUNT DAY:	Sept. 23	Oct. 7	Oct. 21

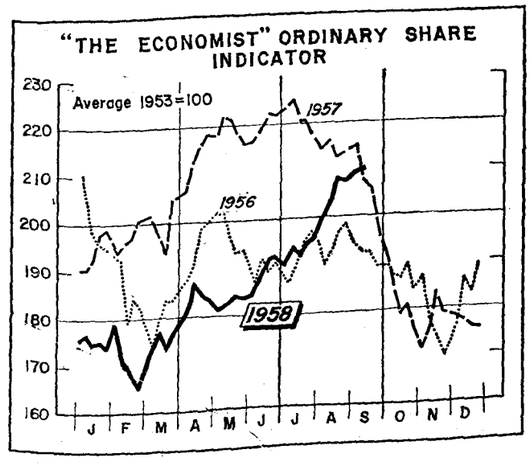
THE situation in the Far East was inclined to overshadow markets but with selective buying and strength on Wall Street a firm undertone has been maintained. British Funds eased slightly last Friday but have gathered strength daily since.

Three per cent War Loan 1955/59 advanced from 98$\frac{31}{32}$ to 99$\frac{9}{32}$, 3 per cent Savings Bonds 65/75 from 72⅞ to 73 and 4 per cent Victory Bonds gained 1⅛ to 93$\frac{3}{16}$.

The Dow Jones average established a new high point on Tuesday at 518.64; Chrysler Corporation advanced $4 to $98¾ (London terms). Among Canadian shares Trans-Canada Pipelines gained $4½ to $65½ (London terms). Bank shares have eased slightly, but Bank of London and South America rose from 31s. to 33s. Insurance shares were very firm; both Equity and Law Life and Sun Life gained ½ to 158s. 9d. and 13½, respectively. Good rises occurred in the Stores group, Army and Navy rising from 13s. 7½d. to 16s. 6d., Harrods from 64s. 9d. xd to 70s. xd and Debenhams from 44s. 3d. to 45s. 3d.

A number of high points for the year were established among industrial shares and *The Economist* indicator reached a new peak with a gain of 1.1 to 209.9. Tate and Lyle rose from 59s. 6d. to 62s., Associated Portland Cement from 43s. to 44s. and Unilever from 86s. 3d. to 87s. Castle Brothers (Furniture) rose 2s. 6d. on an offer for the shares. British Motor were firm at 9s. 6½d. but Raleigh Industries lost 3s. 9d. to 29s. 4½d. Patons and Baldwins weakened 1s. 1½d. to 32s. 3d. and Bradford Dyers were 9d. off at 14s. 4½d.

Gold mining shares were firm during the early part of the week but eased off subsequently. Hartebeestfontein declined 1s. 3d. over the week to 66s. 3d. but Welkom gained 1s. to 17s. 3d.



STOCK EXCHANGE INDICATORS

1958	"The Economist" Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Aug. 13	203·2	5·89				
„ 20	208·0	5·75				
„ 27	207·4	5·75				
Sept. 3	208·8	5·72	209·9	166·1	225·0	171·2
„ 10	209·9	5·69	(Sept. 10)	(Feb. 26)	(July 10)	(Nov. 6)

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
Sept. 3	189·4	5·91	91·72	4·90	10,366	High	
„ 4	190·6	5·87	91·74	4·89	9,440	191·1	207·6
„ 5	190·2	5·89	91·68	4·90	9,373	(Sept. 10)	(July 9)
„ 8	190·4	5·88	91·75	4·90	11,039		
„ 9	190·4	5·88	91·78	4·90	9,507	Low	Low
„ 10	191·1	5·86	91·90	4·89	9,331	154·4 (Feb. 25)	159·0 (Nov. 5)

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Sept. 3, 1958	Price, Sept. 10, 1958	Net Yield, Sept. 10, 1958 £ s. d.	Gross Yield, Sept. 10, 1958 £ s. d.
99 31/32	96 1/16	War Loan 3% 1955–59	98 31/32	99 1/32	2 10 2	3 13 8
95 15/16	90 1/8	Funding 2½% 1956–61	95 15/16	95 15/16	3 3 6	4 4 7
99 15/16	96 1/16	Conversion 2½% 1958–59	99 15/16	99 31/32	3 7 8	3 12 6
97 3/32	93 1/16	Exchequer 2½% 1960	97 3/32	97 3/32	3 1 2	3 19 5
98 1/32	95 1/16	Exchequer 3% 1960	98 1/32	98 1/32	2 12 5	3 18 8
100 1/16	95 1/8	Conversion 4½% 1962	99 31/32	100 1/16	2 9 5	4 8 6
94 1/2	88 1/8	Exchequer 3% 1962–63	93 31/32	94	3 0 4	4 8 2
100 31/32	99 1/16	Conversion 4½% 1963	100 1/32	100 1/32	3 9 9	4 12 1
90 1/2	83 1/8	Savings Bds. 3% .1955–65	88 1/8	89 1/8	3 10 7	4 18 2
82	77 1/8	Funding 3% 1959–69	81 1/8	80 1/8 *	3 19 6	5 8 1
89 1/4	86 1/8	Funding 4% 1960–90	88	88 1/2	10 13 10 2 18 0	13 0 1 4 16 0
79 1/4	75	Savings Bds. 3% .1960–70	78 1/2	78 3/8	4 0 6	5 10 1
90 31/32	84 1/8	Exchequer 2½% ...1963–64	90 1/4	90 1/8	3 7 2	4 11 2
82 1/8	78 1/8	Savings Bds. 2½% 1964–67	81 1/2	82	3 19 10	5 5 0
73 1/2	69 1/8	Savings Bds. 3% .1965–75	72 1/8	73	3 18 8	5 9 9
103 7/16	99 1/16	Exchequer 5½% 1966	100 3/4 *	101 1/4 *	2 19 10	5 6 3
83 1/16	78 1/8	Funding 3% 1966–68	82 1/2	82 1/4	3 18 8	5 7 7
94 1/8	91 1/4	Victory 4% 1920–76	92 7/16	93 3/8	3 1 10	4 17 7
87	81 1/8	Conversion 3½% 1969	85 1/4	85 1/4	3 14 1	5 6 10
98 15/16	97 1/2	Conversion 5½% 1974	98 1/2	98 1/2	3 4 5	5 10 9
76 15/16	71 1/8	Treasury 3½% ...1977–80	76 1/2	76 3/8	3 12 3	5 8 4
76 1/8	70 1/8	Treasury 3½% ...1979–81	75 1/2	75 1/2	3 12 7	5 8 5
101 1/2	98 1/8	Funding 5½% 1982–84	101	101 1/2	3 2 5	5 9 5
67 1/2	60	Redemption 3% ..1986–96	65 1/8 *	65 1/8 *	3 6 5	5 0 7
73 1/16	64 1/8	Funding 3½% ..1999–2004	72 1/8	73	3 2 10	5 1 0
76 1/8	69 1/8	Consols 4% after Feb. 1957	74 3/8	75	3 1 7	5 7 4
68 1/8	63 1/8	War Loan 3½% after 1952	67 1/8	68 1/4	2 19 6	5 4 1
68 1/4	62 1/8	Conv. 3½% after Apr. 1961	66 1/8	67 1/8 *	2 19 11	5 4 1
60	54 1/8	Treas. 3% after Apr. 1966	58 1/8 *	58 1/4 *	2 18 10	5 2 3
51 1/8	46 1/8	Consols 2½%	51 *	51 1/2 *	2 16 2	4 17 6
51 1/8	46 1/8	Treas. 2½% after Apr. 1975	49 3/8 *	49 7/8 *	2 17 7	5 0 0
95 1/2	90 1/8	Br. Electric 4½% .1967–69	93	93 1/4	3 6 6	5 6 9
76 1/16	72 1/8	Br. Electric 3% ..1968–73	74 1/8 *	75 1/16 *	3 19 7	5 9 8
73 1/4	68 1/8	Br. Electric 3% ..1974–77	71 1/2 *	72 1/8 *	3 16 10	5 8 0
87 7/8	82 1/8	Br. Electric 4½% .1974–79	85 1/16 *	85 1/2 *	3 8 2	5 8 0
77 1/8	72 1/8	Br. Electric 3½% .1976–79	77 1/8	77 1/8	3 11 10	5 7 11
87 1/8	82 1/8	Br. Gas 4% 1969–72	86 1/8	86 1/4	3 10 5	5 7 10
84	79 1/4	Br. Gas 3½% 1969–71	82 1/2 *	82 3/8	3 14 3	5 7 7
67 1/2	60 1/8	Br. Gas 3% 1990–95	67 1/8	67 1/8	3 5 7	5 0 0
76 1/8	72 1/8	Br. Transport 3% .1968–73	74 5/8 *	75 3/8 *	3 19 7	5 9 8
84 1/8	79 1/4	Br. Transport 4% .1972–77	83 3/8	83 1/2	3 10 5	5 9 4
67 1/2	60 1/16	Br. Transport 3% .1978–88	67 1/4	67 1/4	3 10 7	5 4 4

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Sept. 3, 1958	Price, Sept. 10, 1958	Yield, Sept. 10, 1958 £ s. d.
88 1/4	83	Agric. Mortgage 5% 1959–89	87 1/8	87 1/4	5 17 6
79 1/2	76 1/4	Australia 3½% 1965–69	79 1/4	79 3/8	5 8 0
95 3/8	92 1/2	Birmingham 5% 1973–75	95	95	5 9 5
94 1/4	90 1/4	East Africa 5½% 1977–83	93 1/2	93 7/8	5 10 3
102 1/2	95 1/4	L.C.C. 5½% 1977–81	100 1/2	100	5 10 0
62 1/2	56	Met. Water Board 'B' 3% .1934–2003	62	62	5 3 0
82 1/2	78	New Zealand 4% 1976–78	82 1/4	82 1/2	5 8 6
72	69	S. Rhodesia 2½% 1965–70	71 1/8 *	71 1/8 *	5 17 0
100 1/4	83	German 7% (Br. Enfaced 5%) ..1924	99 1/2	100 1/4	...
169	160	Japan 5% (Enfaced) 1907	168 1/2	168 1/2	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 3, 1958	Price, Sept. 10, 1958	Yield, Sept. 10, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
33/3	28/–	5 b 4 a	Bk. Ldn. & S. Amer. £1	31/–	33/3	5 8 3
60/–	39/9	6 b 6 a	Barclays Bank £1	60/–	58/9	4 1 8
32/3	27/6	4 b 4 a	Barclays D.C.O. ...£1	31/–	31/9	5 0 9
48/–	35/6	7½ b 7½ a	Chartered Bank.....£1	47/–	46/–	6 10 5
58/3	41/3	6½ b 6½ a	Lloyds Bank £1	57/–	57/–	4 11 3
80/–	57/6	9 b 9 a	Midland Bank £1	76/9	76/–	4 14 9
39/–	29/6	5 b 5 a	Nat. Discount 'B' ..£1	37/–	37/–	5 8 1
54/–	40/9	6½ b 6½ a	Union Discount....£1	52/9	53/3	4 13 11
			INSURANCE			
38/4½	32/9	15 a 21⅜ b	Commercial Union 5/–	37/–	38/4½	4 15 5
140/–	113/9	40 a 60 b	Legal & General ..5/–	137/6	140/–	3 11 5
101/3	86/3	†50 b †20 a	Pearl 5/–	95/–*	95/–*	6 8 0
187/6	154/–	†132½ c †147½ c	Prudential 'A' 4/–	185/–	187/6	5 9 3
			BREWERIES, ETC.			
38/–	31/–	36 b 10 a	Bass 5/–	37/9	38/–	6 1 0
26/10½	19/7½	7½ a 12½ b	Distillers.....6/8	26/6	26/–	5 2 8
44/7½	37/–	15 b 10 a	Guinness.....10/–	43/7½	44/7½	5 12 0
90/6	75/6	8 a 17 b	Whitbread 'A' £1	90/–	90/–	5 11 1
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½ a 6½ b	Briston Aeroplane 10/–	11/1½	11/3	8 17 9
9/6½	6/7½	12½ c 4 a	British Motor.....5/–	9/4½	9/6½	6 10 10
42/3	31/9	3 a 6 b	Ford Motor £1	41/9	41/9	4 6 3
32/7½	24/9	7 b 3 a	Hawker Siddeley...£1	31/10½	31/9	6 6 0
44/9	39/–	12½ c 12½ c	Leyland Motors....£1	44/–	44/–	5 13 8
95/3	82/9	5 a 15 b	Rolls-Royce £1	93/3	94/4½	4 4 10
8/1½	6/7½	8 c 8 a	Standard Motor...5/–	7/6	7/4½	8 2 9

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 3, 1958	Price, Sept. 10, 1958	Yield, Sept. 10, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
50/–	41/10½	7 a 6½ b	Babcock & Wilcox..£1	49/–	49/–	5 8 3
25/6	21/7½	6 b 4 a	Dorman Long £1	24/9	24/6	8 3 3
60/1½	45/–	5 a 10 b	Guest Keen N'fold..£1	59/6	59/9	5 0 5
37/9	28/3	†2 a †4 b	Alfred Herbert £1	36/9	36/9	5 14 3
56/10½	41/–	4 a 7 b	Metal Box £1	55/3	56/4½	3 18 0
26/4½	20/–	8 b 3 a	Stewarts & Lloyds..£1	26/–	25/10½	8 10 0
58/6	48/–	13 b 5 a	Swan Hunter £1	56/–	58/6	6 3 1
24/–	17/9	7½ b 4 a	United Steel.....£1	24/–	23/9	9 13 7
33/9	28/6	2½ a 7½ b	Vickers £1	33/9	33/9	5 18 8
			ELECTRICAL			
54/3	47/–	15 c 5½ a	Assoc. Elec. Inds...£1	53/3*	53/6*	5 12 3
47/–	39/3	4 a 8½ b	Br. Ins. Callenders.£1	44/6	45/–	5 11 3
30/3	24/7½	14 a 14 a	Decca Record 4/–	30/3	29/4½	5 17 0
39/7½	28/–	15 c 15 c	Elect. & Mus. Inds. 10/–	39/4½	39/–	3 17 0
10 b	4/–	4 a 4 a	English Electric ...£1	56/6	57/–	4 18 3
33/9	29/9	3½ a 6½ b	General Electric ...£1	36/–	37/–	5 8 3
			TEXTILES			
16/3	10/1½	6 c Nil a	Bradford Dyers....£1	15/1½	14/6	...
23/3	19/6	2½ a 6½ b	Coats, J. & P. £1	21/–	21/1½	8 5 8
25/4½	19/7½	3 a 5 b	Courtaulds £1	24/–	23/10½	6 14 0
35/7½	29/10½	12½ b 5 a	Lancashire Cotton..£1	35/3	35/7½	9 16 5
35/4½	30/–	12½ c 7½ a	Patons & Baldwins..£1	33/4½	32/3	7 15 0
			SHOPS & STORES			
19/6	14/9	18 c 3 a	Boots Pure Drug..5/–	19/–*	18/10½*	3 16 3
45/3	33/6	20 b 7½ a	Debenhams 10/–	44/3	45/3	6 1 8
24/6	17/3	7½ g 25 b	Gt. Universal 'A'..5/–	23/6	23/6	6 18 3
46/1½	37/3	10 a 22½ b	Marks & Spen. 'A' 5/–	46/–	46/1½	3 10 6
24/–	21/–	12½ a 20 b	United Drapery...5/–	28/10½	29/6	5 10 3
43/1½	34/7½	26½ b 13½ a	Woolworth.....5/–	42/6	42/7½	4 13 10
			SHIPPING			
40/6	27/7½	6¾ a 13½ b	Brit. & Com'wealth 10/–	38/3	38/9	5 3 3
23/9	16/6	2 a 8 b	Cunard £1	22/9	22/6	8 17 9
35/3	27/3	10½ c 10 c	Furness Withy.....£1	33/6*	32/9*	6 2 2
34/9	22/–	3 a 8 b	P. & O. Deferred...£1	33/6	34/–	6 9 5
			MISCELLANEOUS			
38/6	27/–	22½ c 30 c	Allied Bakeries 'A' 5/–	37/–	37/–	4 1 1
44/3	31/–	3 a 6 b	Assoc. Port. Cem...£1	43/–	44/–	4 1 10
21/4½	13/4½	11 a 9 b	Beecham Group...5/–	21/4½	21/–	4 15 2
39/9	26/6	8 b 4½ a	Bowater Paper £1	38/3	38/9	6 9 0
55/–	36/9	4 a 8 b	Br. Aluminium £1	53/9	55/–	4 7 2
49/–	37/7½	†16½ b †10 a	Br. Amer. Tob. ..10/–	48/3	48/7½	5 19 3
30/3	19/9	7½ a 17½ b	B.E.T. 'A' Defd...5/–	28/3	28/9	4 7 0
40/3	28/3	6 b 4 a	Br. Oxygen £1	40/3	39/3	5 2 0
22/1½	14/4½	3 a 11 b	Dunlop Rubber..10/–	21/9	21/10½	6 8 0
34/1½	24/3	4 a 8 b	Imp. Chemical.....£1	34/–	33/9	4 14 10
47/10½	37/–	11½ b 8½ a	Imp. Tobacco £1	47/–	47/7½	8 8 0
39/6	28/–	5 b 2½ a	J. Lucas (Inds.)....£1	38/9	38/6½	3 17 10
16/2½	12/6	5 a 8½ b	Monsanto Chem...5/–	14/6*	14/9½	4 11 2
16/3	13/7½	6 b 5 a	Ranks.....10/–	16/–	16/–	6 5 0
41/3	27/9	5 a 9 b	A. E. Reed.....£1	40/3	41/3	6 15 10
14/7½	11/8½	22½ c 22½ c	Sears Holdings 'A' 5/–	13/10½	14/4½	7 16 6
62/–	48/9	12 b 4½ a	Tate & Lyle.....£1	59/6	59/10½	5 6 5
59/10½	48/6	7½ b 7½ a	Tube Investments..£1	59/7½	62/–	5 0 3
64/4½	52/1½	12½ b 5 a	Turner & Newall...£1	63/4½	62/10½	4 15 5
87/–	70/6	6 a 11½ b	Unilever Ltd.....£1	86/3	87/–	4 0 5
111/–	77/–	4 a 16 b	United Dominions..£1	101/–	100/–	4 0 0
32/9	26/–	†4½ a †10 b	United Molasses .10/–	32/–	32/–	7 14 0
			OIL			
113/6	79/6	†5 a †10 b	British Petroleum..£1	101/10½	105/7½	4 18 10
78/–	59/1½	†5 a †7½ b	Burmah £1	71/10½	72/6	6 4 0
£17⅛	£13⅞	7½ a 17½ b	Royal Dutch....20 fl.	£16	£16	2 15 0
151/3	117/6	†5 a †13½ b	Shell £1	141/10½	140/7½	4 12 10
74/6	41/6	... ...	Ultramar 10/–	65/3	65/6	...
			MINES, ETC.			
157/6	115/–	20 a 60 b	Anglo-American .10/–	156/3	156/3	5 2 3
25/3	19/6	†2½ a †10 b	Cons. Tea & Lands..£1	25/–	25/3	4 4 0
54/–	41/6	6½ a 12½ b	Cons. Zinc Corp. ...£1	54/–	53/3	7 0 9
108/9	80/7½	80 a 120 b	De Beers Def. Reg. 5/–	106/3	108/9	9 3 9
95/7½	76/–	40 a 60 b	Free State Geduld. 5/–	92/6	93/9	3 4 11
7/9	6/4½	30 c 30 c	London Tin 4/–	7/7½	7/–	17 4 0
60/–	46/6	50 a 50 b	President Brand ..5/–	59/3	53/6	8 10 9
17/6	12/10½	16⅜ b 1¼ a	Rho. Selection Tst. 5/–	16/10½	17/–	...
28½	20	175 b 25 a	Rhokana Corp. £1	26½	26⅜	...
54/6	46/–	12½ a 37½ b	United Sua Betong..£1	54/–	54/3	18 8 6
104/4½	84/4½	60 a 80 b	Western Holdings.5/–	101/3	102/6	6 1 9

New York Closing Prices $

	Sept. 3	Sept. 10		Sept. 3	Sept. 10		Sept. 3	Sept. 10
Alcoa	77⅛	78	DuPont de Nm.	197	199½	N.Y. Central	19	18⅝
Alumin'm Ltd.	29½	28⅜	Ford Motors	41½	43	Sears Roebuck	32⅝	31½
Am. Smelting	44⅛	43	Gen. Electric	64	65	Shell Oil	83½ *	82⅜
Amer. Tel.	187½	186⅜	Gen. Motors	44	44½	Std. Oil of N.J.	56	55⅞
Anaconda	51¼ *	51⅛	Goodyear	90½	93⅝	Tri-Conti'tal.	37⅛	37⅜
Beth. Steel	46⅛	46⅝	Gulf Oil	111⅛	110½	Union Carbide	109½	109⅜
Can. Pacific	28⅜	28½	Int. Bus. M.	374⅜	387	U.S. Steel	75⅛	75⅛
Chrysler Cpn.	52½	54⅜	Int'l. Nickel	83⅞	83	West'house E.	34	62⅝
Crown Zeller.	55	55⅞	Int'l. Paper	110	107⅜	Woolworth	48⅝	48⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 15%. (h) On 12%. (i) On 15%. (j) On 8%. (k) To latest date. (m) On 14½%

STATISTICS

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

World Trade ..... July 19th

BRITISH		OVERSEAS	
Prices and Wages.....	Sept. 6th	Western Europe: Production and Trade.....	Aug. 30th
Production and Consumption	Aug. 23rd	British Commonwealth	Aug. 16th
Manpower.....	This week	Western Europe: Prices and Money Supply	Aug. 23rd
External Trade.....	Aug. 30th	United States	Sept. 6th
Financial Statistics	This week		
Industrial Profits	July 19th		

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1) 1955	1956	1957	1957 June	July	Aug.	1958 May	June	July	Aug.
TOTAL MANPOWER		June figures									
Working population:											
Total	'000s	23,912	24,107	24,188	24,188	24,210	24,282	24,102	24,073	24,086	...
Men	"	16,084	16,188	16,225	16,225	16,239	16,274	16,198	16,169	16,174	...
Women	"	7,828	7,919	7,963	7,963	7,971	8,008	7,904	7,904	7,912	...
Armed Forces	"	803	761	702	702	693	681	619	614	609	...
Civil employment:											
Total	"	22,933	23,149	23,245	23,245	23,265	23,336	23,077	23,083	23,088	...
Agriculture, forestry and fishing	"	1,066	1,032	1,025	1,025	1,030	1,040	992	1,002	1,017	...
Mining and quarrying	"	862	858	868	868	867	868	858	854	852	...
Building and contracting	"	1,486	1,541	1,519	1,519	1,517	1,520	1,495	1,498	1,493	...
Distributive trades	"	2,811	2,870	2,945	2,945	2,948	2,960	2,965	2,979	2,982	...
Public administration	"	1,289	1,300	1,298	1,298	1,297	1,297	1,289	1,291	1,289	...
Manufacturing industries	"	9,206	9,269	9,271	9,271	9,272	9,319	9,160	9,119	9,099	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955:											
Employees in engineering(2)	"	...	+ 53	+ 48	+ 48	+ 49	+ 78	+ 54	+ 36	...	...
" " consumer goods industries(3)	"	...	− 9	+ 2	+ 2	+ 1	+ 12	− 83	− 94	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	"	232·2	257·0	312·5	264·7	244·3	265·6	447·5	429·3	411·9	445·6
" " —men	"	146·7	168·8	216·6	182·2	171·4	185·6	309·4	297·8	287·7	310·9
" " —women	"	85·5	88·2	95·9	82·5	72·9	80·0	138·1	131·5	124·2	134·7
Temporary or under 2 weeks—men	"	51·5	62·7	65·1	49·9	49·5	50·7	94·5	89·3	83·6	85·4
" " " —women	"	36·7	35·5	30·6	22·4	22·6	25·6	52·4	50·5	46·7	51·3
Over 8 weeks—men	"	67·7	65·7	94·3	88·5	84·4	83·9	145·9	138·2	142·2	147·8
" " —women	"	26·5	27·4	35·0	33·8	30·8	28·8	50·1	46·7	47·9	47·5
By industry (4):											
Textiles	%	1·6	1·4	1·2	1·3	1·1	1·0	4·8	5·1	4·8	4·8
Clothing	"	0·9	1·0	1·1	1·1	1·0	1·1	2·3	2·7	2·5	2·3
Vehicles	"	0·4	1·2	1·0	0·9	0·8	0·6	1·5	1·0	1·0	1·0
Engineering, etc.	"	0·8	0·9	1·1	0·9	0·8	0·9	1·7	1·8	1·7	1·7
Coal-mining	"	0·1	0·1	0·2	0·2	0·2	0·2	0·4	0·4	0·4	0·5
Distributive trades	"	1·0	1·0	1·2	1·1	1·0	1·0	1·7	1·5	1·5	1·6
By regions (4):											
Great Britain	"	1·1	1·2	1·4	1·2	1·1	1·2	2·1	2·0	1·9	2·0
London and South Eastern	"	0·7	0·8	1·0	0·8	0·7	0·8	1·3	1·2	1·1	1·2
Eastern	"	0·9	1·0	1·3	1·0	0·8	1·0	1·7	1·4	1·2	1·4
Southern(7)	"	0·9	1·0	1·3	0·9	0·8	1·0	1·7	1·4	1·4	1·4
South Western.(7)	"	1·2	1·2	1·8	1·3	1·3	1·4	2·1	1·8	1·7	2·0
Midland	"	0·5	1·1	1·3	1·2	1·0	1·0	1·4	1·5	1·5	1·7
North Midland	"	0·5	0·6	1·0	1·0	0·9	0·8	1·8	1·5	1·4	1·3
East and West Ridings	"	0·7	0·8	0·9	0·8	0·8	0·8	1·9	1·9	1·9	1·9
North Western	"	1·4	1·3	1·6	1·4	1·3	1·5	2·6	2·6	2·6	2·9
Northern	"	1·8	1·6	1·7	1·4	1·3	1·5	2·2	2·1	2·0	2·4
Scotland	"	2·4	2·4	2·6	2·3	2·2	2·3	3·6	3·5	3·5	3·7
Wales	"	1·8	2·0	2·6	2·1	2·1	2·3	3·9	3·7	3·6	3·7
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	382	279	236	309	332	310	208	213	215	203
Men	"	214	152	122	150	161	156	106	107	109	106
Women	"	168	127	114	159	171	154	102	106	105	97
DISPUTES (5)											
Workers involved	"	55	42	113	44	129	45	94	38	32	...
Working days lost:											
Total	"	315	174	701	110	873	209	1,441	1,203	82	...
Mining and quarrying	"	93	42	43	61	24	47	38	53	43	...
Engineering, etc.	"	56	85	549	7	15	33	103	10	27	...
Other industries and services	"	166	47	109	41	834	129	1,299	1,140	12	...

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada [10]	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	728	3,714[10]	381	204	772
1956	1,608	936	3,286	2,756	1,897	463	1,470	6,807[10]	805	347	1,472
1957	1,648	814	3,622	2,835	2,008	454	1,597	7,521	906	396	1,585
1958, February	1,651	816	3,712	2,750	1,958	422[11]	1,468	7,790	920	353	1,471
„ March	1,660	675	3,699	3,009	1,852		1,632	8,481	969	408	1,642
„ April	1,624	668	3,798	2,982	1,595	...	1,589	7,945	1,028	395	1,600
„ May	1,772	651	3,878	3,049	...	...	...	7,961	...	438	1,727
„ June	...	545	...	...	...	...	...	...	...	...	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1956	23·9	32·4	7·9	52·2	6·11	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	5·94	251	375	143	143	90·3	368	1,419·3
1958, March	28·6	40·0	6·9	48·7	4·20	266	368	151	152	84·3	391	1,431·3
„ April	27·3	37·0	9·8	45·0	4·04	254	337	157	149	81·5	382	1,439·4
„ May	27·7	37·2	8·5	45·4	3·49	266	369	100	154	...	...	1,472·5
„ June	25·7	39·7	5·6	53·1	3·08	250	360	...	...	...	...	1,447·6
„ July	...	...	...	60·4	...	...	...	...	...	...	...	1,499·2

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [9]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1956	68·2	64·5	475	405	707	501	22·38	22·91	165·5	135·0	41·2	34·4
1957	59·7	81·7	469	411	...	...	24·71	22·98	174·7	133·6	45·9	37·8
1958, February	62·5	60·4	364	326	666	420	23·8	28·4	164·6	118·6	47·4	31·1
„ March	59·5	61·4	427	376	706	467	24·4	26·6	...	...	51·1	37·5
„ April	67·2	53·3	449	377	...	...	24·1	26·9	...	...	53·4	34·0
„ May	66·7	65·2	487	484	...	...	...	...	...	...	...	...
„ June	...	...	450	429	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [5]	Canada	India [6]	New [5] Zealand	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	652	56	84	...	75	89[8]	77	73
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	105
1957	1,321	1,836	872	138	289	113	106	104	113	106	110	108
1958, March	...	1,880	808	115	250	114[11]	108	103	115[11]	110	113	113
„ April	...	1,883	809	130	223	...	108	104	...	112	114	113
„ May	...	1,906	756	138	207	...	108	105	...	...	114	113
„ June	...	1,929	704	137	213	...	108	...	...	...	...	113
„ July	...	1,945	...	..	221	...	...	...	...	...	...	...

(1) Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, including South-West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Prior to 1957, excluding industrial generation for own use. (11) Average for first quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended September 6, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £13,009,000 compared with a deficit of £17,687,000 in the previous week and a deficit of £24,345,000 in the corresponding period of last year. There was a net expenditure "below-line" of £22,336,000 leaving a total deficit of £341,375,000 compared with £374,204,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to Sept. 7, 1957	April 1, 1958, to Sept. 6, 1958	Week ended Sept. 7, 1957	Week ended Sept. 6, 1958
Ord. Revenue					
Income Tax	2312,500	559,842	599,869	21,171	22,785
Surtax	163,000	33,900	34,400	700	800
Death Duties	163,500	82,900	78,900	2,300	2,600
Stamps	56,250	30,600	24,000	1,500	1,200
Profits Tax, EPT & EPL	275,000	100,400	124,000	6,600	7,300
Other Inland Rev. Duties	...	110	70	...	...
Total Inland Rev.	2970,250	807,752	861,239	32,271	34,688
Customs	1256,940	528,072	560,800	22,145	24,351
Excise	932,310	420,880	425,940	8,165	18,865
Total Customs and Excise	2189,250	946,952	986,740	30,310	43,216
Motor Duties	104,000	21,034	21,925	705	718
PO (Net Receipts)	2,000	2,350	50	1,750	50
Broadcast Licences	34,000	8,500	9,400	...	...
Sundry Loans	30,000	22,867	22,276	8,691	9,216
Miscellaneous	110,000	73,688	25,127	1,986	405
Total	5439,500	1883,143	1926,757	75,712	88,290
Ord. Expenditure					
Debt Interest	695,000	300,656	298,781	31,764	30,322
Payments to N. Ireland Exchequer	73,000	28,816	30,990	2,442	2,631
Other Cons. Funds	10,000	4,363	4,117	94	106
Supply Services	4292,859	1681,662	1723,954	60,900	63,000
Total	5070,859	2015,498	2057,842	95,201	96,059
Sinking Funds	38,000	16,447	17,120	4,856	5,240
"Above-line" Surplus or Deficit	—	148,802	148,205	24,345	13,009
"Below-line" Net Expenditure*		225,402	193,170	23,129	22,336
Total Surplus or Deficit*		374,204	341,375	47,474	35,345
Net Receipts from:					
Tax Reserve Certificates		117,765	126,961	8,410	3,941
Savings Certificates			42,300	−700	7,600
Defence Bonds		−6,696	27,972	73	3,931
Premium Savings Bonds		34,370	29,515	2,403	2,360

* Including net receipts of the Civil Contingencies Fund of £16 mn. in 1957 and £15mn. in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1957					
Sept. 7	3,080·0	1,723·8	251·7	1·0	5,056·5
1958					
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,290·0	1,476·5	213·1	...	4,979·6
„ 21	3,310·0	1,484·3	220·5	...	5,014·8
„ 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
„ 12	3,280·0	1,611·2	197·9	...	5,089·1
„ 19	3,260·0	1,615·1	228·8	...	5,103·2
„ 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
„ 9	3,270·0	1,569·9	190·5	...	5,030·4
„ 16	3,270·0	1,589·9	209·4	...	5,069·3
„ 23	3,270·0	1,630·9	164·0	...	5,064·9
„ 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9

THE MONEY MARKET

DESPITE sterling's momentary fall below parity in response to the disturbances in the Far East, the Treasury bill rate fell at the tender on Friday last week. The discount houses reduced their discount rate by 1s. per cent, raising their bid by 3d. to £99 1s. 6d. Therefore the proportionate allotment at the market rate rose further, from 53 to 64 per cent, the best since June. Total applications for the unchanged allotment of £270 million rose by £10.5 million to £434.6 million, and the average rate of discount fell by 10¼d. to £3 14s. 0.9d. per cent. In New York, the rise in the American Treasury bill rate through five successive weeks has this week been checked; the rate has fallen back from 2.46 to 2.40 per cent.

In Lombard Street credit has been short. The Bank has given special help through purchases in the market, and on Wednesday one or two houses found themselves "in" the Bank for a very small amount. Dealings in November maturities have taken place at 3½ per cent and even at 3⅜ per cent.

The Bank return shows a further holiday reflux of notes of £7.5 million, to £2,029.7 million, in the week to Wednesday. In the six weeks since the August peak, the note reflux has reached nearly £100 million, compared with £75 million last year. This continues the trend evident earlier in the year.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	**Discount rates**	
		Bank bills: 60 days	3⅝–3½
		3 months	3½–3⅜
		4 months	3½–3⅜
		6 months	3⅝–3½
Deposit rates (max.)			
Bank	2½		
Discount houses	2½*	**Fine trade bills:**	
		3 months	4½–5½
Money		4 months	4½–5½
Day-to-Day	2½–3½	6 months	4½–5½
Treas. bills 2 months	3½		
3 months	3⅝		

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	Sept. 11, 1957	Sept. 3, 1958	Sept. 10, 1958
*Issue Department**:			
Notes in circulation	1,983·8	2,037·2	2,029·7
Notes in banking dept.	16·6	13·1	20·6
Govt. debt and securities*	1,996·3	2,046·2	2,046·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	17·0	15·7	11·0
Bankers	217·3	210·6	217·2
Others	72·8	70·8	70·9
Total	307·1	297·1	299·1
Securities:			
Government	267·4	264·1	265·8
Discounts and advances	19·3	16·1	8·1
Other	19·8	20·4	20·4
Total	306·5	300·6	296·3
Banking department reserve	19·0	15·0	22·3
"Proportion"	% 6·1	% 5·0	% 7·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,050 million from £2,100 million on September 3, 1958.

TREASURY BILLS

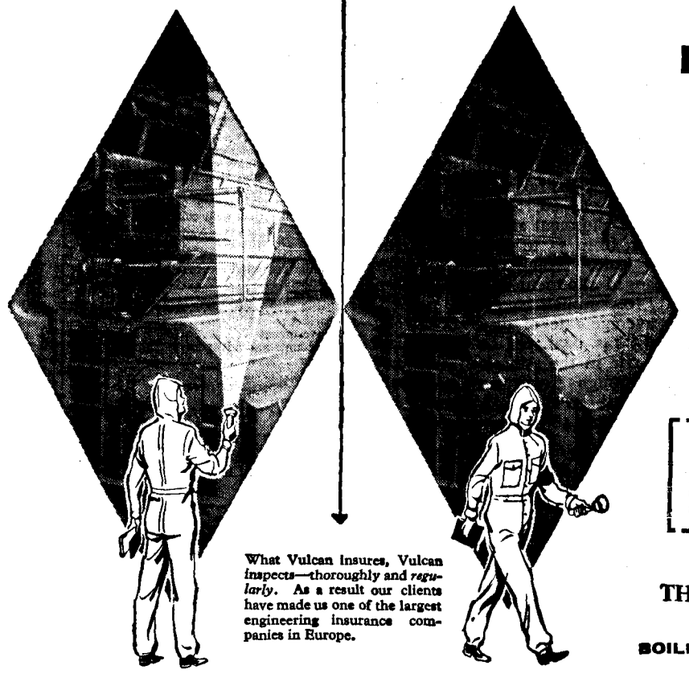
Date of Tender	Amount (£ million)			Three Months' Bills	
	Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
Sept. 6	250·0	399·8	250·0	84 5·06	38
1958					
June 6	270·0	445·4	270·0	94 5·72	59
„ 13	270·0	413·0	270·0	90 1·77	65
„ 20	260·0	414·1	260·0	85 9·63	42
„ 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
„ 11	240·0	452·8	240·0	80 3·79	43
„ 18	240·0	424·3	240·0	84 11·39	40
„ 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39
„ 8	250·0	467·9	250·0	77 3·63	55
„ 15	250·0	437·8	250·0	74 5·00	32
„ 22	250·0	437·4	250·0	74 6·25	28
„ 29	270·0	424·1	270·0	74 11·48	53
Sept. 5	270·0	434·6	270·0	74 0·93	64

* On September 5th tenders for 91 day bills at £99 1s. 6d. secured 64 per cent, higher tenders being allotted in full. The offer this week was for £270 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	September 3	September 4	September 5	September 6	September 8	September 9	September 10
United States $	2·78–2·82	2·80⅛–2·80⅜	2·79⅞–2·80	2·79⅞–2·80	2·80⅛–2·80⅜	2·80⅛–2·80⅜	2·80⅛–2·80⅜
Canadian $	...	2·73⅛–2·73⅜	2·73⅛–2·73⅜	2·73⅛–2·73⅜	2·73⅝–2·74	2·74⅛–2·74⅜	2·75⅛–2·75⅜
French Fr.	1167·18–1184·82	1173⅜–1173⅞	1174–1174½	1174–1174½	1173⅜–1174½	1174½–1174⅞	1174⅛–1174⅝
Swiss Fr.	12·15⅛–12·33⅛	12·19⅛–12·20⅛	12·19⅛–12·19⅝	12·19⅛–12·19⅝	12·19⅛–12·20⅛	12·20–12·20⅛	12·20–12·20⅛
Belgian Fr.	138·95–141·05	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½
Dutch Gld.	10·56–10·72	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56⅛–10·56⅜	10·56⅛–10·56⅜
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·69⅛–11·69½	11·69–11·69½	11·68½–11·68⅞	11·69⅛–11·69⅜	11·69⅛–11·69⅜	11·69⅛–11·69⅜
Portuguese Esc.	79·90–81·10	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40	80·30–80·40	80·35–80·45
Italian Lire	1736½–1762½	1737½–1737⅝	1737–1737½	1736½–1737½	1737½–1737⅝	1737½–1737⅝	1737½–1738
Swedish Kr.	14·37⅝–14·59⅜	14·44⅜–14·44⅝	14·44⅛–14·44⅜	14·44⅛–14·45	14·45⅛–14·45⅜	14·46⅛–14·46⅜	14·46½–14·47
Danish Kr.	19·19⅛–19·48⅛	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜
Norwegian Kr.	19·85–20·15	20·00⅛–20·00⅜	20·00⅛–20·00⅜	20·00–20·00⅛	20·00–20·00⅛	19·99½–20·00	
		One Month Forward Rates					
United States $		⅛–¼c. pm	⅛ 1c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛ 1c. pm	⅛ 1c. pm
Canadian $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛ 1c. pm	⅛–¼c. pm
French Fr.		2·5 dis	3·5 dis	4·6 dis	5·6 dis	3·5 dis	3·5 dis
Swiss Fr.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1⅛c. pm	1¼–1⅛c. pm
Belgian Fr.		¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–¼ dis
Dutch Gld.		⅜–⅝c. pm	⅜–⅝c. pm	⅜–⅝c. pm	⅜–⅝c. pm	⅜–⅝c. pm	⅜–⅝c. pm
W. Ger. D-Mk.		1–1pf. pm	1–1pf. pm	1–1pf. pm	1–1pf. pm	1–1pf. pm	1–1pf. pm
Italian Lire		1 pm–par	1 pm–par	1 pm–par	1 pm–par	½ pm–par	1 pm–par
Swedish Kr.		½ pm–½ dis	½ pm–½ dis	½ pm–½ dis	½ pm–½ dis	½ pm–½ dis	½ pm–½ dis
Danish Kr.		2½ pm–par	2½ pm–par	2½ pm–par	2½ pm par	2½ pm par	2½ pm–par
Norwegian Kr.		1½ pm–par	1½ pm–par	1½ pm–par	1½ pm par	1½ pm par	1½ pm par
		Gold Price at Fixing					
Price (s. d. per fine oz.)		250/7½	250/9	...	250/7½	250/7½	250/6

BEFORE



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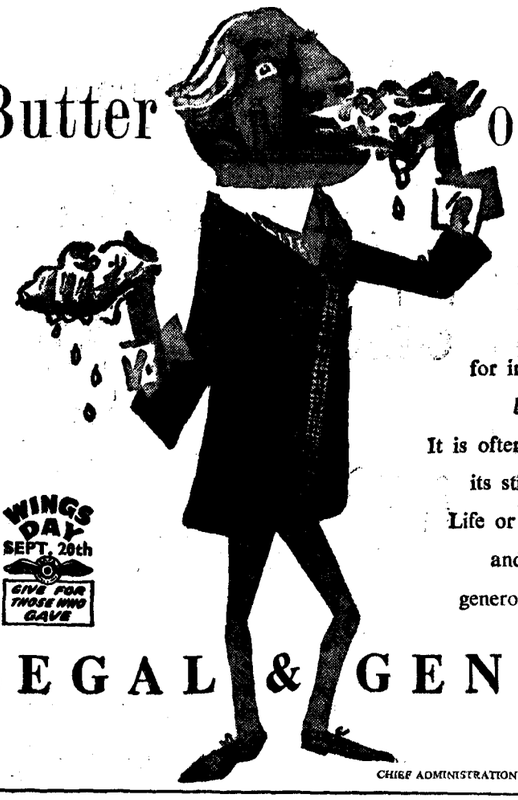

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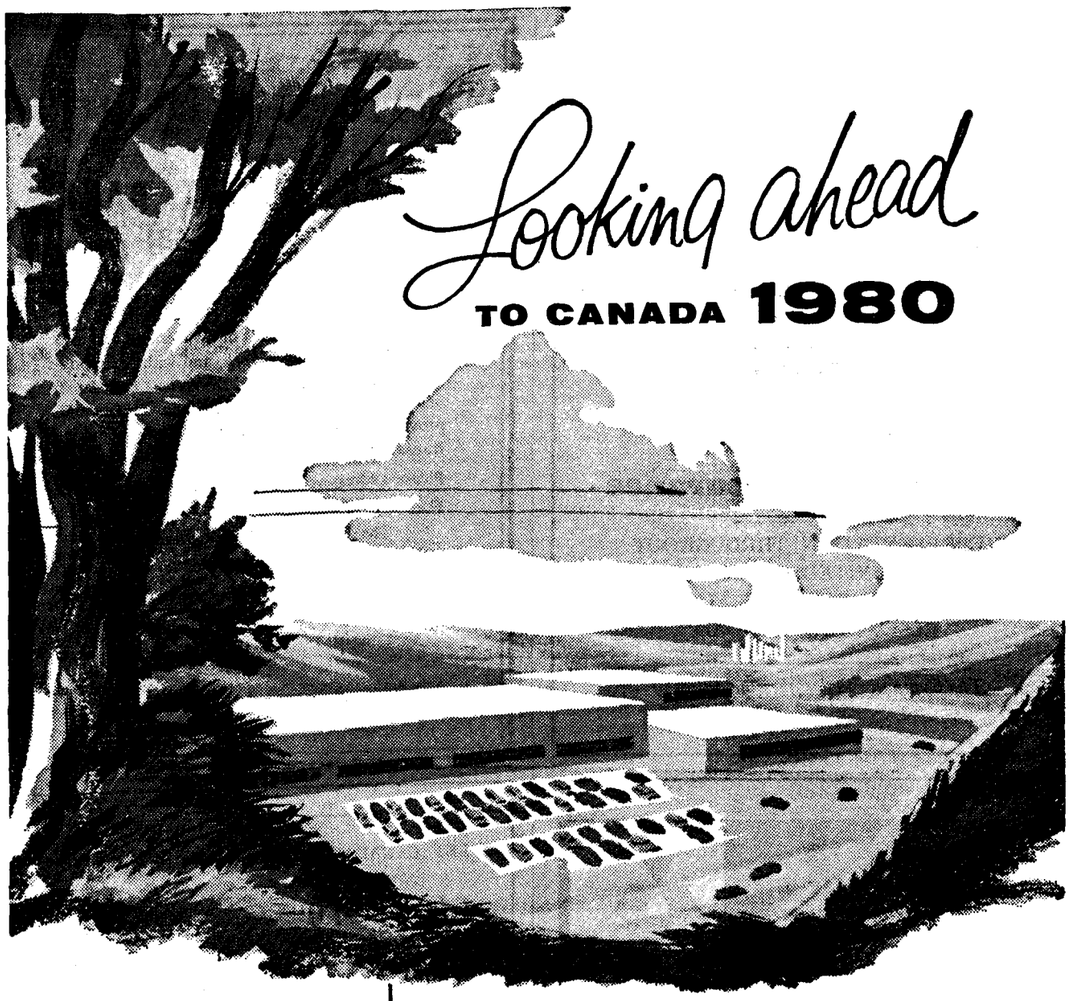

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COMPANY MEETINGS

THE GENERAL ELECTRIC COMPANY LIMITED

TURNOVER EXCEEDS £100 MILLION : MR LESLIE GAMAGE'S REVIEW OF ACTIVITIES

The fifty-eighth Annual General Meeting of The General Electric Company Limited was held on September 4th in London, Mr Leslie Gamage, MC, MA, FCIS, Chairman and Managing Director, presiding.

The following is an extract from his circulated Review for the year ended March 31, 1958:

Sir Harry Railing retired from the Chairmanship of the Company on October 31, 1957, and the Board has done me the honour of appointing me Chairman and Managing Director. Sir Harry has served our Company for 53 years and played a very large part in building up the Company.

GENERAL CONDITIONS DURING THE YEAR

General conditions affecting our business, both at home and overseas, to which my predecessor has referred in his reports to Stockholders, have continued to be difficult during the year. Restrictions on our home market have been intensified by the anti-inflationary measures taken by the Government during the year.

The Company's results were also affected to some extent by the engineering strike in the early weeks of the financial year but have been considerably affected by a further increase in salaries and wages. Broadly speaking the increase in wages has eaten into our profits, as our increase in manufacturing efficiency, considerable though it has been, has not been sufficient to offset the rise in wages. Overseas our trading has been affected by much the same conditions as those at home.

It is against this background we have to judge the year's results. In spite of these adverse conditions we have secured a modest increase in turnover which has for the first time in the history of the Company passed the £100 million mark. The increase, however, was not sufficient to counter-balance the fall in the margin of net profit. Expenditure on research and development constitutes a heavy charge on profits under today's conditions but it is vital for the Company's future.

Profits before taxation at £4,765,000 show a fall of £1,403,000 on the figures for last year. I should, however, mention here that no profit from the Atomic Energy contract has been taken into the year's accounts. The volume of orders received shows a considerable advance—if, however, we exclude the Atomic Energy contract, orders received and orders in hand are both slightly less than in the previous year.

Your directors have given great consideration to the dividend they should recommend to you and have finally decided to recommend a final dividend of 6½ per cent, which, with the interim dividend, will make 10 per cent for the year. The total reserves of the Group now amount to £37,284,000, and bear witness to the Company's great inherent strength.

GENERAL PRODUCTS GROUP

The General Products Group produced a turnover at home and overseas of £63,250,000, or 61 per cent of the total. Our considerable investment in the light engineering side of the industry differentiates us from some of our major competitors, with whom sometimes our results are incorrectly compared. Trading in this group is very sensitive to immediate conditions.

In the past this group has always made a substantial contribution to our profit, but has, of course been more affected than the other groups by such things as purchase tax and restrictive measures imposed by the Government on credit, investment and hire-purchase. It is, too, on this side of the business that we feel particularly the competition of firms specialising in a limited range of products. To counter this we must specialise more ourselves. We are well equipped on the manufacturing side and we have a sales organisation both at home and overseas which has always been the envy of our competitors.

In the lamp and lighting field, our Osram lamps, fluorescent tubes and other types of discharge lamps, continue to command the largest sale of all lamps in this country. It was a source of great satisfaction to our fittings side to succeed in winning, against fierce American competition, the contract for the re-lighting of Niagara Falls.

On the installation side—wiring accessories, ironclad switch-gear, cable, conduit and conduit accessories—business has felt the effect of the slowing down in building programmes due to credit restrictions.

Turning to radio and television, I am glad to report that the market made a further material expansion during the year and that the impact of our range of models more than enabled us to benefit by the market expansion

Our domestic equipment business occupies a very important part of the group's activities —we have in fact been manufacturers since the end of the last century, that is, for over sixty years. In this section we look forward to sustained expansion.

ENGINEERING GROUP

Our Company manufactures a very wide range of products in the heavy engineering field, not only with respect to electrical and mechanical equipment, but our interests also extend to civil and project engineering.

We have extended our manufacturing facilities to meet these changing conditions and also to enable us to take an increasing share of business resulting from the projected expansion all over the world of power generation, mining and industry generally.

An important development in our heavy plant interests is that we are becoming more involved in contracting for the design and supply of composite and comprehensive projects on a "turn-key" basis. Atomic energy power stations, for which the widest range of equipment is required, are only one example of this, and it applies equally to many contracts for mining, steel works and industrial plants.

As we are unique in manufacturing within our own organisation most of the equipment required for these projects, we have decided to centralise our effort and resources, and this is the fundamental reason for the formation of our new Engineering Group.

Within this group a power section has been formed which enables us to undertake the design, layout and construction of projects of considerable magnitude entirely within the Company's control and, indeed, this is the only way in which the heavy responsibilities involved in building atomic energy power stations can be discharged satisfactorily.

The long-term prospect in the manufacture of capital equipment is encouraging, particularly when money becomes more freely available in the overseas as well as in the home market.

TELECOMMUNICATIONS GROUP

This year the Telecommunications Group celebrated its Golden Jubilee.

For many years the group has made a satisfactory contribution to our profits, but recent Government restrictions have resulted in reductions in orders from the Post Office. It has, therefore, had to turn its attention even more to the export field, in which, fortunately, it has always played a prominent part, but it has to be realised that most export markets are highly competitive.

Carrier and multi-circuit radio equipment, as well as telephone exchanges, are selling well abroad, our markets including North and South America, the Antipodes, Africa and the Middle and Far East.

EXPORTS AND OVERSEAS TRADING

The GEC has for a great number of years given the first priority to export business. Over 25 per cent of our output is exported. Though last year's total, £23 million, shows a drop compared with the previous year, in that year we were shipping an unusual offshore contract to the USA amounting to over £2 million.

Our trading within the Commonwealth is conducted by a network of overseas branches constituted as separate companies. Results for last year have varied from one territory to another. Our local factories in India and Australia have helped our branches to show good results. New Zealand, too, has done well, whilst modest profits have been achieved in South Africa, Malaya and Hongkong. In Canada, however, the results have been most disappointing.

RESEARCH AND DEVELOPMENT

The outstanding feature of our research and forward development activities during the past year has been marked concentration of effort in three fields—crystal valves, where the emphasis has been moving towards the study of the intricate problems of high-yield quantity productions—new aspects of telecommunications, and nuclear power generation.

In the field of Defence we have made major contributions to research and development projects at the Applied Electronics Laboratories at Stanmore and at the Coventry establishment.

Our policy is to use this present period, in which perforce we are placed, to expedite in all our factories our programme of plant modernisation and, at the same time, to overhaul, cheapen and make more effective, all our distribution methods. This is all the more vital in view of the possibilities opened up by the proposed European Free Trade Area, the conception of which I personally view as very necessary to our export trade and which, so far as our industry is concerned, I regard as offering great possibilities, even if at some risk. Even if general conditions do not move, as is my hope, I believe that we will achieve some improvement.

The report and accounts were adopted.

JOHN BROWN AND COMPANY LIMITED

Engineers and Shipbuilders

LORD ABERCONWAY'S REVIEW OF OPERATIONS

NEED FOR A MORE APPROPRIATE SYSTEM OF DEPRECIATION ALLOWANCES

THE NINETY-FOURTH ANNUAL GENERAL MEETING of John Brown and Company Limited was held on September 5 at 4, The Sanctuary, Westminster, London, S.W.1.

The Right Hon. Lord Aberconway, the Chairman, presided.

The following is his statement circulated with the report and accounts for the year ended March 31, 1958,

The Company's subsidiaries have traded satisfactorily in a difficult year. Consolidated Profit before taxation was (to the nearest £1,000) £3,336,000, an increase over the previous year of more than £100,000. The Profit and Loss Account benefits from the inclusion, for the first time, of the results of Constructors John Brown Ltd., and so the figures are not strictly comparable with those of the year before.

Taxation provisions of no less than £1,944,000 are required, as against £1,885,000 last year. A provision for taxation of £135,000 made in earlier years and no longer required is brought back; it compares with special credits last year of £264,000. Thereafter, and after deducting the profits of subsidiaries attributable to other shareholders therein, the balance of profit available is £1,440,000, compared with £1,528,000.

Your directors recommend a final Ordinary dividend of 6%, less tax, making for the year a total of 10% less tax. Stockholders will recall being advised last year that dividends thenceforward would be paid less tax, and not free of tax. Last year's total dividend was equal to 5% free of tax. If the proposed final dividend is approved, the available balance of £1,440,000 for the year would be used as to £590,000 in dividends on the Ordinary and Preference Stock, while £850,000 would be added to the amounts carried forward, partly in the books of the Company, partly in those of the subsidiaries.

I would draw stockholders' attention to only one point in the accounts, which otherwise call for no particular comment. The policy of the Company in leaving in the accounts of subsidiaries a substantial proportion of their earnings is the main reason why the value of the interest of the Company in its subsidiaries increases yearly, while the figure at which that value is shown in the Company's own Balance Sheet is not thereby changed. The growing difference is now no less than £4,788,000 between the Company's interest in the net assets of subsidiaries, as shown by the Consolidated Balance Sheet, and the figure at which the Company shows that interest in its own Balance Sheet. I should perhaps add that this is after an exceptional item this year of £486,000, representing the excess of the sale price over the book value of the fixed assets involved in the sale by Wickman Ltd. of its machine tool manufacturing business to a subsidiary. The increase in the figure at which investments in subsidiary companies are shown in the Company's Balance Sheet reflects further cash subscriptions by the Company for shares in subsidiaries.

SHIPBUILDING

Work in the Shipyard and Engine Works at **Clydebank** continues to expand. The output on tonnage of ships showed an increase over last year, and covered a wide range of types. During the year the output included s.s. "SYLVANIA," the fourth of the large passenger/cargo steamships which Clydebank has been privileged to build for The Cunard Steam-Ship Company's Canadian service; the s.s. "BRITISH TRADER," the fourth 32,000 ton deadweight tanker for B.P. Tanker Company Ltd.; and the motor vessel "OTAIO" for The New Zealand Shipping Company Ltd., the first cadet training ship of its kind. Clydebank also completed a 19,000 ton deadweight tanker for The Thompson Steamshipping Company Ltd., and another similar vessel for foreign owners; and delivered I.N.S. "BRAHMAPUTRA," a frigate to the Indian Navy, the first vessel of this size to be fitted with controllable pitch propellers.

During the year a contract for a passenger/cargo liner of about 36,000 gross tons was received from The British & Commonwealth Shipping Company Ltd. The large tanker orders yet to lay down should ensure for some years to come full employment for the reconstructed berths in the West Yard, which it is hoped will be fully equipped by the middle of next year.

Undue significance has been attached in some quarters of the press to adjustments in the building programmes of certain of our clients. The deferment of the laying down of the Cunarder was a matter which Clydebank was readily able to accommodate by bringing forward other contracts instead; while the decision of The British & Commonwealth Shipping Company Ltd. to change the two tankers ordered to dry cargo ships made no difference to Clydebank. These are difficult times for shipowners, but only a very small proportion of contracts placed in British yards has been cancelled. British shipowners must be congratulated on the robustness of their long-term view.

The modernisation of the Engine Works at Clydebank has increased the capacity for making pressure vessels and other fabrications, and for cutting gears. In the gas turbine field the first peat burning gas turbine is now undergoing trials in the north of Scotland, but the development of some other gas turbines has not been successful, and the interest of Clydebank in this field will lessen.

LAND BOILERS AND NUCLEAR POWER

The Whitecrook works of **John Brown Land Boilers Ltd.** have continued in full production, but the future of this business must be viewed with anxiety. Overseas competition is intense and prices unremunerative. At home the programme officially announced for the provision of electrical generating capacity by way of big nuclear stations has lessened the requirements for new thermal plant; while the rapid increase in recent years in the size of individual thermal units has severely limited the number of boilers that will be needed every year. The resultant load is quite inadequate to keep even a bare majority of the established manufacturers reasonably employed. The fact therefore has to be faced that there may be a considerable gap in steam generating work available to the company from 1960 onwards, and this is receiving careful attention. It is pertinent in this connection to recall that the Company started in this business at the instance of the Authority.

Consideration, jointly with Hawker Siddeley Group Ltd., of the application of nuclear energy to the generation of power in large land stations and to the propulsion of merchant ships has indicated the need for a cautious approach. To enter the field of design of nuclear reactors is a costly operation, by no means certain to be crowned with success. Meanwhile a specialised mechanical engineering design and contracting organisation has been set up by the Company and is concentrating initially upon the business of supplying various components for nuclear work.

MACHINE TOOLS AND ENGINEERS' TOOLS

In the machine tool industry a marked recession developed during the year, and still persists. Various schemes of industrial re-equipment have recently been completed, and others, possibly on a smaller scale, appear to be held up; however, some of the recent measures taken by the Chancellor may stimulate activity. **Wickman Ltd.** delivered many more automatic lathes than the number for which it received orders and its order book is accordingly much smaller. Orders for factored machine tools have fallen off. Wickman's tungsten carbide products maintain their leading position in a highly competitive field.

Webster & Bennett Ltd. achieved a record output of vertical boring mills, following the expansion programmes undertaken during the last three years. Some 43% of the output went to export markets. The order book for the current year is full; but a diminution in the rate of new orders, coupled with increased production, is resulting in a not wholly unwelcome shortening of the delivery period for future orders.

Firth Brown Tools Ltd. has found that conditions have continued to be highly competitive, both at home and abroad. Nevertheless, the wide range and high quality of products on which its business is based have assisted the company to maintain its position. The year's results have, however, been adversely affected by loss of business during the strike in April of last year.

OTHER U.K. ENGINEERING INTERESTS

Markham & Company Ltd. has despatched before time the first of the Kariba water turbines. Work on the further Kariba turbines, and on several other water turbine orders, continues. World prices for turbines have fallen, while British costs tend to rise, and competition is very keen. Work for the National Coal Board absorbs much of the remaining capacity of Markham's. An interesting piece of equipment, designed and manufactured by Markham's, was a large testing chamber for Normalair Ltd., to simulate conditions of temperature and pressure encountered at high altitudes.

Cravens Ltd. exceeded its record output of the previous year of rolling stock and other engineering products. The extension of its facilities for the manufacture of diesel railcars has improved the efficiency and increased the output of this work. Further substantial orders for railcars have been received from the British Transport Commission for delivery in 1959. Good progress has been made with the manufacture of hydraulic injection moulding, die casting and metal drawing presses. Several machines have been supplied and are operating to the satisfaction of the customers. A variety of specialised engineering equipment for atomic plants has been produced.

S. N. Bridges & Co. Ltd. has again had a successful year with turnover higher by a quarter. A larger works has been bought, which, after modernisation, will make possible a higher output and much greater efficiency. New tools and attachments are being regularly designed and introduced. The electric tool industry is widely known to be passing through difficult times, but Bridges, though experiencing a marked slackening in demand, continues to enjoy a satisfactory share of the market.

Constructors John Brown Ltd. has continued to expand its activities, particularly in the chemical engineering field. A research station has been set up at Leatherhead, and a strong engineering division has been built up, to design and install plants. The company also specialises in automatic control gear associated with such work. A large contract for the design, construction and equipment of a factory for Chemstrand Ltd. at Coleraine in Northern Ireland is making good progress, as also is a similar one for I.C.I. at Heysham.

C.J.B., as this company is widely called, has continued to be active in the gas industry. It has carried out an important design study for the Ministry of Power on a large plant to gasify coal and to make petroleum products and town gas. It has also built for the Ministry a second experimental slagging gasifier which it is now commissioning.

Abroad, in a joint venture with Williams Bros., of Tulsa, U.S.A., C.J.B. is carrying out pipelining contracts in Persia, Turkey and Austria. Together with four other firms the joint venture has entered into a contract with the Oil Consortium in Abadan to undertake the large Kharg Island development.

As substantial shareholders in Westland Aircraft Ltd., we note with pleasure the achievements of this progressive company. As has been announced, the first production "WESSEX," the gas turbine helicopter for the Royal Navy, has flown five months in advance of programme, and, though originally a private venture, this type is now the subject of substantial orders. The first flight has also been announced of the large helicopter with twin gas turbine engines, the "WESTMINSTER," which has been developed in the crane version as a private venture. Stockholders will have read of the heliport in London which Westland is equipping and proposing to operate.

OVERSEAS

The Canadian subsidiaries of the Company continue to operate satisfactorily and to render an important service to local industry. Their profit margins have, however, been adversely affected by the increasing severity in recent months of the Canadian recession. Your directors continue, however, to have great faith in the long-term industrial future of Canada and in the sound basis of the Company's enterprises in the Dominion.

In Rhodesia the general economic difficulties caused by the heavy falls in the prices of copper and other commodities have resulted in a shortage of orders on the books of **F. Issels & Son.** Despite its excellent facilities, this general engineering firm finds competition severe, particularly from the Union. **Rhodesian Alloys (Pvt.) Ltd.** occupies a position of increasing importance as the new basic industry of the Federation; production at Gwelo has continued at an excellent level, but anxiety is now being felt at the very low prices that countries behind the Iron Curtain are quoting for low-carbon ferro-chrome, among other metals. Indeed, low-carbon ferro-chrome is one of the few commodities which sell to-day for less than twice the 1935 price.

Elsewhere in the Commonwealth, subsidiaries make progress and consolidate their businesses. In the Union of South Africa, however, intense competition makes much of the trading of subsidiaries unremunerative.

With the wide diversity of the Company's activities at home, the development of relations between Great Britain and the European Economic Community is being followed with great interest. The Company's business on balance should not suffer from the setting up of a free trade area in Europe. It is easy for hostile critics of the plan to point to many individual industries or businesses in this country which will suffer thereby, but in the main, so long as Britain's technical prowess remains, the benefits of an extended market should outweigh the disadvantages of increased competition at home from overseas manufacturers.

PROBLEM OF PLANT REPLACEMENT

The extension this year of Initial Allowances eases somewhat the immediate tax burden suffered by enterprises faced, as are all the subsidiaries of the Company, with the necessity regularly to replace their equipment with the very best. But Initial Allowances only bring forward to an earlier stage in the life of a new machine the incidence of wear and tear allowances; they do nothing to help industrialists to solve the problem of how to put aside out of profits, in times of grievously heavy taxation, enough to replace old equipment with more expensive new.

It would have been more helpful to industry if the Chancellor had restored Investment Allowances on industrial plant; their introduction was a step forward and their abolition a step backwards. Investment Allowances did permit, in respect of new plant, the owner to set aside during its life, before taxation, a sum towards its replacement greater than its original cost: even so, the Allowance being an arbitrary percentage with no provision for adjustment, that increased sum may or may not prove sufficient to provide in due course for the replacement of the plant.

It should not be beyond the wit of man to devise some reasonable index whereby over the life of a piece of equipment, sufficient, and no more, could be set aside by way of wear and tear allowance to provide its owner with the full means of replacing it; according to the measure of inflation or deflation during its life, so would the owner at the end have been allowed to set aside before taxation proportionately more or less than its original cost.

My remarks on depreciation allowances have so far referred only to new plant, but the real need of industry is for existing plant to be the subject of fair and proper depreciation allowances based on replacement, not original cost. Initial Allowances and Investment Allowances apply only to new plant, but the system which I have outlined could readily be adapted to existing plant. The need for a more appropriate system of depreciation allowances would be more widely recognised if there were less tacit acceptance of the definition of profits as the balance remaining after enough has been set aside towards the recovery of the original cost of plant; and, instead, fuller realisation that a much greater contribution to meet the enhanced cost of plant replacement needs to be set aside before profit is struck. The provision of such funds should be a joint affair; the Chancellor contributing by remission of tax, and the owner contributing the balance from his profit. If wear and tear allowances for tax purposes could be more adequate, industrialists would not object to a corresponding obligation upon them to set aside towards cost of replacement the relevant amount of profit as well as the tax relief.

DIRECTORATE

Sir Stanley Rawson has intimated his desire to be relieved of the executive duties which he has carried out so admirably for many years. He accordingly has given up the chairmanship of Wickman Ltd., Constructors John Brown Ltd. and John Brown Land Boilers Ltd. He will, however, remain a director of the subsidiaries (including these three) with which he has been more closely connected, and will continue as vice-chairman of John Brown & Company Ltd. In accordance with the expressed wishes of our colleagues, I have become chairman of Wickman Ltd. and of Constructors John Brown Ltd., and Mr Eric Mensforth chairman of John Brown Land Boilers Ltd.

My colleagues concur with my view that it is only right that I should sound the various notes of caution that run through this statement. Yet, by and large, your board is confident that, given reasonable trading conditions, the Company can squarely meet whatever is in store. For this feeling, the skill, industry and loyalty of the management and staff in each of the Company's establishments are largely responsible. To them and to our workpeople the thanks of the stockholders and of the directors are due.

The report and accounts were adopted and the other formal business duly transacted.

PINCHIN, JOHNSON & ASSOCIATES LIMITED

IMPROVED TRADING RESULTS

SIR HORACE W. CLARKE'S STATEMENT

The Annual General Meeting of Pinchin, Johnson & Associates Limited, was held on September 10th at the Connaught Rooms, Kingsway, WC2, Sir Horace W. Clarke (the Chairman) presiding. The following is the Chairman's Statement circulated with the Report and Accounts for the year ended March 31, 1958.

In the past year, sales of the Parent Company, operating mainly in the United Kingdom, made a substantial advance over the previous year and reached a record level, but profit margins were further curtailed by strong competition and increased costs. Group sales also reached new heights and it is pleasing to note that all of the overseas Subsidiary Companies reported an increase in sales as compared with the previous year, the results of the Canadian Company being especially encouraging.

The Consolidated Net Profit for the year at £1,810,474 compares with £1,641,294 for the previous year, and reflects the further progress which, I am happy to report, was made by all Companies of the Group other than the French Company, which returned a substantial loss. With regard to the French Company, you will recall that in my statement last year I told you that the Board of that Company had decided on a drastic reorganisation which they expected to lead to an improved situation. This reorganisation has now been completed but was only carried out at considerable expense with very serious effects on the 1957 figures. The returns from France for the early months of 1958 show a marked improvement as compared with the corresponding months of 1957.

Taxation, estimated at £1,061,647 on the 1957/58 consolidated net profit, compares with £896,842 charged in 1956/57, these figures having been calculated after crediting £60,000 in each year in respect of United Kingdom taxation over-provided in previous years. In 1957/58, tax amounted to 61.9 per cent of the consolidated net profit compared with 58.3 per cent on the 1956/57 profits, the increased proportion being due to several factors, including additional levies imposed in India on profits earned in that country. The changes in the basis of computing profits tax, recently announced by the Chancellor of the Exchequer, should provide some alleviation of the tax burden to your Company in the current financial year.

After deducting taxation and profits attributable to minority shareholders of Subsidiary Companies, the final net profit applicable to the Parent Company is £591,032, compared with £580,676 for 1956/57.

The Company's Balance Sheet reveals that stocks of the Parent Company were reduced by approximately £272,000, this being achieved despite a higher level of output. The reduction permitted an improvement in the liquid position, cash and tax reserve certificates showing satisfactory increases.

From the Consolidated Balance Sheet, incorporating the balance sheets of the Parent Company and Subsidiary Companies, it will be observed that group stocks declined by approximately £631,000 and total cash balances increased by about £469,000, the latter being slightly offset by a small increase of about £18,000 in bank loans. Shareholders' Funds amounted to £9,400,860 at March 31, 1958, an increase of £211,859 over the previous year.

Your Directors have transferred £100,000 to General Reserve and recommend the payment of a Final Ordinary Dividend of 11¼ per cent less tax, making a total of 16¼ per cent for the year, less tax. This is the same rate as that paid for 1956/57. If this recommendation is approved, the balance of the Profit and Loss Account to be carried forward by the Parent Company at April 1, 1958, will be £697,148, compared with £648,264 brought in at April 1, 1957.

GENERAL REVIEW

In my last statement I made reference to authority which your Board had given to proceed with extensions at the Silvertown factory to cater for the demand for certain of the Company's specialised coatings. This major project is now approaching completion and will add substantially to our capacity to serve our customers in this field.

Your Directors have also taken advantage of opportunities presenting themselves to acquire further areas of land adjoining the Silvertown and Birmingham factories. Plans for the development of these are now in hand.

In the last decade technical standards of the Industry's products have been vastly improved, and your Company has made its contribution thereto. This has been made possible not only by adopting novel processes of manufacture, where appropriate, but also by continuous research into ever widening scientific fields fructifying into the development of new and improved types of surface coatings for the many major industries we serve. The Company's world-wide cover, with its attendant exchange of technical information from the world's most important centres, ensures that all our operating Units, wherever they may be situated, are kept ahead of technical developments in all parts of the world.

The substantial increase of sales, both in the United Kingdom and overseas, was spread over a wide range of your Company's products. This in a year of keen competition, is considered by your Directors to be satisfactory evidence of the popularity of your Company's materials and the ability of the Group to meet a diversified demand.

Concerning Australia, you will be interested to know that a new synthetic resin plant at Villawood, Sydney, has moved into full production and industrial coatings are now manufactured in the new modern installations on that site. You will recall that I informed you in my statement last year that Taubmans Industries Limited, the Australian group, is rapidly developing in the industrial field, and I am glad to inform you that this progress has continued. The fierce competition existing in the Australian market for decorative products has so far resulted in the current year in a moderate decline in sales.

CONCLUSION

Your Company's financial progress has been and will continue to be to a large extent influenced by outside circumstances beyond

our control, but such circumstances cannot permanently remain unfavourable and we consider the year's results confirm our confidence in our ultimate future.

In conclusion, I am sure you will join me in extending thanks to the Management, members of the staff and all other workers throughout the world for their co-operation and loyalty.

The Report and Accounts were adopted.

S. HOFFNUNG & COMPANY LIMITED

(Australian Merchants, established 1852 with branches in Sydney, Brisbane, Melbourne and Adelaide)

INCREASED PROFIT

The Fifty-Sixth Annual General Meeting of S. Hoffnung & Company Limited was held on September 8th in London.

The following is summarised from the circulated statement by the Chairman, Mr P. J. A. Lachelin:

RESULTS

The profit earned by the Group again shows an advance in spite of the difficult conditions which have prevailed.

The consolidated profit before taxation is up by £21,734 at £635,351. Taxation on current profits is reduced by £64,070 to £257,552 largely as a result of Overseas Trade Corporation relief. The consolidated profit for the year attributable to the Company's interest after taxation and after deduction of minority interests has advanced by £85,508 to £374,880. The distribution on the Ordinary capital which the Directors have pleasure in recommending is 22½ per cent (of which 5 per cent has already been paid as an interim) which compares with 20 per cent last year.

The net profit of £374,880 and taxation provisions released total £457,480 which has been dealt with in the accounts as follows:

Dividends less Income Tax ...	£107,472
Retained in the business ...	£350,008

The total dividend distribution (as recommended) is thus covered nearly 3½ times by net profit for the year.

FINANCE

The Balance Sheet again shows considerable strength. Share Capital, Reserves and Surplus approach £3,500,000 while current assets exceed current liabilities by nearly £2,800,000. Arrangements were completed early this year for the issue of loan stock in Australia, and the issue, in the form of a 6½ per cent 20-year Unsecured Note for £A250,000, has now been made.

GENERAL REVIEW

It is unlikely that we can wholly escape the consequences of the drop in Australia's overseas funds caused by reduced prices of the main export commodities. The fall in prices has resulted in reduced purchasing power throughout the country districts and the turnover of the parent company for the first three months of the current trading year shows a small reduction. This trend may well continue during the coming months and it should be no cause for surprise if our final figures show some decline from the records achieved in the last two years. Your Directors have taken this into account in making their dividend recommendation. The outlook depends to a considerable extent on the level of world prices for commodities especially for wool and wheat. However, I have every confidence in the long-term prospects for Australia. During the last ten years the population has increased from about 7,700,000 to 9,700,000 and this in turn increases the market in which Hoffnungs deploy their activities.

I shall be going to Australia and New Zealand shortly and am hopeful that discussions there will help the development of our affairs.

The report and accounts were unanimously adopted.

PURNELL AND SONS LIMITED

(Book Printers and Publishers)

HIGHER TURNOVER AND PROFIT

CAPITAL ISSUE FORESHADOWED

The twenty-fourth ordinary general meeting of Purnell and Sons Limited will be held on September 26th in London.

The following is the statement by the Chairman and Managing Director, Mr W. Harvey:

Before dealing with the Accounts I wish to refer to the loss the Company has sustained by the recent death of our colleague on the Board, Mr W. F. Harvey. Mr W. F. Harvey joined the business thirty years ago, being one of the original Managers on whom fell the difficulties of the early days of the Company. He was appointed a Director in 1945. During the whole of his connection with the business he never spared himself in the service of, and in loyalty to, the Company. He was greatly respected by his colleagues on the Board and by the employees whose problems he reviewed with kindness and understanding, and all associated with the Company will miss his help and co-operation.

It gives me much pleasure to submit to you the Accounts of the Company for the year 1957. The Profit of the Group for the next year, before providing for Taxation, is £712,385 as compared with £643,938 in 1956 an increase of £68,447. From this Profit has to be deducted Taxation £416,527, which, with the adjustment in respect of Minority Shareholders, leaves a balance of Profit for the year of £296,325 as compared with £271,914. To this year's Profit is to be added the balance brought forward from the previous year of £825,776 and Tax no longer required £8,552, making the balance available for allocation £1,130,653. From this amount your Directors have utilised £150,000 to write down the Goodwill, £10,000 has been transferred to the General Reserve in a Subsidiary Company which, together with Dividends to Shareholders amounting to £125,376, leaves a balance to be carried forward of £845,277 as compared with £825,776.

The increase in the Company's contribution of Pensions for the Directors has been offset by a reduction in the remuneration of an equal amount. The overall increase is due to commission payable on increased Profit, the basis of remuneration being unchanged.

A GRATIFYING ACHIEVEMENT

It is gratifying that the Group Profit shows an increase in spite of the ever-increasing costs of both wages and materials. This result has only been achieved by the splendid co-operation of all employees enabling the Group to increase its turnover without any material increase in the selling price of our products.

The remaining half of the equity in a Company in which your Company already held a half share has been acquired during the year under review and in consequence the Accounts of this Subsidiary are included in the Group Accounts for the first time. The increase in the Current Assets and Liabilities in the Balance Sheet is largely due to this factor.

It is your Directors' intention to bring the Fixed Assets into the next Balance Sheet at a valuation figure which will show more accurately the real value of the Fixed Assets of the Company.

As I explained at the Annual General Meeting, the Government's appeal for the curtailment of capital expenditure and the stringent restrictions on the raising of fresh Capital prevented your Directors from implementing the proposal, referred to in my speech last year, to make an application to the Capital Issues Committee for permission to issue the balance of the Ordinary Share Capital, but as the position has now improved, it is our intention to seek permission to enable the balance of the Ordinary Share Capital to be issued to our present Shareholders on attractive terms.

I am pleased to report that all branches in the Group have been working to capacity during the current year and that our Packaging Division is now making headway and I anticipate satisfactory results for 1958.

Once again I wish to pay tribute to my colleagues on the Board, all of whom are full-time executives, and to express my thanks to the staff and to all employees for their services and co-operation.

ST MARTIN'S LE GRAND PROPERTY COMPANY

The 32nd annual general meeting of St Martin's Le Grand Property Company Limited, was held on September 10th in London, Mr John B. Andrews, FCIS (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement: Gross income increased from £486,583 to £524,327 and net profit from £97,924 to £109,926.

The issued share capital was increased during the year from £910,000 to £1,152,000.

Having referred to the acquisition of Drad Properties Ltd., Mounteagle Estates Limited and Wrencote House (Croydon) Ltd., the statement continued:

During the past year, your Board has investigated a large number of propositions and have under consideration further promising business. In all cases, the criterion by which these propositions are and will be judged is that they must produce additional income to the existing shareholders and prospects of further improvement over the years both as to capital and income; expansion for its own sake will not be considered. The Company is now benefiting from acquisitions made in conformity with this policy in previous years and in the ordinary course of events we can continue to look for steadily progressing improvement in revenue.

Subject to no unforeseen circumstances arising, it is intended to pay dividends in respect of the current year amounting to not less than 13 per cent.

The report was adopted and the total distribution of 11 per cent, equivalent to 12¼ per cent on the old capital, was approved.

ALLEN WEST & COMPANY

BRIGHTON

The Directors announce :

Payment of an Interim Dividend of 5% actual (less tax) to Ordinary Stockholders as at the close of business on 15th October, 1958.*

A Scrip Issue of one fully paid share of 5/- for every five Stock Units held.

An Extraordinary General Meeting of the Company to be held on the 15th October, 1958.

Subject to trading conditions remaining favourable they hope to be able to declare a Final Dividend of 7½% for the year to 31st January, 1959, on the capital as increased by the proposed Scrip Issue.

* *This is the first interim dividend to be paid by the Company.*

SOUTH AFRICA — RHODESIA — CANADA

BUSINESS AND PERSONAL

9/- a line.

AVAILABLE IMMEDIATELY

METAL WORKING FACTORY

COMPLETE CONTROL OF MANUFACTURING FACILITIES WITHIN COMMON MARKET AREA (HOLLAND)

FACTORY AND OFFICES 4,055 SQ. METRES FLOOR SPACE, 16,000 SQ. METRES LAND, FULLY EQUIPPED MACHINE PARK, AND AUXILIARY INSTALLATIONS, SUITABLE FOR ANY LIGHT/HEAVY MACHINE OR ASSEMBLY WORK. CAPACITY FOR 200 WORKERS.

Should interest British or International manufacturer with established products and European sales, as tariff barriers in the future Common Market Area can be avoided, and large savings in labour costs and freights made. Present production ceased June 30, 1958, enabling clear start with new production. TAX LOSSES OF APPROXIMATELY £400,000 ALSO AVAILABLE. Under Dutch law losses may be carried forward for 6 years; control may be 100 per cent. foreign; and capital and profits freely transferred. OUTRIGHT SALE OR MERGER CONSIDERED. FOR CASH, PART SHARES, OR LONG TERM NOTES.

Principals or authorised spokesmen write in strictest confidence to: N. V. HOLLAND, Box No. 1019.

FRANCE

Englishman resident Paris, twelve years' marketing experience, desires represent genuine manufacturers wishing break into this market.—Write Box No. 1015.

LARGE BELGIAN FACTORY well equipped for the common market, with ultra modern installations as foundry, rolling iron, enamelling, seeks working arrangement or merger with important organisation.—Write Box 1025.

WANTED to purchase—French company, any business, owned by non-French residents with right to remit dividends.—Box No. 1014.

EXPORT COUNSEL on North American markets by Canadian consultant.—Write, W. O. Moir, 171 New Bond Street. Tel. MAYfair 2631.

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TECHNICAL STAFF

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MILLIONS OF MEN WITH TEASPOONS!

RITCHIE CALDER, the science writer, tells about world wide possibilities for mechanical handling equipment (or automation if you prefer) . . .

LIKE GNOMES in some weird, exotic fairy-tale, copper-red bodies were swarming up swaying bamboo ladders with baskets of rubble on their heads. Others, in parasol hats, were crouched over great boulders which they were breaking up with chisels and wedges into pieces small enough for the basket carriers. This was in central Java, where the peasants were hewing a canal through the volcanic mountains. Along the canal would eventually flow the waters of the Progo River, to cascade over the terraces of The Hungry Hills. Here rice would grow where it had never been grown before.



SAME METHODS AFTER 2,500 YEARS

My brain, teetering in the sweltering heat, tried to grasp that this was the mid-Twentieth Century; this freakish effort of flesh-and-blood and primitive iron was how, as long ago as 542 BC, the slaves must have dug the Hillah Canal in Ancient Babylonia. Two thousand five hundred years later, the Javanese peasants had taken twelve months to cut 2½ miles of their 40 mile canal.

With picks and mattocks, hammers and chisels, they were engaged in a desperate clod-by-clod battle with the earth to dig that canal and get more food. With a few sticks of gelignite, mechanical diggers, hoppers and bulldozers, they could have had it in as many months as the years they were now taking.

It reminded me of an incident in the 1930's when I was standing on a bridge near London watching a giant steam-shovel biting off tons of earth to each 'mouthful' digging a railway cutting. Unemployed men were watching too and one of them said bitterly: "If it weren't for that ruddy machine, there would be work for hundreds of men with picks and shovels". "Or", said another bystander, "millions of men with teaspoons".

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AIR EDITION

The Economist

SEPTEMBER 20, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

UNDER SECRETARY TO GOVERNMENT
27 SEP 1958
PUBLIC DEPARTMENT

High Tide at Quemoy

Dollar Controls Cut

The relaxation of restrictions on dollar imports into Britain, announced in Montreal, is discussed on page 957. Our Special Correspondent at the conference reports on page 943

All Aid Short of War?

The aim of British policy is to keep the peace not to break the Alliance (page 911)

Islands of Doubt

Many Americans, too, recoil from the risk of war over Quemoy (page 935)

Bandung and Turtle Bay

The UN Assembly could, and should, play in this crisis the tempering role that the Asian-African conference played in 1955 (page 912)

The Tories Need You

Reflections on the first shots in the Tories' pre-election campaign (page 916)

Disc Competition

Can new entrants in the record race seriously challenge the favourites? (page 953)

Tomorrow's Technicians

The appeal by the Ministry of Education to industry and the Trades Unions (page 914)

The Price of Affluence

A challenging new American economic thesis does not apply to Britain (page 928)

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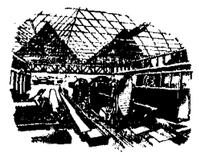

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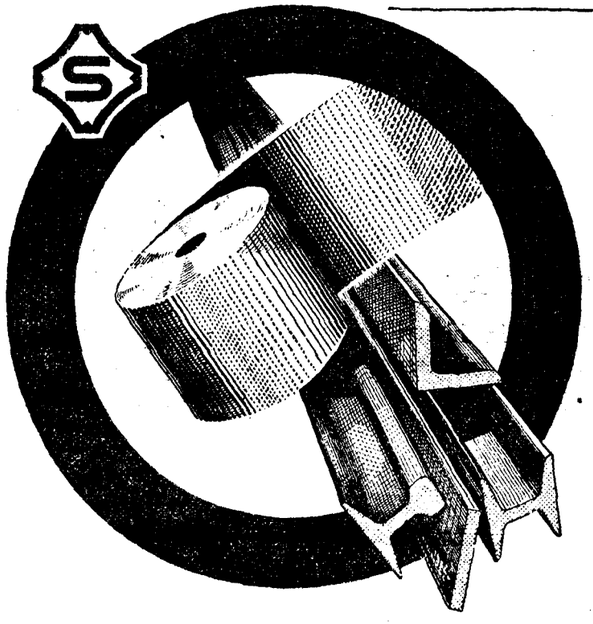

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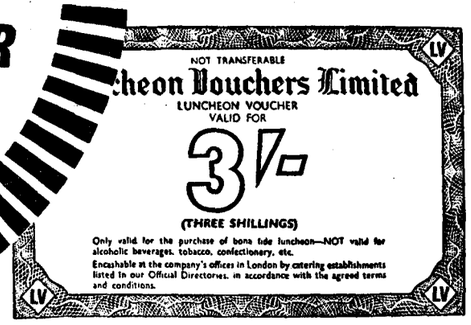

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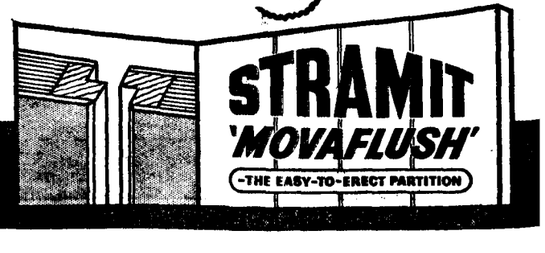

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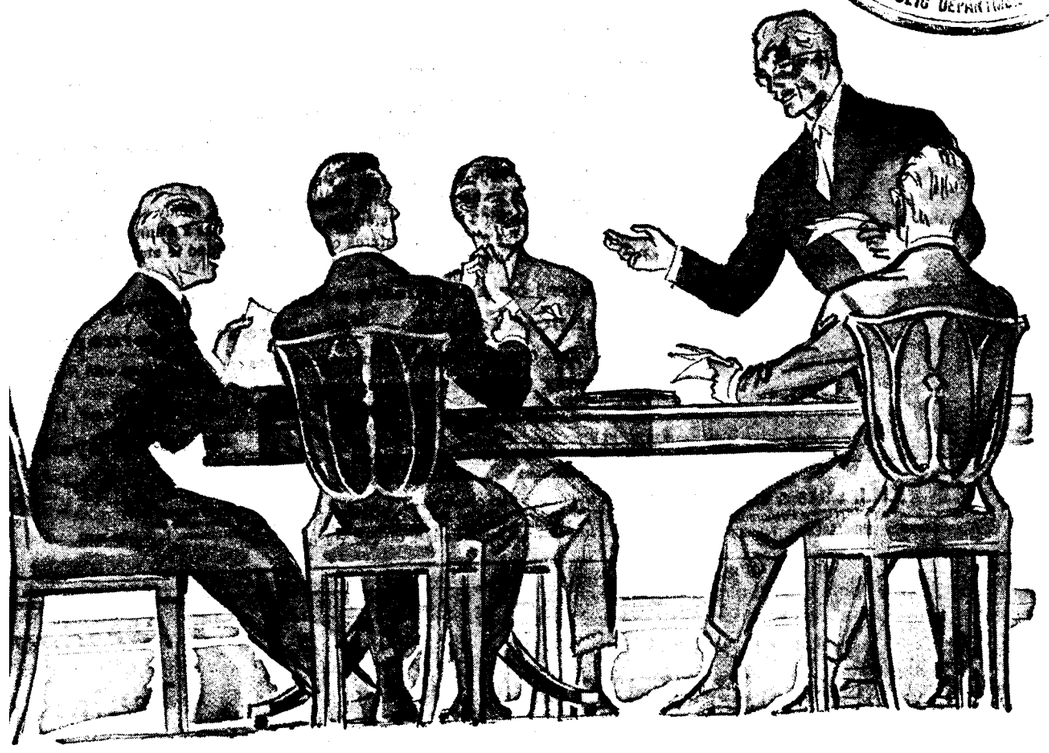

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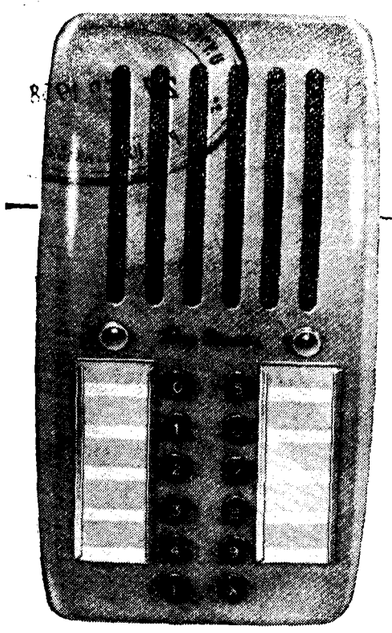

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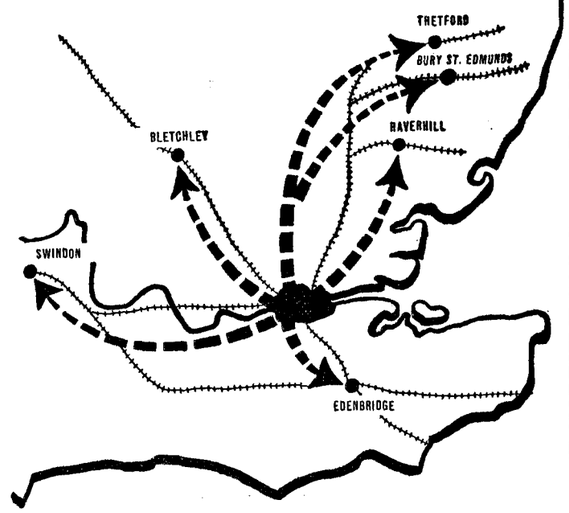

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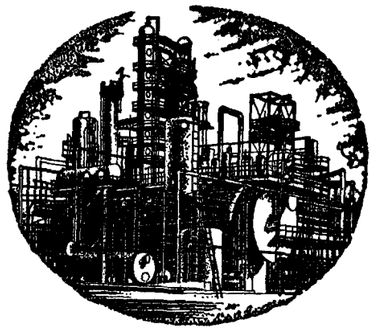

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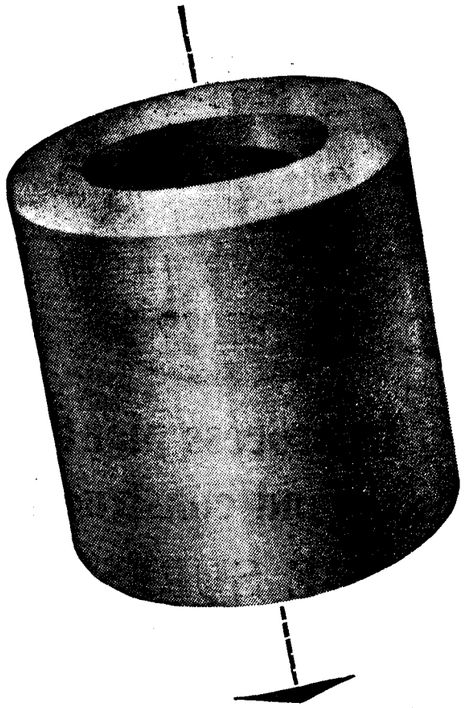

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A preview of transatlantic Jet travel

by Gene A. Hill

What's it like to fly the Atlantic in a jet? The answer is just one word: *wonderful!*

This fall Pan American is introducing transatlantic jet travel with the famous Boeing 707s. To give you an idea about jet travel I thought the most logical people to talk to first would be pilots. But the most conservative reaction from this group was the way you might expect people to react to pure magic. A veteran pilot who had logged time in nearly everything with wings



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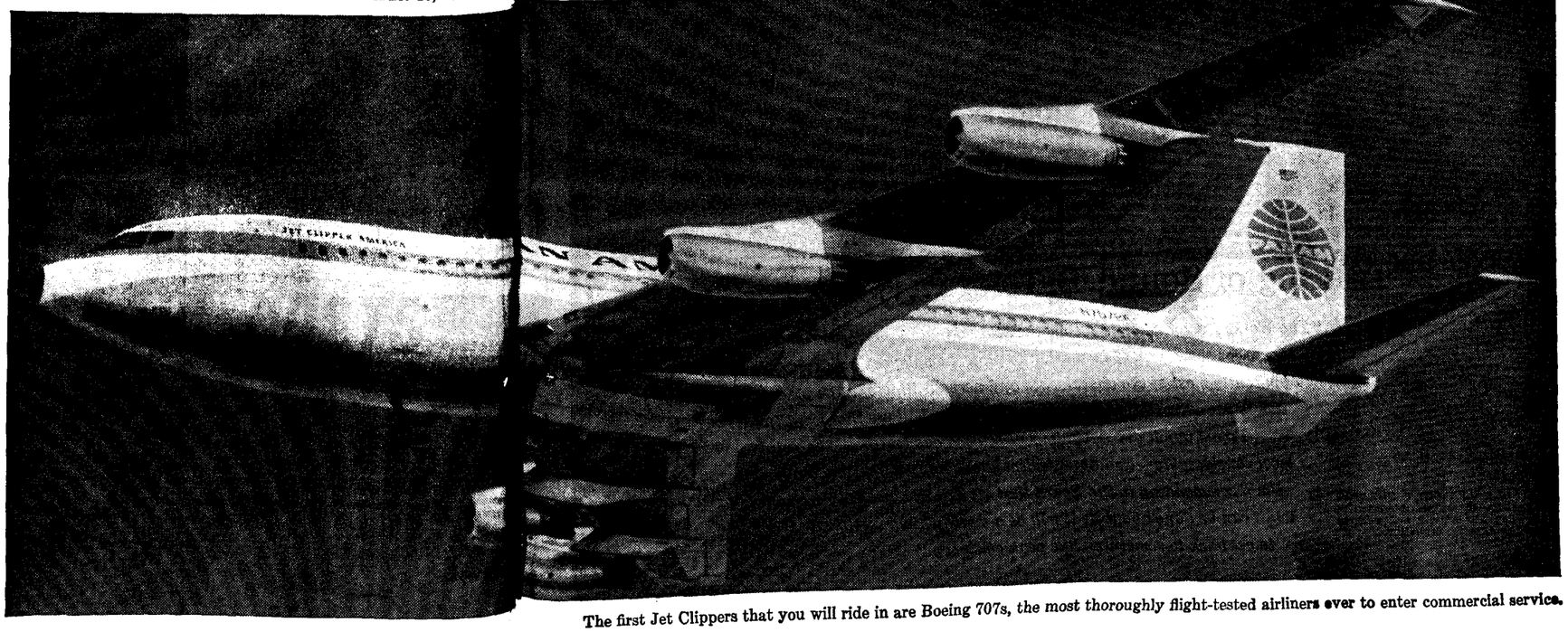

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said, "Until I went up in the Boeing 707 I'd never really flown before . . . this is flying as it *ought* to be!"

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Even sitting on the ground these majestic airliners impart an aura of speed. The masterful blend of design and function makes it hard to realize that the first jet Clipper you will ride in is over 144 feet long with nearly a 132-foot wingspan. The long, sleek cabin can carry more than 120 passengers.

Four pure-jet engines—each capable of developing over 10,000 pounds of thrust—are cradled in pods suspended from the distinctive swept-back wings.

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Walking around, you see that the interior is tastefully decorated in modern, restful tones. In the spacious first-class lounge your fellow passengers are playing cards, enjoying a game of chess, exchanging international chitchat, savoring a cocktail. The four efficient galleys are well worth taking a look at.

Time has never passed as swiftly as the few hours that now separate continents. Before you realize the full extent of the wonders of jet travel the Captain announces the imminent arrival, the stewardess reminding you to change your watch. While your giant Clipper* lands as gently as a lovely lady coming downstairs, you'll be looking forward to your next transatlantic flight by jet!

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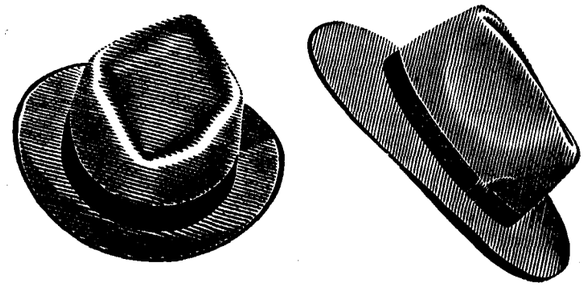

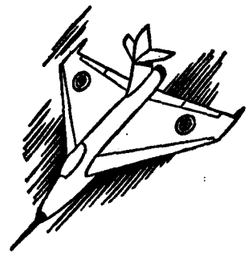

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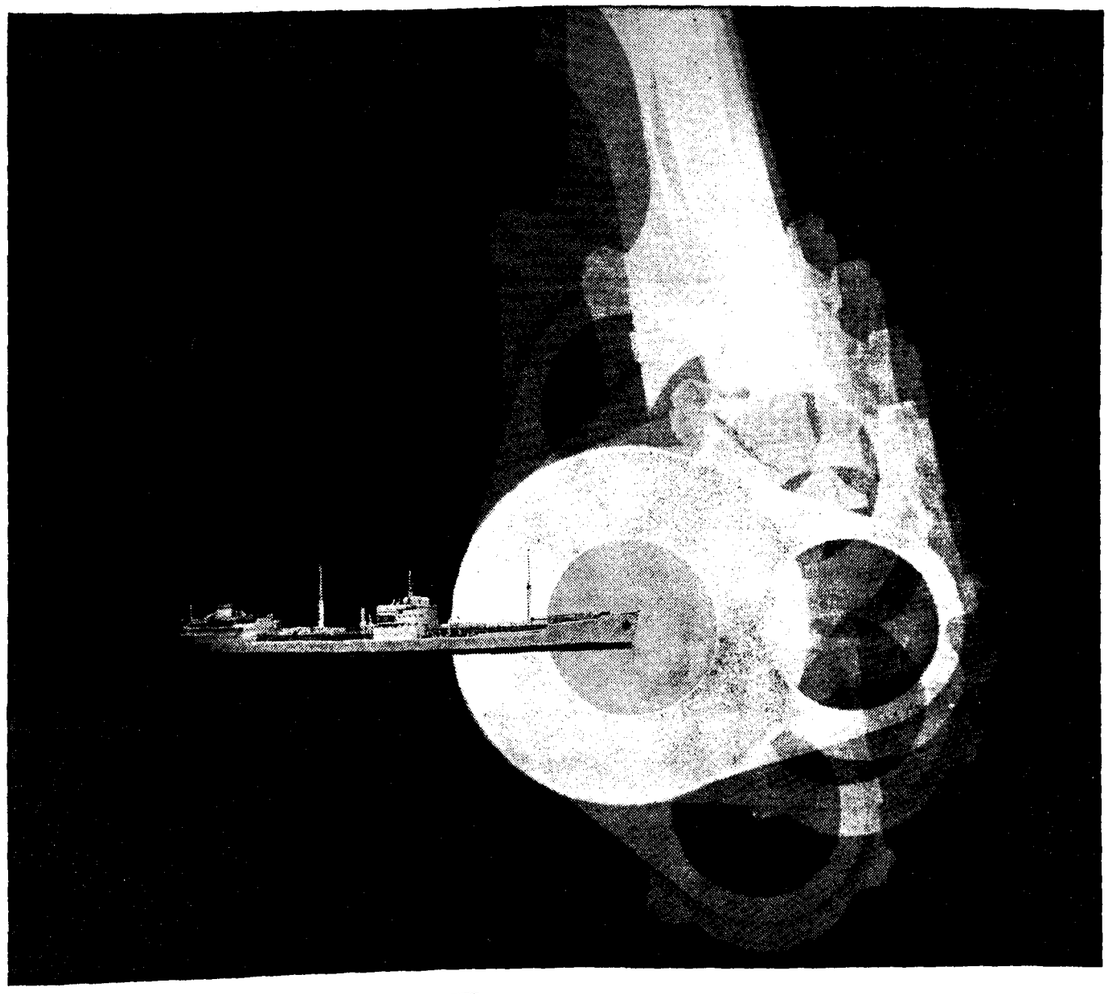

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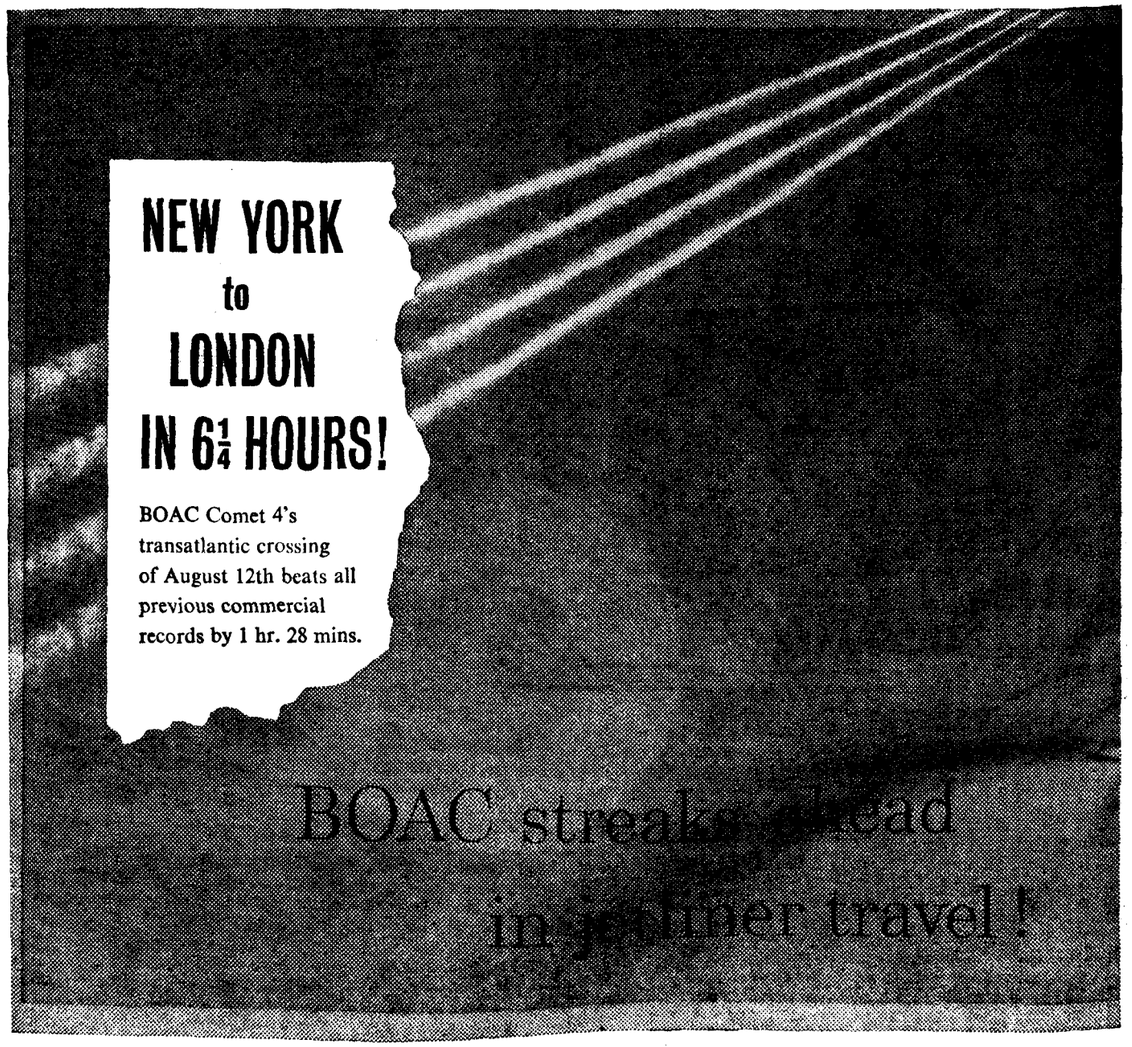

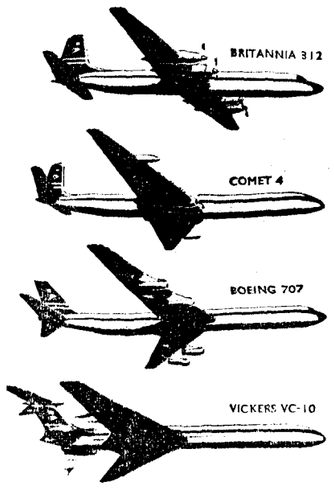

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The Economist

SEPTEMBER 20, 1958

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All Aid Short of War?

AT any moment the bombardment of Quemoy could burst into overt war, especially if the Nationalist Chinese retort by bombing the gun sites. Britain has to ask, not what righteous attitude it should strike, but what it can best do to help to keep the peace. "Public opinion, not only in Britain, but, we believe, in the whole of western Europe is completely opposed to a war over Quemoy." This was not news to Mr Macmillan when Mr Gaitskell told it to him on Monday; the *Prime Minister himself is opposed to war over Quemoy.* Nor, presumably, is it news to President Eisenhower and Mr Dulles. To them the question is whether Mr Mao Tse-tung, too, is opposed to war over Quemoy—or Formosa or Hongkong. Most people in this country share Mr Gaitskell's view that Quemoy and the other offshore islands are part of the mainland of China and that the Peking government is entitled to claim them. Does this mean that the mainland Chinese are therefore entitled to take them, and other places to which they may lay claim, by force? That is a question for Mr Gaitskell—and for the rest of us.

It can, of course, be replied that the Americans, or rather their Chinese Nationalist allies with American help, are not entitled to keep these islands by force; that the quiet time since the last crisis off the China coast should have been used by the Americans and their allies to disengage from Quemoy and the Matsus; and that for the Nationalists to go in now with large reinforcements, instead of coming out, is politically provocative and strategically very foolish. All this is quite true. But it is not a sufficient answer. *If there is war over Quemoy, it will in fact be launched by the* government of China to make good its claim by force; and if the attack succeeds, this will be an encouragement to the communists to pursue their aims elsewhere by the same means. The common interest of all America's western allies in peaceful change, and in firm resistance to the use of war or armed blackmail as the instrument of national policies, is not altered by what must seem to them to be America's own errors.

The real core of complaint against the China policy of the United States is that it is contradictory. It is entirely reasonable for President Eisenhower to say to the Chinese communists now that, if they try to take Quemoy by storm, they will be resisted; but that, if they will really look again for a solution by negotiation, the Americans will sit down with them again. The talks which broke down drearily not long ago have been restarted in Warsaw. This is surely the policy that America's allies should support whole-heartedly by every diplomatic means; and quite certainly this is not the moment for Britain to dissociate itself publicly from its indispensable American ally. *Both sides must be willing* and able to negotiate. Whether the communists are now ready to do so has to be seen. But the difficulty of the Americans in negotiating is that, while they can quite properly ask the Chinese to renounce the use of force to obtain their territorial objectives, they can do so fairly only if they are themselves willing to renounce the use of force to obtain the territorial objective of

Mr Chiang Kai-shek—which is no less than the reconquest of China, with Formosa and the offshore islands as springboards. The crippling contradiction in American policy is this commitment to Mr Chiang Kai-shek, not only in Formosa but in China as well.

This is the deadlock for the diplomats, whether in the resumed talks or in the wider exchanges at the United Nations. If the Americans do disown the Nationalists' claim to govern (and so, some time, to reinvade) China, they have to accept the fact, as Britain has done, that the present Peking administration is the government of China—and the only logical incumbent of China's United Nations seat. But this, as the Americans have said again, they cannot even think of doing while under precisely the threat of war, against not only Quemoy but Formosa as well, which they take as the strategic justification for drawing the line of resistance to communist aggression as close as possible to the China coast. And the Peking government continues to maintain the threat (and more than the threat) of war unless its claims are conceded both to territories (probably including Hongkong next) and to international recognition. For the Americans it is a very real, indeed, a cruel dilemma. And for their allies, if they are honest, the dilemma is no less. Quite certainly it is not a dilemma that can be simply—and pharisaically—resolved by disowning the Americans. Britain can never contract out of the alliance ; we cannot really say, anywhere in the world, that we have no commitment to the United States.

Britain cannot wash its hands. It is the more important to make the British voice heard—but in the right places and in the right way. The first and most obvious thing to do—and the Leader of the Opposition might help in this—is to tell the government of China that, if it does go to war over Quemoy, it will in fact have no atom of support or sympathy here. The second —which is presumably Mr Selwyn Lloyd's task in New York—is to express no less straightly to the Americans our hope and belief that neither they nor their Nationalist satellites will make war or, if fighting is forced upon them, that they will on no account extend it. The third and most constructive contribution is to do all we can to help in breaking the diplomatic deadlock. Here, again, we must address ourselves to the government of China as well as to the government of the United States. No beginning can be made unless both the mainland and the offshore Chinese will sheathe the sword.

There is no chance now, it should be frankly recognised, of a general and lasting settlement of all the issues on the China coast and in the China seas. But, if both conquest and reconquest could be forsworn, there is at least the possibility, with the aid perhaps and under the auspices of the United Nations, of a real truce : with the offshore islands de-fused and linked again with the mainland ; with Formosa frozen locally for a future settlement according to the wishes of its people ; with a halt called, at nearly the twelfth hour, to warmongering ; and so with the possible conditions at last for a general recognition of the fact, and the world status, of the government of China. Perhaps the chances of such a truce are not great. It calls for uncommon restraint from the communist Chinese (though patience has always been a Chinese virtue). It calls for harsh decisions by the Americans and bitter (though inevitable) disappointment for their Nationalist allies. It involves considerable risks. But at least it offers great practical advantages to both sides in the parleys ; and to the world it could offer the chance of peace instead of war.

For Britain it adds up to a programme of "All Aid Short of War," instead of mere curmudgeonliness, to the United States. The slogan is, of course, an American coinage from the first phase of the last world war ; and it is given an urgency for us now by the fact that, if outright war does come in the Far East, we can no more stand aloof from our American friends than they could then when the chips were down.

Bandung and Turtle Bay

The UN Assembly is off to a bad start, but it may yet help to focus the forces of moderation

GETTING off on the wrong foot right at the start of its three-month paperchase, the United Nations Assembly on Tuesday elected as its president for this session Dr Charles Malik of Lebanon. His country is itself one of the bones of present contention ; and its incoming president, General Chehab, must be considerably embarrassed by the assembly's choice when he faces the question of Dr Malik's political future. It is an awkward business to dismiss a foreign minister while he is actually enthroned on the lofty podium at Turtle Bay. The assembly had thus two excellent reasons to override last year's understanding that Dr Malik would preside over it this year ; it has chosen to ignore both. And Tuesday's unpropitious first omen may well foreshadow a session during which the monster of Turtle Bay will flounder about just as clumsily in other directions, sticking its flipper firmly in its mouth and splashing startled onlookers outside its glass tank.

It certainly looks like being a sticky session for almost everybody except the communist powers, whose propagandists have been trying this week to give the assembly its marching orders. The United Nations, says the Moscow press, must now concentrate on ending western

intervention in Arab and Chinese affairs, on halting atomic weapon tests, and on speeding the liberation of such colonial areas as Cyprus and Algeria. These are all issues on which the non-communist world is divided, and by skilful manipulation its divisions can be widened. Asian, African, Latin American, and even some European governments, with no wish at all to appear Russia's partners in challenging the major western powers, can nevertheless be easily manœuvred into so appearing when matters of this kind are under discussion. And a mere glance at the list of items already on the assembly's agenda, or likely to find their way on to it before long, shows that the great majority of them conform to this pattern.

This assembly is committed to discussing the problems of Jordan and Lebanon, of Cyprus and Algeria, of apartheid in South Africa (whose delegates have dropped their boycott of the debates), and of territorial waters—the last of these items giving Iceland an opportunity to tell real fishermen's tales about the appearance off its coasts of British naval shoals. In the fourth committee and elsewhere, familiar charges against the colonial powers will again be voiced (though an Indonesia preoccupied with its own internal troubles has, for once, declined the opportunity to bring up its claims to West New Guinea). It still seems likely that the assembly will once more vote "not to discuss" the question of the Chinese seat—but only after it has in fact discussed it, with the Quemoy crisis putting additional sparks, and a new challenge, into the electric atmosphere of the debate.

As to the Quemoy crisis itself, there is, ironically, no item directly referring to it as yet on the agenda or even in the offing, although both Mr Khrushchev and Mr Eisenhower have publicly mooted the advisability of a United Nations attempt to tackle it. But Quemoy will inevitably set the tone of many of the opening speeches at this session—speeches which threaten to be even longer and more thunderous than usual, for over fifty foreign ministers are coming to Turtle Bay to claim in person their hour in the spotlight, despite the fact that many of them had already been there only three weeks earlier for the brief emergency meeting on the Middle East.

THE agenda is, mercifully, not altogether lacking in constructive initiatives that hold out some prospect of progress being made. Even in this "nationalist international," pleas can be and are being made for agreement on self-denying ordinances that could limit the member states' jarring rivalries as they reach out into two new realms—outer space and the Antarctic continent. There is a new formula that might resolve the long deadlock over South-West Africa. Under the heading of disarmament, hope may be found in the success of the scientists' conference on the policing of a suspension of nuclear tests, and in the prospect of early meetings of groups of powers to discuss both this suspension and the problem of early warning against surprise attack. But, as before, it has been largely left to the Secretary-General to frame constructive proposals, and to urge the assembly to concentrate on ways of developing the United Nations system instead of on disrupting it.

Mr Hammarskjöld is not merely expected to produce by September 30th some suggestions for unwinding the tangled tensions of the Arab world. He is also to lay before the assembly his findings on the possibilities of developing a stand-by UN force, of the type now operating in Gaza and Sinai, which could be kept in a state of readiness for use in other crises. In his annual critique of UN affairs, which was published last week, he also promised further proposals about his scheme for international recruitment of experienced administrators to help inexperienced "new nations" through their growing pains. True to form, he took the opportunity to needle the member governments gently about their pledges to foster full employment, to help stabilise commodity prices, and to increase international liquidity of financial resources. With the same quiet inexorableness, he has placed on the assembly agenda the idea that, as last spring's conference on the law of the sea bore little fruit, there will just have to be another conference on the same subject. Mr Hammarskjöld cannot, of course, compel the assembly to do anything, or even to debate anything ; but he has developed into quite an art the technique of rubbing its nose in the messes it leaves behind.

UNFORTUNATELY, however, this year as in earlier years, slow progress in the assembly will not catch the world's eye. Slambang stuff will ; and it has been made clear how much of that stuff is ready to hand. None of it will further the United Nations cause. The organisation, and the ideals it is meant to serve, will not be helped, and may well be damaged, by concentration on mustering majorities for illusory voting victories—no matter whether the votes are being mustered to condemn Russia's rape of Hungary or the presence of British troops in Jordan, to block the seating of spokesmen for Peking or to demand that Dr Verwoerd's government abandon racial discrimination. The verbal slaying of far-away dragons is great fun, and good politicking, too, on many home fronts ; much of the furious-sounding flapping in Turtle Bay represents the efforts of member governments to gain cheap kudos among their own electorates. But all this thrashing about in the global goldfish tank involves the risk that the glass walls may sooner or later collapse under the strain. And if and when that happens, a great many member nations are going to find themselves out in an unpleasantly bleak and draughty world.

Encouraging signs of some awakening to this grim prospect have shown themselves in some recent UN debates. Surprisingly large forces of moderation have been brought into play on issues such as Algeria and the Middle East. Asians and Africans have joined the hard-pressed members of the original "greater

Scandinavia" group of moderators. It is even possible that there is already a two-thirds majority in the assembly dedicated to the idea that the main thing is not to pull the roof down on the members' own heads. In this heartening trend there may be hope not merely for some respite from futile vote-slinging, but even for constructive activity.

Hope cannot go so far as to suggest that this assembly will be spared the spectacle of head-on collisions on a whole range of issues. But the moderators stand a fair chance of cushioning at least some of the shocks of collision between the free West and the free Asian-African world, and thereby spoiling the game of the deliberate exacerbators, in Moscow and elsewhere. And this session may even have a genuinely positive effect on the conflict boiling up around Quemoy.

It will be remembered that in 1955, when the question of the offshore islands likewise seemed near flash-point, one of China's obvious reasons for eventually turning the heat off with astonishing suddenness was the approach of the Asian-African conference at Bandung. Peking shrewdly grasped the fact that to howl for war was not the right way to win Asian friends and influence African peoples, and by the time Mr Chou En-lai reached Bandung all was quiet again in the Formosa straits. The present UN assembly could find itself playing today something like the role that Bandung played in 1955. True, one obvious aim of Peking and Moscow in timing the squeeze on Quemoy for the eve of the assembly was precisely to arouse the international community's fears—turning those fears, however, against America, and thus advancing the communist cause. But it may not quite work out that way. If the forces of moderation in the UN are growing as fast as some recent signs have indicated, something more than lip-service will have to be paid to them, and, this time, quite as much by the communist powers as by the West.

Tomorrow's Technicians

Will British industry in 1975 bewail a "lost generation of technicians"? If so it will be the fault of industry, commerce and the trade unions in the next three years

THIS week the Government has announced a drive to make its plans for the further expansion of technical education much better known to the would-be technicians themselves, to the business men who cry out for craftsmen and technicians, and to the trade unions who preside over apprenticeship. Without the collaboration of these three partners—or, rather, without far more collaboration than they are giving—the opportunity will be missed. The Minister of Education, introducing the pamphlet* with which he hopes to galvanise all of them to a fresh sense of urgency, calls it "a tremendous once-for-all opportunity for remedying our shortages of skilled manpower." But it is something more than an opportunity. If the bulge in the school-leaving population is allowed to grow up without getting all the possible advantages of further education, a great injustice will have been done. Many of these young people will have had a straitened education in the overcrowded schools; they are entitled to every chance of making this good, of fitting themselves to play a creative and unfrustrated part in a national life which, everybody concedes, will be dominated by technical needs and technological development in the later part of the century.

There is, unfortunately, substantial reason to fear that this opportunity to train a bumper crop of technicians could be missed; a disgracefully wasteful slice of this young regiment could still be condemned to unskilled and dead-end jobs. This may seem very strange in view of the very great expansion of technical training facilities on which successive governments have laboured, and upon which £100 million will have been spent between 1956 and 1961, the year when the bulge will fully reach the factory gates. Since the war the number of full-time students at the colleges has nearly doubled and of part-time students more than doubled, and the trend continues upward. There are new courses at every level—400 more started this year. The new heirarchy of colleges, topped by the Colleges of Advanced Technology which work to university standards, provides a variety of routes to every degree of qualification from craftsman to membership of professional institution, routes to suit every type of ability and every combination of circumstance and schooling. This week, indeed, the first Dip. Techs. (Diplomas in Technology) have been awarded.

It may therefore seem that the house is prepared and garnished for the bulge generation to occupy. That was the intention. But the Ministry of Education and the local authorities can only supply the framework of an adequate system of technical education. The bulk of such training is, and must continue to be, done in factories and offices; if it is to be expanded, industry and commerce must do most of the additional training. Most technical, much technological training, and all apprenticeship is "industry based" to use the Ministry's phrase. And for every additional technologist or Dip. Tech. who is produced, either in a CAT or at the university, six additional technicians or craftsmen should be produced, mainly by the apprenticeship system, to stand behind him.

Even the training that is done in technical colleges depends on the co-operation of industry, which releases students for one day a week of training in college or enrols them in sandwich courses divided between a firm's own "school" and the college. More than this, industry must release some of its own technologists to teach, on their own premises and on day-release to the colleges. The better the men who take time off to teach, the better the training. About 30 per cent of technical college teachers must be part-time. Earlier this year, the Willis Jackson committee reported on the supply of teachers to the colleges. It found that the rate of increase in full-time teachers must go up from 800 to 1,400 a year. It called for more and better part-time teachers from industry, and more help from industry for the full-time ones. At present the supply of teachers seems to be just keeping up with the rate of expansion, so it may appear that industry is pulling its weight here. But it is not. It is an open secret that the big expansion of the past few years has been almost entirely carried by the minority of large enlightened firms who have provided enlarged training facilities themselves, helped the colleges, maintained a large number of apprentices and worked with the trade unions in developing new apprenticeship schemes. Even some of the big firms are content to snatch their skilled men from these firms, while the vast indifference of the smaller firms drew down the strictures of the Carr Committee last May, when it reported on the serious inadequacy of facilities for training apprentices.

THE rise in the number of part-time students at colleges from 200,000 to 450,000 does not contradict this finding. Part of the training of apprentices is increasingly done in colleges. In theory 35 per cent of boys leaving school are apprenticed. In fact in the last year or two the numbers have fallen off instead of increasing. And in 1962 there will be 320,000 more school-leavers than in 1956, representing theoretically 50,000-60,000 more apprenticeships in that year; in that year, too, national service will end, and the need for all types of technical training will be proportionately still greater. The services at present give many conscripts in two years valuable technical skill, some of which is additional to apprentice training—but which puts many other boys on the road to being technicians. From 1962 all these boys will go into industry at school-leaving age in need of technical (or—a badly neglected field—commercial) training.

Figures are badly lacking to document the size of the problem. But it is very evident that industry and commerce are going to have to process more juveniles than ever before in the years ahead. It is probably reasonable to expect the big firms and nationalised industries (even the railways) to do the lion's share; but it is absurd to expect that this "once-for-all" opportunity can be seized without the aid of the smaller firms. They employ half the labour force and probably nearly half the juveniles. But the fact has to be faced that their indifference (rationalised in the phrase "we can't afford to take apprentices, or give them paid time off, or train them during their time on") dovetails neatly with the restrictionist attitudes of most of the unions. Only a few, in printing and shipbuilding, openly restrict entry. The rest, however, are quite content to agree to new apprenticeship schemes when they know that in fact the outturn of skilled men will be limited. And they know that it will be limited when, on the one hand, only the larger firms offer training, while, on the other, high wages in unskilled jobs, and the impact of national service, cut down the demand for training from the ill-guided and naturally feckless young.

NOR is this all. A good deal of the training that is given in the smaller firms is bad. It is too narrow; it is too often unsupplemented by part-time release, and even when it is, the apprentice's work at the bench and in college is often unco-ordinated, unsupervised and wasted. It is necessary not only to induce the smaller firms to overcome the difficulties, some of which are genuine, of taking apprentices (perhaps along lines pioneered by the Electrical Industries Association), but also to improve the training. At the same time the prospect has to be faced of a considerable reawakening of trade union suspicions, especially at the level of the local training committees which select apprentices. None of this will be easy. Such technical training as has been given in the past ten years by the smaller firms has been partly forced on them by the shortage of juvenile as well as of skilled labour. When that labour becomes easier to get, easier to hold, and probably cheaper, a good deal of even the existing incentive to train technicians may evaporate.

In short, the Ministry of Education is faced with the formidable task of making business men generally take a far more serious, even altruistic, view of their educational responsibilities than has been common. The question that must be asked is whether the Ministry's own effort (welcome as it is) is anything like as realistic or determined as it needs to be? It has produced an excellent pamphlet, and it is circularising local authorities with a list of ways in which firms can be approached and persuaded to help. But will this carry much weight in the boardrooms which did not bother with apprentices before, and have never had time for the local "tech"? This has been a year for cost-cutting and economising. Let the Ministry appeal to industry's conscience by all means. But ought it not also to think of stronger incentives, too—incentives with a dash of both carrot and stick? Ought it not perhaps to look at taxation allowances and initial allowances, on the one hand, and at some form of industrial HMIs on the other? There is not very much time.

* *Britain's Future and Technical Education*, produced by the Central Office of Information for the Ministry of Education.

NOTES OF THE WEEK

THE ELECTION

The Tories Need You

WHETHER or not Mr Macmillan, surveying the scattering of ministers abroad, the plans all made for the autumn recruiting campaign and the proofs of *Onward in Freedom* waiting his o.k., felt that he had to make a virtue of necessity in not going to the country this autumn, he certainly made his decision sound virtuous in his speech to his constituents last Friday. But he may well calculate that the ingathering of the "don't knows" to his standard in recent Gallup polls is no fluke but a trend—and one that a recruiting campaign can convert to something very much more promising than the ½ per cent lead already conceded to him by the pollsters. His hunch may be that an election sprung now without adequate reason but obviously to cash in on better times might not be preceded by that modest but perhaps decisive swing to the government that is usual during an election campaign.

The betting will now be on next May. An election then would follow a budget in which Mr Amory will surely have something to give away in the name of enterprise and incentive. Certainly there is nothing in the short list of legislative topics which receive brief mention in the recruiting booklet, *Onward in Freedom*, that need detain this parliament beyond budget time. But even in May there will still be the alternative of October if the Prime Minister sustains or senses a setback (presumably the last possible date, May 1960, need not be considered). He will wait until nearer the first date to see how unpopular the Opposition has contrived to make itself by its political pronouncements or its trade union behaviour, and how positively popular he may have been able to make himself in foreign affairs, and how these two factors weigh with the constituencies, as reflected by the reception of the Tory recruiting sergeants and the Gallup polls. Mr Macmillan must be well aware that his personality has become, surprisingly—it is not so long since his rating was well below his party's—the biggest Conservative asset, and there is much to be said, in politically strategic terms, for nursing the country's impression that he is an experienced, and therefore to be trusted, national leader. That some may still dislike or doubt his leadership, provided they admit that leadership it is, does not matter. "You have that in your countenance which I would fain call Master," said Kent to Lear, and when the king asked "What's that?" he replied "Authority."

The recruiting campaign, so far as *Onward in Freedom* projects it, seems not unskilfully devised to drive home the image of a party continuously widening choice and freeing the individual to make the most of that choice at home, while seeking—when necessary forcefully—the peace abroad which makes ambition and foresight at home sensible. But for the thousands who may read this in a glossy pamphlet, millions must, if the campaign is to bring home the bacon, see it personified in the words, purposes and character of Harold Macmillan. That is the strength, and the weakness, of the Tories' present position.

Six Months' Strategy?

THIS strategy carries a gamble. The gamble is, firstly and mainly, that in the next six months a situation will not arise in foreign affairs in which the Opposition's line appears to make it better fitted to speak for Britain. The worst setback for Mr Macmillan could possibly be war over Quemoy—bad if it happens at all, worst if it proved the sort of war in which Britain, for the sake of the alliance or other involvements, was forced, as it would be if the chips were really down, to take part. But war usually rallies the patriots. Mr Gaitskell's challenge to the Prime Minister to hazard his reputation in a personal intervention in Washington was politically deft; but, politically as well as patriotically, Mr Macmillan was right to resist the temptation—and the risk. He could get away with the failure of his personal intervention in Cyprus, with something on the credit side even, but not in America. And he is right to see that the way to keep the peace, if there is a way, is not to play politics. The second part of the gamble is the slipping of the economy into a more visible recession. Six months could change the picture a lot if the fall-off in plans for new plant were translated into substantial unemployment. *Onward in Freedom* recognises the danger of deflation creeping up unawares—and it suggests, hazardously, that the Government has all the know-how to stop it doing so.

But the word which the Tories want, and need, for their recruiting and election posters is expansion. A limited recession, Mr Macmillan may calculate, will not provide his opponents with much ammunition, if it can be used as a launching pad for a new expansive burst, and as the setting for a budget which could encourage enterprise and investment. Respectably modest and undistressing unemployment makes the trade unions think, without being really angry, and lubricates the economy, without hitting Tory voters too hard or hurting anyone much. The exact point at which voters get scared is a nice calculation, but Mr Macmillan and Mr Amory are unlikely to take much risk. They will reckon, probably rightly, that the taunt of a "1955 budget" will bounce off; and by May the annual round of wage bargaining will again bring home to the electorate the Opposition's inescapable weakness—its structural association with special interests, which by pressing its proper claims to an improper extent is the biggest obstacle, the Conservatives can say, to the expansion we all want. Probably, it was Mr Cousins, as much as anyone, who caused Tory fortunes to rebound after the low point of last April; Mr Macmillan may calculate that, with luck, Mr Cousins may be good for more votes next year.

For the rest, one may fairly express the hope, with some reserve, that, in the home stretch, the Conservatives will try to live up to the high principles which they again proclaim in *Onward in Freedom*. In economic terms, the commitment at Montreal (discussed on page 957) to cut dollar import restrictions is the sort of liberal expansionist move which deserves to win consumers' votes. Politically, even if there is no time for major legislation, there are still plenty of smaller but necessary reforms—the treatment of foreign visitors by the Home Office suggests only one—which could show their undiminished fervour. The reiteration that theirs is a national party, above sectional groups, requires some proof. Will there be no last-minute pandering for votes from special groups—say, those small farmers that would be better employed elsewhere? Astonishingly and uncourageously, the pamphlet says nothing at all about the liberty of the individual member of a trade union. This is an ominous sign. Mr Macmillan has left himself room as well as time to chalk up quite a few more than minor good deeds before May—or October.

FRANCE AND GERMANY

Hands Across the Rhine

THE success of the encounter at Colombey-les-deux-eglises was no doubt a relief for Dr Adenauer. The dearest aim of his foreign policy has been the creation of a tightly knit west European grouping based on rapprochement between Germany and France. The general's advent to power caused uneasy shivers in Bonn. He is scarcely a Germanophile; and the Germans have not forgotten the part he played in the still-birth of the European Defence Community. Was he going to wreck all the federal chancellor's good work for the European cause? Since May, however, the general has done much to allay these fears. His choice as foreign minister of M. Couve de Murville, the former French ambassador in Bonn, was a first gesture that was warmly welcomed. Now he has given Dr Adenauer a personal reassurance. The partnership of the six countries of the European Economic Community and the growing personal and official links across the Rhine may not now develop as fast as the enthusiasts had hoped. But they will not be abandoned. And a loose relationship between a Gaullist government and Bonn may well have more substance and sound sense in it than the more ambitious but less realistic links which a series of weak French governments had fathered on a reluctant assembly.

From a British point of view the encounter had another encouraging significance. The two statesmen showed their awareness that the Europe of the Six is not enough, that a wider grouping, including Britain, must be developed—in other words, the free trade area. The upheaval in France in May brought home to many people in Bonn the risks of too exclusive a reliance on the bond with Paris. And General de Gaulle himself certainly does not want to get boxed in alone with the Germans. The more positive French attitude to the free trade area which became apparent in July, and which has since found expression in the new authority the general has given to the Quai d'Orsai in the continuing negotiations, seems likely to persist.

Last Sunday Dr Adenauer stood for the first time face to face with a French statesman who can speak for France with an authority comparable to his own. It may not have been a wholly congenial experience. A period of strong Gaullist government, accompanied by a continuation of France's remarkable recent boom, could bring about a real shift in the balance of power within the Franco-German *ménage*. The Germans are far from happy about some aspects of France's policy, particularly about its ambitions in the field of nuclear arms. But it is their interest to see France strong. It is its weakness that is the danger to Europe, the danger that France may be dragged down into the Algerian morass.

JORDAN

A Speech for King Hussein

MR HAMMARSKJÖLD was right to use characteristically cautious words when appraising the results of his Middle Eastern tour. His mandate was to seek practical arrangements for the upholding of United Nations principles of non-interference and peaceful co-existence in regard to Jordan and Lebanon, and thus to facilitate the early withdrawal of British and American troops. Lebanon may have almost ceased to present a problem; but an acceleration of the withdrawal of the American forces there will only make it still more urgent to find a solution for Jordan—and of that there is little sign yet.

Mr Samir Rifai's government in Amman has modified its original rejection of all idea of a UN "presence" in Jordan, but it seems insistent that the UN must also be present in neighbouring Arab capitals, and this is unacceptable at least to Cairo. Admittedly the Secretary-General is not required to report on his findings until September 30th; so Mr Rifai and President Nasser both have the same amount of time to reconsider their present positions and a find a face-saving way out. But recent events do not suggest that either of them is particularly eager to do so. Last month's apparent Arab détente has up to now proved largely illusory. Is there any other Arab initiative that could help solve the problem?

★

What would happen if, say, next Thursday afternoon, King Hussein appeared before the UN Assembly and spoke these words?

"My country cannot continue to live on the charity of the United States and under the protection of British soldiers. I come before you to ask this assembly to accept the kingdom of Jordan as a United Nations trust. Do with it what you will after determining the desires of its people. Whether Jordan is to remain a sovereign state should be decided by them with your help. If they freely choose to join the United Arab Republic, Iraq, or Saudi Arabia, and one or more of these countries is willing to accept the heavy responsibilities involved, I wish them well.

"If Jordan is no longer to be a separate state, and if the inhabitants of Jerusalem agree, I also ask the United Nations to establish, under its perpetual care, a trust area in the Arab City of Jerusalem for the pilgrims of three religions to visit freely and in peace.

"For myself I ask nothing. I shall not return to Jordan unless I am called by its people after the United Nations has determined their wishes. I ask only that those in Jordan who have served me loyally, and in so doing have served their country honourably, shall not be persecuted for their services. I ask you to devise the machinery required for the task I place before you. I realise that for the United Nations this will be an undertaking without precedent, but I ask you to accept the challenge it represents."

After his brave speeches about going it alone it would not be easy for King Hussein to make such an offer: it

would not be an easy task for the United Nations to carry out. But it would place responsibility for Jordan in the hands of all the members of the United Nations. Surely that is where it ought to be, not in London, Washington, Cairo—or Moscow.

IRAQ

The Morning After

IRAQ'S new rulers are discovering, as they were bound to do, that it is easier to overthrow a government than to govern. The decree relieving Colonel Abd al-Salam Aref of his post as deputy commander-in-chief does not reveal whether he has been kicked upstairs or downstairs, or even if he has been kicked at all; presumably he is still both minister of interior and deputy prime minister. At the time of the revolt he was expected by many to play Nasser to Brigadier Qasim's Neguib. Does the present change of jobs mean that the Iraqi Neguibs are winning in the new struggle for power in Baghdad? Perhaps revolution is not the only lesson they have learnt from the Egyptian experiment. Colonel Aref may well have become an embarrassment to those who are trying to keep the country's affairs on an even course. Since July 14th, he has done much of the talking for the government. In many speeches in the provinces he has made sweepingly carefree and Nasser-like promises to the people. He may have overdone his politicking in a country where politics have been forbidden.

The prime minister, Brigadier Qasim, is still valiantly striving to keep the lid on the forces of both extremes. He promises action against subversion whether it comes from communism or imperialism. He makes polite references to Arab nationalism; but the movement towards union with the United Arab Republic, said to be confidently expected in Cairo, seems to have lost any impetus it may have had in Baghdad. The new government now faces many of the problems that the old regime had to contend with—in particular, how to keep the development projects going with an inadequate administrative machine. The foreign contractors are beginning to suffer from official inaction, and already some of them have quietly left the country. The restive mobs of Baghdad and Basrah may still be living in Colonel Nasser's dream world, but their new rulers have to deal with realities.

RACE TROUBLES

Crime and Punishment

SENTENCES on those convicted of race rioting—both white and coloured—are now being handed out. On Monday, for example, nine youths (seven of them aged 17), who had taken a particularly violent, repulsive and instigatory part in the affrays at Notting Hill were each sentenced to four years' imprisonment, and it may be that this sort of severity, whose justification was powerfully argued by the judge, will become the standard punishment inflicted by the courts on those found guilty of similar crimes. Much public disgust has been roused by the race riots, and it is presumably this national mood of agonising self-appraisal and self-criticism—the admission that it can indeed happen here—that has sent Mr Manley back to Jamaica satisfied with what he has seen and heard. The danger is that the British people, having read that heavy prison sentences are being inflicted on the rioters, will simply feel that their consciences have been eased and that they can relapse into their usual apathy towards both race and the youthful violence of which the events at Notting Hill and Nottingham were just one extreme manifestation. (Why the Home Secretary, of all people, should have changed his views on this and have told white Rhodesians, according to press reports, that the riots were due to competition over jobs and women is something he should be asked to explain on his return.)

A sentence of imprisonment is, however, never the end of the matter, either for the offender or for society, which has eventually to receive him back again for better or worse. It is, in fact, quite contrary to declared penal policy to send a seventeen-year-old to prison, especially when he has no other proved offences. It is even more exceptional to sentence him for four years, especially when, owing to the pressure of numbers in the centres for young prisoners, he may have to serve most of his time in a local prison without training facilities. The occasion will justify the exception only if the penal system is capable of saving these brutal young men to be useful self-respecting citizens. It cannot be justified on grounds of public horror at the heinousness of the offence and its social implications, but only as a deterrent—an overriding public requirement to put down mob violence as quickly as possible. In the past, however, exemplary punishments have never by themselves proved the most successful form of deterrent; the best deterrent is a strong, efficient (and, in racial matters, impartial) police force backed up—and this should be noted and renoted by a community which, though overtly tolerant of racial differences, is covertly suspicious and resentful of other colours—by the co-operation of the public. Is this co-operation likely to be forthcoming from a community that can permit coach tours to be organised to see "the terror spots of Nottingham"? Are not such coach tours, organised by adults, as plain a symptom of social morbidity as teenage delinquency itself?

TANGANYIKA

Voting the Tanu Ticket

THE results of the Tanganyika elections are of special interest as showing, not only the strength of African nationalism in the territory, but also how the system of multiracial constituencies works. Only five constituencies have gone to the poll; the remaining five are due to vote in February. Lord Twining, the former governor, can now see how his own creation, the multiracial United Tanganyika party, has fared, and what happens when African voters are forced to choose for their representatives not only from candidates of their own race, but also from candidates of European and Asian origin. The UTP has failed egregiously and, unless in February there is a surprising and unlikely change of African heart, ceases to exist as a political factor. Among the Africans, the Tanganyika African Nationalist Union candidates obtained twice to three times as many votes as the others except in the remote Western Province where an independent stood unopposed. Among the non-African candidates, moreover, those favoured by Tanu won by approximately the same margin, except in the Eastern and Western Provinces, where no Europeans could be found to stand against the sitting members.

Does this mean that Tanu can now claim to be a multiracial African nationalist party 15 strong—with the virtual certainty of being 30 strong in February? Are the Asians

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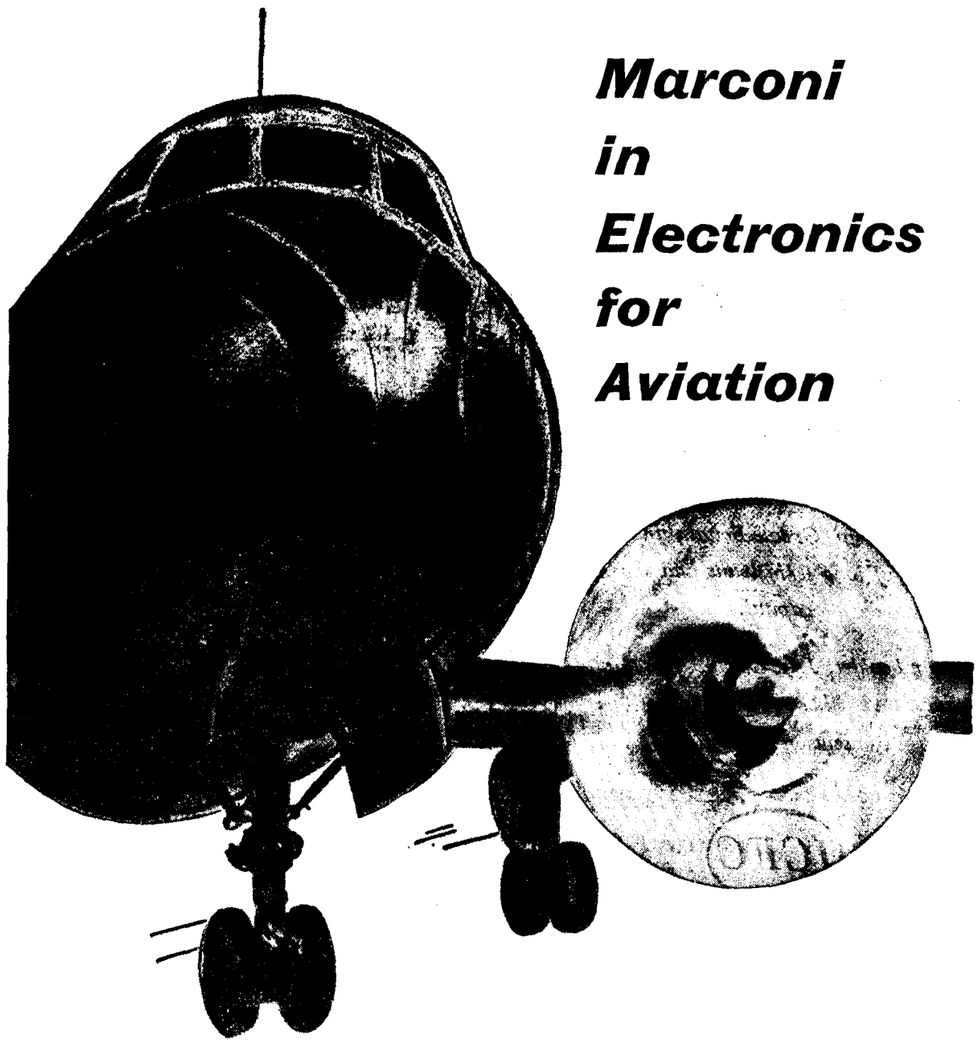

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and Europeans mere captives and agents of Mr Julius Nyerere, who got in for Eastern Province? It may well be that the Asian candidates put in by Tanu will perform that office, though there are one or two men of independent minds among them. Among the Europeans, one or two might accept the Tanu whip in most things. Tanu has not —as yet—been able to find white yes-men to stand; it has chosen, naturally and sensibly, the white candidates who seemed friendliest to the Africans—thus its voters turned down the "sisal candidate" in Tanga, threw out the former leader of the non-officials in the Legislative Council and voted for the candidate in Northern Province who speaks two African languages.

But even if some independents of all three races refuse the Tanu whip, it is clear that it will be hard to govern the territory without Tanu support. Tanu's policy is likely to be to offer that support—on the understanding that there shall be swift constitutional advance, possibly carrying with it the elimination of the system whereby Africans must vote for white and Asian as well as African candidates. It remains to be seen if this system, however, will ease the transitional stages of a country which is bound to become, ultimately, an African state.

FISH AND THE FAEROES

Islanders Adrift

THE 33,000 Faeroese, on their eighteen inhabitable islands, indulge in a sturdy political life in which fish and separatism are inextricably enmeshed. Unlike their nearest neighbours, the Shetlanders, who exchanged Danish colonialism for Scottish in the fifteenth century (the King of Denmark having defaulted on his daughter's dowry), they have increased their nationalist hankerings steadily since the beginning of this century. Separatist parties, never wholly agreed among themselves on how much of the Danish bond is actually bondage, have come to dominate the *Lögting*, the island's assembly. During the war the British occupying force, by its concessions to local feeling, unwittingly countenanced the idea that the islands could readily be run by the Faeroese themselves. In 1946, when Danish authority had returned, the *Lögting* declared an inconclusive referendum result to be a victory for home rule, and was promptly dissolved for its pains. Second thoughts were more conciliatory. In the next elections the home rulers lost ground, and in 1948 Denmark granted full internal autonomy, including the right to fly the Faeroe flag alongside the Dannebrog.

Although the islanders are reluctant to admit it, this arrangement has its advantages for them. Denmark makes a substantial contribution to their exchequer, assists in marketing their fish, and guarantees an adequate supply of foreign exchange. But the fishermen now say that a fifth of their annual catch has been taken in the Icelandic waters that are now closed to them, that they want an extended sea limit of their own that will keep everyone else out, and that it is up to Copenhagen, which retains control of foreign policy, to get it for them.

While the British offer in the present talks has had to be generous—if only to isolate the Icelanders—the Danish negotiators can be over-ruled by the Faeroese leaders who, in turn, are exposed to the extreme demands of the fishermen themselves. The next island elections must be held by November: it is a bad time for Faeroese politicians to compromise. The nationalists say they will break the association with Denmark if they do not get their way. But what would happen to the islands then? The Nordic Union would frown on their accession to Norway; Nato might have something to say if they tried to join Iceland, now that it is economically so dependent on the Soviet Union; and nobody is at all happy over the idea of 33,000 islanders cast adrift in their own little storm-tossed nation state.

FRANCE

The Terror Campaign

THE attempted assassination of M. Soustelle, General de Gaulle's Minister of Information and chief election agent, was evidently a deliberate act by the Algerian National Liberation Front (FLN); and it should be roundly condemned by every friend of France—and of the Algerians. From Cairo, M. Ferhat Abbas has since announced that attacks against men like M. Soustelle and M. Lacoste are to continue. Another stage in the war has been ushered in: the progress of the nationalist revolution in Algeria obeys a familiar pattern. (Ironically enough, on the morning of the attempt on M. Soustelle the British press was carrying sedate reviews of a biography of Michael Collins.) M. Soustelle's luck has held ever since his escape from the Paris police in May carried him to leadership in Algiers. Now his escape from the assassins, and his bearing during and after the attack, make him a hero; new advancement may well await him after the elections are done.

Paris and other French cities have long grown accustomed to the internecine warfare carried on between rival Algerian nationalist groups. But it was understood to be FLN policy that a guerrilla campaign against Frenchmen in France would merely alienate the sympathy essential to a negotiated settlement recognising Algerian independence. The terrorist attacks on oil installations throughout France on August 25th showed a clear change in tactics. Since then policemen and soldiers in France, and particularly in Paris, have been shot down in cold blood. The FLN appears to believe that, since the surrender of republican authority in May, French opinion is powerless against the will and interest of the Algerian settlers. It may also have been prompted by the French diplomatic intervention in Tunisia which has now almost silenced President Bourguiba's public support for Algerian nationalism, and by French successes in the war in Algeria itself.

There are 400,000 Algerians in metropolitan France, chiefly workers in heavy industry. The economy needs them, and they need their wages to sustain their families at home. The FLN has its activists among them, and probably collects funds from most of them. The Paris police began to screen the Algerians in the poorer quarters earlier this month, but it is plainly impossible to account for them all, or even to hold very many in detention camps. If this new terror campaign continues, confidence between the two communities will be broken beyond repair.

On the Plateau

IN an era when French politicians have often been guilty of whitewashing their country's economic problem, the stern annual warnings of M. Baumgartner, governor of the Bank of France, have been an invaluable reminder to

French people that they cannot live indefinitely beyond their means. It is therefore of more than usual interest that he has chosen, in this year's annual report, not only to repeat a vigorous warning against inflation, but simultaneously to point out the danger that restrictive measures may brake economic growth too sharply. French industrial production is moving on to a plateau. It is still running some 8-10 per cent above last year's level, but it has not increased much during the summer months. Complaints of slackening demand can be heard from the steel and engineering industries.

Prices as well as output seem to be levelling off. Last year inflation was fed not only by rising wages and prices, which were violently boosted by the partial devaluation in August, but also by an ugly growth in the budget deficit, which was financed, to the tune of 450,000 million francs, by cash from the bank. There is more than M. Pinay's successful gold loan to bear witness to the change of climate. Since the spring retail and wholesale prices have been remarkably steady, partly because of the fall in world prices. The wave of price increases released by devaluation has largely worked itself out. By dint of new taxation the government seems to be keeping its promise to its international creditors to keep the budget deficit down to last year's size, despite growing military expenditure. And it has managed to finance much of the deficit by loans. The credit squeeze, designed in part to mop up the money which the bank lent the government last year, is now at least less ineffective than it was during the winter. Wage increases seem unlikely before the referendum ; and political factors may still limit the increases, on the railways for example, which seem inevitable once the vote is over.

The obvious flaw in the French economy's new stability is that the payments deficit still persists. The figures in the summer months showed a great improvement. But the government still seems bound to come to its foreign creditors for more money next spring. M. Baumgartner may well be right in indicating that violent deflation is not the answer. Some elements in the French deficit, like the constant growth in imports of capital equipment to feed industrial investment, may in time bring a reward in terms of higher productivity and exports. But can inflation be halted for good in any case while the government continues to run a large deficit to finance the Algerian war ?

HOUSING POLICY

Fighting Municipalisation

In an unguarded moment the Labour party saddled itself in 1956 with the intention of solving the nation's housing problems by transfering the great majority of privately rented houses to the local authorities. Perhaps its pundits did not realise then that " the largest public ownership project yet undertaken in this country " affected so many people —not only landlords—that it might well evoke by far and away the largest anti-nationalisation campaign yet started. The first move to get such a counter-offensive going was made this week by the Rented Homes Campaign.

The campaign's first purpose is to tell everyone whose interests will be touched directly what they have at stake. Its immediate goal is to convince as many as possible of those who rent homes from private landlords that municipalisation does not mean for them the advantages of a subsidised council house, but on the contrary higher rents, very possibly still worse maintenance, far greater interference and inconvenience all round. But the number of people affected by any such policy goes beyond either the private landlords or the tenants of the 5 to 6 million houses to be municipalised. The campaign has sponsored a survey of the implications of the Labour plan.* This suggests that the cost of the scheme will be so big that existing council tenants, too, are likely to have to help to shoulder the new burden by higher rents, while the owner-occupier, who is not ostensibly touched at all by the scheme, would have to pay higher rates—quite apart from the dangers and loss in values involved in finding himself, in many areas, embosomed in another council estate. Those who live by the house market —estate agents, valuers, small building firms, insurance companies and even building societies—would all stand to lose, it is argued, in various ways. Even those who appear to have no immediate stake in the policy—those who at some later date want to rent a house or flat—would (it is argued) suffer: for instead of dealing in the market (which will be easier once the Rent Act comes into full force) they would have to join queues, prove need, and take what they were given.

This is robust criticism. Certainly it will be interesting to see if this part of Labour's shadow policy arouses as much enthusiasm at Scarborough as it did when it was first put out, or whether it will have been amended by the Labour housing experts, who are plainly embarrassed by it. As the next election comes nearer the party has to count its voters ; and they look like being too few as it is.

GHANA

Asantehene in Eclipse

It is not so long since it seemed necessary to make last minute concessions on the Ghana constitution to ensure that independence would not be marred by an Ashanti uprising. It was thereafter predicted that if the Accra government touched the Asantehene it would be faced with civil war. Yet it is now stripping the Asantehene of his financial powers, and there is no civil war ; it is not known if the Asantehene is going abroad (traditionally an unheard of thing as he was the repository of the tribe's national soul) or if he is to remain—perhaps virtually a prisoner. The blow has been poised for some time. Once it was clear the government could repress disorder, and could successfully deploy against the tribal chiefs the British-made weapon of a judicial inquiry, the Asantehene was doomed. Such inquiries into financial dealings, temporarily embarrassing to premiers with shares in banks, or to ministers with high positions in state corporations, are fatal to chiefs.

Mr Justice Sarkodee-Adoo was appointed in February to investigate whether the Asantemen Council or the Kumasi State Council had abused their power, and has now found that the Asantehene's Land department funds were badly administered and that the Kumasi State Council had improperly diverted £19,000 of a sum appropriated for a new residence for the Asantehene to the political fighting fund of the National Liberation Movement (the opposition party). The Government has decided to pass legislation to take over the administration of Kumasi ; it will, in fact, practically control the Asantehene's finances, which makes him a mere figurehead. All the other Ghana chiefs will become figure-

* *A Nation of Council Tenantry.* Rented Homes Campaign, 9 Cavendish Square, 1s. 6d.

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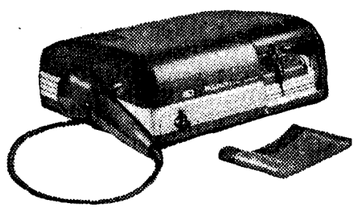

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heads with this humiliation of the greatest among them. The Ghana Government will—inevitably—regard this as part of its job of nation-building. Yet the fall of the Asantehene will reverberate beyond Ghana's frontiers. It demonstrates to all Africa that tribal systems have no power when opposed to an African succession-government of the western model. The ripples from this event may even be felt as far away as South Africa, where the bolstering up of "native institutions" is part of the charade of apartheid.

TRAVEL

Taxi!

THE interests of trade associations rarely coincide precisely with those of their members' customers. General applause, however, should greet the protests of the National Taxi and Car Association against the official restrictions which, at many large railway stations, prevent all but especially privileged drivers from offering taxis for hire. The Central Transport Consultative Committee's utmost concession to this complaint is to suggest that "responsible station staff" might, in emergency, allow incoming taxis to pick up passengers instead of driving away empty, and summon others from any nearby rank; a procedure which, translated into the realities of crowded stations and unavailable "responsible staff," sounds doubtfully effective. The crowning and comment-defying gem of the committee's report is the assertion that nothing really needs to be done because "there have been few complaints from the travelling public."

The travelling public may not write many angry letters (at 3*d. a time*), nor for that matter tear up the rails and sack the station; but year by year, in increasing numbers, they are deserting the railways. The Transport Commission should consider how much of this trend is due, precisely, to what happens at their stations. Between stations, travellers are conveyed reasonably swiftly, reasonably punctually, more comfortably and safely than by car. But no one wants merely to get from Station A to Station B. Journeys start at one doorstep and end at another. A car does a doorstep-to-doorstep job; it is train and taxi, luggage van and porter, all in one. The traveller who, emerging from his train, finds his luggage readily and skilfully handled and a taxi waiting, need not envy the car owner or hirer. He has enjoyed the advantages of safety, speed and relaxation; the inevitable disadvantages of transhipment are cut to a minimum. But let there be—all too typically—no means but his own muscles of getting his hand-luggage from carriage door to taxi-rank, nor, at that rank, any taxis for twenty minutes or so, and the balance tips heavily against the railways. Regular porters, admittedly, are a luxury, and ensuring that a heavily burdened, elderly or incapacitated traveller shall always find one is a difficult problem; the notion that willing outside hands might be admitted for the job is probably too shocking to be entertained. (Though a little redeployment, a little rationalisation of that housemaid-work with worn-out brooms which seems to occupy so many man-hours on the platform, might work wonders.) Taxis are a simple matter. The Transport Commission should recognise the taxi drivers as its natural—and ever more sorely needed—allies. Avoiding chaos in the station yard is a worthy aim; but avoiding a further loss of custom, not necessarily signalled beforehand by specific complaints, is even more important.

JUGOSLAVIA

China's Economic Warfare

WHETHER the Chinese or the Russians are the leading instigators of the campaign against Jugoslavia is a much debated point. The Jugoslavs maintain, in the latest issue of their *Komunist*, that the starting signals for the whole affair were given by Mr Khrushchev at the party congresses in Sofia and east Berlin last June and July. But whether or not they were the prime instigators, the Chinese have been second to none (not even to the Albanians) in the practical zeal with which they are pursuing their vendetta against Marshal Tito. Last month they got in with the cancellation of their contract for Jugoslav tobacco just before the Russians said they could not send the Jugoslavs any more wheat. Unlike the Russians, they refused to participate in the Zagreb trade fair, where in the past they have cut a considerable dash. In spite of repeated protests from Belgrade, their embassy there has gone on distributing literature attacking Marshal Tito and his policies. Last week their ambassador was recalled with no reason given.

Jugoslavia's press agency has also reported evidence of deliberate discrimination by the Chinese against its shipping and its Adriatic port of Rijeka. East and central European exporters to China have been told to send their goods via Trieste instead of via Rijeka, and not to employ Jugoslav

The Economist

SEPTEMBER 18, 1858

CIVILISING THE NATIVES

We may say, without either *false presumption* for the mother country or blame to our colonial government, that it is not very common for the deeper questions of European politics to receive much new light and illustration from the ability of colonial statesmen. There is, however, one of our smallest, though not one of our least important colonies, *in which a knot of statesmen are installed whose firmness, breadth and sagacity of mind would do high credit to the* Imperial Government itself. . . . The "native" question was forced on the Colonial Government of New Zealand, by the importunity of the Maories themselves; who besiege the British Government on all sides with requests for some organisation of the British principles of justice and administration within their own native region. . . . We have no space, nor should we deem *it fitting to occupy* our readers' attention with the details of the measures proposed for extending English institutions to the native races of New Zealand. Wisely enough, they are only permissive, and cannot take effect without the earnest co-operation of the natives, which will, however, apparently be obtained. We only wish to call attention to the fact, that the principle of what is proposed is to leave the *legislative* power entirely with the "Governor in Council" of New Zealand, *but* to make every provision for hearing native suggestions, and *above all for interesting the popular native mind* in the execution or administration of all the laws enacted. We believe that a wider recognition of this principle . . . would be fruitful of inestimable good. We are perfectly aware that the exact institutions which suited the old Anglo-Saxons may not in any *way suit Hindoos, Kaffirs, or Dyaks. Still* we are sure that the principle will be found to hold good, that all durable self-government begins by practically identifying popular interests and ingenuity with the administration and execution of justice, rather than with the wider principles of legislation. . . . Rude peoples care far more to share the responsibility of executing justice than to determine its principles.

ships. Chinese firms have even gone so far as to pay higher cargo rates for Greek and Italian ships rather than use cheaper Jugoslav vessels. The practice of this form of economic warfare may well spread to the communist countries of eastern Europe. It bears out the Jugoslavs' claim that pressure is being put on them in an attempt to cause them economic difficulties which Sino-Soviet propaganda could then attribute to their "revisionist" policies.

NEW ZEALAND

A Lesson for Montreal

THE announcement by the New Zealand prime minister that an agreement has been reached in principle on a revision of the Ottawa agreement with Britain is a timely reminder of the realities of the Commonwealth preference system. In Montreal high-powered teams of ministers are discussing almost every economic subject under the sun—commodity prices, booms and slumps, international "liquidity," the Soviet economic offensive. The one topic which they have not even bothered to mention has been any possibility of an increase in Commonwealth preferences. Mr Diefenbaker's notion of trying to expand the British share of Canada's trade by 15 per cent has been quietly dropped. The new agreement which New Zealand has been negotiating is mainly designed to slash the preferences which it gives to British industry. The most faithful adherent of the preference system is following the example of the rest of the Commonwealth.

The details of the new agreement have not yet been released. But for some time it has been plain what the New Zealanders are after. The British market cannot take all their butter and cheese. But the Indians and, still more, the Japanese, the most important potential customers of the farmers of Australasia, cannot be expected to open their markets to them without getting something in return. Last year Australia took the plunge and gave Japanese exports most-favoured nation treatment. New Zealand, too, must be able to offer its Asian customers something more than the crumbs from a table reserved for British industry; moreover, it naturally wants to import industrial products as cheaply as it can.

There is no point in feeling sour about this development. Screwing up the British butter price earlier this year would not have kept up the incomes of New Zealand farmers. It would merely have made British people eat more margarine. The government should continue to concentrate its efforts on keeping food cheap in Britain, on helping Commonwealth farmers to break into markets elsewhere and on doing its best to make sure that any new trade arrangements New Zealand makes with other countries are liberal. Economically and politically the future of the white dominions "down under" calls for closer ties both with Europe and with the Asian world. The more Britain does to foster these relationships the healthier the Commonwealth will be.

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INDIA AND PAKISTAN

On the Dotted Line

THREE thousand miles of largely unnatural frontier separate India and Pakistan. Until last week there were sixteen areas in dispute along these frontiers; in several cases, awkward little enclaves of one country's territory were surrounded by that of the other. In a brisk two-day meeting in Delhi, Mr Nehru and Mr Firoz Khan Noon have reached agreement about nine border disputes on the Bengal side, leaving two more in the east and five in the west outstanding. Where enclaves are to be exchanged, the two premiers have jointly appealed to their inhabitants to stay in their homes and accept the nationality of the state to which they are transferred; nobody wants to start a new flow and counter-flow of refugees.

Further survey and discussion of the outstanding border disputes will follow. Some of them are decidedly tricky; in places, a river along which the frontier ran has changed its course; in two of the problem areas affecting West Pakistan, canal headworks are involved, with their attendant complications; in two cases in the east, Pakistan complains that India has gone back on its promise to accept the ruling given by the impartial tribunal appointed by the two governments. But a good start has been made after a long delay. The prime ministers' friendly and fruitful meeting is also a good omen for a general improvement in Indo-Pakistani relations, which have been freshly embittered several times this year by frontier clashes, the Punjab canal water dispute, and the brooding problem of Kashmir. All friends of the two countries will fervently hope to see this trend continue. The more's the pity that the entrenched cold-war robots in Delhi and Karachi continue to churn out their stupid propaganda. The latest sample to hand is a new Indian government pamphlet which scrabbles together every available statement made in recent years by all kinds of Pakistani personalities that can conceivably be interpreted—or, more often, obviously misinterpreted—as "incitement to war." Both governments might ease their budgetary difficulties by judicious pruning of the departments that put out this endless stream of drivel.



LETTERS

Jet Fares

SIR—You are to be congratulated on your analysis, on August 30th, of the effort being exerted in some quarters to force air travellers to pay increased fares for the privilege of flying on the modern, swift airliners soon to be introduced on transatlantic and European runs.

In concluding that such increases would represent an unfair and unjustifiable penalty to the travelling public and to companies which have invested tremendous sums of money, time and effort to bring about this technological advance, *The Economist* has in its own words described Pan American's position in this matter.

After compiling economic forecasts for its transatlantic jet operations, Pan American found no increase in currently effective minimum fares justified. That has been our announced policy for months. And last week, in a statement of its opposition to such a fare penalty—which was sent to all US IATA members—the Civil Aeronautics Board also assumed this position as its official policy.—Yours faithfully,

A. J. KELLY
Vice-President, Europe
Pan American World Airways

Land in Kenya

SIR—Your correspondent, Mr T. Fox-Pitt, bases his letter in your issue of August 16th on figures which are several years old. This is unfortunate, because land development in a country which is progressing as fast as Kenya quickly makes figures out of date.

The latest figures available relating to land in the White Highlands give the total area as approximately 10,365,000 acres, of which approximately 2,800,000 acres are forest, lakes, road reserves, etc., leaving approximately 7,565,000 acres for plantations, farms and ranches. Of this area, 158,823 acres remain unalienated, composed as follows:

	acres
Crown land available for alienation (in small broken units)	37,220
Crown land not available (either because it is in the process of being alienated, is earmarked for residential purposes, etc.)	10,513
Swamps and lake foreshores ...	39,474
Road, railway and riparian reserves	10,706
Craters—Mount Longonot and Menengai	25,513
Probable forests	24,161
Areas in the process of being added to Native Land Units	11,236

The acreage of the alienated land which remains undeveloped is 533,300 acres; 290,900 acres of this is estimated by the Statistical Department as being unusable; that is to say, it is composed of steep escarpments, river valleys, volcanic outcrops, etc. This leaves 242,400 acres unused, and it can safely be said that the only reason why this comparatively small acreage remains unused is that it lacks either communications or water. It will thus be seen that the development of unused land within the White Highlands has proceeded very rapidly indeed since 1953 and 1954, which are the years quoted by your correspondent.

He also criticises the average size of farms within the Highlands, but here again his figures are out of date. Published statistical returns show that during the last few years the average size of farms has continued to decrease, by sub-division and more intensive land use, but it must be realised that extensive areas of the Highlands at the highest altitudes are mainly suitable for crops such as wheat which must be mechanised if they are to be profitably grown. Since small farms do not justify full mechanisation there is a limit below which high altitude cereal farms cannot be reduced. The fertility of large high altitude cereal farms is maintained by livestock, principally sheep for wool and mutton. The food supply of the immigrant races in the Colony is largely dependent on the output of these farms, and educated Africans are also adopting bread and meat as essentials in their diets instead of more traditional foods.—Yours faithfully,

J. F. LIPSCOMB
Chairman
Board of Agriculture, Kenya

Treasury Control

SIR—Your issue of August 23rd has just reached me, and I am particularly interested in your first article on Public Purse Strings. This is a subject that has been exercising many of our minds for a number of years, and perhaps in a particular way, those of us who are closely concerned with the development of new countries within the British parliamentary tradition. I should like, therefore, to suggest that any inquiry such as you propose, should also be instructed to take note of the experiments that have been made in other countries within the parliamentary system.

As examples, I should like to draw attention to two in the Commonwealth. The Budget Bureau set up in the Province of Saskatchewan in 1947, and operating effectively today, and the Forward Planning procedure adopted in Jamaica this year.

The Saskatchewan Budget Bureau is exactly what is proposed in your article, a specialised body of finance officers and economists who have made budget making a year round occupation, starting one year's budget as soon as each previous one is complete. Starting with a work budget which schedules tasks to be completed in the year, it translates these into financial terms so that they can then be embodied into departmental estimates to be presented to the Provincial Treasury at the regular annual budget sessions. But it does more than that because it also combines an organisation and methods function with its own, and is much more technical in approach than the usual Treasury officer can ever be in a brief budget review once a year. Increasing technical equipment and advice may be an area where this experiment has further advances to make, but it is a successful 10-year experiment based on a study of United States Budget Bureau experience and adapted to a British Parliamentary Departmental system.

The Jamaican experiment consists in the presentation to the House of Representatives of a 3-year firm plan of capital expenditure (drawn from a 10-year forward plan) and the inclusion in the current budget of the necessary costs of forward planning and preparation for items which are in the 3-year plan, but are not themselves scheduled for the current year's estimates. This has saved an enormous amount of delay when the time arrives for the actual project to be included in the annual budget figures. It also gives an opportunity for the technical and unknown factors in such projects to be worked out, examined and tested before the major commitments are made.

Need I add that both experiments work the better as a result of the existence of a well organised and effective economic and social planning machinery, which in Saskatchewan has functioned since 1946 and in Jamaica since 1955, and provides the opportunity for basic thinking and the establishment of priorities which come even before budget bureau or forward planning procedures are needed.—Yours faithfully,

G. W. CADBURY
United Nations Adviser
Jamaica

Trade Unions

SIR—Your article in your August 30th issue does not go far enough in indicating the full extent to which even the "moderate" wage increases granted this year have been unwarranted.

You express the hope that the trade unions will eventually realise that "they cannot get annual increases in their members' earnings in excess of increases in their productivity." This appears to imply an admission that each union is entitled to claim wage increases to the full extent of the increase in the productivity of their respective industries. Possibly you may think that it would be stating the obvious to make it clear that, if progressive industries pay out to their employees the equivalent of their whole increase in productivity, any increase of wages in static or declining industries and in non-productive occupations are bound to create inflationary additions to the aggregate consumer purchasing power. There is, however, another point which is far from obvious. It is that, in order to avoid inflation it is necessary to earmark for the benefit of capital goods producers part of the proceeds of increased productivity in consumer goods industries.

In the overwhelming majority of

instances productivity increases not through any additional exertions of the workers but through the installation of labour-saving equipment. In order to be able to save labour, such equipment has first to be produced, and wages have to be paid out in connection with the various stages of its production. Now if the full benefit of labour-saving thus achieved is distributed among the workers of the firms using such equipment then to a large extent the distribution of the proceeds of increased productivity becomes duplicated. Wages are paid out in connection with the production of the equipment, and again in connection with the labour-saving achieved with its aid.

I do not mean to suggest that no part of the benefit derived from the installation of labour-saving equipment should be distributed among the employees of the firms directly concerned. What I do suggest is that the formula by which their claim on the full proceeds of increased productivity is conceded is based on gross over-simplification. Such over-simplification may be unavoidable in a short article dealing with a vast and highly involved subject. But it is of the utmost importance to give the above point careful consideration. The question is, what proportion of the proceeds of increased productivity should be distributed in the form of higher wages to ensure that there is enough consumer income to pay for the higher output, but that the additional consumer income does not lead to inflationary demand.—Yours faithfully, PAUL EINZIG

London, EC4

Brendan Bracken

MONSIEUR—Un récent numéro de l'Economist m'apprend la disparition prématurée de M. Brendan Bracken. Je n'avais pas l'honneur de le connaître mais je me souviens très bien d'avoir relevé son nom, il y a plus de 15 ans maintenant, dans un camp de prisonniers de guerre.

Un journal allemand (est-ce le Reich ou le Völkischer Beobachter ?) attirait en 1941 ou 1942 l'attention de ses lecteurs sur l'un des principaux adversaires du nazisme en Angleterre, et il désignait expressément M. Brendan Bracken qu'il rendait en grande partie responsable de l'effort de redressement accompli en Grande-Bretagne après l'occupation de Prague en 1939. Bien que mes souvenirs ne soient pas très précis, il me semble même que le journal faisait un rapprochement entre ce redressement et l'article de tête de l'Economist paru dans le numéro du 18 mars 1939, article dont la netteté ne m'avait pas échappé à l'époque.

Permettez-moi de vous exprimer tout l'encouragement que j'avais ressenti dans mon Oflag à la lecture de cet article et de vous dire tout le chagrin que j'ai éprouvé en apprenant la perte que venait de faire l'Economist.

Croyez, je vous prie, cher Monsieur, à l'expression de mes sentiments bien dévoués.

Paris A. BOCCON-GIBOD

BOOKS

The Price of Affluence

The Affluent Society

By John Kenneth Galbraith.
Hamish Hamilton. 288 pages. 21s.

THE impact of this remarkable book on British public opinion is something to be contemplated with very mixed feelings. "The Affluent Society" is penetrating, fresh, knowledgeable, humane, and—though it gets off to a slow start—entertainingly written. It is also perverse, muddleheaded, provincial and dangerous. The society which Professor Galbraith analyses has a number of other characteristics besides affluence. Its industry is no longer typically competitive, but oligopolistic ; so is its labour market. Partly as a result, its consumers' "needs" are not autonomous, but dependent on the ever-intensified pressure of advertising, seconded by consumer credit. Also as a result, it is highly unstable and subject to creeping inflation. Because of the "dependence effect"—the pumping-up of consumer needs to match output—it has an inadequate margin either for defence or for technological progress ; and its public services, from street-cleaning to university teaching, are starved and unconsidered. These evils persist because, in matters of economic theory, public policy, and social ethics, the Affluent Society continues to be guided by a "conventional wisdom" applicable only to an age of mass poverty.

The network of cause and effect between these characteristics and the major fact of "affluence" is most ingeniously and instructively traced. (On inflation in particular Professor Galbraith writes with splendid realism—though he perpetrates an odd logical lapse on page 168.) But the central notion of "affluence" remains vague. At what level of income per head does it replace poverty and make the "conventional wisdom" obsolete ? When the generality of consumers have three square meals a day and shoes all round ? Or a bedroom apiece ? Or indoor plumbing ? Or a car ? Was America "affluent" in the 1900s, the 1920s ? Is Britain "affluent" today ? There is no hint of an answer ; no hint, either, that the necessary changes in the "conventional wisdom" may be a matter of less and more, of shifting balance and emphasis, corresponding to the gradually changing preoccupations, the gradually altering relative urgencies, and the differing problems, of an evolving society. To Professor Galbraith the conventional wisdom is now, whatever its past usefulness, merely bunk ; and indeed, by equating it almost exclusively with the pronouncements of the nineteenth-century classics and with the more dinosaur-like noises emitted by the National Association of Manufacturers, he does succeed in making it sound not merely obsolete but repulsive. The Affluent Society, he says, should cast it aside ; stop worrying about efficiency, avoidance of waste, incentives, and the sanctity of consumer choice ; concentrate on stability of prices and employment—with controls for the one and feather-bedding for the other, as necessary—and impose a sales tax on private spending in order to finance the public services, defence, and the kind of investment, especially in education, whose market value is too remote to interest private business.

One need not be an NAM dinosaur to want to ask a good many questions about all this. Is "social unbalance"—the starving of public services, the blighted towns, polluted rivers, and general civic inadequacy which Professor Galbraith so unanswerably castigates—necessarily the fruit of "conventionally" guided affluence, or, simply, an American weakness ? Never an eye does he cast across the Atlantic for an answer. How practicable a long-run remedy for inflation is price control ? Again, a look abroad might have helped, but none is taken. More important, is it really justifiable to assume that all improvements in the private standard of living, once primary needs are met, are of the "dependent" kind, generated by the productive process itself and by implication never missed if never achieved ? Rude plenty is one thing ; civilisation—meaning not more and more chromium nor even more and more comfort, but the opportunity for human development beyond the merry-peasant level—is another. Except in special circumstances quite untypical of the Atlantic communities today, it calls for a lot of private material underpinning. The urge to acquire these underpinnings, however distorted by advertisement-fed emulousness, is not to be despised. Still more important, can even America embark on a massive campaign to correct "social imbalance" and simultaneously neglect efficiency, decry incentive, and provide feather beds all round ? True, Professor Galbraith's programme includes a diversion of resources to fundamental research, eventually fruitful in production ; but the productive gains from fundamental research are apt to be just the kind that depend on adaptability, mobility, the smashing of existing productive patterns, and all the discomforts of dynamic change.

These questions would need asking even had "The Affluent Society" been about America, specifically and exclusively. But it is, by implication, about advanced societies in general ; and plenty of people in Britain, the second most affluent of the major economies, will find his arguments congenial. "They shall be simple in their lives, And splendid in their public ways"—how attractive an ideal. How unimportant, how delusive, is consumers' freedom. How detestable, how soul-killing, is the competitive rat-race. How humane an enterprise is the provision of feather beds. One has heard this sort of thing before ; one will even without Professor Galbraith's encouragement, assuredly hear it again. The truth is that while America, the world's economic pace-setter, can slacken off without sacrificing more than the gains which sustained effort would have brought, Britain has long ago lost the pace-setter's privilege ; its alternatives are not a strenuous but rewarding dynamic progress or a reasonably comfortable stagnation at present levels of "affluence," but dynamic progress or decay and collapse. This may be extremely regrettable ; the ideal Subtopia, screamed over by jet airliners, redolent of frying oil, peppered with fluorescent display signs, threaded by processions of near-immobile cars between endless avenues of Jacobethan villas, falls some way short of the New Jerusalem. But if the alternative is not the New Jerusalem but something like the Jarrow of the 1930s, even Subtopia is preferable. "The Affluent Society" may, on balance, make very salutary reading in its native land. In Britain, it may only encourage delusion.

Saint or Soldier?

Michael Collins

By Rex Taylor. *Hutchinson.* 352 pages. 25s.

MICHAEL COLLINS, who was born in 1890 and was killed in 1922, is in the romantic tradition of Irish popular heroes, which includes Wolfe Tone, Robert Emmet and Charles Parnell. As in the case of other romantic figures, myths and legends have grown about his name. In the view of his admirers he was the king of all the long line of rebels who have fought for Ireland. In the view of his enemies he was a ruthless and pitiless gunman. The fact is that he was a remarkable young man, who possessed an unusual talent for organising the particular type of guerrilla warfare that proved successful in Irish conditions. He was of course an idealist, and a patriot, but he was, above all else, a military man, with a soldier's outlook, a soldier's loyalties and a soldier's capacity for leadership.

There is no doubt that it was mainly as the result of his activities that things became too hot for the British Government in Ireland in 1921. The result was the truce and the negotiations in London that led to the Irish Treaty. Collins was one of the Irish delegates. The English politicians were captivated by his personality and charm. He and Lord Birkenhead possessed some natural affinity that led to mutual admiration and friendship. But Collins was not so clever a politician as he was a soldier. He was young and inexperienced and was liable to be baffled by the contradictory and confusing instructions which he received from Dublin, and by the wiles of Lloyd George. He signed the Treaty, convinced that it secured the essential foundations of an independent and united Ireland. He returned to a divided and distraught country, where he lost his life in an ambush in the Civil War.

The involved and rather depressing events of this period are told in Mr. Taylor's excellent book. The author, who is English and too young to remember the tragic events which he describes, is free from the prejudices and bias that an Irishman would inevitably, even if unconsciously, possess. Using original material not previously available, he paints a lifelike picture of his hero, warts and all. Every student of modern history should read this fascinating account of the years in which Anglo-Irish relations and Irish politics took their present shape. The impression made upon the reader is the wonderful resilience and vitality of Irish democracy which survived such a grim internecine conflict. The credit for this rapid recovery is mainly due to the excellent ministers, led by W. T. Cosgrave, who took Collins's place after his death and completed his work.

Political Science—Two Versions

Free Elections

By W. J. M. Mackenzie.
Allen and Unwin. 184 pages. 15s. cloth, 12s. 6d. boards.

International Institutions

By Paul Reuter.
Allen and Unwin. 316 pages. 28s. cloth, 20s. boards.

THE two latest additions to the "Minerva" series of handbooks happily illustrate the rival tendencies that have distinguished the recent growth of academic political studies in this country and on the Continent. Professor Mackenzie's book, apart from its use to students, has the pragmatic purpose of assisting in the development of free elections in those countries that have recently acquired the benefit of free parliamentary institutions, and is a reflection of his own experiences in Africa. The book does not waste much time on philosophical disquisitions about the nature of representation, but discusses instead the various ways in which electorates are created, electoral systems devised and election procedures administered. The accepted norm is that of those countries, and in particular Britain, where such political systems are already firmly rooted ; and deviations, desirable and undesirable, are frankly described as such.

The book occasionally compresses too much into too little space—if purposive variations in the electoral laws of France, Italy and Germany are discussed, it is misleading to omit the reason for their failure in the French election of 1956—but it is fair-minded, even-tempered and accurate. An unfortunate misprint must be blamed for the statement that a German party needs 50 per cent of the votes to get a share of the national pool ; but surely Professor Mackenzie is wrong in thinking that the early nineteenth century English radicals got their way in the end, except with regard to equal electoral districts. We also avoided annual Parliaments—and a good thing, too. In discussing the manipulation of opinion he does not mention the use for this purpose of public opinion polls, which has been so notable a feature of recent German politics. But one's only real complaint is that a desire to be fair-minded occasionally produces a timidity of phrase that may actually be misleading. It is curious to talk of "Continental Europe outside the zone of Marxist influence" when what is meant is outside the zone controlled by Soviet power. And one could wish that Mr Mackenzie had been more forthright about the absurd sensitivity of British party machines to politics in broadcasting and about the fantastic consequences at recent elections of the pusillanimity of the BBC's reaction to it

Professor Reuter's book is harder to judge. It is written in a series of disconnected paragraphs, with what would normally be footnotes either inserted in the text or in the form of extra paragraphs printed in smaller type—the whole extremely disagreeable to read. It is translated without revision from the French text published in 1955, and now in very important respects out-dated ; and one would have thought that a translator for a book of this kind would have known that the famous project of Sully is called in English the "Grand Design" and not the "Great Plan," and been able to correct Professor Reuter's statement that the Durham Report marked the "general adoption" of the conception of responsible government in British possessions. But it is obvious that this is the opposite kind of book to Professor Mackenzie's. International institutions in the ordinary sense of the word take up less than a third of the text ; the bulk of it is concerned with setting out in abstract terms the principles of law governing the relations between independent states and the juridical problems created by modern types of international organisation. As an abstract exercise in legal thinking it may have its attractions ; but for the student of politics who wants to know what international institutions are, how they function and whether they could be improved, the book has almost nothing to commend it. The consequences of leaving political science in France in the hands of jurists has never been better illustrated, and one can understand why the French, so enthusiastic for international organisation, get into such tangles when they try it out, either in Europe or in the French Union.

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The Grand Illusion?

Alfred Lord Milner: *the man of no illusions*

By John Evelyn Wrench.
Eyre and Spottiswoode. 398 pages. 42s.

IT is time that there was a biography of Lord Milner. There can be little debate about his ability as an administrator and the part he played in the Kaiser's War; a devoted servant of the state, clear-headed, free from close party ties, cool in exposition yet passionate in convictions, he was an ideal minister in war, when all considerations are subordinate to one. It is more difficult to judge his part in South African events, which were still playing a part in the election of 1958.

Perhaps no one could have negotiated successfully with Kruger—a grand rugged old bigot, convinced that the divine right of *Het Volk* permitted him to break agreements with the English. Nor could a man of any self-respect have wished to let things rest as they were on the Rand. But after the war? In the month after it broke out Milner looked into the future and wrote: "The ultimate end is a self-governing white community, supported by *well-treated* and justly governed black labour. . . . There must be one flag, the Union Jack, but under it equality of races and languages. Given equality, English must prevail though . . . I do not wish . . . that Dutch should altogether die out." To that policy of anglicisation—meant to be tactful but at best patronising—he adhered, and in any case by the end of the war he was identified in the mind of Afrikaners with all they had fought. Would it have made any difference if he had accepted the offer of the Colonial Office when Chamberlain resigned in 1903? Perhaps not, but it can be argued that this essentially bureaucratic man embodied the most widespread of English failings overseas, the habit of being right *in law and* reason but wrong in emotion. Consider, for example, the question of Chinese labour. The Rand mines were at a standstill after the war for lack of labour; what was easier than to import a few thousand industrious Chinese? It was the quick solution and it did get the mines going, but it was so perilously close to slavery that it outraged English opinion; it might easily have created a problem as serious as that of the Indians in Natal.

There is a wider question. For most of the nineteenth century, England was doubtful whether it wanted an Empire; the Treasury and the Colonial Office were at one in regarding new commitments, especially in Africa, as expensive luxuries which the nation was better without. But from 1885, for a brief thirty years, imperialism became a creed. Kipling put into words what thousands felt and died for; Milner was the symbol of that spirit. Why did it blossom, fruit and become vocal in those twenty years? And how will the future assess it? Milner wrote, in a personal statement of political faith: "This brings us to our first great principle—follow the race. . . . In another twenty years it is reasonable to hope . . . that all Britons will be Imperialists. . . ." Was he in fact the man of no illusions or the man of one grand illusion?

It hardly occurs to Sir Evelyn Wrench that questions of this kind might be asked. His comments and judgments are those of a contemporary. Nor is his book well arranged. The relationship with Margot Tennant, for example, *might have* been conveyed in one-tenth of the space allotted, while the Kindergarten is given two references of a few lines each. There is far too much personal reminiscence; an impression is left of elderly gossip that does not illuminate. And surely even the most casual reading of the proofs should have revealed that the alleged quotation from Herodotus on page 74 is a senseless collection of letters that cannot even be pronounced?

The Classic Tradition

The Long View and the Short

By Jacob Viner.
Allen and Unwin. 462 pages. 42s.

WHOEVER chose the title for this selection of Dr Viner's essays hit the nail precisely on the head. There is no single or even dominant theme in these thirty-seven essays, which have been collected and published, along with a comprehensive bibliography, by a group of Dr Viner's friends and colleagues as a tribute for his sixty-fifth birthday, and which range over virtually the whole of his working life. But the title essay, dating from 1939, provides an unmistakable keynote. The collection covers a wide variety of fields, excluding only, as the preface explains, that of international economic *affairs—which is, of* course, Dr Viner's specialty, but on which he has recently written at book length.

There is a section on Economic Theory and Policy, ranging from a highly abstract, admittedly dated article on "Cost Curves and Supply Curves" to a wonderfully prescient review of Keynes's "General Theory" and a devastating dissection of the United Nations "experts'" report on "National and International Measures for Full Employment"—a document to which time has been hardly kinder than he. There is a group of essays on the history of economic thought. There is an unclassifiable squib—or perhaps it would be better described, in transatlantic idiom, as a slow burn—on the desirability of scholarship in economic studies. There are a number of shorter reviews, mostly prewar, though a sympathetic account of Etienne Mantoux's "Carthaginian Peace" and an appreciation of the first two volumes of Dr Sraffa's great edition of Ricardo are included. Within each group there is a catholic diversity. But there is a significant unity of attitude and of emphasis; an abiding concern with perspective (the "short view" is there all right—it is, after all, part of the perspective) in the shape of a sympathetic realism that never loses sight of the immediate human costs, the frictions and the dislocations, attendant on the equilibrating process and demanding social remedy. Dr Viner has little use for the Manchester School, and he is as severe towards the ultra-liberal Professor Hutt (one would like his views on Professor von Mises) as he is towards the illiberal ultra-Keynesians. But it is the long view, the "long run" in which, though "we are all dead," our children are alive, that he upholds, in a dozen different contexts, against present-day neglect; and, matching the long view in time, the broad view in methodology.

To call Dr Viner a neo-classic would be to convey the wrong impression. He is essentially a classic, of the same breed, though not of the same stature nor born to the same heritage, as Adam Smith. A future historian of economic thought, tracing the central tradition through its twentieth-century vagaries, might well choose the author of these essays as its most solidly typical representative.

Educational Separates

How Different from Us: *A biography of Miss Buss and Miss Beale*

By Josephine Kamm. *The Bodley Head.* 272 pages. 25s.

IT is no doubt the jingle that provides this book's title (the inexact one about unfeelingness for Cupid's darts) that places Miss Buss and Miss Beale in the ranks of the educational inseparables, as if they were another Miss Moberley and Miss Jourdain. But in fact they were nothing of the sort. They had not seen Versailles or the Uffizi or the Alps together; their meeting ground was mainly a business one, and they are a pair only because they marched forward contemporaneously and in step towards the goal of better schooling for Victorian girls.

They did not know one another at the outset of their careers. They came from different social and income groups; (Miss Buss would have felt quite at home in the welfare state, Miss Beale able to discuss with Lady Bracknell "what the Radical papers call the purple of commerce.") Their characters were poles apart. Yet, from beginnings made nearly thirty years before the establishment of Girton and Somerville, each contributed in the same massive way towards the higher education of women—Miss Buss at the North London Collegiate School, Miss Beale at Cheltenham.

In this book, Mrs Kamm uses a technique that could be irritating, skipping from one woman to the other year by year and topic by topic. Yet she does it so well that she contrives an interesting pattern out of the course of two lives that were seldom lived together—the pattern of the phenomenal change wrought in the prospects for middle-class girls in the second half of the nineteenth century. The switch is

that from Jane Eyre to Beatrice Webb and Violet Markham, and, in describing it, the portraits of the two central figures are suitably rounded out with sketches of fellow-workers: Emily Davies at Girton, Maria Grey for the Girls Public Day School Trust, and some of the men who refused to be old women about girls and brain-fag.

Once the two pioneers are prised apart, Dorothea Beale emerges as far the more complex character, and Mrs Kamm successfully shows how terrifying yet vulnerable, remote yet observant she could be. No biographer could deal more sensitively with her subject's spiritual and physical crises. Where Miss Beale mediated and enjoined silence, Miss Buss believed in keeping the girls exercised and busy; where Miss Beale told her school to accept a triumph "with no feeling of exultation," Miss Buss ordered a feast and invited the Prince and Princess of Wales. Although Miss Buss died in 1894 and Miss Beale in 1906, both their monuments, the North London Collegiate and Cheltenham, still bear the marks of their passage, and all the daughters of these and other good schools are in their debt.

The New Fibres

The Man-Made Fibres Industry

By R. Robson.
Macmillan. 135 pages. 21s.

DR ROBSON'S recent book on the cotton industry in Britain gave a detailed account of its different parts, illustrated by a good many figures not published elsewhere. Anyone who wishes to understand the structure of the cotton industry must read it. His new book covers a wider field but is much less close to the ground. Its subject is nothing less than the man-made fibres industry of the non-Soviet world, and the aspects under which he considers it include the chemistry and engineering of fibre production, raw materials, financial structure, costs, selling prices, and competition with the natural fibres.

The background information on fibre production seems reasonably adequate for people who are not directly concerned with the technical aspects of spinning. The account of inter-fibre competition, and the discussion of costs, are something of a disappointment to those who have studied Dr Robson's earlier book. Competition between fibres is the most serious of the man-made fibre industry's problems. The man-made fibres are often looked upon as serious competitors of the natural fibres, but have in real terms had only quite a small effect on the cotton and wool industries. Probably the most important field of inter-fibre competition is within the man-made fibre industry itself.

Dr Robson's attempts to estimate costs are interesting but could be misleading, as some of his surmises are doubtful—particularly those about the spinning costs of all deniers being approximately the same. Nevertheless, he has provided the reader with much valuable information, although little of it is unpublished, together with some suggestions worth further thought and some new observations on an old subject: for example, the interesting fact that there has been virtually no change in the consumption per head of textile fibres in this country during the last thirty years.

The book is rather a sketch for a larger work than an account of the industry complete in itself and should be read with some care by those unaware of the complex economics of the industry.

Countries of the North

The Scandinavian World

By Andrew C. O'Dell.
Longmans. 549 pages. 45s.

THE appearance of this book is welcome, for it fills a gap in the advanced geographical textbooks of the world in English. In it, Professor O'Dell makes an interesting contribution towards the solution of the problem facing the writers of all such works; how to divide the mass of available factual material between the major region as a whole, the individual countries that make it up, and the various lesser regions within the countries. His solution is to begin with a brief introduction to the physical background and peopling of Scandinavia, and then to plunge immediately into a treatment by country and by region that, very properly, takes up about half of the book. In this "Scandinavian World" he includes the continental fringe countries of Denmark and Finland and the peripheral Atlantic regions such as Greenland, Iceland and the Faeroes, as well as the Scandinavian core of Norway and Sweden. He then concludes with a summary of the economic geography of the "Scandinavian World" as a whole, and here, perhaps, there is some ground for criticism. However unified in feeling the Scandinavian countries may be, they remain economically separate national units. Much of this economic material might with greater convenience to the reader have been included in the chapters dealing with the individual countries, leaving the final section to elucidate those characteristics, both economic and social, that are truly Scandinavian rather than national.

This is one of those books in which the writer's special interests tend to triumph over the demands of harmony and balance. Mr O'Dell's highly expert enthusiasms quite obviously include the islands of the Atlantic fringe, the geography of minerals, and railways. Much the same applies to the numerous maps; many that might be regarded as routine, such as maps illustrating the extent and limits of the regions described in the text, are missing. Instead, there is a great richness of illustration covering the most unexpected topics, again with an evident weakness for railways and their operation. If there is some lack of proportion here, then at least the reader can be grateful for a fresh and original approach, and for access to material not available in English elsewhere.

The Free-Trade Machine

The Anti-Corn Law League, 1838-1846

By Norman McCord.
Allen and Unwin. 226 pages. 25s.

THIS is an extremely thorough and scholarly account of the history of perhaps the most remarkable pressure group in British political history. It is based on a large number of original sources, including the papers of Cobden, George Wilson and J. B. Smith, and it not only sets out a cogent and illuminating analysis of movements and events but also disposes of many ancient legends. It puts Cobden in his true place as the genius of the organisation, but it rightly relegates Bright to the background and adds to the historic stature of George Wilson. "You and I made the League," Cobden wrote to Wilson in July, 1846, "and the League made others." Amongst the others was *The Economist* itself, first edited by James Wilson and soon establishing itself as "the able and accredited organ of commerce." During the first months of its life, the Council of the League ordered 20,000 copies (on special terms) and planned their distribution among "the leading tories" in Manchester and the surrounding towns. It was by such judicious stratagems that the cause of free trade was advanced.

Mr McCord examines the construction of the new political machine with mingled curiosity and detachment. He shows how it was not very successful to begin with; how the first turning point in its history was the controversial decision to fight elections; how different members disagreed about tactics—there was usually a left and a right; and how despite all its successes it was not really responsible for the repeal of the corn laws. He makes two main general points of considerable importance. First, the decision to concentrate on one single radical objective, the repeal of the corn laws, puzzled many radicals who failed to see what in retrospect were the obvious advantages of single-minded determination. Why fight only for repeal? Why not complete suffrage or the ballot or the repeal of the paper duties as well? The successful strategists of the League knew why: they were never woolly-minded, and they were as skilful in mobilising interests as opinions. They thereby gave to radicalism a sense of direction that was soon lost after 1846. Second, the conversion of the Whigs to free trade was as significant as the conversion of Peel, and for the former shift the League was in a very real sense responsible.

There is little about economics in this book: it concentrates as keenly on politics as the League did on repeal. Something is missing, therefore, from the story. We learn a lot about the machine, but little about the power that moved it. The economic background of the fortunes of the League itself is scarcely ever considered. Yet no historian can ignore the facts and the judgments that Mr McCord has assembled.



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September 10, 1958.

AMERICAN SURVEY

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

Islands of Doubt

WASHINGTON, DC

To have found themselves on the brink of war for the second time in two months has left its mark on the Americans. Those who believe that President Eisenhower is right to take his stand on Quemoy and the Matsus show noticeably less exhilaration over this display of resolution than they did over the landings in Lebanon ; the ranks of those who think that, right or wrong, he should not be criticised in time of trouble have grown thinner ; after the first numbed silence, a growing number of voices, not all of them Democratic voices, are suggesting that he may be wrong. A disgruntled philosopher once described philosophy as a search for bad reasons to justify instinctively held beliefs. The attitude of the Administration's critics is that the President and Mr Dulles, in their recent public statements, have been producing good reasons for a course of action that most of their listeners shy away from instinctively.

Mr Eisenhower's speech on television last week gave the clearest indication yet that he is ready to use force to keep the offshore islands out of Communist hands. Those who now believe that the President is set upon taking a risk which they hold to be unjustifiable have not, for the most part, challenged the steps in his reasoning—that Formosa must be kept out of Communist hands, and that the loss of the offshore islands would seriously endanger Marshal Chiang Kai-shek's regime because he has been allowed to maroon a third of his best troops there. It is the conclusion of the chain of logic which is contested: that the prestige, and perhaps the safety, of the United States should rest upon a group of islands which are a quartermaster's nightmare to supply and which most people in the world, including most of America's allies, think belong self-evidently to the mainland.

This is the position of most of the " second-rank " Democrats who have led the attack. Of the party's senior statesmen, Mr Adlai Stevenson has been carefully non-committal, Mr Harry Truman has trenchantly supported the President, and Senator Lyndon Johnson has sat silent on his ranch in Texas. But virtually all the Democrats' other spokesmen on foreign affairs, scattered across the country on their pre-electoral business, have now weighed in with criticism of the Administration's position. Senator Mansfield, the party's second in command in the upper house, has urged the President to call the leaders of Congress in for consultation ; the aged but still sharp-tongued chairman of the Senate Foreign Relations Committee, Senator Green of Rhode Island, has shed his usual reluctance to speak ill of the Administration during a crisis. Among the Republicans, at least one thoughtful specialist in foreign affairs, Senator Cooper of Kentucky, has also expressed misgivings.

So far as can be judged from a nation-wide poll conducted by one newspaper last week, which showed roughly forty per cent of those questioned to be opposed to the President's stand, these qualms are felt in equal measure by the general public. It is this which has led some commentators to question the President's apparent assumption, in his speech last week, that he is entitled to take bipartisan support for granted now, on the strength of Congress's almost unanimous vote in 1955 for the so-called " Formosa Resolution," empowering him to defend the offshore islands if he felt this to be necessary for the defence of Formosa itself. Quite apart from the fact that the Nationalists' redeployment of their forces has radically changed the relationship of the islands to Formosa, it is being pointed out that an influential body of opinion opposed the inclusion of the islands in the resolution in 1955. In fact, seven of the fifteen present members of the Senate Foreign Relations Committee, including one Republican, then voted for an unsuccessful amendment to strike out any American commitment to protect Quemoy and the Matsus.

The President's television address has come under fire on another count. Mr James Reston of the *New York Times*, among others, is suspicious of his attempt to invoke the spectre of Munich. The charge against Mr Chamberlain's policy at Munich is that it sacrificed an apparent chance to rally most of the world against Hitler at a point when he might have been curbed relatively easily ; and not even the Administration's most ardent defenders claim that Quemoy offers a comparable opportunity. The conservative *Wall Street Journal*—whose leading articles, as during the Lebanon crisis, have been among the most reflective in the country—strongly dislikes the idea of taking a stand on such unpropitious ground.

But while there is plenty of argument about the offshore islands, there is very little about the need to protect Formosa itself. Only Mr Walter Lippmann, brooding on his solitary peak of logic, declares roundly that it is nonsense to believe that Marshal Chiang's is the real government of China, and says that the " entangling alliance " with him is endangering the United States. Mr Dean Acheson, the Democratic ex-Secretary of State, claims that as late as 1950 the Defence Department ruled that Formosa was expendable. In fact, what the department said was that, with the forces then available to the United States, Formosa came hopelessly low on the list of priorities. Now that Communist China's military strength has grown so hugely, few Americans find themselves able to challenge the concept that it must be contained by a chain of island bases, including Formosa, in the western Pacific. Those who are appalled by the dilemma into which the Nationalists have led them over Quemoy are thus in the awkward position of wanting Marshal Chiang's island without Marshal Chiang's policy.

There remains the vague but earnest hope that this contradiction may somehow be resolved while the words flow at the Chinese-American talks in Warsaw and at the United Nations Assembly in New York. There still seems to be some time for manœuvre. On the Defence Department's reckoning, the Communists are not contemplating an immediate invasion. The crisis will come if and when the artillery siege of Quemoy has to be broken by attacking the ring of gunsites on the mainland. Marshal Chiang said this week that the time is near; and, although American military advisers managed to push one convoy through last Sunday after four successive failures, it is unlikely that the Nationalists can afford to let their supply fleet be indefinitely whittled away. The Defence Department is confident that the American Seventh Fleet, which now numbers six aircraft carriers and 500 aircraft, can if necessary destroy the gunsites, and that it can do so without resorting to nuclear weapons—unless the military situation changes radically, by which is meant, apparently, unless the Russians send substantial help to the Chinese. But a great many Americans would hate to see their forces firing the first interventionist shot, conventional or otherwise, in a conflict that most people look on as a civil war.

The best hope that most observers in Washington can see is that the Communists will now, as they did in 1955, take the negotiations as an excuse to relax their pressure temporarily. If this happens, Mr Dulles will face a powerful demand to extricate the Nationalist forces from Quemoy and the Matsus, or enough of them to make the islands relatively unimportant once again. Despite his protests that he was unable to stop the soldiers from going there in the first place, he is credited with being stronger than he knows if the need arises to twist Marshal Chiang's arm. No one believes that, even if this chronic crisis subsides now, it will not soon loom up again. There is virtually no objection to the principle of drawing a line against the Communists' further expansion in Asia. But there is a widespread desire that the line be drawn in a place that satisfies two conditions which Quemoy, under the white of China's eye, does not meet, but which the broad stretch of the Formosa Straits might. First, the line should be acceptable to America's allies, and if possible to the uncommitted world; secondly, it should not set an impossibly difficult task for the soldiers who have to defend it.

The South's Move

All the four high schools in Little Rock were prevented by Governor Faubus from opening on Monday after the Supreme Court had unanimously refused to permit Central High School to shut out the Negro children admitted last year. Under another law recently passed by the State Legislature, the Governor has ordered a special election to be held, at which a majority of the 40,000 qualified voters of Little Rock may decide to re-open the state-supported schools even if a few Negroes must be allowed to mingle with the whites. Mr Faubus is taking little risk, since only about 27,000 voters went to the polls at the last election. Nevertheless, the referendum, originally scheduled for October, is now to take place on September 27th; this may be a sign that the Governor fears that prolonged closing of the schools would bring out an embarrassingly large protest vote. Parents are already worried by their children's idleness and by fears that their chances of a college education may be jeopardised; the children themselves seem aggrieved, although this is due at least in part to the cancellation of football games and other extra-curricular activities.

If the Governor wins his vote of confidence—and the tension is too great to make it easy to vote against him—his next move will be to re-open the schools as private institutions; a Little Rock Private School Corporation has just filed its papers. The federal courts are not likely to hold that schools supported by public money are private in anything but name but, judging from Virginia, the South may hope, by prolonged litigation in the state courts, to postpone a trial in the federal ones. Virginia is, so far, the only other state in which a high school has actually been shut and authority over the teachers, pupils, and policy assumed by the Governor.

Just after the Supreme Court's decision last week there was speculation that the Department of Justice, which is now acting with a good deal of energy and foresight, might seek to have defiant Governors held in contempt; Mr Faubus is still under an injunction issued by a federal judge last year not to interfere with integration at Central High School. Now, however, the Attorney General has announced, after a consultation with the President at Newport, that the department will take no legal steps of any kind for the time being, in the hope that, as the South finds out what it is like to be without its schools, "good judgment and civic responsibility" will prevail. Probably it will, in time, and in some enlightened communities. But it might prevail more rapidly and with far less stress on parents and children if Mr Eisenhower would recognise, as he failed to do in his statement last week, that the defiance of federal law stems not from lawless mobs but from the whole apparatus of state governments, against which parents and school boards may be powerless.

Fabius in Detroit

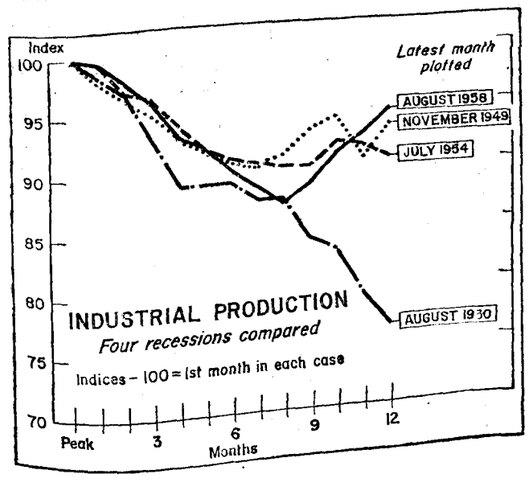
When the automobile companies began tempting customers to buy the forthcoming new models by advertising "now's the time to get a good deal," the automobile workers knew that the time had certainly come for them to get a good deal. Exactly how much the employees of the Ford Company have got is not known at the time of going to press, but it is clearly a good deal more than any of the employers were ready to give when the previous labour contract expired at the end of May. Then the Big Three—the General Motors and Chrysler Corporations and the Ford Company—would offer only to extend the contract for another two years, during which wages would have gone up by about 17 cents an hour through its provisions for rises to cover increases in productivity and in the cost of living. Now the new Ford contract, which the other two companies will probably follow, apparently provides not only for such wage increases but also for higher pensions and supplementary unemployment payments and for something quite new, compensation for workers when a factory is moved to another place. Mr Reuther, the head of the automobile workers' union, had long ago given up his more ambitious demands and increases of this type in "fringe benefits" were all that he expected to gain. In return, however, he had once more to sign a contract for three years; he had not wanted to be tied for so long this time.

Nevertheless, Mr Reuther has justified his Fabian tactics of keeping his members at work for over three months without a contract, with occasional wild-cat strikes as a warning of what might come. Last June the companies would have welcomed an opportunity of living off the stocks of cars which were piling up in the dealers' showrooms and a strike then would have played into the employers' hands. By the beginning of September the new models were about to come off the assembly lines, and the improvement in the general economic climate made it possible to hope that they might sell well. At this point no company could afford a strike, and for the first time representatives of both sides sat down at all three bargaining tables with the intention of reaching a settlement.

To ensure that there should be no further delay, Mr Reuther called a strike for last Wednesday against the Ford Company, the firm which was already behind the others in producing its new models, which had in the past shown itself most amenable in labour negotiations and which had fewer workers than General Motors to be supported out of union funds should there actually be a strike. There was no opportunity of discovering whether or not the other two big companies would have shut their factories if work had stopped at Ford, as a final proof of that unity among the employers which has been such a feature of this year's negotiations. For everything went according to Mr Reuther's plan; the contract was being signed with Ford as the workers walked out.

Great Expectations?

For months warnings that ordinary shares were becoming dangerously over-priced, in terms of dividends and profits, have fallen on deaf ears and this week investors carried the Dow-Jones Industrial Index to new peaks higher than any it reached at the top of the boom in 1956 and 1957. Whether this buying was an expression of confidence in the future of the economy or of distrust in the future of the dollar, there was no lack of evidence to confirm the judgment of the market. The release of the August figures for industrial production showed that the index had risen somewhat faster in June and July than was originally thought and that, at 137, seasonally adjusted, it had recovered more than half the ground lost between August, 1957, and last April's low. The sharpness of the recovery, and of the fall which preceded it, are particularly striking.



Dr Geoffrey Moore, the eminent student of business cycles at the National Bureau of Economic Research, has recently provided a set of measurements of past recessions* with which present and future fluctuations can be compared. His method is to choose a peak of business activity preceding each trough—not necessarily the peak of industrial production—and to relate the declines in a number of indicators over a period of twelve months to the level at the peak period. Applying Dr Moore's method to the index of industrial production brings out clearly that the present recession, so far as least, has traced the shape of a V rather than following the slower and more halting pattern of recovery characteristic of the two other postwar troughs. During August, moreover, improvement was recorded in the industries which turn out heavy production equipment; in 1949 and 1954 they took longer to recover.

The revised budget estimates, released last week, caused no great surprise by putting the deficit in the year which ends next June at $12.2 billion. But they were a reminder of a continuing ground for optimism about the economy—and for the fears, which many investors clearly share with the central bank, that recovery may generate a further bout of inflation; the cash budget, which measures the full impact of government operations on the economy, will show a deficit, greater than the conventional one, of $13.7 billion now that government trust funds are temporarily paying out more than they take in. The Budget Bureau may be too pessimistic about the effect of recovery on tax revenues, particularly on those from levies on personal incomes. But the Governors of the Federal Reserve System are taking no unnecessary chances. Now that the New York Federal Reserve Bank has at last reluctantly raised its discount rate, its charge on loans to its members, and that they, in turn, have set off a rise in charges to the public, the central authority, through open market sales, has tightened credit still further. It would be no great surprise if the cash down payment required for new purchases of shares were to be raised again.

* "Measuring Recessions," by Geoffrey H. Moore. National Bureau of Economic Research, 1958. New York. $1.

Transport's Tide Turns

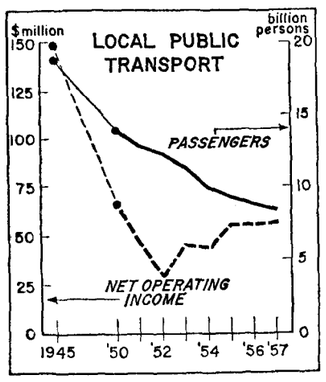
FROM A CORRESPONDENT IN NEW YORK

Recently the New York City Transit Authority, which provides millions of people with most of their transport, announced that it would accept three coupons from the household cleaning products of a private firm in exchange for one ride on a bus or on the underground. Last month these coupons were being redeemed at the rate of 12,000 a week, and the scheme has been copied by other communities anxious to attract new passengers. Apparently public transport is not yet ready to give up the ghost. Indeed, this once ailing industry has been showing signs of renewed vigour and has been seeking energetically to make its services more popular. The coupon plan is only the latest and the most ingenious of the inducements being offered. More typical ones include express buses, reduced fares on certain days or at certain times during the day, free rides for shoppers who spend more than a certain sum

in stores in the centre of town, and special monthly rates for members of transport "clubs."

The object of all such schemes is to woo the motorist from his car and back into a bus, tram or underground train. Ever since the end of the last war Americans have been deserting public transport, whether for business or for pleasure. As a result, the use of local services has not only failed to keep pace with the rise in population, but has actually declined year after year. In 1945, when petrol rationing was still keeping private cars off the road, nearly 19 billion passengers were carried, not including those on long distance bus lines. Last year this number had been more than halved, and it is probably still falling.

Between 1945 and 1953, increases in fares meant that revenues rose, even though custom was lost. But higher fares proved eventually to be self-defeating as more and more people reacted by using their cars. By 1957 the operating revenues of the transporation companies were slightly lower than they had been in 1945. For a time it seemed as though public transport were doomed to gradual eclipse. Recently, however, the picture has changed. The receipts of the public authorities and private firms which provide local transport have been falling, but so have their costs—and at a faster rate. Last year their operating expenses were about $1.2 billion, the lowest since the nineteen-forties, and their combined net operating income of some $56.4 million, after taxes and depreciation, was the best since 1950. Moreover, net operating income last year was almost double that reported in 1952.



The companies, not unnaturally, prefer to focus attention on the fall in revenues, but their success in cutting their costs is no mean achievement, particularly since about 60 per cent of the total represents the cost of labour. Falling revenues have not persuaded the trade unions to relax their demands, and increases in wages have been won regularly with or without strikes. Over other operating expenses and overhead costs the companies have some control, and they have exercised it. Uneconomical services have been eliminated or consolidated and greater flexibility in services has been achieved. Overhead costs have been reduced by administrative economies, by consolidating facilities and by putting them to new and more efficient use.

To take a few examples, Public Service Co-ordinated Transport, which operates about 250 bus lines in the principal cities and towns of New Jersey, has offset declines in passenger revenues by cutting down on weekend and evening services, by combining garages and reducing the number of repair shops. The Baltimore Transit Company has harnessed a Univac computer to calculate changes in patterns of travel. Several of the companies have also begun to repair and hire out lorries, since the maintenance and repair of buses does not fully occupy the facilities and workers kept for this purpose.

Finally, public transport has recently won some tax relief. Increases in traffic congestion and air pollution have made many cities and states anxious to encourage the use of public transport and willing to help the operators by reducing their tax burden. In this the authorities have the enthusiastic support of local tradesmen and town planners. California, for example, has exempted all urban and suburban services from the 3 per cent tax on gross receipts; the State of Washington has relieved them from the state tax on petrol. In some places, especially where services have been threatened with suspension because of declining profits or outright deficits, the city authorities have leased equipment from the companies on terms which ensure them of a more or less fixed rate of return, whatever their actual receipts. The federal government has also been helpful. In 1956 many urban services were excused from paying the higher petrol tax and the new tax on the weight of vehicles which were instituted to help finance the national highway programme.

The industry still has its problems. The New York City Transit Authority ran a huge deficit in the fiscal year which ended on June 30, 1958, and may have to raise its fares again next January from the present flat rate of 15 cents. But the climate in which public transport operates is much improved. And, as the coupon scheme in New York shows, its managers are alert and enterprising.

Primary Trends

Voters who went to the polls in ten states last week virtually finished the job of choosing the candidates of the two parties for this autumn's state and congressional elections; only Rhode Island has still to be heard from. Such intra-party elections cast only limited light on any general trends, but what they did throw edged the Republicans further into the shadow cast by Maine. In three states, Wisconsin, Minnesota, and Utah, more Democrats than Republicans went to the polls, making unexpected Democratic victories possible in important Senate races and suggesting that discontent with the Republicans stretched right across the country even into the now prosperous farm-belt. It is the first time in this century that the Democrats have shown such strength in Wisconsin—though the Republicans' poor showing may be due to the fact that none of their candidates was opposed. The Democrat, Mr Proxmire, who is defending the Senate seat he won in a by-election last year, had slightly fewer votes than his Republican opponent, Mr Steinle, but the vote cast for the three Democrats who were running for the nomination was 52 per cent of the total. This division of 52 to 48 in favour of the Democrats is exactly that reported by the Gallup Public Opinion Poll throughout the whole middle west; it means that Republicans are very little better off than in 1936, their congressional nadir.

The Democrats now have high hopes of gaining not 35, but 60 or more seats in the House, for a majority of nearly 100, and of gaining ten seats in the Senate, where they have a majority of only two. Such successes in the north and west might well wrest the congressional controls from the southern Democratic reactionaries and Republican conservatives, although, in some cases, good Democrats simply drive out good Republicans, as seems likely to happen in Minnesota where Mr Eugene McCarthy is favoured against Senator Thye. The Democrats' middle of the road congressional leaders might well have difficulty controlling such big majorities and moderating the zeal of the "wild men" for reform and progress.

What distresses many northern Democrats more is that the party, in its year of probable triumph, has missed opportunities to send to the Senate men of high calibre such as Mr Finletter in New York and Senator Benton or Mr Chester Bowles in Connecticut. They have been passed over in favour of candidates who, to Professor Arthur Schlesinger, represent "the revolt of the low-level professional . . . against the New Deal and post-New Deal leadership." But last week's crushing defeat of Mr Claude Pepper in Florida, which was certainly a rebuff to an old New Dealer, also owed a good deal to Mr Pepper's own inconsistencies, particularly on racial segregation.

Ten Years on Fulbrights

It was in 1946 that Congress passed a law, sponsored by Senator Fulbright, under which American war surpluses left in foreign countries were to be sold for local currencies which would be spent on educational exchanges between the United States and the country concerned. In effect these surplus goods were to be paid for not in the dollars which no one then had but in good will and international understanding. The programme involved the negotiating of individual agreements with the various countries, with a special bi-national organising commission to be set up in each, so that it was 1948 before Americans began to study, teach or do research abroad under the Act. In that year Congress passed the Smith-Mundt Act which authorised the appropriation of American funds for educational exchanges. This enabled foreigners to be given grants for study in the United States; since the Fulbright Act was confined to foreign currencies, only fares to the United States could be provided under it, not funds for students once they were there. The Smith-Mundt Act also enabled exchanges to be extended to countries which did not participate in the original Fulbright programme; in 1956, for example, Latin America was brought into the scheme and about 70 countries altogether have been involved in it.

As the proceeds of sales of war surpluses ran out, Congress authorised the use of foreign currencies collected in other ways, such as by repayments of credits under the Mutual Security Act and from the proceeds of sales of farm surpluses. Furthermore, one of the most important effects of the Fulbright and related schemes has been to stimulate, as well as to supplement, other means of financing educational exchanges—college scholarships for foreign students, grants from civic groups or from the student's own government, hospitality from American families.

While about half of the exchanges, both of Americans and foreigners, are of students taking graduate courses at universities, the scheme also covers school teachers, university professors, research workers, lecturers, consultants and specialists in various fields, some of whom only go abroad for a few months. During the ten years in which people have been coming to Britain on Fulbrights, the programme has brought over 3,000 Americans to this country and its overseas territories and has helped 3,400 Britons to study in the United States.

Challenge to Columbia

The British, whose yacht has been designed for heavy weather, hope that the winds will be strong off Newport, Rhode Island, this weekend. But if they are, many of the 20,000 people in fishing boats, motor cruisers and excursion steamers, who will be watching the races for the America's Cup some fifteen miles off the coast, will pay $15 or more for the privilege of being seasick. President Eisenhower and Mr Selwyn Lloyd may be among those who will see Britain challenging the United States for the first time since 1937 but for the seventeenth time since the cup was carried off from the Isle of Wight in 1851, never so far to return. The victor must win four out of seven races over a 24-mile course. American interest has already been aroused, and American newspapers have already been given a practice run, by the series of contests between four possible American defenders which ended last week when *Columbia* was chosen to meet the British *Sceptre*.

Both are new 12-metre sloops, specially built for the occasion, not privately by the Liptons and Vanderbilts whose names are associated with previous races, but by syndicates of businessmen; even so the terms of the race have had to be altered since no one can now afford the large J boats for which the cup was originally given. Equally in keeping with modern conditions, the British spent only the equivalent of $112,000 on their boat, the Americans $300,000 on theirs—but costs were presumably less in Britain. The challenger has other inferiorities to overcome: sails for both boats were made by Ratsey and Lapthorn, but the Cowes company had only ordinary Terylene which is not, it is said, as suitable as the specially woven Dacron which was available to the New York company; the British designer had no experience with 12-metre boats; the British crew is less practised in working together than the American and valuable time was lost while the boat was shipped across the Atlantic; finally the tides and currents on the Rhode Island coast are tricky for those who do not know them.

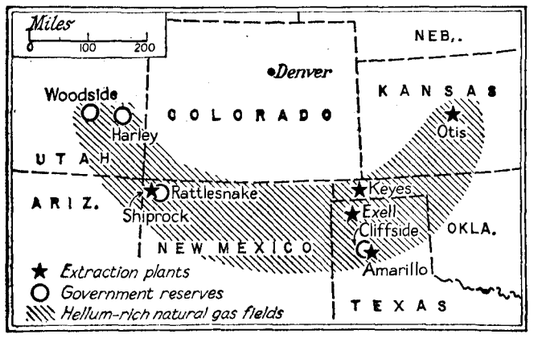
Helium not for Burning

FROM A CORRESPONDENT IN COLORADO

The small area of the United States which is shaded on the map is the only known source of commercial helium in the free world—and with the space age helium is becoming one of the indispensable strategic materials. So far even writers of science fiction have not landed man on the sun where helium is constantly being generated. On earth it is found only in minute quantities, except mixed with natural gas; and it is only in the natural gas fields stretching in an arc from Utah across New Mexico and Texas to Kansas that it is mixed in sufficient concentration to be worth extracting. It is estimated that these fields will be exhausted in another twenty years and it is already fifteen years since any large new helium-bearing reserves of natural gas were discovered in the United States. Yet of the three billion cubic feet of helium which are now coming out of American gas wells each year, only about ten per cent is being salvaged. The rest is flowing

through kitchen stoves, central heating plants and industrial furnaces which burn natural gas; but the helium is unburnable and merely passes on into the air, completely wasted.

Helium, the lightest of the inert gases, has no smell, is non-poisonous, and will not explode; it is a good conductor of heat and does not combine chemically with any other element except under the most exceptional circumstances. Its unique qualities are at the root of many of the recent developments based on "cryogenics" or the science of extreme cold. Metals kept refrigerated at the temperature of liquid helium (−452 degrees fahrenheit, only 7 degrees



above absolute zero) lose virtually all electrical resistance. A huge electro-magnet refrigerated in this way can get along on about 1/2000th of the current needed at room temperature and the elaborate refrigeration necessary costs less than the electricity would have done. This could lead to electronic computers as small as an office desk that would do the work now done by apparatus filling whole rooms; at this low temperature tiny electrical "cryotons"—a hundred will go in a thimble—can replace much larger tubes or transistors. There are many similar uses, such as keeping hydrogen, oxygen and other gases liquid and cooling nuclear reactors. Small machines to liquify helium are now available for $30,000 each, well within the range of small factories and scientific laboratories.

But so far helium is used mainly at ordinary temperatures. It creates a "curtain" to keep the air away from the welding or making of certain metals, such as titanium and magnesium, which are sensitive to air contamination. Machinery and metals stored in a helium atmosphere are safe from rust. The tiny helium atom (only hydrogen is smaller) can penetrate where bulky molecules of air cannot go, so it can detect leaks which escape detection by ordinary means—in atomic power reactors, for example. Helium is also valuable in medical therapy. It can relieve sufferers from asthma and, mixed with inflammable anæsthetics, it reduces the danger that patients may "blow up" on the operating table. As it refracts light less than any other gas, it is useful in optical systems. Mixed with oxygen, it forms an artificial atmosphere which frees deep-sea divers and airmen from the dread of the "bends" caused by nitrogen bubbles which form in the blood.

Such a mixture might constitute the atmosphere of space ships. Helium, because of its non-inflammability, has long been used to inflate balloons—for anti-submarine patrols in the last war, for meteorological research today. It is particularly because of its potentialities in such fields, and as a medium for controlling the liquid fuels which provide power for rockets, that the present wastage and future shortage of helium is now arousing so much concern.

Yet the pioneer producer of helium, Dr Seibel, still working in the United States Bureau of Mines, can remember writing a paper in 1917 which concluded that helium seemed to have no practical application because of the very high cost of extracting it; it then cost $2,500 a cubic foot to produce. Nevertheless Congress was induced to provide funds for experiments in mass output and about 147,000 cubic feet were actually produced as a result of these before the end of the first world war. To date the government has invested more than $20 million in the process and has four plants actively making helium. Annual output during 1959 will exceed 400 million cubic feet, but by then the demand is expected to be for nearly 500 million cubic feet a year. A fifth plant is to be built at Keyes, Oklahoma, to extract the helium from the natural gas produced by the Colorado Interstate Gas Company before it is passed on to consumers. The government is also trying to interest pipeline companies in building and operating a series of twelve plants for extracting helium from the natural gas they transport. But they will want some assurance of satisfactory financial returns and legislation will also be needed, since at present the government has a monopoly both of producing and selling helium. So far the government has worked on a non-profit basis, selling the helium that it does not need itself at cost price, about 2 cents a cubic foot.

THE method of extraction is to run the natural gas through units refrigerated down to about 300 degrees fahrenheit below zero. This reduces to liquid form all the constituents except helium and nitrogen; these are then drawn off and the natural gas, after being warmed up again, goes back into the pipelines and on its way to the cities and factories of America, rid of its two unburnable elements. The helium is freed of nitrogen, by exposure to cocoanut charcoal which combines with the nitrogen, and is then shipped in compressed form in tank cars or cylinders. At atmospheric pressure these would weigh less when full of helium than when full of air and even when it is compressed the helium adds only about two pounds to the 125 pounds of the cylinder. Eventually helium may be liquified before shipment, as is now being done with natural gas. It would then be possible to transport five times as much in the present containers and the cost of transport, now about 8 cents a cubic foot, would be correspondingly less.

The government's efforts to increase the extraction of helium are of course directed towards ensuring that helium is not wasted even more than towards ensuring that there is enough to meet industrial as well as military demands. If all the proposed plants are built, as much as 30 billion cubic feet of helium may be recovered. The government will be glad to store any that is not needed for immediate use, in old gas fields underground, probably at Cliffside, as it did with the surplus which piled up temporarily after the last war ended. This surplus has already been drawn on heavily. The Cliffside field is government-owned and contains about two-thirds of the 3 billion cubic feet of helium which the government controls. The rest of this reserve is in two untapped domes of natural gas, Woodside and Harley, and in the Rattlesnake field, owned by the Navajo Indians, where the percentage of helium in the gas, about 7 per cent, is the highest known.

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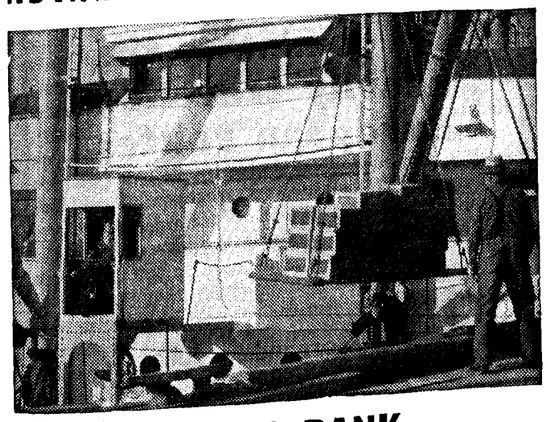

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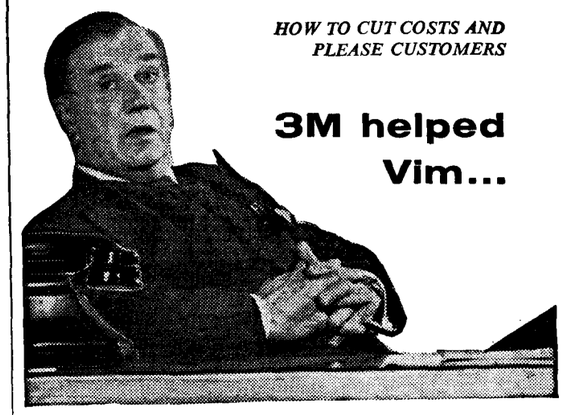

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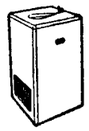

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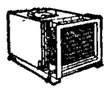

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THE WORLD OVERSEAS

Manœuvres at Montreal

FROM OUR SPECIAL CORRESPONDENT

APPROXIMATELY one hundred and fifty Commonwealth cabinet ministers and very senior civil servants from under every sun are now assembled in the pushbutton luxury of the Queen Elizabeth Hotel at Montreal, accompanied by an equal number of secretaries and camp followers and corralled by an imposing army of pressmen. It is impossible to believe that all this activity can go quite for nothing. The ultramodern mausoleum of a hotel, guarded by a corps of commissionaires in trousers of canary yellow, is almost bound to be the cradle of some new ideas and attitudes—and the graveyard of some others; the question of what is to be born and what buried will depend largely on the balance of energy in the conference hall and in the already smokefilled but also plushly air-conditioned bedrooms.

The advantage in this balance will go to the rudely determined and the bold. The rudely determined do not seem at this moment to be the British. Mr Amory and his team are in danger of making mistakes at Montreal. The first question is whether they are sufficiently opposing a pressure play on commodity problems put forward by Australia and whether they are neglecting to take advantage of a quite different initiative emanating from New Zealand. Under a cover of carefully hedged phrases and in the politest family way, Mr McEwen, the deputy premier of Australia, popularly known as Bluff Black Jack, is trying to make the Commonwealth a sponsor of world-wide commodity cartels with his interesting slogan, "we believe in partnership, not in cut throat competition." He wants the main upshot of this conference to be a united call from the Commonwealth for the establishment of international study groups which might create stabilisation (Australian for price-raising) schemes for the great bulk of raw materials which enter into international trade; he recognises that the American reaction to such a proposal would be all-important; but Canadian officials here profess to see recent signs that Washington might be more interested in stabilisation projects than one might expect. What is more surprising at Montreal, however, is that the British have not yet given the impression that they realise how far some of these price-raising schemes might harm their own interests as a consuming nation. One suspects that Mr McEwen, unlike the British and Canadians, has the inconvenient advantage of knowing exactly where he wants to go.

Australia's expected ally, the equally determined Mr Nordmeyer of New Zealand, although he would also like stabilisation for some of his exports, has not joined the McEwen union against cutting throats. Indeed, this impressively outspoken Ernie Bevin of a man has provided Britain with a so far neglected opportunity: he has transformed the expected ganging-up of primary producers against Britain into a wholly admirable game of inter-Dominion hatchet-men's tig. Down the corridors of the Queen Elizabeth Hotel scurry horrified Canadians pertinaciously pursued by Mr Nordmeyer who is trying to sell them butter. He is offering it at a price which, as he points out, would save the Canadian housewife thirty cents on the dollar compared with protected Canadian dairy products. Mr Nordmeyer's search for freer markets is liberalism, while Mr McEwen's search for rigged markets is cartelism, and it seems a great mistake of Mr Amory's not to have cheered on Mr Nordmeyer's potentially dollar earning dairy salesmanship. The presumption here is that he has not yet done so too loudly because he does not want to annoy the Canadians.

Freer trade is good, all restrictions bad: this should be Britain's slogan in manufacturing trade as well as in bulk commodities, and the British correspondent in Montreal cannot resist a very human feeling that perhaps the British Government should not be so very polite to everybody. The Diefenbaker government, which a year ago was going to buy more goods from Britain, deserves to be put in the dog-house at this conference in one important respect. It has just introduced a quite appalling anti-dumping bill which the Americans claim is openly contrary to Gatt. The essence of the bill is that while exports deemed to have been dumped into Canada were previously quite specifically defined, now the concept of dumping is to be so vaguely undefined that an almost open invitation is issued to any Canadian pressure group which wants protection to come to a tariff commission and try to get it. Moreover, while the old anti-dumping bill did not apply to goods coming from Britain, the new one quite specifically does. The Canadians are embarrassedly hinting that the bill will not be used against Britain very violently: the trouble is that Mr Fleming, in an off-the-cuff parliamentary answer to a spokesman of the woollen industry, recently hinted just as obviously that it would be.

THE advice that wise men were giving the British at the beginning of this conference was that they should openly express their hurt feelings to Mr Fleming, and then shame him by their liberal example. On Wednesday Sir David Eccles adopted the second part of this precept, but he neglected the first. It is true that the Canadian government should now find it more difficult to use its new tariff legislation against Britain; indeed, immediately after Sir David's announcement some press cynics, discounting the Canadian spokesman's assurances of Mr Fleming's complete and delighted surprise, were saying that there must have been a deal, and that Canada could be expected soon to promise that it would make no new tariff increases against British goods, and perhaps even that it will look again at its recent action against British woollens. But if one accepts the assurance that there has been no deal, it is impossible to

avoid the feeling that Sir David has missed a trick; if he had used his moment in a bright halo to express his concern at Mr Fleming's recent tariff legislation, he would have mobilised in advance an emotional swell of public goodwill for Britain which may soon be needed, and would have given some very necessary aid to the liberal (mostly, one suspects, civil service) forces in Ottawa who are now struggling against Canada's apparent protectionist tide. Certainly, Sir David's relaxations on dollar import controls are an impression of willingness to advance towards the sort of trading world that liberal Canadians want.

There has been some confusion in reports that Canada has been trying to persuade Britain to declare sterling convertible: convertibility is regarded by Canadians as a means rather than an end. Canadian officials say that the value to them of formal convertibility—that is the merging of the transferable and official sterling rates—would be that Britain could not then claim the waiver against the rules of the International Monetary Fund which demand non-discrimination in trade. Indeed some Canadians say openly that they should not have gone along with America in agreeing to the forthcoming increase in IMF quotas without first getting a British undertaking on this point. But if formal convertibility is opposed by Britain—and the Canadians are the first to agree that Britain might get some advantage from the fact that the transferable rate is still allowed to float—then Canadians have no reason to be unhappy that Britain should advance directly towards non-discriminatory trade.

THE third big question mark in the opening days of this conference hung over the on-and-then-off project for a Commonwealth bank. The story here seems to be that earlier this year when Mr Macmillan passed through Ottawa he intimated that he personally favoured the notion of a Commonwealth bank as a sort of regional adjunct to the World Bank. The Canadians were dubious of this: they pointed out that the Latin Americans are already critical of the fact that about a third of existing World Bank loans have gone to Commonwealth countries and that if the countries assembled set up a bank of their own, the World Bank might yield to pressure that less of its own loans should go to Commonwealth countries in future.

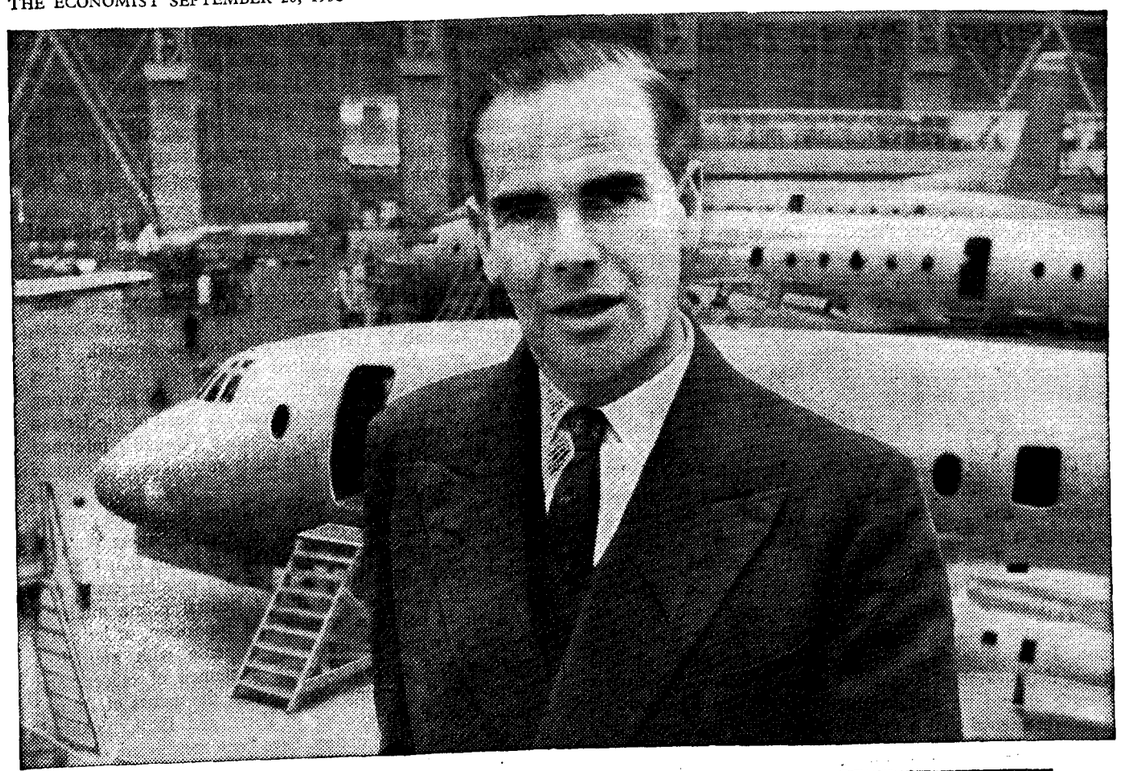
Later in the summer, however, Canadian politicians began to think that a Commonwealth fund which was directed almost solely towards helping the poorer countries—aid rather than genuine investment—might be one of the few newsworthy initiatives that could prevent their conference from looking a flop. The Canadians therefore sent a special delegation to London and intimated that they might be willing to put up some money for such a scheme, charging low interest rates, making provision for repayments partly in local currencies, and involving other easy-term arrangements such as President Eisenhower has been considering for his own projected international development association. By this time, however, the enthusiasm of the British themselves had cooled: Britain was being forced to give special aid to India and it felt that it had done enough.

When this conference convened last Monday, it was therefore believed that the idea of a Commonwealth bank was dead: the most that the British seemed ready to countenance was an advisory body which could be called a bank if the Commonwealth liked but into which the British would not put any money. A feature of the conference to date, however, is that many of the underdeveloped countries insist that the World Bank does not meet their needs: it will not finance things like schools, training colleges and hospitals; it is interested only in self-liquidating projects. Countries like Ghana, with its very able economic adviser, Professor Arthur Lewis, have found that the World Bank can finance only some of the smaller and less important parts of their development plans: their alternative now is to borrow in London, but they feel that a Commonwealth bank could use its prestige to borrow in New York and Zurich, and Canada, Australia and New Zealand could presumably contribute some funds.

The rest of the news from Montreal consists of platitudes on the conference floor and gossip in the elevators. The theme song sung by almost all delegates in the first two days and conducted fortissimo by Mr Amory was that the real problems of the Commonwealth can only be solved within an expanding world industrial economy. This is undoubtedly true, but there does not seem much that this conference can do about it: indeed both the main industrial countries represented here, Britain and Canada, have indicated that for their own good reasons they can remove the brakes on their domestic economies only very cautiously. In Montreal there is more optimism than there recently was in London about next month's conference at Delhi of the World Bank and the International Monetary Fund. A common forecast is that a 50 per cent increase in IMF quotas is the least that can be expected, and some optimists say that the Americans might conceivably even agree to double them.

The delegates here at Montreal are almost certainly going to agree to an ambitious scheme for improving telecommunications within the Commonwealth and to a much greater exchange of university students (and possibly also of industrial trainees). One of the items on the agenda here is the possibility of improvement in the machinery for continuing Commonwealth economic consultation: the British view seems to be that the present machinery works surprisingly well, but that there might be an advantage in giving greater publicity to it.

THE whole course of the conference has emphasised again how fortunate Canada is in its corps of experienced and able civil servants: together with the British—and a few expatriate officials in the underdeveloped countries—they are dominating the civil service side of proceedings here. By contrast Canada's new conservative ministers are, frankly, very inexperienced men and Mr Fleming does not always seem to appreciate the difference between programme planning and propaganda. Indeed, one of the difficulties of this whole affair is that Canadian politicians are obviously fearful that the press will be saying next week that Mr Diefenbaker's mountainous initiative in calling this conference has brought forth only a mouse: they are searching for some palpable success, and the danger is that they may think they see it in Mr McEwen's commodity stabilisation schemes. So many economic distortions have been caused by national policies which have kept far too many farmers on far too many farms under the protection of subsidies and price guarantees, that heaven help us if the Commonwealth should do anything which might cause the same thing to happen with raw material producers under international production. This looks like being the main threat for which to watch out in the last week of this assembly.



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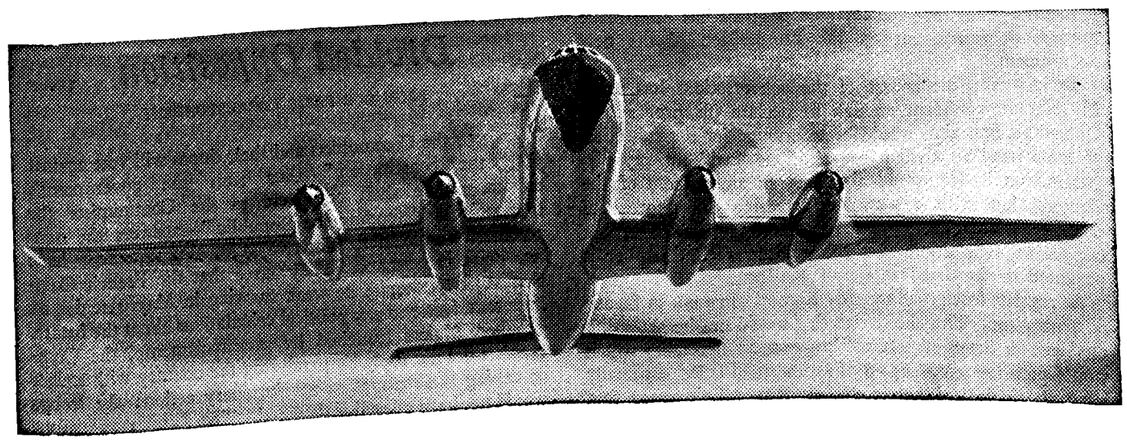

Tidying-Up in Lebanon

FROM OUR CORRESPONDENT IN BEIRUT

WITH luck, the next few days should see the end of the Lebanese agony—or at least the beginning of the end, since it will take many weeks of tidying up to restore the pre-crisis prosperity. Next Monday the prime minister, Sami Solh, will present the resignation of his government to President Chamoun and soon thereafter will depart for Istanbul. On Tuesday, General Chehab will take the oath of office as president of the republic. On Wednesday Mr Chamoun will vacate the presidential palace for the first time in many weeks and retire to the mountains, where the fresh air should help him to breathe life into the new political organisation which his supporters have just registered with the ministry of the interior as the "Party of Free Patriots."

The fact that President Chamoun has lasted out his term of office is naturally claimed by his adherents as a famous victory. But although it is impossible to withhold admiration for his dogged stand, the claim would be more convincing if he and his government had actually governed during the last four months. His more extreme supporters are still asserting that the next government will carry on Chamounist policies, though all indications are that it will not. It would seem, *prima facie*, absurd that policies which have demonstrably alienated a majority of the Lebanese people should be pursued further. Certain Chamounists have threatened that a radical departure would result in a Christian revolt along the lines of the movement launched by the opposition last May and maintained ever since. This would merely mean that the actors in the tragi-comedy would change roles; the ruinous performance would still drag on. Such a development would effectively preclude any revival of the Lebanese economy.

Rashid Karami, the leader of the opposition in Tripoli, is emerging as the strongest contender for the post of next prime minister. Extreme supporters of the outgoing government argue that it is intolerable that a man who took up arms against the legally constituted authority should be rewarded with high office. Many moderates, however, regard the selection of an opposition leader as the best guarantee that the civilian population will be disarmed; and unless this essential step is taken any prospect of orderly government in Lebanon—whatever its complexion—is indeed remote. Mr Karami has had several lengthy conferences with the president-elect during recent days and it seems certain that considerable progress has been made towards an agreement on the composition of the new government.

In any case, the course of the conversations has made Mr Karami confident enough to declare his programme. One of his first aims would be to arrange for the collection of arms from all civilian organisations "without any discrimination." He would also seek an amendment of the electoral law with a view to increasing the number of deputies. This has been a longstanding demand of the opposition, who argue that the present small Chamber is weighted to the disadvantage of Moslems.

As regards foreign affairs, Mr Karami came out in favour of neutralism. This, he declared, "would not be neutrality on Swiss or Swedish patterns but rather a neutrality which would preserve our freedom of action in all fields, especially in Arab fields." This is yet another definition of that elusive concept of "positive neutrality" with which President Nasser and the Syrians would find no quarrel. In the same connection, Mr Karami described Colonel Nasser flatly as "a superman" and expressed his personal preference for some form of federation with the United Arab Republic. He qualified this by saying that any such step would require the unmistakable endorsement of a great majority of the Lebanese people.

It goes without saying that the accession of Mr Karami to the prime minister's office would be followed immediately by a request for the withdrawal of American forces from Lebanon, though he has conceded that a complete withdrawal may take some time—perhaps two or three weeks. General Chehab is also committed to this demand. The position regarding the United Nations observers is less clear cut. The opposition has gone on record as favouring their withdrawal, and Señor Galo Plaza, head of the United Nations Observer Group in Lebanon (Unogil), informed your correspondent today that he is anxious not to outstay his welcome.

Mr Karami is reported to be aiming at a coalition government with as broad a representation of Lebanese political opinion as he can obtain. If he fails, it seems that General Chehab would have the choice of two possible courses of action. He could try to find a neutral prime minister, acceptable to both government and opposition, or he could try—for a while at least—to dispense with politicians altogether and govern through a council of officers and "technicians." Among the neutrals, the names of Ahmed Daouk, former ambassador in Paris, and Ibrahim Ahbad, now ambassador in London, have been mentioned. Neither has taken any part in the present conflict, although the resignation of Mr Ahbad from the Lebanese delegation to the recent United Nations emergency assembly has been taken to indicate disagreement between him and Dr Charles Malik, the most conspicuous symbol of Chamounist policies.

Although government by a council of officers and technicians cannot be excluded, the president-elect would certainly regard it only as a very last resort. Ever since the proclamation of Lebanese independence the army has been free from any taint of politics, and General Chehab himself has been the main influence in preserving the principle of non-involvement. Only with the greatest possible reluctance would he start his term of office with so radical a departure from everything he has stood for hitherto.

The French Referendum—II

Divided Opposition

FROM OUR PARIS CORRESPONDENT

"ONLY the Communists and their dupes will vote against the constitution"—thus runs the government's refrain. "We shall not leave to the Communists the monopoly of defending the Republic"—answers the non-communist opposition. The two contrasting statements have one point in common. They agree that the French Communist party, despite its weak showing in May, remains an important factor in any political calculations about the future.

When Algiers launched its pronunciamento, the Communists did not reply by paralysing the country with strikes or calling their troops to revolutionary action: the troops would not have obeyed if they had. There are many reasons for this apathy. The substantial increase in the real wages of French workers between 1953 and 1956 dampened the fighting spirit of the postwar years. A series of unprepared political strikes merely ended in disappointment. The personality of General de Gaulle neutralised many workers, who might have fought against "the colonels." Finally, communist isolation, and the passive attitude of other trade unions, reinforced the feeling that this was not yet the time for a fight.

It would be a mistake to assess the potential power of the Communists on the basis of their sporadic strikes in May or even in terms of the *militants* still willing to brave the truncheons of the police. Economic difficulties might revive the fighting spirit of the industrial workers. In any case, although the Communists are in no mood for barricades, they have not apparently deserted their party. Most experts in Paris expect that they will still account for about a fifth of the poll at the next general election (they polled about a quarter last time).

The mood of their rank-and-file explains the behaviour of the communist leaders. In May, the party clung desperately to M. Pflimlin's government, causing confusion among its more extremist elements. Since then, it has been talking in Republican and not in revolutionary terms, offering an alliance to all the anti-Gaullists and promising guarantees for the future. The communist leaders are convinced that a period of Gaullist rule will be one of persecution for their party. They are aware that France is not ripe for a communist dictatorship and that a *coup* at this stage would involve the risk of world war. For the time being, they might be genuinely in favour of defensive action, which would naturally strengthen their position but not bring them to power.

THIS does not mean that the Communist party has no alternative, should it be isolated and defeated in the "Republican" battle. The party can go underground. MM. Thorez and Duclos remember that the Communists emerged from the resistance as the biggest party in France. If the Gaullist hopes are disappointed, the Communists will face the country as the first champions of a new "resistance." In that case, they will not be content with the role of junior partner in any coalition.

Other groups in the opposition also contemplate seriously such a possibility. But it is now clear that no other established party will campaign against the constitution. Things have changed since that day in May when the socialist deputies proclaimed their "never" to de Gaulle; their party congress at Issy-les-Moulineaux last week decided by nearly 70 per cent of the votes to campaign for the Gaullist constitution. Once M. Defferre decided to vote "yes" in the hope of a liberal solution for Algeria, M. Mollet was certain of victory. For three days he could watch the procession of resigned delegates—including such well known figures as MM. Pineau, Gazier and Moch—who, having explained the dangers of the constitution, put party discipline above their conscience and said they would obey the decision of the congress. In the end, only the hard core of opposition, the members of the old "minority" (such as MM. Depreux, Verdier and Savary) who for years had opposed the Lacoste policy in Algeria, decided to walk out and form an independent socialist party.

The doggedness of M. Mendès-France made the battle more equal at the Radical congress in Lyons. There, the alliance of the *mendèsists* and of some deputies from the South-West meant that over two-fifths of the party voted against the constitution. It is even claimed that the decision would have gone the other way but for some irregularities in the vote itself. The fact remains that no party except the Communists has gone into opposition.

This retreat by the established parties increases the importance of the *Union des Forces Démocratiques*. Sponsored by M. Daniel Mayer, chairman of the League of the Rights of Man and former head of the Socialist party, the UFD is a loose alliance. It groups liberals, like M. Mendès-France and his friends, M. Mitterrand, and many academic figures; Socialists from the minority mentioned above; and various small left-wing movements. Indeed, if the lunatic fringe on the Right is excluded, it covers the whole of the non-communist opposition.

M. Mendès-France has, inevitably, become the chief spokesman of this movement. He has argued that the referendum will really be a plebiscite with confused issues, and that it is meant to provide a legal stamp for what was an insurrection. The constitution, in his opinion, is dangerously reactionary and will only increase the ills of French democracy. The performance of the government on the crucial Algerian question does not justify the swallowing of principles for the sake of a solution. On the contrary, giving in to successive blackmailing demands is not the way to defend the Republic; it will merely encourage its foes in Algeria and elsewhere.

Should the "noes" carry the day, which nobody for a moment can expect, M. Mendès-France would support elections in November for a constituent assembly which should produce a simple draft constitution within a month; an African congress to be called immediately; and freedom of expression to be restored in Algeria so that genuine spokesmen of the Algerian people could be found. M. Mendès-France and his colleagues are less explicit about the forces they could command, apart from the verdict of the French people, to make the army and its allies obey. One reproach against the opposition that is frequently heard in Paris is that it does not face squarely the issue of its relations with the Communists.

Only the leftish elements in the UFD are in favour of a provisional, but open, alliance with the Communists. The others, particularly the liberals, are still dreaming of a third force in which the political pendulum swings only between centre-left and centre-right. They know that they may be driven to the choice they want to avoid. They say that the Gaullist referendum and the ensuing elections will divide

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the country and force the people to choose between extremes. They fear that the Gaullist experiment will ultimately leave Frenchmen with no alternative but fascism or communism.

The referendum will tend to divide these liberals from some of their natural allies. The consequences of this will be important. Should there be only, say, six million votes against the constitution in metropolitan France, the conclusion will be drawn, rightly or wrongly, that the bulk of them are communist (the Communists polled 5.5 million votes in the last election). The opposition will have to poll much more heavily to convince public opinion that it can talk with the Communists on equal terms. The UFD intends to campaign throughout the country and can rely on the backing of intellectuals, professors and teachers. But will many Socialists follow the minority? Can M. Mendès-France convince the middle classes? The tide is flowing the other way. It may seem strange that M. Mendès-France should be blamed for the vagaries of the Fouth Republic, while MM. Mollet and Pinay are the heralds of a new order. Still, the Republic was defeated in May and things are awkward now for those who did not desert it then. After all, it was a Gaul who threw his sword on the Roman scales shouting *Vae Victis*.

The two oppositions are going to battle separately. The non-communists give the impression of knowing that it is a losing battle. But they hope to act as a dam against the Gaullist tide that is now sweeping the country, so as to be able to act as a dam again when the tide recedes. On September 28th they will try chiefly to limit the damage.

(To be concluded)

South Africa's New Boss

FROM OUR CORRESPONDENT IN SOUTH AFRICA

WHEN South Africa's new prime minister, Dr Verwoerd, was editor of a Nationalist party daily newspaper in Johannesburg, he achieved something which may be unique in newspaper annals: during the months that King George VI and his family spent in South Africa on an official tour, his newspaper, as a matter of deliberate policy, did not once mention their presence in the country. Nor did it publish a single picture of an event which the rest of the South African press regarded as of first-rate news value. This is typical of the man: as a whole-hogging republican he put his politics before journalism. No matter what the cost to his newspaper, it was more important to strike a blow for republicanism.

Nearly thirty years before this incident, the iron had first entered into the soul of the young Verwoerd, then the schoolboy son of a Dutch Reformed Church missionary in Southern Rhodesia. When a pupil at a Bulawayo school he was offered a scholarship to continue his studies in Rhodesia. But the boy wanted to get back to South Africa with his parents and turned down the offer. "What do you want to go back to that nest of rebels for?" his headmaster asked. His reply was polite but unequivocal, and this, according to the story as Dr Verwoerd himself tells it, so angered the headmaster that he kicked him twenty feet down the passage.

Later he turned down the offer of a bursary which would have taken him to Oxford, and went to Europe instead. More than twenty years afterwards, Dr Verwoerd's newspaper waged a bitter struggle against the Union's participation in the war against Nazi Germany. Another newspaper accused it of falsifying news in its support of German propaganda. Dr Verwoerd sued the critic but lost the action, the judge finding that he did in fact knowingly support Nazi propaganda in his paper. Last year, when this incident was recalled in the Senate, Dr Verwoerd aroused bitter resentment by saying that one of the reasons why he had not appealed against the judgment was because he knew how difficult it was for the Bench to mete out justice in the face of government interference.

When the Nazis were overrunning Europe, a committee of Nationalists drew up a draft constitution for the South African republic that many of them thought they would obtain from Hitler's victory. It was as authoritarian a document as any that has ever been responsibly propagated in South Africa. The president was to be answerable to God alone; the English language was to be relegated to an inferior position. Dr Verwoerd's newspaper published the draft with the comment that it "very precisely interpreted" the Nationalists' ideology. Since then many Nationalist leaders have disowned or repudiated the draft, but Dr Verwoerd has been far less emphatic than anyone else.

He has, moreover, sometimes spoken disparagingly of South Africa's parliamentary system as being "British-Jewish-Liberalist," and he has a vulnerable anti-Semitic record. In 1936, when he was head of the department of psychology at the University of Stellenbosch, he was a member of a deputation which protested to the government against the admission into the Union of Jewish refugees from Germany. Later, as editor of *Die Transvaler*, he again campaigned against Jewish immigration, and gave frequent other evidence of his anti-Jewish feelings, at the same time complaining that the Jews did not advertise in his paper. When Dr Verwoerd was faced with this past after he had become prime minister, he replied soothingly that he would adhere strictly to the policy of his predecessors.

DR VERWOERD has been in Parliament for ten years, only four months of which he has spent in the House of Assembly. He was tenth out of fourteen in cabinet seniority when he was chosen to succeed Mr Strydom, and the author of more contentious and undemocratic legislation than any other man. When he joined the cabinet in 1950 he caused a minor revolution in the department of native affairs. He nationalised African education. He took power, under certain circumstances, to prohibit religious worship by whites and non-whites together. He has fantastic powers of control over the lives and movement of all Africans. Under the Prohibition of Interdicts Act he can ensure that if an African is moved from an urban area wrongfully, he may not seek a court interdict restraining his removal until he has been moved. And in the Native Reserves, the so-called homeland of the Africans, Dr Verwoerd is absolute and undisputed master. It is almost a state within a state that this hard-working, single-minded, stubborn but very clever man has fashioned—and all with the object of ultimately separating white and non-white and establishing beyond dispute the paramountcy of the Afrikaner. More passionately even that Mr Strydom, he believes in white *baasskap* and in *baasskap apartheid*, all within a republican framework wholly divorced from the Commonwealth.

Does Dr Verwoerd stand any chance of getting nearer his twin goals, republicanism and apartheid, than either of his predecessors, Mr Strydom or Dr Malan? He certainly is more dedicated, more determined and far more ruthless than either of them, has more drive and energy, and is a younger man. Above all, perhaps, he has absolute faith in himself and in his mission, almost a complex of infallibility, that has both astonished and frightened people who meet him for the first time. He told an interviewer last year that he did not worry or fret because he had no nagging fear that his policies might be wrong. With this almost Messianic belief in himself and his theory he combines an uninhibited attitude to the Deity which would be far better suited to a theocracy. He said publicly that the solution of the Nationalist party's leadership problem had been God's decision, and that the voting had been a manifestation of God's will. This, no doubt, he sincerely believes.

With his authoritarianism he combines an idealism which has at times puzzled his followers as much as his opponents. He has, for instance, built more houses for urban Africans than any of his predecessors—a remarkable achievement. At the same time he justifies his colour philosophy in these terms: "Instead of having an intermixed society you should have a society in South Africa in which there is separation, giving the fullest opportunities of development to one race just as to the other. . . . Just as we want supremacy in our areas, so we are prepared to grant the same supremacy to the Bantu in his area. We don't want for ourselves what we are not prepared to cede to others." He has made no progress in implementing this aspect of his policy—in fact, he turned down the only comprehensive blueprint ever drawn up for race separation, the Tomlinson report. Nor does the proof that economic facts make nonsense of the theory of apartheid worry him in the slightest. He believes that it will one day be possible to separate White and non-White, even if it takes a couple of centuries.

DR VERWOERD'S first few weeks in office have shown that he has no intention of rushing in where his predecessors have found it prudent to tread with discretion. He is going slowly and circumspectly, pacifying, mollifying, consolidating his position in the government and in the party, where his election caused almost as much shock as it did in the country. Unbending, unrepentant, unconcerned, he knows where he wants to go, and has the almost blind determination to get there if he can.

But it would hardly be in the character of this remarkable man to remain patient for any length of time. In the words of one critic:

> If Dr Verwoerd the prime minister is going to be a projection of Dr Verwoerd the minister of native affairs, this country is faced with a disaster. At no time less than now could this country afford a government based on regimentation, fanaticism and authoritarianism. Unless his wider powers and responsibilities change him, Dr Verwoerd's appointment may mark the transition in South Africa from an easy-going, elastic, more-or-less democratic parliamentarianism to a rigid regimentation backed by a tyrannical party machine on the lines of the regimes which brought some European countries to ruin.

South Africa has its fingers firmly crossed: it suddenly finds itself on the back of a tiger headed for heaven alone knows where, and there is nothing it can do except hope and pray—for a miracle that will save it from the worst excesses of fanatical racism as expressed in the person of a dedicated man.

Italian Communes in the Red

FROM A CORRESPONDENT IN ROME

LOCAL government, like so much else in Italy, has produced its crop of saints and scoundrels and both have been a heavy burden on the budgets of local authorities. But the massive total of indebtedness run up by provincial and communal administrations since the war is not simply the achievement of a few colourful eccentrics dispensing charity or practising corruption on a grand scale. This the cabinet has recognised in approving two bills designed to ease some of the burdens, particularly those which press heaviest on the smaller communes in the backward areas of the South.

According to Signor Tambroni, the minister of the interior, the number of communes deep in debt has been exaggerated; there are, he claims reassuringly, only 650 of them out of a national total of about 8,000. More important perhaps is the fact that indebtedness is consistently rising, easily forging ahead of the increase in proceeds from local taxation, and by the beginning of last year had reached the figure of some 700,000 million lire; in six years it had risen by 595,000 million lire. In 1951 local authorities collected just under 300,000 million lire from taxes and other regular forms of income and this had risen by 1956 to about 553,000 million lire. Ends, it is clear, not only were not meeting but were drawing further apart.

Finding reasons is simpler than arriving at solutions because many of the reasons vary with local conditions, while a definitive answer from the government presupposes a uniform approach valid for the whole country. In many of the poorer towns, mainly in the South, there is simply not enough money to provide elementary public services and to fulfil such basic requirements as a school-house or a system of fire-fighting. Greater prosperity elsewhere in the country does not necessarily bring immunity from the embarrassment of debt. Hence the government's proposals do not amount to a thorough reform but to a few carefully chosen measures intended to benefit poor communes while avoiding a disproportionate relief to richer ones. The basic formula is to remove from local budgets those burdens felt to pertain exclusively or prevalently to the State rather than to the province or commune.

SOME of the trouble could probably have been avoided. No great sanctity is attached to public money in Italy, which tends to be disbursed somewhat openhandedly, if not underhandedly; in either case it goes. Appearances have to be kept up, something which Italians in office seem to find excessively important; provincial capitals have special burdens of this kind, both actual and psychological. It must in all fairness be said that the system requires overhauling, and that in many parts of the country the temptation to spend more money than is available on improving conditions might justifiably be great.

Political rivalries can be a costly luxury. Where local feeling is strong it is natural that the group in power would want to impress its electorate. Building is a favourite way of doing so and an expensive one at that. It has been pointed out that the main activity of the *Anonima Banchieri*, the unorthodox financial organisation which operated in partnership with parish priests in the fiercely anti-clerical and strongly left-wing areas of Emilia and the Romagna, was ecclesiastical building. Presumably the priests felt the need

of bricks and mortar to show what faith and a miraculous brand of financing could do against the combined forces of Marxism allied with the overdraft. Why else would a priest have built a children's home big enough to take five times as many children as lived in his parish? And who knows the state of the fire-brigade? That at least stands a chance of improvement if the government's bills ever become law.

President Frondizi's Tightrope

FROM A CORRESPONDENT

SIX months after his electoral victory and four months after taking power, President Frondizi of Argentina is still feeling his way forward as if he only had a one-vote majority. Yet he has the largest political majority ever held by any constitutional president in the nation's history, and the opposition is sadly divided. Every time he moves one inch to the left he promptly goes on to move an inch to the right. There are some countries where such a policy would probably win friends on both sides, but in Argentina the net result seems to be disillusionment and confusion.

The most widely accepted explanation of the president's policy is that he is paying the political debts he incurred when canvassing support for his presidential candidature. This is only part of the truth. His strange decisions—strange for an anti-clerical—to support the Catholic demand for separate universities, and not to support a revision of the divorce and legitimacy laws, certainly have something to do with the Church's tacit support for his candidature. Also the purchase of a British aircraft-carrier was obviously the repayment of a political debt to the navy. Similarly the government's lukewarm attitude when well-known Peronists have either retained key posts or have been reinstated after having been deposed by the Aramburu government, can only be understood against the background of two million Peronists dutifully voting for Señor Frondizi.

However, this explanation fails to take into consideration the president's efforts to implement his original policies while simultaneously paying off his political debts. His platform was left-wing and nationalistic. He promised not to release the oil industry from the grip of the state monopoly; he promised a more independent foreign policy and closer commercial ties with the communist countries. His followers, therefore, expected a flood of rapid reforms. They were disappointed.

Perhaps the clearest example of his skilful tightrope technique emerges from his new petroleum policy. Sr Frondizi became famous in Argentina precisely because of his staunch nationalist position on oil. When his new oil policy was made public, right-wing publications in Argentina and abroad hailed it as indicating his conversion to economic liberalism. But a closer examination shows that Sr Frondizi has found a new way of eating one's oil cake and keeping it. The new policy is based on a large number of contracts with different foreign firms for specific jobs—exploration, development of existing wells, transportation, and so on—and the duration of the agreements is limited. The contracts are always to be between the state petroleum corporation, YPF, and the foreign companies, and effective control is always vested in YPF. Foreign capital, attracted by high fees and rates, is already coming in. And while the right wing was hailing this as a surrender to free enterprise, the president managed to push forward the signature of a contract with Rumania for the purchase of approximately US $4 million worth of oil industry equipment. This contract, together with the previous one with Russia, makes Argentina the principal Latin American market for this type of Soviet product.

It is, however, in his relations with the armed forces and the right-wing pressure groups known as "gorillas" that President Frondizi has been in most serious difficulties. After some preliminary rumblings, the armed forces allowed him to take over power, but the conditions must have been important. Since May 1st, when Sr Frondizi was inaugurated, there have been two revolutionary conspiracies in the army. Both were defeated, but in both cases the final solution was yet another compromise.

Unfortunately the armed forces, used to sharing power under the Perón dictatorship, did not remain satisfied. They tried to push the president around. In one instance they took a decision which might conceivably have ended in war with Chile. This was the "Snipe Affair." The Snipe islet is a bare rock, slightly larger than the pitch at Lords, in the middle of the Beagle Channel, near Cape Horn. Since 1881 Chile and Argentina have disputed its ownership. No one had paid much attention to this rather academic argument until a few weeks ago an Argentine force destroyed an automatic beacon placed on the islet by the Chilean navy and built a new one. This was an act of gratuitous provocation, neatly calculated to be used politically in Chile, where one of the fiercest electoral campaigns in history was drawing to a close. Right-wing agitators paraded the streets of Santiago shouting anti-Argentine slogans. An Argentine flag was burned in the central square and a statue of President Sarmiento of Argentina was hurled into the Mapocho river. Fortunately for both nations, Sr Frondizi sent a conciliatory note to President Ibañez of Chile proposing a joint meeting to solve the problem amicably.

THIS incident was entirely instigated by a group of chauvinistic officers, strongly opposed to any sort of entente between Argentina and a possible left-wing government in Chile, who also wanted to make a case for additional funds for buying even more weapons. But the incident was dexterously turned to his advantage by President Frondizi, who started exercising his executive powers with more gusto. A score of naval officers were retired—including Vice-Admiral Isaac Rojas—and were followed by numbers of their army and air force colleagues; perhaps taken by surprise, the armed forces pressure group refrained from action and all was quiet for almost a fortnight.

Now the latest coup has come from the air force. The president has again been able to put it down, and the score is eight officers in jail and sixteen retired. While this coup was being dealt with, the president had to face the angry protests of the left wing against the decision to allow the Church to start its own universities. There was also forming within his own Intransigent Radical party a left-wing group which strongly objected to his new petroleum policy. But Sr Frondizi is still doggedly steering a careful policy between the toes of his uniformed protectors and the consciences of his temporary political allies—but always inching forward his own reformist programme. In the end, he might yet be the only one who gets his way.

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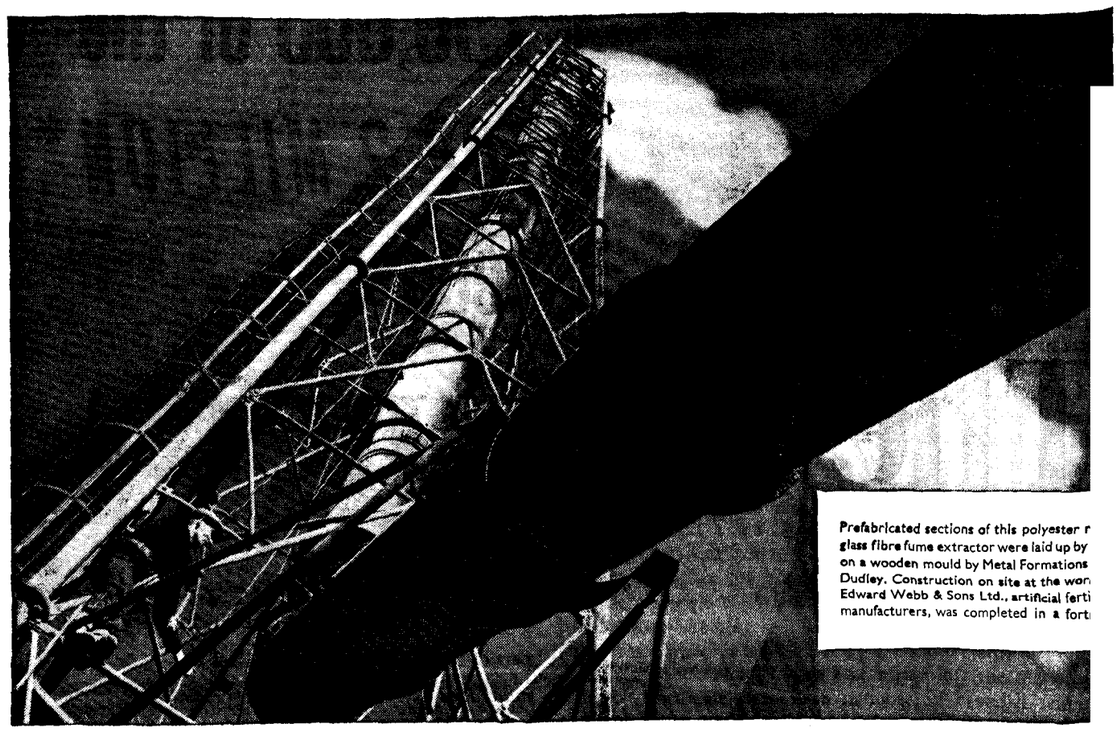

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THE BUSINESS WORLD

New Jockeys in the Disc Race

In ten days' time the first serious attempt will be made to break into the gramophone record market with discs selling at half current retail prices. The record industry is not an easy one for new entrants, as Lord Rank has discovered. It is dominated by two giants, Decca and Electric and Musical Industries. The two argue interminably about which produces more records, but between them they account for 90 per cent of the industry's output. Each must be producing records at the rate of more than 35 million discs a year, and beside them other British producers are pygmies.

Since Decca first brought long-playing records to this country in 1950, a number of new record-making companies have been formed, the biggest of them by Pye and by Philips. Conditions can never have been more favourable for expansion; the boom in records has increased the value of sales nearly five-fold since 1949 and has doubled production during the past six years. Yet no serious challenge has emerged to either of the giants and now, when production is showing a definite fall, it is the small, not the big producers who feel the draught. Decca's sales were still rising in the early part of the year, and EMI has also done well.

The challenge that is being made now by Gala records is in a class of its own. It has been felt for some time that the only way for a newcomer to compete with established record producers was by selling at lower prices, but it was difficult to see how this could be done when the cards were stacked in favour of the big and the established manufacturer. These start with the advantage of very large investment in record-making plant; most of the best selling performers are already under contract to them or to companies for whose catalogues they hold the distribution rights. They are in a better position to cut record prices than a new or small company; in fact, they have done so. Decca is already re-issuing some of its earliest long-playing records at 22s. 6d. each against a rough average of £2 for the equivalent in a new recording; moreover, the most significant development of recent weeks has been the joint decision of Decca, EMI and Pye to sell their new stereophonic records at the same price as an ordinary long-playing record. Stereo records are considerably more expensive to produce and in other countries, notably the United States, they automatically command a higher price.

The best opportunities for undercutting these manufacturers seemed to be provided by record clubs. These have several advantages; they sell direct to members and so save on distribution expenses; they offer a small choice of discs only to a guaranteed market and thus do not need huge stocks of records; and they come off rather more lightly for purposes of purchase tax than the manufacturer selling records in the normal way. The datum line for the calculation of purchase tax (at the rate of 60 per cent) is the wholesale price. This in the case of club records is a notional one that works out (so the commercial makers argue) much in the club's favour. Prices for club records vary widely—and so does their quality—but they cost substantially less than retail catalogue prices. The clubs find it difficult, however, to reach new customers. Having no shops, they depend entirely on publicity and word of mouth recommendation to make themselves known. They cannot afford elaborate publicity—and appear to have difficulty in getting their advertisements accepted by some of the papers whose rates they can afford to pay. Nevertheless, when Lord Rank first decided to enter the record market, it was through the medium

of a record club that would have been run—and publicised—by the cinemas in his circuit.

This plan has now come adrift, and while the Rank Organisation still intends to start record production (under the label Top Rank) and to promote sales by publicity on its screens, it has abandoned the idea of a record club. The reasons for the change are not clear. But it is now plain that when the company made its first announcement, no arrangements had been made for the actual production of the records it planned to sell. Pressing plant is not easy to come by. Big manufacturers are no longer prepared to press records on behalf of other companies, and Rank is still negotiating to buy plant from one of the smaller companies. One possibility could be an arrangement with Pye, but Associated Television is also reported to be interested in Pye's record-making plant.

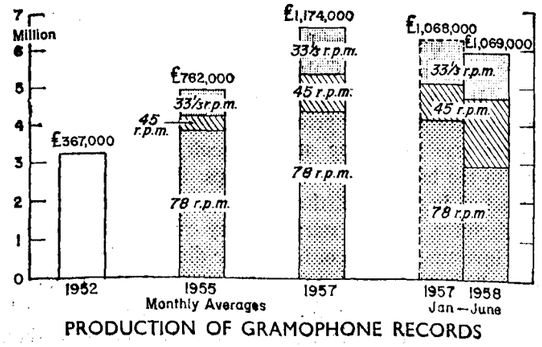
GALA records, on the other hand, were never intended to be sold through clubs. The company that is producing them, Musical and Plastics Industries, divides its resources between moulding plastics and making musical instruments, including organs. It has bought the manufacturing rights to an American process by which records can be made on a multiple press, at about a third of the time required in the usual, single record press. It has also bought rights to a number of the catalogues of the smaller American record companies, picking from them a narrow selection of the most promising "pop" music. The first Gala catalogue consists of 25 records, all of 45 rpm, and each record carrying four titles. They are good, competent recordings, though none of them is made by top names; they will retail at 6s. 6d., against 11s. for the usual 45 rpm disc.

The success of Gala will depend on how sensitive the market proves to be to price cuts of this order. The records are not being sold through normal record shops, but through almost any retailer willing to take a display rack from the manufacturers and put in a record player. Tobacconists, super-markets, bookstalls and chemists have been approached, and so far arrangements have been made with 2,000 shops. The price cut has been made possible by a combination of a cheap production technique with relatively low fees and royalties, rather than by the new method of distribution; but there is a marked trend throughout the industry to look for new methods of distribution outside the normal record dealer. One part of the original Rank scheme that is likely to be retained in any future project was the decision to sell records through the cinemas; and Decca is considering relaxing considerably the conditions under which it will grant a retailer an agency to sell the company's records.

It is less than a month since the big companies demonstrated their first stereophonic records—Pye has been doing unexpectedly good business with a limited catalogue of ten stereo records since June. These discs could have as big an impact on the market as the introduction of long-playing records eight years ago. In contrast to much "hi-fi" equipment, a trained musical ear is not required to enjoy the effects of a stereophonic record player, which is also said to improve the quality of any ordinary record played on it. This is a development that can hardly have been welcomed by record dealers, who already carry stocks of records at three different speeds, 78 rpm for customers who do not own electric players, and 45 and 33 rpm for those who do.

Most manufacturers wish that they could drop production of the old shellac 78 rpm records and replace them entirely by the small, 45 rpm plastic discs but, as the chart shows, 78 rpms still make up the bulk of the record business. It also shows how much ground has been gained at their expense in the past year by the 45 rpm records. The record industries here and in America have agreed to standardise on a common method for producing stereo records in order to avoid the confusion that arose when long-playing records were introduced at several different speeds. Now British manufacturers are making an all-out effort to build up a mass market for stereo records before dealers rebel at the need to carry stocks of the same title in two different forms, stereo and monaural—and in the hope, perhaps, that the stereophonic record may soon be able to replace the conventional for certain classes of music.

This explains why the records are being sold at the same price as the ordinary long-playing record, in spite of their high production costs, and why the players themselves are priced at anything from £25 upwards, with an average of between £40 and £50. Much depends on how quickly an adequate catalogue of stereo records can be built up; the first Decca catalogue lists 63 stereo records, while EMI is lagging behind slightly so far with 30 and the promise of another 30 to follow. Pye's present catalogue has 10 discs with another 10 about to be issued. Whether this move into a higher quality that demands special technical resources is the answer to the cut-price record for the big makers alone, or whether all record makers will be producing stereophonic discs in a few years' time, is something that the industry (and its customers) would dearly like to know.



PRODUCTION OF GRAMOPHONE RECORDS

Automation in the Brewery

BASICALLY, brewing beer is a craft rather than a science—and in particular, nothing pains a brewer more than the suggestion that his has anything in common with chemical processing industries. But one technical need it has in common is that of dealing with vast volumes of liquid that must not be contaminated; brewing is a process industry, too, and characteristically a highly-capitalised one. And the need for judgment and even "hunch" in choosing barley, malt, hops, sugar and water does not mean that control based on measurement cannot be employed to improve and perfect the product. Key technicians—the maltsters, the brewers, the engineers, the bottling managers—make increasing use of massive machinery. Brewing itself consists of "processing" a liquid in vast vessels between which it is drawn through pipes by gravity or pumps. A modern brew-house looks like a large, deserted power-house with here and there a man to turn a knob, pull a lever, or read a dial. Brewers practised automation, in the sense of high capitalisation, long before the word was coined. In his assessment of capital-output ratios in British industry last year, Dr Barna reckoned that the current value of fixed assets in the "drink" industry (his sample being mainly breweries) represented some £3,800 in fixed assets for each person employed, against about £1,740 per head for the whole of manufacturing.

Even so, beer manufacture represents only part of the brewers' investment; this is an integrated industry with production, transport, and retailing largely under the same ownership. The total investment of the brewing trade is probably in the range of £1,250-£1,500 million at current replacement values: that compares with retail sales of beer worth some £570 million a year, of which £260 million goes to the Exchequer in tax. Probably three-quarters of that total investment is in pubs; malting, brewing and cooperage of draught beer might represent perhaps another 10 per cent; bottling stores and transport roughly as much again.

The brewing industry is currently investing about £8 million a year in brewing and malting, certainly much more than that in bottling, and about £15 million in licensed premises. Most of its operations are tending to become yet more *capital-intensive*; the following discussion of some of the technical changes that are bringing this about relies heavily upon the co-operation of one of the country's largest brewers, Ind Coope and Allsopp.

Increasing capitalisation is reflected in increasing "instrumentation." The cost of the controlling instruments in an average brewery today may represent only 0.5 per cent of the total; but in a pilot brewery built recently in the Midlands which was specially instrumented for investigation this proportion of capital cost went up to 10 per cent. There is a big difference between capitalisation in the actual brewing and in the packaging of beer, which has been growing steadily until recently. A bottling plant completed a few months ago cost twice as much as one of similar capacity built in 1948. The difference reflects not only higher prices but also the additional costs of the faster machinery developed in the last ten years.

A bottling plant is more densely populated than a brewery, because bottling requires handling of the bottles as well as of the liquid contents. The labour is mainly that of feeding the washing, filling and pasteurising machines with empties at one end, taking away washed, filled and ready-to-sell bottles at the other, and storing them ready for the delivery vans. Much of this work has been mechanised and can be done by women and girls. Accordingly, the labour-to-capital cost of bottling is much higher than that of brewing itself. But the capital-intensity of both brewing and bottling is such as to produce peak-load problems following from the seasonal pattern of beer consumption.

ABOUT 60 per cent of the beer consumed in Britain is still draught, which is normally best sold within a *week or so of being brewed*. Bottled beer has a shelf life of a month or more, and canned beer lasts three to six months. Hence the fact that an increasing proportion of beer is now being "packaged" is easing the peak-load problem of using capacity—and labour—in brewing and bottling plants by making it possible to brew for stock. This, however, transfers costs from equipment and labour to space and financing the beer duty, *which must normally be paid by the 25th day of* the month after that in which the beer is brewed. And the increase in packaging has brought about a different peak-load problem: containers. Roughly twice as much container capacity in bottles and cases is required for the Christmas, Easter, Whitsun and August Bank Holiday peaks; the extra containers have to be stored meanwhile. (In some lines, as in quart bottles, these peaks are even sharper.)

The trend to the bottle and now to the can has brought about major changes in this industry in recent years, not only on its retailing and marketing side but also on its production and technical side. It has not only required more capital for producing and handling beer but, during an era of labour shortage, has also made it desirable to avoid an increase in labour costs by using labour-saving equipment. On the production side it has led to the use of high-speed automatic bottling units, which require no more machine minders than do the slower semi-automatic units. For example, the cost of bottling on a unit capable of 2,000 dozen per hour is approximately 20 per cent less per bottle than on one bottling at the rate of 600 dozen per hour. The labour

economy of the high-speed automatic unit is illustrated by the case packer, which costs £5,300 but needs only one man, while four men are required to pack the same quantity of beer by hand. The decision whether to centralise bottling and incur higher transport costs or to decentralise bottling and save on transport costs must have been one of the most important to face the larger firms in recent years. Some firms have chosen one method and some the other.

A further economy on the packing side has come from the partitionless cases introduced by a brewery which persuaded a case manufacturer to experiment with them. A metal case without partitions costs some 40 per cent less than one with partitions, it requires about 25 per cent less storage space, and it permits 30 per cent more beer to be loaded on a given lorry capacity. Further economies have been made by using pallets or fork trucks in storage and transport. This can cut loading and unloading costs where it can be used for bulk deliveries of bottles of similar size, e.g. from depot to depot ; but it can rarely be used for retail deliveries because these comprise mixed loads.

These economies have limited the increase in capital and maintenance costs that have accompanied the change from draught to bottled beer. A brewery recently revalued for fire insurance showed a replacement value of £5 15s. per annual bulk barrel for malting and brewing and £1 10s. for cooperage (including casks). The new bottling plant mentioned above showed a replacement value of £6 10s. per annual bulk barrel compared with the present cost of the ten-year-old bottling plant of £1 13s. 5d. per annual bulk barrel. On these figures a change from draught to bottled beer would require an increase in investment of £5 2s. per barrel. In transport, bottled beer requires about twice the vehicle capacity required by draught beer, but canned beer requires no more than draught.

Packaging has offered economies from more frequent and larger deliveries at retail outlets, but they are limited by the cellar capacity of licensed premises. Moreover, packaging has also brought handling problems in the pub : where possible these are being solved by automatic or hand-operated hoists from cellar to bar or by putting cellars on the ground floors of new houses with air conditioning to ensure the right temperatures.

AGAINST these demands for capital to modernise licensed premises, investment projects submitted by the production side have to show high returns if they are to claim any large part of a company's available funds. In one brewery no project that shows less than 15 per cent is even put up to the board. A highly profitable project was the partitionless metal case: when it was first introduced, breakage was high because the automatic case packers were designed for partitioned metal cases, but the annual loss of between £2,500 and £3,500 was almost entirely wiped out by installing a new packer costing just over £3,000 and thus returning 100 per cent per annum on the investment. Much brewing equipment, however, dates from last century and has sometimes to be replaced, quite apart from the return it offers, if the brewery as a whole is to be kept working efficiently. A third reason for capital investment derives from the state of the labour market. High demand for labour has made it understandably reluctant to perform tiring or unpleasant jobs, so boilers are stoked mechanically and mash tuns are emptied by rakes or "knives"; sometimes automatic plants have to be installed to get a job done more cheaply, or to get it done at all. In licensed houses, design has been changing to give central service and control in order to reduce work and ensure high quality in the beer. Most new houses are arranged to enable one person to see and serve all bars at off-peak periods. Some breweries are also supplying their houses with draught beer stored in tanks rather than in barrels : it can be pumped from the delivery vehicle straight into the cellar tank, thus saving handling costs.

WHAT impact will canning have on production and distribution costs and on consumption habits? Initially the essential difference between bottled and canned beer is that the can means a once-for-all cost of 3d. while the bottle means a cost per filling of only about ¼d. because it is used on average about thirty times. The can has many advantages. It need not be washed (rinsing will do) ; it needs no labelling (though bottles, too, can have labels fired on to the glass) ; it does not need to be held all the year against the four peaks ; it requires only half the transport space of the bottles ; there are no empties to be loaded at licensed houses and unloaded at the brewery ; and the storage problem in home larders or refrigerators is eased. All this adds up to economies in capital costs, running costs, labour, time and space. Whether it adds up to 3d. a pint, or half pint (or 16 oz., the size of some cans) is another matter. It is true that nearly 80 per cent of American beer is packaged and that perhaps 40 per cent is canned ; but the much longer American distances offer opportunities for economies which are rare in Britain, where beer is rarely sent over 200 miles. How far canned beer will replace bottled beer thus depends on how far the customer is prepared to pay for convenience.

The most important technical changes in the near future may take place in brewing itself: the industry is spending over £100,000 a year on its Brewing Industry Research Foundation. Broadly there may be changes from batch towards continuous processing. A firm of brewery engineers is marketing coppers in which there will be continuous boiling and also a continuous cooling plant ; and there is talk of continuous fermentation. If continuous processing could be co-ordinated into a continuous brewing plant (as has been done with new steel plants) the capital and running costs of a new brewery might be reduced enough to make the building of new breweries more economic. In the meantime, improvements in processing are designed to produce a clearer beer of longer life.

BUSINESS NOTES

IMPORT POLICY

Freer Dollar Trade

IMMEDIATELY, the further liberalisation of dollar imports that the British Government produced with a justifiable flourish at Montreal this week may be of greater formal than financial significance ; but the commitment, "all being well," to begin freeing imports of consumer goods and the remaining foodstuffs next year poises the economy for the next step towards ending discrimination. The Government's confidence is clearly based upon the strength of Britain's balance of payments, in which there appears every chance that a record surplus has been earned in the first half of this year: the certainty that "world trade is expanding and that we are free from inflation at home" which Sir David Eccles emphasised as a condition for going yet further, could hardly be hoped for this year. Next spring, perhaps, this temporarily affluent society can decide whether it can afford Cadillacs.

Freedom from import quotas, rather than the effective transferability of sterling that everybody outside the sterling area has enjoyed since 1955, is what North Americans regard as the core of convertibility. With EPU settlements payable as to 75 per cent in gold, and quite a substantial volume of imports of machinery, even in Britain, already coming from across the Atlantic, the Government has clearly decided that the extra Transatlantic goodwill will be worth the margin of extra dollars.

Sir David's invitation to the rest of the sterling area to liberalise in their turn may well cost more: but some other countries of the Commonwealth were already less prepared to deny themselves dollar supplies than Britain has been. In the longer run, these moves must remove some protection from industries everywhere in the Commonwealth, including those American companies have set up within it precisely to get inside the import barrier. It could indeed cause some of these to retreat from impending projects or even to modify their commitments inside the sterling area, though Holland's experience since liberalising dollar imports seems to suggest that readier imports of components can even encourage some American businessmen to migrate. The gesture falls somewhat short of what Canadians have been asking for. But it is a move that will benefit Canada and the Commonwealth without leaning towards discrimination ; it is something much more palatable to the Americans than they might have feared from Montreal ; and while it may slightly strengthen Britain's position in free trade area negotiations, it is one to which none of the countries with which it is negotiating can object.

The New Concessions

CHANGES that come into force straight away are the removal of all remaining restrictions on the import of industrial, agricultural and office machinery, except for "a limited range of comparatively specialised machinery" which is to remain under control (this will be identified, the Board of Trade has promised, next week) ; the final freeing of canned salmon imports, except from the Soviet group of countries ; and the lifting of import controls on newsprint. These goods now go on to open general licence ; for some time past specific licences have been fairly readily issued for most of these items provided they were really necessary—with the principal exception of British Columbian salmon. Newsprint restrictions were eased to the point where they no longer impeded supplies two years ago at the same time that imports of pulp, from which we have been making just over half of the newsprint we use or export, were freed completely.

UK IMPORTS FROM USA AND CANADA

(£'000)

	1952			1957		
	Canada	USA	*Canadian and US per cent Share of Total*	Canada	USA	*Canadian and US per cent Share of Total*
Machinery (other than electric)	2,085	47,453	*43·8*	2,548	39,789	*33·9*
of which: machine tools....	217	27,592	*46·3*	290†	7,178	*34·3*
Electric machinery ...	318	2,175	*25·7*	852	7,725	*32·0*
Fish & fish preparations	942	12	*5·7*	2,816	1,299	*12·3*
of which: Canned salmon ..	799	...	*34·0*	2,953*	874*	*37·7**
Newsprint in rolls ...	5,971	...	*40·6*	19,682	...	*70·9*

* 1956. † Estimated.

The controls upon machinery imports have been rather tighter, but in recent years the Board has been granting specific licences where it has been proved that the item is not made in this country (or, for favoured projects, if delivery here would take too long). After nearly twenty years of restrictions on dollar trade, many types of plant that Britain formerly bought from the United States and new machines that might otherwise have been imported are now manufactured in sizeable quantities here, and whole new industries have grown to viability under this *de facto* protection. Nonetheless, imports of dollar machinery have been running at the rate of £50 million a year lately, roughly a third of Britain's total imports of machinery (the rest comes mainly from the continent). This represented about 5 per cent of industry's total investment in machinery. Since most of these imports of dollar machines have been authorised because they were not manufactured in this country, most of them have also come in duty free. If industry wants to buy equipment without specifically justifying it, or under the newly-available open general licence, it will be because it still thinks the import is worthwhile after paying North American prices, freight costs, and duties of 15 or 17½ per cent on most American machines and half that rate on Canadian. Certain machine tools, some contractors' plant for the road builders, and some office equipment, among other items, may now be bought in greater quantities ; but the increase is not likely to be significant until perhaps another investment boom in manufacturing industry lengthens British and continental manufacturers' delivery period. On the OEEC's somewhat curious method

of reckoning, which is based on the "basket" of imports in 1953, Britain had freed some 49 per cent of its dollar imports by 1954, and 62 per cent before this week's measures.

TIN

The Buffer Beaten

TIN fell £90 a ton on the London Metal Exchange on Thursday when the news broke that the manager of the buffer stock had withdrawn from the market. His buying orders were no longer holding tin at £730 a ton, and a bid of £600 was made before the Chairman of the Exchange called the session closed. In the afternoon, when dealings were resumed, a price of £640 a ton was established, showing a fall of £90 on the day. The announcement of the International Tin Council at lunchtime that the buffer stock manager had withdrawn his support but that the decision would be discussed at the Council meeting made matters no better, nor did it make much immediate difference that the Council emphasised that the International Tin Agreement remains in force and with it the restrictions on imports of Russian tin that this country and the Netherlands have recently announced.

The plain fact is that the buffer stock has taken a beating administered by the Russians. It has certainly bought more than all the 23½ thousand tons originally contemplated—market estimates put its holding in the range of 25 to 26 thousand tons—and it is unlikely that there remains enough money in the buffer to make it worthwhile going on. Tin must fall and remain depressed until the effect of export restrictions in all the producing countries except Russia and the new Anglo-Dutch restrictions on Russian tin bring supply and demand into balance. The outlook for the immediate future is far from bright. Sales of Russian tin recently arrived in England and in Northern Ireland with August bills of lading have far exceeded expectations. They have also comfortably exceeded the 750 tons Russian quota for the current three months. No one would be surprised if the brokers operating for the Russians have still quite a quantity to sell.

IN THE MARKETS

A Year After the Crisis

A YEAR ago this week a brave Chancellor jerked the Bank rate up to 7 per cent and clamped down on lending and investment, thus saving sterling and jerking the community to its senses. Those who care to look back can see cause not only for satisfaction but almost for jubilation in what has followed. Sterling is a strong currency in its normal seasonal period of weakness; massive additions have been made to the gold reserve; the squeeze is off; the Bank rate which was 5 per cent when the blow fell is now 4½ per cent and security markets are on the average higher than they were a year ago and are headed steadily upwards. All this has not been achieved without cost, but it has occurred without so far inducing more than quite a minor industrial recession on the home front. Moreover it is not at all clear how far the apparent cost—the modest decline in industrial production and rise in unemployment—can be attributed to the credit squeeze. The domestic recession, like the downturn in British exports, was partly the inescapable result of industrial recession in the United States.

Those who prefer to look forward feel that just because the security indices have reached new peaks there is no reason yet why they need stop. Markets have shown their ability to rise regardless of the fact that industry is expecting its recession to get worse before it lightens. This week *The Economist* indicator reached a new peak of 213.8; on Wall Street the *Dow Jones* index also reached a new peak of 526.57 and on the gilt edged side of the London market the *Financial Times* index of Government securities crept upwards to 84.66, a rise of 0.36 on the week. Buying went on steadily but not voraciously in the ordinary share market.

A YEAR AFTER

	Sept. 18, 1957	Sept. 19, 1957	Nov. 6, 1957	Sept. 17, 1958
Exchequer 2%, 1960	94 3/8	92	92 3/16	97 1/32
Savings 3%, 1965–75	70 3/8	68	68 5/8	73 1/8
War Loan 3½%	65 3/8	62	61	68 1/16
Vickers.....	36/-	33/3	29/4½	34/-
British Petroleum	129/-	121/10½	100/-	113/9
Unilever	93/1½	87/6	76/-	88/6
Financial Times: Ordinary Index	192·2	183·5	162·6	194·5
Financial Times: Government Securities.	81·51	77·52	78·22	84·66

In the gilt edged market the time was judged right for another small trustee issue whether or not the surplus of Kent stock had found a permanent home. The choice fell to Metropolitan Water Board, which came to market for £5 million on a 5½ per cent stock 1976-80. The stock which will transfer free of stamp duty yields £5 11s. 1d. per cent flat and £5 11s. 7d. to redemption in 1980. The yields appeared to be calculated right up to what the market would stand, but with only 10 per cent payable on application the issue was oversubscribed about three times on Thursday. Applicants for up to £100 received full allotment and large applicants about 35 per cent of their applications.

STOCK EXCHANGE

Option Dealings Next Month

COMMITTED to a resumption of option dealings, the Stock Exchange Council has announced its proposed rules for option dealing with the intention of confirming them on October 6th, and allowing the dealings to start the next day. The new rules differ in only minor respects from those which governed prewar option dealings, but after a lapse of nineteen years memories and comparisons are of little value. It is more useful merely to examine what is now intended and how it may work—since opinion in the house and outside it is still sharply divided on the wisdom of allowing options at all. Many firms certainly will discourage their clients; some will refuse to deal in options; but enough brokers and option dealers will probably co-operate to work the small volume of option business initially expected. Surprisingly at least one of the big gilt edged jobbers has decided to try to deal in gilt edged options.

The Stock Exchange Council has gone the whole hog. Options are open to all, both members of "house" and outside clients, and they are permitted in theory to buy and sell options over the whole range of stocks, equity and fixed interest, London quoted and not London quoted in which dealings are not prohibited. It will be no offence to buy the call of ATV on October 7th if a dealer will quote a price. One doubt however remains: dealings in options in foreign stocks require a new Exchange Control regulation and the Bank of England may not have that ready until about October 6th. Until then it will not be certain



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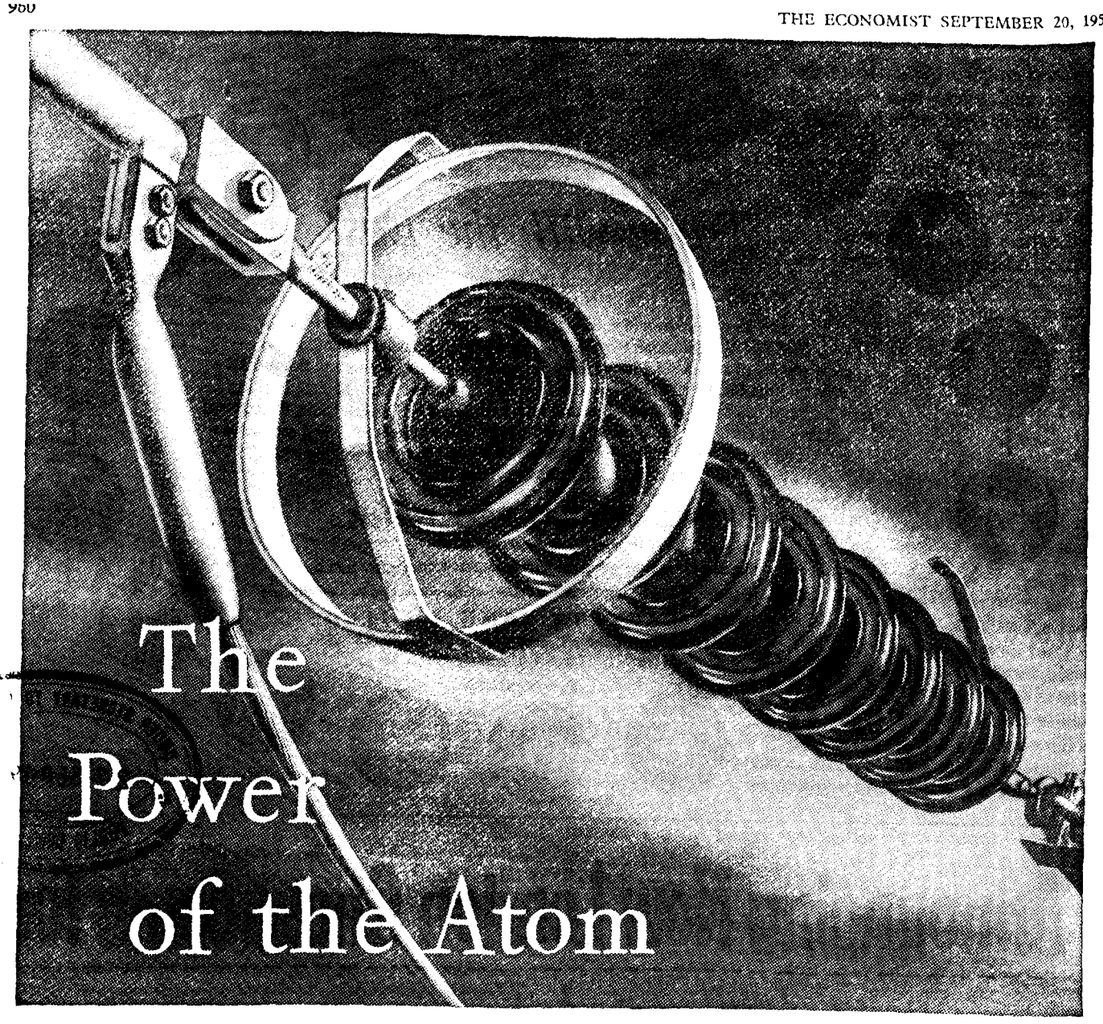

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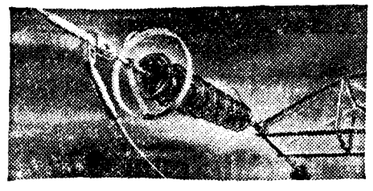

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whether and, if so how, a non-resident can deal in options on dollar stocks in London. Subject to that doubt the public may give for the "call" or for the "put" or for the "put and call" of any stock in which a dealer cares to deal, and for any period from the single Stock Exchange "account" up to seven accounts (approximately three months forward). That entitles him to demand or to deliver stock within the option period at a price fixed when the option was bought. The option dealer, who is a specialist broker more often than a jobber, usually partly covers himself by buying (or selling short) half the stock involved (and if he cannot do that deal in the stock he refuses to sell the option).

No facilities are granted for dealing in stock for future delivery. Therefore the buyer who sees a profit on his option long before it matures cannot secure that profit by selling (or buying) forward to the appropriate date. He can, of course, if he is not in gilt-edged, job against his option within the account, trusting on his luck to be able to contango at the end of the account, but that is professional dealing. For the ordinary dabbler a new facility is provided. For options on stocks dealt in by stock exchange accounts, a "declaration day"—the Monday before make up day—is nominated in each account and on each such declaration day within its validity the option can be exercised and risks ended. In gilt-edged stocks which are not traded by accounts the option can be declared on any business day during its validity.

A further rule prohibits giving for the call of a security "ex dividend" before the ex dividend date, which will prevent the selling of that security cum dividend against the option, and this rules out the possibility of that type of dividend washing which consists of claiming back tax on a non-existent dividend payment.

Cost of Dealing

OPTION dealing, whether or not it again becomes popular, is not going to be cheap. The brokerage is the commission scale applicable to the price of the shares, not the rate applicable to the few shillings that represent the cost of the option. The dealer in working out his price will start with the cost of carrying the stock. (In theory he should offset this by some allowance for accruing dividend.) He will, however, quote a price which will vary first with Bank rate and secondly with his assessment of the risk. It is fair to add that with this sort of speculative dealing if the dabbler wins the dealer normally loses; and the dealer is not going to quote an option price that makes a loss for himself likely. Dealers are to be paid, not at the beginning of the transaction, but after the end. The broker becomes liable to pay the option money on or before the account day following the expiry or closing of the option. He can make his own arrangement with his client, which doubtless means that brokers who wish to discourage option dealing will ask for the money in advance.

The general belief is that the business at the start will be small and that the range of stocks on which it is possible to buy an option will be limited to those in which there is a ready and regular market. But the Council is going to keep track of the growth of this trade through a quarterly return required from member firms showing their total contingent liability inside the "house" and outside it.

MOTORS

BMC Plus Farina

THE new Austin A40 saloon now announced gives ground for hope that BMC's future models may add to their sterling virtues a distinction of appearance that recently has been somewhat lacking. The new car, in whose design the Italian firm of Pinin has collaborated, is powered by the BMC "A" engine used in the A35 and the Morris Minor 1000; it has a body that uses the space behind the front seats at will, either for rear seats and modest luggage space, or for an ample luggage compartment right up to the normal roof line, leading back to within a foot or so of the rear extremity of the car. The popularity, all over the world, of station wagons and cars of similar versatility, shows how welcome this convenient arrangement of space is likely to be. But of much greater importance, to the major market which will still be for conventional saloons, is the hope it raises of the effect of collaboration with Pinin Farina on the whole range of BMC's designs—if, as is to be hoped, this collaboration is to be given the widest scope and if it works out as well in other models as in the new A40.

The firm of Pinin Farina enjoys a quite unique position in the automobile world. It can be fairly claimed that no other firm has produced so many motor car bodies of the highest aesthetic distinction. But its designs are produced, not in an ivory tower, but against the background of a factory of most up-to-date facilities devoted to producing not only prototypes but also a flow of 35-40 specialist bodies a day embodying Fiat, Alfa Romeo and Lancia mechanical components. The factory has the advantage also of the commercial and technical discipline of employing its presses and its tool-making personnel and equipment on a subcontract basis for the production both of pressings and of production equipment for a wide range of trades. Major manufacturers are very glad to take advantage of its design facilities to develop for them body designs whose beauty and fitness for purpose is not the result of abstract æstheticism but springs, as do most of man's finest artefacts, from a fundamental appreciation of the materials and manufacturing methods available and the purpose to be served.

Only one manufacturing client is served in any country outside Italy; and it is full of promise for the future that BMC, the largest British manufacturer, should be taking advantage of them. It would be too much to hope that designers and draughtsmen, breathing the atmosphere of the Midlands or the black country—or even Luton, Dagenham or Oxford—could hope to rival the creations of men enjoying the *ambience* of beauty available to Italians. With the discipline of Farina's commercial and technical background to temper the work, the outcome of the collaboration should be, in due course, models from BMC whose appearance will deserve success. If experience from other fields is valid, the public will choose the better-looking product, measured in terms of shape and texture rather than in area of chromium plate, when other virtues are, near enough, equal.

Standard's New Policy

THE unveiling of Standard's new 10 and 12-cwt commercial vehicles this week was of interest at least as much for the light thrown on the company's present state of development as for the new vehicles themselves. The

most interesting characteristic of the vans is that they are powered by a smaller engine, the Standard 980 c.c. engine used in the "Ten" range of passenger cars, than the competing vans from Ford, BMC or Vauxhall: this inevitably sacrifices performance for a substantial saving in fuel consumption, in weight and in first cost. This feature of the new Standards is avowedly designed in part to meet the requirements of the European market, in many parts of which the higher price of petrol compared with this country enhances the attraction of the fuel economy. One interesting feature of their design is that the sliding doors, optionally available, are ingeniously arranged so that at the forward end of their movement they move a couple of inches inboard. This gives proper sealing arrangements which other types of sliding doors lack; but as sliding doors have their greatest value where frequent stops are made on a delivery service, the full advantage will only apply in towns which are exceptionally dust-ridden.

The managing director of Standard, Mr A. S. Dick, called attention to the company's expansion into the manufacturing of some supplies that formerly they relied on buying from outside. The group bought Bean's Industries in 1956, obtaining substantial and modern foundry capacity at Tipton, and since then the addition of Mulliners has given it body-building capacity. Mr Dick announced Standard's intention to create new capacity at Coventry for the manufacture of transmissions. Standard is far less self-sufficient for car bodies than Ford, BMC and Vauxhall are, relying chiefly on Pressed Steel and BMC's Fisher & Ludlow plant. It now plans to get commercial bodies not only from Mulliners but from Willenhall Motor Radiator—a supplier not hitherto of major importance, but which has recently shown signs of an aggressive tendency to expansion. Standard presumably could not afford the great investment in presses, etc., necessary to obtain full "captive" supplies of body panels—which all the world's largest vehicle manufacturers have thought indispensable. It remains to be seen whether this disadvantage is necessarily greater (for a manufacturer of Standard's volume) than the advantage of being able to "shop around" for its supplies.

It is plain that Standard does not intend that its interests in tractor manufacture and its consequent association with Massey-Ferguson should inhibit its development as a motor vehicle manufacturer. Further expansion of this side of their activities, and additional capacity for manufacture of mechanical components—engines, as well as the increased capacity for transmission manufacture now announced—is likely to be required if they are to achieve the lowest possible costs against the more competitive times which will be coming. The much more favourable conditions that now confront a buyer of machine tools and other equipment may make it a good deal easier to achieve a co-ordinated execution of development plans than other manufacturers, Vauxhall for example, have found it recently.

HIRE PURCHASE

Board of Trade Sweeps Up

To many it appeared that the Board of Trade had nothing left to do with its hire purchase and hiring controls but to sweep them away. The financial side of the control had already largely gone and the fierce competition in lending was everybody's talk. It was also obvious that personal bank loans were available for the same sort of goods as were covered by the control orders. Yet the Board of Trade has not made a clean sweep; nor is what it has done without significance for traders. Control is removed from a long list of articles, among which furniture and carpets, cycles and motor cycles and industrial plant are the most important. It is retained at a minimum deposit of 33⅓ per cent and a maximum period of two years on a short list among which motors, radio and television sets, and most articles of kitchen equipment are important. The control of hiring order has simultaneously been mitigated to the extent that the minimum payment in advance becomes four months' rental instead of nine, and goods at least three years old may be leased without restriction.

Some may wonder why it has been necessary to retain this rump of restriction when public policy is so obviously tilted towards re-expansion. If there was previously a lack of co-ordination between what the banks are offering and what the traders are allowed to offer, that discrepancy must remain. The suggestion also remains in the public mind that the legal minimum initial deposit and maximum length of contract must be the only effective rates just because the figures are written into a legal instrument.

HP CONTROLS

Goods	Old Terms: Maximum period	Old Terms: Minimum deposit	New Terms: Maximum period	New Terms: Minimum deposit
Car	2 years	33⅓%	2 years	33⅓%
Commercial vehicle	2 „	33⅓%		Free
Motor Cycle	2 „	33⅓%		Free
Cycle	2 „	20%		Free
Radio, TV, Radiogram	2 „	50%	2 „	33⅓%
Industrial Plant	2 „	33⅓%		Free
Cooker, Boiler, Water Heater	4 „	20%		Free
Other domestic appliances	2 „	50%	2 „	33⅓%
Furniture & Floor Covering	2 „	20%		Free
Shop & Office Fittings	2 „	33⅓%	2 „	33⅓%

In addition, the spouse of a deceased hirer may now take over the contract without making a fresh deposit.

But there is also a large body of traders extremely worried lest the Board of Trade has gone too far. Many smaller dealers in furniture are now discovering that they had a vested interest in the control they hated so much. In a business that is dominated by big units enjoying a formidable access to finance, including some access to the suppliers' working capital, the big groups may be able to offer terms which the small fry cannot match. The talk is now of three-year contracts and no down payments, which would certainly hit the small man hard. Will it happen? At the moment there is no market rate of interest in the trade: Times Furnishing is offering free credit; United Drapery has cut its credit charges; other responsible firms remain convinced that a quoted 5 per cent per annum (equal to about 9½ per cent true interest) is still a fair rate and some charge considerably more.

Nor can the buying public do comparison shopping easily, for there are two variables to be kept in view, the charge for credit and the price of the goods. It is only certain that credit will still have to be paid for one way or another, and that makes the rise in furniture shares and in certain store shares which followed the Board of Trade announcement seem odd. Harris Lebus shot up 4s. 4½d. to 21s. 10½d. and Grattan Warehouse rose 10½d. to 42s. 3d. This could turn out right but no great increase in hire purchase business is yet visible. The latest Board of Trade figures (for July)

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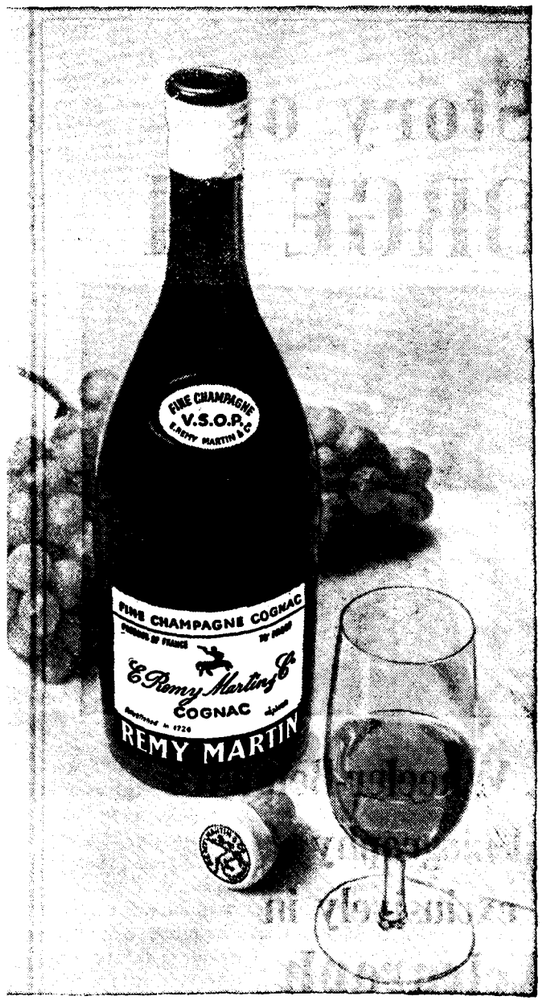

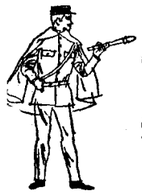

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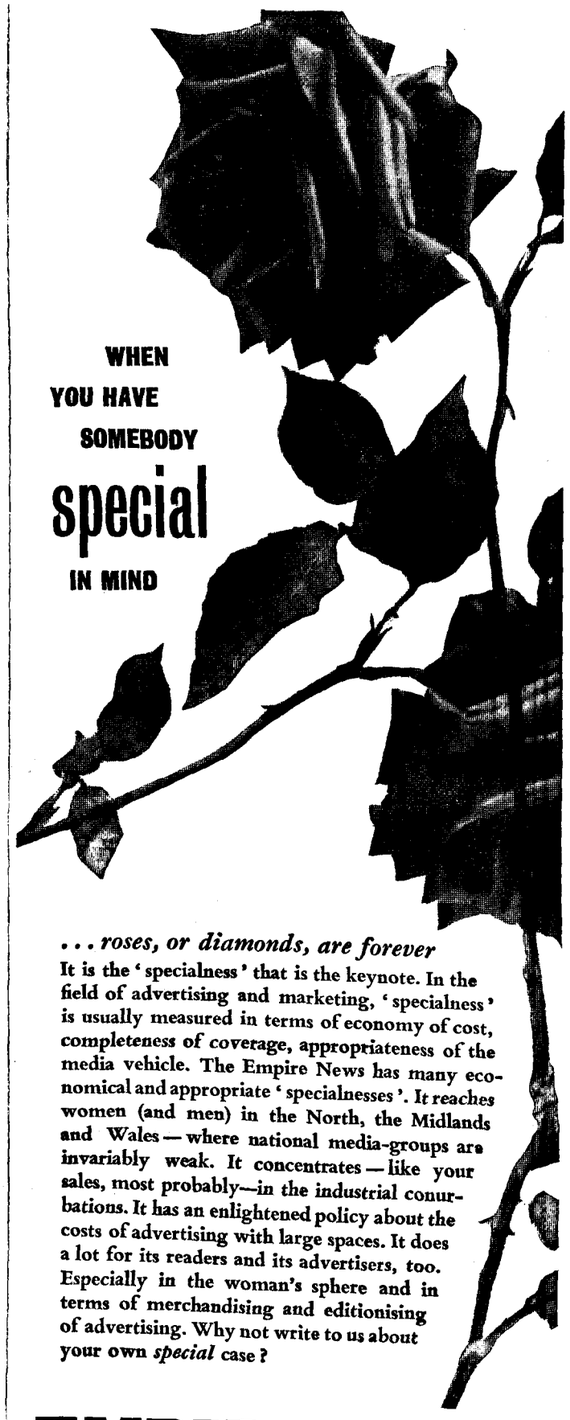

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show only a modest growth from £503 million to £510 million in the nation's hire purchase debt and a modest fall from 31 per cent to 30 per cent in the proportion of total business which the retailers did on extended credit terms. There is merely this threat of greatly increased competition.

CREDIT TREND

Advances on the Eve

IMMEDIATELY before the impact from the new schemes for personal loans, the trend of bank advances was strongly upward ; the slackening that became evident from mid-1957 was short-lived. The latest detailed analysis of bank advances by the British Bankers' Association shows that total bank advances in Britain in the three months to August 20 rose by £60.3 million. This was the biggest rise in the August quarter since 1951 ; the movement at this season is usually downward. The rise was nearly twice as large as that in the monthly figures (which include extraneous items) of the clearing banks. The analysis shows the true increase in the clearing banks' advances in Britain as £47.8 million, leaving £22.6 million to the outside banks, a rise for them of fully 8½ per cent in one quarter.

Technically, the August make up fell three weeks after the lifting of the official directive ; but many banks will have made preparations for freedom after the announcement at the beginning of July. The most significant increase in advances in the quarter was to the personal and professional group, by £11.8 million. This was the largest increase since the squeeze came back in 1955, but the total of £335.8 million is still well below the 1955 peak of £401 million—and just over £100 million below the postwar peak reached in August, 1951, the eve of the departure from cheap money. Personal and professional advances have suffered most during the squeeze, and it is this group that in the November analysis will reflect (but not it seems show separately) the new personal loans. It will be interesting, too, to see the trend of advances to hire purchase companies ; at the August make up (when most of the bank participations were still being arranged) these advances showed a fall of £3.6 million in the quarter.

The only other groups showing a significant fall were food, drink and tobacco (down £12.9 million) and retail trade (down £9.4 million) ; both movements were seasonal. The biggest rise was in agriculture (up £17.2 million). Among the industrial groups, engineering rose by £10.8 million, shipping and shipbuilding by £7.8 million (to £56.3 million, compared with £35.0 million a year ago), iron and steel (£7.4 million) and building and contracting (£4.2 million). The utilities group rose by £6.2 million, and "other financial," which includes the two finance corporations, rose by £9.2 million.

PASSENGER LINERS

The Liner with No Funnel

THE Holland-America Line's new flagship, the 37,000 gross ton passenger liner *Rotterdam* launched last week-end by the Queen of the Netherlands, is a remarkable ship in several ways. For a few months it will be the second largest passenger liner to have been launched since the last war ; but unlike the largest, the 53,330 ton *United States* and the several score others that have taken to the water since 1945, its design may point to the future practice in transatlantic passenger shipping operation. It does away altogether with the funnel, the number and size of which were once taken as a hallmark of importance on the oceans. Instead it has two slim exhaust gantries sited well aft, depositing their gases fifty feet above the boat-deck. Its superstructure accordingly has a handsome, modern look about it, not dissimilar to the projected appearance of the new P & O liner, the *Canberra*, now building at Belfast. But the *Rotterdam* also, as a mark of the growth of air travel across the Atlantic, does away entirely with cabin class accommodation. It will carry a fair proportion of first class passengers, about 500, but the rest of its 1,400 payload will be tourist class. The impact of air competition is perhaps most noticeable in its designed speed. This has been kept down to about 21 knots, against the 30 knots the *United States* normally does. The Holland-America line believes that the most saleable feature of ocean transport in the coming years will be cost rather than time. Though the *Rotterdam* will take about six to seven days to make the crossing, its lower speed and fuel consumption will, so the company says, still enable it to hold down its fares. Fuel consumption, rather than passengers' consumption, is apparently the dominant cost in passenger liner operation.

The building of this ship, however, does not seem to have been particularly remarkable either in cost or time. The keel was laid twenty-one months ago and another twelve may pass before it is ready for its maiden voyage. By then it will probably have cost £12¼ million, some £335-£340 per gross ton (or about £9,000 a passenger berth). The largest of the 58 passenger liners built in Britain since the war (16 of which sail on the Atlantic run) is the 34,172 gross ton Cunarder *Caronia*, but that was built ten years ago at quite different price levels. The second largest of the eleven liners now being constructed or on order, the Orient Line's 40,000 ton *Oriana*, which Vickers-Armstrong is building at Barrow, is now expected to take about twenty-one months between keel laying and launching and to cost £380 a gross ton (or £7,000 a passenger). The construction of the 45,000 ton *Canberra*, whose keel was laid within a few days of the *Oriana's* last September, is expected to take two years or a bit more before launching and the latest estimate of its cost is £15 million, or £330-£340 a gross ton (and £6,500-£6,750 a passenger). Passenger liners are more elaborate than oil tankers or cargo ships—and several times as costly.

JET FARES

Differentials at Cannes

REPRESENTATIVES of the world's major airlines arrive in Cannes this week-end for what would normally be a routine meeting to discuss the level of air fares for the year starting next April. But this year the talks will be coloured by the fact that a number of airlines intend to make a determined, last ditch attempt to introduce a compulsory fare surcharge on flights operated with jet aircraft. The views of *The Economist* on this proposal have come in for a good deal of criticism during the past few weeks, mainly on the grounds that the high operating costs of jet aircraft will make a surcharge on jet flights an economic necessity. This has yet to be proved ; it is certainly not the view of the airlines that are about to put jet airliners into service on the North Atlantic and in Europe during the coming months. The request for a surcharge has not come from them, but

from other operators that are afraid of the effect on their traffic of competition from faster jet flights — and from manufacturers of slower types of aircraft.

It is objectionable in principle that any airline should be forced by its competitors to charge more for its services than is strictly necessary, and if jets were to prove too expensive to fly at current fares there is nothing to prevent the airlines owning them from immediately raising charges to cover their costs. But the one certain way to make the jets uneconomic is to force operators, at the outset, to charge fares so high that these are bound to divert traffic to the slower services of other airlines. This switch of traffic is what the proposal for a compulsory jet surcharge is intended to bring about. It will certainly be opposed by the airlines with big investments in jet aircraft, and by the American Civil Aeronautics Board that has recently warned American airlines to have no truck with it. But *The Economist* has never suggested, in opposing a compulsory surcharge, that aircraft with exceptionally low costs, such as are claimed by manufacturers for some of the new turbo-props, should be prevented from passing on the benefits to passengers in the form of low fares. Fare competition in the interests of passengers is one thing ; fare regulation in the interests of one group of airlines and against that of another group is an animal of very different colour.

INVISIBLE EXPORTS

The City's Foreign Earnings

LAST December, spurred by unofficial and widely varying guesses, the Treasury gave its own estimates of the overseas earnings in 1956 of the main city activities. It was emphasised that that estimate was to be regarded as broad, and the information, given in a reply to a Parliamentary question, was not incorporated into the white paper on the balance of payments. The total of the City's invisible earnings was, however, put considerably above the higher of the two principal previous unofficial estimates. This week, a considerably more detailed unofficial analysis than hitherto is put forward by Mr William Clarke, City Editor of *The Times ;* and his estimates are higher still.*

The comparative figures are as follows:

ESTIMATES OF THE CITY'S OVERSEAS EARNINGS IN 1956
(£ million)

	Official	Clarke
Insurance	40	70
Merchanting	30	25–30
Brokerage	30	15–20 (Shipping brokers)
Banking	25	25–30
Of which :		
Credit commissions		20–25
Foreign exchange		2–3
Other services		3–5
Total	125	135–150

The big difference is in the estimated earnings from insurance. These have fluctuated widely from year to year—in both 1956 and 1957 the important American business showed an underwriting loss. Mr Clarke bases his estimate on the average rate of underwriting profits since the beginning of the war ; and he includes, besides earnings from investments, the ploughed back earnings of British insurance companies in America, whereas the official figures seem to have taken account only of remitted profits. Otherwise, Mr Clarke's figures are close to the official ones. It is not clear how far they provide an entirely independent check ; inevitably, many of the sources must have been the same. But it now seems established that the City is earning well over £120 million, which is 3½ per cent of Britain's income from merchandise exports, with their considerable import content. But, as *The Economist* emphasised in its survey of the wider problem in December last, and as Mr Clarke also states, the primary justification of the free use of sterling in the financial and commodity markets lies not in the direct profit, but in the immeasurable indirect contribution in lubricating the trade and payments of Britain and the world.

* The City's Invisible Earnings. Institute of Economic Affairs, paper 5s., cloth 7s. 6d.

BUILDING SOCIETIES

Mortgage Rate Held

THE decision by the Council of the Building Societies' Association not to recommend any immediate change in mortgage interest or in the rates paid to shareholders and depositors cannot have been easy to reach, but in the end it was unanimous. The Council's advice will also be accepted, if not unanimously, at least by a large majority. The expectation now is that 6 per cent mortgages and 3½ per cent net share interest will stay for the remainder of this year. But what holds for 1958 does not necessarily apply to 1959, and if there were another move in Bank rate or, even more important, a change in the terms on which savings certificates are sold, the council might change its view.

This basically unpopular decision has much in its favour, and the chairman of the association, Mr Alexander Meikle, has said it well. His argument was simple: despite successive reductions in Bank rate, the net flow of money into the building societies has failed to show much sustained improvement, and in August there was an unexpected decline, although credit was plainly easing, and although 3½ per cent net, which had looked meagre when Bank rate was 7 per cent, looks high when it is 4½ per cent. Here are the approximate total figures of net investment since March compared with the same months of last year, calculated from a 50 per cent sample of the societies:

INVESTMENT LESS WITHDRAWALS
(£ millions)

	1957	1958
March	11	6
April	12	9
May	11	6
June	9	13
July	16	19
August	11	11

Net new investment accounts for about half the money that the societies lend on new mortgages. The other half comes from the regular repayment of existing mortgages. In recent years, as mortgage interest has risen from 4½ per cent to 6 per cent, borrowers have largely chosen to lengthen existing loans rather than increase monthly payments. Hence the reflow of capital repayments has not matched the growth of the movement's total assets.

The societies are not calculating that, since the Halifax Society is to reduce its rates in December, they will be able to attract money which their big competitor might have got. That may happen, but the association's decision was based on its view of the logic. There is not enough money now to do all the mortgage business ; there would presumably be even less at lower rates. There is also something in the argument that the societies are only taking back some

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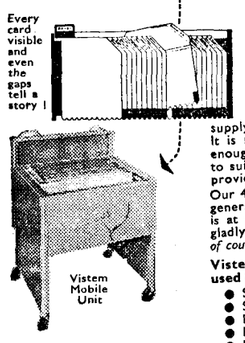

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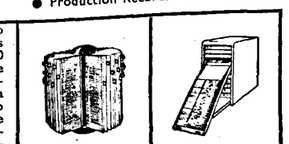

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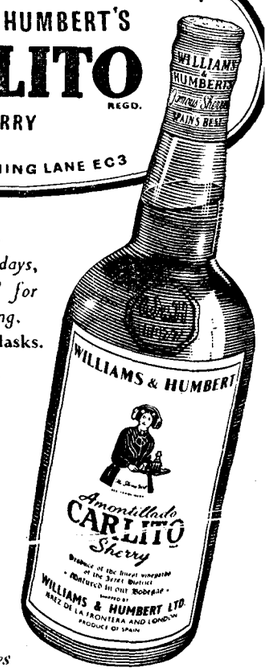

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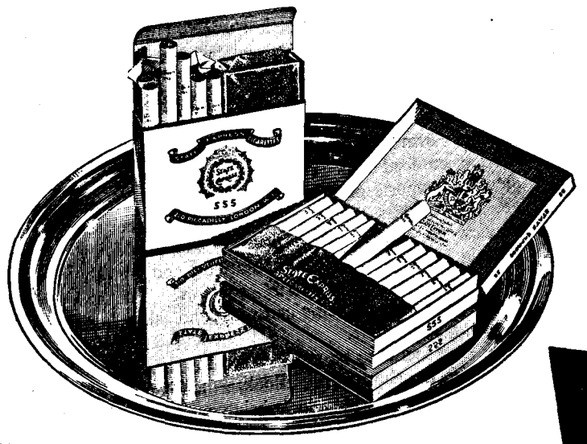

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part of what they gave borrowers when rates were rising. When Bank rate went to 7 per cent and through much of last winter the building society mortgage rate looked too low. A year earlier, when the rate was rising, many of them left existing borrowers undisturbed for several months after they had increased share interest and charges to new borrowers. Such latitude can only come at the ultimate expense of the reserves, and the present margin for reserves is a mere 6s. per £100. This country is one of the cheapest in the world for house loans even at 6 per cent.

NATIONAL SAVINGS

Rush for Savings Certificates

THREE factors have combined to give the National Savings Movement a useful boost this year. The new issue of Defence Bonds came on sale on May 1st ; the new maximum permissible holding of Savings Certificates, increased by the Chancellor by 400 units to 1,000 units (£750), came into effect at the same time ; and the latest reduction in Bank rate woke the public up to the fact that the current issue of certificates yielding the equivalent of 7¼ per cent if held to maturity had become too good a bargain to last

FOUR WEEKS TO SEPTEMBER 13th
(£ million)

Net Inflow :—	Last year	This year
Savings Certificates	−3·0	+23·5
Defence Bonds	−1·0	+11·75
Post Office Savings Bank	−3·75	− 6·0
Trustee Savings Banks	+4·25	+ 1·75
Premium Bonds	+6·75	+ 5·75
Total	+3·25	+37·0

Ignoring accrued interest and ignoring defence bonds repaid on maturity.

for ever. The wares of the National Savings Movement, savings certificates, defence bonds, post office deposits, trustee bank deposits and Premium Bonds, have brought in net in the first twenty-three weeks of the current financial year £49.6 million, compared with £16.4 million in the same twenty-three weeks of last year. Since the mid-August reduction in Bank rate, hustled on by unconfirmed rumours that the current savings certificates would shortly be replaced by a new issue with a lower yield, the rush to buy savings certificates has gathered speed. The table shows the net result reported in the latest four weeks—allowing for time lags these are approximately the four weeks ended September 13th. It shows also that for the channels of National Saving not affected by special new factors, Savings Bank deposits and Premium Bonds, the figures were actually worse than in the corresponding four weeks of last year.

BRITISH TRADE

Declining Exports

AUGUST is a slack month for trade and, mainly for seasonal reasons, the value of both imports and exports was much lower than in July, so reducing the visible trade gap still further. But now that the effects of the dock strike have worked themselves out, it is once more possible to see what is happening to British trade. Imports, after allowing for price changes, are running fairly steadily at a little below last year's level ; but exports are declining. In the first three months of this year exports were 2 per cent lower in value than in the same months of last year ; in the last three months they were 7 per cent down. Since export prices have changed little this reflects a real cut in volume. Some widening of the gap between this year and last was to be expected if only because, in 1957, exports were still expanding up to the third quarter of the year. But there is

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Visible deficit	Exports to N. America*
1957 :—					
1st quarter	352·7	278·8	13·0	61·0	32·0
2nd "	346·9	283·8	10·2	52·9	38·8
3rd "	332·1	265·6	9·8	56·6	37·5
4th "	326·9	280·1	11·5	35·2	35·8
1958 :—					
1st "	311·2	273·7	13·7	23·9	34·6
2nd "	303·9	258·8	11·6	33·5	39·2
June	300·2	223·7	8·4	68·1	37·4
July	337·8	285·8	12·2	39·7	41·4
August†	304·4	257·8	13·1	33·4	34·9

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957.
† Provisional.

now no doubt that the underlying trend in exports is downwards. In the first half of this year most of the export loss was in western European markets. The expected drop in the imports of primary producing countries cannot, surely, be delayed much longer ; indeed, there may be signs of it in the full trade accounts for August, due next week.

NON-FERROUS METALS

Control for Lead and Zinc?

AS the tin producers now know the ideal scheme to deal with a burdensome commodity surplus has yet to be devised. Will the fate of lead and zinc, recommended for working party treatment at last week's United Nations conferences on the non-ferrous metals, prove to be among the less unhappy ? In sharp contrast with its decision to take no action on copper—no working party and no international scheme—but to leave copper control to the producers' own output cuts, the conference recommended action on lead and zinc. It urged a cut in the general level of exports of both metals for a temporary period of one year or less, the establishment of machinery for prompt review on which both consuming and producing interests would have adequate representations, and a study group to face up to the longer term problems. The governments concerned are now being consulted and asked to report back as soon as possible.

There seems to be good reason for the distinction drawn between the short term outlook, which is poor, and the long term prospects which look brighter for both metals. But that implies a doubt whether any short range measures that may be worked out to alleviate the current surplus will do lasting good. The conference felt that the free forces of supply and demand are unlikely to get rid of the present surplus within a reasonable period ; it also sensibly recognised that imposition of tariffs or import quotas would not provide a satisfactory solution. Export cuts without production control, as was recommended, however, would hardly prove an answer, and might result in stocks being built up behind the export barriers. Leading US lead and zinc producers have made substantial cuts, but these have not been sufficient and the domestic industry continues to clamour for protection. A commodity scheme as suggested by the conference, however, would do little to discourage high cost producers and would therefore scarcely serve the long term interests of the industry. But the possibility of an international scheme for lead and zinc and reports that the United States may impose quota restrictions have helped to keep prices firm, with lead at about £72 a ton and zinc at about £66 a ton.

AIRCRAFT INDUSTRY

An Order for Blackburn

THE order placed by the Ministry of Defence this week for the Blackburn Aircraft Company's NA 39 naval strike aircraft is not a big one—naval orders never are. It does, however, mean that the aircraft is now certain to go into production. The machine is expensive ; it was designed to meet the navy's request for a low level aircraft small enough to operate from the meagre decks of British aircraft carriers yet capable of carrying an atom, if not a hydrogen, bomb. Flying beneath the radar screen, the structure had to be stressed well above normal to stand up to the effects of low level flying, which exacts a heavy toll on normal jet aircraft. It is not easy to combine these contradictory requirements in one machine ; the Blackburn design was the only one to do so of several submitted to meet the navy's needs, and the company has done a remarkably good job of building its first prototype not only to time but also to its designed performance.

IMF Admits It

THE International Monetary Fund has published this week a 100-page report on "International Reserves and Liquidity." Mr Per Jacobsson, the managing director, points out in a foreword that the report is a staff document and does not necessarily represent the views of the Executive Directors ; but on the eve of the New Delhi conference, at which the question of increasing world liquidity will be the major topic of discussion, the views of the officers of the IMF are bound to have special interest.

The conclusion of the report is unexceptionable: "It is doubtful whether, in the circumstances of the world today, with world trade greatly expanded in volume and value, the Fund's resources are sufficient to enable it fully to perform its duties under the Articles of Agreement." In other words, the quotas must be increased. Yet the bulk of the report seems designed to puncture the feeling of urgency.

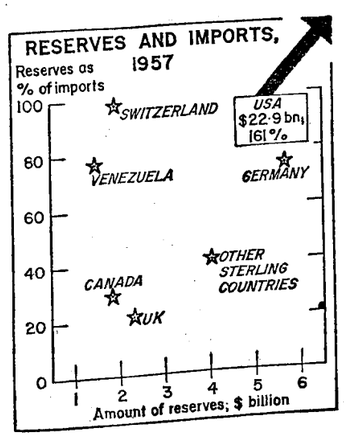
If the need for flexible fiscal and credit policies continues to be accepted in many countries, if further steps are taken to strengthen the international credit system, if overambitious investment plans beyond the power of available financing are avoided, and if international institutions are able to fulfil the role assigned to them, there is nothing in the overall reserve position to indicate that present reserves are inadequate.

The one meaningful point that might be inferred from this question begging is that the Fund is against an increase in the price of gold ; this issue finds no explicit mention in the report.

The authors of the report seem to have been a little obsessed with the need to demolish the extreme postulation of the inadequacy of existing reserves, and in doing so they themselves appear to lean a little too far to the other side. It is right for the IMF to put into longer perspective a statistical comparison of the adequacy of reserves in relation to imports. The IMF has a valid point that while world reserves in relation to imports are much smaller than they were in the late thirties, their relation in the late twenties was not so different. And the ratios today are much more favourable than they were before the first World War, when the reserves of the Bank of England covered less than three weeks' imports.

But if the shortage of reserves cannot be "proved" arithmetically by reference to 1938, still less can conclusions be drawn from the interesting arithmetic comparisons back to 1913. As the IMF study emphasises, the need for reserves can never be a fixed function of the volume of trade ; it depends on such wide questions as the degree of economic and political stability, exchange practices, and the role of governments in economic affairs. On all these counts, reserves need to be greater today than half a century ago. The consequences of 1928 were seen in 1931 ; and, as the report acknowledges, there has been a marked deterioration in the last few years. For these reasons outside observers have concluded, as the authors of the report conclude, that the International Monetary Fund is in need of reinforcement.

Two warnings need to be given about the figures cited in the report. First, the figures of sterling balances generally (but not always) exclude the large balances of the colonies; secondly, the dramatic fall in the dollar value of sterling balances in 1949 reflects the 30 per cent devaluation.

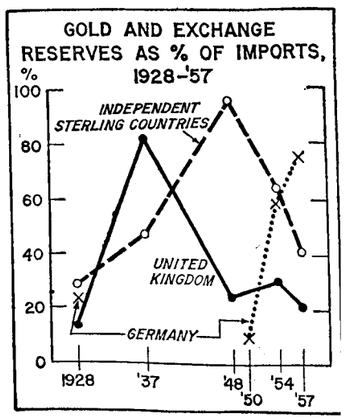


WORLD RESERVES, 1913-57*

	Gold + For. exchange	Gold	IMF quotas, etc.	Countries' reserves (col. 2) as % of imports: All countries	Countries' reserves (col. 2) as % of imports: World excl. US
	$ billions				
1913	4·0	4·5	—	21	17
1928	9·8	12·9	—	42	35
1937	25·3	27·7	—	101	63
1938	26·0	27·8	—	117	63
1948	32·8	46·2	7·0	77	42
1950	33·6	47·2	7·8	80	49
1952	33·6	46·8	8·1	58	34
1954	34·4	49·5	9·0	62	40
1956	35·6	51·8	8·9	53	35
1957	37·0	52·9	9·2	49	32

* Communist block excluded throughout.

Note :—In table and charts, foreign exchange includes sterling balances of all countries except UK colonies ; figures since 1949 reduced by devaluation.



Because of the cost of the aircraft, and the small numbers in which the navy was likely to need it, there has been some doubt about whether it would be ordered for production unless the RAF was also prepared to use a modified version of the machine. The Air Ministry does want a low level bomber, but a bigger, faster, longer range aircraft with a higher performance than the NA 39 is ever likely to possess, and the Air Staff has protested tartly that it would prefer to step up its orders for Canberras, which are one-third the price of the NA 39. The Air Marshals have apparently made their point, because a few weeks ago the aircraft industry was invited to submit designs for a Canberra replacement for the RAF.

COFFEE

Crop Retention Plans

A SURPLUS still faces the coffee producers, to whom surpluses are no new problem. But for last autumn's Latin American retention scheme, prices would have dropped further by now. Despite it the price slide continues, and with expectations of rapidly increasing carry-overs, it must, it seems, go on unless effective international agreement comes to the rescue. Prospects for this have brightened following last week's meeting in Paris, where the South Americans tried once again to convince the African producers of the urgent need for agreed restriction. Brazil, together with delegates from three other Latin American producers, canvassed support for substantial "retention" quotas, Brazil intimating that it might hold back as much as 40 per cent of its own output. Unanimous support was finally reached for some support scheme and this was reported back to Washington, where the study group, under US chairmanship, is again trying to negotiate a retention scheme for a fixed period. While only a speedy scheme can avert a break in prices, a longer term plan involving the substantial reduction in output is, it is argued, needed to prevent a recurrence of the present troubles.

The Brazilian argument that the Africans have done too well sheltering under the Brazilian umbrella is buttressed by a threat—the threat of the surpluses that Brazil already holds. Brazil's direct sale last month to the American General Foods group of 260,000 bags of coffee at below market prices came as a timely reminder of what that threat amounts to. If the study group in Washington emerges with a restriction scheme, who will finance it? Coffee ranks No. 1 in world trade turnover and the financing of unsold stocks runs into big figures. To finance, say, 10 million bags out of Brazil's 25 million bag crop would involve between £300 and £400 million. A glance at the figures suggests that "Uncle Sam" would have to pay. To induce him to do so, the argument runs, it is first necessary to convince him that the coffee-growing countries have done something definite to help themselves.

INDUSTRIAL SAFETY

The Invisible Hazard

ONE shift in emphasis noticed in discussions at Geneva's recent conference on nuclear energy was greater caution about the immediate prospects of new chemical processes based on the use of radio-activity, coupled with much more discussion of the health hazards involved in industrial use of radio-active sources. The same attention to hazards arising from much more widespread use of these sources can be seen in the 1957 report of Britain's Chief Inspector of Factories, Mr T. W. McCullough, which was published (more quickly than usual, and in condensed form) this week. At the end of 1957, 400 factories in Britain were using radio-isotopes and more than 100 were operating X-ray apparatus. "New uses are discovered daily and the older ones are being expanded and more generally applied," reports Mr McCullough, "so that the number of workers exposed to the hazard of ionising radiation is likely to go on increasing."

About 85 per cent of these factories are using sealed radio-active sources: here the hazard seems greater simply because there is no code of special regulations for the measurement and control of exposure to radiation, as there is for example in factories "luminising" (for example watch figures and hand) with radio-active compounds. Because operators of X-ray equipment are generally more educated in chemistry and physics than the average worker, they are readier to wear film badges measuring the radiation they receive. In luminising factories, where the contamination of equipment and benches can become many times higher than the recommended maximum levels, the operative may be a young girl with no scientific education who finds it difficult to grasp the real nature of the hazard to which she is exposed. A draft code for control in factories using radio-isotopes has been devised by the factory inspectorate, though not yet adopted: in the meantime "many firms already carry out voluntary precautions."

OVERSEAS BUILDING WORK

No Recession Abroad

THE value of the work done abroad by British contractors in the twelve months to last March was once again higher than before, according to the Ministry of Works' latest survey of the overseas activities of 60 or so firms in fifty different countries. The work was probably also greater in volume since the value of work carried out rose 12 per cent to £114 million, while costs are thought to have risen as a rough general average in the countries concerned by less than 5 per cent. Not all the value of this work, by a long measure, can directly be counted as helping Britain's balance of payments: labour and materials are usually acquired locally and the practice is growing of setting up overseas subsidiaries to seek and undertake contracts. But, in all, the work adds getting on for another tenth to the activities of the building and civil engineering industry at home, and it is obtained in face of increasingly stiff competition from American (who do more than £250 million worth of overseas contracting), west German and Italian firms.

OVERSEAS WORK BY BRITISH CONTRACTORS

Years to March 31	Work Done 1955–1956 £mn.	Work Done 1956–1957 £mn.	Work Done 1957–1958 £mn.	New Contracts 1955–1956 £mn.	New Contracts 1956–1957 £mn.	New Contracts 1957–1958 £mn.
Commonwealth countries (excluding Canada)	52	57	59	57	50	65
Canada	19	24	30	23	35	26
Middle East	14	17	22	26	15	25
Other places	2	4	3	3	2	3
Total	87	102	114	109	102	119

British contractors, again, netted more new orders last year. But this rise in new contracts was, less comfortably, confined to a smaller number of countries. The value of fresh business received from Canada declined sharply, which was against the general trend in the construction industries there. In the Middle East contracts again rose to the annual volume customary before the Suez war, but two-thirds of last year's £25 million worth of new business came from two countries, Iraq and Kuwait, while Persia contributed most of the other third. Among Commonwealth countries, where British firms do most of their contracting, the value of new contracts increased in the West Indies, India, Ceylon, Ghana, and colonial Africa but declined in Australia, New Zealand, Pakistan and South Africa. Altogether, last March, British firms had £122 million worth of foreign business on their order books, about £11 million more than at the end of March, 1957.

SHORTER NOTES

Thomas Tilling, which controlled practically all the issued ordinary capital of the hire purchase company, Mutual Finance, is to sell its interest in that company to Mercantile Credit for about £1,350,000. The 1,085,409 shares of 5s. each owned by Thomas Tilling are to be sold at 25s. each; holders of the remaining 14,591 shares are to be offered the same terms.

* * *

Lombard Banking has agreed with Vactric on a revision of the terms of its agreement to purchase Awley Finance, hitherto a wholly owned hire purchase subsidiary of Vactric. Lombard Banking is now to make its offer wholly in cash, for £1.65 million, instead of £600,000 cash and 1,050,000 of its 5s. shares. Lombard Banking is also reported to be negotiating for the purchase of a controlling interest in the 80-year-old Brisbane Permanent Building and Banking Company.

* * *

British Nylon Spinners' application for an Industrial Development Certificate at Havant near Portsmouth has been refused by the Board of Trade. The company has agreed to consider alternative sites for its third UK factory.

COMPANY AFFAIRS

THE RANK ORGANISATION

THERE is no lavish colour printing in the full accounts of the Rank Organisation this year, as there was a year ago. Lord Rank describes this economy as "part of the efforts to restrict all non-productive expenditure." The proximate cause of the fall in the group's trading profit from £5,821,000 to £2,993,000 in the year to June 30th was the loss of £1,264,000, compared with a profit of £719,000 in 1956-57, on film production and distribution. The films were planned about two years ago, when no one, the managing director, Mr John Davis, argues, could have predicted the fall of about 24 per cent in cinema attendances that recently occurred. Over the whole of this calendar year, Lord Rank estimates the fall in attendances at about 20 per cent, to between 700 and 750 million, while Mr Davis has suggested that attendances may finally level off at about the 600 million mark.

Once the decision to go more heavily into film production, reflected in the growth of bank overdrafts from £5.4 million to £7.2 million, was made, it would have been difficult, if not impossible, to draw back. In retrospect, the decision may indeed have been inevitable, given the growing scarcity of "films with high public entertainment acceptability," as Lord Rank puts it, and the fact that the group's caution about full re-equipment for Cinemascope had cost it the distribution of some highly acceptable 20th-Century-Fox films. Some good films were made in this production programme, and it has not finished earning. In years of difficulty for the cinema trade, again, it was perfectly logical for the Rank management to concentrate on running the screen it knew (it has only now arrived in commercial television with the opening of Southern Television). But the sickening acceleration of the decline in cinema attendances has made these successive decisions, in retrospect, costly ones. In the end the ordinary dividend that shareholders receive reflects the decisions taken in the boardroom: this year the dividend was cut from 12½ to 5 per cent—a distribution which, Lord Rank confesses, is "only just covered by the net profit."

But Lord Rank does look forward to some improvement in profits in the next twelve months. The loss on production he describes as "exceptional" and in the future the group will produce fewer, though probably more expensive, films. There are not enough first-feature films to go round, and the Rank Organisation seems now to be willing to give films longer runs at its cinemas. But that, in turn, adds to the surplus of cinemas; the Rank Organisation is still closing cinemas, especially those making big losses. This programme of rationalisation and of economy and the reduction in entertainment duty should help the Organisation, whose fortunes, Lord Rank says, are still "inescapably bound up with the future of the cinema industry in which by far the greatest proportion of the capital is presently invested."

But, like others in the industry, the Rank Organisation is looking beyond the cinema to the broader field of entertainment. It has for some time been a manufacturer of optical and precision instruments, though, naturally enough, the emphasis has been on instruments for the film industry; it is in the radio and television manufacturing industry, through Bush Radio; and more recently it has developed in this country xerographic duplicating processes. Its studios at Pinewood will soon begin to make a series of films for television, though, as a founder member of Fido, the Rank Organisation will not sell its old films to the television producers. In the near future it will come in as direct competitor in the market for gramophone records. It has begun, in partnership with Mr Victor Silvester, to operate dance studios and some of its cinemas will be turned into dance halls. Finally, and not least, it has taken an interest, through Southern Television, in commercial television; profits from this venture, however, are not likely to be reflected in the accounts until 1959-60. No one can dispute the need for the Rank Organisation to diversify and rationalise its activities. But investors are taking a good deal for granted when at 9s. 4½d. xd. the 5s. ordinary units yield a mere 2⅔ per cent.

PROFITS, AFTER DEPRECIATION

(£000's)

Years to end-June	1954	1955	1956	1957	1958
Exhibition in Britain	3,283	3,578	2,655	2,707	2,237
Exhibition Overseas	613	325	225	444	347
Production and Distribution	847	745	925	719	Dr. 1,264
Manufacturing	1,289	2,159	2,052	1,504	1,117
Studios and Laboratories	151	303	399	347	443
Miscellaneous	198	283	119	100	113
Total	6,381	7,393	6,375	5,821	2,993

SCRIBBANS-KEMP

SHAREHOLDERS will find little comfort in the accounts of Schibbans-Kemp for the year ended March 31st. A year ago, the group had not yet secured any tangible benefit from the introduction of automation, paid for out of a "rights" issue of £1,680,000 made in 1956; indeed, in 1956-57 earnings fell sharply. But then the chairman, Mr H. Oliver-King, anticipated better results for 1957-58, and he pointed to the marked advance in both turnover and profits in the first four months of the financial year. Hopes, however, have been dashed a second time, for gross profits have fallen again, from £847,636 to £830,938. Mr Oliver-King's original forecast was borne out in the first six months and the group has continued to make headway in export markets, but for the year as a whole results were affected by the unexpected dislocations caused by the introduction of automatic techniques. In particular, earnings reflected reduced profits from a Canadian subsidiary, stock and production losses suffered by the confectioners, Barker & Dobson, in a heat wave last summer, and a loss incurred by a small engineering subsidiary (which has since been closed). Costs continued to rise, with the price of cocoa going up by 86 per cent. These results thus illustrate the group's sensitivity to fluctuations in raw material prices. The end-result was the slender cover on the maintained ordinary dividend of 11 per cent which net earnings of 13 per cent now provide. The change in profits tax would add nearly another 3 points to present earnings, while liquid resources of £600,000 amply cover capital commitments of only £78,000 (compared with £244,000 a year ago). But Mr Oliver-King says that although he hopes that the period of transition is over the difficulties attending the introduction of automation have not yet been finally overcome. The £1 shares have slipped from 25s. 6d. to 23s. 4½d. and they offer a yield of 9.4 per cent, compared with an average yield of under 6 per cent offered by the general run of stocks in the food and confectionery group.

CALICO PRINTERS ASSOCIATION

THE price of the £1 ordinary stock of Calico Printers Association is just now governed more by what may happen about the "Terylene" royalties than by the misfortunes of the cotton industry. The British "Terylene" royalties owned by CPA were due to expire last July unless extended. CPA asked for an extension to compensate for the loss of exploitation suffered through the war years. The application was opposed by British Celanese, now absorbed into Courtaulds. It is difficult to see how an extension could be refused, but, clearly, how long any extension will be is a matter for the Courts.

Now, in recognition of the "special nature" of the royalty payments the directors have raised the bonus paid on the ordinary capital from 7½ to 12½ per cent but at the same time have reduced the ordinary dividend from trading by a like amount, from 15 to 10 per cent. The total distribution is thus left unchanged at 22½ per cent for the year ended June 30th, but the distinction between the royalty and trading elements in profits needed to be made. And the directors have made it. While the group's net profit has come down from £750,598 to £601,116, the net royalty income within this total has risen by £63,000 to £300,000, accounting for almost exactly half the total net income. Some small part of this arises from foreign royalties not at present due to expire. The group's subsidiaries in Australia, South Africa and Jamaica have continued to do well, but the commission printing and merchanting activities of the group in the home market have taken hard knocks. The directors explain that a "lower level of productive activity" caused a "substantial reduction in the profits from commission printing and other finishing processes" while since March the sales of the merchanting departments have suffered a "marked decline." A decision about the British "Terylene" patent is essential before a firm value can be put on the £1 ordinary units. They now stand at 39s. and yield 11½ per cent.

London Stock Exchange

FIRST DEALINGS:	Sept. 3	Sept. 17	Oct. 4
LAST DEALINGS:	Sept. 16	Sept. 30	Oct. 11
ACCOUNT DAY:	Sept. 23	Oct. 7	Oct. 21

MARKETS this week were steadily firm up to the close of the account on Tuesday. Strength on Wall Street, with the Dow Jones average touching its highest peak on Tuesday at 526.57, and relaxations of hire purchase controls gave prices a boost at the opening of the new account.

Government funds rose steadily each day and among short-dated issues 2½ per cent Funding 56/61 rose from 95⅛ to 96⅝ and 3 per cent Exchequer 1960 from 98⅛ to 98⅜. Among the irredeemable issues 3½ per cent War Loan gained ⅝ to 65⅝, but 2½ per cent Treasury stock remained unchanged at 49⅞ xd.

Bank shares were quietly steady, while among discount houses Alexanders advanced 1s. to 38s. and Union put on 9d. to 54s. Companies concerned in hire-purchase rose; Astley gained 1s. 9d. to 35s. 9d. and Bowmaker rose from 27s. 7½d. to 29s., while United Dominions Trust advanced from 100s. to 105s. 6d. In the insurance group Pearl rose 4s. 6d. to 99s. 6d. and Prudential "A" gained 2s. 6d. to a new high point for the year of 190s.

The Economist indicator rose to a new peak for the year of 213.8. Turner & Newall rose from 62s. 10½d. to 67s. 1½d. British American Tobacco put on 1s. 1½d. to 49s. 9d. and Gamage 3s. 3d. to 58s. 6d. Among companies likely to be affected by hire purchase relaxations New Day rose from 9s. 1½d. to 10s. 4½d., Times Furnishing from 15s. 9d. to 17s. 3d. Breweries were firm; Watney put on 2s. to 70s. 9d. and Bass 1s. 3d. to 39s. 3d. Primitiva Holdings were weak on the compensation postponement, losing 1s. 6d. at 13s. 9d. Very firm conditions prevailed in the oil market, British Petroleum gained 8s. 1½d. to 113s. 9d. and Shell rose 5s. to 145s. 7½d. Gold shares showed some advances, St Helena rising 3s. 6d. to 46s. 3d.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Sept. 10, 1958	Price, Sept. 17, 1958	Net Yield, Sept. 17, 1958 £ s. d.	Gross Yield, Sept. 17, 1958 £ s. d.
99 7/16	96 1/16	War Loan 3%....1955-59	99 3/32	99 7/16	3 7 0	3 10 11
96 5/32	90 1/8	Funding 2½%....1956-61	95 13/32	96 3/32	3 0 9	4 1 11
99 1/2	96 13/32	Conversion 2%....1958-59	99 7/16	99 1/2	2 4 2	3 10 6
97 3/32	93 5/16	Exchequer 2%.....1960	97 5/8	97 11/32	2 17 9	3 16 2
99	95 5/16	Exchequer 3%.....1960	98 11/16	98 13/32	2 8 4	3 14 10
100 1/32	95 5/16	Conversion 4½%.....1962	100 3/32	100 3/32	2 8 1	4 7 3
94 7/16	88 3/8	Exchequer 3%....1962-63	94	94 5/16	2 19 7	4 7 6
100 25/32	99 7/16	Conversion 4½%.....1963	100 1/32	100 3/32	2 8 8	4 11 2
90 1/4	83 5/8	Savings Bds. 3%.1955-65	89 1/4	89 3/8	3 10 7	4 18 3
82	77 1/8	Funding 3%.....1959-69	81*	80 7/8*	3 18 6	5 7 0
89 1/8	86 3/8	Funding 4%.....1960-90	88 1/2	88 1/4	10 10 11 / 2 17 7	12 17 8 / 4 15 7
79 1/4	75	Savings Bds. 3%.1960-70	78 3/8	79 1/16	3 19 0	5 8 5
91	84 3/8	Exchequer 2½%..1963-64	90 3/8	91	3 5 10	4 9 11
82 1/4	75 3/8	Savings Bds. 2½%.1964-67	82	82 1/4	3 19 4	5 4 5
73 1/4	69 3/8	Savings Bds. 3%.1965-75	73	73 1/8	3 18 1	5 9 1
103 7/16	99 1/4	Exchequer 5½%.....1966	101 1/4*	101 7/16	2 19 5	5 6 0
83 3/16	78 3/8	Funding 3%.....1966-68	82 1/4	82 7/16	3 17 11	5 6 11
94 3/8	91 1/2	Victory 4%.....1920-76	93 1/2	93 3/8	3 1 6	4 17 4
87	81 3/16	Conversion 3½%.....1969	85 1/2	85 1/2	3 13 7	5 6 4
98 1/16	97 1/4	Conversion 5½%.....1974	98 1/4	98 3/8	3 4 4	5 10 9
76 7/16	71 1/8	Treasury 3½%....1977-80	76 1/2	76 3/8	3 11 9	5 7 10
76 3/8	70 3/8	Treasury 3½%....1979-81	75 1/2	75 1/2	3 12 1	5 7 10
101 3/8	98 1/2	Funding 5½%....1982-84	101 1/2	101 3/8	3 2 3	5 9 4
67 1/4	60	Redemption 3%..1986-96	65 3/8*	65 1/2*	3 6 1	5 0 3
73 1/16	64 3/8	Funding 3½%..1999-2004	73	73 1/2	3 2 4	5 0 4
76 7/8	69 3/16	Consols 4% after Feb. 1957	75	75 3/8	3 1 2	5 6 8
68 3/4	63 1/8	War Loan 3½% after 1952	68 1/4	68 3/8*	2 19 3	5 3 8
68 3/4	62 3/8	Conv. 3½% after Apr. 1961	67 1/8*	67 1/8*	2 19 9	5 3 10
60	54 3/8	Treas. 3% after Apr. 1966	58 3/4*	58 3/4*	2 18 8	5 1 11
51 3/4	46 1/2	Consols 2½%	51 1/2*	51 1/2*	2 16 0	4 17 4
51 3/8	46 3/4	Treas. 2½% after Apr. 1975	49 7/8*	49 7/8*	2 17 7	5 0 1
95 1/16	90 1/2	Br. Electric 4½%.1967-69	93 1/2	94	3 5 6	5 5 9
76 1/8	72 3/8	Br. Electric 3%....1968-73	75 3/8*	75 3/8*	3 18 11	5 8 11
73 1/4	68 3/8	Br. Electric 3%....1974-77	72 1/4*	72 3/8*	3 16 7	5 7 9
87 7/16	82 3/8	Br. Electric 4½%.1974-79	85 1/2*	85 3/8*	3 8 1	5 7 11
77 5/8	72 3/8	Br. Electric 3½%.1976-79	77 3/8	77 1/2	3 11 9	5 7 10
87 3/8	82 1/16	Br. Gas 4%.....1969-71	86 7/8	87 3/16	3 9 11	5 7 4
84	79 1/2	Br. Gas 3½%.....1969-71	82 3/8	82 13/16	3 13 8	5 7 0
67 13/16	60 5/16	Br. Gas 3%.....1990-95	67 1/8	67 1/2*	3 5 6	4 19 11
26 1/8	72 1/8	Br. Transport 3%.1968-73	75 3/8*	75 5/8*	3 18 11	5 8 11
84 1/4	79 1/4	Br. Transport 4%.1972-77	83 5/8	84	3 9 9	5 8 8
67 3/8	60 1/8	Br. Transport 3%.1978-88	67 1/4	67 7/16	3 10 4	5 4 1

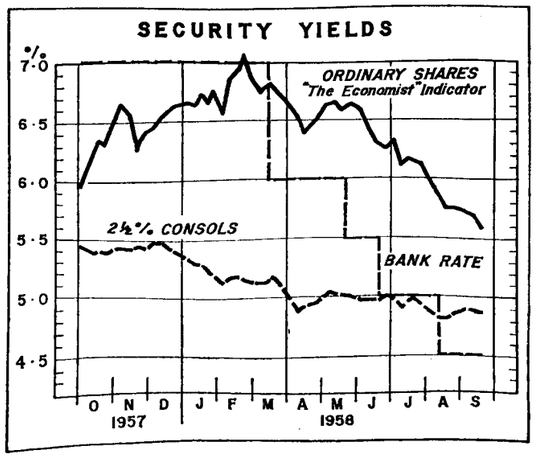
Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Sept. 10, 1958	Price, Sept. 17, 1958	Yield, Sept. 17, 1958 £ s. d.
88 1/4	83	Agric. Mortgage 5%.....1959-89	87 1/2	87 3/4	5 17 6
79 1/2	76 1/4	Australia 3½%.....1965-69	79 3/8	79 3/4	5 7 0
95 3/8	92 3/4	Birmingham 5%.....1973-75	95	95	5 9 5
94 1/2	90 1/2	East Africa 5½%.....1977-83	93 7/8	94 1/2	5 9 3
102 1/2	95 1/2	L.C.C. 5½%.....1977-81	100	100 1/2	5 9 6
62 1/2	56	Met. Water Board 'B' 3%.1934-2003	62	62 1/2	5 2 0
83 1/2	78	New Zealand 4%.....1965-70	82 1/2	83 1/2	5 7 8
72 1/2	69	S. Rhodesia 2½%.....1924	71 1/2*	72 1/2	5 16 6
101 1/2	83	German 7% (Br. Enfaced 5%)..1907	100 1/2	101 1/2	...
169	160	Japan 5% (Enfaced).....1907	168 1/2	161*	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 3, 1958	Price, Sept. 17, 1958	Yield, Sept. 17, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
33/3	28/–	5 b 4 a	Bk. Ldn. & S. Amer. £1	33/3	30/3*	4 5 9
60/–	39/9	6 b 6 a	Barclays Bank.....£1	58/9	58/9	4 1 8
32/3	27/6	4 b 4 a	Barclays D.C.O. £1	31/9	31/3	5 2 5
48/–	35/6	7½ b 7½ a	Chartered Bank....£1	46/–	45/–*	6 13 4
58/3	41/3	6½ b 6½ a	Lloyds Bank £1	57/–	57/–	4 11 3
80/–	57/6	9 b 9 a	Midland Bank £1	76/–	75/9	4 15 0
39/–	29/6	5 b 5 a	Nat. Discount 'B'..£1	37/–	38/–	5 5 3
54/–	40/9	6½ b 6½ a	Union Discount....£1	53/3	54/–	4 10 11
			INSURANCE			
38/4½	32/9	15 a 21⅜ b	Commercial Union 5/–	38/4½	38/–	4 16 6
142/6	113/9	40 a 60 b	Legal & General ..5/–	140/–	142/6	3 10 0
101/3	86/3	†50 b †20 a	Pearl.....4/–	95/–*	99/6	6 2 4
190/–	154/–	†132½ c †147½ c	Prudential 'A' £1	187/6	190/–	6 8 0
			BREWERIES, ETC.			
39/3	31/–	36 b 10 a	Bass 5/–	38/–	39/3	5 17 0
26/10½	19/7½	7½ a 12½ b	Distillers.....10/–	26/–	26/4½	5 1 0
46/6	37/–	15 b 10 a	Guinness.....£1	44/7½	46/6	5 7 6
90/6	75/6	8 a 17 b	Whitbread 'A'.....£1	90/–	90/6	5 9 11
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½ a 6½ b	Bristol Aeroplane 10/–	11/3	11/–	9 1 10
9/8½	6/7½	4 a 12½ c	British Motor.....5/–	9/6¾	9/8½	6 9 0
43/6	31/9	3 a 6 b	Ford Motor £1	41/9	43/3	4 3 2
32/9	24/9	3 a 7 b	Hawker Siddeley....£1	44/–	32/4½	6 3 8
43/6	37/9	12½ c 12½ c	Leyland Motors....£1	94/4½	45/3	5 10 6
96/9	82/9	5 a 15 b	Rolls-Royce £1	7/4½	95/7½	4 3 8
8/1½	6/7½	8 c 8 c	Standard Motor...5/–		8/1½	7 7 8

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 10, 1958	Price, Sept. 17, 1958	Yield, Sept. 17, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
99 7/16	96 1/16	6¾ b 7 a	Babcock & Wilcox .£1	49/–	49/6	5 5 0
96 5/32	90 1/8	6 b 4 a	Dorman Long £1	24/6	24/1½	8 5 3
99 1/2	96 13/32	5 a 10 b	Guest Keen N'fold..£1	46/–‖	49/–‖	4 13 10
97 3/32	93 5/16	†2 a †4 b	Alfred Herbert £1	37/9	38/9	5 17 5
99	95 5/16	4 a 7 b	Metal Box £1	57/1½	56/4½	5 17 0
100 1/32	95 5/16	8 b 3 a	Stewarts & Lloyds..£1	26/6	25/10½	8 6 0
94 7/16	88 3/8	5 a 5 a	Swan Hunter.....£1	58/6	57/1½	3 17 0
100 25/32	99 7/16	4 a 7½ b	Vickers £1	34/–	33/9	5 17 8
			ELECTRICAL			
89 1/8	86 3/8	5½ a 15 c	Assoc. Elec. Inds...£1	54/3	53/6*	5 12 8
79 1/4	75	8½ b 14 a	Br. Ins. Callenders.£1	47/–	45/6	5 9 10
91	84 3/8	14 a 15 c	Decca Record 4/–	30/3	29/4½	5 18 0
82 1/4	75 3/8	10 b 4 a	Elect. & Mus. Inds. 10/–	58/3	44/6	4 16 3
73 1/4	69 3/8	3½ a 6½ b	English Electric ...£1	38/9	37/–	5 7 3
103 7/16	99 1/4	5 c 6 b	General Electric ...£1	38/9	29/9	3 1 2
83 3/16	78 3/8		TEXTILES			
94 3/8	91 1/2	Nil a	Bradford Dyers....£1	16/3	10/1½	14/6
87	81 3/16	6 c	Coats, J. & P. £1	23/3	19/6	21/1½
98 1/16	97 1/4	2½ a 6½ b	Courtaulds.....£1	25/4½	19/7½	21/6
76 7/16	71 1/8	5 b 12½ b	Lancashire Cotton. £1	36/10½	29/10½	23/10½
76 3/8	70 3/8	7½ a 5 a	Patons & Baldwins .£1	35/4½	30/–	12½ c 5 a
101 3/8	98 1/2		SHOPS & STORES			
67 1/4	60	3 a 7½ a	Boots Pure Drug..5/–	19/6	14/9	18 c
73 1/16	64 3/8	7½ a 6 b	Debenhams 10/–	46/1½	33/6	20 b
76 7/8	69 3/16	7½ g 25 b	Gt. Universal 'A'..5/–	24/6	17/3	7½ g
68 3/4	63 1/8	10 a 22½ b	Marks & Spen. 'A' 5/–	47/–	37/3	10 a
68 3/4	62 3/8	20 b 12½ a	United Drapery...5/–	29/9	21/–	12½ a
60	54 3/8	13½ a 26⅜ b	Woolworth.....5/–	43/3	34/7½	26⅜ b
51 3/4	46 1/2		SHIPPING			
51 3/8	46 3/4	13½ b 6½ a	Brit. & Com'wealth 10/–	40/6	27/7½	6½ a
95 1/16	90 1/2	8 b 2 a	Cunard £1	23/9	16/6	2 a
76 1/8	72 3/8	10 c 17½ b	B.E.T. 'A' Defd...5/–	35/3	22/–	3 a
73 1/4	68 3/8	4 a 8 b	Furness Withy.....£1	30/3	28/3	6 b
87 7/16	82 3/8	11 b 4 a	Br. Oxygen £1	40/3	28/3	6 b
77 5/8	72 3/8	8 b 5 a	Dunlop Rubber..10/–	22/4½	14/4½	3 a
87 3/8	82 1/16	4 a 8 b	Imp. Chemical.....£1	34/1½	24/3	4 a
84	79 1/2	7½ b 4½ a	Imp. Tobacco £1	48/–	37/–	11½ b
67 13/16	60 5/16	2½ a 5 b	J. Lucas (Inds.)....£1	39/6	28/–	5 b
26 1/8	72 1/8	8½ b 5 a	Monsanto Chem...5/–	16/2½	12/6	5 a
84 1/4	79 1/4	5 b 5 a	Ranks.....10/–	16/3	13/7½	5 b
67 3/8	60 1/8	9 b 5 a	A. E. Reed.....£1	41/3	27/9	5 a
		22½ c 22½ c	Sears Holdings 'A' 5/–	14/9	11/8½	22½ c
		4½ a 12 b	Tate & Lyle £1	62/6	48/9	12 b
		7½ b 7½ a	Tube Investments..£1	61/10½	48/6	7½ b
		12½ b 5 a	Turner & Newall...£1	67/1½	52/1½	12½ b
		11½ b Unilever Ltd.....£1		89/1½	70/6	6 a
		16 b United Dominions..£1		111/–	77/–	4 a
		†10 b United Molasses .10/–		32/9	26/–	†4½ a
			OIL			
		†10 b †5 a	British Petroleum..£1	113/9	79/6	†10 b
		†7 11/16 b Burmah £1		78/–	59/1½	†5 a
		7½ a 17½ b	Royal Dutch....20 fl.	£17⅛	£13⅞	7½ a
		†5 a †13½ b	Shell £1	151/3	117/6	†5 a
		... ...	Ultramar 10/–	74/6	41/6	...
			MINES, ETC.			
		20 a 60 b	Anglo-American .10/–	160/–	115/–	20 a
		†2½ a †10 b	Cons. Tea & Lands..£1	25/3	19/6	†2½ a
		6½ a 12½ b	Cons. Zinc Corp. ...£1	54/–	41/6	6½ a
		120 b 80 a	De Beers Def. Reg. 5/–	111/3	80/7½	120 b
		40 a 60 b	Free State Geduld .5/–	96/10½	76/–	40 a
		30 c 30 c	London Tin 4/–	7/9	6/4½	30 c
		50 a 50 b	President Brand ..5/–	60/–	46/6	50 a
		1¾ a 16⅜ b	Rho. Selection Tst. 5/–	18/3	12, 10½	1¾ a
		25 a 175 b	Rhokana Corp. £1	28⅜	20	25 a
		37½ b 12½ a	United Sua Betong..£1	54/9	46/–	37½ b
		80 b 60 a	Western Holdings .5/–	105/–	84/4½	80 b

Prices, 1958 High	Prices, 1958 Low	ORDINARY STOCKS	Price, Sept. 10, 1958	Price, Sept. 17, 1958	Yield, Sept. 17, 1958 £ s. d.
160/–	115/–	Anglo-American .10/–	156/3	160/–	5 0 0
25/3	19/6	Cons. Tea & Lands..£1	25/3	25/3	17 4 0
54/–	41/6	Cons. Zinc Corp. ...£1	53/3	53/3	7 0 9
111/3	80/7½	De Beers Def. Reg. 5/–	108/9	111/3	8 19 0
96/10½	76/–	Free State Geduld .5/–	93/9	96/10½	2 16 7
7/9	6/4½	London Tin 4/–	7/–	7/9	15 9 8
60/–	46/6	President Brand ..5/–	58/6	59/3	8 8 0
18/3	12, 10½	Rho. Selection Tst. 5/–	17/–	18/3	...
28⅜	20	Rhokana Corp. £1	26⅜	27½	...
54/9	46/–	United Sua Betong..£1	54/3	54/9	18 5 0
105/–	84/4½	Western Holdings .5/–	102/6	105/–	6 13 3

SECURITY YIELDS



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Aug. 20	208·0	5·75				
,, 27	207·4	5·75				
Sept. 3	208·8	5·72				
,, 10	209·9	5·69	213·8 (Sept. 17)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 17	213·8	5·59				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
Sept. 10	191·1	5·86	91·90	4·89	9,331	High 194·5 (Sept. 17)	High 207·6 (July 9)
,, 11	191·0	5·86	92·01	4·89	9,375		
,, 12	191·0	5·86	92·06	4·89	9,537		
,, 15	191·7	5·84	92·08	4·88	10,990	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
,, 16	193·4	5·79	92·34	4·87	10,276		
,, 17	194·5	5·76	92·34	4·87	12,921		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

New York Closing Prices $

	Sept. 10	Sept. 17		Sept. 10	Sept. 17		Sept. 10	Sept. 17
Alcoa.....	78	85⅛	DuPontdeNm.	199½	198½	N.Y. Central .	18⅝	21⅛
Alumin'm Ltd.	28⅝	31⅝	Ford Motors..	43	45	Sears Roebuck	31⅛	33¼
Am. Smelting.	43	46⅜	Gen. Elect....	65	66⅜	Shell Oil	82⅜	82
Amer. Tel. ...	186½	186½	Gen. Motors..	44¾	45⅜	Std. Oil of N.J.	55⅛	58⅛
Anaconda....	51⅛	54⅜	Goodyear	93¾	92⅜	Tri-Conti'tal..	37⅜	37½
Beth. Steel...	46⅜	48¼	Gulf Oil.....	110¼	113¼	Union Carbide	109⅜	111½
Can. Pacific ..	28⅜	29⅜	Int. Bus. M....	387	408	U.S. Steel....	75¼	78⅜
Chrysler Cpn..	54⅜	58⅛	Int'l. Nickel .	83	87½	West'house E.	62⅜	64
Crown Zeller..	55⅜	57½	Int'l. Paper ..	107½	112⅜	Woolworth	48½	48⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 12%. (i) On 15%. (j) On 8%. (l) To latest date. (m) On 14⅛%. (n) On 11½%.

STATISTICS

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

World Trade ..... July 19th

British		Overseas	
Prices and Wages	Sept. 6th	Western Europe :	
Production and Consumption	This week	Production and Trade.....	Aug. 30th
Manpower	Sept. 13th	British Commonwealth	Sept. 13th
External Trade	Aug. 30th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	July 19th	United States	Sept. 6th

UK Production and Consumption

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

		Unit	Monthly averages			1957			1958			
			1955	1956	1957	May	June	July	April	May	June	July
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948=100	137	136	138	145	141	128	133	137	137	123–124
" " *seasonally adjusted*		"	...	...	...	*140*	*142*	*139*	*136*	*135*	*134*	*134–136*
Mining and quarrying		"	108	109	109	120	109	96	107	111	101	...
Building and contracting		"	116	123	123	124 [5]	...	122 [6]	...	...	...	...
Gas, electricity and water		"	153	160	163	155	138	136	171	155	148	...
Manufacturing, total		"	142	140	143	151	147	132	135	140	142	...
" " *seasonally adjusted*		"	...	...	...	*144*	*147*	*145*	*138*	*139*	*138*	...
Engineering, shipbuilding, electrical goods		"	155	151	156	160	166	146	143	...	...	...
Vehicles		"	172	160	165	179	177	166	164	173	...	...
Chemical trades		"	179	185	192	198	197	183	...	...	...	...
Textiles and clothing		"	116	117	116	125	116	103	105	105	...	...
Food, drink and tobacco		"	117	121	123	136	129	116	126	138	...	...
BASIC MATERIALS												
Production of :												
Coal (1) (8)	W	'000 tons	4,250	4,269	4,301	4,726	4,315	3,821	4,230	4,417	4,039	3,68
Pig iron	W	"	240	253	275	284	275	263	257	250	243	22
Steel, ingots and castings	W	"	381	397	417	443	419	363	408	379	374	31
Sulphuric acid	M	"	174·6	187·2	194·7	199·5	188·1	175·3	185·9	176·9	169·1	...
Newsprint	W	"	11·91	12·36	12·55	13·61	12·73	8·74	12·75	12·95	13·14	...
Electricity (1)	M	mn. kwh	6,679	7,263	7,581	7,248	6,051	6,276	7,960	7,324	6,793	6,59
MANUFACTURING												
Textile production :												
Cotton yarns, single	W	mn. lb.	16·91	16·33	16·85	18·48	16·31	14·21	15·00	15·03	14·75	12·1
Worsted yarn	M	"	18·48	19·38	19·48	22·49	17·49	19·60	16·42	15·79	16·42	16·4
Rayon and synthetic fibres, total	M	"	39·32	40·21	41·32	48·94	41·01	43·24	36·94	36·22	32·32	32·8
" " " staple fibre	M	"	19·94	21·31	21·93	25·90	22·39	22·75	20·92	19·65	17·24	17·4
Cotton cloth, woven	W	mn. yds.	34·3	31·0	31·4	33·7	32·3	21·8	28·0	28·2	29·0	19·
Wool fabrics, woven	M	mn.sq.yds	34·2	33·1	32·8	36·1	30·2	34·3	25·8	25·9	27·9	28·
Engineering production :												
Passenger cars and chassis	W	'000s	17·26	13·61	16·56	19·10	18·50	19·87	20·31	21·57	20·95	21·2
Commercial vehicles and chassis	W	"	6·53	5·71	5·54	5·87	5·79	5·92	5·81	6·40	6·00	5·8
Metal-working machine tools	M	'000 tons	12·52	12·90	14·10	14·08 [6]	...	14·42 [6]	...	...	...	...
Internal combustion engines	M	'000 BHP	408	411	406	428	384	420	449	416	...	...
BUILDING ACTIVITY (1)												
Permanent houses completed :												
Total	M	'000s	26·42	25·03	25·09	27·73	25·25	24·41	21·71	23·47	23·06	23·5
By private builders	M	"	9·46	10·35	10·54	11·22	10·26	10·50	9·90	10·31	10·45	11·
By local housing authorities	M	"	15·98	13·86	13·83	15·75	14·04	13·14	11·32	12·77	11·74	12·(
Other	M	"	0·98	0·82	0·73	0·76	0·95	0·77	0·49	0·39	0·87	0·
WHOLESALE SALES												
Textile houses :		Av. value										
Total home sales		1950=100	98	101	101	98	83	74	98	94	80	...
Women's and children's wear		"	98	102	101	98	81	73	96	95	75	...
Men's and boys' wear		"	94	99	99	100	88	78	100	93	82	...
Piece-goods		"	62	63	64	63	52	58	54	59	50	...
RETAIL SALES (1)		Weekly av. value										
All kinds of business :		1950=100	139	146	153	150	151	153	149	154	153	1
All retailers		"	136	140	146	142	142	146	141	146	144	1
Independent retailers		"	152	162	173	167	176	172	167	178	181	1
Multiple retailers		"	142	154	164	166	162	159	164	168	163	1
Co-operative societies		"	117	121	127	120	116	126	123	120	120	1
General department stores		"										
By kind of shop :												
Food		"	148	156	163	163	162	164	165	168	165	1
Clothing and footwear		"	121	127	131	130	141	133	125	135	136	1
Household goods		"	151	153	166	160	150	158	153	160	154	1
STOCKS												
Basic materials :												
Coal, distributed (1)		'000 tons	18,340	17,893	18,765	17,094	18,279	19,164	14,936	16,168	17,072	17,8
Steel (9)		"	1,365	1,573	1,582	1,581	1,632	1,729	1,771	1,743	1,701	...
Copper (4)		"	76·2	59·6	91·5	61·9	64·1	81·1	88·6	89·0	81·9	...
Sulphur (8)		"	66·6	84·6	97·2	95·4	89·0	92·2	68·9	78·1	75·4	...
Newsprint (7)		"	105·0	133·6	145·6	138·6	145·4	158·3	104·6	112·8	117·0	...
Textiles :		Av. value										
Wholesale houses, total (1)		1950=100	90	95	95	113	109	118	117	115	112	...

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excludin government stocks. (5) Average for second quarter. (6) Average for third quarter. (7) From January, 1957, excluding newsprint for periodicals an certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. (8) For sulphuric acid only, including filter cake from May, 195 (9) Stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent; from January, 1958 includes certain categories of semi-finished steel not previously available. (10) Figure for August, 221,000 tons. (11) Figure for August, 299,000 tons.

Prices and Money Supply in Western Europe

WHOLESALE PRICES (1) (1953 = 100)

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
1948	42	94	74	65	90 [2]	...	78	104	75	66	72	94	...
1956	110	104	106	102	103	129	101	102	104	109	108	139	107
1957	114	106	106	108	105	130	108	103	107	113	110	164	106
1958, March	111	103	105	120	106	126	112	102	106	111	108	170	95
" April	110	102	104	120	106	125	113	102	106	111	108	...	95
" May	110	102	104	124	106	126	...	102	104	111	107	...	94
" June	111	101	105	121	106	...	...	102	104	111	107	...	94
" July	111	...	...	...	...	...	...	...	...	...	...	...	94 [10]

COST OF LIVING (3) (1953 = 100)

1948	50 [2]	95	81	60	93	63	79	86	78 [4]	74	77	89	77
1956	108	104	113	103	105	126	107	109	108	109	109	136	112
1957	112	107	116	106	106	129	112	110	114	112	113	152	116
1958, March	113	108	...	120	110	130	...	112	117	114	118	160	119
" April	112	108	117	121	110	130	...	113	118	117	119	161	120
" May	112	108	...	121	111	131	117	114	116	117	119	...	120
" June	115	109	...	122	110	131	...	114	118	118	119	...	121
" July	...	108	117	...	...	131	...	...	...	...	...	...	119 [11]

IMPORT PRICES (6) (1953 = 100)

1948	37	84	84 [5]	59	...	...	82	98	85	80	72	113	75
1956	97	99	102	102	102	124	106	103	102	102	103	...	104
1957	98	102	103	111	103	127	112	108	107	109	106	...	106
1958, February	95	98	...	} 118 [15]	{ 98	119	112	105	103	109	} 104 [15]	{ ...	98
" March	93	96	...		97	118	110	103	102	109		...	97
" April	93	96	...	...	96	114	108	102	103	105	...	...	98
" May	91	...	...	...	95	...	109	...	102	113	...	...	97
" June	89	...	...	...	95	...	...	...	102	104	...	...	98 [12]

EXPORT PRICES (5) (1953 = 100)

1948	42	95	91 [5]	68	...	...	78	103	97	84	76	91	77
1956	105	103	104	99	101	143	96	102	102	115	103	...	105
1957	105	106	102	106	103	140	98	102	105	119	105	...	110
1958, February	105	103	...	} 117 [15]	{ 105	136	99	107	104	112	} 104 [15]	{ ...	110
" March	102	102	...		102	142	99	107	104	114		...	109
" April	103	101	...	...	104	133	100	107	105	113	...	...	109
" May	104	98	...	...	102	...	...	...	104	112	...	...	109
" June	102	...	...	...	102	...	99	...	102	113	...	...	109 [14]

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas [9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras	'000 mn. £
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715	5·12
1956	29·71	198·9	7,633	6,585	31·9	9·17	154·7	4,927	9,227	6,865	9·90	6,031	5·76
1957	32·10	198·4	7,918	7,152	35·8	10·98	165·5	5,241	9,026	6,887	10·13	...	5·71
1958, March	32·05	197·0	8,052	7,012	35·2	...	158·9	5,044	9,045	6,411	9·10	...	5·25
" April	32·55	200·9	8,459	7,028	35·9	...	160·3	...	9,157	6,626	9·43	...	5·31
" May	32·79	203·4	8,590	7,114	36·3	...	157·9	...	...	6,669	9·12	...	5·27
" June	33·38	...	8,380	7,211	36·7	...	...	...	...	6,863	9·43	...	5·42
" July	...	...	...	...	...	...	...	...	...	...	...	...	5·47

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192	1,856
1956	406	1,143	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230	2,133
1957	510	1,131	171·9	775	5,643	196·4	258	1,532	1,056	184·2	456	316	2,273
1958, March	511	1,214	172·1	...	5,558	198·0	253	1,609	1,237	191·2	436	305	2,770
" April	507	1,259	181·5	...	5,622	193·4	251	1,629	1,239	194·3	431	294	2,914
" May	513	1,321	184·5	...	5,771	197·4	252	...	1,274	192·1	443	275	3,039
" June	524	1,355	184·6	...	5,830	...	...	...	1,295	190·5	448	262	3,076
" July	556	1,381	191·6	...	5,941	...	...	...	1,287	...	429	253	3,084

(1) Athens and Piraeus only for Greece; Ireland from 1955 onwards are for home-produced goods only; Germany, F.R. are producers' prices of industrial products; United Kingdom are prices of basic materials in non-food industries only. (2) July-December. (3) In capital cities only for Austria, France, Greece and Turkey; Austria and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) August, 94. (11) August, 119. (12) July, 97. (13) July, 109. (14) August, 3,089. (15) Average for first quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended September 13, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £9,156,000 compared with a deficit of £13,009,000 in the previous week and a deficit of £32,081,000 in the corresponding period of last year. There was a net expenditure "below-line" of £14,331,000 leaving a total deficit of £364,862,000 compared with £416,803,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to Sept. 14, 1957	April 1, 1958, to Sept. 13, 1958	Week ended Sept. 14, 1957	Week ended Sept. 13, 1958
Ord. Revenue					
Income Tax	2312,500	574,067	616,610	14,225	16,741
Surtax	163,000	34,800	35,400	900	1,000
Death Duties	163,500	85,100	81,300	2,200	2,400
Stamps	56,250	31,700	24,600	1,100	600
Profits Tax, EPT & EPL	275,000	110,800	129,800	10,400	5,800
Other Inland Rev. Duties	...	110	120	...	50
Total Inland Rev.	2970,250	836,577	887,830	28,825	26,691
Customs	1256,940	549,949	586,639	23,877	25,839
Excise	932,310	426,725	430,690	5,845	4,750
Total Customs and Excise	2189,250	976,674	1017,329	29,722	30,589
Motor Duties	104,000	21,034	21,925	...	...
PO (Net Receipts)	2,000	3,900	2,600	1,550	2,550
Broadcast Licences	34,000	8,500	9,400	...	...
Sundry Loans	30,000	22,857	22,276	...	...
Miscellaneous	110,000	75,319	25,264	1,631	137
Total	**5439,500**	**1944,871**	**1986,624**	**61,728**	**59,867**
Ord. Expenditure					
Debt Interest	695,000	306,212	304,809	5,556	6,028
Payments to N. Ireland Exchequer	73,000	28,816	30,990	...	...
Other Cons. Funds	10,000	4,457	4,119	94	2
Supply Services	4292,859	1753,162	1736,354	87,500	62,400
Total	**5070,859**	**2108,647**	**2126,272**	**93,149**	**68,430**
Sinking Funds	38,000	17,107	17,713	660	593
"Above-line" Surplus or Deficit	**180,883**	**157,361**	**32,081**	**9,156**	
"Below-line" Net Expenditure*	235,920	207,501	10,518	14,331	
Total Surplus or Deficit*	**416,803**	**364,862**	**42,599**	**23,487**	
Net Receipts from:					
Tax Reserve Certificates	118,486	127,688	721	727	
Savings Certificates	100	47,100	100	4,800	
Defence Bonds	−7,542	31,271	−846	3,299	
Premium Savings Bonds	35,470	30,565	1,100	1,050	

* Including net receipts of the Civil Contingencies Fund of £16 mn. in 1957 and £15 mn. in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Sept. 14	3,090·0	1,763·0	232·3	...	5,085·3
1958 June 14	3,290·0	1,476·5	213·1	...	4,979·6
,, 21	3,310·0	1,484·3	220·5	...	5,014·8
,, 30	4,853·4		233·0	...	5,086·4
July 5	3,300·0	1,587·5	205·3	...	5,092·8
,, 12	3,280·0	1,611·2	197·9	...	5,089·1
,, 19	3,260·0	1,615·1	228·2	...	5,103·2
,, 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
,, 9	3,270·0	1,569·9	190·5	...	5,030·4
,, 16	3,270·0	1,589·9	209·4	...	5,069·3
,, 23	3,270·0	1,630·9	164·0	...	5,064·9
,, 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
,, 13	3,270·0	1,667·9	178·3	...	5,106·2

THE MONEY MARKET

THE Treasury bill rate edged down by a further 6d. per cent at the tender on Friday last week. The discount market raised its common bid by only 1d., to £99 1s. 7d. per cent, representing a fall in the discount rate per annum of 4d. per cent; but although total applications for the unchanged allotment of £270 million fell by nearly £11 million, to £423.7 million, the proportionate allotment at the common bid dropped from 64 to 51 per cent, and the average rate on the whole allotment fell from just over £3 14s. to £3 13s. 6¾d. per cent.

Turnover in Lombard Street has been considerable this week. On Monday quarterly payments of oil royalties led to extensive withdrawals of funds by outside banks; the calls were almost offset by fairly large special buying by the Bank, but one or two houses still had to take a very small amount at Bank rate. On Wednesday, despite official disbursements totalling around £30 million the market's supplies of funds were depleted by clearing bank calling for the monthly make-up, by a heavy take-up of the week's bills, and by lack of maturities.

New York and several other Federal Reserve Banks last week raised their discount rates from 1½ to 2 per cent, following after an interval of four weeks the move by the San Francisco bank. Leading commercial banks have raised their prime loan rate from 3½ to 4 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	3⅜–3⅝
Bank	2½	3 months	3⅜–3⅝
Discount houses	2½*	4 months	3⅜–3⅝
		6 months	3⅜–3½
Money		Fine trade bills:	
Day-to-Day	2½–3½	3 months	4½–5½
Treas. bills 2 months	3⅝	4 months	4½–5½
3 months	3⅝	6 months	4½–5½

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	Sept. 18, 1957	Sept. 10, 1958	Sept. 17, 1958
Issue Department:*			
Notes in circulation	1,976·0	2,029·7	2,029·7
Notes in banking dept.	24·3	20·6	20·6
Govt. debt and securities*	1,996·2	2,046·3	2,046·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·1	11·0	18·5
Bankers	232·1	217·2	251·1
Others	71·7	70·9	47·1
Total	304·9	299·1	316·8
Securities:			
Government	267·0	265·8	277·3
Discounts and advances	19·3	8·1	16·2
Other	20·3	20·4	20·4
Total	306·6	295·3	313·9
Banking department reserve	26·8	22·3	31·8
"Proportion"	% 8·5	% 7·4	% 10·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,050 million from £2,100 million on September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 Sept. 13	250·0	367·2	250·0	s. d. 84 8·24	% 99
1958 June 13	270·0	413·0	270·0	90 1·77	65
,, 20	260·0	414·1	260·0	85 9·63	42
,, 27	250·0	420·0	250·0	85 10·67	36
July 4	260·0	413·1	240·0	83 5·23	54
,, 11	240·0	452·8	240·0	80 3·79	43
,, 18	240·0	424·3	240·0	84 11·39	40
,, 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	458·9	240·0	80 2·49	39
,, 8	250·0	467·9	250·0	77 3·63	55
,, 15	250·0	437·8	250·0	74 5·00	33
,, 22	250·0	437·4	250·0	74 6·25	28
,, 29	270·0	424·1	270·0	74 11·48	35
Sept. 5	270·0	434·6	270·0	74 0·93	64
,, 12	270·0	423·7	270·0	73 6·81	51

* On September 12th tenders for 91 day bills at £99 1s. 3d. secured 51 per cent, higher tenders being allotted in full. The offer this week was for £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: September 17	Market Rates: Spot: September 11	September 12	September 13	September 15	September 16	September 17
United States $	2·78–2·82	2·80⅛–2·80⅛	2·80½–2·80½	2·80½–2·80½	2·80½–2·80⅝	2·80⅛–2·80⅞	2·80⅛–2·80
Canadian $	...	2·74⅛–2·75	2·73½–2·73⅝	2·73⅛–2·73⅜	2·73⅛–2·74	2·74⅛–2·74⅛	2·73⅝–2·74
French Fr.	1167·18–1184·82	1175⅛–1175⅝	1174½–1175	1174½–1175	1174½–1175	1174½–1175	1174½–1175
Swiss Fr.	12·15⅛–12·33⅛	12·19½–12·20⅛	12·19½–12·19½	12·19½–12·19½	12·19⅜–12·20	12·19⅜–12·19½	12·19⅜–12·2
Belgian Fr.	138·95–141·05	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·02½	138·97½–139·0
Dutch Gld.	10·56–10·72	10·56½–10·56⅝	10·56½–10·56⅝	10·56½–10·56⅝	10·56½–10·56⅝	10·56½–10·56⅝	10·56½–10·56
W. Ger. D-Mk.	11·67⅛–11·84 11/16	11·68⅜–11·69	11·68⅜–11·68½	11·68⅜–11·69	11·68⅜–11·69⅜	11·68⅜–11·69	11·68⅜–11·69
Portuguese Esc.	79·90–81·10	80·35–80·45	80·40–80·50	80·40–80·50	80·40–80·50	80·40–80·50	80·40–80·50
Italian Lire	1736⅜–1762½	1737½–1738	1737½–1737⅝	1737½–1737⅝	1737½–1738	1737½–1738	1737½–1738
Swedish Kr.	14·37⅝–14·59⅜	14·46½–14·46½	14·46⅝–14·46⅝	14·46⅝–14·46⅞	14·47⅛–14·47⅜	14·47⅛–14·47⅜	14·47⅛–14·47
Danish Kr.	19·19½–19·48½	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33⅜	19·33⅛–19·33
Norwegian Kr.	19·85–20·15	19·99½–20·00	19·99½–20·00⅛	19·99½–20·00⅛	20·00–20·00⅛	20·00–20·00⅛	20·00–20·0
One Month Forward Rates							
United States $		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
Canadian $		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
French Fr.		2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	3-5 dis
Swiss Fr.		1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm
Belgian Fr.		⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis
Dutch Gld.		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
W. Ger. D-Mk.		⅝–¾pf. pm	⅝–¾pf. pm	⅝–¾pf. pm	⅝–¾pf. pm	⅝–¾pf. pm	⅝–¾pf. pm
Italian Lire		1 pm–par	1 pm–par	1 pm–par	1 pm–par	1 pm–par	1 pm–par
Swedish Kr.		16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par
Danish Kr.		26 pm–par	26 pm–par	26 pm–par	26 pm–par	26 pm–par	26 pm–par
Norwegian Kr.		16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par	16 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/6½	250/6½	...	250/6	250/4½	250/5

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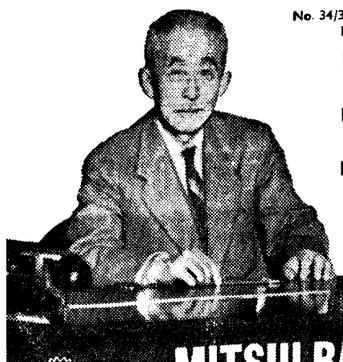

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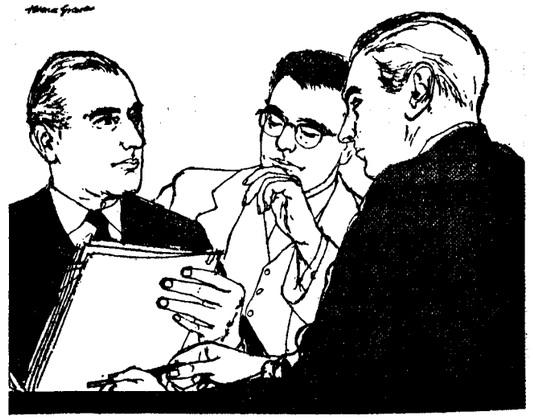

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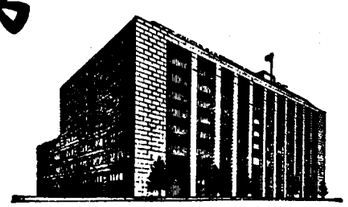

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COMPANY MEETINGS

POWELL DUFFRYN LIMITED

POLICY OF DIVERSIFICATION JUSTIFIED

The annual general meeting of Powell Duffryn Limited was held on September 17th in London, Sir Henry Wilson Smith, KCB, KBE (the Chairman), presiding.

The following is an extract from his circulated statement:

From the trading point of view, 1957-58 was a difficult and, to some extent, a disappointing year. In the last few years there has been a steady and satisfactory progression in Profits on Trading.

This progress has now been interrupted with Trading Profits for 1957-58 of £1,832,000, that is a reduction of £204,000 on the previous year's figures and a level slightly below those of two years ago.

Apart from the impact on our Group of general economic conditions, it should be remembered that, despite the growing diversification of our interests, the coal distribution business of our Group is still the dominant contributor to trading profits. Both at home and abroad, 1957 was a difficult and uneven trading year for an organisation connected both with home and international coal trade.

I do believe, however, that the events of 1957 have shown the ability of our Group to maintain a high level of coal tonnage and income even under adverse conditions. I also believe that the circumstances in which we now operate justify the policy of diversifying our activities.

STEPHENSON CLARKE COMPANIES

In recent years, the history of these Companies has been one of almost uninterrupted growth, both in volume of business and in the total profits arising from the varied activities involved. Last year, however, the interests of STEPHENSON CLARKE were affected by the reduction in the home consumption of coal, with the inevitable reaction on profits.

It is, however, satisfactory to be able to report that the earnings of the Stephenson Clarke Fleet were not adversely affected by the substantial fall in deep sea freights as the bulk of the fleet operates in the Coastwise Trade of Great Britain where freights have remained relatively stable.

The sale of fuel oil by Stephenson Clarke is progressing steadily.

Despite the far from easy trading conditions experienced during the year, the results of ASSOCIATED COAL & WHARF COMPANIES LIMITED were a record.

Overseas, the French Companies had a satisfactory year despite the general coal trade conditions. The Canadian Companies, in the face of many difficulties, managed to equal the 1956/57 results.

CORY BROTHERS' COMPANIES

Having outlined the reasons for the downturn in profits of the CORY BROTHERS' COMPANIES, the statement continued: The year was not without its encouraging features. At home, oil storage activities at Barry and Ipswich continued their upward trend. The current programme for increased tankage at Barry is going well and the additional storage, which has been let for a period of years, should be in operation by the end of 1958. Overseas, the oil storage depot at Las Palmas derived exceptional, if temporary, benefit from the closure of the Suez Canal.

1957 marked the conclusion of an agreement with Elliot Equipment Limited, a subsidiary of P. B. Cow Limited, under which Cory Brothers have become the sole agents at home and abroad, for the sale of Elliot products, and in particular inflatable life-saving equipment.

Some years ago we initiated in South Wales a modest venture in the sale of agricultural products and of certain lines of agricultural equipment. In 1957 we were able to expand this activity—and also to add to our business of oil distribution in that part of the country—by the purchase of two associated private companies, BIRD AND HOWARD LIMITED and J. E. HOWARD (NEWPORT) LIMITED. I am glad to be able to report that the first trading results of this new acquisition were very encouraging.

As regards overseas investments, the Cory subsidiary Company in Portugal has had a satisfactory year. The Spanish Company, Compania General de Carbones, SA, in which Cory Brothers holds an important interest, had a record year.

1957 was not an easy year for the timber business. Yet the home Companies importing timber, and the Companies exporting from Sweden and Finland did manage to achieve creditable results.

A year ago, I drew special attention to the development of home-grown timber business through our wholly owned subsidiary, J. R. GORDON LIMITED. Unfortunately the opening of the new board mill at Queensferry coincided almost exactly with the announcement of a 7 per cent Bank Rate, of a tighter credit squeeze, and of other measures calculated to damp down capital investment. These short-term difficulties, however exasperating and unexpected, in no way alter my view that the development itself is soundly based.

ENGINEERING COMPANIES

CAMBRIAN WAGON & ENGINEERING COMPANY has had a very busy and profitable year—in fact the best in its history. Prospects for the current calendar year also look reasonably good. It is, however, important to press on with the development of additional lines of business.

POWELL DUFFRYN CARBON PRODUCTS is another Group Company to be affected by the credit squeeze and the more cautious approach to projects involving capital expenditure. Sales of the traditional Delanium plant for the chemical engineering industry have remained more or less static. Certain expenditure, which is as yet unremunerative, has been incurred on various development projects, and especially on those connected with the use of graphite in the nuclear energy sphere. Some of this work has opened up interesting possibilities over and above the basic contribution of this Company in the machining of graphite for the General Electric Company. That machining work should begin in the last months of this year. We are fully prepared for it, and indeed for any further comparable work of the same kind. I am also still hopeful that various contacts which we have in the field of nuclear energy may lead to larger commercial operations.

WEATHERFOIL HEATING SYSTEMS has again had a satisfactory year. The immediate forward order book remains in healthy condition.

RHYMNEY ENGINEERING COMPANY, owned jointly by International Combustion and Powell Duffryn, has not had an easy year. Its profits remained at a low level. It is, however, comforting that the order book has increased and that the prospects are steadily, if slowly, improving.

POWELL DUFFRYN TECHNICAL SERVICES has continued to undertake with success a number of important overseas assignments.

Commenting on the future, the statement concluded:

Basically I do believe that most of our difficulties are of a temporary nature. When, as I expect, they disappear, and when the plans laid in recent years, and still being implemented, come into full operation, I have no doubt that the Group will go forward once more.

The report and accounts were adopted.

WILLIAMS & WILLIAMS LIMITED

STEPS TO ENSURE FUTURE PROSPERITY

The forty-ninth Annual General Meeting of Williams & Williams Limited was held on September 10th at Chester.

Mr B. A. Williams, CBE, Chairman and Managing Director, presided and, in the course of his remarks, said:

The Period under review taking all the circumstances into consideration can, I consider, be regarded as not altogether unfavourable. A number of your Overseas Associated and Subsidiary Companies performed exceptionally well during the year in spite of growing competition.

Last year I stated that your Board were planning to ensure that the organisation of the Group of Companies shall continue to cope effectively in the future with the anticipated growth and extension of its activities, substantial steps have been taken during the year under review which we feel confident will prove fruitful. It will also be appreciated that organising for the future necessitates not only the building of the personnel, but also introducing new products.

In the past year or so the Company's Aluminium Curtain Walling (Wallspan) and Aluminium windows have been used on very many important contracts throughout the world. It would be fair to say that your Company has pioneered the use of aluminium in building and the prominent position we have established is being maintained.

Your factory at Hooton has also been planning new products; amongst these is the Roften Modular Partitioning which has met with considerable success which augurs well for the future.

Your Board feel confident that the steps they are taking and, of course, will continue to take, will serve as a long term policy to ensure the continual well-being of your group of Companies.

The report and accounts were adopted and a dividend of 12½ per cent approved.

SALTS (SALTAIRE) LIMITED

CONSIDERABLE ADVANCE IN SALES

The thirty-fifth annual general meeting of Salts (Saltaire) Limited, was held on September 11th at Saltaire, Sir Frank B. Sanderson, Bart, chairman, presiding.

The following are extracts from his circulated review for the year ended March 31, 1958:

It will be recalled that, on the occasion of the last Annual Meeting of the Company, I stated that, given reasonably level wool prices and settled world conditions, we could look forward to the future with confidence. The opposite has unfortunately been the case, as there has been an uneasy political climate and wool prices have declined almost continuously since the opening of the wool selling season in Australia last September.

Wool values have fallen to the extent of some 30 per cent and this has necessitated a heavy writing down in the value of our stock, which is reflected in the reduced profit for the year.

It is pleasing to report that our sales were the highest in monetary value, and the second-highest in volume, in the history of the Group. Export sales constituted a record.

TRADING RESULTS

Profit on Trading of the Group for the year ended March 31, 1958, amounts to £440,184 and all the operating Companies have made profits.

After charging £285,500 for Taxation, the Net Profit of the Group amounts to £173,129.

The Board recommends payment of the following dividends, subject to Income Tax:

(a) A Final Dividend of 3½ per cent on the 7 per cent Non-Cumulative Preference Shares.

(b) A Final Dividend of 2¾ per cent on the Ordinary Shares which together with the Interim Dividend already paid makes a total of 6 per cent for the year.

The dividends for the year absorb net £163,875.

The Directors have declared a Special Interim Dividend of 4 per cent, subject to Income Tax, on the Ordinary Shares, which will be charged in the accounts for the year to March 31, 1959, and will be paid on the same date as the Final Ordinary Dividend recommended for the year to March 31, 1958. In declaring this Special Interim Dividend, the Directors have had regard only to the available Revenue Reserves of the Group.

Distributions on the Ordinary Shares since the one-for-two scrip issue total the same amount as those made during the year prior to the issue.

FUTURE PROSPECTS

My view is that the lack of confidence today will continue to make trading difficult during the present year.

The Group is equipped with most modern machinery and our products stand very high in quality and design. It causes us anxiety, however, that so much depends today on the extent to which quotas and tariffs affect our customers' ability to purchase and take delivery of our goods. The Wool Textile Industry looks to the Government to do all within its power to remove every obstacle to the development of export trade.

The report and accounts were adopted.

VEREINIGTE ALUMINIUM-WERKE A.G.

of Berlin and Bonn, Germany

BALANCE SHEET AS AT 31st DECEMBER, 1957

ASSETS	DM	LIABILITIES	DM
I.—Capital to be paid up	5,000,000.—	I.—Capital	100,000,000.—
II.—Fixed Assets			
Ground property, built-up with :—		II.—Reserves	
(a) Offices and dwellings	6,768,982.—	Legal reserves	28,983,502.86
(b) Factory buildings	24,452,797.—	According to S47 DMBG	14,081.59
Ground property, not built-up	946,259.—	Premium from increase of capital	5,000,000.—
Processing plants	6,242,221.—	Other reserves	41,000,000.—
Machines, mechanical installations, transmission pipes, and electric cables	59,611,880.—	III.—Reserves for doubtful debts	32,681,415.50
Factory and office equipment	2,899,784.—	IV.—Current Liabilities	
Railway sidings and vehicle stock	3,989,653.—	Mortgage debts	1,549,749.83
Patents, licences and other rights	19,315,945.—	Advance payments made by customers	256,989.45
Plant under construction	1,160,308.52	For goods delivered and services rendered	15,513,447.16
Advance payments on new plant	15,749,924.30	To VAW, Innwerk-Aid-GmbH	14,235,654.03
Interests in other companies	32,708,981.—	To subsidiary companies (of these goods supplied and services rendered DM 221,033.13)	5,083,415.89
	173,846,734.82	To banks	26,716,521.19
III.—Current Assets		Others	15,629,523.70
Stocks :—		V.—Transitory Items	72,068.56
Raw materials, production materials and automotive fuels	30,810,966.34	VI.—Profit	
Semi-finished products	11,648,584.76	Profit of the business year 1957	6,985,577.59
Intermediary products and by-products	5,921,216.41	Profit brought forward from previous years	84,881.48
Finished products	12,852,276.39	Contingency liabilities	18,290.43
Trade goods	157,666.96	Liability of bills of exchange	25,710,054.65
Securities	10,440,461.48		
Debtors :—			
Mortgages and loans against mortgages (DM 293,901 of these are long-term)	444,814.17		
Advance payments for goods supplied	280,305.28		
Demands for supplied goods and services	18,216,270.—		
Demands on subsidiary companies (DM 511,384.83 are for goods and services)	5,319,068.84		
Other debtors (DM 22,601 of these are long-term)	6,214,343.80		
Liquid Assets :—	476,241.46		
Bills of exchange	248,592.97		
Cash in hand, deposits with Landeszentralbank and with postal cheque account	11,827,363.27		
Other bank balances	101,921.88		
IV.—Transitory items	293,806,828.83		293,806,828.83

PROFIT AND LOSS ACCOUNT FOR THE YEAR FROM 1st JANUARY TO 31st DECEMBER, 1957

EXPENDITURE	DM	RECEIPTS	DM
Wages and salaries	38,730,581.18	Profit brought forward from previous years	84,881.48
Social security contributions	4,252,032.88	Receipt according to Company Law Article 132(1) III	86,907,078.61
Depreciations :—	23,647,624.60	Receipts from interests in other companies	5,122.—
(a) of plants	364,828.25	Extraordinary revenue	13,116,853.55
(b) of interests in other companies	988,473.17		
Interest	22,422,985.08		
Taxes :—	2,571,961.19		
(a) subject to return (including property levy LAG)	64,990.22		
(b) others	6,985,577.59		
Contributions to trade associations	84,881.48		
Profit of the year 1957			
Profit brought forward from previous year	100,113,935.64		100,113,935.64

VEREINIGTE ALUMINIUM-WERKE AKTIENGESELLSCHAFT
Chairman of the Board of Directors: Karl Schirner
THE BOARD OF MANAGEMENT
Dr. Ginsberg Dirksen Dr. Röhrs Dr. Schulte Dr. Wrigge

GOLDEN HOPE RUBBER ESTATE LIMITED

SIR ERIC MACFADYEN'S REVIEW

The fifty-second Annual General Meeting of The Golden Hope Rubber Estate Limited, was held on September 15th, in London.

The following is an excerpt from Sir Eric Macfadyen's circulated remarks :

The Directors' proposals for a rights issue of £70,414 will raise our issued capital to £774,560. We have received the consent of the Capital Issues Committee to the issue.

We are half way through an active policy of expansion which we have so far financed without the issue of additional capital ; to continue to meet all capital expenditure exclusively out of revenue with prices moving downwards must unduly prejudice dividends and the proceeds of this issue will give us rather more financial elbow room. The two shilling share unit will, we believe, improve the marketability of our shares.

The rubber output attributable to the company's wholly-owned estates amounted to 7,952,200 lb. The average price realised was 23.56d. per lb (26.20d.). The prices of our oil products worked out at £86 per ton compared with £98 a year ago. Our palm oil output, however, rose from 1,701 tons to 2,557 tons, more than compensating for the reduction in price.

Group profit, before taxation, comes out at £354,817 (£407,732). The balance available after taxation is entered at £265,529 (£306,852). We recommend that the final dividend be 15 per cent, making with the interim paid last May 20 per cent (25 per cent) and together costing £80,976.

The report was adopted.

PROPERTY
9/- a line.

MAYFAIR OFFICE BUILDING—3,240 SQ. FT.

With Fixtures and Fittings; central heating; well appointed and in good order.

28 YEARS LEASE FOR SALE

For full particulars, apply Box 1031.

EDUCATIONAL
9/- a line.

INTERNATIONAL CORRESPONDENCE SCHOOLS.—Experienced coaching for all leading professional, trade, technical and general exams. General Certificate of Education; C.I.S.; I.C.W.A.; Management (B.I.M.); I.Mech.E.; Brit. I.R.E.; R.I.B.A.; and many others.—Write for FREE book stating subject to : International Correspondence Schools, 71 Kingsway (Dept. 499), London, W.C.2.

SUCCESSFUL TUITION FOR THE B.SC.ECON. DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if Entrance is included). Moderate fees, instalments. Over 920 Wolsey Hall students passed Lond. Univ. B.Sc.Econ. exams. 1951-57. Tuition also for G.C.E., Law, Statistical, other exams. —Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL OXFORD.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

B.SC.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E., Law, free from the Registrar, 60 Burlington House, Cambridge.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

BUSINESS AND PERSONAL
9/- a line.

ARGENTINA

Controlling interest (51 per cent. to 100 per cent.) in any kind of Argentine enterprise is requested by foreign company—absolute discretion guaranteed—principals only. —Please write Box 1026.

SUBSTANTIAL Finance Company is interested in contacting small finance companies with a view to acquiring same with or without existing management.—Box 1029.

Invest in

CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

FIVE AND A HALF PER CENT FOR FOUR TO TEN YEARS

For further particulars apply :

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

EXPORT COUNSEL on North American Market by Canadian consultant.—Write, Box 1027.

STATISTICAL CONSULTANCY SERVICES offered, more particularly Trend Forecasting and Administrative Controls. Box 1013.

APPLY Modern Industrial Psychology in appointing Senior Staff. Expert interviewing assists you in selecting applicants for responsible positions.—Executive Personnel Consultants, 15 Golden Square, London, W.1. Telephone : GER. 6852.

INVEST IN

CITY OF MANCHESTER

Mortgage Loans on £50 and Upwards

5½% FOR 3-8 YEARS

Explanatory leaflet from

City Treasurer, Dept. P., Town Hall, Manchester 2
Tel. : CEN 3377, Ext. 217.

THE BEST PEOPLE GO TO THE BEST PEOPLE for real quality developing, printing and enlarging of their films.—City Sale & Exchange Ltd., 1 Leadenhall Street, E.C.3.

IT'S an old Spanish custom (and an English one, too) to drink and serve Amontillado sherry. Perfect choice is El Cid. That's the Amontillado with the authentic Spanish flavour the English like.

APPOINTMENTS REQUIRED

MANAGEMENT CONSULTANT wishing to spend more time with family would again like to apply his organising ability to a senior appointment in industry or commerce. Maximum remuneration £3,000.—Box 1030.

WIDELY experienced Senior Sales/Marketing Executive (37) seeks top appointment with an expansion minded organisation which appreciates the vital and total marketing approach to consumer sales. Full details supplied on request.—Box 1032.

APPOINTMENTS
Vacant 9/- a line : Required 6/- a line.

CIVIL ENGINEERING CONTRACTS MANAGER

This appointment with Richard Costain Ltd., will be based on Head Office but will involve controlling contracts throughout the U.K.

The post offers an attractive career in this country with the possibility of additional advancement overseas if desired.

Applicants should be in the age range 35-45 and their careers must include a minimum of five years as a successful agent on contracts covering large scale earth moving and heavy civil engineering works. Candidates must be chartered engineers. A salary in the range £1,850-£2,250 will be offered.

Applications should be addressed to :

SENIOR PERSONNEL OFFICER.
111 WESTMINSTER BRIDGE ROAD,
S.E.1.

ACCOUNTANT OVERSEAS

A Chartered or Incorporated Accountant, aged 27-35, with experience in industry since qualifying, is required for a senior post in the Head Office of Costain (West Africa) Ltd., at Lagos, Nigeria. This Company is an associate of the Richard Costain Group and undertakes building and civil engineering contracting in Nigeria and the Cameroons. Practical experience of budgetary control, costing and modern accounting methods is essential. This is a permanent post with 18 months tours in West Africa followed by 3 months leave in U.K. A commencing salary in the range of £1,700-£2,000 p.a. will be offered. Overseas staff are invited to join the U.K. Pension Scheme after 18 months' service. Free furnished accommodation will be provided, the employee's family travelling out not later than 3 months after his arrival in Nigeria. An initial kit allowance of £80 will be paid.—Applications should be addressed to :

Senior Personnel Officer,
Richard Costain Ltd.,
111 Westminster Bridge Road,
London, S.E.1.

PUBLIC RELATIONS EXECUTIVE

An opportunity occurs to make a new senior appointment in one of Britain's leading public relations organisations. Applicants should have considerable experience of writing editorial material of all kinds, but especially about products and processes. The job will entail responsibility for, and executing the day-to-day work of several complete P.R. programmes. Thus, all media are involved, e.g., editorial, exhibitions, television, direct mail, special promotions, etc. Salary up to £1,600 p.a.; age 30 to 40.—Send full details in confidence to The Principal, The D. Brook-Hart Company, 48 Dover Street, London, W.1.

JOSEPH LUCAS
(ELECTRICAL), LIMITED
require a

MATHEMATICAL STATISTICIAN

to undertake fundamental research into long and short term demand characteristics for the Company's products.

The person appointed will be required to work mainly on problems arising from other investigations into market conditions, and also to suggest new lines of enquiry particularly suitable for advanced statistical analysis.

The post offers variety and interest and the opportunity to work in a rapidly developing industrial market research section.

Applications are invited from men or women graduates whose degree course included statistics as one of the principal subjects. Age preferably between 21 and 30. Industrial experience desirable but not essential. The post is permanent and pensionable.—Apply in writing, stating age, qualifications, and experience, to the Personnel Manager, JOSEPH LUCAS (ELECTRICAL), LIMITED, Great King Street, Birmingham, 19, quoting reference PM/SE/239.

ACCOUNTANT.—A leading firm of contractors requires a recently qualified man at their London head office to act as assistant to the chief accountant. This is not a vacancy likely to lead to a career with the firm but it would be an exceptional opportunity to gain a couple of years' valuable experience in commercial accountancy for a man who has hitherto been confined to the professional side and who wishes to change over. Man due to sit for Final would be considered. Salary up to £750 p.a.—Write to Box 1028.

ACCOUNTANT PERSIA

Richard Costain Ltd., as members of an international construction group are responsible for providing central services for a very large engineering project in the Persian Gulf. The Accountant will be appointed to the permanent staff of the Company and the duties of the post will involve responsibility for all accounting activities necessary in the provision of these services. Candidates, preferably aged 30-35, must possess a full accounting qualification and have five years experience in industry since qualifying. A salary in the range of £1,700-£1,850 will be offered with additional local and kit allowances. Only bachelor accommodation is available.—Applications should be addressed to :

Senior Personnel Officer,
111 Westminster Bridge Road,
London, S.E.1.

SPECIALIST OFFICER (STATISTICIAN)

NORTHERN REGION OF NIGERIA

To advise on design and supervise analysis and presentation of results of experimental work for all sections of Research branch of Northern Region Department of Agriculture, and to take part in development of factory experimental techniques in the field.

Candidates must have a good honours degree, preferably in Agriculture with at least two years suitable post-graduate training or experience in statistics.

Appointment on permanent and pensionable terms with pensionable emoluments in range £876-£1,680 or on contract/gratuity terms in range £1,008-£1,824 with gratuity of £37 10s. for each completed three months of satisfactory service.

Free passages on appointment and leave for officer, wife and children up to three adult passages in all. Outfit and Touring Equipment allowances payable on first appointment. Furnished quarters available at moderate rental. Generous leave.

Apply, giving brief particulars, to Director of Recruitment, Colonial Office, London, S.W.1, quoting BCD/63/408/032.

AIR SUBSCRIPTION RATES

	Airmail	*Air Freight**
Australia, New Zealand	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	£6 10s.
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	£6 10s.
Nigeria	£9 0s.	—
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	£7 10s.
South Africa	£9 0s.	—
South America	£9 0s.	—
Sudan	£7 15s.	£25 or £9
U.S.A.	—	—
West Indies	£9 0s.	

* Approx. 24 hours slower than airmail.

APPOINTMENTS

The Guest, Keen & Nettlefolds Group of Companies

wish to make the following important appointments in one of their constituent companies.

EXPORT SALES

A fully experienced EXPORT SALES MANAGER is required by a large engineering company in the Midlands. This is an important appointment and will carry responsibility for the further development of the sale overseas of a wide range of durable consumer goods and other precision products.

Candidates must have had a successful record of export sales management for not less than five years. Ability to speak some French, German or Spanish is considered to be desirable. Preferred age 35-42.

The salary offered and associated benefits will be commensurate with this important appointment.

LONDON OFFICE

The same company wish to make three appointments at the Sales Office in London.

(i) An experienced SALES MANAGER is required to assist the Sales Director. The company serves primarily the electrical and engineering industries and the domestic market. In addition to sound commercial experience and some knowledge of these markets, high intelligence and potentiality is sught. The prospects are particularly good for a man of the right ability, personality and disposition. Preferred age 33-40.

The salary offered and associated benefits will be commensurate with this important appointment.

(ii) Applicants for the two other appointments to the Sales Staff at the London Office should be aged between 25 and 30. A genuine interest in selling and in the engineering industry are essential and applicants should be able to provide evidence of this interest. In one case, knowledge of the electrical engineering industry in particular would be an advantage. Special attention will be paid to educational background and personal qualities. For men of the right potentialities, the prospects are particularly good.

Appropriately qualified men who consider that they have had relevant experience are invited to write, stating full details of age, qualifications, career to date, etc., to the Group Personnel Officer, Guest, Keen and Nettlefolds, Ltd., Shell-Mex House Strand, London, WC.2.

CAREER opening available in International Investment Department. London Merchant Bankers, for young and completed national service, interested statistical work and economic problems.—Apply by letter to Box SR/59, c/o 95 Bishopsgate, E.C.2.

MANAGEMENT AND INDUSTRIAL CONSULTANTS

Qualified men are required to fill additional vacancies in the following companies :

Production-Engineering Ltd.
Marketing Development Co., Ltd.
Combined Technical Services Ltd.
Management Training (P.E.) Ltd.
Mining Services (P.E.) Ltd.
and companies overseas.

The work which is extremely interesting covers the full range of industrial problems and offers an excellent career giving experience, remuneration and status equal to senior executive positions in industry. There is ample scope for advancement within the Group of Companies. Opportunities for service abroad for long or short periods, are available if desired.

Applicants to be aged 28 to 35 years and to have had a good general education with a university degreeor equivalent qualifications and university experience in industry. ENGINEERS having had experience in industry, are particularly required, but there are also other vacancies.

The remuneraon arrangements include a generous non-contributory superannuation life assurance and a hare of profits. A preference for service in anyone of the companies may be mentioned in the eply. Applications, which will be treated in confience, in writing giving details to :

P.E. MANAGMENT GROUP LTD.,

12, Grosveno Place, London, S.W.1.

ORGANISATION AND METHODS

Applications are invited for the position of Organisation and Methods Assistant in the staff of the finance department of the Co-operative Union : the work will involve participation in the provision of an O. and M. advisory service to Co-operative sceties and will also entail carrying out feasibility studes in connection with possible computer applications in retail co-operative societies. The salary will be £1,250 per annum. Requests for application forms (marked "Organisation and Methods") should be made to the General Secretary, Co-operative Union, Ltd., Holyoake House, Hanover Street, Manchester, 4. The closing date for application will be October 1, 1958.

ACCOUNTANT.—The position of Unit Accountant in a department of Richard Costain Ltd., offers an interesting appointment to a man aged 26-30 who has had two to three years' experience, with an industrial company after qualifying as a Chartered or Cost and Works Accountant. The post is located in S.E. London. The accounting activities of the Group both at home and overseas provide opportunities for career development to men of ability and determination.—Applications should be addressed to : Senior Personnel Officer, 111 Westminster Bridge Road, S.E.1.

ICI

GENERAL CHEMICALS DIVISION

MATHEMATICIAN AND STATISTICIAN

Applications are invited for vacancies in the Mathematics and Statistics Section of Imperial Chemical Industries Limited, General Chemicals Division, at Widnes.

One vacancy is for a Mathematician to deal with the formulation and solution of problems arising in research and in production, with special reference to the application of electronic computation. Applicants should have a good Honours degree in Mathematics.

The other vacancy is for a Statistician to deal with the design and analysis of both laboratory and plant-scale experiments. Applicants should have an Honours degree in Statistics or in Mathematics with some knowledge of Statistics.

In both posts excellent opportunities exist for research and development work on new techniques. Previous research or industrial experience would be an advantage, but is not essential.

Conditions of employment include excellent starting salaries and membership of the Staff Pension Fund. There is also an Employees' Profit Sharing Scheme. For married men, some assistance can be given towards house purchase and removal expenses, and a temporary lodging allowance is payable whilst maintaining two homes.

Applications, giving reference MS73, should be made to Staff Manager, Imperial Chemical Industries Limited General Chemicals Division, Cunard Building, Liverpool, 3.

GHANA PUBLIC SERVICE COMMISSION

Applications are invited for the following vacancies in the Office of the Government Statistician :—

GOVERNMENT STATISTICIAN : The duties of this post are responsibility for planning the collection of analysis of statistical information for industry, trade, economic and social trends; for the taking of any census; for close collaboration with Ministries in statistical matters affecting their Departments. The statistical service is under the control of the Ministry of Finance, and the Government Statistician's duties are provided for in the Statistics Ordinance (1950).

Qualifications : 1. Candidates must possess : (a) a degree of a recognised University with statistics as a special subject ; or (b) an Honours degree of a recognised University in Economics or Mathematics combined with Statistics at an advanced level ; or (c) an Honours degree in Statistics at an advanced level ; or (d) a diploma of a recognised University in Statistics ; or (e) the Certificate of the Royal Statistical Society ; or (iii) a pass in the examination qualifying for election as a Fellow of the Association of Incorporated Statisticians.

2. Candidates should have had at least 10 years, and preferably 14 or more years post-qualification experience and must have had considerable experience of work in a senior capacity.

Salary : £2,690 p.a. (contract) ; £2,150 p.a. on second-ment or approved pensionable terms.

SENIOR STATISTICIAN : The duties of this post are responsibility for collection, analysis and publication of all primary statistics and the planning thereof ; realisation of official statistics and the supply of statistical and economic information to international bodies and Governments, etc.

Qualifications : 1. Candidates must possess : (i) a degree of a recognised University with statistics as a special subject ; or (ii) an Honours degree of a recognised University in economics or mathematics combined with statistics at an advanced level ; or (iii) an Honours degree in statistics at an advanced level ; or (iv) a diploma of a recognised University in statistics ; with (a) a diploma of the Royal Statistical Society ; or on (b) the Certificate of the Royal Statistical Society ; or (c) a pass in the examination qualifying for election as a Fellow of the Association of Incorporated Statisticians. a Fellow of the Association of Incorporated Statisticians.

2. Candidates must have had at least 8 years experience in a statistical organisation with considerable experience of work in a Senior capacity.

3. Preference will be given to candidates with experience in the field of National Income statistics or a knowledge of the application of punched cards methods of statistical analysis.

Salary range, £2,280-£2,400 p.a. Appointment on contract for 2 tours each of 18-24 months duration.

Other conditions applicable to both posts : Gratuity at rate of £12 10s. for each completed month of resident service payable on completion of contract. Free dential first-class passages for officer, wife and up to 3 children under 18 years, and in addition an education allowance for children when not resident in Ghana of £100 a child for up to 3 children under 18 years. Generous home leave on full pay. Income tax at low local rates. Preservation of superannuation or pension rights, where applicable, can be arranged.

For further particulars and application form write, stating age, qualifications and experience, to THE DIRECTOR OF RECRUITMENT, GHANA HIGH COMMISSIONER'S OFFICE, 13, BELGRAVE SQUARE, LONDON, S.W.1.

GOVERNMENT OF SASKATCHEWAN CANADA

The Industrial Development Office, Regina, invites applications for the position of Senior Research Economist. It is essential that applicants should have good academic qualifications and several years commercial and/or engineering experience. The minimum commencing salary would be $5,500 per annum, but would be arranged in accordance with qualifications and experience. Applications in detail should be addressed to the Agent General for Saskatchewan, 19 Chester Mews, London, W.1. Interviews in London will be arranged in due course.

IBM UNITED KINGDOM LIMITED has a vacancy for a YOUNG ECONOMIST in the MARKET RESEARCH DEPARTMENT to take over existing market and economic reports and to help develop machine analysis of investment trends in office and automation equipment. The field of interest is broad and includes liaison with overseas associates.

The position will be filled by a graduate with some experience, age up to 27.

Please write, giving complete details, to The Personnel Manager, IBM United Kingdom Limited, 101 Wigmore Street, W.1, quoting reference MR.58/1.

BRITISH CELLOPHANE LIMITED

Invites applications from young graduates for a post in the

MARKET RESEARCH DEPARTMENT

The successful applicant, who will be based on the Company's offices in the West End of London, will be required to carry out Field Research work. This work, which is both varied and interesting, offers prospects both within the department and the organisation.

Good progressive salary and excellent conditions of employment which include a voluntary contributory Pensions Fund.

Write, giving full details, to :—The Personnel Officer, Bath Road, Bridgwater, Somerset.

THE Mercantile and General Reinsurance Company Limited has a vacancy for an Actuarial Student who has passed at least Part II of the Institute or Faculty of Actuaries examinations and is not over 25. He should be making good progress in the examinations and have experience in life office work. The scope for a man interested in the development of the company's home and overseas life portfolio, and prepared to travel abroad after qualifying, is wide. Languages an advantage but not essential. Good salary, Staff Pension and Life Assurance benefits. British nationality.—Apply to the Manager and Actuary, Moorfields House, Tenter Street, London, E.C.2.

THE ATTWOOD GROUP OF COMPANIES

Attwood Statistics Limited invite applications for the post of

STATISTICIAN

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27 OCT 1958
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AIR EDITION

The Economist

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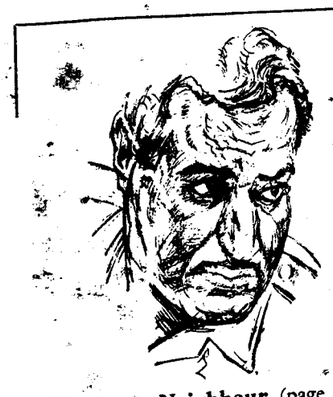
Spring in the Market

What grounds have investors got for their irrepressible optimism? (page 254)



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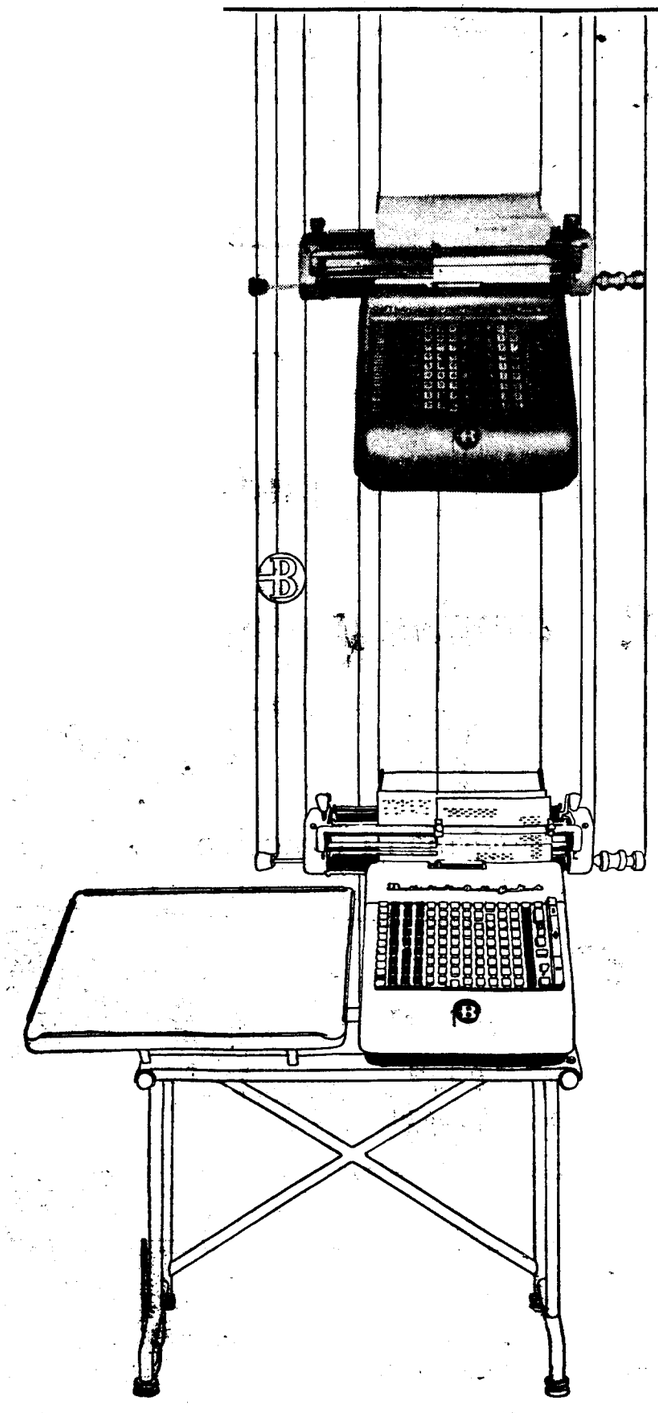

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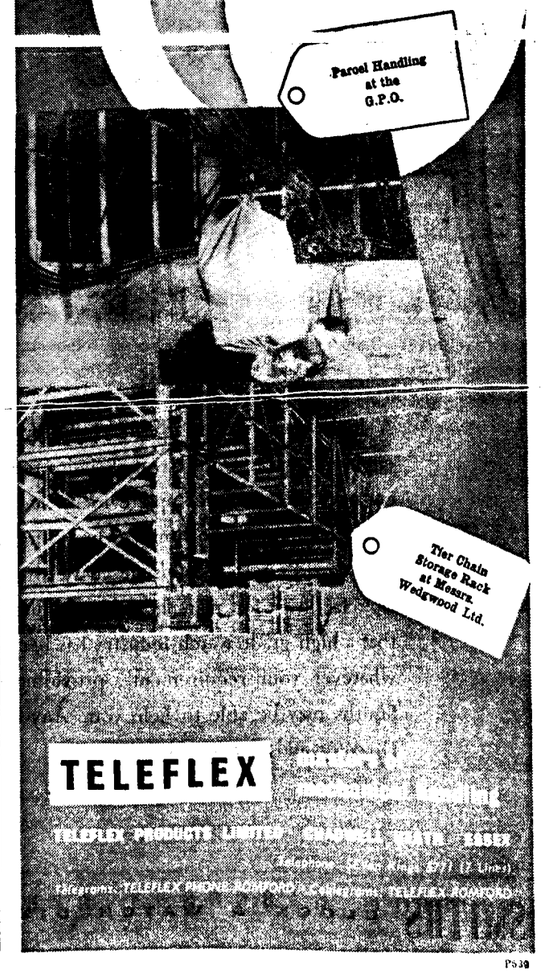

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BRITISH EUROPEAN AIRWAYS

VIEWPOINT



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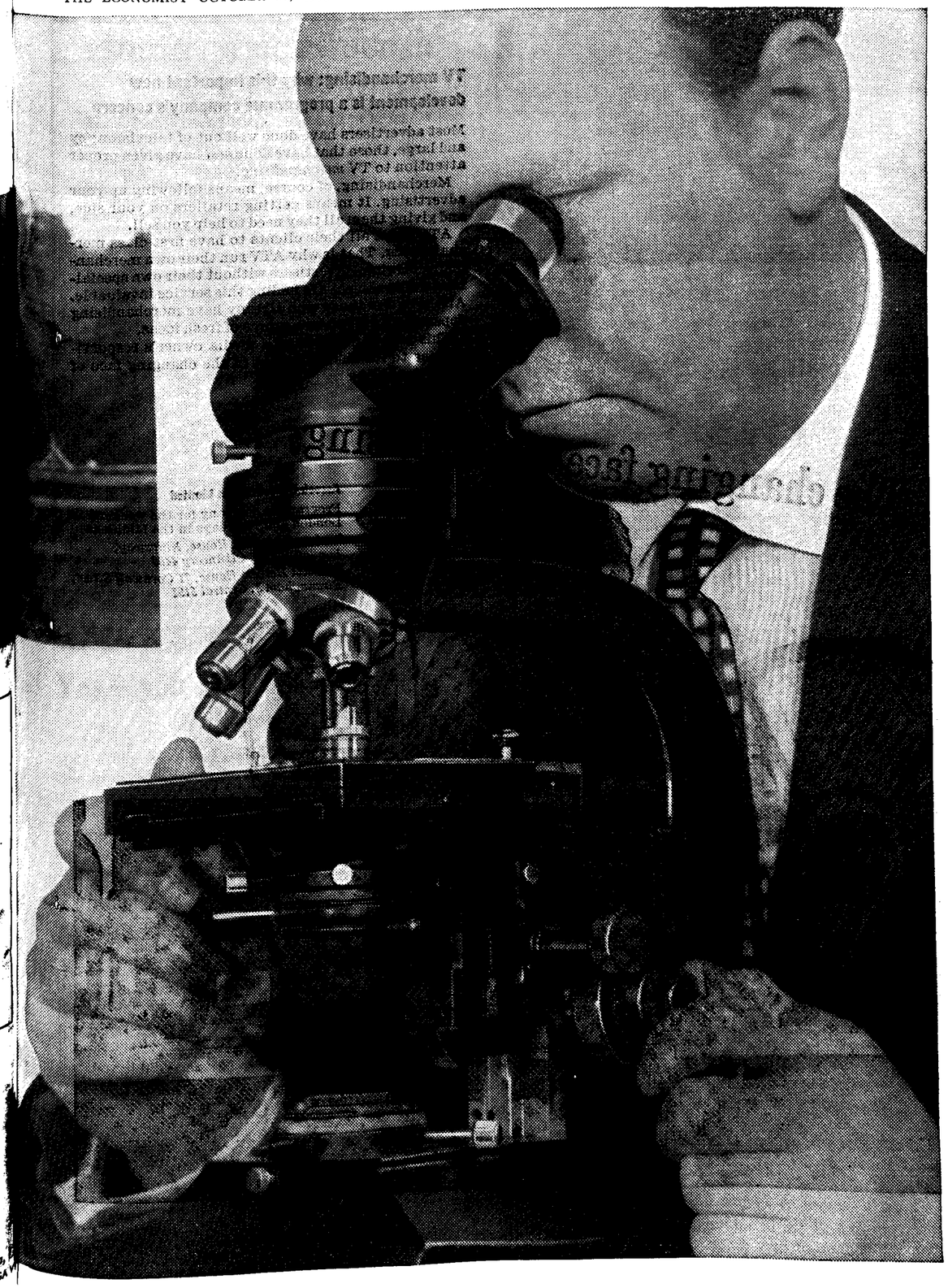

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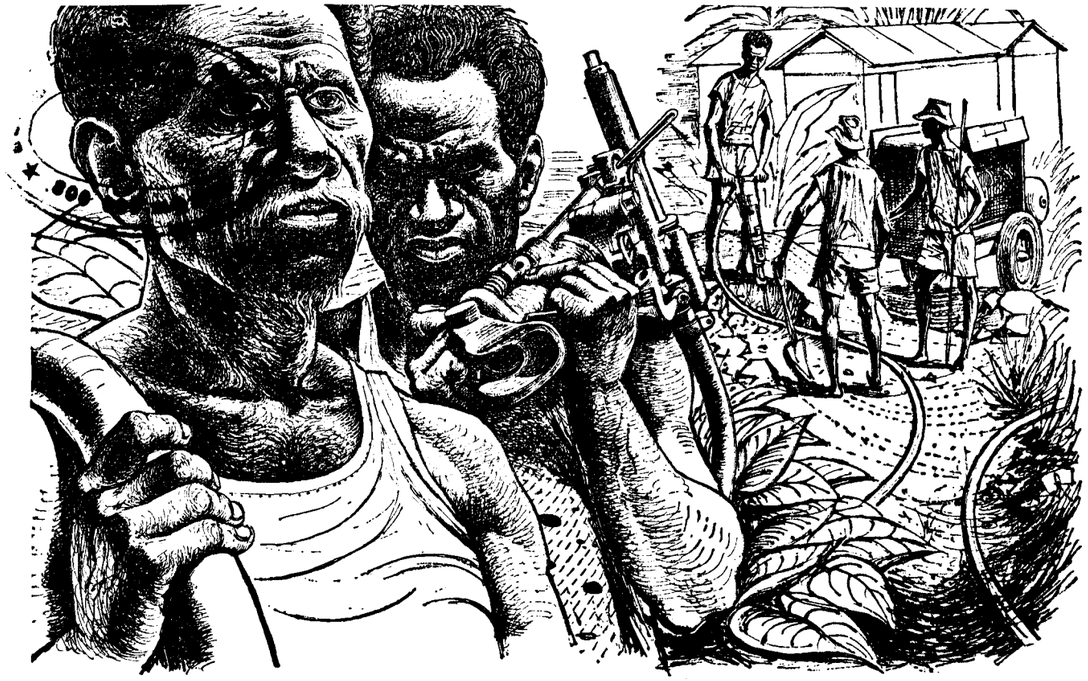

Breaking new ground in Dutch New Guinea

The natural resources of Dutch New Guinea are only just beginning to be developed. Oil has been found south of Sorong, rosin is already being exported, and there are deposits of nickel, cobalt, zinc and lead in the mountains. Until now, however, transport problems have prevented large-scale exploitation of these valuable assets. The country is covered with impenetrable jungle; there are few roads apart from those made by the Americans and the Japanese during World War II. Building new roads, and keeping those that already exist in good repair, is therefore of paramount importance, and it is here that Atlas Copco portable compressors and rock drills, fitted with Sandvik Coromant drill steels, have proved their worth.

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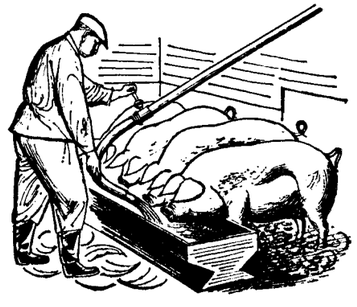

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The Economist

OCTOBER 18, 1958

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The Chancellor's Timetable

IT looks as if the result of next year's general election may largely depend on whether one or other party makes an ass of itself on the subject of unemployment. The interesting thing about the recent Scarborough and Blackpool conferences is that both major parties can be accused of showing some signs of doing so.

The Opposition, as so often recently, is making its mistake by grossly exaggerating the scale of unemployment which it or anybody else really expects. It is strange that Labour does not realise what bad political tactics it is constantly to shout "wolf" before the anticipated arrival of a mouse. If unemployment really did go up steadily and massively through the next twelve months, Mr Gaitskell would win the election anyway. But if by the date of the election (which will be a date of the Tories' own choosing) unemployment has done nothing so persistent and so unlikely, Lord Hailsham will be able to rub home his rumbustious assurance at Blackpool that Labour's "unemployment scare," like "the Rent Act rubbish, the Quemoy quaking, the summit stampede," will be remembered as "pure political exploitation of human anxiety in the interests of mass hysteria and panic." The Tories' opportunity for unlively government (but lively oratory) is being made all too easy.

In the present instance, Labour's overcounting of social misfortunes before they are hatched is in danger of obscuring a more genuine criticism of Government policy which more and more thoughtful people, after reading some ministerial speeches at Blackpool, may be beginning to think could have some substance. It is one thing (and, on the available evidence, a pretty silly thing) to let out squeals of excited apprehension that present "Tory misrule" may lead to black social misery and catastrophe. It is quite another to question whether Mr Amory's apparent timetable for letting out sail looks like being the right one on the likeliest assumptions about the weather ahead.

The economic soothsayers may, of course, nearly all be wrong about the emerging prospect; they have often been wrong before. But at the moment most analysts, so far as one can see including the Government, seem to be in broad agreement on two things. First, it is generally expected that unemployment will rise and production fall somewhat in Britain this winter; the reasons for this expectation are set out in detail in an article on page 251. Secondly it is even more generally expected that the recession is not likely to be a really lengthy one; one main reason for this confidence is that a year ago America faced the same sort of inventory recession as Britain seems to be facing now, but has got out of it very quickly. Of course it is just possible that the gloom of an inventory recession and the longer experience of under-utilisation of industrial capacity here might bite more deeply into the minds of British businessmen than it did into those of American businessmen, and that cut-backs in investment and with them a general recession might therefore roll further in this country than they did in the United States. But on past

evidence of the ease with which spending can be restimulated in postwar Britain, this does not seem very likely.

Yet the policy which Mr Amory appeared to be adumbrating at Blackpool to some extent went through the looking glass compared with the general forecast. The impression left with most of his audience was that Mr Amory may go on living down to his—hitherto admirable—nickname of Derick-or-little-by-little this winter (when industrial capacity may be unnecessarily under-utilised), but that he hopes to give a lot of money away next spring in time to restimulate activity later in 1959 (when things might conceivably be getting less disinflationary on their own). The rationale of such a recipe, if it is put into effect, cannot be expected to escape questioning for long. If Mr Amory's policy were to aim at a deliberate and lengthily maintained level of between perhaps 600 and 700 thousand unemployed, on the grounds that this is needed as a permanent economic buffer in order to keep prices down, there might be a lot to be said for still holding back demand ; but this is not at all what he seems to have in mind. If he thought that a release of purchasing power soon would lay a greater speculative burden on sterling than a release of spending power later on, no doubt he would be wise to wait ; but any such view is not at all easy to square with sterling's present strength. It would be a mistake for Mr Amory to become too set in the belief that it is always a policy of wise caution to put off until tomorrow the acceleration that may seem desirable today. When a bicyclist is approaching a hump on the road (like a hump in unemployment), it is the opposite of a policy of caution to say that one will pedal softly up the steep upward slope because it comes first, and then pound into action just when one is over the top and when gravity may be helping one down the other side.

There is an obvious circumstance which may be thought to impose a practical rigidity upon the timetable. Mr Amory may be, and certainly should be, thinking of tax reliefs as his main weapon of reflation, and it is a fixed convention as well as a great administrative convenience that budgets come only in April. There would be strong resistance from administrators —and from some others—if Mr Amory were to propose bringing forward the next budget ; if he were to propose to make those major changes in taxation which most people now expect from him much sooner—not merely in early March (as Mr Butler did in 1952) but, say, soon after the Christmas recess. Certainly his reference to the "flowers that bloom in the spring" last week shows that he has not yet even considered doing so. But should not some such action be at any rate under consideration ? The present balance of probability is that Britain could profitably be given some release of purchasing power this winter ; but there is at least a possibility that the Chancellor might need to be watching out for measures to moderate the pace (by a higher Bank rate or other means) late in 1959. What Mr Amory now most needs to avoid is any artificial compulsion to play the concertina precisely the other way round.

Pensions in Practice

A detailed analysis of the Government's new scheme for graduated national insurance contributions and benefits

OFFICIAL pension plans nowadays need to be judged by two criteria: by what they set out to do on white paper, and by what is really likely to happen when the rats of inflation get at them in an imperfect world. By the first of these criteria—and as an act of immediately intended financial economy—the Government's slightly obscure white paper on "Provision for Old Age," clearly deserves relatively high marks. The figures in Table I on the opposite page, which can be deduced from the white paper, show the Government actuary's estimates of the additional contributions, pensions, other benefits and the net savings to the taxpayer expected under the new scheme. It will be seen that a main feature of the scheme—indeed in some ways its whole essence—is that it is expected to save the Exchequer £99 million in its first year of operation, rising to no less than £428 million in 1981-82.

An immediate political question will be how this new Tory scheme differs from the Labour one. It should be noted at once that there are in fact two—though only two—major similarities on points of principle. The first of these is the graduation in contributions and benefits. The second, which has been less generally recognised in the press is that the old method of actuarial assessment of contributions is thrown overboard in both schemes. There is no longer any pretence in the white paper, as there also was not in the Labour scheme, that even the contribution demanded from entrants at the age of 16 will actually cover the benefits to which he will be entitled. As actuarial calculations have in the past always been shot away by increases in pension rates after entry, many people may not regret their passing from the national insurance scheme. But others have always regarded the obligation to assess an "actuarial contribution" for the initial entrant as the

Treasury's one sheet anchor in resisting political pressure, as the one force that ensures that when benefits are increased there will generally also be an increase in the rate of employees' contributions. Now the sheet anchor is to be removed, and there will no longer be any "basis" for saying what the rate of contribution should be. It is therefore a possible disadvantage—to set off against the promised closing of the scheme's current deficit—that future changes in weekly contribution rates could become the plaything of politicians even more than now.

In the place of the old "actuarial principle," the Government has fixed the new rate of contribution

TABLE I
COMPARISON OF NEW SCHEME WITH EXISTING ONE
(£ million)

	1961 to 1962	1966 to 1967	1971 to 1972	1976 to 1977	1981 to 1982
Expected addition to :—					
Employers' contributions	56	108	155	204	254
Employees' contributions	48	97	146	193	242
Total additional contributions	104	205	301	397	496
Retirement pensions	Nil	3	16	35	63
Other benefits	5	5	5	5	5
Total additional expenditure	5	8	21	40	68
Net saving to taxpayer	99	197	280	357	428

Note :—Assumptions on which actuary has worked out these figures are: two per cent increase in money earnings per annum ; no increase in pensions for existing pensioners ever ; 2¼ million beneficiaries of private schemes to contract out of state scheme ; average unemployment rate of 3 per cent (assumption under pension scheme, 4 per cent). It should be added—because, strangely, only these figures show it, and the rest of the white paper forgets to mention the fact—that it is plainly intended that not only pensions but also sickness benefit, unemployment benefit and presumably death benefit should now go on to this new "graduated" scale.

(8½ per cent of earnings from employers and employees combined) simply at the figure which should most nearly square the current cash account of the fund in the next few years; as more people retire with a slightly greater pension entitlement in later years, it is proposed that contributions should be raised by quinquennial increases of ½ per cent from 1965 on. But at no time is it proposed that the fund should run a large cash surplus; the Tories believe that as much money as is consistent with the avoidance of current deficit should be left to fructify in the pockets of the people.

By contrast, the Labour scheme aimed at a very much heavier immediate increase in contributions ; perhaps the best illustration of this is that under the Labour scheme the employers' contribution in respect of a £12 a week man would have risen by 6s. 3d. a week above the present rate and this employee's own contribution by 2s. 8d. a week, while under the Tory scheme the rises will be only 1s. 3d. and 11d. a week respectively—which some may still think quite enough. These heavier contributions proposed by Labour had two purposes. One—and this is where the Government has shown some political courage by refusing to compete in the auction—was to raise pensions for existing and immediately impending beneficiaries more quickly: the married man retiring in five years' time could ostensibly expect £4 15s. a week under Labour, £4 2s. a week under the Tories. The other purpose was that Labour intended to run large surpluses in its scheme's early years (and then use them for its "socialist investment").

It is fair to emphasise, however, that the "net savings expected for the taxpayer" in the Government's scheme, as shown in the bottom line of Table I above, should be genuine savings in a way that the surpluses advertised as being expected under the Labour party's pension proposals would not be. Many of the Labour funds would have been drawn not from consumption but from savings that would otherwise have piled up in private superannuation schemes. The Tories' scheme, far from discouraging private superannuation schemes, takes at least one political risk in trying not to impede an even faster development of them in the future: the proposal that employers who offer adequate and transferable private pension schemes can opt not to pay the new state rates, but can keep their workers merely on the old national insurance scale is bound to cause a parliamentary row.

ON grounds of disinflationary rectitude therefore—if not necessarily of electoral appeal—the Government's scheme has a definite edge over Labour's. It also contains a redistributive effect which has not been generally recognised in press comment. The figures in the white paper make it plain that the Exchequer's (i.e. the taxpayers') contributions, which have hitherto gone to subsidise the old age pensions of dukes and dustmen equally and indiscriminately, will now go largely to help the lower paid. The man earning £9 a week or less will get the full benefit of the new Exchequer contribution ; he will get it in the rather unexpected form of having a promise of only the same pension as now, but of paying smaller weekly contributions while in work. For people earning more than £9 a week, the Exchequer contribution gradually tapers off, until the man earning £15 a week or more will be paying (together with his employer) full current rates for his pension and will get no help from the Exchequer at all. This is a definite advance towards social commonsense.

TABLE II
GRADUATED ADDITION TO PRESENT PENSION (Men)

	Age at opening of Scheme				
	18	30	40	50	60
Average weekly earnings:					
£9 or less	Nil	Nil	Nil	Nil	Nil
£10	6s.	5s.	3s.	2s.	Nil
£11	13s.	10s.	7s.	4s.	1s.
£12	£1 0s.	15s.	10s.	6s.	2s.
£13	£1 7s.	£1 0s.	14s.	8s.	2s.
£14	£1 14s.	£1 5s.	18s.	11s.	3s.
£15 or more	£2 1s.	£1 10s.	£1 2s.	13s.	4s.

Note :—Present flat rate pension rates, to which the above sums would be added, are £2 10s. a week for single person, £4 for married couple.

The problem of late entrants to the scheme (which initially means all of us over 18) is also being dealt with economically rather than politically, under the so-called "bricks" system. This system does bring

some advantage to late entrants, though in a heavily disguised way: the interest that will be earned by the fund on contributions paid by an 18-year-old during some 47 years of working life will be shared equally with (e.g.) the 60-year-olds, whose contributions will earn interest only for five years. In effect, and very broadly, everybody under about 40 at the scheme's inception will be giving some aid to everybody over 40, to the extent of the excess interest that the fund will be earning on younger people's contributions over their longer working lives. Nevertheless, Table II shows how far this is from being a political scheme that offers most to the mass of workers indiscriminately, and how near it is to being an economic scheme which offers most to those who will themselves have paid most.

THERE remains, however, the thorn on the rose. All the above figures are worked out on the Government actuary's assumption that money earnings will rise on average by only 2 per cent a year, and on the pretence that there will be no increase, at any time in the next fifty years, in money benefits for the vast army of the already retired. The first assumption is unduly conservative in a country where the average increase in money earnings since the war has been more like 5 or 6 per cent a year; the second pretence, in a democratic society, is just plain nonsense. Indeed the cynic will say that, politicians being what they are, old age pension rates are almost bound to rise at least once before every general election—except, probably, before this next election immediately impending.

A major question hanging over the scheme is how it will work as this political pressure for higher pensions mounts, as a consequence either of continuing inflation or of a genuine enrichment of the community which makes it possible to afford more for the old. It had been hoped that one of the advantages of expressing contributions as a percentage of earnings would be that, as inflation or the general expansion of living standards proceeded, some of the finance for higher pensions would be provided automatically. As earnings rose, the money coming in would rise with them. To some extent this will happen; the Government actuary estimates that if money earnings rise by 3 instead of 2 per cent a year, the surplus available to the scheme will increase by £14 million in 1966-67, £25 million in 1971-72, and £45 million in 1981-82. But much of the possible automatic benefit will be cut off by the decision that the 8½ per cent contribution will be levied only from earnings below £15 a week; when a man is earning over £15 a week then any rise in his earnings brings no additional grist to the fund. Even at the inception of the scheme in 1961, it is expected, 5 million of the 14 million male employees in this country will be earning over £15 a week, and this proportion will steadily rise. The best way of understanding what this implies for the scheme's finances may be to visualise what would happen if nearly all wages in this country eventually rose above £15 a week. Britain would then be back on a flat rate contribution scheme. The only differences would be that the scheme would be initially in current balance, and that different pensioners would be getting different rates of payment according to the length of their past working life as contributors under the Boyd-Carpenter scheme. But as soon as rates were raised again for existing pensioners, all the problems for the fund would be precisely the same as for the present flat rate scheme. Earnings above £15 a week have been excluded from the scheme probably largely because it is feared that a levy on them would impede the progress of private superannuation schemes.

THIS brings one to the core of the problem. Presumably there are two possible ways of eventually meeting the constant wave of political pressure for higher retirement pensions—a pressure which, however questionable the electoral considerations that distort it, does correspond with a very proper social feeling that an expanding but also inflationary society must not shirk its responsibilities to the old.

One way will be to adopt the politicians' usual system at the present time, and to pay for higher pensions with the state scheme, as circumstances seem to demand them, by the two contribution-increasing devices (against one at present) available under the Boyd-Carpenter scheme: that is to say, either by widening the range of earnings from which the 8½ per cent weekly contribution is to be drawn (i.e. above £15 a week) or by increasing the 8½ per cent itself. If this becomes the fashion, then the important principle to insist upon, now that the "actuarial basis" is being finally overthrown, is that changes in contributions and benefits must always be made in such a way that the current cash account of the scheme is kept in balance. The logic of this road of advance, however, would be that a still nearly-universal national superannuation scheme would gradually become the basis of something greater than a mere minimal provision for old age, close to national assistance and bare subsistence standards of life. It would take over much of the responsibility that others would like to see laid on expanding private superannuation schemes; this take-over, indeed, was mutely envisaged in the Labour pension plan.

The white paper shows that the Government does not favour that road. Its whole philosophy is that nearly-universal state pensions must be only a minimal support for old age, and that the real road of advance for provision for the aged lies through an expansion of private superannuation schemes. The eventual logic of this view, however, should be that when private superannuation schemes cover all who can be covered by them, then the state scheme should be improved to provide something more than minimal subsistence for those who cannot be so covered—but for them only. In other words, the eventual aim should be actually to encourage those who are covered by private schemes to contract out. It cannot be said, as is pointed out in a Business Note, that the new Tory scheme takes that road either. The trouble is that if the state scheme ever rises to a level that will provide some sort of substitute to private superannuation schemes for those who by the nature of their employment cannot enjoy those schemes, then a lot of private schemes which ought still to be started will not be started. The idea of a new-style welfare state in which most retired people enjoy private pensions, but with an above-minimal state scheme as a fall-back, is very difficult to bring to fruition until that overspread of private schemes already exists.

The Boyd-Carpenter scheme is therefore, in essence, a holding operation, designed to last until it is seen down which road national provision for old age is most likely to go. As a holding operation it has considerable virtues. It shuts the door in the face of the immediately emerging current deficit; it undertakes some redistributive justice towards the lower paid by way of lower weekly contributions; and it is probably as large a scheme as the economy can currently afford. It also carries certain dangers, but (unless one sets great store by the old actuarial principle), nearly all of them are dangers which have also existed under the old flat rate scheme. The old Beveridge flat rate system lasted, in its essentials (though of course not in its rates) for one and a half decades; it is fair comment that the Boyd-Carpenter system is unlikely to last very much longer, or even so long, without very considerable changes.

That in itself casts a strange light on some of this week's press comment on the scheme. Much play has been made (though not by the Minister) on the headline of "Tory pensions up to £6 a week." That pension would in fact be received, under this scheme, only by a married man at present aged 18 and earning more than £15 a week, at the time of his retirement in the year 2008. If this system is still in operation in that year, nobody will be more astounded than its authors.

Europe—Big or Little

Forced on by a political vision, the European Economic Community is becoming a hard fact while the free trade area is still an uncertain hope

THE European community of six countries is taking corporal shape rapidly this October, according to plan. Up to now three separate, parallel organisations have been visible—the well-established coal and steel community; Euratom; and the common market—each with its powers, limited and more or less distinct, derived from three separate treaties. So, to the lawyer, they are; but to the men who have planned them and who will have the task of making them work they are limbs of one body. On October 7th the court of justice which is to serve all three constituted itself formally at Luxemburg, looking very like the old court of justice of the coal and steel community. The parliamentary assembly, which will gather on Wednesday at Strasbourg, is another common organ. Already it is being called "the European parliament"; that other assembly at Strasbourg, the Council of Europe, product of a wider vision less resolutely held, sees history passing it by.

The architects of this structure reject the name of "Little Europe"—naturally, perhaps; though exact, it sounds derogatory. To them, the Six are the European Community, forerunner of the continental political union, the United States of Europe, that is to be when General de Gaulle is gone. The present Six, they say, are simply those who are at present prepared to pool their national sovereignty; others may join when they like. Meanwhile, the Six are Europe. Professor Hallstein, one of the German originators of the treaties of Rome and now president of the commission of the European Economic Community, told a gathering of journalists organised by the International Press Institute at Luxemburg last week that to talk of the community as "an integration of the European economy" was to underestimate what was happening:

> The unification of the economies is a political act leading to a political union.

Czechs, Swedes, Spaniards and Englishmen, resentful of being left high and dry without a continent to belong to, may feel that it would have been more tactful to leave some title in abeyance for a possible "big" Europe of the future. But the visionary element in the new system of the Six is not merely an elegant fancy, it is a political fact that has to be taken into account in attempting either to do business with the Six now, or to project their course for the future. The failure to appreciate this has been the principal British miscalculation in attempting to complement the customs union of the Six with a free trade area—a "European Economic Association," as it will be probably called if it ever comes about. It is true that the Six are going to be a customs union, starting with the first modest stage of tariff and quota adjustments on January 1st. It is true that this customs union will, in the end, present the rest of free Europe with a nasty commercial problem if something complementary is not done.

But the British government made a mistake in fixing, or appearing to fix, its sights exclusively on the tariffs and the quotas, vital though these matters are in any practical consideration; irritating as it may be, the planners and dreamers of the Six do see their union as much more than a commercial arrangement.

This is in part why the Six—not all of them, for they are far from united on this matter, but at any rate enough of their key men to make the business of negotiation very slow and difficult—have, no doubt equally mistakenly, tended to brush off the British insistence on a free trade area as a side-issue that can be talked about later on. The free trade area has been under discussion since July, 1956. There has been ample time to get it settled, but the different parties have never attached equal urgency to it. They are due to meet again in Mr Maudling's committee in Paris next week; but that meeting, which he had hoped would see a full and lengthy effort to decide the matter, is being squeezed and whittled down by the competition of other "European" engagements (including the first meeting of the new parliament at Strasbourg), and bids fair to be inconclusive. The British Government's very reasonable objective, a free trade area agreement signed and sealed by January 1st, when the Six embark on the first stage of their customs union, is now declared on all sides to be unattainable.

It would be wrong to say that no progress at all has been made. The principal antagonists, the British and French, have both made useful concessions on points of commercial substance. But after each attempt at negotiation, the eleven "outsiders" have to wait while the Six concert their position for the next round. That position is usually reached only with difficulty, and, once reached, is hard to change. The decisions which the council of ministers of the Six appeared to reach at Venice last month and at Brussels on October 8th make it more likely that there will be a free trade area in the end—but more likely, too, that its institutions will be feeble and their power of decision small. Even those decisions need to be amplified before the Six can usefully meet the eleven; the six ministers are to meet again at Strasbourg before Mr Maudling's committee reassembles in Paris.

Thus the approaches to an agreement go painfully on, but the central political decision to have a free trade area at all has still to be taken. Perhaps it is the consequence of a difference in style between the British and the Six that, after more than two years of nagging from London, the political character and the political importance of this necessary decision are still little appreciated, so far as the eye and the ear can tell, by the devoted and able men who form "community" policy in Luxemburg, Brussels and Paris. These men know very well that the decisions of the Six in economic matters have, and are intended to have, political consequences. The European Economic Association, which is so very desirable commercially, will have political consequences, too; but it is not in the style of the British, when they are dealing with European questions, to say as much—or, at least, to say it with enough certainty and authority to persuade the Europeans that this time the nation of shopkeepers is politically in earnest. Too many boats have been missed in the past. Ten years of British aloofness from European union have left a deep mark.

WITHOUT these suspicions, the effort to get a free trade area might have met with a less stubborn resistance, and the community of the Six might have started life, as it should have done, with a ready-made, organised relationship with the rest of non-Soviet Europe. This would have avoided the risks of discrimination and exclusiveness which could markedly worsen the trading climate of Europe—the very risks indeed which gave the free trade area such general British backing. It could also have avoided the danger that the union of the Six will tend to divide, instead of uniting, Europe as a whole. But it has to be reckoned that the wider association will in fact not be reached now until after a further, perhaps considerable, delay; or that it may come about as an emasculated and nebulous association in which the Six—rich, populous, compact, and united by an idea—will try to act as a monolithic central block on which the desires and interests of the rest make little impression.

This is the gloomy side of the picture. There is another side. The union of the six countries is intended to accelerate the economic and social progress of that part of the Continent; the larger market is intended to lead to more rational production, less wasteful investment and generally higher standards of living. Whatever the restrictive and inward-looking features of the Treaty of Rome, there is no evident reason why those specific hopes should not be largely fulfilled; and, if they are and the total of wealth and trade in the great enclave is increased, then trading countries not inside the block ought to benefit. Whether or not this will be the outcome will depend both on the way the Six conduct their affairs and on the way the rest of Europe reacts to their union. In this, the direction to be chosen by the new regime in France may well be decisive.

While the lengthy process of economic change is going on, however, there will be new strains to face in Europe from the mere fact of political division. The architects of the new community are wrong when they say that it is perfectly open for the rest to join if they wish. To some—Finland, Austria, Switzerland—it is obviously not open, for compelling political reasons. The poorer countries of southern Europe may feel themselves neither able to join, nor yet able comfortably to watch themselves left out in their poverty while the rich countries of western Europe grow richer still. Yugoslavia could not very well join, but its prospect if it is left out, sitting between two massive territorial systems, does not look safe or comfortable. Most of Germany is in the new community, but its relationship with the part of Germany that is left out is completely unsettled.

There is nothing horrendous or unnatural about any of these problems. They all have to be lived with. What is important is that the embryonic super-state in western Europe should not rashly over-estimate either its own unity or its own separateness; should not grow so self-confident that too much strain is put on its weaker neighbours; and should not, through its inner preoccupations, ignore its involvement at innumerable points with the rest of Europe—and the rest of the world. The free trade area, quite apart from its vital trading importance, could have done invaluable service in helping to avoid those dangers. It may still do so. It is much to be hoped that it will. But Britain—both as the biggest of the outsiders, and as the European power with the widest interests and the widest horizon—will have to act as political lightning-conductor in this new Europe, with a free trade area or without.

The Economist

OCTOBER 16, 1858

POPULAR LITERATURE

No doubt it is true, and we heartily rejoice in the truth, that looking to the great mass of common readers, and to the character of that reading which the comparatively excellent cheap literature of the present day has displaced, or to the perfect vacancy of the non-reading mind which this cheap literature has stirred into partial activity, its vast multiplication in recent years must be looked upon as pure gain, and very great gain. . . . But this is not the only aspect of the case. . . . Popular fictions of real worth may, as we have pointed out, be reproduced from the past. But popular politics and popular criticism can only be produced by a special literary class, and involve an amount of knowledge far too miscellaneous for any thoroughness in the average power of execution. It is here that the real premium on charlatanerie of all kinds is most fatal in its effects. When fifty thousand subscribers expect to have a clear view of some sort presented to them, by a certain hour, of a political question, the true solution of which would demand days, how infinite is the temptation to make much appearance out of little knowledge, and how pernicious the effect on the mass of ignorant readers who regard their paper as infallible. . . . What literary man is there who does not feel the temptation to pass these hasty judgments when a great political question first appears, and then to assume the judgment once passed as a fixed point of departure for all future argument? We know of no remedy for this evil incident to the profession of producing comments on all recent and undeveloped events—except the gradual formation of a public opinion in favour of such papers as really suspend their judgments on public events till the materials are at hand to form them fairly. Nor is there any reason why such a public opinion should not be formed as easily among the readers of cheap papers as of dear. . . . The papers least remarkable for dishonest smartness in their literary and political judgments will gradually displace the others, even with the lower classes, as the "Penny Magazine" displaced the immoral literature which preceded it.

Nasser as Neighbour

For the time being it may be expedient for President Nasser to moderate his policy towards other Arab States; but in the long run expediency may not prevail

MR HAMMARSKJÖLD'S report to the United Nations on the Middle East imbroglio underlines the extent to which any settlement in the area is dependent upon the Arabs living up to their protestations of amity. Domestic changes of government need not of themselves be a threat to peace. The danger in the Middle East is that these changes may be unnaturally expedited from without, and then exacerbated in such a way that they develop into international conflict. In seeking to guard against this danger, Mr Hammarskjöld is addressing himself first and foremost to President Nasser, whose behaviour can most easily precipitate an international crisis. Whether he will pay heed to these exhortations—and for how long—depends not on his public pledges at the United Nations or on any private assurances of good faith to the secretary-general, but on whether a good neighbour policy fits in with his own aspirations.

There have been hints that, at least for the time being, the United Arab Republic will settle for a milder policy towards its neighbours. Since Mr Hammarskjöld returned from his round of Arabian visits, Cairo radio has moderated the tone of its own broadcasts to Jordan, leaving the vendetta against King Hussein to the crude care of the Jordanian People's radio, a secret broadcasting station that came to life immediately after the Iraqi revolution. On October 7th, Dr Fawzi took the conciliatory step of admitting to the General Assembly that broadcasts from the Arab republic, which, as he puts it, "tell the truth in the plain sunbaked language of 1958" could, nevertheless, do with some pruning. Dr Fawzi's urbanities are frequently contradicted by his government's policy, but in this case his diplomacy has been supported by Cairo's use of the secateurs. But this autumn pruning of radio transmissions could be abandoned as abruptly as it was begun.

ONE factor that operates in favour of restraint is the need to revise the machinery of the Arab republic. Not unnaturally there are stresses. Apart from the practical difficulties of administering a state whose widely separated territories were amalgamated in haste, the Syrians have now had time to brood on what they are getting out of the union—and may have reached disquieting conclusions. Possibly to forestall a show of independence, President Nasser has started getting tough with the junior partner. One of the two Syrian

vice-presidents, Sabry el-Assali, has been dropped from the cabinet. The Baghdad tales of collusion between him and Iraqi royalists gave President Nasser a providential excuse for dismissing him before he could expostulate over the new measures for binding Damascus to Cairo. The decision to have a central cabinet in Cairo controlling affairs in both regions is, on the face of it, a more practical course than the untidy, and hurriedly planned, expedient of a mixed cabinet in which some of the portfolios embrace both regions and others only one. But the distribution of ministries shows that the significant effect of the new arrangement will be to put more Syrian affairs directly under Egyptian control.

With Sabry el-Assali out of the way, President Nasser in one weekend carried out three major operations on his Syrian region. He decreed a law splitting up the large estates on the same general principle as Egyptian land reform ; he dissolved the very efficient municipal councils, replacing them with small committees ; and he abrogated the special legal status of the tribal sheikhs. This kind of surgery is bound to evoke voluble and possibly active protest, and Cairo may now find its hands too full to want to take on extra commitments—especially not Jordan with its built-in problems.

ISRAEL, too, has to be remembered in Cairo. Mr Ben-Gurion's skill at political poker is greater than President Nasser's. Apart from hinting pretty plainly that they would not tolerate Egyptian soldiers in Jerusalem, the Israelis have been significantly ambiguous about what might provoke them into action —and what such action might be. Mr Eban's blandly non-committal statements at the United Nations carried warnings that have gone home to Cairo. For the first time since the Sinai campaign, Cairo seems to be jittery about possible Israeli retaliation. A sign of nerves is the unusually vehement outburst of anti-Zionist propaganda. In an interview with the editor of the Indian magazine *Blitz*, President Nasser claimed that "the fate of the European continent is in the hands of 300 Zionists "; as a serious source for his fantasy he offered that hoary old forgery "The Protocols of the Elders of Zion." Israeli schemes for invading Jordan with imperialist connivance are monotonously exposed by Cairo radio: Zionist armies are only waiting for the British withdrawal before they cross the Jordan ; the world is invited to "watch the criminals who wish to withdraw from the scene of their crimes leaving the door open for Zionist gangsters to enter." Dr Fawzi has been dropping hints in New York that the United Arab Republic might be able to swallow its objections if the great powers decided to seal Israel's frontier with a guarantee. Could it be that the wheel has turned full circle, and that it is now the Arabs rather than the Israelis who are anxious to have the frontiers recognised and sealed ?

These factors may make the Egyptians pause. But against them must be set the inherent momentum of a regime which after six years not only retains its pride in its revolutionary origin, but still counts revolution as its *raison d'état*. It is customary for Egyptian leaders to justify repressive measures by insisting that these are legitimate for a government that is still conducting a revolution. If the nation is not yet through its transitional phase, there are plausible excuses for locking up political opponents, silencing criticism, and, above all, for falling short on the social and economic blessings that the completed revolution is expected to bring. Since the good things of life are always promised for tomorrow, it might be embarrassing for President Nasser to allow tomorrow to arrive.

So, for Egypt, a state of flux is expedient, and Cairo does not necessarily look forward to that return to tranquillity which western statesmen regard as the natural and desirable sequel to temporary upheaval. In this context, exhortations to Egypt to conform to the old-established norms of decent international behaviour are premature. If President Nasser sees his best interests served by keeping the Middle East simmering, he may decide to damp down the fires, but it is naïve to expect him to help put them out.

Moreover, neither the decision nor the timing is entirely in his hands. He may not be able to control the tide of Arab nationalism, even should he want to. At present he may have reasons for wanting to moderate the flood, and, in fact, he emphasised this point to the Indian journalist: "I told our people when the United Arab Republic was proclaimed that we had to erect dams to our aspirations and open their gates wisely." But revolutionary movements in neighbouring states do not necessarily respond to Egypt's tempo. The opportunities for change are not manufactured exclusively in Cairo, and upheavals may not fit into a timetable at the most expedient point. Now that the Egyptian revolution is fused in Arab minds with the whole nationalist movement, President Nasser is to some extent the victim of a self-imposed obligation not to lag. His character is that of a leader, not a statesman ; he lacks the authority to resist the push from behind. Anxiety to outstep rival candidates may be an added force driving him farther and faster than he would otherwise go. To the east, there is Iraq, now emerged as an independent revolutionary state. Although as a source of nationalist inspiration Baghdad is dimmed by the bright lights of Cairo, the Iraqis have at least the advantage of being able to lay their hands on ready money. And to the west, the newly independent states of the Maghreb show no inclination to accept Cairo's hegemony. President Bourguiba of Tunisia has already defied President Nasser by declaring a boycott on Arab League meetings and breaking off diplomatic relations with the UAR. A group of independent-minded neighbours exercising a positively neutral policy towards the United Arab Republic hardly fits into the Nasser concept of the Arab world.

In this context, Mr Hammarskjöld's assumption that the United Arab Republic will cease to harry its neighbours may, in the long term, be more reasonable than prophetic. Although the premise accords well enough with recognised Egyptian interests, it ignores certain driving forces. There are sound reasons why Egypt should keep itself to itself. But even if President Nasser acknowledges the good sense of not adding to his own commitments, or to the dangers of the area, he may before long find himself swept into turbulent waters by the tides of ambition and nationalism that are still powerfully in flood.

Onward from Blackpool

A Correspondent, who travelled to Blackpool by way of Torquay and Scarborough, writes :

AFTER the three party conferences no one can fairly accuse the active constituency workers of not trying to make the differences between the parties apparent to the public mind. If those enthusiasts had been allowed to have their way, the voters might have been presented with a clearcut choice for the next election between the party of unilateral free trade, the party of unilateral disarmament and abolition of public schools, and, after last week, the party of flogging and hanging. The business of the organisers of party conferences is to avert any such calamitous (and quite misleading) clarity. This year, with the partial exception of the Liberal party, they succeeded.

The Labour party turned the trick by kind permission of union leaders controlling block votes. The Tories did it by delicate preliminary work on the selection of motions. To qualify for debate these had to be both acceptable to the Government and capable of gathering all likely variations of opinion into the same corral. This enabled Lord Hailsham to claim at Blackpool that the constituencies' demands "exactly correspond with our thinking"—though he surely allowed the need to butter up the constituencies to carry him a bit further than Tory leaders usually think prudent when he promised that the Government would "go ahead exactly on the lines which you have laid down."

The Tories were more than normally sensitive this year about the impression which their conference would make. In the first place there was the terrible anxiety over whether the delegates would misbehave during the debate on crime and punishment From all sides they were being urged to take a firm grip on their emotions, lest the television cameras should catch rows of middle-aged women screaming for the cat to be used on sexual offenders Every precaution was taken. The debate was put on at the end of a long day, so that there would be little time for the floor and no time for film shots to be included in that evening's TV reports. The opening speaker had clearly been well chosen for his pedestrian qualities. There was one gasp of excitement when a Mr Loxton reached into his childhood to tell of his belief in the cane, and two women spoke feelingly for cat and birch. But Mr Butler rose to the challenge with great skill and courage, flatly declining to restore corporal punishment but asking for a chance to try out new methods for juvenile offenders.

THE Tories were worried, not only that the crime debate would get out of hand, but also that the other debates would strike the public as being altogether too much in hand. Lord Hailsham went so far as to direct the whole first part of his speech to "professional political writers or commentators" who had come straight from Scarborough, explaining why in comparison they would find little to excite them at Blackpool. It would indeed be a mistake to underrate the significance of a Tory conference. The experience is an important educational one for the delegates. This time, for instance, they listened calmly when members of the Bow Group of young intellectuals explained why the Government must now work in the Middle East within the framework of the United Nations and come to terms with Colonel Nasser, and were not even roused much against them when Mrs Strom-Olsen subjected the Group's journal *Crossbow* to a verbal caning. They heard a sensible summing up of both sides of the Iceland fishery dispute from a Grimsby delegate who is married to an Icelander ; and Mr Hare must have gone away from the short debate on the subject encouraged to meet Iceland at least half way. They had the salutary experience of passing unanimously a resolution in favour of lower taxes and then hearing ministers use that as an excuse for turning down other demands.

An observer could certainly have wished that some of the points of view had been better put. The odd little criminologist, who murmured that legislation was no cure for crime, and the hearty psychological warrior, who thought that the Cypriot terrorists were "at heart probably good chaps," could only have confirmed the rank-and-file's scepticism about woolly intellectuals. But even though it must have been difficult to think of a way of being against the motions that were debated, there were occasional flashes of animation—as when Mr Farrow said there were too many inefficient small farmers and Lady Lewisham wrote off most secondary modern schools as being well below standard. In both instances there were shocked cries of "No." But later speakers were able to boast about the party's allowing this much free speech in its ranks.

THE main purpose of the conference, however, and the one in which it was most successful, was to present to the party and the country the spectacle of a team of ministers, rather than a one-man show, each having some new policy to contribute to the next session of Parliament. As individual performances, the ministerial speeches were uneven. Mr Heathcoat Amory's was workaday, hardly justifying such a dramatic flight home ; Mr Sandys's was dispirited, either from tiredness or from lurking doubts about the dogmatisms of his first defence white paper. Mr Brooke led his complaining property-owners into a wilderness of calculated obscurity ; while anyone who imagines that the country could get on just as well without politicians should have heard Lord Mills, or rather not heard him, since the Minister of Power is a man of few words, and those trite and inaudible. The Minister of Education worked the delegates up with one of his more frenetic performances ; Mr Macleod impressed them with his calm review of labour relations ; and the Foreign Secretary, to the delegates' loud delight, spoke effectively and even wittily.

The total impact of these ministerial speeches, capped by a beta-plus address from the Prime Minister on Saturday, was to indicate a much more vigorous and better balanced programme than is at all usual in the last year of a Parliament's life. The list includes the new pensions scheme, aid to small farmers, mental health, changes in the law of compensation for compulsory purchase, and aids to home ownership ; much more money is to be allotted to secondary education to take the sting out of the eleven-plus examinations ; and there were many hints of an expansionist budget in the spring. All this suggests that Mr Butler's policy committees have been very busy indeed. It suggests, too, that the Government (with the aid, denied to Mr Gaitskell's committees, of civil servants) still has time before it needs to go to the country to put its own stamp on many of the issues which the opposition had been hoping to claim for its own.

NOTES OF THE WEEK

QUEMOY

Peace-Loving Cat?

In a message to "comrades of the People's Liberation Army at the Fukien front" last weekend, Marshal Peng Teh-huai, Communist China's Minister of National Defence, gave the news everyone was waiting for: the bombardment of Quemoy was off for another fortnight. What had prompted this respite was not immediately obvious. Perhaps Peking had realised that when cat so patently plays with mouse not all the credit for peaceful intentions goes to the cat. Or perhaps the mouse had offered terms in Warsaw. Marshal Peng himself was aware that his news might not be grasped at first hearing by the comrades on the Fukien front. "Some Communists," he allowed, "may not yet understand this for the time being. How comes such an idea? We don't understand!" To them, and to anyone listening in Washington, he made himself remorselessly clear:

> This is directed against the Americans. . . . The Americans in Taiwan and the Taiwan Strait must go home.

Although this has all too plainly been Peking's aim in the Formosa Strait over the years, it still remains to be seen whether or not the Chinese Communists will insist on pressing their luck, when a satisfactory settlement for the off-shore islands could shortly be theirs by good behaviour.

With Mr Dulles committed to running-down the Nationalist garrison on Quemoy should a "reasonably dependable" cease-fire be arranged, Peking could ultimately expect the transfer of the islands, without fuss, as part of a wider agreement on the Formosa question. In fact, Marshal Peng admitted that the present cease-fire would allow "our compatriots" on Quemoy to strengthen their entrenchment—an indication that conquest from the mainland is not thought imperative in the coming weeks. What Peking is trying to foster, as Marshal Peng did not disguise, is a breach between the United States and General Chiang Kai-shek. The presence of top military brass, including the US Secretary of Defence, Mr McElroy, in Formosa this week suggests some efforts to pacify if not to persuade General Chiang. He is, increasingly clearly, the odd man out in the present negotiations. The Americans can see a chance of getting off the hook while claiming that Quemoy is still, technically, in General Chiang's hands. The Communists can disengage while claiming to have held the Americans at bay and in expectation of internal upsets in Formosa later. There is a little more hope now of some compromise of this kind.

ALGERIA

The General shows his Teeth

General de Gaulle has at last begun to make plain what he has in mind for Algeria. His orders to General Salan, published on Monday, are unequivocal: the army is to get out and stay out of Algerian politics and, above all, is not to stage-manage the elections. These terse instructions, falling roughly on right-wing ears accustomed to interpret the general's ambiguity to their own advantage, have caused dismay in the committees of public safety. The consternation is just; the general has courageously done what the leaders of the Fourth Republic persistently flunked. By insisting that the Algerians should be free to choose the representatives they want—even if these are nationalists campaigning on a platform of independence—he has laid the basis for a negotiated end to four years of cruel and unprofitable fighting.

The National Liberation Front (FLN) has begun to modify its attitude, too. M. Ferhat Abbas has declared himself willing to negotiate with Paris without preconditions. The Algerian leader is in a weaker position than before the referendum. His troops are scattered into small groups; the overwhelming number of Moslems voting *oui* cannot be wholly explained by the French army's manipulations; and now the quarrel between Cairo and Tunis leaves him unhappily with a foot in either camp. His shadow government provides poor warmth against the chill of these facts.

The doors are open for negotiation, but the path is cluttered with traps. Although General de Gaulle has smashed the idea of a charade election with single lists of vetted candidates, he has left a loophole by debarring "anyone engaged in terrorist activity." The five weeks before November 23rd are not long for a war-soiled country to organise political parties and campaigns. The army officers have had their heyday as politicians, but General Salan is still in charge, and General Massu's influence was not bounded by his former position as president of the now disintegrating Algeria-Sahara committee of public safety. While the war of "pacification" continues, the army is in command. There is still no civil authority in Algeria.

The best hope would lie in a quick cease-fire. The exchanges between General de Gaulle and M. Ferhat Abbas are oblique—at any rate to the public eye—but they seem to be falling plumb on target. As our Paris correspondent suggests on page 241, their accuracy hints at direct talks carried on privately. A cease-fire before the elections appears to be General de Gaulle's objective, but any terms that might persuade M. Ferhat Abbas to call off the fighting would probably be too tough for the general to swallow.

LEGISLATIVE PROGRAMME

Bills in Prospect

Promises made at the Blackpool conference and before have provided a lot of straw for the Queen's Speech opening the next session of Parliament. If Mr Boyd-Carpenter is to get his new pensions proposals into action by April, 1961, he will have to introduce a national insurance bill in this coming session. We are probably going to have a bill amending the terms for compulsory purchase, although not necessarily a very liberal one. There will be the bill to encourage house ownership, and Mr Butler's bill for long-overdue reforms in mental health. Mr Hare's plans for aiding small farmers (see page 215) will presumably require legislation. There is supposed to be a new weights and measures bill impending, so that (among other things) we may at last know what exactly is supposed to be meant by a "large pink gin."

But the most intriguing legislative prospect of all has been opened by the Government's promise, reiterated by Mr Macmillan last week, to eliminate or replace by permanent legislation all the remaining emergency controls, which are contained for the most part in defence regulations. Some of the decisions involved will be relatively minor—such as what to do about regulations that allow the Government to disregard certain patent rights and trade marks to facilitate fulfilment of defence contracts (the right course here is to follow the recommendations of the Howitt committee of 1956); and what to do about the Industrial Disputes Tribunal with its provisions for possible compulsory wage arbitration (the right course is to abolish it). But the central keep that remains to be stormed (see *The Economist* on April 12th last) lies in Defence Regulations 55 and 55AB. It is from these two regulations that the Government derives the power to impose all manner of economic controls by a flick of the switch. Now is the time to sound the bugle for the charge against them.

There will be three main test cases. First, British governments still have the power to introduce price controls on any article by regulation; the Conservatives ought quite simply to legislate this emergency power out of existence. The same applies to the power to introduce rationing by regulation, which the present Government used when it rationed petrol during the Suez crisis; it is quite intolerable that major decisions of this kind should not require a formal and separate Act of Parliament. Thirdly, exchange control. Some civil servants and the Opposition will want merely to incorporate any powers that still derive from emergency regulation into the permanent Exchange Control Act of 1947. That would be an unnecessarily ca'canny policy. The proper expansionist measure is to say that the power to impose exchange control, although it must obviously remain in being for some time, should be made subject to annual challenge under the Expiring Laws Continuance procedure or in some other way. In this whole complex of legislation the Conservatives should decide to show that they have the courage of their convictions.

BLACKPOOL CONFERENCE

A Short Way with Dissenters

"The British people is a very highly civilised and sophisticated people and our party is a very British party," declared Lord Hailsham at Blackpool on Saturday morning to loud applause. Just three hours later, some of these same applauding delegates were using far more than admissible force on a few scattered Empire Loyalists who had dared to heckle the Prime Minister. Scuffles at a Mosleyite meeting in Birmingham the next day made the cruel comparison seem only too apt.

The Tories' main excuses are (a) that this was meant to be a private meeting of like-thinking people, not a public demonstration at which heckling is traditionally tolerated; (b) that the Empire Loyalists are an extremist and unrepresentative minority, who were there to chant slogans rather than to heckle in the proper sense of the term; and (c) that for many Tories the annual contact between themselves and "the Leader" is no ordinary event but a kind of sacrament. The first two arguments are true but, even when combined with the third, they are just not good enough. The legal precedents may be a little confusing, but there is a perfectly well understood code covering the proper way to keep order at a meeting, whether public or private. The chairman is in charge at all times. If anyone makes a nuisance of himself he can be requested to leave, and if he refuses he can be removed by the properly appointed stewards, using the absolutely minimum amount of force required. The audience should not intervene, except vocally or to prevent physical sabotage, and should be restrained from doing so by the chairman. If the stewards cannot cope, the meeting is approaching a delicate point at which conceivably the audience might be asked to lend a hand, but by then it ought to be about time to call in the police anyway.

When the occasion is a political one, the chairman has to make an extra calculation—whether he is going to gain more by having a quieter meeting than he will lose by violating the Englishman's sense that a politician ought to be able to take a good deal of heckling in his stride. The only difference that is made by holding a private meeting is that the organisers are entitled to ask anyone who has not got proper credentials to withdraw. The chairman's decision about what to do with hecklers may also fairly be weighted somewhat more towards turning them out when the heckling is merely organised interruption.

But there were at least four things wrong with the Tories' handling of the affair at the Winter Gardens: the elderly chairman, who was perhaps blinded by the television lights, gave no lead at all until the third incident—and although the Prime Minister himself did mutter "steady on," this was useless because inaudible except on that evening's television soundtrack; delegates took matters into their own itching hands without waiting for the party stewards; force was used far too promptly and excessively; and hecklers were handed over to uniformed stewards of the Winter Gardens, which seems to have been a bad mistake. Since the Empire Loyalists have interrupted the Prime Minister before, the platform had no excuse for being caught napping. It had got its stewards at the ready, but it had not thought out sensible ways for using them.

ARAB LEAGUE

Family Quarrel

The maiden speech of a Tunisian government delegate in the Arab League council on October 12th was not quite what the old members of the club expected from a new one. Less than three months ago, President Bourguiba showed no inclination to join the League in a hurry. "Our Arab brothers," he said on July 25th, "have their policy, we have our own. The two should come together in five years." Only a month later, as a result of the Arab détente in the United Nations and the missionary activities of the new Iraqi foreign minister, Mr Bourguiba was dragged in after all. Once King Muhammad of Morocco had decided to join, Tunisia could not stand in isolation as the only Arab country not a member of that contentious body. Tunisia became a full member of the League on October 1st.

In his speech to the League council meeting the Tunisian delegate reproached the League with serving the interests of only one person and one member country. He left no doubt that the person was President Nasser and the country was the United Arab Republic. The chief UAR delegate swept out of the meeting, dutifully followed by the rest of his delegation. The stage was set for the kind of drama that Tunisia's friends had feared if it remained outside the League. President Bourguiba at once joined King Hussein of Jordan as favourite whipping-boy of Cairo's powerful press and radio. The Arab world was promptly reminded that the Tunisian accusations had been previously expressed in British and American newspapers ; it followed that Mr Bourguiba was obviously an agent of imperialism.

The Tunisian President himself had never pretended that he saw any advantages in his country's joining the Arab League. A period of exile in Cairo had not taught him to admire the Egyptians, and he remains haunted by the spectre of his adversary, Salah Ben Youssef, condemned to death in Tunis and given sanctuary in Cairo by the Arab League. It is, however, difficult to see why he should have picked this moment to quarrel with the other Arab countries. Bourguiba cannot hope to supplant Nasser as giant of the Arab world. The Sudanese, Lebanese, Libyan and Saudi Arabian—and even the Iraqi—delegations may have secretly enjoyed his delegate's attack on Egypt, but they were wise enough to condemn it publicly. On Wednesday the league council invited Tunisia back to its meetings, but Tunisia announced that it was breaking off diplomatic relations with the UAR.

The western powers are unjustly accused of instigating the attack ; they gain absolutely nothing from it. There is nothing they want so little as a second Jordan. If President Bourguiba recants, then Nasser will have achieved another of his easy victories ; if he maintains his isolation from the main stream of Arab nationalism, he will lose an influence that, as a moderate member of the Arab League, he might have been able to build up. The Cairo daily *Al-Akhbar* erred when it said the Tunisian speech could not have been written by an Arab. If he had foreseen what benefits it could bring him, President Nasser might have written it himself.

UNITED NATIONS

Rules for Fire Brigades

MR HAMMARSKJÖLD has firmly dispersed the western pipe dream of a permanent United Nations force. In reporting to the General Assembly on lessons learnt from the UN emergency force, he emphasised that since it is impossible to judge in advance what sort of force or presence might be required for any specific emergency, it would be a wasteful extravagance to have men and equipment standing by. He pointed out that in the Middle East alone, the United Nations Emergency Force and the observation group in Lebanon have little in common. Unef is a large group of lightly equipped enlisted men ; the observation group is mainly composed of officers and is generously equipped with aircraft and vehicles.

Instead of keeping a group of men hanging about and possibly never used, Mr Hammarskjöld advised the General Assembly to establish principles which would make it easier to get the right type of force together in a hurry. He suggests that member governments should be sounded about what troops or equipment they might be able to provide in an emergency, so that they can allow for this possibility in their defence planning. For the time being, the secretariat can cope with the work involved in these arrangements ; at some stage it might be necessary to recruit a small nucleus of military experts to handle it.

Most of the basic principles he suggests are unexceptionable: a force should not include units from permanent members of the Security Council or from countries that might become involved in the dispute ; it should not enter a country without the host government's consent ; and it should not—except in self-defence—have to fight. Some governments may be less willing to accept Mr Hammarskjöld's final condition:

> The force should not be used to enforce any specific political solution of pending problems or to influence the political balance decisive to such a solution.

Mr Hammarskjöld's fire brigades are not going to be used to do the work of governments for them.

DEFENCE

Time for Decision?

THERE seems some reason to think that the meeting of the service chiefs with Mr Macmillan and Mr Sandys this week was of more than ordinary significance. Mr Sandys has returned from America to face some crucial decisions on the shape and emphasis of defence spending within the defence budget for next year ; and there are signs that service uneasiness has sharpened to the point of divergencies in views which cannot be covered by the usual inter-service bargaining over money that always takes place about this time of year. Within a defence budget of about £1,500 million—the Prime Minister is almost certainly insisting that it be no more than last year—each service is reaching a stage where it can now put up a programme which meets what it thinks are its minimum commitments only by calling for cuts in the other services. It is probable that this is resolving itself into a struggle between the RAF (in alliance with those who think the deterrent is overwhelmingly the first priority) and the other two services (in alliance with those who think that the time has come to speed up the equipment of forces adequate to meet threats of limited wars). The shortage of modern conventional arms is a very sore point with the army and navy, but an attempt to cover their increasing nakedness would involve placing some very expensive production orders.

There seems to be no way out of this haggling now for Mr Sandys or Mr Macmillan, except by making a straight choice to plump (in shaping the British role within the interdependent transatlantic alliance) either for the "deterrers" or the "conventionals." The limits of economising on matters of detail are very close. Any more economies in any one service will amount, in effect, to a policy decision in favour of one or the other side. The upshot of the struggle may not appear until the defence white paper next year ; but the Government should be left in no doubt of the misgivings which a further paring down of conventional arms would produce. The publication of the Grigg Committee's report on service recruitment will provide Parliament with the chance to probe the Government's intentions before policy is finally settled. It should probe deeply.

LONDON AIRPORT STRIKE

Hot Air

Our special correspondent who has been investigating the strike at BOAC reports : The receptionist at London Airport was plainly harassed. "No, I'm afraid there are no BOAC flights today," she said. The trouble? "I know no more than you, sir. But if you go down to the hangars, I expect you will find out." The hangars, which were at the other end of the airport, are a vast structure of white concrete. The first impression was of aircraft everywhere, grounded because of a strike of 4,000 maintenance men and engineers.

Outside the hangars was a group of men in jeans. "We're no more than pickets, brother," one said. "The real meeting of the National Joint Board is up in London and Sid Maitland, our chief convenor [of shop stewards], is there now." Was Mr Maitland making representations to the employers ? He was not. Since this was an unofficial strike, he was putting his case to the union side instead. But official support was unlikely. "If there is anything else you need to know, go to the Air Hostess in Bath Road."

This puzzling direction proved to be, not to a girl, but to the Air Hostess pub. This was closed, but round the back of the building was a door with a strike committee notice on it. All visitors were first scrutinised through a hole ; but eventually three men came out. They were well-spoken and introduced themselves as local shop stewards. Why had they struck ? There were two reasons: first, over the dismissal of five men who refused to work overtime when ordered (the management deny that these men have been sacked and say that they merely walked out before any overtime could be worked) ; secondly, because of the handling of their pay claim both by their own union officials and by the employers. The latter were said, among other things, to have broken faith over a promised retrospective increase. The union official on the national board, on the other hand, was accused of never turning up at meetings; the official concerned is Mr Matthews (who was recently in dispute with Mrs Barbara Castle) and he has certainly lost the confidence of at least the militants on the spot.

But behind all this bickering lies a fund of ill-feeling between management and men. In the last five years there have been fifteen strikes or bans on overtime at BEA and BOAC maintenance depots which in BOAC's case are grossly over-staffed. These airlines have been worse hit by labour trouble than any other except Air France. Recently, things have got worse. Earlier this year BOAC announced a plan to save about £5 million a year by reorganising engineering operations and sacking about 44 per cent of the engineers, many of them inspectors. Union opposition has so far blocked any part of this plan from being put into effect. The shop stewards believe that the employers now want to break them, but both sides are plainly manœuvring for a showdown.

No doubt the management does want to break the shop stewards' strength, and with good reason. They have been harassed by breaches of faith and contract and unofficial stoppages by local trouble makers, almost beyond endurance. They are getting no help in their attempts to get the corporation out of the red. But it is not easy to see why these familiar tactics of shop stewards have found fertile ground in this industry of highly skilled technicians with very responsible jobs. Behind the whole dispute is a muddle, not only of feelings but of facts, that might surely have been avoided by better public relations by BOAC.

FARMING

Help for the Small Man

IT takes some courage for a Minister of Agriculture to stand up before any political gathering, let alone the Conservative party's annual conference, and be really firm about aid to small farmers. Mr John Hare is evidently a courageous man. His speech last week did not do much to unveil the positive provisions of the aid programme foreshadowed at the time of the last price review, and due to be expounded shortly in a white paper ; but he made two negative points quite clear. The first is that only those small farmers will qualify for aid who both need it and can show a reasonable prospect of achieving independence by its means within a few years ; there is to be no indefinitely continued special subsidy to individual beneficiaries. The second is that most of the money will come from the existing guarantee fund ; there is to be a redistribution of the national aid allotted to agriculture, not—or not on any large scale—an increase in its amount. To get these two principles quietly accepted by a Conservative conference was a feat comparable to Mr Butler's handling of the cat-and-gallows enthusiasts.

Any policy of aid for small farmers as such is, of course, walking a tightrope over a quicksand. The "social justification" for preserving small farms in being—that the small farmer is "part of the pattern of our countryside" and a specially deserving character by reason of his hard-working independence—can be used for "preserving" him like an inordinately and increasingly expensive museum piece, whose net material contribution to the national wellbeing is nil or negative and whose social contribution is mainly to demonstrate the power of a well-dug-in pressure group. The experience of France provides the classic awful example. Yet the social arguments represent a genuine and universally accepted political liability ; and—a point more congenial to the hard-headed economist—it is also true that the promotion ladder of farming, already notoriously inadequate, would have an essential rung knocked out were the small farm to dwindle out of existence in favour of the large. Certainly it is better to devote a significant part of the national aid to agriculture to "boosting" promising small farms to a viable level of efficiency than to spread it all indiscriminately over all farmers regardless of need or of promise.

Two specific points are worth making to Mr Hare. First, some of the worst problems besetting small farmers are those of fragmented holdings and bad lay-out. In Holland and elsewhere these problems are being tackled by collective schemes of reorganisation which generally come into effect if a sufficient number of farmers vote in favour ; that might seem a draconian system but supposedly individualist British farmers now accept the same principle (perhaps less justifiably) in the establishment of marketing boards. Secondly, the minister would be wise to include in his programme some provision for helping off the land, and into other occupations, those small farmers whose best contribution to the wellbeing of agriculture and to their own is to leave it as soon as possible.

CYPRUS

Towards a Conference?

MR LENNOX-BOYD'S gaffe about Cyprus at Blackpool last week nearly scuppered M. Spaak's proposed tripartite conference there and then. His reference to Cyprus as "Turkey's off-shore island" and his apparently marked sympathy for the Turkish case infuriated the Greeks and exacerbated all their suspicions about the British Government's aims. But public and private efforts to put the record straight seem to have had a qualified success; Mr Selwyn Lloyd told the Conservatives that Britain differed from Turkey in thinking that the unity of Cyprus should be preserved. At the time of writing, there is still a modest hope that Nato's efforts will lead to a conference. Much will depend upon whether or not the Government will allow the long-term settlement of the island to be placed on the agenda; this now seems more probable than it did.

Whether a conference will achieve anything if and when it does meet is, of course, another question. Archbishop Makarios announced this week that he would agree to a seven-year period of self-government for Cyprus that led to independence. What is not clear is how much he would require the Macmillan seven-year plan to be modified. Agreement about the final objective would certainly facilitate an interim settlement, but it would not, as the archbishop implied, cause all the difficulties to dissolve. The Greek foreign minister has suggested that an international body should so establish the military status of the island that it could never be a threat to Turkey; and that the rights of the Turkish minority should be settled by a neutral commission and then guaranteed by a UN commissioner living on the island. These suggestions are no doubt intended to overcome the Turks' opposition to independence. But what guarantees can Mr Averoff suggest to prevent Eoka from intimidating the Greek Cypriots into agitating for enosis, once independence is attained?

SOUTH AFRICA

The Law's Delay

THE withdrawal of the indictment against the 91 South Africans who are accused of treason leaves them still facing the charge for which the examining magistrates ruled that a *prima facie* case existed against them (but not against the 56 of their fellow citizens who were also brought to the preliminary hearing and subsequently released). Two courses now lie open to the Crown in South Africa. Either it must frame a new indictment, or it must drop the case. It is still possible that the South African government will now think discretion the better part of valour; but judging by what the attorney-general has said, a new indictment will be brought.

The original indictment has proved a bed of nettles for the prosecution rather than for the accused so far. It charged the 91 South Africans of all races with treason, but alternatively with contravening the Suppression of Communism Act in two ways. On the face of it, it always looked easier to obtain a conviction on the lesser charge under this act; but it is the lesser charges that the Crown has been forced to abandon. The defence has argued that a man could not defend himself when the case against him was unclearly defined; and this led to the judges quashing one of the alternative charges and to the Crown abandoning the other.

The Crown was left with only the main—capital—charge to prove. All along it has declared that its case will stand or fall on its ability to prove conspiracy among the accused to commit treason, and that the individual acts of the accused, set out in the indictment (which is of inordinate length) are the substance of the case. It will not even pursue individuals for purely individual and isolated treasonable acts, if the evidence should disclose any. This presentation at once brings out the frankly political nature of the trial and the Crown's difficulties. Upon being asked to simplify and clarify the indictment for treason it asked for permission to amend it; when the court refused, the attorney-general threatened to bring in another. But even if he does, there remains the sheer difficulty of proving a group charge against a series of individuals in the teeth not only of a skilled defence, but of the determination of the judges to apply the law to the letter.

The South African judiciary has never appeared to better advantage, and has disposed of earlier fears that its impartiality might by now be undermined: it has proved, with the aid of the defence, that tyrannical statute law can easily run into grave obstacles in independent courts—though, admittedly, at the cost of inordinate delay. As the framer of many of these statutes, which are designed to give judges no option but to enforce a political party's definitions of law and justice, Dr Verwoerd, the prime minister, cannot fail to be impressed with the tenacity of British institutions in the face of resolute attempts to use the sovereignty of parliament to impose an authoritarian state. South Africa is not yet—not quite yet—a police state.

RAILWAY WAGES

Comparisons at Whose Cost?

WHEN the railway unions accepted a three per cent wage increase in May, one of the conditions attached was that later in the year there should be a full scale inquiry into railway wages. This was agreed at the time; but in the intervening months, the inquiry came to mean different things to different people. To the British Transport Commission, overburdened as they already are with wage payments, it seemed a chance to streamline its labour force and so raise productivity. To the unions, a review of wage rates meant an opportunity to raise pay all round and so to silence critics of the earlier three per cent settlement which has now become the lowest increase of the year. This conflict of views showed up at once when consultations began in August over the terms of reference of the review. Only this week, after two months' bargaining, were these settled. As they now appear, they represent a substantial victory for the unions.

The terms of reference lay down that the review is to be conducted by three people outside the industry. This was favoured by the craft unions who hope that outsiders will pay more attention to their eroded differentials than would anyone closely connected with the railways. But much more important, the review is to look at railway wages without reference to the financial position of the Transport Commission. This is the crucial point over which the unions have been haggling for so long. For there is no doubt that on the basis of the comparison to be adopted,

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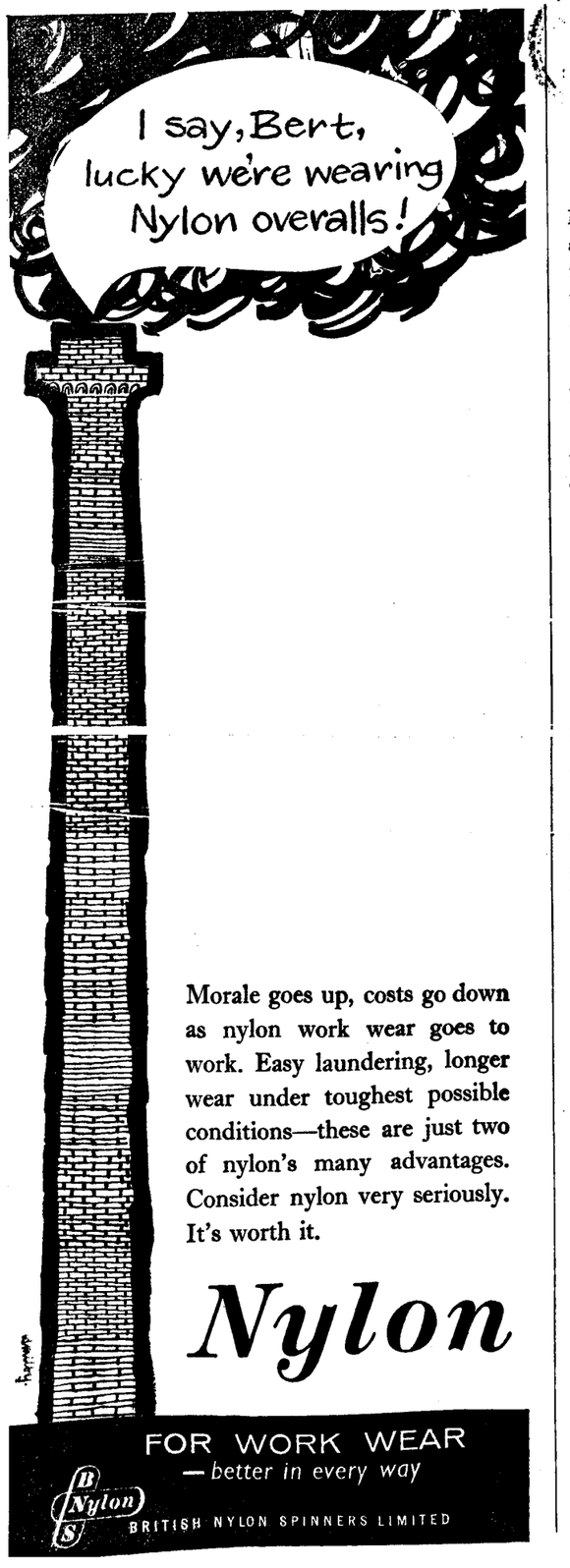

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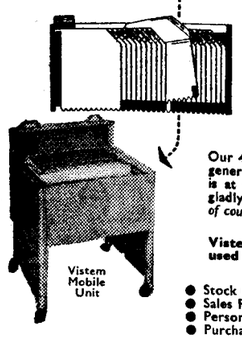

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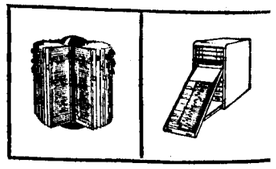

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wages paid for similar work in other nationalised industries, many railwaymen are underpaid. This is what the fact-finding report (with suitable strictures on the excessive number of porters) will probably find. But the wider question of the dire economic position of the railways, and thus of whether or not railwaymen *should* be paid less than the average, is to go by the board, at this stage at least.

Sir Brian Robertson, in agreeing to these terms of reference, has not left himself entirely exposed. At his insistence, the independent review is to produce "observations and conclusions" rather than "recommendations." Whether this semantic difference can be used as an escape route for the commission if the conclusions of the review are completely inflationary remains to be seen. But the upshot is that for the next few months (during which time the unions maintain the right to submit a claim on cost of living grounds), a body closely resembling the Civil Service Pay Unit will be prowling around the railways; in the Post Offices the establishment of a similar body led to a considerable rise in wages. The railwaymen expect that it will bring them an increase too.

THE COMMONWEALTH

Wider Still and Wider?

WHAT was in Mr Lennox-Boyd's mind when he told the Conservative conference that it did not seem impossible to add relations-in-law to the family group? This has long been a favourite idea of the backbench Tory "expanding Commonwealth" group; at one time they even proposed issuing—strictly unsolicited—invitations to the Scandinavian countries to enter some sort of external relationship with the Commonwealth. Probably, however, Mr Lennox-Boyd was being a little more subtle and a little more realistic than this. Next year Somalia is likely to become independent, whereupon the cry of enosis may go up in British Somaliland; if the combined state could become a Commonwealth country by marriage quite a number of awkwardnesses could be overcome from Somaliland's point of view—including, perhaps, its need for a permanent subsidy (whatever its status) of up to £4 million a year. It may, alas, be too late to think of a Cyprus solution along such lines. It might also be too much to read into Mr Lennox-Boyd's words an invitation to French Guinea to initiate merger talks in Freetown. But undoubtedly African frontiers are capable of very considerable change, as Africans come to decide their own future, and it was certainly worth laying down the principle that the Commonwealth door is not shut against those who do not wear the old boys' Empire tie. On the contrary, ability to opt to join the Commonwealth might give certain states a valuable policy counter, when other forms of Anschluss seem to be in the offing.

SOTHEBY'S SALE

Appreciating Pictures

ABOUT 1,500 people managed to squeeze into Sotheby's auction rooms for the sale on Wednesday evening. Many more just stood around on the pavement outside. But, wealthy as the audience was, not more than ten could really afford to bid. For on sale were the plums of the Goldschmidt collection, seven impressionist and post-impressionist paintings of the highest quality. They fetched a record £781,000, the highest sum ever paid in a day at a picture auction. Before the sale, no one would commit himself about the prospects beyond saying that at least £400,000 was to be expected. American private collectors, Greek shipowners and the foreign museums were all known to be interested. But even the best estimates, based on prices fetched in previous sales, were really only guesses—and that for a very good reason.

The reason is that there is not really a market in the ordinary sense for the very best pictures. This is not true of all other sections of the art market, where goods are sold in fair numbers and at fairly recognisable prices. But the supply of great works of art into the sale rooms has now slowed down to a tiny trickle, while the demand from the 30-odd top buyers grows more and more insatiable as the years go by. The consequence is that prices have soared in a largely unpredictable way. A similar Manet to the one sold this week for £65,000 went for £10,000 in 1952; a Van Gogh, slightly inferior to the "Public Garden at Arles" fetched £16,500 in the same year, against £132,000 on Wednesday. Even the Weinberg collection, sold at Sotheby's last year for £326,000, had no pictures of quite the same class as those sold this week; while the £104,000 paid recently for a Gauguin by a Greek shipowner was thought of at the time as being not a portent but a freak.

But Wednesday's sale was more than an event that stirred the international art dealers. It also represented a great victory for the London auction business. The rest of the Goldschmidt collection was sold here two years ago and now that the pictures have come too, it really seems that London is re-establishing itself as the auction centre of the world. There are several reasons for this. British auctioneers charge a much lower commission on sales than the Americans; they have better facilities than exist in Paris, where the buyer is also burdened with a heavy sales tax; and the fact that English is spoken attracts Americans without putting off anyone else. Now that dollar payments for auctioned goods imported on open licence are fully sanctioned by the Bank of England, London's cost advantage is making itself felt. In the end, after some tense struggles, six of the seven pictures went to American collectors. The finest of all, Cézanne's "Boy in a Red Waistcoat," made £220,000, more than twice the sum ever paid at auction for a picture before. But the final word went to an Englishman who remarked after it was over: "The pictures were all right; but think of all that *money*."

POLAND

Two Years After

A MEETING between Mr Gomulka and Mr Khrushchev is no longer charged with the drama and tension of two years ago. When they had their famous talks in Warsaw in October, 1956, Poland was threatened with armed Soviet intervention. An important Polish delegation, headed by Mr Gomulka, goes to Moscow at the end of this month, but this time no choice of peace or war hinges on the outcome. Things have changed in Mr Gomulka's two years of power. Bit by bit the Polish leader has toned down the talk of his country's "own road to socialism." He has dropped the young men who cleared the way for his return, and his censorship has curbed their "revisionist" zeal. However reluctantly and cautiously, he has condemned the Hungarian

insurrection ; his voice has even mingled in the anti-Jugoslav chorus. Poland is still an unorthodox member of the Soviet block, but it is no longer the heretic to be watched with a finger on the trigger.

In Polish eyes, Mr Khrushchev's part has altered as well. From the threatening bully he has been turned into a relative protector. The cause of this transformation is said to be the new attitude of Peking. Just as in Hungary, there is a joke current among the Poles that Russia is a buffer state shielding their country from Mao Tse-tung. This about sums up the Polish view of China. Two years ago the Poles were convinced that the Chinese leader had exercised a restraining influence on Mr Khrushchev. Now, they think, the roles have been reversed: China's inquisitorial frenzy has made Mr Khrushchev the less intolerant of the two. But China's growing influence has its economic drawbacks. Peking considers that its resolve to expand the Chinese economy at breakneck speed demands priority within the block ; it eyes jealously the relative "luxury" in which eastern Europe lives. The threat to this region is twofold: it will have to step up its exports to China ; it will be less able to count on Russian surpluses. Poland, in conflict with the Vatican, can particularly ill afford economic contributions to popular discontent.

In addition to the new look of the communist world, and the obvious questions of international policy, both sides are likely to talk about their own party matters. Mr Gomulka has not yet gained a sufficient control over the party machinery to summon the congress which under the party statutes should be held this year. (Some Poles maintain, however, that the Polish party congress will be convened in January just before the Russian one.) Mr Khrushchev will ask the Soviet party at its January congress to endorse the new seven-year-plan, a topic of great interest to the Poles. Mr Gomulka is not taking his economists ; negotiations among experts will presumably follow these talks at the top. Though the meeting will probably produce no fireworks, it should throw light on Poland's new status in the changing Soviet block.

MIDDLE EAST OIL

From Wellhead to Petrol Tank

ANOTHER crack is appearing in the fifty-fifty pattern of Middle East oil agreements. Pan-American International, a subsidiary of the Standard Oil Company of Indiana, is said to be willing to offer the Saudi Arabian government 60 per cent of its profits instead of the usual 50 per cent. The area being discussed is part of the Arabian American Oil Company's preferential zone. Aramco is not likely to exercise its right of preference if that requires meeting the terms offered by Pan-American.

What is perhaps even more alarming to the Middle East oil industry is Pan-American's apparent readiness to set up a completely integrated company in Saudi Arabia. Such an operation would give the government of the producing country a share in profits made not only from production but from refining, transportation and marketing as well.

It has long been the dream of Arab oil experts to see such a company in operation and, up to now, the nearest they have come to it is in the terms of the Saudi-Japanese concession for the Saudi half-interest in the Neutral Zone offshore areas. So uncertain, however, are the advantages of complete integration that the concession for the Kuwaiti half-interest in the same areas, with the same Japanese company, requires only that other phases of the oil industry will be carried out when the level of production permits ; it does not mention integration.

Pan-American is the first western oil company to embark on an integrated adventure with the necessary experience and backing. Its offer may confuse those Arabs who claim that the world oil industry is run from some secret headquarters in London or New York. If the Saudis get what they want in the concession they may have to be patient for a long time before any profits come in from selling their oil from wellhead to petrol tank.

NATIONAL TRUST

Too Successful

THE latest annual report of the National Trust opens with a general retrospect whose keynote is the embarrassment of success. Success in acquiring buildings for preservation, and endowments to maintain them, becomes embarrassing when inflation whittles away the real value of the endowments. Success in extending the Trust's landholdings—from 51,449 acres in 1937 to a quarter of a million acres today—calls for a major reorganisation of its administrative arrangements, with a decentralised regional staff, which is still in the experimental stage. Above all, success in the Trust's original aim, which was, in the words of the report, "to expose an indifferent public to the impact of the countryside, to induce thousands from the towns to discover the beauty of the moors, the fens and the coastland under its protection" has, "thanks to circumstances and the motor car," faced it with an ever-increasing difficulty. There are too many enthusiastic visitors to the Trust's open spaces, they are literally too thick on the ground, and even when they do not smash bottles, scatter ice-cream wrappers or indulge in vandalism, their individually blameless feet wear away the turf—which suffers even more acutely from the less blameless passage or presence of cars or caravans.

The Trust thus finds itself concerned rather with control than with inducement, a job both less popular and less congenial but also increasingly important. So far, regulation has not gone beyond the limitation of caravans, tents and car parks to appropriate sites, and the enforcement on agricultural land of rules about sticking to footpaths. But the problem of the "innocent walker's" mere multiplication will get worse, and it is hard to see what can be done about it. Regimentation would destroy the whole character of the pleasure and refreshment that he seeks in places of natural beauty ; and the more lovers of natural beauty there are, the less pleasure and refreshment they are likely to get. Possibly the Trust could do something by using its publicity to direct attention to its less well-known and frequented beauty spots. The effect would indeed only be to spread the problem a little thinner. But it would at least postpone the day when queues will have to wait to pass through a turnstile at the foot of Box Hill.

EDUCATION

Teachers on Show

PRAISE should not be withheld from the National Union of Teachers for their "unprecedented step" in organising at their own expense a recruiting exhibition at Olympia next year just because it may be used incidentally

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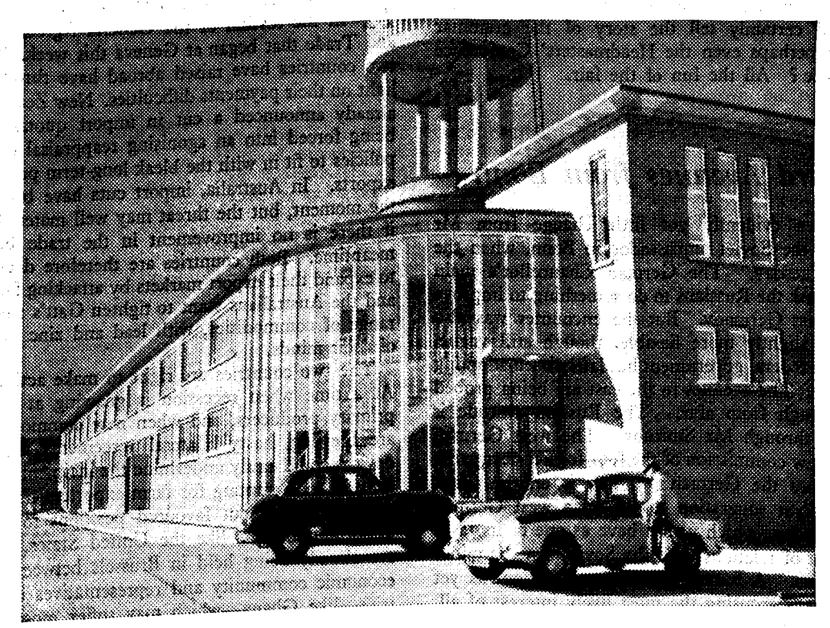

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for a subsidiary purpose—to spotlight their wage claims. The NUT has inevitably been quick to link the Government's emergency plan to build another 12,000 training college places with its contention that higher salaries will be needed to get sixth-formers to fill them. The union's round robin letter to sixth-formers appeals to them to take up teaching as a vocation, but duly injects the doctrine that it is a wretchedly underpaid vocation and that the NUT will fight for teachers' rights. A pamphlet by Mr Ivor Brown on the shortage of teachers, issued by the NUT for wider circulation, carries the same message. The exhibition itself may provide a sounding board for the same tale. Perhaps the decision to make it a careers display, as well as an educational one, is partly prompted by the idea that the exposure of disparity between the Burnham scale and the salaries offered to school leavers by the industries taking up recruiting pitches at Olympia will ram the message home.

If so, the union may be disappointed. Pay for women teachers is probably fully comparable with that obtainable outside the profession, even though for men it is not. There is, however, everything to be said for an effort to publicise and dramatise the educational problem—and the current controversies about educational methods and policies. Since the NUT is so enterprising, it is up to the Ministry of Education, the local authorities and other bodies concerned to take stands and tell their story. If, for example, one display shows how well a comprehensive school works, another should certainly tell the story of the grammar schools. And perhaps even the Headmasters' Conference could take space? All the fun of the fair.

GERMANY

Eastward Avenues from Bonn

DR ADENAUER evidently got little change from Mr Smirnov, the Soviet ambassador in Bonn, when the two met on Tuesday. The German Chancellor's main concern was to ask the Russians to do something to improve conditions in east Germany. But the encounter was also a mark of the slightly more flexible, though still vague, attitude that the federal government has lately been adopting in its *Ostpolitik*. The avenues to the east are being probed once more, though from afar. The Russian attitude is being sounded through Mr Smirnov. The west German proposal for a new commission of the four former occupying powers to discuss the German question is on the table. A Social Democrat suggestion to set up a west German all-party commission, which would have as one of its tasks the development of relations with the Soviet zone, is under serious discussion. A fourth form of exploration, as yet untried, is perhaps arousing the most lively interest of all. It is the opening up of relations with the eastern European capitals—especially Warsaw and Prague.

Diplomatic relations with the east European countries have been barred hitherto by the Bonn dogma that there could be no formal relations with countries that recognise the east Berlin regime. But a strong school of thought in the Bonn foreign office has held that the advantages of better contact with Poland and Czechoslovakia—the contribution this might make, for example, to isolating Herr Ulbricht—outweigh the strict consideration of principle.

When the Bundestag met in Berlin earlier this month the Chancellor himself, long regarded as the main obstacle to a bolder policy, declared that the federal government was seriously reconsidering the whole question of relations with the satellite capitals. The federal government would naturally like to get the best of both worlds: the practical advantages of relations, without a breach of the formal boycott of Herr Ulbricht's friends. So it has been canvassing the notion of a halfway arrangement—perhaps to have consulates, responsible for trade, in the eastern states, without actual diplomatic recognition. The trouble is that the Poles and Czechs want the Germans to go the whole hog.

Sooner or later the west Germans will have to modify the rule of thumb that inhibits their policies in eastern and central Europe. It forced them last autumn to break off the satisfactory diplomatic link which had developed with Belgrade, when Marshal Tito recognised Herr Ulbricht's regime. At the moment the Marshal's relations with east Berlin are distinctly cool. His deadlock with Bonn on the point of principle continues, but neither side makes any secret that it would be glad to restore the link if a way could be found.

GATT

Bilateral Temptations

AUSTRALIA and New Zealand will be prominent actors in the session of the General Agreement on Tariffs and Trade that began at Geneva this week. The loans the two countries have raised abroad have thrown spectacular light on their payments difficulties. New Zealand, which has already announced a cut in import quotas next year, is being forced into an agonising reappraisal of its domestic policies to fit in with the bleak long-term prospect for dairy exports. In Australia, import cuts have been avoided for the moment, but the threat may well materialise in March if there is no improvement in the trade balance in the meantime. Both countries are therefore deeply concerned to expand their export markets by attacking farm protection, and the Australians want to tighten Gatt's rules on a wider range of commodities, with lead and zinc in the forefront of their minds.

The two countries are right to make active use of Gatt. At a time when recession is gnawing at the reserves of primary producers, and when new commodity agreements are brewing, hasty bilateral agreements and protectionist devices could easily undermine the incipient world recovery. It is all too tempting for farm exporters like New Zealand to try to carve out favoured positions for themselves in important markets like the United States. Bilateral talks are already being held in Brussels between the European economic community and representatives of certain countries—like Ghana—which may suffer most from the new preferences the community plans to give its overseas territories.

This is a constructive development. But the results, which ought to be good, could instead be harmful if the arrangements for cocoa, coffee and tea remain bilateral, with some countries left outside. The bilateral agreements should be broadened into multilateral ones, covering all Gatt members. Just as in Gatt the tariff concessions won by individual countries automatically apply to the others, so concessions won in the more complex field of agricultural protection should be made general rules, while commodity arrangements need to be kept under Gatt's general control.

LETTERS

Balancing the Free World

SIR—Your Washington correspondent's use of the balance of payments concept in your issue of September 6th reveals how confusing the concept can be in the context of American aid. Such aid, he claims, is "mainly a holding operation for the international balance of payments," or, more explicitly, its function is that of "preserving the existing order by financing the necessary minimum of imports." This is not bad as a sweeping generalisation. But is he not a little ridiculous when he tries to emphasise a phoney novel point, that "balance of payments aid" helps to preserve the existing order but *not* to raise living standards, fight Communism, or meet "rising expectations"?

Actually, the so-called balance of payments "difficulties" of most nations except some "key currency" countries, as *The Economist* has repeatedly and eloquently stressed, largely reflect the various national government policies which heavily weight programmes that can be subsumed only under the very headings that your correspondent arbitrarily excludes. What is even more important, informed Americans are realising increasingly that the troubles for which aid is prescribed are not to be found in the mirror—the balance of payments—but in the very policy decisions of other governments which usually dominate the picture that shows up in the mirror. Maybe your correspondent's article itself reflects the inadequate educational job that has been done in this area.—Yours faithfully,

VIRGIL SALERA

American Enterprise Association
Washington, DC

British Institute of Management

SIR—In the article appearing in your issue of August 16th you suggested that there are many business men in Great Britain who believe that "leaders are essentially born, not made." Since we know little of the biological process by which these essential but exceptional infants are born, this implies that we can do little or nothing to ensure an adequate supply of leaders for the future beyond crossing our thumbs and believing in fairies.

The British Institute of Management has a disappointing record to date precisely because it has tried to mollify this element in British opinion. Hence the dissipation of a large sum of public money on the kind of showmanship which, as your article suggests, business men who take this view expect from the institutions they support. Had its policy been built squarely on those individuals who believe that there is a growing body of knowledge about the art of managing which can be taught and learned and that a focal point was needed nationally for those who share this view, the result might have been different.

Lord Verulam's letter in your issue of October 4th gives ground for hope that this will now be corrected.

But it would be interesting to learn where *The Economist* stands in the matter. Does it or does it not believe:

1. that there is a growing body of knowledge bearing on the art of managing?
2. that it is desirable that men who are likely to rise to positions of responsibility in business should be trained in this knowledge?

Criticism of institutions for failing to do what they were created to do is constructive. Criticism which is founded on disbelief in what they were created to do is usually destructive.

Your article bore the title "Learning Not to Manage." But what you said in it can be described more accurately as "Managing Not to Learn."—Yours faithfully,

L. URWICK

London, W.1

Race Riots

SIR—Your leader "The Nazis of Notting Hill" of September 6th tends to overlook a permanent canker in the body social, for which your short-term remedy of salutary punishment may be only palliative.

The adolescent thug mentality, especially in cities, is no new thing; it has characterised history. The swift tempo of modern life, city overcrowding and consequent paucity of leisure-time amenities, stimulate the natural tendency to rebellion; its news value in turn to a Press that must serve up sensationalism or die causes wider and louder blazoning than the event merits.

You write on the one hand of "rootless youths." They are of course the product of conditions beyond their control, victims of a stultifying and frustrating environment. Much of the real remedy must lie with governments, since it is too late for town planners. The need is for some form of mass distraction of a participative nature; for the state provision of some type of popular interest as a spare-time pursuit, even if it be only the Roman *panem et circenses*. The potential social evil calls for attack with suitable remedies at the highest official level.

A coloured expatriate colony, huddled into living space which Whites have rejected, is a potential source of an evil-productive slum, the like of which you are pledged to eliminate. Free access to a Britain unequipped to house these people sanitarily and decently, and possibly only able to employ them at the expense of a White labour force, can only create distrust. Look at the Black birthrate. The problem will in any case increase out of ratio to numbers. There should be a halt and an interim study of the wisdom of permitting unrestricted and unplanned movement of coloured workers, largely unskilled, from the perimeter to the hub.

A "coloured" population—to use a South African euphemism for a miscegenated black-white group—has been found to be less efficient, more inclined to decadence, than a purely one-coloured group, possibly partly for reasons of emotional and psychological rebellion. It presents exacerbated problems of provision of social welfare and biologically is undesirable. The cure for Britain's Notting Hill and Nottingham contretemps is in the view of many to eliminate the basic causes, not merely to punish those caught up in the swirling symptoms of the fever.—Yours faithfully,

JOHN LOMAS

Durban, S. Africa

Saving and Investment

SIR—In recent years the fact has become generally recognised that saving (abstention from consumption) can exceed investment (in new capital goods); and that when this occurs the result is general unemployment.

But not everybody is aware that new investment can exceed voluntary saving; and that when over-investment occurs it can be as damaging to the economy as over-saving.

As a matter of fact during the post-war years urgent calls for increased new investment were to be heard on all sides; and much new investment has been promoted, not only by massive Government expenditure and by legislation, but also by hopes and fears in the minds of the public of rising prices, devaluation and currency debasement. And now we are hearing more than is pleasant about surplus productive capacity in many primary industries.

It seems clear—and it was clear to some people even before the Bank rate was raised to 7 per cent last year—that new investment in this and other leading industrial countries has been over-rapid; and that the excessive demand for goods and services generated in this way has to a large extent been financed by "forced saving" imposed by monetary inflation on people with fixed money incomes.

Had the amount of new investment been properly regulated by the amount of voluntary saving, there would have been neither currency debasement nor over-equipment—that is to say, the people with fixed money incomes would not have been mulcted by the fantastic rise in prices that has occurred. Artificial capital gains that have enriched the wrong people would have been absent, and the activities of producers would not now be handicapped by the depressing effects on markets of surplus productive capacity.—Yours faithfully,

HENRY ABBATI

Eastbourne

BOOKS

Roi Malgré Lui

King George VI: *His Life and Reign.*
By John W. Wheeler-Bennett.
Macmillan. 891 pages. 60s.

MR WHEELER-BENNETT'S official biography of King George VI, although not so scintillating an analytical classic as was Sir Harold Nicolson's biography of King George V, is still an admirably readable document of the first constitutional importance. For this is the story of a remarkable majestic achievement. It is the tale of a homespun man who was not born with the qualities which one would have thought made a great king, and who was certainly not at first efficiently reared to them, yet who strengthened the constitutional binding force of the most responsible hereditary office on earth at a time when almost every external circumstance—a brother's abdication at the beginning of his reign and international, social and political upheaval thereafter—could surely much more easily have weakened it.

Mr Wheeler-Bennett's biography begins in that now familiar quarterdeck of a nursery at Sandringham, with its appalling over-portentous system of punishment by call to father's study. The effect of his father's martinetcy on the rather giddily able Prince Edward will long be a matter for debate by British historians. Two effects on the shyer and more highly strung Prince Albert are plainly hinted at by Mr Wheeler-Bennett. He thinks that mismanagement in this nursery may well have been responsible both for the continual stomach ailments from which the prince was later to suffer and for the fact that between his seventh and eighth year he suddenly developed his disabling stammer. From that nursery and schoolroom Prince Albert moved on to the Royal Naval College (where he "resolutely stuck within the last half-dozen places of his terms and more often than not occupied one or other of the last two"); then into the Navy itself in the Great War (where ill-health prevented him, save only at Jutland, from satisfying his boyish eagerness to get into battle); and then after the war for a short spell at Cambridge, where, his biographer states frankly:

> Maturing late in life, the Prince at twenty-four had carried into manhood certain of those traits which more often disappear at an earlier age. He was still prone to depression in the face of minor difficulties, though he had learned to confront major problems, as, for instance, those of his health and speech, with a fine courage. In the sports in which he was proficient, such as golf and tennis, he was easily discouraged by defeat or by his own poor performance on an "off day," even to the extent of abandoning the match; and he had difficulty in controlling his temper.

This was the beginning of a story which could easily have ended in disaster. How was it that it ended instead in triumph in his vocation?

One explanation, which emerges clearly from this book, was that King George V was as wise a father to this second son in his maturity as he had been a mistaken one in the nursery (admittedly this may have been partly because this second son, in the old king's own words, had always been "ready to listen to any advice and to agree with my opinion about people and things . . . very different to dear David"). A second factor was that Prince Albert's own particular qualities—great personal humanity, devotion to hard work provided it could be done at his own pace, and a steely determination in all enterprises where he was the leader and not the led—were of the sort that blossomed only with responsibility. But the third and undoubtedly the biggest factor was that Prince Albert won as his wife the lady whom he was to describe to the end in his most intimate correspondence as "the most marvellous person in the world in my eyes"—and the reader of this book soon finds himself understanding why. Few Britons have yet realised how great a contribution to their national wellbeing has been made by that remarkably able woman, Her Majesty Queen Elizabeth the Queen Mother.

It should therefore perhaps have been no surprise, although to at least one regally reprimanded public servant it no doubt was, that when George VI was called to be King, he showed that he could be King indeed. The tone of what was sometimes to come appears in his diary for the first time on that "dreadful day" of his accession itself: "Sir J.R. [Sir John Reith] wished to announce David as Mr Edward Windsor for his broadcast. I put that right"—and the way in which he did put it right was coolly majestic. There was not, inevitably, the same majesty of appreciation of those who criticised his friends and prime ministers. When Mr Chamberlain was overthrown in 1940, King George VI considered that he had been "grossly unfairly" treated, and as his successor "of course suggested Halifax . . . I thought H. was the obvious man." Instead he got the greatest Englishman of them all, who in turn was himself in 1945 to be "very ungratefully treated by the country"; and, with this, the second great period of test in King George VI's reign arrived.

He rose to it magnificently and with important beneficial consequences for British history. Witness the King's own account of that first critical interview with Mr Attlee:

> I asked him whom he would make foreign secretary and he suggested Dr Hugh Dalton. I disagreed with him and said that foreign affairs was the most important subject at the moment and I hoped he would make Mr Bevin take it. He said he would.

The King, in Lord Mountbatten's words, was now "the old experienced campaigner on whom a new and partly inexperienced Government will lean for advice and guidance." Within a short period he was writing to the Duke of Gloucester: "My new Government is not too easy and the people are rather difficult to talk to. Bevin is very good and tells me everything that is going on. The others are still learning how to run their departments, and their efforts have not made life any easier so far." Among other problems, Mr Wheeler-Bennett points out, Mr Attlee himself was essentially almost as shy a man as the King and "at the outset the Prime Minister's audiences were not infrequently marked by long silences."

It is inevitable that, since this book appeared, there should have been some criticisms of the fairly actively restraining role which the King clearly played in the government of Britain during those early years of Labour power. Such criticism is ill-conceived. The real limitations on the role of a constitutional monarch today are that his warnings can be disregarded if the prime minister wants to disregard them, and that the wise monarch therefore restricts them to warnings which he knows his minister really wishes to heed—and where the king's wish may indeed serve as a useful support, to quote privately against outside pressure. In the very difficult days of temporary inexperience at the beginning of Labour government, King George VI seems to have played this role to perfection. He was helped by his possession of two qualities which do not usually go together, but which at this juncture were quite essential—a reticence of manner, which must have made it difficult for anybody to resent his advice, and a lack of woolliness in expression, which made it equally impossible for anybody to misinterpret it.

Stating His Case

People and Parliament

By Nigel Nicolson.
Weidenfeld and Nicolson. 191 pages. 18s.

ON the eve of the Blackpool conference a skeleton fell out of the Tory closet. The catch was sprung by Mr Nigel Nicolson, the author, publisher and principal subject of this book. It describes, in an engaging and astonishingly dispassionate manner, his misadventures as a young, liberal-minded candidate for an absolutely safe Tory seat. He thought he was in for life, and found to his surprise that the retired military officers and fur-decked committee women, who had displayed so little interest in his political views when they had conferred their patronage, expected him to have the same emotional response to capital punishment and Suez as they did. When he showed himself to be even more opposed to bombing Egypt than he was to hanging murderers the chairman of the Bournemouth East Conservative Association told him that his behaviour "in addition to being disloyal, seems to me presumptuous, self-opinionated, mean and unworthy."

Mr Nicolson did not offer his resignation after abstaining on the crucial Suez vote, although Mr Nutting and Mr Stanley Evans—a Labour member who supported Sir Anthony Eden's action—both did. Should he have done? Mr Nicolson quotes, as all MPs in trouble with their constituents invariably do, Burke's famous words to the electors of Bristol. He points out that the passage is quoted with approval in the Conservative party's official pamphlet of advice to Conservative associations. But of course Burke's principle has never been universally applied. Every time their party splits it is argued out afresh. In 1845 the press criticised several Tory MPs for resigning because, to the disappointment of their patrons, they had followed Peel in changing their minds on the Corn Laws.

In the absence of a clear line of constitutional precedent, an MP in this predicament has to decide for himself according to the circumstances. The Bournemouth East Conservative Association responded to their member's decision to hang on by being as nasty to him as possible. They obstructed his efforts to carry on with his duties, dissolved a Young Conservatives' group which had invited him to speak, and adopted a new prospective candidate—Major James Friend—who promised to bring to politics "the local leadership which I learnt as a regimental officer in the hills of Palestine and in the desert."

No one can contest the right of Bournemouth Conservatives to be represented by Major Friend after the next election if they want to be. It may be very foolish of them, since Major Friend sounds like the kind of Conservative that the party is nowadays trying to keep out of sight, while Mr Nicolson is the type it has been trying to put in the shop window, but that is their privilege. However, how can the Conservative voters as a whole be adequately consulted? Mr Nicolson has suggested that the choice between him and Major Friend should be decided at a "primary election" staged in the largest hall in Bournemouth in which all paid up members of the association would be entitled to vote. Both sides would, of course, encourage their supporters to join the association, which would have the added advantage of making it more representative. The idea is not entirely new. Keir Hardie once suggested a similar type of primary to avoid splitting the Liberal and Lib-Lab vote.

Although this may be the best way to solve this problem there would be serious objections to Mr Nicolson's suggestion of making primary campaigns a general practice. His book should, however, provoke serious discussion about the way in which candidates are selected, especially in the high proportion of constituencies that are considered safe. Much more light should be thrown on this process—by electoral studies, and inquisitiveness by the press and television. The idea should be dissipated once and for all that this is none of the public's business. With parties now so sensitive about what the public "image" of themselves is, the hard light of publicity is more likely than any new institutions to make all kinds of party zealots mend their ways.

In the meantime, we must make do with the battle of the books. Mr Nicolson has made an excellent start at lifting the curtain. Now let Major Friend write his book. Messrs Weidenfeld and Nicolson will surely be sporting enough to publish it for him.

Reform and Retribution

Life Plus 99 Years

By Nathan Leopold.
Gollancz. 381 pages. 21s.

THIS country has its own short list of celebrated murders, crimes which fill the newspapers at the time and which are still mulled over years later. It is difficult to think of any murder committed abroad which roused such fervent interest in Britain as the killing of Bobby Franks by two youths from respectable families, Leopold and Loeb, in Chicago in 1924. The piquancy of the case arose mainly from the lack of any intelligible motive—they were said to have committed murder for a thrill. They were eventually sentenced to life imprisonment for murder and to ninety-nine years imprisonment for kidnapping.

In this book Leopold gives his own account of the trial, in which he was defended by the legendary Clarence Darrow, and of his thirty-four years in prison, from which he was recently released. He deliberately avoids telling much of his childhood background, of the emotional relationships within his family or about his friendships at the time. One can respect this reticence—and yet regret it, for it leaves the crime as inexplicable as ever in the light of the qualities of conscience and altruism that he later showed. Perhaps the best guess is that a very clever and immature youth—he says himself that he did not feel mature until ten years later—was dominated by a morbid devotion to a charming unscrupulous psychopath. Loeb was later killed by another prisoner.

The main part of Leopold's story, as of his life, deals with his day-by-day and year-by-year existence in prison described in squalid but engrossing detail. One can but marvel at the way in which the near despair of his early years in his two prisons gradually gave way to an outpouring of constructive energy. He learnt languages in order to teach them to other prisoners, and he organised a library from scratch. He ran classes and correspondence courses within the prison, did sociological research on the prediction of recidivism and served as a guinea-pig in trials of malarial drugs during the war. His zest was extraordinary and he has written a book that one finds difficult to put down.

It seems clear that by the time he had served fifteen years of his term he had developed such qualities of character that he could safely have been released and could have devoted his energy and learning very fruitfully outside. He would probably have achieved much. But the chief reason that he has not been freed till recently is the glaring publicity his trial received and the intense interest of the press and public in him ever since. Retribution long outlasted reform. Only in relating the heart-breaking weariness of his later years, when he was already ill, and his repeated efforts to achieve release is his story in any danger of becoming wearisome. Even the strongest character might have lost heart in those last pointless nine years. Perhaps he still has time to add something in the outside world to the good he was able to do in prison. At least this record should convince Home Secretaries, Home Office officials, and all who maintain that a life sentence is a slow death to the personality, that there is no need to despair—even of the "worst murderers."

Hero Worship

The Generalship of Alexander the Great

By Major-General J. F. C. Fuller.
Eyre and Spottiswoode. 319 pages. 35s.

MUCH that Major-General Fuller has written on military history, and he is one of the most prolific of commentators, is bold, original and formative. His analysis, for instance, of the Waterloo campaign in "The Decisive Battle of the Western World" is brilliant. Some of his judgments—those on the American Civil War—strike the more orthodox as odd and, perhaps, strained to create a startling effect. But his heresies, if they are such, cannot be dismissed out of hand. When, therefore, Major-General Fuller turns to one of his great heroes, Alexander the Great, he commands, begrudgingly maybe, respect and possibly admiration. The evidence is inevitably scanty, distorted and secondhand, but Major-General Fuller handles it with scrupulous care to present a firm and coherent examination. The reader has to take much of this subjective re-creation—which is a different matter from subjective criticism—on trust, but Major-General Fuller's experience and previously revealed knowledge and powers encourages him to do so. The doubts may not be wholly removed, but at least they are stilled.

But there is another side to Major-General Fuller's mind—the politico-philosophic, as opposed to the military. When this predominates, the comments appear bizarre and wrongheaded and even distasteful. Nietzsche, it is clear, has at least one present-day disciple. Alexander is the immaculate hero in this book, which ends with a criticism of Allied policy in the last war.

Traces of Trade

The Northern Seas: *Shipping and Modern Commerce in Northern Europe AD 300-1100*

By Archibald R. Lewis.
Princeton University Press. London: *Oxford University Press.* 498 pages. 72s.

ECONOMIC historians of the early Middle Ages are at the mercy of casual scraps of evidence. As a result, their works are apt to present a confusing miscellany of Coptic bowls, Frankish swords, cloisonné jewellery, belt buckles, Kentish brooches, and other bric-a-brac, which gives place in course of time to a deluge of more civilised objects such as silver pennies, slaves, spices, metalware, arms and textiles. It is all very bewildering, and the task of putting this material into any significant and, at the same time, credible shape is of the greatest difficulty. A very few names, those of Pirenne and Dopsch above the rest, emerge as memorable interpreters of the economic tendencies of the age. Unfortunately, or perhaps fortunately, their interpretations differ in a fundamental way, and an acceptable synthesis has not yet proved possible despite the successful criticism to which some of Pirenne's views have recently been subjected. These views, however, are already twenty or thirty years old, and there is now a considerable amount of new material, chiefly archæological and numismatic, to be taken into account. It is this large task of co-ordination that Professor Lewis now attempts.

The title of his book suggests an approach that is both novel and illuminating. It suggests that the author will concentrate on the Northern Seas, as (in a previous book) he concentrated on the Mediterranean. Nothing could be more welcome. At the time of its greatest economic stagnation, Western Europe was flanked, and almost surrounded, by a vigorous trading activity carried on through the Baltic, and stretching from Ireland and England on the one hand to Kiev and the Black Sea on the other. This activity was indirectly the cause of great political upheavals in Europe: its influence was felt in western ports and markets; it brought life to the river valleys of Germany, Lorraine and England. A new study of the whole activity from the point of view of the sea is greatly to be desired.

Professor Lewis, however, attempts more than his title suggests. He cannot resist the temptation to expand his book with a general economic history, sometimes even a general history, of Northern Europe. For long periods we lose sight of the sea as we pursue the fortunes of the nascent kingdoms of Poland and Russia, or the economic decline of the Roman Empire in southern France. This is a pity, for on many of these subjects the author has not sufficiently digested and pruned his materials to be able to present clear and orderly views; he sometimes jumps in with new interpretations that are, to say the least, not sufficiently well thought out.

Nevertheless this is an important book for two reasons. In the first place the author has read very widely in a vast and scattered literature in most European languages. The facts he gives and the sources he quotes (not always with accurate or adequate references, but in general discoverable) are a most stimulating mine of information. Secondly, he has taken more seriously than any previous general writer the evidence of the vast hoards of coins, the importance of which to the historian will certainly grow as the light they can throw on the course of economic activity becomes more generally recognised. These coins, however, raise many problems of interpretation that are not made easier by the very scattered and (to most historians) obscure places in which the accounts of the material are to be found. The layman will be slow to pronounce on their value until a great deal more work of expert interpretation and synthesis has been done.

Mr Lewis has no doubt more right to speak about the conclusions to be drawn from this material than most historians, but one has the uneasy feeling that the material cannot give us the certainty about short term developments and movements of trade which he appears to suggest. Nevertheless he deserves to be congratulated on the boldness and vigour with which he has plunged in where others have feared to do more than shiver on the brink. If he had confined himself more closely to the subject-matter suggested by the title this would have been a better book; but we should perhaps have learned less from it.

Light on Aborigines

Noone of the Ulu

By Dennis Holman.
Heinemann. 253 pages. 21s.

Temiar Jungle

By John Slimming.
John Murray. 176 pages. 18s.

BY coincidence, two books on the little-known subject of Malaya's aborigines have been published almost simultaneously. Both are records of journeys, but "Noone of the Ulu" tells a story in which research and imaginative reconstruction play a part, whereas "Temiar Jungle" is simply a record of things seen.

Malaya's jungle people fall into three racial groups: pygmy Negritos, aboriginal Malays and Senoi. The third of these divisions is a convenient label for a mixed community with Mongoloid, Papuan and Melanesian strains. These people used to be called Sakais, a Malay word meaning "serf" or "inferior person" which the resentment of those so named has helped to make unfashionable. The coincidence of these two books is further deepened by the fact that they both deal mainly with the Temiar, one of the Senoi group of aborigines.

To the few people who have known them, the Temiar are "the happy people." Though primitive and out of contact with material progress they are intelligent and would qualify for the psychological badge of "adjusted." Without the jungle equivalent of "Teddy boys," their community is remarkably free from violent crime; alas for the reformers, they are believers in stern, but just, retribution for wrongdoers. They might have lived out their lives unsought by the white man had they not become a pawn in the Malayan Emergency. Sheltering and feeding the communists in the deep jungle, they presented a problem that could not be ignored. As High Commissioner, General Templer put Richard Noone in charge of the Department of Aborigines and entrusted him with the assignment of wooing these jungle primitives away from the communists. He very largely succeeded. The foreword is by General (now Field-Marshal) Templer.

Dennis Holman's slightly over-written book is, in part, an account of Richard Noone's mission. But it is mainly the story of Pat Noone, Richard's brother, the first serious pioneer of aboriginal studies, who lived among the Temiar, married one of them, and vanished without trace during the war. The author sheds new light on his disappearance.

John Slimming's journey took place in 1956, when he was an Assistant Protector of Aborigines. It is modest but well-written. Together, these two works ought to exhaust the subject for the next few years.

OTHER BOOKS

ON WAR: ATOMIC WEAPONS & GLOBAL DIPLOMACY. By Raymond Aron. *Secker and Warburg.* 126 pages. 16s.
The French edition of this book, under the title "Espoir et Peur du Siècle," was reviewed in *The Economist* of August 17, 1957.

TEA. By T. Eden. *Longmans* (Tropical Agriculture Series). 201 pages. 35s.
A descriptive account of the various stages of tea cultivation and manufacture. It is illustrated and contains a number of statistical tables.

THE CONCISE CAMBRIDGE BIBLIOGRAPHY OF ENGLISH LITERATURE. Edited by George Watson. *Cambridge University Press.* 272 pages. 20s.

EDUCATION IN GREAT BRITAIN, *Third Edition.* By W. O. Lester Smith. *Oxford University Press Home University Library.* 217 pages. 7s. 6d.

AN OUTLINE OF RUSSIAN LITERATURE. By Marc Slonim. *Oxford University Press Home University Library.* 253 pages. 7s. 6d.

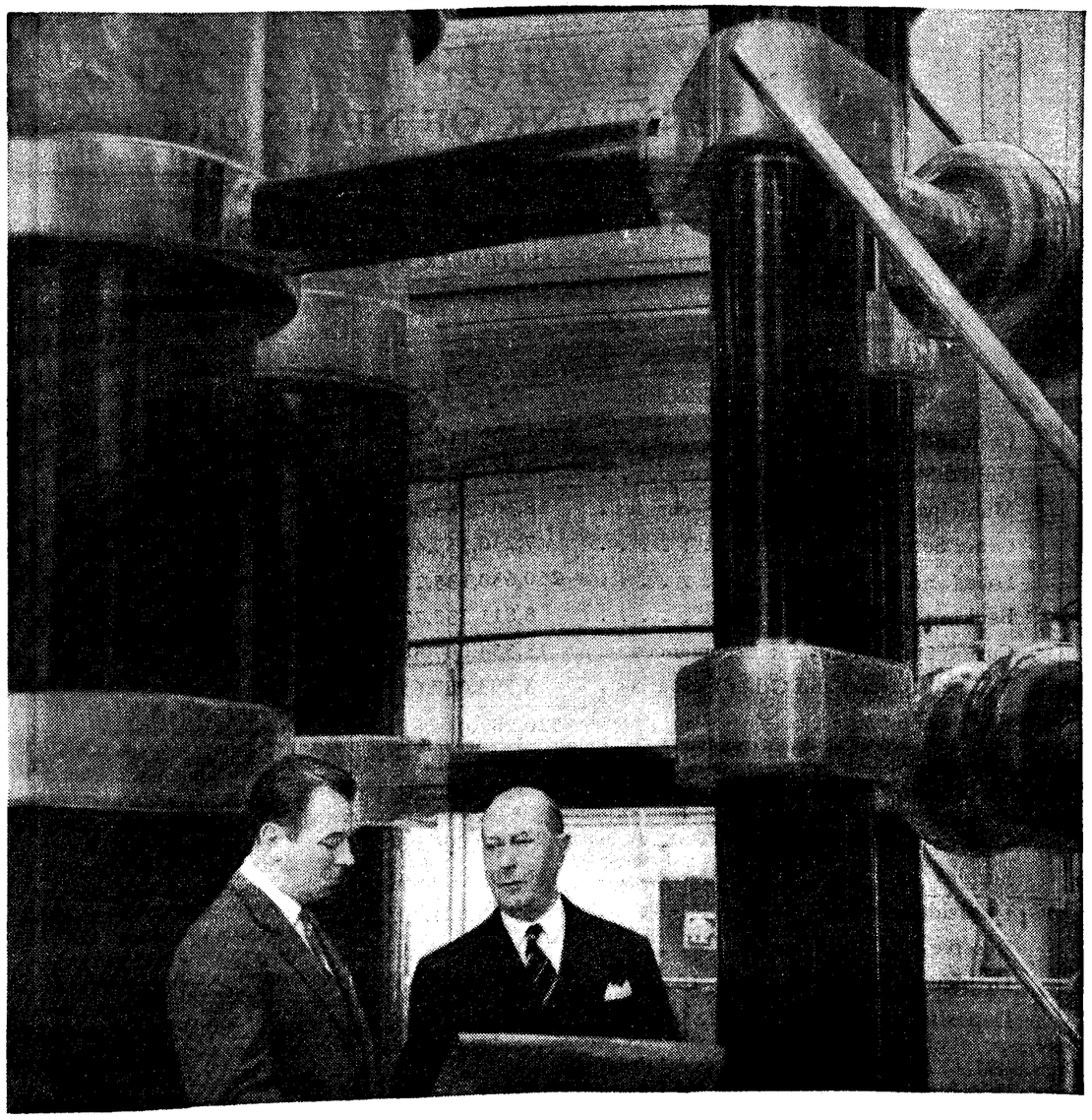
MR SPONGE'S SPORTING TOUR. By R. S. Surtees. *Oxford University Press World's Classics Series.* 500 pages. 9s. 6d.

PROGRESS IN CARGO HANDLING, VOLUME 2. *Papers and discussion at the ICHCA General Technical Conference, Hamburg* 1957. *Iliffe and Sons.* 306 pages. 63s.

THE LEGAL FRAMEWORK OF WORLD TRADE. By V. A. Seyid Muhammad. *Stevens.* 348 pages. £2 2s.

TOWN AND COUNTRY IN ROMAN BRITAIN. By A. L. F. Rivet. *Hutchinson University Library.* 195 pages. 10s. 6d.

YEARBOOK OF NATIONAL ACCOUNTS STATISTICS 1957. *United Nations.* 236 pages. 18s.



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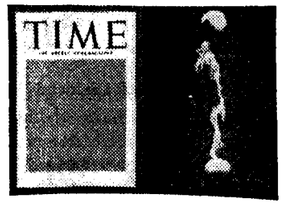

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Banking Houses	8,811,232.77
Customers' Liability for Acceptances	13,554,007.38
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AMERICAN SURVEY

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Republicans in the Right Lane?

WASHINGTON, DC

IF Sir Winston Churchill had sat with the Republican party's election strategists round their White House luncheon table last week, he might have warned them, with a cautionary anecdote about his own 1945 "Gestapo" speech, against the statement they put out that afternoon. This document, replete with dire prophecies of "socialism" and a "super-state" if the voters reject the Republicans next month, not only implied that the Democratic party is hell-bent for the far left—an idea which no impartial observer, seeing its patent uncertainty about future policy, could accept—but also appeared to shift the Republicans themselves two or three notches to the right. The authors of the statement seem to have in their mind's eye a voter who is a simple political animal, haunted by the spectre of trade union tyranny and interested chiefly in lower taxes and a "resolute" foreign policy.

Foreboding and over-simplification always run riot before American elections. But most political commentators see in the Republicans' strategy a hint that the party is drawing away from the middle-of-the-road position it has found so profitable in the last two presidential elections. These suspicions are reinforced by the campaign speeches of the Vice President, Mr Nixon. It is true that nowadays poor Mr Nixon has only to raise his voice before the microphones to draw angry denunciations from people who smile indulgently while Mr Harry Truman "gives 'em hell." The Vice President has, however, said a number of things that come oddly from the wooer of moderate opinion that Mr Nixon has set himself to be in the last few years. He has called for changes in the tax structure which, while they might stimulate investment, suffer from the political drawback of seeming to favour the wealthy; he has talked—shades of Senator McCarthy—of "sabotage" by the State Department official who told a reporter what the public was writing about the Quemoy crisis; he has declared a most un-Nixon-like contempt for public opinion as a determinant of public policy. All this has brought a gleam to the eye of the critics who are always looking for the old Adam under the new Nixon.

This week the *New York Times* published the results of a survey which suggests that, on current form, the Democrats may well convert their present wafer-thin majority in the Senate into a commanding lead of sixty or more of the ninety-eight seats next session. A recent Gallup Poll, translated into terms of seats, would give the Democrats no less than four-fifths of the House of Representatives. No doubt the poll-takers have caught the pendulum at the outermost stretch of its swing, but it is not surprising that the Republicans are looking around somewhat wildly for new approaches.

There are two different theories, however, about the reasoning behind their present strategy. The first is that the men responsible for formulating campaign policy are convinced that, despite the evidence of the polls, a latent but significant shift to the right is taking place in public opinion and that this shift, if audaciously exploited, can yet save the Republicans from the worst of defeats. It is tempting for the Republicans to compare themselves with the Conservative party in Britain. In the rise and fall of the Liberals' fortunes in British by-elections this year they see proof of the existence of a block of voters who first abandoned the Conservatives and then came back to them when the party showed it was willing to "stand up to the unions" and make a show of defiance in the Middle East.

In the United States there is no equivalent of the Liberal party to serve as a straw in the wind. But a number of Republican candidates—including Mr Knowland in California and Governor O'Neill in Ohio—have staked their political lives on the belief that Americans are so alarmed by the evidence of corruption in trade unions such as the teamsters that they are willing to support a general restriction of the powers of all unions. When the *Congressional Quarterly* asked Republican Congressmen last month what they thought the main issues of the election would be, a majority put control of trade unions and the level of federal spending and taxes at the top of the list.

THOSE who accept this analysis hold that the time is now ripe for the Republicans to adopt a more distinctively conservative policy. They argue that an appeal to those who fear the trade unions and want lower taxes, combined with a little good luck on the economic front and in Quemoy, could bring in an unsuspected harvest of votes. If this theory gains acceptance—and if the results of the election can be interpreted to support it—the Republicans are due for a lurch to the right, the two parties will break away from their relatively amicable clinch in the centre of the ring, and the influence of Mr Eisenhower and his "moderns" on Republican policy will be dead long before Mr Eisenhower's terms of office expires.

However, there is little real evidence of such a swing in public opinion, as Mr Knowland seems to be discovering in California. The other possible line of reasoning behind the Republicans' actions is based on the premise that, whatever the state of public opinion, a mid-term congressional election calls for its own special kind of campaign. In 1952 and 1956, runs this argument, the party was able to offer a candidate for President who could haul in a massive vote from the independents, the waverers and the stay-at-homes. In the years between presidential elections, when there is

no magic name on the ballot, this opportunity does not exist. The only alternative is to organise the kind of campaign that will rally the spirits of the faithful, thus speeding the feet of the door-to-door canvassers and swelling the flow of funds into the party's depleted coffers. As a bonus, such a campaign might retain the support of the people who made up one segment of the Eisenhower vote: the usually apathetic suburban middle-class conservatives, whom he lured out into the polling booths.

Mr Nixon's mind is known to be running along these lines. This may help to explain his unexpected behaviour. If he is to win the Republican presidential nomination in 1960, he cannot afford to stand aside from the campaign which the party managers have now set rolling. He may believe, in fact, that it is the sort of campaign that will make the best of a horribly bad job. And the discomfited modern Republicans profess to suspect that he would not be entirely displeased if it failed to reap the benefits its authors hope for. These liberals still believe that Mr Nixon's apparent conversion to their point of view in the last few years has been based on conviction rather than a nice calculation of electoral profitability. On this analysis, if the Republicans' present tack to the right leads to defeat next month, Mr Nixon could use the strategists' failure in 1958 as an argument for letting him return to an Eisenhower platform in 1960.

Perhaps this exaggerates the strength of the Vice President's devotion to liberal principle. But, if this second line of reasoning is the one which sways most Republicans, the consequences are significant. It implies that the party's present tactics are a temporary expedient rather than a long-term deviation from the moderation of the nineteen fifties. And it suggests that, even though Mr Eisenhower himself is now moving into the shadows while Mr Nixon assumes the limelight, the brand of Republicanism that bears the President's name is not yet moribund. This will cheer most people except the utterly intransigent right-wingers and, perhaps, the Democrats ; the latter still think that the only Republican who can beat them in 1960 is one who can appeal to the moderates.

Pioneer in Space

THE success of last week's " lunar probe " in penetrating nearly 80,000 miles into outer space and in sending back a stream of information about conditions there is the American way of celebrating the first anniversary of the Russian sputnik and more than offsets the failure actually to circle the moon. The chances of achieving this were never put at more than one in ten, and the experts are now confident that before the next attempt, scheduled for early November, it will be possible to correct the comparatively simple mistake which accounted for the failure. Apparently an error in the guiding mechanism sent the rocket off at too sharp an angle ; this meant that it pulled more directly against the gravitational forces of the earth than had been intended and did not quite attain the speed of about 25,000 miles an hour necessary to carry the space vehicle itself the full 222,000 miles to the moon.

But Pioneer did travel a third of that distance and went infinitely farther than any previous space vehicle—79,212 miles compared with the Vanguard's 2,466 miles. All the way there and back, for nearly two days, until it burned up on re-entering the earth's atmosphere over the South Pacific, the thirty pounds of electronic instruments packed inside Pioneer's fibre-glass shell were transmitting information to the five tracking stations round the world about magnetic fields, micro-meteorites, temperatures and the intensity of radiation. These last reports are arousing the most immediate interest since they suggest that the belt of radiation revealed by an earlier satellite is less deep than had been feared and will not prohibit the passage of human beings into outer space if they are in protected vehicles. Nor did temperatures fall so low as to represent a serious problem, even though it is thought that the coldness of the batteries inside Pioneer explains the failure of the fourth-stage " retro-rocket," which was to have been fired from the earth by remote control in order to slow the vehicle when it drew near to the moon.

The three-stage launching rocket was a combination of the Air Force's Thor, the Navy's Vanguard and a specially designed third section. Over fifty firms worked on the operation, and the final responsibility rested with a team of civilian technicians, although officially it was an Air Force effort. It was also the first achievement of the new National Aeronautics and Space Administration, which has just been put in charge of all lunar probes ; there are several more to come as part of the American contribution to the International Geophysical Year. The President has given NASA a larger share of space work than had been expected and a larger one than many servicemen think it wise for a civilian agency to handle. But these rivalries seem rather pointless after such a co-operative triumph as Pioneer.

Bulls on a Short Rein

THE Federal Reserve Board took its second step this year toward curbing speculative excesses in the stock market when it raised margin requirements—the amount of cash which must be put down for new purchases of shares and short sales—from 70 to 90 per cent. Last August they were raised from 50 to 70 per cent. The long-lived bull market had been expecting some such check ever since share prices, as measured by the Dow-Jones industrial index, burst through their former high in the middle of September ; since then the index has risen from 523 to 546. Many bulls, however, will feel it hard that the board acted just as the market was already experiencing a sharp decline. The index fell, on Tuesday and Wednesday, to 536, largely, it is thought, because of profit-taking.

The central bank still has the power to raise margin requirements another 10 per cent, to 100 per cent, as it did in 1946. But the use of nearly all its direct authority over the stock market is a plain warning that it believes that the prices of shares, at 18 times earnings on the average, are too high and that a sharp collapse might set back recovery from the recession ; and that too much money is being diverted into the stock market just as the normal autumn increase in the demands of business for credit should be getting under way. One member of the board, Mr Szymczak, also recently remarked that investors were suffering from an " almost psychotic fear of inflation."

Increases in margin requirements, however, do not necessarily have any long-term impact on share prices ; the increase last August did not discourage investors or speculators, even though at that time the credit used in the stock market had risen sharply, from $3.6 billion to $4.25 billion.



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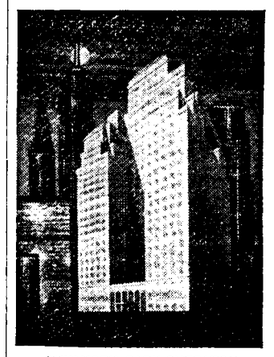

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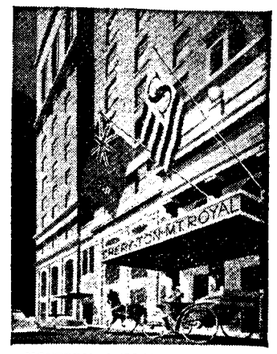

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From the end of July to the end of September the rise was much smaller, only $50 million in two months compared with $650 million in seven. If the bulls now settle down to a more sedate pace it may be due, not so much to the board's intervention, although this has its psychological effect, as to the fact that industrial production is not continuing to recover as rapidly as had been hoped—the index for September was only one point higher than that for August—and to the realisation that fears of inflation, in the short-run at least, may have been exaggerated in view of the existence of idle industrial capacity and the sharp rise in productivity during the recession.

Spoke in the Wheel

THE Customs Court in New York gave the Administration a fright from an unexpected quarter when it ruled last week that the increase in the tariff on bicycles granted by the President in 1955 is invalid. The decision imperils a number of other increases won under the escape clause in the Reciprocal Trade Agreements Act, as well as the quotas recently imposed on imports of lead and zinc. It will also diminish the President's authority and discretion in future tariff cases unless it is over-ruled by the Court of Appeals. In that case, Congress would have to be persuaded to make clear that the President can modify, as well as accept or reject, the recommendations of the Tariff Commission.

One point, on which the court was unanimously agreed, was that the inquiry by the Tariff Commission to determine whether the domestic bicycle industry had been damaged by imports and deserved relief had taken more time than the law allows. This was because Mr Eisenhower sent the case back to the commission for further consideration; as it held no new hearings, the time limit was not extended. This is a purely technical matter which need not cause great inconvenience. The real difficulty is the belief of two of the three judges that the law does not give the President the right to modify—in the bicycle case to halve—the recommendations of the commission. Mr Eisenhower has approved only eight increases in duty under the escape clause and his tendency has been to water down the proposals of the commission which, partly because of its narrow frame of reference, and partly because of the men on it, inclines toward relief for domestic complaints. It is seldom easy for the President, even if he so wishes, to reject the commission's views altogether; certainly, if the present decision is sustained, he would be presented with painful choices when he has to balance a sharp domestic grievance against the harm that its satisfaction might cause to the foreign policy of the whole country. Fortunately, however, the Court of Appeals is expected to come to the rescue of the Administration.

Backward Areas at Home

SATISFACTORY as was the improvement in the employment situation in September—the number out of work fell by 600,000 to 4,100,000, the lowest this year—there is not likely to have been much improvement in those centres of chronic joblessness which Congress at last got around to helping at the end of the last session, only to be frustrated by the President's refusal to sign the Bill. For not even the boom of 1956 and 1957 lifted the depression in these areas; they are chiefly coal and textile centres and backward rural communities, with a permanent surplus of labour, mainly as the result of changes in technology and in consumer demand. Many of these places, incidentally, are among the most persistent pleaders for increased protection from foreign competition and anything which relieves their plight should also relieve some of the pressure for higher tariffs.

Senator Douglas, the Democrat from Illinois, where labour-saving mining equipment and the substitution of oil for coal have between them left coal towns almost destitute, has been promoting remedial legislation for years and the President himself has more than once asked Congress to act. But when this year it did, he vetoed the Bill on the ground that it put too much responsibility on Washington and too little on local governments and that it would cost the federal government too much. Since, as he pointed out himself, Congress had adjourned without providing any funds for its programme, it would not in fact have cost the federal government anything, until after the election, at least, and the President might have been better advised to sacrifice his scruples to expediency and to have signed the Bill. This is almost certainly the view of Senator Payne of Maine, in whose defeat the veto played a part, and of Republican Representatives who are in danger of defeat next month in mining and mill towns in Pennsylvania, New Jersey and other states which would have been eligible for aid under the scheme.

The purpose of the Bill, a purpose which the President also endorses, was to develop those communities which have been left behind in the country's general economic advance. Programmes of industrialisation were to be planned by local leaders and a federal fund of $280 million over a four-year period would have been available to help establish new, or expand old, industries, to improve public facilities and to retrain workers.

Right to Work

HOW people in six states vote on "right to work" laws on November 4th is of much more concern to most trade unionists than the fate of individual candidates. These laws forbid the union shop, which allows non-union workers to be hired, but requires them to join the union within thirty days or lose their jobs. The Taft-Hartley Act, which outlaws the closed shop everywhere, permits the union shop but gives individual states the right to prohibit it if they wish. Twenty-one have actually done so, although three have thought better of it. But most of them are agricultural states in the South and West; only one, Indiana, is industrial. This year Ohio and California, both important industrial states, with big concentrations of trade union members, are holding referenda on "right to work" laws; so are Colorado, Idaho, Kansas, and Washington State.

The fight is bitter, apparently—and close. The trade unions fear that, if Ohio and California succumb, other industrial states may follow and that the pressure for a national "right to work" law will increase. Their opponents know that, if labour has its way next year, Congress will amend the Taft-Hartley Act to make the union shop legal everywhere. The question is whether, after the revelations of corruption, exploitation and gangsterism in certain unions, the voters will feel that the individual worker should have the right

to refuse to join without endangering his livelihood. Those who support the "right to work" argue that it is a matter of principle that the worker should be able to choose freely; moreover, they contend that there will be greater incentive for trade unions to conduct their affairs properly if they have to attract and keep their members.

The view of the trade unions, on the other hand, is that the "right to work" is simply another name for the open shop, and that legislation of this kind will make it easy for employers to discriminate against union members. They also urge that it is unfair for workers to enjoy the higher wages and better conditions won by the union if they refuse to support it. Although some employers such as the Boeing Aircraft Company in Washington have taken the initiative in seeking right-to-work legislation, not all managements favour it. The trade unions and most Democrats outside the South are solidly opposed. The Republicans are deeply divided. Senator Knowland has split his party in California by his conviction that the rank and file worker yearns for freedom from the "labour bosses." But the Republican Secretary of Labour, Mr Mitchell, stoutly upholds the union shop, and the President and Vice President are taking the politically prudent line that the matter is one entirely for the states to settle.

Teachers on Television

In Little Rock, Arkansas, where the high schools are still shut, the authorities have resorted to television to bring the teachers of science, English, history and mathematics to the students. But in many larger cities television as an educational tool is coming into its own this year as a matter of choice. The New York State Department of Education is leasing time from a commercial station to "enrich" regular classes for the two million children in schools in or near New York City. For true believers, this is a timid, half-hearted approach to the potentialities of television. But in Washington, DC, a science course for elementary schools—and any adults who like to switch on—is being broadcast five times a week; Philadelphia has a project serving nearly 100 schools; and Hagerstown, Maryland, which has had educational television for two years, is expanding to reach all the 18,000 pupils in the county.

The most exciting experiment, however, is the first country-wide television course. It is a daily half hour in college physics, sponsored by the American Association of Colleges for Teacher Education and the Ford Foundation's Fund for the Advancement of Education. Some of the money is coming from industry, and the National Broadcasting Company is contributing the network time at 6.30 in the morning—the only hour at which the high school science teachers for whom the course is mainly meant can be sure of being at home to receive it. Other viewers will include undergraduates and a few gifted high school students who wish to press on with their college studies; for them the co-operating colleges are to arrange discussions, assign homework, and give examinations. The main purpose of the course, however, is to improve the teaching of science in high schools; if it is a success, it may be broadened later to include mathematics and the humanities. The teacher of this scattered and enormous class will be Dr Harvey White of the University of California, who is already famous for his filmed course in physics for high schools. One of the great virtues of television is that it brings the outstanding teacher to many more students.

The first big controlled test of the results of television teaching is being carried out by the Ford Foundation's Fund for Education. During the past year it has exposed half the children in 250 schools to televised teaching and withheld it from the other half; this year it is widening the scope of the experiment. Evaluation of the first year's results is not complete, but it is said to be highly favourable to a tool which some educators regard as being as important as the invention of the text-book was—and little more likely to make the flesh and blood teacher obsolete.

Exploding Los Angeles

FROM A CORRESPONDENT IN CALIFORNIA

High over the "Stack," the multi-level central meeting place of Los Angeles's elevated express highways, a helicopter hovers every weekday morning and afternoon during the rush hours, carrying a broadcaster who, between commercial announcements, describes the state of the traffic to the thousands of motorists below. From his vantage point in the sky the observer can see the daily jams on the so-called freeways, sometimes caused by accidents or road construction, but normally due to the inadequacy of the roads themselves, even though they are six to eight lanes wide. Los Angeles has no underground and public surface transport is poor, so that people are forced to use their cars. The observer's report attempts to soothe the chafing motorists by telling them how long a delay they may expect on their daily journeys to and from the sprawling towns and suburbs which now make up the metropolitan area of Los Angeles.

Until very recently the post-war development of Los Angeles could have been accurately described as completely disintegrated and suburban, extending, as it has done, further and further out into the 4,083 square miles of desert, mountain, and plain that constitute Los Angeles County. The city itself covers 451 square miles, almost all of it lying between the mountains to the east and north and the Pacific Ocean on the west and south and including within its boundaries a number of independent adminstrative units such as Santa Monica and Beverly Hills. But the latest estimates, which put the population of the city this year at 2,381,000, show that central Los Angeles, which has been declining for decades, has at last begun to grow again. Nevertheless, most of the increase continues to be concentrated in the San Fernando Valley, which has nearly doubled its numbers since 1950. This is the area where two or three bedroomed houses, each with a picture window facing the street and a small plot of land at the rear, have sprung up, row on row, almost overnight. These houses are a far cry from the mansions of Beverly Hills, which were built by film stars, but are now more likely to be occupied by men who have made their fortunes out of Texan oil or in California's electronic and aircraft industries.

By 1957 the older residential areas in the centre of the city had lost up to 10 per cent of their inhabitants; the residential population in the business districts has declined by 35 per cent in 15 years. The shift to the suburbs inevitably attracted retail shops, service industries and even



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manufacturing away from the town centre. In all this Los Angeles has simply followed the general pattern of metropolitan development since the war. But the trend was especially marked because the rate of growth of suburbs and towns inside the huge city of Los Angeles has been higher than that in any other American metropolis. For example, retail sales in central Los Angeles have declined from 25 per cent of the city's total in 1929 to 6 per cent or less in recent years. More and more of the big shops have followed the movement of people to the outlying districts, where they have opened larger and larger air-conditioned branches. Factories have been built in the suburbs, where land was easy to find and cheaper to buy than in the centre; this is especially important for industries, such as aircraft construction, where large scale operations are required. Today, Los Angeles is the third largest manufacturing centre in the country and many of the plants are in or near the suburbs.

It is obvious, moreover, that suburban living is still extremely attractive to most Angelenos, even though the city's growth owes less than it once did to its attractions for natives of other states and more to its own climbing birth-rate. For many years, the birth-rate was low in Los Angeles and the death-rate was high because the city, with its warm climate and exotic flowers and palms, was considered an ideal place for elderly people to retire to. Now, however, the birth-rate is almost up to the national average and Los Angeles is becoming more and more a family city with normal characteristics of growth, a city that may eventually have a population of more than 10 million along the coast, over the mountains, and in the desert, which is already being built up.



No planner for the city or county, whose boundaries overlap each other, seriously believes that the outward expansion of Los Angeles will not continue, but the recent trend back to the city's centre seems to be of more than mere academic and passing interest. A combination of factors has caused a small but increasing number of people to prefer the centre as a place to live and work and the wreckers are tearing down old buildings and the bulldozers are shearing off the hills and levelling the ground for new construction for them.

The new $300 million civic centre is one of the developments which help to make central Los Angeles a more attractive place. Within the past five years the city health, police and education departments and the county law library have been rehoused in large modern buildings and a huge county courthouse and an administrative building for water and electricity are going up; many more old public buildings are scheduled to be torn down and replaced. A mall and plaza will add to the amenities of the civic centre. Next door is the Bunker Hill urban renewal project, the first large-scale programme in the city. Here local and federal funds are being used to convert a blighted residential section into an attractive, modern commercial and residential area. The redevelopment of the 123 acres will cost an estimated $200 million, but the city expects to more than recover this from increased revenues, once the drive-in hotels, new blocks of flats and office buildings, all in a park-like setting, are completed.

Elsewhere, the face of Los Angeles is also being changed by the construction of the taller and more profitable office buildings which are now permitted and by the modernisation of older ones. A concerted effort is being made to halt the fall in retail trade in the centre of town. The business district is now expanding to take in dingy areas which formerly were devoted to rather seedy rooming houses converted from old family homes. The Chamber of Commerce has put up a new building on the outskirts of the district and close to it a large oil company has built its world headquarters. A little further out the insurance companies have built a cluster of new office blocks for themselves. Indeed, what was once the outskirts of the business area may some day be its centre.

However all this modernisation and redevelopment will remain mixed blessings until the appalling traffic problem is solved. Even now the freeways are not adequate to cope with the vehicles flowing on them and the prospect of driving twenty to thirty miles each way every day through choking traffic is a grim one for commuters. For people who must work in the centre of town, living there—or nearby—has obvious attractions. It also happens that it is now much easier to obtain mortgages on flats than on single family houses. As a result, for the first time in thirty years, more flats have been built in the city than houses. The majority of these are suburban flats. But enough are being built in the centre of Los Angeles—many of them with the communal swimming pool that has become a part of the life in Southern California—to mark the turning of the tide.

Much of Los Angeles's future is still indistinct but it does seem likely that it will be the future metropolis of the west coast, composed of a large number of almost completely self-sufficient neighbourhoods linked to a downtown civic, business and manufacturing centre by great freeways and a hoped-for but, until now, only dreamed-of monorail system. Then, perhaps Los Angeles will become a city in spirit, rather than merely the loose collection of towns and neighbourhoods bound together only by administrative ties, which it is today.

This concludes the series on "Exploding Cities." Previous articles appeared in the issues of January 4th and 25th, February 22nd, March 15th, April 12th, May 3rd, June 7th, July 5th, August 9th and September 13th.

SHORTER NOTES

Mr Don Paarlberg, who has succeeded Mr Gabriel Hauge as the President's personal economic adviser, is a specialist in agricultural economics, who was closely associated with the Secretary of Agriculture in his efforts to make American farm policies more flexible and less expensive.

* * *

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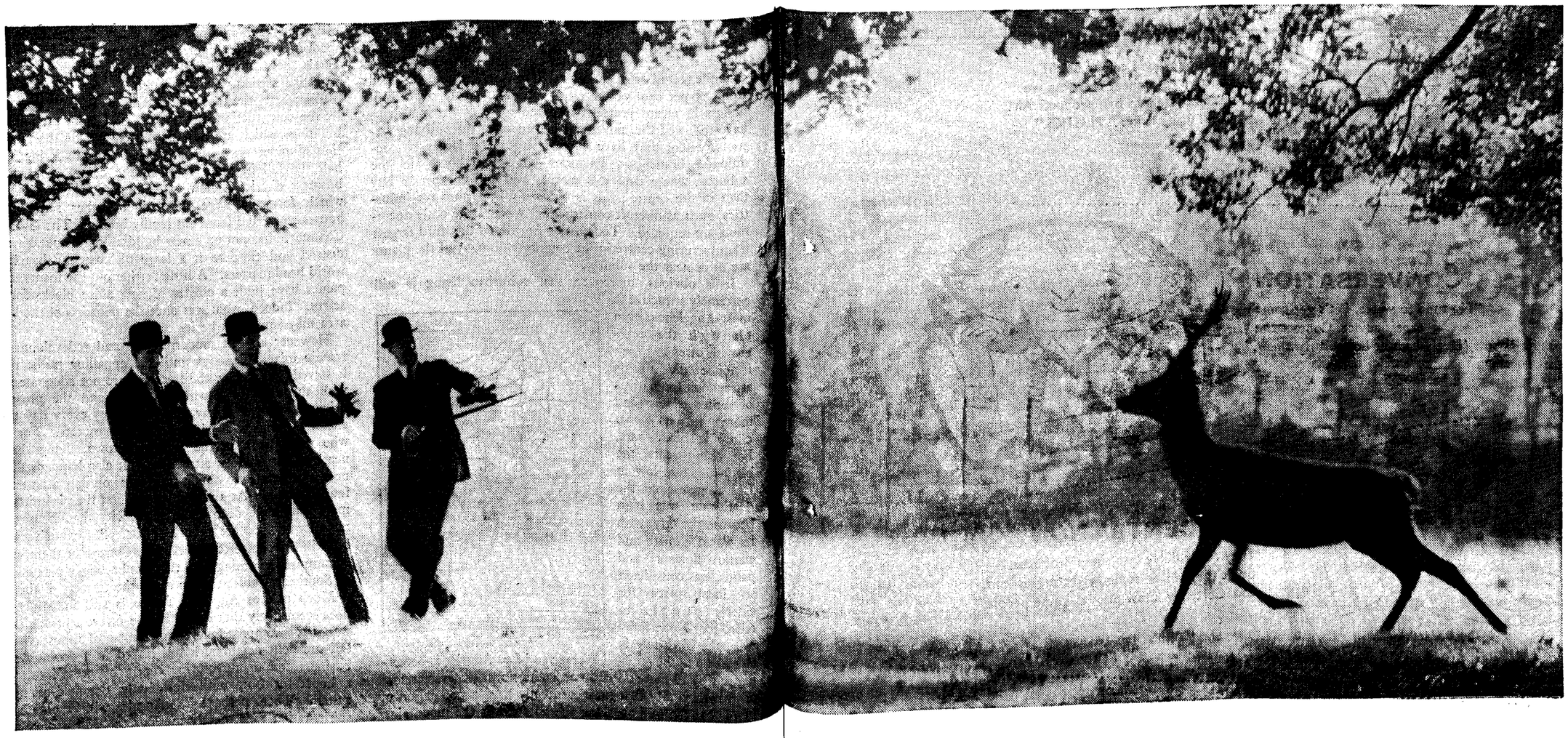

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1. On September 27, Mr. Stag of High Wycombe wrote to *The Economist* to complain (like Professor J. K. Galbraith) that the "unchallenged absurdities of advanced economics . . . stem from an attitude of mind which begins to become dangerous at quite a modest level of affluence. Perhaps the level at which the cream of a country's brains begins to be sucked into its advertising agencies".

2. Mr. Stag may not know, but rich cream is ev now being sucked into Robert Sharp's. Recently 45 Albemarle Street, the Master of a Cambridge co lege complained "Sharp's are robbing me of futu Fellows". Firsts are dotted all over the buildin together with many whose genius lies in more eccentr directions.

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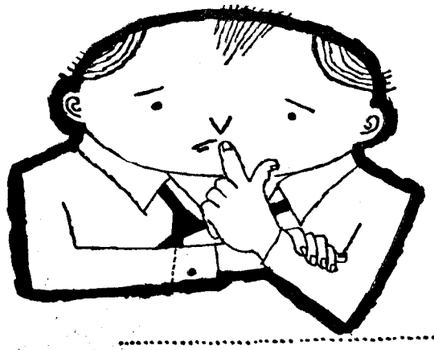

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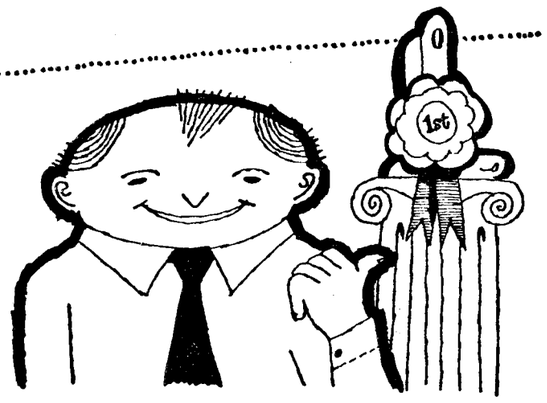



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Test in Algeria

FROM OUR PARIS CORRESPONDENT

CAN General de Gaulle, now that he has put his foot down, bring peace to Algeria? Can the *interlocuteurs valables,* with whom a settlement could be negotiated, emerge from elections in a territory under army rule? These questions have never been answered in the changing assessments of the general's Algerian policy since his return to power. Last week-end, for the first time, the issue was put to the test by General de Gaulle's instructions to General Salan, who holds both military and civil power in Algeria.

General de Gaulle's summary instructions, which have greatly pleased his liberal opponents as well as his supporters, make two main points. The military commander is told that the elections to be held next month must be entirely free. There are to be no officially sponsored lists. All candidates are to be allowed to stand and campaign, whatever their views "on the statute and the political destiny of Algeria." Any restrictions on this freedom must be determined by the civilian control commission and not by the military. The other point is the withdrawal of soldiers from direct political action. Officials or soldiers who have served in Algeria over the last twelve months will not be allowed to stand in the elections, and army officers have had to leave all the political bodies that they have joined in the last five months.

The second measure, though the more spectacular, is the easier to carry out. It marks the official end of the "rule of the colonels," inaugurated in Algeria by the insurrection in May. At that time, many senior officers—including General Massu and several colonels, particularly from para-troop regiments—entered the committees of public safety set up to ensure the integration of Algeria into France and the accession of General de Gaulle to power. Once France itself accepted the master of their choice, the officers no longer had the same incentive to back the political ambitions of some of their number. Indeed, in the last few weeks the "political colonels" have seemed more in step with extreme elements among the settlers than with their army colleagues. General Massu and the ten other officers on the Algeria-Sahara committee have promptly obeyed the general's orders. Their influence on the committee, which is putting up as much opposition to the general's orders as it can, will presumably from now on be indirect.

Complete electoral freedom is a different matter, because if it is taken to its logical conclusion it may undermine the very principle of French Algeria to which the professional army—and not merely individual officers—is committed. If General de Gaulle's words are to be more than a garnish on the electoral platter, then the Moslem nationalists will have to be allowed to campaign freely on a platform of independence. Admittedly, representatives of the FLN (Algerian rebels) could be ruled out by the provision excluding all those "who take part in terrorist activity and, therefore, can be charged under criminal law." But it is rumoured in Paris that even this obstacle has been overcome in secret talks between the French government and representatives of the insurgents. Nationalist candidates can apparently be found who will have the FLN's tacit blessing and who, when elected, should be able to negotiate in Paris.

These rumours of a secret deal gather strength from the obviously changed tone of the FLN in its open pronouncements. In an interview given this week to a West Berlin paper, M. Ferhat Abbas, head of the "provisional government," implicitly deplored terrorist activity on French soil and hinted that an end might be put to it. He confirmed that French prisoners would be freed. More important, he declared that to end the Algerian tragedy, the FLN was ready to talk with the French anywhere and on any subject without any preliminary conditions. For the first time he made it plain that the FLN would not require the French to recognise Algeria's independence before a cease-fire could be discussed. Whether M. Ferhat Abbas is aware of the weariness of the Algerian population, whether he is trying to force the general's hand, or whether he has been given some encouragement, the fact remains that General de Gaulle is thus given a better chance to end the conflict than any leader before him.

Although the officers have left the political bodies, they may now be in an even stronger position to obstruct plans for a negotiated settlement—if they want to. They can, if they choose, respect the letter of General de Gaulle's instructions and yet get such results from the poll that negotiations will be none the easier. The army could do this simply through passive resistance. This has been understood by the more experienced among the ultras in the committee of public safety. The call to strike and to gather in the forum has been issued by the young extremists. Men like M. de Sérighy know they cannot undertake anything without the aid of the army. The officers are on the spot and in command. The Moslems are aware of their presence. The army managed the referendum successfully and very recently received the general's congratulations for its performance. And this time so much will be involved.

One way to prevent an attempt at passive resistance might be to face the soldiers with an accomplished fact by seizing the opportunity offered by M. Ferhat Abbas in an exceptionally conciliatory mood (and at a time when President Bourguiba is in conflict with Cairo). But, for the moment, General de Gaulle is apparently reluctant to face the open trial of strength with the officers that might be precipitated by open talks with the FLN. He prefers

to rely on army discipline, on the officers' obedience, and on their willingness to play according to his rules. General de Gaulle is expected to spend a week in Algeria watching the electoral preparations. And the shake-up in the French command in Algeria, so often announced, is still described as imminent.

If General de Gaulle succeeds where the politicians of the Fourth Republic failed so ignominiously and ends the Algerian war, he will start his presidential term next year under excellent auspices. He would steal the thunder of the opposition. He would be able to reduce drastically the number of French troops on Algerian soil and the budgetary cost of the conflict. Then France would be in a much easier position to ask for an American contribution to its civilian investments in Algeria. At home, all these savings would give scope for social reforms. General de Gaulle's position would become strong enough to permit him to be liberal in his policies. The stakes are high. An answer to all the questions about the general's intentions and possibilities in Algeria cannot be delayed much longer, since the elections are timed for November 23rd. The betting is over. The test has come.

The Italian Papacy

FROM A CORRESPONDENT LATELY IN ITALY



"When the Holy See is vacant, one often hears people — and especially foreigners—reiterating the view that a more universal character might be given to the Papacy, if a non-Italian Pope were elected. Such an idea is based upon an erroneous consideration of the problem. . . . The Pope, in rank, is first of all a Bishop. He is the Bishop of Rome. But this Bishopric enjoys peculiar rights and functions. The Pope is therefore an Italian Bishop, whose Bishopric also includes the world-wide government of the Church.

"It is therefore logical and normal that the Pope should be an Italian, as it is logical and normal that the Bishop of Paris should be a Frenchman.

"If this fact is a matter of legitimate pride for the Italians, Catholics of other countries have no reason to complain. The experience of centuries shows that Popes have been Italian when the Holy See was free: but they were Byzantine, French, German, etc., when the Holy See was under the influence of outside policies or when (which comes to the same thing) opposing factions in Rome prevented the choice of an Italian candidate."

THIS quotation comes from an official *Manual for Laymen* first published in the Vatican City in August, 1944, and prefaced by the Bishop (now Cardinal Archbishop) of Genoa, Monsignor Giuseppe Siri. Its 725 pages are a summary of modern usage in the Roman Catholic Church. Historians and theologians might dispute several points in it. English Protestants have no cause for complaints, seeing that since the reign of Edward VI "the Bishop of Rome hath no jurisdiction in this Realm of England" (Article 37 in the Prayer Book), and "As the Church of Jerusalem and Antioch have erred; so also the Church of Rome hath erred, not only in their living and manner of ceremonies, but also in matters of Faith" (Article 19). Recriminations have died down on both sides since the struggles of those days. The Counter-Reformation and the Inquisition, which the Jesuits forged after the great Schism, and the Protestant countermeasures, no longer provide the weapons for the greater threats which now assail both Protestant and Catholic faiths. Pius XII called Christians living under communist dictatorships *la Chiesa del Silenzio*. But communism is not the only battering ram directed against the will or the desire to believe. The electronic calculating machine which works in trillions of space years, tapping out results in a few hours that a hundred men could not have calculated in as many years, fascinates and spellbinds along with all the other astonishing material discoveries of the age. Yet neither the new politics nor the new science satisfy the widely-felt anxiety about moral and spiritual values.

Curious as it may sound to those who watched the funeral ceremonies of the late Pope in a cinema or on television, there is no widespread conviction in Italy that Pius XII gave this guidance, although all would agree that he sought out every occasion for doing so. Educated Italians (and they are still in a minority in Italy) complained that his discourses never really touched the anxieties of contemporary thought at all. They were little discussed in the wide reaches between clericalism on the one hand and anti-clericalism on the other. At these two extremes, the *Osservatore Romano* and the communist *Unità* did so, and theirs was a scoring match for points—sharp, fierce and often sarcastic—a cold war on the very doorstep of the Vatican, which shows no signs of abating. When Pius XII died *Unità* spent five days questioning the manner of his embalming, as though to insure against any future attempt to call his preservation miraculous. This controversy seems very remote from the spiritual anxieties of our age, and yet it is part of the atmosphere of the Roman world in which the papacy lives.

THE Secretariat of State and many other papal administrations are now suspended until the Conclave elects a new Pope. There seems little doubt that he will be an Italian. Beyond that, no one knows. The Conclave meets on October 25th. If it sits for more than three days one may presume that agreement is very difficult, and that it may sit for a long time. The qualities, the authority and the figure which Italians associate with a *papabile*, they now associate with the name of Cardinal Siri, who is the fairly popular, if austere, archbishop of his native city of Genoa. If elected he might reign for thirty years or more (since he is in his early fifties) possibly with Cardinal Agagianian, an older and a very experienced cardinal, as his Secretary of State; Cardinal Agagianian is more than conversant with the eastern church, and went, it is said, to the same seminary as Stalin in Tiflis. But these are speculations. The Conclave may not wish to tie the Church to such a long rein, and therefore may only find agreement upon a much older candidate in whose reign the College of Cardinals could be increased from its present membership of 55 to its full strength of 70 members; the new cardinals might include some who were acceptable candidates for the papacy at a not too distant date.

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More dramatically, and using a faculty which has been dormant for centuries, the Conclave may turn to a figure outside the College, whom every cardinal knows well. The Archbishop of Milan, Monsignor Montini, for many years after Pius XII decided to dispense with a full Secretary of State, served him as deputy secretary of state together with Monsignor Tardini. It is curious and significant that Monsignor Tardini, who might well have been given some important administrative post in preparing the Conclave, was left entirely out—perhaps because the eyes of all the cardinals were already turned to the future. That future could include Monsignor Montini, although he refused the cardinal's hat from the late Pope when some disagreement about which very little is yet known (possibly connected with the suspension of the sacraments to active Communists) ended his service as pro-secretary, some three years ago. Monsignor Tardini also refused the hat, but he stayed on as pro-secretary in Rome.

Whoever ascends the throne, it is unlikely that big changes will immediately be noticed. Yet the new Pope's first encyclical may be revealing. One of the early reforms may well be a centralisation of Vatican expenditure. There is no Treasury in the Vatican. Each Congregation (or ministry, whose "ministers" are cardinals of the Curia) has its own wholly secret budget, but some very large financial operations, loosely ascribed to the Vatican, have taken place outside these budgets and have given rise to scandals, such as the currency frauds of ex-Monsignor Cippico in 1946-47, and just now, the operations of Signor Giuffré, who alleges that he has spent over £2 million on ecclesiastical buildings, partly out of gifts sent from abroad, partly out of loans raised in Italy which have still to be repaid.

Perhaps, after all, the Conclave which begins on October 25th is really looking for a good prime minister of the Church, and, if the cardinals of the Curia get their way, for one who does not disturb their work too much, rather than an emulator of the late Pius XII as universal doctor and crusader. The powers of the new Pope are absolute within the Church, and if he so wishes he may change all the cardinals of the Curia; but nothing ever happens hastily in this most ancient of all European institutions.

The German Visitor

FROM OUR BONN CORRESPONDENT

PRESIDENT HEUSS is going to enjoy himself in England next week. He has been there before, once in 1911 and again in 1947. This time he will come—rather to his own amused surprise, one feels—as the head of a major, if divided, European state. He has been interestedly mugging up the part and is ready to bandy views about Walpole or Peel with all comers. No one will find Professor Heuss difficult to talk to: congenitally amiable, he is an enthusiastic practitioner, as well as student, in such diverse fields as philosophy, journalism, history, politics, wine and art. But any linguists who may cross his path priding themselves on their German should not be put out if they find the President's Swabian brogue now and then beyond them; Germans, too, are sometimes baffled by it. The good-natured smile, with eyes nearly closed, requires no interpreter.

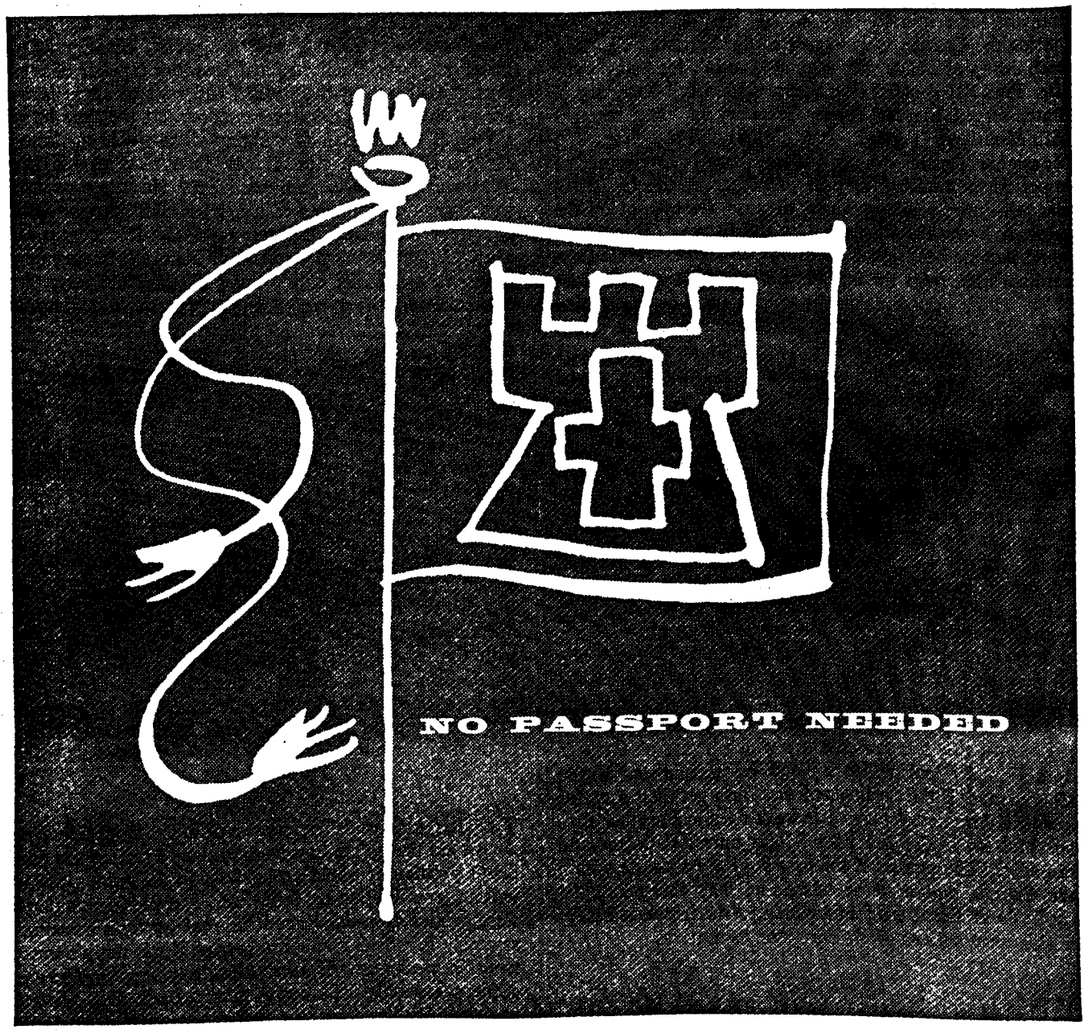
Professor Theodor Heuss, who will be seventy-five in January, was singled out to be the first president of the newly-born federal republic in 1949. He was elected by the Federal Convention (*Bundesversammlung*), a body composed specially for the, now five-yearly, occasion of the members of the Bundestag and an equal number of representatives chosen by the eleven Land parliaments in accordance with proportional representation. At the time he was a Free Democrat deputy, holding views closer to those of the average British Liberal MP than most of his party colleagues themselves would profess. He was moderately well known as a former editor, town councillor, professor of history and political science, and (for a few months only after the war) regional minister of culture. Having never been either a soldier or a member of the Nazi party, Professor Heuss had a record from 1933 to 1945 that was marred only by the vote which he cast as a Reichstag deputy on May 23, 1933, for Hitler's Enabling Law—an error which he soon repented of, and did what he could to retrieve, at the cost of losing the editorship of a political and literary weekly.

Professor Heuss was re-elected in 1954, and his present term of office ends in September next year. Although the Basic Law stipulates that no one shall hold the office of president for more than two consecutive terms, he has filled the post so admirably that it has been publicly canvassed whether it would not be expedient to amend the constitution so that he might carry on for a third term. But there is good reason for believing that Professor Heuss disinterestedly objects to setting a precedent for tampering with the constitution and would decline an invitation to stand again. He is building a house near Stuttgart in the gracious, slow-moving countryside which has played a part in making him the sort of man he is, and is looking forward to retiring there.

IF, after nine years' experience of office, Professor Heuss would like to see any modifications affecting the president's position, it would probably be in the written and unwritten laws limiting his influence. The president's powers were cautiously hedged about in 1948-49 by a constituent assembly in whose minds the cost of Hindenburg's uncontrollable weaknesses loomed dreadfully large. The constituent assembly laid down in the Basic Law that the president shall propose the federal chancellor for election by the Bundestag; but that the president must appoint another should the Bundestag so decide by a majority vote; or that, should no candidate get a majority vote, the president shall either appoint the candidate with the most votes or dissolve the Bundestag. The constitution-makers laid down further that the president's orders and decrees require counter-signature by the chancellor or by the appropriate federal minister. As for the rest, the president

> represents the federation in its international relations . . . concludes treaties with foreign states . . . accredits and receives envoys . . . appoints and dismisses federal judges, civil servants, officers of the armed forces unless otherwise provided by law . . . exercises the power of pardon on behalf of the federation in individual cases . . . may delegate these powers to other authorities. . . . If the federal constitutional court finds the federal president guilty of a wilful violation of the Basic Law it may declare him to have forfeited his office.

In other words, the federal president can be kept well and truly in his place. Unlike the heads of state of the Weimar republic, he is not alone the supreme commander of the armed forces.



Faraway places with strange-sounding names may beckon to adventure. But there are near-at-hand places with familiar names that offer just as much to the enterprising spirit. Birmingham and Darlaston, for instance.

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Without a trace of pomp or affectation (though one suspects that were he not president he might give even less thought than he does at present to the bothersome business of keeping tidy), President Heuss has gone about his work from the start with great seriousness of purpose. He conceives his task to be chiefly that of a guardian of the best values and characteristics of the nation. He has listened increasingly to the leading thinkers, teachers, scientists, churchmen, and others who help to form the public mind and habit. And he has tried, whenever he has seen fit, to co-ordinate their effort and make suggestions of his own. It is perhaps a pity that the self-contained Chancellor (a Catholic) is so seldom a caller at the Villa Hammerschmidt. For one of the symptoms of national weakness viewed with some anxiety by the President (a Protestant) is the unhappy relationship between the two main denominations. Another is the unreserved spending of income that is so notable a feature of the contemporary west German scene.

The daily presidential routine interests Professor Heuss less than these wider reflections. Yet he tackles nothing mechanically. His personal touch is discernible in practically every letter and telegram that goes out in his name. It is unusual—to put it conservatively—for the head of a state to write himself to a newspaper in order to correct some misapprehensions it may have caused in the minds of its readers. Yet that is what Professor Heuss did after he had returned from his state visit to Canada earlier this year and read in a west German news magazine a misleading account of his reception by the Canadian parliament that might have caused some bad blood. The Federal Republic will not easily find a successor of similar calibre.

Pakistan Suspended

BY A CORRESPONDENT LATELY IN PAKISTAN

For ten years a medley of scheming, ageing politicians, landlords, lawyers and financiers have masqueraded as the Pakistan nation. The masquerade has now been ended, and the strongest, broadest-based body in the country, the army, stands forth as the arbiter of power. What is this army really like?

The armed forces have remained almost completely outside the squabbles of the last ten years. The civil service and the police have been compelled to compromise, to come to terms with the politicians; they have continued to exercise an unusual authority, but only by playing the political game of manoeuvre and accommodation themselves. The judiciary has retained its independence to a striking degree but, willy-nilly, the Supreme Court and the lower courts have been compelled to give constitutional rulings with political implications. But the armed forces have held firmly to the tradition of keeping outside politics. When General Ayub Khan was appointed defence minister in 1954 he disliked his enforced role and withdrew as soon as he could. In conversation, senior officers constantly protest that they will not be drawn into the "muck raking" of politics.

This aloofness has been made easy by entrenched privileges which no political party has yet dared to question. The forces are an élite within the nation, with first priority for money, resources and manpower. The officer corps retains a high standard of living with unique access to amenities (English gin can be drunk in Pakistan only in officers' messes). The social life of the prewar Indian Army goes on much the same, with polo tournaments, race meetings, and dances at the club. Perhaps even more important, the forces' demands for equipment have been generously met by the government, reinforced by lavish American aid. The knowledge that their arms and machines are up to the highest standard is a vital contribution to the morale of officers and men.

Although the armed forces do represent the Pakistan nation at its best, they are not wholly representative. The army is strongly regional in its composition, mostly Punjabis, the remainder mainly Pathans and Baluchis. East Pakistan is scantily represented, although it has a fuller share in the air force and navy. The army is still a force of peasant soldiers, recruited from the plough tail, untroubled by education or political awareness. The air force draws more upon townsmen.

Within the officer corps there is a sense of tradition that is redolent of the old Indian Army; for example, Sam Browne's Cavalry, extinguished by British order, has recently been re-formed as an armoured regiment. There is, too, a social outlook which, compared with the general level of obscurantism, is sophisticated and enlightened. Officers' wives are among the few who defy the stifling purdah rules and mingle freely in public (a small but noticeable number of young officers are married to European and American girls). The services have established boarding schools in which education is in the English language on English public school lines, with strong emphasis on initiative, the house spirit, and games. The army and air force look to these schools for their future officers. Half of the pupils come from East Pakistan.

The tone which these impressions seem to reflect—upper class, British-flavoured, a blend of tradition and looking ahead—is laid down by the senior officers, Sandhurst and Cranwell trained. Many of them come from landlord families, while those of humbler birth, sons of yeomen or small farmers, have acquired a landlord veneer: but social origin is of less consequence than professional *esprit de corps*. They have no special sympathy for the landlord ministers who have passed in procession across the stage of West Pakistan politics. They may be expected to offer strong support to a regime of efficiency and enlightened despotism. There is another group, those commissioned between 1941 and 1946, which is often overlooked. They were enlisted without so much regard to social correctness as were their seniors, to help officer the wartime Indian Army. They mostly come from modest professional families. Many of them first went to a university, where they acquired a political outlook. They now have between twelve and seventeen years' service, yet because they form a block in promotion many are still only majors or captains. Not for them the satisfaction and glamour of high command, but long, dull years in routine duties. This group—about one third of the whole—will not actively rally to the new order, and it might provide a possible reservoir of support for any democratic revolt against the Mirza regime.

For General Mirza is undoubtedly unpopular among articulate Pakistanis. He is identified (whether justly or not) with the old gang in politics. Against the credit he will gain if he can clean up the rackets—the profiteering and fiddling—will be set the stifling of parliament.

Pakistanis are very sensitive about their failure to shine as exponents of democracy. One must not exaggerate. The ordinary people of West Pakistan, peasants and artisans, will derive greater satisfaction from cheaper consumer goods and an energetic approach to economic development than they have from the dubious privilege of returning a domineering landlord to parliament. Among the intelligentsia there is as much longing for a Nasser to solve their frustrations as for parliamentary government. In East Pakistan there is a definite and coherent urge towards democracy which is led by the sons of schoolmasters or shopkeepers; but economically backward, surrounded by a hungry India, the east is in no position to defy the edicts of Karachi.

At first, active opposition is unlikely. The students will talk and sulk but they will not defy the ban on strikes. What about the mullahs? Chief Justice Munir in his illuminating report on the fanatical religious riots of 1953 declares: "Provided you can persuade the masses to believe that something they are asked to do is religiously right, or enjoined by religion, you can set them to any course of action, regardless of all considerations of discipline, loyalty, decency, morality or civic sense." But these Lahore riots also demonstrated that a situation which had deteriorated into anarchy thanks to the fumbling of ministers, magistrates and police could be restored by the army within two days. And next time there will be no hesitation.

But Pakistan cannot be reborn out of a policy of military control: what inspiration, what dynamic can the president and the army offer? Shorn of verbal gestures, their goal is virtually a return to the order of 1908, plus some industrial and agricultural expansion. Even those who admire the original may find it hard to believe that this solution will prove adequate for Pakistan in 1958.

Notes from Austria

FROM A CORRESPONDENT

"THIS country," the editor of the *Salzburger Nachrichten* remarked recently, "is administered, not governed." Later he added: "But let us keep the coalition until we can think of something better." Each of the two main parties can, of course, easily think of something better: an absolute majority over its opponents.

The Socialists have now agreed to the suggestion of the Chancellor, Herr Raab, that elections shall be held in the autumn of 1959, six months ahead of time, and that thereafter the legislative term shall be extended from four years to five. There is also a proposal that Parliament shall be dissolved by a two-thirds majority only, rather than by a simple majority of votes. The reason given for the extension is that the *Land* governments of Vienna, Lower Austria and the Burgenland hold their next elections in November, 1959, in any case, and it would seem reasonable to save money and effort by making one propaganda campaign do the work of two. The *Land* governments, whose time-honoured sensitivity to suggestions from Vienna increases in proportion to their distance from the capital, pointed out that their legislative terms vary between four and six years, and could only be altered by an amendment to their constitutions. They were assured that there was no suggestion that national and *Land* elections should be held on the same day, and that no interference in the conduct of their affairs was intended.

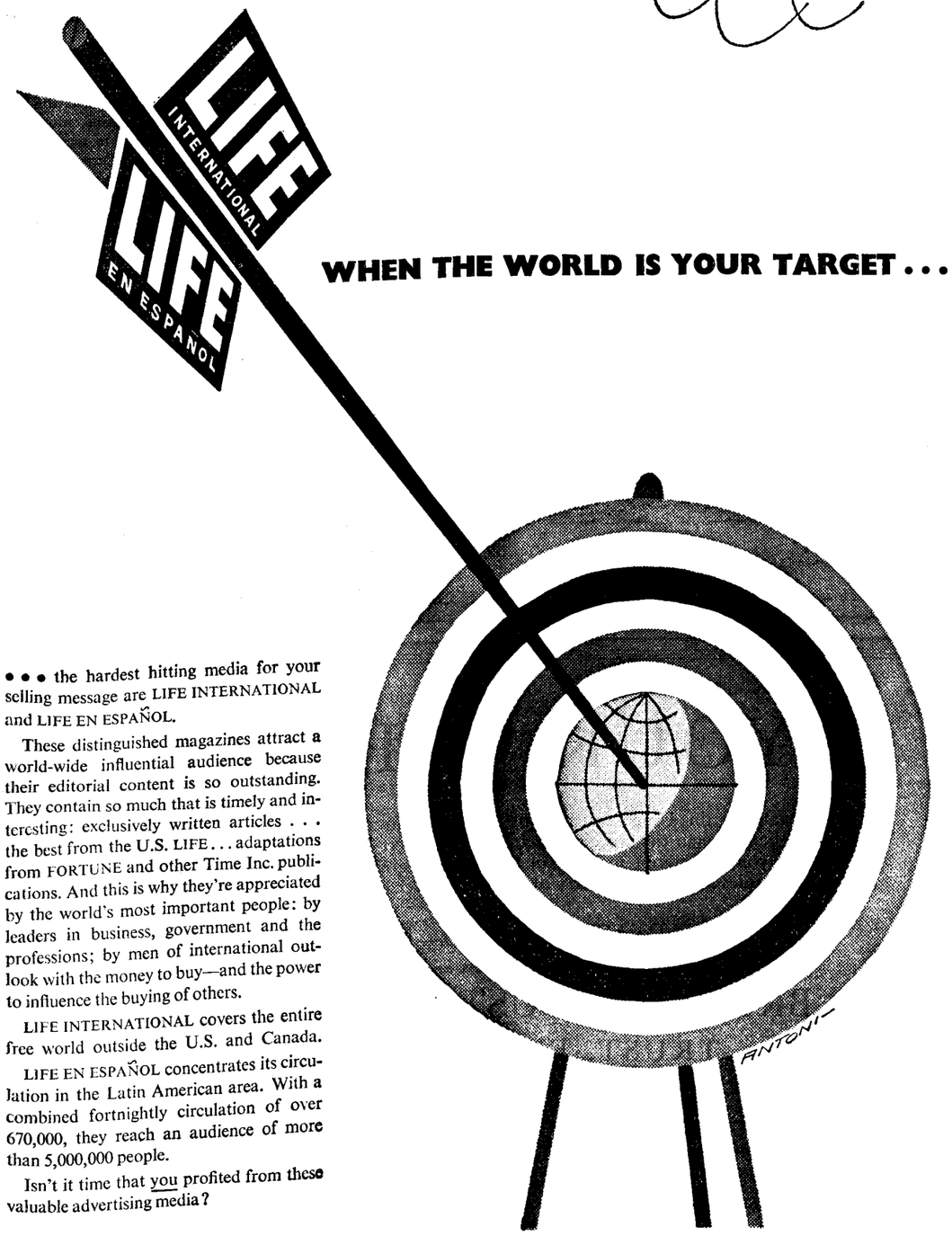
MERE convenience is not the cabinet's only reason for bringing the date of the elections forward. The advantages that Austria has derived from the coalition are too obvious to need restatement here, but it is perhaps fair to say that the country is heartily tired of it. All major legislation involving fundamental political principles tends to be blocked by the SPÖ (Socialists), who insist that the election of President Schärf proved a swing to the left. The ÖVP (People's party) rejects this argument indignantly, but its capacity to govern has nevertheless been seriously affected by it. (The Socialists have now noticed that the contention that helped them to win the presidential elections, namely that where there is a right wing majority in Parliament it is as well to have a Socialist president, is certain to recoil on them in the election campaign.)

Successful coalition bargaining is normally confined to relatively minor questions such as the price of sugar or the milk subsidy; the admirable *Volksaktien* are now merely a valuable memento of the People's party's scheme to enable the wage-earner to hold industrial shares in small units. And stability can be dearly bought. Who would now believe that the months before the summer recess were clouded by as alarming a series of scandals as this country has ever seen? Allegations of bribery at ÖVP headquarters, and corruption in VÖEST, the SPÖ-controlled nationalised iron and steel concern, shook both parties to the core, but in almost equal degree, and it is perhaps safe to prophesy that little more will be heard on either subject.

One way and another, Parliament faces a heavy programme. Apart from the Concordat, which after Herr Raab's unrewarding visit to Rome in the spring seems to have receded farther than ever, the most urgent task is to steer the Agriculture Act through the house. Dr Pittermann, the vice-chancellor, has chosen this ground to set up his first election platform, and he scored a point this week by accusing the People's party of talking loudly about the freedom of the individual, but going all out for collectivisation when there is money to be made out of it.

ON October 1st a 45-hour week (reduced from 48) was introduced in the mines. This is the first step towards extension of the shorter week to all industries, and is the outcome of agreement between the employers' commission and the trades unions. The step has been welcomed in the press, including the Catholic *Die Furche*, but opinion in industry and commerce differs widely. The trade unionists' argument is that productivity rose by 27.9 per cent between 1951 and 1957: the drop caused by shortened hours of work will, they maintain, be made good by rationalisation, by heightened capacity on the part of the individual, and by a drop in accident and sickness rates. The shorter working week in terms of European economic integration was discussed in Vienna recently by the *Institut für Sozialpolitik und Sozialreform*.

Before he left for New Delhi, Dr Kamitz presented his accounts for the fiscal year 1958, and the estimates for the coming year, which show a probable increase in expenditure of 2,000 million schillings. This calculation is based on the initial impact of the 45-hour week, on the estimates for autobahn construction, school building, completion of the automatic telephone system and farming subsidies. Income tax is to remain stationary.



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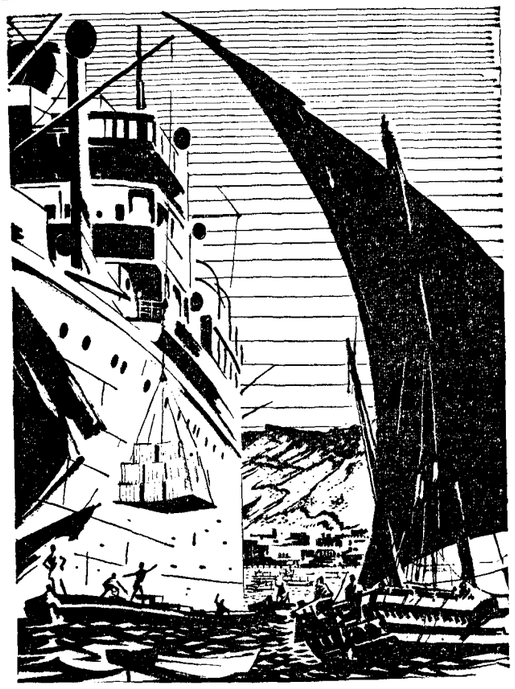

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THE BUSINESS WORLD

A Cold Winter?

THE record surplus on current account that Britain was able to announce this week in its balance payments, with the succulent kernel of the first surplus on visible trading alone ever achieved since anybody began to keep these figures, was achieved during a half-year in which British exports were falling. What was decisive was that the value of exports did not drop anything like as much as the value of imports, which came down 10 per cent. And this in its turn was a matter of much lower prices: the volume of imports was only a little lower, but the terms of trade, on average, were about 10 per cent more favourable to Britain than in the first six months of 1957.

In the first half of this year, again, Britain was still enjoying this trading advantage without the disadvantage so long expected in its train: the primary producing countries of the sterling area, although their incomes had been reduced by these falls in the prices of their raw materials, actually increased their imports from Britain. They financed these by drawing down their sterling balances in London; and, largely by attracting foreign capital, they financed their deficit with other countries without reducing their contribution to the central gold and dollar reserves.

Essentially, both these marked benefits to the British economy have come from the recession out of which the United States is now pulling itself. That recession both cut the prices which Britain pays for its imports and provided a flow of capital seeking the higher interest rates to be had here and in the Commonwealth. Nor did the American consumer stop buying European goods during his domestic recession: British exports to the United States continued to rise throughout. But now the United States is coming rapidly out of the recession that, paradoxically, was our gain, will its recovery affect us as paradoxically too?

This question is primarily one of time-lags. Direct British exports to the dollar area should at least remain buoyant. Resumed American buying of materials may fairly soon pull prices upward. Differentials between interest rates in New York and London have already narrowed; they may narrow further—to the extent that Washington is shifting over to worrying about inflation and London to worrying more about deflation. But the short-term influences of these reversed processes still seem likely to be overlaid by the longer-term influence of the recession's first impact on commodity prices. It would be extremely optimistic to assume that the running down of the sterling balances and the influx of foreign capital can wholly prevent any decline in the sterling area's demand for British exports, though they have delayed it, and American recovery may shorten it. In most British industries, export orders have gone on falling in recent months.

How much Britain's circumstances have altered in the last twelve months is shown by the fact that it is primarily in the physical level of demand for exports, not in the balance of payments, that "external considerations" now impinge on activity in the British economy. On current account, Britain is still probably earning "a respectable surplus"; the reserves are fortified; sterling is strong. Though the terms of trade are no longer shifting in our favour, there is probably some benefit to accrue from them. A continued decline in the volume of exports should present no urgent threat to the reserves; what it will do is to exert a downward influence on production in the British economy this winter.

Nor is it likely to be the only downward influence. Consumption, admittedly, should continue to rise a little in real terms: wages and salaries seem certain to benefit more from this year's rises than they are reduced

by less overtime, short time, and rather more unemployment. With companies tending to distribute rather more (from lower profits), unearned income too may be a shade higher. Retail prices are tending to fall, and easier hire purchase terms are being supplemented by personal loans. Fixed capital expenditure is no longer rising as much as it was, because lower investment in housebuilding and in manufacturing industry is offsetting increases elsewhere in the public sector and in distribution and service trades. Current Government expenditure may still be falling fractionally. And the rate of stockbuilding this year has certainly been much below last year's large additions to stocks; stocks outside manufacturing, and manufacturing industry's own holdings of raw materials and fuel, have been declining in value, though up to the middle of the year the value of manufacturing work in progress was rising somewhat, and the value of stocks of finished goods considerably. Indeed, industrialists reporting to the Federation of British Industries suggest that the value of working progress and finished goods were still rising a little up to early October.

THESE indicators of the recent past—only the FBI's "qualitative" survey comes near to being really up to date—suggest that total demand inside the economy, in real terms, may have ceased to rise in the second quarter of this year; and may since then, along with the volume of exports, have drooped a little along with industrial production. Indications about the current state of orderbooks, from the FBI and from Whitehall for one or two items of capital goods, clearly suggest that industrial output is likely to decline further in the next few months.

Beyond the few months over which current orderbooks are generally relevant—and these periods have been shrinking in most industries this year—there are only certain inferences that can be made about personal incomes, and hence consumption; overlapping forecasts of private capital expenditure; and scattered evidence of import programmes abroad, to help in peering through into 1959. Incomes should remain higher than they were early this year, and credit easier. Manufacturers have told the Board of Trade that their fixed investment next year would be 10 per cent below what it was in 1958, and a preponderance of the FBI sample record that up to now their authorisations of future investment this year have been below those in 1957—which would fit those forecasts. Few businessmen seem to be expecting much increase in export orders until the American recovery has worked through commodity prices: exports to the sterling area still seem likely to decline for several months. Dollar exports may go on up with the American economy; exports to Europe, which have suffered this year, depend again upon the timing of recovery there.

In total, stocks may already have begun to fall. Certainly industry has been reducing its stocks of materials and fuel (though leaving the latter to pile up in the dumps of the National Coal Board), and is anxious to cut down its stocks of finished products. In some industries, notably steel and coal, this tendency has already blanketed demand, and with consumption itself falling it may tend to depress buying for six months or more. Not all of industry's stocks are as high in relation to current consumption as its stocks of steel. Nevertheless, there must have been at least some rise in the volume of manufacturing stocks in general since the end of 1955, since which time manufacturing output has hardly risen; and now it is significantly lower than it was then. Britain's is hardly an inventory recession as yet: but the level of stocks would be high enough to steepen the current moderate decline in output if anything more happened to shake businessmen's still buoyant confidence that expansion cannot be far off.

THERE is no way to insulate that confidence or lack of it—or, indeed, economic expectations in general—from political expectations. The Chancellor, after his latest review of public investment is allowing some increases making the total "appreciably higher," in 1959-60. Most people are expecting a reflationary budget next year; voices from Blackpool have encouraged them. Ordinary seasonal influences alone would probably take the number of people unemployed up to 600,000 by January, and the slow continued decline in activity envisaged above could bring the percentage close to 3 per cent—which would mean much higher figures, and heavier lobbying for special assistance, from many parts of the country. No country, as one of the more economically articulate members of the Government said at Blackpool last week, holds a general election in January; by March-April the seasonal swing will be the other way, reducing or at the worst levelling off this politically pregnant figure. But this will presumably be the last budget before the election.

Lower interest rates, freer bank advances, easier hire purchase and personal loans, and now higher public investment—the Government is committed to cautious reflation. Even so, it might be optimistic to expect any upturn much before the early summer—though industrialists, it is only fair to add, are currently optimistic (perhaps partly for political reasons). It would probably need further encouragements to consumption, which most electors count upon in the budget, to quicken the timing and rate of recovery. Private investment may prove harder to revive, until the capacity already expanded between 1955 and 1958 is utilised more fully. But that spare capacity is the main assurance that internal expansion could be allowed to go quite a long way before inflation became dangerous again. Renewed expansion, again, would require more than a proportionate increase in imports; the current balance of payments is already becoming less favourable, and so may the capital account next year. But in an election year, and the fourth year without any significant increase in production, that strain is something that politicians are likely to decide the balance must be able to bear.

Economic Indicators and Confidence

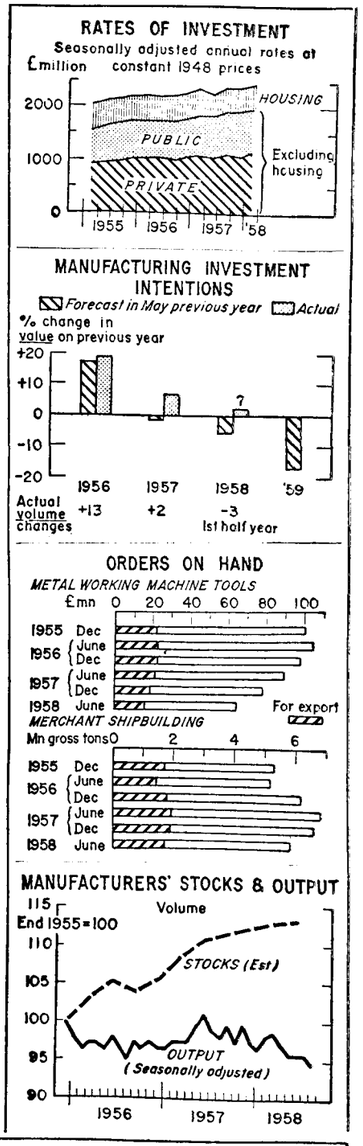
IN a questionnaire that they completed during the first ten days of October—the most recent reading of business activity and confidence available in the British economy—more than 80 per cent of a sample of 510 top managers strategically placed across British manufacturing industry told the Federation of British Industries that they were as optimistic about the general business situation as they had been three months ago, or more so. This inkling of their current state of confidence about the future stood somewhat in contrast to much of what they had to tell the FBI about business now and in the last four months—a preponderance of those whose business showed significant changes were reporting declines in output, working hours, employment and deliveries; a lower rate of new orders, particularly from abroad, and hence declining total order-books; and stocks of work in progress and finished goods still building up.

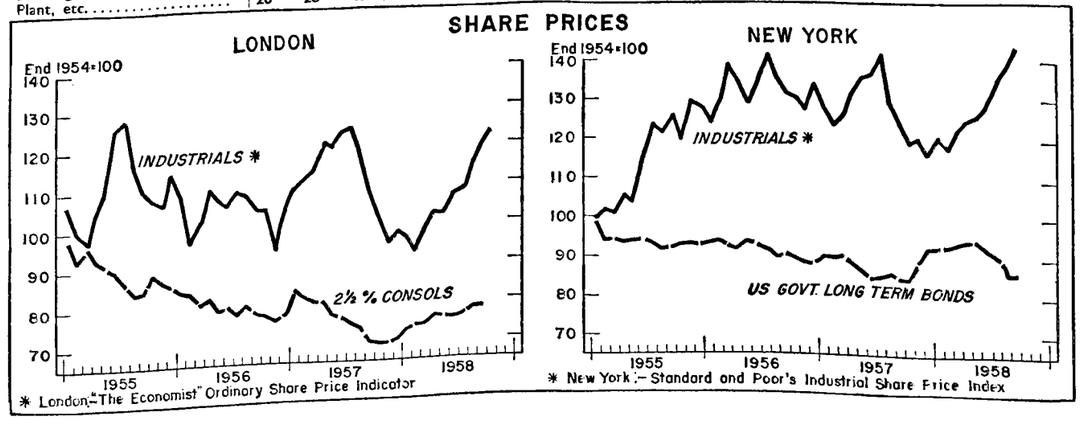
Moreover, they reported that unit costs were rising; and since a surprising number of them said that selling prices were lower, profit margins were down.

This FBI sample is a fairly balanced array of manufacturing industries, and of large or small firms: the industrialists have merely to answer to each question whether their experience or opinion is "Up," "The Same," or "Down," and all firms or divisions of multi-product firms count as one. It has to be treated with caution, and it will be a year or two before one knows really how to interpret it. Nevertheless, it comes more quickly to hand than any other set of general indicators, few of its findings so far seem to run contrary to the more lengthily digested indices of industrial activity, and it is a unique barometer of business confidence.

That confidence, even for the short term, is clearly at present higher than outside observers might expect—if not quite as high as that displayed by investors on the stock market. Some of the forward implications of the FBI's figures, however, like those supplied to Whitehall, are still preponderantly downward: in particular, their expectations about capital expenditure.

	6 months to February			3 months to June			4 months to October		
	Percentages Reporting:								
	Up	Same	Down	Up	Same	Down	Up	Same	Down
Output	35	33	32	25	44	30	23	47	29
Hours worked	9	63	27	11	58	30	12	65	23
Employment	22	49	29	14	57	29	12	59	29
Home deliveries	30	35	33	26	41	30	26	46	27
Export deliveries	26	34	32	18	40	31	14	41	31
All new orders	25	29	45	22	33	41	28	35	33
Export orders	Not Asked			Not Asked			16	34	34
Order books	Not Asked			10	35	48	16	32	43
Stocks of raw materials	28	38	31	17	44	37	18	45	35
Work in progress and finished goods	32	40	21	34	40	23	27	44	26
Costs per unit	Not Asked			32	51	15	35	50	13
Selling prices	Not Asked			3	66	30	3	66	30
Profit margins	6	33	60	5	42	52	4	37	58
	1958 compared with 1957						Next 12 months as against last 12		
Expected capital authorisations:									
Building	13	26	51	18	28	50	16	24	53
Plant, etc.	20	28	43	23	29	46	20	30	45





Spring in the Market

For once the industrial pointers point clearly—towards rising unemployment and falling profit margins. When the Treasury and the Bank of England began to loosen their grip on credit this summer they had those warning signs in mind: the renewed strength of sterling had given them back the room to do this, but they were concerned to contain the expected industrial recession, rather than to show a green light to investors. The Governor of the Bank of England distrusts the boom talk. Yet the industrial share market has risen almost without a break since February and *The Economist* indicator is now 37 per cent above its low point of February this year. It is far above where it stood just before the Suez crisis broke and has passed the 1957 peak—the best of the post Suez boomlet. Those who believe that the market may still go higher can point out that in this country the market is still a little below its 1955 peak, while in the United States the indices have recently been scoring new absolute records.

The market reflects the investment decisions of the whole corpus of investors; the expert fund manager, the shrewd amateur and the feckless punter are all of them ready to buy a little more than they sell. By their buying they have created a formidable bull market at the precise moment when industrial profits analysed in *The Economist's* sample on page 274 show their first fall (a mere 1¼ per cent) since 1953, and when unemployment is at its highest for ten years. That is the present paradox.

Before deciding that all these experts and amateurs have alike taken leave of their senses it is worth looking at the forces that have made them eager buyers. The reasons are numerous and collectively powerful. They are:

Externally.

The fact of recovery in America.

Internally.

(1) The trend of the public opinion polls has convinced many that the chances of a Labour majority at the next election are on present signs slender.

(2) The change in the price of money dictated by a reduction in Bank rate from 7 per cent to 4½ per cent has automatically put equities as well as fixed interest stocks on a lower yield basis.

(3) The very facts of continuing industrial recession and the recent severe credit restriction have at long last begun to cut back the flow of industrial issues, so that the pressure of money on the existing volume of stock has increased.

(4) The more ready availability of bank credit may have made industrialists a little freer with their dividends.

(5) The flat rate of profits tax.

Some of these influences are important only at the margin. The public opinion polls could show a different picture in six months' time. The change in dividend policy that followed the change in the profits tax last April stimulates more liberal dividends, since the disincentive of a differential tax on distributed profits is removed. The freer lending policy of the banks may also have helped a few boards to maintain payments. There must be many a widow whose spending power from a portfolio of well chosen shares is the same or a pound or two higher than it was a year ago, while the true earnings of the companies paying the dividends were lower. But boards of directors who anticipate serious setbacks in trading do not base their dividend decisions on a minor if useful change in the profits tax or on the fact that the bank manager is his old obliging self again.

At the moment the supply of new issues in the industrial market has in fact almost dried up. The Central Statistical Office figures show £101 million of home industrial issues in the fourth quarter of 1957 (when issues are seasonally high and when the banks were pushing industry into the market), £72 million in the first quarter of 1958 and £56 million in the second quarter. Since then the flow has obviously diminished much more. This is the pay off in the market of the pruning of industry's investment plans; the figures will rise again and take the head of steam out of the equity market at the moment when industry turns round and starts planning ahead again.

THE strongest impetus behind the equity market springs from the much better managed gilt-edged market and from the fall in the pure interest rate that a falling Bank rate has brought about. Bank rate could not fall from 7 per cent to 4½ per cent and the yield on old Consols from 5½ per cent to 4¾ per cent without a major adjustment in the prices and yields of leading industrial shares. And a further reduction in Bank rate with further rises in gilt-edged and in ordinary shares may be the prescription as the recession proceeds. In that expectation the gap between the yield on industrials and the yield on long dated gilt-edged has narrowed as the industrial market rose, when it might well have widened. The explanation lies in the peculiar shape of Government funding policy now. Long dated gilt-edged have been held down by the Government broker who has vigorously sold 5½ per cent 1982-84 stock at prices that held long dated gilt-edged down. As long as that peg remains in and as long as there are many experts ready to suppose that long dated gilt-edged stocks can rise by several points when the peg has eventually to be pulled out, it is difficult to say that industrials are too high.

Moreover, this is happening in London when the share market in New York is booming ahead at the same time as the American administration is beginning to try to encourage industrial recovery by monetary policy. Reflation in the United States must automatically export itself to some extent. With industrial recovery there, commodity prices will rise—and could rise quickly, for there is not much stock in the pipeline, as the copperbelt strike has shown. And any rise in commodities would improve the buying power of important members of the sterling area, and aid correspondingly the recovery from industrial recession here. These are real market calculations—looking not at today or even perhaps at tomorrow, but certainly at the day after.

Market operators always try to look forward. Their buying and selling reflect what they suppose is going to happen. Most of the industrial pointers—except order books and forecasts of capital expenditure, now supplied from Tothill Street as well as Whitehall—look backwards, telling of what has happened, never quite of what is happening now. So the rise in the industrial share market as far as it has gone is not difficult to justify. Its recent pace may be too fast for safety (*The Economist* indicator rose a further 6.6 to 228.1 this week) and pause for consolidation would not be surprising. But if the pace does now slacken and buying becomes more selective it may well persist. The future depends on the validity of two assumptions: that industrial recovery in the United States continues; and that industrial recession here will be neither too steep nor very prolonged. Neither of those guesses is yet obviously wrong.

BUSINESS NOTES

IN THE MARKET

Boom After Blackpool

On the Stock Exchange the advance gathered pace and volume this week with the Tory conference and its implication of lower taxation behind it. The advance was only slightly checked when on Tuesday and Wednesday the Wall Street market came down from its peak. In London it did not look as though the raising of the Wall Street margin requirement to 90 per cent need be a decisive influence. Most stock nowadays is not bought on margin. So the London market held to its rising course. Not for over a year has the number of bargains marked in London exceeded the figure of 16,800 recorded on Wednesday. *The Economist* indicator at 228.1 on Wednesday has risen 6.6 on the week. It has comfortably broken through the 1957 high point of 225.0 and is a mere 4 points below the highest ever recorded in July, 1955.

The gilt-edged market has marched almost in step with industrials. The rise in the *Financial Times* index of government stocks on the week ended on Wednesday was quite small—from 85.51 to 85.59. But no day passes without the market absorbing substantial quantities of stock from the official portfolio, and since the supply of 5½ per cent Exchequer stock 1966 is now exhausted, some of the demand has switched to the 5¼ per cent Conversion stock of 1974. The market has taken the Australian issue in its stride, and looks good enough to absorb further small or medium sized issues if the authorities decide to play their hand that way.

Australia's Success

It was for the Commonwealth of Australia—not for the British Government—that the decks in the gilt-edged market were kept clear. Last Friday Australia announced a sterling loan for £15 million, with a coupon of 5½ per cent, redemption dates 1975-78, and an issue price of 98. These terms were notably more attractive than those available on the 5½ per cent 1970-72 Australian issue, and the gross redemption yield of £5 13s. 2d. per cent to the latest date is some 4s. 4d. per cent better than obtainable on the nearest comparable British Government stock, 5¼ per cent Conversion 1974. Hence the application lists on Wednesday were quickly oversubscribed. The result was highly satisfactory even though the stags had played a part in it, which promised that there would be some selling when dealings started.

This is Australia's first issue for cash in London for twenty years. There have been a number of conversion issues, though since the war Australia has repaid just over £120 million of London debt. Those days of using the wool balances to repay London funded debt are now gone, and Australia has £20½ million of 3¼ per cent stock maturing in London next June. The present issue does not prejudge the way in which that maturity will be dealt with. It is a fair guess that Australia will not get another opportunity for a cash issue within eight months but that a conversion issue could be arranged. That would absorb some of the cash now being raised in repaying any unconverted portion.

Australia has, however, succeeded in furnishing itself with new sterling finance from this issue to bolster up its sterling balances, which have been hit by the 25 per cent drop in Australia's export prices. The gold and overseas balances of the Commonwealth bank were below £A399 million (£320 million sterling) at the end of September, a fall of £A74 million on the year. But the balances are still comfortably above the low point of £A259 million touched in April, 1956; and they are flanked by some £A80-100 million of overseas balances of commercial banks. Moreover, following New Zealand, Australia is going to the New York market; it has just arranged loans for some $25 million there. Sir Arthur Fadden, who is soon to retire after nine years as Federal Treasurer, could claim in London last week that he had successfully shielded Australia's development programme from the effects of lower overseas earnings.

BALANCE OF PAYMENTS

Record Surplus

THE benefits on the rebound that have accrued to Britain's external accounts during America's recession have long been evident from sterling's strength in the exchange market and from the striking accretions of gold and dollars. The white paper on the balance of payments in January-June published this week documents the achievement, and pinpoints the sources of Britain's strength, permitting a closer assessment than has been possible so far of the role of the special and possibly transitory influences. The congenital pessimist and proponent of paradoxes could argue from the figures that, just now with America's recession ending and Britain's beginning, the state of the exchanges may provide a smaller cushion than hitherto for Britain to spend its way out.

Unprecedented results have been achieved in the first half of 1958 in both the major spheres of the external accounts: in Britain's current balance and in the central gold and dollar reserves, which reflect the transactions of the whole sterling area. Britain's current surplus in the six months was no less than £334 million, thus exceeding the highest expectations; the figure compares with £118 million in the first half of 1957, and it was actually greater than in any full year since records have been kept. Moreover, the surplus for the second half of last year has been revised upward, from £122 to £154 million, so that in the twelve months to mid-1958 Britain earned abroad a cool £488 million—also a figure quite without precedent. The bulk of the improvement is attributable to one single influence, lower import prices. The volume of imports was a little lower, and exports fell quite modestly, so that almost certainly for the first time this century the value of Britain's merchandise exports exceeded that of its merchandise imports (both valued f.o.b.) and did so to the extent of £137 million. Net earnings from commercial services ranked as invisibles also rose, including the "other (net)" item that shrouds the big oil credit, and the increase was only partly offset by a rise in the net government deficit on invisible account (which was attributable partly to a fall in defence aid and partly to a downturn, after a long rise, in receipts from offshore purchases and American forces' expenditure in Britain). No one expects the conjuncture that obtained through the first half of 1958—import prices down and export volume barely affected—to be maintained. The terms of trade have shown no improvement since February; and exports are now well down on the year in volume. Nonetheless, the authorities expect that the second half of 1958 will still show a "respectable" payments surplus.

Role of Dollar Capital

THE surplus of £334 million was accompanied by an increment in the gold reserves of £287 million, despite a net outflow of long term investment overseas of £114 million. Three main currents built up the golden tide. First, Britain's own balance with the dollar area showed a big improvement—the current balance swung into surplus, of £63 million, compared with a deficit of £24 million in the first half of 1957. Secondly, the large former drain of gold from Britain to Continental and other non-dollar countries was almost completely checked; most strikingly, the net loss of dollars to OEEC countries through merchanting and through operations in transferable sterling dropped from £120 million to £51 million. But above all, the contribution of the overseas sterling area to the central gold and dollar pool actually increased in the first half of 1958. Sales of gold in London (which rose to a new peak of £131 million) plus transfers of dollars to London together reached £212 million, compared with £183 million a year ago and £287 million in 1957 as a whole.

In the latest half year, too, the overseas sterling area drew down its sterling balances by £76 million (a reduction that happened to be neatly offset by a rise in the balances of non-sterling countries); the drawings were needed mainly to finance the deterioration in payments with the United Kingdom. Yet the exports of the overseas sterling area to non-sterling countries were down by one fifth in this period; and despite some reduction in imports—significant because it follows a long succession of increases—the current deficit of these sterling countries with the non-sterling world widened from £74 million to £196 million. The saving support was a further big increase in the inflow of foreign capital. It included disbursements from the International Monetary Fund and World Bank, for the benefit of India and other overseas sterling countries, and dollar issues on the New York market, helped by the decline in domestic interest rates in the United States. The net flow of non-sterling capital into the overseas sterling area has doubled in pace since 1956:

£ million

1955	1956	1957	1957 Jan-June	1957 July-Dec.	1958 Jan-June
136	161	259	120	139	184

Britain's external achievement in the first half of 1958 stands unimpaired: the gold reserves were raised by £287 million without any increase in sterling liabilities. The accelerated intake of foreign capital by the overseas members of the area raised their own liabilities; but without it, they would have made still larger depletions of their sterling balances, and put less gold and dollars into the pool. The strong outward flow of dollar capital, as well as lower commodity prices, rate among the unexpected by-products of America's recession that have temporarily worked to sterling's advantage.

FOREIGN EXCHANGE

More Dollars for the Reserve

PUBLICATION of the British balance of payments figures provided a further stimulus for sterling. Against the dollar, the rate in the official market has strengthened to over $2.80¾, and would have risen well beyond this figure had it not been for substantial purchases of dollars by the Exchange Equalisation Account. The issue of a further £50 million of Treasury bills to the Exchange Account is a reflection of its recent acquisitions of gold and dollars. Although there is still evidence of seasonal commercial demand for dollars, this is being more than matched by American purchases of sterling area commodities to rebuild stocks depleted during the months of industrial recession. The rate for transferable sterling, however, fell from $2.79¼ to $2.79 when the New Delhi meetings ended without an announcement of sterling convertibility. There had been some speculative buying of transferable sterling from New York on the expectation of a unification of the two rates, and these holdings have been quickly liquidated. Nevertheless the Russians have been appreciable buyers of transferable sterling to pay for sterling commodities, including rubber. The strength of sterling and the inflow of dollars into the Exchange Account are making the authorities very meagre sellers of gold in the market.

The Canadian dollar has fluctuated this week between $2.72½ and $2.72⅛. It has gained some ground against the US dollar as a result of the revival of Canadian bond flotations on the New York market. As a result its premium over the US dollar, which had narrowed to 1.8 cents in September, has risen to 3 cents.

BRITISH TRADE

A Wider Trade Gap

SEPTEMBER is usually a quiet trading month, especially on the export side, which takes longer to recover from the holiday season than imports do. There was nothing exceptional, therefore, in the fall of £17 million in the value of British exports last month. But a £7 million rise from the low August level brought imports for the first time this year above their cost twelve months before. This reflects an increased volume, since import prices are still lower than they were a year ago, although the difference has narrowed considerably.

UNITED KINGDOM TRADE

(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Visible deficit	Exports to Nth. America*
1957 :—					
1st quarter	352·7	278·8	13·0	61·0	32·0
2nd "	346·9	283·8	10·2	52·9	38·8
3rd "	332·1	265·6	9·8	56·6	37·5
4th "	326·9	280·1	11·5	35·2	35·8
1958 :—					
1st "	311·2	273·7	13·7	23·9	34·6
2nd "	303·9	258·8	11·6	33·5	39·2
3rd "	315·8	261·4	12·0	42·4	37·2
July	337·8	285·8	12·2	39·7	41·4
August	304·3	257·8	13·1	33·4	34·9
September†	311·2	240·4	10·9	59·9	35·1

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

With the divergent movements in imports and exports, the visible trade gap widened last month to nearly £60 million, the highest figure for any month since last October except for June, which was affected by the dock strike. Nevertheless the gap averaged only £42 million a month in the third quarter and, although the balance of payments in the second half of this year cannot be as favourable as in the first half, Britain is unlikely to go much, if at all, into the red on its visible trade account.

RESTRICTIVE PRACTICES

Court in Session

ON Monday, the Restrictive Practices Court declared that the main restriction practised by the Chemists' Federation was void in principle. This restriction provided that certain medicines manufactured by members of the Federation could be sold only by those retailers who were also members of the Federation; its practical effect was to prevent grocers, drug stores, and other non-members from selling these goods. On Tuesday, after hearing legal arguments concerning two restrictions related to the main clause of the Chemists' agreement, the Court adjourned in order to prepare a written decision on those aspects of the case which it has heard so far; at the same time it will decide whether to grant an injunction against the parties to the agreement, as has been requested by counsel for the Registrar.

The hearing of the issues in this, the first full-scale case before the Court, has taken less time than was originally expected. This is certainly an achievement on the part of the Court, in view of the complexity of the issues involved. Its decision to put its findings in writing before proceeding to consider further "ancillary restrictions"—and particularly what it decides on the question of an injunction to enforce its findings—will be of considerable interest in cases to come, such as the important case concerning the agreement of the Cotton Yarn Spinners' Association, on which hearings are scheduled to begin around the end of this month.

AIR FARES

Deadlock at Cannes

HOPES that the international airlines now discussing air fares at Cannes would have talked themselves out of their present deadlock by the weekend were fading fast when this issue of *The Economist* went to press. The deadlock is largely a creation of the Italian airline, Alitalia, but it has the full support of the Italian government and the tacit support of several other airlines which hope, privately, that Alitalia will carry the day. Any decisions that the airlines take must be unanimous. It would be a mistake therefore to think that because Alitalia is standing out alone against the main trend of the meeting, that it is necessarily taking an unpopular stand. What it may imply is that the airline is acting as spokesman for those operators most afraid of jet competition and is holding out adamantly in favour of having a surcharge imposed on jet airliner tickets simply because it is among the first to feel the impact of jet competition. Like almost all international operators, Alitalia has jets on order but they will not be delivered until the middle of 1960. And Pan American World airways hopes to start a daily jet service to Rome on Sunday week.

The Italians feel that they have more to gain by obstinacy than their Ameriean competitors. If the airlines fail to reach unanimous agreement, the Italian government will almost certainly stop any jet flights into Italy; it has already raised difficulties about allowing Pan American's Boeing jets to land at Rome by claiming—with some justice—that the traffic control in that area is already strained to breaking point. What is more, failure of the airlines to agree among themselves means that the subjects that they normally arrange by mutual negotiation, fares, traffic rights, frequency of services and the like, will be negotiated instead on their behalf by their national governments. The Americans are not blind to the fact that at this present time, representatives of the British Ministry of Transport are in Rome negotiating a new bilateral air agreement with the Italian government.

This type of deadlock is not, however, uncommon at meetings of this kind; the boot is usually on the other foot

Continued on page 261

Profits Fall

For the first time since 1953 company profits, as analysed quarterly in this office, have shown as absolute fall. In the quarter ended September 30th, the accounts of 547 public companies were squeezed through the statistical mangle and their results are set out in detail on pages 274 and 275. Profits earned by these companies accrued on an average in a trading year ended on March 31st and they fell by just over 1¼ per cent, from £339.6 million to £325.2 million. The decline is not steep and it follows on a string of results, quarter by quarter, that showed only tiny gains. In fact, an absolute fall in profits, though not its exact timing, has been predictable for well over a year. Hence, there is little cause for fuss now that it has occurred; the result may even be reversed in the current quarter, in which the motor companies loom so large. And the stock market in its recent boom has looked well beyond the current slackness in earnings towards, it hopes, a re-employment of currently unused capacity.

That is to look a good way ahead. Closer at hand it is fair to say that ordinary shareholders, with the exception of a few industries, have not felt the pinch. Thus in the latest quarter, though net equity earnings have fallen ordinary dividends to all intents and purposes have been maintained. The fall in net earnings reflects the £5.4 million more that has gone in depreciation and the £1½ million more in loan interest. Both depreciation and loan interest are chargeable expenses for tax, for which the bill is down from £148 to £143 million. The rise in depreciation, if not the rise in interest charges, springs from earlier decisions to replace or to add to plant and equipment. To ordinary shareholders the decline in net earnings from £121.4 million to £114.5 million means that this additional capacity has not yet contributed a penny to their profits. But as yet they have no cause to grumble: after tax, they have again received just over £47 million in dividends. Grossed up at the standard rate of tax, the gross return on ordinary capital appears to have fallen from 17.2 to 16.1 per cent, but nominal capital has been swollen by about £23 million of scrip issues and by another £10 million of rights issues for cash (often containing some element of "bonus"). In all the 547 companies have raised about £25¼ million in new issues; their reserves have grown by £77 million and their trade creditors have risen by nearly £52 million.

With the help of these resources and the accumulation of depreciation provisions, the companies have financed an increase of £104 million in the gross value of fixed assets (which, because revaluations still take place, does not mean that that is the sum which has been spent on buying or replacing assets); in addition, over £20 million added to stocks and another £51 million added to debtors has had to be financed. Further reliance on trade creditors offers a hostage to the future but immediately there is no undue strain on liquidity: the total of liquid resources has fallen by only £3.3 million to £267½ million while bank overdrafts have risen by only £1½ million to £128½ million.

Investors must, however, realise that the industrial pattern of earnings is far more varied than these global figures suggest. Among those industrial groups that have weight in the latest sample, the falls in profits occurred in building (down 4 per cent), shipbuilding (down 14 per cent), shipping (down 34 per cent), paper and printing (down 4 per cent), wool (down 55 per cent), oil (down 7½ per cent), rubber (down 17 per cent) and tea (down 40 per cent). Most of these declines have occurred where they might have been expected—in industries directly affected by the slackening of international trade and by lower commodity prices. But there are already signs in currently reported results that the slackening in economic tempo has worked its way back to the capital goods industries. The most impressive increase in profits comes from the motors, cycles and aircraft group, where earnings have risen almost 25 per cent. There were small increases in: brewing and distilling (up 7½ per cent), food (up 2 per cent), shops and stores (up 8 per cent), engineering (up nearly 3 per cent), electrical manufacturing (up 1 per cent) and miscellaneous manufacturing (up 4 per cent). Results similar to, if not worse than, these will be coming out in the next year or so. But there is no real paradox in the comparison of such results and high stock exchange values. The first reflects the past and the present; the second anticipates a more distant future. But any examination of industrial profits drives home the lesson that in anticipating the future investors must also keep their eyes open.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published July to September, 1958		Reports Published October, 1957 to September, 1958	
	547 Companies		2,301 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	339,581	335,209	2,163,599	2,246,396
Income from investments	14,516	15,964	86,734	97,923
Other current income	191	240	2,676	2,378
Non-recurring credits	10,595	10,838	47,299	56,257
Total Income	364,883	362,251	2,300,308	2,402,954
Depreciation	54,624	60,008	381,230	432,924
Income tax	116,071	112,234	743,553	734,266
Profits tax	31,978	30,584	165,961	177,222
Directors' emoluments	12,474	12,827	58,011	59,922
Administrative charges	3,358	4,152	19,558	21,887
Contingencies, provisions, etc.	4,693	6,535	44,797	54,741
Pensions	3,005	2,703	32,256	33,276
Minority interests	5,634	5,401	26,463	29,294
Loan interest	6,389	7,925	44,229	55,071
Preference dividends	5,269	5,354	31,666	32,566
Profits retained by subsidiaries	31,999	26,175	184,486	178,828
Ordinary dividends	47,029	47,188	265,202	288,788
Reserves (parent company)	36,244	31,838	251,758	266,494
Brought in (parent company)	68,643	74,759	403,053	454,191
Carried forward (parent company)	74,759	84,086	454,191	491,866

ANALYSIS OF BALANCE SHEETS Published July-September, 1958 (£'000)

Capital, Liabilities and Reserves	547 Companies		Assets	547 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies):			**Fixed Assets:**		
Debenture	160,068	173,797	Land, property and plant	1,175,153	1,320,573
Preference	153,594	160,238	Less depreciation	357,697	398,818
Ordinary	476,371	509,876			
	795,033	843,911		817,456	921,755
Reserves and Surplus:					
Capital reserves	194,026	225,509			
Revenue res. and carry forward	549,301	595,067	**Trade Investments**	90,519	93,369
Total Capital, Reserves and Surplus	1,538,360	1,664,487			
Outside Interests in subsidiaries	92,826	91,241	**Intangible Assets**	76,772	77,511
Current Liabilities and Provisions:			**Current Assets:**		
Bank overdrafts and loans	126,979	129,494	Stocks	638,005	659,491
Creditors	385,893	439,252	Debtors	547,250	598,322
Other current liabilities	161,334	160,945	Gilt-edged securities	32,541	27,516
Future taxation	113,566	109,366	Other marketable investments	46,217	49,184
Other provisions	21,989	23,283	Cash	192,187	190,890
	809,761	861,340		1,456,200	1,524,433
	2,440,947	2,617,068		2,440,947	2,617,068



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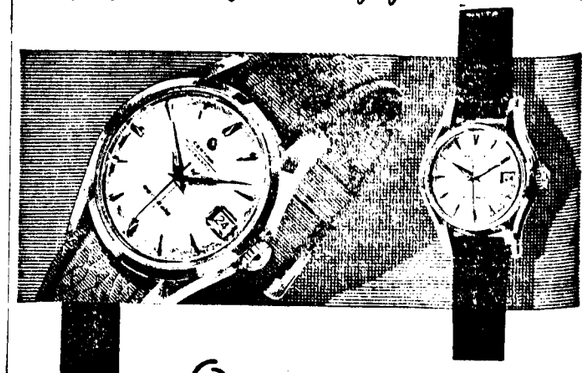

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Continued from page 257

with American airlines, backed by the American government, holding out against the majority view. The airlines opposing a surcharge have to find a method during the next few days of persuading the Italians that their present fear of jet competition is greatly exaggerated, which it probably is, and to devise a "package deal" that will soothe Italian feelings sufficiently to persuade Alitalia to drop its opposition to a proposed fare structure in which jets can charge the same as any other type of aircraft. The immediate dispute turns on fares for the North Atlantic only, but it is openly recognised that if the jet surcharge is rejected here, it will also be on all other major air routes.

WORLD BANK

New Delhi Postscript

By the closing days of the meetings of the International Monetary Fund and the World Bank in New Delhi no one was expecting an immediate announcement of sterling convertibility, though some people still did not rule out unification of American and transferable accounts once the increases in quotas at the International Monetary Fund are through. This question is now in the hands of the executive directors; the expectation is that they will recommend a general increase of 50 per cent. The directors are considering also an increase in subscriptions in the World Bank, and here the expected figure is 100 per cent; this would probably involve no fresh calls on members but simply an increase in their underlying guarantee, which helps the Bank in raising loans from private investors.

Britain has however announced an immediate release of a further portion of its existing sterling subscription to the Bank, which totals £84 million in all (18 per cent of the quota). Some £64 millions had already been released, most of it for lending in the Commonwealth, for use before 1960, and last week Mr Maudling announced that a further £10 million would be released in the next two years. The gesture is welcome, and the practical effect on Britain is not likely to be felt for some time. Of the earlier release of £60 million for Commonwealth lending, authorisations to date amount to only £43 million and disbursements to £33 million. Some £15 million of the authorisations have been to India, and Pakistan, South Africa and the Central African Federation have each received around £10 million.

PENSIONS

The Actuarial Handicap

"It is clear that occupational schemes now form an integral part both of the economy and of provision for old age for which allowance must be made in any development of the state scheme." The new state scheme lives up to this statement of intent in numerous ways, and above all in pitching the level of its pensions so modestly. But the abandonment of the actuarial principle in the state scheme in favour of the "year to year balance," whatever is to be said for it on broad economic grounds, places the private schemes at a continuing disadvantage. The state scheme can always be amended to new circumstances, and notably to inflation; thus even if a private scheme looks preferable as things are at the moment, the prudent (or sceptical) man looking to a future of creeping inflation and adjustment of state pensions, might still opt for the state scheme. The white paper is silent on the subject of re-contracting in to the state scheme once participants have contracted out; great problems would surely be raised by allowing them to do so.

If so the choice has to be made at the outset; and it is to be made by the employer collectively for all his employees. The decision seems a hard one in a scheme that has as its object the preservation of individual choice, but it is held that individual decision would involve intolerable administrative difficulties. No one will be allowed to contract out of the state scheme altogether; the point at issue is simply the additional, graduated element of the pension. Moreover, those who contract out will continue to pay the weekly contribution (which of course covers all social insurance and not only pensions) "at least at present levels"; these are 18s. 2d. for men, which for those earning £10 a week or less will be more than under the new graduated scheme. The minimum pension at minimum contribution contains a subsidy element, and it would obviously have been wrong to give this to all who fancy contracting out; but the fact remains that the differential will provide another incentive for low-paid workers to opt for the full state scheme.

Portability

In providing for contracting out by private schemes, the state scheme has inevitably raised the question of portability of pension rights; and this is one point at which the impact on private schemes is to be welcomed. If members of an occupational scheme are to contract out of the graduated state element, the scheme must, besides being financially sound, (a) make provision for pension rights equivalent to the maximum additional pension rights that members would forgo under the state scheme as a result of contracting out; and (b) make adequate provision for preservation of pension rights up to, but not necessarily beyond, this additional state element, if the employee ceases to be a member of the private scheme (e.g., on change of job).

Thus employers cannot avoid making part, but not necessarily the whole, of pension rights transferable at least to the state scheme. It is not specified whether the method of transfer to the state will be through provision of a separate "cold storage" pension to the employee or through the "transfer value" method, under which a single pension is paid from one source.

How many will contract out under these conditions? The white paper contains an estimate of 2½ million; but some people in insurance think at present that the number may not be as high as this. Many of the existing schemes for factory workers are still less generous than the new state scheme; the choice here will normally be whether to abandon the private scheme or to continue it as a supplement to the state scheme. And new schemes for those outside the higher income groups will be still more likely to take the state scheme as a floor. But much more detail about the government's proposals is needed before trustees of existing schemes can decide even in principle their course of action.

ROAD TRANSPORT

Roads in the Air

MR WATKINSON had no promises of dramatic increases in road programmes to offer this week though these might be expected to rank high among candidates for the increases in public investment that the Chancellor is now conceding. What he did have was a very satisfactory progress report indeed. Much of the work in hand is on or ahead of schedule despite unfavourable weather and the usual delays inherent in dealing with a multitude of local authorities. At present 51 miles of trunk road have been completed, 194 miles are under construction, and another 856 miles are well into the planning stage. The total amount of new investment planned in the programme remains unchanged at £240 million over four years; but the amount spent has continued to increase each year, and it is certainly possible that a supplementary estimate may be presented this year. Priority is being given to five major projects: the Great North Road (A.1), the London-Birmingham-Preston motor road, roads to the Channel ports, the motorway between the Midlands and South Wales, and the road from London to the Severn Bridge. On the most advanced of these projects, the London-Birmingham motorway, work is presently ahead of schedule. In addition, many smaller projects are in hand, including a complex by-pass at Staines, on the London-Exeter road (A.30), estimated to cost nearly £2¼ million (which to most motorists who have encountered A.30 on a heavy day sounds cheap).

To compensate for a lack of financial surprises, the Minister disclosed plans for an extremely interesting technical innovation; it is proposed to connect the three motorways that are to converge on Birmingham from Preston, Bristol and London with the aid of a road built on a viaduct over an existing railway line. The proposed road, to run for three and a half miles over the railway through Smethwick and Oldbury, will need to be 45 feet high in order to clear existing road bridges over the railway. Final approval has not yet been given for the project, although British Railways and the Ministry's architectural consultants both regard it as feasible. If the method proves successful, it may be used elsewhere—possibly in London.

It is expensive to build roads in this way; the proposed road would cost about £4 million, more than £1 million a mile, against about £300,000 a mile for conventional motorways. But it is obviously wrong to build high-speed motorways between cities and allow them to spill their increased traffic capacity into drearily congested city streets at their ends; problems of planning and acquisition of city property are difficult and time-consuming, and to build over an existing railway will minimise these difficulties. When it is remembered that they bring none of the troublesome and often expensive problems of compensation often

AIR SAFETY

Look—No Hands

FOR the past three days the Ministry of Supply has been giving some fairly uncanny demonstrations of aircraft that line themselves up with the runway, and glide in to make a copy-book landing while the pilot sits with his hands in his lap. It is an astonishing performance, in the highest traditions of the circus, only with machines in place of elephants or Liberty horses. It is also one of the most important developments in flying technique for many years.

Whether or not a pilot can land in bad weather depends on the last few critical seconds of flight, from the moment he comes to within 150 feet of the ground. From that point on, he is beyond the aid of any instruments, however splendid, that the airport can provide to lead him through the clouds. Whether he touches down successfully on the runway, or unsuccessfully off it, depends on what he can see and judge with his own unaided eyes and instincts, and what he can learn of his position from the ground controllers. As military and civil aircraft become faster, and land at ever higher speeds, so the bad weather *minima*, below which a pilot cannot risk a landing, become increasingly stringent.

The Ministry of Supply has attempted to close this gap by a new blind landing technique that takes over control of the aircraft at the point where it is too low for even the best of the existing instrument landing systems to operate. Like the instrument landing systems, it is entirely automatic, acting on the aircraft's controls through an autopilot, while the human pilot merely watches for obvious malfunctioning. Two cables, carrying a 4 amp current, are buried parallel with the runway, extending for about a mile ahead of it. Two currents at slightly different frequencies create a mild magnetic field that is detected by instruments in the aircraft. The instruments use the cables to line the aircraft up with the runway, even though it may be invisible to the pilot. Meanwhile, they also rely on a radio altimeter—which measures height at low altitude with an extreme precision unknown in conventional altimeters—to assess whether the aircraft is the correct height for its distance from the runway, and to correct it if necessary.

So far, the Ministry has made 2,000 landings using this system, in jets and in piston-engined aircraft: it is building up experience at the rate of 100 landings a month. It is experimenting with other systems, such as a television screen that would show in the cockpit a picture of the runway that had been drawn on the screen by radio signals from the ground. It is also working on better approach lights, some of which are being installed in black-spot airports like Blackbushe.

The demonstrations this week were intended to sound opinion among airlines and airport authorities to these different systems, particularly to the magnetic cables. The RAF has probably already been converted; it would be surprising if it had not, because it did not need the tragic crash of the Vulcan bomber at London airport to teach the Air Staff the dangers of bad weather landing. But civil airlines face different problems, among them the weight of the additional equipment (100 lb or half a passenger) and the fact that there is no point in carrying it unless major airports will instal the necessary cables. This means a measure of international agreement. It has taken the Ministry of Supply since 1946 (working with fluctuating enthusiasm according to the money available) to bring the cable system to a point where it can land an aircraft 99 times out of 100 in the same 700-foot stretch. The engineers are realists enough to think that it may take as long again to get sufficient agreement on the system to see it in general use.

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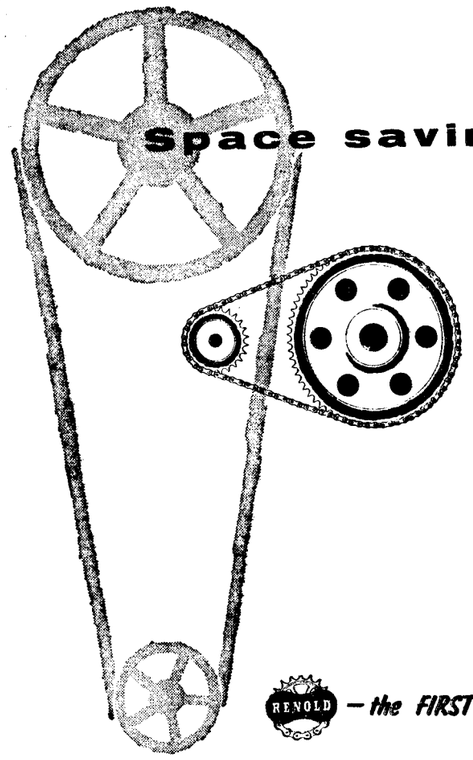

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COPPER

Rise in London and US

THE continued recovery in copper has now brought cash metal in London to £241 a ton, a gain of nearly £14 on the week. Strikes at mines in Rhodesia and Canada have prompted some European and British consumers to buy more copper, and there is little to be had in London. Most of the market's stock is in the hands of one firm, which at present is not a willing seller. This explains the premium of about £7 a ton that cash metal commands over three months. The increased demand is thus having to be met mainly from the United States, where custom smelters have again raised their prices by one cent to 28½ cents a lb. (£228 a ton); for sales to Europe the smelters are quoting about 29½ cents a lb. fas (£236 a ton). A settlement of the strikes, which are estimated to have resulted in a loss of output of roughly 50,000 tons so far, might not upset the market overmuch. With the improvement in consumption in the United States, and the widespread reduction in stocks, the outlook for copper may well remain good.

THE RECOVERY THIS YEAR

	March 3	October 1	October 16
Cash copper, per ton	£161 10s.	£213 10s.	£241 5s.

OFFICE MECHANISATION

Boots's Electronic Office

AFTER Lyons the caterers, the first company to experiment with electronic bookkeeping in this country, come Boots the chemists. The scheme, or rather the two schemes that Boots is putting into operation represent one of the most ambitious assaults on paper-work yet attempted by electronics. Other industries, notably the banks, have toyed with the idea of using electronics to solve much the same difficulties as those faced by Boots. They have not, however, seized the bull by the horns and commissioned the development of special machinery.

This is what Boots has done. The company is spending £1,250,000 over the next few years on a wide variety of equipment. The biggest single item is an order for specially designed, Norwegian-built cash registers, of which a total of about 6,000 will ultimately be installed in the 1,300 chemists' shops that make up Boots' retail chain. These registers print a special type of till roll, carrying on it the information normally made out laboriously by hand on each sales slip. The rolls will be sent to the head office to be read by a version of Solartron's complicated electronic digit reader; this machine will in turn feed the printed data into a calculator developed by Elliott to match up with the reader, and this machine will analyse the sales figures. No one manufacturer has therefore designed and developed the system; it is the outcome of three separate companies, working to specifications suggested by Boots. When the scheme begins working early next year, it will relieve the staff in the shops of a great deal of drudgery, and give the head office a much quicker check on sales and an opportunity to cut down on stocks and overheads.

The Boots organisation is highly centralised, with its shops supplied from a central warehousing organisation that is in its turn supplied from the company's own factories or through its buying organisation. A fourth manufacturer, EMI, has built a computer to handle the orders that come in from the shops to the warehouse and to keep, at the same time, a running check on warehouse stocks. This is a complicated undertaking, for the warehouses stock 60,000 different items and the shops order about 300,000 items from the warehouses each day. The computer must not only hold details of all this in its memory, but print intelligible instructions to be sent out to the despatchers, thoughtfully listed in the order in which the goods are likely to be found on the warehouse shelves. This installation is costing £250,000 and will be working next summer. The object of so thorough going a reorganisation is to stop the steady 10 per cent per annum rise in the staff needed to keep track of the company's sales and ultimately to reduce the huge stocks carried. Last year the company had £16 million tied up in stocks, most of them on warehouse shelves. But the wider lesson both for those who sell and those who may buy electronic equipment is that it works best when it is custom-built for a specific job—and that it will only work if the customer too is prepared to re-design the job to fit the machine.

SCIENTIFIC MANPOWER

Who Employs Chemical Engineers?

WHEN it was revising its membership lists in September of last year, the Institution of Chemical Engineers used the opportunity to carry out a survey of where, and in which industries its members were working—and what they were doing. The Institution's own inquiries have already suggested that there should be just enough qualified chemical engineers coming forward between now and 1966 to meet industry's needs—but this depends on their going to the industries that most need them. Nearly 80 per cent of the Institution's 2,000-odd members filled in the form sent to them, a higher proportion than did so when the last attempt was made to collect this data in 1953. The 1957 return showed that what is normally lumped together as the "chemical industry"—dyes, fertilisers, plastics, explosives and heavy chemicals—employ 30 per cent of these men, though no single section of it employed quite as many as the 15 per cent in the chemical plant manufacturing industry. These were followed closely by oil (11 per cent), pharmaceuticals (6 per cent), and atomic energy (just over 5 per cent). Only 5.5 per cent were teaching.

The survey also confirmed that the highest concentration of chemical engineers occurred in the oil industry, in the proportion of 7.3 qualified men to every 1,000 adult workers, a fact that will not surprise anyone who has visited an oil refinery. By contrast the next biggest concentration, in the chemical industry, is only one-third of that figure, 2.3 qualified men per 1,000. A good third of the Institution's members were working in London and the south east (again showing the influence of the oil companies?); roughly a fifth worked in the north west, where there is a big concentration of chemical works.

The most important findings were, however, those that showed what these men were doing. For 30 per cent of them, the answer was administration and management. This figure reflects the changing status of the chemical engineer,

for in 1953, only 20 per cent were in administration, while nearly 23 per cent said they were doing plant operation and maintenance. At least half these seem to have been promoted to manager in the intervening four years, for the latest returns show that only 12.3 per cent work on plant operation. A fifth were designing and commissioning plant, and a rather higher proportion doing research. Comparing this with the United States, the Institution comments that the percentage employed on designing, installing and commissioning plant is higher here than in America—21 per cent in the United Kingdom, against only 7 per cent in the United States. The proportion employed on research is much lower—23 per cent in this country, against 31 per cent in America. It does not say whether it considers that these ratios reflect favourably or unfavourably on British industry.

BEVERAGES

Fears for Tea and Cocoa

HARDLY had the dust settled on the coffee conference when news came of talks on renewing the international tea regulation scheme. An unofficial delegation representing Indian tea planters arrived in Colombo recently for purely exploratory discussions. The previous scheme to which India, Indonesia, Pakistan and Ceylon were parties lapsed in 1955. The argument in the trade is not that tea needs an immediate restrictive agreement, but that it would be a good plan to have the machinery in being in case the need for it should arise. In the past few years production of tea has been moving gradually ahead of consumption and there have been mounting "paper" surpluses of the plain qualities. But these have not been serious and there has seldom been enough high quality tea. But plain teas are now around 2s. 7d.-3s. 11d. per lb and at the lower end of that range few producers can earn any profit.

Cocoa, the one commodity that earlier this year persistently defied the downward trend, has now weakened following the better-than-expected Ghana crop estimates. It is now thought in the market that the latest figure of 237,000 tons for the 1958-59 season will prove a good deal nearer the mark than have initial crop estimates in recent years. From its peak of over £390 in May, cocoa in London has fallen to around £285 a ton, which should help to stimulate consumption. If the Nigerian crop estimates expected shortly are also favourable any significant rise in prices seems to be ruled out.

HIRE PURCHASE

Big Six of HP

THE summer's flurries in the instalment credit business are over, but it will be a long time before the consequential adjustments of business structures are completed. The participations by the banks in the capital of leading finance houses had one immediate effect: it transformed the finance houses' shortage of money into a superfluity. As a result, deposit rates have come down, and the finance houses are now competing for customers rather than for depositors. It was plain that more and cheaper money from the banks could in time result in a real toughening of competition; and the banks' direct entry into instalment lending through the introduction of personal loans points still more strongly in that direction. In this new climate, by no means all the finance houses, most of them tiny, that flourished in the days of credit restriction can keep in business, nor is it desirable that they should. It will be natural and healthy if many of the small finance houses merge or are absorbed by bigger units. Among the medium sized houses two significant moves towards consolidation have already occurred. A few weeks ago Thomas Tilling agreed to sell its interest in

Finance House	Associated Bank	Hirers' balances (net) at last balance sheet dates £ million
UDT	Barclays (25%)	77·1
Olds—SMGT	Nat. Comm. of Scotland / Lloyds	28·2
Mercantile—Mutual	Westminster (20%) / Martins (20%)	22·9
North Central Wagon	National Provincial (100%)	22·0
Bowmaker—Midland Counties	Lloyds (25%)	19·9
Lombard Banking	...	19·2

Mutual Finance to Mercantile Credit (in which Westminster and Martins banks have acquired holdings of 20 per cent each); and now Bowmaker (in which Lloyds Bank has 25 per cent) is making a bid—at £6 10s. for each £1 share, previously standing at £5 15s. 6d.—of Midland Counties, another medium sized house. The directors have accepted the offer for their own holdings; the total involved in the bid is £2½ million. Midland Counties has business in motors and caravans, and has been associated from its foundation with the Kennings motor distributors—though the Kennings company as such does not own shares in it.

Bowmaker is also linked indirectly, through the Lloyds holding, with the Olds Discount-Scottish Midland Guarantee Trust association (each of these houses is to be owned jointly by the merged National Commercial Bank of Scotland and Lloyds Bank). The recent mergers and acquisitions have already brought big changes in the ranking of the finance houses towards the top of the scale, though United Dominions Trust continues to tower over all; and it has produced a "big six," of which only one, Lombard Banking, is without a direct link with a big deposit bank. The four remaining members of the Finance Houses Association are considerably smaller; British Wagon, in which the Royal Bank of Scotland and its associates have an interest of 40 per cent, showed hirers' balances of £11.8 million in its last balance sheet; Forward Trust, owned by the Midland, had £6.3 million; Wagon Finance (independent) had £4.3 million; and Astley (District Bank 33⅓ per cent) had £4.8 million.

NON-VOTING SHARES

Pye Shows the Way

THE voteless equity has become unpopular in the City, and nowadays a new issue of non-voting ordinary stock is frowned upon by institutional investors. One of the arguments for preserving the anomaly of a voteless equity is that the concentration of control in the hands of a small number of privileged shareholders protects a small growing company from buccaneering take-over raids. Pye and many other companies which so far have left the bulk of their ordinary shareholders disenfranchised have long passed that stage of growth. Now Pye has given a lead by offering votes for the first time to its "A" deferred ordinary shareholders. It has also taken the opportunity to tidy up its preference share capital, replacing three different categories

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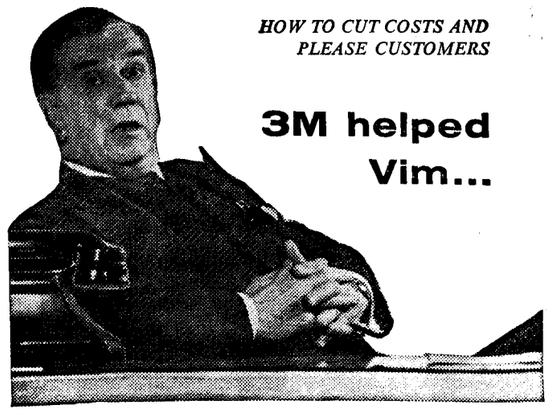

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of stock with a single class. The details of this structural change, showing the compensation in income for loss of rights, are as follows:

Present Holding	Future Holding	Present gross income	Future gross income
		£ s. d.	£ s. d.
£100 of 5% Cumulative 1st Preference	£100 of 5½% Cumulative Preference	5 0 0	5 10 0
£100 of 5½% Cumulative 2nd Preference	£100 of 5½% Cumulative Preference	5 10 0	5 10 0
£100 of 8% Cumulative Participating Pref. Ord.	£187 of 5½% Cumulative Preference	10 0 0	10 5 8½
£100 Deferred Ordinary	£110 Ordinary	12 10 0*	13 15 0*
£100 "A" Def. Ordinary	£100 Ordinary	12 10 0*	12 10 0*

* Assuming a dividend of 12½ per cent

The reorganisation of the preference capital looks fair, and, together with the granting of votes to the "A" deferred shareholders, should make the task of the company in raising fresh capital, if it should need to do so, much easier. Under the old regime, the deferred ordinary shareholders, who owned 2,538,431 shares of 5s. each, controlled 94.4 per cent of the votes and their shares always commanded a premium in market price over the "A" shares; under the new proposals they will control only 24.3 per cent of the votes while the "A" deferred shareholders who owned 8,697,878 shares of 5s. each and who did not possess a single vote, will in future control 75.7 per cent of the votes. The compensation deferred shareholders will receive for their loss of control is an increase of 10 per cent in their holdings. Some form of compensation, judged empirically on stock market values, is needed to get such a scheme through. It is not beyond the power or the wit of other companies to follow Pye's example.

TANKERS

Shadow of the Surplus

THERE are still about 4,500,000 tons deadweight of tankers laid up in various parts of the world, although nearly 250,000 tons resumed employment during September. In addition, the strength of the tanker fleet has been fortified by the delivery of large numbers of new tankers from the shipyards, so it is not surprising that the tanker freight market continues weak. The average freight rate assessment made by the London Tanker Brokers' Panel on October 1st gave the weighted average of world tanker freights as Scale No. 2 plus 21.5 per cent, a decline of 2.6 per cent from the July 1st award.

In terms of a voyage from the Netherlands West Indies to London this is the equivalent of a fall of 10d. per ton. A temporary shortage of prompt tonnage for Persian Gulf loading enabled some owners to hold out for slightly higher rates last week, but it looks as though there will be plenty of tankers looking for further employment in November. That is the time of year when oil demand usually begins to climb to the winter peak, but the pool of laid-up tonnage will have to be absorbed before tanker freight rates are likely to show any marked degree of firmness. Nevertheless, London charterers have expressed interest in time chartering for periods from five to fifteen years beginning in 1960-61. By that time, if demand for oil expands in accordance with the oil companies' forecasts, there might be a shortage of tankers again. The lifting of American restrictions on oil imports might alone be sufficient to provide employment for the tankers now laid up.

SHORTER NOTES

London and Yorkshire Trust, a London issuing house, has formed a subsidiary, Manchester and Liverpool Industrial Securities, to act as an issuing house serving the provincial stock markets in Liverpool and Manchester. It is the first of its kind in these two cities, though Birmingham and Glasgow each has an issuing house. The principal business of the new company will be to aid local companies, which are too small for a London quotation, either by arranging a public issue of shares or, through Safeguard Industrial Investments, by acquiring a minority interest in them.

* * *

After several months of shopping around, the Rank Organisation has found a means of distributing its Top Rank records by buying the ordinary shares of the record distributors, Thompson, Diamond and Butcher. All that has to be arranged now is how the records shall be made. A limited number of discs will be ready for sale in the New Year, but successful record production involves the marketing of tens of millions of discs a year. Rank must decide soon, whether to buy a company that already has substantial pressing capacity, or to install its own pressing equipment.

* * *

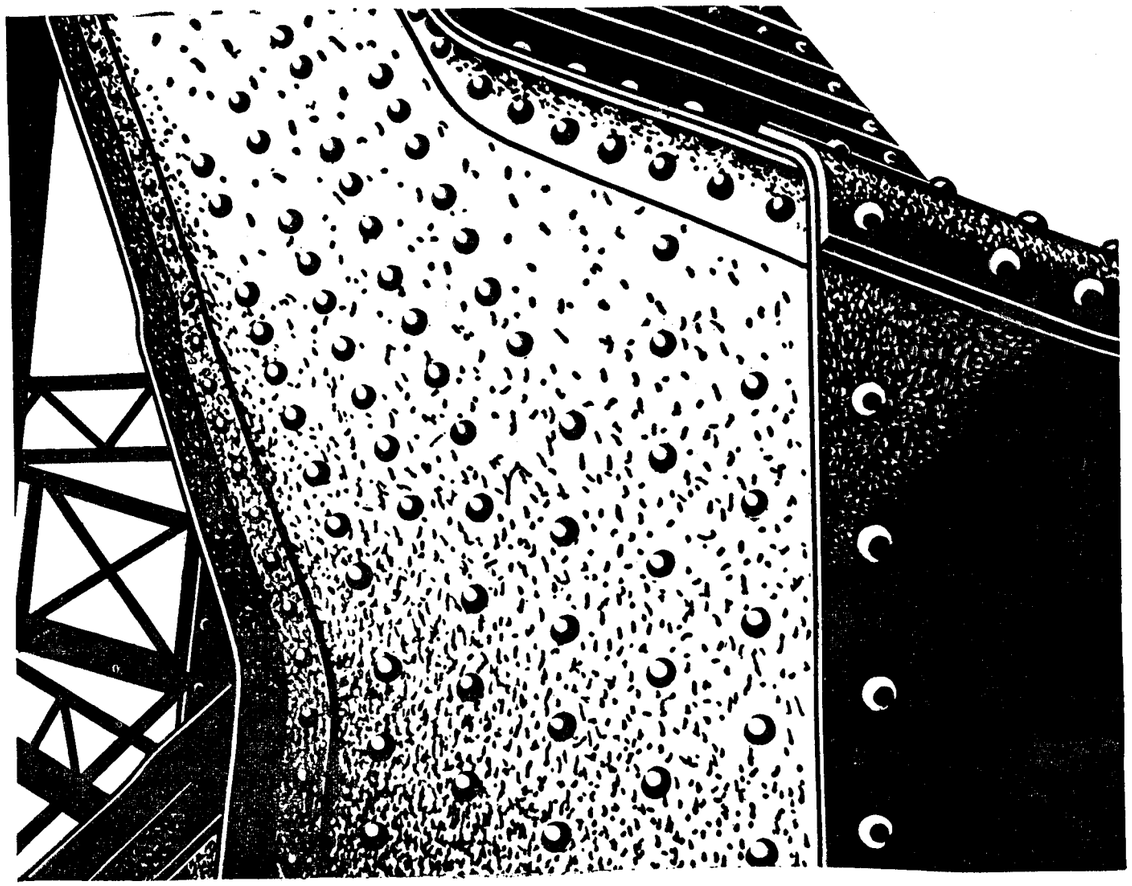
Mr Arthur J. Whitehead has disposed of his shareholding in the Whitehead Industrial Trust to a syndicate headed by Cranleigh Group Limited, which is itself retaining a quarter of the share capital of the Trust. Mr Whitehead will remain on the board of the Trust.

* * *

Despite a modest rise, of £2 million to £512 million, in the nation's hire purchase debt in August, there was a more than seasonal fall in new credit extended direct by finance houses. The proportion of the total business of household goods shops transacted on extended credit terms was 31 per cent, compared with 30 per cent in July and 34 per cent in August last year.

* * *

An offer of 600,000 shares in Unicorn Trust made by Dillon Walker and Company was heavily oversubscribed this week. The managers decided to make available additional shares at the issue price of 12s., but lists closed one day early on Thursday. Since its inception last year the new unit trust has made three issues; the first was an offer of 500,000 shares at 9s. 6d., and a second offer of 500,000 units at 10s. 4d. was made last April.



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COMPANY AFFAIRS

CUNARD

THE passing of its interim dividend by Cunard for the first time since 1942 came as a shock to the stock market. The company's £1 ordinary units were immediately marked down 3s. 9d. to 19s. 7½d. Last year, after the interim dividend had been cut from 3 to 2 per cent, the final payment was left unaltered at 8 per cent. And it was only six months or so ago that the chairman, Colonel Denis Bates, said that while the margin between "famine and abundance in the profit and loss account" was small, he was "moderately optimistic" about the prospect. The directors now say that while estimated results from the passenger liner traffic in the North Atlantic show a satisfactory increase on the previous year (in which the total operating surplus fell from £8.4 million to £6.2 million) this has been "more than outweighed by unfavourable results from cargo services."

The directors promise to review the situation carefully when the full year's figures are available next April. Cunard, which leans more heavily toward passenger liners than most of the other big groups, has made use of the Shipping Companies' Exemption Order and has been conservative in dividend payments. In the absence of any half-yearly figures for earnings, investors cannot gauge just how cautious the directors have been this time.

WALL PAPER MANUFACTURERS

A RISE from 108s. 9d. to 112s. 3d. in the price of the £1 deferred ordinary stock of Wall Paper Manufacturers greeted the cheerful news from that company. The group has evidently weathered the increase in costs, which was giving the directors some concern a year ago, remarkably well. In the year to June 30th profits before tax rose from £3,563,912 to £3,988,532 and after tax from £1,550,843 to £1,659,214. The ordinary dividend is raised from 25 to 27½ per cent and, in addition, the bonus of 5 per cent paid in 1956-57 has now been consolidated into the dividend and a 50 per cent scrip issue is promised. The first is certainly a gesture of confidence and the second may hold out some hopes that if the group continues to progress the dividend will be rounded upwards. The present payment is equivalent to 18⅜ per cent on the enlarged capital.

ELECTRIC AND MUSICAL

THAT Electric and Musical Industries was having a good year was not a Throgmorton Street guess. It was reasoned anticipation. EMI's 10s. shares which earlier in the year could be bought for 28s. had risen well above 40s. in the hope of something better than the 15 per cent ordinary dividend paid for the past three years. But the directors had a double surprise in store for the market. The ordinary dividend was left unchanged at 15 per cent and the market's first reaction was to mark the shares down 3s. 3d. to 40s. But the directors softened the blow, by announcing a delayed action dividend increase timed to take effect next year. The increase will take place if profits for the year to June 30, 1959, are "approximately the same" as profits this year. If that happens, the dividend will be raised to 20 per cent on a capital increased by a one for three scrip issue. That is equivalent on the present capital to an improvement from 15 to 26⅔ per cent. The shares rose to 47s. 6d. The directors are anxious to explain their actions: large scale capital expenditure, they say, has had the first call on resources at a time when funds were scarce and dear, and when EMI had to borrow from the banks, but adequate provision has now been made for the remaining programme. It also happens —though the directors do not mention it —that the transition from a two-tiered profits tax to a flat rate favours delay in increasing the dividend. So, in the year that ended on June 30th it was reserves which benefited from the expansion in profits. The consolidated trading profit advanced from £4,732,000 to £5,322,000 and with tax only a little higher at £2,573,000 and other charges lower, net profits have nearly doubled—from £1,114,000 to £2,156,000. The 15 per cent dividend absorbs only £325,000. Gift horses, the adage says, should not be looked in the mouth. Investors, with this particular horse, have not done so: on a prospective 20 per cent dividend, and allowing for the scrip issue, the 10s. units yield 5.6 per cent.

Nevertheless, this is a strange decision. Any board of directors should decide its dividend on the facts—not the hopes—before it. The 1957-58 earnings of EMI would easily have permitted a bigger payment.

LONDON AND OVERSEAS FREIGHTERS

FREIGHT rates have been falling since early in 1957, and now 1,250,000 tons of British shipping rides idly at anchor; and about 13 per cent of the world's tanker fleet is laid up, while new tankers, ordered in the boom, are still being launched. Hence earnings of London and Overseas Freighters, seem to present a paradox, for in the year to March 31st the group's profits at £2,969,204 were a mere £550,000 down while in the first quarter of the current year £740,000 (against £770,000) was earned, and in the quarter ended on September 30th the directors report an operating surplus of £820,000, making £1,560,000 for the six months (against £1,380,000 in the corresponding period of 1957). The explanation is, of course, that much of the fleet is still on time charter, at rates fixed in the more spacious days. For London and Overseas Freighters operating costs may also have been less of a problem than for some other shipowners, as the average age of the tankers it operates is young. The company is taking delivery of another small tanker —provided, the directors say, "with profitable employment for some time" —next year. On the assumption of a repeated 20 per cent dividend the 5s. ordinary units at 19s. yield 5¼ per cent —a yield that takes for granted a recovery in shipping freights within a couple of years.

COPPER PROFITS

THE quarterly figures of the Rhodesian Selection Trust group of copper companies were published last month and showed naturally that profits for the year to June 30th had suffered a resounding fall. They had made some recovery in the last quarter as the price of copper began to move up. Since these results were published the price of copper, with a strike on the copperbelt, has risen still further and the 5s. shares of RST have gained 2s. 7½d. to 19s. 7½d. while the 5s. shares of Roan Antelope have advanced 1s. 4½d. to 9s. 7½d. The rise had nothing to do with the latest year's results and dividends. RST's net income is derived mainly from its two-thirds interest in Mufulira and it has fallen from £4,750,527 to £2,394,050. RST is paying a final dividend of 3¼d. after Rhodesian tax and surcharge, making 4⅜d. for a year. The final dividend has not been cut as drastically as the interim was last May, but the full year's payment compares with a total of 1s. 3d. for 1956-57.

Roan Antelope earned a net profit of £1,451,879 (against £4,216,526), struck after charging £650,000 (against £1,250,00) for replacements and obsolescence. Roan is paying a final dividend of 2½d. after Rhodesian tax and surcharge (against 7½d. last year), making a total of 3⅜d. compared with 11¼d. in 1956-57.

FAIREY AVIATION

THE Government's decision to call upon aircraft manufacturers to meet a larger share of the high costs of development, the run-down in defence orders and the prospect of a highly competitive market for civil aircraft has forced investors to re-assess aircraft shares. At the best, dividend policies will have to be conservative. Fairey Aviation has had to drop several projects for lack of Government support. Thus, no fireworks were expected from Fairey and the preliminary statement of profits for the year to March 31st sets none alight. The ordinary dividend has been left unchanged at 15 per cent. The con-

solidated trading profit shows a rise of £102,793, to £2,231,146, but much more important is the fact that within this figure the amount which arises from deliveries made in past years has risen from £1,250,000 to £1,900,000. The extent to which the activities of the year just past will give rise to a similar boost in the future must seem to be in question. Net profits have fallen from £993,157 to £960,228, but the ordinary dividend absorbs only £177,287. Far from faltering on these results Fairey's 10s. units improved to 20s. 3d., to yield 7.4 per cent. Could the explanation lie in the fact that the company has done much in the past year to reduce its dependence on aircraft and widen its interest in such things as electronics, machine tools and atomic energy?

DAILY MIRROR AND SUNDAY PICTORIAL

BIG circulation newspapers can still pay off. No other inference can be drawn from the results of the Daily Mirror and Sunday Pictorial companies for the half year ended August 31st. It is the profits from newspapers and not the interests in paper and pulp manufacture nor those in commercial television through ATV that explain why in this period the Daily Mirror earned a gross income of £1,743,000, compared with £961,000 in the six months ended August 31, 1957, and £1,532,000 in the six months ended February 28th last, while the Sunday Pictorial earned £862,000, compared with £550,000 in the first half of 1957 and £681,000 in the second half. That point is proved by excluding investment income: on that basis the gross trading profit of the Daily Mirror in the latest half year was £1,201,000, compared with £514,000 in the corresponding period of 1957, and that of the Sunday Pictorial £464,000, compared with £235,000.

With the end of the companies' big capital expenditure programme coming in sight, the possibility of bigger dividends looms large. And, clearly, the directors are going to be more liberal, for the interim ordinary dividend of the Daily Mirror is raised from 7½ to 10 per cent and that of the Sunday Pictorial from 10 to 12 per cent. The Sunday Pictorial is to make a 50 per cent scrip issue as well. For 1957-58, the Daily Mirror paid a total dividend of 19½ per cent and the Sunday Pictorial 25 per cent. The 5s. "A" shares of the Daily Mirror were marked up 2s. 4½d. to 19s. 3d. xd., and the 5s. shares of the Sunday Pictorial 2s. 10½d. to 22s. 6d. xd.

THOMAS W. WARD

THE big earnings cover on the ordinary dividend of Thomas W. Ward has kept the yield on its £1 stock low. The ordinary dividend is again 20 per cent but the £1 units improved slightly to 87s. 3d., yielding only 4.6 per cent. Profits have again fallen, but this is not especially surprising for a group interested in scrap metal, quarrying, excavators and cranes and coal and coke merchanting. Group profits declined from £2,701,625 to £2,559,158 in the year to June 30th and net profits fell £75,292 to £1,173,710. The ordinary dividend absorbs £253,000 and there has again been a large transfer to reserves. Subsidiaries retain £288,392 (against £263,819) and the parent company has placed £400,000 to general reserve (against £600,000). In addition to this £249,893, arising from capital transactions has been credited to capital reserve.

STOTHERT AND PITT

A FEW months ago the board of Stothert and Pitt fought off a bid for its ordinary shares by a smaller engineering concern, Spencer (Melksham), by more than doubling its ordinary dividend from the equivalent of 11¼ per cent to 25 per cent. The point the directors did not make at the time of the struggle against the bid was that profits for the year to June 30th were higher. The preliminary statement now shows that gross profits were £120,111 higher at £1,024,422. Net profits, because of a bigger tax bill, are only £6,511 higher at £493,172. At 79s. 4½d., the £1 ordinary shares yield 6.3 per cent.

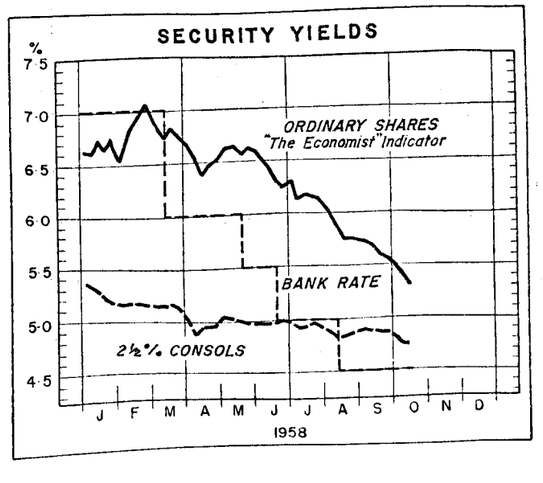
London Stock Exchange

FIRST DEALINGS:	Oct. 1	Oct. 15	Oct. 29
LAST DEALINGS:	Oct. 14	Oct. 28	Nov. 11
ACCOUNT DAY:	Oct. 21	Nov. 4	Nov. 18

ALTHOUGH gilt-edged were less active this week prices advanced throughout the list. Small gains were made by short-dated stocks and improvements of ¼ occurred among longer-dated issues and irredeemables; 5¼ per cent Conversion 1974 rose ⅛ to 99¾ and 5½ per cent Funding 1982-84 rose ⅛ to 102⅛. The announcement of a new Australian loan caused a temporary setback in Dominion stocks but prices recovered quickly on the success of the issue.

Equities made a further strong advance chiefly under the influence of the large payments surplus for the half year. The market was less firm on Wednesday after Wall Street had reacted from its peak, but a rise of 6.6 over the week carried *The Economist* indicator to 228.1, breaking through the peak of 1957. Associated British Picture rose 4s. 9d. to 39s. 3d. and other cinema shares were firmer, Rank Organisation rising 1s. 9d. to 10s. 9d. Electrical shares made large gains, C. A. Parsons advancing 5s. 6d. to 53s. 6d., Reyrolle 6s. to 88s. and Plessey 7s. 6d. to 72s. 6d. Jaguar was outstanding among motor shares, rising 5s. 1½d. to 38s. 9d. BMC gained 9¾d. to 10s. 9½d. British Aluminium rose 7s. to 54s. 6d. and there was a sharp improvement in International Nickel and Aluminium Limited. Shell led a rise in oil shares, rising 9s. 4½d. to 163s. 1½d. Royal Dutch gained ¾ to 18. TPD fell 2s. 6d. to 67s. 6d. xd after the chairman's statement.

A good rise in Orange Free State mines followed the publication of the latest quarterly results. Free State Geduld improved to 102s. 6d. and OFSIT to 71s. 6d. After weakening Anglo American Corporation advanced 6s. 3d. to a peak of 157s. 6d. Copper mines were supported, Bancroft rising 3s. 1½d. to 24s. 10½d. Lead-zinc mines also made a further recovery. Rubber shares were firm on the rise in the price of the commodity.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Sept. 17	213·8	5·59				
,, 24	215·0	5·55				
Oct. 1	219·0	5·49				
,, 8	221·5	5·42	228·1 (Oct. 15)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 15	228·1	5·31				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
Oct. 8	202·8	5·55	92·67	4·75	13,023	208·7 (Oct. 14)	207·6 (July 9)
,, 9	204·3	5·51	92·68	4·74	13,748		
,, 10	205·4	5·58	92·81	4·74	13,888		
,, 13	206·1	5·57	92·88	4·74	16,565	Low	Low
,, 14	208·7	5·50	92·93	4·73	15,777	154·4 (Feb. 25)	159·0 (Nov. 5)
,, 15	208·6	5·50	92·91	4·74	16,800		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Oct. 8, 1958	Price, Oct. 15, 1958	Net Yield, Oct. 15, 1958 £ s. d.	Gross Yield, Oct. 15, 1958 £ s. d.
99 31/32	96 1/16	War Loan 3%....1955–59	99 31/32	99 31/32	2 0 1	3 5 10
96 5/8	90 1/8	Funding 2½%....1956–61	96 3/8	96 1/2	2 19 4	4 1 2
99 3/8	96 1/8	Conversion 2%....1958–59	99 1/8	99 1/8	1 15 3	3 9 8
97 29/32	93 1/16	Exchequer 2%.....1960	97 29/32	97 29/32	2 15 9	3 15 3
99 1/16	95 1/8	Exchequer 3%.....1960	99 1/16	99 1/16	2 4 4	3 12 4
100 1/8	95 1/8	Conversion 4½%.....1962	100 1/16	100 1/8	2 6 1	4 6 2
94 13/16	88 5/8	Exchequer 3%....1962–63	94 13/16	94 13/16	2 17 10	4 6 3
101 1/8	99 1/16	Conversion 4½%.....1963	100 15/16	101 1/8	2 6 4	4 9 6
90 1/2	83 1/8	Savings Bds. 3%..1955–65	89 1/4	89 1/2	3 10 4	4 18 3
82 1/2	77 1/8	Funding 3%.....1959–69	81 1/2*	81 1/2	3 16 10	5 5 6
89 1/2	86 1/8	Funding 4%.....1960–90	87 1/2*	87 15/16*	10 19 10 / 2 17 7	12 15 11 / 4 14 8
79 15/16	75	Savings Bds. 3%..1960–70	79 1/2	79 1/2	3 17 7	5 7 2
91 1/8	84 1/8	Exchequer 2½%..1963–64	90 1/2*	90 1/2*	3 6 6	4 8 8
82 15/16	78 1/8	Savings Bds. 2½% 1964–67	82 1/2*	82 3/8*	3 16 11	5 0 6
74 7/16	69 1/8	Savings Bds. 3%..1965–75	74 1/4	74 3/8	3 16 5	5 7 5
103 1/16	99 1/4	Exchequer 5½%.....1966	102 1/2	102 3/4	2 17 0	5 3 10
83 1/2	78 1/8	Funding 3%.....1966–68	83 1/2	83 3/8	3 16 1	5 5 2
95	91 1/2	Victory 4%.....1920–76	94 1/2	94 1/8	2 19 0	4 14 11
87	81 3/8	Conversion 3½%.....1969	86 1/2	86 1/2	3 12 11	5 5 11
99 7/8	97 1/2	Conversion 5½%.....1974	99 1/2	99 3/8	3 2 5	5 8 10
78 1/2	71 1/2	Treasury 3½%....1977–80	77 1/4	78	3 10 2	5 6 1
77 1/2	70 3/8	Treasury 3½%....1979–81	76 1/2	77 1/4	3 10 5	5 6 1
02 1/2	98 1/2	Funding 5½%.....1982–84	102 1/4	102 1/4	3 1 5	5 8 7
67 1/2	60	Redemption 3%..1986–96	67	67 1/8	3 4 6	4 18 3
74 1/4	64 1/8	Funding 3½%..1999–2004	74 1/4	74 1/4	3 1 8	4 19 6
76 1/8	69 3/16	Consols 4% after Feb. 1957	76 1/2	76 3/16	3 0 6	5 5 8
69 1/16	63 1/2	War Loan 3½% after 1952	69 1/4	69 1/2	2 18 7	5 2 8
68 1/4	62 1/2	Conv. 3½% after Apr. 1961	68 1/4	68 3/16	2 19 0	5 2 8
60	54 1/8	Treas. 3% after Apr. 1966	59 1/2	59 1/2	2 17 10	5 0 7
52 1/8	46 1/2	Consols 2½%.....	52 1/8	52 1/8	2 14 6	4 14 10
51 1/16	46 3/8	Treas. 2½% after Apr. 1975	50 1/8	50 1/8	2 16 8	4 18 7
95 1/16	72 1/16	Br. Electric 4½%.1967–69	94 1/16	94 1/16	3 5 2	5 5 7
76 1/8	72 1/16	Br. Electric 3%..1968–73	76 1/8	76 1/8	3 17 2	5 5 9
73 1/8	68 1/8	Br. Electric 3%..1974–77	73 1/16	73 1/8	3 14 9	5 5 9
87 1/16	82 1/8	Br. Electric 4½%.1974–79	86 1/8	86 1/8	3 6 7	5 6 4
78 1/2	72 1/8	Br. Electric 3½%.1976–79	77 1/2*	77 1/8*	3 10 11	5 5 8
87 1/16	82 1/16	Br. Gas 4%.....1969–72	87 1/8	87 1/16	3 9 7	5 7 3
84	79 1/2	Br. Gas 3½%.....1969–71	83 1/16	83 1/16	3 12 10	5 6 4
67 1/2	60 7/16	Br. Gas 3%.....1990–95	67 1/8*	67 1/16*	3 4 9	4 18 1
76 1/2	72 7/16	Br. Transport 3%.1968–73	76 1/2	76 1/2	3 17 5	5 7 5
85 1/2	79 1/4	Br. Transport 4%.1972–77	85	85 1/2	3 8 2	5 6 11
68 1/16	60 1/8	Br. Transport 3%.1978–88	68 1/8	68 3/8	3 8 8	5 2 1

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Oct. 8, 1958	Price, Oct. 15, 1958	Yield, Oct. 15 1958 £ s. d.
88 1/2	83	Agric. Mortgage 5%.....1959–89	88	88 1/2	5 16 5
81 1/2	76 1/2	Australia 3½%.....1965–69	81 1/2	81 1/2	5 10 4
95 1/2	92 1/2	Birmingham 5%.....1973–75	95	95 1/2	5 8 3
96 1/2	90 1/2	East Africa 5½%.....1977–83	96 1/2	96 1/2	6 0 10
102 1/2	95 1/2	L.C.C. 5½%.....1977–81	101	101 1/2	5 7 8
64	56	Met. Water Board 'B' 3%..1934–2003	63 1/2	64	5 1 4
84 1/2	78	New Zealand 4%.....1976–78	84 1/2	84 1/2	5 5 6
74 1/2	69	S. Rhodesia 2½%.....1965–70	74 1/2	74 1/2	5 8 8
101 1/2	83	German 7% (Br. Enfaced 5%)..1924	100	98 1/2*	...
169	160	Japan 5% (Enfaced).....1907	161 1/2	161 1/2	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 8, 1958	Price, Oct. 15, 1958	Yield, Oct. 15, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/6	28/–	5 b 4 a	Bk. Ldn. & S. Amer. £1	30/–¶	30/6	5 18 0
51/4½	31/9	6 b 6 a	Barclays Bank.....£1	64/3	50/–‖	4 16 0
36/–	27/6	4 b 4 a	Barclays D.C.O. ...£1	35/6	35/9	4 9 6
42/3	31/3	7½ b 7½ a	Chartered Bank....£1	46/3	44/3‖	6 15 7
60/9	41/3	6½ b 6½ a	Lloyds Bank £1	59/3	60/9*	4 5 7
80/–	57/6	9 b 9 a	Midland Bank £1	77/9	80/–	4 10 0
42/6	29/6	5 b 5 a	Nat. Discount 'B' ..£1	39/6	42/6	4 14 1
56/6	40/9	6½ b 6½ a	Union Discount....£1	53/3	56/6	4 8 6
			INSURANCE			
38/6	32/9	36⅔ c 18½ a	Commercial Union 5/–	38/6	38/6*	4 15 3
160/–	113/9	40 a 60 b	Legal & General ..5/–	155/–	160/–	3 2 6
110/–	86/3	†50 b †20 a	Pearl.....5/–	108/–	110/–	5 10 8
202/6	154/–	†132½ c †147½ c	Prudential 'A' 4/–	200/–	202/6	5 1 4
			BREWERIES, ETC.			
41/6	31/–	36 b 10 a	Bass 5/–	39/6	41/6	5 10 10
27/3	19/7½	12½ b 7½ a	Distillers.....6/8	27/–	27/3	4 17 10
49/3	37/–	15 b 10 a	Guinness.....10/–	48/–	49/3	5 1 6
91/6	75/6	8 a 17 b	Whitbread 'A' £1	90/6	91/6	5 9 3
			MOTORS & AIRCRAFT			
14/4½	8/7½	6½ b 3½ a	Bristol Aeroplane 10/–	10/9	11/3*	8 17 9
10/9⅜	6/7½	12½ c 4 a	British Motor.....5/–	10/–	10/9½	5 15 7
46/–	31/9	6 b 3½ a	Ford Motor £1	42/–	42/3*	4 9 11
32/9	24/9	7 b 3 a	Hawker Siddeley....£1	31/3	31/6	6 7 0
47/7	39/–	12½ c 12½ c	Leyland Motors....£1	45/3	47/4½	5 5 6
100/6	82/9	15 b 5 a	Rolls-Royce £1	96/–	99/6	4 0 5
8 5/16	6/7½	8 c 8 c	Standard Motor...5/–	8/–	8/3	7 5 5

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 8, 1958	Price, Oct. 15, 1958	Yield, Oct. 15, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
55/6	41/10½	6½ b 6 a	Babcock & Wilcox .£1	54/6	54/6*	4 15 5
28/–	21/7½	6 b 4 a	Dorman Long £1	27/–	27/3	7 6 9
53/4½	34/6	5 a 10 b	Guest Keen N'fold..£1	52/10½	53/3	4 6 5
37/9	28/3	†2 a †4 b	Alfred Herbert £1	36/3	36/6	5 14 4
63/–	41/–	4 a 7 b	Metal Box £1	60/4½	63/–	3 9 10
27/6	20/–	8 b 3 a	Stewarts & Lloyds..£1	26/7½	26/9	8 4 6
64/–	48/–	13 b 5 a	Swan Hunter.....£1	62/7½*	64/–	5 12 6
25/6	17/9	7½ b 4 a	United Steel.....£1	25/–	25/6	9 0 5
34/3	28/6	7½ b 2½ a	Vickers £1	32/9*	33/6	5 19 5
			ELECTRICAL			
55/3	47/–	15 c 5½ a	Assoc. Elec. Inds...£1	52/6	55/3	5 8 7
47/–	39/3	4 a 8½ b	Br. Ins. Callenders..£1	46/–	46/9	5 6 11
31/9	24/7½	4 3½ c 14 a	Decca Record 4/–	29/9	31/9	5 10 3
48/6	28/–	15 c 15 c	Elect. & Mus. Inds. 10/–	43/3	47/6	5 12 3o
60/3	44/6	10 b 4 a	English Electric ...£1	59/–	60/3	4 12 11
40/3	29/9	3½ a 6½ b	General Electric ...£1	37/6	40/3	4 19 4
			TEXTILES			
16/3	10/1½	6 c Nil a	Bradford Dyers.....£1	12/4½	12/6	...
24/1½	19/6	2½ a 6½ b	Coats, J. & P. £1	23/–	24/1½	7 5 1
28/1½	19/7½	3 a 5 b	Courtaulds £1	28/1½	28/–	5 14 3
39/–	29/10½	12½ b 5 a	Lancashire Cotton..£1	37/–	38/10½	9 0 1
35/4½	30/–	12½ c 7½ a	Patons & Baldwins..£1	33/1½	33/9	7 8 2
			SHOPS & STORES			
20/1½	14/9	18 c 3 a	Boots Pure Drug..5/–	20/–	20/1½	3 11 7m
49/3	33/6	20 b 7½ a	Debenhams 10/–	46/10½	48/9	5 12 10
26/–	17/3	7½ a 25 b	Gt. Universal 'A'..5/–	26/1½	26/–	6 6 0
51/6	37/3	10 a 22½ b	Marks & Spen. 'A' 5/–	49/9	50/9	3 4 0
31/4½	21/–	20 b 12½ a	United Drapery...5/–	30/4½	30/10½*	5 5 3
45/9	34/7½	26½ b 13½ a	Woolworth.....5/–	44/–	44/9	4 9 4
			SHIPPING			
43/6	27/7½	6½ a 13½ b	Brit. & Com'wealth 10/–	43/–	43/6	4 12 0
23/9	16/6	10 c Nil	Cunard £1	22/9	23/3	...
35/6	27/3	10¢ c 10 c	Furness Withy.....£1	34/3	35/6	5 12 8
37/6	22/–	8 b 3 a	P. & O. Deferred...£1	36/–*	37/6	5 17 4
			MISCELLANEOUS			
40/–	27/–	22½ c 30 c	Allied Bakeries 'A' 5/–	39/9	40/–	3 15 0
45/9	31/–	3 a 6 b	Assoc. Port. Cem. ..£1	45/–	45/9	3 18 8
22/–	13/4½	20 c 7 a	Beecham Group....5/–	21/7½	22/–	4 10 11
44/9	26/6	8 b 4½ a	Bowater Paper £1	43/9	43/6	5 14 11
55/6	36/9	8 b 4 a	Br. Aluminium £1	47/6*	54/6	4 8 1
52/–	37/7½	†6½ b †10 a	Br. Amer. Tob. ..10/–	51/–	51/10½	5 11 9
34/6	19/9	7½ a 17½ b	B.E.T. 'A' Defd...5/–	31/9	34/3	3 13 0
43/6	28/3	6 b 4 a	Br. Oxygen £1	39/9	43/6	4 11 11
25/3	14/4½	3 a 11 b	Dunlop Rubber..10/–	24/1½	25/3	5 10 11
35/3	24/3	6½ b 2½ a	Imp. Chemical.....£1	34/3*	33/6	4 15 6
50/4½	37/–	11½ b 8½ a	Imp. Tobacco £1	50/–	50/3	7 19 3
39/9	28/–	5 b 2½ a	J. Lucas (Inds.).....£1	39/3	39/6	3 15 11
16/2½	12/6	5 a 8½ b	Monsanto Chem...5/–	14/10½	16/–	4 10 0
18/–	13/7½	5 b 5 a	Ranks.....10/–	17/7½	18/–	5 11 1
48/3	27/9	5 a 9 b	A. E. Reed.....£1	47/–	48/–	5 16 8
14/3	11/8½	22½ c 22½ c	Sears Holdings 'A' 5/–	13/9	13/10½	8 2 2
70/–	48/9	12 b 4½ a	Tate & Lyle £1	67/3	70/–	4 14 3
72/10½	48/6	7½ a 10b	Tube Investments...£1	70/–	71/7½*	4 17 9
71/1½	52/1½	12½ b 5 a	Turner & Newall...£1	71/1½	70/10½	4 4 8
92/6	70/6	6 a 11½ b	Unilever Ltd.....£1	90/–	92/–	3 16 1
107/3	73/3	4 a 16 b	United Dominions..£1	101/–‖	104/–‖	3 16 11
34/9	26/–	†4½ a †10 b	United Molasses .10/–	33/10½	34/9	7 1 9
			OIL			
58/6	39/9	†5 b †2½ a	British Petroleum..£1	55/–‖	56/9	4 11 11
84/6	59/1½	†5 a †7½ b	Burmah £1	80/7½	84/–	5 7 0
£18½	£13½	17½ b 7½ a	Royal Dutch....20 fl.	£17½	£18	2 12 7
165/–	117/6	†13½ a †5 a	Shell £1	153/9	163/1½	4 0 0
84/6	41/6	... ...	Ultramar 10/–	80/6	82/3	... d
			MINES, ETC.			
161/3	115/–	60 b 20 a	Anglo-American .10/–	155/–	157/6*	5 1 7
26/–	19/6	†10 b †2½ a	Cons. Tea & Lands..£1	26/–	25/6*	17 1 0
55/–	41/6	6½ a 12½ b	Cons. Zinc Corp. ...£1	53/–	55/–	6 16 4
115/7½	80/7½	120 b 80 a	De Beers Def. Reg. 5/–	110/7½*	112/6	8 17 9
102/6	76/–	40 a 60 b	Free State Geduld .5/–	97/–*	102/6	8 17 7
8·6	6 4½	30 c 30 c	London Tin .....£/–	8/–	8/6	14 2 4
60/–	46/6	50 a 50 b	President Brand ..5/–	57/–*	57/–	8 15 5
19/7½	12/10½	1½ a 6½ b	Rho. Selection Tst. 5/–	18/3	19/7½	1 17 2p
31½	20	175 b 25 a	Rhokana Corp. £1	30	30½	...
58/9	46/–	12½ a 37½ b	United Sua Betong..£1	57/6	58/9	17 0 5
105/–	84/4½	60 a 80 b	Western Holdings .5/–	103/1½*	105/–	8 13 4

New York Closing Prices $

	Oct. 8	Oct. 15		Oct. 8	Oct. 15		Oct. 8	Oct. 15
Alcoa.....	90½	90⅜	DuPontdeNm.	205½	201½	N.Y. Central .	23	21⅝
Alumin'm Ltd.	34½	34⅛	Ford Motors..	47⅛	46½	Sears Roebuck	33⅛	32¼
Am. Smelting.	49	49⅛	Gen. Elect....	68	66⅜	Shell Oil	84⅛	81
Amer. Tel. ...	192⅜	193½	Gen. Motors ..	49⅞	43½	Std. Oil of N.J.	58½	57⅜
Anaconda	61½	59½	Goodyear	94⅞	94⅛	Tri-Conti'tal..	38⅛	38¼
Beth. Steel ...	49½	51⅜	Gulf Oil.....	116⅛	115⅛	Union Carbide	116	113
Can. Pacific ..	30	28⅜	Int. Bus. M...	448	435	U.S. Steel	81⅜	81½
Chrysler Cpn..	58½	55½	Int'l. Nickel ..	88½	89½	West'house E.	65⅞	64½
Crown Zeller..	54⅞	54⅜	Int'l. Paper ..	114½	112½	Woolworth ...	48½	48½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earli st date. (f) Flat yield. (g) On 13% (h) On 12%. (i) On 15%. (l) To latest date. (m) On 14²%. (n) On 11½%. (o) On 26½. (p) After Rhodesian tax.

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 547 profit and loss accounts published July-September, 1958 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(17)		(15)		(34)		(13)		(1)		(41)		(73)		(12)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	41,091	44,219	3,021	2,379	25,617	26,162	29,516	31,826	23	32	16,915	16,250	34,445	35,366	7,658	8,370
Income from investments	1,916	2,290	54	53	453	555	356	389	1	...	604	613	882	883	187	210
Other current income	...	...	...	...	...	2	...	...	...	...	26	32	12	38	5	5
Non-recurring credits	897	1,107	45	47	588	402	780	822	...	...	470	466	530	999	41	56
Total Income	**43,904**	**47,616**	**3,120**	**2,479**	**26,658**	**27,121**	**30,652**	**33,037**	**24**	**32**	**18,015**	**17,361**	**35,869**	**37,286**	**7,891**	**8,641**
Depreciation	4,714	5,087	326	334	5,351	5,554	2,147	2,860	6	7	3,117	3,292	5,104	5,597	1,139	1,351
Income tax	15,051	16,027	1,049	837	8,215	7,616	11,645	12,506	2	4	5,877	5,613	11,596	11,789	2,776	3,057
Profits tax	4,286	4,575	271	263	1,792	1,823	3,419	3,790	...	...	1,289	1,226	2,875	2,876	699	730
Directors' emoluments	641	813	260	286	943	1,031	415	429	2	6	1,041	966	1,826	1,949	372	379
Administrative charges	98	106	43	26	267	265	392	503	7	9	85	90	276	289	16	23
Contingencies, provisions, etc.	746	641	132	25	404	794	32	174	1	...	105	158	313	509	5	8
Pensions	325	82	51	28	314	303	139	122	...	...	63	84	488	540	20	20
Minority interests	731	524	19	20	132	187	506	645	...	...	393	360	214	225	51	83
Loan interest	1,510	2,062	38	43	298	298	410	488	1	1	297	244	382	542	13	28
Preference dividends	516	529	42	47	526	541	319	318	...	5	232	227	337	382	68	68
Profits retained by subsidiaries	4,975	5,719	215	74	2,043	1,502	3,189	2,997	...	...	875	1,064	2,945	2,637	650	64
Ordinary dividends	7,438	7,908	377	401	2,820	3,066	4,763	5,477	...	...	1,891	1,934	3,849	4,175	933	972
Revenue reserves	2,864	3,025	261	322	2,239	2,500	2,462	2,387	...	...	2,564	1,699	5,248	4,801	1,269	1,851
Brought in (parent company)	4,480	4,489	810	846	8,693	10,007	2,015	2,829	4	9	4,476	4,662	5,955	6,371	1,380	1,260
Carried forward (parent company)	4,489	5,007	846	619	10,007	11,648	2,829	3,170	9	9	4,662	5,066	6,371	7,346	1,260	1,267

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(3)		(12)		(24)		(19)		(19)		(92)		(5)		(7)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	4,469	3,845	5,381	5,568	21,388	21,632	8,245	10,284	22,263	21,376	51,242	53,471	14,727	9,752	747	736
Income from investments	138	191	153	284	360	411	163	156	640	679	2,465	2,656	947	1,276	17	20
Other current income	...	...	...	...	...	...	22	58	...	...	34	36	...	...	...	...
Non-recurring credits	275	135	65	148	559	255	235	79	761	385	2,035	1,961	1,066	185	16	50
Total Income	**4,882**	**4,171**	**5,599**	**6,000**	**22,307**	**22,298**	**8,665**	**10,577**	**23,664**	**22,440**	**55,776**	**58,124**	**16,740**	**11,213**	**780**	**806**
Depreciation	848	1,032	940	1,005	4,305	4,860	1,185	1,485	3,084	3,564	9,712	10,603	4,510	4,624	163	165
Income tax	1,645	1,756	1,643	1,757	6,135	6,050	2,822	3,519	7,478	6,736	17,066	17,821	3,915	1,632	230	189
Profits tax	439	448	528	510	2,117	1,720	799	954	2,332	2,209	4,647	4,657	1,151	735	73	66
Directors' emoluments	101	105	394	394	668	681	488	506	869	891	2,484	2,486	163	174	108	101
Administrative charges	2	3	54	60	446	839	54	35	86	120	336	343	23	25	9	7
Contingencies, provisions, etc.	1	27	108	196	568	771	6	118	125	582	779	1,115	368	242	...	31
Pensions	...	...	25	27	694	722	62	63	228	131	365	359	9	10	...	4
Minority interests	83	86	39	37	269	305	...	15	302	390	757	846	227	146	...	2
Loan interest	6	5	64	96	753	1,057	61	160	286	347	427	430	...	...	3	7
Preference dividends	71	67	103	97	430	430	62	62	481	505	827	832	174	174	29	28
Profits retained by subsidiaries	789	Dr. 334	221	254	703	721	935	1,141	2,037	1,621	5,782	4,082	1,706	705	1,104	144
Ordinary dividends	507	616	824	766	2,339	2,088	1,193	1,335	3,301	3,145	6,947	6,816	1,351	1,020	96	87
Revenue reserves	156	101	590	767	2,360	2,164	922	983	2,157	1,190	3,658	4,389	3,120	1,667	80	27
Brought in (parent company)	1,573	1,807	1,388	1,454	5,388	5,908	1,597	1,673	3,690	4,588	11,210	13,199	1,407	1,430	1,512	397
Carried forward (parent company)	1,807	2,066	1,454	1,488	5,908	5,798	1,673	1,874	4,588	5,597	13,199	16,544	1,430	1,489	397	345

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(14)		(11)		(5)		(45)		(46)		(35)		547 Companies	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	982	849	9,448	4,277	2,113	2,360	4,670	4,320	2,802	2,327	6,752	4,074	26,066	25,734	339,581	335,209
Income from investments	7	1	270	228	120	141	232	360	248	262	327	326	3,976	3,980	14,516	15,964
Other current income	...	...	9	4	1	...	...	...	34	54	43	11	5	...	191	240
Non-recurring credits	15	57	47	513	255	160	176	346	223	592	243	915	1,273	1,158	10,595	10,838
Total Income	**1,004**	**907**	**9,774**	**5,022**	**2,489**	**2,661**	**5,078**	**5,026**	**3,307**	**3,235**	**7,365**	**5,326**	**31,320**	**30,872**	**364,883**	**362,251**
Depreciation	282	283	1,011	1,027	523	601	1,326	1,313	213	253	340	409	4,278	4,702	54,624	60,008
Income tax	289	196	3,771	1,252	718	824	1,377	1,449	725	722	2,754	1,904	9,292	8,978	116,071	112,234
Profits tax	85	86	574	490	130	166	417	442	472	133	895	207	2,688	2,478	31,978	30,584
Directors' emoluments	84	86	444	331	193	200	67	75	89	83	148	129	674	726	12,474	12,827
Administrative charges	8	15	27	30	86	110	23	30	110	119	182	174	728	931	3,358	4,152
Contingencies, provisions, etc.	...	1	245	162	28	1	241	276	172	207	211	196	103	301	4,693	6,535
Pensions	...	...	25	5	32	32	...	...	...	...	122	84	43	87	3,005	2,703
Minority interests	6	5	160	73	6	5	Dr. 4	Dr. 4	...	...	115	131	1,628	1,320	5,634	5,401
Loan interest	2	2	107	100	96	95	61	65	...	...	30	29	1,544	1,826	6,389	7,925
Preference dividends	56	56	211	211	63	63	4	4	2	2	37	28	679	678	5,269	5,354
Profits retained by subsidiaries	49	89	474	327	Dr. 11	83	446	293	24	49	127	195	2,721	2,748	31,999	26,175
Ordinary dividends	85	60	1,100	660	196	192	649	707	992	910	1,671	1,189	3,707	3,664	47,029	47,188
Revenue reserves	30	30	1,519	171	206	363	375	277	559	723	761	698	2,844	1,703	36,244	31,838
Brought in (parent company)	60	88	2,001	2,107	895	1,118	492	588	709	658	1,267	1,239	7,641	8,032	68,643	74,759
Carried forward (parent company)	89	86	2,107	2,290	1,118	1,044	588	687	658	692	1,239	1,192	8,032	8,762	74,759	84,086

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 547 balance sheets published July-September, 1958 (£000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(17)		(15)		(34)		(13)		(1)		(41)		(73)		(12)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	157,416	165,553	7,734	8,061	95,606	108,469	65,006	89,633	181	186	54,758	59,271	81,326	92,576	22,808	25,957
Trade investments	14,572	15,511	334	373	2,741	2,607	3,827	3,719	45	45	5,733	6,619	7,028	6,913	721	425
Stocks	93,675	97,190	8,319	9,236	63,140	58,249	43,928	53,380	205	223	35,277	36,449	72,255	79,028	10,160	11,994
Debtors	34,410	36,301	3,141	3,190	23,293	23,314	61,683	69,807	128	135	29,669	30,911	53,303	58,252	8,242	9,933
Net balances due to parent company	13	35	...	87	126	2	...	...	...	...	86	4	16	99	...	...
Gilt-edged	3,407	2,973	86	104	766	790	42	13	...	...	300	277	689	709	...	...
Cash	14,344	12,601	1,142	703	11,893	12,631	14,208	11,383	21	18	8,083	9,022	14,826	18,358	3,550	2,745
Other marketable investments	1,358	1,285	2	2	1,001	951	1,192	2,866	1	...	1,796	1,711	3,336	3,469	1,333	1,333
Intangible assets	6,299	8,244	192	161	11,398	12,328	2,720	2,710	...	...	1,612	1,781	2,197	2,371	1,118	1,122
Total Assets	**325,494**	**339,693**	**20,950**	**21,917**	**209,964**	**219,341**	**192,606**	**233,511**	**581**	**607**	**137,314**	**146,045**	**234,976**	**261,775**	**47,932**	**53,509**
Bank overdrafts and loans	3,769	3,562	1,192	1,644	24,768	17,433	6,614	8,660	299	319	5,261	6,774	12,569	13,690	947	1,770
Reserve for future income tax	14,938	16,075	1,072	811	8,536	7,465	13,866	14,670	...	1	5,103	4,855	11,974	12,287	2,755	3,033
Depreciation and obsolescence	33,998	37,021	3,253	3,542	36,316	41,372	10,774	14,777	65	73	20,841	23,418	31,323	35,647	9,826	10,774
Capital reserves	27,735	29,613	804	680	5,915	6,581	24,657	39,234	48	49	11,603	11,514	12,135	15,337	2,561	2,294
Other provisions	3,004	3,127	43	38	2,221	2,356	122	105	...	...	253	322	1,719	1,655	161	145
Creditors	20,202	19,973	2,141	2,035	26,736	32,230	34,275	38,232	...	...	21,883	23,183	33,459	36,462	6,349	8,034
Other current liabilities	20,177	19,547	1,337	1,551	6,901	7,570	19,405	21,930	...	4	5,038	5,033	14,543	15,553	2,185	2,067
Revenue res. and carried forward	65,036	72,005	4,925	4,414	40,030	44,755	32,985	38,459	9	9	27,144	28,989	50,523	57,417	9,566	10,649
Net balances due to subsidiaries	10	65	...	4	156	310	87	83	...	...	12	19	17	39	...	...
Minority interests	13,073	5,520	466	502	3,086	2,983	13,778	16,610	...	...	4,392	4,493	1,639	1,938	712	748
Loan capital	36,726	45,811	1,074	1,021	7,092	6,887	8,144	9,735	34	26	5,379	5,653	9,107	10,016	296	279
Preference capital	16,227	16,217	1,593	1,593	13,927	14,316	9,052	9,052	108	108	6,829	6,829	10,310	11,620	1,947	1,938
Ordinary capital	70,599	71,157	3,050	4,082	34,280	35,083	18,847	21,964	18	18	23,576	24,963	45,658	50,114	10,627	11,778
Total Liabilities	**325,494**	**339,693**	**20,950**	**21,917**	**209,964**	**219,341**	**192,606**	**233,511**	**581**	**607**	**137,314**	**146,045**	**234,976**	**261,775**	**47,932**	**53,509**
Year's Free Scrip Issues	—	465	—	798	3,458	299	1,744	378	—	—	568	1,380	2,644	2,342	590	1,151

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(3)		(12)		(24)		(19)		(19)		(92)		(5)		(7)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	14,080	16,499	18,505	20,784	69,701	78,872	21,585	25,047	68,340	85,825	149,416	171,102	64,478	72,012	3,963	4,192
Trade investments	2,842	2,270	610	872	4,481	4,763	1,433	1,733	5,355	5,858	9,944	10,712	3,331	3,407	103	78
Stocks	9,873	11,432	10,695	10,550	82,278	86,024	17,530	19,156	27,102	27,747	82,824	83,406	860	949	4,572	4,449
Debtors	6,436	7,214	8,840	8,959	50,363	56,363	10,142	11,445	27,784	30,642	105,970	108,137	9,621	8,386	2,037	2,258
Net balances due to parent company	50	...	50	...	...	...	...	...	180	37	353	414	...	...	...	26
Gilt-edged	545	545	671	781	...	...	46	47	1,442	1,978	12,423	8,197	5,577	5,278	232	232
Cash	3,203	2,881	3,519	4,124	12,698	10,315	3,026	3,757	16,013	11,174	31,031	35,030	15,968	12,687	356	465
Other marketable investments	...	...	66	78	131	260	...	...	4,884	4,882	2,302	3,570	7,237	7,026	...	6
Intangible assets	2,043	2,051	1,495	1,244	1,917	2,015	542	517	17,751	15,114	20,087	20,093	1,372	1,272	93	116
Total Assets	**39,072**	**42,892**	**44,451**	**47,392**	**221,569**	**238,612**	**54,304**	**61,702**	**168,851**	**183,257**	**414,350**	**440,661**	**108,444**	**111,017**	**11,356**	**11,822**
Bank overdrafts and loans	97	...	501	954	15,486	16,413	1,852	1,555	2,218	4,341	15,271	14,983	...	...	681	973
Reserve for future income tax	1,641	1,885	1,378	1,510	4,359	4,388	3,210	3,937	7,914	6,569	16,720	17,399	3,471	2,306	225	202
Depreciation and obsolescence	5,142	6,012	6,098	6,672	28,125	31,695	6,969	7,416	22,846	25,142	59,239	66,562	14,281	14,902	1,583	1,702
Capital reserves	2,764	3,644	2,928	2,987	15,847	16,079	5,459	6,053	8,134	11,617	31,810	37,250	6,623	6,510	1,077	1,060
Other provisions	21	25	198	203	221	204	183	177	844	1,039	2,510	2,623	2,916	3,122	...	50
Creditors	5,537	7,222	7,515	7,794	34,808	44,652	6,818	8,243	18,618	20,932	70,399	72,271	12,243	12,543	1,476	1,372
Other current liabilities	2,420	1,583	2,279	2,081	11,058	10,482	2,683	2,784	7,814	7,704	17,737	18,649	7,982	7,797	362	412
Revenue res. and carried forward	7,254	7,699	9,694	10,207	41,814	44,062	10,545	12,202	42,372	44,651	82,259	89,917	36,781	32,683	2,154	2,239
Net balances due to subsidiaries	...	...	2	13	1,594	...	...	1	3	...	658	92	40	40	...	...
Minority interests	1,573	1,580	526	520	2,035	2,331	91	360	4,714	6,139	9,256	9,294	3,860	3,963	45	56
Loan capital	119	113	2,398	2,893	22,607	24,130	2,598	2,923	6,682	7,461	8,476	8,069	429	461	162	165
Preference capital	2,572	2,572	2,687	2,687	13,159	13,159	1,677	1,637	14,543	14,554	23,919	23,882	5,175	5,175	1,395	1,395
Ordinary capital	9,932	10,557	8,247	8,871	30,456	31,017	12,219	14,414	32,149	33,108	76,096	79,670	14,643	21,515	2,196	2,196
Total Liabilities	**39,072**	**42,892**	**44,451**	**47,392**	**221,569**	**238,612**	**54,304**	**61,702**	**168,851**	**183,257**	**414,350**	**440,661**	**108,444**	**111,017**	**11,356**	**11,822**
Year's Free Scrip Issues	1,482	—	—	300	270	503	—	1,690	7,431	926	1,384	2,248	—	6,372	—	—

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(14)		(11)		(5)		(45)		(46)		(35)		547 Companies	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	6,184	6,422	23,068	25,465	13,573	14,587	14,795	17,087	14,224	14,465	21,533	22,959	186,873	195,549	1,175,153	1,320,573
Trade investments	44	22	1,044	913	849	848	2,004	4,197	796	1,197	787	964	21,895	19,323	90,519	93,369
Stocks	3,288	3,470	27,524	22,789	6,270	7,281	3,490	1,903	1,437	1,208	9,781	8,954	23,522	23,424	638,005	658,491
Debtors	1,387	1,525	8,058	7,518	3,574	3,709	3,850	4,062	723	687	4,161	4,105	89,455	110,459	546,270	597,618
Net balances due to parent company	...	...	...	...	...	...	...	...	12	...	...	...	94	...	980	704
Gilt-edged	158	77	678	308	147	24	1,036	1,036	1,641	1,507	1,434	1,493	1,379	1,560	32,541	27,546
Cash	...	...	3,272	4,054	803	897	1,567	4,809	3,139	2,591	8,292	6,427	21,075	24,141	192,187	190,890
Other marketable investments	...	...	446	317	1,411	1,215	289	306	420	362	161	233	18,851	19,312	46,217	49,184
Intangible assets	425	425	5	...	4	4	245	145	...	1	11	214	5,246	5,583	76,772	77,511
Total Assets	**11,486**	**11,941**	**64,095**	**61,364**	**26,631**	**28,565**	**27,276**	**33,545**	**22,392**	**22,018**	**46,160**	**45,349**	**368,390**	**399,351**	**2,798,644**	**3,015,886**
Bank overdrafts and loans	608	686	1,649	1,591	1,594	2,389	...	...	45	57	1,778	2,754	29,780	27,946	126,979	128,454
Reserve for future income tax	292	205	3,225	953	755	902	446	394	827	219	2,188	658	8,671	8,642	113,566	109,366
Depreciation and obsolescence	2,625	2,904	9,039	9,834	5,741	6,187	7,254	7,096	1,692	1,760	2,969	3,531	37,698	40,779	357,697	398,818
Capital reserves	1,313	1,329	1,076	1,110	1,868	1,151	1,073	1,270	3,943	4,185	5,860	6,660	18,793	19,302	194,026	225,509
Other provisions	...	...	66	...	1,990	2,134	1,851	1,764	1,317	1,191	5,221	4,032	67,726	90,607	385,893	439,252
Creditors	843	886	4,486	3,460	863	963	2,404	2,387	1,885	1,483	6,438	5,990	19,487	19,887	157,379	159,048
Other current liabilities	526	528	3,855	3,063	3,496	3,689	6,109	12,125	3,340	3,548	8,091	7,708	46,995	51,297	549,301	595,067
Revenue res. and carried forward	799	867	17,380	15,476	...	...	...	...	...	...	...	...	1,325	1,205	3,955	1,897
Net balances due to subsidiaries	...	...	51	26	...	...	4	...	...	11	766	851	31,342	31,849	92,826	91,241
Minority interests	10	16	1,283	1,300	175	177	1,100	1,100	...	...	588	544	41,625	41,143	160,068	173,797
Loan capital	50	50	2,717	2,698	2,665	2,619	100	100	74	74	1,125	1,155	21,292	21,292	158,594	160,238
Preference capital	1,770	1,770	7,172	7,172	1,941	1,941	6,035	7,135	8,859	9,092	10,749	11,058	37,846	38,364	476,371	509,876
Ordinary capital	2,650	2,700	12,096	14,615	5,543	6,405										
Total Liabilities	**11,486**	**11,941**	**64,095**	**61,364**	**26,631**	**28,565**	**27,276**	**33,545**	**22,392**	**22,018**	**46,160**	**45,349**	**368,390**	**399,351**	**2,798,644**	**3,015,886**
Year's Free Scrip Issues	—	50	100	2,519	200	850	100	500	223	130	213	53	310	240	20,717	23,194

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

STATISTICS

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

	World Trade ..... This week		
British		**Overseas**	
Prices and Wages.....	Oct. 4th	Western Europe :	
Production and Consumption	Sept. 20th	Production and Trade.....	Sept. 27th
Manpower.....	Oct. 11th	British Commonwealth	Oct. 11th
External Trade.....	Sept. 27th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Sept. 20th
Industrial Profits	This week	United States	Oct. 4th

World Trade

(Million US Dollars)

	Exports (fob)					Imports (cif)				
				Annual Rate					Annual Rate	
	1955	1956	1957	January to March, 1958	March to June, 1958	1955	1956	1957	January to March, 1958	March to June, 1958
WORLD										
Total (1)	**84,316**	**93,610**	**100,300**	**94,045**	**94,840**	**88,984**	**98,117**	**107,300**	**99,451**	**99,760**
STERLING AREA										
Total	**20,503**	**21,811**	**22,637**	**22,145**	**20,990**	**23,539**	**24,295**	**26,118**	**24,704**	**24,135**
United Kingdom	8,468	9,290	9,684	9,653	9,084	10,867	10,881	11,412	10,464	10,295
UK overseas territories	2,189	2,450	2,515	2,527	...	2,723	2,997	3,244	3,118	...
Hong Kong	444	563	529	486	498	651	799	901	782	779
Nigeria	371	377	356	421[2]	355[2]	381	428	425	450	...
Other sterling countries	9,846	10,071	10,438	9,955	...	9,949	10,417	11,462	11,150	...
Australia	1,747	1,887	2,203	1,688	1,556	2,160	1,964	1,932	2,019	1,996
Ceylon	407	364	353	360	254	307	342	379	344	275
Ghana	244	222	229	358	316[2]	246	249	270	216	232[2]
India	1,276	1,288	1,350	1,205	964	1,413	1,698	2,154	1,708	1,609
Iraq	519	477	360	...	...	273	321	343	...	...
Ireland	311	303	367	875[2]	378	582	512	517	546	574
Kuwait	830[2]	840[2]	875[2]	1,900[2]	1,065[2]	...	...	...	...	...
Malaya	1,358	1,361	1,363	1,270	1,251	1,249	1,357	1,431	1,445	1,394
New Zealand	725	777	772	893	777	802	751	830	808	824
Northern Rhodesia, Nyasaland, Southern Rhodesia	484	509	437	344	450	441	506	560	552	518
Pakistan	401	340	337	388[2]	...	290	417	440	415[2]	...
South-West Africa, Union of South Africa	1,059	1,183	1,299	1,168	1,154	1,481	1,524	1,696	1,922	1,814
EUROPE										
Total	**26,060**	**28,523**	**31,741**	**30,477**	**30,739**	**29,027**	**33,257**	**36,828**	**34,456**	**34,161**
Belgium-Luxemburg	2,776	3,162	3,186	3,170	2,949	2,830	3,272	3,432	3,145	3,038
Denmark	1,057	1,112	1,174	1,212	1,233	1,178	1,311	1,359	1,310	1,222
France	4,911	4,541	5,111	5,090	4,836	4,739	5,558	6,170	6,037	6,072
Germany, Federal Republic	6,135	7,358	8,575	8,222	8,527	5,793	6,617	7,499	7,294	6,881
Italy	1,856	2,145	2,540	2,431	2,534	2,711	3,174	3,626	3,204	3,233
Netherlands	2,688	2,863	3,098	3,078	3,055	3,208	3,725	4,105	3,490	3,600
Norway	633	772	822	764	690	1,090	1,211	1,274	1,270	1,356
Sweden	1,726	1,945	2,137	1,834	2,108	1,997	2,209	2,424	2,481	2,245
Switzerland	1,307	1,442	1,560	1,483	1,462	1,489	1,766	1,964	1,706	1,726
Turkey	313	305	345	364	230	498	407	397	344	403
Total related areas (excl. sterling area)	**3,380**	**3,461**	**3,595**	**3,696**	...	**4,464**	**4,605**	**5,194**	**4,950**	...
Netherlands Antilles	803	841	871	837	...	996	1,062	1,163	1,112	...
NORTH AMERICA										
Total	**20,338**	**24,385**	**26,288**	**22,400**	**24,034**	**17,525**	**20,021**	**20,520**	**19,022**	**19,929**
United States	15,554	19,097	20,821	17,654	18,308	12,369	13,751	14,174	13,792	13,733
Canada	4,784	5,288	5,467	4,746	5,786	5,156	6,270	6,346	5,230	6,196
LATIN AMERICA										
Total	**7,970**	**8,635**	**8,654**	**7,990**	**8,225**	**7,553**	**7,940**	**9,274**	**8,053**	**8,440**
Argentina	929	944	975	971	1,017	1,173	1,128	1,310	1,155	1,251
Brazil	1,423	1,482	1,392	1,084	1,279[2]	1,306	1,234	1,489	955	...
Chile	472	542	455	...	...	376	354	441	...	...
Colombia	580	599	520	423	372	669	657	477	438	361
Cuba	607	686	832	764	...	633	714	880	769	...
Mexico	807	880	727	700	...	885	1,072	1,155	1,154	1,264
Peru	268	308	320	243	261	300	361	400	370	345
Venezuela	1,873	2,116	2,366	2,271	...	1,092	1,249	1,868	1,705	...
REST OF THE WORLD										
Total	**6,065**	**6,795**	**7,385**	**7,337**	...	**6,876**	**7,998**	**9,366**	**8,266**	...
Egypt	419	499	493	485	541	538	535	524	605	754
Indonesia	946	896	969	629	...	631	861	797	594	...
Iran	...	...	...	...	...	295[2]	335[2]	375[2]	447[2]	...
Japan	2,011	2,501	2,358	2,844	2,720	2,471	3,230	4,284	3,214	3,038

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years. (1) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (2) Partly estimated.

Financial Statistics

EXCHEQUER RETURNS

For the week ended October 11, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £15,907,000 compared with a surplus of £11,358,000 in the previous week and a deficit of £33,075,000 in the corresponding period of last year. There was a net expenditure "below-line" of £5,571,000, leaving a total deficit of £537,243,000 compared with £566,722,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to Oct. 12, 1957	April 1, 1958, to Oct. 11, 1958	Week ended Oct. 12, 1957	Week ended Oct. 11, 1958
Ord. Revenue					
Income Tax	2312,500	653,565	704,444	12,139	14,915
Surtax	163,000	38,700	39,900	1,100	1,200
Death Duties	163,500	96,000	93,800	3,100	3,000
Stamps	56,250	36,700	29,400	1,000	1,100
Profits Tax, EPT & EPL	275,000	137,500	160,700	10,300	11,500
Other Inland Rev. Duties	...	110	120	...	...
Total Inland Rev.	2970,250	962,575	1028,364	27,639	31,715
Customs	1256,940	644,443	687,646	24,017	26,800
Excise	932,310	467,885	468,250	5,445	4,665
Total Customs and Excise	2189,250	1112,328	1155,896	29,462	31,465
Motor Duties	104,000	22,821	23,905	783	985
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	11,000	11,400	...	...
Sundry Loans	30,000	22,963	22,305	60	29
Miscellaneous	110,000	101,260	47,488	2,539	130
Total	**5439,500**	**2232,947**	**2289,358**	**60,483**	**64,324**
Ord. Expenditure					
Debt Interest	695,000	353,346	363,893	6,987	9,184
Payments to N. Ire. & d Exchequer	73,000	34,086	37,103	...	3,062
Other Cons. Funds	10,000	4,631	4,168	1	1
Supply Services	4292,859	2102,152	2125,395	86,350	67,100
Total	**5070,859**	**2494,215**	**2530,559**	**93,338**	**79,347**
Sinking Funds	38,000	19,067	19,464	220	884
"Above-line" Surplus or Deficit	—	**280,335**	**260,665**	**33,075**	**15,907**
"Below-line" Net Expenditure	286,387	276,578	3,631	5,571	
Total Surplus or Deficit	**566,722**	**537,243**	**36,706**	**21,478**	—
Net Receipts from :					
Tax Reserve Certificates	139,719	154,681	—4605	1,076	
Savings Certificates	—1,500	67,900	—200	4,300	
Defence Bonds	—10,511	43,438	—1499	3,549	
Premium Savings Bonds	40,830	36,645	860	1,890	
Total	**168,538**	**302,664**	**—5264**	**10,815**	

* Including net receipts of the Civil Contingencies Fund of £16 million in 1957 and £15 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Oct. 12	3,110·0	1,742·9	220·0	...	5,072·9
1958					
July 12	3,280·0	1,611·2	197·9	...	5,089·1
,, 19	3,260·0	1,615·1	228·2	...	5,103·2
,, 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
,, 9	3,270·0	1,569·9	190·5	...	5,030·4
,, 16	3,270·0	1,589·9	209·4	...	5,069·3
,, 23	3,270·0	1,630·9	164·0	...	5,064·9
,, 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
,, 13	3,270·0	1,657·9	178·3	...	5,106·2
,, 20	3,270·0	1,704·4	167·5	...	5,141·9
,, 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
,, 11	3,310·0	1,773·4	183·1	...	5,266·5

THE MONEY MARKET

THE Treasury bill rate fell again at the tender on Friday last week, after two successive increases. The discount market raised its bid by 4d. to £99 1s. 9d. per cent, and the increase does not appear to have been matched in the bids of outside applicants. Thus although the allotment was down on the week from £260 to £250 million, and total applications were little changed at £424 million, the proportionate allotment at the market's minimum bid rose from 44 to 55 per cent; and while the market's discount rate fell by 1s. 4d. per cent, the average rate on the whole allotment was down by only just over 1s., to £3 13s. 0¾d. per cent. At yesterday's tender, the offer was maintained at £250 million.

Credit conditions in Lombard Street have continued to be difficult. The discount houses were actually "in" the Bank at the penal rate through the first three days of this week, though in each case the amount taken was very small; and on Monday, as on the previous Thursday, the authorities gave fairly large special help through market purchases. In these conditions of stringency, the discount market's dealing margins have continued under pressure: bills have been sold to the banks at $3\frac{19}{32}$, and flexible rates on overnight loans have been $3\frac{1}{2}$-$3\frac{5}{8}$ per cent.

The Treasury bill rate in the United States turned upward again this week, from 2.67 to 2.93 per cent, a new peak for the year.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	3⅞-3 15/16
Bank	2½	3 months	3⅞-3 15/16
Discount houses	2½*	4 months	3⅞-3 15/16
		6 months	3⅞-3¾
Money		**Fine trade bills:**	
Day-to-Day	2½-3½	3 months	4⅛-5⅛
Treas. bills 2 months	3⅝	4 months	4⅛-5⅛
3 months	3 15/16	6 months	4⅛-5⅛

* At immediate notice.

BANK OF ENGLAND RETURNS

(£ million)	Oct. 16, 1957	Oct. 8, 1958	Oct. 15, 1958
Issue Department :*			
Notes in circulation	1,969·7	2,018·5	2,014·1
Notes in banking dept.	30·6	31·9	36·2
Govt. debt and securities*	1,996·2	2,046·2	2,046·2
Other securities	0·8	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department :			
Deposits :			
Public accounts	11·6	12·9	11·1
Bankers	239·7	219·1	246·8
Others	74·3	68·9	69·5
Total	325·6	300·9	327·4
Securities :			
Government	270·5	247·0	270·2
Discounts and advances	18·5	17·3	16·8
Other	21·1	21·2	21·0
Total	310·1	285·5	308·0
Banking department reserve	33·1	32·9	37·1
" Proportion "	% 10·1	% 10·9	% 11·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,050 million from £2,100 million on September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
Oct. 11	260·0	416·4	260·0	132 0·23	41
1958					
July 11	240·0	452·8	240·0	80 3·79	43
,, 18	240·0	424·3	240·0	84 11·39	40
,, 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39
,, 8	250·0	467·9	250·0	77 3·63	55
,, 15	250·0	437·8	250·0	74 5·00	32
,, 22	250·0	437·4	250·0	74 6·25	28
,, 29	270·0	424·1	270·0	74 11·48	53
Sept. 5	270·0	434·6	270·0	74 0·93	64
,, 12	270·0	423·7	270·0	73 6·81	51
,, 19	270·0	413·7	270·0	71 9·20	68
,, 26	260·0	381·4	260·0	72 6·10	55
Oct. 3	270·0	424·8	260·0	74 1·39	44
,, 10	250·0	423·6	250·0	73 0·72	55

* On October 10th tenders for 91 day bills at £99 1s. 9d. secured 55 per cent, higher tenders being allotted in full. The offer this week was for £250 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot					
	October 15	October 9	October 10	October 11	October 13	October 14	October 15
United States $	2·78-2·82	2·80⅜-2·80⅝	2·80⅜-2·80⅝	2·80⅜-2·80⅝	2·80⅜-2·80⅝	2·80⅜-2·80⅞	2·80⅜-2·80⅞
Canadian $	...	2·72⅛-2·72⅜	2·72⅛-2·72⅜	2·72⅛-2·72⅜	2·72⅛-2·72⅜	2·72⅛-2·72⅜	2·72⅛-2·72⅜
French Fr.	1167·18-1184·82	1176¼-1176¾	1176¼-1176¾	1176¼-1176¾	1176¼-1176¾	1176-1176½	1176½-1176¾
Swiss Fr.	12·15⅝-12·33⅞	12·20⅜-12·20⅝	12·20⅜-12·20⅝	12·20⅜-12·20⅝	12·20⅜-12·20⅝	12·20⅜-12·20⅝	12·20⅜-12·20⅝
Belgian Fr.	138·95-141·05	139·27½-139·32½	139·27½-139·32½	139·30-139·35	139·30-139·35	139·30-139·35	139·30-139·35
Dutch Gld.	10·56-10·72	10·56½-10·56¾	10·56½-10·56¾	10·56½-10·56¾	10·56½-10·56¾	10·56½-10·56¾	10·56½-10·57
W. Ger. D-Mk.	11·67⅞-11·84⅛	11·68½-11·68¾	11·68½-11·68¾	11·68½-11·68¾	11·68½-11·68¾	11·68½-11·68¾	11·68½-11·68¾
Portuguese Esc.	79·90-81·10	80·25-80·40	80·30-80·40	80·30-80·40	80·30-80·40	80·35-80·45	80·40-80·55
Italian Lire	1736⅜-1762½	1743¼-1743½	1743½-1744¼	1744-1744¼	1743¾-1744	1743¾-1744	1743-1743¾
Swedish Kr.	14·37½-14·59⅜	14·48¼-14·49¼	14·48¼-14·49¼	14·48¼-14·49¼	14·48¼-14·49¼	14·49¼-14·49¾	14·49⅛-14·49⅝
Danish Kr.	19·19½-19·48½	19·32½-19·33¼	19·32½-19·33¼	19·32½-19·33⅜	19·32½-19·33	19·32½-19·33¼	19·33¼-19·33⅝
Norwegian Kr.	19·85-20·15	19·99½-19·99¾	19·99½-19·99¾	19·99½-19·99¾	19·99½-19·99¾	19·99½-19·99¾	19·99½-19·99¾
		One Month Forward Rates					
United States $		½-⅓c. pm	½-⅓c. pm	½-⅓c. pm	½-⅓c. pm	⅓-¼c. pm	⅓-¼c. pm
Canadian $		⅛-⅓c. pm	⅛-⅓c. pm	⅛-⅓c. pm	⅛-¼c. pm	¼-⅜c. pm	¼-⅜c. pm
French Fr.		2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis
Swiss Fr.		⅓-⅔c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1¼-1½c. pm	1¼-1½c. pm
Belgian Fr.		¼ pm-par	¼ pm-par	¼ pm-par	¼ pm-par	¼ pm-par	¼ pm-par
Dutch Gld.		par-⅛c. dis	par-⅛c. dis	par-⅛c. dis	⅛c. pm-par	⅛c. pm-par	⅛c. pm
W. Ger. D-Mk.		1/32pf. pm-par	1/32pf. pm-par	1/32pf. pm-par	1/32pf. pm	1/32pf. pm	1/32pf. pm
Italian Lire		⅛ pm-¼ dis	⅛ pm-¼ dis	⅛ pm-¼ dis	⅛ pm-¼ dis	⅛ pm-¼ dis	⅛ pm-¼ dis
Swedish Kr.		1/16 pm-par	1/16 pm-par	1/16 pm-par	1/16 pm-par	1/16 pm-par	1/16 pm-par
Danish Kr.		2/16 pm-par	2/16 pm-par	2/16 pm-par	2/16 pm-par	2/16 pm-par	2/16 pm-par
Norwegian Kr.		1/16 pm-1/16 dis	1/16 pm-1/16 dis	1/16 pm-1/16 dis	1/16 pm-1/16 dis	1/16 pm-1/16 dis	1/16 pm-1/16 dis
		Gold Price at Fixing					
Price (s. d. per fine oz.)		250/4½	250/4½	...	250/3½	250/2½	250/1



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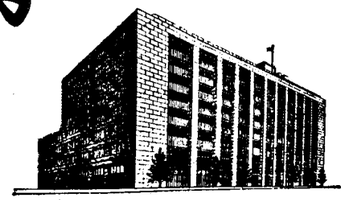

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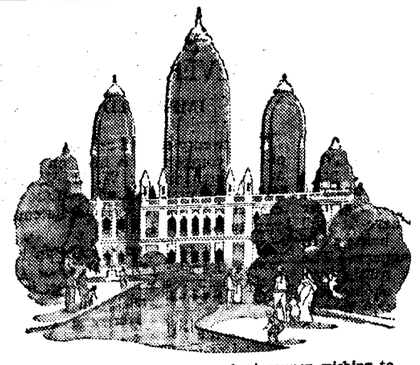

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TRONOH MINES LTD.

MR J. H. RICH'S REVIEW

The fifty-sixth annual general meeting of Tronoh Mines Limited, was held on October 10th at 73 Cheapside, London, EC.

Mr J. H. Rich, Chairman, presided and the following is an extract from his circulated Statement :

After providing for taxation, there remains a balance of profit for the year ended December 31, 1957, of £766,518. £370,000 has been transferred to General Reserve and £30,000 has been placed to a Reserve against Unquoted Investments. Dividends totalling 2s. per share, less Income Tax, have been paid in respect of the year, and the Directors recommend payment of a final dividend of 6d. per share, together with a bonus of 6d. per share less Income Tax, leaving a balance of £335,677 to be carried forward to the current year.

The working profit of Tin Lay Limited, our wholly owned subsidiary, is about the same as last year. Owing to the recent purchase by Tronoh Mines Limited of the Puket dredge and leases, it will be possible to utilise the Puket quota for production by the Tin Lay Dredge.

The "teething" troubles experienced by the grab dredge of Aokam Tin Limited, in which we have a financial stake, have not yet been finally overcome but progress is being made in that respect. One encouraging feature disclosed by the operations is that the ground contains high tin values, thus confirming the boring results.

The Company continues to pursue its policy of prospecting for new areas through the medium of Tromal Prospecting Limited, which is financed by the associated companies of the Tronoh-Malayan Tin Group. Attention has been mainly devoted to testing sea areas off the Siamese coast. No payable area has yet been defined but the results to date are certainly encouraging and fully justify further prospecting.

MINING OPERATIONS

As regards our mining operations in Malaya, the severity of restrictions so far as this company is concerned may be appreciated from the following facts: the monthly output last year averaged 230 tons, whereas for the first two quota periods (6 months) of the current year, the permitted output averaged 118 tons per month. The third quota period will show a slight increase due to grouping with Southern Tronoh, but the fourth quota period will show a decrease owing to the decision to cut production further by 8 per cent. The quota is at present being produced by the three dredges at Kampar section working 5 days a week, this being designed to reduce hardship on the labour force to a minimum.

On August 31st the Federation of Malaya became an independent Sovereign State within the Commonwealth. In my statement last year I expressed my confidence in the future of the country under its changed status and nothing has arisen since then to shake that confidence which has further been strengthened by the words of the Ruler in his speech at the State opening of the Legislative Assembly, when he said: "Malaya is determined to maintain confidence in its financial standing as a field for investors at home and abroad." This encouraging statement has been followed by an announcement that the Federation Government plans in conjunction with other countries in South East Asia to offer business men an international agreement against expropriation and discrimination.

TIN CONTROL

The International Tin Agreement became effective as from December 15, 1957. It is interesting to see the effect it has on the six signatory producing countries. The production of these countries during the year 1957 was 152,236 tons while the total of the allowable export quotas from December 15, 1957, to December 31, 1958, is 93,000 tons, a decrease in production of 59,236 tons. The total world production for 1958 is estimated to be 119,000 tons, made up of 92,000 tons from the signatory countries, 12,000 tons from outside producers (other than Russia) and 15,000 tons of exports from Russia; while consumption, excluding Russia and China, is calculated to be 137,000 tons, showing a deficiency of some 18,000 tons. It is surprising that with such a deficiency the Buffer Stock Manager has been called on so heavily to purchase tin to maintain the floor level of £730 per ton. But consumers were aware that the financial resources of the Buffer Stock Manager were limited and that it might not be possible for him to maintain that price level. There was therefore no incentive for them to carry stocks adequate for their requirements and every incentive to them to run down their stocks as rapidly as possible and to work on a hand to mouth basis. The lack of confidence thus produced together with the USA recession in industrial activity made the position of the Buffer Stock Manager vulnerable.

At this stage considerable quantities of Russian tin were thrown on the market with the result that the Buffer Stock has been compelled at least for the time being to withdraw its support of the floor price level and to allow the unfettered price mechanism of the open market to operate. Though temporarily this may appear unpleasant to producers I believe it will react to their advantage by helping to restore the confidence of consumers. The rise in exports of Russian tin to the free world from 450 tons in 1956 to about 9,000 tons in 1957 and nearly double that rate in 1958 is significant. Imports of Russian tin into the United Kingdom in the second quarter of this year amounted to 2,090 tons compared with 629 tons for the corresponding period of last year. The average three months tin price for the second quarter of 1957 was £767 per ton; the price for the second quarter of the current year was £730 per ton. It seems strange that at the higher tin price only 629 tons were exported compared with 2,090 tons at the lower price. The only explanation to be assumed is that Russia intended to do her utmost to wreck the tin control scheme. Seeing that the major producers of tin are what are known as under-developed countries, it is hard to reconcile Russia's attitude with her much vaunted policies of helping under-developed countries. This furnishes another instance of how little reliance can be placed on her declared intentions. In these circumstances one wonders whether any useful purpose would be served had she accepted the recent invitation to her to join the International Tin Council. Personally I consider it would be harmful if she were to do so, as it would put her in a position to obtain information to further her own interests at the expense of the industry as a whole.

The source of the Russian tin remains somewhat of a mystery owing to the lack of statistics from that country. Russia is a buyer and seller of tin as well as a producer, but the amount of her production is not known outside. As control schemes incorporating price control are so largely dependent upon accurate statistics the position as regards the source of Russian tin calls for urgent investigation by the International Tin Council if future difficulty is to be avoided. There is always a tendency for outside sources of production to increase under control, as was proved in the last control scheme and full investigation is called for if we are to know just where we are going.

A subject which has been constantly stressed from time to time by the Chamber of Mines and Chairmen of Mining Companies is the need for a more liberal land alienation policy. At the present the Mining industry is suffering from acute land starvation. The seriousness of the position is shown by the fact that at April 30th this year no less than 14 dredges were closed down, not because of tin restriction, but because of the exhaustion of their ore reserves and many more mines are rapidly running out of land.

This Company, in conjunction with its associated companies of the Tronoh-Malayan Tin Group, is sponsoring a scheme for provision of group scholarships for Malayans at the Camborne School of Mines and of maintenance during the courses. We already have three young men studying at the School and two more are just starting. We feel that this scheme will go some way to assist Malayans to fulfil their legitimate aspirations and we are confident that Shareholders will approve the expenditure incurred.

COWBURNS & SCOTTS (BEVERAGES) LIMITED

IMPROVED RESULTS

The twenty-second annual general meeting of this company was held on October 15th at Nottingham, Mr W. H. Whitaker, FID, chairman, presiding. The following is an extract from his circulated statement for the year to March 31, 1958:

Trading profit for the Group before taxation is £27,056, an increase of £16,970. I feel certain you will have read with satisfaction the considerable improvement of the year's working over the two preceding. During the year we acquired the whole of the capital of G. W. Waugh Ltd., mineral water manufacturers, comprising a factory and plant in Sheffield where we have a considerable trade. By this acquisition we hope to develop still further our trade, after the reorganisation of the company is completed.

The alterations and extensions to the Nottingham restaurant and bars have fully justified our efforts. We have completed alterations to our Stratford property and during the current year have extended our restaurant, "The Mulberry Tree."

The wine and spirit side of your business is steadily increasing and in my opinion will continue to do so. For the soft drink side, 1956 was a shocking year for weather and 1957 not much better. Our weather is our most severe competitor. We are constantly endeavouring to produce drinks that will demand an all the year round trade. If it were not for the heavy taxation that industry is called upon to bear, we would be able to expand more quickly.

THE RANK ORGANISATION LIMITED

The following are the salient features from the Report and Accounts of The Rank Organisation Limited and its Subsidiary Companies for the 52 weeks ended 28th June, 1958.

Group Profits As the result of the alarming and unexpected acceleration in the decline in cinema attendances which commenced in the summer of 1957, the Group profits for the year, which amounted to £1,781,499 before tax, showed a substantial reduction compared with the previous year. After providing for tax and for outside shareholders' interests, the net profit attributable to The Rank Organisation amounted to £196,450. The Preference dividend and the proposed 5% Ordinary dividend absorbed £158,485. No transfer is accordingly made to Reserve this year, but the Reserves accumulated in past years are very substantial.

Film Production Eighteen films were released during the year and the production organisation has operated most efficiently. Unfortunately the over-all financial result was not satisfactory due to the heavy fall in theatre attendances and to the change in public taste resulting from the competitive television programmes. The loss this year is regarded as exceptional and the current year should show a considerable improvement.
The work of our Contract Artistes has been warmly received and has been publicly recognised by the number of awards they have obtained.

Entertainment Tax The Group paid over £7,700,000 in tax, the heavy burden of which became intolerable in view of the fall in cinema attendances in 1957. In January 1958 a submission was again made to the Chancellor for the abolition of the tax. The measure of relief granted in the 1958 Budget, operating from 4th May 1958—welcome as it was—still leaves the Cinema Industry paying some 15% of its gross receipts in Entertainment Tax—from which all other forms of entertainment are free. This discrimination appears wholly unjustifiable.

Film Industry Defence Fund The Industry has taken concerted action to mitigate the undoubted damage caused to cinema attendances by the showing of old feature films on television.
An Authority has been set up to acquire the television rights of British feature films out of funds to be provided by means of a levy on box-office receipts.

Exhibition Domestic exhibition has had a difficult year as a result of the decline in attendances which shows no signs of having been arrested. There is also a serious decline in the availability of films, both British and American, which attract the public. This inevitably means there will have to be a material change in the pattern of exhibition and distribution involving the further closing of a number of theatres. The need for the rationalisation of the Industry is pressing and the Organisation would like to participate in a national scheme. At present it does not appear that the Industry will approach the problem on this basis and we are proceeding with our own scheme.
The results overall of our overseas exhibiting interests have been maintained.

Distribution Domestic distribution has suffered from the fall in box-office takings. As a step towards rationalisation of distribution facilities we have made arrangements to distribute RKO product in many countries.
Despite reduced cinema attendances in the Eastern Hemisphere we have secured an increased share of a reduced market.
There has been some improvement in the Canadian results and progress has been made in South America.
The task of entering the market in the USA has proved to be difficult. Losses have inevitably been incurred but the venture is so important, not only to the Group but to the whole of the British Film Industry, that we are persevering. The whole of the development loss has been written off.

The Gramophone Record Field We have decided to enter this field and have formed a company, Rank Records Limited, to manufacture and sell gramophone records under the label "Top Rank".

Commercial Television The Southern Television station, in which the Group has a one-third interest, opened on 30th August 1958 and is operating satisfactorily.

Rank Precision Industries Group An important internal re-organisation is being carried out which will help to achieve the policy of developing activities outside the Cinema Industry.
The long and happy association with Bell & Howell of Chicago has continued and the sales volume of G. B. Bell & Howell products is steadily increasing.
We are developing new lines of electronic products for use in association with computers and other equipment.

Rank Cintel Limited and Bush Radio Limited The turnover of Bush has risen to a record level but profit margins were lower as the result of meeting the more difficult trading conditions arising from Government credit restrictions.
The numerous Government projects handled by Rank Cintel are continuing satisfactorily.

Rank-XeroX Limited The successful introduction of xerographic equipment in the United Kingdom and in overseas markets confirms our confidence for future development of this new venture.
Many new xerographic machine designs are reaching an advanced stage of development in the Haloid XeroX laboratories in Rochester USA. These will be passed to our factories and will ensure a steady expansion of the company.

The Rank Laboratories (Denham) Limited A substantial increase in turnover has been secured, mainly from our steadily increasing export business and from the television medium.

The Future Although our future results must be governed to a substantial extent by the trend of cinema attendances and the abolition or continuance of Entertainment Tax, I feel sufficiently confident to anticipate an improvement in our trading figures for the current year. If we see the end of Entertainment Tax, I believe that with the maximum efficiency of operation within the Industry, or failing that within the Organisation, we shall see a fair return on the capital invested in our business and a steady growth in our diversified activities.

* A copy of the Chairman's full statement and Annual Accounts may be obtained from The Rank Organisation Ltd., 38 South Street, London, W.1

R. G. SHAW & COMPANY

(Eastern Merchants and Secretaries)

The seventeenth annual general meeting of R. G. Shaw & Company Limited was held on October 14th in London, Sir Harry Townend (chairman and managing director) presiding.

The following is an extract from his circulated review: The Group profit before taxation amounted to £208,575, as compared with £206,344 for the previous year, and after deducting taxation, there remains £104,247, as compared with £96,578 for last year.

Our Tea Companies in Assam and in Ceylon, which can be classed as producers of Quality Tea, had a successful year, as was also the case with the Companies in Pakistan; the Companies in the Dooars district of Northern India, however, which are producers of Medium type Tea, incurred small losses on the year's working. New season's Quality Teas are again selling extremely well.

The price of natural Rubber showed a further decline in 1957. As production and consumption this year are expected to be more or less in balance, it seems unlikely that there will be a marked up-turn in prices in the foreseeable future.

Trading conditions on the merchanting side of our business have been affected by restrictions placed on Imports by India and Pakistan, and elsewhere by reason of the general fall in the price of primary commodities which is being experienced in the East.

Trade with Iraq and Iran continued at a satisfactory level. The current financial year has got off to a satisfactory start.

The report was adopted and a dividend of 20 per cent approved.

THE CHARTERED BANK

INCREASE OF CAPITAL

An extraordinary general meeting of The Chartered Bank was held on October 8, 1958, at the Head Office, 38 Bishopsgate, London, E.C.2, for the purpose of considering resolutions increasing the authorised capital of the Bank from £4,400,000 to £5 million by the capitalisation of £600,000 standing to the credit of the Reserve Fund.

Mr V. A. Grantham, the Chairman of the Bank, presided.

Mr W. G. Pullen, General Manager, read the notice convening the meeting.

The Chairman first proposed "That the capital of the Company be increased by £600,000 by the creation of 600,000 new shares of £1 each."

The resolution was seconded by Sir John Tait, Deputy-Chairman of the Bank, and carried unanimously.

The Chairman then proposed "That upon the recommendation of the Court it is desirable to capitalise the sum of £600,000 being part of the undivided profits of the Company standing to the credit of the Reserve Fund and accordingly the Court be and is hereby authorised and directed to appropriate the said sum to the members on the Register of Members at the close of business on Saturday, the 4th day of October, 1958, holding Stock in the capital of the Company in proportion to the amount of Stock held by them respectively, and to apply such sum on behalf of the said Stockholders in paying up in full 600,000 unissued shares of £1 each, such shares to be allotted and distributed credited as fully paid up to and

amongst the said Stockholders in the proportion aforesaid."

The resolution was seconded by Sir John Tait and carried unanimously.

The Chairman finally proposed "That as soon as the said 600,000 shares shall have been allotted and credited as fully paid up pursuant to the above resolution, the said shares shall be converted into £600,000 Stock ranking in all respects pari passu with the existing £4,400,000 Stock of the Company."

The resolution was seconded by Sir John Tait and carried unanimously.

The Chairman stated that the Stock Exchange were prepared to grant a quotation in the additional shares created by the capitalisation and dealings could take place as from October 9th. The Court of Directors would authorise immediately the transfer of £400,000 from Contingencies to Reserve Fund. The Bank's capital would then stand at £5 million and the Reserve Fund at £5½ million.

TAP & DIE CORPORATION

DISTRIBUTION MAINTAINED

The eighth annual general meeting of The Tap & Die Corporation Limited was held on October 16th in London.

Mr D. G. N. Lloyd-Lowles, chairman, in the course of his speech, said : At the last annual general meeting I warned you that sales were then running at a lower level.

Industrial conditions deteriorated rapidly in the ensuing months. The rise in prices on the Stock Exchange does not necessarily reflect increased activity in the factories and, although, so far as our own business is concerned, I should like to think that there are indications that the worst is over, this is not to say that orders are yet up to 1956-57 levels.

Two things emerge, however, which are encouraging and which show the underlying strength of the Corporation. First, although the total volume of sales of screwing tools in this country during the year was appreciably lower than in the previous year, our share of the market was slightly higher. Our overseas sales remain at practically the same very high percentage of total United Kingdom exports of screwing tools as last year.

Secondly, the fall in our turnover is less than for the machine tool industry as a whole.

In view of our strong reserves and cash position, equal together to more than the whole of our issued capital, the board decided to make the same distribution as last year.

Our liquid position has still further improved and excess of current assets and quoted investments over current liabilities now amount to £804,000, including stocks and work in progress at £507,000.

BARCLAYS BANK LIMITED

An Extraordinary General Meeting of the Stockholders of Barclays Bank Limited was held on October 9th at the Head Office of the Bank, 54 Lombard Street, London, E.C.3.

Mr A. W. Tuke, Chairman of the Bank, presided.

The Meeting approved the Ordinary Resolution directing a capitalisation of Reserves on the basis that the holder of each £4 of Ordinary Stock on the register of Stockholders at the close of business on September 6, 1958, should receive one £1 Ordinary Share (to be converted immediately into Stock) credited as fully paid. The Meeting also approved the Special Resolution altering the Articles of Association of the Company. Both of these Resolutions had been circulated to Stockholders with the Notice of the Meeting.

BUSINESS AND PERSONAL
9/- a line.

DIRECTORS, EXECUTIVES, MANAGERS!

All holding positions of responsibility in industry and commerce should visit the

DIRECTORS' AND EXECUTIVES' EXHIBITION

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A wide range of products and services of special interest to executives—both for their companies and for their individual requirements. This event is quite different from any existing exhibition, and includes 28 exhibitors who have never shown elsewhere.

LONDON ENGINEERING Company with comprehensive Machine, Fitting and Fabricating Shops would like to hear from Principals or Agents having engineering work to place on commission or as sub-contract work at competitive prices.—Write in strict confidence to Box 1053.

LARGE company wishes to invest surplus capital in family managed but under-capitalised private companies. Acquisition of controlling interest is not essential.—Replies treated in absolute confidence to be sent to Chairman, Box 1056.

CONSULTANTS in Singapore and Malaya have clients interested in the manufacture, or production under licence, of engineering products.—Enquiries to R. Hackett & Associates, P.O. Box 1286, Singapore.

THE COMING CRISIS OF 1959 (20 pp. 6mo. 5s.), post free from INVESTMENT RESEARCH, 36 Regent Street, Cambridge.

TYPING MSS.—Speed and accuracy guaranteed. 2s. 1,000 words.—Vera Norman, 28 Victoria Drive, Leigh-on-Sea, Essex.

CHINA NEWS ANALYSIS, independent weekly newsletter, now in its sixth year. Fully documented, weekly essay-reviews of every aspect of communist China, political, economic, cultural, based on objective analysis of the vernacular publications. For specimen copies, apply : CNA, P.O. Box 5517, Kowloon, Hong Kong.

STATISTICAL CONSULTANCY SERVICES offered, more particularly Trend Forecasting and Administrative Controls. Box 1013.

WHEN is a wine like a melody? When it's El Cid Sherry. That's the superb Amontillado that has all the flavour of slow old Spanish tunes. It pleases the palate as music pleases the ear.

EVERYTHING FOR THE CAMERA EXCEPT THE VIEW.—City Sale & Exchange, Ltd., 66 Cheapside, E.C.2.

KEEP warm while you pay! Nu-way oil-firing makes your house warm and cosy without dirt, dust or labour. Send for details of Nu-way oil-firing, the cheapest form of automatic heat. Now available on credit purchase terms.—Nu-way Heating Plants, Ltd. (Box A56), Droitwich.

AIR SUBSCRIPTION RATES

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight
Australia	£10 6s.	—
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Pakistan	£9 0s	—
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Sudan	£7 15s.	£6 15s.
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ORCHIDS—Buy direct from actual producers! Six flowering size Cymbidiums, different colours, for £6; two Cypripedium Hybrids, two Odontoglossums, one Coelogyne, one Dendrobium for £5 10s.; flowering size Cattleyas 25s. each; thousands of unflowered seedlings and hundreds of curious orchids. Send for lists. "Simplicity of Orchid Growing," illustrated booklet, " Simplicity of Orchid Growing," will be sent free on application.—Mansell & Hatcher Ltd., Dept. E, Craigwood Nurseries, Rawdon, Leeds.

THE Purchasing Officers' Association maintains an Appointments Register, and employers requiring the services of purchasing staff are invited to communicate with the Association at Wardrobe Court, 146A Queen Victoria Street, London, E.C.4. (City 3841.)

MANUFACTURERS!

STYLING PROBLEMS?

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CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability) Ontario & Quebec Railway Company 5 per Cent. Debenture Stock. 6 per Cent. Common Stock. In preparation for the payment of the half-yearly interest payable on 1st December next, the DEBENTURE STOCK TRANSFER BOOKS will be CLOSED on 1st November and will be reopened on 2nd December. The half-yearly interest on the Common Stock will be paid on 1st December to holders of record on 1st November.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. 10th October, 1958.

APPOINTMENT REQUIRED

A YOUNG woman graduate with experience in industry and private research seeks interesting work in London for six months only.—Box 1054.

APPOINTMENTS

COUNTY COUNCIL OF ESSEX
COUNTY PLANNING DEPARTMENT

Applications invited for the following posts :

(1) Senior Planning Assistant. Special Grade (£750 to £1,030) at Wanstead. Applicants must have had practical experience in the preparation of development plans in urban areas and be able to take charge of a small section of staff. Experience in, and a flair for, statistical and research work related to planning regarding population, industry, employment, education, etc., will be an advantage.

Applicants should be Corporate Members of the Town Planning Institute or other comparable professional institute, or possess a University Degree in Economics or Geography.

(2) Planning Assistant, A.P.T. Grade 1 (£575 to £725) at Broomfield. Applicants will be required to undertake duties in the Detailed Planning and Design Section at Headquarters, particularly in regard to elevational control and housing layouts and should have aptitude for an experience in work of this nature.

Five-day week ; day release facilities ; medical examination : superannuation.

Applications on forms to be obtained from County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, to whom they should be returned by November 3, 1958.

THERE is a vacancy for a Research Assistant in the Research Department of the Labour Party to specialise in the fields of social security, health and local government matters. Knowledge of one or more of these subjects as well as a University degree would be an advantage. Salary, depending on experience, £635-£850 per annum.—Application form, obtainable from the Secretary, Labour Party, Transport House, Smith Square, S.W.1, to be returned by November 1.

CAMBRIDGE UNIVERSITY

LECTURESHIP AND ASSISTANT LECTURESHIP IN LAND ECONOMY

Applicants should have specialised knowledge of land values, the economics of land use, the economics of housing, or fiscal policy relating to land.

Salary scales £1,300 to £1,800 and £800 to £1,000, with certain other allowances.

ASSISTANTSHIP IN RESEARCH

Applicants should be qualified to undertake research in economic, local, or social problems related to the use, tenure, or development of land.

Salary scale £650 to £850.

Further information may be obtained from the Secretary of the Board of Estate Management, 74 Trumpington Street, Cambridge. Closing date for applications : November 22, 1958.

APPOINTMENTS
Vacant 9/- a line ; Required 6/- a line.

AUTOMATIC DATA PROCESSING

OPERATIONAL RESEARCH

The Operational Research Department of The Steel Company of Wales Limited (Steel Division), Port Talbot, has vacancies for men with qualifications and experience in the mechanisation of office systems connected with production control. The Department is also prepared to train graduates without previous experience in this type of work.

A capacity for logical conceptual thinking will be more important than the particular discipline studied. The work will relate to a given project extending over a term of years and will embrace both Organisation and Method and Operational Research aspects of Automatic Data Processing. Its eventual scope in the hands of the right men cannot be defined but is certainly very great.

Those wishing to apply should write giving full details of age, experience, present salary and any information considered relevant to :—

SUPERINTENDENT, Personnel Services,

THE STEEL COMPANY OF WALES LIMITED
(STEEL DIVISION),
Abbey Works, Port Talbot, Glam.

LEVERHULME RESEARCH AWARDS

FELLOWSHIPS AND GRANTS, 1959

Application is invited for Fellowships and Grants in aid of research. These awards are intended for senior workers of established position and are limited to British-born subjects normally resident in the United Kingdom ; in exceptional circumstances the Trustees may waive the condition as to residence.

No subject of inquiry is excluded from consideration but preference is given to subjects in which existing provision for research is inadequate.

The duration of the awards does not extend over more than two years or less than three months and the amount depends on the nature of the research and the circumstances of the applicant.

Application must be made on Form "F" obtainable together with further details from the Secretary, Leverhulme Research Awards, St. Bridget's House, Bridewell Place, London, E.C.4.

The closing date is December 31, 1958. Results will be announced in May and the awards will normally date from September 1, 1959.

AGRICULTURAL ECONOMISTS : (a) One Principal ; (b) Two Assistants, in Ministry of Agriculture, Fisheries and Food. Pensionable posts in London for men and women. Age on October 1, 1958 : (a) not over 31 ; (b) not over 28 and normally under 28 for (b). For (a) : at least 2nd Class honours degree in agriculture, economics or related subject, or (possibly) pass degree with special qualifications, or acceptable post-graduate Diploma. Principal post calls for at least three years' experience in agricultural economics or related subject ; a knowledge of statistical methods will be an advantage. For (b) : at least 2nd Class honours degree in agriculture, but preference will be given to applicants with a knowledge of statistical methods. Duties include investigation of charges in financial conditions of agricultural industry and factors affecting agricultural output, analysis of farm accounting data and preparation of material for farm management advisory work. Men's London salary scales : (a) £1,450 to £2,050 ; (b) £635 to £1,110. Starting salary above minimum possible in both cases. Promotion prospects.—Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 4897/58. Closing date November 6, 1958.

INDUSTRIAL OFFICERS required by Federal Government of NIGERIA for Department of Commerce and Industries on contract for one tour of 12-24 months in first instance. Commencing salary, according to age, qualifications and experience, not less than £1,206 a year (including Inducement Addition), rising to £1,674 a year. Gratuity £150 a year. Outfit Allowance £60. Free passages for officer and wife. Assistance towards children's passages and grant up to £150 annually towards maintenance in U.K. Liberal leave on full salary. Candidates, aged 30-55, must possess School Certificate or equivalent and have at least seven years' experience in industry, including three years at managerial level, preferably with more than one type of industry. Membership of British Institute of Management or similar recognised body an advantage.—Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience, and quote M3A/44921/EN.

EDUCATION OFFICER required for provincial area of political party organisation. Applicants should be University graduates preferably between 25 and 45. Commencing salary, according to experience and qualifications, not less than £700.—Write to Conservative Political Centre, Abbey House, 32 Smith Square, London, S.W.1.

CITY OF LIVERPOOL EDUCATION COMMITTEE

CITY COLLEGE OF COMMERCE

Principal : T. Gore, M.A., B.Sc.(Econ.), M.B.I.M., Hon. F.I.L., Barrister-at-Law.

Applications are invited for the undermentioned appointments (full-time). Duties to commence as soon as possible.

(1) LECTURER IN ACCOUNTANCY to teach Accountancy and allied subjects to the Final Professional Level. A degree in Economics or Commerce would be an advantage.

(2) LECTURER IN ECONOMICS with special reference to Business Administration. Duties will include teaching different aspects of Business Administration to a high level and establishing contacts with firms in the area.

Applicants should have teaching experience, good professional qualifications and suitable industrial and/or professional experience.

Persons appointed will be permitted to do a limited amount of consultative work.

Salaries will be in accordance with appropriate grade of the Burnham Technical Report, 1956.

Further particulars and application forms (returnable by October 29, 1958) may be obtained from the Director of Education, 14 Sir Thomas Street, Liverpool 1.

THOMAS ALKER,
Town Clerk and Clerk to the Local Education Authority.
(J.5354)

ACCOUNTANT required by GOVERNMENT OF NORTHERN NIGERIA for Ministry of Trade and Industry, Kaduna, on contract for one or two tours of 12/24 months in first instance. Commencing salary (including Inducement Addition) for professionally qualified candidates, not less than £1,170 in scale, rising to £1,824 a year ; for unqualified candidates, according to experience, in scale £840 rising to £1,824 a year. Gratuity at rate of £100-£150 a year. Clothing allowance £45. Free passages for officer and wife. Assistance towards children's passages and grant up to £288 a year. Liberal leave on full salary. Candidates between 23 and 45, must have sound knowledge of accountancy and either hold recognised accountancy qualification or have had several years' experience with professional accountants or commercial or industrial organisations.—Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience, and quote M3A/45058/EN.

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Applications are invited for the post of P.A. to an Englishman holding a senior position in the permanent international civil service in Paris.

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ECONOMIST, aged 22-30, required by leading U.K. Oil Company to join group responsible for developing the analysis and presentation of the Company's financial results, estimates and budgets.

Candidates must have an honours degree in economics or equivalent, preferably with experience of statistics or accounting. Experience in commerce or industry would be an additional advantage but applications will be considered from recent graduates. The appointment will lead to positions of wider responsibility within the Company. Salary offered will be commensurate with qualifications and experience. Excellent pension scheme.—Apply, giving full details of age, qualifications and experience, to Box 1051. Replies can only be sent to those selected for interview.

TREASURER required by ARUSHA TOWN COUNCIL, NORTHERN PROVINCE, TANGANYIKA, for admission to permanent establishment after six months' probationary period. Commencing salary according to age, qualifications and experience, in scale £1,330 rising by annual increments of £44 to £1,770 a year. Council's contribution to Provident Fund £110-£147 a year. Liberal leave on full salary after tour of 48 months. Free passages. Furnished house provided at low rental. Climate well suited to Europeans. There are good educational facilities, and free medical treatment and sporting and other recreational facilities are available. Duties include organising and administering Accounts Department of the Town Council together with the accounts of a coffee and sisal estate. Candidates not over 40, must possess recognised accountancy qualification and have experience in commercial and/or local government accounting.—Write to the Crown Agents, 4 Millbank, London, S.W.1, State age, name in block letters, full qualifications and experience and quote M3A/45078/EN.

WESTMINSTER COLLEGE OF COMMERCE, 13 Francis Street, S.W.1. Two Assistants, Grade B, required : (1) To teach Economics, British Constitution and Economic History ; (2) To teach English and General subjects. Must be graduates and have experience in teaching these subjects. Burnham F.E. salary scales : £725 x £25 to £1,100, or £48 London allowance plus £36. Additions for training and increments within the scale for experience.—Application forms from the secretary to be returned by October 29, 1958.

D.S.I.R. Headquarters, Regent Street, London, requires two ECONOMISTS in the Senior Scientific Officer Grade for studies of research and development needs of industries and relative economic importance of scientific research programmes.

Qualifications : 1st or 2nd Class Honours degree in economics, plus three years' experience in applied economics in industry or university. Salary : £1,190 to £1,410 (men). Prospects of promotion (and for candidates under 31 also of establishment).—Application forms from Ministry of Labour and National Service, Professional and Executive Register (Ref. P.E.1952), Atlantic House, Farringdon Street, London, E.C.4. Closing date for applications November 3, 1958.

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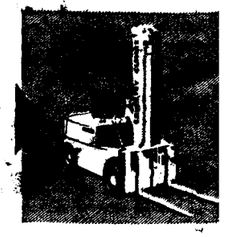

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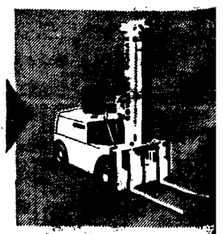

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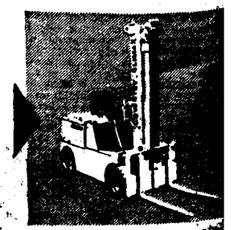

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The Next Round

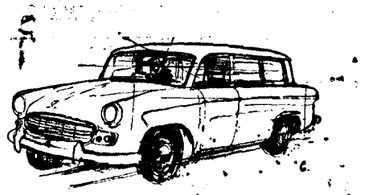
Mr Khrushchev's economic ambitions offer hope of agreement in the approaching disarmament talks at Geneva, but progress will depend on events in the Far East (page 297).

Arts on a Shoestring

(page 299).

Three Months Ashore

The Middle East at the moment of the American and British re-embarkation (page 301).



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A Survey after page 328

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HOLLAND ENTERS THE CAR BUSINESS
SEA-CHANGE IN THE AMERICAN MARKET
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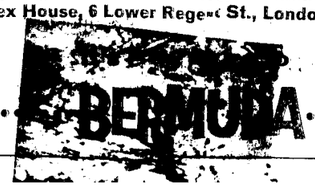



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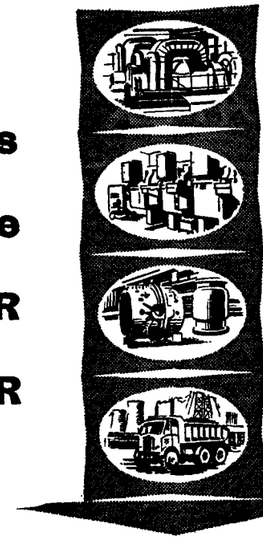

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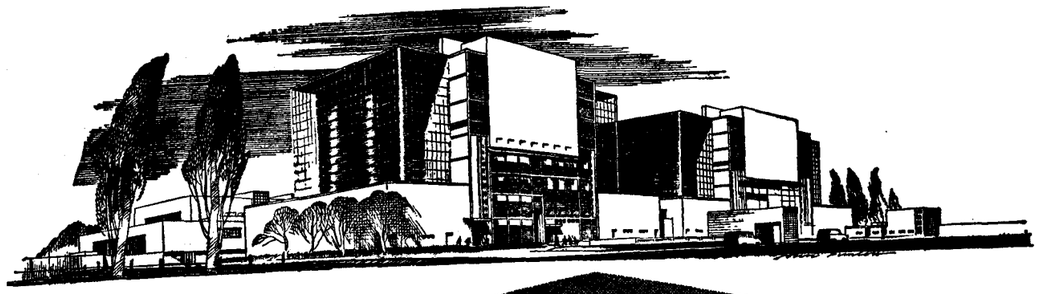



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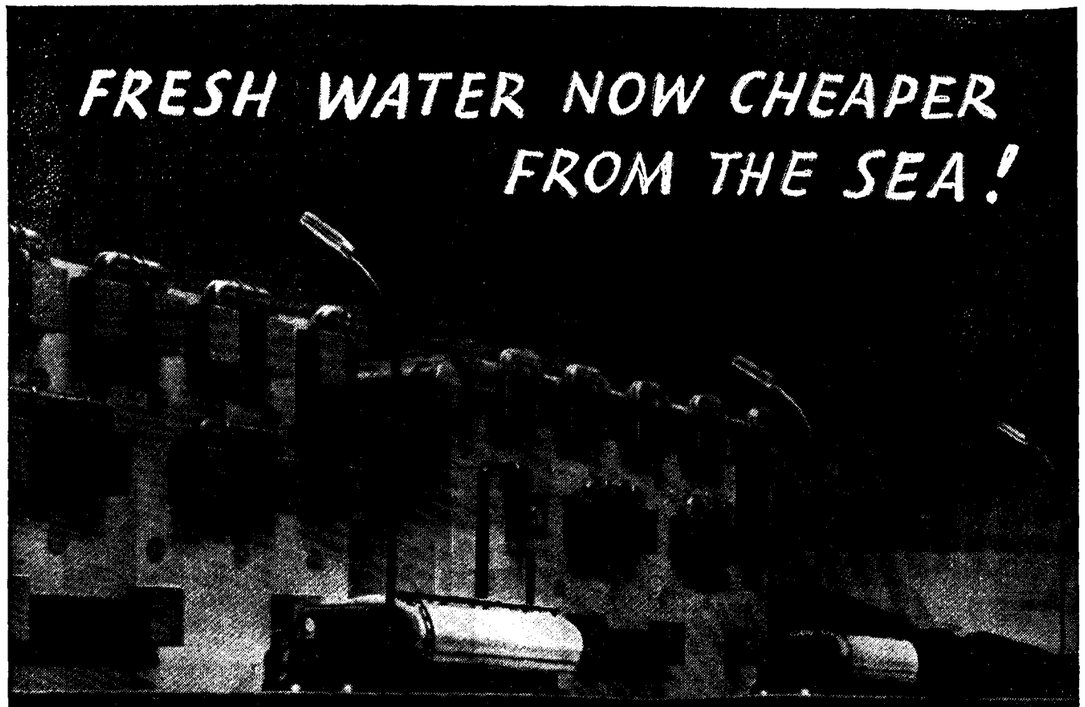

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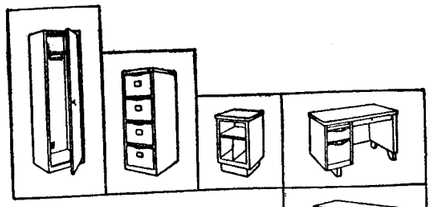

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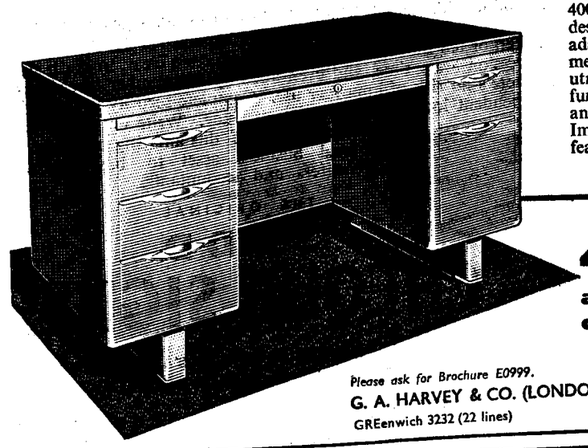

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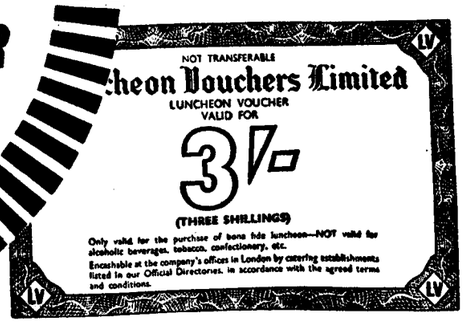

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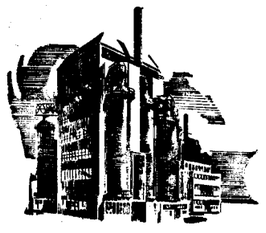

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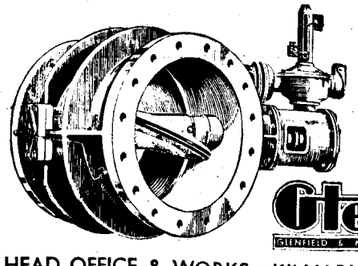

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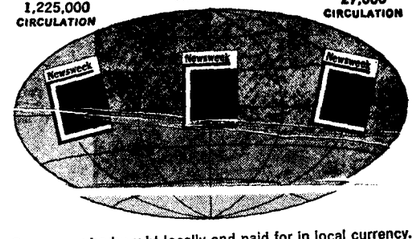

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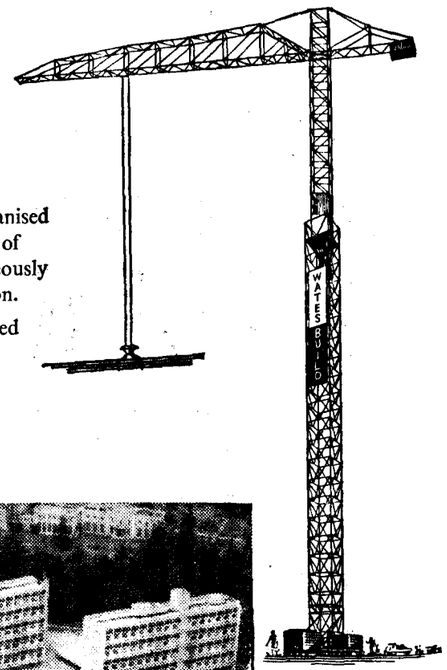

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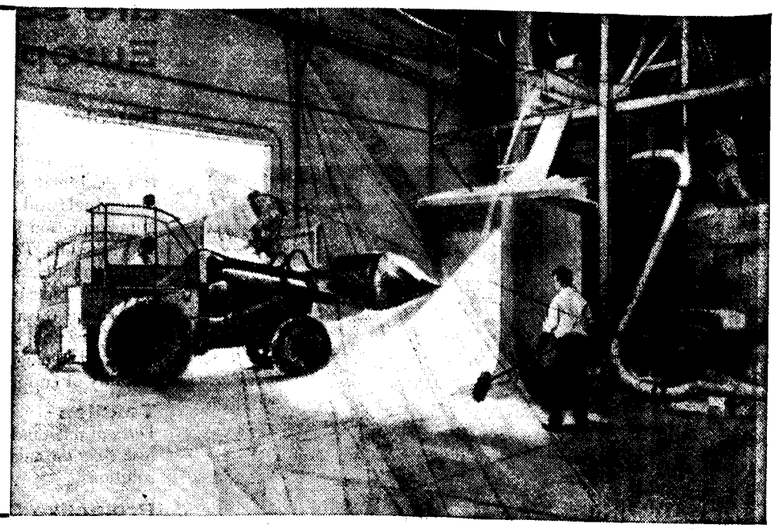

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The Next Round

THE seismographs have been bumping and jumping badly since the spring—and not just with nuclear tests; the rate of ordinary diplomatic detonations has kept every listening post alert. Just now the portentous disturbances are all in the Far East, but the crisis belt proper still stretches half-way round the world along the entire periphery of Communist power. It is on what has been happening within this belt that the prospects for the two approaching conferences at Geneva —on the cessation of nuclear tests (October 31st) and the prevention of surprise attack (November 10th)—may well depend. What do the summer's readings add up to?

The renewed Soviet quarrel with Jugoslavia and the execution of Imre Nagy in June seemed to confirm the deliberate turning of Mr Khrushchev's back on Europe: the exchanges on German unity since then have been even more shadowy and formal than before. So the cold-war partition of Europe persists, and Mr Khrushchev, for his part, warily did not attempt to upset it, even at the height of France's troubles. Yet this is not the last word. As the day of actual, and accepted, nuclear stalemate approaches, the political division of Germany may become once more a looming *casus belli*, to be contested by the conventional forces that can regain their freedom of action under the atomic umbrella. Each failure to negotiate a German settlement makes an eventual struggle more probable; a struggle that western military power, now devoted almost altogether to the nuclear deterrent, seems increasingly likely to lose.

For the present, however, Communist pressure is directed elsewhere. Moscow and Peking have divided, by tacit agreement, their zones of interference: China in Asia, the Soviet Union in the Middle East and Africa. Even so, the pushfulness of the two has varied remarkably. While it was not Soviet diplomacy that patched up the Lebanese and Jordanian crises—Mr Gromyko was plainly taken aback when the Arabs agreed among themselves at the United Nations—Mr Khrushchev has lately shown all the signs of the preoccupied man. The seven-year plan, to be launched in January, may leave little time for looking abroad. Nevertheless, it seems that Soviet policy in the Far East, since Mr Khrushchev's visit to Peking, has been to counsel restraint. It may even be that such declarations of solidarity with Chairman Mao that Mr Khrushchev has had to make have been largely prompted by his own caution in refraining —so far—from entrusting his allies with a full-scale nuclear armoury. If the Chinese had missiles with atomic warheads opposite Formosa now, they would not need other evidence of Mr Khrushchev's support. There are technical reasons for supposing that the resumption of Soviet nuclear testing this month is no more than a prestige answer to the current United States series in the Pacific. Above all, Marshal Tito's celebrated accusation that the Chinese Communists would not be averse to a nuclear war—which 300 million Chinese might be expected to survive, whatever

more than a third of this was for the library sections of the British Museum and the National Library of Scotland.

Public money for the arts is also provided from the rates. Probably rather less than £2 million a year is paid by the local authorities to provincial museums and galleries. There are about 800 of these scattered throughout the country, most of them owned by municipal authorities, but some by a local learned society or administered under a private bequest. Compared with the enormous strides which the museums service has made elsewhere in Europe and in America the network in this country is derisory; it is also, far too often, unspeakably dreary and bad. To most local authorities in Britain museums are merely repositories of dingy relics of the past locked up in heavy mahogany showcases and periodically dusted by a curator/caretaker. They ignore the modern methods of display that a museum needs; they also ignore the potentialities of a living museum in fostering the public's appreciation of first the visual and then the other arts.

To organise an up-to-date museums service in this country need not be difficult. As Sir Philip Hendy pointed out in his address to the Museums Association this summer, the machinery for doing so already exists. Through its circulating department the Victoria and Albert Museum has facilities both for lending works of art directly to local museums and for making grants on a percentage basis for local purchases. At present, however, the money voted for these purchases is ridiculously small—it has been raised from £1,300 last year to £2,000 in 1958-59. A grant more in keeping with today's prices, but which would still be a fleabite to the taxpayer, would enable the Victoria and Albert to have something to offer local museums, in return for which it could require higher standards of staffing and display. If a similar circulating department were set up in the National Gallery, a collection of pictures could be built up that would be permanently on loan. The National Gallery's present purchase grant is £12,500 a year—a figure which can be put against the £780,000 realised last week for the seven Goldschmidt pictures.

GOVERNMENT EXPENDITURE ON THE ARTS

Including with direct grants the cost of indirect services such as those rendered by the Ministry of Works. Figures, with the exception of those of the Arts Council and the National Land Fund, are taken from the latest Civil Estimates.

(£'000)	1957–58	1958–59
Museums and Galleries—Total	2,509	2,614
Of which :		
British Museum	1,015	997
Victoria and Albert Museum	559	616
National Gallery	153	208
Royal Scottish Museum	115	124
National Museum of Wales	101*	112*
Tate Gallery	94	98
Other Museums and Galleries	472	459
Purchase of Works of Art (Through National Land Fund)	1,025	1,025†
Colleges and Institutes—Total	376	381
Of which :		
Royal College of Art	213	207
Academies and Colleges of Music	95	104
British Film Institute	64	68
Royal College of Dramatic Art	4	2
Arts Council—Total	983	1,100
Of which :		
Opera and Ballet	551	...
Music	158	...
Drama	109	...
Art	29	...
General activities	21	...
Administration	115	...

* Direct expenditure only. † 1957–58 actual expenditure.

Local authorities also contribute to orchestras, theatre companies, local festivals and the like under the Local Government Act of 1948, which authorised authorities to spend on them the equivalent of a 6d. rate in England and Wales and rather less in Scotland. The Liverpool Philharmonic Orchestra, for instance, received £15,000 in 1957 from the Arts Council and £40,000 from the funds of local authorities. The Local Government Act of 1948, which authorised London County Council subsidises the Festival Hall to the tune of around £60,000 a year; it has also decided to spend £20,000 a year on the purchase or commission of works of art; and last spring came to the rescue of the Sadler's Wells Opera Company with £25,000. Local authorities may also make capital outlays. The London County Council put up the money for the Festival Hall, Coventry, has built a civic theatre at a cost of over a quarter of a million pounds and Middlesbrough contributed a small theatre mainly used by amateurs; but these are the only such buidings erected since the war.

It is doubtful whether the sum total of local authority expenditure in the whole of this sphere comes to as much as a million pounds a year. It is probably far less. And if more money is to be provided by the central government to support the arts in the provinces, it is surely better that it should be filtered through organisations like the national institutions and the Arts Council, which can offer expert advice, insist on certain standards and encourage co-operation between different local authorities.

Is it enough, however, to look solely to taxes and rates for more money? The Arts Council's latest annual report describes the financial support for the arts that has been forthcoming from industry and from independent television. In its music section, the report also raises the question whether the taxpayer should recoup more from the consumer—whether, that is, prices of admission to concerts should be raised further to offset the higher cost of orchestras. This is a key question.

At every performance at Covent Garden, the audience pays roughly £1,500 and the taxpayer £1,000. For most performances, particularly of ballet, large numbers of people are unable to obtain seats. There is surely a case for charging more economic prices for admission to this so costly, but apparently so popular, section of the arts. Prices of most seats at Covent Garden have risen by about 50 per cent since 1951; yet a seat in the gallery costs only 6s. today compared with 3s. 6d. before the war, while stalls are cheaper. The two main arguments against a further rise are, first, that bookings might fall too steeply (which at present seems unlikely) and, secondly, that the poorer members of the public, who are contributing through their taxes to the cost of Covent Garden, would not be able to afford to go there and reap the benefit of their subsidy (which is dubious).

The same argument is raised whenever it is suggested that a small admission charge should be made to the national institutions—the National and Tate Galleries, the British Museum and so on—and to the municipal museums and galleries. To all these free admission is a long-established principle and has the advantage that it enables visits to be short and frequent instead of a single headache-producing trudge. The visitor, having paid through taxes or rates, should not be asked, it is argued, to pay again—though it has been recognised in the health service that part of the cost of a publicly provided social service can be met by the user.

Against an admission charge there are some arguments of expediency: first, that the proceeds of a small charge might be largely offset by the cost of collection; and secondly, that a more worthwhile charge might choke off local interest in museums and galleries and so make it even harder for the local authority to spend more on them from the rates. But the case for charging is not thus disposed of. Certainly, it would be difficult to justify charges in local museums before those responsible for them have something worthwhile to show in return. Perhaps the first step, while the museums are being built up, should be to get public co-operation on a voluntary basis by asking for small annual subscriptions, such as are given to concert societies and bodies like the Friends of the Tate.

The committee appointed by the London County Council to consider the affairs of Sadler's Wells in the light of the council's grant to it has as one of its terms of reference the question of whether prices should be raised. Perhaps the committee's findings will apply more widely than just to Sadler's Wells. In any case, questions like this hardly merit the deliberations of the royal commission which is being urged in too many quarters. A royal commission would give the Government an excuse for doing nothing at all during its deliberations, and at the end it would succeed only in putting on record a multitude of conflicting opinions and interests.

No royal commission could help the Government to decide the amount of its aid to the arts for all time; that has to be assessed periodically and realistically in the light of current prices. The arts will never get all they clamour for; it would be bad for them if they did. But something a bit more substantial and purposeful than the present annual handing out of doles is clearly needed. Plentiful discussion and advice, ranging from Lord Bridges's admirable Romanes lecture last June to the findings (when they appear) of the *ad hoc* investigations that have been set up, should give the Government sufficient ideas to choose from. It will have the consolation of knowing that the extra money it decides to spend can be slipped into the estimates probably unnoticed and certainly painlessly. *Pace* Mr Gulley Jimson, it is not millions of pounds that are likely to be at stake; if the present direct expenditure by the central government on the arts it subsidises were to be doubled, it would increase the total for the civil vote in which the arts appear by a mere 0.6 per cent.

Three Months Ashore

The American and British troops leave the Arab Middle East in a state apparently unchanged, for better or for worse, by the landings of July

Foreign armies have made their mark on the Middle East for thousands of years. Some stayed for centuries, some only a few years. The departure, now in progress, of the British from Jordan and the Americans from Lebanon brings to a close what must be one of the shortest and least effective foreign occupations the area has known. With whatever legality it may be carried out, armed intervention in the internal affairs of one state by another must be expected to be full of danger. The effects, one would suppose, would be lasting and deeply rooted, the changes drastic, the hatreds that are aroused obdurate. But this summer's intervention, launched in face of denunciations from the voices of Arab nationalism and from Moscow, has lasted not much more than three months, and is remarkable for the absence of apparent effects of any kind.

As the Americans sail out from St. George's Bay into the Mediterranean, and the British fly out of Jordan past the snowy heights of Mount Hermon or sail past the crusader castle in the Gulf of Aqaba, the Arab Middle East remains very much as it was when they came in July. That may indeed have been the end that they sought; but the same old problems remain behind, unsolved, to be ignored until they cause a new crisis.

It was the shock of the Iraqi revolution, in the early hours of July 14th, that brought British troops back to Jordan and Americans into Lebanon. If either ever hoped to reach out across the Syrian desert to rescue the shattered Hashemite regime and the Baghdad Pact, they at once found that it was of no use. The British found that King Hussein's hopes of keeping the Iraq Jordan confederacy in being were no more than a brave dream, soon forgotten. The Americans found that the Lebanese army leaders had no intention of setting their troops against those of their countrymen who were in rebellion against their government. Across the desert

in Baghdad the revolutionaries behaved so circumspectly that within three weeks of achieving power they were accorded diplomatic recognition by the western governments. Nothing remained to be done about Iraq, except to live with it.

This was not another Suez crisis ; the Anglo-American alliance stood firm. The Russians howled, but they were denied another unearned victory. True, President Nasser may now claim a victory for Cairo—but then, he has been playing the game according to another set of rules, under which the intervention was an aggression against the Arab nation, and the Jordanian and Lebanese leaders who invited it were traitors to the Arab cause.

Neither the British nor the Americans took over the direction of affairs in either country. They were simply protectors of the governments in power. The occasion to use their armed strength never arose, and throughout the brief occupation they merely occupied plots of real estate, not seats of government. Thus there was always some uncertainty, to all appearances even in their own minds, about the purpose for which they had come. The Americans at first believed that they knew: it was to save a peace-loving, pro-western government from the clutches of communist-inspired rebels. Within four days of their first landings they knew that this idea was mistaken. Perhaps the most useful lesson learnt in Washington this summer was that Arab nationalism and communism, though sometimes too friendly for western comfort, are not the same thing.

LEBANON now has a new government. The strikes which had paralysed the nation since May 9th have come to an end. The American share in the credit for ending the strike, and the insurrection that followed it, is difficult to assess. In the main, it was the Lebanese gift for compromise that won in the end ; and both sides now share the responsibility for government. Perhaps only the election of President Chehab is a monument to the American occupation. Mr Robert Murphy acted as a friendly officer to see that the elections were held ; but strictly this was a diplomatic exercise, not a military one. The general had been the obvious choice to become president of Lebanon, if Mr Chamoun could be persuaded to step down, a full six months before the Americans landed.

Jordan's government remains essentially as it has been for the past 18 months. The hostile ring round King Hussein is no less real than it was when the British forces landed. Possibly he may have some assurances from his neighbours that their blockade will be lifted once the soldiers of imperialism have left him to the mercies of his own people. The king and his government may win some favour by making Jordan less of a police state, but Jordan's future is as questionable as it has been since the British first withdrew their troops last year. Its doom has been foretold a hundred times a day by Cairo radio. It remains the poorest among the poor Arab countries ; its hope of survival lies where it did before the troops landed—in American and British subsidies. The Arab governments failed to support Jordan when they had the chance. King Hussein may smile as he reads of the Arab League promise to pay the Algerian rebel government £12 million. Egypt, Syria and Saudi Arabia once promised to pay him £10 million a year, but he never got a piastre from Cairo or Damascus.

DID the summer intervention solve anything? In a positive way, it did not. It may have given President Nasser and Jordan's other neighbours time to perceive that if the West did not pay for Jordan's survival, then they would have to pay for its fall. None of them wants to pay the necessary subsidies, take care of the refugees, or man the long frontier with Israel. What is less clear is the extent to which the intervention may have prevented bad from going to worse. Perhaps the fanaticism of the new Iraqi government was damped by the presence of foreign troops in the neighbourhood ; perhaps an Israeli thrust into Jordan, or Egypt, was postponed ; perhaps even the Russians were made to pause when they saw that the West was prepared to face a direct clash. Has the western policy of depending on a few highly-placed friends been vindicated ? There are not many such friends left. Nuri es-Said is gone ; Mr Chamoun has retired to the hills ; King Saud has sought Nasser's protection ; only King Hussein remains. In western eyes King Hussein is the bravest and friendliest of the lot, but his friendship does not bring the West what it really needs—the friendship, or at least the comprehension, of the peoples in the Middle East.

As the troops leave the Middle East there is no United Nations "police force" or "peace force" (of the kind that President Eisenhower suggested when he addressed the United Nations General Assembly in its emergency session on August 13th) to take their place. The burden is left to the Arabs themselves, as it must be if the Arabs are ever to become responsible citizens of the world community. For United Nations influence Mr Hammarskjöld prefers to rely on the UN bodies that are in the area already, and he intends to support them with the presence of prestige rather than with the presence of power.

At the time of the intervention there was great need for a clear statement of the aims of the western powers The occupation has come to an end and the statement has never been made. The Middle East is being left to simmer on until the next boiling-up appears to threaten the peace of the world. Perhaps there was nothing else to be done ; but any hope that the differences between the Arabs and the West might be settled remains where it was four months ago, in limbo. Must the Arabs and the West wait for serious trouble to blow up again and force both into displays of futile action ? Or can the quieter times between storms be made use of in order to prevent, or reduce in frequency, the storms themselves ?

NOTES OF THE WEEK

PARLIAMENT

Mr Macmillan's Plans

THE best wish one can make for the new session of Parliament, which is to be opened under the glare of the television cameras by Her Majesty on Tuesday, is that politicians will be kept so busy during it that they may not have as much opportunity as usual to lift their eyes to the general election ahead. The legislative programme looks like being a commendably full one, and the Government will no doubt strive to get it away to a brisk start in case Mr Macmillan wants to cut the session short for an election in May ; probably he is still as uncertain as anybody else whether he is likely to want to do so.

The trend of unemployment is generally regarded as being the key, and it will be an early subject for debate. During next week's debate on the address Mr Amory will presumably make some statement about his undertaking to increase the investment programmes of the nationalised industries and of the central government, and he will probably be pressed (but will equally probably refuse) to say whether he expects unemployment by the January slack season to be 500,000 or 600,000 or what. Apart from unemployment, the only other clouds on their horizon which the Tories can visualise at the start of this final session are the possibility of some row over defence (what have all those meetings of the chiefs of staff with the Prime Minister been about ?), and, just possibly, further unpleasant publicity about the votes that they may have chucked out together with those interrupters at Blackpool.

Mr Gaitskell's Problems

MR GAITSKELL, on his side, has the unusual though strictly short-term satisfaction that he need fear no party splits this session ; all his prima donnas are still hoping that he may have some ministerial offices to distribute before twelve months are out, and for some time ahead he could make Mr Bevan dance the *gopak* if he wanted to. But he is still dogged by the familiar problem that his followers are much less sophisticated in their understanding of what has been happening during this past summer of Tory recovery than he is himself. What the Tories most want to fight the election on is a general picture of Labour as the party which "funks the big stick whenever it is waved at Britain from abroad" and which is always manufacturing scares at home ; the label they most want to pin to Mr Gaitskell and his party is that of being "windy."

It was for this reason that Mr Gaitskell went out of his way last weekend to say "emphatically" that he does not believe that there is going to be a major slump, and that he thinks "there may be some recovery [in production] in the course of the next year." But his backbenchers still belong to the nursery school of political manœuvre, to which the natural course shortly before an election is to shout loudly that the wicked Tories are leading the country to extreme gloom and doom. Mr Gaitskell's problem is that he needs to restrain this sort of contempt-inviting exaggeration if the swing against Labour is not to go further ; but that if he tries to restrain it, and if the election is still won by the Tories, everybody will blame him during the subsequent night of the long knives for not having allowed the Opposition to be "lively enough." It will be interesting to see how he walks this tightrope during the session ahead.

INDUSTRIAL DISPUTES TRIBUNAL

Good Riddance

ONE of the most important features of the coming parliamentary session is to be the sweeping away, at long last, of the remaining refuse left over from wartime emergency regulations. An especial welcome should be given to the announcement that one thing to be swept away is that ill-conceived engine of nominally compulsory wage arbitration, the Industrial Disputes Tribunal. In theory, either party in a wage dispute has hitherto been entitled (once certain formalities have been observed) to require the Minister of Labour to submit a dispute to this tribunal, whose recommendations carried the force of law. In practice, of course, no important employer has ever supposed that a command by this tribunal could really be enforced on an unwilling union which was eager to strike. The tribunal has therefore been used in a way quite contrary to original intentions. When a union has got all it can from the employers through ordinary bargaining, it has often found it worthwhile to declare a "dispute" and toss it in for consideration by this tribunal ; the tribunal naturally never recommended a wage increase lower than that already offered by the employers, and the unions have generally had a good hope, provided they made sufficient minatory noises, that it might offer more. Last year more than a hundred wage increases were churned out by it.

With the lapsing of the order, industrial disputes which are not settled within each industry's individual machinery can still be referred to voluntary outside arbitration by the Industrial Court (if both parties agree) or to examination by a court of inquiry or other *ad hoc* body if the Minister of Labour chooses (which, in pay disputes, he ought less often to do). The industrial court was used much less often than the tribunal by the unions last year ; there was a feeling that it was less generous to them. This is because the court, whose recommendations are not even nominally legally enforceable, need feel less embarrassed if it hands out judgments which the unions might just conceivably turn down ; but the tribunal has always had an incentive to lean a little more towards inflation because it has laboured under the awful shadow of not knowing what on earth it can do (apart from look silly) if a union turns down one of its "legally enforceable" awards and goes on strike anyway. So its constant effort has been to make recommendations which will avoid this embarrassment. The tribunal had therefore become one of the most important engines of that

"inflation through arbitration" which has come so close to wrecking the British economy at various times in the last ten years.

The unions are therefore highly indignant that they are to be set free of this sort of "compulsory arbitration," although when they agreed to its imposition during the war they thought that they were patriotically accepting a yoke justified only by the emergency. The employers' associations had suggested that the tribunal should be discontinued for most industries, but kept in being for a few where both the employers' associations and the unions wanted it. They were influenced by the fact that the tribunal had the power to compel an employer who did not belong to an employers' association to pay wages which that association (but not he himself) had agreed. The (relatively little used) procedure under which the tribunal could issue these special orders was regarded by some as a force working for fair wages and fair trading, but by others as an instrument making for monopoly. The general public need shed no tears at its burial.

QUEMOY

Keeping the Wraps On

ALTHOUGH Mr Dulles, on leaving Taipeh on Thursday, put his signature to a communiqué affirming that the off-shore islands were "closely related" to the defence of Formosa, his discussions with General Chiang Kai-shek seem to have been rather more to the point. It was, at least, necessary for Mr Walter Robertson, Assistant Secretary of State and architect of the original pro-Chiang policy, to move in swiftly on Wednesday to "squelch" rumours of an open disagreement. Possibly Peking had other news. At all events, the barrage its gunners had laid down over Quemoy on Mr. Dulles's arrival in the Fast East, lifted again when the talks were over. It might even have been Peking's idea of a salute.

When Mr Dulles parted from Mr Selwyn Lloyd at Brize Norton airfield on Sunday the job ahead of him on Formosa already looked hard. Even if successive clarifications had rubbed some of the edge off his cutting words on September 30th, his reappraisal of Nationalist ambitions and the military establishments on the off-shore islands left no illusions for General Chiang. The United States Secretary of Defence, Mr McElroy, had done the softening up with assurances of modern arms that would make defence of the off-shore islands even more unnecessary to Formosa's security. Now Mr Dulles was winging in, seemingly to drive the point home: the Nationalist garrison on Quemoy must ultimately be cut down to token strength as part of a general cease-fire arrangement. But not even he could imagine that General Chiang would be lightly persuaded.

While Mr Dulles was high over the North Pole the Communist guns ringing Quemoy spoke up again, ending the fortnight's suspension when it had still a week to run. Although Peking claimed that the Americans had broken the understanding that they would not convoy Nationalist supply ships to Quemoy, it seemed plain that the real reason was Mr Dulles himself. The Communists had chosen the surest way to embarrass him and to embroil Americans seeking a withdrawal from the islands with Nationalists declaring retreat under fire to be politically impossible. Peking took a chance that its action would not promptly drive Mr Dulles into General Chiang's arms, registering shock at Communist duplicity. But now, swallowing past precepts about "taking the wraps off Chiang," Mr Dulles's steadfast concern seemed to be to keep them firmly on. Whether or not the Nationalist regime would be finally smothered in these swaddling bands was the big question he left behind.

The Other Mr Dulles

BRITISH television viewers, on Associated-Rediffusion's channel on Thursday night, saw a deliberate Mr Dulles who may have borne small resemblance to the cold-war warrior they have been reading about these many years. Mr William Clark's interview would certainly impress the British public with the problems of an American Secretary of State in an age when "we will probably not get more than fifteen minutes' warning before practically our entire country can be obliterated." But they would get something else from Mr Dulles besides, more valuable in understanding his own sense of diplomatic mission.

Mr Dulles stood strong and steadfast on his principles, seeing the struggle against communism as "primarily moral" and, hence, never to be flinched from. He answered bravely (if inadvisedly) in defence of his China policy. His listeners could at least breathe more freely after his assurance that Communist China "is a fact and we shall deal with it as a fact." More impressive still was a Mr Dulles who could proclaim: "I attach . . . more importance to the non-military than to the military [forms of aid]." He praised India's fight against communism at home, recognised Arab sensitivity, and spoke generously of the Commonwealth in being. This was a sound performance; had Mr Dulles's publicity sense been as acute in handling his wider European audience in the past, not a few of his present difficulties would have been avoided.

PRESIDENT HEUSS

Two Visitors

THE British ability to remember the past and learn from it is a source of strength; the somewhat senile British taste for living in the past is not. Thirteen years after the war Germany is once more a force to reckon with. Whatever the feelings left from the past, the facts of power dictate alliance and friendship between Britain and western Germany. The warmer that relationship, the better. President Heuss's state visit was no more than a proper recognition of these simple facts.

There is no need to pretend that the Germans are loved in this country. But the German press was probably wrong to interpret the silence of the thin crowds that lined the festive route as one of mere hostility. Two years ago the interpretation would have been nearer the truth. This week there were elements of indifference, reserve, and a first cautious curiosity at the benign representative of the ex-enemy with which we have to live. Nevertheless, a heavy burden was placed on the principal actors; if the Queen's welcome had been a mite less warm, or if President Heuss were not so lovable a representative of the best in German life—of the Germany that was itself wounded by the crimes of Germans and that seeks to learn from the experience—then the visit might have been a failure. It cannot have been easy to drive through the almost silent streets from one ceremonial to the next.



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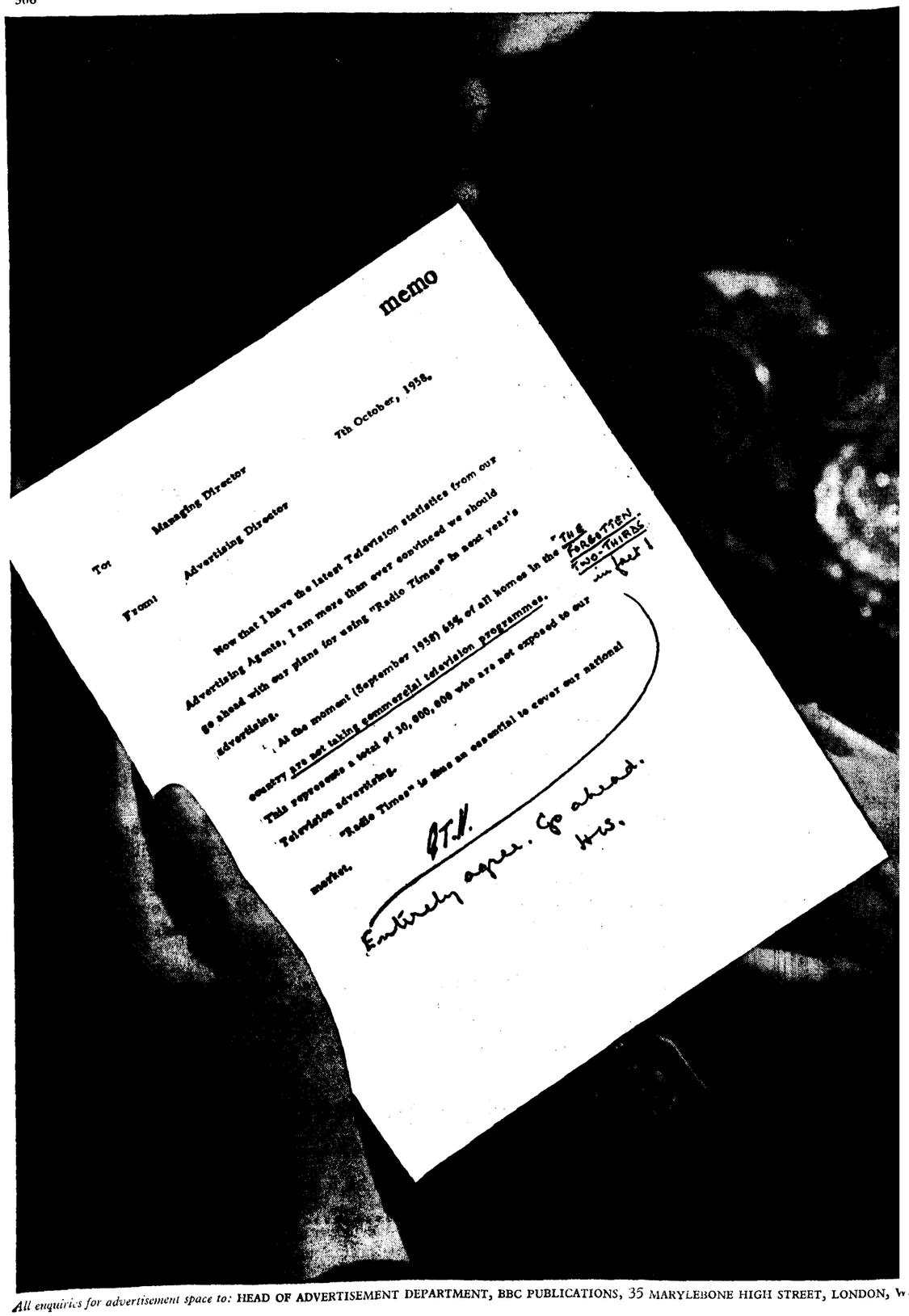

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One wonders whether it was right to lay down the red carpet—the escorts, the landaus, the fancy dress and the salvoes at the Tower—in quite so showy a way. These trappings of sentiment hardly fit the real relationship.

While President Heuss and his entourage were being received in pomp, Dr Niemöller, who came here last Saturday to preach, was back in Germany explaining that he had gone home in protest against his inhospitable reception by the immigration authorities at London airport. The Home Office has said that he was merely questioned for six or seven minutes and then given permission to land. Even if this is true, it seems a pity that a man well known for his resistance to nazism, who happens also to oppose the present German government, should be rebuffed in such a way. It is not much use laying down the red carpet for a few people at the top when ordinary folk from abroad—and Dr Niemöller is very far from ordinary—are still treated, as a matter of routine, as dubious fellows likely to abuse the privilege of treading British soil.

NIGERIAN CONFERENCE

Agreement in Sight?

THE final communiqué of the Nigerian constitutional conference will not be issued until next week. But, unless there is a last-minute breakdown over whether independence should come in the spring or autumn of 1960, there is now every reason to expect an all-party agreement which will form the basis of the constitution of independent Nigeria. Independence has proved the decisive argument at every point in bringing the parties to reasonable compromises; clearly the conference has been conducted in the compelling conviction that any party which hung on to its viewpoint to an extent that threatened to postpone independence or—and this is very significant—to undermine the country's unity and identity as a major state would be swept away at the federal elections next year. This is a very big change from the mood of the 1953 conference, or even from the conference last year (of which this year's conference has been a continuation). Nigeria's leaders are to be congratulated on sensing this over-riding determination of their countrymen, and on making concessions all round. The only remaining snag seems to be that April, 1960, would be an awkward independence date according to Britain's view of the timetable (and it would not give time for the Cameroons plebiscite and subsequent United Nations debates); the delegates may be being urged to accept October—when the climate will be better and perhaps the Queen could grace an event of world importance.

Evidently everyone has given ground in the discussions so far. The Raisman report has been accepted on finance—which means that attempts to give the regions still more and the centre still less have been resisted, even if the centre is left with less control than is really desirable. On

The Strike at London Airport

IT is now clear that the strike at BOAC which ended on Tuesday was a shop stewards' agitation of the worst sort. No other conclusion is possible after a week of accusations, of deliberate mis-statements and of hurriedly convened mass meetings at London Airport. The shop stewards at the hangars decided that the employers were out to challenge their powerful organisation before introducing plans to cut down on the gross overstaffing of engineers. To show that they were still able, as over the past few years, to dictate their terms to BOAC, the stewards decided to get the men on strike. A ban on overtime was imposed in pursuit of a wage claim, in flat contradiction of pledged words in the men's contracts; then, while negotiations were still going on, five men walked out, later pretending that they had been sacked for refusing to do extra work. This became the signal for a general stoppage and immediately a host of irrelevancies were raised to cloud the issue. But, peering through the cloud, comment can now be passed on the activities of four parties in the dispute.

(1) *The Government* deserves no marks at all for its handling of the matter. The only inference from the extraordinary proceedings at the Ministry of Labour late last Friday night must be that the shop stewards' pressure came within an ace of succeeding. For five hours the union representatives were kept waiting, only to be told at 1.30 on Saturday morning that a Court of Inquiry was to be set up. What happened during those hours is not fully known but the argument could only have been between Ministers and airline officials, who were presumably put under great pressure to concede something in an utterly wrong cause and in an utterly wrong way.

(2) *The Employers.* It would be wrong to put the whole blame for the stoppage on one side; any employer who, like BOAC, finds that 44 per cent of its staff is redundant cannot really claim to have kept anything like a tight enough hold on its labour policy. Moreover, the airlines' flaccid attitude towards unofficial activity in the past has not only lessened their own authority on the shop floor but also that of official union leaders.

(3) *The shop stewards'* case is shot to ribbons by three important facts. The first is the alarm—quite natural in view of the dirt that is likely to be raked up—with which they greeted the announcement by the Ministry of Labour that there would be a Court of Inquiry into the dispute. This court started its hearings on Wednesday afternoon. The second fact was that once the stewards found that they could not get the BEA men to join the strike, they capitulated at once on terms that made no concessions to them and left no doubt that no point of principle was involved at all. The third fact was the complete split in the union ranks on the industry's National Joint Board.

(4) *The union leadership.*—The obvious sign of split among the unions has been the anger with Mr Matthews, the secretary of the union side on the board. The sight of this elder statesman of the unions being jeered throughout the strike by the men he should represent was not a pretty one; but, given his support of the constitutional machinery and thus of the employers' case, it was understandable. Mr Matthews, in fact, has no more control over the men at the airport than the employers, and his strictures on the stewards, while proof of his personal integrity, were also an indictment of the unions whose bargaining team he leads. These unions profess to concentrate power at centre, but in fact they have let i slip into the hands of local stewards This has meant that London airpor hangars have become a private empir of a group of industrial and politica troublemakers. It must be hoped tha the Court of Inquiry will be able t vindicate Mr Matthews and also to giv officials on both sides a chance to la the foundations of industrial disciplin and common sense at London Airpor

the vexed question of the police, all the regions have yielded something: the result is to be a Nigerian police, appointed, disciplined and paid for by the Federation, but controlled operationally by Federation and regions jointly. Finally, everyone has retreated from a showdown on minorities. Chief Awolowo has accepted the British view that if he wins the federal election on a mandate to create new states, a new minorities conference shall be called in 1959; otherwise the future creation of new states will be a matter to be settled under whatever machinery of normal constitutional revision independent Nigeria accepts. Dr Azikiwe takes all this as an acceptable substitute for his proposed constituent assembly. The North, perhaps rather cannily, has dropped its emotional cry for Northern intactness, and has satisfied the other governments that Muslim judicial revision, when it comes, will ensure political opponents of the Northern People's Party fair play in political activity in the region.

Both sides (Chief Awolowo on the one hand, the North-East axis on the other) are privately convinced that they will win the federal election; this is as things should be before an election, especially as each side agrees that the constitution gives reasonable protection to the interests of whoever in fact becomes the opposition. From all this a Nigerian state seems to be emerging; if so the gain to Britain and the Commonwealth will be immense.

LONDON COUNTY COUNCIL

Putting up the Rent

LAST week's news that the 190,000 tenants of the London County Council are to suffer an increase in their rents has been greeted by an indignant outcry from Tory councillors that this is the third time that the LCC has raised its rents within six months of the Labour party being returned to power in the council. The local Labour bosses are busy retorting that all three increases taken together (they averaged 2s. 6d. in 1952, 3s. 6d. in 1955 and 5s. 10d. this week) are still 4s. 8d. below the maximum increase permitted to private landlords on the same footing in respect of repairs and renewals under the new Rent Act. The latter argument may or may not be effective at political meetings, but, as LCC rents are deliberately and heavily subsidised, it is of course beside the point. What ratepayers want to know about this relatively moderate increase is how long it will postpone an increase in rates; tenants will want to know how soon to expect a further increase in rents.

It is easier to answer the second question positively. The figures suggest that by the time the next LCC election comes round, in 1961, the alternative of raising rents or increasing the subsidy from rates will face the LCC again almost as urgently as it did this year. At the previous level of rents, and after allowing for the £4½-£5 million a year which the LCC receives in Exchequer subsidy, the deficit on the LCC's housing fund was expected to be £3.8 million this year, £4.6 million next year, rising to £5.8 million in 1961-62. The higher rents will bring £1 million this year and £3 million in a full year; this means that next year the contribution to the deficit from the rates will be down to about £1.6 million again—a figure which has a certain magical connotation for the LCC because it was regarded as the proper LCC rate contribution to the needy under previous Government housing legislation. But by 1961-62 the LCC's subsidy from the rates must be expected to be up to at least £2.8 million, even assuming no further rise in costs.

The LCC should certainly have put rents up much more, and made a real effort to make the fund self-supporting—this would still leave a heavy burden of redevelopment costs, building in new towns and so on to be met by the London ratepayer. Because it delays charging higher rents, not only have slum clearance and the building of high flats to go slower, but so do urgent road and other metropolitan improvements. It is true that LCC rents are high, even now, in terms of private rented property; on a rough guess (because LCC property is mainly in the 25s. to 42s. a week bracket while so much private property is in the 10s. to 20s. a week bracket even after the Rent Act) it often doubles the rent for a family to move from private rented houses to LCC quarters—but the latter are, of course, mostly far more modern and have a far higher standard of amenities. But now is not the time to narrow the differential at everyone's expense. The proper course would be for the LCC to make direct rebates from the rates to only one class of its normal tenants—to those of its poorer tenants who suddenly have to pay higher rents when they are compulsorily rehoused as a result of slum clearance. For the rest the open market should now be accepted as providing a range of houses at every level of rental for people to choose from.

NATO

Postponing the Cut

THE reasons that have been announced for maintaining the British Army of the Rhine at a strength of 55,000 men throughout 1959 are quite the worst reasons for deciding such a matter of policy. The original decision to cut the force to 45,000 at the end of this year followed the failure to make an agreement on support costs with Germany that was fully satisfactory to Britain. The dissatisfaction remains (it appears that the Germans have so far spent less here on arms than was expected). The 10,000 men in question are now to be kept in Germany because Britain's balance of payments position has so far improved that the original excuse looks pretty thin, and because, apparently, the Americans have promised contributions to defence development costs that will reimburse Britain for the drain of foreign exchange involved.

This is no way to conduct an alliance. The cost of maintaining 10,000 men more or less in Germany is a small thing compared with the issues involved. The real reason why Mr Sandys and the British government have changed their minds is almost certainly little to do with the money (if it is, so much the worse for their reputation for foresight), but that the Americans are seriously concerned about the morale and efficiency of Nato, and of its shield force, in the face of the succession of British withdrawals. They have made it worth our while to come a little nearer to keeping our pledge to Nato to maintain four divisions for the common defence. They have been able to carry the day, partly because Britain's finances are better, but mainly because recruiting for a regular, volunteer army promises to produce the full 165,000 men regarded by Mr Sandys as adequate—which means the minimum capable of sustaining four divisions in Europe as well as other commitments overseas. But behind this development lies the still weightier factor that Mr Sandys is finding that his belief that Britain's allies would accept British nuclear

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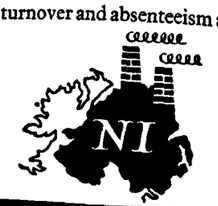

weapons as an acceptable substitute for men under arms was quite unfounded. He is finding, too, that service opinion (except in the RAF) increasingly insists upon adequate conventional forces—and that, in turn, implies full support, on the ground, for the conventional forces of our allies.

Even so, the right—if it is a right—is still reserved to cut Rhine Army to 45,000 after 1959. Circumstances might, indeed, render this desirable. But they are more likely not to, and such statements of bad intentions ought not to be made. Britain's contribution to Nato is the most obviously rewarding part of its £1,500 million investment annually in defence; and this is the fact that should be hammered home in a period of nuclear stalemate.

SOVIET UNION

Astonishment on the Way

TIRELESS Mr Khrushchev stumps his country like an American presidential candidate. His latest journey was to the rural areas of the south, where he spoke successively at Stavropol, Krasmodar and Rostov. Addressing farming audiences, he spoke of Soviet agriculture with pride. This year's harvest is, it appears, the best ever. Deliveries to the state should beat all previous records, and the government should have enough grain to replenish its stocks. Mr Khrushchev did not fail to point contrasts with 1953, when production and supplies were very low indeed.

Industry, too, is working satisfactorily, and further leaps ahead are apparently being prepared. The world, Mr Khrushchev announced, would be astonished when the targets of the new seven year plan were revealed. This must be soon, since the draft plan is to be discussed publicly before the party congress, called for the end of January. The anniversary of the Revolution, celebrated at the beginning of November, may provide the occasion for a striking announcement. One of the slogans circulated for the anniversary hails the January meeting as the "congress of builders of communism"; this is bold.

Preparations for the party gathering dominate the Russian domestic scene. The trade union congress, which was to be held this month, has been postponed for a year. For once it could have been interesting. The Soviet authorities found it necessary to increase the powers of the factory or shop committees—the lowest of trade union organs—in the management of their enterprises. The congress would have indicated how real are these powers and how strong is the resistance of the managers and the union bosses to any measure smacking of "workers' democracy." When it comes, however, the economic plan with its astonishing targets may also throw some light on this question. The ratio between investment and consumption, heavy and light industry, will be a guide to social policy to come.

CARAVANS

The Egham Clearances

THE Egham caravan site, which last week was the scene of a clash between police trying to enforce a local authority order to quit and the caravan owners and their families, is, no doubt, a nasty slum overdue for clearance. That is true of many of the shanty towns into which caravanners have been herded, partly by the unimaginative zeal of local authorities in winkling them out of even the best-hidden individual sites. But whereas in other cases of slum clearance the local authorities concerned take responsibility for rehousing the slum's occupants, in the case of caravan sites they take none. The Egham caravans are not being physically demolished, only banished; although they have in practice nowhere else to go, their owners can claim nothing more than a bed at a reception centre (with husbands separated from their families).

It is this, rather than the alleged strong arm nature of the council's attempted eviction measures (which were the climax of two years' unequivocal warnings), that is the genuinely shocking feature of the Egham affair. The council must have known that once evicted the caravanners had no hope of finding another pitch; that is the deliberate result of local authorities' policy in discouraging caravan sites. Authority should no more wash its hands of the families thus made homeless—and probably condemned to lose most of the capital sunk in their homes—than when actual demolition under a slum clearance order is in question.

The Egham case, however, raises wider questions than this. Ultimately, the way to avoid this sort of thing is to provide (by new building and better use of existing dwellings) proper housing for that majority of caravanners who would vastly prefer it. The minority for whom mobility-at-a-pinch is really important might eventually work out at a quite manageable size. Meanwhile, however, caravan ownership has looked to innumerable young couples (some, but not all, of them feckless) like a promising escape route from shared kitchens or exorbitant furnished digs in particular areas; so caravan manufacture has been a profitable trade, feeding a greedy market, year by year, with more nominally mobile homes. Year by year, on the other hand, planning authorities tighten up their anti-caravan policy; some tidy-minded councillors have become almost fanatical about this, as even the genuinely mobile holiday maker learns to his cost.

The most elementary realism demands that this contradiction be cleared up. Either:

(1) Provision for caravanners should be a recognised part of every major local authority's planning programme—in the shape of proper permanent sites laid out complete with services and paying due regard to the caravanners' growing numbers; or

(2) The manufacture of caravans should be virtually prohibited, on the grounds that the invitation to buy a caravan is increasingly an invitation to become an outlaw, leper, and Wandering Jew.

Obviously the first alternative would be the more liberal one, and the second an extremely distasteful *pis aller*. But would not either be better than the present mess?

CONSERVATIVES

Advertisers to Lord Hailsham

STORIES in the press about advertising firms being retained by the Tory party to "sell Macmillan like a detergent" conjure up a horrid prospect of the British public being manipulated by hidden, and probably subliminal, persuaders. It is even being hinted that Messrs Colman, Prentis and Varley, whose representative was spotted at the Blackpool conference seeing how his clients were behaving, may be the British equivalent of the celebrated American firm known as BBD & O which has been blamed for the cult of Mr Eisenhower's personality.

It seems worthwhile to put this matter into some perspective. Other things being equal, there is obviously merit in the views of the political parties being conveyed to the electorate in clear, simple language. Since the art of writing in this fashion seems nowadays to have become a specialised profession, there is no good reason in principle why it should be wrong to take the advice of a professional rather than of an amateur. Of course the views themselves, being political, will be to some extent disingenuous, but this will be true whether the copywriter is a politician or an advertiser. The question is whether they will be disingenuous in a different way, since advertising copywriters who come to a political account, straight from polishing off a new sales line for a commercial client, live in an atmosphere of salesmanship rather than one of political responsibility.

A quick first answer to this would be that when it comes to election scares advertisers would be hard put to it to go much further than politicians and newspapers have done in the past. The more constructive answer is that advertisers must be made to keep their place, which is that of subordinate technical advisers to the politicians, and the public should be alert to see that they do.

Messrs Colman, Prentis and Varley, who have worked for the Tories since 1948 and who are responsible for their current recruiting posters, insist that they get detailed briefings from Conservative Central Office, which carefully vets all their completed copy. Even the "headlines" (a word they prefer to "slogan") are apparently culled from the colourful flow of Lord Hailsham's conversation. Rather than "plug" Mr Macmillan, which they strenuously deny doing, they are mainly engaged in trying to build up an "image" of the Tory rank and file members as being ordinary men and women rather than exclusively Colonel Blimps and Top People.

This all seems harmless enough. But, although the extent to which election results in the United States have been affected by professional advertising has been vastly exaggerated, real dangers are present and both politicians and advertisers need to be warned periodically to watch their step.

EUROPE

Helmsmen Adrift

MR MAUDLING'S committee on the free trade area is meeting for the first time since July. It is hardly likely to produce spectacular results, for there has been no spectacular advance towards agreement in the meantime. For six months France's five common market partners have been brooding over the alarming memorandum which the French government presented to them in March, trying to produce a common document that would be palatable to other European countries and would contain some of the elements of free trade so notably absent from the French proposals. The egg they have now hatched out and laid on Mr Maudling's plate is an improvement on the original French draft. On the crucial question of the outer tariff of the free trade area, the work of the OEEC steering board is at least acknowledged; the forbidding Carli proposal is pushed into an appendix; the claims on imperial preference are reduced to a reasonable general phrase. But the snags remain grave. The steering board is still adrift on the sea of disagreement out of sight of land. And the document of the Six contains weak provisions on institutions and on the timing of the scheme which suggest that the French have been allowed to edge back from their apparent promise in July for a genuine and early free trade area.

The countries outside the common market therefore once more face disquieting questions. What will in fact be done at the end of this year to avoid tariff and quota discrimination against them by the Six? The easiest solution would be for the common market countries to reduce tariffs and enlarge quotas all round. Germany has in fact already reduced tariffs below the level required by the common market treaty. A much graver danger is that the talks will drift on endlessly, with the differences obscured by negotiation, yet unresolved. The moves on all sides in July opened the way to genuine talks. But the French negotiators in the meantime have displayed some disquietingly elusive qualities. Sector-by-sector discussions in the OEEC steering board provide infinite opportunities for procrastination. The opportunities will be multiplied if the Six start examining the same issues all over again and if the industrial committees of OEEC are brought into the game. It may not be easy for the French government to adopt a clear-cut line before the elections next month. Once they are over, it must be hoped that it will do better.

The Council of Europe evidently appreciates the political danger of drift. Last week it gave unanimous support—though with one (French) abstention and some French absentees—to a free trade area with strong institutions and a firm timetable.

SIAM

The Unnamed Plotter

ANY suggestion of a connection between the latest military coup in Siam and similar happenings in Pakistan and Burma would be misleading. Pakistan is a new country, in which no stable political system has yet had time to become established; military rule will hardly affect voting rights that have never been exercised in a general election. Equally new, the Union of Burma had a good try at parliamentary democracy, and its military prime minister, General Ne Win, apparently intends to return to it. Siam, in contrast, is not a new country emerging from colonial rule; it has never done more than play at democracy. Parties have no real roots among this well-fed people, apathetic alike towards communism and the western ballot-box; moreover, Siam's governments are always changed by *coups d'état*.

In the latest coup, Field-Marshal Sarit Thanarat, the supreme commander, has repeated his performance of thirteen months ago, in which he overthrew the apparently immovable Field-Marshal Pibul Songgram. The difference is that, this time, Marshal Sarit has overthrown his own nominee and second-in-command, General Thanom Kittikachorn. This is less puzzling than it sounds, for it was announced that the coup had been carried out "with the support of the Thanom government, which has resigned." The truth appears to be that Sarit acted to forestall a coup by somebody else. A warning apparently reached him in London, where he was recovering from an operation; he then left secretly and precipitately, last weekend, for Bangkok.

Who was the rival plotter? That is the kind of infor-

mation which—if Siam sticks to the rules of its own game—will emerge only gradually, by means of well-timed leakages. Marshal Sarit's statement that his action was necessary to meet a serious communist threat from abroad and at home need not be taken too literally. The displaced government, which expelled a Soviet diplomat and was preparing to expel a Tass correspondent, had shown no reluctance to oppose communist encroachments.

Martial law has, however, been proclaimed, and left-wing journalists are being arrested. These measures seem designed to throw the blame on Mr Pridi, the former prime minister now under the protection of Peking. But the unnamed rival could just as well be nearer home.

NATIONAL INSURANCE

Holding Operation Until What?

IT has been learned in London this week that the Government does not intend that its new national insurance scheme should raise sickness, unemployment and other benefits on to the new graduated scale, as well as pensions. This contradicts an inference drawn in a footnote in a table in *The Economist* last week. The estimate of a £5 million a year increase in non-pensions expenditure, upon which that footnote remarked, merely reflects the (surprisingly heavy) additional administrative expenditure expected to be incurred in running both the new scheme itself and the machinery to vet applications for "contracting out." This £5 million a year is in addition to the heavy extra administrative expenditure which the scheme will impose on private employers; this administrative burden will be a major point to watch as and when the scheme gets under way.

A calculation which has attracted particular attention in some parts of the press this week is that the new graduated additions to contributions will "buy" a smaller graduated addition to pensions, on the figures as at present published, than many people could get under a private scheme. This is inevitable: the lower paid worker is to pay less for the same pension as now, and the taxpayers' contribution is being cut, so obviously the higher paid workers who are going to pay more have to be promised smaller benefits for their additional outlay than they could otherwise expect to get. This raises a major point for the future: what should happen if additional finance is needed when pension rates for existing pensioners are put up again, as they obviously will be under successive governments?

Should the aim then be to put less of the burden of financing these increases on to increases in the graduated contributions, and more on to (e.g.) the flat rate contributions which will be paid by employers who have contracted out of the graduated scheme? That would presumably be the right course if the intention was to make this graduated state scheme more and more like a genuinely attractive private superannuation scheme. Or should precisely the opposite emphasis be laid and the graduated scheme allowed to become, in effect, more and more of an ordinary graduated income tax designed to finance benefits for existing old-age pensioners? The main advantage of the scheme might then become that employers had an incentive to contract out of it—advantage because the only way they can contract out is by starting desirable private superannuation schemes for their own employees. The Government certainly does not think that this is the main thing that its new scheme is meant to be going to try to do. But it is one of several alternative roads which British pensions provision could plausibly follow, not necessarily regrettably even if largely by mistake.

EASTERN EUROPE

Mr Gomulka Calls a Congress

AT last the Polish Workers' (that is Communist) party is to hold its first congress since Mr Gomulka's return to power. The decision to call the congress for March was announced last week-end at the close of a plenary central committee meeting. In addition to the usual reports about past performance, the approval of economic plans until 1965, the elaboration of a farming policy and the election of new leading party bodies are on the agenda for March.

The congress had been several times postponed, partly because, as Mr Gomulka virtually admitted to the committee, the party machine was not considered reliable enough, and partly to avoid ideological friction with Moscow. Apparently these fears have been overcome. Mr Gomulka's more secure hold on the party is not due so much to the purge of more than 200,000 members (15 per cent of the total) during the "verification campaign"; the bulk of these were got rid of for corruption or simple indifference. But the disappearance from the party lists of a thousand "revisionists"—the young intellectuals who were once Mr Gomulka's warmest supporters—has stilled the unruly voices crying for reforms. Thus it has reassured the opposite faction, the "dogmatists," and has removed their suspicion that Mr Gomulka might be scheming to break away from the Soviet block. Indeed, Mr Khrushchev himself would have endorsed Mr Gomulka's latest speech with its references to the "poisonous fumes of revisionism," and to imperialist attempts to separate Poland from the socialist, Soviet-led camp.

All this may seem far away from the heady days of two years ago when Poland was starting out on its "own road to socialism." The congress will be watched keenly from outside Poland; the way in which it treats specific subjects, such as workers' councils and agricultural collectivisation, will help to show what—beyond the undoubtedly greater degree of personal freedom—still distinguishes political life in Poland from that of the other countries of the Soviet block. Not only the decisions that are made, but the expression or concealment of divisions of opinion in the debates will be significant.

Rumania's Legal Repression

FULLER details are now known of the amendments to the Rumanian penal code that were made in July. Extremely vague and imprecise in definition, and retroactive in application, their effect is to cast a cloak of legality over the renewed repression that began in Rumania more than a year ago and has been growing increasingly severe in recent months. The death penalty is introduced for more than a score of offences, among them any act which could subjugate the state to a foreign power; one might think that the communist leaders themselves would be the first to qualify. Another capital offence is the theft or embezzlement of public property worth 100,000 lei (about £3,000) or more. This is part of a fierce anti-corruption drive which has been going to astonishing lengths; one woman vice-chairman of a consumer co-operative was recently sent to prison for twenty years for running a three-man band for her own (not the collective) profit.

A third capital offence, which may not surprise Marshal Tito but must seem most curious to Mr Nehru, is any act "which could cause the Rumanian state to become involved in the declaration of neutrality or in the declaration of war." Penalties for offences "which could lead to the undermining" of the regime (which might mean anything) are made more severe. Article 195 would seem to provide legal cover for the excesses of the secret police which the reforms introduced in 1956 tried to curb; it empowers "executive workers of the ministry of the interior" to "carry out beforehand actions of penal prosecution with a view to collecting the data needed."

In its return to repression the Rumanian regime is swimming with the general anti-revisionist stream in eastern Europe. It may also have the particular wish, now that the Russian troops have left the country, to demonstrate its undiminished will and ability to stand no nonsense from its opponents. In any case, the ordinary Rumanian, who is frequently told by his newspapers that the sole duty of the judges is to defend the regime, is unlikely to feel any better about the repression to which he is subjected, because it is given a legal veneer. (A conference of jurists earlier this month rebuked those courts which show "indulgence and sentimentality" towards offenders.) On the contrary, he will merely treat the law and its guardians with increasing disrespect; it may be significant that several nocturnal attacks on policemen have just been reported from Bucharest.

One flickering ray of light in this dark scene is the news that a few Rumanian Jews are now being allowed to go to Israel. In the last two or three months 3,000 who have relatives in Israel have been given visas—the first Rumanian Jews to get them since the Kremlin "doctors' plot" in January, 1953; seven of the nine then accused were Jews, and a wave of anti-Zionism followed throughout the Soviet block. Mr Gomulka, an exception, allowed 40,000 Jews to leave for Israel last year. But the exodus from Rumania is so far only a trickle. It is estimated that there are about a quarter of a million Rumanian Jews altogether; some 60,000 have relatives in Israel. One can only speculate on why the Rumanian regime has begun to let them go, and how long it will stay of the same mind.

STRIKE ON THE SOUTH BANK

Bad Foundations

THE BOAC strike (which is discussed on page 307) has not been London's only experience of shop steward trouble in the last few weeks. Equally revealing has been the story of the dispute on the Shell site at the South Bank. The work on the foundations of the proposed building, one of the largest constructional engineering projects in Europe, has been hampered ever since it was begun sixteen months ago by continuous unofficial stoppages. In the forefront of the disputes have been the steel-fixers, skilled men who are mostly in the Transport and General Workers Union. These men have been led by a Mr Cassidy, who is a practised strike-organiser and who also leads one of the many—and at times warring—extreme left-wing factions on the site. Months of negotiations at industry level between the unions and the employers, Sir Robert McAlpine & Sons, failed to end the sorry story of unconstitutional action, of broken agreements at all levels and of political action among the men. Finally, after an eleven-day strike of steel-fixers in September over a bonus system (or, as the tale was later twisted, over the employment of a non-unionist) the work was temporarily halted.

The moment for the men to return to the job was a signal for trouble. Pickets from all over the country turned up in strength; men were prevented from signing on and fights ended in police action. Then, as many union officials were persuaded to declare publicly that the site was not black (the closure had been for rephasing the work, not a lock-out), more men began to return; on Wednesday, the number was as planned and included more than fifty steel-fixers. But the company is not out of the wood yet. Feelings are still running high and an officer of the Electrical Trades Union (a friend of Mr Cassidy, who is no longer employed at the site) has recently instructed his small but important group of electricians not to go to work. Thus, in spite of the dwindling pickets, a balanced labour force is still not available.

Behind all this local trouble lies a wider contest between the shop stewards and the management. The men on the spot want to end the industry-wide agreements and to replace them by a pattern of wage negotiation at local level. The precedent for this was set at the construction of the Esso

The Economist

OCTOBER 23, 1858

INTELLECT AND DISCIPLINE

Mr Gladstone uttered a truth which is not without very fruitful and very painful consequences, when he said the other day at Liverpool that he never came into South Lancashire, "whether into Liverpool or into the great and intelligent community of Manchester," without feeling deeply what a vast chasm there was between any University society and that of the great manufacturing districts. . . . [Now] that Sir Robert Peel is gone, we are yearly finding the cleft between the liberalism of the North and the class of statesmen proper, becoming wider and wider. Mr Bright represents a set of men who know that their wealth, intelligence, vigour, and practical sagacity of character has not yet the weight in the Legislature to which it seems entitled, and yet a set of men far more widely severed in political modes of thought from the most liberal of the class of statesmen proper, than the most liberal of that class are from the most conservative. This was the real meaning of the discontent evinced by the independent Liberals who met last Session in Committee-room, No. 11. Not by any means agreeing with Mr Bright in all his extreme views, they were yet, like him, impatient of the leadership of men, who do not seem to appreciate what they regard as the fundamental truths of all "progressive politics", who see with anxiety tendencies which they consider to be signs of steady popular development, and meet them with perplexing difficulties of principle where they appeal only to expediency and facts. We do not for a moment believe that "University" statesmen, however well educated, would either adequately apprehend or carry into effect the most needful of popular reforms, were they not spurred on by the representatives of those energetic and intelligent classes who feel the urgent need of these reforms. . . . Certainly, neither of these disciplines for a statesman—University culture, or practical life and knowledge—should be neglected as unimportant; and we believe that the Universities can do more to solve the painful political problems of the times by educating South Lancashire, or inducing it to educate itself, and South Lancashire, by submitting its hardy, sagacious, and massive intellect to the discipline of the Universities, than either can do for English politics in any other way.

Refinery at Fowey ; but most managements in civil engineering are determined to see that it now spreads no further. One of their objections is that it gives a green light to leap-frogging claims from site to site. Another is that it gives to shop stewards an authority wrested not only from the employers but also from the trade union officials. The Amalgamated Union of Building Trade Workers, to which a few of these workers belong, has clearly recognised this ; it announced on Wednesday that it would expel any of its members on the site who take part in unofficial action.

MIDDLE EAST

Pipeline or Pipe Dream?

IT takes more than politics to build a pipeline 1,000 miles long. When a pipeline was to be constructed in the past, it used to be left to the oil companies to make the final political arrangements—once they had found the oil, surveyed the route, arranged for the money and assured the supply of pipe. The Turkish and Iranian governments have put the political cart before the practical horse by agreeing to build a pipeline from the oilfield at Qum, near Teheran, to one of Turkey's Mediterranean ports, Mersin or Iskanderun.

The pipeline would enhance Turkey's strategic importance, a point which the Turkish government would no doubt like to have up its sleeve when dealing with its Nato partners. It will not please the Arab neighbours of either Turkey or Iran. Last year, as a result of the blowing up of the Iraq Petroleum Company's pumping stations in Syria in November, 1956, the oil companies operating in the Middle East discussed a pipeline for carrying Persian Gulf and Iraqi oil around Syria to the Turkish Mediterranean coast. The chief opponent of the plan was Nadim Pachachi, then the Iraqi minister of economics. With Iraq now firmly in the Arab nationalist camp, the consideration that prompted it—concern lest, in a crisis which found Syria on one side and Iraq on the other, Iraq might be denied a westward outlet for its oil—has lost much of its force.



The case of an Iran-Turkey pipeline is not an exact parallel. But so far there is no indication how the two countries propose to pay for their pipeline or where they will get the 30 million tons of oil a year to keep it full. Turkey can offer no oil and, in the midst of its enduring economic crisis, can certainly not afford to put up half of £200 million for such a project. Iran may find the oil (the extent of the field at Qum is still unknown) or it might extend the pipeline to the existing oilfields of southern Iran ; but it, too, would have to look to outside sources for the money. As the project stands now, it does not seem at all clear that the governments are going to do better in planning oil transportation than the oil companies have done.

BOOKS

K of K

Kitchener

By Philip Magnus.
Murray. 410 pages. 30s.

"DRAGGING chains which were riveted round his ankles, and wearing a halter round his neck, the defeated enemy commander was made to walk, and sometimes run, behind the cavalry. His hands were bound behind his back, and he was driven forward by Sudanese guards who lashed him with whips when he stumbled, while the crowds pelted and reviled him."

This, less than a man's lifetime away, was 1898, the noon of empire. Riding on his white horse in the sunlight was Kitchener, a new hero for a public unashamed of its imperialist exuberance. His triumph after Atbara and the tossing of the Mahdi's bones into the Nile after Omdurman may, as they were intended to do, have cowed the natives ; but they were barbaric. The tears he then shed in Gordon's garden came, no doubt, from a sense that England's honour had been redeemed ; but, perhaps too, they came from a sense of relief that an act of policy was complete. Britain controlled the Nile, and Kitchener, diplomatically and with dignity to be sure, could stand firm at Fashoda. What sort of man was the last of the uninhibited imperialists ? What lay behind that fearsome moustache?

Kitchener, despite or perhaps because of his official biography, soon became a remote, inscrutable figure for later generations. At the one extreme, in personal memories, he was a god-like man who commanded a nation to war and whose death was high tragedy. "It was as if the war was lost" is not an uncommon recollection even today of the sinking of the *Hampshire*. At the other, in the politicians' memoirs, he emerges as a great sham, blundering, inefficient and uncooperative, whose death saved him from dismissal from the Cabinet. A balance needed to be struck, but that could be done only by a biographer with the diligence to sort through all the papers, recollections and memoirs again and the sensitivity to draw from the passions and emotions of the past a coherent judgment. These qualities Sir Philip Magnus does possess.

His biography, suited to its theme as well as to our times and tastes, makes his own viewpoint, as a liberal imperialist, frankly clear without allowing his personal quirks of judgment to obtrude. The ease with which the mass of source material is woven into the strong and coloured cloth of narrative reveals the labour and skill of a craftsman. The events themselves, with the occasional adjective of comment, are the shuttle. Only rarely does the weaver stand back to draw attention to the pattern ; when he does so, the design is lit up. These qualities are not without their flaws. Sir Philip's plain style does not evoke the memorable phrase that suddenly illuminates the understanding. And the later chapters of the biography are less good than the first ; it is as if the complexities of the Great War, which were too much for Kitchener himself, perplex his biographer as well.

But no one, reading this biography, can fail any longer to see and to know Kitchener. His life moves in a stately measure through three phases. The first ends at Omdurman. Corroded by ambition, Kitchener was conscious of the great powers within himself but seemingly uncertain whether he could harness them to secure the success he craved. And he escaped from the boring lassitude of the barracks only to lose the companionship of his fellow soldiers. Responsibility and the power to take decisions came early to him, but in the quest to become the master of himself and of other men he failed to develop the gift of working with and through others. The advance up the Nile to Khartoum was the perfect campaign for him: all the plans could be carried and all the

decisions made by one man. There he gained a reputation as a great organiser —a judgment that was true only so long as events were so simple as to be stored and analysed in one mind.

With the Dervishes slain in their thousands, Kitchener, no longer troubled by any doubts, moved into the second phase. Confident in his abilities, he lived in the security that power, fame and acclaim can bring. The colossus had no worries about his plinth. In South Africa he scrapped the transport system conceived by Buller and, substituting a scheme of his own, created trouble, if not chaos. At Paardeberg, as Sir Philip says, "he charged bull-headed, and suffered a humiliating defeat." Yet when Roberts returned to England, Kitchener, with all his deficiencies, brought the war to an end and proved in the peace negotiations to be markedly more moderate and more intelligent in judgment than some of the professional politicians. So powerful and so secure in popular fame had he then become that he brought Curzon down from the high seat of Viceroyalty in the struggle over military control in India. His complacent egotism and his refusal to accept any other opinion than his own are here displayed at their most unyielding. But, behind the public face, lurked the habits of a prissy spinster, reflected in his collection of china, in his pride in arranging flowers, in his fussiness about his table and his devotion to the "brats" and "boys" of his staff.

For those of his staff who saw behind the mask, he could do no wrong. And, while the Cromers and Curzons of the world could readily dissect his faults, the character of the man was so enshrined in the minds and hearts of the people that in August, 1914, there could be no other choice as Secretary of War. He was already a myth. No doubt it was the right, indeed the inevitable, choice—and it was a great tragedy. Conditioned by success in a simpler world, Kitchener could only momentarily cut through the tangle of politics and strategy. Through the medium of Alfred Leete's tremendous poster he summoned the country to war and sacrifice. No one else could have done it. In doing so, however, he had ignored the administrative framework of the Territorial Army and the shortcomings as well as the virtues of Kitchener's army were Kitchener's. Successfully he imposed his will on Sir John French, helping to make the decisive counter-attack on the Marne possible. His action created enemies at the headquarters of the BEF, who were not slow to turn the "munitions scandal" to Kitchener's discredit. Then came the knell of Gallipoli. His failings exposed, Kitchener fumbled anguishedly and, for the first time, one feels pity for him.

Kitchener did not live to see the death of the army he created on that fateful First of July along the Somme. But the epitaph of that death and that agony written by Wilfred Owen might, not altogether with irony, be his:

Make him into the sun—
[illegible]
Gently its touch woke [illegible]

The Planners' Triumph

Socialism in One Country Vol. I.

By E. H. Carr.
Macmillan. 557 pages. 45s.

THIS is the story of the great years of choice for the Soviet Union, the years from 1924 to 1926 in which the Bolsheviks realised finally that revolutionary fury and dialectic necessity alone could no longer carry the Russian nation to socialism. Russia, once in spontaneous march against Tsarism, against foreign invaders and industrial capitalists and landowners, against a world ruled by supposedly tottering reaction, against famine and counter-revolution, would now move forward no longer of its own accord. The epoch of the Plans was to begin. Russia would have to be driven.

In this first volume of "Socialism in One Country," Mr Carr introduces the character of his period with four brilliant chapters on its general political and cultural background. This was the period when Marxist sentiment for law as the uncodified will of the proletariat surrendered to the formula of "revolutionary legality" and when the peddlers of proletarian culture suddenly found themselves once more in competition with real writers of the stature of Babel and Zoshchenko, who no longer had to be ashamed of their bourgeois origins. Beneath the titles of a proletarian dictatorship, the regime relied on the co-operation of rehabilitated Tsarist officers and officials, and used the power it held in trust for a small and disorganised proletariat to organise a nation fit for middle-class peasants to live in.

Mr Carr, now "at the heart of his subject" with this, the fifth, volume of his History of Soviet Russia, describes the culmination and the failure of the New Economic Policy. Born out of the sheer necessity to conciliate the peasant by ending the rigours of War Communism and allowing him a measure of free internal trade in grain, the policy was formalised into the "wager on the kulak" movement led by Rykov and Bukharin, who believed that the current transformation of the peasantry into capitalist farmers and their landless labourers would in the end produce a great grain surplus and so provide capital for industrial development. With a few others, the economist Preobrazhensky dared to demand that the capital should be directly found by exploiting the "bourgeois" peasants, but by August, 1925, with a record harvest ripening, the "wagerers" were unassailable. Even Keynes, on a visit to Moscow at the time, said that two good harvests would change the economic situation of Russia incomparably, and more than any credit that might be obtained abroad.

The harvest of 1925 was certainly an excellent one. The rich peasants grabbed their chance, bought up the surplus, and in three months had driven the prices of rye and wheat up by a half and a third respectively. Kulaks suddenly ceased to look like loyal Soviet citizens, and it became increasingly plain that NEP would never produce what Preobrazhensky called the "primitive socialist accumulation" needed to finance a planned Soviet industry. The fourteenth party congress in December, 1925, was marked by the victory of the planners and made it certain that in the end all labour power would be required by the state, all kulaks proletarianised or destroyed. It was a supreme moment of Russian history, bringing suddenly into view the outlines of a colossal future and a colossal tragedy. Mr Carr's description of the period, written with his singular gift for combining great detail and great clarity, confirms that he is its senior historian.

"The Unknown Chancellor"

The Reluctant Politician

By W. Gore Allen.
Christopher Johnson. 207 pages. 18s.

MR GORE ALLEN, an active member of Mr Heathcoat Amory's constituency association, took offence at the "colour stories" that appeared in the press on the appointment of the "unknown Chancellor." This intriguing book is his effort to set things right. It is surprisingly dispassionate and, although the author's style is sometimes awkward, he has some shrewd things to say about the difficult time Conservatives have in adjusting to the modern world.

Mr Amory, we learn, is untidy, unpunctual and absent-minded, and dislikes all foreigners, except Germans. The Dutch also earned a dispensation: they

> appealed to him so greatly that ever afterwards, when inferring that the Anglo-Saxon races ought to rule and guide the world he has certainly been including them in his own mind as honorary members.

At the age of twenty-three, Mr Amory decided that he would either be a poet or a chartered accountant. He went into the family textile business at Tiverton, in Devon. Here his record was that of a benevolent employer in a company town, extending the co-partnership and welfare schemes that his father, a Liberal, had helped to pioneer and spending his spare time with the Boy Scouts. When persuaded to go into politics after the war, he seems to have been more put out by the enthusiasm of his supporters than by attacks from the other side. Since he became a Tory almost by accident, his relationship with the local association has not been an untroubled one. For one thing he has always stood for the abolition of hanging.

But he remained unruffled until one party supporter suggested that there might be some virtue in *laissez faire*. To this he apparently responded: "I must calm down ! This *laissez faire* business ! *Laissez faire*, I find, nearly always synchronises with a person's best financial year."

There are only two facets of his hero's career that really worry Mr Allen. These are his "pathological distaste for stating fundamentals" and his ambiguous conduct over Suez. Mr Allen has repeated so many times that Mr Amory

is totally without ambition and that he would retire to Tiverton at the drop of a hat if he found himself unable to agree with Cabinet policy that he is obliged to deny categorically that Mr Amory disagreed with the despatch of the expedition. Mr Allen thinks that the press just got everything wrong as usual, making the elementary error of leaping from the fact that Mr Amory was a progressive at home to the conclusion that he must have been sensible about foreign policy. That, says his biographer, is all wrong. Mr Amory is given to condemning "potential trouble-makers overseas" with "boisterous ridicule" and "sometimes on slender evidence."

But, however it may have seemed in Tiverton, the "weight of press rumours" about Mr Amory's views on Suez are much better founded than Mr Allen allows himself to think.

The Limits of Political Science

The Study of Political Behaviour

By D. E. Butler.
Hutchinson. 18s.

THE central theme or lesson of this able and timely book is to be found in its author's scepticism about the term "political science." For, as he suggests, the term "science" is question begging. It is a "boss" word imported into a different field to give to a new study the earned prestige of the physical sciences. From that it is a fatally easy task to imply that results of the same degree of generality and exactness can be expected in the social as in the physical sciences. When it is pointed out that they have not yet been achieved, the usual answer is to say that if as much money—or a tenth of it—as is spent on atom bombs or chemical engineering were spent on political science or sociology or "human engineering," equal results would be attained. Mr Butler doubts this and gives very good reasons for his doubts.

Indeed, since his object is to promote the academic study of political behaviour, many of the things that he says might seem to come better from a devil's advocate than from one on the side of the good angels. But the modest claims that Mr Butler makes for the study of political behaviour are all the more effective for being made from a cool, critical and reasonably dispassionate point of view. Mr Butler never leads with his chin; he has foreseen most of the valid objections to exaggerated assertions and the limitations of most of the general systems of political study that have their enthusiastic salesmen here and, in still greater force and loudness, in America.

Thus he is all for the use of statistics where they can be used—as befits a pioneer of the Oxford school of psephology. But "measuring is for the measurable" and that reduces the importance of much mere figure-gathering. A great deal of what we know about politics cannot be represented in graphic form, and one suspects that if a student of American politics has to choose between reading Tocqueville and reading some of the most elaborate statistical analyses of the role of pressure groups or of minority blocks, Mr Butler would advise Tocqueville. This is not to say that statistics have not their place. Mr Butler has a high opinion of public opinion polls and favours, too, the investigation of class and educational categories. But

> the number of Conservative or Labour MPs who hated their fathers may be far more significant than the number whose previous occupation was shopkeeping—but, in present circumstances, that information would scarcely be obtainable.

Mr Butler believes—and expounds his belief convincingly—that, despite the Official Secrets Act, the discretion imposed by "the Establishment," and the excessive respect for the feeling of the kin of deceased statesmen or even of mere politicians, a lot more could be done than is done to examine the workings of the "real" political system; he thinks that politicians would be willing to come clean more often than students of politics think likely—if only the right questions are put to them. There are, as he points out, important fields of political activity of which we know next to nothing. How, for example, are candidates actually chosen? There is no authoritative study of the office of Prime Minister or of the House of Lords (the last is not quite true). We work by guess and by God and that is unfortunate. But we must not expect the generality of the "laws" of economics, much less of physics. The theory of games may help but not much. Historical precedent may illuminate but may well be irrelevant.

A clear sense of the limits of what can be done is the first necessity of the student of politics and, even so, he is not likely to write so good a book as a former editor of this journal did in his spare time. But if we cannot have Bagehots on demand, we can have, Mr Butler thinks, a lot more relevant information and a more critical use of it than we get at present—a wise word to the moderately wise.

Indian Labour Pains

Labour Problems in the Industrialisation of India

By Charles A. Myers.
Harvard University Press. London: *Oxford University Press.* 297 pages. 52s.

EVEN if one includes communications and mining, the Indian industrial labour force is still only seven million strong. Its political and economic importance, however, is out of all proportion to its size. A rapidly industrialising country has to create a working class that is committed to factory life, and is not just a mass of heterogeneous individuals up from the country to earn enough to go back there again. This labour force must have the correct balance of skills, or its productivity will be very low; and it must feel that it is properly treated, or its discontent will be dangerous, especially as so large a proportion of it is concentrated in the big towns, away from the restraints of the village. Gradually, over the last twenty-five years, India has been realising its need for such a working class, and Professor Myers's book is an analysis of the reactions of management, government and trade unions to this realisation.

Most important has been the change in the outlook of management. Before the war, its attitudes were authoritarian; hiring was casual, firing often unjustified, and discipline sometimes physical. Among the better firms, especially the foreign owned ones, all this has now changed. There are regular personnel departments; trade unions are accepted; trouble is being taken to find people, even among the unskilled, who will make the firm their life's work; and dismissal is rare.

The government has naturally always been behind the best firms, but since independence especially, there have been more and more laws to spur the laggards. The worker now has the benefit of provident funds, sickness insurance, compulsory arbitration and compensation for retrenchment as well as protection from victimisation. He gets double time for overtime, holidays with pay, and a strict limitation of hours.

The trade unions, unfortunately, are still inadequate for their new responsibilities. There are four trade union federations, each with a different political allegiance; and the workers' lack of education means that leadership comes normally from outside, usually from politicians. Inter-union disputes are frequent; funds are almost always pitifully inadequate; far too many union leaders rely on strikes or compulsory arbitration instead of on proper collective bargaining to attain their ends. There is, however, the Ahmedabad Textile Labour Association founded by Mahatma Gandhi, to show how well a union can work in India.

All these developments have been described in carefully documented and lucid detail by Professor Myers. He is a scholar describing from outside; his sources are books and interviews; inevitably, therefore, he lacks something in vividness; but the facts are all there and the judgment he makes on them is always reasonable and detached.

Trumpet Voluntary

Secondary Modern Schools: *An Interim Report*

By H. C. Dent.
Routledge and Kegan Paul. 207 pages. 15s.

PROFESSOR DENT is on the side of the angels, but they have not yet taught him to blow a trumpet. One of the aims of this book is the commendable one of showing up the good side of the secondary modern schools; but to do this effectively and to the right audience is very difficult, and certainly it cannot

be effectively done by publishing a series of rather fulsome reports of official visits to schools along with a short historical background and a highly subjective analysis of the situation.

The analysis shows that the three thousand six hundred modern schools are developing slowly but steadily along three or four main lines, and that these developments, in the language of the book, "offer no inconsiderable ground for hope." For Professor Dent is cautious: "Looking at the brighter side, it seems reasonably safe to assume that by 1956 a large minority—or it may well have been a majority—of secondary modern schools was attacking the problem with imagination and energy." In the "Emerging Pattern" he sees some schools concentrating on academic development (and he is well aware of the dangers here of their palely imitating the grammar schools); others are concentrating on courses developing out of the interests of the children (and he is not blind to the dangers of sloppy "projects"); and others are developing various types of special courses often related to future wage earning.

The middle part of the book is taken up by reports of visits to schools; these tend to be written in a style reminiscent of the cosy schoolmarm: "A visitor to the school would be sure to be offered sooner or later a cup of tea or coffee, flanked by some dainty made in the cookery room and attractively served by a couple of trimly attired girls." After a short time these descriptions pall, and one finds oneself wishing for a report by the children on Professor Dent.

The final chapter deals with problems old and new. These are very sensibly reviewed, as one would expect from someone who has been able to see the problems in relation to the whole educational field. He does not comment on the comprehensive school, but cannot avoid mentioning selection at 11-plus as it affects the modern school, showing how it has tended to depress the standing of these schools. He notices, however, the reverse process also, which is interesting and very important, and shows how the secondary modern school is affecting the problem of selection, and forcing the 11-plus bogy into the background; for in a growing number of areas a growing number of thinking parents are not only prepared to accept the modern school instead of the grammar school, but are also pleased to do so.

Other points on which there is controversy within the teaching profession, such as external examinations and five-year courses are dealt with fairly and many teachers and educationists will read the book approvingly and without surprise. But is this the right audience? Is it not parents and the general public who need to be told, tersely and factually, and by someone of Professor Dent's standing, of the encouraging advances made by the modern schools in the past ten years. Probably Professor Dent heard Mr Butler in 1956 saying: "Let us all in our different ways sound trumpets for the secondary modern schools"; for he quotes the words at the beginning of the book; he has done it in his way, but it is not a penetrating performance.

Dons and Ministers

Georgian Oxford: *University Politics in the Eighteenth Century*

By W. R. Ward.
Oxford University Press. 296 pages. 37s. 6d.

EIGHTEENTH-CENTURY society, the world of Tristram Shandy, rested securely on the co-operation of parson and squire, "the country." In the last resort, and sometimes sooner, the politicians at the centre, "the court," were curbed and confined by what "the country" would stand. After its fashion, Oxford shaped the views and set the prejudices of most parsons and many squires. No administration could afford to neglect the established Church's main seminary, peculiarly equipped to shelter and encourage the cantankerous propagandists whose opinions might reach the most distant pulpit. Here, too, was one of the greatest of corporations, composed of still greater parts, the colleges: so tempting a concentration of patronage could hardly be left undisturbed in dangerous or unreliable hands. Inescapably, Oxford was in politics—the meaning of Dr Ward's ambiguous sub-title; and the bill of 1719 to provide close governmental control of both Oxford and Cambridge was perhaps the last overt threat to academic freedom in this country.

Concentrating on the period between 1714 and 1780, Dr Ward has produced an immensely learned study, supported by a formidable apparatus of scholarship. Much of his work will clearly never need to be done again, and this book forms a rich source of information about Oxford's political role during the eighteenth century. But especially as Dr Ward is continuing his account, two criticisms should be firmly stated. His first volume, for all the fascination of his subject, is often dull and sometimes downright boring. This is no case of learning carried lightly, and it seems reasonable to ask that some attention should be paid to the reader's comfort. More seriously, the central thesis, rigidly argued throughout, is suspect, if not wrongheaded.

Dr Ward asserts that Oxford's seditious reputation was due to the Whig habit of "indiscriminately abusing their opponents both lay and clerical as Jacobites"; and that the university was "always overwhelmingly loyal to the dynasty and predominantly out of sympathy with the Ministers." Particularly in view of the evidence he offers (and maltreats), this opinion seems untenable. Surely the events of George I's early years make the drastic if abortive measure of 1719 only too easy to understand. And what about the election of four successive, demonstrably Jacobite Chancellors? Sensible as no doubt it was, the tolerance of ministers towards unruly dons is remarkable. By the latter part of the period, "Toryism approximated increasingly to 'independent country' politics"; but was this true, above all in Oxford, between the Fifteen and the Forty-five? In his anxiety to dispose of that difficult and even embarrassing subject, Jacobitism or crypto-Jacobitism, and to take a new course, Dr Ward, loyal Namierite, seems to have forgotten his Namier, antedating the master's conclusions and ignoring his methods.

Man in His Setting

The Idea of a Social Science and its Relation to Philosophy

By Peter Winch.
Routledge and Kegan Paul. 143 pages. 12s. 6d.

THIS little book is a worthy addition to the excellent series "Studies in Philosophical Psychology." Like its predecessors, it contrives to say a great deal briefly, though perhaps it makes greater demands than has been the case so far upon the background knowledge of its readers.

Mr Winch's thesis is briefly that scientific and philosophical thinking are dependent upon a social setting, not merely as regards content, but for their very existence. Language and meaning are essentially social phenomena, and failure to recognise this may have serious consequences. It is true that the social scientist can proceed naïvely, as J. S. Mill suggested, and consider the behaviour of *homo sapiens* as an individual and as a member of various kinds of social groups, in much the same way as the naturalist might study the behaviour of any animal species. Scientists have to be naïve in this way otherwise they would be unable to start at all. Mr Winch is probably right, however, in feeling that for the philosophers to over-simplify the nature of meaning, and to abstract the individual and consider his verbal behaviour apart from the context in which alone it can be called language, is to commit just the sort of error which they should avoid. Mr Winch bases his analysis of what he calls "meaningful behaviour," which is of course much wider than merely verbal behaviour, upon Wittgenstein's position, and seems to make out a very good case. He then goes on to analyse the work of a number of influential social scientists, J. S. Mill, Pareto and Max Weber. He shows that in one way or another they all fail to recognise the true relationship between society and thinking about society. The contemporary sociologist or social psychologist is criticised by implication, since he tends to follow Mill, though with greater philosophical sophistication he may derive some of his ideas from the other two.

Taking it as a whole, this book does just what philosophical analysis ought to do: it raises some questions which have too readily been answered, and shows that they are still questions; it clarifies certain basic issues, and it challenges social scientists to reformulate their aims in a more adequate fashion.

LETTERS

Cyprus

SIR—You suggest in your note of the week on Cyprus of October 4th that the British Government should have made use of the renunciation of Enosis by the Greeks to "extract" a renunciation of partition from the Turks.

It seems to be being overlooked that in accepting the Macmillan Plan at all the Turkish Government, at least, has already moved away from the idea of physical partition. The Turkish Government had itself in the past suggested that "partition" without physical partition or movement of populations was possible and the virtue of the Macmillan Plan lies in its formulation of the idea of shared sovereignty. This the Turks accepted after Mr Macmillan's visit to Ankara.

The defect of the plan, which makes it impossible for the Greeks to see in it anything but an Anglo-Turkish plot, is that it conveys to them almost no suggestion that the colonial status of Cyprus is ever to be ended. For the first seven years, Greek and Turkish communal councils and Greek and Turkish government representatives notwithstanding, Great Britain remains sovereign, and after the seven years there is still to be a British share which the Greeks are given no reason to believe will not still be the lion's share.

The long-term prospects of peace in Cyprus depend on realisation by the Greeks that their need to reach a compromise with the Turks is a result of the Turkish conquest of 1571 and subsequent Turkish immigration and not of the British occupation of 1878. They cannot be expected to see this so long as successive British government plans seem to have as their principal objective the perpetuation of British rule.

Whilst the Conservative Government offers the Greeks less than it might at British expense (if it really would be at British expense) the Labour Opposition appears equally determined to confuse the issue by offering more than any British Government can, at what the Turks consider to be their expense. It is surely time it was realised in circles claiming, where foreign policy is concerned, to be liberal that if Great Britain is no longer to act imperially in this part of the world it will also have to give up the habit of expecting the sovereign states of the Middle East to conform to current notions of British liberalism. The Greeks have dared to challenge the present British Conservative Government face to face; is it to be expected that the Turks will be overawed by the retreating, so to speak, backs of a British Labour Government that might shortly be in office and willing to move out of Cyprus and therefore as a power, out of the Eastern Mediterranean altogether?

The Macmillan Plan without further change cannot lead to more than a shared sovereignty amongst Greece, Turkey and a local administration in which the Colonial Office retains the last word. What should be changed from the British side is the character of the third partner which, by provision for gradual British withdrawal, could become wholly Cypriot, though not wholly sovereign since it would not be free to abdicate exclusively in favour of one of the other partners.

The process of "extracting" concessions, which you suggest should be applied to the Turks, should begin at home: from the Government of greater generosity towards the purely anti-colonial part of Greek Cypriot aspirations and from the Opposition of greater restraint in their pledges to the Greeks where these touch on future Greco-Turkish relations, with which Great Britain, after leaving Cyprus, would be concerned solely as one of the allies of both powers.—Yours faithfully,

Nicosia A. R. CLARK

★

SIR—While not disputing your conclusion in *The Economist* of October 11th that "violence will go on [in Cyprus] until at least the beginnings of a political accord appear," one feels tempted to query your assertion that "there is no sort of comparison" between the excesses of French troops in Algeria and the flare-up in Famagusta.

I at least do not remember any police operation in Algiers ending with 250 wounded out of 650 suspects rounded up. But perhaps the 13-year-old girl and the man, 35 years old, who died of "heart failure" during the search for a boy killer, were just thrown in for good measure?—Yours faithfully,

London, EC4 PIERRE BERTRAND

South Africa

SIR—Your note "The Law's Delay" commenting on the South African treason trial is so factually incorrect as to affect gravely your conclusions on the South African law and judiciary.

It is not true to say that the failure of the Crown to define clearly the charges led the court to quash one of the alternative charges. The defence's main attack on the grounds of insufficient clarity in the indictment was directed to the main charge which the court refused to quash and instead ordered the Crown to give further particulars. Nor is it correct to say that the "court refused" to allow the amendment; the indictment was withdrawn before the court was called upon to give its judgment.

You state that "all along [the Crown] has declared that its case will stand or fall on its ability to prove conspiracy among the accused to commit treason." True enough, that is what Mr Oswald Pirow, QC, said on September 29 after 14 days of the hearing of the defence application to have the indictment quashed. But the court had, in its 75-page judgment rejecting substantially the defence application, clearly thought otherwise. Their judgment proceeded on the basis that the Crown was relying on conspiracy *and* single acts of high treason by separate accused. On the occasion of Pirow's statement—as an observer at the trial I witnessed it—the court was noticeably angered at having been misled on this point.

I personally think it is too early to draw sweeping conclusions about the independence of the judiciary. There are reservations one would like to make about the court's judgment on the application to quash the indictment, a matter to which you do not refer. The Crown's withdrawal now is nearly tantamount to saying that the court ought to have quashed the indictment. If there is to be a trial on a new indictment there will be time enough for judging South Africa's system of justice when one has heard all the evidence and the verdict of the court.—Yours faithfully,

Temple, EC4 L. J. BLOM-COOPER

★

SIR—In your issue of August 30th appeared some obituary notes on Mr Strijdom, the late Prime Minister of South Africa. They began with the words "No man loved Mr Strijdom." Does your correspondent not know that the Afrikaans Press was unable to cope with the streams of poems sent in by members of the public on Mr Strijdom's death? There is every evidence that Mr Strijdom was loved at least as much as the average politician. After all, how much is Mr Hugh Gaitskell loved, or Mr R. A. Butler?—Yours faithfully,

Pretoria E. I. ROWLAND

Vehicle Deliveries

SIR—I was interested to read in recent issues of your paper of the surplus capacity in Britain for commercial vehicles. In June of this year, while in England, I saw the small diesel powered delivery vans so commonly in use, and ordered one for trial in this country. It was to be a standard model except for the left hand drive. I was told that it was the first inquiry they had had from America, so naturally I expected a lot of interest and quick delivery.

From time to time since then I have called New York, at my own expense, to be told by the agent there that there have been various delays (mainly plant vacations) and that it should be shipped soon. It is now finally due to be shipped in October. Is there really the surplus capacity you speak of? Or maybe it is this kind of delivery time and interest in business that has caused the surplus capacity?—Yours faithfully,

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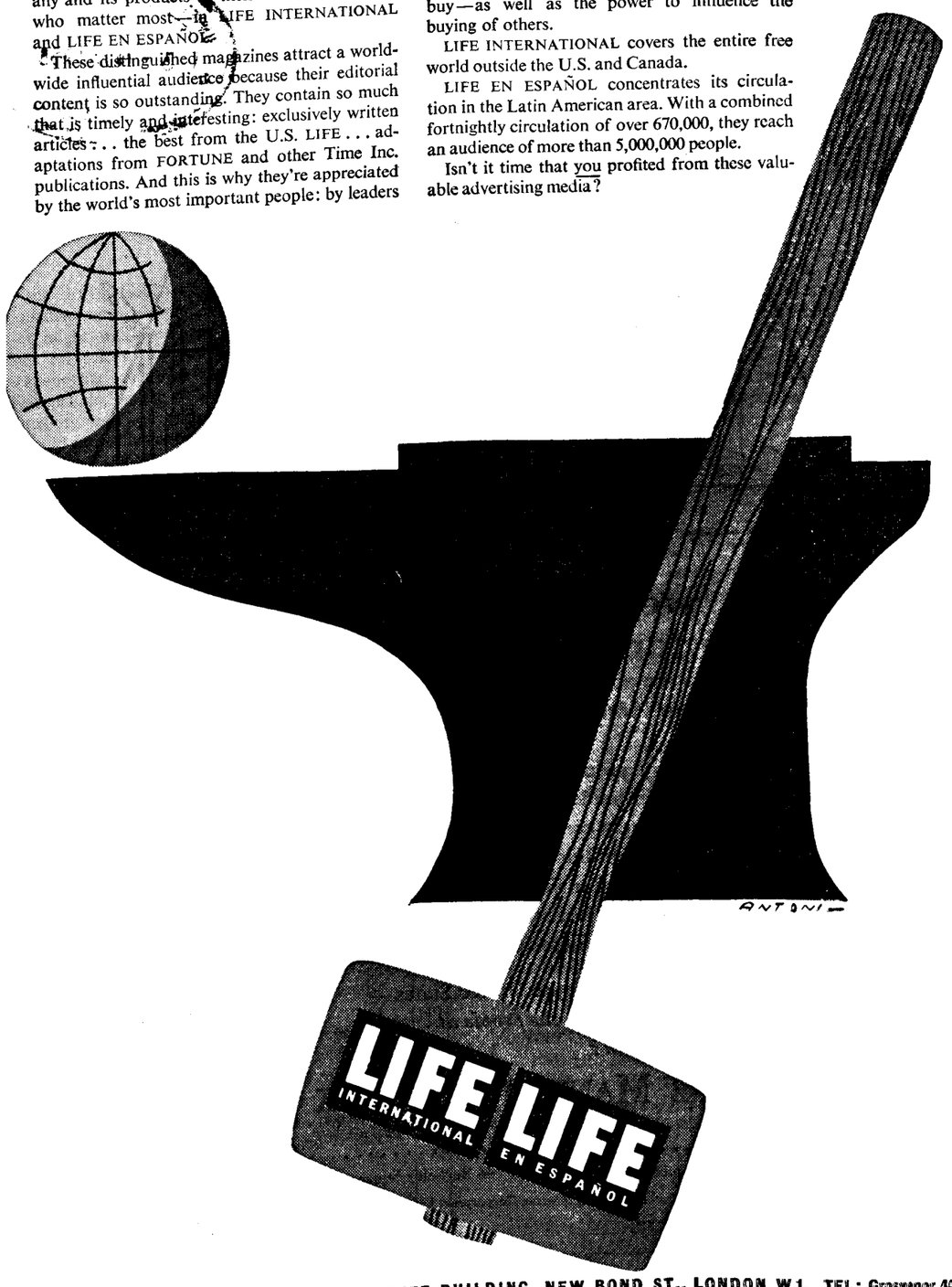

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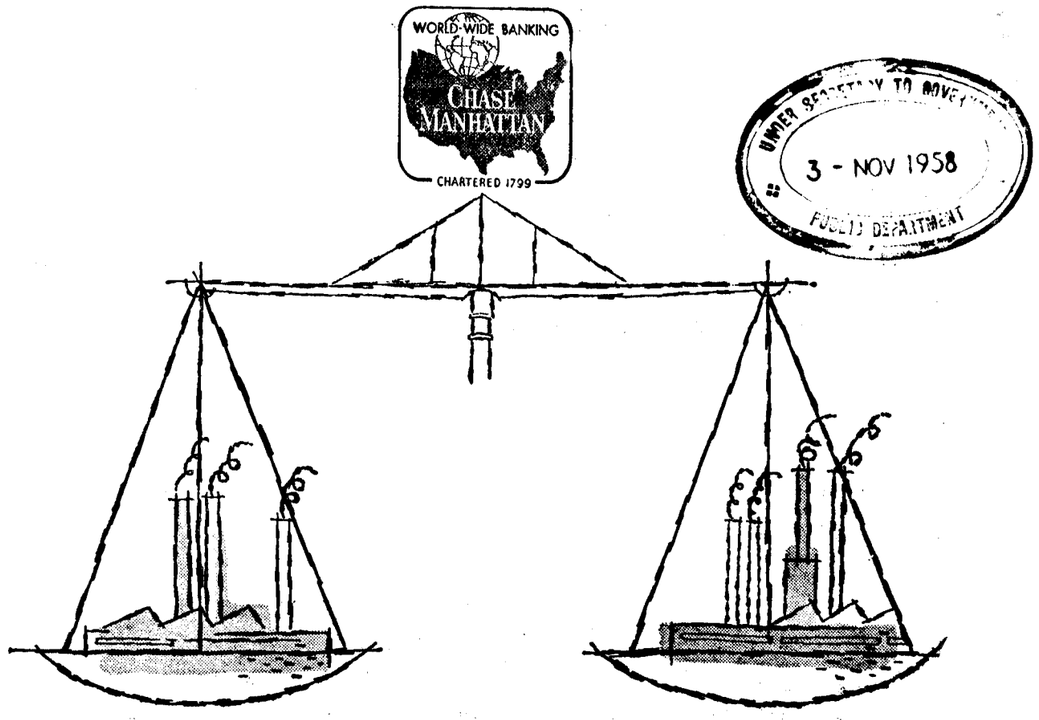

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AMERICAN SURVEY

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

Productivity at Work

WASHINGTON, DC

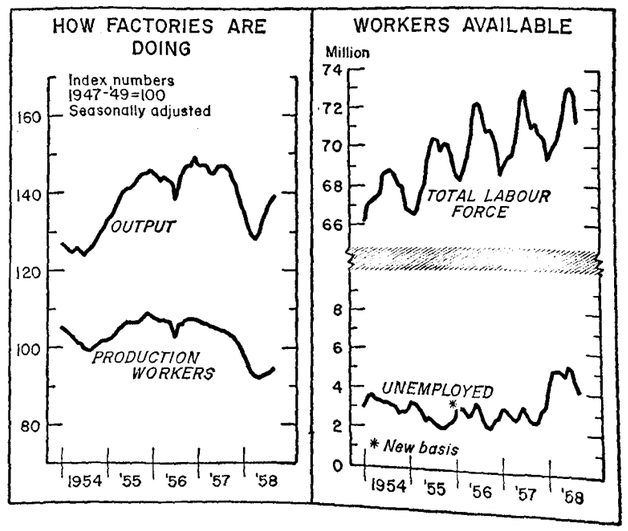
If the British Cohen Council were to survey the intermediate-term economic future of the United States, it might well feel even more encouraged about the outlook for prices, productivity and income there than it does about that in its own country. It would almost necessarily conclude, on the basis of available information, that productivity was now rising at a most extraordinary rate and would probably continue to rise at an adequate rate for some time to come, with prices maintaining an unaccustomed stability, and with income still going up too fast but not so fast as in the recent past. In addition, the council would find unemployment not only not growing but actually shrinking. It would be wondering mildly, as the American authorities are wondering, whether the time for intensifying restraints on demand had not returned. And, irony of ironies, it would be contemplating with great satisfaction a deficit in the balance of payments which has resulted during the last eight months in an outflow of $2 billion in gold, a postwar record, to the cheer and comfort of the rest of the world and the almost total unconcern of the Americans. The council would undoubtedly express some fears about the unsettled financial conditions, but on the whole it might be justified in feeling that all was for the best in the best of all price, productivity and income worlds.

Unfortunately for the Republicans, however, and fortunately for the Democrats, as they fight their election campaigns, there is no American Cohen Council. Even if there were its words of cheer would almost certainly have little political effect because of a single indicator: 4,111,000 people, or 6 per cent of the labour force, were unemployed in September. Not only has there been a typical lag in the improvement in this statistic—the growth in the labour force alone almost guarantees that unemployment will remain abnormally high even after output has regained its former peak—but also, in contrast with the other yardsticks of the economy, in this recovery the improvement in employment seems to have come more slowly than it did after the two previous postwar slumps; moreover, it had farther to improve this time. The result is that, although the recession has long since ceased to be a front-page story in the newspapers, the political reporters covering the election have found that in almost all the big industrial states it remains either a fact or a live memory in the minds of a significant number of voters.

But this political reality does not change the economic consequences of the present situation. In a word, the experts are coming round more and more to the view that the odds over the months and, possibly, years ahead favour price stability rather than more inflation—at the very time when Wall Street is breathlessly betting the other way. The impressive arguments for this expert view begin with the very fact which is upsetting the Republicans. The chief explanation why the unemployment figures are doing less well than the other economic indicators appears to be that there has been the big surge in productivity. Though the statistics on this subject are just as imprecise in the United States as in Britain, the estimated rise in productivity so far this year is put as high as 10 per cent. Since the low point in April, manufacturing output has risen about 10 per cent, while the number of production workers employed in manufacturing rose only 5 per cent.

Because nearly half the production index is calculated on the basis of reports of man-hours worked, this figure must be viewed with suspicion, but both the statistics and common sense lead to the conclusion that the trend of productivity is sharply upward. This always seems to happen in the first stages of recovery, but the available evidence suggests that this time the phenomenon is much more marked than usual. It appears that the huge investment in new industrial plant and equipment between 1955 and 1957 is at last paying off—and that it should continue to pay off during the period ahead.

Not only does the striking increase in productivity have its effects on price stability, but so does the resulting sluggishness in employment. It is entirely possible that the United States will move into the next period of prosperity on a plateau of unemployment considerably



higher than has been typical of the postwar period. If there is any truth at all in the idea that wages reflect the supply of labour, the "wage push" over the next few years should be less than it has been.

Moreover, if industrial productivity is putting on a striking performance, that of agricultural productivity is positively astonishing. The resultant surpluses are usually thought of in terms of headaches for the government, but there are compensations in the effect on prices. The huge crops of this year are likely, in one way or another, to bring lower food prices. The plentiful supply of feed grains, in particular, promises cheaper pork next year, and beef prices seem likely to head downward in either 1959 or 1960. Farm prices have already been a major factor in holding stable the indexes both of "sensitive" commodity prices and of wholesale prices for over a year. With food such an important item in the consumer price index, and with the cost of living the commonly used standard of inflation, this sector is counted upon heavily by those who look for stability ahead.

The performance so far of commodity prices in general—in sharp contrast to the performance of stock prices—is another item in the list. True, there has been some recovery in non-ferrous metals, but the fact remains that conditions in world markets argue against the sort of boom in these prices that has preceded past periods of inflation. Finally, those who stress the financial aspects of the situation note that the American economy is distinctly less liquid as it moves into the next period of prosperity than it has been during most of the time since the war. The outcome of the Treasury's debt management difficulties over the next year will have a bearing on liquidity, but on the whole this measure of potential inflationary danger will certainly be no more serious and will probably be somewhat less so than in the past.

The general picture could be darkened, of course, if Washington fails to control the Budget, and the Wall Street traders are clearly betting that the large Democratic majority expected in the next Congress will mean bigger Budgets and bigger deficits. But they will have to reckon with a positively fierce determination within the Administration to keep spending under control, and with an equally strong determination in the central bank not to let inflationary facts and inflationary psychology get the upper hand again. The stock market has been wrong before and, to the extent that its recent performance represents a conviction that more inflation lies ahead, it may be wrong this time.

Foreign Policy in the Fire

FOREIGN issues worked for the Republicans in 1952, when Mr Eisenhower promised, if elected, to go to Korea himself to end the war, and in 1956, when it could be claimed, up to the eleventh-hour strike at Suez, that "everything is booming but the guns." The Vice President, Mr Nixon, who is desperately trying to rally the dispirited Republicans, thinks peace can again be the decisive issue, even though the President, whom most Americans still trust to keep them out of war, is not a candidate and although the Chinese Communists, by unkindly reviving the shelling of the Chinese offshore islands, have made it hard to claim that Mr Dulles silenced the guns by standing firm. But there were obvious misgivings both at the White House and the State Department when Mr Nixon answered Democratic taunts about "vacillating leadership" by reviving the offensive old charge that the Democrats are the party of war and appeasement, the Republicans the party of peace. The President and the Secretary of State will almost certainly have to work with a strongly Democratic Congress for the next two years, and the first reaction of both was to reprove Mr Nixon for his partisan excesses.

Mr Nixon not only refused to accept this rebuke; he also gave as good as he got. Insisting that he would continue to reply to Democratic criticism, the Vice-President observed that non-partisanship might do for the President, who has to lead the whole country, but that it would be a great mistake for the Vice President who had to fight the political battle. Mr Nixon then went on to observe sharply that one reason why the Republicans were in such trouble was that they had failed to defend their policies with sufficient vigour and that what was needed was more partisanship—not less. It was the President and the Secretary of State, not Mr Nixon, who had to climb down, in a welter of fine and contradictory distinctions about what was permissible in a political campaign. And when Mr Eisenhower spoke at Los Angeles, he stayed down in the thick of the battle, with the harshest political speech about the Democratic "radicals" which he has ever made—although he hardly touched on foreign policy.

One of the casualties of Mr Nixon's declaration of total war is the single outstanding Democrat who has supported the Administration over Quemoy and Matsu: Mr Truman. Only last week the former President was writing that he would do all he could to discourage partisan attacks which would weaken the Administration's hand in dealing with Moscow and Peking; this week he accused the President of going to Korea in 1952 and "surrendering to the Communists"; and charged the Administration with itself bringing about the present crisis in the Formosa Strait.

Oil's Thirty Days' War

CAPTAIN CARSON, who administers the "voluntary" quotas on oil imports, has three masters to please: the domestic producers, who have the political power to insist that imports be kept down, and government authority for saying that this is in the national interest; the long-established importers, most of whom are grudgingly prepared to co-operate if it is recognised that their big investments in foreign oil fields entitle them to special consideration; and the companies which now wish to begin importing the cheaper foreign oil. When the "voluntary" system was started in July, 1957, the amount of oil which could be imported was fixed at 12 per cent of domestic production and divided up, roughly, according to how much oil a company had imported during the preceding three years. Up to last August the limit was not exceeded, but in that month two big importers kicked over the traces and, meanwhile, far more newcomers than could be accommodated began demanding to be included in the scheme; if all their requests had been satisfied, imports would have doubled at least.

Early in September Captain Carson proudly unveiled a new scheme; this would have allowed each refiner to import foreign crude and unfinished oil equivalent to 12 or 13 per cent of all the oil he used in the preceding year. If the industry had agreed—and all those interested were given thirty days to submit their comments—the scheme would have begun to go into effect in January, 1959, and would have been fully in force, for all the country east of the Rocky Mountains, by January, 1960. Imports as a whole would be fixed at 10.1 per cent of estimated total demand, including exports, thus guaranteeing domestic producers about 90 per cent of the market. Other virtues of the scheme, particularly for domestic producers, included ease of administration, permanence, and the fact that all refiners were treated alike.

But this is precisely what the large importers, who have had their thirty days' say, refuse to accept. Sixteen of them, who would have had their quotas cut again under the refinery-run plan, have protested most vigorously, some threatening that they may refuse to co-operate unless it is modified. The Tidewater Oil Company, for example, which may now import only 24,000 barrels a day for a refinery built to process 84,000 barrels of foreign oil, would be cut to 12,000, while inland firms would be free to import foreign oil and resell it at a profit. When the scheme goes to the Cabinet committee on fuels this week or next, all the signs are that it will be tilted to satisfy the long-established sixteen at the expense of the newcomers, and that the goal of a painless, efficient, "voluntary" method of restricting imports may be as far off as ever.

Rip Van Dixie

FROM A CORRESPONDENT LATELY IN ARKANSAS

THE South, aroused as it is over the burning question of racial integration in its schools, is nevertheless the sleeping partner in the election coming on November 4th. Except for a handful of marginal constituencies for the House of Representatives, where Republicans have a chance, the results were all wrapped up, as usual, once the Democratic party had chosen its candidates. "Operation Dixie," the Republican drive to follow up President Eisenhower's personal success in the South, failed to get airborne until June last year at a rally at Little Rock, Arkansas, of all places, and crashed three months later in the same city, when the federal troops marched in to protect Negro children going to the white high school. Similarly, the drive to register Negro voters has made little noticeable impact, as much on account of Negro apathy as of white obstruction. On the other hand the Republican hopes of winning the big Negro vote in the northern and border cities, as a reward for last year's Civil Rights Act and the President's handling of the Little Rock crisis, have been dashed by the news that well over twelve per cent of Negro workers, or twice the national average, are now unemployed.

Nevertheless, even in the midst of this election, no politician worth his salt has forgotten the immense impact that current developments in the South could have on the pattern of American politics. If he had, last week's squabble within the Democratic party over the status of Louisiana's representative on the party's National Committee, Mr Camille Gravel, would have reawakened him. Mr Gravel, who managed the last election campaign of Louisiana's Governor, Mr Earl Long, brother of the late Huey Long, made himself vulnerable by supporting the party's compromise platform in 1956 on guarantees for the civil rights of Negroes, and by declaring that segregation was "morally wrong." Since then Mr Gravel and the Governor have quarrelled over patronage and in a recent election a candidate supported by Mr Long was defeated with Mr Gravel's assistance. Although his family has traditionally been supported by Negro votes the Governor has now combined with his segregationist opponents to require Mr Gravel's removal from office.

But the Louisiana Democratic party has received a dusty answer from the chairman of the National Committee, Mr Paul Butler, who pointed out that Mr Gravel had been elected for a term expiring in 1960 and that, unless the committee itself decided otherwise, his credentials would be valid until then. Mr Butler followed this up by daring the two most embarrassing and violent southern Democrats, Senator Eastland of Mississippi and Governor Faubus of Arkansas, and presumably anyone else who wanted to associate with them, to "take political asylum wherever they can find it, either in the Republican party or a third party," if they could not swallow a strong civil rights plank in the 1960 presidential election platform. Not unnaturally this produced instant alarm signals from Senator Smathers of Florida, a southern moderate whose ambitions are more than regional in scope and who has no wish to be forced to make such a damaging choice.

The national chairman of a political party is almost by definition a man who may be repudiated by the party later. But Mr Butler's words are a sure indication that many northern Democrats have made up their minds that now is the time to be tough with the South. It is bad for the morale of their candidates and election workers to be taunted as belonging to "the party of Faubus and Eastland." They think they can afford to be tough because, during a period when the President has been an exceedingly popular Republican, the Democrats have broken down the Republican monopoly that used to exist in many states of the North while the Republicans have failed to break down the Democratic monopoly in the states of the South. As a result of the first trend, the present election may well result in a landslide Democratic victory—and practically all the Democratic gains will strengthen the northern liberals within the congressional party, who are already champing at the conservative bits on which they are held by the southern chairmen of committees. The Republican failure in the South means that the southern voters still have nowhere else to go except to a third party.

THE whole point of a third party, whose emergence is periodically rumoured during moments of the South's greatest frustration, lies in the possibility that in a close presidential election it might hold the balance. But, although Governor Faubus has been toying publicly with the idea, as if it were a new one that had just struck him, it is pretty generally discredited among knowledgeable southern leaders, largely because presidential elections are not normally very close.

It is not difficult to see why, despite the bitterness throughout the South, agreement on the desirability of a breach with the national Democratic party should be so hard to obtain. At the quadrennial national convention the party platform, which is the crucial issue over which the Southerners would walk out if they were going to, is adopted

before the presidential candidate is picked. A "third party" policy would therefore deprive the South of its influence over the choice of candidates and would postpone for another generation or two the chance of a Southerner himself receiving the Democratic presidential nomination. If the election did not then work out so as to leave the Southerners holding the balance, the northern Democrats, especially if they had been returned in strength to Congress, would be in a mood to punish their disloyal colleagues by depriving them of the committee chairmanships which represent the South's principal source of power in Washington. Ex-President Truman has already voiced such a threat this week.

As the battle between the southern states and the federal courts intensifies, the pressure on the northern wing of the Democratic party, conscious of the Republican Vice President's appeal to the urban Negroes, to dissociate itself decisively from the likes of Mr Faubus is almost certain to build up, as will the pressure from the southern rank and file on their own leaders to try a third party. Whether or not a showdown will be forced by the Northerners in 1960 will partly depend on, and partly determine, the kind of presidential candidate they want. Those who back Senators Lyndon Johnson or Kennedy, and possibly those who want Mr Stevenson again, will try to build another verbal bridge between the two halves of the party. They will be helped by the southern moderates who will claim that otherwise the wild men will have it all their own way in their own states. Those who want to lessen the chances of such candidates with political contacts in the South and advance the cause of others like Governors Meyner, Harriman or Williams, who would have to count heavily for their support on the northern Negro voters and their trade union friends, would have an interest in forcing the issue. One thing is certain—despite its quiescence in the present campaign the South will not be on the political sidelines for long.

Profitable Polygamy

THE failure of the marriage which took place in 1953 between the Studebaker and the Packard automobile companies is being remedied not by divorce but by more weddings — and the substantial losses which the couple incurred during their union are providing attractive dowries for the new matches. The expenses, however, are being paid by the shareholders of the Studebaker-Packard Corporation who have just authorised the issue of additional shares to be used to bring other firms to the altar, to reward the marriage broker, Mr Sonnabend, who is arranging the mergers, and to give the company's creditors an option of converting their 165,000 shares of preferred stock into common shares in two years' time. The issue of this preferred stock is part of the deal under which the creditors, all banks and insurance companies, have agreed to reduce the amount that Studebaker-Packard owes from $54.7 million, some of which was due for repayment, to $16.5 million in long-term notes.

But the creditors' chief demand, which became insistent when the company lost $13 million in the first half of this year, almost twice as much as in the comparable period of last year, was that immediate efforts should be made to acquire other companies, whose earnings could be set off for tax purposes against Studebaker-Packard's accumulated losses of $134 million. Mr Sonnabend specialises in arrangements of this kind and claims that promising negotiations are already under way with several profitable candidates. He would like to keep Studebaker-Packard in activities related to its present line of business, but diversification has its advantages and there are possibilities of acquiring pharmaceutical, food processing and perhaps other interests. One company which Mr Sonnabend has salvaged very successfully has expanded right out of its original activities in the wool textile field.

For the moment, however, Studebaker-Packard will still be making cars—although not Studebakers or Packards, but only its own new, "smaller," cheaper Lark, which is to take wing next month and about which the company is very optimistic. It will also become the direct distributor in the United States of the German Mercedes-Benz cars; it has been handling these in conjunction with the Curtiss-Wright Corporation as part of the agreement under which this company has been helping to manage, and trying to save, Studebaker-Packard for the last two years. The contract with Curtiss-Wright has now been ended as part of the latest, and presumably last, effort to keep Studebaker-Packard alive.

Harvest of Violence

THE dynamiting of the Jewish Reform Temple in Atlanta, Georgia, last week and the destruction of the high school at Clinton, Tennessee, have brought the number of such bombings, or attempted bombings, of schools, synagogues and houses in the South to 67 since the beginning of last year. Mercifully no lives have been lost and the damage in some cases has been small; the shocking thing is that up to now in every case the criminals have gone scot-free. In Atlanta, however, the police department encouraged by the Federal Bureau of Investigation has acted with energy and five men have been indicted for the crime. This may be a sign that at last the growing lawlessness in the South is to be taken seriously. Last spring, when there were outrages in Florida, Tennessee and Alabama, the Department of Justice insisted that the FBI could not be sent into these states because no federal crime had been committed. Now, however, President Eisenhower is demanding continuing reports from the FBI on the progress being made—perhaps because of the growing evidence that violence is being instigated and financed from other southern states and even from the North.

The South today, angered and frustrated by the Supreme Court's orders to end racial discrimination in the schools, is fertile soil for fanatics and racial cranks of all kinds. Defiance of the law has been preached by many who have sworn to uphold it, and crimes against Negroes have gone unpunished. Many southern Jews are themselves segregationist, and the bombing of synagogues only began eight or nine months ago. Most of the White Citizens' Councils officially disclaim any anti-Semitism. But the fact remains that many of the most intemperate segregationists, as individuals, are also anti-Semitic and associate the Jews with racial integration; Mr Richard Kasper, who caused so much trouble at Clinton two years ago, is a case in point. It is not so many years either since the Ku Klux Klan was rigorously anti-Jewish and anti-Catholic as well as anti-Negro. And violence is contagious. Unless it can be stopped quickly no minority may be immune.

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Data Sheet **No. 2**

Induction Heating-1

Electro-magnetic induction was discovered by Faraday and used by him to evolve the electric motor. In some cases, induction can be a nuisance by causing heat losses to arise from induced eddy currents in nearby pieces of metal, but in industry today those heat losses are being turned to good account as a method of metal heating.

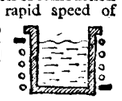
Induction heating produces heat only in the work piece. This is a fascinating and spectacular process which has the additional merit of being extremely effective. An important feature of induction heating is that it gives rapid temperature rise with no time lag, starting being instantaneous. Perhaps its greatest advantages are that it can be used in automatic processes and does not demand skilled labour.

Induction heating can deal efficiently with all the applications outlined below, and including metal melting, preheating and stress relieving, surface hardening, heating of large components, preheating of steel tubes for manipulation, heating for shrinking, for forging and extrusion, as well as for the heating of vessels. There are various methods of applying it, the method to be used being dictated by the application.

Technical details relating to the choice and use of individual types of induction heating will be set out in a subsequent data sheet.

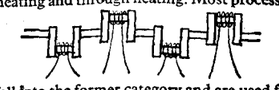
Metal melting

The oldest and largest application of induction heating lies in the melting of metals. The outstanding advantages are: freedom from deleterious gases and products of combustion and other contaminants, rapid speed of melting, low running costs, improved working conditions and reduced metal loss.



Metallurgical processes

This covers a large variety of processes which may be basically divided into surface heating and through heating. Most processes



fall into the former category and are used for the purpose of skin hardening. They include the treatment of such components as: pins, camshafts, crankshafts, rollers, cylinder liners, gear teeth, rocker arms and shafts and valve stems.

Through Heating

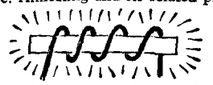
When the current in an induction coil is maintained for a longer period it results in the heat engendered in the work piece penetrating to a greater depth and eventually throughout the piece. It is largely used for the heating



of slugs and billets for upsetting and upset forging, flanging and nosing, shearing and forging and bolt blanks for heading.

Annealing

Induction heating is the ideal method of altering the character of metals for a special purpose. Annealing and its related process



of tempering, normalising and stress relieving are prominent in this category. In the case of annealing, one feature of the treatment is that it can be localised, while induction tempering can do in one minute what would require half an hour or more with conventional furnace heating.

Brazing, soldering and welding

Brazing and soldering by induction are the quickest and cleanest methods of joining metals together, and it is often beneficial to re-design the parts so that the fullest advantage can be taken of induction heating. Brazing can be used in the case of: carbide inserts for tools, tips for rock drills, parts for universal joints etc., while the many applications of soldering are well known. It was not until well into the present century that the age-old craft of welding became a positive aid to greater productivity. Induction welding produces a good, clean weld because oxidation is almost absent.



Miscellaneous Applications

Induction heating can be profitably used for a large variety of purposes, including the fusion and hot pressing of powders, heating *in vacuo*, gas determination in metals, fusion of glass, chemical work and many other processes.

For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association.

Excellent reference books are available on electricity and productivity (8/6 each or 9/- post free) — "Induction and Dielectric Heating" is an example.

E.D.A. also have available on free loan a series of films on the industrial use of electricity. Ask for a catalogue.

Issued by the Electrical Development Association, 2 Savoy Hill, London, W.C.2.

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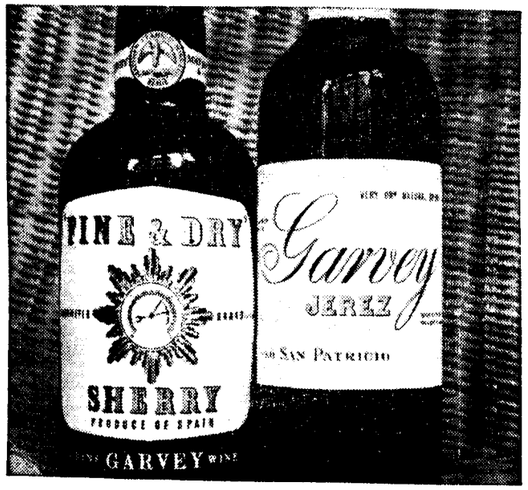

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Where Milk is Dynamite

MILWAUKEE, WISCONSIN

MILWAUKEE is a grey and gusty city on the shore of Lake Michigan, famous for its breweries and as the home of the Braves, a baseball team which seemed to have the national championship within its grasp earlier this month and then let it slip through its fingers. A similarly tantalising experience seems to be in store for Wisconsin's *Republicans, who were thought* until recently to represent their party's best chance of picking up a Senate seat in next month's elections. Senator William Proxmire, a comparatively young and liberal Democrat, astonished the pundits last year when he won the special election caused by the death of the unlamented Senator McCarthy. Wisconsin last let a Democrat get into the Governorship or the Senate a quarter of a century ago, and it was generally conceded that Mr Proxmire owed last year's success largely to the abstention of Republican right-wingers, who were angry with the choice of an Eisenhower-style moderate as their party's candidate. It now looks as if he can hold on to his office even though the Republicans have reunited in pursuit of him.

The campaign of Mr Roland Steinle, the compromise candidate whom the Republicans drew from the obscurity

Conscription—American Style

FROM A SPECIAL CORRESPONDENT

ALTHOUGH in theory the American selective service system ensures that all American men undergo military training between the ages of 17 and 26, in actual fact some do not serve at all while others may spend from six months to six years in the armed forces. Approximately 1.3 million men reach their eighteenth birthday every year; each must then register with the draft board in his community if he is not already enrolled for military service in one of the voluntary programmes.

If a man is **"drafted"** he must spend two years on active duty and two more in a reserve unit. The federal government determines how many are to be inducted—at present 10,000 are being called up each month—but the local boards decide who will go and when. Today only men who are 22 years old or more are being selected; university students and men in specialised jobs of value to the national defence receive deferments and those married and with children are almost certain to escape military service altogether. Recently also the Army has raised its mental and physical standards, thus eliminating a sizeable number; this, the least attractive of the armed forces, is the only one which now needs conscription to fill its ranks.

The present position is that many young Americans, hoping to avoid military service entirely, are "waiting out" the draft until they are too old to be liable for selection. But many prefer to volunteer, to get the suspense over, either by asking their draft board to call them or by entering one of the alternative schemes.

THE newest of these, the **six-month programme** offered by the Army, Air Force and Marines, is an attempt to provide an adequate reserve for emergencies without burdening the American taxpayer with the cost of training every young man for a full two-year period. Under this programme a youth can volunteer for six months of active duty, followed by three to five and a half years of drilling one night a week and camping for two weeks each summer. When the scheme was inaugurated in 1955 only those between 17 and 18¼ years old could join, but the response was so low that in April, 1957, the programme was expanded to include men up to the age of 26. Immediately thousands enlisted, in order to avoid the longer period of service for which they were theoretically liable; at present somewhere over 300,000 men are serving under this programme and it is so popular that there are now far more applicants than vacancies.

Most of the volunteers join the Army and they receive the same training as any other soldier. The six months is divided into three parts—eight weeks of basic infantry instruction, from eight to fourteen weeks learning a specific skill and the remaining time, if any, in actual training on the job. The six-month soldiers are mixed with the longer-term servicemen at bases all over the country but they are not sent overseas. Many of them are college graduates; they seem easier to train than are men in for a longer period of service and their morale is higher. Business concerns approve of the programme since they lose their employees for much shorter periods under it.

But the key question is whether this brief training is enough. For certain branches, such as supply, administration and the infantry, a six-month apprenticeship is supposed to be adequate, whereas the more complicated fields of modern war—electronics and missiles—obviously need much longer training. But these, according to the supporters of the six month programme, are manned by regular soldiers; it is argued that men conscripted for a full two years of duty do not in practice receive much more training than those who volunteer for six months, but spend the remainder of their service marking time.

THE young man who goes to college can enlist in the **Reserve Officers Training Corps,** designed to provide a backlog of officers in time of war for all the services. He will devote from one-fourth to one-fifth of his academic time to military science and receive a commission when he graduates, thus avoiding distasteful service in the ranks. During the first two years of the four-year American university course some colleges include the ROTC classes in the regular academic curriculum and some do not; the last two years are always included. The Army students receive eight weeks' summer training between their third and fourth years and the Air Force four weeks, while naval students serve for six weeks each summer. The Army used to call its graduates for two years of active duty after leaving college but the recent economies in defence spending have reduced this to six months. Air Force ROTC officers must do five years' active duty, and naval ones four.

Another possibility facing the young American is a **long-term enlistment.** In the case of the Army it is for three years; the Air Force with its extensive technical training requires four; and the Navy either four or six years or, for those between 17 and 18 years old, an enlistment lasting until their 21st birthday. The armed forces much prefer men who join for these longer periods and the Air Force and Navy meet most of their requirements by this method. Enlistments have steadily increased this year as a result of the recent rise in military pay, the chance of obtaining specialised training, in such things as electronics, which is frequently hard to come by in civilian life and the recession—a factor which has lately become less important as the economic situation has improved.

of the State Supreme Court, is a prototype of the model that the Republican strategists in Washington have apparently decided is best for 1958. Mr Steinle suffers from a visible rustiness in his political knowledge and from a style of oratory that sounds well at a distance but is plainly not fitted for television screens. Now he has emerged from the silence of the bench, he has shown that he stands well over to the right ; he looks on Mr Adlai Stevenson as a " starry-eyed left-winger " and manages to mention a surprising number of Democrats in the same sentence as the "gangsters of Moscow and Peking." Nevertheless, both wings of his party are supporting him loyally. Being a Roman Catholic, he may also draw some of Wisconsin's large Polish and Irish vote away from Senator Proxmire ; the appearance of some abusive and illiterate anti-Catholic leaflets in the state has probably helped him, although the Republican campaign managers do not claim that Senator Proxmire has anything to do with them.

Mr Steinle's appeal is to those Americans whose ideas on foreign policy can be put into his capsule thought, " we won't stand for any fooling around " ; and to those whose dislike of Mr Hoffa, the head of the corrupt lorry-drivers' union, can—it is thought—be broadened into opposition to other union leaders like Mr Walter Reuther, the powerful but austere leader of the automobile workers. No doubt both issues are good for a certain number of votes ; but they are risky in Wisconsin, where militant anti-communism is qualified by a tradition of semi-pacifist isolationism and where the local trade unions have a relatively clean record. The one charge which seems to have stung Senator Proxmire so far is the allegation that measures he has sponsored in the Senate would have cost the country $23 billion a year. There is a good deal of double-counting in this figure ; but the slogan " Billion Buck Bill " has provoked him into the rather foolish challenge that he will give $100 to anyone who can prove that his proposals would not in fact have saved more than they would have cost.

In any case, these are only ripples on the surface of what looks like a Democratic current. Wisconsin's rate of unemployment, at 4.5 per cent of the labour force, is well below the national average but newly shuttered shops can be seen in many small-town streets ; the recession is dying, but not quite fast enough, and it has magnified the vague six-year-itch of discontent which any Administration must expect at this stage of its life. The decisive issue in Wisconsin, however, is likely to be the plight of the dairy farmers, by far the most important agricultural group in a state that is America's greatest source of milk. There is a drought in the southern part of the state, and the support price for milk fixed by the Department of Agriculture has twice been cut sharply ; as a result the purchasing power of the dairy farmers is estimated to have fallen by nearly a quarter. The name of Mr Benson, the Secretary for Agriculture, is a fighting word in the rolling meadow country outside Milwaukee. A poll published this month by an agricultural newspaper showed that, while a majority of other farmers are sticking to their old Republican loyalties, the milk producers are 2 to 1 in favour of Senator Proxmire.

It will be surprising if the swing to the Democrats is powerful enough to unseat the reigning Governor, an astute and comparatively moderate Republican whose opponent has not yet made his personality felt. But it may well add to the Democrats' share of Wisconsin's ten seats in the House of Representatives. At present they hold only the two Milwaukee seats and one in the heart of the dairy country in the west. But they stand a good chance of picking up one or two more in the south-east, where drought in the country coincides with unemployment in the towns and where one of the Republican candidates suffers from the disadvantage of being a woman ; Wisconsin has never elected a woman to a major office. There is plenty of the most rugged kind of Republicanism left in the state, but the Democrats seem to have their feet in the door.

Central Banking for Seeds

FROM A CORRESPONDENT IN COLORADO

In America's first central seed bank, which has recently been opened at Colorado State University, there is space to store supplies of several hundred thousand basic seed stocks, as well as germinating rooms and facilities for growing fresh supplies of the seeds at intervals. This is an enterprise run by the federal Department of Agriculture in conjunction with the department's plant introduction laboratories and with state experimental stations, many of which have seed preserving facilities of their own. The bank is needed because such basic stocks, carrying strains which may again be needed for genetic and plant-breeding purposes, have often been lost after they have been used for a time to develop new varieties of seeds. Or it may be that the original sources of the basic seeds are now behind the Iron Curtain, where an agronomist would hardly be allowed to wander round the countryside searching for them. The bank will store only seed ; this will belong to the federal government and will be available free of charge to any qualified research worker ; requests from foreign sources for supplies will have to be approved by the Department of Agriculture in Washington. Whether or not a strain of seed is to be stored will depend on its value as basic germ plasm ; all will be fully documented and no stock will be accepted unless it is accompanied by complete records. The laboratory will arrange for stocks to be rejuvenated and replenished when necessary.

SHORTER NOTES

President Eisenhower has now appointed Mr Gerald Morgan to be Deputy Assistant to the President, serving directly under General Persons, and ranking slightly above the two other Deputy Assistants. Mr Morgan is being replaced as the President's special counsel by Mr David Kendall.

* * *

The investigation now being conducted into whether imports of tungsten and cobalt are threatening the national security is the first under the tightened provisions which were put into the Reciprocal Trade Agreements Act when it was renewed last summer. The criteria for deciding whether a threat exists are much broader than they used to be and consideration must be given to the impact of foreign competition on individual domestic industries and to the state of employment.

THE WORLD OVERSEAS

THE NEW IRAQ—1

Qasim Rides the Revolution

FROM OUR SPECIAL CORRESPONDENT IN BAGHDAD

The Republic of Iraq is now firmly established on the ruins of the Hashemite kingdom. That is about the only positive statement that can be made about the pattern of political development in Baghdad. The overwhelming majority of people has rallied to the revolutionary flag. But the near completeness of the support now offered to the revolutionary government raises its own problems. It is idle to suppose that all Iraqis are agreed on all the ends of the movement, far less on ways and means. The prime minister, Brigadier Abdul Karim Qasim, is engaged in a delicate exercise of checks and balances, trying to keep his team together in contentment without letting any one member run ahead of the rest.

Differences of opinion show themselves over both external and internal issues. The Baath Socialists, of whom Colonel Abdul Salam Aref made himself the leading spokesman, favour a quick if not immediate union with the United Arab Republic. To balance their agitation, the prime minister leans, among others, on the Communists who look askance at a state which bans all parties in general and the Communist party in particular. In the internal field, the National Democrats, under the veteran politician Kamil Chaderji, want the early restoration of party politics. To check this trend the prime minister has found elements of the Istiqlal party who are prepared to back him in soft-pedalling this issue. It is clear that Brigadier Qasim wants to make sure of his hold on the country before indulging in experiments of any kind ; whether towards closer links with Egypt or towards the restoration of democratic liberties.

The position is further complicated by differences in nuance within the parties themselves. In the Istiqlal party, for instance, there is a discernible contrast between the old school, represented by Rashid Ali al-Gailani, which favours immediate union with Egypt, and the new school, personified by the articulate minister of guidance, Siddiq Shanshal, which is prepared to go slow both in the matter of union and in that of restoring democratic liberties.

Behind these political organisations there is a more obscure body of " free officers." It was they who made the revolution under the leadership of Brigadier Qasim and Colonel Aref. It is a fair presumption that in the early stages they gave loyalty to both their leaders and the fall of Colonel Aref may have caused some confusion in their ranks. Colonel Aref was more closely concerned with the details of the preparation for the coup than was Brigadier Qasim and may therefore have had a stronger hold on individual officers. But the prime minister now enjoys the strong advantage of being the man in possession, while his chief potential rival (if indeed there was rivalry between them) is not only out of office but out of the country as well.

It has been widely assumed—perhaps because it is a comfortable assumption—that Colonel Aref fell because of the embarrassment caused by his attacks on the west. But there is far more to it than that. Among his tirades against western imperialism Colonel Aref got in some shrewd digs at the Soviet Union, saying repeatedly, during his whistle stop tours of the country, that Iraq had no intention of replacing one form of imperialism by another. Such broad hints worried the government at a time when it was establishing diplomatic and commercial links with communist countries. Colonel Aref is also said to have favoured the formation of a revolutionary council of officers on the Egyptian model, while Brigadier Qasim insisted on saddling civilians with a substantial share of political responsibility.

Colonel Aref's vigorous oratory had other drawbacks. In the towns it caused bad blood between his Baath Socialist followers and the Communists ; the most serious clash occurred in the Holy City of Najaf, where the bazaar gossip with its usual fertility of invention raised the number of dead from five to sixty. In the countryside, the Colonel stirred up the peasant labourers and gave rise to the belief that the millennium had already arrived. Many simply downed tools, others began to squat on land which was not yet theirs. The most ominous sign of all was the slogan that greeted him on his tour of the south : " Long live Aref, Nasser of Iraq." The implication behind that cry could not escape anxious notice in Baghdad. There was a feeling in government circles that you could never tell what Aref would do next.

The stormy petrel of the revolution was eliminated with a smoothness that justifies Brigadier Qasim's growing reputation as a tactician. Colonel Aref was first deprived of his military commands, then of his political appointments. Reports that the government was threatened by a coup from Colonel Aref's supporters and nipped it in the bud are almost certainly fabricated, since all the evidence so far adduced in support is known to be untrue. At the time when Colonel Aref and Rashid Ali were supposed to be under house arrest, they were moving freely about the town. Shops carried on with their business as usual and there was no sign of any special security precautions in Baghdad. The only change in the situation was the removal of the brigade formerly commanded by Colonel Aref to a point some eighty miles north of the city. This was a precautionary measure and the brigade obeyed without protest.

The suggestion that it was not primarily the anti-western attitude of Colonel Aref that brought about his downfall is strongly supported by the conduct of the special high military court which is now wading through the cases of 108 supporters of the old regime. Both the military

prosecutor and the president of the court stress the fact that the "crime" of the great majority of the accused was the attempted subversion of Arab nationalism at the bidding of western imperialism. Sometimes one gets the impression that the real defendants are not the prisoners in the dock but Mr Dulles and Mr Selwyn Lloyd. It may be argued that the court is an independent body which does not necessarily reflect the views of the Iraqi government. But the president of the court is the brother-in-law of the prime minister and the proceedings are televised by the government broadcasting system. In view of this it seems absurd to suppose that the government is ultra-sensitive about attacks on the west.

The same trend of thought is echoed in the press. No criticism of the eastern block has yet appeared, whereas the west comes in for monotonous hammering. The supply of submarines to Israel was roundly condemned. Leading articles question the sincerity of American-British statements about withdrawal from Lebanon and Jordan. President Bourguiba is being given a merciless trouncing. Without exception, Iraqi newspapers take the line that he is being cast for the role of western catspaw formerly played by Abdul Illah and Nuri es-Said.

(To be concluded)

France's Election Prospects

FROM OUR PARIS CORRESPONDENT

THE French electoral campaign is about to open officially, but nobody in Paris dares to forecast the result. On November 23rd and 30th the French will have to elect a new assembly reduced in size and power; the campaign will be conducted under the shadow of General de Gaulle's triumph in the referendum. It is hazardous to prophecy how the old parties will fare under a new regime and a new electoral law.

General de Gaulle finally opted for the *arrondissement* system (small, single-member constituencies; an absolute majority in the first ballot, a simple majority in the second); having won the referendum so decisively, he felt strong enough not to have to rely on the "Gaullist" followers of M. Soustelle. Originally, it was expected that a list system in large constituencies would be preferred. This would have favoured the extremes, and, since the Left is divided, would have produced a chamber controlled by M. Soustelle and his allies.

General de Gaulle, who will almost certainly be President next year, prefers to face an assembly in which the Right is kept in check by the Centre-Left (or M. Soustelle by M. Mollet). Such an assembly would be manageable from the President's point of view. The *arrondissement* system cannot in itself be guaranteed to produce stability. The Third Republic, which adopted that system for most of its elections, changed governments even more frequently than the Fourth. What can be said with reasonable certainty is that it will favour the Socialists and the candidates of the Centre, who will act as a counterpoise to the Right.

France has been divided into 465 *arrondissements* on the basis of one deputy for 93,000 inhabitants. This rule has not been applied equally strictly everywhere; and some rural areas have been attached to suburbs so that the blue should dilute the red. But, on the whole, the present government has done no more electoral cooking than is customary.

The general's choice was made easier for him by the fact that the *arrondissement* system fulfilled the requirement of the electoral law that it should reduce Communist representation drastically. The Communists, who are politically isolated, did well under proportional representation. In the last chamber they had 150 deputies out of 593. In the new assembly there will be only 465 deputies from metropolitan France (and 66 from Algeria), and the Communists will be lucky if they capture a few dozen seats. In no electoral district can they muster an absolute majority. They can win only where their competitors are divided; and in most places where the Communists are strong they will be faced with an opposing coalition.

The Communists may lose votes as well as seats under the new system. In areas where they are weak some of their supporters may opt for the Socialist at the first ballot so as not to waste their vote (thus, to discover whether the Communist party has recovered from the shock of the referendum it will be necessary to analyse results in districts where the party is traditionally strong and the wastage question does not arise). The Communist leaders are aware that their party is going to suffer an electoral reverse, and they are determining their tactics accordingly. They will try to get the maximum poll in the first ballot, and will then stand down in many constituencies in favour of "republican candidates." Unable to win today, they will work to prepare the ground for the alliances of tomorrow.

The Socialists, and to a lesser extent the Radicals, are expected to gain from the change. They are well established parties with strong local connections. The Socialists may prove the main beneficiaries of Communist and other withdrawals between ballots. In some districts they will stand as the national bulwark against the Communist, in others as the proletarian shield against the capitalist. Unkind people have said that the electoral law is the general's reward for M. Mollet's services. But others will benefit, too. Candidates like MM. Mendès-France and Mitterrand may do well in a system that gives weight to personalities and scope for local alliances.

SOCIALIST success depends not only on Communist withdrawals but also on the failure of the Right to unite. As soon as the list system was rejected, M. Soustelle realised that his main chance lay in an alliance between the new Gaullism and the traditional conservative forces. He therefore urged that the neo-Gaullist UNR (*Union pour la Nouvelle République*) should form a common front with the followers of MM. Duchet (secretary of the conservative *Indépendants*), Morice and Bidault. Together, on the platform of "French Algeria" and Gaullist salvation, they hoped to win a majority of seats in France and a big majority in Algeria. But General de Gaulle has no desire for too strong and too committed an ally. His instructions to General Salan about the need to get all opinions represented may have been partly designed to prevent all Algerian seats going to the Soustelle coalition. At home, the more obedient Gaullists, like M. Michelet, protested against the exclusive nature of the contemplated alliance. M. Soustelle had to give way and agree that other partners might be called in. But the battle of wits goes on.

Such, then, is the situation before the start of the electoral campaign. Two contradictory influences are at work. The new electoral law may tend to favour those outgoing deputies who have had time to render services and make a local reputation. On the other hand, the eighty per cent *oui* vote in the referendum was partly a symptom of anti-parliamentary feeling and partly an encouragement to newcomers. It remains to be seen whether the traditional ties or the desire for change will prove the stronger—how powerful, in fact, the Gaullist tide is.

Roughly speaking, there are two possibilities. The various centre groups (Socialists, Radicals, MRP) may win close to 200 seats and no coalition would have a clear majority. The sixty-six Algerian deputies could have the decisive vote. The weakness of an evenly divided assembly would then tend to give General de Gaulle plenty of room for manœuvre. Or M Soustelle and his allies may ride to victory on the Gaullist wave; the rules of parliamentary procedure would then require the formation of a government committed to the incorporation of Algeria into France. Things are still too fluid to guess which will happen.

BROADCASTS TO EASTERN EUROPE—I

Hot Air Arm

BY A SPECIAL CORRESPONDENT

THE idea that any unapproved information should penetrate into the countries of the Soviet block is naturally distasteful to the communist rulers. Their reactions to western broadcasts, the most powerful means of breaking their monopoly of information, have been violent and frequent—between June, 1954, and June, 1958, the governments of Bulgaria, Czechoslovakia, Hungary, Poland and Rumania alone reacted, in their press and radio, 9,582 times. This is one aspect of East-West relations these countries cannot, and do not, ignore. In September, the campaign against foreign broadcasts was intensified and an attempt was made to make it an international question. At a press conference in Moscow on September 12th, the Russians went to great lengths to demonstrate the vicious and sinister nature of these western activities; re-defectors (Russian refugees to the West, who had returned home) were produced to illustrate the main thesis. Later in the month, Endre Sik, the Hungarian foreign minister, speaking to the General Assembly of the United Nations, called attention to the BBC, the Voice of America and Radio Free Europe; he said that these stations had vied with each other, during the revolution in Hungary, in incitement to sabotage and crime, which, he added, was still going on.

Four powerful western networks are engaged in broadcasting to the Soviet Union and the countries of Eastern Europe. Two of these, the BBC and the Voice of America, are run at public expense and are mouthpieces—the VOA more, and the BBC less—of their respective governments. Transmissions to Eastern Europe and Russia are only a part of the activities of these two stations: they broadcast to many other sensitive parts of the globe. By comparison, the two "private" stations, Radio Free Europe and Radio Liberation are specialists—RFE concentrates on Poland, Czechoslovakia, Hungary, Rumania and Bulgaria, while Radio Liberation broadcasts to the Soviet Union, in no less than seventeen languages, including Turkmen and Tadzhik. These two stations are financed by private donations from the United States (although the possibility that they also have some access to official funds cannot be entirely ruled out) and they operate in Munich, under a licence from the Bonn government. Radio Liberation was the last addition to the business of radio war: it started to broadcast from Munich on the day of Stalin's death in 1953. RFE began its broadcasts, in a small way, in July, 1950; the two official stations largely continued their wartime services.

That the communist rulers should resent encroachment on their air, and should hit back with attempts to discredit the source of the encroachment, is only to be expected; but these stations, and RFE and Radio Liberation in particular, have often come under heavy fire in the West as well. Some people distrust propaganda: the word itself is not quite respectable. This is a temperamental dislike that has little to do with politics; political attacks have come from both sides. From the left they have been accused of incitement to rebellion, from the right of wasting good money on the support of national communism and Titoism. Such attacks may often have been ill-informed and unjustified; nevertheless, these stations started to operate at the height of the cold war, when Eastern Europe presented an unbroken glacial front and when a steady trickle of refugees propagated the idea, shared by wishful thinkers in the West, that the days of communism in Eastern Europe were numbered, and that if propagandists were to blow hard enough (and blow sometimes they did) the whole structure would collapse.

Inevitably, the numerous language sections of all the four networks are staffed largely by more or less recent refugees from the countries of the Soviet block; the British in Bush House and the Americans in their three stations control broadcasting policy. The original intention behind Radio Free Europe and Radio Liberation was indeed to provide a channel for the voice of the exiles, a platform for the opposition that was banned in east European countries. The idea proved impracticable. Since emigré politics are subject to a law of disintegration into small, bitterly belligerent groups, there would not have been enough wavelengths to carry all their voices. In practice, the resident American political advisers are nowadays playing an important role even in the day-to-day minutiae of the broadcasting policy of these two stations; the heads of the language sections and other non-American employees, some of whom have developed a high degree of propaganda professionalism, represent no particular group of exiles and they work out the policies of their sections with their American colleagues. Indeed, the networks in Munich have learned a number of political lessons (these will be discussed in a second article) during their broadcasting life: it would be stretching the definition of "incitement" too far to apply it to their present activities.

FROM powerful transmitters, Radio Free Europe now broadcasts to Poland, Czechoslovakia and Hungary nearly round the clock and to Rumania and Bulgaria for several hours every day. Emphasis is placed on well-balanced news: RFE news bulletins take up ten minutes in every hour; the station is now experimenting with a new feature, a programme of lectures of university standard, planned in co-operation with the College of Europe at Bruges. A large section in RFE concentrates on research; an institute for the study of the Soviet Union is run alongside Radio Liberation. Information on these territories is a by-product of broadcasting: without it, our knowledge of Eastern Europe would be poorer.

The embarrassment the western broadcasts cause for the east European regimes can best be measured by the communist efforts to prevent their subjects from listening to them. Although the communist rulers —unlike the Nazis in occupied Europe during the war— have not outlawed listening to foreign broadcasts, dissemination of certain types of information can become a criminal offence. In East Germany, a youth was recently sentenced to four months' imprisonment for listening to a BBC transmission in such a way that casual passers-by could hear it as well. The technical effort that goes into jamming western broadcasts is immense. At present, the east European jamming system is based on a network of about 2,500 high-powered transmitters, backed by a monitoring alert and control. In fact, this is one of the world's largest radio systems: the cost of running it is probably higher than the total sum the West spends on its programmes and their transmissions to eastern Europe. Of all the countries of the Soviet block, only Poland is free from indigenous jamming—this was the result of the 1956 peaceful revolution, when the Polish government decided to use the money spent on jamming for the improvement of domestic broadcasts. However, co-operation among the east European countries made itself felt even here; jamming is done for the Poles by their obliging neighbours.

Common as the monotonous wailing sound of the jamming transmitters is on the radio sets of eastern Europe, there is evidence that a good deal of the western broadcasts get through. It is impossible to jam all the wave-lengths all the time. Although it is extremely difficult to assess the effectiveness of western broadcasting, all existing evidence indicates that they have a large and devoted audience in eastern Europe. The BBC receives a number of letters from these countries, and from east Germany in particular, every month ; interviews with refugees during the exodus from Hungary in the last months of 1956 gave a good picture of the important part that British and American broadcasting plays in the lives of the east European peoples. Since this is so, the contents of these broadcasts, and the message they carry, matter a great deal.

(To be concluded)

Aden's Uncertain Future

FROM A CORRESPONDENT

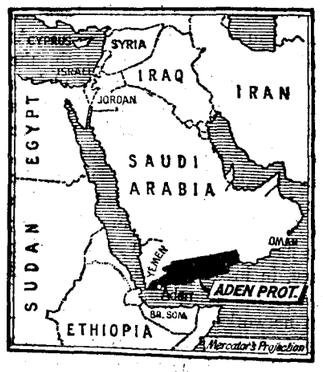
THE shock of the Iraq revolution has been absorbed in Aden. The British and the Adenese have resumed their comfortable round of writing reports, selling duty-free goods to the daily streams of tourists landing from their bunkering ships, and remarking on the heat. On the surface all seems quiet and unchangeable. It may seem calm enough now but Aden is ill-prepared for what may be a stormier future. How long the present situation will last is unknown —estimates range from a little less than five years to as long as ten years, depending on the position and sympathies of the estimator—but meanwhile the Aden government must act as policeman over the colony and the petty states of the protectorates.

The task of the government is not, as it sometimes appears, to keep alive a tradition of outmoded imperialism. The picture of the red-faced Englishman going out to settle, or incite, the tribes is something that belongs to the past. In Aden the government's position is complicated by having the Royal Air Force on hand in large numbers and one sometimes gets the impression that the RAF commands everybody but the governor himself. This results in a tendency towards an overly militaristic approach to the problems of the area ; it tends to obscure the global view of what western interests really are in the Middle East.

It is the ultimate fate of the Kingdom of Yemen that really concerns the western world most in south Arabia. The Imam himself is a cagey old boy but his effective control over routine matters is slipping as a frightening collection of dreadful diseases takes its toll. His son and heir, Saif al-Islam Muhammad al-Badr, does little but bring in more Egyptians and Russians in the mistaken belief that they will support him on the throne. The political objective in south Arabia is to encourage those elements who are trying to maintain Yemeni independence and to work to make co-operation with the West a politically palatable course. This requires the kind of delicate and flexible manœuvring that is the reverse of what the military in Aden would like.

AFTER Yemen, the main purpose is to maintain the British strategic position in Aden for as long as it is necessary for the West as a whole. Once there is no further need for this the time will come for a peaceful, staged withdrawal of British influence. It is the preparation for such a withdrawal that requires the immediate attention of the government and of those Arabs who have political plans for themselves.

In the Colony the direction of nationalism is reasonably clear-cut. With one exception, the Arab parties intend to throw off the British yoke and come under the loving care of President Nasser. The exception is the Aden Association, led by Mr Ali Muhammad Luqman, which has long stood bravely for self-government within the Commonwealth. On the whole, politics are the concern of a few coffee-house intellectuals who make the noise while the great majority of the population remains unmoved. Eleven newspapers spew forth an amount of vituperation bordering on sedition but even the terrible recitals of British sins, real and imaginary, cannot conceal a realistic esteem for the bread-and-butter merits of British presence in the area. The liberalism of the government is one of those British paradoxes which puzzle the foreigner and disarm the Arabs. Proof of whether or not the Adenese have lost respect for British intentions will come in three or four months when the elections for the Legislative Council are held. There may well be an effective nationalist boycott of the elections even though, for the first time, the Adenese will be offered an elected majority.



In the protectorates, political sophistication is lacking and nationalism is clouded by feudalistic illusions among

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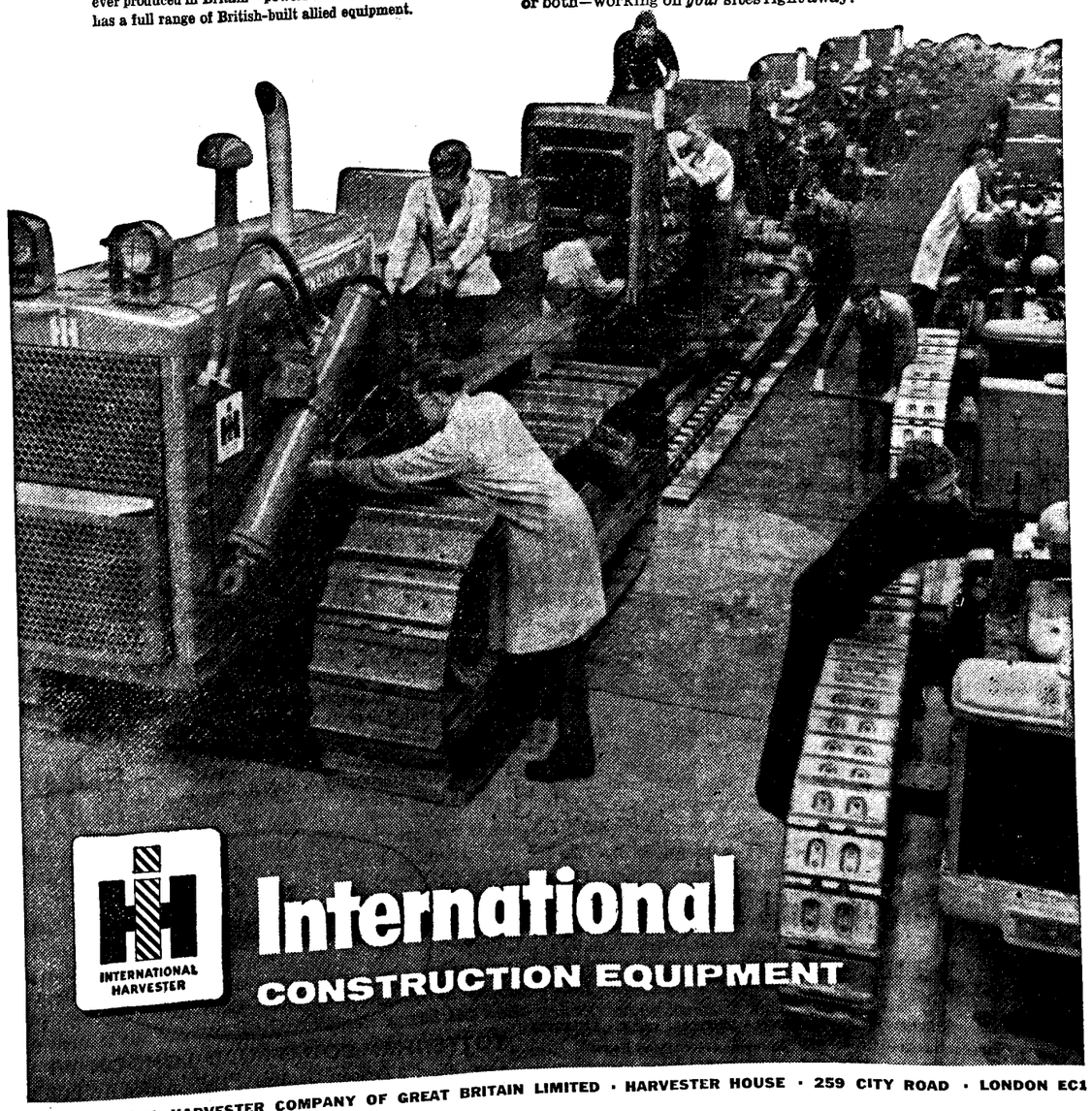

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the people and the rulers. As elsewhere in the Arab world, nationalism is vaguely defined and emotional. It is at present probably more protestant than purposeful; it is a protest against the British obstacle to Arab unity rather than a conscious political means towards that ideal. It is complicated by the presence between the protectorates and Cairo of that oddest partner of Colonel Nasser, the Imam of Yemen. They have no desire to join anything that would expose them to Yemeni oppression.

It is a pity that the rulers did not go ahead with the federation plan several years ago and that the British Government was not prepared to offer generous financial aid to assure its success. Now nobody has much faith in the idea of a federation of the protectorates. The rulers who went to London to promote it last summer did so because they were alarmed by the growth of Yemeni subversion. The petty rulers have reason to feel that history has passed them by. They would like to keep their midget thrones, make their peace with Arab nationalism as preached from Cairo and, perhaps most of all, attain the affluence that oil has brought their kind along the Persian Gulf. But it is hard for them to decide which way they must jump in order to achieve any of these goals.

The leading political figure in the protectorates was Sultan Ali ibn Abdul Karim of Lahej. He was deposed recently by the British, who were as responsible for his having the job as for his losing it, and has gone off to Cairo to join the ranks of tame foreign Arab leaders kept there. Lahej is the only one of the protected states that has for long been influenced directly from Cairo. The Sultan was dominated intellectually by the three al-Jifri brothers who took their cues from the new Egypt. Lahej is the real home of their South Arabian League which purports to be the true-blue nationalist organisation in the area though its enemies say it represents only the interests of the feudal land-owners of Lahej.

President Nasser urges the south Arabians to get rid of the British but he is not in a position to offer them anything better. They are too remote from the main currents of Arab nationalism to see that there has been no new dawn in Syria and that revolution has solved few of Egypt's or Iraq's problems. This is something they will one day have to find out for themselves.

Agricultural Sins Revealed

FROM A CORRESPONDENT IN GENEVA

LAST week in Geneva, ~~Mr Shri~~ L. K. Jha, the chairman of the 13th session of the General Agreement on Tariffs and Trade, took the agricultural bull by the horns when he said that it is an undoubted fact that the trade rules as embodied in the General Agreement are very widely disregarded when it comes to agricultural products.

The *de facto* exclusion of agriculture from Gatt got its first jolt last year when the six members of the European economic community bluntly refused to discuss their proposed joint agricultural policy within Gatt unless other member countries did the same. After some patient work by the secretariat, some major countries agreed to the request of the Six, and Sir David Eccles agreed last week that there is a broader problem in the field of agriculture than the anxieties felt about the Treaty of Rome. "Accordingly we do not expect the Six to be the only countries to accept the obligation of submitting their agricultural policies for review." Sir David's request that the United States, which has a notoriously bad record in applying Gatt principles to agricultural trade, should take a leading part in such a discussion, led to a surprising concession by Mr Douglas Dillon, the American under secretary of state for economic affairs. He said that his country was ready to discuss its policies if the other contracting parties so desired. It is widely felt here that Mr Dillon inserted this reply to Sir David's challenge on his own account and that he may be disavowed by his government later.

In the past few months there have been inspired suggestions that agriculture should be taken out of Gatt in order to make the General Agreement a more efficient regulator of trade in manufactured goods; the notion has misfired. On the contrary, this session is developing into a frank discussion of agricultural sins with two points of view emerging. The agricultural countries of the Commonwealth, led by Britain and benevolently watched by many under-developed countries, wish to strengthen Gatt. The country most heavily under attack by the agricultural exporters is western Germany which applies quota restrictions to 18 per cent of its imports, most of them farm products; it cannot plead balance-of-payment difficulties—the only excuse allowed in Gatt—so the Federal Republic is trying to argue that "Gatt rules are no longer compatible with the economic requirements of many countries." Dr Lübke, the German minister of agriculture, said: "I feel that as far as the agrarian field is concerned, Gatt has become unsatisfactory and should be supplemented"—presumably in a protectionist way.

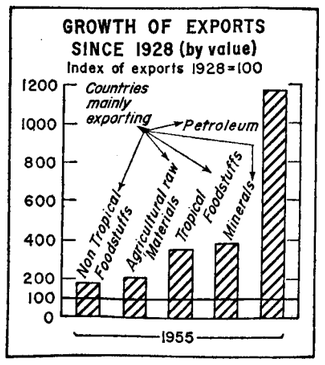
DESPITE strong attacks from many sides Germany is proving most stubborn. The plea that the existence of seven million German farmers is threatened becomes less convincing when Dr Lübke recalls that two-thirds of German industrial exports go to European countries which supply Germany with agricultural products in exchange. German agricultural quota policies are partly designed to help the farmer, but partly, too, as a discriminatory tool of trade policy, helping the industrialist. This helps to explain the domestic pressure under which the German government finds itself and its uncompromising attitude. It is also not surprising to find many European countries supporting Germany's position. Outwardly, the "solidarity of the Six" has also once more come to the help of Germany. Next week's discussion of German agricultural protectionism will show more clearly the relative strength of the two camps.

Against this background it is disturbing to hear that the Gatt secretariat is preparing the ground for multilateral quota negotiations to be held next year on a similar pattern to the multilateral tariff negotiations which are the backbone of Gatt at present. This would make quotas respectable and establish them as an accepted instrument of international trade policy. It would also provide Germany and other agricultural protectionists with an argument for postponing the agricultural debate until quotas have been multilaterally negotiated and generally accepted in the Agreement. This is a dangerous development and would be contrary to all accepted principles of international trade. Sir David Eccles deserves all support when he states that as a point of departure for dealing with the problems of agriculture the protective use of quotas should be banned.

Dons' Challenge to Gatt

THE lag in exports of non-industrial countries, and the agricultural protection in industrial ones that has helped to cause it, are burning issues at this week's meeting of the General Agreement on Tariffs and Trade. Last spring Gatt commissioned four economists, Professors Haberler, Meade, Tinbergen and Campos, to report on them in the wide context of trends in international trade. Their study* provides chapter and verse for the grievances of the primary producers and some suggestions for alleviating them.

Since 1928, the last fully prosperous prewar trading year, the trade accounts of the non-industrial countries have moved decisively into the red. Their exports have trebled; their imports, spurred by development needs, have quadrupled. Instead of a trade surplus of $1,700 million, they had a trade deficit of $3,400 million in 1957. Imports of private capital, at about $1,000 million, are still about the same as in 1928, but the gap has been partly bridged in the postwar years by aid and exports of capital through international bodies. All the same, the exchange reserves held by the non-industrial countries, which leapt up in the war and postwar years, have since been in decline.



Some underdeveloped countries have done much worse than others. Aid has been guided by military and political considerations, as well as economic ones: in 1956 Laos got aid equivalent to $35.1 for each of its citizens, Indians the equivalent of 1 US cent each. Exports of private capital have been selective, too, as they were before the war, with the bulk of American capital going to Latin America and the oil countries, and most British capital to the old dominions of New Zealand, Australia, South Africa and Canada.

In trade the contrasts are equally severe. The report develops the distinction made in previous Gatt reports between non-industrial countries—which still rely principally on primary products for their export earnings—and semi-industrial ones, in process of development, like Australia or Brazil. It is the semi-industrial countries—with their avid import demands and their diversion of resources from raw material production to industry—whose exports have lagged most. Still more striking are the contrasts between some other groups within the underdeveloped world. Oil accounts for more than half the increase in its exports since 1928; exports of minerals and of tropical foodstuffs like fruits and coffee have done quite well. But exports of agricultural raw materials, like textile fibres and oil seeds, lagged behind. And the volume of exports of the non-tropical foods like grain and meat, which compete with Europe and North America, has actually declined. The contrast in the fortunes of underdeveloped Kuwait and India, say, is obvious. The report notes that countries belonging to "sheltered" trading groups—the overseas sterling area and the overseas territories of European countries—increased their exports by 227 per cent between 1928 and 1955; "unsheltered" countries could manage an increase of only 113 per cent. It is a telling comment on the effects which the new preferences to be granted by the European economic community to its overseas territories may have on countries left outside.

Some of these factors operate against each other. New Zealand, which has suffered as a farm exporter, has benefited from British capital. But some countries suffer from all the snags and enjoy none of the benefits.

THE only long-term answer to these problems, the economists say, is the pursuit by industrial countries of policies which bring steady economic growth. But they do go on, too, to make useful suggestions for commercial policies. They are rather sceptical of the value of commodity agreements, but "a major expansion of the trade in primary products . . . could be brought about by a very moderate change of direction in agricultural protectionism."

Some forms of farm protection are worse than others. (a) *Price support* schemes, where the market price is maintained at a high level by import restrictions, and by government buying of surpluses, are the worst sort; for the high prices restrict consumption as well as protecting the farmer. Most countries use this sort of scheme. A second sort of protection (b) is much less harmful—

* Trends in International Trade: sold by HMSO.

the system of deficiency payments used generally in Britain. Here prices to the consumer are allowed to find their market level; farm *incomes* are supported by "deficiency payments" to the farmer, paid by the taxpayer. The system has the advantage that it does not constrict consumption by keeping food prices high. The experts would like to see governments move from method (a) to method (b).

Most, though not all, the benefit from a cut in protection for the farmers of industrial Europe and North America could go to their competitors in the relatively rich countries—New Zealand, Australia and South Africa. What else can be done to help the poorer countries of West Africa and South America? Coffee, the second largest world export after oil, accounted in 1956 for 70 per cent of the exports of Brazil, Colombia, Salvador, Guatemala and Haiti, cocoa for two-thirds of Ghana's exports and a large chunk of the exports of several South American and African states.

Here the four wise men make a challenging suggestion. Many European countries impose crippling taxes on

SOME REVENUE TAXES IN EUROPE
(per cent)

	Tea	Coffee	Tobacco
Germany :			
Tariff.....	52	25	32
Tax.....	45	47	500
France :			
Tariff.....	30	20	State
Tax.....	33	51	monopoly
Italy :			
Tariff.....	50	7	State
Tax.....	15	66	monopoly

these products, which are described as "revenue" duties but which have the same effect as customs tariffs. Except in the difficult case of tobacco, these duties, originally designed to raise money simply from articles of general consumption, are no longer a vital source of revenue; they are not designed to protect anyone: they are an arbitrary fiscal heritage. A slash in them might bring a big rise in consumption. In 1953, the German coffee tax was cut from 10 to 3 marks a bag. The following year imports almost doubled.

At present, "revenue duties" do not come under Gatt's rules for tariff reduction at all. The experts believe they should. There is a clause in the Havana charter to that effect, never adopted, which could be taken up at once. It is a change which could have an important bearing on the new preferences created by the community of six on cocoa and coffee; cuts in revenue taxes might mitigate their ill-effects. The point was rubbed home recently when West Germany lowered its coffee tariff—an act of virtue in the eyes of Gatt—but raised the revenue duty at the same time—cancelling out the change.



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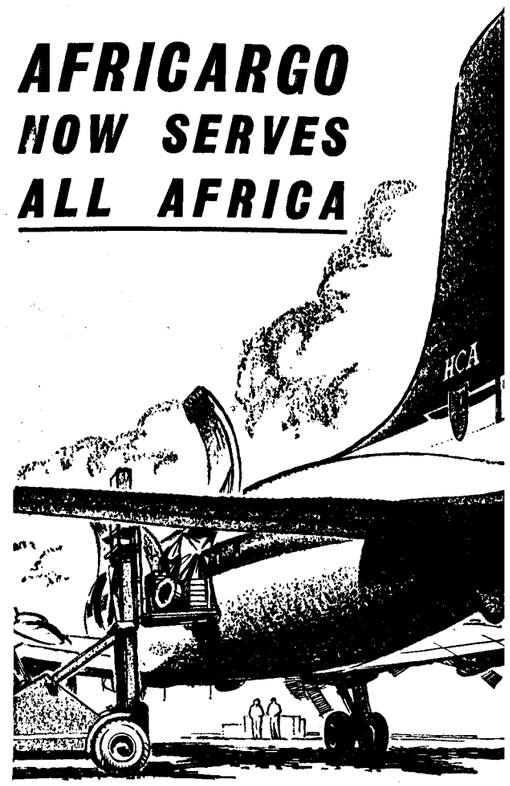

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THE BUSINESS WORLD

Lancashire's Mills

DELEGATES to the Cotton Board's conference left Harrogate last weekend with their troubles no less vexatious than before, but in a somewhat clearer light. The question uppermost in everyone's mind—the restriction of duty-free imports of textiles from the Asian Commonwealth countries—remains unsettled ; and the Prime Minister's exposition of official policy showed little sign that the government would act promptly if Lancashire itself was unable to persuade these countries to enter into a voluntary agreement. It may be, as the chairman of the Cotton Board, Lord Rochdale, declared, that Lancashire is nearer an agreement with the Hongkong textile industry about imports into Britain than ever before. But if an agreement is reached, it is unlikely to be to Lancashire's taste.

The " offer " that Hongkong recently made to Lord Rochdale and his colleagues was not at all restrictive ; it was expansionist. It seems to have been arrived at simply by adding up what the weavers, finishers and garment-makers thought they could sell in Britain over the next three years. The figures in Table I show that Hongkong proposes a ceiling on its exports to this country well above the current rate, and with continued expansion during the three years.

Many people in Lancashire would probably like to dismiss Hongkong's offer with contempt, and place the responsibility for relief squarely with the British Government, in the hope that it would then be forced to act. The Cotton Board's consultative committee has taken the wiser course of making a fresh offer to Hongkong. It is, it seems, proposing a ceiling on imports from Hongkong substantially higher than its original suggestion of about 95 million yards, and one that is fixed for the life of the agreement. As with India and Pakistan, the ceiling covers made-up goods, as well as grey and finished cloth, retained for consumption in Britain, and excludes yarn.

Even if Hongkong were to accept this revised idea, Lancashire's immediate troubles will not be over. The agreements reached with India and Pakistan are conditional on an agreement with Hongkong. Presumably India has its own ideas about how Hongkong should be treated. If the ceiling for Hongkong turns out to be close to the 140 million yards a year that India was prepared to accept, will India's much larger cotton industry consider itself entitled to more ? This year, it is true, India's shipments to Britain have fallen off sharply, owing largely to competition from Hongkong, but India, desperate for foreign exchange, has its eye on expansion.

If there is no agreement, what then ? Mr Macmillan naturally refused to be drawn and his speech leaves Lancashire little cause for optimism. He reminded his audience of something that Lancashire is prone to forget—that formal restriction of imports from the Asian countries must be weighed in the context of government policy towards the whole of British industry, the welfare of the Commonwealth countries, and the government's commitments towards an expanding Commonwealth.

REALISTS in the cotton industry recognise that restriction of imports from the Asian Commonwealth would not touch the heart of Lancashire's troubles. It would, the argument runs, provide a useful breathing-space in which to tackle more fundamental problems. But that is the most it could do and past history does not abound with examples where breathing spaces and the setting of houses in order have gone together. Despite all the contraction of the industry in recent years, too many obsolete mills remain in operation, and too few thoroughly modern mills are working two shifts (in spinning) or three shifts (in weaving). The active spindles in Lancashire are worked for fewer hours than those of any other country—just over 2,000 hours, against 4,000 in Germany, over 6,000 in the United States, and over 8,000 in Hongkong. It is amazing that Lancashire survives at all.

That it does so is due partly to the fact that there were no radical improvements in cotton textile machinery for 25 years until the war of 1939. Mills that in any real sense are obsolete have managed to preserve a tolerable mechanical efficiency by patchwork improvements ; and they manage to compete with modern mills because their machinery has been completely written off, and depreciation charges no longer figure in their costs. Such mills no longer have, or could obtain, the funds with which to re-equip, and their days are numbered. But until they decide to go out of business —as many already have done—or are driven out, they are a persistent source of weakness to Lancashire. Mr W. T. Winterbottom, chairman of Fine Spinners and Doublers, one of the big spinning combines, was right to tell the conference that it would be in the interests of the shareholders of such mills to go into liquidation while there is still some money left in the kitty.

To show how far Lancashire has to go before it becomes a compact, efficient industry to fit today's needs, Mr Winterbottom first estimated the possible minimum volume of yarn required from the spinning industry in the foreseeable future. This he put at about 700 to 750 million lb a year, of which 650 to 700 million lb would be for the home market, and 50 million lb for net exports, mainly in yarn and thread, with exports of cloth approximately balanced by imports. To produce this quantity on modern ring spindles, working single shift, ten million spindles would be required, or six million working on two shifts of 38¾ hours. Active ring spindles now number 10¼ million, of which only about 3½ million have been installed since the war. Mr Winterbottom therefore suggested that the industry needed to instal another three million new ring spindles within, say, the next five years. The scrapping of the old ring and mule spindles would not finish the job ; in five years many of the new ring frames installed after the war would be due for replacement. Modernisation of the weaving section of the industry is not just a matter of matching the changes in spinning ; the weavers are faced with the encroachment of the knitting industry into fields formerly supplied by woven fabrics.

Accepting Mr Winterbottom's analysis, how is the job to be done ? Mr Winterbottom placed his faith in natural forces. That is a Lancashire tradition ; it is also a tradition of this newspaper. It is natural to ask whether such forces will act more speedily in the future than in the past, but impatience should not conceal the fact that a good measure of contraction has already occurred. Many delegates wondered whether an organised scheme of contraction would be preferable. Such schemes are not new : there was the spindles board, a statutory body, in the thirties ; the printers and bleachers have operated their own schemes since the war ; and the weavers have one in preparation. It will do no harm for Lancashire to bend its mind to working out a soundly based scheme of contraction ; but it would have to be looked at most carefully. And the yarn spinners' agreement, which seeks to ensure "adequate" mill margins, is about to be reviewed by the Restrictive Practices Court. If the tribunal declares that the agreement is void, mill margins will shrink, and the incentive to go out, rather than wait to be pushed out, will be so much the greater.

In any case, too much attention could be paid to the theoretically right size for the industry and to optimum mechanical efficiency. Salesmanship, design and styling, and imaginative exploitation of the new fibres and blended fibres, are equally important. In spite of the excellent examples set by some firms—recently recognised by the awards won at the International Fabric Exposition in California—not all Lancashire is proficient in these qualities, nor are all the mechanically efficient mills. Contraction of the cotton industry is bound to continue, and Lancashire's job is to ensure that with a smaller industry it makes better cottons at lower cost than its comparable competitors.

TABLE I
UK IMPORTS OF COTTON FOR HOME CONSUMPTION, AND PROPOSED CEILINGS

	(Mn. square yards) Grey cloth	Finished cloth	Made-up goods	Total
INDIA:—				
1956	85	5	8	98
1957	128	3	8	139
1958*	82	7	5	94
CEILING				*140*
HONGKONG:—				
1956	47	2	35	84
1957	60	4	38	102
1958*	87	3	46	137
CEILING :				
1st year ...				*150/160*
2nd year ..				*165/175*
3rd year...				*175/185*
PAKISTAN:—				
1956	6	...	...	6
1957	6	...	...	6
1958*	1	...	...	1
CEILING				*35*

* First nine months at annual rate.

TABLE II
CONTRACTION IN COTTON LABOUR

Numbers on the books*—thousands

	End year 1954	1955	1956	1957	Aug. 30 1958
Total.....	333·0	300·5	286·5	283·5	257·3
Of which :					
Spinning	*113·4*	*100·1*	*97·8*	*98·8*	*89·7*
Weaving.....	*140·7*	*126·6*	*117·4*	*114·3*	*103·4*
Finishing.....	*46·5*	*44·4*	*43·1*	*42·3*	*39·7*

* Includes workers handling man-made fibres.

TABLE III
MILLS CLOSED, 1955 to 1958

	Spinners & waste spinners	Doublers	Weavers	Finishers	Total	*Total—counting integrated plants as one*
1955	22	20	59	8	109	96
1956	20	18	76	11	125	*109*
1957	11	14	52	6	83	79
1958 : Jan.–Aug.	10	9	60	3	82	79

Source : *Cotton Board*

Second Thoughts on Titanium

A metal developed primarily for manned military aircraft faces a future bereft of them

WELL over 90 per cent of the 800 tons or so of wrought titanium metal sold in Britain since production began here experimentally in 1951 has gone into aircraft and aero engines ; and more than 60 per cent into military aircraft. It was the extremes of performance required from military aircraft that made development of this light, strong and costly metal worthwhile ; and when the Government prevailed upon ICI to "freeze out" a new titanium reduction process into full scale production by August, 1955, it had in mind the military aircraft of the future. Eighteen months after ICI had begun commercial production of raw and wrought titanium, however—by which time the group had decided to begin building a specialised rolling mill in Wales simply for titanium—the Government changed its mind. It had come to believe, according to the Defence White Paper of 1957, that there was no future for manned military aircraft.

The Government was in no position to write off titanium so easily, even if it had wished to. So far as raw titanium was concerned ICI was financially protected from its main customer's abrupt change of mind: the Government had contracted to buy 75 per cent of the output of raw titanium from ICI's sodium reduction plant at Wilton during its first four years of operation at ruling world prices. Though these prices have come down—a further cut was announced last week—they are still probably giving ICI's General Chemicals Division an adequate return on the several millions it has invested in research, development and plant for this reduction process. But at the commercial level of developing a market for wrought titanium metal, the Government decision came as a body blow.

That decision will probably not prevent quite a tonnage of titanium going into service aircraft during the next five or six years ; manned bombers and fighters are unlikely to be gone before, say, 1965, and helicopters and transport aircraft will presumably continue for longer. Use of titanium in aero engines is growing—it has indeed been the biggest single element in demand so far, and though this year some engine producers lived for a few months off their stocks, re-ordering has already begun. The replacement of engines in existing military and naval aircraft, again, will prolong this demand beyond that for titanium in airframes. Whether titanium will ever be incorporated to any considerable extent in guided missiles is debatable. For the present it looks simply too expensive to be used very much in expendable weapons such as these.

But even if demand for titanium in military airframes and engines rises to something above its 1957 level and holds fairly steady until the mid-60s, the shift in defence policy will clearly leave titanium primarily dependent upon the civil aircraft industry, which needs to watch economics more closely than the government. This demand has risen sharply during the last two years, primarily for two commercial aircraft, the Britannia and the Comet. It is not likely that the Britannia or the Comet will still be in production much after 1960 ; they will be succeeded by the Vanguard, the VC 10 and the DH 121. The Vickers machines will be powered, respectively, by the Rolls-Royce Tyne, which uses a little titanium, and the Rolls-Royce Conway, which uses considerably more. De Havillands know a good deal about using titanium in airframes and engines, and may well use more in their new airliner than Vickers will in theirs. In 1957, only about two-thirds as much titanium was used in airframes and engines for civil aircraft as in military aircraft. In the early 60s, ICI hopes that civil aircraft should be using rather more. The aircraft after 1965, with the exception of a design study for a supersonic airliner, are today merely gleams in designers' eyes. But as their performance and their carrying capacity goes up, there seems a good chance that the proportion of titanium they use will go up, too : every pound of weight saved can be converted into a cash asset worth up to £80 a year. Again one needs more replacement engines for civil airliners than for military aircraft, and the growing use of jets as against turbo-props may well tend to increase total usage of titanium.

Even at present prices, it may not be too optimistic to assume a demand for perhaps 400 tons to 500 tons of titanium a year for aircraft in the early 60s (against about 250-300 tons a year at present). If prices come down as they might be expected to, even without any revolutionary new processes, demand might rise towards double that. But any such fall in prices depends mainly upon fuller utilisation of melting and rolling capacity—and clearly there is little hope that aircraft demand alone can use existing British titanium capacity anything like fully.

ICI's output of wrought metal at present must be of the order of 250-300 tons a year, with that of William Jessop & Sons Limited, the only other commercial fabricator with its own melting plant, perhaps a quarter as high. The ICI reduction plant at Wilton is presumably working nearer to full capacity since the Government are committed to take 75 per cent. Its vacuum melting furnaces and forging capacity at Wilton

in Birmingham, which at present yields can produce something over 1,000 tons of wrought products from about 2,000 tons of raw titanium, are employed to less than 25 per cent of their capacity. The new and extremely modern rod rolling mill that it brought in at Waunarlwydd in South Wales this spring to make the rod stock primarily for titanium compressor blades is at present producing less than a quarter of its planned output—though the smaller and more conventional sheet mill there is busier with some night shifts, because of increased demand for titanium sheet. This sort of under-employment gives comparatively little scope for cutting processing prices much further. So the future market for this metal—which will never be cheap but which should eventually be far cheaper than it is today—will depend significantly upon the tonnage that goes into applications that can be shown to be economic apart from aircraft.

LIGHTNESS, strength at moderately elevated temperatures and superior resistance to fatigue are the qualities that give titanium its particular advantages in aircraft. The most important one that promises wide application outside is its remarkable resistance to corrosion. In many conditions, titanium in this respect is well ahead of stainless steel; its resistance to sea water and other corrosive liquids is remarkable and can be made even better by anodic protection.

Assiduous product research and determined technical salesmanship—plus the *entrée* to one of the most comprehensive assemblages of chemical industry anywhere in the world—have enabled ICI to test titanium for a considerable variety of applications in process plant. Experimental vessels and components made in titanium are being used in bleaching processes, in the manufacture of organic chemicals and synthetic fibres such as terylene, in valve plates and springs, in the handling of wet chlorine, in flue gas washing plant and in fine chemical manufacture; titanium is already being used in heating and cooling coils for plate baths and chemical vats, and may well be used, coated with platinum, for anodes in electrolytic cells producing chlorine and caustic soda. A particularly promising outlet is the use of titanium sheet to line large vessels or components—offering the corrosion resistance of titanium while cheaper metals provide the necessary strength or rigidity. It is most suitable for equipment for handling nuclear fuel elements because titanium has a very short "half life" after exposure to radiation. There are a host of other applications that are being investigated, from its use in bone surgery to the manufacture of blades and rotor ends for large turbines and turbo alternators. In tonnage, none of these uses outside aircraft has so far reached commercial proportions; but while it is extremely difficult to put any figure to the [illegible] ingenuity of the technicians who are trying to work out new uses, some of them are prepared to prophesy that "at maturity" other uses may account for twice as much titanium as its use in aircraft.

Between these vistas and the current under-employment of expensive specialised capacity yawns a familiar dilemma: if only the price came down, demand could go up, and if only demand were big enough it would bring down production costs rapidly. Buying raw titanium at 14s. 6d. a lb, the world price, which came down last week to 13s., ICI has been selling rod for about 77s. a lb and sheet for about £5 a lb. American prices for wrought products are probably 15 to 20 per cent below British when all extras are taken account of, mainly because their production, though itself far below capacity, is still much larger than in Britain. Japanese producers are now offering raw titanium on the world market for 11s. 3d. a lb, though as yet no wrought products. Even today, if ICI could operate its melting and rolling facilities close to capacity it could probably bring prices down to only about half the current level. As technical development matures and plant facilities are written off, while current research is cut down further (at present it still represents £250 in a ton of metal) ICI thinks that prices about one quarter of today's could be attained without any technical revolution. If so, it would begin to pay aircraft and other manufacturers to incorporate titanium at many points where today it might appear desirable but is quite ruled out by cost.

SOME further price cutting, and hence tighter margins unless this stimulates demand, seems certain in the next few years. The Ministry of Supply has probably never had to take the full 1,100 tons or so a year that it undertook to accept under the 1953 contract—either as raw metal or as wrought metal incorporated into aircraft under Government contracts—partly because ICI, which has to take 25 per cent of output at its own risk, is understood not to have had the reduction plant full out over any one year. Even so, one might guess that by August 6, 1959, when the contract expires, the Ministry will probably have between one and two years' output of raw titanium from the Wilton reduction plant in its stockpile—far more than it may care to hold against future requirements for remaining military aircraft and for guided missiles. The Ministry, therefore, may well want to sell off some part of this titanium stockpile; that would mean taking a loss, since current prices are well below what it was paying at the beginning, but not as much of a loss as it would have to accept if it deferred the decision to sell. With metal from this stockpile coming on to the market and very possibly with sharp price cutting on the American market from producers working below capacity there and from Japan—and with current demand for titanium metal requiring only about a third of Wilton's capacity—the question will arise whether ICI's reduction plant there can be kept operating continuously. But the group's development of new uses, and hard selling of the metal, will certainly not be interrupted. ICI believes in titanium; and believes, too, that the impetus given by military aircraft needs—though itself misleading in its promise—is opening a door to an impressive commercial future for this remarkable metal. The Ministry, too, can claim that it contracted for what the service departments told it would be a minimum requirement of titanium: that its contract guaranteed it would never have to pay more than the world price: and that it obtained an option on spare capacity built at ICI's risk—plus the fabrication plant which has been provided at no expense to the public. Both parties to the contract will argue, too, that Britain had to have a titanium industry: and now we have it, in spite of everything.

BUSINESS NOTES

BANK CREDIT

The Public Takes the Money

MR COBBOLD in his speech at the Mansion House last week (discussed in subsequent notes) gave the first explicit official blessing to the recent upturn in bank credit; and he recognised that the "significant" increase in bank advances since the relaxation of the credit squeeze this summer "may well go further." Now the individual statements of the clearing banks for their mid-October make-up, which have just been published, show a marked acceleration of the recovery in advances. These have risen in the four weeks by £55 million, following the increase in the previous four weeks of £34 million; at £2,082 million, total advances have now fully made good their steep decline in the second half of 1957. The lifting of the credit squeeze has had a real impact. The striking return to competition by the banks has obviously played an important part; but the upsurge of lending also evinces a remarkable confidence among the public at this time of industrial recession. Here is an economic stimulant that is working.

At the same time, the expansion of total bank credit continues to be kept within bounds by the Government's success in raising finance for its own needs in the gilt edged market and from small savers. Thus in the latest month, the banks' net deposits are up by £65 million, almost exactly the same increase as a year ago, while in the past twelve

ELEVEN CLEARING BANKS*

	Oct. 15, 1958		Change on Month	Change on Year
	£ mn.		£ mn.	£ mn.
Deposits	6,744		+ 95	+215
"Net" deposits†	6,441		+ 65	+202
		%‡		
Liquid assets	2,242	(33·2)	+ 20	−122
Cash	549	(8·1)	+ 11	+ 18
Call money	419	(6·2)	+ 7	− 8
Treasury bills	1,173	(17·4)	− 10	− 77
Other bills	101	(1·5)	+ 13	− 56
Risk assets	4,276	(63·4)	+ 45	+324
Investments	2,193	(32·5)	− 10	+163
Advances	2,082	(30·8)	+ 55	+161

* Compiled from individual bank statements. † Excluding items in course of collection. ‡ Ratio of assets to published deposits.

months they have risen by £202 million (just over 3 per cent), of which more than three quarters represents the increase in advances. The banks may soon find themselves at the point where pressure on their liquidity ratios demands that any further increase in advances must be financed by a reduction in investment portfolios. Indeed, in the latest monthly period the National Provincial has sold £10 million of gilt edged, to cover an increase in advances of £12 million.

The rise in advances, which is against the seasonal trend in recent years, obviously owes much to the lifting of the squeeze on personal and professional customers; but these customers can hardly account for a major part of the increase of £55 million: some big special drawings by industrial and commercial borrowers appear to have been taking place. It is interesting to see that the increases are spread fairly evenly among all the big banks; thus the National Provincial, showing the biggest increase, does not offer personal loans, and nor does Lloyds (with an increase of £10 million); while the Midland, the initiator of the new scheme and its leading protagonist, shows the smallest increase among the big banks, of £6.8 million (though this follows a large increase in September). Plainly, many personal borrowers are succeeding in regaining ordinary overdraft facilities.

The total of personal loans by mid-October might have been £9-£10 million, of which perhaps half were made in the first fortnight (which came into the September figures). The average amount of each loan seems to be fairly similar at different banks, at around £170 or so, but while some banks report that up to half their personal loans are for cars, others find a more even spread, including a big segment for house repairs—an expenditure for which alternative sources of finance hardly exist. But the banks as a whole do not seem too strict in outlining the purpose of their loans: some even appear to have financed Continental holidays—and why not?

MONETARY CONTROL

The Governor on HP Finance

THE striking banking innovations that followed the relaxation of the credit squeeze figured prominently at the annual Bankers' Dinner last week, when Mr Cameron Cobbold, Governor of the Bank of England, gave the first detailed official commentary on these changes—and also on the official policies that cleared the way for them. Though the authorities did not inspire the entry of the banks into hire purchase finance or into the "personal loan" schemes, they approve both these developments—but not, it seems, with high enthusiasm.

On hire purchase, obviously choosing his words with special care, Mr Cobbold said that he judged the closer connection between the banking system and the hire purchase industry to be in the public interest; "it would not have suited anybody for hire purchase to have remained indefinitely outside the circle of the more traditional credit machinery." But he was glad that the banks had kept their participation indirect, "rather than attempt two quite

different types of lending." By implication, he presumably regards "personal loans" as more akin to traditional bank lending than to hire-purchase finance; but he thinks the effects of the loan schemes may have been exaggerated—it will be "a long while before 'personal loans' become a significant proportion of total bank advances."

The link-up of the banks with hire purchase finance companies has doubtless been welcomed because it brings hire purchase finance one step nearer the sway of official credit policy. But the Governor does not regard this "as a solution of all the problems of the industry." He is obviously concerned to ensure the maintenance of adequate business standards, by small finance companies as well as large, to "safeguard customer and depositor, and also to provide the necessary statistical information." For these purposes, Mr Cobbold suggests, a more comprehensive organisation is needed within the industry—and he hopes that the existing contacts of hire purchase with the Bank of England "may be developed to our mutual benefit." A good deal could no doubt be achieved on these lines; but so long as hire purchase finance is conducted by so very large a number of units—there are more than 1,200 finance companies—varying greatly in size and type, the Bank can hardly expect to guide and regulate it solely by the traditional and informal methods that served so well its relationships with the more closely knit sections of the financial organism.

Aiming at Credit Expansion

THE Governor's commentary on the new device of "special deposits" tended to reinforce the official emphasis put out at the time of the announcement last July that this direct form of control of bank liquidity is not intended to supplant the traditional methods of credit control. The stated object is to provide a means of reinforcing those methods if necessary, and thus to ensure that the authorities would not have to resort again to a credit squeeze of the arbitrary kind imposed in the past three years: "It has seemed to us that it would not be desirable to have recourse again, if we ran into a new inflationary period, to the system of 'requests' to the banks to limit advances."

There is also a good chance that the authorities will not in fact have to employ the new weapon. It was devised in case there was need for a new drive to restrain advances before the appearance of the Radcliffe report; and at present the aim of policy is to stimulate rather than to restrain. The Governor was quite explicit about this:

> Looking back over the past few months, I would say that our principal desire has been to see a significant, but not violent, expansion of credit without encouraging complacency, and a sustained recovery in sterling without attracting too large an inflow of short-term funds.

In this expansionary objective, Mr Cobbold emphasised, "we must not build in new hostages to inflation in future years." Encouragements to investment projects now should preferably be those that may have an early effect on efficiency rather than those that would involve "snowballing commitments"—since in the longer run the Governor regards inflation as a bigger risk than deflation. Over the next decade or so, he thinks, the monetary authorities will more often be required to restrain than to force the pace.

If "special deposits" do have to be brought into play for this purpose, they will not be regarded as "an alternative to the policy of funding floating debt. . . . A large volume of special deposits maintained for long periods would ring a warning bell, precisely as abnormally high liquidity ratios have done in the recent past." The Governor agrees with the critics that the new technical device does not go to the "main root" of the problem and could not of itself prevent inflation. But, among the various technical choices available, this device was in the Governor's view the "most obviously 'monetary' in form and the least open to possible abuse as a method of inflationary borrowing by Government from the banking system." This is indeed limited praise. It virtually concedes the criticism (made in these columns and elsewhere) that a weapon for forcibly funding floating debt without recourse to the market would remove a sanction that at present tends to deter the Government from excessive bank borrowings.

IN THE MARKETS

Lanarkshire Unlucky

HOT on the heels of Australia came Lanarkshire, Scotland's richest county, coming to market for £5 million. The Australian 5½ per cent loan issued at 98 had been a great success, applicants for more than £1,800 stock receiving only about 36 per cent of their applications; and despite some selling by stags, a modest premium was at once established. Lanarkshire came forward with an issue of £5 million 5½ per cent stock dated 1977-79 at 99¼. It was an attractive issue well liked by the jobbers. But obviously the price had been tightly drawn; odd quarters in issue prices often tell of stiff negotiations, and any issue priced at over 99 has to contend with the fact that it cannot rise far without reaching par, at which price Trustees will not buy. The gross redemption yield to the latest date is £5 11s. 3d. per cent.

The issue had bad luck: it coincided with what looks at the moment like a minor setback in gilt edged. Moreover, the substantial stagging of the Australian loan implies that, despite the success of that issue, there must still be some stock that has to find a permanent home. When (on Thursday) lists for the Lanarkshire issue closed, underwriters had to take up 85 per cent of their commitments. They will probably (allowing for their commission) not be out of pocket on the transaction, and they are probably most of them not reluctant holders of the stock they have taken.

That there should have been a small reaction on both the gilt-edged and equity sides of the market after weeks of buoyant business is not surprising and certainly not alarming. In the week ended on Wednesday the *Financial Times* index of Government securities reacted from 85.59 to 84.96, mainly because some of the bulls have taken their profits. In the same period *The Economist's* indicator of ordinary stocks dropped by a single point to 227.1. The recent flurry in the industrial market reached its peak on Monday, when the number of bargains marked (17,535) was the highest for more than a year. In the reaction that followed in the first three days of this week, the fact that the Wall Street market was also declining was an important influence. For the moment some of the interest in the London market has shifted to gold shares, which show some sharp rises. Kaffirs are not, however, being bought as a currency hedge, as they often have been at times when other markets were weakening. Interest has been revived by the startling new borehole result announced by President Brand.

MOTORS

Output Still High

TO open its annual show at Earl's Court, the motor industry was able to announce considerably better output figures for September than some of its expressed fears about sharper seasonal influences this year might have suggested. Weekly car production figures last month were 20,449 units, not much below the record rates achieved during the first half of the year and again approached in July. They were only 3 per cent higher than in September, 1957, but by then the industry's 1957 recovery in output was in full swing. Exports, though higher than in August, were not up to the rates achieved earlier this year: the industry sent abroad 38,389 cars out of the 102,247 that it turned out during the five-week month. And commercial vehicles output and exports in September, as in August, were below the level of the same month in 1957.

The industry has now some reason for anxiety about export prospects, and it is from the shift in pattern of these exports that it expects the stronger seasonal pattern to return. North America and Europe are markets where seasonal demand occurs in line with our own, and thus tend to accentuate the effects of our own slack selling seasons. The Commonwealth, African and Antipodean markets that used to balance this out by taking most of their supplies in winter months have been restricting imports again or have built up large stocks of cars.

As well as asking for relief from purchase tax—to which Mr Butler lent a wink—the industry has accompanied this show with arguments that general Government policy towards this industry needs to become more positive (to which reference is made in Motors in the Lead following page 328). Earl's Court's lush array of cars in many colours (for some makes these tints, and exotic new names for them, are the only new things about the 1959 models) is still displaying Italian influence as the main feature of fashion in style. This year a fine Italian hand can be seen not only in Continental, a few American, and British specialist cars such as the Alvis and the Aston-Martin, but in two popular-priced British models as well, the Austin A40 with a Farina designed body, and the Standard Vanguard, in which Vignale of Turin as well as Standard's consultant Michelotti have advised upon minor changes that smooth out the whole appearance of the car. Ford has widely proclaimed its intention to continue its existing models into 1959; so it may be that the next new crop of medium-sized popular saloons, too, may come again from the British Motor Corporation, since Sir Leonard Lord has spoken of a wholly redesigned range during the next two years. If so, Farina will presumably again be in evidence.

EPU AND FRANCE

Strictures from EPU

THE European Payments Union has for some years acted as a revolving fund rather than as a source of new credit for its members as a whole. Since mid-1952, when EPU was two years old (and when its lease of life was originally to be terminated) the total credit extended to deficit countries, automatically through the monthly settlements, has remained at around $1,000 million. Formally at least, EPU is destined to disappear as soon as sterling and other European currencies become convertible, ushering in the European Monetary Agreement. Early this year, however, EPU made a new departure and played a leading part in an international move to grant aid to France, already the Union's biggest debtor. It made available $250 million of the total aid of $655 million that France then received.

The eighth report of the managing board, published this week, assesses the progress made by the French government in fulfilling the intentions expressed in its memorandum to the international creditors, and makes forceful strictures. In the first half of 1958, although the rapid rise in French prices and wages had been checked and internal confidence restored, "the credit expansion had not been entirely stopped" and "the balance of trade and payments had been disappointing." In recent months, both trade and payments have shown some improvement. But France has still not restored liberalisation of its trade, and until there is a marked improvement in the external balance "very strict measures of credit control" will continue to be necessary. The managing board must have been writing in advance of last week's cut from 5 to 4½ per cent in the French Bank rate. This has not been accompanied by relaxation of quantitative credit restrictions, including the important limits on rediscounts. But even a psychological relaxation may be questionable at this time.

The EPU report also expresses concern about Germany's continuing trade surplus; and, noting the special benefits gained from America's "selective" recession, it gives a warning that Western Europe must now expect its exports to fall; thus the marked improvement in Europe's current balance that began in mid-1957 may come to an end.

OVERSEAS TRADE

The Decline in Exports

BRITISH exports have been falling this year and latterly at an increasing rate. For the first nine months of the year the decline amounted to four per cent, both in value and volume, but in the last four months alone exports were six per cent smaller than a year ago. Which markets, and which commodities, account for the bulk of the decline? Happily, shipments to the dollar area as a whole have not suffered; at £47.5 million in the first nine months they showed an increase of two per cent over the same period of 1957, thanks entirely to an increase of 11 per cent—to £23.0 million—in sales to the United States. The main fall in exports has occurred in European markets. Total shipments to the OEEC area fell by eight per cent to £72.7 million in the first nine months; West Germany and Austria were the only exceptions to the general fall, sales to Germany rising by 13 per cent to £11.5 million. In recent months, however, the decline in shipments to Europe appears to have been checked. Total exports to other non-sterling countries fell by three per cent to £33.7 million, while exports to the sterling area fell by two per cent to £123.2 million. Latterly sales to Australia and South Africa have shared in the general decline, though over the whole nine months shipments to these countries were still higher by four per cent and 11 per cent, respectively, than a year ago.

Among the main trade groups, engineering products have remained the strongest, shipments for the first nine months

of 1958 being four per cent higher than in the same period of 1957. Motor-cars, aircraft and aircraft engines can take most of the credit. Shipments of aircraft during the first nine months were over two-thirds higher than a year ago, while shipments of engines were 25 per cent higher. Shipments of motor-cars and chassis have recently been growing more slowly, but for the first nine months they were still

THE GAINS AND LOSSES IN 1958

	Jan./Sept. 1958	Change on 1957
	£ mn.	£ mn.
Total British exports	2,381·9	—102·7
of which:		
Road vehicles	273·2	+ 27·6
Aircraft and engines	112·0	+ 38·0
Non-electric machinery	427·2	+ 10·9
Electric machinery	165·2	— 7·0
Iron and steel	137·6	— 21·8
Manufactures of metals	111·4	— 14·2
Ships and boats	42·3	— 23·6
Wool manufactures (including tops)	92·0	— 14·6
Cotton manufactures	54·9	— 13·1
Chemicals	195·6	— 5·4
Coal and coke	24·3	— 23·6
Petroleum and products	75·0	+ 7·7

25 per cent higher than in 1957. Exports of cotton textiles have continued to fall; wool textiles have also suffered, and shipments of wool tops, though 4½ per cent higher in volume, were affected by the drop in wool prices. Exports of coal and coke fell slightly less in volume than in value, while exports of refined petroleum rose by 38 per cent in volume but by only 13 per cent in value.

SHIPBUILDING

Recession in the Yards

SHIPBUILDING output during the first nine months of this year has shown no signs of the substantial increase that the shipyards were promising—and for which they were demanding larger supplies of steel—last year. Indeed, such indicators of change as there are point the other way. The shipbuilders launched 74 ships totalling just under 400,000 gross tons during the quarter, and began work on only 50, of about 300,000 tons; so far this year their output has averaged about 350,000 tons a quarter, the same as for several years, and the total under construction does not differ much from the tonnage last year.

If allowance is made for one misleadingly favourable element in the figures of orders on hand, the quarterly figures from the Shipbuilding Conference point up the inevitable result of a continued recession in demand for shipping. During the quarter orders on hand fell by 203,000 tons; over the last twelve months, during which new orders have totalled only about half those placed in the year to September, 1957, cancellations would indeed more than have equalled new orders had it not been for the inclusion of firm orders for several large tankers that had been announced some time ago but for which contracts had not actually been booked. Over the last year 37 ships on order, totalling more than 400,000 gross tons, have been cancelled, and it may be that among the 6 million odd tons still on the order books of the British yards, there are another 2 million tons which would be cancelled today if delivery were in any way imminent.

That four-year order book still looks very healthy against the unchanging level of output from the industry. But even apart from the "water" it probably contains, the orders are bunched into larger and therefore fewer ships than in earlier years, and it is mainly those yards able to build the very big vessels that remain busy; many of the smaller yards are not nearly as well placed. Moreover, cancellation imposes problems even for the big yards. It is ships due to be laid down soon that are cancelled, not those at the end of the queue, when owners hope recession may have passed. And once a fairly early ship is cancelled, it is no longer proving easy to persuade the next shipowner in the queue to accept earlier delivery than he had bargained for—which might eventually mean accepting a ship and laying it up straight away.

COMPANIES AND SECURITIES

More News for Investors

WITH this week's issue, *The Economist* offers an expanded service for its readers who are concerned with investment. In part, this takes the form of the overdue restoration of a prewar practice—a two-page list of security prices and yields. Another is a further widening of the space devoted each week to company affairs. These features, together with our review of money and the exchanges, will in future comprise a special section of the paper which will regularly follow the reports of company meetings, and which begins this week on page 362.

Revision of the list of stock exchange prices and yields enables us to carry, in addition to the usual full list of gilt-edged stocks, a doubled number of leading ordinary stocks quoted in London and also of common stocks on the New York market. The regular publication of *The Economist* ordinary share indicator and of the *Financial Times* indices is being supplemented by Standard and Poor's indices of stocks and bonds on the New York market. It is hoped steadily to increase the coverage in Company Affairs, to provide a comprehensive blend of fact and comment on the leading companies (and increasingly some of the lesser ones). Their dividend and profit announcements, their reports and accounts, the features of their new issues and the excitements of their take-over bids will be reviewed; and all items of relevant news that may affect the esteem in which their shares are held by investors, large and small, will be assessed. Together with the regular features of the Business World section of the paper, including its leading articles on market affairs and its many business notes that have an investment bearing, the new section is intended to provide a full investment service in a newspaper that is concerned with much else besides investment.

FILMS AND TV

Ealing on the Little Screen

WHEN it was announced that the Associated British Picture Corporation had secured control of Associated Talking Pictures, the parent company of Ealing Studios, many exhibitors in the cinema trade hoped that this would finally quash the plan of which so much had variously been reported to sell 95 old Ealing films for showing on commercial television. Associated British, after all, was a party to Fido, the Film Industry Defence Organisation, which was set up in January to buy the television rights to all the British films then in existence and to ensure that these could not be shown by the big screen's highly success-

Continued on page 350

BONUS YEAR

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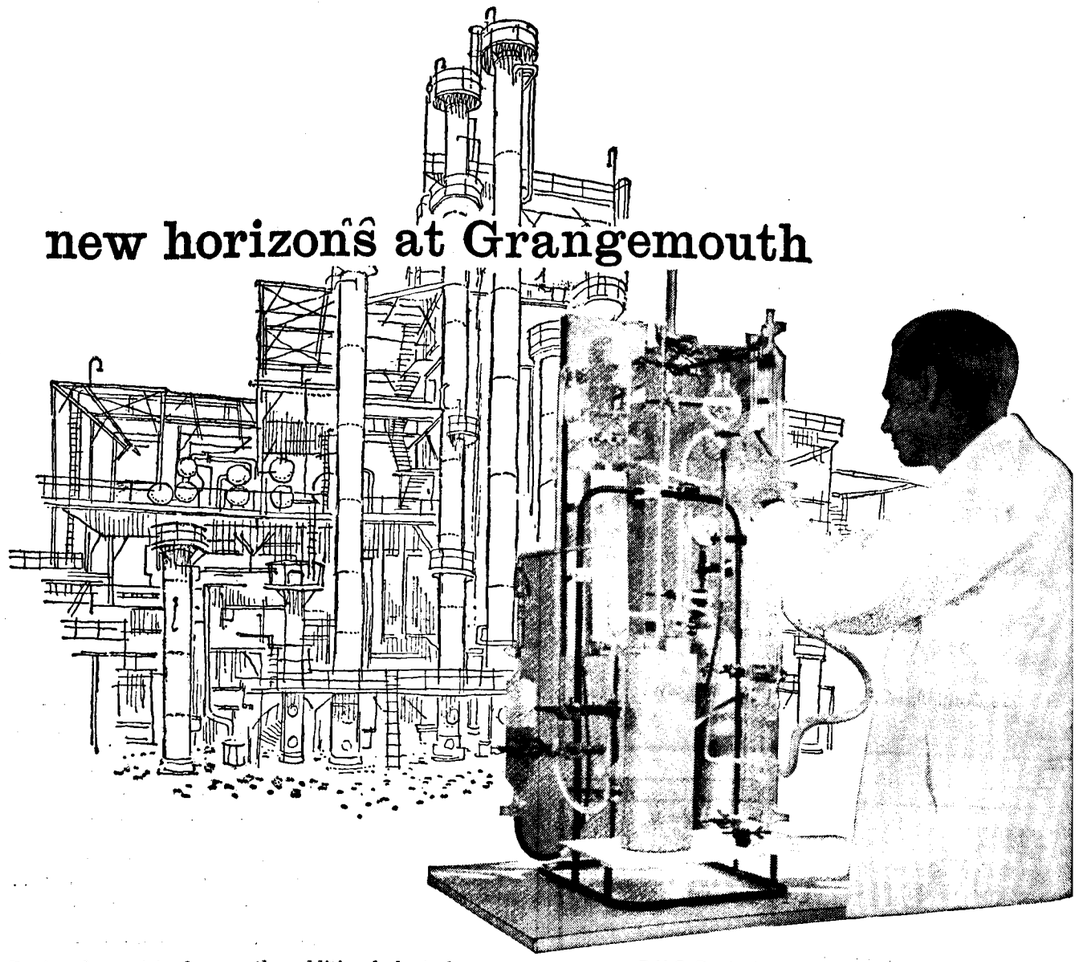
new horizons at Grangemouth



During the next twelve months, additional plants for the production of petroleum chemicals will add their dramatic silhouettes to the changing Grangemouth skyline. The rapidly expanding demands of British industry for the growing range of petroleum chemicals produced by British Hydrocarbon Chemicals have amply justified all the heavy investments in new processes and plant. By 1959, over £25m. will have been spent at the 400-acre Grangemouth site, where the production of chemicals from oil has already become one of Scotland's leading industries. With the continued technical backing of its two parent companies —The British Petroleum Company and The Distillers Company—and the increasing use of petroleum chemicals throughout industry as a whole, British Hydrocarbon Chemicals is playing its part in the ever widening horizons of this new Elizabethan age.

B.H.C. Products.....and some of their end uses

Ethylene	Styrene monomer and Polystyrene (Synthetic rubbers and rubber-like plastics; electrical equipment; toys; piping). Polyethylene.
Ethyl Alcohol	Raw materials for textiles; synthetic fibres; plastics; paper; leather and food processing industries; pharmaceuticals and fine chemicals. Solvent for industrial finishes. Methylated spirits.
Diethyl Ether	Solvent for extraction of oils and alkaloids in the pharmaceutical industry. Anaesthetics.
Isopropyl Alcohol	Acetone (solvent for rayon, explosives, lacquers, aircraft dopes, and adhesives). Intermediate for pharmaceuticals and other fine chemicals.
Tetrapropylene	Household and industrial synthetic detergents.
Butadiene	Synthetic rubbers and rubber-like plastics. Boot and shoe soles.
***Polyethylene**	Household, medical and laboratory articles; piping; cable insulation.
***Cumene/Phenol**	Phenol (resins; insecticides; herbicides; synthetic fibres; lubricating oil additives). Intermediate for dye-stuffs, pharmaceuticals and other fine chemicals.

*PLANTS NOW UNDER CONSTRUCTION AND DUE FOR COMPLETION IN 1959.

British Hydrocarbon Chemicals Ltd
GRANGEMOUTH · STIRLINGSHIRE

TAB 819

First Round to the Jets?

It seemed probable that IATA arguments at Cannes about fares on jet airliners might conclude in the early hours of Friday morning, between the time that The Economist *went to press and the time that it appears on the bookstalls. And the most likely outcome, when we went to press, still seemed to be continued deadlock, with airline operators going away to reconsider the alternative proposals, which have been many and various, planning to meet again to try to reach agreement later.*

WHEN Pan American's big bad Boeing took off from London on Tuesday trailing derisive clouds of smoke like a demon king, it was still in the balance whether the jets would win their fight against a compulsory surcharge. The Boeing, far more than the Comet, has become the symbol for everything that other airlines fear from jet competition. Tuesday's Transatlantic crossing was its last proving flight before daily services to Europe start on Sunday. At Cannes, where the airlines were still wearily arguing about fares, having postponed their departure for the third time in ten days, the Italians were still insisting on a jet surcharge, and they were doing so with all the vehemence of operators who knew that the Boeing was due to fly into Rome within a few days.

The fare-fixing machinery for airlines of the International Air Transport Association moves slowly, and even when IATA reaches unanimous agreement, approval for each decision still has to be obtained from the government of each member airline that is party to it. The earliest date for a surcharge on jet service fares could not in any case have been until next spring; any further discussion might push the date still further off. Meanwhile, jets will be coming into service during the next eighteen months in increasing numbers, on the Atlantic, in Europe, Africa and the Far East. The more airlines that begin to use them, the greater will be the opposition to any suggestion that they should have to charge higher fares than other aircraft.

The layout of the Boeing shows why it is essential for jets to be able to compete on equal terms with other aircraft. It is designed primarily to carry third-class passengers, whereas those Comets that are being used on the North Atlantic carry first-class traffic only. Third-class passengers might be expected to be sensitive to small differences in price and unless Pan American —and ultimately BOAC when it gets delivery of Boeings later next year—can charge the same prices for their jet seats as they can for those sold on propeller-driven aircraft, the jets will not be filled.

The present layout used by Pan American provides 71 third-class seats and 40 de luxe ones for the minority of first-class passengers. By forcing them to pay the *de luxe* surcharge, it might be said that Pan American is in fact enforcing its own form of fare differential on first-class passengers who want to fly by jet. That is a *non sequitur*. Plenty of non-jet aircraft carry two classes at different fares. The essential point is that the big jets are essentially aircraft designed for mass travel, not for selective travel at a premium.

These are expensive aeroplanes to buy, costing £2½ million apiece, and they are certainly expensive to run. But they need not be unprofitable, if their costs can be spread over the large number of seats that each aircraft holds. The revenue they earn at present fares is expected to be more than adequate to cover operating costs and ultimately to provide a margin for further fare cuts. And by reducing the time taken for such a tedious journey as that across the North Atlantic, the airlines hope that passengers will accept a greater amount of discomfort, in seating and leg-room, which in turn will lead to lower fares. What induces cramp on a 12 to 14 hour journey, becames tolerable on one of 7 or 8 hours. By the time supersonic airliners are in service, North Atlantic commuters might be prepared to strap-hang between London and New York.

THE big jets are not luxury machines; rather the contrary. Their economics depend on packing the maximum number of passengers into their tunnel-like bodies. This basic configuration explains the present embarrassment of airlines with large fleets of propeller-driven aircraft, particularly when these are predominantly piston-engined. Although 90 per cent of the outstanding aircraft orders are for either jet or turbo-prop aircraft, a fair number of big piston-engined airliners have still to be delivered, and the operating costs of these machines are by no means low. In the past few years, the design of piston-engined machines has concentrated not on lower costs, but on building in sufficient power to enable these machines to cross the North Atlantic non-stop against strong headwinds.

At one point during the airlines' meeting at Cannes it was suggested that if a surcharge was not imposed on fares by jet services, at least the floor might be lowered for the fares charged by other types of aircraft so that airlines hard pressed by jet competition could cut their fares—while preventing the jets from doing likewise. But for most airlines this is an impossibility. Even British European Airways, which has a fleet composed almost entirely of turbo-prop Viscounts, and is one of the few operators likely to show a profit this year, was not prepared to ask for a general fare cut this year, although it did pilot through the meeting a more modest, concealed, fare cut in the form of a cut in the fares charged to travel agents who arrange all-in holiday tours.

ARE the jet services likely in fact to draw passengers from other flights? In the case of third-class traffic it seems almost certain that they will. The cool, clear-looking cabin of the Boeing is a triumph in optical illusion, in the sense that it can already accommodate 111 passengers, many of them sitting six abreast, without appearing either crowded or oppressively big. The aircraft has some disconcerting features for passengers accustomed to more sober machines, such as the continuous swaying of the swept flexible wings, and the counterbalance action of the engine hung beneath them. Under certain conditions it handles much like the big bombers from which it is descended; the descent from the cruising altitude can be as precipitous as a big dipper at a fairground. It is, in other words, a new type of flying in which the perceptive threshing of propellers is replaced by a silent and apparently effortless floating action. It is easy to understand in a jet of this size why aerodynamicists consider that the air behaves as a fluid.

Touching at times over 600 mph, the Boeing is unlikely to take more than 9½ hours even for the longest Atlantic crossing, including refuelling. The saving in time combined with a more relaxing journey may be appreciated more feelingly by third than first class passengers. Even on the Boeing a big man is inclined to feel cramped after 3-4 hours in a third-class seat which complies with an internationally-agreed standard of less than 3 feet—the aircraft would probably be switched entirely to third-class, were it not for the restrictions under which it has to operate. Silencers on the engines reduce their efficiency by 4 to 5 per cent, and the total weight of silencing equipment is 1,600 lb, equivalent to 8 passengers. Apart from the fact that airport restrictions compel the aircraft to climb at a faster rate from London or New York than that for which it was designed, New York airport, for one, has too short a runway to permit it to take off at full all-up weight. On Tuesday's flight, it was able to do so only in Iceland, where it refuelled.

It is improbable that restrictions as severe as this will apply to big jets for long. For the time being, they are the price that Pan American must pay for being the first to introduce them into service.

Continued from page 346

ful competitor. The existence of negotiations between Ealing and commercial television interests for the sale of these films, which had been known in the trade for several months, was indeed one of the reasons why the exhibitors in general agreed to set up Fido ; it had repeatedly been stated that no agreement had actually been signed, and neither Ealing nor Associated British had made any attempt to say anything different.

But when a committee from Fido recently met Associated British to discuss the matter, they discovered that things were not nearly so simple. They learned to their surprise that a binding agreement to sell the films for television had in fact been concluded by an exchange of letters between Ealing and ABC Television, Associated British's subsidiary, as long ago as August last year. They were told that there could be no question of ABC Television's relinquishing its right to show these films, though it agreed to show them only on the Northern and Midlands stations (which appears to preclude "networking"), on Sunday afternoons. ABC Television has also agreed that if it proposes to show more than 60 of the 95 films it has acquired it will consult again with Fido, and the other 85 feature films that Ealing owns would be frozen under the Fido agreement anyway. Associated British, expressing regret that there had been "misunderstandings," declared that as an enterprise with far more money invested in cinema bricks and mortar than in commercial television, it still thinks Fido is a good thing for the industry. Whether the rest of the trade would have thought so had it known that the block of films that many exhibitors assumed would be the first to be "saved" from television had in fact been irrevocably committed to television four months before Fido was set up remains unknown.

BAN ON INTRODUCTIONS

Stock Exchange Falters

An unseemly scramble last week when dealings started in the 5s. ordinary shares of Pyrotenax sent the price rocketing from its starting point of 26s. 3d. momentarily to over 30s. (it dropped back to 28s. 6d.). Three long queues formed in front of the three jobbers concerned. In a large volume of business jobbers were doling out parcels of 100 shares and some of the graver members protested that normal stock exchange business had been impeded. The Stock Exchange Council's reaction was surprising: no further introductions of ordinary shares, it said, will be permitted for the time being. The Council's decision is easy to attack—because it is not a decision. It is the Council's job to know what to do, not to bring an established method of share marketing to a halt while it takes time to think.

In practice little harm has been done ; no further introductions were on the schedule for the immediate future. It is just a year since the Council issued a new interpretation of its rules on introductions—a revision that reminded brokers of their paramount duty to obtain the best price for their clients, and forbade them to fix prices in advance or to make conditional arrangements with jobbers in advance. The early morning queues in Throgmorton Street had already been abolished. The broker to the introduction was required to get tentative offers and on the basis of those offers the vendors (or the issuing house) could decide how many shares they would sell. There is not the smallest reason to suggest that that rule was infringed in the case of Pyrotenax. That company—a successful cable manufacturer in which both ICI and Reyrolle have invested—caught the public eye, and the issuing house (Robert Benson, Lonsdale and Company) underestimated the right opening price by at least 2s. a share. On a rapidly rising market the risk of such misjudgment must always exist.

In its present deliberations the Council has several divergent views before it. One school of thought does not like introductions at all. For the family owned business anxious for a quotation but not anxious to sell many shares they are economical in cost. But the opponents argue that the privilege of quotation need not be extended to a vendor who wants a valuation rather than a market. Would it not be better to force such vendors to make placings in which substantial blocks would be taken by the issuing house or issuing broker and placed with institutions (and with jobbers) and for which a better market would result ? That view, however, will probably not prevail. Another school says baldly that far too many of the men in the queues last week were members and clerks anxious for a hundred or two shares on personal account. They would like to ban buying by members and employees for their own accounts during the first few days after introduction. A third group favours something much nearer to the sale by tender method used in water company issues. The quotation would be granted on the share to be introduced. No dealings would immediately ensue, but brokers with orders would make firm bids. The issuing house, confronted with those bids, would decide which to accept and on that basis the market would start.

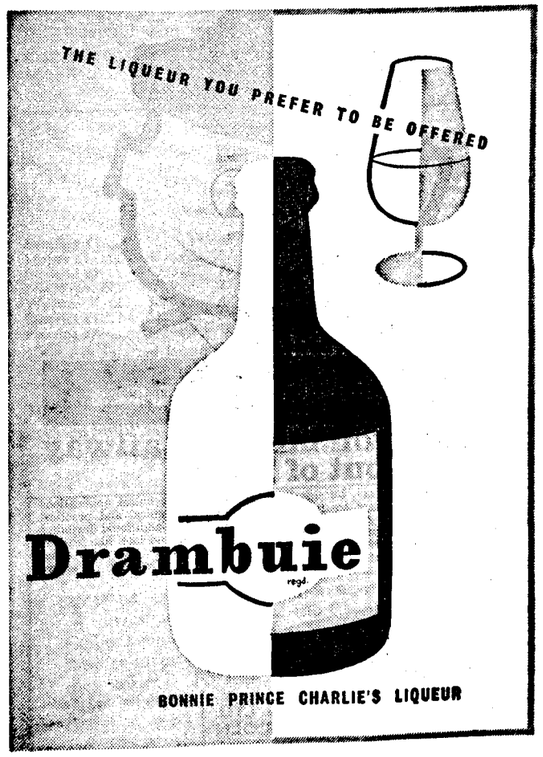
In one way or another, probably the last, the issue will shortly be settled. It must be added that there is another possibility which perhaps unfortunately no one in London would seriously consider. It is to leave a high proportion of these marketing operations in stocks in which there will be no continuous market to the provincial stock exchanges, which are well equipped to cope with small industrial issues.

BANK SHARES

Bank Dividends Now

Another minor flurry in bank shares has occurred this week following the capitalisation and increased distribution foreshadowed by Lloyds, just as it did when Barclays took comparable steps two months ago. Lloyds proposes a scrip issue of one for two (compared with Barclays' one for four), thus raising its capital at a stroke by £9.28 million to £27.84 million, and it intends to restore published reserves in full by transfers from inner reserves and from profits at the end of the year. The final dividend on the enlarged capital is to be 5¾ per cent, which will give a total distribution for the year equivalent to 15 per cent on present capital, compared with the 1957 payment of 13 per cent. No closer intimation is given of future dividend intentions ; in the accompanying table the yield is calculated on the assumption that the payment continues at the equivalent of 15 per cent on the old capital. Barclays, it may be recalled, seemed to imply that the dividend rates would be maintained, so that in a full year the distribution would rise by one quarter (and in 1958 by one eighth).

The move by Lloyds Bank has naturally encouraged the hopes that a further round of increases in bank dividends is in the offing. It is noteworthy, however, that Barclays



A Question -

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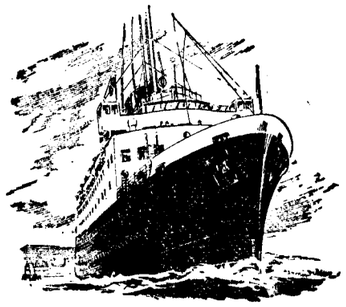

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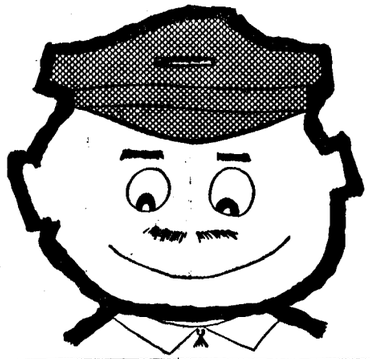

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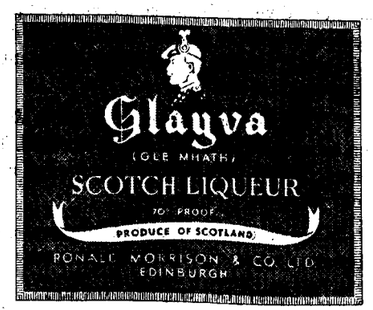

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and Lloyds were the only banks that did not reorganise their capital and make small concomitant increases in distributions in 1957 (though Lloyds had done so in 1956). Possibly the times when bank dividends were increased only as part of a concerted "round" have passed with the return of competition and individuality to the banking business. Meanwhile, spurred more by the increases in distributions, by the entry of the banks into hire purchase and by introduction of their own instalment lending, prices of the leading bank shares have risen by around a third in the three months since Barclays announced its interest in United Dominions Trust.

ADVANCE IN BANK SHARES

	Price July 23	Price Aug. 27	Price Oct. 16	Price Oct. 21	1957 dividends	Effective increases foreshadowed	Current yield
					%		%
Barclays £1 ..	35/3xd*	45/3*	49/3xc	48/–xc	12	15	5·00‡
Lloyds £1	45/6xd	57/–	60/3xd	62/6	13	15	4·80‡
Midland £1 ..	63/3xd	76/–	79/–	79/6	18	...	4·53
Nat. Prov. £1 .	65/9xd	77/9	81/9	83/–	18	...	4·34
Westm. 'B' £1	38/3xd	49/3	49/6	51/6	11‡	...	4·37
District £1 ...	51/–xd	59/6	61/6	62/6	15	...	4·80
Martins 5/–..	14/–xd	16/3	16/3	17/–	15	...	4·41

* Prices adjusted for scrip issue. ‡ Assumes "effective payment" of 15 per cent will be maintained.

LEAD AND ZINC

An Unexpected Windfall

ODD as it may seem, the American government's introduction of import quotas on lead and zinc has so far on balance raised London prices of these metals. The fall in prices that followed the announcement of September 22nd proved to be short-lived, and prices are now substantially above the low points reached on September 24th. Spot lead in London closed at £76 10s. on Thursday, showing a total gain of £7 10s., and spot zinc closed at

Investments and Stipends

YIELDS are the guide ropes of the investment policies of the Church Commissioners. Investing for income, they re-invest any capital profits that they make. To raise the yield on their stock exchange portfolio the Commissioners have in the past been big sellers of gilt-edged securities, usually at a capital loss, and big buyers of industrial equities. They became so intrigued with the game of keeping pace with inflation that their secretary, Mr M. L. Warren, recently wrote a book "Investment for the Ordinary Man." But they now seem to be convinced that the broad balance of their portfolio between fixed interest and ordinary stocks is right, and they have become less active switchers.

In the year to March 31st, they sold £2.3 million net of gilt-edged securities but their sales and purchases of industrial equities balanced each other. In industrials, they were simply switching on prospective yield considerations, taking up "rights" when these were offered, and trying to keep their holdings in any one concern down to 5 per cent or less of the issued ordinary capital. The Church Commissioners are passive shareholders, keeping their individual holdings small and retaining their neutrality in any tussles for control or take-overs. Now that they have achieved a suitable balance in their portfolio, their future policy seems likely to be to stand more or less pat on gilt-edged securities (for they do not dabble for capital profits and most of this portfolio is already made up of long dated stocks) and to confine switching operations to the choice of particular stocks in the equity list.

In their last financial year, however, sales of £1.4 million of insurance stocks and of £2.3 million net of gilt-edged securities were made so that the Church Commissioners could complete contracts, made earlier, to purchase more real estate and to increase their mortgage investments. On property, their policy is again to inject a bigger element of equity into their holdings, though as yet, they have not gone as far in that direction as they have in their holdings of stocks and shares. The equity element is secured by selling off residential properties with low, fixed, long term ground rents and by concentrating upon properties that can be let on comparatively short leases.

The Church Commission is probably the biggest owner of agricultural property in England, and it is selling poor and isolated plots of land and trying to build up "compact estates of good quality and reasonable size." The rents on farm properties can be reviewed once every three years and, by injecting new capital into these properties, the Church Commissioners can and have charged economic rents while remaining good landlords.

The major purpose of these policies is to preserve the real value of incumbents' stipends, and, if possible, to increase it. Keeping up with inflation is a full time job and this is about all the Church Commissioners have managed to do. Thus, in the last financial year, the average stipend rose by £23 to £717 per annum, though the range of stipends remains wide because of the individual endowments of many benefices. The yearly increment to stipends from the Church Commissioners' funds cannot but be small and if the clergy are not to lag even further behind other professions in salaries it will be up to the laity, through the Easter offerings, to reinforce the efforts made by the Church Commissioners.

THE CHURCH'S PORTFOLIO

(000's)	At March 31, 1955	1956	1957	1958†
Total of Securities:				
Book value	145,197	133,144	124,254	121,858
Market value	152,800	126,092	124,794	107,784
*Average yield**	£4 9s. 6d.	£4 17s. 7d.	£5 1s. 4d.	£5 5s. 3d.
Of which:				
Government stock:				
Book value	74,712	46,834	35,842	20,336
Market value	N.S.	32,893	22,137	18,003
Average yield (per cent)*	£3 10s. 9d.	£3 4s. 11d.	£2 16s. 10d.	£4 12s. 0d.
*Percentage of portfolio**	51·5%	35·2%	28·8%	9·4%
Industrial Ordinary Stock:				
Book value	40,595	49,506	53,845	72,898
Market value	N.S.	62,464	72,962	63,378
Average yield (per cent)*	£6 8s. 5d.	£6 15s. 6d.	£6 16s. 5d.	£5 6s. 3d.
*Percentage of portfolio**	28·0%	37·2%	43·3%	33·5%
Income:				
Security income	6,508	6,836	6,630	6,738
Net rental income	2,595	2,904	3,296	3,698
Investment mortgage income	569	555	934	1,156
Total income	10,529	11,227	11,765	12,374

* At book value. † Book values were revalued at market prices on April 1, 1957.

£72 10s., a total gain of £7 15s. Over the same period the American producers, the intended beneficiaries of the quotas, have been able to raise the price of lead by two cents to 13 cents a lb (£104 a ton), and zinc by one cent to 11 cents a lb (£88 a ton)—not because the quotas have yet impinged on supply but because the American recession was stepping into the background; American demand for both metals had started to improve before the announcement of import quotas. One reason for the surprising firmness of the London market is that metal available in Britain and the Continent has been bought for re-shipment to the United States, at prices that have been cheap compared with American prices. The American import quotas are naturally filled on a first-come, first-served basis (by country of origin); thus merchants have had good reason to get metal into the United States as quickly as possible. Should the quantity of metal landed at American ports exceed the quota for the fourth quarter of this year, the profits made may well repay the cost of storing the excess metal in bond until it can be delivered against the new quota starting on January 1st.

There is another possible string to the lively merchant's bow. Discussions on an international control scheme for lead and zinc will be renewed in Geneva early next month. The Americans have already hinted that their own quota scheme could be withdrawn if an international scheme were devised. There are formidable political and technical difficulties to be overcome, but the enthusiasts hope that the slow process of getting, and getting ratified, a full international agreement might be shortened. As control cannot apply to metal that has already left the country of origin, the merchant with metal piled up at an American port is in a favoured position. But the chances of getting an international control scheme, by January 1st or later, is a matter of speculation. What is certain is that without it, London prices of lead and zinc will be due for a fall.

RAW WOOL

Prices Rally

Wool prices have rallied. Prices at the Australian auctions started to recover last week, and though the advance has levelled off this week, prices are almost back to the rates ruling in mid-September before the market broke sharply. When the New Zealand selling season opened this week, crossbred prices were only a shade below the close of the previous season, last May, and the New Zealand Wool Commission bought only a small quantity at its support prices. And the London sales, which were resumed this week, opened with prices broadly comparable to those paid at the previous series last month.

Business in the Bradford tops market started to revive just before the rally in raw wool, encouraged no doubt by the cheapness of offers. When raw wool prices started to rise the buying of tops increased further, and a substantial business has been done. In the last two weeks the price of a 64's top has risen by roughly 8d. a lb to 95d. a lb. It would be a bold man who would predict that the wool market has taken a turn for the better. Reports from Australia on Thursday, which suggested some easing of prices here and there, are enough to induce caution.

ECONOMIC SURVEY OF A TOWN

READING

The Economist Intelligence Unit Ltd. has prepared a detailed report on the prospects for retail trade in Reading over the years ahead. This report analyses trends in population, employment and incomes in the Reading area, and considers the effect on the town's prosperity of new developments in housing, shopping facilities and communications.

All those doing business in the Reading area should apply for further details of this important study from:

THE ECONOMIST INTELLIGENCE UNIT LTD.
Marketing Department,
22, Ryder Street, London, S.W.1.
WHitehall 1511 (Ext. 144)

LIFE ASSURANCE

Pension Schemes Progress

Business in pensions schemes assured by the life offices was brisk last year despite the publicity given to the Labour Party's pension plan and despite anticipations, since fulfilled, of a counter plan from the Tories. The figures of the Life Offices Association and the Associated Scottish Life Offices show that last year all previous records were again broken. Sales of "Millard Tucker" pension policies to the self-employed improved: 49,000 policies at yearly premiums of £6.3 million assuring deferred annuities of £15¾ million were taken out, compared with 22,000 policies during the closing months of 1956. Aggregate sums assured by the life offices increased by 11 per cent last year to £1,392 million, including £500 million (against £440 million) in lump sum benefits payable on death before retirement under pension and life assurance schemes sponsored by insurers. New pensions assured passed the £100 million milestone; the 1956 figure was £92 million. Other statistics given in the table testify to the vitality of the business—which may be checked whichever party wins the next general election.

EMPLOYEES' ASSURED BENEFITS

	1953	1954	1955	1956	1957
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
In Force					
Lump sum on death before retirement	1,101	1,269	1,537	1,815	2,182
Annual pensions :—					
Future*	264	295	344	403	464
Current	5·6	6·5	7·8	9·2	10·6
Premiums received	96·1	109·3	127·9	141·0	155·0
Employees covered (thous.)	2,067	2,205	2,475	2,701	3,011
New Business					
Lump sum on death before retirement	240	284	358	440	500
Future annual pensions*	55·6	61·9	74·0	91·9	100·4
Yearly & single premiums	19·3	21·6	25·5	28·1	32·7
Employees covered (thous.)	414	408	471	523	534

* Based on current salaries.

There may be a feeling of relief among the life offices that they also sold more ordinary individual life policies than ever before. Such bread-and-butter business could before long become much more important than it has been for a decade, during which the offices have been concentrat-



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THE GREAT UNIVERSAL STORES LIMITED

INCREASE IN SALES AND TRADING PROFIT

MR ISAAC WOLFSON'S STATEMENT

The Fortieth Ordinary General Meeting of The Great Universal Stores Limited was held on October 22nd.

Mr Isaac Wolfson, chairman and managing director, presided. The following is an extract from his circulated statement:

TRADING PROFIT AND DIVIDEND

Your Company has once again achieved an increase in sales and in trading profit over the previous year. The consolidated trading profit, at £23,193,764, shows an increase of £1,563,627 over the previous year. This trading profit includes a sum of £2,100,095, being profits of new subsidiaries brought into the consolidated profit and loss account for the first time. The net distributable revenue at £8,786,847 is very little changed. The total dividend paid and recommended for the year on the Ordinary and "A" Ordinary Stock of the Parent Company is 32½ per cent, less tax, amounting to £3,886,035. This is the same rate as was paid for the previous year after allowing for the final dividend payable on the Ordinary and "A" Ordinary Capital as doubled by the scrip issue made on June 9, 1958.

The increase in trading profit, although satisfactory in itself, has not been at the same rate as the increase in turnover. In these inflationary though competitive times we have been successful in maintaining and wherever possible reducing prices to the public. At the same time we have made further progress in raising and controlling the standard of our merchandise, and have had most valuable co-operation from our suppliers, from the British Standards Institution and from the Retail Trading Standards Association, of whose laboratories we make extensive use. Practically all the goods we sell in this country are British made.

MAIL ORDER DIVISION

Both sales and profit have shown a very satisfactory increase and mail order trading retains its popularity despite the great measure of competition from other methods of distribution.

MULTIPLE STORES AND SHOPS DIVISION

This division enjoyed a successful year, sales and profits being well in excess of those of the previous year. The Morrisons Holdings Ltd. chain of 268 fashion shops came into the Group at the end of March, 1957, and has played its part in this success.

During the year a further development was made into the field of Men's Outfitting and Tailoring, with Hope Brothers Ltd. and its subsidiary company, Hector Powe Ltd. with 127 stores, shops and depots joining the Group in January, 1958.

SALESMAN COLLECTOR DIVISION

This division comprises six individual companies selling direct to the householder, mainly on short term credit. Turnover and profits remained at around the same high level as in previous years.

HOUSEHOLD STORES DIVISION

The name has been changed from Furniture Stores Division, which as a result of the ever-widening range of goods offered no longer represents its true function. We sell a much wider variety of merchandise than is generally realised and do not rely to a disproportionate extent on furniture as such, which now represents about 50 per cent of this division's activities. Its trade is, of course, very much hampered by hire purchase restrictions. It may be of interest to inform you that 53 per cent of its sales were made for cash or on short term credit.

Legislation in respect of hire purchase trading occurred in February, 1955, which resulted in a material drop in such turnover in the following two years. As I have said in the past, profit on hire purchase sales is not immediately reflected in the profit and loss account as it is only brought in as the resultant book debts are collected. This is normal practice and it means that when a hire purchase sale is made the profit on that sale is earned, not immediately, but over the period of some two years in which the debt is collected from the customer.

In the year to March 31, 1957, collections on hire purchase debts exceeded the new turnover transacted in that year. This was because a large part of the collections, and consequently the profits earned, related to debts contracted in earlier periods when turnover had been at a higher level. On the other hand, in the year to March 31, 1958, collections and turnover ran at approximately the same level. New turnover transacted showed some increase, but collections, mainly reflecting the fall in turnover in 1957, declined as compared with the previous year. In consequence the profits earned from hire purchase in 1958 were lower than in 1957. Part of the profit that will accrue from the increased turnover achieved in 1958 will in turn be earned in 1959 and 1960, when the debts are fully collected. What has happened in the last two years provides a good example of what I may term the "delayed action" effect of hire purchase trading on profits.

Group hire purchase sales in the United Kingdom represent only 10 per cent of its total domestic sales. If hire purchase restrictions were modified there would be an upswing in sales by this division and it follows that its profits would show an improvement over future years.

OVERSEAS DIVISION

The sales and profits of The Great Universal Stores of Canada Limited group compared satisfactorily with the high level of the previous year.

In South Africa The Great Universal Stores (Africa) (Pty.) Ltd. group, which, with a number of additions made during the year, now operates 73 stores, shops and depots, produced a very satisfactory increase in sales with a commensurate rise in trading profits.

The division as a whole had a successful year and both turnover and profits exceeded expectations.

WHOLESALE DIVISION

This division renders a useful service to the rest of the Group as well as supplying outside retail traders. Sales and profits were much the same as in previous years.

During the year under review the whole of the Ordinary Capital of the old-established Houndsditch Warehouse Co. Ltd. was acquired.

MANUFACTURING DIVISION

We have not materially extended in this division and only manufacture where it affords a special service to our retail companies. Sales to customers outside the Group increased and a substantial part of this turnover is shipped abroad.

THE FUTURE

During the latter part of the year under review and the beginning of the current year there were signs that the public were not spending so freely as in the past, no doubt as a result of the measures to check inflation and of world economic conditions in general. Retail trade reflects the state of the country more directly and immediately than most industries, and its fortunes necessarily fluctuate with the pockets of the public. I am confident that the Group will continue to benefit as the country prospers, but it must be realised that we are not immune to the impact of general economic conditions.

Group sales are in advance of the same period last year, and subject to the above influences I am of the opinion that the results for the current year will be as satisfactory as those now placed before you.

GROUP PROFIT, APPROPRIATIONS AND CAPITAL FOR THE YEAR ENDED 31st MARCH, 1958

	£
Group Trading Profit ...	23,193,764
Less: Depreciation, Interest paid, Interests of Outside Shareholders of Subsidiaries, etc.	2,977,736
Group Net Profit—before Taxation	20,216,028
Less: Taxation	12,034,818
Group Net Profit—after Taxation	8,181,210
Taxation Provisions no longer required	605,637
	£8,786,847
Appropriated as follows:	
Retained in Business ...	4,836,268
Preference Dividends, net	64,544
Ordinary Dividends, net	3,886,035
	£8,786,847
Preference Stockholders:	
Issued Capital	£2,250,000
Dividend covered by net earnings after tax	136 times
Capital covered by net assets	33.6 times
Ordinary Stockholders:	
Issued Capital (after taking into account £10,472,206 scrip issue made on 9th June, 1958)	£20,944,412
Rate of Dividend paid on present Capital	32½% p.a.
Dividend covered by Net Earnings after tax	2½ times
Group Net Assets	£94,400,281

COMPARATIVE GROUP TRADING PROFITS

1949	1950	1951	1952	1953
£4,576,290	£5,896,913	£8,161,150	£10,007,555	£11,443,390
1954	**1955**	**1956**	**1957**	**1958**
£15,541,292	£18,923,479	£20,273,185	£21,630,137	£23,193,764

THE GREAT UNIVERSAL STORES LIMITED—Operating over 2,700 Stores, Shops, Warehouses, Factories and Depots throughout the United Kingdom and Overseas.

AMALGAMATED TIN MINES OF NIGERIA LIMITED

CHAIRMAN'S STATEMENT

The nineteenth Annual General Meeting of Amalgamated Tin Mines of Nigeria Limited will be held on November 14, 1958, at 55-61 Moorgate, London, E.C.2.

The following is the Statement by Mr J. Ivan Spens, OBE, the Chairman, which has been circulated with the Report and Accounts for the year ended March 31, 1958.

Before dealing with the results for the year, it is with deep regret that we have to record the death of Mr Richmond Temple in March and, since the close of the year, the resignation of Mr W. M. Warren for reasons of health. Both these gentlemen had great experience of our industry and the benefit of their advice will be missed.

ACCOUNTS

The profit for the year, before taxation, is £464,006 against £674,919 for the previous year. Sales of both tin concentrates and columbite were lower than in the previous year and there was also a reduction in the price received, the average price ruling for tin sales being £732 per ton metal against £775 last year.

Taxation takes £217,500 and the sum of £80,000 has been transferred to Contingencies Reserve. As a result of the Company qualifying as an Overseas Trade Corporation from October 1, 1957, the sum of £50,000, being part of the taxation provided in 1957, is no longer required and this amount has also been transferred to Contingencies Reserve, bringing this Reserve to £250,000.

The contributions to the Buffer Stock now stand at £350,146 and this is shown as a separate item on the Balance Sheet.

A final dividend of 6 per cent is now recommended and, if approved, will absorb £67,275, leaving a balance of £9,531 which increases the carry forward to £297,901.

EXPORT CONTROL

Control of tin production was introduced on December 15, 1957, and the year under review contains the first quota period which ended on March 31, 1958. In this first quota period the group permissible sales were 723 tons concentrates. Permissible sales for the first six months of the current financial year, i.e. to September 30, 1958, were 1,287 tons concentrates.

I am sure shareholders appreciate that with the restriction in production and bearing in mind that there has been a reduction in the quota for the fourth control period to December 31, 1958, the profits for 1959 can be seriously affected. We have had to retrench in almost every way and the consequent reduction in both European staff and African labour has been a grievous matter. Economies are being effected wherever possible consistent with the restricted output and maintenance of the plant and properties.

We have recently been able to hire on mutually satisfactory terms some of our earth-moving equipment to the contractors constructing a major extension of the Nigerian Railways. In this way some revenue will accrue from the contractors to whom we have hired the equipment.

I am glad to say that a number of our and other retrenched African mining employees have been taken on by the Contractors.

COLUMBITE

Sales again showed a decline on the previous year. While demand has been disappointing, we are hopeful of a revival of interest in the uses of niobium.

SUBSIDIARY COMPANIES

The question of whether we could achieve all-round benefits by your Company acquiring the undertaking of its two subsidiary companies was discussed on my visit to Nigeria last year and arrangements have been concluded which we are sure will procure substantial operating and administration economies.

The quotas under the tin restriction scheme which applied to each company are now grouped under one head.

LABOUR

Labour relations were peaceful. The sensible acceptance of the inevitable retrenchment, due to restriction of production, was most commendable.

WELFARE

I am pleased with the good work being done in this connection. Your Board and the Management in Nigeria continue to take the greatest interest in the welfare of all employees.

Progress during the year is recorded in the Technical Managers' Report.

GENERAL

During the year under review Mr H. E. Wilson, who had been General Manager of A. O. Nigeria Limited since 1946 and Chairman since August, 1949, returned to the United Kingdom on retirement. More recently we learned, with deep regret, of his death, and I take this opportunity to place on record our deep appreciation of his many years of excellent service.

Mr J. L. Farrington (BASc, MIMM) has now taken his place as General Manager and Chairman with Mr E. Whitfield as his Deputy.

On grounds of economy, photographs of the mine have been omitted from the Report and Accounts this year but we shall certainly reconsider the matter when times are more favourable as I know the photographs are of interest to many shareholders.

STAFF

I would again thank the Management, the Staff, both European and African, and the African employees for their excellent support and co-operation in this difficult period in our history.

ALEX: LAWRIE & COMPANY

MR N. AIRTH GRANT'S STATEMENT

The 34th annual general meeting of Alex: Lawrie & Company Limited, was held on October 22nd in London, Mr N. Airth Grant (the chairman) presiding.

The following is his circulated statement:

It is with the deepest regret that I have to report the death in March this year of our Chairman, Mr A. N. Stuart. He was a Director for 34 years and Chairman for 25 years, and the Company has benefited much from his wise and able guidance.

From the accounts it will be seen that the parent company had a normal year. The profits, after tax, were some £6,000 less than the previous year, due mainly to a smaller return from our tea interests. In Assam the companies in which we are interested experienced some reduction in crop and proceeds, while our trading business in tea was more difficult.

REVIEW OF ACTIVITIES

Balmer Lawrie & Company Limited had a satisfactory year and, in addition to repeating their dividend of 15 per cent, put further sums to reserves.

The profits of Stewart Holl & Company Limited showed a slight increase over 1957.

The expansion of the business of Horace Hickling & Company Limited mentioned in a previous report, continued, and the company experienced further growth, both in general trading in Nyasaland and in tea, with the result that the profits for the year were the highest ever attained.

Our Nyasaland tea companies, however, had a difficult year, due to an unprecedented drought, and the total crop was reduced by some 10 per cent. The gardens have made a remarkable recovery and are once more in very fine condition, with every indication of a good crop for the coming season.

The development of our new estate, Miwanga, continued satisfactorily during the year. Owing to the fact that the name "Miwanga" caused confusion with another estate with a similar name, the name has been altered to "Kumadzi."

During the year the Stone Valley Tea Company Limited, Tanganyika, in which the Company previously had an interest, became a subsidiary company, and its figures are included in the consolidated accounts. The estate is still largely in the development stage.

I regret that I have once more to report a severe loss by Kettles-Roy & Tysons Limited in East Africa, which amounted to £58,815. Over the past two years steps have been taken to improve the results of this Company, both by a more discriminating sales effort and by reduction of expenses. While the outlook for the current year is still doubtful, no such large loss is anticipated, and it is confidently expected that by 1959, when the full benefit of the economies and other measures is felt, better results should be shown.

At the end of last year Mr Stuart visited India and was in East Africa on the Company's business when he died.

I also paid a short visit to East Africa, as did Mr Manton; Mr Rainey visited Nyasaland and Tanganyika.

Our staffs in London and overseas have worked efficiently and loyally throughout the year, and I should like to express the Board's keen appreciation.

The report and accounts were adopted.

CAWOOD WHARTON & COMPANY

A SATISFACTORY RESULT

MR ERIC W. TOWLER'S REVIEW OF ACTIVITIES

The thirty-sixth ordinary general meeting of Cawood Wharton & Company Limited was held on October 17th in Leeds, Mr Eric W. Towler (the chairman) presiding.

The following is his circulated statement:

The Group Trading Profit for the year under review is £544,149 compared with £580,328, which in the light of the circumstances referred to in my circular in May last can be regarded as satisfactory.

After providing Depreciation and Amortisation at £107,221 and £11,234 for Unsecured Loan Stock Interest, the profit before taxation is £425,694.

Taxation provisions, and the net transfer to Taxation Equalisation Reserve, absorb £235,254, leaving a net profit of £190,440, which, together with £118,020 brought forward from the previous year's accounts, and £11,917 Taxation previously overprovided, leaves £320,377 for appropriation.

Preference Dividends costing £5,175 have already been paid and the Directors recommend the payment of a dividend of 1s, less Income Tax, per Stock Unit, on the Issued Ordinary Stock as increased by the capitalisation issue in June, 1958, which will absorb £57,500, and the transfer of £140,000 to General Reserve leaving £117,702 to be carried forward.

CONSOLIDATED BALANCE SHEET

Capital and Reserves have increased from £1,067,884 to £1,238,645 by the transfer of £140,000 to General Reserve, and the addition to Capital Reserves made up of £30,113, being the tax free profit on sale of land, plant and equipment, and £966, being the amount by which £10,800 Unsecured Loan Stock was redeemed below par.

In accordance with the proposals approved on June 19, 1958, the capitalisation of £250,000 from the General Reserve was effected: £250,000 of 6½ per cent Unsecured Loan Stock 1977/82 was placed privately, and the agreed modifications to the terms of the existing Loan Stock were implemented.

Fixed Assets have increased to £935,675; the additions, less sales, amount to £135,247, and include, *inter alia*, freehold and leasehold property, motor vehicles, quarrying, briquetting, concrete and refractory works plant and equipment.

The net Current Assets have increased to £762,227.

REVIEW AND PROSPECTS

The national inland demand for coal declined last year and a further fall is expected this year; the export and Eire trade continues unsatisfactory in view of the inability to compete with American and Polish prices, and the coal side of our business has been, and is, therefore, presently affected.

Our four Northern Briquette Works have worked, and continue to work, to capacity in view of the inadequate supplies of large coal.

We have secured a substantial long term contract for the carriage of canal borne coal to a new power station now under construction.

Our fuel oil sales increased, but competition for available business is growing in intensity.

The group tonnage of bulk materials handled by road increased; we are still engaged in the haulage of NCB Opencast coal in the Notts/Derby/Leicester area, national stocks of which are at a high level.

The results from our quarrying, wharfage and ancillary activities were not unsatisfactory in the light of the changed conditions brought about by Government policy, and consequent upon the credit squeeze and its effect in particular upon the building industry there has been a reduced demand for sand and gravel; competition for the available business is increasing. The new sand and gravel plant of 1,000 tons per day capacity in Leeds is in course of erection, and will be in production early in the New Year; its geographical position is advantageous.

The department engaged on prefabricated schools and buildings for home and export secured a satisfactory volume of business on increasingly competitive terms; our new light-weight roofing department is expanding.

Blackwall Lane Concrete Works had a record year following its reorganisation and concentration on BA block production.

West Drayton Works is now equipped for pre-stressed concrete and given the necessary volume of business should, in due course, yield a satisfactory return.

The erection of the new works at Mulberry Wharf for the manufacture of high duty refractory grogs is proceeding; it is hoped to start the first kiln early in the New Year.

Group Capital Expenditure so far approved for the current financial year is £236,000, and includes, *inter alia*, the completion of the Mulberry Works, the Yorkshire sand and gravel plant, and a new asphalt plant at Gerrards Cross.

Rigorous competitive conditions and the uncertainties of the future in matters over which we may have little control make prophecy difficult; the results so far this year are not discouraging, and confident in the support of our loyal and enterprising staff, to whom again your thanks are due, we go forward with confidence to the difficult times that may lie ahead.

The report and accounts were adopted.

ACROW (ENGINEERS) LIMITED

ANOTHER RECORD YEAR

EXPORTS REACHED ALL-TIME HIGH

MR W. A. DE VIGIER'S SPEECH

The twenty-second annual general meeting of Acrow (Engineers) Limited was held on October 22nd in London.

Mr W. A. de Vigier (chairman and managing director), who presided, said:

The consolidated trading profits for the year under review amounted to £636,555. A final dividend of 10 per cent on the Ordinary Share Capital, making 40 per cent for the year on the increased capital, is recommended by your Directors. At a meeting to be held immediately following this one, your Directors will recommend a bonus issue of one "A" Share for every six Ordinary or "A" Ordinary Shares held.

During the year under review your Company's exports reached an all-time high. Acrow Formwork was used on the following major world schemes: Kariba Dam—Rhodesia, St. Lawrence Seaway—Canada. Warsak Dam—Pakistan, Roselend Dam—France, Caroni Dam—Venezuela.

PROGRAMME OF DIVERSIFICATION

I mentioned at the last Annual Meeting that never in the history of your Company had so many new products passed the prototype stage. I can now give you more details of the planned programme of diversification we so vigorously pursued. Our fully-owned subsidiary company, Crawley Bros. Ltd., introduced a full range of refrigeration units for the catering trade which have met with such success that our whole production is sold for the coming twelve months. Another fully-owned subsidiary, Teles Smith Ltd., brought out a most successful range of lightweight chain saws for the forestry and timber trades. The Acrow-Demag Division is now in full production with its range of cranes of the most up-to-date design. This Division is able to meet the most exacting demands of almost every industrial undertaking which has a handling problem requiring cranes and hoists. The Hydraulic Division also came into being and successfully launched the Acrow Hydraulic Pit Prop which has already been accepted by the National Coal Board. All these new products created a considerable increase in the value of stocks and work in progress held by your Company.

With the greater awareness of the high cost of space, more and more banking, insurance, industrial and retail undertakings are turning to the Rolstore system of storage which can often effect a saving in floor space of more than 50 per cent compared with other conventional methods. The Formwork and Scaffolding Division continued their efforts to improve the quality and widen the application of its products, bringing further benefits in reduced labour costs to the many thousands of users in building and civil engineering throughout the world, in order that they may build cheaper and faster.

From the foregoing you can see that there is now hardly a field in industry your four Works do not cater for in some way. The full benefit of this diversification programme should make itself felt as soon as trade in general improves.

Shareholders may also be interested to know that we have recently had our UK properties valued for insurance purposes. The freehold properties—excluding leaseholds—were assessed at £1,280,700, as against £385,547, in the Balance Sheet.

From the preliminary trading figures in front of me for the first six months of the present financial year, I see no reason why the dividend should not at least be maintained on the increased capital.

To conclude, I would like to thank my colleagues on the board, the staff and works, and, in particular, our development engineers who helped to bring our diversification programme into being and through their loyalty and untiring efforts, made possible the results now before you.

The report and accounts were adopted and at the subsequent extraordinary general meeting the proposed scrip issue was duly approved.

BRITISH OVERSEAS STORES LIMITED

INCREASED PROFIT

The thirty-seventh annual general meeting of British Overseas Stores Limited was held on October 20th in London, Mr R. J. Blackadder, MC, CA, chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1958:

Last year I stated that I was looking forward not only to mantaining but also to improving on the figures then before you. It is with some satisfaction therefore that I submit accounts, which, despite the continuance of rising costs, import restrictions, and the trend towards controlled profit margins, show a profit before deduction of tax, of £215,245, compared with £169,975 for the year ending on March 31, 1957 and £111,204 for the previous year.

Trading conditions affecting our interests overseas have been difficult; the measures taken by Governments to ensure financial stability and to curb inflation both at home and abroad have set us many problems calling for much care and thought.

After providing for taxation, the final profit applicable to the Group is £76,262 compared with £73,952 for the year ending on March 31, 1957.

Owing to the growing restrictions in international trade and the difficulties experienced in the Middle East, where we had a relatively small trading relationship, it is almost impossible to make a reliable forecast, but I am not disturbed about the probable results of the current year's trading.

The report and accounts were adopted.

MALAYALAM PLANTATIONS

The annual general meeting of Malayalam Plantations Limited will be held on November 13th in London. The following is an extract from the circulated address of the Chairman, Mr H. W. Horner:

It will have been deduced, from the announcement in May of the interim dividend at 6 per cent (as compared with 10 per cent in the previous year), that the company's profits for 1957-58 were then expected to be less than those for 1956-57 owing to the heavy fall in the price of tea.

The total net realisation of the sale of the tea and rubber crop has been maintained at approximately the same figure as for the previous year by increased crops—over 3 million pounds in the case of tea, and nearly ¼ million pounds in the case of rubber, resulting in a reduction of the cost of production per pound of the former product.

The profit for the year before taxation, £775,702, shows a drop of about 25 per cent on that for 1956-57 and the profit after tax is £279,502, compared with £319,455. The directors felt that the circumstances warranted maintenance of a high rate of dividend. Accordingly they have decided to recommend a final dividend of 14 per cent, making 20 per cent for the year as compared with 25 per cent for the previous year.

Crops for 1958-59 are estimated at about 17½ million pounds of tea and 7 million pounds of rubber and results to date indicate that the former figure should be substantially exceeded. Rubber prices in India continue to be controlled but so far, this season's teas have sold at better prices, and indications for the near future are hopeful.

CAPITAL & COUNTIES

RECORD PROFIT

The annual general meeting of the Capital & Counties Property Co., Ltd., was held on October 20th in London, Mr Leslie Marler, OBE, TD, chairman, presiding.

The following are extracts from his circulated statement:

Since my colleagues and I were elected to the Board, the issued share capital has been increased from £175,000 to £1,582,930 and dividends have been paid on a progressive scale. The balance-sheet shows the value of properties at £4,392,413 but your Board is of the opinion that the real value of these properties is in excess of £5 million. However, because of numerous projects in hand, even this figure will soon be exceeded.

Our investment portfolio is strong, the greater proportion consisting of first-class shops and offices and we are undertaking large developments in Central London, Glasgow, Southampton and Cardiff. Reference has already been made to our development of a site in Glasgow on which two fine adjoining office buildings will shortly arise at a cost of approximately £1 million. I understand that together they constitute the largest office development ever carried out by private enterprise in Scotland. They are to be occupied in their entirety by Government Departments.

During the past year our development in Queensway, W.2, was completed and fully let. The modernisation of our two valuable office blocks in Lloyd's Avenue, E.C.3, is near completion and being fully occupied they add some £80,000 per annum to our rent roll.

Our most important investment is our Estate in Knightsbridge, having total frontages of over 1,750 feet and now producing a gross income of over £100,000 per annum. Recent developments in this neighbourhood have highlighted its vastly increasing value and we look forward to the time when a full development of this Estate will constitute one of the most important and valuable properties in one ownership in the whole of London. Plans submitted to the LCC for an eventual redevelopment of the bulk of the area are now under active discussion.

Our profit is a new record of £236,104 and your directors propose to recommend a final dividend of 7 per cent. In the absence of unforeseen circumstances your Board anticipate being able to increase both the interim and final dividends.

The report was adopted, and an increase of the capital to £3,500,000 was approved.

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UNIVERSITY OF LONDON: A course of two lectures entitled "Sociological Aspects of Inter-island Migration in Indonesia" will be delivered by Professor W. F. Wertheim (Amsterdam) at 5 p.m. on November 4th and 6th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET
JAMES HENDERSON,
Academic Registrar.

UNIVERSITY OF LONDON: A course of three lectures entitled "Pressure Groups in Great Britain and the United States" will be delivered by Professor S. H. Beer (Harvard) at 5 p.m. on November 3rd, 4th and 5th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET
JAMES HENDERSON,
Academic Registrar.

BENGUELA RAILWAY COMPANY

The following preliminary traffic results for the first nine months of the year 1958 compared with the first nine months of the year 1957 have been issued.

	1958 Tons	
Kilometres run		*4,645,724*
Passenger Traffic	1,221—Esc.	13,110,000
Local Traffic:		
Minerals	131,415—Esc.	18,232,000
Other	470,977—Esc.	56,942,000
Transit Traffic:		
Minerals	354,802—Esc.	170,860,000
Other	77,625—Esc.	57,537,000
Miscellaneous Receipts	—Esc.	7,499,000
Tons (excluding Service Traffic)	1,036,040—Esc.	324,180,000
Working Expenses in Africa	Esc.	180,031,000
Net Operating Receipts	Esc.	144,149,000
	1957 Tons	
Kilometres run		*4,458,040*
Passenger Traffic	1,143—Esc.	12,771,000
Local Traffic:		
Minerals	55,027—Esc.	7,144,000
Other	489,618—Esc.	51,094,000
Transit Traffic:		
Minerals	360,899—Esc.	179,322,000
Other	134,033—Esc.	91,005,000
Miscellaneous Receipts	—Esc.	8,169,000
Tons (excluding Service Traffic)	1,040,720—Esc.	349,505,000
Working Expenses in Africa	Esc.	177,474,000
Net Operating Receipts	Esc.	172,031,000

Tanganyika Concessions Limited owns all the Debentures and 90 per cent of the equity of the Benguela Railway.

ROYAL DUTCH PETROLEUM COMPANY

With reference to their announcement dated October 7, 1958, regarding the INTERIM DIVIDEND for the year 1958 on the shares of Fls. 20 registered in the United Kingdom section of the Amsterdam register, N. M. Rothschild & Sons are authorised by the Royal Dutch Petroleum Company and by Nederlandsche Handel-Maatschappij, N.V., Amsterdam, the transfer agent, to announce that the rate of exchange fixed for the payment of the dividend is Fls. 10.56½=£1. The gross amount of the dividend will be £0 2s. 10.063d. per share and the amount of the 15 per cent. Netherlands dividend tax £0 0s. 5.109d. per share.

New Court, St. Swithin's Lane, London, E.C.4.
October 23, 1958.

APPOINTMENTS

THE QUEEN'S UNIVERSITY OF BELFAST

The Senate of the Queen's University of Belfast invites applications for a newly created Chair of Political Science. The appointment will date from October 1, 1959. Salary £2,600 plus F.S.S.U. Applications should be received by December 31, 1958.—Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary.

For other appointments see page 371

CANADA

A British Insurance organisation seeks a LIFE ASSURANCE AGENCY OFFICIAL to develop its sales force in Canada. The successful applicant, who is likely to be in his early thirties, will find this an opportunity to reach a top appointment in the Canadian operations of a rapidly expanding Group while he is still under 40. The appointment will be in Toronto.—Replies, in confidence, to Box 1061.

COMPANY AFFAIRS

COURTAULDS

HALF-TIME score in Courtaulds financial year which ends on March 31st is 3 per cent, just as it was a year ago, when a 5 per cent final dividend followed. With cautious qualifications, the directors imply that the final results this year may be "close to those for the last financial year." That is certainly not good, but it is much the best that any sensible investor ought to have hoped for. The underlying facts are these:—

(1) Trading profits of Courtaulds for the first half year have been less than those of the first half of last year.

(2) There are "in certain directions signs of improvement" and these together with the change in the basis of profits tax may bring the final net results near to that of the previous financial year.

(3) British Celanese is expected to resume ordinary dividends this year.

(4) The profits of British Nylon Spinners are currently materially down, but there is no reason to expect a reduction in the dividend it pays to its parents.

(5) British Celophane is maintaining its high level of profits.

(6) There is no great change in overseas results.

Responsible investors have long realised that Courtaulds is faced with a real test in adaptation and reorganisation to which the financial merger with British Celanese was only the prologue. The chairman, Sir John Hanbury-Williams, in July gave an indication of how he saw it—a diversification of investment that would make textiles a smaller part of the whole. That process has continued particularly with the 40 per cent expansion in the petrochemical section of British Celanese at Spondon. Recent events have shown that there was also another aspect—the discarding of surplus capacity on the textile side. The closing down of weaving at Blyth and of warp knitting at Jarrow and quite recently the sale of the British Celanese yarn processing factory at Wigan to a subsidiary of Albert E. Reed are examples of concentration.

Concentration plus the revival in trade have put the main acetate units at Spondon back on to full production, have justified an increase in rayon staple production at Greenfield in North Wales, and in general have put the group's textile mills back on to a five-day week instead of three or four days. But there is a hard struggle still ahead. Does the current yield of 5¼ per cent at 27s. 9d. recognise the fact?

DUNLOP RUBBER

OVER the past eight months of rapid rise in the industrial equity market, the 10s. ordinary units of Dunlop Rubber have risen about twice as fast as the general run of blue chip stocks included in *The Economist* indicator. When the motor industry booms, so does Dunlop Rubber runs the argument. That is a fair description of half the case. Dunlop also on occasion takes stock losses caused by fluctuations in the price of rubber. But this year rubber has been steady and motors (in the UK) booming. So the price of Dunlop's units, which before the boom began in the markets last March was still under the influence of the cut in the 1956 dividend from 14 to 10 per cent, has moved steadily ahead. The restoration of the 1957 dividend to 14 per cent in May and then the approach of the interim dividend kept the rise going.

Now the interim payment is raised from 3 per cent to 4½ per cent. The directors emphasise that this does not necessarily indicate an increase in the total distribution for the year, but as they have decided to declare dividends in future as so much per share, the interim being set at 5d. per 10s. unit, investors will hope for some rounding off in the total payment. The 14 per cent dividend paid for 1957 is equal to 1s. 4.8d. per 10s. share. Is 1s. 5d. or even 1s. 6d. per share impossible for 1958? Earnings would certainly permit such a payment. But profits are not roaring ahead.

SALES AND PROFITS

(£ million)

Six months ended	June 30, 1956	Dec. 31, 1956	June 30, 1957	Dec. 31, 1957	June 30, 1958
Sales	110	114	114	117	120
Gross profit	5·73	9·36	9·42	10·44	9·63
Net profit	2·28	5·74	5·73	6·75	5·53
Gross profit/sales	5·2%	8·2%	8·2%	8·9%	8·0%
Net profit/sales	2·1%	5·0%	5·0%	5·8%	4·6%

The directors say that trading results so far for the second half of this year are being maintained at the level of the first half, but that profits in this period are unlikely to reach the level achieved in the last half of 1957. From this statement, investors can calculate that while total gross profits for 1958 are not likely to exceed the £19,860,000 recorded last year, they should approach that figure. The 10s. ordinary units fell 1s. 3d. to 24s. 9d. on this announcement and they offer, on the assumption of a dividend of 1s. 5d., a yield of 5.7 per cent.

DEBENHAMS

SINCE Mr J. Bedford became chairman in April, 1956, Debenhams, the biggest owner of department stores in this country, has come out of its defensive shell. The policy of improving and modernising stores was being pushed ahead with vigour until the clamps were tightened down on credit twelve months ago. Over £2 million was then raised by a rights issue of ordinary shares. The properties were revalued in the 1956-57 accounts, the surplus being used to write down goodwill. And the directors were in the market for other shops besides department stores. They failed to buy Hope Brothers, but they have bought smaller concerns.

Aggressive expansion, however, requires, as Mr Wolfson among others has proved, that the bidder's own ordinary shares have definite prospects of growth. Yet for five years running Debenhams' ordinary dividend has remained at 27½ per cent. The same dividend for the year ended July 31st is declared on the capital as increased by the rights issue. But a break with the conservative past is now indicated. The directors propose to make a 100 per cent scrip issue and on the enlarged capital to pay an interim dividend of 5 per cent (against the equivalent of 3¾ per cent). The careful wording of their announcement that this "does not necessarily imply an increase in the final dividend" clearly suggests that the total payment will not be less than 15 per cent (against the equivalent of 13¾ per cent). Nor does the wording preclude a higher payment. With Debenhams, however, there is a limit on liberality; the dividend cover on the 10s. ordinary units is not exceptionally big and though profits are expanding they are not zooming ahead. Thus in the year to July 31st the group's trading profit rose from £5,547,117 to £5,804,511. Its net profit advanced by only £36,115 to £2,117,245; from these net earnings, preference dividends absorb £217,925 and the 27½ per cent ordinary dividend £980,907. On the assumption that the 1958-59 dividend will be 15 per cent, the 10s. units at 49s. 9d. yield 6 per cent.

SALTS (SALTAIRE)

BOTH Illingworth Morris and Salts (Saltaire) are expanding and efficient groups in the woollen and worsted trades. But the directors of the bigger group, Illingworth Morris, have now gone on record as saying that the two businesses are complementary rather than competitive. Illingworth Morris already owns about 29 per cent—a proportion high enough it is often thought to give effective control—of the 13,200,000 ordinary shares of 5s. each of Salts (Saltaire) and it has now made a bid of 7s. a share for a further 4 million units. If the bid were successful, it would give Illingworth Morris statutory control of Salts (Saltaire) but that would leave a big minority of about 40 per cent of the capital with other shareholders. Before this offer was announced the 5s. units of Salts (Saltaire) stood at 5s. 9d. and the directors of Salts (Saltaire), having given "full consideration" to the offer, are of the "opinion that the price of 7s. per share is in the present state of the textile industry not unreasonable."

They are apparently not opposed to some form of merger with Illingworth Morris, but they would like to see the bad features of the present bid eliminated. These are that the offer is not generalised; if successful, a large minority will still be left out. Moreover,

by saying, in effect, "first come, first served," Illingworth Morris is making the bid at pistol point, and has left the bid open only for a short time. The directors of Salts (Saltaire) regret that the offer has not been extended to all shareholders and they are trying to see whether Illingworth Morris will extend the offer to all acceptances received by November 17th. A merger between these two groups makes sense, but it should be arranged in a manner equitable to all shareholders.

CANADIAN AND ENGLISH STORES

ALL that will be left of Canadian and English Stores, if shareholders approve of the proposal to sell its Canadian properties, will be Marshall and Aston, Murray Toll and Oxleys Department Stores. These companies, the directors have estimated, are capable of earning not less than £40,000, before tax, per annum. Pooles Central Warehouse, the original heart of the business in this country, has already been sold to United Drapery Stores for £492,776 (though £100,000 of that sum has been retained by the purchasers against normal warranties) with the result that about £2.6 million has had to be written off in the balance sheet of Canadian and English. Now the directors propose to sell the Canadian subsidiary, standing in the books at a cost of nearly £600,000, for £925,000, if they can get the shareholders' and the Treasury's permission to do so. The chairman of Canadian and English Stores, Mr S. R. Hogg, said last August that he was not entirely satisfied with the return on capital employed in Canada and that it might be better to sell out and to re-invest the capital in this country.

A scheme for reconstructing the company's capital, which whittles the loans made to the company by the former managing director, Mr Harry Brooks, and his family down to £750,000, is still pending. This seems to be the biggest sacrifice that Mr Brooks is prepared to make. The sacrifices that the shareholders have to suffer must necessarily be heavy, and small though a return in liquidation would be many will wonder whether it is worth while to keep this company alive. Most of the capital is lost beyond recall, but there are many obstacles standing in the way of any proposals to liquidate what is left.

HAWTHORN, LESLIE

IN recent years the profit record of R. and W. Hawthorn, Leslie, the Tyneside shipbuilders and engineers, has been one of steady but unspectacular growth. A really sharp rise in profits in the year to June 30th was not therefore expected. But, in fact, profits before tax jumped from £1,119,741 to £1,545,452 and net profits from £521,435 to £753,110, and the directors take care to point out that the results were favourably influenced by a higher than average number of contracts being completed in the year. The company has a progressive dividend record and the interim dividend went up from 5 per cent to 7½ per cent in February. Though this increase was accompanied by the warning that it was made in order to reduce the disparity between the interim and final payments, a maintained final of 17½ per cent was not an unreasonable forecast. And this final dividend has now been declared. The 10s. units were rising before the dividend announcement and they now stand at 37s., to offer a yield of 6¾ per cent on the total dividend of 25 per cent.

ASSOCIATED ELECTRICAL INDUSTRIES

MERGER talks between W. T. Henley's Telegraph Works and Johnson and Phillips were discontinued at the end of August and details of an offer from Associated Electrical Industries for the capital of Henley's followed swiftly. The formal offer by AEI for the whole of the £4,875,000 ordinary capital of Henley's and its £200,000 of preference capital is accompanied by a forecast of AEI's dividend for 1958. The directors of AEI expect to declare a third interim of 2½ per cent in November and "if present trading conditions continue" to recommend a final dividend of 7½ per cent, making an unchanged total of 15 per cent for the year. The half-yearly results published by AEI in August showed a small decline in net profit, so that the cover on this dividend paid on the enlarge capital is likely to be small, especially as much the greater part of Henley's earnings this year will presumably be treated as pre-acquisition profits.

McKECHNIE BROTHERS

THE public was offered a limited stake in the non-ferrous metal and heavy chemical business of McKechnie Brothers in February, 1956, when metal prices were still booming. The issue of 300,000 £1 "A" non-voting ordinary shares at a price of 55s. left the family interests with 70 per cent of the equity. But then followed the slump in the price of copper and other metals and a recession in the brass industry, with the result that the group's profits tumbled. The ordinary dividend was set at 15 per cent for 1955-56 and repeated in 1956-57, although it was short-earned. The recent recovery in metal prices has now put just a little more fat round the dividend. Gross profits recovered from £393,823 to £527,609 in the year to July 31st and, as taxation rose by only £21,002 to £281,002, the consolidated net profits have risen by £93,697 to £235,815, covering the £197,947 required to pay the maintained dividend of 15 per cent with a little to spare. Another sign of the recovery is that £100,000 has been written back from stock reserve. A further sum of £60,290 has been realised on the disposal of assets. From a low point of 30s., the £1 "A" units have risen to 42s. 6d. to yield 7.1 per cent.

London Stock Exchange

FIRST DEALINGS:	Oct. 15	Oct. 29	Nov. 12
LAST DEALINGS:	Oct 28	Nov. 11	Nov. 25
ACCOUNT DAY:	Nov. 4	Nov. 18	Dec. 2

AFTER their long rise, Government securities weakened this week. Last Friday the *Financial Times* index of Government securities stood at its highest level for the year of 85.63. But although short-dated stocks remained firm on the reduction in the Treasury bill rate and later showed mixed changes, longer-dated issues and irredeemable stocks weakened progressively and showed fairly large falls on balance. The index fell to 84.96, but prices recovered a little on Thursday morning. Old Consols suffered the smallest loss among the irredeemables of ⅞ to 52¼, but 3 per cent Treasury after 1966 dropped a whole point to 58¾. Although 5½ per cent Funding 1982-84 was unchanged at 102 16/32, 3 per cent Transport 1978-88 and 3 per cent Redemption 1986-96 both lost ¼ to 68 and 66½ respectively.

The appearance of the new Lanarkshire loan, of which over 85 per cent was left with the underwriters, helped to lower corporation stocks slightly. Dominion loans were only slightly affected but losses occurred in Australian stocks, and the premium on the new Australian loan narrowed to ⅛.

A further rise in bank shares after the Lloyds scrip issue was not sustained; Lloyds gained 1s. 3d. to 62s., but Midland eased 9d. to 79s. 3d. Although trading was heavy the rise in industrial stocks lost its impetus and losses became widespread. *The Economist* indicator fell by one point to 227.1. Woolworth was outstanding among store shares, rising 2s. 9d. to 47s. 6d. Motor shares remained firm and ancillary manufacturers showed good rises, Pressed Steel gaining 1s. 10½d. to 21s. 4½d. Aircraft shares were mainly weaker, Folland falling 10½d. to 7s. 1½d. on the passing of the dividend, but Hawker Siddeley gained 2s. 3d. to 33s. 9d. and Fairey improved 4½d. to 20s. 9d. Shipping shares were weak; the fall caused by the passing of Cunard's interim, was followed by further falls on the passing of interim dividends by some tramp shipping companies. Britain Steamship fell 4s. to 18s. 3d., and Thomasson fell 9d. to 5s. Shipbuilding shares also turned weak, John Brown losing 3s. to 30s. 9d.

After fluctuating widely oils showed small losses, but Burmah was an exception with a rise of 1s. 6d. to 85s. 6d. Kaffirs made a fresh advance under the influence of the quarterlies and a good borehole result from President Brand, which rose 3s. 3d. to 60s. 3d. Free State Geduld gained 3s. 9d. to 106s. 3d. and Welkom 3s. 4½d. to 22s. 4½d. Platinum shares strengthened, Potgietersrust rising 10½d. to 5s. 3d. Base metal mines rose again on balance but turned weaker on Wednesday; Consolidated Zinc touched 57s. 9d. before easing to 56s. 6d. The rising price of rubber brought in buyers and prices rose throughout the list.

LONDON AND NEW YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Oct. 15, 1958	Price, Oct. 22, 1958	Net Yield, Oct. 22, 1958 § £ s. d.	Gross Yield, Oct. 22, 1958 £ s. d.
99¹³/₁₆	96¹/₁₆	War Loan 3% 1955–59	99²³/₃₂	99³/₃₂	1 19 0	3 5 3
96⅝	90⅝	Funding 2½% 1956–61	96¹¹/₃₂	96¹⁵/₃₂	2 18 4	4 0 3
99⅝	96¹¹/₁₆	Conversion 2½% 1958–59	99⅜	99⅜	1 14 10	3 12 2
97²⁵/₃₂	93³/₁₆	Exchequer 2% 1960	97³/₃₂	97¼	2 15 6	3 15 3
99¼	95³/₁₆	Exchequer 3% 1960	99¹/₁₆	99³/₃₂	2 4 7	3 13 0
100¹¹/₁₆	95⁵/₁₆	Conversion 4½% 1962	100⁹/₁₆	2 5 10	4 6 1	
94⁹/₁₆	88⅜	Exchequer 3% 1962–63	94¹/₂	94¹⁵/₃₂	2 18 0	4 6 6
101¼	99⁷/₁₆	Conversion 4½% 1963	101¹/₈	101¼	2 6 2	4 9 6
90⅛	83⅝	Savings Bonds 3% 1955–56	89¹/₂	89¼	3 11 5	4 19 6
82⅛	77⅝	Funding 3% 1959–69	81⅞	81½	3 18 0	5 6 9
89¾	86⅜	Funding 4% 1960–90	87¹⁵/₁₆*	87⅝*	3 18 0	5 6 9
80	75	Savings Bonds 3% 1960–70	79⅞	79½	3 18 0	4 15 2
91³/₁₆	84⅜	Exchequer 2½% 1963–64	90⅜*	90¼*	3 7 0	4 9 3
82¾	78⅛	Savings Bonds 2½% 1964–67	82⅜*	82⅜*	3 17 8	5 1 4
74¾	69⅝	Savings Bonds 3% 1965–75	74⁷/₁₆	74³/₁₆	3 17 0	5 8 2
103⁷/₁₆	99½	Exchequer 5½% 1966	102⅜	101¹⁵/₁₆	2 18 5	5 5 7
83¹/₁₆	78⅝	Funding 3% 1966–68	83¹/₂	83⅛	3 17 3	5 6 6
95	91⅛	Victory 4% 1920–76	94¹⁵/₁₆	94⅞	2 19 4	4 15 4‡
87	81⁹/₁₆	Conversion 3½% 1969	86¼	86	3 12 9	5 4 6
100	97¼	Conversion 5½% 1974	99¾	99⅞	3 2 4	5 8 10
73¹/₁₆	71⅛	Treasury 3½% 1977–80	78⅛	77⅜	3 10 10	5 6 11
77³/₁₆	70⅜	Treasury 3½% 1979–81	77⅛	76¾	3 11 1	5 6 11
102¹/₂	98½	Funding 5½% 1982–84	102⅝	102⅝	3 1 6	5 8 9e
67¼	60	Redemption 3% 1986–96	67⅜	66½	3 5 7	4 19 9
74½	64⅜	Funding 3½% 1999–2004	74⅜	73⅞	3 2 2	5 0 4
76⅛	69¹⁵/₁₆	Consols 4% ..after Feb. 1957	76⅛	76	3 0 11	5 6 7
69¹⁵/₁₆	63⅛	War Loan 3½% ..after 1952	69½	68⅝	2 19 5	5 4 3
68⅞	62⅜	Conv. 3½% ..after Apr. 1961	68⅝	67⅞	2 19 10	5 4 2
60	54⅜	Treasury 3% after Apr. 1966	59¾	58¾	2 18 10	5 2 5
52¹³/₁₆	46¾	Consols 2½%	52¼	52¼	2 15 1	4 15 11
51³/₁₆	46⅜	Treasury 2½% after Apr. 1975	50¹³/₁₆	50⅛	2 17 6	5 0 11
95¹⁵/₁₆	90⅛	British Electric 4½% 1967–69	94⅜	94¹/₁₆	3 6 0	5 6 9
76⅝	72¹/₁₆	British Electric 3% ..1968–73	76⅝	76³/₁₆	3 8 2	5 8 4
73¹/₁₆	68⅝	British Electric 3% ..1974–77	73⅜	73⅛	3 15 2	5 5 7
87⅞	82⅝	British Electric 4¼% 1974–79	86⅞	86¹/₁₆	3 7 1	5 7 1
78½	72⅝	British Electric 3½% 1976–79	77¼*	76⅞*	3 11 7	5 6 6
87⅝	82⅞	British Gas 4% 1969–72	87⅜	87⅜	3 10 1	5 7 11
84	79¼	British Gas 3½% 1969–71	83⅜	83⅜	3 13 4	5 7 0
67⅞	60⅞	British Gas 3% 1990–95	67¹/₁₆*	67*	3 5 7	4 19 3
76½	72¹/₁₆	Brit. Transport 3% ..1968–73	76½	76³/₁₆	3 18 2	5 8 4
85¼	79¼	Brit. Transport 4% ..1972–77	85¼	85	3 8 8	5 7 7
68¹⁵/₁₆	60¹⁵/₁₆	Brit. Transport 3% ..1978–88	68⅞	68	3 9 11	5 3 9

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Oct. 15, 1958	Price, Oct. 22, 1958	Yield, Oct. 22, 1958 £ s. d.
		DOMINION AND COLONIAL			
100¹¹/₁₆	96⅜	Australia 3½% 1954–59	100	100	3 10 0
105⅜	97⅞	Australia 6% 1974–76	103⅞	103⅞	5 12 8e
76½	73½	Ceylon 4% 1973–75	75⅝	75¾	6 8 1
98½	94½	Jamaica 6% 1977–82	96	97	6 4 11
104¾	97⅞	New Zealand 6% 1976–80	104½	104	5 12 9
101⅛	91¾	Rhodesia and Nyasaland 6% 1976–79	100¼	98*	6 3 5
74⅝	69	Southern Rhodesia 2½% 1965–70	74⅜	74¼	5 9 9
		CORPORATION AND PUBLIC BOARDS			
100⅝	98¼	Agricultural Mortgage 5½% 1980–85	100	100	5 10 0
105	98⅞	Birmingham 5¾% 1974–76	105	105	5 5 4
92¾	86	Bristol 3% 1958–63	92½	92½	4 14 0
95½	91½	Glasgow 4¾% 1966–68	96	94½*	5 9 5
100¼	96½	Corporation of London 5¼% 1976–79	100¼	98*	5 8 3
57¾	53	L.C.C. 3% ....after 1920	57¾	57	5 5 3
64	56	Met. Water Board 'B' 3% 1934–2003	64	63½	5 2 2
		FOREIGN BONDS			
101½	83	German 7% 1924 (British Enfaced 5%)	98½*	98½*	...
180	154	German 5½% 1930 (Enfaced 4½%)	177½	178	...
18	12¾	Greek 7% Refugee 1924	17¾	18	...
169	160	Japan 5% (Enfaced) 1907	161½	161½	...
118¾	105½	Japan 6% (Enfaced) 1924	118½	118¾	...
53	48	Uruguay 3½% Bonds (Assented)	52½	53	...

NEW YORK CLOSING PRICES

	Oct. 15 $	Oct. 22 $		Oct. 15 $	Oct. 22 $		Oct. 15 $	Oct. 22 $
Atch. Topeka..	24	24⅛	Boeing	49⅞	53⅝	Inter. Nickel ...	89¾	91½
Can. Pacific....	28⅝	29½	Celanese	21⅜	22⅝	Inter. Paper	112¾	115¼
Pennsylvania...	15¾	16⅝	Chrysler	55⅛	55⅜	Kennecott.....	99	98⅜
Union Pacific ..	30¾	31⅛	Col. Palmolive .	73½	78⅜	Monsanto	37	37⅛
Amer. Electric.	47⅝	48⅝	Crown Zeller..	54⅜	55	Nat. Distillers ..	27⅛	28
Am. Tel. & Tel..	122¼	122¼	Douglas.....	58½	59⅜	Pan-American..	21⅛	20⅝
Cons. Edison ..	57⅛	58⅞	Du Pont	201¼	199½	Procter Gamble	69½	71⅜
Int. Tel. & Tel..	48½	51½	East. Kodak ...	129½	128¼	Radio Corp	39	39¼
Standard Gas ..	3⅛	3	Ford Motor	46⅞	46¼	Sears Roebuck .	32⅞	34⅛
United Corp ..	8¼	8	Gen. Electric ..	66½	66¼	Shell Oil	81	83
Western Union	25⅜	25⅜	General Foods .	68	68	Socony-Mobil ..	49⅛	48⅞
Alcoa.....	90⅜	88¾	General Motors	48½	49⅛	Stand. Oil Ind..	47¾	46⅞
Aluminium	34⅞	34⅜	Goodyear	94⅜	95½	Stand. Oil N.J..	57⅜	58⅜
Amer. Can.....	50⅛	49	Gulf Oil.....	115⅛	117⅛	20th Cent. Fox..	31⅞	32⅝
Am. Smelting..	49¾	50	Heinz.....	56½	55¾	Union Carbide..	113	115⅛
Am. Viscose ...	33⅛	33¼	Int. Bus. Mach..	435	427	U.S. Steel	81½	84⅜
Anaconda	59½	60⅜	Int. Nickel	89¾	91½	West. Electric .	64¼	67⅛
Beth. Steel	51¾	51¾	Int. Harvester ..	38⅝	38½	Woolworth	48½	49⅞

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Oct. 15, 1958	Price, Oct. 22, 1958	Yield, Oct. 22, 1958 %
				STEEL AND ENGINEERING			
51/7½	31/9	6 b	6 a	Colvilles £1	31/3	30/6	6·25
64/3	41/3	6½ b	6½ a	Dorman Long £1	64/3	61/3	7·55
81/3	57/6	9 b	9 a	Steel Co. of Wales £1	80/-	79/3	8·07
83/9	59/3	9 b	9 a	Stewarts & Lloyds £1	82/3	82/6	8·22
53/9	36/-	6¼ b	5 a	John Summers £1	49/9	51/3	8·34
63/-	47/9	7½ b	7½ a	United Steel £1	61/9	62/6	8·20
17/-	12/11½	7½ b	7½ a	John Brown £1	16/3	17/-	8·41
30/6	21/4½	6 b	5 a	Cammell Laird 5/-	30/-	29/11½	3·78
60/-	46/-	7 b	7 a	Swan Hunter £1	58/3	59/-	4·75
36/-	27/6	4 b	4 a	Vickers £1	35/9	35/3	4·54
44/3	31/3	7½ b	7½ a	Averys £1	44/3‖	44/3‖	6·78
£273/8	£20	$2·10c	$2·10c	Coventry Gauge 10/-	£261/16	£263/4	2·89
£191/4	£141⅝	$1·60c	$1·60c	Alfred Herbert £1	£199/16	£185/8	3·16
32/3	28/8	9 c	9 c	Ransome & Marles 5/-	32/3	32/4	4·46g
30/9	28/-	5 b	4 a	Renold Chains £1	30/6	30/9	5·85
				Allied Ironfounders £1	42/6	38/-	...
29/3	18/-	2½ a	2½ b	Babcock & Wilcox £1	54/6*	52/6	...
42/6	29/6	5 b	5 a	British Aluminium £1	54/6	53/½	...
56/6	40/9	6¼ b	6¼ a	Davy & United £1	75/9	75/9	3·31
38/6	32/9	36⅔ c	18½ a	Guest Keen £1	53/3	53/4½	3·61
122/6	102/6	12½ a	15 b	Metal Box £1	63/-	61/-	2·86
172/6	117/6	†16·2a	†16·2b	C. A. Parsons £1	53/6	52/6	4·81
160/-	113/9	40 b	60 b	John Thompson 5/-	27/9	26/-	4·90
110/-	86/3	†50 b	†20 a	Tube Investments £1	71/7½	71/6	...
202/6	154/-	†132½ c	†147½ c	**BUILDING, etc.**			
74/-	63/9	8 b	8 a	Associated Portland £1	45/9	47/3	3·81
33/11½	16/-	13½ b	10 a	British Plaster Board .10/-	19/-	19/6	6·41
21/4½	16/10½	7½ b	7½ a	Richard Costain £1	53/11½	53/9	3·26
107/3	73/3	4 a	16 b	Crittall Manufacturing .5/-	8/6	9/4½	8·00
34/9	19/9	17½ b	10 a	London Brick £1	56/-	56/6	5·53
12/7½	7/11	10 c	10 c	Turner & Newall £1	70/10½	71/11½	4·22
55/9	44/-	7 b	6¼ a	Wall Paper Defd.....£1	108/9	113/9	4·84
18/6	7/10½	1 a	2½ b	**CHEMICALS AND PAINT**			
15/10½	8/7½	55½c	21½c	Albright & Wilson 5/-	18/4½	18/3	3·28
				Borax Defd.....£1	17/11½	16/6	2·65
40/-	27/-	22½ c	30 c	Brit. Ind. Plastics 2/-	7/7½	7/7½	5·17
22/-	13/4½	20 c	7 a	Fisons £1	60/9	58/-	4·66
10/6	6/8¼	2½ a	7 b	I.C.I. £1	33/6	34/9	6·18
69/-	40/11½	5 a	9½ b	International Paints ...4/-	11/10½	11/7½	6·84
18/-	13/7½	5 b	5 a	Monsanto 5/-	15/-	15/11½	8·89
27/9	15/6	15 b	5 a	Pinchin Johnson 10/-	21/-	20/9	5·36
70/-	48/9	12 b	4½ a	**ELECTRICAL AND RADIO**			
58/-	47/4½	5 a	10 b	A.E.I.....£1	55/3	54/6	5·51
41/6	31/-	10 a	10 a	B.I.C.C. £1	46/9	48/6	5·16
27/3	19/7½	12½ b	10 b	Decca Record 4/-	31/9	31/3	5·44
13/10½	11/6	6 a	7 b	E.M.I. 10/-	47/6	49/3	5·04
49/3	37/-	10 a	9½ b	English Electric.....£1	60/3	58/6	5·12
13/4½	9/4½	5 a	6¼ a	General Electric £1	40/3	37/9	5·29
75/9	56/6	21 c	7½ a	Pye Defd. 'A' 5/-	15/6	15/6	3·87
91/6	75/6	8 a	17 b	A. Reyrolle £1	88/-	88/6	...
52/-	37/7½	†62½ b	†10 a	**MOTORS AND AIRCRAFT**			
35/7½	20/6	15 b	5 a	British Motor 5/-	10/9¾	10/9	5·81
50/4½	37/-	11½ b	8½ a	Ford Motor £1	42/3*	42/-	5·33
				Leyland Motor £1	47/4½	47/3	5·28
				Rootes Motors 4/-	5/3	5/9	7·50
				Standard Motor 5/-	8/3	8/-	5·83
				Dunlop Rubber.....10/-	25/3	26/-	3·64
				Joseph Lucas £1	39/6	41/3	4·68
				Pressed Steel.....5/-	19/6	21/4½	5·99
				Triplex Holdings 10/-	45/10½	45/10½	9·19
				Bristol Aeroplane....10/-	11/3*	10/10½*	7·43
				De Havilland £1	21/03¼	20/2¼	4·94
				Dowty Group.....10/-	40/9	40/6	5·93
				Hawker Siddeley £1	31/6	33/9	4·06
				Rolls-Royce £1	99/6	98/6	...
				PAPER AND NEWSPAPERS			
44/9	26/6	8 b	4½ a	Bowater Paper £1	42/6	41/6	6·02
48/3	27/9	5 a	9 b	Albert E. Reed £1	48/-	45/3	6·19
24/9	16/-	3 a	5 b	Spicers £1	24/3	24/3	6·60
20/11½	8/9	7½ a	12 b	Daily Mirror 'A'.....5/-	19/3*	19/9*	4·94
24/9	18/6	5 a	12½ b	Odhams Press 10/-	23/6	24/6	7·14
				TEXTILES			
24/11½	19/6	2½ a	6¼ b	J. & P. Coats £1	24/11½	23/3	7·53
20/-	12/10½	5 a	5 b	Fine Spinners £1	19/6	19/10½	10·06
39/-	29/10½	12½ b	5 a	Lancashire Cotton £1	38/10½	37/7½	5·30
35/4½	30/-	12½ c	7½ a	Patons & Baldwins £1	33/9	34/3	7·67
6/8¼	4/10½	6 c	4 a	Salts (Saltaire).....5/-	5/6	6/6	6·28
47/9	38/4½	10 b	5 a	Woolcombers £1	45/6	47/9	...
16/3	10/11½	6 c	Nil	Bradford Dyers.....£1	12/6	13/6	4·41
48/4½	33/11½	22½ c	22½ c	Calico Printers £1	37/3	36/3	4·69
28/3	19/7½	3 a	5 b	Courtaulds.....£1	28/-	28/11½	...
22/3	15/-	1½ a	1½ b	Ivan Industries 10/-	9/3	9/3	...
13/7½	8/10½	10 b	5 a	Tootal.....£1	15/-	17/9	8·45
19/-	15/3	7½ c	7½ c	**DRAPERY & STORES**			
				Boots Pure Drug 5/-	20/11½	20/-	3·60
20/11½	14/93¼	18 c	3 a	Debenhams 10/-	48/9	49/9	6·03
51/6	33/6	7½ b	20 a	G.U.S. 'A' 5/-	26/-	26/-	6·25
26/-	17/3	7½ a	25 b	Harrods £1	70/-	69/3	5·05
70/-	55/6	12½ a	5 b	House of Fraser 'A'....5/-	27/4½	27/9	6·31
27/9	20/3	25 a	10 b	Lewis's Investment ...4/-	17/7½*	18/6*	3·68
18/6	13/11½	17 c	7½ a	Marks & Spencer 'A'...5/-	50/9	50/10½	3·19
51/6	37/3	10 a	22½ b	United Drapery 5/-	30/10½*	31/10½	5·10
31/10½	21/-	20 b	12½ a	Woolworth 5/-	44/9	47/6	4·21
47/6	34/7½	26⅔ b	13½ a				

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Oct. 15, 1958	Price, Oct. 22, 1958	Yield, Oct. 22, 1958 %
				BANKING			
51/7½	31/9	6 b	6 a	Barclays £1	50/-‖	48/-	5·00
64/3	41/3	6½ b	6½ a	Lloyds.....£1	60/9*	62/-	4·84**
81/3	57/6	9 b	9 a	Midland £1	80/-	79/3	4·54
83/9	59/3	9 b	9 a	National Provincial £1	82/3	82/6	4·36
53/9	36/-	6¼ b	5 a	Westminster "B" £1	49/9	51/3	4·39
63/-	47/9	7½ b	7½ a	District.....£1	61/9	62/6	4·80
17/-	12/11½	7½ b	7½ a	Martins.....5/-	16/3	17/-	4·41
30/6	21/4½	6 b	5 a	Com. Bk. of Scot. "A"10/-	30/-	29/11½	3·78
60/-	46/-	7 b	7 a	Royal Bank of Scotland .£1	58/3	59/-	4·75
36/-	27/6	4 b	4 a	Barclays D.C.O. £1	35/9	35/3	4·54
44/3	31/3	7½ b	7½ a	Chartered Bank £1	44/3‖	44/3‖	6·78
£273/8	£20	$2·10c	$2·10c	Royal Bank of Canada $10	£261/16	£263/4	2·89
£191/4	£141⅝	$1·60c	$1·60c	Bank of Montreal $10	£199/16	£185/8	3·16
32/3	28/-	9 c	9 c	Bank of New S. Wales.£20	32/3	32/4	4·46g
30/9	28/-	5 b	4 a	Bank of Ldn. & S. Amer..£1	30/6	30/9	5·85
				FINANCIAL			
29/3	18/-	2½ a	2½ b	Alexanders £1	29/-	29/-	3·45
42/6	29/6	5 b	5 a	National Discount "B" £1	42/6	42/6	4·71
56/6	40/9	6¼ b	6¼ a	Union Discount £1	56/6	55/9	4·48
38/6	32/9	36⅔ c	18½ a	Commercial Union....5/-	38/6*	37/6*	4·89
122/6	102/6	12½ a	15 b	Employers Liability £1	117/6	118/9*	4·63
172/6	117/6	†16·2a	†16·2b	Equity & Law .... 8/6 pd.	167/6	163/9	2·93
160/-	113/9	40 b	60 b	Legal & Gen.....5/-	160/-	153/9	3·25
110/-	86/3	†50 b	†20 a	Pearl 5/-	110/-	108/-	5·64
202/6	154/-	†132½ c	†147½ c	Prudential "A" 4/-	202/6	197/6	5·21
74/-	63/9	8 b	8 a	Royal Exchange.....£1	74/-	73/6	4·35
33/11½	16/-	13½ b	10 a	Bowmaker.....5/-	30/3	30/3	4·13
21/4½	16/10½	7½ b	7½ a	Lombard Banking.....5/-	18/3	18/-	4·17
107/3	73/3	4 a	16 b	U.D.T. £1	104/-‖	105/-‖	3·81
34/9	19/9	17½ b	10 a	B.E.T. "A" Defd.....5/-	34/3	34/6	3·99
12/7½	7/11	10 c	10 c	Cable & Wireless.....5/-	12/6	12/3	4·08
55/9	44/-	7 b	6¼ a	Thomas Tilling £1	58/6*	58/3*	4·55
18/6	7/10½	1 a	2½ b	Land Securities.....10/-	18/3	18/6‖	3·24**
15/10½	8/7½	55½c	21½c	London & County 10/-	15/7½	15/11½	4·41**
				FOOD, DRINK AND TOBACCO			
40/-	27/-	22½ c	30 c	Allied Bakeries "A" ..5/-	40/-	39/3	3·82
22/-	13/4½	20 c	7 a	Beecham Group 5/-	22/-	22/-	4·55
10/6	6/8¼	2½ a	7 b	International Tea 5/-	9/9	9/9	4·87
69/-	40/11½	5 a	9½ b	J. Lyons "A".....£1	69/-	68/6	4·14
18/-	13/7½	5 b	5 a	Ranks 10/-	18/-	17/6	5·71
27/9	15/6	15 b	5 a	Schweppes.....5/-	26/6	27/4½	3·65
70/-	48/9	12 b	4½ a	Tate & Lyle £1	70/-	69/9	4·73
58/-	47/4½	5 a	10 b	United Dairies £1	57/11½	56/4½	5·32
41/6	31/-	10 a	10 a	Bass.....£1	41/6	41/6	5·54
27/3	19/7½	12½ b	10 b	Distillers 6/8	27/3	27/3	4·89
13/10½	11/6	6 a	7 b	Flowers 5/-	13/10½	13/10½	6·13
49/3	37/-	10 a	9½ b	Guinness 10/-	49/3	49/-	5·10
13/4½	9/4½	5 a	6¼ a	Ind Coope & Allsopp..5/-	13/3	13/3	5·28
75/9	56/6	21 c	7½ a	Watney Mann Defd. £1	75/6	73/9	5·54
91/6	75/6	8 a	17 b	Whitbread "A" £1	91/6	91/6	5·47
52/-	37/7½	†62½ b	†10 a	Brit. Amer. Tobacco .10/-	51/10½	51/9	5·60
35/7½	20/6	15 b	5 a	Gallaher 10/-	34/3	33/-	6·06
50/4½	37/-	11½ b	8½ a	Imperial Tobacco £1	50/3	49/7½	8·06

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Oct. 15, 1958	Price, Oct. 22, 1958	Yield, Oct. 22, 1958 %
				MISCELLANEOUS			
39/3	15/9	7½ a	22½ b	Assoc. Brit. Picture ...5/-	39/3	39/3	3·82
43/9	28/-	3½ a	7½ b	British Match £1	42/6	43/3	5·09
44/4½	28/3	6 b	4 a	British Oxygen £1	43/6	44/4½	4·51
8/6	6/9	13 b	4 a	British Ropes 2/6	8/3	8/6	5·00
55/-	31/6	6¼ a	11¼ b	Glaxo 10/-	55/-*	53/9*	3·26
59/9	31/3	40 b	10 a	Hoover "A" 5/-	49/9	49/-	5·10
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	193/9	195/-	2·63
10/9	5/7½	12½ c	5 c	Rank Organisation 5/-	10/9	10/9	2·33
14/33¼	11/8¼	22½ c	22½ c	Sears "A" 5/-	13/10½	14/33¼	7·86
92/6	70/6	6 a	11½ b	Unilever.....£1	92/-	91/3	3·84
38/6	24/3	7½ b	3¾ a	United Glass Bottle....£1	38/6	38/3	5·88
34/9	26/-	†4¼ a	†10 b	United Molasses 10/-	34/9	34/9	7·09
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum.....£1	56/9	55/6	4·70
86/6	59/11½	†5 a	†7½ b	Burmah Oil £1	84/-	85/6	3·25
£183⅛	£137⅛	17½ b	7½ a	Royal Dutch .....20fl.	£18	£183/16	2·60
165/-	117/6	†133½ b	†5 a	Shell Transport.....£1	163/11½	161/10½	4·03
87/3	41/6	...	...	Ultramar 10/-	82/3	85/10½	... d
36/-	25/6	13½ b	7½ a	Wakefield C.C.....10/-	35/6*	35/3*	5·84
				SHIPPING			
43/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. .10/-	43/6	41/-	4·88
23/9	16/6	10 c	Nil	Cunard £1	23/3	20/-	...
35/6	27/3	10¾ c	10 c	Furness Withy 5/-	35/6	32/9	6·11
20/-	14/6	10 a	10 b	London & Overseas 5/-	19/-	18/6	5·41
37/6	22/-	8 b	3 a	P & O Defd. £1	37/6	33/3	6·62
17/9	12/-	5 c	Nil	Reardon Smith 10/-	17/6	16/-	...
25/6	19/3	7½ c	9 c	Royal Mail £1	25/-	24/-	7·50
				MINES			
161/3	115/-	60 b	20 a	Anglo-American 10/-	157/6*	161/3*	4·96
98/9	73/9	10 a	15 b	General Mining.....£1	96/10½*	98/9*	5·06
45/10½	36/7½	80 b	40 a	Union Corporation 2/6	45/6	45/-	6·67
30/6	23/10½	55 b	50 a	Daggafontein.....5/-	29/6	29/6	17·80
106/10½	76/3	40 a	60 b	Free State Geduld 5/-	102/6	106/3	4·71
69/9	56/-	30 a	35 b	Hartebeestfontein 10/-	65/9	65/9	9·89
60/3	46/6	50 a	50 b	President Brand 5/-	57/-	60/3	8·30
106/3	84/4½	60 a	60 b	Western Holdings 5/-	105/-	106/3	6·59
57/9	41/6	6¼ a	12½ b	Consolidated Zinc £1	55/-	56/6	6·64
115/7½	80/7½	120 b	80 a	De Beers Defd. Reg. ..5/-	112/6	112/6	8·89
$169	$132¾	$3·75c	$3·75c	International Nickel n.p.v.	$162	$164½	4·06
8/6	6/4½	20 a	5 b	London Tin 4/-	8/6	7/10½	12·70
83/11½	50/7½	50 b	10 a	Rhod. Anglo-Amer. ..10/-	81/10½	81/3	...
19/9	12/10½	11¼d	6¼ b	Rhod. Selection Tst. ..5/-	19/7½	19/3	1·89h
62/4½	45/7½	†15 c	26 c	Rio Tinto Reg. 10/-	60/7½	59/4½	4·38
9/9	6/10½

Money and Exchange

EXCHEQUER RETURNS

For the week ended October 18, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £29,922,000 compared with a deficit of £15,907,000 in the previous week and a deficit of £49,736,000 in the corresponding period of last year. There was a net expenditure "below-line" of £5,291,000, leaving a total deficit of £572,456,000 compared with £615,462,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to Oct. 19, 1957	April 1, 1958, to Oct. 18, 1958	Week ended Oct. 19, 1957	Week ended Oct. 18, 1958
Ord. Revenue					
Income Tax	2312,500	670,085	719,149	16,520	14,705
Surtax	163,000	39,800	41,000	1,100	1,100
Death Duties	163,500	99,000	96,400	3,000	2,600
Stamps	56,250	38,000	31,300	1,300	1,900
Profits Tax, EPT & EPL	275,000	142,100	165,700	4,600	5,000
Other Inland Rev. Duties	...	110	120	...	...
Total Inland Rev.	2970,250	989,095	1053,669	26,520	25,305
Customs	1256,940	666,824	713,321	22,381	25,675
Excise	932,310	473,235	474,090	5,350	5,840
Total Customs and Excise	2189,250	1140,059	1187,411	27,731	31,515
Motor Duties	104,000	22,821	23,905	...	...
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	11,000	11,400	...	...
Sundry Loans	30,000	25,776	25,177	2,813	2,872
Miscellaneous	110,000	101,471	50,606	211	3,118
Total	5439,500	2290,222	2352,168	57,275	62,810
Ord. Expenditure					
Debt Interest	695,000	377,677	366,000	24,331	2,107
Payments to N. Ireland Exchequer	73,000	34,086	37,103	...	...
Other Cons. Funds	10,000	4,631	4,293	...	125
Supply Services	4292,859	2184,152	2215,545	82,000	90,150
Total	5070,859	2600,546	2622,941	106331	92,382
Sinking Funds	38,000	19,747	19,814	680	350
"Above-line" Surplus or Deficit	— 330,071	— 290,587	49,736	29,922	
"Below-line" Net Expenditure	285,391	281,869	*Cr.* 996	5,291	
Total Surplus or Deficit	— 615,462	— 572,456	48,740	35,213	
Net Receipts from:					
Tax Reserve Certificates	140,139	156,374	420	1,693	
Savings Certificates	— 1,900	73,000	— 400	5,100	
Defence Bonds	— 11,147	46,547	— 636	3,109	
Premium Savings Bonds	42,050	37,975	1,220	1,330	
Total	169,142	313,896	604	11,232	

* Including net receipts of the Civil Contingencies Fund of £16 million in 1957 and £15 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Oct. 19	3,120·0	1,772·9	214·0	...	5,106·9
1958 July 19	3,260·0	1,615·1	228·2	...	5,103·2
" 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
" 9	3,270·0	1,569·9	190·5	...	5,030·4
" 16	3,270·0	1,589·9	209·4	...	5,069·3
" 23	3,270·0	1,630·9	164·0	...	5,064·9
" 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
" 13	3,270·0	1,657·9	178·3	...	5,106·2
" 20	3,270·0	1,704·4	167·5	...	5,141·9
" 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	183·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3

THE MONEY MARKET

For the first time for some weeks the discount market was saved from borrowing from the Bank at the penal rate in the six working days to Wednesday. Credit supplies were generally short, but the Bank made sufficient funds available through special purchases of bills. Flexible rates in the market have continued uncomfortably close to bill rate. Indeed, the discount market made a further small increase in its bid at the tender for Treasury bills on Friday last week, bringing its rate just below 3⅝ per cent; rates on overnight loans this week have ranged up to this figure, while January bills have changed hands at 3⅞ per cent.

Recently, in accordance with an understanding after the mid-August reduction in Bank rate, the clearing banks have made a slight increase in rates on the "floating" portion of their money; the rate on the "good" money is unchanged at 2½ per cent, but it is now generally intended that the average rate on clearing bank money as a whole should be 3¼ per cent, compared with 3⅛ per cent previously. But discount houses are probably paying an average of at least 3⅛ per cent on money from all sources.

As a result of the increase of 2d., to £99 1s. 11d., in the discount market's bid, the average rate of allotment of the £250 million of Treasury bills last week fell by 9½d. to £3 12s. 3d. per cent; and the successful portion of the market's bid dropped from 55 to 45 per cent.

LONDON MONEY RATES

Bank rate (from 5% 14/8/58)	4%
Deposit rates (max.)	
Bank	2½
Discount houses	2½*
Money	
Day-to-Day	2⅞–3⅛
Treas. bills 2 months	3⅛
3 months	3⅛

* At immediate notice.

Discount rates	%
Bank bills: 60 days	3⅛–3⅜
3 months	3⅛–3⅜
4 months	3⅛–3⅜
6 months	3⅛–3⅜
Fine trade bills:	
3 months	4½–5½
4 months	4½–5½
6 months	4½–5½

BANK OF ENGLAND RETURNS

(£ million)	Oct. 23, 1957	Oct. 15, 1958	Oct. 22, 1958
Issue Department:*			
Notes in circulation	1,966·1	2,014·1	2,008·6
Notes in banking dept.	34·3	36·2	41·1
Govt. debt and securities*	1,996·3	2,046·2	2,046·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·6
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·7	11·1	13·9
Bankers	227·7	246·8	237·4
Others	75·0	69·5	70·4
Total	313·4	327·4	321·7
Securities:			
Government	255·2	270·2	266·0
Discounts and advances	17·0	16·8	8·7
Other	22·2	21·0	21·5
Total	294·4	308·0	296·7
Banking department reserve	36·7	37·1	42·6
" Proportion "	% 11·7	% 11·3	% 13·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,050 million from £2,100 million on September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 Oct. 18	270·0	408·4	270·0	s. d. 132 0·56	% 45
1958 July 18	240·0	424·3	240·0	84 11·39	40
" 25	240·0	449·8	240·0	83 2·26	38
Aug. 1	240·0	468·9	240·0	80 2·49	30
" 8	250·0	467·9	250·0	77 3·63	55
" 15	250·0	437·8	250·0	74 5·00	32
" 22	250·0	437·4	250·0	74 6·25	22
" 29	270·0	424·1	270·0	74 11·48	5
Sept. 5	270·0	434·6	270·0	74 0·93	64
" 12	270·0	423·7	270·0	73 6·81	51
" 19	270·0	413·7	270·0	71 9·20	68
" 26	260·0	381·4	260·0	72 6·10	55
Oct. 3	270·0	424·8	260·0	74 1·39	44
" 10	250·0	423·6	250·0	73 0·72	55
" 17	250·0	435·7	250·0	72 3·08	45

* On October 17th tenders for 91 day bills at £99 1s. 11d. secured 45 per cent, higher tenders being allotted in full. The offer this week was for £250 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: October 22	Market Rates: Spot: October 16	October 17	October 18	October 20	October 21	October 22
United States $	2·78–2·82	2·80 11/16–2·80 13/16	2·80 5/8–2·80 13/16	2·80 5/8–2·80 11/16	2·80 5/8–2·80 3/4	2·80 11/16–2·80 13/16	2·80 11/16–2·80 5/8
Canadian $	...	2·71 13/16–2·71 15/16	2·72–2·72 1/16	2·71 13/16–2·72 1/16	2·71 5/8–2·72	2·71 1/16–2·71 1/4	2·71 1/8–2·71 1/4
French Fr.	1167·18–1184·82	1176 3/8–1176 7/8	1176 1/2–1177	1176 5/8–1177 1/4	1176 5/8–1176 3/4	1176 1/4–1176 1/2	1176 5/8–1176 7/8
Swiss Fr.	12·15 3/4–12·33 1/4	12·21 1/4–12·21 3/8	12·21 1/4–12·21 3/8	12·21 1/4–12·21 3/8	12·21 1/4–12·21 3/8	12·21 1/4–12·21 3/8	12·21 1/8–12·21 1/4
Belgian Fr.	138·95–141·05	139·30–139·35	139·30–139·35	139·30–139·35	139·30–139·35	139·30–139·35	139·32 1/2–139·37 1/2
Dutch Gld.	10·56–10·72	10·56 3/8–10·56 7/8	10·56 7/8–10·57 1/4	10·56 3/8–10·57	10·56 3/8–10·56 7/8	10·56 1/4–10·56 3/8	10·56 1/8–10·56 7/8
W. Ger. D-Mk.	11·67 1/8–11·84 1/8	11·68 1/4–11·68 3/4	11·68 1/4–11·68 3/4	11·68 1/4–11·68 3/4	11·68 1/4–11·68 3/4	11·68 1/4–11·68 3/4	11·68 1/4–11·68 3/4
Portuguese Esc.	79·90–81·10	80·40–80·50	80·40–80·50	80·40–80·50	80·20–80·35	80·20–80·35	80·20–80·30
Italian Lire	1736 1/2–1762 1/2	1744–1744 1/2	1743 1/2–1744 1/2	1743 1/2–1744 1/2	1743 1/2–1744	1743 1/2–1744	1744 1/2–1745
Swedish Kr.	14·37 1/2–14·59 1/2	14·49 3/8–14·49 7/8	14·49 1/4–14·49 3/4	14·49 1/4–14·49 3/4	14·49 1/4–14·49 1/2	14·49 1/4–14·49 3/4	14·48 1/2–14·49 1/2
Danish Kr.	19·19 1/2–19·48 1/2	19·34 1/2–19·34 3/4	19·34 1/2–19·34 3/4	19·34 1/2–19·34 3/4	19·34–19·34 1/2	19·34 1/2–19·34 3/4	19·34 1/2–19·34 3/4
Norwegian Kr.	19·85–20·15	19·99 1/2–19·99 3/4	19·99 1/2–20·00 1/4	19·99 1/2–20·00 1/4	19·99 1/2–20·00 1/4	19·99 1/2–20·00 1/4	19·99 1/2–20·00 1/4
One Month Forward Rates							
United States $		1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm
Canadian $		1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/4–1/2 c. pm	1/4–1/2 c. pm	1/4–1/2 c. pm
French Fr.		1 1/8–3 1/8 dis	1 1/8–3 1/8 dis	1 1/8–3 1/8 dis	1–3 dis	1 1/4–3 1/4 dis	1 1/4–3 1/4 dis
Swiss Fr.		1 1/8–1 1/4 c. pm	1 1/8–1 1/4 c. pm	1 1/8–1 1/4 c. pm	1 1/4–1 1/2 c. pm	1 1/8–1 3/8 c. pm	1 3/8–1 1/2 c. pm
Belgian Fr.		1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par
Dutch Gld.		1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm	1/8–1/4 c. pm
W. Ger. D-Mk.		1/8–1/4 pf. pm	1/8–1/4 pf. pm	1/8–1/4 pf. pm	1/8–1/4 pf. pm	1/8–1/4 pf. pm	1/8–1/4 pf. pm
Italian Lire		1/4 pm–1/2 dis	1/4 pm–1/2 dis	1/4 pm–1/2 dis	1/4 pm–par	1/4 pm–par	1/4 pm–par
Swedish Kr.		1/16 pm–par	1/16 pm–par	1/16 pm–par	1/16 pm–par	1/16 pm–par	1/16 pm–par
Danish Kr.		2–1/2 pm	2–1/2 pm	2–1/2 pm	2–1/2 pm	2–1/2 pm	2–1/2 pm
Norwegian Kr.		1/16 pm–1/16 dis	1/16 pm–1/16 dis	1/16 pm–1/16 dis	1/16 pm–1/16 dis	1/16 pm–1/16 dis	1/16 pm–1/16 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/0 1/2	250/0 1/2	...	250/1 1/2	250/0	249/11 1/2

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

World Trade ..... Oct. 18th

British		Overseas	
Prices and Wages	Oct. 4th	Western Europe: Production and Trade	This week
Production and Consumption	Sept. 20th	British Commonwealth	Oct. 11th
Manpower	Oct. 11th	Western Europe: Prices and Money Supply	Sept. 20th
External Trade	This week	United States	Oct. 4th
Financial Statistics	This week		
Industrial Profits	Oct. 18th		

	Unit	Monthly averages: 1955	1956	1957	1957: July	Aug.	Sept.	1958: June	July	Aug.	Sept.
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	359·5	335·7	308·4	300·2	337·8	304·3	311·2
Food, drink and tobacco	"	120·1	120·7	124·7	121·9	120·2	112·6	122·9	136·3	121·8	123·8
Basic materials	"	93·7	91·9	97·4	107·4	101·1	86·4	74·7	78·9	74·0	69·6
Fuels	"	34·0	34·5	38·9	44·4	38·7	37·6	33·1	39·6	37·3	39·6
Manufactures	"	74·7	75·5	77·4	84·6	74·8	70·3	67·9	81·5	69·9	76·9
Exports of UK produce:											
Total	"	242·1	264·3	277·1	281·4	269·4	246·3	223·7	285·8	257·8	240·4
Manufactures—Total	"	199·0	218·3	229·5	236·1	223·9	204·9	186·6	244·0	214·7	199·0
" Metals	"	33·0	36·8	39·7	40·3	34·6	34·9	29·4	36·6	32·3	32·9
" Engineering products	"	93·2	105·8	112·9	114·6	113·8	100·3	99·7	132·1	110·8	101·6
" Textiles	"	25·9	24·6	25·1	27·2	25·3	21·6	17·9	21·6	20·2	18·0
Re-exports	"	9·9	12·2	11·1	9·4	10·5	9·8	8·4	12·2	13·1	10·9
Balance of trade (exports *less* imports)	"	— 71·6	— 47·3	— 51·4	— 68·7	— 55·7	— 59·9	— 68·1	— 39·7	— 33·4	— 59·9
VOLUME											
Imports	1954=100	111	111	115	...	112[4]	...	111[5]	122	109	...
Total	"	107	109	113	...	106[4]	...	116[5]	...	...	...
Food, drink and tobacco	"	105	102	106	...	106[4]	...	93[5]	...	...	...
Basic materials	"	121	115	114	...	125[4]	...	116[5]	...	...	...
Fuels	"	125	125	130	...	127[4]	...	125[5]	...	...	...
Manufactures	"						...				...
Exports		107	114	116	...	110[4]	...	108[5]	119	108	...
Total	"	109	115	118	...	113[4]	...	110[5]	...	...	...
Manufactures	"										
BY AREA											
Imports:	£ million	70·1	71·0	80·4	81·7	76·3	74·3	64·1	68·9	62·1	65·3
Dollar area—Total	"	35·0	34·0	40·2	36·2	32·7	36·1	21·3	27·5	23·8	30·5
" USA	"	28·6	29·0	26·7	30·3	29·0	26·0	32·9	30·4	26·9	25·7
" Canada	"	78·4	79·6	80·8	89·2	81·0	80·3	80·5	86·9	75·0	79·2
Non-sterling OEEC countries	"	130·9	126·5	129·3	133·6	122·5	101·0	113·8	127·7	115·3	113·4
Sterling area	"										
Exports:		34·8	45·2	47·8	51·7	50·9	43·3	45·0	51·2	44·5	48·5
Dollar area—Total	"	16·6	21·6	21·5	22·4	19·0	20·2	22·6	24·0	22·5	24·2
" USA	"	12·1	15·2	16·7	18·1	23·5	14·0	16·4	19·7	14·4	12·8
" Canada	"	67·5	75·1	78·2	76·5	70·4	67·1	62·6	75·2	73·5	68·0
Non-sterling OEEC countries	"	120·9	122·4	127·2	128·6	123·6	116·1	97·7	135·4	119·6	105·4
Sterling area	"										
Balance of trade (exports *less* imports)		— 35·3	— 25·8	— 32·6	— 29·9	— 25·4	— 31·0	— 19·1	— 17·7	— 17·6	— 16·8
Dollar area	"	— 10·9	— 4·5	— 2·6	— 12·7	— 10·6	— 13·2	— 17·9	— 11·7	— 1·5	— 11·2
Non-sterling OEEC countries	"	— 10·0	— 4·1	— 2·1	— 5·1	+ 1·1	+ 15·1	— 16·1	+ 7·7	+ 4·3	— 8·0
Sterling area	"										
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	398·4	377·6	343·8	447·4	323·9	440·1	518·9	368·7	348·4
Meat	"	67·0	72·4	74·2	81·8	88·2	60·0	64·0	72·1	81·0	62·5
Sugar, unrefined	"	186·2	194·3	235·6	175·7	233·4	180·9	170·8	181·2	197·9	225·0
Raw cotton [1]	"	24·2	27·0	30·7	28·2	23·9	27·3	23·4	23·0	21·5	16·4
Raw wool, sheep's and lambs' [1]	mn. lb.	55·1	53·2	51·6	67·6	35·6	14·4	45·8	28·5	34·9	19·9
Rubber, natural and synthetic [1]	'000 tons	24·6	18·2	22·7	17·9	22·2	20·5	21·5	22·9	9·9	12·2
Softwood	'000 stds.	140·0	104·8	120·0	179·8	186·6	148·8	131·4	188·8	145·1	131·4
Woodpulp	'000 tons	186·9	183·3	178·2	185·0	176·8	180·0	190·5	177·2	177·9	184·5
Crude petroleum	mn. galls.	601	618	605	773	600	642	684	772	802	788
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	716	579	589	423	483	371	425
Woven piece-goods—cotton	mn. sq. yds	46	40	38	39	37	33	26	31	30	27
" " wool([2])	'000 sq. yds.	8,965	9,107	9,028	10,989	9,775	6,852	6,937	7,938	7,843	6,140
Passenger cars and chassis	number	32,545	27,986	35,522	36,540	37,088	33,460	32,197	50,207	35,070	38,389
Commercial vehicles and chassis	"	11,656	10,506	10,214	10,069	9,711	8,188	6,154	11,386	8,766	7,204
Agricultural tractors	"	8,720	7,482	9,414	9,592	9,652	9,366	8,675	11,753	7,568	7,975
Machinery—electrical	£'000	5,158	5,314	5,602	6,023	5,785	5,360	4,875	6,674	5,963	4,046
" other	"	34,687	38,657	42,211	43,451	40,221	35,848	37,327	46,213	39,957	37,941
Chemicals, elements and compounds	"	4,422	4,948	5,219	5,605	4,723	4,575	4,564	5,179	5,730	4,742

[1] Retained imports. [2] Excluding tents from January, 1956. [3] Average for second quarter. [4] Average for third quarter.

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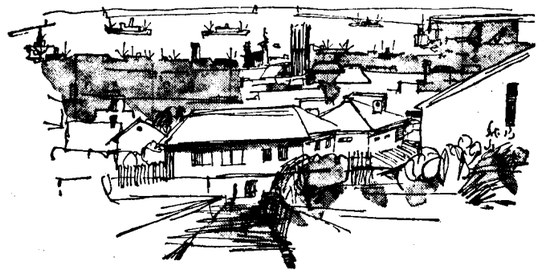

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BLYVOORUITZICHT GOLD MINING COMPANY, LTD.

(Incorporated in the Union of South Africa.)

AUTHORISED CAPITAL £3,300,000
ISSUED CAPITAL (24,000,000 Shares of 2/6 each) £3,000,000

Extracted from the Annual Report for the Year ended 30th June, 1958.

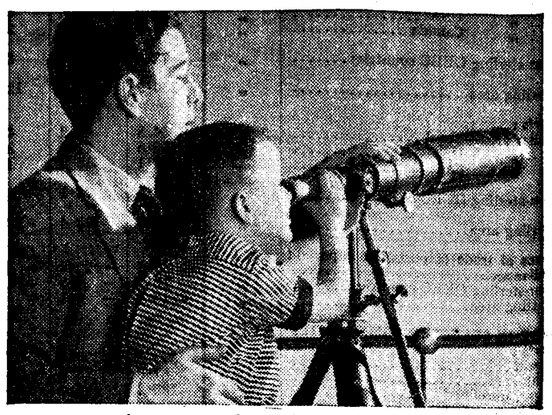
Ore Milled 1,244,000 tons. Slime treated for Uranium Oxide 1,917,660 tons.

Gold yield oz. fine	dwt. per ton	Uranium Oxide yield lb.	lb. per ton
734,191	11,804	639,266	0.333

			Per ton milled.
Total Working Revenue		£9,215,345	£7 8 2
Total Working Expenditure		4,003,730	3 4 4
Working Profit—from Gold, etc.		5,211,615	£4 3 10
—from Uranium	£1,580,348		
—from Sulphuric Acid	158,962		
		1,739,310	
Total Working Profit		6,950,925	
Expenses *less* Sundry Revenue		11,001	
		6,939,924	
Taxation (£2,932,070) and Mineral Lease Consideration (£697,244)		3,629,314	
Profit after Taxation and Lease Consideration		3,310,610	
Balance of Income and Expenditure Account at 30th June, 1957		1,945,068	
			£5,255,678
Dividends declared—Nos. 24 and 25 each of 1s. 0d. per share		2,400,000	
Repayment on account of Capital portion of uranium and acid loans	475,973		
less :			
Retransfer from Capital Reserve in respect of sales of mining rights and equipment less expenditure on equipment and investments	111,017	364,956	
			2,764,956
Balance of Income and Expenditure Account at 30th June, 1958			£2,490,722

The available Ore Reserve as at 30th June, 1958 was estimated at 4,660,000 tons of an average gold value of 14.3 dwt. over a stoping width of 43.5 inches. The average uranium value of the ore reserve was 0.516 lb. of uranium oxide per ton.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO. LTD., 4 London Wall Buildings, London, E.C.2.



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The man who has not only thought, but taken action, can answer confidently. He has provided for the needs of later life. And whatever he tells you about his hopes and fears, the odds are he will mention insurance.

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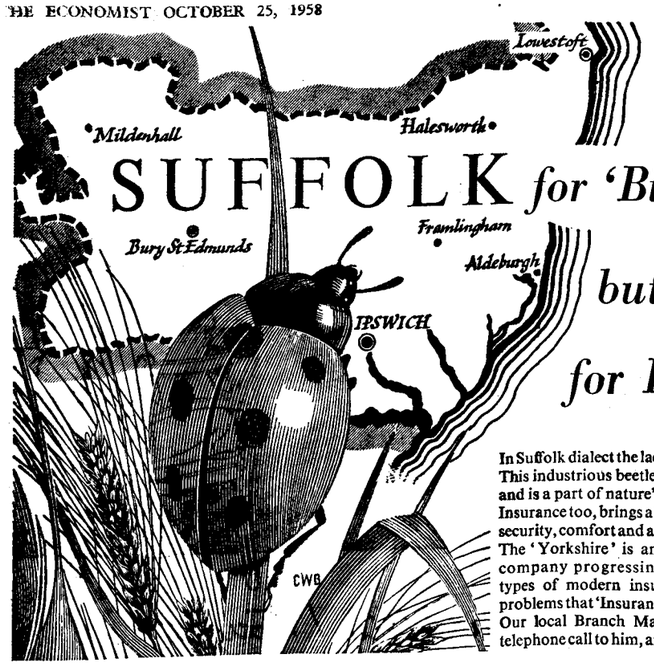
An enquiry commits you to nothing, but it is sure to be worth while.



Ask the man from the
PRUDENTIAL
The address of the local office is in the telephone directory



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In Suffolk dialect the ladybird is known as 'Bishop Barnaby'. This industrious beetle brings a benefit to the countryside and is a part of nature's balance for its preservation.

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★ *For instance—the 'Yorkshire' has long experience of the risks relating to farmers and modern farm equipment. Every aspect can be covered—Fire, Accidents to Farm Workers, Farmer's Third Party Liability, Motor and Trade Vehicles and all risks of Live Stock Mortality arising from breeding, exhibition, Foot and Mouth disease or transit.*

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HARMONY GOLD MINING COMPANY LIMITED

(Incorporated in the Union of South Africa.)

AUTHORISED AND ISSUED CAPITAL (in 18,000,000 Shares of 5s. each) £4,500,000

Extracted from the Annual Report for the year ended 30th June, 1958.

Ore Milled 952,000 tons. Slime treated for Uranium Oxide 950,843 tons.

Gold Yield oz. fine	dwt. per ton	Uranium Oxide Yield lbs.	lb. per ton
381,877	8.023	477,673	0.502

Pyrite concentrate recovered....26,883 tons.

			Per ton milled.
Working Revenue		£4,795,364	£5 0 9
Working Expenditure		2,978,315	3 2 7
Working Profit—from Gold, etc.		1,817,049	£1 18 2
from Uranium and Pyrite		1,329,501	
Total Working Profit		3,146,550	
Expenses *less* Sundry Revenue		134,636	
		3,011,914	
Taxation		448	
Profit after Taxation		3,011,466	
Balance of Income and Expenditure Account at 30th June, 1957		1,263,307	
			£4,274,773
Dividends—No. 3 of 9d. and No. 4 of 1s. 0d. per share		1,575,000	
Transfer to Capital Reserve :			
Expenditure on Mining Assets and Trade Investments in excess of loan funds available		783,159	
Repayment on account of capital portion of Uranium and Pyrite Loans		349,643	
			2,707,802
Balance of Income and Expenditure Account at 30th June, 1958			£1,566,971

The available Ore Reserve as at 30th June, 1958 was estimated at 2,841,000 tons of an average gold value of 9.2 dwt. over a stoping width of 50.8 inches.

The average uranium value of the ore reserve was 0.657 lb. of uranium oxide per ton.

Capital expenditure during the year amounted to £2,228,497. Expenditure of a capital nature during the year ending 30th June, 1959, will approximate £3,000,000. In accordance with the Board's plans for the development and expansion of the mine, it is estimated that capital expenditure will continue to be very heavy until the completion of the programme in the early part of 1960. The Company expects, however, to be able to finance such capital expenditure from available cash and future profits, and still be able, at least, to maintain the present dividend rate.

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co. Ltd., 4, London Wall Buildings, London, E.C.2.

ASSETS: £38,580,000
RESERVES: £2,138,000

"Strength above Size"

. . . says the Chairman

SHARES
3½%
INCOME TAX PAID BY THE SOCIETY

For years the Temperance has maintained its stature with one of the strongest reserve positions in the whole Building Society movement. It is not ashamed to value "strength above size" as this means absolute security for *your* money.

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(Member of the Building Societies Association)

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So I did the sensible thing

I decided it was time I insured my life. And I did. It was as simple as that—so simple that I can't think why I put it off so long.

Luckily—or rather, sensibly—I went to The London Assurance, and really they couldn't have been more helpful. I was pretty vague about the whole business, but when they suggested a Life Policy that not only fits my present position but gives me something to build on in the future, also, I knew I'd come to the right people.

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APPOINTMENTS

Required 9/- a line; Vacant 6/- a line

MSL have been retained to advise on the appointment of a

DIRECTOR OF SALES

for a company producing

NITROGENOUS FERTILISERS

The company is one of a large international group with diverse interests. The Director of Sales will be responsible for implementing the company's sales policy and for maintaining personal contact with customers throughout the British West Indies and Latin America, with occasional visits to other parts of the world.

Candidates must have several years' direct selling experience in the international agricultural chemical field and preferably should possess a knowledge of the world nitrogen market. Some knowledge of market research, advertising, shipping and running a technical advisory service are also desirable. A degree, though not essential, would be an advantage. There are no rigid age limits.

In view of the importance of the post there will be no difficulty in negotiating an appropriate salary.

No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion. Please send brief details in confidence, quoting reference S.1313, to P. J. H. Fryer.

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DATA PROCESSING.—An opening offering unusual scope in administration in this field is offered. Man 28-38 with an outstanding record in punched card, computer and allied spheres. This job will interest only a man who realises the future scope of data processing and who has proved ability to plan and direct a large team. Write details, education, degree of responsibility already held and present income.—Box 1057.

For further appointments and other classified advertisements see page 361.



AUTOMATIC DATA PROCESSING

OPERATIONAL RESEARCH

The Operational Research Department of The Steel Company of Wales Limited (Steel Division), Port Talbot, has vacancies for men with qualifications and experience in the mechanisation of office systems connected with production control. The Department is also prepared to train graduates without previous experience in this type of work.

A capacity for logical conceptual thinking will be more important than the particular discipline studied. The work will relate to a given project extending over a term of years and will embrace both Organisation and Method and Operational Research aspects of Automatic Data Processing. Its eventual scope in the hands of the right men cannot be defined but is certainly very great.

Those wishing to apply should write giving full details of age, experience, present salary and any information considered relevant to:—

SUPERINTENDENT, Personnel Services,

THE STEEL COMPANY OF WALES LIMITED
(STEEL DIVISION),
Abbey Works, Port Talbot, Glam.

THE UNIVERSITY OF LEEDS

APPOINTMENTS BOARD

Applications are invited from graduates for appointment as an Assistant Secretary to the Appointments Board at the salary scale £900 x £50—£1,350 (efficiency bar) £75—£1,650 a year. The initial salary will be between £900 and £1,350 according to qualifications and experience. The person appointed will be concerned with students and graduates in arts and non-technical subjects, and experience of work in a field in which arts graduates are employed will be an advantage.—Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than November 7, 1958.

MARKETING AND SALES ANALYST

A large food manufacturing company, situated in the Home Counties, requires a Marketing and Sales Analyst. The duties involve the analysis and interpretation of data drawn from sales records, Nielsen and Attwood type reports, and specific consumer and trade surveys, and the preparation for Management of trade reports, special reports and marketing recommendations.

He will also be responsible for providing the basic reports on which salesmen's quota and bonus systems can be based.

Candidates should be in the late twenties or early thirties, and should preferably have a degree or professional qualification in Economics or Commerce and some working knowledge of statistical processes. Salary will be commensurate with the abilities of the candidate appointed: both conditions of work and prospects are excellent.

Applications, giving full details of education, training and experience to date, and a complete job description of the current occupation, should be addressed in the first place to Box 1059.

ASSISTANT to the Manager of a group of Investment Trust Companies in London required. Good prospects. Experience in management of investments essential. Accountancy or Secretarial qualification desirable. Age about 30-37.—Write Box TE.834, c/o 191 Gresham House, E.C.2.

ECONOMIST, aged 22-30, required by leading U.K. Oil Company to join group responsible for developing the analysis and presentation of the Company's financial results, estimates and budgets.

Candidates must have an honours degree in economics or equivalent, preferably with experience of statistics or accounting. Experience in commerce or industry would be an additional advantage but applications will be considered from recent graduates. The appointment will lead to positions of wider responsibility within the Company. Salary offered will be commensurate with qualifications and experience. Excellent pension scheme.—Apply, giving full details of age, qualifications and experience, to Box 1051. Replies can only be sent to those selected for interview.

ACCOUNTANT

A salary of £1,400 upwards and good prospects are offered to a man with the requisite energy and competence (including good costing and financial reporting experience) to progress with the recently formed subsidiary in London of a U.S. corporation engaged worldwide in the sale and servicing of specialised equipment. Please send brief details, in confidence, to D. Steele, ARTHUR ANDERSEN & Co., Roman House, Cripplegate Buildings, London, E.C.2.

ACCOUNTANT

An ASSISTANT ACCOUNTANT is required in an expanding organisation in LONDON. He should be fully qualified, age between 25 and 30, with industrial experience including knowledge of budgetary control and standard costing procedure. Salary will depend on qualifications and experience. There is a Pension Scheme. —Applicants should send full information in confidence to: S. H. CONWAY, UNION CARBIDE LTD., 103 MOUNT STREET, W.1, quoting reference 25N10.

CAMBRIDGE UNIVERSITY

LECTURESHIP AND ASSISTANT LECTURESHIP IN LAND ECONOMY

Applicants should have specialised knowledge of land values, the economics of land use, the economics of housing, or fiscal policy relating to land.

Salary scales £1,100 to £1,800 and £800 to £1,000, with certain other allowances.

ASSISTANTSHIP IN RESEARCH

Applicants should be qualified to undertake work in economic, legal, or social problems related to land tenure, or development of land.

Salary scale £650 to £850.

Further information may be obtained from the Secretary of the Board of Estate Management, 74 Trumpington Street, Cambridge. Closing date for applications: November 22, 1958.

ACTUARIAL STUDENTS.—North British & Mercantile Insurance Company Limited has vacancies in its Actuarial and Group Sections for students who have passed at least Part I. There are attractive prospects for the right men with generous recognition of qualifications and ability.—Write, stating age, qualifications and experience, to The Actuary 120 Fenchurch Street, London, E.C.3.

ASSISTANT INTERNAL AUDITOR

required for

LONDON OFFICE OF KUWAIT OIL COMPANY LTD.

The Company invites applications from Chartered Accountants to fill a vacancy in the Internal Audit Division.

Applicants should be between 25 and 30 years of age and preferably with some experience since qualifying. Salary according to age and experience. Non-contributory pension scheme; staff restaurant.

Write for application form giving brief details and quoting L.O. 255, to Box S/108, c/o 191 Gresham House, E.C.2.

YOUNG GRADUATE (male) required as assistant to Secretary. Duties will include collecting information and drafting reports, articles, etc. Clear expression is essential and an interest in semi-technical and economic matters desirable. Salary not less than £750. Contributory pension scheme.—Apply in writing to the Secretary, Coal Utilisation Council, 3 Upper Belgrave Street, S.W.1.

COUNTY COUNCIL OF ESSEX

COUNTY PLANNING DEPARTMENT

Applications invited for the following posts:

(1) Senior Planning Assistant, Special Grade (£750 to £1,030) at Wapstead. Applicants must have had practical experience in the preparation of development plans in urban areas and be able to take charge of a small section of staff, Experience in, and a flair for statistical and research work related to planning regarding population, industry, employment, education, etc., will be an advantage.

(2) Planning Assistant, Grade 1 (£575 to £725) at Broomfield. Applicants will be required to undertake duties in the Detailed Planning and Design Section at Headquarters, particularly in regard to elevational control and housing layouts and should have aptitude for an experience in work of this nature.

Applicants should be Corporate Members of the Town Planning Institute or other comparable professional institute, or possess a University Degree in Economics or Geography.

Five-day week; day release facilities; medical examination; superannuation.

Applications on forms to be obtained from County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, to whom they should be returned by November 3, 1958.

CHARTERED ACCOUNTANT required by London Public Company—eventual appointment as Secretary if satisfactory. Pension Scheme and good prospects.—Write, giving full details of career, etc., to Box 1060.

REED PAPER GROUP

have a vacancy for a

BRANCH GENERAL MANAGER

in

REED CORRUGATED CASES LIMITED

A Branch General Manager is required for a branch in Gloucester, which manufactures and sells corrugated greaseproof and glassine papers and waxed papers.

This is a senior appointment and consists of active participation in the management of the business in all its aspects, including production, sales and accounting. Candidates should be between 35-45 years of age, with sound basic experience in one or other of these functions. Previous connection with the paper industry would be an advantage but is not essential.

The post calls for personal qualities of a high order. It is intended that the successful candidate would act as Deputy to the present General Manager for a period up to 12 months until the latter's retirement.

The salary will be commensurate with the high standard required and car will be provided. There is also a non-contributory Pension Scheme.

Application should be made in writing stating age and past experience to the:

Personnel Manager,
REED CORRUGATED CASES LIMITED,
Great West Road, Brentford, Middlesex.

Reference M/G should be quoted.

PERSONNEL RECORDS STATISTICS

BEA require a PERSONNEL RECORDS OFFICER to maintain and develop central personnel records on Punched Cards (80 Columns) and from them to carry out full statistical analyses. A Graduate would be preferred; otherwise minimum education is standard GCE 'A' level. A qualification in Statistics is called for and previous experience allied to personnel work desirable.

Salary scale £832 10s. 0d. to £970 per annum. Pension scheme. Excellent conditions of service.

Applications within 7 days to Personnel Officer, Head Office, BRITISH EUROPEAN AIRWAYS, Keyline House, Ruislip, Middlesex.

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Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 0s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s.
South America	£9 0s.	—
Sudan	£7 15s.	—
U.S.A.	—	£6 15s.
West Indies	£9 0s.	$25 or £9

* Approx. 24 hours slower than airmail.

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AIR EDITIO

The Economist

OVEMBER 1, 1958 ONE SHILLING AND SIXPENCE FOUNDED 18

Frustrations of Alliance

ither General de Gaulle nor Lord ontgomery can hope to get the Nato ey want (page 387).

No Edge of Guilt?

he prospects for British Government curities (page 431).

Muffed Chance

he Algerian rebels have missed an pportunity by rejecting General de aulle's cease-fire offer (page 388).

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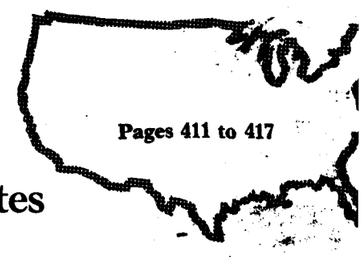
THE GOVERNMENT'S PROGRAMME

Operation Opportunity

A leading article on page 390 and Notes on pages 396 and 435 examine both the legislative proposals in the Queen's speech and the other announcements of Government policy which have ushered in this pre-election session of Parliament

Next Week's Elections in the United States



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VOLUME CLXXXIX · NUMBER 6010

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Exchange rates. Investment

Banking

Production and Building

Labour

Crime. Food

Education

Vital statistics

Press and Publishing

Elections and Politics

Embassies Ministries

Air and Shipping services

Weights and Measures

Hotels Clubs Theatres

JANUARY 1959					
Sun	.	4	11	18	25
Mon	.	5	12	19	26
Tues	.	6	13	20	27
Wed	.	7	14	21	28
Thu	1	8	15	22	29
Fri	2	9	16	23	30

FEBRUARY 1959					
Sun	.	1	8	15	22
Mon	.	2	9	16	23
Tues	.	3	10	17	24
Wed	.	4	11	18	25
Thu	.	5	12	19	26
Fri	.	6	13	20	27

MARCH 1959						
Sun	.	1	8	15	22	29
Mon	.	2	9	16	23	30
Tues	.	3	10	17	24	31
Wed	.	4	11	18	25	..
Thu	.	5	12	19	26	..

APRIL 1959					
Sun	.	5	12	19	26
Mon	.	6	13	20	27
Tues	.	7	14	21	28
Wed	1	8	15	22	29

MAY 1959						
Sun	.	3	10	17	24	31
Mon	.	4	11	18	25	..
Tues	.	5	12	19	26	..
Wed	.	6	13	20	27	..

JUNE 1959					
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Mon	1	8	15	22	29
Tues	2	9	16	23	30

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Week 32

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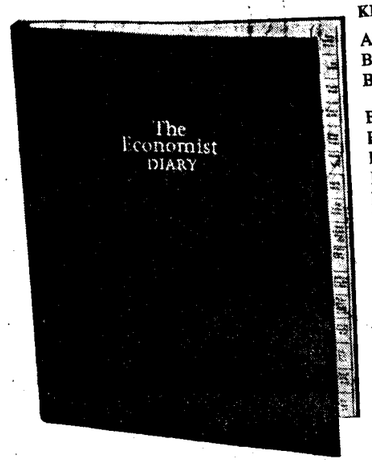
(216–149)

(217–148)

The Economist Diary



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Purchasing power of the £ in 1953.

Tels at St. Mary's

Do B.E.A. fly to Stockho

What's the time in San Francisco?

Address of the "Crillon"?

Calendar for current year

JULY 1959					
Sun	.	5	12	19	26
Mon	.	6	13	20	27
Tues	.	7	14	21	28
Wed	1	8	15	22	29
Thu	2	9	16	23	30
Fri	3	10	17	24	31
Sat	4	11	18	25	..

AUGUST 1959						
Sun	.	2	9	16	23	30
Mon	.	3	10	17	24	31
Tues	.	4	11	18	25	..
Wed	.	5	12	19	26	..
Thu	.	6	13	20	27	..
Fri	.	7	14	21	28	..
Sat	1	8	15	22	29	..

SEPTEMBER 1959						
Sun	.	.	6	13	20	27
Mon	.	.	7	14	21	28
Tues	.	1	8	15	22	29
Wed	.	2	9	16	23	30
Thu	.	3	10	17	24	..
Fri	.	4	11	18	25	..
Sat	.	5	12	19	26	..

OCTOBER 1959						
Sun	.	4	11	18	25	
Mon	.	5	12	19	26	
Tues	.	6	13	20	27	
Wed	.	7	14	21	28	
Thu	1	8	15	22	29	
Fri	2	9	16	23	30	
Sat	3	10	17	24	31	

NOVEMBER 1959						
Sun	.	1	8	15	22	29
Mon	.	2	9	16	23	30
Tues	.	3	10	17	24	..
Wed	.	4	11	18	25	..
Thu	.	5	12	19	26	..
Fri	.	6	13	20	27	..
Sat	.	7	14	21	28	..

DECEMBER 1959						
Sun	.	.	6	13	20	27
Mon	.	.	7	14	21	28
Tues	.	1	8	15	22	29
Wed	.	2	9	16	23	30
Thu	.	3	10	17	24	31
Fri	.	4	11	18	25	..
Sat	.	5	12	19	26	..

Thursday AUG. 6	Friday AUG. 7	Saturday AUG. 8
APPOINTMENTS	APPOINTMENTS	APPOINTMENTS
9-45 See		
10-15 how easy		
10-45 it is		
11 to follow		
11-15 your		
12 appointments		
LUNCH vertically	LUNCH	LUNCH
2-15 down		
3-15 the		
4 page		
		(220–145)
EVENING	EVENING	Sunday AUG. 9
(218–147)	(219–146)	(221–144)

Canadian linseed production?

Population of Malta?

How many lbs. in a Kantar?

Head of cattle in Uruguay?

Same 3 months of last year

Same 3 months of year to come

JULY 1958						
Sun	.	.	6	13	20	27
Mon	.	7	14	21	28	..
Tues	1	8	15	22	29	..
Wed	2	9	16	23	30	..
Thu	3	10	17	24	31	..
Fri	4	11	18	25	..	..
Sat	5	12	19	26	..	..

AUG 1958						
Sun	.	3	10	17	24	31
Mon	.	4	11	18	25	..
Tues	.	5	12	19	26	..
Wed	.	6	13	20	27	..
Thu	.	7	14	21	28	..
Fri	.	8	15	22	29	..
Sat	.	9	16	23	30	..

SEPT 1958						
Sun	.	7	14	21	28	
Mon	1	8	15	22	29	
Tues	2	9	16	23	30	
Wed	3	10	17	24	..	
Thu	4	11	18	25	..	
Fri	5	12	19	26	..	
Sat	6	13	20	27	..	

JULY 1960						
Sun	.	3	10	17	24	31
Mon	.	4	11	18	25	..
Tues	.	5	12	19	26	..
Wed	.	6	13	20	27	..
Thu	.	7	14	21	28	..
Fri	1	8	15	22	29	..
Sat	2	9	16	23	30	..

AUG 1960						
Sun	.	7	14	21	28	
Mon	1	8	15	22	29	
Tues	2	9	16	23	30	
Wed	3	10	17	24	31	
Thu	4	11	18	25	..	
Fri	5	12	19	26	..	
Sat	6	13	20	27	..	

SEPT 1960						
Sun	.	.	4	11	18	25
Mon	.	5	12	19	26	
Tues	.	6	13	20	27	
Wed	.	7	14	21	28	
Thu	.	8	15	22	29	
Fri	1	9	16	23	30	
Sat	2	10	17	24	..	

Notes UK balance of payments

UK trade

World trade

Primary products

International comparisons Travel

Standards of living

World population

UK Australia Canada

New Zealand S. Africa USA

Argentina Belgium France

Holland Sweden Switzerland

Other Commonwealth Countries

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Foreign countries D-I

Foreign countries I-N

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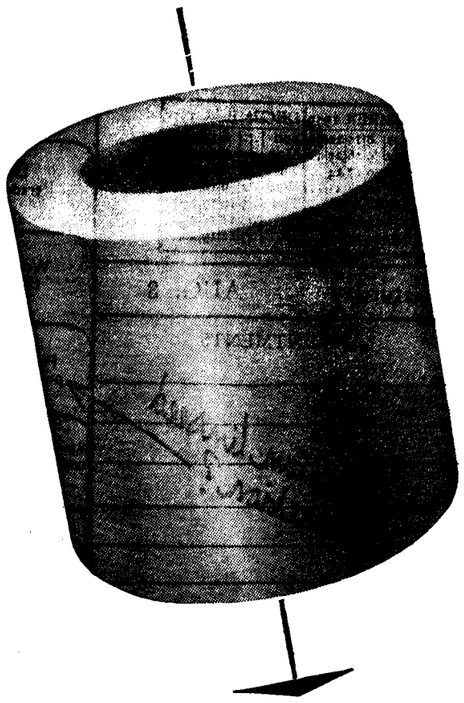

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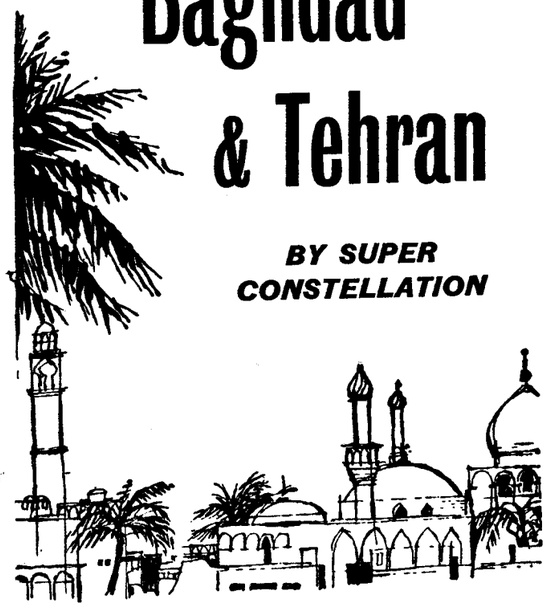

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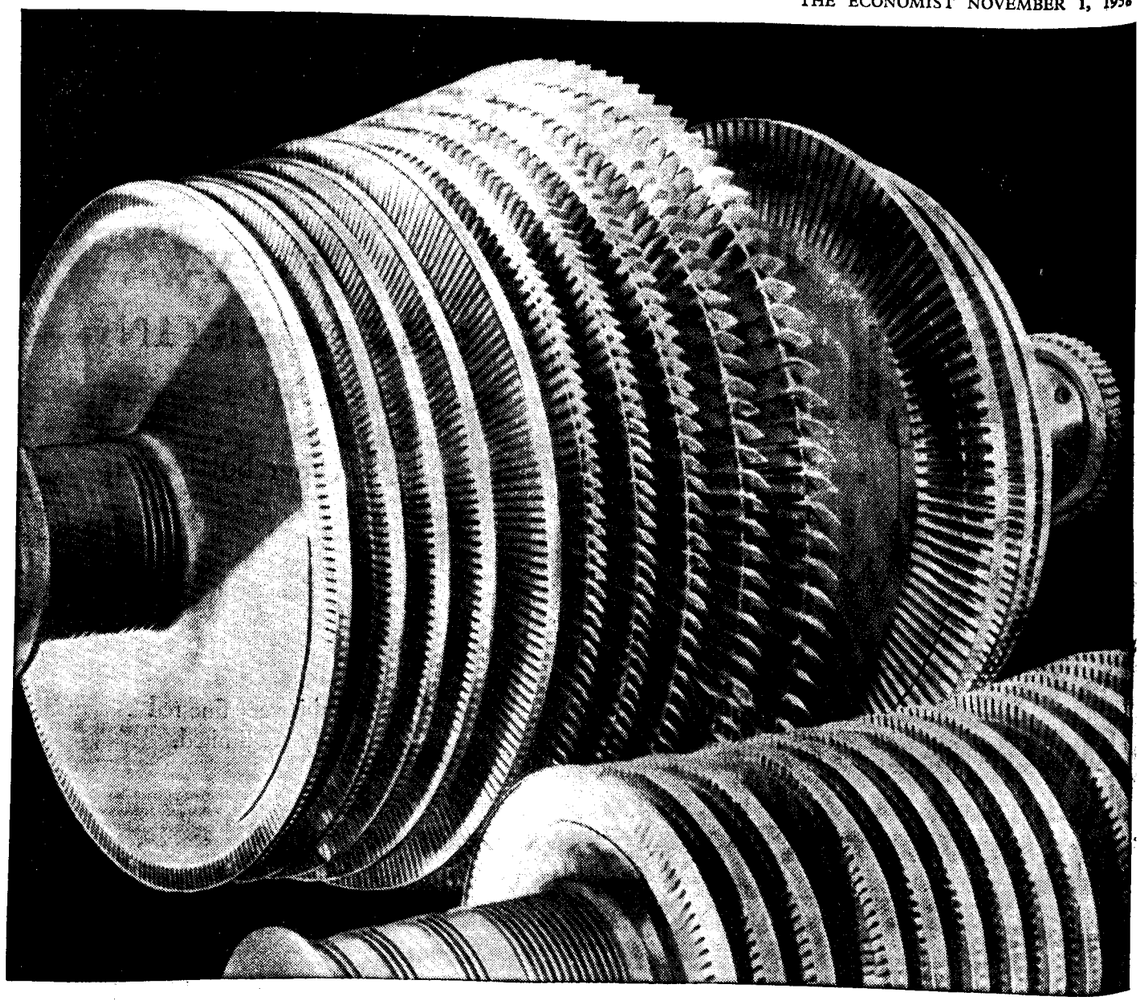

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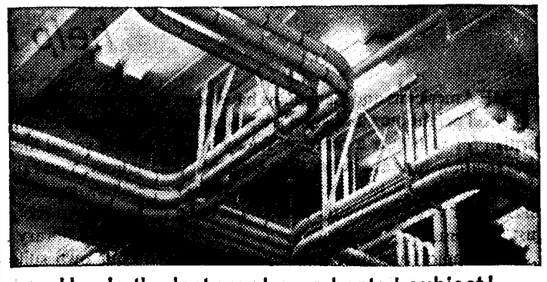

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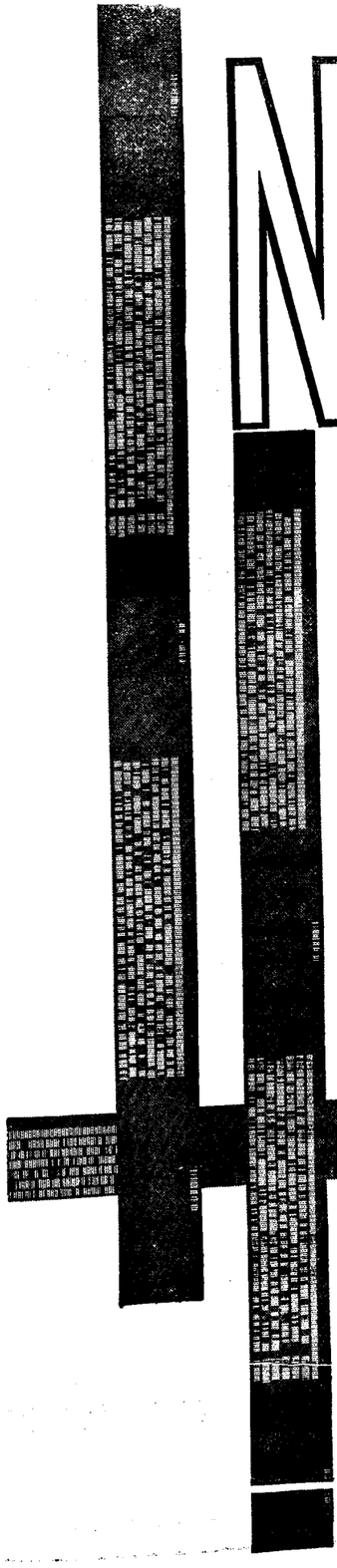

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50 years ago



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work in progress



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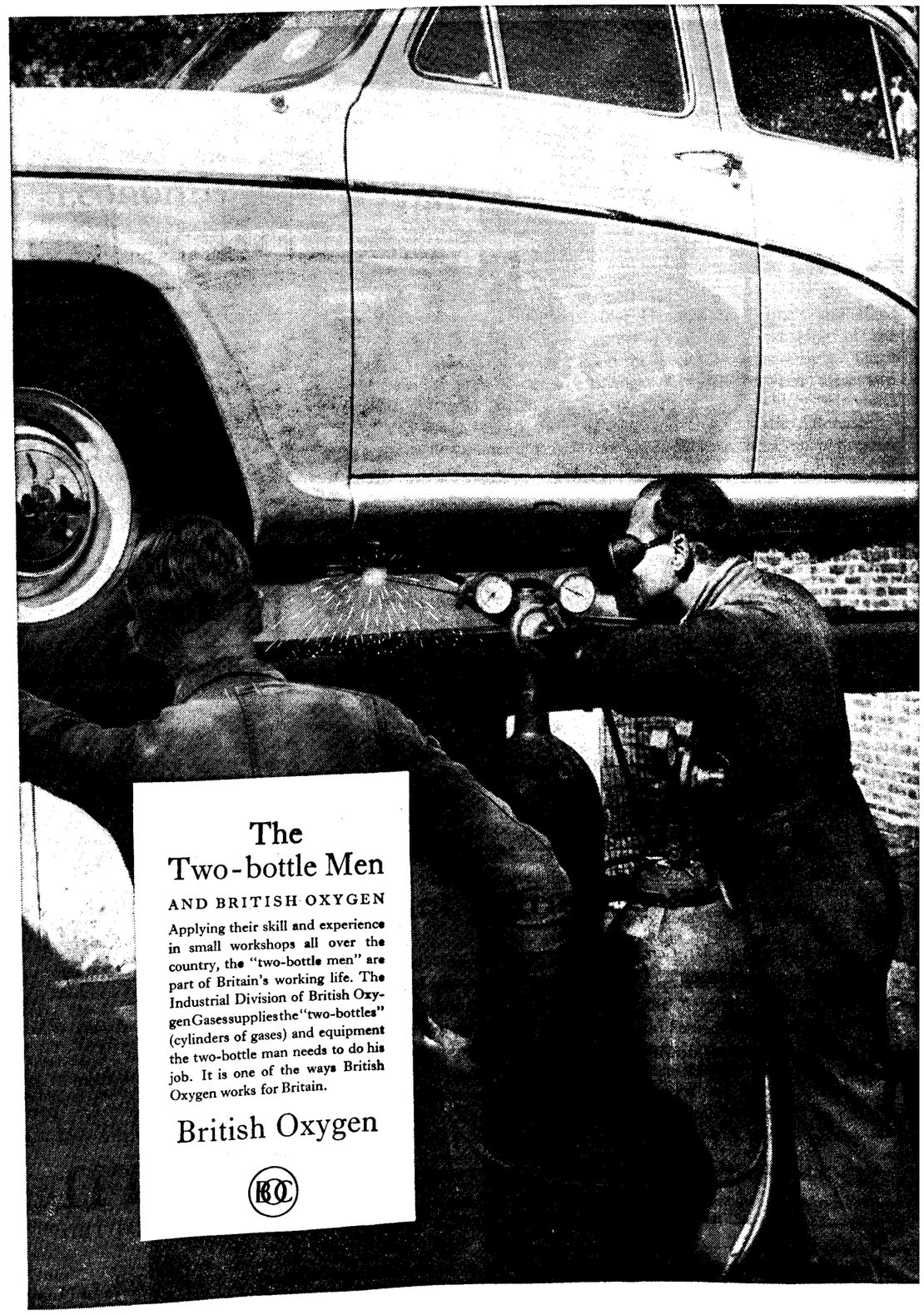

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Two-bottle Men
AND BRITISH OXYGEN

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British Oxygen

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You're feeling upset, Mr. Care?
More than somewhat,
Mr. Carefree.
Worried by the fire engine?
It sends cold shivers down
my spine.

You feel your home may be on fire?
Might quite easily be.
And I bet it's not fully insured?
That's why I'm so worried.
If I were you, I'd get fixed up with The Northern.

Won't it mean a lot of fuss?
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I'll get in touch with them
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The Economist

NOVEMBER 1, 1958

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Frustrations of Alliance

WAS it just coincidence that General de Gaulle's and Field Marshal Montgomery's proposals for the reshaping of the Atlantic alliance burst upon the world simultaneously? There have been reports of some exchange of views between these two formidable figures. Be that as it may, the manner in which their views have been made known shows a wide and characteristic difference.

It was a newspaper "leak" that revealed that the French premier had been discreetly canvassing his views among other allied heads of government; and even now that this cat is out of the bag, Paris is reticent about the exact length of its whiskers. But Lord Montgomery, who prefers to carry a massive maul rather than a mere baton in his field marshal's knapsack, took it out last week and laid about him with a will. This was not just a newly retired officer blowing his top after years of enforced silence. The field marshal has never been silent. His proposals, like General de Gaulle's, are well timed for digestion and reverberation before Nato's approaching annual conclave—the last before the end of the initial ten-year term set in the treaty of April, 1949.

Nato's organisation undoubtedly needs an overhaul—a regular overhaul. Like all committee-ridden bureaucracies, it must be pruned all the time if it is not to become a tangle of tertiary jungle. Like all multinational bodies, it has to be periodically pulled up short and reminded of its common purpose—which is primarily and specifically the defence of free Europe. Much of what General de Gaulle has apparently said, and of what Lord Montgomery has trumpeted, is true. Even the most civilian-minded can share the two old soldiers' impatience at the irresolute dispersal of energy that marks too many Nato activities. But greater experience in civilian affairs might have saved them from proposing remedies that simply will not do.

General de Gaulle's initiative can, of course, be interpreted as just one more French bid for a place in the sun. He is said to be arguing that the only efficient way to concert allied policy—particularly in spheres outside Europe (which are not Nato's agreed concern)—is through a sort of political directorate in which the "three world powers," the United States, Britain and France, would reach agreed decisions. The General apparently follows a familiar French line of thought, being less resentful of the slow working of a fifteen-member group than of the occasional burst of speed put on by America and Britain alone. (The landings in Lebanon and Jordan in July were an obvious case in point.) French jealousy of this Anglo-American intimacy is understandable and habitual. France's claims were asserted by M. Mendès-France in 1954, and again by M. Pineau early in 1956; and a year ago, when America and Britain delivered arms to Tunisia, the issue boiled up again—on the eve of a Nato meeting that was supposed to open a new and glorious chapter of allied "interdependence." There is not much the British can do about it, except to point out that their special relation-

ship with the Americans is mainly organic, not institutional. For the other Atlantic allies simply will not accept, in present circumstances, political direction from a triumvirate, or from any other select group. German protests at any such idea ring loudest at the moment; but if west Germany, and Italy, too, were to be co-opted into a Nato "big five," the ten other members would merely be the more indignant.

The point that both the general and the field marshal, perhaps misremembering their Clausewitz, have missed is that politics has to be conducted "by other means" than war. Lord Montgomery is right to emphasise (and how good to hear a soldier say it) the importance of the political and economic, as well as the military, defence of liberty. But this kind of non-military defence cannot be conducted simply by appointing a supreme allied command. Alliance implies political disunion; if there were none, the allied peoples could increase their strength by federating. Alliance also implies a limited objective; if the allied states were agreed on all aspects of foreign policy, they could at least confederate, reserving the right to differ on domestic matters only. The members of Nato are ready to do neither; they are simply ready to accept a supreme command in the event of war. What they are agreed upon is the military defence of Europe; that is why Nato exists, and the reason for overhauling Nato (in methods and in the balance of men and of weapons) is to fit it better to do this job. Outside the military sphere the most the members of Nato will do is to consult together regularly—and they can consult at great length without ending their differences. These are the frustrations of alliance. They could be ended only if the alliance were transformed into a political union.

Clearly the last thing Lord Montgomery and General de Gaulle have in mind is federation. At bottom, the common element in their proposals is the human desire to get one's own way. A federal Atlantis would frustrate this desire even more. When the field marshal demands global unity in allied policy, and then almost in the same breath denounces America for "sabotaging" the Anglo-French attack on Egypt in 1956, he conveniently ignores the fact that if the "Suez" operation had had to be initiated by an alliance most of whose members it dismayed, it would never have got off the ground at all. When France proposes that it should represent continental Europe in a Nato triumvirate, it glosses over the dislike and alarm its European partners have shown toward its Algerian and Arab policies. And what can one make of Lord Montgomery's coupling of a plea for a great new political effort in Asia with his lament for the passing of European rule there?

The field marshal has grasped the fact that disunity means defeat for the free world, and that the communist powers will therefore do all they can to divide it. But he himself has apparently been too busy barking up the European "trees" of which he spoke to look at what he called "the global wood." Otherwise, he would surely have noticed that the rift on which the communists are now concentrating their divisive effort is the one between the free West and free Asia (and emergent Africa, too). His ideas for allied action in the non-European world would, if adopted, be meat and drink to Mr Khrushchev, whose ultimate aim is to isolate America, but who would be well content if he could isolate both America and Britain, or, indeed, America, Britain and France, from the rest of the free world. Fortunately the very disunion of the Atlantic alliance, and the refusal of most of its members—despite the alleged attractions of being "wrong together"—to get drawn into their allies' individual problems outside Europe, make it inconceivable that these among Lord Montgomery's ideas should be adopted. Sometimes the frustrations of alliance can be blessings in disguise.

A Muffed Chance

The atmosphere in Algeria has changed since the dark days of May

GENERAL DE GAULLE'S olive branch has been rejected. It was a prickly one, but not prickly enough to explain or excuse the Algerian rebels' refusal. They seem to have blundered. At his press conference on October 23rd the general offered them immediate talks on a cease-fire and, beyond that, a political future based on French recognition of Algerian identity and Algeria's close ties both with France and with Morocco and Tunisia, its North African neighbours. The French terms were not new, but the offer to talk was; and after the general's plebiscite the terms could at last be honoured. Underlying them was his own expectation, frequently expressed, of a new atmosphere in Algeria and, with it, the beginning of the political change that, in his words at Constantine early in October, must "little by little make itself evident."

This peaceful evolution of Algeria was the substance of General de Gaulle's offer. The leaders of the National Liberation Front (FLN) in Cairo seem to have been unable to grasp it. Their blank reply—there has been as yet no public attempt to bridge the gap—concentrated dully on the form. This, it is true, was not overly encouraging. The general summoned the FLN representatives to attendance in Paris; he did not envisage political discussions; and he insisted on the rebels in the field showing the white flag and laying down their arms. The FLN, through M. Yazid, its representative in New York, had previously spoken of a meeting on neutral territory; it wanted the talks to be political as well as military; and its soldiers could not easily contemplate the stigma of surrender. Even so, the rejection was clumsy. Only if it presages some subtle oriental bargaining can it be reasonably understood: but is General de Gaulle the man for such tactics?

The cardinal point that the rebels stood to gain by acceptance was the prospect of negotiation itself. Once talks had begun on the general's agenda, the division between military and political affairs must have become as indeterminate as it has always been. Did the FLN not recall how Moroccan independence came from the Aix-les-Bains conference in 1955? They cannot have expected as much; but do they need to ask as much just now? In the unofficial discussions in Cairo—in which M. Farès, the former president of the Algerian Assembly, was the intermediary between General de Gaulle and the rebels—the attitude of M. Ferhat Abbas and certain of his colleagues appears to have been more conciliatory. Although it cannot be excluded that General de Gaulle may have framed his actual offer in a way to force the rebels' hand, the surprise and disappointment in Paris when it was learned that the FLN delegates were not coming seem to have been entirely genuine. It looks very like a muffed chance.

SHOULD the general share the blame? It remains to be seen whether his offer was his last word in practical politics, or whether, in essence, it was an attempt to push the FLN to the wall. He would certainly not be unaware of the offer's diplomatic effect, particularly at the United Nations; nor of its political repercussions at home. He has already won a sizable political success without the rebels' acceptance. President Bourguiba of Tunisia came close to approving the offer in public before the rejection was announced from Cairo; he is probably already committed in Moslem eyes. M. Mendès-France and other opposition liberals commended the offer; criticism of the general's present Algerian policy in the electoral campaign may now be confined to the communists. And this has been done while *ultras* like MM. Morice and Duchet in France and M. de Sérigny in Algiers itself have contentedly reflected that, if the rebels have to show the white flag, it is total surrender that is really being asked of them.

Nevertheless, the general's purpose seems clear. He has said all along, and he repeated it last week, that he intends to discuss Algeria's future with the true representatives of the Algerian people. These are not the settlers' friends, like Dr Sid Cara; but neither, as the referendum showed, are they the FLN and no one else. The least invalid way of determining Algerian opinion is by the elections that are to be held on November 30th. General de Gaulle has already acted to reduce army influence and interference in the vote. But, even so, the representatives likely to be produced cannot have the same authority and respect—in France or Algeria—as those delegated by an election in which the FLN had joined. The general's plans could probably go ahead, in some form, if the FLN remains utterly opposed to recognising what it calls French elections in Algeria. But if some candidates could have had the open, or even the tacit, approval of the rebels, years might well have been saved in working out a final political solution. This prospect now looks like being snatched away.

YET the circumstances that first produced the buzz of activity and hope remain unaffected, so far. The FLN may have blundered temporarily through its own political inexperience or through bad advice from its mentors in Cairo. Yet it must ultimately come to recognise that the situation has changed since the ominous days of May and June. General de Gaulle is firmly in office with massive popular support throughout France and popular expectation in Algeria itself. If there is to be a settlement in the foreseeable future, it will have to be with him. The general has firmly dismissed both integration as the settlers conceived it, and independence as the rebels have demanded it, as answers to Algeria's troubles. The FLN cannot hope to gain an outright victory either militarily or psychologically. But neither can the French army hope to stamp out the armed rebellion that has persisted since 1954. The Moslem population has now been promised a new status and a growing responsibility for running its own affairs. At the same time, the *ultras* among the colonists have been brought to heel; the army has been made to feel a new discipline from Paris; the dissatisfied colonels in search of a victory secured one when they brought General de Gaulle to power and another when they organised the successful referendum in September. The hopeful evolution of Algeria is already under way.

But fresh setbacks cannot be anything but dangerous. The breakdown in the slow progress towards a truce has already discouraged liberal expectations in France. It may revive latent army ambitions. Its effect on the general's own policy could be serious. For M. Bourguiba the prospect of the war continuing across his borders, and of FLN troops under Cairo's influence within them, is precarious in the extreme. Is it too late to pick up the threads again? Some of them seem sufficiently obvious. One of General de Gaulle's proposals was that the rebels should knock on the doors of the French embassies in Rabat and Tunis. Would it be too undignified for either side to have the main talks there? And would it be a pointless mission if Rabat and Tunis were to knock on the general's own door in Paris? The hopes that rest in General de Gaulle require of him that this shall not be his last word for peace in Algeria.

THE GOVERNMENT'S PROGRAMME

Operation Opportunity

WHAT is probably the last session of this Parliament is opening at one of those happy periods when it seems likely that total spending in the British economy can be raised by some hundreds of millions of pounds without automatically running into inflation. It is precisely at these periods when elbow room has been won by good management or good luck that there should be most constant vigilance about the use of it. A good introduction to vigilance this session may be the enunciation of three general principles.

First, the Government should concentrate any increase in its own spending this year on public capital formation. Among the top priorities, most people will agree, should be education and transport (with roads preferably higher than railways). To do the Government justice, it seems likely that Mr Amory's statement next week will satisfy this canon. What is important, however—and here officialdom's conversion is less evident—is that capital formation should never again become the first candidate for the axe when times for restraint recur. It should be recognised this time that public investment programmes, once in train, cannot without great waste be switched on and off. The main brunt in any future periods of restraint should fall on current expenditure and stock building.

Secondly, and because of this, Government current expenditure should not be increased at this time; instead every effort should continue to be made to reduce it. The main item affecting current expenditure in the new session's legislative programme—the Boyd-Carpenter pensions plan—does have the virtue that it seeks to close a deficit rather than open one; but, complicated though it is, it is quite clearly a makeshift. Other Government measures that will affect current spending are discussed below. It remains a misfortune that the Conservatives, although now near to the end of their second period of power, have done so little to economise on current transfer payments in the welfare state, by making them more discriminating.

Thirdly, it is as plain as a barn door that the extent to which total demand can be increased without running into inflation will depend mainly on how far Britain can avoid continuous wage inflation, whether it be inflation through arbitration or inflation through constant surrenders by the nationalised industries before the threat of strikes. The Government's decision in the new session to abolish the Industrial Disputes Tribunal is wise; the "compulsory arbitration" in which it dealt was in practice compulsory only on employers, and was therefore effective only when it acted (as it almost invariably did) as an inflationary force. But it is regrettable that no other nettle has been seized during this second Tory term either in the wider trade union field or in the field of the nationalised industries' wage bargaining.

There should be much less criticism of the things that the Government has put into its programme in this pre-election session than of the things that it has left out of it. But not all of the new legislation is necessarily going to have an easy passage.

THE BILLS IN DETAIL

THE most controversial new legislation may still be the bill which will oblige any British government to go though the parliamentary hoop when imposing certain **economic controls**, instead of relying (as hitherto) on left-over wartime emergency regulations. This may have a more important long-term effect than has been generally recognised. Experience suggests that when a physical control cannot be put into effect by prompt administrative decision it is much less likely to be resorted to.

A first study of the Emergency Laws Repeal Bill suggests that the imposition of two major controls which a Labour government might want to use would be slowed by it. First, a government would now have to introduce a separate bill, instead of relying on snap regulations, if it wanted to impose price control on any commodity other than milk, welfare foods, national health service drugs and commodities whose supplies from overseas had been suddenly interrupted (an "interruption" caused by shortage of foreign exchange would not count as justification for the purposes of this regulation). Secondly, building licences could not now be imposed without the introduction of a separate bill; there is some dispute whether they could have been so imposed even under the dying regulations. Are either of these restrictions on would-be controllers so very improper?

The most significant medium-term consequence of the end of building licensing in 1954 proved to be the building of supermarkets and new sorts of stores, which have begun to break through retail price maintenance rings; contrary to most people's expectation the lifting of this control has been a step towards restraining inflation, instead of towards opening the door to it. Before any government re-imposes such a control, or price control on a domestic product, it seems more than reasonable that it should be obliged to subject its case to parliamentary argument by the introduction of a bill.

Indeed, a better case can be made out for complaining that the Government has been too cautious in the Emergency Laws Repeal Bill than too rash. Under it, rationing measures on "interrupted" overseas supplies, such as petrol rationing at the time of Suez, can still be imposed without a separate parliamentary bill; all exchange controls are left free from parliamentary (as distinct from administrative) review until this bill expires in 1964; and it is specifically provided that hire purchase controls, although they have at last been temporarily abandoned this week, can still be re-imposed by regulation.

WHILE the most controversial legislation of the session may be that concerned with economic controls, the most complicated will be the three bills from the over-worked Ministry of Housing and Local Government. The first of these, the new Town and Country Planning Bill, was published on Wednesday. To say that Mr Brooke is introducing "fair market values" for all **compulsory purchases** is an over-simplification. What he is doing is to ensure that the man who is compelled to sell his house or land to the authorities will get the same price as the man who voluntarily sells that house or land on the present open market as it is controlled by present planning regulations; there will be no change in the compensation (if any) payable when the owner of a house or (e.g) a bankrupt cinema is refused permission to replace it by a profitable departmental store, because a local authority thinks that a house or cinema should still be kept on that site.

It is difficult to see how any fair-minded person can object to such rectifications as are contained in this bill. The Government estimates that some £38½ million was spent on compulsory purchases last year (£5½ million by government departments and £33 million by the local authorities) and that the new bill would have increased the cost of these by between £9 and £10 million. This means that last year the community robbed between £9 and £10 million from people who were unlucky enough to have their properties compulsorily acquired. The many technical complications in the way of the new measure (see page 396) have been tackled energetically, and at first sight rather well.

MR BROOKE'S second measure, that to encourage **house-ownership**, is likely to be explained in detail in a white paper next week. Meanwhile, the Prime Minister has jumped the gun by announcing that it will take the form of government advances to building societies. These advances will apparently vary according to the amount of mortgage lending that these societies do in respect of older and smaller houses (which are the sort of houses that most poorer prospective owners want but for which mortgage finance is not nowadays usually available). If one accepts the dubious principle that any government aid should be given to home ownership (at a time when other housing subsidies are rightly being withdawn), straight government investment in building societies seems to be the best way of going about it; it is difficult to see why the Labour party—which regards government investment in other forms of private enterprise as good Gaitskellite socialism—is so het up about this. The scheme should help house-getting without encouraging unnecessary numbers of new houses to be put up; as the help will go mainly to the needier house-owners, it has some elements of a social service in it; and, above all, the building societies, not the gentlemen in Whitehall, will judge the individual risk. The implications of the proposed bill for the building societies movement are discussed on page 436.

THE third bill from Mr Brooke will deal with "the future management of the **New Towns.**" When the development corporations that have built these towns have completed their job, one of three things could be done with the houses in which they have invested so much taxpayers' money. First—the solution ostensibly favoured by Labour—all their property could be handed over to the local (and mostly Labour-controlled) authorities in the constituencies which the new towns serve; these very young and inexperienced authorities, besides carrying on all the other functions of local government, would suddenly become monopoly landlords of their area. Secondly, some Tories think that the houses should be sold off in a hurry to their present occupants or to private enterprise; a mass disposal operation of this sort would carry some of the same dangers as mass municipalisation. It seems probable from the wording of the Queen's speech that Mr Brooke has wisely plumped for the third alternative: namely the establishment of a managing agency or agencies for these towns, to take over where the development corporations leave off.

THE measure to reform the laws relating to **mental health** will presumably adopt the recommendations of the Percy Commission that the existing legal categories of mentally ill people (voluntary, certified, temporary) and of mental defectives (idiots, imbeciles, feeble-minded and moral defectives) should be abolished. These legal definitions will be replaced, mainly for administrative purposes, by two or three much wider terms, and the effect will be to blur the existing sharp distinction between the mental health services and the rest of the national health service. Patients will be able to enter whatever hospital is best for their case; and although in practice this will mean that the great majority of them will continue to be treated in the existing mental hospitals, the abolition of much of the present legal procedure should help to eliminate the stigma that is now associated with these hospitals.

The complications of the bill will arise over the proposed powers for enabling patients to be cared for compulsorily, when such care is considered essential for their own welfare or for the safety of others and when they themselves refuse it. This part of the bill will be particularly difficult if the Government attempts to adopt the royal commission's proposals for the compulsory care of some psychopaths and especially if the bill attempts to give a legal definition to the term. It would be wise to avoid such a definition.

THE white paper on aid to **small farmers** was due to be published on Thursday afternoon. The realistic argument for this measure is: (a) continuing (but not increasing) aid to farmers is politically inevitable; (b) there has always been (and there will always be) a bias in favour of directing it towards small farmers, because there are more of them; (c) the worst way of giving effect to this bias is to continue to "grant special consideration" at the annual price reviews to things that small farmers can produce most easily, because this is bound to lead to periodic gluts of milk, pigs and eggs.

So the wiser course is: (1) to grant capital assistance to small farmers who put forward detailed plans for making their uneconomic holdings viable; (2) to ensure that this will not be a continuing dole to the inefficient by fixing a set term of years to each grant of individual assistance; (3) to see that the money concerned comes mainly out of other forms of aid to agriculture and is not a net new strain on the taxpayer. The indications to date have been that Mr Hare is going to be reasonably brave about this. Two subsidiary points to watch will be whether he is wise enough to include in his bill some provision for helping off the land, and into other occupations, those small farmers

who will never be self-supporting, and whether the bill contains sufficient powers to deal with the fragmentation of small holdings.

AMONG the relatively minor measures, the danger about the repeal of the **Catering Wages Act** is that it may be far too minor. The Government's idea is that the catering wages boards should be renamed wages councils (coming within the scope of the more general Wages Council Act), and should then continue with the same work as now. The main purpose of this change would be to put the Catering Wages Commission out of its agony ; the commission, having completed all its other tasks, found that the restrictive wording of the Catering Wages Act prevented it from applying its own restrictions to unlicensed hotels, boarding houses and hostels. The trade unions' hope is that the Government may now set up a wages council for these. There is a strong case for saying that boarding houses should operate under the same rules about their staff as do the bigger hotels, but that is merely another way of saying that present catering labour regulations (e.g., about what overtime rates a hotel should pay in the evening or on a Sunday, about hours and other conditions) should be made much more flexible. These things should be determined much more in free local bargaining, and much less by central control.

The measure for **protecting red deer in Scotland** is directed at the unsporting gentry who drive out from Glasgow in cars to slaughter the gentle hind with submachine guns and then sell them to butchers. Drastic penalties were proposed by a committee in 1951, and a private bill was enthusiastically passed in the Lords in 1952 ; it then failed in the Commons because farmers objected to the proposal for a " close season " when they would not be allowed to kill marauding deer that were ruining their crops. Now the close season is to operate only after 1962 ; the penalties proposed for these admittedly unpleasant poachers (up to two years' imprisonment and forfeiture of their vehicles) seem startling enough to deserve scrutiny by the Commons.

The changes in the **Factories Act** have two main purposes. First, they will carry out promises made by the Ministry of Labour after the disastrous mill fire at Keighley in February 1956. The main aim here is to give fire prevention officers the same right of access to industrial premises that inspectors now have. Secondly, some account is to be taken of new hazards coming from new machines. This part of the bill will need careful watching to see that restrictive practices are not being smuggled in under the guise of safety. (Moreover it is of relatively little use to go on passing fresh factory legislation if the existing laws are so inadequately enforced.)

A measure which was not announced in the Queen's speech, but which has been revealed since it, is the decision to allow **political parties to use as many motor cars as they like** to carry voters to the poll at an election. The present restrictions on the use of cars were imposed by the Labour government, without agreement from the Speaker's conference, in 1948 ; they were dictated by the belief that only rich Tories use motor cars. Hitherto the Tories have not repealed this nonsense because they feared that Labour would be angry. Now the Government (or Lord Hailsham ?) has rightly deduced that if Labour MPs are exaggeratedly angry, they will show themselves in a very bad light in the country. Mr Macmillan gleefully trailed his coat when announcing the bill.

Aswan Again

The Russian offer to finance some of the preliminary stages of the High Dam may mark a decisive turn in the Middle East

THE Aswan High Dam has now turned up for the second time in the chain of relations between Egypt and the great powers. To the Egyptians the project is a portent of hope, as well as a symbol of national defiance. To the West it has a disturbing ring, evoking the procession of crises that followed the western refusal to invest in an Egyptian government that was buying arms from the East. The analogy between these two stages in the pre-history of the High Dam should not be carried too far ; the Russian offer to finance some of the preliminary work has not set off any violent reaction, and none seems imminent. But the new move has to be seen in the shifting light of Middle East politics. The chain is not yet unwound.

At a reception in Moscow for Marshal Amer, the defence minister of the United Arab Republic, on October 23rd, Mr Khrushchev announced that his government would give Egypt credit for 400 million roubles. This is to be used for Soviet equipment, machines and materials for the first stage of the High Dam, which entails the construction of two cofferdams and seven diversionary tunnels. At the official rate of exchange, the credit works out at about £33 million, but presumably the true value of the loan depends on how much the Soviet Union charges for its goods. This stage of the scheme is expected to take four years ; the UAR intends to pay its share of the cost out of the operating surplus on the Suez Canal.

There has been no indication that the Russians have committed themselves to anything more than the first stage. In 1956, the World Bank, which was going to lend the foreign currency for the final stage, estimated that the complete project would take about 18 years and cost £460 million. There are thus two snags in the Soviet offer: Egypt has no security that the whole project will ever be finished ; and all the equipment and know-how will have to come willy-nilly from the Soviet block. But these disadvantages are forgotten in the triumphant fact that Russia has come up with money that the West clumsily refused.

Earlier this year, when a Russian offer still seemed

remote, Egyptian leaders had apparently resigned themselves to going slow over the dam. They had never dropped their belief in the scheme as a cure-all (although senior officials in the ministry of agriculture privately considered that the expectation of winning two million acres of irrigated land was inflated, and could be cut by half) but they were more or less reconciled to a five-year delay before the first stage could be tackled. In the meantime, a British firm of consultant engineers was quietly working on the plans under a contract signed just before the Suez crisis, and the Egyptian government was going ahead with building a few roads in the area.

Now the chance to plunge straight in has come at an opportune time for President Nasser. The present impediments to any new foreign adventure make a grand gesture in the direction of economic development particularly alluring, and the Russian offer irresistible. The deal can be represented as a glorious one in the eye for the West and a triumph for Nasser's iron will. Egyptians nervous of deep involvement with Russia will have no chance of being heard above the happy junketing. But the new deal, of which the money for the dam may be no more than a part, may yet appear in retrospect as a decisive point in the glide away from neutralism.

MR KHRUSHCHEV'S offer destroys the never well founded hope expressed by some western newspapers that relations between Cairo and Moscow have been cooling off. Probably Russia, like any other benefactor, has been criticised by the recipient ; this may give pleasure in the West, but it does not mean much. Egypt may have been carping at the types of industrial equipment supplied under the £62 million agreement signed in January. The Egyptian five-year plan calls for heavy industrial expansion, particularly in steel, but the bulk of Soviet deliveries have been for investments in light industry. It may even be that the Russians have a sounder appreciation of Egyptian needs than the planners themselves.

In addition to its success in Moscow, Cairo has pulled off two deals with Bonn and Tokyo. The west German government has promised a long-term credit guarantee for exports worth £34 million, and the Japanese have granted credits of about £10 million. Egypt has also been able to fix barter deals with Spain, Italy, France, Jugoslavia and others. But the overriding fact in its economy is that the Soviet Union is far and away the largest buyer of Egyptian cotton, and is followed, at a considerable distance, by China and Czechoslovakia. Yet Egypt buys only a quarter of its imports from the Soviet block. Thus it has a large surplus, on paper, with Russia and Eastern Europe, while elsewhere it is badly in the red. The tanks, aircraft and submarines that the UAR got from the Soviet block appear nowhere in the trade returns ; undoubtedly the payment for them mops up some of the surplus. Either Egypt has " mortgaged its cotton crop for arms," as western critics said, or else no country but the Soviet Union has come forward to buy the cotton. Whichever explanation is true, Egypt is now heavily dependent on the Soviet orbit for trade as well as for aid.

Cairo has shown less and less desire to seek counterbalancing links with the West, The last six months have seen a change for the worse. In the spring the air was balmy enough to make it look possible to cultivate equable, if not cordial, relations between the UAR and the West. But the cultivators dragged their feet, and new storms in Lebanon and Iraq, culminating in the landing of American and British troops, blew away the seeds. The press and radio in Cairo are now engaged in a fierce anti-western campaign, attacking Britain and America for old-fashioned imperialist intrigues.

THE British Government never made its desire to take advantage of the spring breezes evident beyond question. A working relationship between Britain and the UAR still waits on a financial settlement, without which the diplomatic channels are wholly, and the commercial channels largely, blocked. From time to time the two sides have drifted close to agreement, but there has never been that determination that might have clinched it. Now it is the Egyptians who have stepped up their terms. Dr Fawzi, at the United Nations in August, seemed interested in agreement. But when the British delegates arrived in Rome not long after, they found the Egyptians more intractable than ever, and their terms stiffer.

The American reaction to the nationalisation of the canal two years ago was to freeze Egyptian assets in the United States and cut off all aid projects. Although it kept out of the conflict that followed, the State Department very soon come to attach more importance to repairing relations with London than with Cairo. After nearly two years of economic boycott, the United States has released the Egyptian money and has begun to thaw out suspended projects ; but no new schemes for aid or increased trade have been started. In the early summer, and particularly at the time of President Nasser's first visit to the Soviet Union, there were reports that the State Department was " rethinking " its Middle East policy on the assumption that President Nasser had come to stay. But nothing happened.

As it seems, Washington and London have decided not to compete with the Russians in Egypt. This exhibition of *sang froid* must mean one of two things: either they have concluded that Egypt is after all not as important as it looked—which is unlikely—or they are waiting for some new turn of events that will work in their favour. Such a turn of events could be a deterioration in Egypt's relations with Russia ; or it could be the fall of Nasser himself, possibly in the course of a new outbreak of the Palestine war. The two governments seem to see no other course but to wait. But, in the last decade, stalling between crises has not conspicuously worked to the advantage of the West.

NOTES OF THE WEEK

THE PAPACY

John XXIII

On Tuesday afternoon the puffs of smoke emerging from the chimney above the Sistine chapel at last turned out to be officially white; after twelve attempts the cardinals in conclave had elected a new Pope. Their choice has fallen on Cardinal Roncalli, the Patriarch of Venice, who has taken the name of John XXIII. The last Pope John (apart from a fifteenth century anti-pope) was a Frenchman who ruled from 1316 to 1334. His pontificate was stormy, much troubled by disputes over the independence of the lay power (then in dispute between Louis of Bavaria and Frederick of Austria) and by theological controversy with the upholders of absolute religious poverty. His twentieth century namesake has begun his pontificate with an eloquent and uncompromising appeal to the rulers of the world for peace and social justice.

On past form this conclave has not been a long one; yet it was long enough to suggest that no universally acceptable candidate presented himself and that the cardinals' search for a compromise was none too easy. They did not have recourse to either of two much canvassed, but never very probable, courses; they did not elect a non-Italian and they did not look outside the College of Cardinals—in particular to Archbishop Montini of Milan. But they did choose an elderly man (the new Pope is nearly 77) whose presumably fairly short reign will not commit the Papacy too heavily in any one direction.

It would, however, be quite wrong to write off the new pontificate as a colourless period of marking-time. John XXIII may be elderly, and he is unlikely to align himself with either the innovators or the traditionalists in the Vatican, but he is a robust man, active and capable of initiative, interested in social problems (he is said to have pleaded with Pius XII on behalf of the French worker-priests) and with a mind not closed to liberal ideas. He has a wide experience of papal diplomacy in Bulgaria, Greece and Turkey and, above all, in France during the difficult postwar years. The six French cardinals are believed to have supported his candidature from the beginning and his election should lead to a marked improvement in the relations between the Vatican and the French Church. Indeed, there are hopes of a general departure from the over-centralised and highly personal rule of his predecessor.

NUCLEAR TESTS

The Final Test?

Can the ending of atomic bomb tests be at hand? Admittedly the omens are not auspicious as the Geneva conference opens. The Soviet government has thumpingly announced its intention of having at least enough further big bangs to equal the combined American and British score since March 31st, when Russia's last series ended. This odd kind of gamesmanship will apparently keep the Russians banging away well past Guy Fawkes night; and, perhaps unfortunately, it will release Britain and the United States from their undertaking to halt tests from today on if Russia does the same. The Russians were making tests in October at a rate of one every two days, and the Americans let off their answering salvo. The outlook seems thick with dust and doubt.

Yet there are other considerations. As the powers are seldom wholly frank about the numbers of bombs they explode, their exact score is uncertain. Moscow might yet, without much loss of face, call at least a temporary halt as from today. Its latest gambits inevitably recall how, on the eve of the scientists' talks on test controls in July, Moscow made a show of not taking part—and then quietly climbed down. Cry-wolf tactics, too often repeated, have been yielding diminishing returns to Soviet diplomacy, which would be well advised to discard them; but they have not been discarded yet, though Mr Zorin seems already to be moderating the menacing tone he used in New York on Monday.

Suppose, then, that nuclear silence does fall, either today or within a week or two: will there not then be a much greater reluctance to shatter it than ever before? At Geneva Mr Ormsby-Gore and his colleagues can wrangle long and scholastically about whether an agreed suspension of tests should be for one year in the first instance or hypothetically permanent (the Soviet formula is more attractive, the western one more honest). But the hard facts are that America, Britain and Russia are all now publicly committed to suspension if it is policed—and that their own scientists have agreed that it can be policed. Thus, more odium than ever before may now fall upon whoever shatters the silence. Is there any military advantage to be gained that would outweigh that odium? It is a tricky equation to solve—not least for France, which has just signalised its independent position by announcing that it will abstain on the Anglo-American disarmament resolution in the United Nations Assembly.

PARLIAMENT

Tapestry and Tasks

The gorgeous display of the State Opening will have left the televiewing though colour blind public more impressed with the "dignified" than with the "efficient" parts of government. Both television commentators—with Mr Day of ITV being much more pointed than Mr Dimbleby of the BBC—attempted to right the balance. But if the public is to go on being allowed to peep inside the Palace of Westminster once a year the pressure is sure to increase for some sort of "television Hansard" to spotlight the actual work that is done and the drab-looking people who do it. The success of Tuesday's television reporting may

have brought MPs nearer to the realisation that there is no good reason why the steady forward creep of the cameras should be resisted.

The substance of the Queen's Speech was obviously designed to give the impression that, in what is almost certainly the last session of this Parliament, there is, in the Prime Minister's words, to be "no tailing off, no diminution of our energies, no staleness, no weariness of office." To judge from the first two days Mr Macmillan's formula for this session is a combination of aggressiveness in debate (he fairly laid about a mild-mannered Mr Gaitskell) and a full calendar of measures, most of which are not very controversial but which cannot be dismissed as insubstantial.

Over most of the field the Opposition have so far given the impression of being rather subdued. Mr Gaitskell is worried about his party getting the reputation of being an unpatriotic, namby-pamby lot both at home and abroad. This may explain his choice of crime as a subject for debate this Friday, presumably to show that the Tories have no monopoly in wanting to do something about the young thug. On the other hand, apart from Cyprus—and even there he cautiously avoided all reference to the conduct of British troops—Mr Gaitskell treated foreign affairs in a low key. It was left to Mr Grimond to pose the searching queries about foreign policy and defence that one would expect from an Opposition—demanding an answer to Lord Montgomery's scathing criticisms of Nato and questioning the credibility of the western deterrent in the absence of adequate mobile conventional forces.

The one issue on which the Opposition goes into battle with a spring in its step is that of pensions, because Mr Boyd Carpenter's scheme, now it is out, looks much less electorally seductive than his opponents had feared it was going to be. The second major domestic issue might be unemployment. Mr Griffiths on Wednesday gave a preview of the great speech he will make if there is a recession. But his leader will be inhibited for a while by his sensible professional judgment that if the recession comes at all it will not be a severe one, and by his personal experiences of the danger of crying "wolf."

MINISTERIAL CHANGES

Technologist in the Treasury

Apart from the preferment extended both to Scotland's premier baron and to its Hereditary Royal Standard Bearer, the main interest in the latest ministerial changes lies in the revival of the Economic Secretaryship to the Treasury. This is a useful office, which, since Mr Nigel Birch resigned last January with the rest of the Treasury team, has been held in abeyance—largely, it was rumoured, because Mr Birch, with his forcefully held (and in some Treasury quarters very popular) disinflationary views, was thought to have made it so powerful a source of influence that it would have been awkward all round to have replaced him straight away with a different kind of minister. By now, however, Mr Amory will have learned for himself the value of being able to delegate some of the decisions on internal economic planning to another politician rather than to civil servants, especially in view of the differing approaches that are occasionally inevitable among some of the particular senior officials concerned.

The choice of Mr F. J. Erroll, who has done well at the Board of Trade, to fill the Economic Secretaryship, puts an electrical engineer among the usual Treasury classicists. It means that the administrative arguments in favour of a third, hardworking but uncontroversial Treasury minister outweighed the much canvassed parliamentary need for the return of Sir Edward Boyle to bandy economists' arguments with Mr Gaitskell.

The vacancy at the Board of Trade brings junior office to another of the "One Nation" group, Mr John Rodgers. He is very much a Sir David Eccles's man, having been Sir David's parliamentary private secretary in one ministerial capacity or another since 1951. Otherwise Mr Rodgers is mainly known as the advertiser who headed the lobby which helped to push the Government into commercial television.

The other changes represent a redeployment of the Government's forces in the House of Lords. It is a great pity that Lord Mancroft, one of the Government's more accomplished spokesmen in either House, but with a large family to support, has been unable to make ends meet on a Minister without Portfolio's £3,750 a year. If he had not inherited a peerage he might have expected to have gone further in politics. By contrast the Earl of Dundee, the Hereditary Royal Standard Bearer, who replaces him as chief spokesman for the domestic departments in the Lords, once sat in the Commons as plain Mr Scrymgeour-Wedderburn, but devoted large amounts of time and treasure to reviving a title which had been dormant since 1668.

In the Scottish Office, Lord Strathclyde, better known as Commander Galbraith, has made way for Lord Forbes, the premier baron of Scotland, who brings younger blood as well as more ancient lineage. At the Foreign Office, the Marquess of Lansdowne, head of a house with centuries of office behind it, assumes the Under Secretaryship which belonged to his grandfather eighty-six years ago. Mr Macmillan has paid proper, but politically unusual, Tory respects to the claims of breeding.

QUEMOY

From Foe to Friend?

The cat and mouse game off China's coast has taken on a subtle and peculiarly Chinese flavour. The Chinese communist defence minister, Marshal Peng Teh-huai, has ordered his shore batteries not to shell Quemoy's airfield, beach or wharf, or the incoming supply ships, on even dates. Supplies can thus reach the beleaguered Nationalist garrison every second day. With honeyed humanity, he has told the garrison:

> If there is a lack of anything, just tell us and we shall give it to you. It is time now to turn from foe to friend.

This offer, however, carries one condition—that no American warships escort the nationalist supply ships.

When the communists resumed their shelling of Quemoy during Mr Dulles's visit to Formosa last week, only to stop it after his departure, it was already apparent that their purpose was to embarrass the Americans rather than to get the Nationalists out of Quemoy and the other offshore islands. A continued lull during Mr Dulles's talks with Marshal Chiang Kai-shek would have made it easier for the Secretary of State to twist the Marshal's arm.

In the light of Marshal Peng's remarkable offer, it must be assumed that the communists wish to go further still: to

encourage the Nationalists to stay put, undermine their will to resist with offers of friendship, and eventually get them to change sides. It would be the surest way to smash the Nationalist regime altogether. One wonders how far Marshal Chiang is aware of this avoidable danger.

SOVIET UNION

Literary Politics

MR BORIS PASTERNAK'S position in Russia had long been uneasy, even before his failure to find a publisher there for *Dr Zhivago* brought his isolation into the public eye; when, in spite of Russian disapproval, the book appeared in the West, it began to appear inevitable that he would be caught up violently in the cold war. With the award of the Nobel Prize for Literature to Mr Pasternak, the storm broke over his head. At once the Soviet literary dogs were in full cry. *Literaturnaya Gazeta* described the award as an "act of provocation by international reaction" and as a "precisely planned ideological diversion." The Swedish academicians, it said, had based their decision on the merits of *Dr Zhivago*, a "malicious work, full of hatred of socialism." Although Mr Pasternak at first acknowledged the award gratefully, after five days of vicious attacks on him and his work in the Soviet press, and after his expulsion from the Soviet Union of Writers on Tuesday, he found it necessary to change his mind.

The Russians are perfectly entitled to question the motives that have determined the choice of the Swedish Academy (and the fact that their own awards are always determined by political considerations does not change the issue), but their treatment of Mr Pasternak is a ghastly example of the fate of the artist in Soviet society. Russian propaganda often makes the point that creative artists have better and more assured material conditions for work in communist than in western societies. But what price do they have to pay for it? What happens if they put their toe over the party line and are no longer considered to deserve the artist's privileged position? They are condemned to silence; the money is stopped; the writers' association turns nasty; the country villa is wanted for somebody else.

Not long ago the risks of nonconformity were even heavier. Even now, the threats have proved severe enough to force Mr Pasternak to withdraw his acceptance (for his telegram of October 24th could only be read as an acceptance) of the award. This he did in a second telegram to Stockholm on Wednesday.

> Because of the meaning attributed to this award in the society I live in I must refuse the undeserved prize awarded to me. Please do not regard my voluntary refusal with ill-feeling.

Even in bowing to the storm, Mr Pasternak has defined his position precisely and with skill.

POLAND

Writer Without a Country

MAREK HLASKO, one of the most gifted of the young Polish writers, came to Paris last spring with a valid passport. He has been in western Europe ever since, and last month he applied for political asylum in Berlin, believing the decision to have been forced on him by the Polish authorities, who refused to extend the validity of his passport. In spite of his youth—he is 25—Mr Hlasko is, in Poland, a famous writer. His novel *First Step into Clouds*, which appeared in 1956, was a best-seller; in January, 1958, he received the Polish publishers' award. Young Poles saw in his stories the reflection of their own life, of Poland under Nazi occupation and of the subsequent betrayal of their ideals by the communist dictatorship. The world Hlasko created was cruel and disenchanted. For some time, the Polish censors tolerated his writing, but his last story, *The Cemeteries*, they denied to the public: it eventually appeared in an emigré periodical in Paris. Ever since, Hlasko has been under fire from the official Polish press; he was described as a "prima donna of one week," his talent as well as his character was questioned and, finally, he was dismissed as one of the anonymous ranks of anti-communist writers whose only creed is a cynical nihilism.

In a letter to the official *Trybuna Ludu*, which the paper never published, Hlasko defended himself against such charges: he expressed his belief in the right of young people to protest; he insisted that it was not they who made Poland into what it is and that the opposite was true. At the same time he said that a writer could not exist without his country. This was before Hlasko's final decision to stay abroad. Yet another congress of "cultural activists" is being planned in Warsaw; as the pressure on writers grows heavier, the choice grows harder for those who will not conform.

TOWN AND COUNTRY PLANNING BILL

Just Measure

WHEN Mr Corfield, the Conservative member for South Gloucestershire, tried to introduce a private member's bill in the last session of Parliament to base compensation for compulsory purchase on fair market values his bill took up six pages of print. Mr Henry Brooke's government bill, published this week, takes up 77 pages of print. Conservative backbenchers may now understand why Mr Brooke argued that the Corfield bill did not cover all the necessary technical points, and why he resisted their suggestions that the proper course was to accept that bill and "amend it in committee."

The essential aim of Mr Brooke's bill is that anybody whose land is compulsorily acquired by a government department or local authority should henceforth be able to ask the same price for it as a voluntary seller would get on the open market—although the "market value" of any land, under either voluntary or compulsory purchase, will continue to be heavily affected by the use allowed for that land by the planning authorities. Where the purchasing authority does not agree with the owner about what is fair market value, an appeal can be made to the Lands Tribunal. Presumably these appeals are especially likely to be made when there is a dispute about what sort of planning permission would have been attached to the land if it had not been acquired compulsorily. The bill also carries into effect certain recommendations of the Franks committee about procedure on compensation tribunals, which were deliberately not dealt with in the legislation last session.

Certain special cases of possible hardship are to be dealt with admirably fairly. The bill provides that an owner can claim additional compensation if his land is compulsorily bought for one purpose and is later (within five years) used for another purpose which makes it more valuable. The owner-occupier of a house who wants to move but finds that some published feature of a local authority plan makes it impossible to sell his house at a decent price—e.g., when some future road development scheme is scheduled to run right through it—will be enabled to require the relevant public authority to buy his house at fair market value forthwith. (But this provision will not automatically apply to property other than house property.) The difficult case of open land which is acquired for purposes to which no fixed market value can be allotted (e.g., for a school or a sewage farm) will be solved by the grant of "planning certificates," declaring for what other purposes the land concerned might have been allowed to be used. In the case of areas scheduled for "comprehensive development," the bill seeks to avoid the unfairness that one man whose land might be scheduled as the site of a road would get much less than a neighbour who was scheduled to have a department store built on his land; in these areas the assessment of "fair market value" will ignore details of

A Foundation for Free Nigeria

THE communique issued at the end of the Nigerian constitutional conference on Monday summarises the new federal constitution for independent Nigeria and the arrangements that are to govern the transitional period to October 1, 1960; the full details will be issued shortly as a white paper. The main lines of the many-sided compact between the Nigerian political parties, the Nigerian regional and federal governments and the British government are however broadly clear.

(1) *The Timetable.* The Northern Region will become fully self-governing like the other two regions next April. British responsibilities will then be immediately reduced to the (important) powers of the Governor General at Lagos. A federal general election will follow in the autumn of 1959, the earliest date consistent with completion of the federal electoral register. The British Government has strictly guaranteed complete fairness for campaigning and voting in this last election under colonial auspices. When the new federal house assembles it will pass a resolution asking for independence in 1960; Britain has agreed in advance to accept this, although the British parliamentary timetable makes October 1st, 1960, the earliest possible date. One thing could delay independence until slightly later. If Mr Awolowo's Action Group wins the 1959 election, it will demand the setting up of new regions in minority areas; in this event the British Government will call a minorities conference, and *if* new regions are then agreed, will not guarantee to get all these arrangements and federal independence through by October, 1960.

(2) *Federal Powers.* The agreement reached on the relation of centre and regions over police and finance was outlined in *The Economist* last week. It is now additionally clear that, with the proviso about a possible minorities conference, the Nigerian delegates have accepted the Willink recommendations that there is no case for new regions to meet the wishes of tribal minorities. Immediately, all that will be done is to set up "minority areas" for the Benin Delta and Calabar, with elected councils to watch over their rights and welfare; a Niger delta economic council is to be added; significantly, no mention is made of the "Middle Belt" non-muslim minorities in the Northern Region, beyond a "noting" of the North's intentions to devolve power to elected provincial bodies (roughly, the Ghana compromise). But elaborate provisions are now set out for changing the federal constitution; since this implies the possibility of altering boundaries, the North has given ground here. But these provisions still leave the North in a strong position to veto change because changes in the entrenched clauses will require (a) a two-thirds majority in the federal house, which will be impossible unless many northern members agree even if all other members are in favour; and (b) the concurrence of at least two regional legislatures, including, for the creation of new regions, the region affected, with a referendum thereafter. This procedure will also be followed in deciding the disputed status of Ilorin, claimed from the North by the West.

(3) *Southern Cameroons.* This trust territory is to progress to regional status. If it elects to become a region and not, after the UN plebiscite, to join French Cameroons, it could have some importance as a balancing region.

(4) *Relations with Britain.* Nigeria wants to stay in the Commonwealth and it is making a defence treaty with Britain (important because of the steady loss of British free air space for fly-over purposes).

(5) *The Federal Election, 1959.* This will be critical. It will test the minorities' power to express their feelings, and will offer the last chance for the Action Group to champion new regions before the complicated procedure of constitutional amendment becomes operative. For the Northern People's party, on the other hand, a decisive victory in its region would give it an indefinite veto on change and the possibility of governing Nigeria without being heavily dependent on Dr Azikiwe and his National Council of Nigeria and the Cameroons party—for whose support a high price is asked, probably the prime ministership for Dr Azikiwe. The NCNC must equally win a lot of seats to exact this price.

(6) *Parliamentary Government.* A study of the details of the communique shows that there are checks and balances in Nigeria, absent in Ghana, which may keep party government a reality, at least in the federal centre. There is obviously still a danger of a conservative dictatorship becoming entrenched in the North. But two developments suggest that the North may have to agree to a minimum of opposition party organisation and minority political activity in its territory even after British fair play is withdrawn.

First the North has agreed to promise basic human rights in its constitution; second, and more important, the Northern legal system is to be re-formed along the lines of the Sudan judicial code, which ought to curb the arbitrary powers of imprisonment and prohibition of meetings now wielded by the Emirs. This gives Mr Awolowo a little of his minimum conditions; but for his earlier determination even this might not have been achieved.

Two things are clear from the negotiations. First, it was a hard and stubbornly fought battle, testifying to intense political rivalries in Nigeria. Secondly, almost every compromise solution and formula came from British civil servants—the Nigerians showed almost no power to put up constructive schemes themselves. Thus they gain independence with little experience of, and only modest aptitude for, the practical arts in a vastly diverse territory with a complex political structure. Much appears to depend on their readiness to retain expatriate services in the immediate future—and the ability of the centre, with the strengthened authority that will come from responsibility for law and order and external affairs, to give liberal-minded leadership in the regions, as well as in Nigeria as a whole.

the development plan, and an assessment will be made for the value of land over the "comprehensively developed" area as a whole.

Three Likely Effects

THE immediate effect of all this will be that the amounts paid by public authorities for compulsory purchase of land (£38½ million last year) are likely to rise by about a quarter. This is the measure of the amount that has been mulcted from unlucky owners each year by existing legislation. It is not really likely that this extra "burden" of having to accord fair play will hold up many public authority development programmes that are economically desirable. The one case in which this danger of unfairness to public authorities could arise is in areas which are being comprehensively developed, and in which the authorities themselves are mainly responsible for enhancing site values; this will need to be watched. In general, however, three things may now be expected to happen.

First, the volume of compulsory purchasing may go down. Public authorities may now be a little more inclined to look round for owners who want to sell their land, rather than batter through any and every project by the bulldozer of compulsory purchase; they may sometimes actually save money if they can find a willing seller on an alternative site instead of bargaining with an unwilling one. Secondly, and there may be more doubts about the desirability of this, local authorities may now be inclined to buy the land they want for any development project at an earlier date, rather than wait to buy it piecemeal; previously they could not lose much by waiting (since they paid for development values, as distinct from current use values, only at 1947 levels), but now they may be more afraid of general market values rising against them. Thirdly, and for the Minister rather depressingly, now that compensation problems for compulsory purchase are to be eased, problems arising from the vicissitudes of planning permission may come up to the top of the pack of complaints by Conservative backbenchers. This overdue reform will be the third Town and Country Planning Bill in ten years. But one doubts very much whether it will be the last one.

THE PRISON SERVICE

Higher Pay for Warders

THE improvement in the penal system and more effective methods of dealing with offenders, mentioned in the Queen's speech, do not need legislation. It is not a new Criminal Justice Bill that is promised but rather, as Mr Butler foreshadowed at the Tory party conference, the further implementation of the policy already laid down by the Act of 1948: in other words, that people, especially young people, should be kept out of prison wherever possible and that, when a prison sentence is inevitable, it should be regarded as a rehabilitating process rather than purely custodial.

This, however, means a different outlook on the part of prison officers, who are expected, in an up-to-date penal system, to combine social welfare functions with disciplinary ones. The problem is how to ensure that the right staff are recruited to carry out this dual task. The prison service is not, at present, an attractive career. One of its chief drawbacks, as the committee on remuneration and conditions of service emphasises in its report (Cmnd 544), is the slowness of promotion. A basic grade officer has to serve 18 or 19 years to reach the rank of principal officer and probably another ten before he can hope to become a chief officer class I. During this period of nearly thirty years his ordinary pay will rise from £9 8s. a week on entry to £14 11s., which is the maximum for a chief officer class II —though there are certain allowances and overtime in addition. The committee recommends increases in pay varying from an additional 26s. to 32s. a week (depending on length of service) at the top of the officer grade to an additional £5 16s. 6d. a week for the chief officer class I. The highest salary in the governor class would be £2,250 a year, against the present £2,050.

The difficulties regarding promotion will remain. But the committee's recommendation that after ten years' service officers should be able to take a vocational examination that would entitle them, if successful, to the minimum pay of a principal officer would provide an intermediate goal to work for. And its strictures on the living conditions for many prison staffs should, if acted on, remove another barrier to the recruitment of the right people. In the meantime a great deal could be done within each prison to change the attitude of the existing prison officers towards the prisoners if their superiors, from the governor downwards, encouraged them to appreciate the importance of their social welfare function.

EUROPE

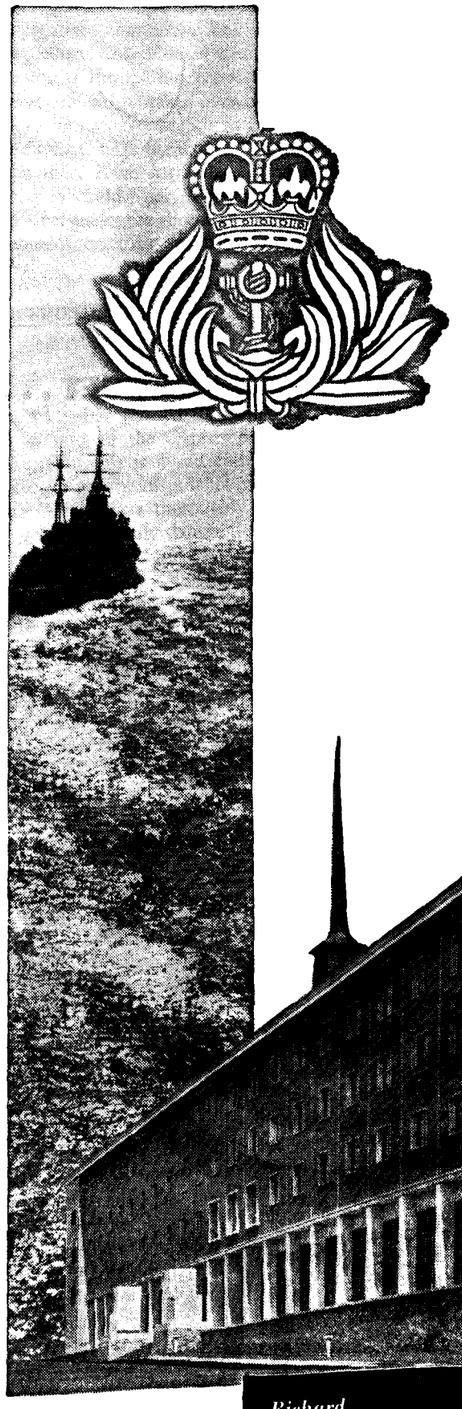
Mock Battle in Paris

TO judge from the shrill threats and cries of disaster from the Chateau de la Muette, one would not have thought that within its walls a negotiation was taking place between allies and friends. Yet either because of or despite the noise Mr Maudling's committee on the free trade area has inched forward in one significant respect. For the first time, there has been a serious discussion at the political level on key issues between the principal disputants.

Credit for this must go in part to M. Wormser, the French representative. Last Friday M. Wormser put a question that struck at the heart of the differences between France and Britain. Even if agreement is reached, has a country in a free trade area got the right to upset the whole calculation by altering its outer tariff when it feels like it? Behind the question lay heartfelt French doubts—whether the free trade area involves a sufficient political commitment to European policies, and whether it can give French industry the protection it desires. Something like a real negotiation on this question, with France's partners playing an active mediatory role behind the scenes, has since begun.

The danger that the talks will drag on, making little progress, remains. Mr Maudling demanded eloquently and forcefully that the Ministers sit on in Paris and fight the issues out to the end on the political level. Not everyone shared his wish for haste, but a compromise was reached for political meetings to give leadership to the work of the experts of the Six and of OEEC.

All this is a far cry from a free trade area by the end of the year. It is much more likely that there will be long dragging talks, punctuated perhaps by *ad hoc* arrangements to get rid of the worst discrimination whenever the Six make a move. The French Government has chosen this moment to mention that it has not yet taken a decision of



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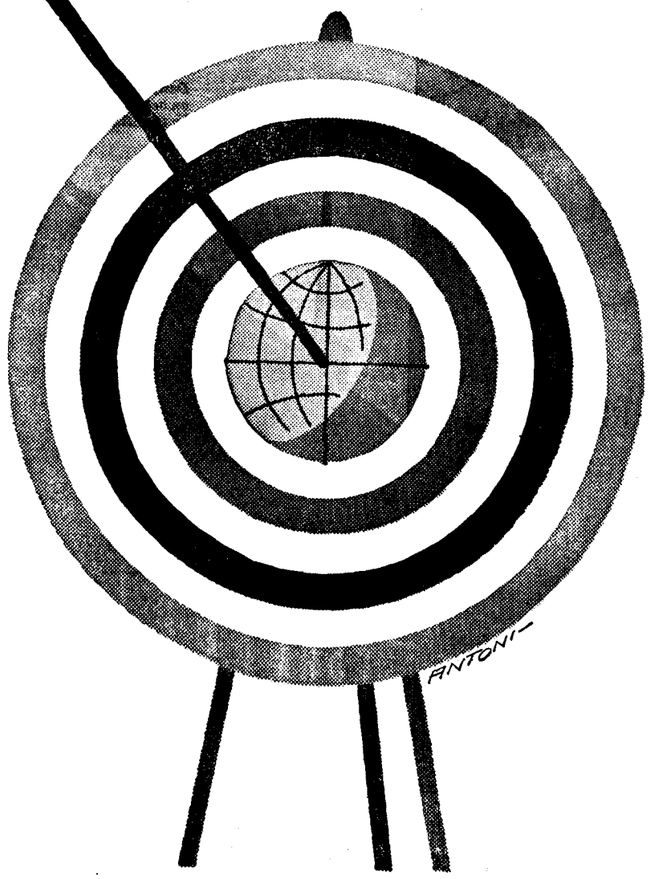

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principle about the free trade area at all. In this stalemate, suggestions continue to be made for a change in negotiating procedure. M. Monnet's Action Committee for the United States of Europe has proposed that the negotiations themselves should be taken over by the commission of the European community, dealing as a unit with the other eleven. If the OEEC talks break down this may have to be tried next. But there is no particular reason to believe that the commission could—nor even any certainty that it would wish to—persuade the French to change their line. For the moment energies are best concentrated on the effort in Paris.

CYPRUS

Nato Gives Up

NATO has washed its hands, for the time being at any rate, of the Cyprus problem. It could do nothing else; but this is a sad end to nearly a month of patient effort to get the disputants round a conference table. That the Greeks have thoroughly exasperated their Nato allies, and have certainly damaged their chances of a sympathetic hearing at the United Nations, is no consolation at all.

A week ago Britain had made important concessions to the Greek point of view, and the Turks were being remarkably accommodating; the chances of a conference looked good. In particular, the British Government, while insisting that its seven-year plan should be the basis of discussion, agreed to include the question of a final solution on the conference's agenda—and Mr Macmillan emphasised in the House of Commons on Tuesday that he intended the discussion of this to be "sincere and thorough." The Government also agreed to accept Archbishop Makarios as the representative of the Greek Cypriots, and to meet the Greek demand that the composition of the conference should be enlarged to include M. Spaak and representatives of one or more neutral countries. But over last weekend the Greek government let it be known in Athens that without guarantees that the proposed conference would be "constructive," it would not take part.

Mr Karamanlis appears to have taken this line on the vehement insistence of the archbishop. What considerations of local politics and personal power and prestige prompted the archbishop can only be guessed at. In a newspaper interview last week he appeared to exclude union with Greece permanently in favour of independence; it provoked strong reactions from Greek opposition parties as well as from the Bishop of Kyrenia in the ethnarchy council, and the archbishop may have felt uncertain of his backing. This is speculation; but it is certain that many Greek Cypriots will be deeply disappointed that the conference is off. Mr Macmillan has been careful to leave the door to a meeting ajar; it is much to be hoped that the Greek government will find the means and the courage to push it open again.

JUGOSLAVIA

Mr Popovic's Visit

THE Jugoslavs received a sharp reminder this summer that to build their economic development on Soviet economic aid is to build it on shifting sands. In May, Soviet block credits, which were to amount to $285 million, for the exploitation of aluminium deposits and the construction of fertiliser plants, were "postponed"; and in August the Russians stopped the promised delivery of 200,000 tons of wheat. The Jugoslavs, determined that no economic pressure should undermine their political and ideological independence, at once began to look westward. A Jugoslav request for a large long-term loan has been under consideration in Washington since August; some hopes of help from the World Bank are being entertained; and there has been a request for British help which Mr Koca Popovic, the Jugoslav foreign minister, has no doubt been discussing this week on his visit to London. His government has asked for a loan of between £10 and £15 million to buy tractors and other agricultural machinery and to build a fertiliser plant based on the natural gas deposits of the Danube basin.

It will be a pity if Mr Popovic gets a dusty answer. No doubt there are many good reasons for being tight-fisted with British money. (Incidentally, British commercial credits are, according to the Jugoslavs, too expensive for them.) But it is no more in the western interest today than it was in 1948 that Jugoslavia should be undermined by Russian economic blackmail. True, the Jugoslav economy is much less vulnerable today than it was ten years ago; only about a quarter of Jugoslav trade is now with the Soviet block, compared with well over half in 1948: nor is there, as yet, any sign of a concerted trade boycott by the communist countries. But Jugoslavia badly needs outside help, particularly with its agricultural development.

The Russians have evidently set their face against spending good communist money on investments planned by "bad" communists; priority for long-term credits will go to the orthodox. But there are signs that Moscow wants to retain a degree of normality in its current trade relations with Belgrade. At the end of September the Russian members of the mixed Jugoslav-Soviet trade commission suddenly agreed to meet a number of Jugoslav complaints, after two months of stalling; and last week the Russians signed a contract to supply the promised 200,000 tons of wheat after all. But the fact that Mr Khrushchev shows signs of moderation in his animosity is certainly no reason for London (or Washington) to tie its purse-strings.

HOSPITAL COSTS

Comparing Like with Like?

THE drawback of the old hospital costing returns, which have appeared year by year since the health service started, is that they do not enable valid comparisons to be made between the cost of treating an in-patient in one hospital and in another. Drawn up under subject headings —staff, food, drugs and dressings, fuel and power, and so on—they cannot eliminate, for one thing, the cost of out-patient expenditure, which varies considerably between hospital and hospital but for which a completely arbitrary allowance has had to be made in order to arrive at an estimate for total in-patient costs.

Since April, 1957, however, about 200 hospitals, mostly "acute" or "mainly acute," each with an annual expenditure of over £150,000, have been operating a new costing system, the first results of which have now been published. The returns separate in-patient expenditure from out-patient expenditure and also give separate cost statements for various departments of the hospitals, such as X-ray, patho-

logical laboratories, catering, and so on. The purpose is not to enable the Ministry of Health to decide how much money the hospital service needs, but to enable hospital authorities to compare their costs more realistically.

On the face of it, some interesting comparisons can be made. St George's seems to have ousted St Thomas's from the position of being the most expensive acute hospital in the country on an in-patient per week basis (£39 2s. 9d. and £38 10s. 4d. respectively), but St Thomas's seems to keep its patients longer and therefore its costs per case are much higher. It is also interesting to note that the unit costs of the X-ray departments of various apparently similar hospitals can vary widely, as can those of the boiler houses. But, of course, one cannot tell whether such differences reflect the good fortune of some hospitals in having obtained up-to-date and efficient equipment or whether they show up inefficient management. It is perhaps worth recalling that two members of the working party on hospital costing, whose report provided the basis for these returns, commented that departmental costing might highlight inevitable differences between hospitals rather than show how waste can be eliminated.

PAKISTAN AND BURMA

Governing General

THE midnight manner of the ousting of President Iskander Mirza was a poor advertisement for the start of General Ayub Khan's rule in Karachi. It shook many Pakistanis who had accepted the earlier abandonment of constitutional democracy with resignation, or even with relief. The general scarcely bothered even to draw a decent veil of good manners over his sudden assumption of the presidency and of "all powers."

Admittedly, the ousted president had already placed himself in the hands of the armed forces—under what degree of duress is not yet clear—and there was this much logic in the soldiers' move: they have set out to sweep away all political faction fighting in Pakistan, and Iskander Mirza had not been above the battle. But his brusque ejection from the back seat to which he had already been relegated will disturb many of the civil servants whose help the soldiers will badly need when they pass from mopping up sinners to shaping constructive policies; for, despite his rank of major-general, Mirza was primarily an administrator, with a background of political service on the Frontier. He himself had scrapped the constitution and appealed to the sword. Now the sword is naked, and unashamed.

Many Pakistani officers are sincerely anxious for their country's welfare and good repute, and "progressive" at least in the sense of rejecting the more benighted and bigoted aspects of Islam. But these qualities by themselves hardly equip them for the journey back to democracy. And how long will they keep their present unity? General Ayub Khan is too tough a personality to fall an easy victim, like General Neguib in Egypt, to some Pakistani Nasser (and General Qasim in Iraq has shown him how to nip Nassers in the bud). But there remains the old rivalry between Punjabis and Pathans; and a new element, the Bengalis, is already significant at least in the navy and air force. Faction fights are not a civilian monopoly, and they can become more lethal when each faction has its own fire-power.

On the same day that General Ayub Khan had himself crowned president in Karachi, U Nu in Rangoon formally transferred the premiership to General Ne Win. The different circumstances should be noted. One need not take at full face value the explanation U Nu made before retiring and distributing his goods to the poor; but in Burma the new military ruler has formed a civilian caretaker cabinet composed of judges and civil servants, and has undertaken to pave the way for early elections. His appointment was approved by a parliamentary majority embracing both parts of the Anti-Fascist People's Freedom League, and his tenure of office may give time for the rift in this formerly dominant party to heal, so that a stable representative government could be restored. Burma, although still plagued by insurrection, thus enjoys a fairer prospect than Pakistan, where not even a change of heart and the calling of early elections by General Ayub Khan could now produce political stability.

UGANDA

Buganda versus the Rest

CONFLICT between the powerful Baganda tribe and the rest of Uganda was crystallized at last week's election. This was not much more than a trial run for the common roll elections due in 1961—votes were cast for 10 of the 18 African representative members in a legislative council whose full complement is 62 members—but it was at least a direct step towards Uganda's eventual self-government as an African state, and not the crabwise approach adopted in other East African territories. The protectorate government abandoned its earlier attempts to tie the elections to some kind of guarantee of political privileges for the European and Asian minorities and set a franchise test that was easy enough for most African men, and some African women, to pass.

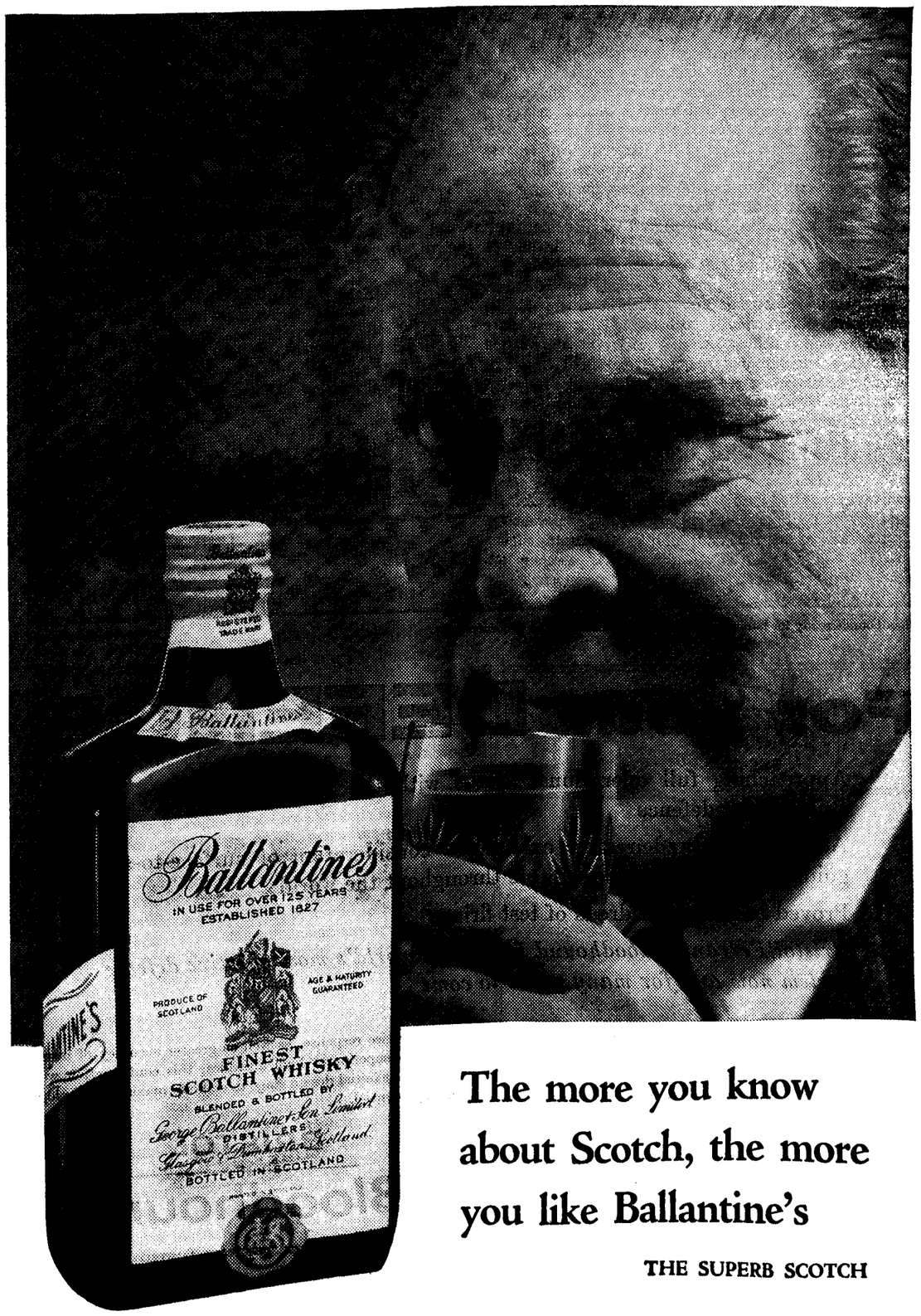
The election was dexterously organised, and 85 per cent of registered voters turned up at the polls. The Uganda National Congress came out on top. It has bridged the split among its members and now controls half of the 10 representative seats. If it seizes its chances, the party may be able to lead Uganda on its road towards independence.

But the scene would be much happier if the Baganda had taken part in the elections. Under the Buganda agreement of 1955, they are committed to send five representatives to the legislative council, but, having refused to participate, they are now trying to find a legal loophole out of the commitment. The Baganda, though only about a sixth of the population, are the most influential and the best-organised section. They still cling to the idea that their province—though it is the centre of the protectorate—should somehow go its own separate way with its separate monarchy. They are tugging back as vigorously as the nationalists are pushing forward. The elections may have united most of the rest of the country against them; if this is so, the struggle for power is on.

ARAB LEAGUE

More Recruits?

EVEN the Arab world, it seems, has an East and a West. While President Bourguiba, in the west, is carrying on a verbal slugging match with President Nasser and the Arab League, the rulers of Kuwait and Qatar, in the east, are said to be thinking of joining the league.



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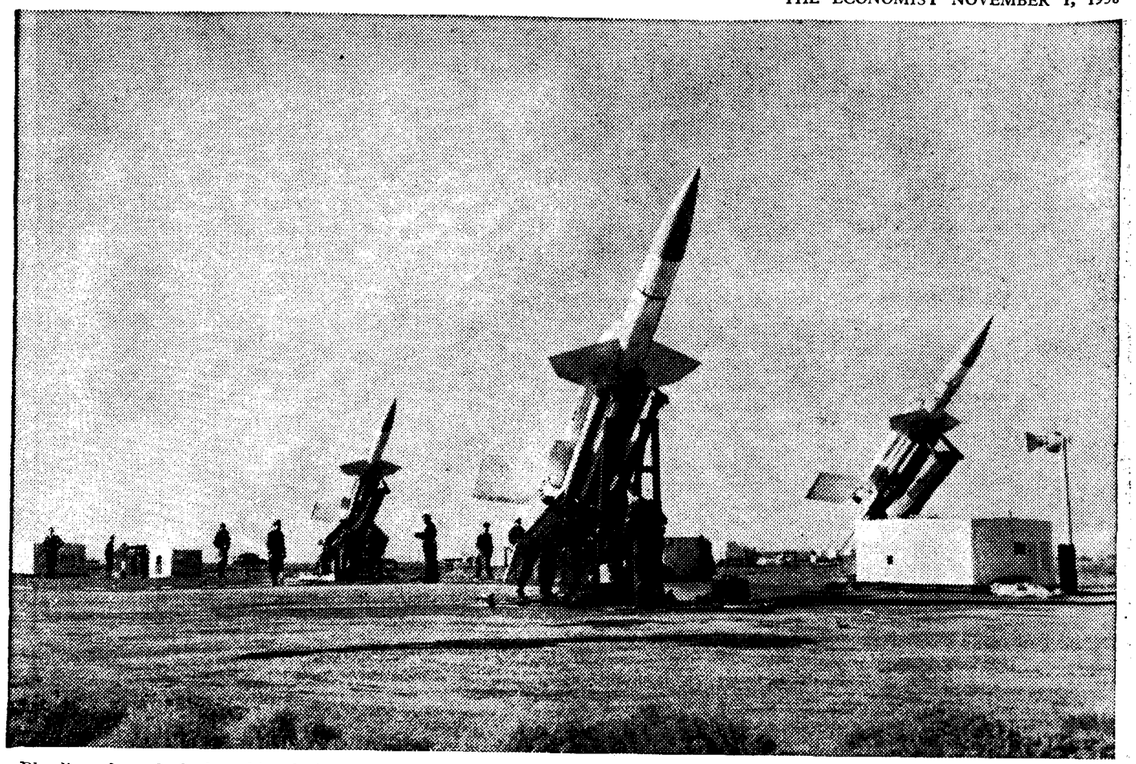

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There is no need for panic. For several years members of the ruling families of the British-protected Persian Gulf states have paid homage to Arab unity and nationalism on their visits to Cairo, Damascus or Baghdad. In Kuwait the move is bound to be a popular one. It would identify Kuwait with the Arab hinterland to which, more than any of the other Gulf sheikhdoms, it belongs; and it would be a certificate of Arabism. Membership of the league might, for a while, placate the ardent nationalists of Kuwait, who, while their ruler is exchanging civilities in Baghdad, are already complaining that Iraq's new rulers are not being sufficiently revolutionary and that Baghdad radio has no vigour. Public opinion counts for little in Qatar now, but the ruler there is exposed to the same pressures that have been built up in Kuwait.

Arab affection for Kuwait and Qatar is based largely on a desire to share their oil revenues. If the rulers are willing to invest in development projects, they can buy their way into complete Arab respectability. That they have not done so before is apparently because the other Arab states have not been able to offer what might be regarded as good investments.

JOINING the league is a far cry from joining the United Arab Republic, or even, like Yemen, the United Arab States. Arab governments are bound only by those league decisions for which they have cast an affirmative vote. True, the secretary-general, Abdul Khaliq Hassouna, has said he hopes the league's covenant will be changed to make majority decisions binding on all the members. It is doubtful, however, whether the Arabs, for all their protestations of unity and brotherly love, will want to give up that much of their sovereignty. It is easy enough to reach agreement on such national questions as Israel, Algeria, Buraimi or Oman, but a general agreement on the use of revenue, internal policies, and even foreign relations would be more difficult to reach.

If Kuwait and Qatar do decide that they want to join the Arab League, the question will arise whether their membership of it would be compatible with the present treaty relations between the rulers and Britain. They may argue that their relations with brother Arabs are a separate matter from the strictly foreign relations which, under the treaty, the British Government conducts on their behalf; but if that argument prevailed, the resultant situation would be complex. As Kuwait increases in importance, a weightier British representation there might be useful to both states. Kuwait has become pre-eminent among the states of the Persian Gulf; but the senior officer in the Persian Gulf, the Resident, is stationed in Bahrain, 200 miles away.

OVERSEAS SERVICE

Good Behaviour

WITH the ebb of the imperial tide, the most prominent members of the British community in former colonies are business men and technicians on contract. They are, in a real sense, now the ambassadors of their country. It is on their bearing that local people will henceforward form their impressions of ex-imperial Britain; the focus is off colonial officials and on company officials. But whereas in the past colonial officials (and British troops) were under discipline and were either instructed how to behave or knew this instinctively from their upbringing and training, the new representatives of Britain are under no such control over their behaviour. They have no preliminary grounding in local customs and susceptibilities, no inbred respect for ways of life different from their own, and receive no training in good behaviour on the spot. With the departure of the British officials, moreover, commercial incomers have no particular models of expatriate propriety. All too often they make mistakes—some because they are obtuse, some because they are ignorant; in either event they do harm, and sometimes very great harm. Tactless remarks by a contractor's employee in an African country may well undermine the good done by years of hard slogging by the British council, by former British officials or by devoted missionaries.

It is the more necessary that such representatives of Britain abroad should get some brief preliminary training in at least the elementary do's and don'ts. This has for some years been provided on a limited scale by a private organisation "Overseas Service", which is now extending its work. This deserves support; indeed there is a clear case for co-operative efforts by employers to establish more of such "orientating courses" for those they send abroad. Not many of these wish to give a bad impression, most would like to be tipped off in advance and given a preliminary lesson in the countries they will work in; and having had some training they are the more competent to restrain the small minority who do not care how tactlessly they behave abroad. A commercial empire depends, not only on the price and quality of the goods and services it deals in, but to some extent on the manners of those that sell and demonstrate them. It is only necessary to look back at the training given by the earlier chartered companies to their servants to find the precedent for such training for commercial envoys.

The Economist

OCTOBER 30, 1858

DESERTING AN ALLY

How *far* the English Government has really deserted Portugal in her difference with France we do not yet know. That there is a strong presumption in the conduct of the Portuguese Government that she has not firmly supported her old ally at the right moment is only too evident. That to abandon Portugal in her present straight would be a thoroughly cowardly and unworthy policy, we hope to show. . . . If there be one principle more than another on behalf of which war is justifiable in the present day, it is the international duty of treating the weaker members in the association of European States with the same forbearance and equity, and strict deference to legal rights, with which we treat the strongest. It was the determination on the part of Russia to override this principle, and seize the "Sick man's" goods merely because he was sick, which created the enthusiasm in England for the war with Russia . . . We may fairly overlook affronts to England, when it would be a great mistake to overlook menaces to weaker countries, and a fatal imbecility to overlook menaces directed to our weaker allies. War and total confusion in Europe are far more likely to spring out of the easily-formed habit of despising and coercing the weaker States, than out of occasional affronts to the strongest states. The Russian war was a protest against such conduct, and the peace was rendered memorable by a formal record of the duty of referring such disputes to arbitration. France will not be suffered to violate that pledge towards an old ally of England, without the heaviest censure that the English people can inflict falling on the Government who should have so neglected their duty.

LETTERS

Industrial Disputes Tribunal

SIR—In acclaiming so wholeheartedly the Government's proposal to abolish compulsory arbitration and the Industrial Disputes Tribunal, you have ignored the very great benefits this machinery has brought to the public services, and local government especially. My own association, representing some 200,000 local government officers, has used the tribunal more than any other trade union, referring to it more than 200 disputes since 1951. We have invariably accepted its awards without question. It has enabled us to enforce the decisions and establish the authority of our collective bargaining machinery. Had it not been available, and had we been dependent solely on the Industrial Court, whose jurisdiction a local authority is free to reject, local government could not have attained the national standards and qualified, efficient service it enjoys today. Were it now to be withdrawn without replacement by any similar machinery through which local authorities can be compelled to observe national agreements, these benefits would be in jeopardy.

I am confident that these views are shared by all progressive local authorities. This is confirmed by the fact that the Association of Municipal Corporations told the Minister of Labour recently that, in its view, "provision for compulsory arbitration should apply in respect of all local authority joint negotiating bodies."

Your comment overlooks another crucial factor in the local government field. Nalgo has never had a strike in its fifty-three years' history. It reaffirmed its opinion that a strike by local government officers was unthinkable as recently as last June. It did this because it was content to rely on the methods of collective bargaining reinforced by compulsory arbitration. But if that reinforcement be now removed, it will be deprived of its major defence against injustice and the dictatorial employer. Is it "good riddance" to deprive responsible trade unionism of the basis of confidence upon which its responsibility rests?

The answer, surely, is that suggested by the British Employers' Confederation but, apparently, rejected by the Government—namely that compulsory arbitration should be maintained where both employers and trade unions wish to maintain it. That would be a reasonable—and in local government, I am certain, an acceptable—compromise.—Yours faithfully,

W. C. ANDERSON
General Secretary
National and Local Government Officers Association, N.W.1

[A similar letter of protest against the abolition of the Industrial Disputes Tribunal has been received from the Guild of Insurance Officials.—EDITOR.]

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Teachers on Show

SIR—Your recent comment gives a misleading impression of next year's Education and Careers Exhibition. While there is to be an important feature in the exhibition devoted to the training of teachers and teaching as a career, this is but a part of the education section of the exhibition. That section, which will occupy some 30,000 sq. ft. of space, is to be devoted to modern education in all its aspects ranging from nursery schools to university and adult education and including, you will be happy to note, sections on both grammar and comprehensive and other forms of secondary education The careers section—in which almost all the major trades and industries have taken space—has been included, not as a result of some Machiavellian scheming by the NUT, but because the union believes large numbers of pupils, students and parents will wish to learn not only about present day educational opportunities but also about the various employment opportunities that may follow.—Yours faithfully,

F. HARRIS
National Union of Teachers

Race Riots

SIR—Gad, Mr Lomas of Durban is right. He assures us, in your issue of October 18th, that a miscegenated black-white group must be more decadent and inefficient than a pure, one-coloured group. How true. One need only look at the grim record of the thousands of miscegenated black-white Americans (recently surveyed by *Life*) who have decayed into inefficient Nobel Prize winners, moon-rocket men, cattle barons, inventors, heads of vast corporations, senior professors, world record holders, and glittering stage and film stars. Mr Lomas is right to avert his eyes from this horrid spectacle and instead to gaze with awe upon the efficient, progressive, and one-coloured Congo pygmies, the splendidly pure and drug-addicted Andean Indians, and the noble white savages of Notting Hill.—Yours faithfully,

London, N.W.8 KIRK HENRY

Pius XII

SIR—I have read with amazement your correspondent's statement that "Educated Italians (and they are still in a minority in Italy) complained that the Pope's discourses never really touched the anxieties of contemporary thought at all." Surely one of the attributes of this truly great man was that he was able to speak with authority to so many diverse groups of people. As an example, in 1953 in a few weeks His Holiness gave 25 addresses—some of them thousands of words in length—to groups of bankers, engineers, lawyers, wine-growers, silk manufacturers, poets, merchants, goldsmiths, navigators, foundrymen, bee-keepers, papermakers and men of other trades and professions. As the *Manchester Guardian* said, His Holiness "brought the leading circles of the Roman Catholic Church into a closer association with scientific experiment and technique than at any time at least since the 18th century."—Yours faithfully,

Denby Dale J. G. FREEMAN

Depreciation Allowances

SIR—After your tilt at Sir William Carrington's "expedient" I was surprised that you did not give his reasons for favouring the retention of the historical cost basis for depreciation allowances.

It is entirely in the hands of the companies themselves to prevent the erosion of capital, and many companies do appropriate part of their surpluses for replacement of assets.

Where provision is made, I agree, the difference between the replacement and historical cost has borne tax. But is not this a special contribution made by most taxpayers?

When company profits are lower than the difference between the depreciation allowances based on replacement and historical cost, the Inland Revenue is then, and only then, eating into capital.—Yours faithfully,

Middlesbrough W. WALTON

BOOKS

The New Caste System

The Rise of Meritocracy
By Michael Young.
Thames and Hudson. 160 pages. 15*s.*

POLITICAL satire is a tricky genre, especially when it takes the form of projection into an anti-Utopian future. Aldous Huxley pulled it off; so did Orwell. In "Brave New World," however, Huxley looked far enough ahead to warrant a fairly cavalier historical prologue, while Orwell—and Huxley in "Ape and Essence"—invoked atomic disaster as a prerequisite. Mr Young, more ambitiously, offers a step-by-step account of the process by which, up to the fateful year 2034, the "Meritocracy" of his title evolves from its present-day seeds. He nearly pulls it off; but not quite.

"Meritocracy" is a new, and paradoxically wide-open, caste system; the final fruit of the Education Act of 1944. The effect of the educational ladder then established, and of the presumptive growth in the efficacy of intelligence-testing, is progressively to sort out the population in order of ability. There emerges an elite of Top People (no longer encumbered with hereditarily privileged dumb-clucks) in the 140-and-up IQ range; sub-elites ranging down to 115 or so; and a vast, mediocre-to-moronic mass from which any sprouting talent is, thanks to parental ambition and the infallible testers, immediately promoted via a system of strictly proportional educational privilege. The evolution of that system is beautifully worked out. True, there are some improbable fantasies projected for the twenty-first century; but unless there is a reversal of social trends this, or something like this, is the way we are going.

But what about the goal? Mr Young's meritocratic Britain, though described with ostensible enthusiasm, is an odious place. It is odious not only because it is heartless, regarding all human beings merely as instruments of competitive efficiency, but also because it totally fails to deliver the goods. Ability once fully cultivated ceases to be fruitful in terms of human welfare. Production increases, but a mania for capital expansion holds down—indeed drives down—the general standard of living. There is space travel, but no hint of better food; three-dimensional tape-recording, but no renascence of blighted cities and countryside; no further conquest of disease or hunger; no flowering of the arts, not so much as better-designed furniture. As a means to material betterment, meritocracy is a flat failure.

Now this is making things much too easy. The instrumental view of human beings, that which regards them merely as more or less efficient means to economic ends, is a real besetting sin of the modern world, and Mr Young is perfectly entitled to denounce it. But he is not entitled to assume away the real opposition between the claims of maximum economic progress (for which the masses are certainly no less eager than the elite) and those of a resolutely non-economic, equalitarian attitude to people. The need of the bright schoolboy—if he is to develop his powers properly, in the general interest—for a curriculum suited to his capacity, the need of the responsible professional—if he is to use his powers properly, in the general interest—for those expensive, equality-defying commodities peace and quiet, are no less real because their expression can be, as here, brilliantly parodied. Perhaps they should be held unimportant compared with higher human values, although intellectual and creative excellence is surely in itself a human value—should we really exalt the saintly moujiks of Tolstoy above, say, Leonardo da Vinci? But no such preference makes them irrelevant to the prospects of common material welfare. On this triple clash of values, much might valuably be said; Mr Young has retreated, behind a smokescreen of entertaining jibes, from the task of saying it.

Nevertheless, the book he has written deserves to become, like the anti-Utopias of Huxley and Orwell, part of the common coin of discussion. A "meritocracy" of one sort or another is on the way. Not even the most rigidly comprehensive schooling, so long as it does not flatten superior ability altogether, will keep that ability in the working class. Working-class environments, habits, and society generally are already rejected by the gifted who have a chance to escape them, not merely because of material inferiority or low social esteem but also because they inflict a near-lethal degree of boredom. Material inferiority may decrease, social esteem improve; boredom, as working-class "culture" progressively adapts itself to the tastes, capacities and intolerances of the unleavened residue, will become a more and more powerful expulsive agent. What will, what should be, the relation between classes thus constituted and divided? How can democratic institutions survive when the masses can no longer generate gifted leaders? How can common human sympathies be preserved? Belief in *la carrière ouverte aux talents* and belief in human solidarity may not be irreconcilable. But they are going to take a lot more reconciling than the French Revolution thought; or the nineteenth-century radicals; or the early twentieth-century socialists. Mr Young evades the task; he does not even seem to recognise it. But he has strikingly demonstrated its necessity.

The John Case

The Man Who Came Back
By Willi Frischauer.
Muller. 276 pages. 18*s.*

WITHOUT altogether accepting Dr Otto John's own account of his detachment from the West on the night of July 20, 1954, Mr Frischauer writes with imaginative sympathy of the former president of the Office for the Protection of the Federal Constitution. On December 22, 1956, just over a year after his return to Western Germany, Dr John was sentenced by the federal supreme court at Karlsruhe to four years' imprisonment. "The prison doors," in Mr Frischauer's peroration, "closed behind Otto John, freedom fighter, intelligence chief, symbol of a divided Germany, a tragic Don Quixote of the Cold War."

This is essentially the story of the attrition of a good and sensitive man's nerves by consecutive ordeals from which few persons could be expected to emerge with character unscathed. The singularly excessive and long-lasting period of strain began when Dr John, then a legal adviser to Lufthansa, became closely involved in a number of plots to remove Hitler from power—of which the world in general first heard through the resounding failure of that of July 20, 1944. Mr Frischauer reviews Dr John's part in the conspiracy in some detail, and vividly describes his lucky escape to Spain after four days' agonising suspense in Berlin.

From Madrid Dr John went to England and there, after repeated interrogation, step by step into the demoralising business of psychological warfare against his own country. (Mr Frischauer writes with unusual knowledge of this shadowy sector of the hostilities.) While thus unhappily engaged, Dr John learned for certain that his brother had been summarily shot in Berlin as a "traitor." The news confirmed his passionate resolution to continue to combat the urges in Germany that had found expression in Hitlerism.

He thought he had been given a unique opportunity to do so when, in 1950, he was appointed first head of the Office for the Protection of the Federal Constitution. But Dr John was really an Allied choice; his appointment was resented openly by many Germans, who had heard he had helped in the prosecution of Field Marshal von Manstein, and accepted coolly by Dr Adenauer and his colleagues. Neglected and thwarted, Dr John came to attach unwarranted significance to the crude outbursts and intrigues of a handful of Nazi incurables. The prospect of the creation of another German army dismayed him. He became increasingly rattled, and invited detrimental comment. At last, in a mood of lonely desperation, he plunged into what he believed at the time was the healthier part of Germany. He soon regained his sense of proportion, regretted his step, and pluckily came back. This summer he was released from prison on condition that he stayed in Germany until further details concerning the manner of

his leaving west Berlin on July 20, 1954, had been cleared up. The Berlin doctor, who, John had steadfastly maintained, was his kidnapper, had fallen into West German hands. It looks as though Dr John's stay is going to be a long one.

Seigneurial England

Charlecote and the Lucys: *The Chronicle of an English Family*

By Alice Fairfax-Lucy.
Oxford University Press. 327 pages. 30s.

CHARLECOTE was built just before the accession of Elizabeth I. As Mrs Fairfax-Lucy puts it, the gatehouse roof has seen "torchlight and crowds welcoming young brides to Charlecote, and coffins carried out smothered in the Gloire de Dijon roses." Shakespeare's legendary deer-stealing exploit has given fame to Charlecote, but the Lucys themselves seem always to have been Justice Shallows. Taking no part on the national stage, their interest lies in the growth and collapse of the family fortunes. They were often lavish spenders. Capability Brown redesigned the gardens; and in the early nineteenth century the house was converted according to romantic Gothic convention. But the agricultural depression of the last decades of the century began a decline that continued until the National Trust took over in 1946. The disintegration of a fortune is as interesting as its making, but Mrs Fairfax-Lucy stops her narrative, understandably perhaps, well before the first sale of the pictures in the 1870s, so that we leave Charlecote "fixed in a golden moment—the seemingly endless summer afternoon of seigneurial England."

Her nostalgic interpretation is indeed very much that of the lady of the manor. Apparently for the maids of the past "it was all fun. The scoldings, the chilblains, the inadequate cotton blankets, the caprices of their betters" and "fun even to rise in the black dark . . . and chase away the black beetles." In the eighteenth century, "the cuckoo's early, unflawed note went echoing up and down the river reaches," but enclosure is allusively treated. There is much discursive description and conjecture, though Mrs Fairfax-Lucy has been severely handicapped by the operations of fire and damp on the family papers. But for the nineteenth century, she has been able to use the delightful memoirs of the Mrs Lucy of the day, who wrote in a vein of extreme Victorian sensibility.

Cradle of Reputations

Offspring of the Vic: *A History of Morley College*

By Denis Richards.
Routledge and Kegan Paul. 319 pages. 18s.

MORLEY COLLEGE in Westminster Bridge Road had two-thirds of its buildings destroyed by a bomb in 1940. This week the Queen Mother opened the new buildings. Published to coincide with the opening, this book is a record of the growth of the college from the day in 1880 when Emma Cons first started to turn the disreputable Old Vic music hall into a place of respectable entertainment, education and temperance.

It is a story of irrepressible vitality, which not only shows Victorian philanthropy at its best but a continuing ability to be ahead of the times. It owes its success to three remarkable women, Emma Cons, Caroline Martineau and Eva Hubback, who between them span the greater part of its history. They were all outstanding women in their own right. They also had a galaxy of illustrious and influential friends to help them and a capacity to select young lecturers who were to become famous. Morley College could be called a cradle of reputations. As young men and women Virginia Woolf, G. M. Trevelyan, Hugh Dalton, Charles Hill and a dozen more gave lectures. Edward Bawden and Eric Ravilious had almost their first commissions, to paint frescoes, at Morley. Holst, Tippett and Fricker came as directors of music when they were almost unknown. Since 1912 the college has enjoyed a musical reputation unprecedented for a college which is not primarily for the study of music: 600 of Morley's 3,000 students study music. All follow their courses for pleasure and not to obtain any degree, certificate or qualification.

This lively book ends with the long struggle to rebuild after the war. It was a struggle typical of the college, and one in which Emma Cons would have felt at home. It was a struggle of unorthodoxy against officialdom, an inability to accept defeat. Supported by its friends, by its ex-lecturers now privy councillors, and by the London County Council, from which it now gets most of its funds, it at last succeeded in being the first non-vocational college to be built or rebuilt since the war. How the three must rejoice in Valhalla.

Anti-Disengagementarianism

Disengagement in Europe

By Michael Howard.
Penguin. 92 pages. 2s. 6d.

MR HOWARD writes as rapporteur for one of the small study groups that sometimes meet at Chatham House without that institute accepting responsibility for their findings. The findings, in this case, are strongly against disengagement in Europe. The group comprised two senior officers, four writers on defence affairs, and two former ministers, both of them with War Office experience. Such a composition suggests that this group might have been liable to look at the question from an essentially military point of view, and give insufficient weight to political factors. Fortunately, however, they have resisted this temptation. They appear to have addressed themselves, in the first place, to pinning down just what the many people who have been using, and misusing, the term "disengagement," really thought it meant; and this has produced an invaluable concise summary of the various initiatives and definitions of Messrs van Zeeland, von Bonin, Eden, Healey, Gaitskell, Ollenhauer, Kennan, Molotov and Khrushchev. To limit their field, the group decided not to study projects, like the so-called Rapacki plan, which would not result in a European zone free of all Soviet and allied forces —though Mr Howard, in his concluding remarks, suggests that projects of that kind hold out more hope of reducing tension than would any "total" form of disengagement.

Partisans of disengagement in its many forms will be united in challenging Mr Howard's verdict that "The Iron Curtain is a result of the world's malaise and not its cause, and no re-deployment of forces is likely to give more than the temporary and deceptive relief experienced by a sick man restlessly changing his position in bed." He recognises the impatience of "those who find the *status quo* intolerable and who view any attempt to make it tolerable with profound mistrust," but urges them to accept the unpleasant fact that disengagement in Europe can only come about as part of a worldwide relaxation. "Meanwhile we must accept the situation as it stands, hope for better days, and not be afraid of change when those days come." Many people would violently challenge this line of thought. They would nevertheless do well to look carefully at Mr Howard's succinct account of the problems involved in any of the plans suggested by the disengagers.

How the Alphabet Was Made

The Story of the Aleph Beth

By D. Diringer.
Lincolns-Prager. 195 pages. 4s. 6d. paper bound, 7s. 6d. cloth bound.

IN nearly every religion and recorded mythology, the invention of writing is invested with a sacred aura. Second only to the mystery of the origins of speech, the riddle of the alphabet has absorbed scholars and mythographers since antiquity. The riddle has not been wholly resolved and there are gaps in the story. But it now seems fairly certain that at some time between 2000 and 1700 BC (how recently by anthropological standards), in some quarter of the Palestinian and Sinaitic world, men crossed the great divide between pictorial representations and sign systems based on phonetic or syllabic principles. It is from the archaic north-Semitic alphabet that we trace the descent of two major branches, the south Semitic and the Aramaic. The Cyrillic alphabet and our own belong to the former; the Hebrew, the Mongolian and the Arabic to the latter.

The history of the western alphabet is one of extraordinary conservatism. A glance at the comparative tables in Dr Diringer's brisk and authoritative primer shows that the forms of letters and their alphabetical order have varied relatively little from the second millennium BC to our own day. How delighted Mr Thurber would be to learn (if he does not know it already) that his favourite letter O has remained unchanged during its successive passages through north Semitic, Moabite, Phoenician, Greek, Etruscan and early, monumental and classical Latin. There have been famous attempts to expand or simplify the alphabet, such as Emperor Claudius's. But, in the end, the primal pattern of twenty-two or twenty-four letters has proved soundest. How this pattern may have come into being and how it has been transmitted from language to language is the gist of Dr Diringer's book. No more lucid or unpretentious guide to this enthralling story is available and the plates are an added bonus.

The second part of the work deals exclusively with the history and future of the square Hebrew alphabet. This is a more specialised question. But here, too, the general reader (for whom this entire series is designed) will find a wealth of intriguing historical and archæological material. In the beginning was the Word; and the Word was made up of letters.

Unions in Japan

Industrial Relations in Postwar Japan

By Soloman B. Levine.
University of Illinois Press. 200 pages. $4.25.

IN prewar Japan the development of a trade union movement, and of a system of industrial relations comparable with that found in other industrial countries, was hampered by a number of formidable obstacles: an authoritarian political regime; legal restraints on workers' organisation; the predominance of small industrial units where traditional paternalistic relations survived; the constant drift into the urban labour market of workers from the overpopulated countryside; and the concentration of control over the modern sector of the economy in a few great concerns with wide-ranging interests. After 1945 the political and legal obstacles were removed. Indeed, at the instance of the Occupation authorities, sweeping legislative enactments opened the path to a rapid trade union development and conferred on the workers rights that elsewhere had been gained only after years of struggle. The result was the creation, within a very short period, of a large and powerful trade union movement and the transformation of the relations between employers and employed. Yet, since the Japanese social structure, though modified, was not seriously impaired, and since many of the economic factors inimical to the growth of "western" systems of industrial relationships remained, the new unions acquired many features unfamiliar to western eyes.

In the central chapters of Mr Levine's book, these features are described in lavish detail. The typical union is the "enterprise" union, and negotiations with the employers over wages and conditions are normally conducted within the limits of a particular concern. Such unions do not, however, cover all those employed, but only the established or "permanent" workers. So a mass of temporary workers are excluded from the benefits of the industrial agreements reached during the negotiations. Moreover, the fact that trade union rights were conferred by law, and did not arise from free negotiations between the parties, has led the union leaders to direct their chief efforts, not to wresting concessions from the employers, but to ensuring that the legal rights are fully accorded, while the national federations of unions are concerned almost entirely with political activities designed to preserve the legal foundations intact. On the side of the employers, there have been modifications in the managerial system in order to cope with the new situation in the labour market, and officers who specialise in industrial relations now play an important part in every large company's administration.

This is an informative and well-documented book, marred only, in the more general and interpretative chapters, by the propensity of the author to cloud his exposition of the facts by rather tedious sociological jargon.

OTHER BOOKS

THE ECONOMIC DEVELOPMENT OF ANDHRA PRADESH: 1766-1957. By Dr A. V. Raman Rao. *Popular Book Depot*, Bombay. 384 pages. Rs.18.75.

This is an economic history of Andhra Pradesh, which old-timers will have known as the Northern Circars and the Ceded Districts of Rayalaseema and Telengana, to which a slice of neighbouring Hyderabad state has been tacked on. Dr Raman Rao begins with the impact of the East India Company from 1766, and ends in 1957. He covers the land, the people, handicrafts, agriculture, land tenures, revenue, commerce, currency, and transport, as they were at the beginning of the nineteenth century and then carries the story on, showing the decline of handicrafts, the development of overseas trade, the growth of towns, of population, of cottage, and of factory industries, and the economic activities and financial policies of the state. What he offers is essentially a technical study, bulging with details, conscientiously and massively documented (in praiseworthy contrast to the all too prevalent practice of giving no references and making scholars use their powers of divination to ascertain how the original sources have been used).

Dr Raman Rao's description of the gradual stifling of indigenous handicrafts by the imported products of power-driven machinery in Great Britain makes gloomy reading. What he says is strictly accurate but does not take into account that the Industrial Revolution inflicted the same fate with equal imperviousness, or (according to the viewpoint) impartiality, on the ancient handicrafts of Britain and Europe, and his insistence on the "cheapness" of the imports seems to imply that the consumer ought to prefer expensive commodities.

HERITAGE FROM HAMILTON. By Broadus Mitchell. *Columbia University Press.* London: *Oxford University Press.* 160 pages. 30s.

This book is based on a series of lectures given last year at Columbia University in New York to mark the two hundredth anniversary of Hamilton's birth. It has the faults, common to many books compiled from university lectures, of an occasionally precious, oratorical style and a general lack of depth; nevertheless, it presents Hamilton accurately and without apology as a politician, a role too often hidden by historians under that exalted label, "statesman." Professor Mitchell carefully describes the strong influence exerted by Hamilton's forceful personality on the early days of the US Treasury; unfortunately, the forty-odd personal letters of Hamilton's appended to the text add little of importance.

THE REGENCY PERIOD 1810-1830. THE EARLY VICTORIAN PERIOD 1830-1860. THE *Connoisseur Period Guides.* Edited by R. Edwards and L. G. G. Ramsey. 192 pages + 96 plates each volume. 42s. each volume.

These two volumes complete the series of finely illustrated guides describing the arts and crafts in Britain, period by period, over three and a half centuries. Because it is an interloper, the final volume will arouse particular interest. The world of the genuine antique dealer ends in 1830; anything constructed after that may delight the Portobello Road but is barred from the annual trading fair of British antique dealers.

That different standards of judgment are brought to bear on the Regency and early Victorian periods becomes clear in reading these two volumes. We are cautioned about the splendour of the Regency styles, told of the signs of deterioration, of extravagance creeping into design, and even of a certain tendency towards vulgarity. But a defiant note is struck for Victoriana. In the chapter on furniture we read: "The first misconception is that early Victorian furniture is fussy and elaborate." But is that not just what the illustrations show it to be? There may have been many odd influences at work in the Regency period and some very pompous styles, but the illustrations in these two volumes certainly do not alter the belief that, in comparison with what came after, ornamentation was still generally restrained in the early part of the last century—and, at its best, used in a very delicate way. It does not, of course, follow that we all prefer restraint.

BALLET MUSIC: *an Introduction.* By Humphrey Searle. *Cassell.* 228 pages. 21s.

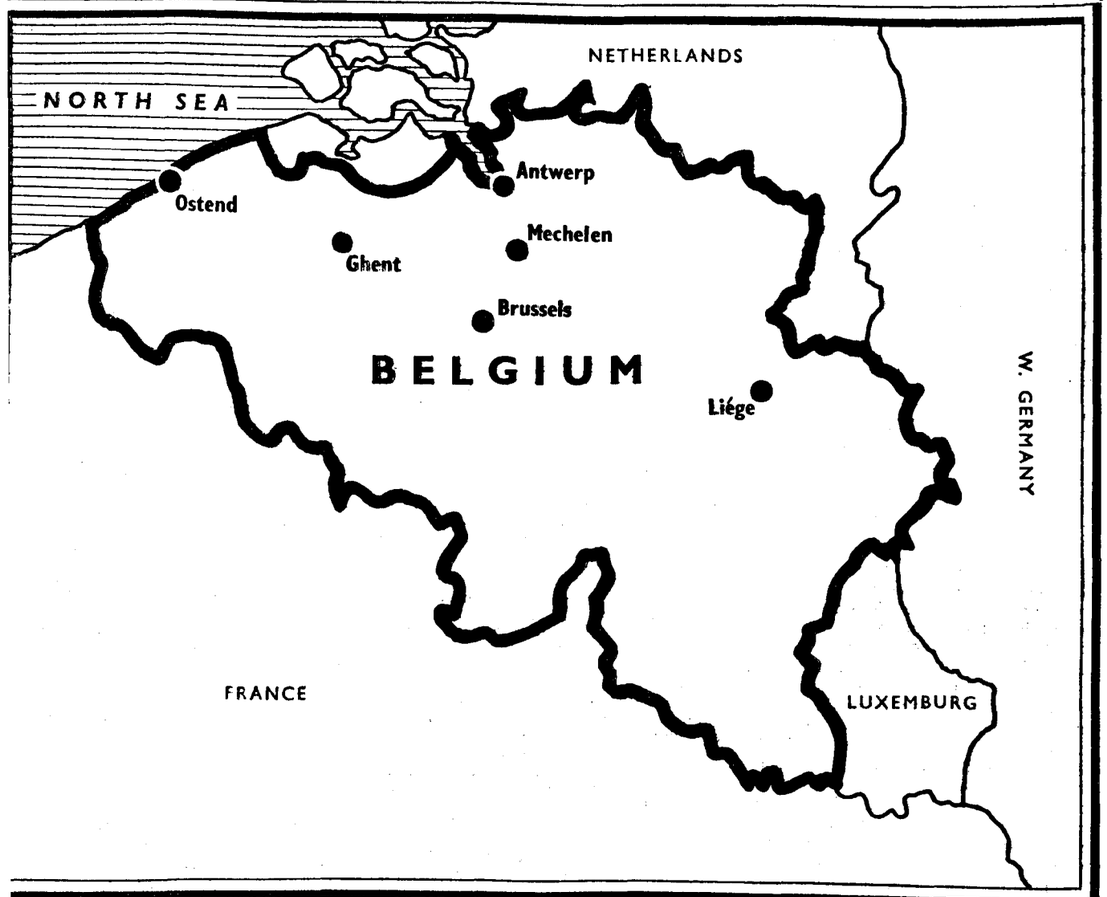
With ballet in spate again enthusiasts will welcome this book by a composer who has been associated with the Royal Ballet. Mr Searle gives a short history of how ballet evolved, beginning in the time of the Renaissance, passing through the court of Louis XIV, to ballet as we know it today. He gives a summary of a ballet's story and suggests reasons for the failure or success of a ballet as a whole. But his detailed descriptions are naturally concerned with the musical score, not with the choreography. There is a bibliography and a list of the long-playing records of ballet music available in Britain in 1958. A useful chart gives details of the first performances of about 160 ballets, beginning in 1581.

The book is extremely up to date, containing as it does a description of the music of Agon and a mention of the new full-length ballet Ondine, presented by the Royal Ballet this week. But this up-to-dateness seems to have been achieved at the expense of inaccuracies and careless proof-reading—Conderella being only one of several misprints.

Next week's issue of *The Economist* will include a special books section containing reviews of a wide selection of autumn books.

(ADVERTISER'S ANNOUNCEMENT)

Facts about Belgium



Area (square miles)	11,755	**DOMESTIC DATA**	
Population	8,924,000 (1956)		
Density per square mile	759 (1956)	Number of homes	3,045,000 (1957)
NATIONAL INCOME		Homes wired for electricity	2,920,000 (1957)
		Cars in use—	
Total (U.S. $ million)	7,874 (1957)	personal	558,873 (1956)
Per head (U.S. $)	882 (1957)	business	145,630 (1956)
Money circulation (U.S. $ million)	2,192 (Mar., 1958)	Telephones	931,474 (1956)
EMPLOYMENT		Radios	2,307,184 (1957)
		Television sets	179,601 (May, 1958)
Working Population (economically active)	3,463,000 (1956)	Refrigerators (electric)	1,050,000 (May, 1958)
Male	2,651,000 (1956)	Electric cookers and ovens	180,000 (1956)
Female	812,000 (1956)	Washing machines (electric)	1,650,000 (1956)
		Vacuum cleaners	1,260,000 (1955)
		Sewing machines	1,600,000 (July, 1958)

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AMERICAN SURVEY

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

Into the Democrats' Lap

DES MOINES, IOWA

HERE, in the centre of the American saucer, where the grey-black earth runs flat to the horizon and the wind blows country dust down city streets, is the region where the Republicans must make a stand if they are not to be disastrously beaten in next Tuesday's congressional and state elections. The Gallup Poll published last weekend reports that over the country as a whole, in the first half of October, 58 per cent of the electorate said they would vote for the Democrats. This is the largest margin the Democrats have yet been given this year, and almost equals that which in 1936 left the slaughtered Republicans with only 89 seats in the House of Representatives.

Mr Nixon, the Vice President, is bravely reminding his party that the Gallup Poll was wildly wrong about Mr Truman's presidential chances ten years ago. But other surveys agree that the Republicans face serious defeats in both the East and the West, even though they may pick up a couple of consolation prizes in the governorships of New York and Rhode Island ; the South is lost to them as hopelessly as at any time since the Civil War ; and even here in the Middle West, from the maize country of Ohio and Indiana to the wheatlands of the Dakotas, old loyalties have begun to crack.

Local polls lend some support to Mr Nixon's claim of an eleventh-hour swing back to the Republicans, but not much. There is evidence that the farmers' bark may turn out to be slightly worse than their bite, but it looks as if rural discontent, plus the Democrats' strength in the expanding cities, will be enough to cost the Middle West's Republicans a couple of seats in the Senate and anything from ten to twenty in the House of Representatives.

It does the Republicans little good to protest that most farmers are, in fact, prospering very nicely. The milk producers in Wisconsin and Minnesota have already felt market prices shift ominously under their feet ; and the other kinds of farmers farther south and west—the growers of wheat and maize, and the raisers of hogs—can feel the tremors spreading in their direction as the enormous surpluses built up under the federal price-support programme have their effect on the market. The worst spectre haunting the Iowan hog farmer this Hallowe'en is the prospect of twelve-cent-a-pound hogs next autumn. Moreover, in order to reduce the surpluses, the Administration is lowering the price supports which put a cushion under some farmers and offer them, in effect, a government guaranteed minimum price.

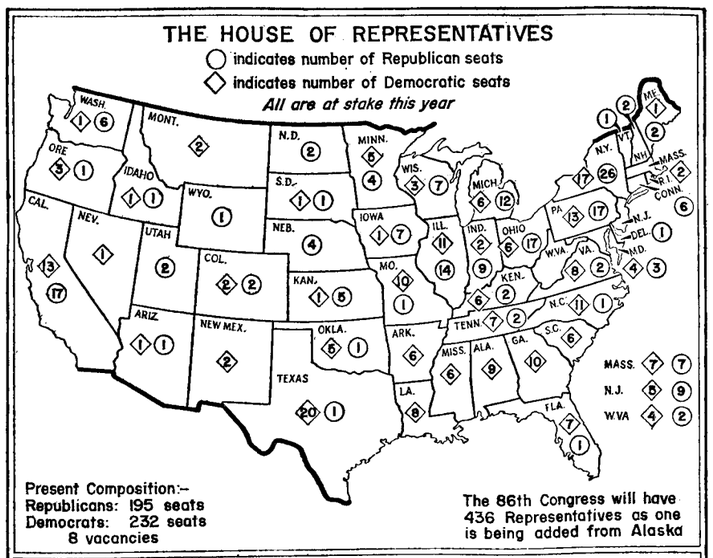
The more sophisticated farmers—and it is surprising how many of them are on this complex subject—sophisticated know it is unfair simply to blame the Administration. They realise that it is nonsense to let the surpluses mount up interminably ; and their good conservative instincts could hardly be squared with a policy of rigid controls over prices and production. Nevertheless, the hard political fact is that their incomes are likely to fall as a result of what a Republican Secretary of Agriculture is doing.

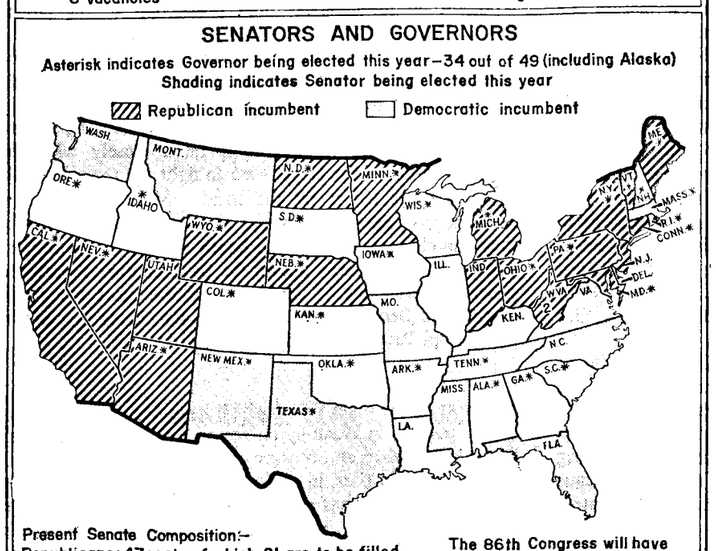
If the Democrats win, it will be hard to resist the conclusion that victory has been dropped into their lap largely by two sets of economic circumstances, in neither of which is it a simple matter to distribute praise and blame between the two parties. One is the farm situation ; the other is the now dying industrial recession. The latter has set the two parties pointing energetically in opposite directions—the Republicans pointing to the production statistics, which have now climbed most of the way back to their pre-recession level, and the Democrats to the unemployment figures, which have recently begun to fall but which still represent an unpleasantly high proportion of the labour force. The Democrats probably have the best of it.

Clearly the Republicans have been hoping that, if the number of unemployed falls fast enough, they will be able to take credit by election day for the speediest recovery of all since the war. This ignores the fact that the Democratic leaders in Congress co-operated closely with the Administration in the steps taken to fight the recession, and in some cases led it by the hand. More important, it assumes that people flick over the latest statistics before they march into the polling booth instead of voting, as most of them probably do, on the basis of three-month-old general impressions. And eight of the most vulnerable Republican Senators come from the ten states east of the Mississippi River which have been hardest hit.

MOST of the other issues which have been exercising the pundits in Washington seem to shimmer and vanish like mirages when an observer goes out into the field. The crisis in the Far East, in so far as it has entered into voters' calculations at all, has probably helped the Republicans as much as the Democrats. The two exceptions to this rule are the areas, chiefly along the east coast, where liberal internationalism has a strong hold and those, like Wisconsin, where there still survive traces of the old desire to keep out of it all. This is no accident ; the chief opposition to Mr Dulles's policy over Quemoy has come from an odd alliance of internationalists and isolationists. If the Communists were to resume a more warlike posture, the Republicans would probably start to lose votes. Otherwise the only safe generalisation is that foreign policy arouses very little interest in mid-term elections ; and that people, here as elsewhere, vaguely like " firmness " unless it leads to uncomfortable consequences.

Nor is it possible to see many votes being won or lost over the question of the President's leadership. Poll-takers and local newspapermen say almost unanimously that there is scarcely more criticism of Mr Eisenhower than there was in 1956. Some despairing analysts have been led to make a distinction between the President's personal popularity





The 1958 Election

Polling Day.—Tuesday, November 4th, except in Maine, which has already elected 1 Democratic Senator, 2 Democratic and 1 Republican Representatives and a Democratic Governor, and in the new state of Alaska, which is to elect 2 Senators, 1 Representative and a Governor for the first time on November 25th.

To be elected.—33 Senators from 32 states, 432 US Representatives, 32 State Governors and numerous state and local legislators, officials and judges.

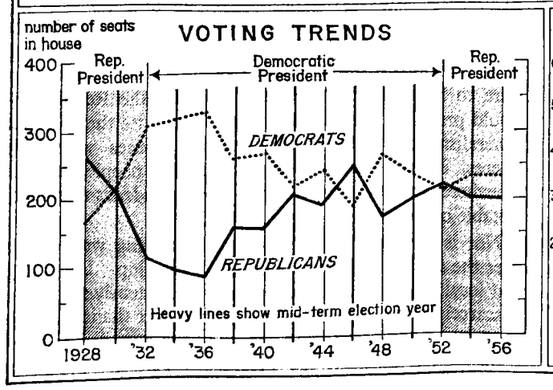
Who Votes.—Everyone over 21 years old; in Georgia and Kentucky, everyone over 18. There are 104,600,000 civilians of voting age in the United States; it is estimated that about 76,600,000 of these are eligible and registered to vote and that about 48 million will actually go to the polls.

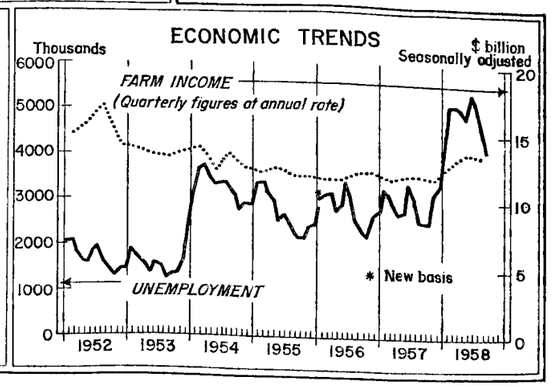
The House of Representatives.—The Democrats are expected to increase their majority by at least 13 seats—winning 18 and losing 5—and may gain about 60 if there is a landslide in their favour. Our own correspondent forecasts, with some trepidation, that the Democrats will pick up not less than 35 seats. Interest centres on some 50 close contests in 30 states.

The Senate.—The Democrats have no seats in real danger while the Republicans are likely to lose at least 8 (including Maine)—our correspondent's estimate—and may lose as many as 15.

State Governors.—At present there are 19 Republican Governors and 29 Democratic; 20 Democratic Governorships are at stake this year and 14 Republican, including Alaska where the present Governor was appointed by the President.

Much of the information in this feature came from the latest edition of **America Votes,** *a useful handbook of detailed election facts and figures, published by the Macmillan Company of New York, price 87s. 6d.*





and his political influence; but this amounts to little more than saying that his drawing power is necessarily smaller when he is not himself standing. Perhaps the recent emergence of Eisenhower, the partisan orator, may hurt Eisenhower, the father-figure. But all this seems to belong in the same category as topics like the cost of living and (except in the New England states most closely affected) the Goldfine-Adams case; these have little direct effect but contribute to a vague and widespread malaise about an Administration which is now six years old and which began by guaranteeing cleanliness and efficiency.

The one real issue of nation-wide importance which this campaign has produced concerns the trade unions. Six states, including California, will hold referenda next Tuesday to determine whether it shall be made illegal to require all workers in a unionised shop to join the union. It is amazing, moreover, how many Republican candidates all over the country like to pretend that Mr Walter Reuther, the head of the Automobile Workers' Union, is running for public office; and how many try to clap the mask of Mr James Hoffa on his face. Undoubtedly the public feels strongly about the still unpunished corruption in Mr Hoffa's road transport union. But from this perfectly sound premise the right-wing Republicans proceed to a couple of far more doubtful propositions: that the unions as a whole have too much power for the economic well-being of the country, and that Mr Reuther "controls" the majority of northern Democrats in Congress. This is a dangerously explosive issue. It is to be hoped that the election results—by comparing the relative success of the moderate Republicans, like Mr Rockefeller in New York, who have been playing it down, with that of right-wing Republicans, like Senator Goldwater of Arizona, who have been playing it up—will make it quite clear what the electorate thinks.

A Vital Trio

This year the three most populous states in the Union, which between them provide the House of Representatives with nearly a quarter of its members, are all choosing both a Governor and a Senator. And in two of these states, New York and California, the contests have a significant bearing on the future of Mr Nixon, the Vice President of the United States. Both he and President Eisenhower have testified to the importance of these three states by their personal appearances on behalf of the Republican candidates.

I—Republican in a Million

THE brightest star on the dark Republican horizon is a new and "modern" one: Mr Nelson Rockefeller is running for his first elective office in New York against his fellow multi-millionaire Governor Harriman and has run so well that he stands a good chance of being the only Republican to oust a Democrat in an important state. Mr Rockefeller is breasting the Democratic tide with a moderate, typically "Eisenhower" campaign in a year when the President himself has abandoned this approach for a noisy attack on Democratic "radicals." When Mr Nixon, that apostle of immoderation, flew in to help, Mr Rockefeller greeted him with well-advertised coolness. He even dissociated himself from the President's overheated words about "fumigating" the trade unions and paid a warm tribute to the honesty of most trade unionists.

In New York, where the parties are evenly balanced and labour is strong, a Republican must court, not alienate, Democratic and independent voters—and they are deeply suspicious of the Vice President. Mr Eisenhower and even Mr Nixon muted their acerbities when they spoke in New York and the Vice President took no offence, in public at least, at being kept at arms' length by Mr Rockefeller. He may be less forgiving if Mr Rockefeller wins and shows signs of forgetting that he is pledged to serve for four years; New York's governorship is a much-used stepping-stone to the White House.

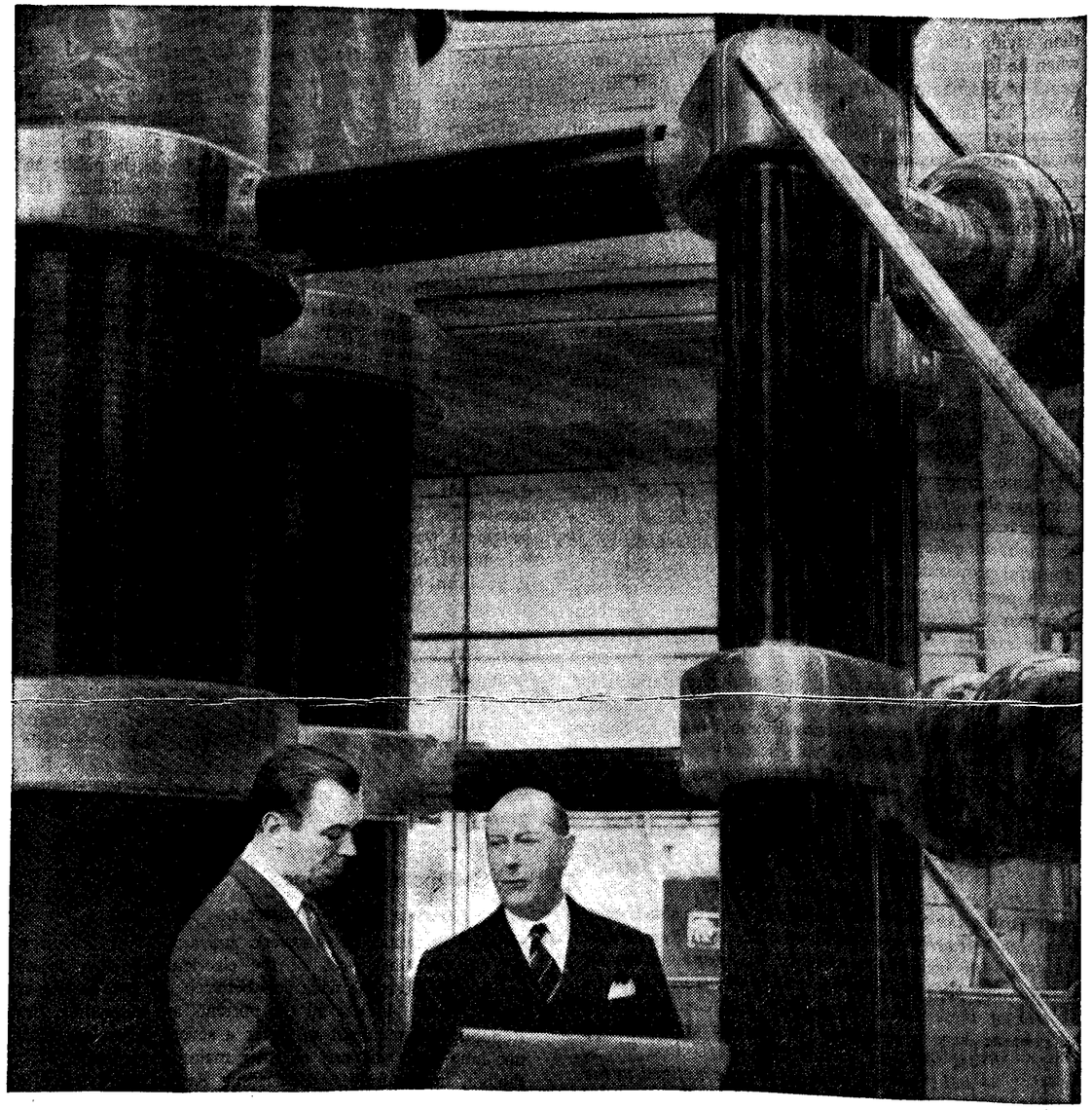
Not even Governor Harriman, who gives the impression that he is running for President in 1960, not Governor in 1958, has been able to draw Mr Rockefeller into a debate on national issues. The Republican has stuck to New York's special problems, such as crime and industrial growth; he has also gratefully accepted the issue of "machine domination" which the Democrats gave him when Governor Harriman was forced to swallow the candidate of Mr DeSapio, the Democratic boss, for the senatorial nomination. The results may show how good Mr DeSapio's judgment was; Mr Hogan may well do better than his reluctant leader and is thought almost certain to beat the Republican, Mr Keating. But in the race for the governorship many voters seem to feel that no big issues are at stake and that they may please their fancy. No two millionaires have ever worked harder to prove that they have the common touch, but it seems to come more naturally to the younger challenger; so does the prescribed political diet of Jewish blintzes, Italian spaghetti, hot dogs and ice cream. "If you must have a millionaire," runs the Democratic poster, "why not have the one with experience?" But voters may prefer the one whose face has not had time to grow too familiar.

II—Collapsing Keystone

FROM A CORRESPONDENT IN PENNSYLVANIA

EVEN President Eisenhower's appearance in Pittsburgh in the final week of the election campaign seems unlikely to close the wide gap between the two parties in Pennsylvania. Unless all the portents are misleading, the Republicans are about to suffer a severe defeat in what, not long ago, was one of their major strongholds, even though, in themselves, the leading Republican candidates provide no reason for pessimism. Although a political novice, Mr Arthur McGonigle, the wealthy businessman running for Governor, is a brisk, capable man who compares favourably with the mediocre Republicans who were elected in easier years, while Representative Hugh Scott, an aggressive, sophisticated, liberal politician, is a marked contrast to the dim, elderly Senator Martin, the retiring Republican incumbent whom he seeks to replace.

The troubles of the Republicans originate, not in their present candidates, but in the long decay of the party organisation and in Pennsylvania's aggravated economic difficulties. The Republican machine, once a byword for thorough, efficient, round-the-year operations, well-financed by businessmen and heavily lubricated at every level by business contracts and by patronage, began after the last war to show the effects of rust and indifferent management in the country districts. The Democrats meanwhile not only consolidated their power in Pittsburgh under the leadership



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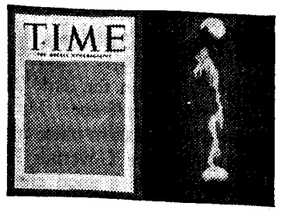

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of Mr David Lawrence, a party boss who became an admirably enlightened mayor, but also took control of "corrupt and contented" Philadelphia, the state's other major city. With the foundations of Republican power crumbling, four years ago Mr George Leader, a young rural Democrat, became Governor and two years later Mr Joseph Clark, the former Democratic mayor of Philadelphia, became Senator. This year the Democrats expect to complete their take over of power by promoting Governor Leader to the Senate and Mayor Lawrence to be Governor.

Republican attempts to counter this trend have been swamped by the recent recession which has seriously hurt Pennsylvania's coal and steel industries. No fewer than seventeen of the state's larger communities have more than 10 per cent of the workers unemployed ; in several of them, one-sixth to one-fourth of the labour force has been jobless for several months. President Eisenhower's veto of the Bill to aid chronically-depressed areas, his assertions that the recession is over, and his unrelenting emphasis on fiscal conservatism have all served to alienate public opinion still farther in this state.

III—Democrats Strike Gold

FROM A CORRESPONDENT IN CALIFORNIA

IF all the political observers now in California could vote, there might be enough of them to affect the election. Considering the continuing growth of the state, the number of members (30) which it sends to Congress, and the strategic influence its delegation will have at the presidential nominating conventions of both parties in 1960, the national interest in this state election is completely understandable. But most Californians will vote according to local rather than national issues and will show no special concern for the effect of the result on the political fate of Senator Knowland, the Republican who is running for Governor—in the hope, it is widely believed, of moving on to the Presidency of the United States.

At this point no one seriously doubts that there will be a Democratic victory throughout California, although no sensational changes are expected in the congressional races ; some of the districts which were marginally Republican in previous years will probably be won by Democrats, but nothing more is likely. Mr Pat Brown, who has a good but not distinguished record as the Democratic Attorney General of the state, seems certain to defeat Senator Knowland. The only doubtful fight for state-wide office of any significance is that being waged for Senator Knowland's seat between the incumbent Republican Governor, Mr Goodwin Knight, who was manœuvred out of his present job by Mr Knowland, and Mr Clair Engle, a Democratic member of Congress who comes from the more sparsely populated northern part of the state and is less well known than the Governor.

A wide variety of reasons, other than the obvious country-wide shift to the Democrats, has contributed to the expected reversal of the Republicans. A majority of the voters in California are, and have long been, registered Democrats. This used to mean very little, since the candidates could run without giving their party affiliations ; but now they are required to indicate their political allegiance on the ballot paper, and since this change was made elections have been conducted much more along party lines. This year, as always in California, there are a number of popular referenda on the ballot and two of these are contributing heavily to the Democratic surge. One of the referenda would abolish the tax exemption now given to religious schools and will bring out great numbers of Roman Catholics, who are normally inclined to support Democrats in any case, to vote "no" on this measure and "yes" for Mr Brown, himself a Catholic. The other referendum which will get Democratic voters to the polls would abolish the union shop (in which employees are required to join a trade union) and is therefore being bitterly fought by the state's well-organised and powerful labour movement.

This "right-to-work" amendment to the state constitution, which is supported by Mr Knowland and opposed by Mr Brown, has brought a further rift within the Republican party, already torn apart by the squabble between Mr Knowland and Mr Knight. Had Governor Knight, who opposes the "right-to-work" amendment, again been the candidate for the governorship or had Senator Knowland not made such an issue of the amendment, the trade unions would undoubtedly have given some support, as they have in the past, to the Republicans. As it is, the "right-to-work" legislation has had the effect of stepping up labour support for Mr Brown and the other Democratic candidates.

If the Democrats have a problem of possible over-confidence, the Republicans face a great deal of apathy among their supporters. This is due partly to the popular Mr Brown's carefully fostered, non-partisan approach to the voters, which appeals to many Republicans, including some business men ; partly to the internal conflict in the party ; and partly to the lack of inspiring leadership from the party's national head, President Eisenhower. The Vice President, Mr Nixon, himself a Californian, was listened to only politely by his Republican audiences when he came on his assigned job of stirring up the voters. And Mr Knowland's personality is not of a kind to stimulate any enthusiasm. To add to the Republican difficulties, it was revealed that Mrs Knowland, the Senator's wife, had been in correspondence with a notorious extremist concerning the distribution in California of an anti-labour pamphlet ; this forced the embarrassed Mr Knowland to dissociate himself publicly, just a little, from his wife. As the campaign draws to a close Mr Knowland has been charging a few leading Democrats in the state with having had business associations with alleged gangsters. But he has not included Mr Brown, whose honesty is unquestioned, in these accusations ; they have all been denied and seem unlikely to affect very many votes. All the Democrats, on the other hand, will certainly benefit from the unfavourable view which Californians take of the Quemoy situation. Mr Knowland's stand against the recognition of Communist China also receives more nominal than real support from West Coast business men as they unhappily watch their once lucrative trade with China go to other countries.

Minnesota's McCarthy

MINNEAPOLIS, MINNESOTA

THERE may be a Roman Catholic called McCarthy in the Senate again next year; but, if there is, he will be the junior Senator from Minnesota, not from Wisconsin, and a progressive Democrat instead of a communist-hunting Republican. Mr Eugene McCarthy, who is challenging the present Republican Senator, Mr Edward Thye, is one of the personable young intellectuals who form the core of the Democratic party in Minnesota; like Mr Hubert Humphrey, the state's other Senator, who is a Democrat,

he is a former university teacher. During ten years in the House of Representatives he has built up a voting record which earns the unqualified approval of the trade unions and seems to attract the state's farmers as well. The latest opinion poll gives him a 5 per cent lead over Senator Thye, including a slight majority in the rural areas; so far his Catholicism, in a mainly Protestant state, does not seem to have been a serious handicap.

For the Democrats, Minnesota has been an oasis in a Republican desert. This is due partly to the strength within the state of the old Farmer-Labour movement, a radical "third party" which amalgamated with the Democrats in 1944; partly to the concentration of more than half of Minnesota's population in three big cities, where the Democrats do better than in the countryside; and partly to the economic distress of the northern part of the state, a region of marginal farms and iron ore mines. Even in the Eisenhower landslide of 1956, fourteen of the sixteen northernmost counties voted for Mr Stevenson. Because of the decline in steel production, employment in the iron mines dropped by a fifth between last summer and this; and even the more prosperous farmers farther south are worried about falling prices.

All this contributes to a Democratic swing which seems certain to bring the re-election of Mr Orville Freeman, the popular young Governor who has been attracting new industry to Minnesota and whose Republican opponent has conducted a lack-lustre campaign. It may also cost the Republicans a seat in the House of Representatives which they were counting on winning. It is that of Mrs Coya Knutson, a lady who found that she was fonder of politics than she was of home-life with her husband, and it seems to be safe again now that her husband has announced that, wife or no wife, he cannot bring himself to vote Republican. Mr McCarthy's is the hardest race. Senator Thye is an affable campaigner who got even more votes than Mr Eisenhower in 1952. His Republicanism is of the moderate brand, and he has endeared himself to many farmers by his criticism of the Administration's farm policies. If Mr McCarthy wins, the Democrats in the Senate will have a recruit who, like Senator Humphrey, combines a leftward bent with a knack of getting on with the party's middle-of-the-road leaders in Congress.

Gilt by Association

BOSTON, MASSACHUSETTS

In Massachusetts, where ethnics is a branch of politics and a good party manager blends the races on his list of candidates with the loving attention a bartender gives to a cocktail, the right ancestry is as important to a politician as the right philosophy. Not many are as fortunate as Governor Furcolo, whose Italian father had the foresight to give him an Irish mother in a state where most Democrats are of either Italian or Irish blood. But the right kind of name, especially if someone else has already made the voters familiar with it, will still prove that blood is thicker than ideology. Connoisseurs recall the years from 1930 to 1944, when three unrelated Hurleys, two of them Democrats and the other a Republican, monopolised the State Treasurer's office between them.

Of the six Democrats who are offering themselves for state offices next month, three bear names which others have gilded with fame before them. Mr John F. Kennedy, the present State Treasurer who is now running for a third term, is no relation of Mr John F. Kennedy, the Senator, but as soon as they saw the name the electors plumped for him. The theories about why they did so range from the cynical (that they thought this was the first Mr Kennedy running for a second job) to the psychological (that a pencil poised over a list of names will instinctively home on the one that strikes a chord). Mr Thomas J. Buckley, the state auditor, followed Mr Thomas H. Buckley—no relation—in that office; but when Thomas H. later attempted to return to political life the electorate rejected him, thus showing that there are limits to this kind of electoral leapfrog. The Democrats' candidate for Attorney General, Mr Edward McCormack, is the nephew of the party's leader in the House of Representatives.

Among the Republicans, too, politics run in the family. Their candidate for Attorney General, Mr Chris Herter, Junior, is the son of the man who used to be Governor of Massachusetts and is now second in command to Mr Dulles. Names can even cross party lines; Mr John Saltonstall, who, the Democrats hope, will win one of the state's seats in the House of Representatives next month, is a cousin, some degrees removed in consanguinity as well as in politics, of the Republican Senator, Mr Leverett Saltonstall.

West Virginia's Senators

FROM A SPECIAL CORRESPONDENT

West Virginia furnishes one of the paradoxes of the congressional campaign. It is the only state with two Senate seats at stake, except Alaska, which does not vote until late in November. West Virginia is therefore one of the major prizes but, because of its geographic seclusion and its traditional dislike of strangers, its contests have received relatively little attention. The same factors make it more than ordinarily risky to forecast the outcome and difficult to relate the campaign in West Virginia to trends in other parts of the country. Both Senate seats are now held by Republicans, although four of the state's six Representatives are Democrats. Senator Revercomb won the remainder of an unexpired term in 1956 when his party unexpectedly captured the main state offices. He is now seeking the full six-year term. Senator Hoblitzell, his colleague, was appointed several months ago after the death of Senator Neely, who was a Democrat. He is trying to win the remaining two years of Neely's term.

Both these Republicans have hard races because West Virginia has for thirty years been a stronghold of the Democratic party, which today claims roughly three-fifths of the registered voters. The Democrats have made the most of their advantage by nominating two formidable candidates. Representative Byrd, a youthful but experienced and highly professional politician, is running against Senator Revercomb, while Mr Jennings Randolph, a former member of the House of Representatives, has returned to politics, after a twelve-year absence, to challenge Senator Hoblitzell.

These four candidates roughly typify the divisions in this oddly diverse state. West Virginia, which seceded from Virginia during the Civil War because its non-slaveholding population wanted to stay in the Union, was for many decades thereafter safely Republican and an industrial fief of the great coal and steel companies. Its small farmers in the valleys and foothills of the Appalachian Mountains lived very much to themselves, with high rates of intermarriage and illiteracy, a fundamentalist religious life, and a flourishing tradition of folk music inherited directly from the British settlers of the eighteenth century.

The state thus combined the isolation, the clannishness, and the provincialism usually found among both miners and mountaineers. The social changes of the New Deal and the growth in strength of the United Mine Workers' trade union helped to break down the isolation, alleviate the poverty, and swing the state solidly into the Democratic column. But West Virginia has never shared fully in the post-war boom. Many of its coal mines are largely worked out or uneconomic, and the steel industry has preferred to expand its facilities in other states. The result is that many communities in West Virginia are chronically depressed.

Mr Revercomb, although a Republican, has the manners and voting record of a conservative southern Democrat. He makes much of his appeal to the rural counties in the eastern part of the state which resemble Virginia. In a previous term in the Senate from 1942 to 1948, his name became synonymous with restrictive and racially discriminatory legislation on immigration. Recently, however, he has given up the luxury of fighting for causes so remote from the concerns of West Virginia. His election campaign emphasises how much he has accomplished in getting federal aid and contracts from a sympathetic Eisenhower Administration. He has also modified his conservatism to vote several times in accordance with the position of the United



Mine Workers. Mr Byrd, his opponent, has nevertheless received the endorsement of the coal miners. A fiddler adept at playing mountain music and an excellent story-teller, Mr Byrd has a matchless personal appeal for many rural voters. He touches only lightly on the issues, and favours a folksy, "corny" approach.

In contrast to the old-fashioned Revercomb-Byrd struggle, Senator Hoblitzell and his opponent are waging a contest with political meaning. Senator Hoblitzell, a wealthy banker, looks like a typical Eisenhower "modern Republican," but his political views are strictly Old Guard. Like Senator Goldwater, of Arizona, he is an avowed conservative struggling against federal spending and big government. He is badly handicapped because he is a poor speaker and is not well known personally to the rank and file of voters. Mr Randolph was a New Deal stalwart in the House of Representatives from 1933 to 1947. An eloquent orator, he has waged a militantly liberal and internationalist campaign that has been most successful in the area around Wheeling, which is virtually an extension of the Pittsburgh urban complex, and in the smaller industrial cities along the Ohio River.

A grave financial scandal in the Democratic state administration contributed greatly to the Republican victory two years ago. Although the popular Republican Governor, Mr Underwood, has tried to revive this issue to help his party's senatorial candidates, the public now appears to be more concerned with the effects of the still-lingering recession. Economic pressures, together with the personal attractiveness of the two Democratic challengers, make the outlook for the Republicans unpromising. As the campaign ended, however, they clung to the hope that West Virginia's traditionally close-mouthed voters would once more surprise everyone, as they did two years ago.

Whose Hoosiers?

INDIANAPOLIS, INDIANA

Indiana, whose inhabitants go by the obscure name of Hoosiers, is a deeply conservative state; it is also a prime example of the troubles besetting the Republican party in next week's election. The rapidly growing industrial towns along the southern shore of Lake Michigan have been hard hit by the past year's slump in the steel and automobile industries. The unemployment rate has risen above 15 per cent in some places, and is showing an unusual reluctance to fall again now that business is recovering. Furthermore, Governor Harold Handley, the candidate whom the Republicans have nominated for the Senate seat left vacant by Senator Jenner's retirement, has managed to tread on an impressive array of toes: those of the trade unions, by championing the right-to-work law (against compulsory union membership) which they claim he at one time promised to oppose; of the farmers, still the most influential section of the community, by havering about their right to federal price supports; and of those who voted him into the governorship two years ago, by breaking what looked like a clear obligation to complete his four-year term of office.

Governor Handley's views on states' rights, social issues and foreign aid put him almost as far to the right as Senator Jenner, who, in spite of his relative youth, held the most crusted reactionary views. Mr Handley has further alienated Indiana's moderate Republicans, traditionally at odds with the powerful right-wing faction, by using his powers of patronage as Governor to "pack" the convention which chose him to run for the Senate. Indiana has not sent a Democrat to the Senate for twenty years, and no doubt some dissident Republicans will swallow their qualms about Governor Handley by election day; but at the moment it looks as if he is too far to the right even for the Hoosiers, in their present frame of mind.

If the Democrats succeed in electing their candidate for the Senate, Mr Vance Hartke, they may also add considerably to their share of Indiana's eleven seats in the House of Representatives; at present they hold only two. But Indiana's native conservatism has reasserted itself in the Democrats' choice of candidates; most of those who are likely to win new seats describe themselves only as "moderates." A Democratic sweep will therefore not bring the same accretion to the liberals' strength in Congress that it would in most other northern states. If the Hoosiers reject the far right, their swing away from it is likely to carry them no farther than the middle of the road.

THE ECONOMIST NOVEMBER 1, 1958

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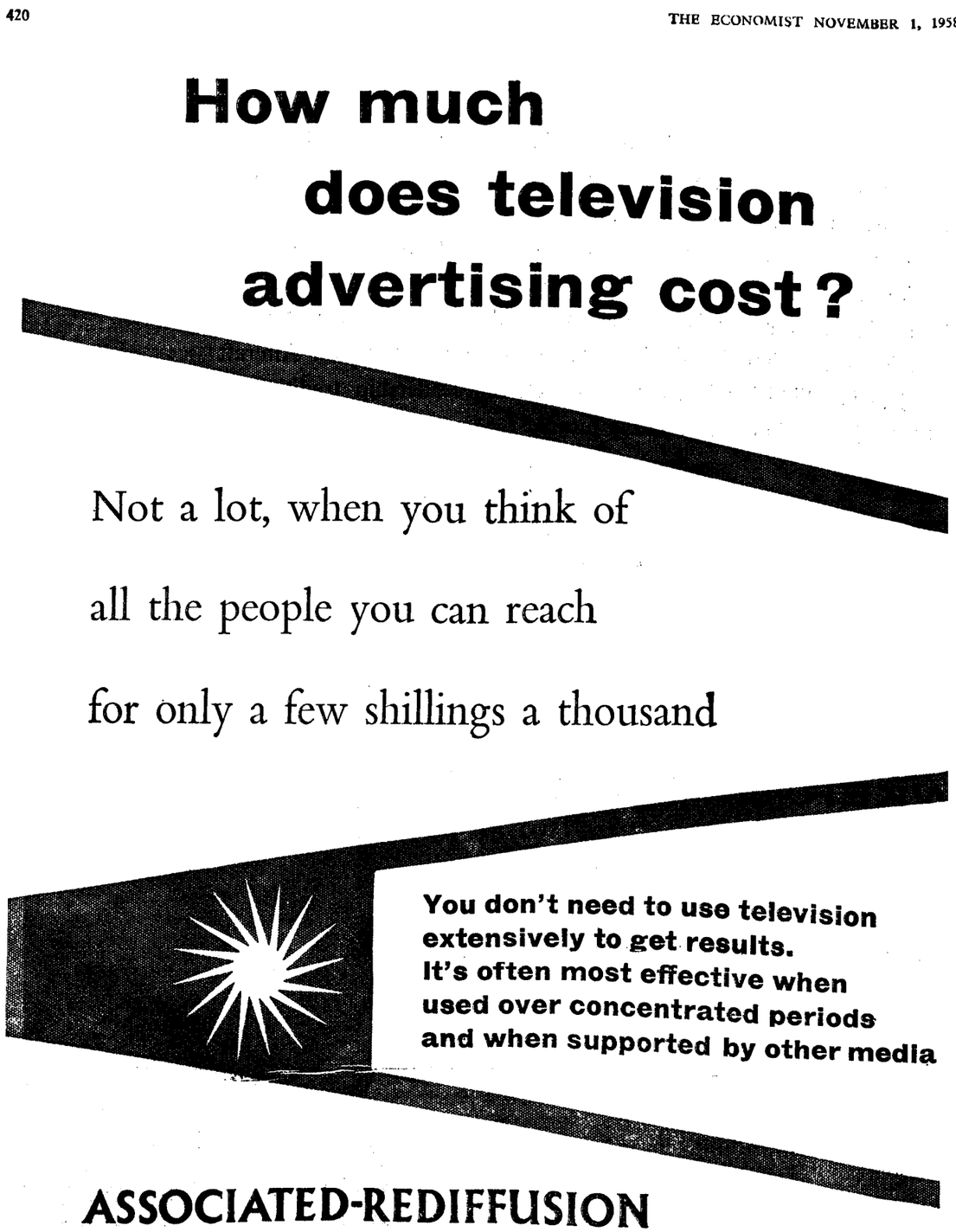

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THE WORLD OVERSEAS

Not a Happy One

FROM OUR CORRESPONDENT IN TOKYO

In prewar Japan an authoritarian-minded policeman might well exult over what bliss it was in that dawn to be alive. Lord of his little manor in the most literal sense, the lowliest pavement-pounder could accost, search and haul off for interrogation any citizens who roused his easily inflamed suspicions. The victims ranged from park-bench lovers to trade union leaders, as well as members of that dangerous sect, the Christians. But the postwar Japanese policeman—who often has a university degree—has plenty of cause to complain that a policeman's lot is not a happy one. Under Japan's constitution, which heavily entrenches "human rights," the police have to be polite even to known gangsters. They may accost gangsters and ask them if they are carrying weapons, but if the gangsters reply that this is not the case, the police have no right of further interrogation, far less of search or detention. As Tokyo alone has over 450 gangs with a membership of over 12,000, this makes the prevention of crime difficult.

The Diet, and especially the Socialists, keep a watchful eye on the police; and so does the ministry of justice's "bureau of human rights," which is helped in its work by some 4,000 honorary justices of the peace throughout Japan, who are elected and to whom any citizen can complain. The bureau investigates about 300 charges against the police each year. A recent case concerned a drunk who approached a police-box and demanded that the policeman should furnish him with his fare home. The policeman not only refused but threw the drunk out of the police-box. (In Japan, even the most hopelessly inebriated cannot be arrested unless they actually assault someone.) The roisterer complained that his "human rights" had been violated, and the policeman was transferred to another district. In other similar cases, policemen have been demoted or have had their pay reduced.

The Japanese government has long been irked by the failure of the police to deal effectively with demonstrators who stage sit-downs at American air bases and also inside government offices, and for the past four years it has been meditating revision of the regulations that limit the scope of police action. But the introduction of a new Police Bill in the current session of the Diet took everyone by surprise, and the Socialists were not slow to link it with both the present talks in Tokyo on revision of the United States-Japan Security Treaty, and Mr Kishi's statement earlier this year that a "showdown" with the powerful trades union federation *Sohyo* was pending. The prime minister has since admitted that it is the large-scale withdrawal of American forces from Japan that has made the powers of the police an immediate issue, but he strenuously denies any intention to use the police to restrain the "legitimate activities" of trade unions. This has not inhibited *Sohyo* from calling for a general strike, to quash the Police Bill and "overthrow the Kishi government."

The Bill would give the police power to search persons suspected of carrying weapons (but not to detain them, if no weapons are found); to take into "protective custody" intoxicated persons (and also lunatics, would-be suicides and lost or runaway children); and to compel the evacuation of dangerously overcrowded places, such as theatres (at present, the police have to wait until a fire or some other calamity occurs before they can take action). But the provisions of the Bill that have really aroused public alarm are those that would empower the police to step in (including into private premises) when they believe that there is a "clear and present danger of public disorder." The Socialists, and *Sohyo*, declare that the intention is to prevent demonstrations from taking place—without waiting to see whether the demonstrators are acting peacefully or not—and also to harass and intimidate trade unions and other bodies, not only during strikes but at normal meetings. These fears are shared by a wide section of the Japanese public which has vivid memories of how the police abused their powers before the war.

Among the organisations that have expressed unanimous opposition to the Police Bill is the YWCA of Japan, whose director, Mrs Tamaki Uemura, recalls being subjected, before the war, to lengthy interrogations by police officials about her religious beliefs and how they squared with Emperor-worship. Japanese literary figures, including members of the PEN, declare that the Bill imperils the new freedoms that the Japanese won under their postwar constitution. Eminent professors oppose the bill on the same grounds, trade union leaders have been describing how, before the war, they were constantly marched from one police-station to another, interrogated and, if released, immediately rearrested for further "questioning." One member of the present Diet was arrested 160 times; his wife (a former baroness and now a leading Socialist Diet-woman) was imprisoned for preaching birth-control.

Many of the government's critics regard the Police Bill as just another step on the way back to a "police state." They claim that this process has been going on for a long time but that the Kishi regime has speeded it up. It is pointed out that public servants were forbidden to strike as far back as 1948, and that the "depurging" of wartime politicians and officials began the following year. Mr Kishi, a former "purgee" and suspected "war criminal," became prime minister in February last year, within eight months of the setting up of a "research council" for revising the constitution. Under Mr Kishi, all the top-flight "war criminals" still surviving have been released, and one or two are known to be very close to the prime minister. The

government has reintroduced the forbidden *kendo* or military fencing in schools, as well as "moral education" and the national anthem *Kimigayo* that was closely identified with Emperor-worship; threatens a purge of teachers suspected of dangerous thoughts, through the "efficiency rating" system; is trying to weaken the trade union movement by having union officials discharged from their jobs and preventing the unions from collecting stop-order dues from members; and is now talking about reviving the hated home ministry, and introducing an "anti-espionage" law.

Despite obviously widespread opposition to the Police Bill, the government declares that it is determined to push it through the Diet, even if this means dropping—once again—the minimum wage Bill, and even prolonging the Diet session. And the government is encouraged in its stand by the tactics both of the Socialists in the Diet and of the trade unions outside it, for the Socialists and *Sohyo* have made it painfully evident that they want the minimum of honest public discussion of the Police Bill, and the maximum of strong-arm street agitation against it. This puts the other critics of the bill in a quandary, for many of them deplore those tactics as much as they deplore the bill itself. It puts the government in a quandary, too. Mr Kishi may feel he cannot back down now without losing face. Nevertheless, there remains a fair chance that, if public clamour against the Bill continues, the government will find a way to dilute its unpopular measure. Despite what his critics say, Mr Kishi is not a Japanese Dr Verwoerd.

THE NEW IRAQ—II

Caution on the Tigris

FROM OUR SPECIAL CORRESPONDENT IN BAGHDAD

BAGHDAD in mid-October was the scene of a Kurdish holiday. Dozens of notables came down from the mountains to pay their respects to Mullah Mustafa Barzani, on his return from thirteen years exile behind the iron curtain. With their loose turbans, roomy trousers and large, curved noses, they looked like a gathering of jolly birds of prey. Their leader moved among them in European clothes, sporting a selection of loud ties. He is a trim, soft-spoken figure, who does not look the firebrand he certainly has been. The speeches were in Arabic.

The revolutionary government in Baghdad has been at pains to stress Arab-Kurdish unity. The return of Barzani has done much to heighten its popularity in the Kurdish mountains, which are notoriously difficult to control from the cities of the plain. Kurdish nationalism, of course, is a double-edged weapon. But those exiled by the old regime are, on principle, welcome in the new Iraq; and it is doubtless thought that Barzani is safer inside the country than outside. He could be a useful instrument for annoying the Persians or the Turks, if that should prove desirable. There have already been sharp exchanges between the newspapers of Teheran and Baghdad.

The tone of unofficial comment in Iraq is strongly anti-western; official and unofficial voices alike are loud in condemning the close links with the West established by the old regime; but in action the new government has been cautious in the extreme. The Baghdad Pact, for example, has not yet been denounced. It would be too much to expect that the pact could survive in anything remotely like its old shape; it is the most conspicuous symbol of that "imperialism" which the government is determined to get rid of. Yet suggestions have been heard that the government would be in no hurry to liquidate certain features of the pact: the nuclear centre, for instance. Baghdad hospitals are already using isotopes in various forms of treatment. The problem now under study is whether the pact can be broken up into its constituent parts, whether its economic features can be isolated from the objectionable political and military framework.

The same caution marks the relations between the government and the Iraq Petroleum Company. It is idle to suppose that the present agreements will last for ever. But relations between the government and the company leave little to be desired, and there is no sign yet that officials are thinking in terms of nationalisation. There are strong reports current in Baghdad of a forthcoming loan from the company to the government, of the order of £5 million, in the form of an advance on oil royalties. The reports are still unconfirmed; but if the loan materialises, it will be another indication that the government is prepared to let well alone until the basic problems of the revolution have been tackled.

The most important of these problems are the remodelling of the central and local administrations, and land reform. Faithful supporters of the old regime have been axed in large numbers, and the cases of lesser offenders are now being examined at leisure. Tribal law was abolished in August as incompatible with the statement in the provisional constitution that all citizens are equal before the law, irrespective of origin, race or religion. But the replacement of skilled administrators and time-honoured institutions is a long-drawn-out process. There are signs that the work of government is beginning to shake down into something approaching efficiency, but there is still a lot of dead wood. As an example, the procedure for dealing with exit permits calls for seven different official entries on a single half-sheet of foolscap.

THE projected land reform is a vast undertaking, to be spread over five years. It provides for the break-up of large estates and the distribution of the land to small peasants and landless labourers. When the reform is complete, the largest holding on flow-irrigated land will be 250 acres, on rain-irrigated land 500. The formation of agricultural co-operatives is envisaged to help the new peasantry with capital machinery and skilled advice. The Iraqi labourers are extremely backward, and would be lost if left to themselves. The present owners of the land are to be compensated at rates determined by assessment boards set up by the ministry of agriculture. In the meantime, they are required by law to maintain the cultivation of their lands.

The execution of the new land law is bound to raise a host of difficulties especially in the early stages; and it is being freely predicted that its effect on next year's harvest will be disastrous. Will the big landlords in fact continue to cultivate? Surely they will find loopholes to evade their obligations? Will the assessment boards be immune to bribery? How will the water be allocated to the new estates —bearing in mind the fact that disputes over irrigation rights lead to more murders in Iraq than any other single motive? What about working capital, machinery and maintenance? There are many other questions clamouring for

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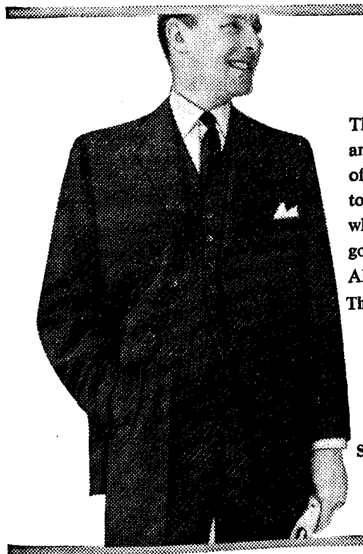

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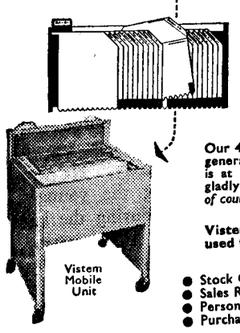

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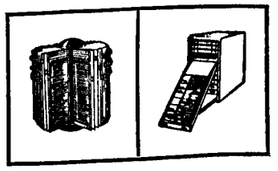

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reply, and it may well be two or three years before Iraqi agriculture adapts itself to the new system.

The effect of the revolution on the Iraq development programme is not yet discernible. At first, when the young Baath-Socialist leader, Fuad Riqabi, was appointed minister of development, it was thought that drastic changes were likely. But now that the ministry has been taken over by the minister of finance, Mohammed Hadid, there seems to be a more careful approach to the problem. One or two projects have been scrapped; but the great majority are being pushed forward without interruption. The future is likely to see a considerable acceleration of the housing programmes—"to keep the masses quiet"—and further concentration on petro-chemical industries, based on the waste products of the Iraqi oilfields. There is a healthy reluctance to develop industry dependent on imported raw materials: "We are not interested in industry for its own sake."

Despite the prevailing trend of republican opinion in Baghdad, there is no reason why western business interests should suffer unduly by the change of regime. Thinking in official circles suggests that Iraq will soon leave the sterling area; membership of the sterling family is no longer considered compatible with full sovereignty. But western, and particularly British, firms enjoy the advantages of intimate knowledge of the market, of well established trading habits and a common language. The last factor should be of importance in determining the direction of the flow of Iraqi trainees overseas. At the moment, business is slack. Many Iraqi merchants profess to fear communism; still more are nervous at the prospect of military interference in business. But given a few more months of stability, western firms may find their old interests reviving briskly. The relatively quick recognition of the revolutionary government helped to still the deeper suspicions, and the withdrawal of British and American troops from Jordan and Lebanon should help even more. If words mean anything, the trade agreements newly concluded with the United Arab Republic and the Communist block are intended to supplement, rather than replace, the older links with the West.

(Concluded)

Historical Truth in Russia

THE fifty-first volume of the Great Soviet Encyclopedia is a supplement to the main work but it is no ordinary supplement. The preface contains the innocuous warning that the new volume contains biographies which "for various reasons" were not included in its predecessors. The reasons are indeed various. The supplement, naturally enough, contains entries about various newcomers to Soviet public life who had not yet arrived when the volumes in which they might have appeared, went to press. But it also includes obituaries of men long dead, whose very names were unmentionable in the Stalinist period. (It is a sort of 1984 Orwellian exercise in reverse.) Many of Stalin's victims have already been posthumously rehabilitated since the death of their executioner, but so far the evidence has had to be pieced together from various sources, such as Mr Khrushchev's secret speech at the 20th Soviet party congress, and articles in newspapers, periodicals or specialised journals. It must have been more difficult for the Russians than for outsiders to keep up with the changes. The new volume provides them with a record of the extent and the limits of this process of historical reinstatement.

Professional soldiers as a group, have come out best so far. All the military leaders executed in 1937-38, when Stalin feared a Bonapartist coup, are now rehabilitated. They are headed by Marshal Tukhachevsky, the youthful hero of the civil war. His fellow accused—General Uborevich, commander of the Byelorussian district, and the chief political commissar, Gamarnik—also appear in the new volume. So do the two marshals, whose signatures were on Tukhachevsky's death warrant, but who were themselves executed shortly after—Marshal Yegorov and Marshal Blücher of Far Eastern fame (the latter was also known as General Galen, the name under which he served as military adviser to the Kuomintang). Antonov-Ovseyenko can also be grouped with the soldiers: conqueror of the Winter Palace in 1917 and subsequently Soviet ambassador in Spain during the civil war, he paid with his head in 1938 for his former association with Trotsky.

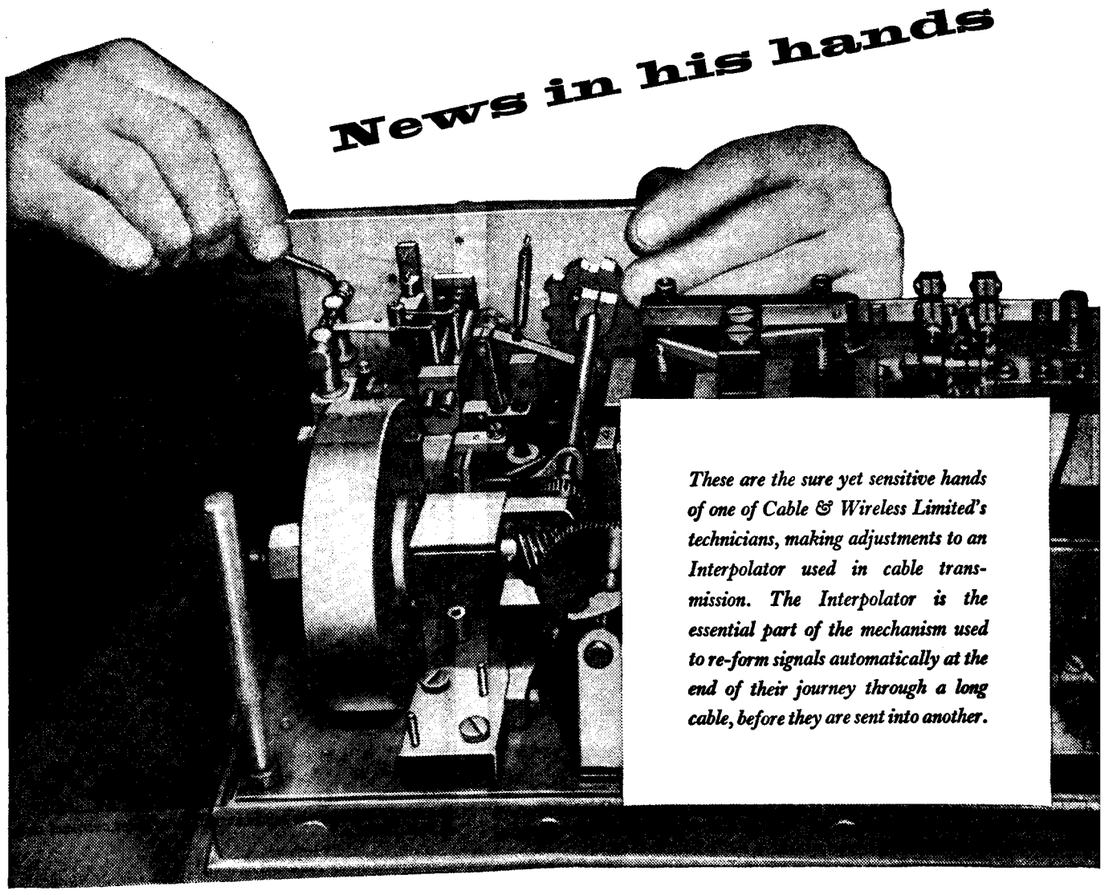
Many of Russia's present military leaders had served under these men, and until quite recently the army made the running in the rehabilitation race. But not all the obituaries in this volume are of soldiers, or even of Russians. The élite of the world communist movement was swallowed up in the holocaust of the prewar purges. Among the foreign names now restored to honour are Bela Kun, head of the Hungarian revolution of 1919, and the whole prewar leadership of the Polish communist party.

ARTISTS and writers were also crushed by the machine of terror. It is now revealed that V. Meyerhold, the famous theatrical producer, died in 1942, and that I. Babel, whose short stories were recently published in English, died the year before. Two Yiddish writers—Bergelson and Markish—are said to have died in 1952. This is a reminder that the purging went on up to Stalin's death and that Jewish culture was among his last targets. The fact that A. Lozovsky, who had vanished previously, is also reported as dead in 1952 suggests that the former head of the International of Red Trade Unions (Profintern) may also have been a victim of the anti-Jewish drive.

Jews, however, were not the only postwar casualties. The country was no longer in a state of permanent purge, but leaders were still occasionally eliminated. The best known of Stalin's postwar victims is N. Voznessensky. He was one of the most promising figures among the younger generation and was Russia's chief planner during the last war and after. He was executed in 1950. A. Kuznetsov, head of the party in Leningrad, was put to death shortly before that. The two events are apparently connected in the mysterious "Leningrad affair." The reasons for, and the scope of, these executions are not yet known, but Mr Khrushchev has hinted that Mr Malenkov was then among the purgers.

The new volume is not only a record of Stalin's victims; it is also a guide to promotions after his death. Here, however, it reveals nothing striking. The biographies of the newcomers confirm the analysis published in *The Economist* on May 24, 1958. Most of the new men are not very young, nor are they theoreticians. They are made in Mr Khrushchev's image—energetic party organisers and industrial overseers who have climbed the ladders of the Soviet hierarchy.

The fifty-first volume fills in important gaps in the



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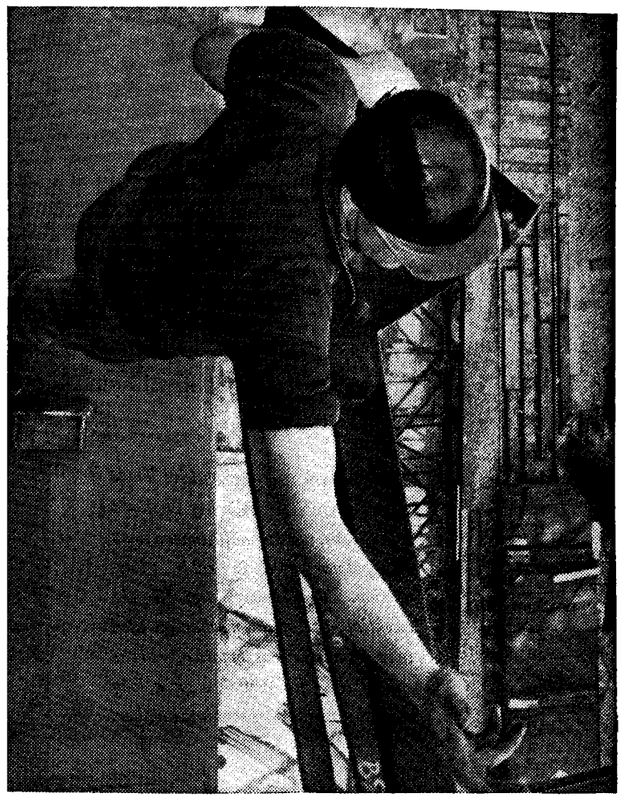
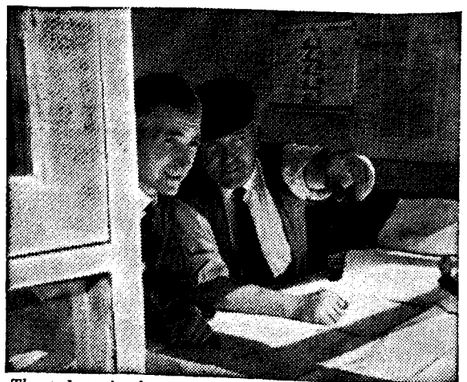
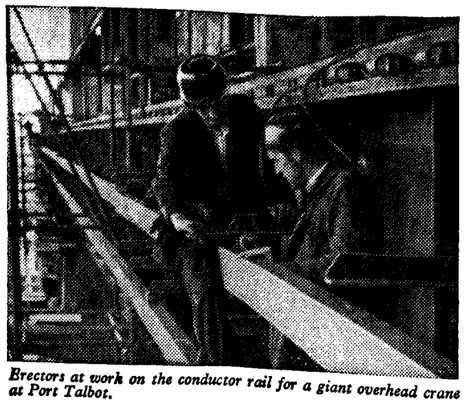


At Port Talbot The Steel Company of Wales is building a new Bessemer shop in which the latest oxygen-blowing techniques will be used. This construction man is standing on its second highest girder.



The steel erection foreman and the consulting engineer are in close contact all day, every day.



Erectors at work on the conductor rail for a giant overhead crane at Port Talbot.

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In this situation an industry might be expected to hold up investment. But the Steel Industry believes that the nation's economy will continue to expand. So, with the approval of the Board, the industry's great building programme is going ahead. In 1958 alone, it will cost over £100 million – the largest sum ever spent by the industry in one year. Steelmaking capacity is to be increased to about 29 million tons by the early 1960's.

The Steel Industry believes in Britain's future. Under the Board's supervision it is planning and building for the years ahead.

ISSUED BY THE BRITISH IRON AND STEEL FEDERATION

Sovietologists' knowledge. But many gaps remain. In the first place, all the men now restored to fame are described euphemistically as having died in this or that year. It is not revealed how and why.

The reinstatement of the victims is not accompanied by an indictment of the executioners. Secondly, the truth-seekers do not probe very deep. The encyclopædia, like Mr Khrushchev in his speech to the 20th Congress, takes up the defence only of the "Stalinists" among the Soviet leaders murdered in the thirties. Postyshev (Mr K's predecessor as boss in the Ukraine), Kossior or Rudzutak—all were Stalin's lieutenants executed by their master. Mr Khrushchev could have shared their fate. But the main victims of the notorious Moscow trials—Kamenev, Zinoviev, Bukharin, Rykov or the followers of Trotsky—are still painted in black. The only change is that they are now described as enemies of the party instead of enemies of the people. The vindication has not gone very far.

And yet the truth will gradually out. Attacks by Soviet lawyers against Mr Vyshynsky's principle that confession by the accused is a sufficient proof of guilt undermine the very basis of the Moscow trials. Each rehabilitation is also a link in a chain which will eventually place new memorials in the Soviet Pantheon. It may not be until new leaders, with cleaner hands, have come to the top in Moscow. The fifty-second volume of the Great Soviet Encyclopædia will make fascinating reading when it comes. The snag is that it may be awkward for Mr Khrushchev.

BROADCASTS TO EASTERN EUROPE—II

Babel in the Air

BY A SPECIAL CORRESPONDENT

ANYONE who has ever turned the dial of a fairly powerful wireless set must have become aware of the confusion of voices over the continent of Europe. The Russians broadcast in English, the Americans in Russian, the Jugoslavs in Polish, the Hungarians in French, all hopefully and at great expense. When Moscow started its first transmissions in English in the nineteen-twenties, MPs asked indignant questions; nowadays, new entrants into the business of radio war arouse little or no interest. There are too many contending voices on the air, repeating and amplifying the political divisions between the West and the East.

In western Europe the activities of Dr Goebbels and his friends have done much to discredit the practice of propaganda; but in the Soviet Union, the Department of Propaganda and Agitation is one of the seven sections of the central committee of the Communist party; and the work of the *agitprop* man, whether for home or for foreign consumption, ranks high in official esteem. Over the last few years the number of hours devoted to foreign language broadcasts by the countries of the Soviet block has been steadily increasing; their radio networks are highly flexible and can be co-ordinated to achieve maximum effectiveness in times of trouble. During the last Middle Eastern crisis, for example, several east European stations relayed Arabic broadcasts from Moscow. Although Soviet broadcasts have their appeal to the peoples in the Middle East, in the West the communist message makes only a feeble impact. At its best, it is intended to supply members of communist parties with fresh arguments; most of the time, however, it is highly repetitive and deadly dull. The Moscow broadcasters work within a tight framework of directives that cramps their imagination and inventiveness; but they are not overambitious and they know the limits of their task. The picture of a swift and powerful Soviet propaganda machine moving continents with the power of the word is false. They do not pin their faith on the ultimate effectiveness of the spoken word; both Lenin and Stalin treated with contempt those members of their party who were inclined to rely exclusively on verbal aggression. In Soviet practice, the instruments of gentle persuasion and those of force, including diplomacy, have always worked together.

IN this respect, the position of western broadcasters is more difficult. Eastern Europe has never been of primary interest to the western powers; since the war, the Foreign Office, as much as the State Department, has found it more difficult than ever to outline a working policy towards this area. And in the absence of official policy, western broadcasters have been working in a vacuum: every time Mr Khrushchev or Mr Rapacki produces a proposal concerning eastern Europe, the blankness of western official reactions and the absence of any constructive counter-proposals makes the broadcaster's life, in London or Munich, very difficult indeed. He is forced to rely on himself. But he cannot, whatever his position in the hierarchy, make an *ersatz* high-level policy of his own; often, he has to do his best to cover up its absence in official quarters.

The disadvantages of this situation were forcefully demonstrated during the Hungarian rising; it became more clear than ever before what care and what self-restraint the western broadcasters have to exercise in what they say on the air. The lesson that there is no point in raising false hopes among the peoples of eastern Europe was brought home to those who were in need of it; even the most hard-bitten experts in psychological warfare were forced to recognise that cold war propaganda can never do the work either of war, or of concerted and alert diplomacy. After the Hungarian revolution, the outburst of criticism directed against some of the western broadcasts slowly died down; the Hungarian revolutionaries themselves were justifiably indignant at the suggestion that these broadcasts had "caused" the revolution. The Hungarians did, however, express gratitude for the straight, objective information supplied to them by the BBC during the rising; information was more valuable to them than any amount of cheers from the side lines, or promises impossible to fulfill.

THE year that saw the sobering events in Hungary also presented the western broadcasters with another dilemma. In Poland, under popular pressure, Mr Gomulka claimed the right to deviate from the Moscow line. Apart from the fact that the Polish leader was in a much more difficult position than Marshal Tito, Poland and Jugoslavia presented the broadcasters with similar problems in the treatment of national communism. While claiming independence from Moscow, these two countries preserved the basic structure of their communist states intact. The western broadcasters began by extending to Mr Gomulka a fairly large political credit—which, in the two years that have followed, the Polish communists have largely used up. This sensible attempt to give independent-minded "national" communists the benefit of the doubt brought down another

volley of criticism on the heads of the broadcasters, this time from the Right in the West. They were accused of supporting Titoism and national communism, largely by people impatient of the intricacies of relationships between the countries of the Soviet block, who believe in "telling the communists what we think of them" and who like, for simplicity's sake, to lump all communists together. To the Russians, on the other hand, western benevolence to Mr Gomulka and Marshal Tito appeared highly dangerous: this time, they had to equate encouragement of national communist tendencies with incitement to revolt against Soviet authority.

The work of the western broadcasters does have a surprisingly powerful effect, although in a direction quite other than the communists would say, and in spite of the lack of official policy and the acute shortage (especially in the BBC's case) of funds. The conditions in which western broadcasts can be effective and popular are to a certain extent created by the communist regimes themselves: by insisting on only one source of information, which is usually suspect and often dull, they make their people abnormally receptive to information from outside. No government in the West, where information flows from a variety of sources, has ever felt compelled to jam communist transmissions. As long as the peoples of eastern Europe are starved of news and views, they will get them from whatever source they can. Western broadcasts provide them with an important service: they are the strongest remaining link with the outside world.

(Concluded)

Mannesmann Reconcentrates

FROM OUR BONN CORRESPONDENT

IT is impossible to count all the snooks, they are so many, that have been cocked in Germany at "deconcentration," that once sacred prophylactic against overmighty subjects in the industrial world. Piously, almost vehemently, denying any such intention, Mannesmann AG of Düsseldorf have now cocked another. The management of this huge industrial organisation, which has a good claim to the title of Germany's biggest, announced on Wednesday their decision to put together again much of what the Allies pulled apart in 1950. In the management's own words :

> The Mannesmann corporation has merely decided to run its most important subsidiary companies in future as works departments.

The six companies named as forfeiting their independent legal status are Mannesmannröhren AG (steel tubes), Mannesmann-Hüttenwerke AG (steel in various forms), Hahnsche Werke AG (steel and tubes), Essener Steinkohlenbergwerke AG (coal), Gewerkschaft Mannesmann (iron and manganese ore), and Mannesmann-Rohstoffwerke GmbH (bauxite, quartz, and fireproof ware). The production of these six companies (now departments) is estimated by the corporation to be approximately 66 per cent of the total production of the thirty-odd companies which the corporation owns entirely or in part in western Germany alone. The number of workers involved in the reorganisation is approximately 30,000. But concentration ? Not on your life.

Prompted intermittently by the chairman of the supervisory board—the redoubtable Wilhelm Zangen, who was sitting at his right hand—the president of the board of management, Herr Hermann Winkhaus, suavely assured the newspaper men summoned to Düsseldorf that everything was for the best in this not quite best of all possible worlds. (How much better if the workers concerned had given their approval, instead of waiting to see how the merger works out, or if the trades unions had not telegraphed protestingly to Dr Adenauer on the eve of the announcement): The new dispensation, Herr Winkhaus hammered away, was not an act of concentration: it was just a little job of overdue simplification that would make life pleasanter for everybody.

Directors would have fewer board meetings to worry about. With the six major undertakings no longer legally independent, all the red tape that had hitherto been snarling inter-Mannesmann dealings could be tossed away. Production and investment could now be coordinated between the six departments, which would thus be put in a stronger position to face the competition of the common market. Lastly, but not least, there would be an appreciable saving in taxes, particularly in the turnover tax, which had been heavily and undeservedly hitting certain inter-Mannesmann transactions. The management intended to let the six departments keep a great measure of their old working independence. They had chosen the present moment to reorganise in order to make the most of the so-called "transformation law," which grants tax concessions to companies merging in certain circumstances before December 31, 1959. It had not been necessary to obtain the approval of the High Authority of the European coal and steel community.

MANNESMANN has not become any bigger by reorganising. Nor, Herr Winkhaus maintained with another perceptible twinge of postwar German industrialist's conscience, is the corporation planning to penetrate new fields. Some thirty subsidiary companies are remaining independent. Their activities include shipping, exporting, technical research, and processing. Mannesmann undertakings abroad, notably in Brazil, Canada, and Turkey, where subsidiary companies are expanding production of steel and steel tubing, are not affected by the change at the centre. An indication of how well the corporation as a whole is doing is to be seen in the new twenty-three-storey building going up beside the present capacious headquarters by the Rhine.

The consternation caused in some quarters by the reorganisation will probably quickly abate. Mannesmann's might is not concentrated in a few hands. The corporation has long prided itself on its widely-held ownership. Today's recently-expanded nominal capital of DM 560 million (working capital is DM 1.3 milliard) has been put up by some 80,000 shareholders, who were paid a dividend of 10 per cent out of last year's profits. The corporation also has a good record of loyal co-operation with the European High Authority. Yet the general trend towards reconcentration in west German industry will continue to be watched with concern, not only by the trades unions. The government, which makes a point of claiming to champion the interests of the *Mittelstand* (the small man), is contemplating counter-measures. Over the last five years firms employing more than 1,000 persons have increased by 37 per cent in western Germany, and medium-sized firms by 17 per cent. Firms employing less than 50 persons are, on the other hand, by 4 per cent the fewer.

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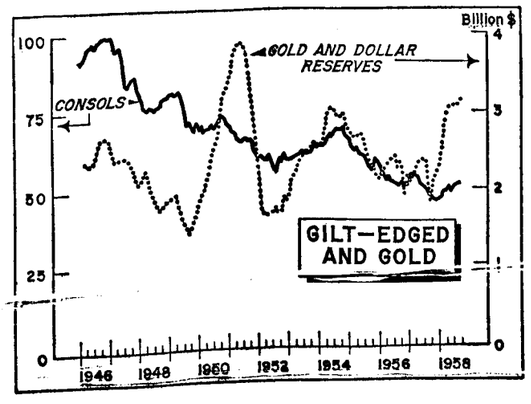
THE BUSINESS WORLD

No Edge of Guilt?

How sound is the gilt-edged market? The performance of the past year has been most encouraging. The disdain with which investors have regarded government stocks through most of the postwar years (and never more so than in 1957) has given way to a positive attraction strong enough to permit and to absorb heavy sales from official portfolios. These have helped to finance public investment and have furthered "funding"—the replacement of claims on the Government that are realisable at an early date by longer dated, less liquid claims. So successful have the tactics been that some City pundits are confident that gilt-edged now offer greater scope for capital appreciation in the short term than equities. But what of the long-term? Have the experience and the achievement of the past year significantly reversed the disfavour which gilt-edged suffered through the years of inflation? In the long look since 1945, the recent recovery is overshadowed by earlier painful falls; and five years ago, a recovery was followed by a plunge to new depths.

The foundation of the gilt-edged market's recent strength has undoubtedly been the recovering financial strength of the economy. There is an impressive degree of correlation between the price of Consols (the inverse of the long-term rate of interest) and Britain's gold and dollar reserves; gilt-edged are stronger when there is more gold behind them. Since gilt-edged had fallen to very low historical levels in September last year—Old Consols then touched the previous low of 1920—the scope for a rise was considerable. Britain's external accounts have since shown an unprecedented improvement and domestic inflation has been squeezed out, permitting successive reductions in Bank rate from 7 to 4½ per cent. But in their market tactics the authorities have throughout restrained the rise in the medium dated and long dated securities.



That restraint has itself contributed to the market's strength. In January the Treasury set the tone with a cash issue of a 1966 Exchequer Stock with a coupon of 5½ per cent—then a full 1 per cent above any other in the gilt-edged list—and it followed with further high-coupon issues. As is now inevitable, the bulk of those issues was taken in the first instance by official funds; but the Government broker has kept interest rates high and has not allowed the tap prices at which he offers his stocks to rise very much. Many of the sales have been in exchange for shorter maturities rather than outright for cash. Recently the Government broker has been trying to collect enough of the £592 million of 2 per cent Conversion maturing in January to control that bond when it matures, and also the £302 million of 3 per cent War Loan maturing in March; a refunding issue seems likely soon.

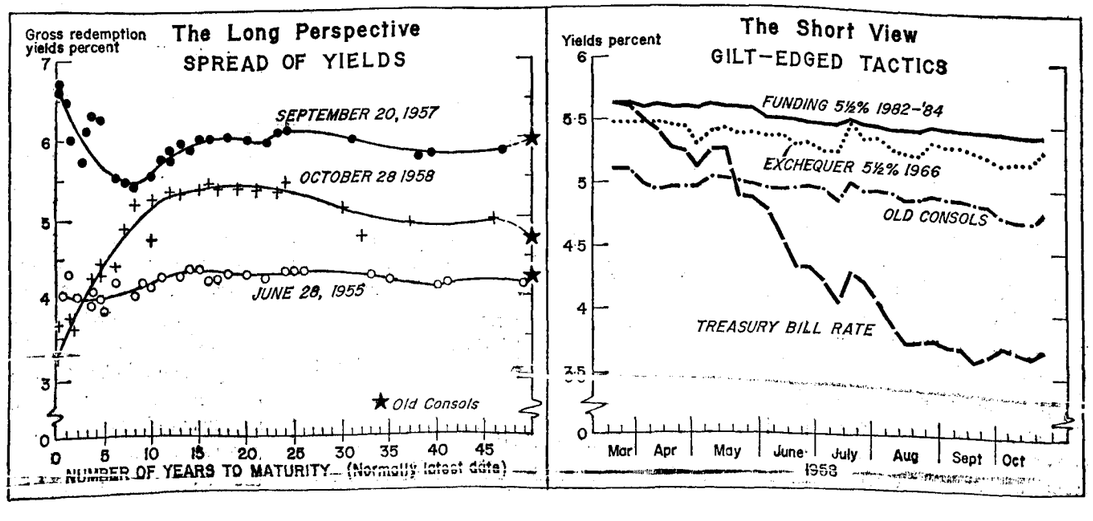
But the authorities have had a real success in raising new money from the public, rather than from bank credit. This is reflected in the grip that has been achieved over bank liquidity. Despite the large increase in Britain's external surplus—which involves a corresponding increase in the money that the Exchequer must find to buy gold and dollars for the reserves—and despite the significant check to the expansion of the note issue, the Government has on

balance leaned very little on the banks for new money in this financial year. Instead, it has borrowed much more through sales of gilt-edged in the stock market and of its high yielding savings securities over Post Office counters. The result is that the banking system has been tautened and any possibility of special deposits being ordered from the bankers is *pro tanto* reduced. But this tautening has not got in the way of the "significant but not violent" expansion of credit that the Governor of the Bank of England has described as the aim of policy in the past few months. It would as always be much easier to increase liquidity than to curb it.

THUS the policy of moving cautiously, holding prices down and interest yields up, expensive as it may seem in the accounts of the Exchequer, has paid the economy well so far. Not long ago many observers were contending—outside and inside official circles—that Government securities could be sold only on a rising market. This school may now point out the difference between tactics that restrain a rise and those that bring about a fall; but the difference is not one of principle. The canon of gilt-edged policy, at any time when the authorities are concerned to reduce the liquidity of the economy, ought to be formulated thus: gilt-edged should always appear cheap in relation to their "real" worth as dictated by the state of the economy. A painful cut in the Government broker's prices at a time of difficulty might leave his funding temporarily at a halt, but on the slightly longer view it may be the only way to offer investors the potential capital appreciation that nowadays is essential. At all times, the potential rise must appear justified by the economic prospect rather than merely by short term market tactics. The tactics of the Government broker affect the short range movements in the market. They cannot reverse the main trend.

So much for the moral for the authorities of their recent success. For most investors, the moral is that gilt-edged now offer the prospect of improvement in the short or medium term. Some analysts assert that the present yield curve, upward sloping from the short dates, is inappropriate in conjunction with Bank rate of 4½ per cent; they say that it results from official tactics against the trend, and is therefore bound to revert to the "natural" pattern. Certainly, the imprint made by official tactics is evident in the unusual relation of the long dated stocks, which are subject to official control, and the irredeemables, which are not; Old Consols now yield significantly less than 3½ per cent Funding 1999-2004. But the contrast in the present yield curve with that of mid-1955, when Bank rate also stood at 4½ per cent, is attributable to more than official tactics. When Bank rate went to 4½ per cent in early 1955, the new rate hit the City as a bludgeon, not wielded for a quarter of a century and presumably to be withdrawn before long. After three and a half years the investor is back to 4½ per cent, and it almost seems something to be thankful for. That explains why the accompanying medium term and long term interest rates should be at a higher absolute level, and why the yield curve should no longer reflect the supposition that money is historically dear. "Over the longer term, the next decade or so," Mr Cobbold proclaimed at the Mansion House, "I remain convinced that, in their task of helping to create conditions for sound and steady development, monetary authorities will be more often required to restrain than to force the pace."

Nor can the demands on the gilt-edged market be expected to abate. First, the schedule of inevitable refinancing offers no alleviation: indeed, room for manœuvre gets progressively smaller. In only one year of the 'sixties, 1964, are maturities of existing stocks smaller than £500 million, and in most years they are much bigger, though 1971 and 1972 also are—as yet—fairly light. Secondly, still more capital is likely to be needed by the state industries; it would normally be quite wrong to finance this from taxation, through an



overall budget surplus, and unless these industries provide substantially more of their capital themselves by earning bigger surpluses, the additional demands will fall to be met in the gilt-edged market. Thirdly, investment in the Commonwealth shows no signs of falling off: indeed, if the British Government is induced by political considerations to extend Exchequer money to Commonwealth applicants who would otherwise have been unable to find accommodation, the result of the new arrangements will obviously be not only cheaper lending but also more lending. All these influences will serve to keep rates up; and they would be reinforced if the recent turn in interest rates in the United States were carried much further.

Yet with all these considerations in view, some people would still consider rates of 5 per cent and over on British Government credit unduly high over the run of years. Whether or not that is so depends above all on the widest political questions: on the willingness and the ability of governments, Conservative or Labour, to hold prices and wages in check and to keep the economy on an even keel. From the reckless adventures of Mr Dalton to the wishful thinking of early 1957, the overriding lesson of experience in the markets since the war is that no official tactics can hold gilt-edged up when the economy is or seems to be out of control. And time is against the politicians: the longer inflation goes on, the faster will the public run from it. There was never a more appropriate misprint than the heading "Guilt-edged" in Hansard over a Parliamentary question on the decline of gilt-edged values. Two months later a 7 per cent Bank rate began to expunge the "guilt." Despite the real recovery in financial health that has been achieved since then, most investors taking the long view today remember the knocks of the recent past and probably still regard equities as the thing of the twentieth century. Only governments can prove them wrong.

Safety in the Air

The air is becoming more dangerous. What can be done to make it safer?

LAST week's head-on collision in mid-air between a British European Airways Viscount and an Italian air force fighter should bury the oldest rule of air navigation—"see and be seen." That this should still be the guiding principle of fine-weather flying is a dangerous survival from a more leisured age when pilots had time to look out of their cockpits and avoid an on-coming aircraft. The pilot of a modern piston-engined airliner has 15 seconds warning of head-on collision with a similar machine; a jet pilot might as well try to dodge a bullet fired point-blank.

This is by no means the first such mid-air collision. Several similar disasters have occurred in the United States, between military and civil aircraft, and also between civil airliners flying about their regulated business. Many of them occurred, as did last week's Italian disaster, in perfect flying weather and out of a clear blue sky. The combination of factors that causes them is still rare, but the odds are shortening. In the first place, there are more aircraft about, all converging to and from a limited number of airports. The aircraft fly higher in rarefied air, where the outlines of an aircraft are difficult to see. Most important of all, the aircraft are flying faster. Two propeller driven aircraft will close on each other at 700 to 800 miles an hour, a propeller driven aircraft and a jet at 1,000 miles an hour, and two jets at 1,200 miles an hour. At such speeds, a speck on the horizon becomes 50 tons of metal flashing past the pilot's eye before he has decided whether it was merely dirt on the windscreen. Direct collisions are still rare, but near misses are more frequently reported by badly shaken pilots; and there are several instances of non-fatal collisions of which neither pilot was aware until they landed and saw the damage. It is reported that the Italian flyer who rammed the Viscount believed that his own aircraft had been alone in the sky and had exploded beneath him.

If "see and be seen" is obsolete, what is to take its place? No means has yet been found, after years of research, of building a collision-warning device into the cockpit. The airborne radar that warns pilots of storm clouds cannot pick up so small a target as another aircraft, nor can any other of the warning systems tried. A pilot at present can keep out of danger only by following the advice and warnings from the traffic controllers on the ground. This raises a host of difficulties. It assumes, first, that the ground controllers have the equipment needed to do their job with complete security, which few of them have. It also assumes a close degree of co-operation between the civil and military air authorities which is difficult to achieve in practice.

Almost all civil flights are made along specified air lanes—broad channels of air extending from 5,000 to 25,000 feet, extending across countries with congested air space, such as Britain and Western Europe, and linking the main airports. Military aircraft keep out of the air lanes, while civil aircraft, in their turn, leave the airspace around, below and (particularly) above them, to military jets and private flyers. This looks fine on a map, but it is difficult to draw precise lines in the air. Europe is small, with its air routes knitted into a complicated network over, above and round which Nato air forces must carry out their training. No level crossing gates can be closed while a military squadron crosses a crowded civil lane. The lane along which the BEA's Viscount was flying last week is one of the least satisfactory, for it threads a precarious way between

two military exercise zones and there has been uncertainty about where its upper limits end. But the system has served to separate civil and military air traffic remarkably effectively, under conditions that have strained both sides. Its biggest test will come when civil jets start to fly across Europe. Their ideal cruising height, as the illustration shows, is well up in the air that has hitherto been used only by military jets and the air forces will dislike surrendering some of their manœuvring room for yet more air channels.

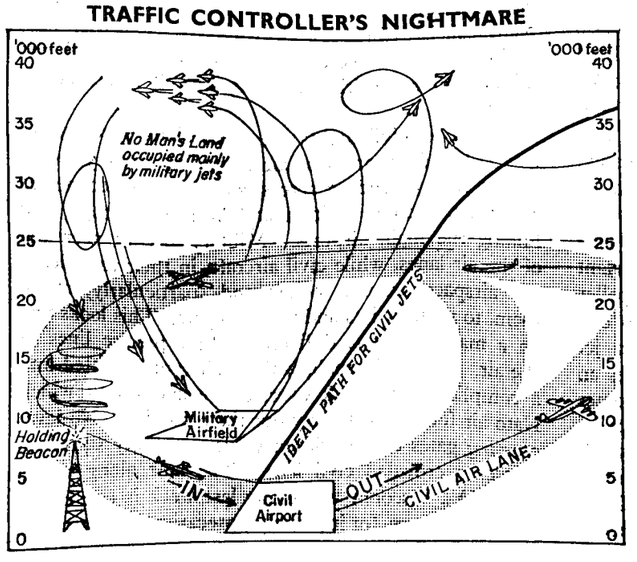
IN many ways avoiding collision between two civil aircraft is the most serious problem that the controllers have to face. If aircraft are flying in civil air lanes, they will be flying much closer on each other's tails than if they were spread over the sky. They can converge on, and take off from, crowded airports like London and New York at the rate of one a minute; from there they may fan out across the North Atlantic where radio communication with them can easily be lost. Pressure of traffic demands more and more rapid handling of these aircraft, if they are not to waste time circling round the holding beacons while harassed controllers try to clear a path for them to land. And given the high fuel consumption of jet airliners at low altitude, they must be held, if they are held at all, at heights of 20,000 feet or more, from which they can swoop sharply down direct to the runway.

Radar has been the biggest boon to air traffic controllers since the invention of radio, but there is not enough of it. Given a sufficient number of radar sets, a traffic controller can pinpoint each aircraft from the moment it taxis out of its hangar, through take-off, climb, and until it is 50 miles or so from the airport; then it can be picked up by a radar chain strung out along the air lane, and monitored right through to its final landing. Such a radar chain can plot the position of every aircraft along the route, pick up any military jet that has strayed into the lane, and shepherd civil pilots whose navigation is going astray. Britain is the only country in the world where such a system is anywhere near realisation. Pilots have for years given the Ministry of Transport unstinted praise for the efficiency of its ground control system, even though plans are far from complete. Until the Ministry has its own civil radar surveillance the whole length of the British air lanes five years from now, it is having to make do with help from the RAF's early warning radar.

The elaborate equipment used in Britain, such as the three separate radar systems working at London airport, contrast oddly—and indeed alarmingly—with the limited tools that controllers are using in other countries. New York's splendid looking Idlewild airport handles an aircraft a minute, but the controllers are doing a far more difficult job with much more rudimentary tools than in London. There, three civil airports and two military ones lie within a small circle. The big aircraft coming in from the North Atlantic have to thread a complicated pattern round and between these hazards with the help of one radar antenna that has to be re-tuned each time it is switched from long to short range. Yet New York is lavishly equipped compared with other airports.

If the first requirement is money for more radar, the second is a higher degree of authority over pilots. Even in an air lane a pilot can, in fine weather, opt to fly on the "see and be seen" principle. The number who do this over Britain is diminishing, which is a measure of their confidence in the traffic control. When the airways control is completed, they will not be allowed to fly "see and be seen" in British air lanes, but will have to fly under the surveillance of the controllers. Whether other countries will follow this lead will depend on whether they are prepared to spend big money on modernisation, and make the pilots work to it. Outside the airways, in expanses like the Atlantic where no radar cover can be provided, the need is for international agreement on a standard form of navigation that will allow aircraft to fly more closely on each other's tails than they do now. Because of navigating inaccuracies, and periodic radio failure, a box of 20,000 cubic miles of air has to be provided round each aircraft to rule out risk of collision. The Ministry of Supply is developing equipment that may be accurate enough to lock on to an aircraft 50 miles in front (which is quite different to a collision warning device) so that a wagon train of airliners could follow-my-leader across the Atlantic at much closer distances than 150 miles separation required today. But even when it is developed, this equipment will be valueless unless it is accepted internationally and fitted by the majority of airlines. And this, as many conferences have proved, is easier said than done.

TRAFFIC CONTROLLER'S NIGHTMARE



BUSINESS NOTES

HIRE PURCHASE

Free for All

THE last of the controls on hire purchase, those originating in the Board of Trade, have been withdrawn; their counterparts at the Treasury have already been none too decently buried. This last stage in the rapid approach to a free for all in hire purchase triggered off the rise in hire purchase shares shown in the table. Bank shares participated slightly although they had already had a good turn; the rest of the hire purchase group moved up and played its part in the general upturn in the industrial share market that developed as the new Stock Exchange Account opened. It was a material factor in keeping *The Economist* indicator only 0.2 lower on the week ended on Wednesday, at 226.9. In logic the rump of the control had to go when the bulk of it had already gone. To what extent this is a matter for the jubilation of investors is less certain.

	July 23	August 25	Sept. 12	Oct. 27	Oct. 29
Banks:					
Barclays	35/3xd*	45/3*	46/9*	47/-xc	48/6
Lloyds	45/6xd	56/-	56/9	61/-	61/9
Nat. Provincial	65/9xd	78/6	78/6	82/-	82/6
Finance Houses:					
Bowmaker	28/10½	31/1½	28/-	30/4½	31/6
UDT	100/-	110/-	103/-	104/-xc	108/-
Mercantile Credit	19/6	19/9	17/9	18/-	18/-
Stores and Furniture:					
Gt. Univ. Stores	21/7½	24/-	23/4½	26/-	27/4½
Harris Lebus	13/6	15/-	17/6	20/3	19/9xd
Hoover	43/3	44/9	48/-	49/-	50/6
J. & F. Stone	19/7½	22/7½	22/3	22/9xd	24/10½
United Drapery	26/6	29/-	29/-	31/9xd	32/1½
Motor Trade:					
British Motor	8/7½	8/10½	9/6	10/10½	11/1½
Ford	38/-	40/7½	41/9	41/4½xd	41/9
Henlys	19/6	22/9	24/1½	27/6	28/3
King's (Oxford)	6/7½xd	7/2¼	7/9	8/9	8/6¾

* Prices adjusted for scrip issue.

Just over a month ago when the Board of Trade did the first stage of its spring cleaning a minor panic developed in some of those trades then released from control; the furniture people in particular realised that their most effective shield from the sort of competition they most feared had been withdrawn. This time when such important trades as motors, and television come out of control there has been no panic, but enough has been said to show the kind of competition in terms that may be expected. Among the finance houses United Dominions Trust, friends not only of Barclays Bank but of the Bank of England, set the ball rolling by announcing "10 per cent down and three years to pay" on new cars, with a shorter contract but no larger deposit on the second-hand cars up to five years old. Another leading finance house in announcing 20 per cent deposit and three years to pay on new cars makes no bones about the fact that it may accept lower deposits, down to about 3 per cent, in particular cases. Among the motor manufacturers British Motor Corporation recommends 10 per cent down and three years to pay for new cars, while Rootes suggests 20 per cent and three years. Among the dealers Henlys makes no hard rule but suggests 10 per cent and 30-36 months. The self-financed Godfrey Davis leads the auction as this issue goes to press with only 5 per cent down and 50 months to pay. It is worth recalling in comparing these terms that dealers' margins on new cars are of the order of 20 per cent. A car costing £1,000 to the customer and repossessed the next month, having suffered no depreciation whatever (which can hardly be imagined) is worth only £800 to the dealer.

Competition Let Loose

IT was obvious that when large additional finance became available to leading finance houses, and authority was glad to see it made available, the consequence that authority desired would not be achieved without a struggle. The aim was to make hire purchase more respectable by forcing its very long tail of very small finance houses to amalgamate or be absorbed. That may come, but the observable consequence so far is different. The finance houses and the traders are defending their separate entities by the weapon that remains, cut-throat competition. It happens that the competition is in aspects such as the initial deposit and the length of the credit. The true cost of hire purchase finance is being overlaid, and the useful focus of attention on rates of interest which was one of the first fruits of more liberal lending by the banks is in danger of being lost.

The semi-official grumble that there is no one body that can speak for hire purchase finance has never been more strongly borne out. If it were desired to try to stop the rush at some point there is no salient that looks capable of being held and no one body that could do it—not the Finance Houses' Association, not the Industrial Bankers, not the SMMT nor the Hire Purchase Trade Association. There is indeed a recommendation backed by the last-named body and covering the smaller articles, such as radio and television sets. It seeks to hold the line at 10 per cent down and two years to pay. Nobody really doubts that "no deposit" business will also be done.

This looks like a danger sign for traders. On the terms now being offered the element of risk in hire purchase business looms much larger than before. The present delightfully low default ratio in hire purchase business must rise; no one doubts it. Traders and finance houses hope that that rise will be mitigated by two factors. One is the amazing honesty of most people. The other is the fact that profitability per case will also rise. The larger loan for the longer run brings a bigger profit, and the profit per case matters to the financing organisation on all occasions except when there is virtually no risk of the finance house having to hold unemployed money.

A Tax Loophole?

TEN per cent down and three years to pay may bring some hire purchase concerns more business, both from new buyers and from the larger portion of credit granted. But the HP companies must still be concerned to minimise the loss of business of customers who have bank accounts and prefer the banks' new facilities: this "upper fringe" of HP, comprising relatively large amounts taken by borrowers who seem least likely to give trouble with their monthly payments, is really the cream of the business entailing the smallest administrative costs. The great attraction of the banks, to the man who makes the calculation, is the low cost of the credit; and an important element in that low cost is the right, not available on a normal hire purchase agreement, to claim income tax relief on the interest portion of the instalments.

One small hire-purchase concern has devised a new form of agreement which, while remaining technically hire purchase, gives, its sponsors believe, an equivalent benefit to the borrower; and on the basis of this, customers are being offered rates broadly comparable with the 5 per cent quoted charge on personal loans from the banks. The firm is Carsavers, which extends credit to personal applicants after they have paid at least six advance monthly instalments (interest being allowed on the advance deposits). Under the new form of this firm's hire purchase agreement, the credit made available will formally be due for repayment immediately, instead of in stipulated instalments; but under the agreement the company undertakes not to exercise its right to enforce immediate payment as long as monthly instalments are forthcoming as agreed. By this means, the company is advised, the service charge becomes eligible in law as yearly interest, which the hirer may pay under deduction of tax. The hirer will in fact in the first instance pay in full, and the tax portion of the gross interest will be returned to him, adjusted for any subsequent changes in the standard rate, when the agreement has been completed. Carsavers hopes, for its part, to be immune from further tax on the income it receives "net," thus permitting it to make the special rebate. Presumably, complications would arise in receipts from hirers not paying the standard rate. The company believes itself to be in the same position as an investment trust receiving franked income.

This scheme has not yet passed the test of the Inland Revenue, though the company is satisfied with the advice of its tax and law experts. If it does stand the test, the big hire purchase companies may well follow (though the form of the agreement could present practical difficulties). Would the Treasury then try to close the loophole by legislation in face of criticism that the privileged status of customers of banks and building societies was being unfairly maintained? Whatever the arguments of equity, the Inland Revenue could not feel happy about the extension of this concession to cover vast new numbers of small and troublesome claims.

BUILDING SOCIETIES

Money for Houses

IN advance of the details of the Government's plan for stimulating investment in housing by pumping money into the building societies, detailed appraisal must be withheld. What is clear already from the Prime Minister's speech on Tuesday is that some of the worst pitfalls have been avoided: there will be no 100 per cent mortgages; there will be more of the 90 and 95 per cent mortgages already available though not in all areas under Mr Macmillan's earlier scheme; there will be better opportunities for financing the small pre-1918 house in the areas of local authorities that do not work that scheme; and indirectly building societies will gain possession of more money, some of which will be available for increased lending on other types of house.

The Brooke plan is apparently confined to the cheaper pre-1918 houses, and involves the Government in lending to the societies money that they agree to advance on mortgage on such houses. The rate of interest charged by the Government is expected to give societies a small turn below their current lending rate to pay them for the default risk (or part of it) which the societies will incur and to cover their administrative costs. The investigation of each property and of each borrower remains the business of the societies who are the acknowledged experts at that job; but unlike the Macmillan scheme, where the Treasury, the local authority and the society agreed to share risks but use building society money, the Brooke scheme uses Government money and leaves the risk with the society.

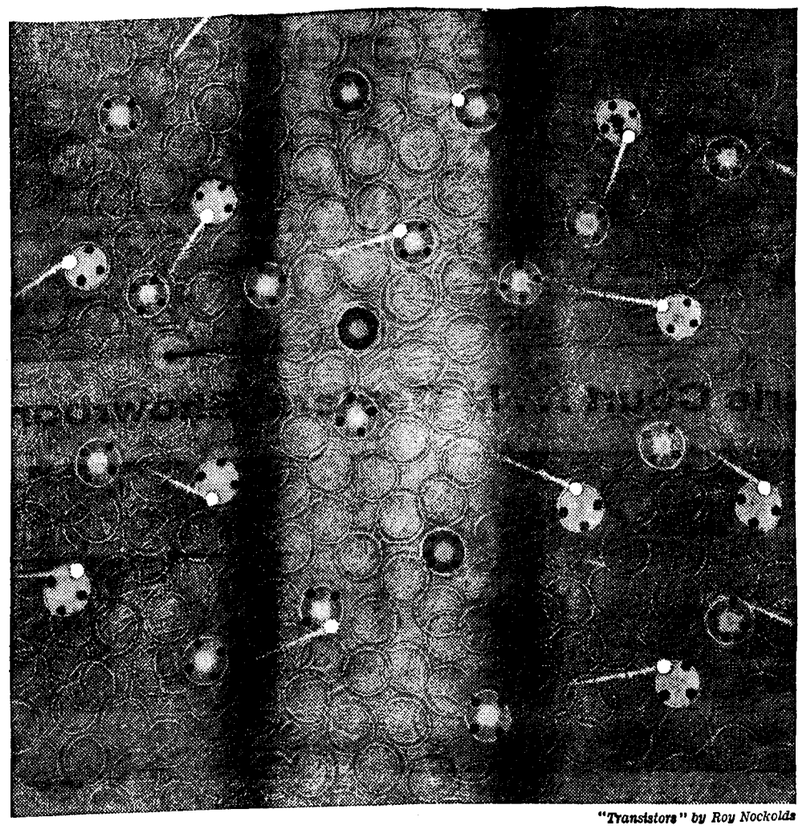
The details have still to come, but it seems clear that where a local authority is already working the Macmillan plan the Brooke plan could be used in conjunction with it. Where the local authority is not working the Macmillan plan, a society might think the risk in an advance of the order of 90-95 per cent excessive even allowing for the fact that its surveyor's valuation will not necessarily match the purchase price; but it could lay off that risk by insisting on an insurance policy as collateral security. It is not yet so clear that whether the Minister, while rightly preserving the existing machinery of the societies, has equally done all he could to stimulate the other machinery that exists for promoting home ownership—lending by the local authorities under the Housing and Small Dwellings Acts.

Many societies faced with inadequate funds to match all the mortgage demands they would like to meet have turned aside from the smaller and older houses, though there have been notable exceptions. Broadly, something of the order of £30 million a year out of total building society lending of about £380 million a year is probably being advanced on small pre-1918 houses. The new scheme should increase that modest investment partly by increasing the number of houses that can be financed and partly by increasing the amount of finance per house. It should not escape attention that it will also replace by government money part at least of the modest amount of building society money that is now being advanced on those houses so that to a modest extent some societies may enjoy a real increase in lending power. The societies will still not have all the money they need, but they may find themselves nearer that point.

INTEREST RATES

Transatlantic Contrast

LAST week's minor setback in the gilt-edged market, as seemed likely at the time, was no more than a pause for breath. This week gilt-edged have gone strongly ahead again. The rise owes little to expectations of an immediate reduction in interest rates. The Treasury has cut rates on advances to local authorities from the Local Loans Fund,



"Transistors" by Roy Nockolds

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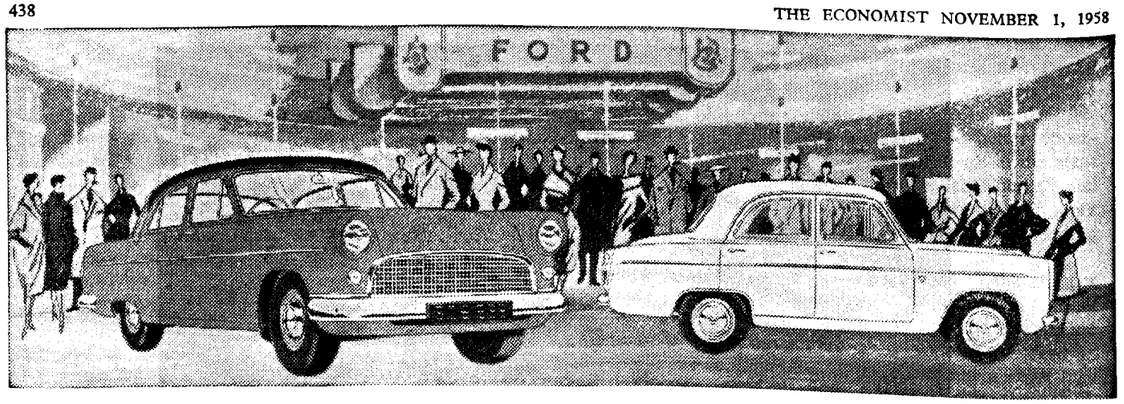
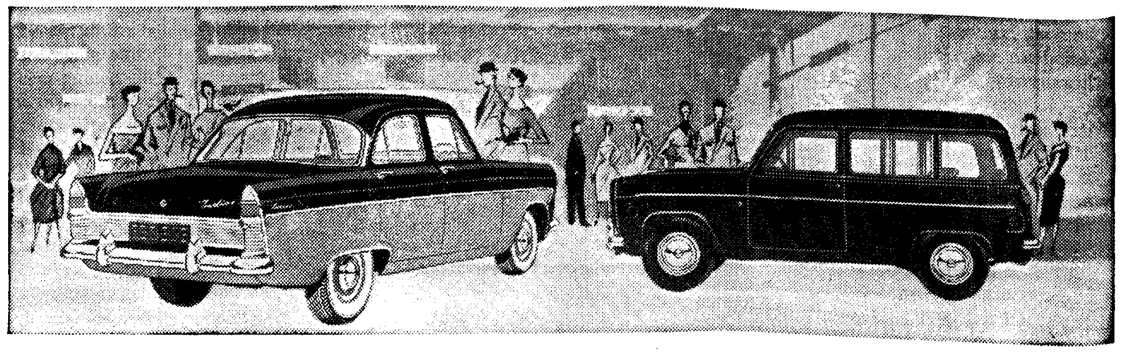
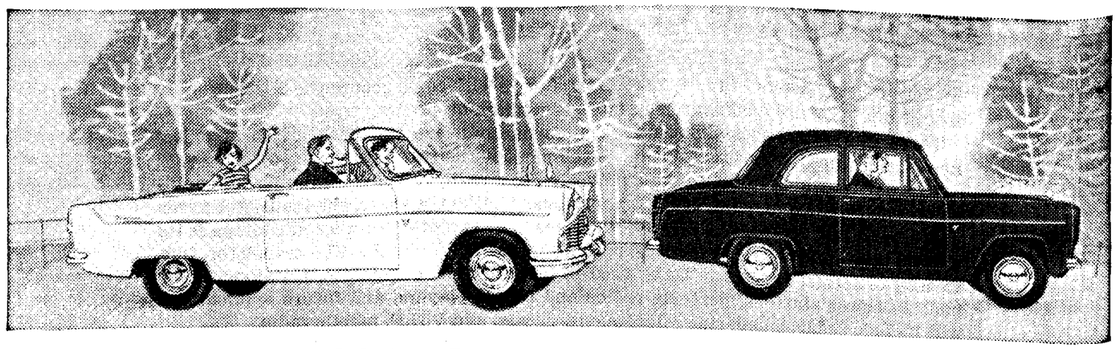


At Earls Court . . . In Dealers' Showrooms . . .



On the World's roads . . .



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FORD 17 MODELS STRONG

but the move is merely a further adjustment to bring government rates into line with market rates which have not been affected by it. The PWLB rate on loans for under five years is cut from 5¾ to 5½ per cent, and the rate on loans between five and fifteen years from 6 to 5¾ per cent. And following the market pattern, loans for more than thirty years are offered more cheaply (5¾ per cent) than loans between fifteen and thirty years (5⅞ per cent); hitherto both were at 6 per cent. The Treasury bill rate rose again on Friday last week in another move on its recent see-saw; and while the bill rate in New York fell back, from 2.80 to 2.65 per cent, the Federal Reserve Banks of a number of centres made a belated confirmation of the market movements by raising their re-discount rates from 2 to 2½ per cent, the second rise since the recession low point. At the same time, Mr C. Canby Balderston, vice chairman of the Federal Reserve Board, has given warning that if the sharp upturn in consumer credit experienced in 1955 were repeated, the Federal Reserve might have to reconsider its decision not to reinstate its powers over such credit terms. The warning came a few days before the British authorities dropped the last of their restrictions (though keeping the powers). The contrast mirrors the wider contrast in the American and British economies—already strongly reflected in the divergent movement of interest rates.

The firmness of the gilt-edged market, as an earlier article shows, is largely based on a medium term view: prices look cheap. The government broker is continuing to make substantial sales of his "tap" stocks, notably the 5¼ per cent Conversion 1974; this has appealed to some of the banks, which have been tempted by the high coupon to go rather longer than they have in the last year or two. But their purchases have probably been mainly in exchange for shorter bonds rather than outright for cash.

The authorities are continuing their effort to buy in 2 per cent Conversion maturing in January. This is widely held by industrial companies, and now only sparsely within the banking and money market systems, which makes the job harder. The best opportunity will occur around the first week in December when the stock goes ex interest for the last time. But just because of the substantial funding sales of other stocks there is less cogency in the usual argument that the government broker must control a stock before any refunding is attempted. Getting in the 3 per cent War Loan due in March will also be a tricky proposition, since its provision for payment of interest free of tax has made it attractive to non-residents; but it is a much smaller issue.

THE ECONOMY

Charting the Downturn

In the first half of this year, the physical volume of stocks and work in progress in the British economy was still rising; but the value of this physical addition, £210 million on stocks reckoned as worth £9,020 million at the end of 1957, was much smaller than the increases of £400 million and £355 million respectively recorded in the first halves of 1957 and 1956. This decline in the rate of stockbuilding was the biggest minus factor in the balance of the economy, equivalent alone to reductions of 1½ per cent in total final expenditure, 1 per cent in the gross domestic product, and 4 per cent in imports of goods and services. And this had occurred even before the level of total stocks had begun to fall: at the end of June they were still about 3 per cent higher in volume than in mid-1957.

Exports of goods and services during the half-year are shown as 3 per cent down in volume, which would have about half as much effect on final demand as the decline in stockbuilding. Against these main significant reductions in the volume of demand, and a continuing slight fall in government current expenditure, personal spending on consumption continued to record a rise in the second quarter, though not as large a margin over 1957 levels as in the first; and fixed capital expenditure is estimated still to have been 3 per cent higher in real terms than a year before. On the income side, wages and salaries in the second quarter were 4 per cent up on a year before, while incomes from rent dividends and interest were 8 per cent up (though company profits were 2 per cent down).

CHANGES IN DEMAND AND SUPPLIES

	Jan.-June, 1958	Changes from Jan.–June, 1957		
	£ mn.	£ mn.	Per cent at current prices	Per cent at constant prices
Consumption	7,141	+403	+ 6	+2½
Govt. current expenditure	1,853	+ 56	+ 3	−2
Fixed investment	1,746	+118	+ 7	+3½
Physical increase in stocks	210	−190	...	...
Exports	2,231	− 92	− 4	−3
Total final expenditure	13,181	+295	+2½	−1
Gross domestic product	9,875	+483	+ 5	−1
Imports	1,994	−236	−11	−2
Net taxes on expenditure	1,312	+ 48	+ 4	...
	13,181	+295	+ 2½	−1

The resultant of all these pluses and minuses was that total demand, in real terms, was down by about 1 per cent on the first half of 1957, and the gross domestic product, also, for the six months, 1 per cent down (it was 2 per cent down in the second quarter). Stocks in the economy ordinarily continue to be built up in volume in the third quarter of the year, and are run down in the fourth. This year's slackening in activity suggests that they may already have begun to decline in volume in the third quarter of this year, and may now be falling much more sharply than usual.

How Much Investment?

ESTIMATES of fixed investment in these figures of national income for the second quarter are in some respects surprisingly high. The Central Statistical Office reckons that housebuilding was markedly down—by 8 per cent at constant prices; but it puts other private investment, as well as other public investment, as 6 per cent higher than in the second quarter of 1957. This is not easy to reconcile with figures published the week before by the Board of Trade: the answers seem to be that the statisticians of the CSO do not accept the figures that the board compiles from sample returns.

Both figures on fixed investment in manufacturing coincide: this was down by 3 per cent on 1957, in real terms, in both the first and the second quarters of this year. The CSO says that this decline "was very much more than offset by increases in capital expenditure in the distributive trades, particularly on road vehicles." It now shows an increase of about 18 per cent, at current prices, for fixed investment in distribution and other services in the first

and second quarters of this year, whereas the Board of Trade sample had suggested increases of only 12-14 per cent in these periods. Coverage of the figures is not identical, but the Board of Trade's sample ordinarily accounts for about five-sixths of the capital expenditure recorded for the group in the national figures. The difference between the two sets of estimates would suggest quite remarkable increases in fixed investment in "agriculture, forestry and fishing," the main industries left out of the Board's sample and included in the CSO's figure, if this were the sole cause of the difference; but in fact the CSO seems to rely upon certain figures of non-industrial building—and of business purchases of vehicles—for its view that the sample figures of investment for this whole group of industries and services err on the low side.

STEEL

Soft Answers to Nationalisation

SOME of its more impetuous members, over the last year or so, have accused the British Iron & Steel Federation of doing too little propaganda against the Labour party's announced intention to nationalise steel again. The Federation, which is no tiro in the art of propaganda, had its own professional views about the directness, vehemence and timing of such propaganda. But it has now shifted its prestige advertising on to the argument that the present degree of public supervision of the industry is all that anyone could reasonably require: and the latest issue of its organ of opinion, *Steel Review,* develops this theme fully.

Characteristically, the federation sets out its own views with some circumspection and makes no pretence that these are new (or news): it leaves the ball to be carried by an independent publicist, Mr T. E. Utley, in a discussion of relations between "Government and Industry" in nationalised and private business. Mr Utley, again, is a Conservative: but his argument is primarily an attempt to persuading Labour that its legitimate desire that major industries should be rendered accountable to the community could be satisfied as well without public ownership as with it—and in steel is in fact satisfied better. Mr Utley's is an elegant essay in persuasion, very directly aimed at his peers on the Labour side:

> This essay is not an argument for the *status quo,* much less a demand for a freer economy: it is an argument for the view that an infinite variety of means of influencing the economy is open to Government and that these means should be chosen discreetly and with a measure of scepticism.

No industry has ever sponsored a more temperate rejoinder to proposals that it should be nationalised.

The softness of this answer, indeed, could easily irritate some of the managements in the industry, who favour noisier defiance: they are less concerned with persuading Labour that it could get what it wants without nationalisation than with preventing Labour from getting what it wants. The federation, perhaps more wisely, is always providing against the worst. If Labour does not form the next Government, it will not matter what kind of propaganda was deployed on behalf of private steel: if it does, the appeal to reason may possibly have left a slightly better ground for negotiation than the volley of abuse. Even beyond a Conservative victory at the next election, moreover, the steel industry would have to live with a situation in which, for some years at least, a party committed to nationalisation remains a practical alternative government. Unless or until that possibility becomes remote, some of the inhibitions it now exerts upon steel financing will remain, in varying degree. While it remains, the fabians of Tothill Street can reasonably take as their objective the conversion of Labour on this issue, not its defeat.

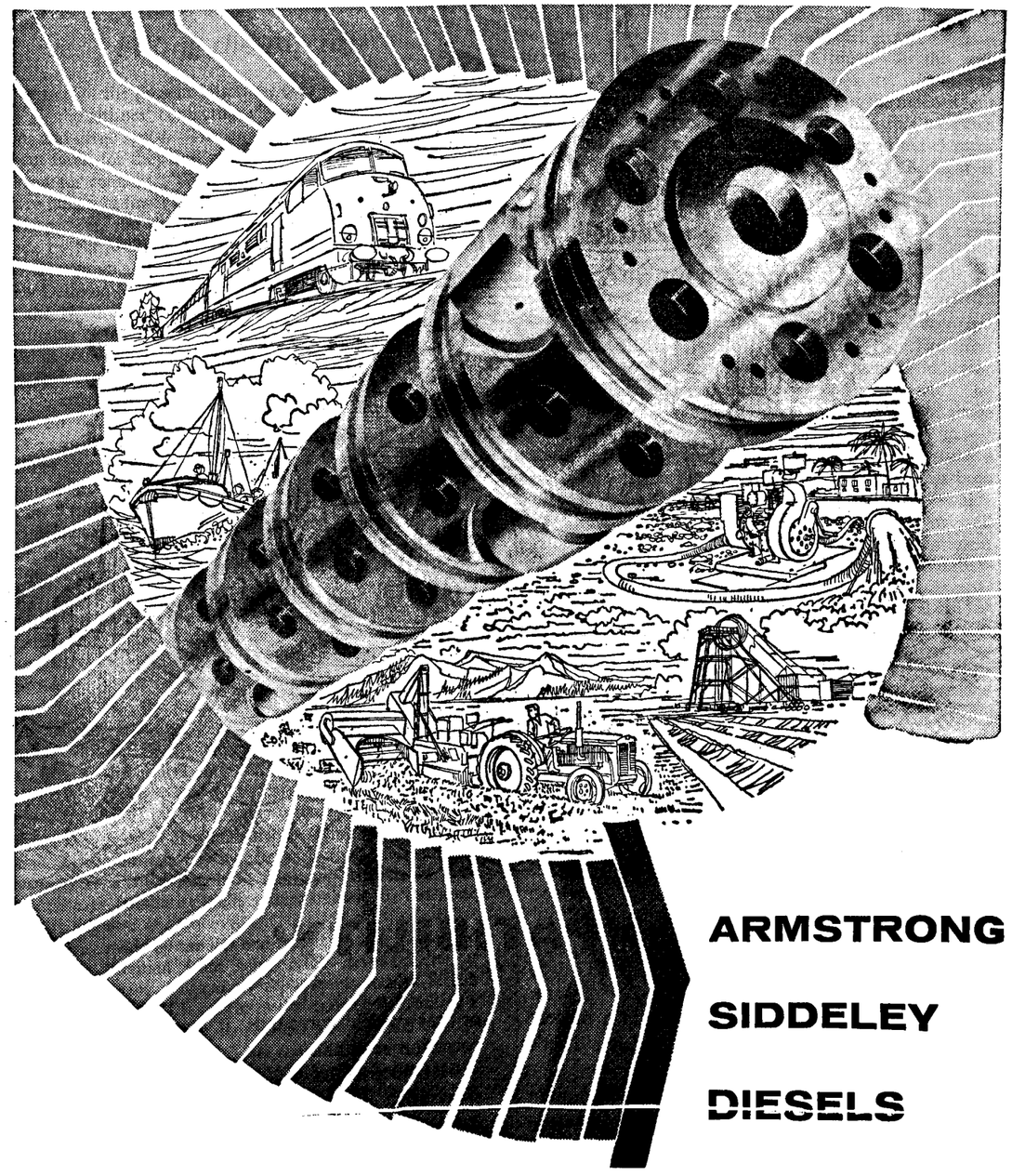
AIR FARES

Stalemate

DISCUSSIONS on air fares, particularly the fares to be charged on jet services, have now passed beyond the stage where they could be regarded as a purely domestic matter for the airlines to sort out among themselves. They have tried to do so and failed. The four-week meeting of airlines that broke up inconclusively at Cannes last weekend has not formally ended, but "gone into recess until early next year." But in spite of this face-saving formula designed to give tempers time to cool, what the airlines most fear has now happened. The Italian government announced immediately the decision of the meeting was known that whatever the airlines, grouped under the International Air Transport Association, thought on the matter, it was not, for its part, going to allow jet airlines to use Italian airports unless a surcharge was put on every jet ticket sold. Thus it deliberately broke the unwritten rule that governments will more or less automatically approve whatever decisions the airlines take among themselves at IATA meetings. By this decision, the Italian government did more than baulk the plans of Pan American to end its daily jet services across the Atlantic at Rome rather than Paris. It took the issue of jet fares out of the hands of the airlines, and made them a matter of direct government policy. The American government is now negotiating directly with the Italian government about the future of jet flights to Italy, with Pan American standing on the sidelines.

From the airlines' point of view, this is a regrettable development. It was their common fear of government intervention in the conduct of airline business that has held IATA together for so long in spite of the internal stresses to which it has been exposed. This fear led many airlines that would frankly prefer that a surcharge should be levied on jet fares to drop their support for it at Cannes rather than destroy the unanimity of the meeting. Only the Italian airline, backed by its government, stood out for a jet surcharge to the bitter end and rejected every compromise formula in turn, even though delegates four times postponed their departure in order to find one.

Since this has now become a matter for governments, it will soon be necessary for the Ministry of Transport to decide what its own official view is going to be. The Ministry is negotiating a new Anglo-Italian air agreement at this moment and it tried hard, behind the scenes, to persuade the Italians to take a less rigid attitude on jet fares, without success. The decision that now faces the Ministry is one that it is not going to enjoy. It has long tried to compromise between the known opposition of BOAC to any jet surcharge, and the known support of BEA for one. The Ministry let it be known that it would support BOAC in its fight against a North Atlantic surcharge but would not raise any obstacle to the introduction of one on jet flights inside Europe. But this is impracticable and the airlines know it. There cannot be a surcharge in one major traffic area and none in another.



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Filling the Aircraft

MUCH of the present bitterness over jet fares arises from the airlines' conflicting views on how to fill aircraft seats and cargo space. The smaller airlines are not prepared to cut fares, for they find present profit margins already too narrow for comfort. The bigger airlines are convinced that lower fares and lower cargo rates are the only way to expand their custom, and they got support in this from the speech made by Sir William Hildred, IATA's director general, at the association's annual general meeting which opened in New Delhi on Monday. Sir William pointed out that traffic on the North Atlantic, which had slumped severely at the beginning of the year, increased 25 per cent above last year's level as soon as the new third class fares were introduced in the spring. He also pointed out that 60 per cent of the people crossing the North Atlantic now fly third class, less than 20 per cent by the old second-class, tourist service, and 21 per cent travel first class. And he reminded many airlines that would much rather forget it that while piston engined aircraft have now reached the limits of their development, "turbine powered aircraft represent a very definite technological advance and they promise a lower cost per seat mile." This must have touched a raw nerve, for one of the strongest motives behind the move to saddle jet airliners with a compulsory fare surcharge is this possibility that it might, after all, be easier to cut fares on big jet airliners than it will be on big piston-engined ones.

It cannot be said that the jet services have got off to an easy start. BOAC's Comet flights have been interrupted by the airline's own internal troubles, while Pan-American has been harried at home as well as in Europe. It has had trouble with the Italians, and it is in real difficulty with its own pilots, who are holding out for both higher wages and for three, not two, pilots to be carried on each flight. At New York airport the Boeing 707 cannot use the most suitable runway because it would involve flying over a housing estate, so the aircraft has to cramp its huge bulk into an uncomfortably short length of runway—presumably until such time as familiarity dulls public opinion to the noise from its engines.

The noise made by the jets and the jet dispute has tended to distract attention from some other developments at the IATA meeting, particularly those sponsored by British European Airways. BEA went to the meeting demanding a jet surcharge; but it also sought and has obtained cuts in certain specialised types of fares, some of them drastic, to enable it to get a foot into the highly profitable holiday travel market. These now await government approval. They would cut directly across the interests of several of the independent British airlines who have actively developed the type of package deal of flights and hotel accommodation offered by travel agents as inclusive tours. In this way BEA hopes to fill a good deal of idle capacity, particularly at off-peak hours of the day and night. But the independent airlines are not likely to stand idly by while this happens, and they can be expected to react vigorously to the changes in arrangements for charter flying that BEA also sought at Cannes.

THE PAPER BULLETIN

The October issue of this quarterly bulletin contains a Special Report on

EUROPE'S PAPER INDUSTRIES IN A FREE TRADE AREA

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COMMODITIES

Some Up, Some Down

SUPERFICIALLY the upswing in the American economy seems to have passed the commodities by. Not until this month has *The Economist* commodity price indicator turned upwards, and the advance has not been sharp. The indicator stands now at 85.1 (1952=100), 2½ per cent above the level of 82.8 on October 7th, which was the lowest reached for nine years. Individual commodities show a marked recovery in the metals and rubber, which has been almost offset by falls elsewhere. The commodities which have led the advance happen also to be served by well organised futures markets, in which a change in sentiment can most effectively be expressed. The leading improvements are summarised below:

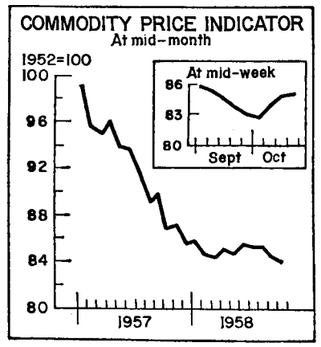
Copper, at £245 a ton, is now about £85 a ton above last February's low point.

Tin has jumped over £100 a ton since September to about £748 a ton.

Lead and Zinc touched bottom late in September, but have since recovered: lead by about £5 to £73 10s. a ton and zinc by over £9 to £74 a ton.

Rubber, at 25½d. a lb, has gained 4½d. a lb since early May.

In contrast, wool prices have fallen sharply this year and cotton prices have weakened. Cocoa, despite its recent rally, is still over £100 a ton below this year's peak, while coffee prices have fallen by roughly a fifth.



The outlook naturally turns on the pace of recovery in America and the avoidance of serious recession in Europe. But the prospect for individual commodities differs considerably. Copper looks reasonably healthy, but its advance owes something to the strikes in Rhodesia and Canada; and there is plenty of mining capacity elsewhere to be re-employed. Lead and zinc must eventually suffer from the import quotas imposed by the United States unless the producing countries, collectively or individually, introduce further cuts in production. Natural rubber, while benefiting from the American recovery, has been helped even more by the increased Russian purchases; there is no telling when those may fall off. Cotton and wool, on the other hand, are probably facing better days, for the world-wide recession in the textile industries can hardly continue much longer.

RESTRICTIVE PRACTICES

Expert Witnessmanship

ON Monday, the Restrictive Practices Court began hearings on the minimum-price agreement of the Cotton Yarn Spinners' Association, its second major case of the current term. Sir Andrew Clark, opening the case for the Association, told the Court that disappearance of the agreement would sound the death-knell of the cotton industry; he then described the working of the agreement, and the present state of the industry. The first witness called by the Association was Mr Gwylmor Prys Williams, an economist who was formerly associated with British Celanese, who presently teaches at the London School of Economics, and who has no connection with the Association. Mr Prys Williams gave evidence—discussing an enormous "proof" of evidence—about fluctuations in demand for cotton goods in recent years and their effect on the industry; he then testified, *inter alia*, that the Association's agreement had enabled its members to undertake extensive expenditure in modernisation and re-equipment. The remainder of his evidence, which may take some days to hear, is understood to relate to the Agreement and the structure of the industry, and the effects of the agreement upon it. Counsel for the Association has stated that he will also call as another independent witness Professor D. T. Jack, Professor of Economics at the University of Durham, who is currently presiding over the Court of Inquiry into the BOAC strike at London Airport. Counsel for the Registrar of Restrictive Practices, too, intends to call on the services of an economist later in the case.

AT this point the status of economists' testimony seems unclear. On Wednesday the Court referred to the question of calling as a witness Dr Hill, of the Shirley Institute (the British Cotton Research Institute, Ltd., which is financed by the Cotton Board). Dr Hill had expressed his unwillingness to give evidence for either side although he offered to give evidence for the benefit of the Court if asked to do so. In stating that the Court did not intend to call Dr Hill, Mr Justice Devlin commented that it would be an undesirable precedent to make a distinction between witnesses called by the parties and those called by the Court; he added that "there can be no question of an expert witness taking sides." An economist, however, may seem to be a rather special sort of expert witness. There are, certainly, points of technical jargon and presentation that a court composed of laymen in this respect may well want simply translated and explained. But the expertise of economists on questions of barriers to competition inevitably goes much farther than that: it may indeed consist mainly of the power to draw inferences and form opinions about the actual or potential result of such conditions. The appearance of economists in court in the United States has done little to clarify their status; opposite sides have been known to call as witnesses veritable batteries of economists who draw honestly and diametrically opposed inferences from much the same facts. The emergence of economists as expert witnesses in British courts, indeed, may have intriguing effects upon public attitudes towards this dismal—and very inexact—science.

COMMODITY AGREEMENTS

The Best Yet for Sugar

NO commodity scheme can be perfect, but the new International Sugar Agreement is certainly the best that this Cinderella among commodities has yet had. With the inclusion of Brazil and Peru, the two major exporters outside the expiring agreement, the Sugar Council has a better chance of preventing the world market price from falling below the minimum of 3.15 cents a lb, fas Cuba; and technical changes in the new agreement give it a better chance of preventing the price from shooting above the maximum of 4.00 cents a lb. In recent months, the price has moved within the narrow range of 3.35 to 3.55 cents a lb. But one characteristic weakness remains: the basic export tonnages, which now total 6,705,000 metric tons, still seem too big.

There are four main technical changes:

(1) The sugar council can now revise the initial export quotas, in total and then individually, by April 1st each year; it can thus take full account of the European crop of beet sugar, which is apt to be the main variable in its estimates of supply and demand.

(2) Exporters have an incentive to declare, by May 31st, if they cannot fulfil their export quotas, so that a redistribution can be made before other exporters have stopped producing.

(3) The minimum stock held by exporters at the start of the crop year has been increased by one-quarter; in addition the Commonwealth producers will hold 50,000 tons for the free market.

(4) Action must be taken to increase supplies when the market price exceeds 3.75 cents a lb for a given time; hitherto such action was permissive while the price was between 3.45 and 4.00 cents a lb.

The agreement, which is for five years, comes into force on January 1st if 70 per cent of the exporters and 60 per cent of the importers have by then accepted it or declared their intention of seeking acceptance before June 1, 1959.

Memories of the 1956-57 boom, when prices soared far above the maximum, prompted a radical proposal at Geneva. Some importing countries said that they would like to be assured of supplies at the maximum price, on the lines of the International Wheat Agreement. Under this exporters can be required to sell given quantities at not more than the maximum price, and the importers can be required to buy at not less than the minimum price—in theory: a "put" of wheat to importers has never been tried. The council is to study this idea, which bristles with complications, and make recommendations to the governments that are interested in it.

Some Hope for Wheat?

THERE is just a chance that the United Nations' wheat conference which opened in Geneva this week will lead to a new International Wheat Agreement rather more realistic than the current one. The British government, which is not a member of the pact, told the conference flatly that it would not join an agreement of the present type; but it shared the concern of other countries about the world wheat problem, and would submit "constructive proposals." Britain is critical because the agreement is not linked with the disposal of surplus stocks; it underwrites



Ten fingers, one hand

In the deep-clefted, luxuriant valleys of Moyenne Guinée, the soil is warm and moist and rich in humus, and green fingers grow ten, twelve, twenty to the hand. Here, as in Basse Guinée also, everything is perfect for banana growing. Or so it would seem.

Yet where once bananas grew readily, averaging 40-50 tons per hectare (16-20 tons per acre), a strange inexplicable decline set in and yields began to fall steadily. Fertilisers were tried, and, for a time, the plants revived—only to relapse again to give even lower yields. For the planters —and for the future of Guinée as France's largest supplier—the outlook seemed bleak. And then at last the cause was found: *Nematodes.* Eelworms of minute size—swarming unseen and almost invisibly in the soil, voraciously attacking the roots. But controllable, as events have now proved, effectively *and without damaging either young or established plants*, by Nemagon, developed by Shell.

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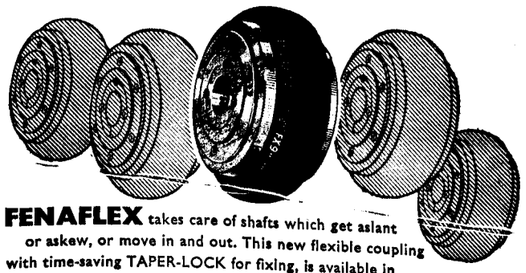

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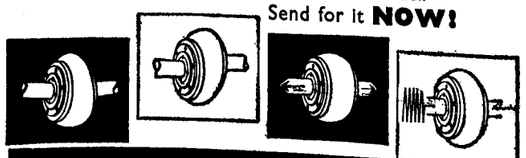

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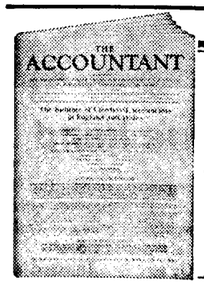

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a price range but it does not limit production, nor does it encourage consumption; it does not even ensure that prices move more freely within the range ($1.50 to $2.00 a bushel for No. 1 Northern Manitoba wheat, ex-store Fort William). These criticisms are valid. It could be added that, partly because Britain, the biggest wheat importer, stands outside, the agreement covers only a small share of world trade, so that both the good and the evil that it can do are circumscribed.

A commodity scheme can be no better than the policies of its members. Exporting countries—the United States being the worst offender—go on producing wheat that nobody can buy, or even accept on gift terms. Importing countries bolster domestic production behind costly support prices. These things have persisted for many years. What hope is there for a change? Some governments now represented at Geneva seem readier to look at the facts than before. The present conference is exploratory: it will examine the ideas of individual governments, and the recommendations of several international bodies on wheat; then it will probably appoint a committee to sort these out in preparation for the second conference to be held early next year, well before the existing agreement expires on July 31, 1959.

FOREIGN CARS IN THE UNITED STATES

In the Lead

BRITISH motor manufacturers have consolidated the lead that they regained from their West German rivals earlier this year in sales of foreign passenger cars in the United States; they now lead in sales of all foreign cars there. During the first eight months of 1958, 82,900 British cars were sold in the United States, against 80,500 from West Germany, 39,200 from France, and 13,500 from Italy. It is too early to claim victory, and in any case the triumph will scarcely be as resounding as that of Mr Tony Vandervell in this year's Grand Prix; but the strength of the British manufacturers' position is emphasized by the fact that they lead in sales to America even if commercial vehicles are included in the reckoning, despite the fact that they sell only about one-sixth as many commercial vehicles in the United States as West German manufacturers do. Sales of foreign cars in the United States are still well over their level of 1957, in the face of a sharp decline in sales of domestic models there; however, the introduction of the American manufacturers' new models for 1959—as Brobdingnagian as ever—coupled with revival of the American economy, may tell a different story during the last four months of this year.

Volkswagen still leads among individual manufacturers, with over 52,000 cars sold during the first eight months; Renault is in second place. Among British firms, Ford is easily the leader, though still far behind Volkswagen. But one of the largest increases in sales recorded by a British manufacturer this year has been that of Vauxhall, which began selling its four-cylinder Victor in America, through General Motors' Pontiac dealers, in September, 1957. Both shipments and sales have increased rapidly since then; shipments totalled 16,082 at the end of September, and the company expects to send between 20,000 and 25,000 Victors to the United States this year. It is true that shipments during the earlier months reflected the volume necessary

Better Bank Figures

THE combined statement of the London clearing banks for October introduces useful additional information about nearly all the main items. The innovations mostly comprise new sub-divisions and are shown in footnotes; but occasion has also been taken to show all banks' "items in transit" (clearings between branches of one bank, as distinct from clearings between branches of different banks, shown in "balances in course of collection"). This permits much better (though still not wholly clean) figures of advances and of net deposits. Hitherto, only Lloyds Bank has published its transit items, most of the others including them in advances, though two banks have grouped them (and still do) with "balances." The result has been that whenever, as at the year end or the middle of the year, the number of cheque payments has temporarily risen, the figures have shown an artificial increase in advances and in net deposits, taken as published deposits less balances.

In the new form, advances are still shown in the body of the table together with transit items, but including the published Lloyds figure; and since the banks are most regrettably making no back figures available, comparisons of the present figure and future figures with September or any earlier date require the adding back of the Lloyds figure to the earlier total. The new footnote shows total transit items at mid-October of £103.6 million, of which £8.0 million is included in balances and £95.5 million in the advances item. To obtain the cleaner figure of advances, the £95.5 million must be deducted from the aggregate of £2,095.7 million; and this same deduction, together with balances in course of collection, is made to give a better figure of net deposits (but comparison with past periods must be on the old basis of deducting balances only). The advances item is still swollen by certain extraneous items, including balances with banks abroad; thus the figures of true advances of the clearing banks shown in the quarterly classified analysis have been nearer £200 million than £100 million above the figures in the monthly statements. (Another sub-division of advances is given by the Treasury's statement of advances to the state boards: in October, these accounted for £13½ million of the total increase in advances of £54½ million.)

THE NEW INFORMATION
October 15, 1958

	£ million
Cash:	
Cash in Hand	297·9
Balance at Bank of England	250·9
Money at Call and Short Notice:	
To the Money Market	363·3
Other short money	55·4
Other [Non-Treasury] Bills Discounted:	
UK	82·2
Other	18·9
Investments at Book Value:	
Of or guaranteed by Brit. Govt.	2,088·4
Other Market Investments*	104·8
Acceptances, Endorsements, etc.:	
Acceptances & Confirmed Credits	80·5
Other engagements	421·4
Items in Transit:	
£8·0 million in "balances" } £95·5 million in "advances" }	103·6

* Investments in subsidiaries shown separately.

Of the other new information, set out in the accompanying table, the most striking feature is perhaps the extent to which "Acceptances, endorsements, etc." belies its description: only £80.5 million of the total of £502 million comprised "acceptances and endorsements," the great bulk being guarantees of other kinds, including guarantees on cheques granted to certain recipients such as HM Customs.

to fill the "pipeline" to buyers; but this period now appears to be over, and registrations, at approximately 2,100, exceeded shipments during September.

Vauxhall claim that sales of the Victor in September were the highest of any single British model in America; British Ford, whose total sales are roughly twice those of Vauxhall, sell four models there. Vauxhall do not plan to introduce their six-cylinder car in the United States at present. This model is exported, along with the Victor, to Canada, where the company hopes to sell a total of 12,000 cars in 1958, as many as it sold there during the past four years. Total sales of new cars in Canada decreased by 6 per cent during the first half of 1958; sales of European cars rose by 44 per cent, while sales of US and Canadian-built cars fell by 29 per cent.

BP AND SINCLAIR

Benefits in the Long Run

THE agreement announced this week between British Petroleum and Sinclair Oil Corporation, the seventh biggest US oil company, reflects the complementary interests of both companies; however, it seems unlikely that the liaison will bring substantial benefits to either company for some time. BP is to obtain a long-term contract under the agreement to supply Sinclair's domestic requirements of Middle East oil, from BP's Persian Gulf production; in addition, the two companies will form a joint marketing company to sell both BP's Middle East oil and Sinclair's Venezuelan oil in the Western Hemisphere. Lastly, a jointly owned company is to be set up for exploration and production in Latin America. Thus BP will gain an outlet in the United States, and an interest in Venezuela, where it is not presently represented; the company's activities in the Western Hemisphere are confined at present to holdings in Triad Oil Company in Canada. Sinclair, on the other hand, will gain access to a source of Middle East crude with which to supplement its own domestic production.

Sinclair Oil's total US refinery capacity is over 450,000 barrels a day, and its total crude oil production in 1957 (including Venezuelan output) was about 155,000 barrels a day. The company thus relies on substantial domestic buying to fill its gap; but at present its purchases of foreign crudes are limited by US restrictions on oil imports. Even if these restrictions are relaxed in the future (as they are almost certain to be as US demand increases) it is doubtful whether BP will supply all of Sinclair's needs to supplement its own production; much of Sinclair's refining capacity is inland, and hence somewhat uneconomic to supply in this way.

No definite plans have yet been announced for the joint marketing corporation, and the proportion of its sales that Middle East oil will cover is impossible to predict; the combination should, however, provide good "coverage" should supplies from either the Middle East or Latin America become politically or economically difficult to obtain. The proposed exploration and production in Latin America is necessarily even farther from realisation, though it could be the most profitable in the long run as far as BP is concerned. It has not been announced in which countries the company will operate; Sinclair is at present well established in Venezuela, although the company is participating in an exploratory concession in Paraguay. However, Venezuelan law bars any company dependent on a foreign government from operating there. Technically, the British Government's share in the joint company would barely exceed one-quarter; but the attitude of Venezuela in the matter has yet to be put to trial.

SECURITY ARBITRAGE

Back through the Gap

WHEN the Treasury in July, 1957, clamped down on the flow of foreign securities into London through the free markets of Kuwait and Hongkong, it simply forbade purchases by United Kingdom residents of foreign securities from residents in the overseas sterling area. It did not outlaw arbitrage in the other direction, the sale of foreign securities from the London market to outer sterling residents; and recently, in the transformed climate of world confidence in sterling and the dollar, market relationships have caused some of this arbitrage through Kuwait in reverse to occur, to the benefit of the official gold and dollar reserves.

In the security arbitrage up to end-1957, a Kuwait resident sold sterling—resident sterling—in his free market for dollars, used these to buy dollar securities on Wall Street, and sold these in London: the premium on dollar securities there was large enough to offset the discount at which resident sterling was sold for dollars, and the arbitrage profit was equal to the differential between the two margins.

The position has now been reversed. Last week the premium on dollar securities narrowed to $\frac{1}{4}$ per cent while the discount on resident sterling was $\frac{7}{8}$ per cent; it thus became profitable for a Kuwait resident to buy dollar securities in London, sell them in the American market and convert the dollars into resident sterling. The premium dollars used for these operations are called, paradoxically, "soft premium dollars," which command a premium on the hard premium dollars. The so-called hard premium dollars, which are created by the sale of dollar securities by a British resident, can be used for investment in other dollar securities, though not in other foreign securities; "soft" premium dollars are the proceeds of sales of shares such as Royal-Dutch Shell and can be used for reinvestment not only in dollar securities but in any non-sterling security.

The effect of this reverse arbitrage has been to narrow the discount on resident sterling. This now stands at $2.78, so that all unofficial categories of sterling are within the official dealing margin. The dollar premium has edged up to around $\frac{3}{4}$ per cent, and the hard premium dollar remains at a discount of $\frac{1}{8}$ per cent on the soft premium dollar. Whereas in 1957 the Kuwait leak was diverting dollars from the official reserve to finance private United Kingdom holdings of dollar securities, it has during the past ten days brought modest benefit to sterling. Net sales of non-sterling securities by British holders and a reduction of the supply of resident sterling in non-sterling hands will, directly or indirectly, bring more dollars to the Exchange Equalisation Account.

ATOMIC ENERGY

The End of Windscale

THE closing of the second, undamaged reactor at Windscale was a foregone conclusion from the moment that Sir Alexander Fleck's committee reported in July on the precautions that would have to be taken before it was reopened. These were many and complicated, and even if they had been carried out, the committee made it plain that the reactor would need to be handled with great caution, particularly during the routine annealing operation that set the first of the two reactors on fire twelve months ago. The cost of the extra instruments that would have to be built into the reactor was estimated at £500,000, and the work would take at least another year to carry out.

A few days after the first anniversary of the fire, the Atomic Energy Authority announced that it had decided not to attempt to re-start the second reactor. It gave as its reason the high cost of the modifications which would make any plutonium produced in the reactor more expensive than that from more economical plants such as Calder Hall and Chapel Cross. But what must have weighed even more heavily with the authority was the time it would take to re-start the reactor, and the man-power that this would need. By the time Windscale would begin to contribute again to military plutonium supplies, the eight reactors of Calder Hall and Chapel Cross, all of them built as military installations, would be in full production and the worst of the shortage over.

This is the first time that anyone has had to give serious thought to questions of how to dispose of an old reactor. Most of the movable parts of the Windscale reactor can be taken out and re-used, including the fuel, but the structure itself cannot be touched and it looks as if the AEA will have to keep these two radioactive, concrete-encased hulls on the site in perpetuity, leaving creepers to cover them, like the blockhouses by Admiralty Arch. Designers believe, however, that it is now possible to build a power station reactor in such a way that it can be demolished once it becomes obsolete.

MANAGING AGENCIES

An Indian Study

ONE of the big arguments that must obtrude into the next stage of India's development will concern the agency houses under whose umbrella so much of India's development and financing has taken place. The investor knows the cream of those houses; he gives some weight, in choosing a tea share, to whether it belongs to the James Warren group, to the Walter Duncan and Goodricke group, or to one of many other well-known names, for that fact tells him something about the type of management and of dividend policy that the company of his choice is likely to have. He knows, however, next to nothing about how the 3,526 one-company managing agents run their affairs. The Indian Government, too, is concerned with managing agents. It jumped rather hastily to the conclusion that too much power was concentrated in too few hands and its 1956 Act set a ceiling to the number of companies an agency might embrace. It also opened the door to a series of important inquiries into the agency system. The first of these has now been published and in the current issue of the *National Overseas and Grindlay's Review*, Mr Geoffrey Tyson reviews "The Managing Agency System in Prospect and Retrospect," by Professor S. K. Basu. The reviewer indeed has the fund of knowledge that enables him to make some telling points of his own as well as reviewing Professor Basu's work.

One point that Mr Tyson makes well is that since the function of the agency system is to spread scarce managerial ability (and scarce capital) over a group of medium-sized or small companies that might find those things hard to get, India's 1956 legislation might have done more good if, instead of prescribing a "ceiling" number of companies that a managing agent might manage, it had fixed a minimum—a "floor"—necessary to qualify as a managing agent. Mr Tyson also neatly underlines Professor Basu's statistical conclusion that the managing agent's powers do not in general rest on financial control. The average shareholding in tea companies for example was found to be 16.7 per cent. Moreover some managing agents, like the gold mining finance houses in another continent, seem to like gradually to reduce their holdings and release their capital. Hence the take-over bidder's opportunity and hence the protective moves that agency houses have recently found themselves forced to make.

Professor Basu does not give the managing agents a clean bill, but his main verdict on the managing agents should clearly do good. "They never lacked the support of investors and they never failed to raise whatever finance they required. . . . The supreme achievement of managing agency has been to draw Indian capital away from its traditional preference for land investment into the field of industrial participation." Those are conclusions that make Professor Basu's study well worth while.

SHORTER NOTES

Wednesday's meeting of the National Joint Advisory Council discussed the question of payment of wages by cheque and decided to refer the matter to a small committee. The TUC representatives emphasised that this action did not necessarily imply their agreement to such payment.

* * *

Business declared by commercial policyholders of the Export Credits Guarantee Department in the third quarter amounted to £141.3 million, 26 per cent above the figure a year ago and just below the peak level in the first quarter of 1957. New medium-term business amounted to £26.9 million.

COMPANY AFFAIRS
Comments on pages 454, 455 and 458 on

Schweppes	Rolls-Royce
Zandpan	John I. Thornycroft
Inchcape	Westland Aircraft
Fisons	Harrisons & Crosfield
Brooke Bond	Birmid Industries
Highlands & Low-lands Rubber	Crittall Salts (Saltaire)

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 456 and 457

LONDON STOCK EXCHANGE
The week's movements reported on page 458

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 459

COMPANY MEETINGS

CITY CENTRE PROPERTIES

CONTINUING PROGRESS

MR F. W. LINDGREN'S REVIEW

The seventy-sixth annual general meeting of City Centre Properties Limited, was held on October 29th in London, Mr F. W. Lindgren, FCA, chairman, presiding.

The following are extracts from his statement circulated with the report and accounts for the year to March 25, 1958:

The accounts show our continuing progress, the income having increased by £138,516 to £965,684. Property Outgoings and Management have increased by £68,129 to £472,064. The net revenue for the year, after charging Taxation, has increased by £20,301 to £127,735.

DIVIDEND POLICY

In February we paid an interim dividend of 5 per cent on the capital at that time £800,000; since then the capital has been increased in March by £19,600 allotted as part consideration for the acquisition of Upminster Estates Limited, and in September by £409,800, a bonus issue of one new share for each two stock units held, making the Issued Capital at the present time £1,229,400 on which your Directors propose a final dividend of 6¾ per cent. This will leave a balance of £127,025 on Profit and Loss Account to be carried forward; an increase of £43,677.

It is the intention of your Directors to adopt a more generous dividend policy in the future and they expect to be in a position to pay a total of not less than 16¾ per cent on the capital as increased above in respect of the year ending March 25, 1959, which figure would represent 25 per cent on the capital as at March 25, 1958.

PROPERTIES IN COURSE OF DEVELOPMENT—LONDON

Island (Piccadilly) Development Limited, in which your Company is in association with the Legal & General Assurance Society for the development of the Monico Site in Piccadilly Circus, has made considerable progress in the preparatory stages and it is anticipated that demolition will be started at an early date.

Notting Hill Gate.—The Group, in conjunction with Ravenseft Properties Limited (a subsidiary of Land Securities Investment Trust Limited), has for some time been negotiating with the London County Council regarding the development of this area. The preliminary stages have been completed for the development of three important sites in the immediate vicinity of Notting Hill Gate Station which is itself undergoing comprehensive reconstruction. Demolition has been carried out by the London County Council. The building contract has now been placed and construction will commence at an early date.

BIRMINGHAM

In my preceding annual statements, I have made reference to the development of the 3½-acre site in the centre of the City, which we have undertaken in equal partnership with Land Securities Investment Trust Limited. I have pleasure in informing Stockholders that this scheme has reached its final stage, and that, apart from a comparatively small area of the site where construction is still in progress, the main building has been completed and is already occupied by well-known businesses and stores.

Colonnade Developments (Birmingham) Limited.—A contract has been entered into in conjunction with Land Securities Investment Trust Limited to acquire the freehold of the premises now occupied by the Birmingham Chamber of Commerce in New Street, and plans are currently in course of preparation for the development of this important position. These premises adjoined the now demolished "Theatre Royal," the site of which has been leased on satisfactory terms to F. W. Woolworth & Co. Limited, who are erecting their own building.

The City of Birmingham Real Property Company Limited.—A new building is in course of erection in Edgbaston, at a cost of £500,000, and arrangements have been made for letting it on satisfactory terms to TI (Group Services) Limited, a wholly owned subsidiary of Tube Investments Limited.

OTHER DISTRICTS

South Wales.—The acquisition of our interests in the Town sections of the Tredegar Estate has proved to be a satisfactory transaction and revenue will accrue from this source during the current year.

Leeds.—All the accommodation available in Shell-BP House in Eastgate is now let and the resultant revenue has exceeded our original estimate.

Bristol.—Shell Mex and BP have taken possession of Shell-BP House in Wine Street, which was completed in August.

Liverpool.—The forecasts of the rentals to be received from the Lord Street development have been exceeded. Only two units now remain to be completed, in respect of which enquiries from substantial concerns have been received.

Central Commercial Properties Limited.—The Company continues to expand and a number of acquisitions and developments in important positions are in hand.

COLLABORATION WITH ASSURANCE COMPANIES

Your Directors attach the greatest importance to the arrangements existing between the Group and the Legal & General Assurance Society and between the Group and the Pearl Assurance Company. The various enterprises in which it is collaborating with both of these offices are progressing satisfactorily.

During the year under review, the Pearl Assurance Company entered into an arrangement with the Company under which they could take up a proportion of the unissued stock. Since the year end the Pearl Assurance Company have acquired a substantial holding of the issued Ordinary Stock and by mutual agreement the previous arrangement has been cancelled.

NEW DIRECTORS

Mr Jack Cotton, who has been associated with the Group for many years, and Mr E. F. J. Plumridge of the Pearl Assurance Company Limited have accepted invitations to join the Board and resolutions proposing their election will be submitted at the Annual General Meeting.

The report and accounts were adopted and the proposed new directors were elected.

Mr Lindgren announced that it was the intention of the directors to invite Mr Jack Cotton to become chairman of the company and that he would himself become deputy chairman.

W. & R. WALLACE INDUSTRIES LIMITED

(Manufacturers of Roadstone and Bituminous Products. Electrical Engineers and Forage Contractors)

RECORD TRADING RESULTS

MR W. WALLACE ON THE "INNS' OFFER"

The twelfth annual general meeting of W. & R. Wallace Industries Limited was held on October 24th in London.

Mr Walter Wallace (Joint Managing Director) presided and, in the course of his speech, said:

In my review to Shareholders at the last Annual General Meeting I stated that trading conditions in the second half of the year showed improvement on the first half. This improvement continued with some slight fluctuations right through the financial year ending June 30, 1958. I am, therefore, pleased to report a consolidated net profit for the year which constitutes a record in the history of your Company.

Every department has made its contribution towards this progress which is particularly gratifying bearing in mind that business has become more competitive and that the rise in the cost of production still remained with us. Fortunately these factors were counterbalanced by an increase in our turnover which was rendered possible by the high level of efficiency in which we keep our Plant and Equipment and by the development work carried out in previous years, the expenditure on which was finally written off in last year's Accounts.

THE ACCOUNTS

The consolidated trading profit of £268,614 is some £40,000 higher than that made last year and after deducting Depreciation, Debenture Interest, the Emoluments of the Directors and the Auditors' Remuneration, the net profit for the year is £194,760 as against £160,526 last year, or an increase of over 21 per cent.

After making provision for taxation at £108,533 the profit is £86,227 and compares with £65,988 for the preceding year. After deducting £538 retained by subsidiary Companies and bringing forward £49,878 from last year's Profit & Loss Account, we have a total of £135,567 for appropriation.

A total of £43,842 has been transferred to various reserves, £4,721 provided for the Preference dividend and £36,656 for the Interim and the proposed Final dividends on the Ordinary Shares of 10 per cent and 32½ per cent respectively. The balance being carried forward to next year is £50,348.

Turning to the consolidated Balance Sheet there has been no change worth mentioning in the items for freehold and leasehold properties, but additions amounting to £14,597 have been made to Plant, Machinery, etc. All our equipment is, as I have already stated, kept in an excellent state of repair and its efficiency reinforced by modern additions whenever possible, some £80,000 having been expended in that way during the last four years.

INNS & CO.

Shareholders may wish me to refer to the offer made by Inns & Company Limited for the Ordinary Shares in our Company. We, as a Board, have recommended your acceptance of this offer because we are satisfied that, apart from the immediate financial benefit obtained thereunder, a closer commercial link between the Companies is bound, in our opinion, to prove advantageous on a long term basis. I need hardly elaborate on the question of the greater marketability which prevails when the Shares of a more substantial Company are involved, as this will be obvious to all Shareholders.

The issued Redeemable Preference Share Capital in your Company remains undisturbed but you will have noted in the Accounts that a start has been made in redeeming some of these Shares by purchases in the open market.

Perhaps you would like to know that over 80 per cent acceptances have so far been received for the Inns' offer.

Finally I would like to add that trading to date has continued at a satisfactory level having regard to the time of the year.

The report and accounts were adopted.

THE JHANZIE TEA ASSOCIATION

QUALITY PRODUCTION MAINTAINED

The eighty-first annual general meeting of The Jhanzie Tea Association Limited was held on October 28th in London, Mr G. A. Rainey (the chairman) presiding.

The following is an extract from his circulated statement:

The results for the year under review are disappointing as compared with 1956, but in relation to the industry as a whole may, I think, be regarded as reasonably satisfactory.

Owing to adverse weather conditions, including a very severe hail storm at Borpatra, crop received a serious setback, and closed with a deficit of some 350,000 lb as compared with 1956.

Your Association's teas met with ready competition at the London auctions, but largely owing to the poor market in Calcutta, the average price obtained showed a fall of 2d. per lb, which, however, in relation to the far heavier average fall in the market for 1957, is an indication of the standard of quality maintained by the association.

These factors are reflected in the profit for the year, which shows a sharp fall as compared with 1956, the revenue profit being £107,950 as against £191,252.

The estates in Nyasaland have experienced one of the most severe droughts ever known in that country. Although results for 1957/58 will be comparatively poor in consequence of the drought, I understand that current crop prospects are most promising.

The report was adopted and a total dividend of 11 per cent, free of tax, was approved.

LA RÉGIE RENAULT

NOW THE WORLD'S 6TH CAR PRODUCER

STATEMENT BY MONSIEUR PIERRE DREYFUS

The report for 1957 of La Régie Nationale des Usines Renault was presented by Monsieur Pierre Dreyfus, chairman and managing director. The main points which he made were as follows:

A SUCCESSFUL YEAR

In 1957 Renault produced 336,000 vehicles (including tractors), against 274,000 in 1956, and rose from seventh to sixth place among world producers. The turnover rose from Fr. 170 (£141m) to 216 milliard (£191m), the capital expenditure from Fr. 9 (£7.6m) to 13 milliard (£11m), the gross profit from Fr. 4 (£3.4m) to 10 milliard (£8.5m) and the net profit after tax from Fr. 2.7 (£2.2m) to 3.8 milliard (£3.2m). It paid more than Fr. 40 milliard (£34m) of taxes and put Fr. 60 milliard (£50m) back into the economy in wages and salaries.

Renault's production of tractors rose from 10,000 in 1956 to nearly 19,000 in 1957. Its railway rolling stock division continued the development of new types; it delivered pneumatic-tyred rolling stock to the Paris Metro and supplied the Algerian railway carriages specially adapted to local conditions.

The Régie has several research departments. Together these form one of the strongest research units in Europe, employing more than a thousand engineers and other experts. Much of their work is devoted to keeping down the running costs of vehicles; their success is reflected in the growth of sales. Much attention is devoted to mechanising the handling of goods and to the automation of manufacture. This incidentally improves working conditions for the people employed in the Régie's plant.

INCREASED PRODUCTION AND SALES

Output of Renault vehicles showed an increase of 27 per cent over 1956, and the Corporation now produces 36.5 per cent of all private cars, 23.6 per cent of all goods vehicles, and 20.4 per cent of all agricultural tractors made in France. The increases in production achieved in 1957 enabled the Corporation to carry out a successful export drive without neglecting the domestic market. Renault's domestic sales rose by 7.8 per cent over 1956 whilst all other makes showed an increase of only 5.2 per cent.

Sales to private buyers in France accounted for 27.7 per cent (1956 24 per cent) of Renault's total domestic sales as compared with 19.2 per cent for all other makes.

As a result of far-reaching reorganisation of the sales network in French overseas territories, the Corporation's sales there increased from 8,370 units in 1956 to 13,011 units in 1957, representing a rise of 55 per cent.

EXPORTS

In 1957 Renault exported 91,060 vehicles to countries outside the Franc area representing over 29 per cent of total output. In effect, the number of vehicles exported increased by 68.5 per cent over the previous year.

By exporting 48.2 per cent of the total of French vehicles sold outside the Franc area —51 per cent of the percentage is confined to cars alone—the Corporation consolidated its position as the leading French motor car exporter, a position which it has held since 1949. By so doing, it also amply fulfilled its self-imposed export quota under the agreement which, in common with other motor manufacturers, it had made with the Government at the beginning of the year. This required the manufacturers not only to maintain the export ratio, achieved in 1956, but to export at least two-thirds of any subsequent increase in output. Renault's exports in fact accounted for 90 per cent of the increase in production achieved during the year.

For the first quarter of 1958 export sales accounted for 35,000 vehicles.

In the United States the Corporation's efforts in setting up a chain of distribution centres and comprehensive after sales service facilities—a task in which it had been engaged for several years—showed spectacular results during 1957. 30,000 Renault cars were exported to the United States, representing an increase of 885 per cent over 1956, and sales for the first few months of 1958 further underline the Corporation's progress in a market which, generally, was far from strong.

FOREIGN ASSEMBLY PLANTS

As many countries do not allow imports of complete vehicles, the Corporation continued to rely on local assembly plants in 1957 as in previous years. There is now a total of eight Renault assembly plants, of which two are wholly owned by the Corporation (UK and Belgium), and six operate under licence (Australia, South Africa, Japan, Spain, Eire and Israel). These plants assembled a total of 33,540 vehicles during the year, as against 27,950 in 1956, including a few vehicles assembled in Mexico.

SUBSIDIARIES

Renault's subsidiaries in France and Overseas comprise 24 companies whose activities range from iron and steel and the manufacture of springs and ball-bearings to sales subsidiaries, a credit organisation and a road haulage undertaking.

Two new subsidiaries were set up in 1957. The *Société Congolaise des Automobiles Renault*, which was formed to take over distribution and sales in the Congo, and *Compagnie d'Affrètement et de Transport* (CAT) which was set up as a result of the rapid expansion of Renault Incorporated in New York.

CAT was created in order to ensure regular supplies of Renault cars for the American market. The company at present operates six Liberty ships which handle 50 per cent of Renault deliveries to the United States, particularly to the Gulf of Mexico and the West Coast. Each of these ships can carry 1,050 cars on each trip and the balance of Renault deliveries—which now amount to a total of 300 cars per day—is sent by the regular lines plying to North America.

RESULTS

The Balance Sheet shows a net profit of Fr. 3,839m (£3.2m) as against Fr. 2,679m (£2.2m) in 1956. The Balance Sheet total increased by Fr. 24,052m (£20.4m) in 1957 and this showed a rise of 27 per cent. Once again the ratio of net profit to turnover increased and reached 4.61 per cent during the year, as against 2.59 per cent in 1956.

The report and accounts were adopted.

MORPHY-RICHARDS LIMITED

POINTS FROM THE CHAIRMAN'S SPEECH

The twenty-second annual general meeting of Morphy-Richards Limited will be held on November 19th at St Mary Cray, Kent.

The following is an extract from the circulated statement by the chairman, Mr F. P. Bishop, MBE, MP:

The year under review, like every other year, had its own special difficulties and in some respects disappointed our expectations. Group turnover rose from £5,900,000 in the previous year to just under £7,700,000, an increase of 30 per cent. But trading profits rose only from £604,000 to £656,000, an increase of 9 per cent.

The parent company's results last year were adversely affected by the development costs of the new factory at St Mary Cray and the introduction of new products which are not yet making their proper contribution to earnings. While the parent company's turnover increased by nearly 17 per cent, trading profits were lower than in the previous year.

Astral, however, more than fulfilled our hopes. The demand for our refrigerators throughout the year exceeded our productive capacity, even though we had the full benefit of the new factory at Dundee to which I referred last year. The spin dryer produced at Dundee has also proved highly successful. Both turnover and trading profits of our Astral subsidiary more than doubled last year.

Our other recently acquired subsidiary, Yelsen Limited, has also made a most useful contribution to output and profits. For the first time both Astral and Yelsen have paid a dividend representing in each case 20 per cent on the parent company's investment. This leaves substantial balances to be carried forward in their own accounts.

The Consolidated Balance Sheet again reflects the growth in your business. Stock in hand and work in progress are substantially higher than last year, as are sundry debtors, and these items are reflected in the reduction of cash at bank and in the bank overdraft.

Net profit for the year, after tax, amounts to £217,996 against £215,571 in the previous year. Your Board propose a transfer of £50,000 to the General Reserve which was established two years ago, and which will then stand at £300,000. They recommend a final dividend of 12 per cent, making 20 per cent for the year, the same as last year. After providing for these appropriations, the undivided profit carried forward in the Consolidated Balance Sheet is £319,577.

I should like to say something about current operations and prospects as we see them. In the home market the recent reductions in purchase tax and the relaxation of credit and hire purchase restrictions are very welcome. But almost as serious as the level of the tax or the extent of the restrictions is the uncertainty created by the expectation of further changes one way or the other. There is no doubt that these uncertainties have been affecting us in recent months. It is clear that a big effort will be needed if we are to begin to reap the benefit of our increased capacity and our new products in the current year.

So far as Astral is concerned, the problem is one of inability to meet demand. In the course of this year we expect to take possession of a further large extension to our factory at Dundee. We know that Astral's share of the total national sales of refrigerators has taken a remarkable leap forward. We have concluded an agreement with the Board of Trade to rent from them another large factory at Dundee which will still further increase and improve our productive capacity.

Our new company in USA did very well, but conditions in Canada and Australia proved very difficult. There has also been a delay in local manufacture of irons in South Africa though deliveries have begun.

Export sales as a whole showed only a small increase, and an intensive drive is now being made.

In conclusion I should like to express once again on your behalf to all executives and employees of our Group our sincere thanks for another year of loyal and able service. We know that they share our confidence in the future of our Group and that, given reasonably stable trading conditions, at home and overseas, we can expect to go forward together to still further achievement.

WESTLAND

- a great name in



HELICOPTERS

ANNUAL REPORT BY THE CHAIRMAN

Following are extracts from the statement of **Mr. Eric Mensforth, C.B.E., F.R.Ae.S.,** Chairman of Westland Aircraft Limited, circulated to shareholders with the Annual Report and Accounts for the year ended June 30, 1958.

During the year the Company earned a consolidated profit, before taxation, of £1,404,001 which compares with £1,115,010 last year. The principal Subsidiary, Normalair Limited, has reaped the reward of many years of patient development and, as a result, has now earned a substantial profit commensurate with the heavy investment made in this Company. Westland Aircraft's own profit is not as large as last year; the reduction is attributable to the increased private venture expenditure incurred on the Westminster project. Westland Engineers Limited also show a satisfactory increase in profits. Taxation amounts to £773,733, leaving a net profit of £630,268, which compares with £567,885 last year.

It is proposed to capitalise £450,000 of the General Capital Reserve and to apply this sum in paying up in full 1,800,000 Ordinary Shares of a nominal value of 5s. each, which would be issued to all Shareholders on the Company's books on October 27, 1958, in the proportion of one for every five then held. Your Board are recommending that thereafter a dividend for the year 1957-58 at the rate of 6 per cent. tax free, be paid on the increased Capital; this is an increase of 20 per cent. in the amount of the dividend over that paid for 1956-57.

The year under review has been one of achievement resulting from your Board's policy of concentrating on a specialised field. The introduction of the gas turbine has given improvements in performance and the rapid development of auto-control systems has made possible all-weather flying by day and by night and is opening up new fields for helicopter operation.

All our helicopters have been developed as private ventures. The risks associated with this have been recognised and accepted; subsequent success has in no way blinded your management to the heavy risks that have been run and must still be run.

Your Company has now four types of helicopter either in production or under development from all-up weights of 6,000 lbs. up to 40,000 lbs. The development of the Westminster, the largest conventional helicopter in Europe, which continues to be financed from our own resources, has reached a most important stage. We have had excellent collaboration with Napiers Limited who provide the Eland Turbines. Although still in the early flight development stages, the project is most promising. We have felt sufficiently confident of the outcome to decide to build a second protoype, still of the simple 'crane type' for which we foresee immediate military and commercial tasks; this machine should fly in the Spring of 1959.

On June 20, 1958, the first Westland built Wessex, one of the sizeable development batch ordered by the Ministry of Supply, made its first flight; this was made five months ahead of the official Ministry programme and in under two years from the Contract being placed. Furthermore a substantial production order has now been placed by the Ministry of Supply on behalf of the Royal Navy for the Wessex in an anti-submarine role. It has been announced that the Royal Marine Commandos will be equipped with an aircraft carrier specifically converted for helicopter assault operations, and I have little doubt that our helicopters will take their place in this.

Normalair's policy of offering to take full technical responsibility for the air conditioning of aircraft in the early design stage has proved successful. There is a widening interest in our products in the civil aircraft field; our units are in the Comet 4 and will be in the Vanguard and we expect them to be in new British types which are in the design stage.



The Industrial Safety and Medical Division has made progress; breathing sets for use in atmospheres containing noxious gases, for fire fighting and for underwater swimming have been developed and production is about to commence.

Westland Aircraft Limited · Yeovil · Somerset

TANGANYIKA SISAL GROWERS' ASSOCIATION

The annual dinner of the Tanganyika Sisal Growers' Association was held in Tanga on September 27th. There was a company of over 250 with a number of distinguished guests including His Excellency the Governor Sir Richard Turnbull. Sir Eldred Hitchcock presided, and said:

A year ago the sisal industry in Tanganyika was passing through a period of disturbance and uncertainty. Today it has greater stability, order, and direction. There are two reasons for this marked change. The first is that, faced with growing labour problems and the low price of sisal, it was essential to reassess the economic position of the industry. An expert report was prepared by Mr Claude Guillebaud, the Reader Emeritus in Economics in the University of Cambridge, which is to be published shortly by James Nisbet and Company in London. This report provided the industry with a blue book of reference on all its problems and from which emerged two pertinent facts; firstly, at the present low prices many estates are marginal and could not economically justify increased wages or increased costs of any kind; secondly, because of Brazil's methods of marketing, in which she acts as a weak seller on a colossal scale, the world price of sisal is at least £20 below that which would rule in a market open to the free forces of supply and demand. It is an ironical situation since sisal, unlike coffee, has a world carry forward of less than 5 per cent of its annual production, which should constitute a manageable stock for market operations. The industry and the Administration will watch with interest the outcome of the conference between sisal producing countries to be held in Rio de Janeiro later this year, when it is hoped to achieve a higher and more stable price in the interests of consumers as well as producers.

The industry, as Tanganyika's largest employer of labour (it employs one third of all those working for a wage) has for some time been under pressure to accept trade unionism. A vital principle is at stake here, for under the traditional system of paternalism on the estates there has always been a form of consultation either direct between employers and employees or with the committees of elders representing the various tribes employed. A recently established Central Joint Council has formalised this old estate procedure, and employers and employees now meet in equal representation at top level under a neutral chairman. The preliminary meetings have concerned administrative matters although there has been one meeting on a wage claim put forward by the employees amounting to an average of 230 per cent and countered by the employers with an offer of 5 per cent and 50 per cent more for overtime. Sisal workers in Tanganyika could earn considerably more than at present if they would work a regular 40 hour week instead of the present 4 hour one-task day.

In reply, His Excellency the Governor, Sir Richard Turnbull, KCMG, said that it was the hope of everyone in Tanganyika that Sir Eldred Hitchcock would succeed in his negotiations with the Brazilian sisal interests, and that as a result sisal fibre prices would recover to a more economic level. The Economic Survey showed that at the present level of world prices sisal profits were inadequate to provide for capital depreciation. There could be few countries that owed as much to one crop or to one industry as Tanganyika did to sisal. In the recent postwar years sisal had continued to be the mainstay and prop of the country's economy.

ARMSTRONG SHOCK ABSORBERS

RECORD RESULTS

The twenty-third annual general meeting of Armstrong Shock Absorbers Limited was held on October 27th in London, Mr William Armstrong, BSc, AMIMechE (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

It is particularly gratifying that this year, which is the fiftieth since Mr Gordon Armstrong set up in business on his own account in Beverley, should be marked by an all-time record both as regards output and profit. This reflects largely the continued high level of activity in the Motor Industry, but in addition we are now beginning to obtain benefit from our Overseas Companies and also from the new products which we have launched in the British Company. I would add that during the year we have also been able to give price reductions to our major customers in the Motor Industry.

The Consolidated Accounts for the year ended June 30, 1958, show a Group Profit of £233,203 compared with £124,319 for the previous year. Your Directors recommend a Dividend for the year of 25 per cent.

After reviewing the satisfactory progress of the subsidiary companies, the statement continued: During the year we have formed Companies in the United States aimed at exploiting the possibilities of selling our products and we are now pursuing our plans in this direction.

We continue to enjoy the confidence of our customers in the Industry which situation is very gratifying to your Board.

The report was adopted.

BUSINESS AND PERSONAL
9/- a line.

SHOWING OVER 15% ON EQUITY

S. RHODESIA. Attractive *Freehold Investment.* Block of 34 new flats, Salisbury. Gross revenue approximately £14,000 p.a. Bond £55,000. Equity required £35,000. HAMPTON & SONS, Overseas Dept., 6 Arlington Street, S.W.1. Tel. HYDe Park 8222 or Ronald Hayes & Partners (PVT) Ltd., Salisbury, S. Rhodesia.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E), 14 New Bridge Street, London, E.C.4.

CHINA NEWS ANALYSIS, independent weekly newsletter, now in its sixth year. Fully documented, weekly essay-reviews of every aspect of communist China, political, economic, cultural, based on objective analysis of the vernacular publications. For specimen copies apply: C.N.A., P.O. Box 5517, Kowloon, Hong Kong.

MANUFACTURERS!
STYLING PROBLEMS?
Consult
DESIGN & INDUSTRIAL STYLING COMPANY LTD.
15 Moray Place
Edinburgh
Telephone: CAL 6751

WHAT was it Mary asked me to take home this evening? Oh, of course—a bottle of El Cid Sherry. The Shaws are coming to dinner, and they deserve a really good light Amontillado.

GET THINGS MOVING. "BUY" A CINE CAMERA.—City Sale & Exchange Ltd., 94 Fleet Street, E.C.4.

"AHA, I AM WARM." I have Nu-way oil-firing installed in my home. No more dirt, dust or shovelling. You too can convert your boiler to Nu-way oil-firing, the cheapest form of automatic heat. On deferred terms if required. Write Nu-way Heating Plants Ltd. (Box A57), Droitwich.

ORCHIDS.—Buy direct from actual producers! Six flowering size Cymbidiums, different colours, for £6; two Cypripedium Hybrids, two Odontoglossums, one Coelogyne, one Dendrobium for £5 10s.; flowering size Cattleyas 25s. each; thousands of unflowered seedlings and hundreds of curious orchids. Send for liste. Our illustrated booklet, "Simplicity of Orchid Growing," will be sent free on application.—Mansell & Hatcher Ltd., Dept. E, Craggwood Nurseries, Rawdon, Leeds.

APPOINTMENT REQUIRED

WOMAN GRADUATE, good statistical experience, seeks post in London. Salary £1,300.—Box 1049.

FINANCIAL NOTICES
9/- a line.

THE ROYAL BANK OF CANADA

DIVIDEND NO. 285

Notice is hereby given that a DIVIDEND of 50 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and a Bonus of 25 cents per share for the year ending November 30, 1958, and both will be PAYABLE at the Bank and its branches on and after December 1, 1958, to shareholders of record at the close of business on November 5, 1958.

Shares not fully paid for by November 5, 1958, to rank for the purpose of the said dividend to the extent of the payments made on or before that date on the said shares respectively.

By Order of the Board,
K. M. SEDGEWICK,
General Manager.

October 29, 1958.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). CANADIAN PACIFIC RAILWAY PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK. NEW BRUNSWICK RAILWAY 4% DEBENTURE STOCK. CALGARY AND EDMONTON RAILWAY 4% DEBENTURE STOCK. In preparation for the payment of the half-yearly interest due January 1, 1959, on the above Stocks, the Transfer books will be closed on November 21, 1958, and will be re-opened on January 2, 1959.—R. F. Tremayne, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. October 24, 1958.

APPOINTMENTS

BRITISH NYLON SPINNERS LTD. invites applications for a post at their new London Office in the Tariffs and Quotas Section of the Company's Market Research Unit. The work is varied and interesting, covering a wide range of products and markets and involving contacts with outside organisations. Essential qualifications are a good Honours degree; a keen interest in international trade matters; and ability to cope with detailed work. Previous experience in dealing with tariffs and quotas is desirable but not essential. Candidates should be under 35 years of age. Applications, which will be treated as strictly confidential, should set out full personal history and should quote reference U/20 to Personnel Manager, Pontypool, Mon.

For other appointments see page 463

AUSTRALIA
UNIVERSITY OF QUEENSLAND
LECTURER IN ECONOMICS WITHIN THE DEPARTMENT OF [illegible] EXTERNAL STUDIES

Applications are invited for the above position. Applicants should have an Honours Degree in Economics, or equivalent qualifications.

Salary £A1,540-£A2,040 p.a.

Further particulars and application forms are obtainable from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1. Applications close, in Australia and London, on November 30, 1958.

QUALIFIED STATISTICIAN required by substantial public company with headquarters at Manchester. Age about 30. Preference given to applicants who have had a few years' experience in industry since qualifying. Permanent position, with good salary.—Apply with full particulars to Box 1065.

UNIVERSITY OF CEYLON
LECTURER IN STATISTICS IN THE DEPARTMENT OF ECONOMICS

Applications are invited from persons with postgraduate qualifications for the above post.

The salary scales are as follows: Grade II: Rs.6,600-360-Rs.8,400 per annum; Grade I: Rs.8,800-480-Rs.13,200 per annum.

The appointment may be made at a point on either of the above scales according to qualifications and experience and will be for a period of four years in the first instance but may be extended at the discretion of the University Council. Rent and cost of living allowances will be paid at Ceylon Government rates.

The post is not pensionable but the holder will become a contributor to the University Provident Fund, contributing 5 per cent of salary and the University adding 10 per cent.

Passages will be provided for the Lecturer, his wife and not more than three children.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Ceylon and London, is *November* 20, 1958.

AIR SUBSCRIPTION RATES

	Airmail	*Air Freight**
Australia, New Zealand	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	—
Nigeria	£9 0s.	—
Pakistan	£9 0s.	£6 10s.
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	—
South America	£9 0s.	£7 10s.
Sudan	£7 15s.	—
USA	—	£6 15s.
West Indies	£9 0s.	$25 or £9

* Approx. 24 hours slower than airmail.

COMPANY AFFAIRS

SCHWEPPES

THE failure of Schweppes to secure control of Thomas and Evans may rebound eventually to its competitive disadvantage. But immediately it may prove to be a blessing in disguise for its ordinary shareholders. The final bids of both companies valued the Thomas and Evans ordinary stock fully; if Schweppes, instead of the Beecham Group, had won control it is difficult to see how its directors could have improved on their promise to maintain the ordinary dividend at 20 per cent on the enlarged capital. Untrammelled by the thought of having to service that capital, the directors can afford to be more liberal. And now ordinary shareholders in Schweppes are offered a scrip issue, a rights issue giving a turn on current prices and a bigger dividend.

The remarkable expansion in Schweppes's turnover—and hence in its working capital requirements—has been financed up to date by ploughing profits back and by keeping dividends low. Now the directors have decided to finance the building of new plant by coming to the market for about £1½ million. To make a success of their appeal they had to loosen the purse strings and, no doubt, the birth of a single, undiscriminatory rate of profits tax encouraged them to do so. There is to be a 100 per cent scrip issue and, in effect, on that doubled capital ordinary shareholders are offered a one for seven rights issue of 5s. ordinary shares at 10s. 6d. each. The price of the existing shares has risen from 27s. 6d. to 30s., giving an ex-all price of 14s. 4½d.

As the turnover of Schweppes has continued to improve this year and as the group will consolidate a full year's earnings of L. Rose and Company in the 1958 accounts, the directors believe that, though profit margins continue to narrow, the full year's profit will not be "substantially below" the "exceptionally high profit earned in 1957." They therefore expect to pay a final ordinary dividend of 12½ per cent on the capital as increased by the scrip and rights issue. Thus the dividend will be effectively raised from 20 to 30 per cent on the old capital, or from 10 to 15 per cent on the new. At the ex-all price of 14s. 4½d. the yield on the 5s. shares is about 5.2 per cent, which looks beyond the promise of 15 per cent to even bigger payments in later years.

ZANDPAN

THE last public new gold mine flotation was Winkelhaak in the Bethal area at the end of 1955. Now, at a time when Kaffir prices are more firmly based than they were then, Zandpan is to be launched. It is a developing mine in the Klerksdorp area, tapping the same reef as Hartebeestfontein and Vaal Reefs, and it will be managed by Anglo-Transvaal. It is a fairly deep mine and so far development has produced reasonable but not startling values. Two unusual features mark its entry to the Kaffir market. First, though "Anglovaal" will manage the concern and will be a big shareholder it may not be the biggest shareholder. Secondly, this is the first time that Federale Mynbou, the Afrikaans finance house, has come in on the ground floor of a completely new gold mine. Federale comes in, with Anglovaal and WRITS, as one of the big shareholders.

The financial arrangements are unavoidably complicated: (1) 3,246,544 shares of 10s. each in Zandpan will be subscribed firm at par by Midwits, Anglovaal, Anglo American, Federale, WRITS and General Mining (who also act as the underwriters for the rest of the issue).

(2) Another 1,940,955 shares will be offered at par to shareholders of Midwits (in the ratio of one for ten), Western Reefs (in the ratio of 11 for 200) and Vaal Reefs (in the ratio of two for 25).

(3) Another 2,518 shares will be offered at par to Western Reefs and another 9,983 at par to Vaal Reefs.

(4) This will raise Zandpan's issued capital to 6 million shares of 10s. each. Owners of these shares will have the single option in November, 1960, to take up two additional shares in Zandpan for every three then held at a price of 12s. 6d. If these options are not taken up, the underwriters will find subscribers for the shares at 12s. 6d. each.

(5) When the proceeds of this total issue of 9,200,000 shares are exhausted, Anglovaal, Federale and WRITS will provide Zandpan with loan facilities of up to £2 million at a rate of 6½ per cent and finally repayable in October, 1973.

Zandpan is thus assured of receiving £7,100,000 (less issue expenses) and that should be sufficient to complete the sinking of the first shaft and to pay for a certain amount of underground development. It will then need more money to sink another shaft, to build a reduction plant and to bring the mine into production.

INCHCAPE

OCCASIONS when the few really big family fortunes are thrown open to the participation of the investing public are rare. Baring Brothers, with Hoare & Co. as brokers, let the public into one of them this week, when they applied for a quotation in the £1 ordinary shares and the 6½ per cent unsecured loan stock (1978-83) of Inchcape & Company. This family company represents the private fortune of the descendants of the first Earl of Inchcape and it is coming to market for quotation in anticipation of death duties. A block of 350,000 £1 ordinary shares out of 1,800,000 has been bought by Hoare & Co. at 25s. while £766,766 out of £850,000 of the loan stock is being placed by Baring Brothers at par.

The present Earl of Inchcape, in addition to being Chairman of Inchcape & Co., is a director of Peninsular and Oriental Steam Navigation Company. Sir William Curry, the chairman of P & O, is on the board of Inchcape & Co. But the personal partnership does not necessarily imply interlocking family fortunes. Inchcape & Co. moves in fields where P & O moves but is no part of the P & O stable. Its 17 subsidiaries (7 English, 5 Indian, 2 Pakistani, 2 Kenyan and one Iraqi) provide financial management, merchanting and security management and even ship management but not shipping. Its member subsidiaries are Gray, Dawes & Company, ship managers, merchant bankers and travel agents, Duncan MacNeill & Co., East India merchants, secretaries and managers of tea companies, and St. Mary Axe Securities, the investment member of the group. The net assets attributable to the holding company, i.e. the Inchcape fortune, are shown at £6,366,162, while the earnings attributable to the parent company, before UK taxation, have risen from £450,661 in 1953 to £607,861 in the year ending March 31st this year.

For those who fancy an 11 per cent dividend (yielding 8.8 per cent at 25s.), a profit that cannot be forecast, but will be less than the £608,000 earned last year and more than the last five-year average (£517,000) and for those who do not mind investment in established undertakings with an eastern flavour, the ordinary shares have obvious attractions. Those are not dimmed merely because the Inchcape family will continue to control and might wish to be conservative. The loan stock will be attractive to the institutions. It is heavily covered both by assets and earnings.

FISONS

OVER the last few years Fisons, the fertiliser group, has been expanding rapidly. It raised about £2 million by issuing ordinary shares in 1955, another £4.7 million on an unsecured loan stock in 1956 and a further £3 million by a rights issue of ordinary shares this year. Profits were expanding gradually under the stimulus of new injections of capital, but at the time of the rights issue in May the directors thought that in the year to June 30th gross profits might be slightly down on the 1956-57 figure of £3 million. That did not inhibit them from saying that the total ordinary dividend on the enlarged capital would be 15 per cent, as paid in the three preceding years.

That dividend has now been formally declared, but the directors' profit forecast proves to have been over-cautious. In the year to June 30th, profits before tax rose from £3,094,891 to £3,142,478. After tax, net profits edged up from £1,516,413 to £1,594,970. At the end of June, the group held £5.8 million in cash and government securities (against £5 million) and its outstanding capital commitments came to just over £3 million (compared with over £6 million a year earlier). The period of capital expansion may therefore be coming to an end and as this new capital begins to contribute to profits there should be an opportunity for a more liberal dividend policy. The yield of 5.2 per cent offered by the £1 ordinary units at the current price of 57s. 9d. (which compares with the rights issue price of 31s. 3d.) anticipates to some extent such a liberalisation.

BROOKE BOND

WITH the publication of Brooke Bond's full accounts, in which the chairman may throw some light on the company's future dividend policy, only a few days away, Throgmorton Street was wise not to throw its bonnet in the air on the preliminary results, good though they were. The total ordinary dividend of this leading tea distributor for the year to June 30th has been left unchanged at 3d. per 5s. share, free of tax (equivalent to 8.696 per cent gross). But it was only in order to save profits tax that the payment for 1957-58 was not increased; a bigger payment for that period would have attracted distributed profits tax under the pre-Budget regime of tax. So, to secure the benefit of a flat rate of profits tax, the directors have declared a special interim of ½d. per 5s. share, free of income tax, for 1958-59. This will not prejudice the 1958-59 dividends and yields can now be safely calculated on the basis of a tax-free payment of 3½d. per 5s. share.

In addition, the directors propose a 25 per cent scrip issue, capitalising £1,875,000 of reserves. Capital reserves have been increased by £1,064,457 as a result of an up-to-date revaluation of the group's net assets. Over and above the scrip issue, the directors propose to create a further 6,500,000 new shares; they say that they have "no plans at present concerning the issue of the balance of new ordinary shares, but feel it is desirable to have some unissued shares in hand." Shareholders would clearly welcome some indication of dividend policy following the scrip issue and of the reasons for increasing the authorised capital now. The 5s. "B" shares still stand at 10s. 10½d., to offer a yield of 4.6 per cent on a tax-free dividend of 3½d.

A bigger dividend is justified by the advance in gross profits from £3.3 million to £4.1 million and in net profits from £1,750,381 to £1,832,729. Over the year the total turnover of the group expanded by only about £500,000 to £80,100,000. It looks therefore as if the reasonable steadiness in the prices of high-quality teas over the financial year preserved the group from stock losses on tea. And the big increase in British tax suggests that the group has earned a better and a more stable margin on the distribution of its packaged teas in this country.

ROLLS-ROYCE

LEAVING the interim ordinary dividend unchanged at 5 per cent, the directors of Rolls-Royce have produced an odd sort of interim report. It hints in general terms at a decline in profits this year, but does not say whether profits have declined or not in the first half of it. Nor does it give any quantitative indication of the expected decline. Sales will show a small increase on the 1957 figure of £91 million while the charges for research and development will go up from £4.3 million to over £6 million, which would be enough to bring net profits down smartly even if there were no decline in gross trading profits. But the directors also say that "the accounts for 1958 will reflect a further phase of the transition from the development of military aero engines to the development of civil aero engines." At the end of September the group still had £114 million of unfulfilled orders on hand, so its factories will not be short of work.

This statement makes it no easier to value the Rolls-Royce £1 ordinary shares (currently quoted at 96s. 6d.). Nor does the directors' further comment that their "decision as to a final dividend must take into account the anticipated profitability of the orders on hand, the programme of future development and the business prospects at that time."

SALTS (SALTAIRE)

AT 11.20 a.m. on Friday, October 24th, holders of more than 4 million ordinary shares of 5s. each in Salts (Saltaire) had accepted Illingworth Morris's bid of 7s. for that number of shares. Illingworth Morris exercised its right to accept the excess applications received up to that time. But it did not accept any further shares, returning any shareholders' acceptances received after 11.20 a.m. Thus, like it or not, a large number of the shareholders in Salts (Saltaire)—owning in all something under 40 per cent of the equity—are left in a minority in a company now controlled by Illingworth Morris. The efforts of the directors of Salts (Saltaire) to persuade Illingworth Morris to extend its offer to all ordinary shareholders came to naught. A bid such as this, made at the pistol point, cannot but create ill will. Illingworth Morris ought now to think about the possibility of buying out the minorities.

JOHN I. THORNYCROFT

SHIPBUILDING shares have been adjusted sharply to the lower level of orders that depressed freight rates have brought. John I. Thornycroft is more than a shipbuilder and marine engineer, for it has an important stake in the heavy vehicle industry, and the price of its shares remained close to the year's "high" when shares in other shipbuilding companies were falling. Now the preliminary statement shows that gross profits in the year to July 31st fell precipitously from £987,403 (including £105,000 relating to earlier years) to £565,066 (including £236,000 from earlier years). Last year it was said that there were sufficient orders in hand to keep the shipbuilding sections busy but commercial vehicles sales were affected by reduced military expenditure and a contraction of the domestic and foreign civil markets.

The total ordinary dividend has been reduced from 12½ to 7½ per cent, although a tax free distribution of 1 per cent is to be made. The 1956-57 dividend was covered several times by earnings and in May the interim dividend was maintained at 3½ per cent so that the cut in the final dividend took the market by surprise. Thornycroft £1 units fell 8s. 1½d. to 22s. 6d. before recovering to 24s. 4½d. At that price they offer a yield of 6.2 per cent on the 7½ per cent dividend.

WESTLAND AIRCRAFT

WESTLAND AIRCRAFT'S decision to develop helicopters to the gradual exclusion of more orthodox aircraft has made it the biggest producer of such machines in Europe and the design and development of its range of helicopters has been financed largely by retained profits. In the year to June 30th profits after depreciation rose from £1,115,010 to £1,404,001, but this time the improvement did not stem from the successful helicopter ventures; Westland Aircraft's own profit was lower than in 1956-57, a reduction attributed by the chairman, Mr E. Mensforth, to increased expenditure on the development of its own large helicopter, the Westminster. But the principal subsidiary, Normalair, stepped into the breach. This company is responsible for the pressurising equipment of many aircraft made at home and abroad, and in the latest year "many years of patient development" earned a profit "commensurate with the heavy investment made in this company." Net profits rose from £567,885 to £630,268, and although a tax-free dividend of 6 per cent has again been recommended, this time it was preceded by a one for five scrip issue. This effectively raises the payment to 7 1/5 per cent, free of tax. This higher dividend absorbs only £162,000. Retained profits of £468,268 have helped to wipe out a bank overdraft of £215,519 and to finance an increase of £555,000 in work-in-progress and debtors. But Mr Mensforth expects a further need for working capital and he refers to the increasing production of Wessex helicopters and to the construction of a heliport on the South Bank—which Westland now thinks is a necessary corollary to the company's championing of helicopters for civil use. He believes that the company is able to finance these developments from its own resources, though if necessary the company's bankers would be prepared to help again. This statement will allow

Company Affairs *continued on p.* 458. **London and New York Stocks** *on next two pages.*

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Oct. 22, 1958	Price, Oct. 29, 1958	Net Yield, Oct. 29, 1958 § £ s. d.	Gross Yield, Oct. 29, 1958 £ s. d.
99 13/16	96 1/16	War Loan 3% 1955–59	99 3/4	99 3/4	1 18 7	3 5 4
96 5/8	90 5/8	Funding 2½% 1956–61	96 15/32	96 1/2	2 18 1	4 0 3
99 21/32	96 13/16	Conversion 2½% 1958–59	99 5/8	99 21/32	1 11 4	3 12 1
97 13/16	93 1/16	Exchequer 2½% 1960	97 3/4	97 13/16	2 14 8	3 14 9
99 1/4	95 7/16	Exchequer 3% 1960	99 5/32	99 5/32	2 4 4	3 13 2
100 11/16	95 9/16	Conversion 4½% 1962	100 9/16	100 17/32	2 5 9	4 6 4
94 9/16	88 5/8	Exchequer 3% 1962–63	94 15/32	94 1/2	2 17 10	4 6 6
101 1/4	99 7/16	Conversion 4¾% 1963	101 1/8	101 1/16	2 6 3	4 9 9
90 1/8	83 5/8	Savings Bonds 3% ... 1955–65	89 1/4	89 1/2	3 10 9	4 18 11
82 1/8	77 5/8	Funding 3% 1959–69	81 1/2	81 7/8	3 17 2	5 5 11
89 3/4	86 3/8	Funding 4% 1960–90	87 5/8*	87 15/16*	3 5 6 / 2 14 9	13 2 8 / 4 14 10
80	75	Savings Bonds 3% ... 1960–70	79 1/2	79 13/16	3 18 1	5 7 9
91 3/16	84 9/16	Exchequer 2½% ... 1963–64	90 5/16*	90 7/16*	3 6 8	4 9 0
83 1/16	78 5/8	Savings Bonds 2½% . 1964–67	82 3/4*	83*	3 15 11	4 19 7
74 3/4	69 5/8	Savings Bonds 3% ... 1965–75	74 3/16	74 1/2	3 16 6	5 7 7
103 7/16	99 1/2	Exchequer 5½% 1966	101 15/16	102 1/16	2 18 3	5 5 6
83 11/16	78 5/8	Funding 3% 1966–68	83 1/8	83 5/8	3 16 0	5 5 3
95 1/8	91 1/8	Victory 4% 1920–76	94 7/8	95	2 19 1	4 15 3‡
87	81 9/16	Conversion 3½% 1969	86	86 7/16	3 12 9	5 5 11
100 1/8	97 1/4	Conversion 5½% 1974	99 7/8	100 1/16	3 2 1	5 8 8
78 3/16	71 1/8	Treasury 3½% 1977–80	77 3/8	77 5/8	3 10 8	5 6 10
77 1/4	70 3/8	Treasury 3½% 1979–81	76 3/4	76 7/8	3 11 0	5 6 10
102 1/2	98 1/2	Funding 5½% 1982–84	102 5/16	102 1/2	3 1 4	5 8 7
67 1/4	60	Redemption 3% 1986–96	66 1/2	67	3 5 1	4 19 11
74 1/2	64 3/8	Funding 3½% 1999–2004	73 7/8	74 1/16	3 2 1	5 0 2
76 5/8	69 1/16	Consols 4% .. after Feb. 1957	76	75 15/16	3 1 0	5 6 9
69 7/16	63 1/8	War Loan 3½% .. after 1952	68 9/16	67 3/8*	2 19 7	5 3 5
68 7/8	62 3/8	Conv. 3½% .. after Apr. 1961	67 7/16	67 9/16	2 19 9	5 4 1
60	54 5/8	Treasury 3% after Apr. 1966	58 3/4	59 1/8	2 18 6	5 1 10
52 13/16	46 3/4	Consols 2½%	52 1/4	52 3/8	2 15 0	4 15 10
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	50 1/8	50 3/8	2 17 2	4 19 8
95 9/16	90 1/8	British Electric 4½% 1967–69	94 1/16	94 7/16	3 5 4	5 6 1
76 5/8	72 7/16	British Electric 3% .. 1968–73	76 3/16	76 5/8	3 17 4	5 7 6
73 3/4	68 5/8	British Electric 3% .. 1974–77	73 3/8	73 3/4	3 14 7	5 5 8
87 7/16	82 5/8	British Electric 4½% 1974–79	86 9/16	86 15/16	3 6 8	5 6 7
78 1/2	73 3/16	British Electric 3½% 1976–79	76 7/8*	77 1/8*	3 11 3	5 6 2
87 5/8	82 7/16	British Gas 4% 1969–72	87 3/8	87 5/8	3 9 9	5 7 6
84	79 1/4	British Gas 3½% 1969–71	83 3/8	83 9/16	3 13 1	5 6 9
67 7/8	60 7/16	British Gas 3% 1990–95	67*	67 1/4*	3 5 4	4 19 0
76 5/8	72 1/16	Brit. Transport 3% .. 1968–73	76 3/16	76 5/8	3 17 4	5 7 6
85 7/16	79 1/4	Brit. Transport 4% .. 1972–77	85	85 7/16	3 8 0	5 6 11
68 15/16	60 15/16	Brit. Transport 3% .. 1978–88	68	68 3/16	3 9 8	5 3 6

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Oct. 22, 1958	Price, Oct. 29, 1958	Yield, Oct. 29, 1958 £ s. d.
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	100	100	3 10 0
105 3/8	97 7/8	Australia 6% 1974–76	103 7/8	104	5 12 2
76 1/2	73 1/2	Ceylon 4% 1973–75	75 3/4	75 3/4	6 7 1
98 1/2	94 1/2	Jamaica 6% 1977–82	97	97	6 4 1
104 3/4	97 7/8	New Zealand 6% 1976–80	104	104 1/2	5 12 0
101 1/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	98*	98*	6 3 5
74 3/8	69	Southern Rhodesia 2½% 1965–70	74 1/4	74 1/4	5 9 0
		CORPORATION AND PUBLIC BOARDS			
100 5/8	98 1/4	Agricultural Mortgage 5½% 1980–85	100	100	5 10 0
105	98 7/8	Birmingham 5¾% 1974–76	105	105	5 5 4
92 3/4	86	Bristol 3% 1958–63	92 1/2	92 1/2	4 3 7
95 1/2	91 1/2	Glasgow 4% 1966–68	94 1/2*	95*	5 8 0
100 1/4	96 1/2	Corporation of London 5¼% 1976–79	98*	98 1/8*	5 8 0
57 3/4	53	L.C.C. 3% ..... after 1920	57	56 1/2	5 6 2
64	56	Met. Water Board 'B' 3% 1934–2003	63 1/2	63 1/2	5 1 4
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	98 1/2*	99 1/4	...
180	154	German 5½% 1930 (Enfaced 4½%)	178	178 1/2	...
18	12 3/4	Greek 7% Refugee 1924	18	17	Nil
169	160	Japan 5% (Enfaced) 1907	161 1/2	161 1/2	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	118 3/4	119 1/2	...
53 1/2	48	Uruguay 3½% Bonds (Assented)	53	53 1/2	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 22, 1958	Price, Oct. 29, 1958	Yield, Oct. 29, 1958
		% %	**STEEL AND ENGINEERING**			
31/6	24/11 1/2	6 a / 5 a	Colvilles £1	30/6	30/–	8·67
28/–	21/7 1/2	6 b / 4 a	Dorman Long £1	26/6	25/9	7·77
20/4 1/2	16/6	6 c / 3 a	Steel Co. of Wales £1	20/–	20/1 1/2	7·85
27/6	20/–	8 b / 3 a	Stewarts & Lloyds £1	26/9	26/–	8·46
25/3	22/3	14 c / 6 a	John Summers £1	33/9	34/–	8·24
26/–	17/9	7 1/2 b / 4 a	United Steel £1	25/3	25/3	9·11
34/–	23/–	4 a / 6 b	John Brown £1	30/9	30/3	6·61
9/4 1/2	6/9	11 b / 4 a	Cammell Laird 5/–	8/7 1/2	8/4 1/2	8·96
64/–	48/–	13 b / 5 a	Swan Hunter £1	63/3	58/6	6·15
34/3	28/6	7 1/2 b / 2 1/2 a	Vickers £1	33/6	33/–	6·06
64/9	43/3	3 1/2 a / 6 2/3 b	Averys £1	64/–‖	60/6	3·31
£19 5/16	£14 15/16	£1·60c / £1·65	Coventry Gauge 10/–	17/–	17/–	6·39
37/9	28/3	12 a / 14 b	Alfred Herbert £1	36/9	37/–	5·64
14/10 1/2	9/3	5 a / 10 b	Ransome & Marles 5/–	14/4 1/2	14/10 1/2	5·04
39/7 1/2	30/4 1/2	3 a / 9 1/2 b	Renold Chains £1	39/7 1/2	38/10 1/2	6·43
42/9	21/9	33 a / 8 3/4 b	Allied Ironfounders £1	38/–	36/6	6·85
55/6	41/10 1/2	6 3/4 a / 6 a	Babcock & Wilcox £1	52/6	51/9	5·03
56/9	36/9	8 b / 4 a	British Aluminium £1	53/–	51/3	5·20
75/9	45/3	15 c / 20 c	Davy & United £1	75/9	75/6	4·27
53/10 1/2	34/7 1/2	5 a / 10 b	Guest Keen £1	53/4 1/2	53/10 1/2	5·29
63/–	41/–	4 a / 7 b	Metal Box £1	61/–	59/9	3·68
54/6	43/9	3 3/4 a b / 3 3/4 a	C. A. Parsons £1	52/6	51/6	2·91
27/9	23/–	15 b / 10 a	John Thompson 5/–	26/–	25/9	4·85
72/10 1/2	48/6	7 1/2 a / 10 b	Tube Investments £1	71/6	72/11 1/2	4·85
			BUILDING, etc.			
47/3	31/–	6 b / 3 a	Associated Portland £1	47/3	47/3	3·81
19/6	12/7 1/2	5 a / 7 1/2 b	British Plaster Board 10/–	19/6	19/4 1/2	5·43
59/–	27/11 1/2	5 c / 8 3/4 c	Richard Costain £1	53/9	57/6	3·04
9/6	6/3	5 a / 10 b	Crittall Manufacturing .. 5/–	9/4 1/2	8/10 1/2	8·45
56/6	36/11 1/2	15 5/8 c / 6 a	London Brick £1	56/6	55/–	5·68
71/10 1/2	52/11 1/2	12 1/2 b / 10 a	Turner & Newall £1	71/6	70/10 1/2	4·22
113/9	78/9	7 1/2 a / 20 b	Wall Paper Defd. £1	113/9	111/3	4·94
			CHEMICALS AND PAINT			
18/9	13/4 1/2	16 c / 4 a	Albright & Wilson 5/–	18/3	18/11 1/2	4·29
20/4 1/2	14/10 1/2	5 5/6 b / 2 11/12 a	Borax Defd.	19/–	18/11 1/2	2·39
7/7 1/2	4/10 1/2	2 1/2 b / 7 1/2 a	Brit. Ind. Plastics 2/–	7/7 1/2	6/10 1/2	5·61
66/3	42/10 1/2	5 a / 10 b	Fisons	64/–	64/–	5·19
35/3	24/3	5 1/2 a / 7 1/2 a	I.C.I. £1	58/–	57/9	4·56
12/11 1/2	8/7 1/2	4 a / 13 1/2 b	International Paints 4/–	34/9	35/11 1/2	6·16
16/2 1/4	12/6	5 a / 8 1/2 b	Monsanto 5/–	11/7 1/2	11/9	4·55
21/3	15/3	5 a / 11 2/3 b	Pinchin Johnson 10/–	15/11 1/2	14/10 1/2	4·97
20/9	20/–					8·36
			ELECTRICAL AND RADIO			
55/3	47/–	15 c / 5 1/2 a	A.E.I. £1	54/6	55/–	5·45
49/3	39/3	4 a / 8 1/2 b	B.I.C.C. £1	48/6	48/3	5·18
31/9	24/7 1/2	433 a c / 147 1/2 c	Decca Record 4/–	31/3	30/6	5·74
52/–	28/–	15 c / 15 c	E.M.I. 10/–	49/3	51/3*	5·20
60/3	44/6	10 b / 4 a	English Electric £1	58/6	57/9	4·85
40/3	29/9	3 1/2 a / 6 1/2 b	General Electric £1	37/9	38/–	5·26
16/–	10/3	12 1/2 c / 12 1/2 c	Pye Defd. 'A' 5/–	15/6	15/9	3·97
89/–	74/6	11 b / 6 1/2 a	A. Reyrolle £1	88/6	88/6	3·95
			MOTORS AND AIRCRAFT			
11/6	6/7 1/2	12 1/2 c / 4 a	British Motor 5/–	10/9	11/1 1/2	5·62
46/–	31/9	6 b / 3 1/2 a	Ford Motor £1	42/–	41/9	4·55
47/6	39/–	12 1/2 c / 12 1/2 c	Leyland Motor £1	47/3	47/6	5·29
6/–	4/11 1/2	8 c / 4 c	Rootes Motors 4/–	5/9	6/–	2·67
8/5 1/4	6/7 1/2	8 c / 8 c	Standard Motor 5/–	8/–	8/11 1/2	7·38
26/6	14/4 1/2	11 b / 4 1/6 a	Dunlop Rubber 10/–	26/–	23/9*	6·39
42/3	28/–	5 b / 2 1/2 a	Joseph Lucas £1	41/3	42/3	3·55
21/4 1/2	12/5 1/4	14 b / 7 1/2 a	Pressed Steel 5/–	21/4 1/2	21/11 1/2	5·09
46/4 1/2	32/9	20 c / 7 1/2 a	Triplex Holdings 10/–	45/10 1/2	45/4 1/2	6·06
14/4 1/2	8/7 1/2	6 1/2 b / 3 1/2 a	Bristol Aeroplane 10/–	10/10 1/2	10/11 1/2	9·88
21/4 1/2	14/3	7 1/2 c / 7 1/2 c	De Havilland £1	20/2 1/4	19/5 1/4	7·72
41/–	29/3	15 a / 16 1/2 b	Dowty Group 10/–	40/6	40/9	4·91
34/9	24/9	7 b / 3 a	Hawker Siddeley £1	33/9	33/11 1/2	6·04
100/6	82/9	15 b / 5 a	Rolls-Royce £1	98/6	96/6	4·15
			PAPER AND NEWSPAPERS			
44/9	26/6	8 b / 4 1/2 a	Bowater Paper £1	41/6	43/3	5·78
48/3	27/9	5 a / 9 b	Albert E. Reed £1	45/3	46/3	5·68
24/9	16/–	5 b / 3 a	Spicers £1	24/3	22/–*	7·27
20/11 1/2	8/9	7 1/2 a / 12 b	Daily Mirror 'A' 5/–	19/9*	20/–	4·87
24/9	18/6	5 a / 12 1/2 b	Odhams Press 10/–	24/6	24/6	7·14
24/11 1/2	19/6	2 1/2 a / 6 4 b	**TEXTILES**			
20/11 1/2	12/10 1/2	5 a / 5 b	J. & P. Coats £1	23/3	22/10 1/2	7·65
39/–	29/10 1/2	12 1/2 b / 5 a	Fine Spinners £1	19/10 1/2	19/9	10·13
35/6	30/–	12 1/2 c / 7 1/2 a	Lancashire Cotton £1	37/7 1/2	38/3	9·15
6/8 1/4	4/10 1/2	6 c / 4 a	Patons & Baldwins £1	34/3	35/6	7·04
47/9	38/4 1/2	10 b / 5 a	Salts (Saltaire) 5/–	6/6	6/11 1/2	8·16
16/3	10/11 1/2	6 c / Nil	Woolcombers £1	47/9	46/6	6·45
48/4 1/2	33/11 1/2	22 1/2 c / 22 1/2 c	Bradford Dyers £1	13/6	15/11 1/2	...
28/3	19/7 1/2	3 a / 5 b	Calico Printers £1	36/3	36/6	12·33
13/7 1/2	8/10 1/2	15 b / 3 a	Courtaulds £1	28/11 1/2	27/9*	5·77
19/–	15/3	7 1/2 c / 7 1/2 c	Jute Industries 10/–	9/3	9/–	...
			Tootal £1	17/9	17/11 1/2	8·76
20/11 1/2	14/9 3/4	18 c / 3 a	**DRAPERY & STORES**			
51/6	33/6	7 1/2 b / 20 a	Boots Pure Drug 5/–	20/–	19/9	3·65
27/4 1/2	17/3	7 1/2 a / 25 b	Debenhams 10/–	49/9	49/–*	6·12
70/–	55/6	12 1/2 a / 5 b	G.U.S. 'A' 5/–	26/–	27/4 1/2	5·94
28/11 1/2	20/3	25 b / 10 a	Harrods £1	69/3	69/–	5·07
18/6	13/11 1/2	17 c / 7 1/2 a	House of Fraser 'A' ... 5/–	27/9	28/11 1/2*	6·22
51/6	37/3	10 a / 22 1/2 b	Lewis's Investment ... 4/–	18/6*	18/3	3·73
32/11 1/2	21/–	20 b / 12 1/2 a	Marks & Spencer 'A' .. 5/–	50/10 1/2	50/3	3·32
48/4 1/2	34/7 1/2	26 2 3/4 b / 13 1/3 a	United Drapery 5/–	31/10 1/2	32/11 1/2	5·06
			Woolworth 5/–	47/6	48/3	4·15

NEW YORK CLOSING PRICES

	Oct. 22 $	Oct. 29 $		Oct. 22 $	Oct. 29 $		Oct. 22 $	Oct. 29 $
Atch. Topeka..	24 1/8	25 3/8	Boeing	53 3/8	56 5/8	Inter. Nickel ..	91 1/2	90 1/4
Can. Pacific....	29 1/2	29 1/2	Celanese	22 5/8	25 3/4	Inter. Paper ...	115 1/4	115 1/2
Pennsylvania...	16 5/8	16 7/8*	Chrysler	55 3/8	53 3/8	Kennecott	98 3/8	99
Union Pacific ..	31 1/8	31 3/8	Col. Palmolive .	78 3/8	82 3/4	Monsanto	37 1/8	36
Amer. Electric.	48 3/8	52 1/4	Crown Zeller..	55	55 3/4	Nat. Distillers .	28	27 1/8
Am. Tel. & Tel..	195	194 1/8	Distillers Seagr.	32 1/2	33	Pan-American..	20 5/8	20 1/4
Cons. Edison ..	58 1/8	58 3/4	Douglas	59 3/8	57 1/8	Procter Gamble	71 3/8	72 1/2
Int. Tel. & Tel..	51 1/2	54 1/4	Du Pont	199 1/2	196 1/2	Radio Corp ...	39 1/4	39
Standard Gas ..	3	3	East. Kodak ..	128 1/4	127 1/2	Sears Roebuck .	34 1/8	34
United Corp ..	8	8 1/8	Ford Motor ...	46 1/4	46 1/8	Shell Oil	83	84
Western Union	25 3/8	25 5/8	Gen. Electric ..	66 1/4	67 1/2	Socony-Mobil ..	48 7/8	48 1/4
Alcoa	88 3/4	87 7/8	General Foods .	68	66 1/4	Stand. Oil Ind..	46 7/8	48 9/8
Aluminium	34 3/8	34	General Motors	49 1/8	48 1/4	Stand. Oil N.J..	58 3/8	58
Amer. Can....	49	50	Goodyear	95 1/2	98 5/8	20th Cent. Fox.	32 5/8	32 1/8
Am. Smelting ..	50	50 3/8	Gulf Oil.....	117 1/8	118 1/2	Union Carbide .	115 1/8	114 3/4
Am. Viscose ...	33 1/4	35 1/2	Heinz.....	55 3/4	56	U.S. Steel	84 3/8	87
Anaconda	60 5/8	61 1/8	Int. Bus. Mach.	427	428 1/4	West. Electric .	67 1/8	67 5/8
Beth. Steel	51 3/4	52 5/8	Int. Harvester .	38 1/2	38 1/4	Woolworth ...	49 7/8	50 1/4

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (j) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 22, 1958	Price, Oct. 29, 1958	Yield, Oct. 29, 1958
		% %	**BANKING**			
51/7 1/2	31/9	6 a / 6 a	Barclays £1	48/–	48/6	4·95
64/3	41/3	6 1/2 b / 6 1/2 a	Lloyds £1	62/–	61/9	4·86**
81/3	57/6	9 b / 9 a	Midland £1	79/3	79/3	4·54
83/9	59/3	9 b / 9 a	National Provincial £1	82/6	82/6	4·36
53/9	36/–	6 1/4 b / 5 a	Westminster "B" £1	51/3	51/6	4·37
63/–	47/9	7 1/2 b / 7 1/2 a	District..... £1	62/6	62/3	4·82
17/–	12/11 1/2	7 1/2 b / 7 1/2 a	Martins 5/–	17/–	17/–	4·41
30/6	21/4 1/2	6 b / 5 a	Com. Bk. of Scot. "A" 10/–	29/11 1/2	29/3	3·76
60/–	46/–	7 b / 7 a	Royal Bank of Scotland . £1	59/–	58/9	4·77
36/–	27/6	4 b / 4 a	Barclays D.C.O. £1	35/3	35/3	4·54
45/–	31/3	7 1/2 b / 7 1/2 a	Chartered Bank £1	44/3‖	45/–	6·67
£27 3/8	£20	$2·10c / $2·25	Royal Bank of Canada $10	£26 3/4	£27 3/8	3·14
£19 5/16	£14 15/16	$1·60c / $1·65	Bank of Montreal $10	£18 5/8	£19 5/16	4·54g
32 1/2	28 1/8	9 c / 9 c	Bank of New S. Wales . £20	32 1/4	31 3/4*	5·76
31/3	28/–	5 b / 4 a	Bank of Ldn. & S. Amer. £1	30/9	31/3	
			FINANCIAL			
29/–	18/–	2 1/2 a / 2 1/2 b	Alexanders £1	29/–	28/–	3·57
42/6	29/6	5 b / 5 a	National Discount "B" £1	42/6	42/–	4·76
57/–	40/9	6 1/4 b / 6 1/4 a	Union Discount £1	55/9	57/–	4·39
38/6	32/9	36 3/4 c / 18 1/3 a	Commercial Union..... 5/–	37/6*	38/3	4·79
122/6	102/6	12 1/2 a / 15 b	Employers Liability £1	118/9*	118/9	4·63
172/6	117/6	†16·2a / †16·2b	Equity & Law ... 8/6 pd.	163/9	165/–	2·90
160/–	113/9	40 a / 60 b	Legal & Gen..... 5/–	153/9	155/–	3·23
110/6	86/3	†50 b / †20 a	Pearl 5/–	108/–	110/6	5·51
202/6	154/–	†132 1/2 c / †147 1/2 c	Prudential "A" 4/–	197/6	202/6*	5·08
74/–	63/9	8 b / 8 a	Royal Exchange..... £1	73/6	74/–	4·32
33/11 1/2	16/–	13 3/8 b / 10 a	Bowmaker 5/–	30/3	31/6	3·97
21/4 1/2	16/10 1/2	7 1/2 b / 7 1/2 a	Lombard Banking 5/–	18/–	18/3	4·11
108/–	73/3	4 a / 16 b	U.D.T. £1	105/–‖	108/–	3·70
35/–	19/9	17 1/2 b / 10 a	B.E.T. "A" Defd..... 5/–	34/6	35/–*	3·93
12/9	7/11	10 c / 10 c	Cable & Wireless..... 5/–	12/3	12/9	3·92
59/9	44/–	7 b / 6 1/4 a	Thomas Tilling £1	58/3*	57/6	4·61
18/6	7/10 1/2	1 a / 2 1/2 b	Land Securities 10/–	18/6‖	17/7 1/2	3·40**
15/10 1/2	8/7 1/2	5 12 c / 2 1/2 a	London & County ... 10/–	15/11 1/2	14/10 1/2	4·48**
			FOOD, DRINK AND TOBACCO			
40/–	27/–	22 1/2 c / 30 c	Allied Bakeries "A" .. 5/–	39/3	37/9	3·97
22/–	13/4 1/2	20 c / 7 b	Beecham Group 5/–	22/–	21/9	4·60
10/6	6/8 1/4	2 1/2 a / 9 1/6 b	International Tea 5/–	9/9	9/10 1/2	4·81
69/6	40/11 1/2	5 a / 5 a	J. Lyons "A"..... £1	68/6	69/6	4·08
18/–	13/7 1/2	5 b / 5 a	Ranks 10/–	17/6	16/10 1/2	5·93
30/–	15/6	15 b / 5 a	Schweppes..... 5/–	27/4 1/2	30/–	5·00**
70/–	48/9	12 b / 4 1/2 a	Tate & Lyle £1	69/9	69/–	4·78
58/–	47/4 1/2	5 a / 10 b	United Dairies £1	56/4 1/2	55/6	5·41
41/6	31/–	36 b / 10 a	Bass..... £1	41/6	41/3	5·58
27/6	19/7 1/2	7 1/2 a / 12 1/2 b	Distillers 6/8	27/3	27/6	4·85
25/10 1/2	11/6	11 b / 6 a	Guinness 10/–	49/–	48/6	6·18
49/6	37/–	15 b / 10 a	Ind Coope & Allsopp.. 5/–	13/3	12/9	5·15
13/4 1/2	9/4 1/2	10 b / 4 a	Watney Mann Defd. ... £1	73/9	75/–	5·49
75/9	56/6	21 c / 7 1/2 a	Whitbread "A" £1	91/6	91/6	5·60
91/6	75/6	8 a / 17 b	Brit. Amer. Tobacco .10/–	51/9	50/6	5·47
52/–	37/7 1/2	†62 3/8 b / †10 a	Gallaher 10/–	33/–	32/3	8·16
35/7 1/2	20/6	15 b / 5 a	Imperial Tobacco £1	49/7 1/2	49/–	6·20
80/4 1/2	37/–	11 1/2 b / 8 1/2 a				8·16

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 22, 1958	Price, Oct. 29, 1958	Yield, Oct. 29, 1958
		% %	**MISCELLANEOUS**			
39/3	15/9	7 1/2 a / 22 1/2 b	Assoc. Brit. Picture ... 5/–	39/3	39/6	3·80
43/9	28/–	3 1/2 a / 7 1/2 b	British Match £1	43/3	42/9	5·15
44/4 1/2	28/3	6 b / 4 a	British Oxygen £1	44/4 1/2	43/9	4·57
8/6	6/9	13 b / 4 a	British Ropes 2/6	8/6	8/6	5·00
55/–	31/6	6 1/4 a / 11 1/4 b	Glaxo 10/–	53/9*	53/9	3·26
51/–	31/3	40 b / 10 a	Hoover "A" 5/–	49/–	50/6	4·95
195/–	133/9	18·17b / 6·17a	Hudson's Bay £1	185/–	182/6*	2·67
10/9	5/7 1/2	12 1/2 c / 5 e	Rank Organisation 5/–	10/9	10/11 1/2	2·47
14/3 3/4	11/8 1/4	22 1/2 a / 22 1/2 c	Sears "A" 5/–	14/3 3/4	14/03/4	8·00
96/3	70/6	6 a / 11 1/2 b	Unilever	91/3	96/3	3·64
38/6	24/3	7 1/2 b / 3 3/4 a	United Glass Bottle £1	38/3	37/9	5·96
35/–	26/–	†14 1/6 a / †10 b	United Molasses 10/–	34/9	35/–	7·04
			OIL			
58/6	39/9	†5 b / †21 1/2 a	British Petroleum..... £1	55/6	56/–‖	4·66
87/3	59/11 1/2	†5 a / †71 1/2 b	Burmah Oil £1	85/6	86/10 1/2	5·17
£18 3/8	£13 7/8	17 1/2 b / 7 1/2 a	Royal Dutch ..... 20 fl

shareholders, among which John Brown is by far the largest, to enjoy the bigger dividend without any fear that they themselves might be called on in the near future to provide new captial. At the current price of 9s. 10½d. the 5s. units yield 6.3 per cent.

HARRISONS AND CROSFIELD

FOUNDED in 1844 as a partnership Harrisons and Crosfield is one of the oldest and one of the most important of the "Eastern merchants"—the agency houses that run tea, rubber and other produce companies in the East. In the year to June 30th its trading profits fell by £285,896 to £1,218,749. It could not, obviously, opt out of the fall in commodity prices and the contraction in world trade. Special credits and a reduction in the tax charge from £901,754 to £679,968 have cushioned the fall in net profits which have fallen by only £21,440 to £539,912. The deferred ordinary dividend is left unchanged at 15 per cent for the year, but to this is added a "special jubilee bonus" of 2½ per cent to mark the company's fiftieth year as an incorporated company.

BIRMID INDUSTRIES

ON the preliminary figures for the year to July 31st, Birmid £1 ordinary shares fell from 75s. 3d. to 69s. 6d. Certainly the advance in the group's net profit from £912,727 to £989,731 after a smaller tax charge (down from £994,044 to £963,349) is a disappointing performance when set against the background of boom in the motor industry to which Birmid supplies alloys, cylinders, and similar castings. But its foundries also make alloys and castings for aero-engines, aircraft, nuclear power stations, guided missiles, ships, and tractors. These are competitive markets and margins, no doubt, have been squeezed. Birmid has also been spending quite heavily on new plant and equipment, and this underlines the disappointing nature of the year's results. The dividend sticks at 17½ per cent for the fourth year running. On this dividend the £1 ordinary units at 69s. 6d. yield only 5 per cent—a yield that is hardly justified unless better earnings and dividends lie in the future.

CRITTALL

CRITTALL MANUFACTURING's dominant place in the British market for metal windows and doors links its fortunes to those of the building industry. With the decline in building activity, it is not surprising that Crittall's gross profits have fallen from £813,242 to £628,835 in the year to August 31st. Since 1951-52 the ordinary dividend has remained at 15 per cent and this year it has again been left unchanged. The directors seem to have been unduly cautious. Their conservatism, as well as the present state of the building trades, is reflected in the yield of 10.8 per cent offered by the 5s. units at 7s. 3d.

RUBBER MERGER

SHAREHOLDERS in Malayan rubber companies must now expect more mergers. They are the logical consequence of the present sort of competitive market in which the natural rubber producers must develop high efficiency in order to meet synthetic rubber on equal terms; some companies must reorganise and replant in order to do it; some must spread high-grade managerial and administrative know-how over a wider field; yet many have more cash than they are likely to need for investment in rubber. The gradual transformation of the rubber estates from farming into modern industrial establishments seems inevitable. In that process some of the smaller companies will come under the umbrella of the larger and stronger agency houses, so that take-over bidders will be forestalled.

The latest move by Highlands and Lowlands Para Rubber Company makes sense in that context. Highlands and Lowlands, which is the largest company in the Thomas Barlow stable, recently took over Vallambrosa, the only rubber company in the Maxtone, Graham and Sime stable. It now bids for five rubber companies, representing substantially the whole of the rubber interests of the Gibson and Anderson (Glasgow) group. Thomas Barlow is a strong agency that has so far lost no hostages to the take-over bidders and Highlands and Lowlands, if this group of bids succeeds, will have an issued capital of £1,222,293, making it one of the biggest (though not the biggest) companies in Malaya. It will then be far too big a mouthful for most bidders—but there is already a counter bid of 25s. in cash for Emerald, which is the pick of the bunch.

The terms independently fixed by a leading firm of stockbrokers have been well received and the directors of Gibson and Anderson advise shareholders to accept. If there is a ground for criticism it would come from the Highlands and Lowlands side. The effect of the merger will initially be to reduce the average yield per acre of the Highlands and Lowlands company (including Vallambrosa) from 616 lb to 560 lb. In an industry where the best companies are striving slowly towards a yield of 1,000 lb per acre, that is not high. But the object of the exercise is presumably to raise it.

Company	Shares	Price before announcement	Offer per Share: Cash	Offer per Share: 2s. shares of Highlands	Value of offer (with Highlands at 4/-)	Present Price
Selangor Rubber	2s.	2/3	6d.	3/5	2/10¾	2/6
Sungei Way	1s.	3/3	6d.	1	4/6	3/10½
Emerald	£1.	18/11½	3s.	5½	25s.	25/7½
Changkat Salak deferred	2s.	2/7½	5d.	4/5	3/7½	3/3
Changkat Salak preferred	2s.	3/6	6d.	1	4/6	4/3
Heawood Tea and Rubber	2s.	1/9	4d.	2/5	2/8¾	2/6
Highlands	2s.	3/7½	...	...	...	4/-

London Stock Exchange

FIRST DEALINGS:	Oct. 15	Oct. 29	Nov. 12
LAST DEALINGS:	Oct. 28	Nov. 11	Nov. 25
ACCOUNT DAY:	Nov. 4	Nov. 18	Dec. 2

THE reaction in gilt-edged prices had spent its force by the close of last week and as the rally gathered pace the *Financial Times* index of Government securities moved up to 85.21 at Wednesday's close. Some of the largest gains were made by medium-dated issues; 2½ per cent Savings 1964-67 gained ⅝ to 83 xd, 3 per cent Funding 1966-68½ to 83⅝ and 3½ per cent Conversion 1969 7/16 to 86 7/16. Gains among the longer-dated issues and irredeemables, which suffered the largest falls in the earlier decline, were smaller on balance, and there was a further fall of 1/16 to 75⅛ in 4 per cent Consols though Old Consols made a gain of ⅛ to 52⅝. Corporation loans were generally easier, but the new Lanarkshire stock advanced to par after starting at ⅛ discount last Friday.

Persistent declines occurred in equities until the announcement of the abolition of hire purchase controls. The rises that then followed were concentrated mainly among companies most likely to benefit directly from the end of these restrictions. This improvement limited the fall in *The Economist* indicator; it fell from 227.1 to 226.9. Bank shares took part in the rally, Barclays gaining 1s. 6d. on Wednesday to close 6d. up at 48s. 6d. on balance. There were large gains among insurance stocks, Prudential "A" rising 5s. to 202s. 6d. EMI rose 2s. to 51s. 3d. xd in a firm electrical section. Dunlop lost 2s. to 23s. 9d. xd following the interim dividend but the HP relaxations led to some sharp rises among motor component manufacturers, Automotive Products advancing 4s. to 48. 6d. Small rises occurred in motor shares, but BMC, following the absorption of a line of shares, strengthened 4½d. to 11s. 1½d. Among shares with direct HP interests Times Furnishing gained 1s. 10½d. to 20s. 9d., J. and F. Stone 1s 9d. to 24s. 10½d. Hoover "A" 1s. 6d. to 50s. 6d. and United Dominions Trust 3s. to 108s.

Although shipbuilding shares rallied a little after falling heavily, Swan Hunter showed a net loss of 4s. 9d. to 58s. 6d. Shipping shares were lower, but a sharp rise of 2s. 1½d. in British and Commonwealth on Wednesday raised the price to 42s. xd. Unilever made a strong advance of 5s. to 96s. 3d. Canadian pipeline stocks declined sharply after the Borden Commission's interim report was published. A rally of 3s. 1½d. in Shell still left the stock 1s. 10½d. lower on balance at 160s.

Kaffirs made further progress; Free State Geduld rost 4s. 4½d. to 110s 7½d. and Western Holdings 3s. 9d. to 110s. New Pioneer gained 1s. 9d. to 41s. 6d. and Randfontein the same amount to 25s. 6d. Diamond mines were supported, Anglo American Investment Trust advancing 6s. 3d. to 210s. Copper mines were generally easier but Nchanga improved ⅛ to 11⅛.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended October 25, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £18,153,000 compared with a deficit of £29,922,000 in the previous week and a deficit of £4,633,000 in the corresponding period of last year. There was a net receipt "below-line" of £19,805,000, leaving a total deficit of £570,804,000 compared with £636,688,000 in 1957-58.

£'000	Estimate 1958-59	April 1, 1957, to Oct. 26, 1957	April 1, 1958, to Oct. 25, 1958	Week ended Oct. 26, 1957	Week ended Oct. 25, 1958
Ord. Revenue					
Income Tax	2312,500	687,402	739,156	17,317	20,007
Surtax	163,000	40,700	42,100	900	1,100
Death Duties	163,500	102,200	99,300	3,200	2,900
Stamps	56,250	39,400	32,100	1,400	800
Profits Tax, EPT & EPL	275,000	152,900	171,600	10,800	5,900
Other Inland Rev. Duties	...	110	120	...	...
Total Inland Rev.	2970,250	1022,712	1084,376	33,617	30,707
Customs	1256,940	688,395	738,106	21,571	24,785
Excise	932,310	488,565	480,655	15,330	6,565
Total Customs and Excise	2189,250	1176,960	1218,761	36,901	31,350
Motor Duties	104,000	22,977	24,073	156	168
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	11,000	11,400	...	...
Sundry Loans	30,000	25,776	25,177	...	...
Miscellaneous	110,000	106,327	51,933	4,856	1,327
Total	5439,500	2365,752	2415,720	75,530	63,552
Ord. Expend.					
Debt Interest	695,000	385,298	371,583	7,621	5,583
Payments to N. Ireland Exchequer	73,000	36,913	40,154	2,827	3,051
Other Cons. Funds	10,000	4,864	4,385	233	92
Supply Services	4292,859	2253,435	2287,915	69,283	72,370
Total	5070,859	2680,589	2704,037	79,963	81,096
Sinking Funds	38,000	19,947	20,423	200	609
"Above-line" Surplus or Deficit	— 334,704	— 308,740	— 4,633	— 18,153 Cr.	
"Below-line" Net Expenditure*	301,984	262,064	16,593	19,805 +	
Total Surplus or Deficit.	— 636,688	— 570,804	— 21,226	— 1,652	
Net Receipts from:					
Tax Reserve Certificates	141,009	157,233	870	859	
Savings Certificates	—2,600	75,700	—700	2,700	
Defence Bonds	—12,272	49,793	—1125	3,246	
Premium Savings Bonds	43,160	39,275	1,110	1,300	
Total	169,297	322,001	155	8,105	

* Including net receipts of the Civil Contingencies Fund of £16 million in 1957 and £14 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Oct. 26	3,140·0	1,792·1	199·4	...	5,131·5
1958					
July 26	3,260·0	1,647·4	183·6	...	5,091·0
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
,, 9	3,270·0	1,569·9	190·5	...	5,030·4
,, 16	3,270·0	1,589·9	209·4	...	5,069·3
,, 23	3,270·0	1,630·9	164·0	...	5,064·9
,, 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
,, 13	3,270·0	1,657·9	173·3	...	5,100·2
,, 20	3,270·0	1,704·4	167·5	...	5,141·9
,, 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
,, 11	3,310·0	1,773·4	183·1	...	5,266·5
,, 18	3,320·0	1,756·1	214·2	...	5,290·3
,, 25	3,330·0	1,771·8	180·8	...	5,282·7

THE MONEY MARKET

THE discount houses made a sharp increase in their rate for Treasury bills at the tender on Friday of last week; they cut their common bid by 6d., to £99 1s. 5d. per cent, reversing the movements at the two preceding tenders. The extent of the adjustment was larger than expected, so that although applications for the unchanged allotment of £250 million fell by £26 million to £410 million, the proportionate allotment at the minimum bid dropped from 45 to 36 per cent. The average rate of discount on the whole allotment rose by 1s. 5d. to £3 13s. 7.94d. per cent, whereas the market's annual rate rose by 2s. per cent.

At yesterday's tender, the offer included £50 million of 63-day bills, together with £200 million of the three months' maturities. In recent years, the Treasury has offered the shorter bills in the last two months of the year to help put the market in funds in the peak tax paying season.

Credit conditions in Lombard Street have been varied in the week to Wednesday. The market has been "in" the Bank at the penal rate on only one occasion, Thursday of last week when three or four houses were involved for a small amount; and except on Monday of this week the market has got by without special official help through purchases of bills. Dealings in January dates have been at 3⅝–3⅞ per cent, but December bills have at times changed hands at 3 19/32 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	Discount rates: Bank bills:	
Deposit rates (maximum)		60 days	3 13/16–3 7/8
Bank	2½	3 months	3 13/16–3 7/8
Discount houses	2½–2¾	4 months	3 13/16–3 7/8
		6 months	3 13/16–3 15/16
Money:		Fine trade bills:	
Day-to-Day	2¾–3⅝	3 months	4 1/2 –5 1/4
Treasury bills:		4 months	4 1/2 –5 1/4
2 months	3 11/16	6 months	4¾ –5 1/2
3 months	3 23/32		

BANK OF ENGLAND RETURNS

(£ million)	Oct. 30, 1957	Oct. 22, 1958	Oct. 29, 1958
*Issue Department**:			
Notes in circulation	1,967·0	2,008·6	2,012·0
Notes in banking dept.	33·4	41·7	38·4
Govt. debt and securities*	1,996·2	2,046·3	2,046·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin.	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·1	13·9	11·6
Bankers	234·6	237·4	238·6
Others	75·7	70·2	70·9
Total	320·4	321·5	321·1
Securities:			
Government	265·8	266·6	266·4
Discounts and advances	13·7	8·8	11·8
Other	22·9	21·3	21·4
Total	302·4	256·7	299·6
Banking department reserve.	35·9	42·6	39·2
	%	%	%
"Proportion"	11·1	13·2	12·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1957					
Oct. 25	260·0	431·1	260·0	132 0·74	37
1958					
July 25	240·0	449·8	240·0	83 2·26	36
Aug. 1	240·0	468·9	240·0	80 2·49	39
,, 8	250·0	467·9	250·0	77 3·63	35
,, 15	250·0	437·8	250·0	74 5·00	32
,, 22	250·0	437·4	250·0	74 6·25	28
,, 29	270·0	424·1	270·0	74 11·48	53
Sept. 5	270·0	434·6	270·0	74 0·93	64
,, 12	270·0	423·7	270·0	73 6·81	51
,, 19	270·0	413·7	270·0	71 9·20	68
,, 26	260·0	381·4	260·0	72 6·10	55
Oct. 3	270·0	424·8	260·0	74 1·39	44
,, 10	250·0	423·6	250·0	73 0·72	55
,, 17	250·0	435·7	250·0	72 3·08	45
,, 24	250·0	409·6	250·0	73 7·94	36

* On October 24th tenders for 91 day bills at £99 1s. 5d. secured 36 per cent, higher tenders being allotted in full. The offer this week was for £200 mn. of 91 day bills and £50 mn. of 63 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: October 29	Market Rates: Spot: October 23	October 24	October 25	October 27	October 28	October 29
United States $	2·78–2·82	2·80 11/16–13/16	2·80 5/8–3/4	2·80 5/8–3/4	2·80 11/16–13/16	2·80 5/8–3/4	2·80 5/8–3/4
Canadian $	...	2·71 13/16–15/16	2·72 3/8–1/2	2·72 3/8–1/2	2·72 11/16–3/16	2·72–72 1/8	2·72 1/8–1/4
French Fr.	1167·18–1184·82	11765/8–7/8	11763/8–5/8	11763/8–5/8	11763/8–5/8	11761/4–1/2	11761/2–3/4
Swiss Fr.	12·153/16–12·339/16	12·21 3/4–22 1/8	12·21 3/4–7/8	12·21 5/8–7/8	12·22–22 1/4	12·22 1/4–1/2	12·22–22 1/4
Belgian Fr.	138·95–141·05	139·37 1/2– 42 1/2	139·37 1/2– 42 1/2	139·37 1/2– 42 1/2	139·42 1/2– 47 1/2	139·50– 55	139·45– 50
Dutch Gld.	10·56–10·72	10·56 5/8–7/8	10·56 5/8–7/8	10·56 5/8–7/8	10·56 3/4–57	10·56 3/4–57	10·56 5/8–7/8
W. Ger. D-Mk.	11·67 3/16–11·84 3/16	11·68 3/4–69	11·68 5/8–7/8	11·68 5/8–7/8	11·69 1/4–1/2	11·69 1/4–1/2	11·68 7/8–69 1/8
Portuguese Esc.	79·90–81·10	80·10–25	80·10–25	80·10–25	80·10–25	80·10–20	80·05–20
Italian Lire	17365/8–17627/8	17441/2–3/4	17441/4–3/4	17441/4–3/4	17441/2–3/4	17443/4–4514	17443/4–4514
Swedish Kr.	14·375/8–14·59 3/8	14·48 1/4–48 1/2	14·48–48 1/4	14·48 1/4–48 1/2	14·47 5/8–48 1/8	14·47 5/8–7/8	14·47 3/8–5/8
Danish Kr.	19·19 1/2–19·48 1/2	19·34 3/4–5/8	19·34 3/8–5/8	19·34 3/8–5/8	19·33 5/8–34	19·33 1/2–3/4	19·33 1/2–3/4
Norwegian Kr.	19·85–20·15	20·00–00 1/4	20·00–00 1/4	20·00–00 1/4	20·00–00 1/4	20·00–00 1/4	20·00–00 1/4
One Month Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm
Canadian $		7/16–1/4c. pm	7/16–1/4c. pm	7/16–5/16c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm
French Fr.		1–3 dis	2–3 dis	2–3 dis	2–3 1/2 dis	2–3 1/2 dis	3–4 dis
Swiss Fr.		15/8–13/8c. pm	15/8–13/8c. pm	15/8–13/8c. pm	15/8–13/8c. pm	15/8–13/8c. pm	13/4–11/2c. pm
Belgian Fr.		1/16 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm/par	1/8 pm–par	1/8pm–par
Dutch Gld.		3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	1/2–1/4c. pm	5/8–3/8c. pm	5/8–3/8c. pm
W. Ger. D-Mk.		1–3/4pf. pm	3/4–1/2pf. pm	3/4–1/2pf. pm	11/8–7/8pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm
Three Months Forward Rates							
United States $		11/16–9/16c. pm	3/4–9/16c. pm	3/4–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	3/4–9/16c. pm
Canadian $		7/8–11/16c. pm	7/8–11/16c. pm	7/8–11/16c. pm	13/16–11/16c. pm	13/16–9/16c. pm	3/4–5/8c. pm
Swiss Fr.		33/4–31/2c. pm	33/4–31/2c. pm	33/4–31/2c. pm	33/4–31/2c. pm	33/4–31/2c. pm	33/4–31/2c. pm
W. Ger. D-Mk.		13/4–11/2pf. pm	15/8–13/8pf. pm	15/8–13/8pf. pm	2 1/4–2pf. pm	2 3/8–2 1/8pf. pm	2 3/8–2 1/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/–	250/0 1/4	...	250/0 1/4	250/0 1/4	250/0 1/4	250/11/4

Prices and Wages

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

World Trade ..... October 18th

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe:	
Production and Consumption	Sept. 20th	Production and Trade...	Sept. 27th
Manpower	Oct. 11th	British Commonwealth....	Oct. 11th
External Trade	Oct. 25th	Western—Europe:	
Industrial Profits.....	Oct. 18th	Prices and Money Supply.	Sept. 20th
		United States.....	Oct. 4th

	Unit	1955	1956	1957	1957			1958 (5)			
		mid-June			Oct. 15	Oct. 22	Oct. 29	Oct. 7	Oct. 14	Oct. 21	Oct. 28
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	93	91	94	87	87	86	83	84	85	85
Food	,,	92·0	90·8	98·8	92·5	93·0	92·1	86·0	86·3	86·7	87·0
Fibres	,,	83·2	81·5	95·9	87·2	87·1	85·4	73·1	74·1	74·1	73·9
Metals	,,	95·7	95·6	79·7	71·8	71·5	73·2	73·1	76·1	78·1	78·0
Other items	,,	106·9	96·1	99·2	95·5	94·8	94·0	102·1	103·5	104·8	105·4
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	July	Aug.	Sept.	June	July	Aug.	Sept.
Materials used in:											
Non-food manufacturing (excluding fuel).	1954=100	105·9	108·4	106·5	106·6	106·1	103·8	94·0	93·3	93·4	92·6
Mechanical engineering	,,	110·2	116·5	121·9	120·4	123·9	124·3	123·1	123·3	123·5	123·5
Electrical machinery	,,	110·2	114·3	114·9	113·7	116·2	115·8	114·0	114·1	114·5	114·5
Building and civil engineering	,,	104·7	109·5	113·7	113·4	115·3	115·5	114·1	114·0	114·0	114·0
House building	,,	105·2	109·4	112·3	112·6	113·2	113·5	112·0	111·8	111·6	111·6
Products of:											
Non-food manufacturing (excluding fuel).	,,	103·1	107·5	111·5	111·4	112·1	112·5	113·1	113·0	113·0	112·9
Chemicals and allied trades	,,	99·4	103·4	106·8	106·3	106·8	106·9	105·8	105·0	105·0	105·0
Iron and steel	,,	104·7	112·8	125·2	122·5	129·9	130·2	129·6	129·6	129·6	129·6
Textile industry	,,	97·7	97·5	100·9	101·5	101·6	101·5	97·8	97·5	97·3	96·7
Food manufacturing	,,	102·1	105·8	107·1	107·5	104·3	104·8	104·9	105·2	105·1	105·3
Commodities:											
Cotton, raw	,,	95·9	95·1	90·7	90·1	89·3	88·0	77·6	77·3	76·4	75·5
Wool, raw	,,	89·1	90·6	101·1	104·5	104·5	99·3	74·5	71·8	72·0	67·7
Rubber, No. 1 RSS, one month future.	,,	166·6	143·4	131·6	136·3	135·3	126·6	111·9	117·0	119·1	120·1
Softwood, imported	,,	108·6	109·5	109·7	109·6	109·6	109·3	103·5	102·1	101·9	101·9
Copper, ex-warehouse	,,	141·5	132·4	88·3	87·5	83·9	78·0	78·3	80·4	82·8	84·2
UK RETAIL PRICES	Jan. 17,										
All items(1)	1956=100	...	102·0	105·8	106·6	106·4	106·1	110·2	108·5	108·3	108·4
Food	,,	...	102·2	104·9	108·4	106·9	104·8	110·9	106·0	105·2	105·6
All items	1938=100(2)	242	254	263	265	265	264	274	270	270	270
Food	,,	257	269	276	285	281	276	292	279	277	278
Housing	,,	138	145	155	155	155	156	172	173	174	174
Clothing	,,	256	263	267	266	267	268	269	268	268	268
Fuel and light	,,	228	251	268	264	268	271	274	275	275	275
Household durable goods	,,	288	308	308	307	307	307	306	305	305	305
Drink	,,	260	264	272	272	273	273	276	276	276	276
Tobacco	,,	389	411	421	418	418	428	428	428	428	428
Purchasing power of £ (based on all consumer spending) (7)	1938=100	39	37	36	36	36	36	35	35	36	36
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	103	105	107	108	105	104	99	98	99	98
Food, drink and tobacco	,,	101	101	101	103	100	100	99	98	97	97
Basic materials	,,	104	106	110	110	109	107	95	94	94	93
Fuels	,,	102	110	128	122	119	117	110	110	112	113
Manufactured goods	,,	109	110	104	105	105	102	98	100	102	101
Export prices:											
All items	,,	102	106	111	111	112	112	110	110	110	109
All manufactures	,,	102	106	109	109	111	111	111	111	112	110
Metals	,,	104	112	115	115	115	116	119	119	119	117
Engineering products	,,	103	107	112	112	114	114	115	115	116	116
Textiles (excluding clothing)	,,	100	99	101	101	102	102	103	102	101	100
Terms of trade:											
Ratio of import to export prices	,,	101	99	96	97	94	93	90	89	90	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	101·9	86·9	81·6	66·5	66·6	65·0	65·7
UK WAGES											
Weekly wage rates:	Jan. 31,										
All workers(3)	1956=100	...	104·7	110·0	111·1	111·5	111·5	113·4	113·7	114·1	114·3
Men	,,	...	104·8	110·0	111·2	111·5	111·5	113·3	113·6	113·9	114·1
Women	,,	...	104·2	109·7	110·5	111·0	111·1	113·6	114·0	114·7	114·8
Juveniles(7)	,,	...	105·5	111·3	112·3	112·6	112·7	115·3	115·6	116·0	116·1
All workers	Sept., 1939=100	252	272	286	289	290	290	295	296	297	297
Weekly earnings: (4)											
All workers	s. d.	187 2	200 8	212 5	204 7[6]	...	...	214 2[6]	...	...	...
Men	,,	222 11	237 11	251 7	241 6[6]	...	...	253 2[6]	...	...	...
Women	,,	115 5	123 2	129 6	125 10[6]	...	...	131 3[6]	...	...	...
All workers	Oct., 1938=100	351	377	399	384[6]	...	...	402[6]	...	...	...
Men	,,	323	345	365	350[6]	...	...	367[6]	...	...	...
Women	,,	355	379	398	387[6]	...	...	404[6]	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figures for September 30th were food 86·8 and fibres 73·6. (6) Figures relate to April survey. (7) In general males under 21 and females under 18 years of age.

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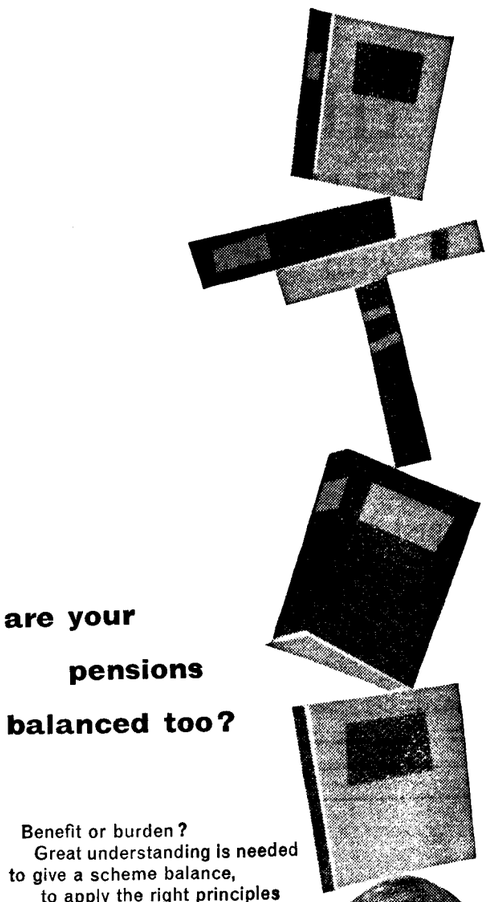

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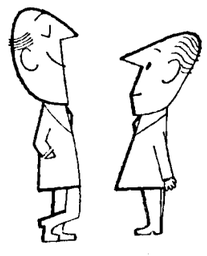

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For further appointments and other classified advertisements see page 453

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Applications, with the names of three referees, should be sent on or before November 15, 1958, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

COST ACCOUNTANT, aged 25-35, required by engineering company with a multiplicity of products based on carbon, graphite and clay. The successful applicant must be a member of a recognised accounting body and be able to work both on his own initiative and as a member of a senior team. The duties of the position include compiling periodic profit statements, developing standard costs and making special investigations. Experience in engineering industry would be a decided advantage as would the possession of an imaginative approach to costing/production problems.—Applications, which will be treated as strictly confidential, should be sent to the Staff Manager, The Morgan Crucible Co. Ltd., Battersea Church Road, S.W.11.

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BBC Monitoring Service at Caversham, near Reading, requires: (a) Report Writers to work under general direction of Chief and Senior Report Writers in preparation of Summary of World Broadcasts. Candidates must have knowledge and understanding of international affairs and ability to prepare for publication, in the Summary, objective and accurate reports covering political, economic and other subjects from a large volume of material transcribed from foreign broadcasts, in particular from U.S.S.R., Eastern Europe and Far and Middle East. Specialist knowledge of one of these areas or of Africa an advantage. Salary £1,105 (possibly higher if qualifications exceptional) rising by seven annual increments to £1,550 p.a. maximum. (b) Editorial Assistants. Duties include, in roughly equal proportions, reading proofs of the Summary of World Broadcasts and assisting in its preparation. Qualifications include knowledge of current international affairs, ability to check and correct proofs rapidly and accurately, good eyesight, capacity for sustained effort. Candidates may be required to undergo a written test. Salary £825 (possibly higher if qualifications exceptional) rising by seven annual increments to £1,160 p.a. maximum. Requests for application forms, stating whether for (a) or (b), enclosing addressed envelope and quoting reference G.855 Ect., should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

THE INSTITUTE OF RACE RELATIONS.—Applications are invited for two temporary posts as research assistants, one to collect and the other to collate information for a survey of coloured people in Great Britain. Duration of the posts will be approximately six months. Salary according to age and qualifications. Applications with the names of two referees should be sent to the Director, The Institute of Race Relations, 6 Duke of York Street, London, S.W.1, by November 6, 1958.

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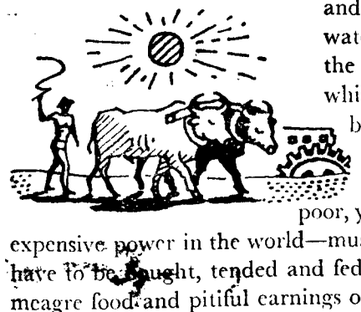
Muscle is the most costly power on earth

RITCHIE CALDER, the science writer describes how atomic power may help man's muscle-emancipation . . .

A TYPICAL SCENE in tropical countries is that of the bullock-team raising water from a well. To the chanting of the drivers, the bullocks trudge backwards and forwards, under the relentless sun, lowering the buckets into the well, hoisting the water and tipping it into the water-courses to irrigate the thirsty soil, from which both men and beasts get their food. Those peasants are poor, despairingly poor, yet they use the most expensive power in the world—muscle-power. Bullocks have to be bought, tended and fed, yet even with the meagre food and pitiful earnings of the men who drive them, the energy equivalent which they produce costs twenty times as much per unit as the energy output at Calder Hall atomic energy station.



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A great many people in the world are poor because of necessity, they use calories in their most expensive form and energy in the most uneconomical way. Although we may glorify muscle-effort—and, indeed, laud it in the performances of athletes—it is deplorably inefficient. The advance from the steam-engine to atomic power, from the pulley-belt to automation, has represented the emancipation of man from muscle-slavery.

The paradox of power is that those who are power-deficient are power-extravagant. When we go around the house switching off lights to keep the electricity bill down, we might think of the Indian villager burning cow-dung to cook his food for his muscle-power. Because he burns that dung, instead of using it as manure, his soil is undernourished, his crops are undernourished, and he is undernourished.

This is the Misery-Go-Round of poverty; because the peasant is poor he is undernourished; because he is undernourished he under-produces; because he under-produces he is poor; and because, in 'muscle-power' countries, poverty prevails, their natural resources are underdeveloped. Such countries see in nuclear energy a break-through to industrial prosperity. The problem of how to find the money to pay for it and to train the people to handle it, is the answerable challenge of our times.



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UNDER SECRETARY TO GOVERNMENT
13 NOV 1958
DEPARTMENT

Expansion without Inflation?

(page 479).

Twisting Arms

The search for disarmament might now be more usefully pursued in Warsaw than in New York and Geneva (page 481).

EISENHOWER'S OPPOSITION CONGRESS

The congressional elections in America have radically changed its political complexion, except where foreign policies are concerned (page 482).

Victory without a Mandate

The Democratic sweep is analysed on page 503.

Decision for France

Is the free trade area being held up by differences about how it should work, or by procrastination designed to stop it? (page 484).

The Railway Crisis

A new financial predicament suggests the need for a new look at modernisation (page 523).

Reform for Building Societies page 524
The Small Farmers' Chance page 485
Commodities in '59 page 526

Autumn Books

Over thirty recently published books, ranging from Montgomery's Memoirs to Potter on Supermanship, are reviewed in a special section, which includes a survey of paperback publishing. After page 512.

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 549
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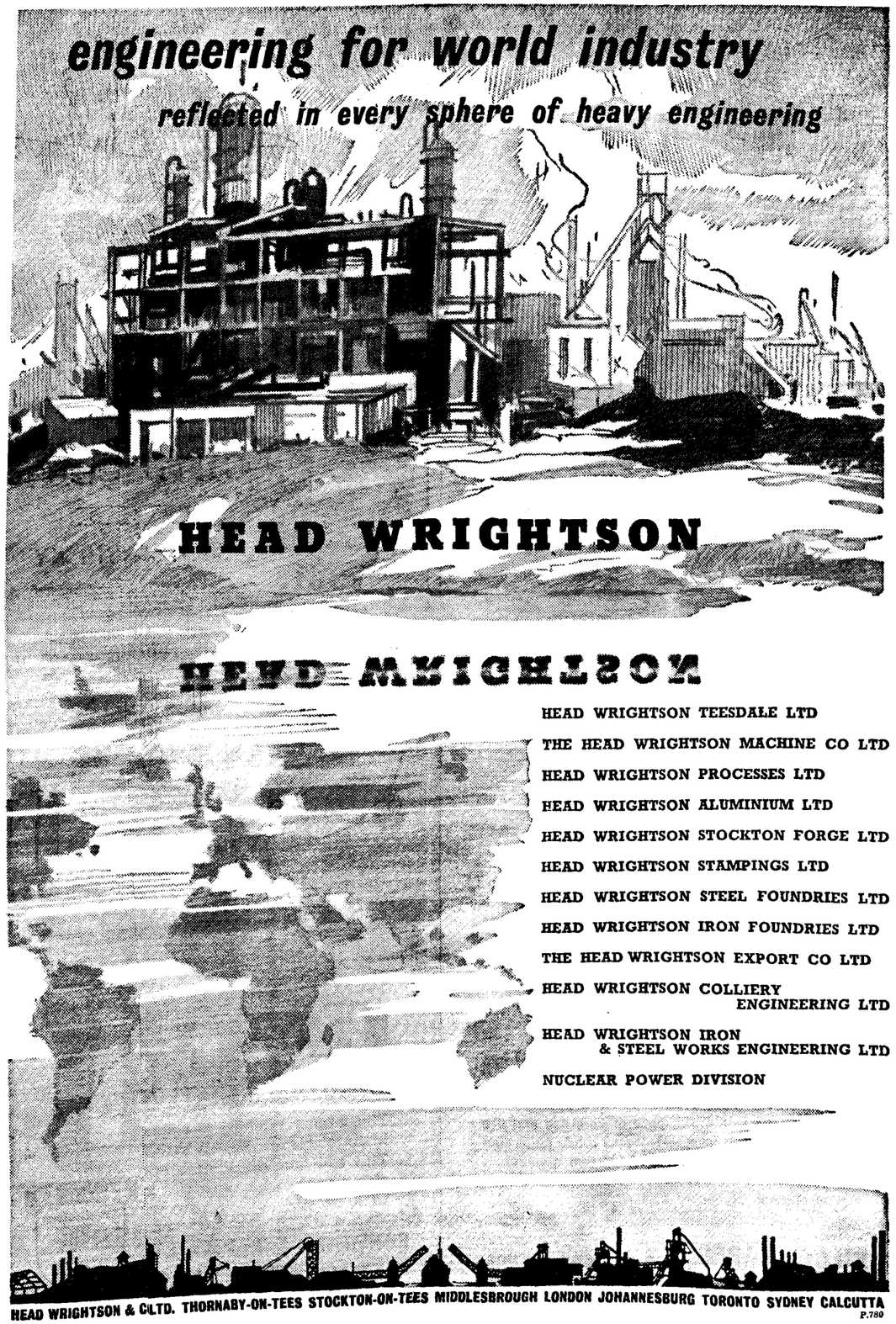



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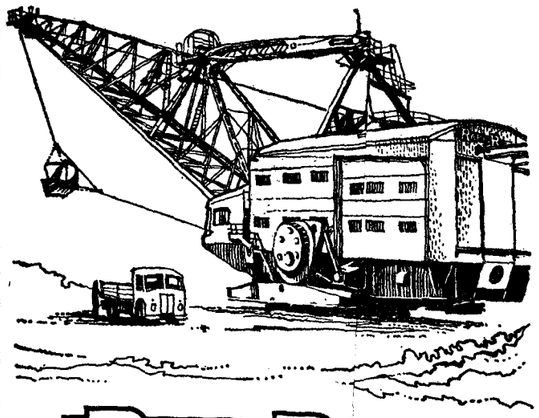

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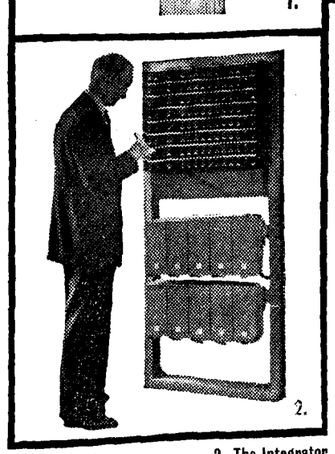

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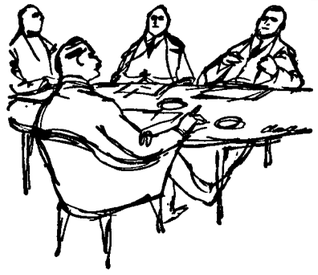

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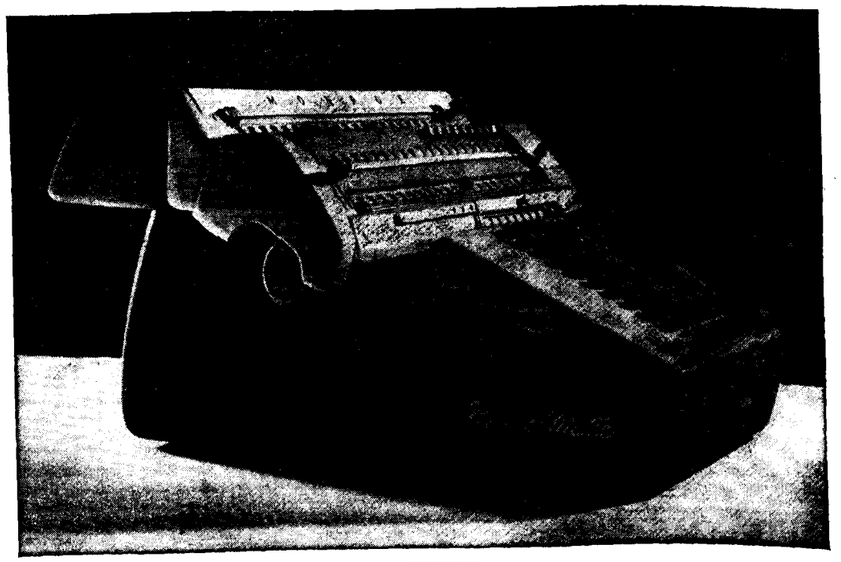

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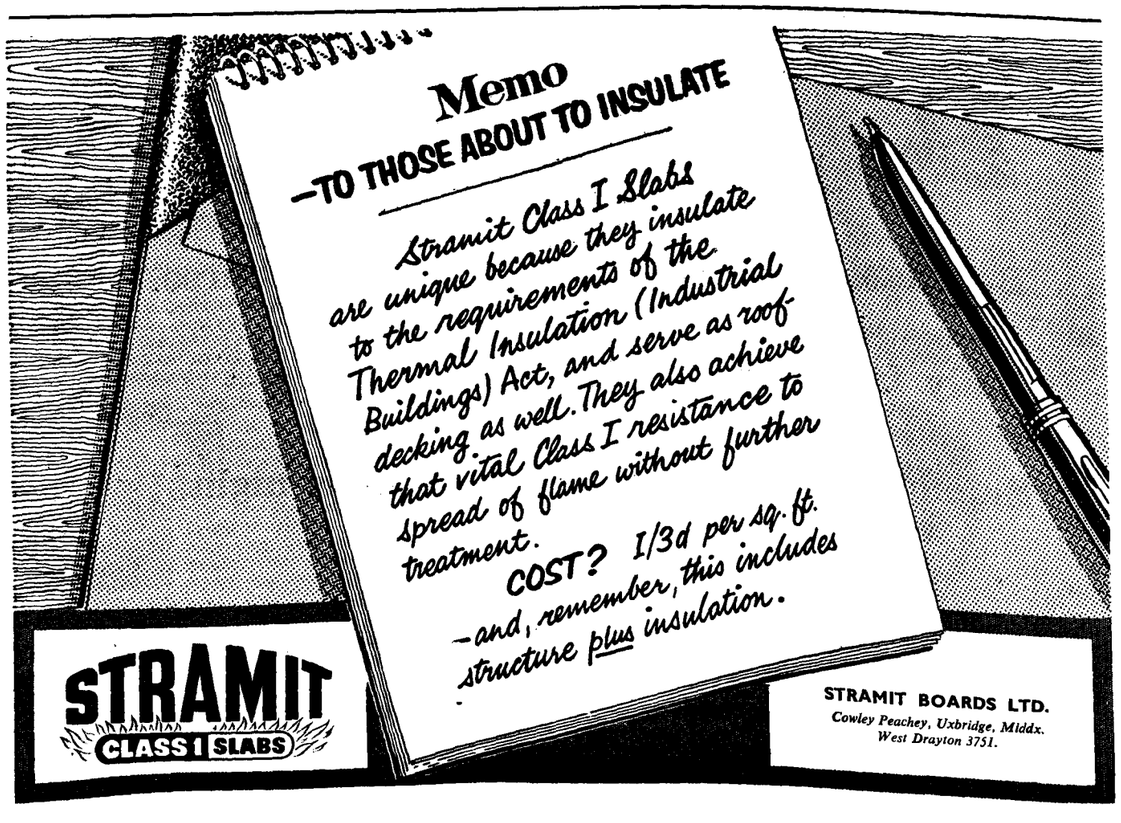

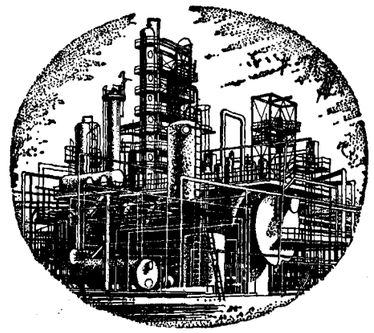

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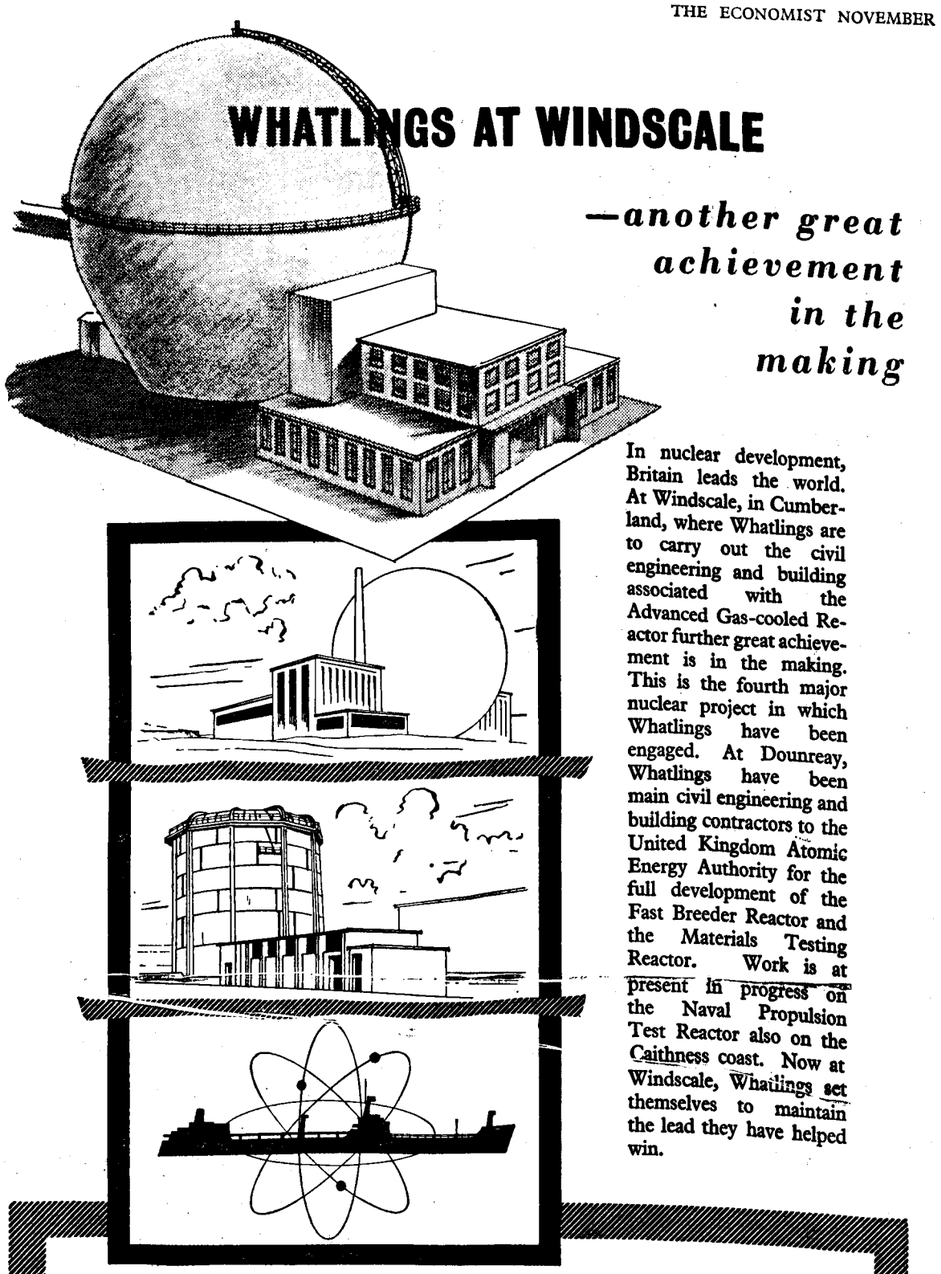

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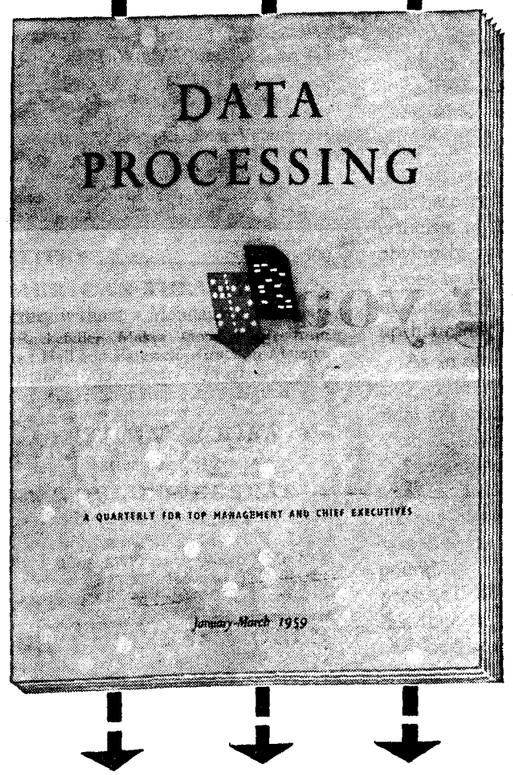

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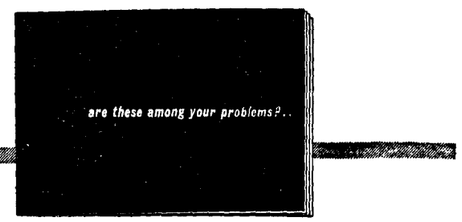

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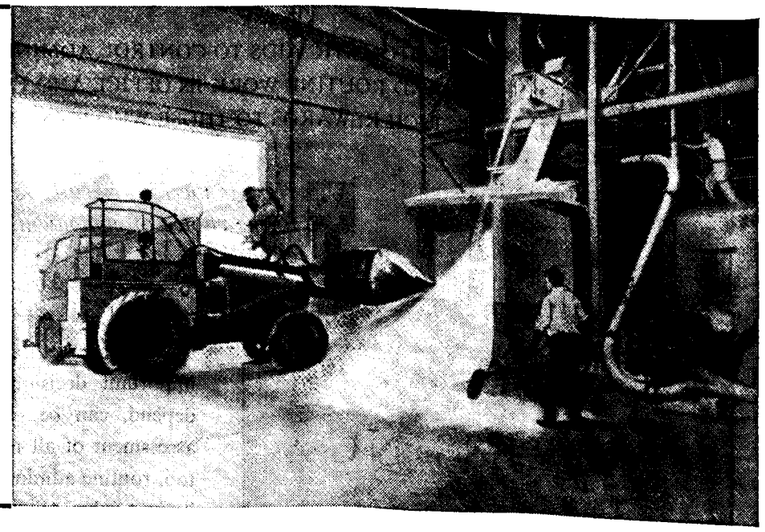

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The Economist

NOVEMBER 8, 1958

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Expansion without Inflation?

BY the usual Government majority of seventy odd the House of Commons this week declined Mr Gaitskell's invitation to note

> with concern that the policies of Your Majesty's Government have led to a fall in industrial production, a continuing increase in unemployment and a failure to make full use of industrial capacity, [and] humbly regrets the omission from the Gracious Speech of any measures directed towards the expansion of production and employment while maintaining stable prices.

There were several difficulties about this motion. One of the most obvious was Labour's lurking fear that, after last week's removal of hire purchase restrictions, it might now be out of date. But, as a general criticism of the Government's policies during this Parliament, the motion obviously mirrors the main domestic issue on which the Opposition hopes to fight next year's election. The ordinary voter who claims that he does not belong slavishly to either party had therefore better make up his mind how he would have voted on it.

As so often in political controversy, this is not a matter of pure black and white. The reasonable man should begin by agreeing, on one considerable point of substance, with Labour. It has been a major failing of the Conservative Government that its policies in this Parliament have led to a short-term fall in production and a fairly lengthy underutilisation of industrial capacity. What is even more important, however, is to face the fact of why this underproduction has come about. The reason really was not, as some Labour spokesmen in the debate seemed to propound, that the wicked Tories deliberately but purposelessly created the present underproduction, and then laughed like mad. The reason was that last time Britain even began to expand it ran into an inflationary crisis ; and, beneath their covering of political showmanship, the real uneasiness of both sides this week was lest re-expansion (when it comes) might be so mismanaged as to lead straight into inflation again.

Both Mr Wilson and Mr Amory had a separate private apprehension that it might. Mr Wilson, although he was loth to say anything that might be taken down and used in evidence electorally against him, clearly did not approve of the recent complete relaxation of hire purchase restrictions. His ostensible complaint was that these would lead to an increase in consumption when the Chancellor should be encouraging investment (for the steps which Mr Amory has taken to increase public investment, see page 529). But there was at least a hint that he regards variable, but generally fairly stern, hire purchase controls as a useful weapon for regulating the economy, and that he is afraid that the abandonment of them now could lead to a queer sort of lopsided boom.

This is a respectable view. But it is not necessarily a convincing one. Although the relaxation of hire purchase restrictions has already led to a sharp immediate increase in sales of durable goods, it is equally

bound to lead to a fall in consumption later; once the first flush of securing delivery is over, a greater part of people's weekly incomes will have to go to meet instalment payments, and therefore cannot chase after other goods. On balance the main effect of relaxation may be to bring forward demand from next year to now (which may not be a bad thing), but also to concentrate it in a rush on a relatively narrow range of goods (which may be inconvenient).

The proper conclusion to be drawn from these last two weeks of sudden hire purchase spree may not be that there should be great apprehension for the short term, but that there needs to be a reconsideration of policy for the long term. There may well be a case for a permanent system of hire purchase controls in this country on a relatively low level, as a sort of customer-protection device; but the system of varying these controls as a weapon to regulate the economy has shown itself to be a system of creating wildly fluctuating cycles in one relatively small sector of industry, in the hope that this may counteract a cycle of smaller amplitude elsewhere. They have not been a good anti-inflationary regulator to use, and there should be a strong prejudice against re-imposing them again.

The apprehension about inflation which the Chancellor expressed, although with equal political caution, was different from Mr Wilson's, and much more obviously worrying. It related to wages. The inflationary crisis into which Britain fell during the small Thorneycroft re-expansion in 1957, in so far as it was an internal inflationary crisis at all, was not primarily caused by any pressure of demand against industry's potential productive capacity. It was caused by an increase in wages far in advance of any increase in actual productivity. The most depressing feature of this week's debate was that everybody was so loth to discuss whether the so-called "firm basis" of the economy now provides any assurance that a new re-expansion would not run into a precisely similar barrier.

Any detached observer who looks at the recent history of Britain can see fairly easily why economic expansion here has tended to lead more quickly to wage inflation (and has therefore had to be more quickly stopped) than it has done in wiser lands. The main reason is that Britain has tried to run its economy with a much smaller unemployment ratio than other industrial countries; expanding industries and firms are therefore unable to recruit the labour they need in the normal way from a strictly transient pool at the labour exchanges, so they have to bid wages (and put prices) up high. The second peculiar built-in wage inflator in Britain has been its system of arbitration; when workers in a profitable industry secure a wage increase, workers in unprofitable industries submit their case to an arbitration tribunal—which usually says that it is only fair that they should get the same increase too. Of course, neither of these handicaps on a forward-moving economy could last for long in a genuinely free enterprise system operating under proper monetary discipline, but the situation here is complicated by the existence of Britain's nationalised industries, which (as Mr Robens actually boasted on Tuesday) hardly ever lay off redundant workers and which may "absorb" uneconomic wage increases and inflated pay rolls by simply running into deficit.

The main economic question today is whether the British recession of 1958 has done anything to shake these attitudes off our painfully slow-moving economy's back. A reasonable guess may be that it has done something, at any rate for the short term, even if not much. When Opposition leaders complain that the Government's actions this year have "shaken the trade unions' faith in arbitration," they almost certainly pay the Government a bigger compliment than it in fact deserves. But there has been some advance in 1958 away from the assumption of automatic inflation through arbitration, and one of the worst engines—the Industrial Disputes Tribunal, whose wage awards could be compulsorily imposed upon employers—is now to be abolished. As regards unemployment, Britain's general unemployment ratio, as distinct from the ratio in particular areas, is still—by any international standard—excessively low; but in many industries there clearly has been some pruning of labour staffs in relation to available capital equipment. One of the remarkable features of the British motor industry's recovery from its recession of two years ago was that it rebounded to and beyond its former high level of output without taking back many of the workers whom it had laid off during the period of flagging trade; in the United States' recovery from recession this year, the same experience—a quicker increase in production than in employment, implying a considerable rise in productivity per man—has been very evident. It would not be surprising if this happens in Britain next year; if so, inflationary pressure in the labour market should be less than in any previous period of expansion.

No politician this week assessed the prospect before the British economy in these terms. None dared to say that the aim now should be to expand production, rather than employment. Nobody dared to suggest that perhaps the right way to handle the first part of Labour's amendment would be to agree with the expression of concern about the recent fall in production and the lengthier under-utilisation of capacity, but refuse to express similar concern about the "continuing increase in unemployment." Nobody pointed out, in answer to the second half of the motion, that one legislative measure which does promise to do something to expand production "while maintaining stable prices" is the revocation of the compulsory arbitration order. To recognise openly that a revolving pool of transient (repeat transient) unemployment and a renunciation of official "help" to wage bargaining are not the enemies of expansion, but the pre-requisites of it, would seem heresy to Labour; it would also seem tactless to the Tories, though they have sometimes been slightly more ready to do the sensible things by stealth.

That, perhaps, is the best measure of which is slightly the better "expansionary" party now, in fact as distinct from in oratory. The issue of whether re-expansion will now go forward as fast and far as it ought to, or whether it will again have to be quickly held back, will largely depend on how far these stealthy introductions of new attitudes have really infiltrated during the period of industrial pause.

Twisting Arms

Mr Rapacki's revised "plan" for European disarmament should catch the attention of those disappointed by the course of discussion at New York and Geneva

An atmosphere of abdication has lain over the disarmament debates in the United Nations Assembly. The 81 delegations there have fallen back on *the appalling* expedient of constituting themselves—all 81 of them—the UN disarmament commission for 1959. This is extinction by inflation. The original 12-member commission was at least a manageable body. The 25-member group created on paper a year ago, to placate a sputnik-happy Russia, has never met because Russia was not placated. The Russians, who voted on Monday for the setting up of the new all-embracing commission, will no doubt attend its meetings; but, like almost everyone else, they can scarcely expect anything but a dreary extension of the assembly's own dreary debates.

It is not surprising that interest has shifted to the United Nations' other palace, at Geneva, where the three-power talks on halting nuclear tests are now in progress. Here, too, next Monday, talks on precautions against surprise attack are due to begin. But the first exchanges at Geneva have been depressing. A familiar pattern of unyielding disputation over verbiage and procedure has emerged. Taking the disarmament scene as a whole, neither New York nor Geneva can show as bright a gleam as Warsaw, where Mr Rapacki, the Polish foreign minister, announced on Tuesday a more promising version of his proposals for central Europe.

Four weeks' debate in New York has justified the belief that there is something about disarmament that brings out the worst in people. In the end, the debate has brought a voting victory to the Anglo-Americans and their friends (among whom, on this occasion, neither France nor Israel was to be numbered). On Tuesday 49 votes were cast for, and only the nine Soviet ones against, a resolution urging early agreement on a controlled suspension of nuclear tests. The official Russian comment was that "this resolution is one of many adopted by the United Nations which will be disregarded by life."

For more than a year now the contending parties have been more concerned with twisting arms than with reducing them. Since Russia announced its successful testing of an inter-continental ballistic missile in August, 1957, its approach to disarmament has been consistently "tough"; it has relied on mounting alarm in the non-communist world to bring the western governments to terms. These tactics have produced some visible results. The West is now committed to at least a temporary suspension of tests; the links between suspension and conventional disarmament—on which it has always insisted—have become looser; and the current Geneva talks have given the Russians a good opportunity of lining up world opinion behind their proposal for a permanent ban on testing.

The present phase of arm-twisting might be summarised as follows. Russia is trying to make the West agree to a ban on tests—by threatening to go on testing. America and Britain are trying to make Russia agree that the ban must be subject to international control—by threatening to go on testing. The Soviet position is easier to understand, and thus more attractive to opinion in general. The Anglo-American position is the more honest; but one is tempted to ask whether such painful honesty is the best policy. The Russians have had no qualms about publicly accepting the principles for control agreed by the scientists' conference in July and August—while reserving, it seems, the right to propose that the watch over test explosions in each country should be kept by teams provided by that country itself, which would be a splendid piece of quite futile window-dressing. Must America and Britain remain publicly impaled on their proposal to limit suspension to one year in the first instance?

As Opposition spokesmen showed in the House of Commons last week, a one-year halt can easily be represented as no more than a routine pause between groups of tests. That is the way Soviet propaganda is now representing it, to some effect. And now that considerable progress has been made with the examination of methods of control, the putting into practice of these methods could surely be done, given general co-operation, in less than twelve months. If so, well and good; if, however, fears that Russia might try to make a mockery of the control system proved justified, as well

they might, that would become blatantly clear in less than twelve months—and the other powers would then be freed from their bond.

America and Britain would do well to shift their emphasis away from the one-year term and on to the importance of a truly international system of inspection and control. It is, admittedly, asking a lot from Russia that it should accept such a system. The impact would be far greater in the closed Soviet world than elsewhere. What would be the reaction of the inhabitants of the communist world to the sight of an international inspectorate installed in their midst, in free contact with the outside world, and exercising its right to move about freely and poke its nose into dark corners ? The effect might be like the bursting of the " skin " of a highly pressurised aircraft.

Put like this, it is frankly not a prospect likely to commend itself to Mr Khrushchev, but it is in this direction that the logic of international inspection points. A recently published study of the general problem of arms inspection* shows convincingly that the effectiveness of any inspection system must rest on public readiness to maintain " inspection by the people " and on the curbing of any " evasion mentality." It may be a long time before the heavily conditioned people of Russia itself could be counted on to share the job of supervising their own government in the interest of humanity as a whole. But the people of communist central Europe are another matter ; and that is one very good reason for taking seriously the new initiative of Mr Rapacki.

On Tuesday the Polish foreign minister made public a formula which he had been canvassing in Oslo a few days earlier. Mr Rapacki has digested the western objections to the " plan " which he formulated, with Soviet approval, a year ago, and which simply called for a ban on all nuclear arms in Germany, Poland and Czechoslovakia. Without accepting it, he now acknowledges the argument that this would simply disrupt Nato defence and entrench Soviet preponderance in conventional arms. He proposes, as a first stage, a ban on production of nuclear arms in this same zone and on their distribution to national armies there which do not yet possess them ; and as a second, a reduction of conventional forces carried out simultaneously with the total removal of nuclear arms from the zone. In both stages, there would be " appropriate measures of control."

Everything would still depend on the kind of control that the Soviet block considered " appropriate," and on the scale of conventional reductions it would accept. But the second Rapacki plan, on the face of it, does hold out interesting possibilities which should be probed without delay. A formula of this kind could dispose of the painful prospect of nuclear weapons passing into east and west German hands. The new Rapacki formula need not, like the old one, mean the baring of Europe's breast to Russia's over-numerous bayonets. And in Poland, Czechoslovakia and East Germany—in Hungary too, if it could be brought into the scheme—the political impact of any substantial intrusion by international inspectors and withdrawal of Soviet conventional forces could not but encourage a movement in the direction of democracy. Moreover, if a first experiment in " inspection by the people " were to prove successful, pressure for applying similar systems throughout the world could be more easily stepped up. The disarmament experts who are at present absorbed in the talks at Geneva, or recovering from the debates in New York, should now find time somehow to look over their shoulders in the direction of Warsaw.

* " Inspection for Disarmament." Edited by Seymour Melman. Oxford ; Columbia, New York. 291 pages. 48s.

Eisenhower's Opposition Congress

The Democratic landslide leaves co-operation on foreign affairs standing in America, although the rest of the political landscape is profoundly altered

THE Democratic triumphs in this week's congressional elections (which are examined and assessed in more detail on page 503) will demand of the President, during his last two years in office, an ability to deal with far more arduous problems of congressional relations than any he has yet encountered. Ever since 1954, when the voters transformed a tiny Republican majority in Congress into a Democratic one, Mr Eisenhower has had to work with a Democratic Congress and has done so successfully. But the majorities were narrow and their temper conservative. This week's sweep is no repudiation of the President ; there is little doubt of his continuing personal popularity in the country. It may represent little more, on the part of the voters, than an exaggerated version of the swing away from the party in control of the White House which is normal in a year when the President is not standing. But whatever its causes, its effect is to bring the progressive northern wing of the Democratic party—what the President, in his concern over the government deficit and his understandable chagrin at the election returns, calls the " spendthrift " wing—closer to the control of Congress than it has been since the election of 1936, when the Roosevelt New Deal was in full flood. These new Democrats, unlike the southerners, must fight each election afresh and many will hope to have a record of challenges to the President to take back to their constituents.

Throughout the last twenty years, whether Congress was nominally controlled by the Democrats or, as it was on two occasions, by the Republicans, real power has resided with a coalition of conservative southern Democrats and Republicans. This group's authority was reinforced, when the Democrats were in the majority, by the fact that the southern members, who are returned steadily, year in year out, whatever the fortunes of the party elsewhere, monopolised the committee chairmanships. In the past four years the two Texans who lead the party in Congress, Senator Lyndon Johnson and Mr Rayburn, the Speaker of the House, have been in a strong position to enforce policies of moderation and co-operation with the Administration, however much the northern and western wing of the party would have preferred a bolder stand and the creation of sharp party issues. Mr Johnson might frequently deplore the necessity of conciliating the conservatives ; in fact, it made much easier the task of co-operating with the President to achieve a record of constructive legislation.

Now the Democratic majority of 28 in the Senate, an increase of 26, makes Senator Johnson the second most powerful man in the United States. But it has transformed his task from that of balancing on a political tight-rope to that of leading a large and unruly army. For the first time, Mr Eisenhower is faced with a true opposition Congress, even though the committee chairmanships will continue to be held in most cases by conservatives. Outside the United States, the great concern must be what difference this will make to the carrying out of responsible, consistent foreign policies. One illusion should be discarded from the start. The northern wing of the Democratic party has provided the most articulate and relentless of Mr Dulles's critics in Senator Fulbright, Senator Humphrey and Senator Kennedy, all members of the Foreign Relations Committee of the Senate. Their questioning of Republican orthodoxies in the field of foreign policy will undoubtedly be sharpened. But it should not for a moment be imagined that the Democrats from the North and West who are about to flood into Washington are united behind alternatives to Mr Dulles's policies—or that many of them do not wholeheartedly support, for example, his refusal to recognise Communist China. The pressure on the Administration to be more conciliatory and more flexible, and in particular to redouble its efforts to reach an agreement on disarmament, will no doubt increase. But those who expect that the 86th Congress will necessarily secure any such change as a reversal of the Administration's policies towards Communist China are deluding themselves.

In some respects, the Administration's hand should in fact be strengthened in foreign affairs. The new Democratic Congress will take a much more liberal view—in both senses—of the desirability of new, imaginative, and costly programmes of economic aid, both to increase international financial liquidity and to spur the progress of the underdeveloped areas. In the last Congress, although the appropriation for foreign aid as a whole suffered relatively little, the conservatives dealt most grudgingly and stingily with the Development Loan Fund, the core of the new economic aid programme. All Senator Johnson's remarkable political skills will be needed if he is to dissuade his new recruits from constantly seeking out issues on which to challenge the President, and to persuade them instead to concentrate on writing the record of solid legislation which he feels is desirable both for the country and for the Democratic party. But his difficulties are likely to be much smaller in the foreign than in the domestic field.

ONE of the great points of interest about an off-year election, for foreigners as well as Americans, is the way in which it throws up or signals new candidates for the presidential election that is only two years ahead, dismisses others summarily from the race, and redistributes the front runners. Last Tuesday saw the final eclipse of Governor Harriman's long-held ambitions to become the Democratic nominee ; the returns strengthened the claims of Senator Kennedy. On the Republican side, the Vice President, Mr Nixon, has had an apparently crushing reply to the gruelling labours which he undertook on behalf of the Republican candidates ; in particular, the loss of his home state of California is a painful, though not unexpected, disappointment. Have his chances for 1960 been swamped by the Democratic tide which he failed to stem ? The failure to hold his own state is a black mark, particularly when it is as crucial a state as California. But, even so, there is still no doubt that Mr Nixon, even in defeat, has consolidated his personal position with the Republican politicians who choose the candidate, both by his unremitting efforts on their behalf and by his aggressive defence of Republican policies.

What must be hard for Mr Nixon to bear is that, while he has been doing the party's chores, the only Republican to win a major victory has been Mr Nelson Rockefeller, who in capturing the governorship of New York left it to his opponent, Governor Harriman, to remind the voters that he is a Republican ; his campaign was dominated by the good feeling needed to attract Democratic and independent votes. Some Republicans are already speaking of Mr Rockefeller as the really modern Republican around whom the Eisenhower wing might rally in 1960. But it would be wrong to assume that Mr Rockefeller's position, on international affairs at any rate, is so very different from Mr Nixon's. What Mr Rockefeller's success and the victory of Mr Hatfield in Oregon do show is that the Republican party, even at this ebb of its fortunes, is still able to throw up attractive new candidates and, by good organisation and a rejection of the extreme right-wing partisanship which this election has so firmly rebuked, to carry them to victory. If Mr Nixon's claim to the Republican nomination in 1960 turns out not to be hotly contested, it will not be because the party is bankrupt of good men. It will be because the Vice President has earned the nomination—and perhaps because it does not look like a very glittering prize.

A Decision for France

The politicians have to make up their minds whether they want a free trade area at all

ABARE two months remain before the first quota and tariff alterations are made by the six-nation European economic community at the heart of western Europe. It is not much time in which to decide for or against the free trade area (or European economic association), which was to group the eleven other countries round them. The outlook looks gloomy. The French *patronat* (the employers' federation) alarmed by signs of a mild recession, is campaigning openly against the British project. The French government has made clear that it has not yet made a decision to support the scheme at all. Bold spirits in Britain have begun to entertain the ugly idea of "retaliation" against the common market—whatever that may mean—if no agreement is reached by the end of the year. The Scandinavians have a plan for a customs union of their own up their sleeves waiting to go into effect in case of failure. If the year's end does pass without agreement, the prospect opens up, not only of tariff discrimination, but of a gradually deepening political rift through Europe and the western alliance

The talks have dragged on now for more than two years; they have been slowed down less by practical differences about the way the scheme should work than by procrastination designed to hold it up. Once it could be genuinely agreed to go ahead, the convention would not be too difficult to work out. The biggest problems arise from the fact that the tariffs of a free trade area against outsiders will differ from country to country, creating different competitive conditions in different parts of the area; enough work has been done on all this to provide the basis for a series of political deals for each industry, once a genuine negotiation takes place. Even the sort of ugly poser put by the French delegate, M. Wormser, last week—can members alter their outer tariffs when they feel like it?—is susceptible to compromise. The Germans have indeed already devised a practical solution to restrain governments from damaging each other's interests by arbitrary action on their own—a reasonable French requirement. What is worrying is that the French show little interest in all this. M. Wormser's question seems like so many French moves in the past two years—calculated, not to gain a practical point, but to provoke grand philosophical discussions which merely cause delay.

The persistent nagging at the French about the free trade area can be irritating, no doubt. The original British proposals were pretty unimaginative; some other people have been obstructing, too. But even the French press has begun to recognise that the fate of a broader European association to link the outsiders with the common market now lies in the hands of France. It is France's delaying tactics and constant shifting of ground that have held up the negotiation.

Sooner or later France has two fundamental political decisions to make. The first—and far the most important—is whether there should be a European economic association at all. Caught between allies who want the scheme and pressure groups that do not, the French government has been evading the choice. Even if it gets to the point, there is a trap to be avoided. The French could agree to an economic association on negotiable terms; they could turn it down flat; or they could take the more troublesome course of appearing to accept, but only on terms which they know to be unacceptable—say, a complete absence of genuine free trade. The last choice is obviously tempting.

The second decision the French have to make is what—if they do agree to a free trade area—their serious terms are going to be. If the French view would only crystallise out clearly, it would be possible to negotiate a settlement. But it is no use other people making concessions, as the Germans have often done in the lengthy talks which the Six have conducted on the subject among themselves, if the French straightaway shift their ground and ask for more.

FACED with the opposition of the *patronat* and with much of public opinion, it would not be surprising if the French government's main aim now were to try and hold off the hour of decision until after the end of the year. Then the psychological pressure will be gone, and a new prospect of drift will open up. But some others do not share this view, and at the last meeting of Mr Maudling's committee in Paris a week ago a sense of urgency began to be felt. The Scandinavians and Austrians pressed France more vigorously than ever before. Still more important, most of France's partners in the European community themselves put on what pressure they dared behind the scenes.

Mr Maudling got some response when, sweeping a technical document aside, he proposed that he and his ministerial colleagues should sit on in conclave without a break to thrash out the basic issues on a political level. He recalled the negotiations which created the treaty of Rome, when M. Spaak shut up his little band in a chateau outside Brussels, and bullied them to compromise and negotiate until the treaty was born. Still, the procrastinators managed to interpose a delay; Mr Maudling's indefinite session does not begin until November 14th. And the speed of its deliberations will depend in part on the work of experts of the Six in Brussels who are reporting to it. Procedures will not solve the problem in any case. But at least—if the Brussels experts can be kept up to the mark—there will be a chance in the next few weeks to make clear the practical differences and separate them from the obstructive tactics.

It has been suggested that Dr Adenauer, General de Gaulle and Mr Macmillan should meet to thrash the matter out. A time may come to play this trump. Once Mr Maudling's group has clarified the issues, the heads of government may have to meet to decide the crucial points of a bargain, as Dr Adenauer and M. Mollet did in 1956 with the Treaty of Rome. But there is no point in the three meeting merely to utter a general directive which their subordinates could later treat as a pious statement; they must have before them something specific to decide.

The basic decision rests with France. The dangers it risks by continuing obstruction are mainly political—alienation from its friends outside the community of the Six, and growing strains within the community itself.

This week Professor Müller-Armack, the state secretary in the ministry of economics at Bonn, spoke out sharply against the French attitude in the negotiations. Herr Müller-Armack, it is true, is Professor Erhard's lieutenant and represents only one side of the west German attitude; the other side is a somewhat uncritical devotion to the concept of the Six. But the representatives of this other side, including Dr Adenauer himself, may well be disturbed at the suggestions that are being heard in Paris of a deal that might link French assent to the free trade area with General de Gaulle's aspiration to a special place for France in the councils of the West. Such a deal may not really be contemplated. But it is not to belittle the unity of the Six to suggest that to ride it too hard in the one direction, while ignoring it in the other, puts much more strain upon it than is wise.

The Small Farmers' Chance

A new bill has lit a small beacon to show the way that British agricultural policy should go

THE Agriculture (Small Farmers) Bill is basically on the right lines. The large number and special difficulties of small farmers have long given them an influence on agricultural policy out of proportion to their contribution to production. Their needs have provided, at successive price reviews, the most powerful argument for higher support prices, especially for those products—eggs, milk and bacon—which best suit the small man's capacities: prices from which the larger farmers with their lower costs have profited handsomely. When, none too soon, the last price review cut these prices by almost the full amount permissible under the Agricultural Act, the wrath of the small farmers was partly—but only partly—assuaged by the promise of special measures to meet their particular problems.

Various ways of redeeming that promise were possible. The Minister could have reinstated the special premiums on the first so many hundred gallons of milk, the first so many dozens of eggs, which were abolished two years ago and which favour the small producer—though equally, and wastefully, subsidising the large farmer on this part of his output. He could have extended and increased the marginal agricultural production scheme, which would seem to benefit small farmers particularly but in many counties does not do so in fact. It is greatly to the Government's credit that it has rejected these politically attractive solutions.

Instead, the bill offers a non-recurring capital grant of up to £1,000 per farm, payable over a period of three years, for two specific purposes: for the improvement of grassland and work ancillary to this purpose, and for purchases of stock and equipment, under a "farm business improvement plan" that will have to be approved, for each farm, by the local representative of the National Agricultural Advisory Service. The plans must be capable of being carried through within three years and must be such as to make the farm "viable or more viable"—i.e. capable, with normal good management, of yielding its occupier at least the income of a skilled agricultural worker. Instead of an unconditional and continuing dole, administered by way of ever higher prices, the small farmer gets a once-for-all, conditional business opportunity.

This is perhaps the scheme's biggest departure from most previous forms of aid to agriculture. Another, scarcely less important, is its exclusive and discriminating character. Not only does it exclude the larger farmer, with a holding of 100 acres or more; it also excludes the very small, with less than 20 acres. In addition to the acreage test, would-be beneficiaries must satisfy a labour-requirements test; this will rule out, on the one hand, the highly intensive horticultural-type holding (which is by any standard but that of acreage a large undertaking) and, on the other, the dog-and-stick farm whose operations call for less than 250 "standard man-days" per year. ("Standard man-days" are to be calculated according to crops grown and stock carried—e.g., each acre of wheat is reckoned at 3½ man-days per year, each acre of hops at 100, each dairy cow at 15, each breeding sow at 4).

The cost of the measure, estimated at some £6 million net, after allowing for savings on the discontinued marginal agricultural production scheme, is to be "taken into account at the 1959 annual review as part of the guarantees and production grants to the industry." This should mean that the community's

total contribution to agriculture is being redeployed and not increased. Admittedly, some incidental increase will almost certainly follow indirectly, as more intensive cultivation, following on the putting into effect of improvement plans, begins to attract larger grants under existing provisions. But, unless union pressure at the next review vitiates the bill's intention, the direct and larger part of the cost will come out of the pockets of the larger farmers and also—a much thornier point politically—those of the farmers too small to participate.

On all these counts the bill displays a quite remarkable degree of toughness. But although courage in confronting pressure groups is an admirable quality, it is not by courage alone that the scheme must be judged. Three questions pose themselves, one economic, one general and the other social.

The economic question is whether the scheme will be conducive to a more competitive agriculture; whether it will lead to the production of commodities which can be sold in the open market at prices covering —or covering more nearly than at present—their cost. Potentially, the answer is favourable. Well-managed grassland feeds stock more economically than do concentrates; and better farm management, getting the most out of all resources, cuts costs all round. But, at present prices for eggs, bacon and especially milk, the farmer whose grazing, silage supply and equipment have benefited from good advice and an injection of capital will find that his most profitable course is in fact to carry more stock, to buy more rather than less concentrates, and to produce more milk, eggs and bacon for a saturated market. If the scheme is to benefit the national economy, there will have to be further downward revisions at the next and subsequent price reviews. Economically, the merit of the scheme lies in the fact that it makes such reductions possible.

This leads to the general question: is not the scheme much too modest a start? The £6 million involved will absorb only a small fraction even of the £73 million which is currently being spent (in addition to price guarantees) on various forms of direct aid to English and Welsh farmers. Many of these grants are relics of the postwar production drive, and have completely outlived their usefulness. Others (the marginal production grants, for instance) are so sloppily and expensively administered as to negate their utility. There is a strong case for saying that the whole of this expenditure ought to be reviewed, and that only those forms of aid (such as the fertiliser subsidy) which genuinely promote farming efficiency should be kept. Such a review would carve out room for an enlarged version of the new small farmers' scheme; and, besides better justifying the present small scheme's inevitably high administrative cost, would make this week's initiative a more important instrument for getting more sense into agricultural policy as a whole. But it is important that any such extension of the scheme should still follow this week's hard-headed prospectus.

From this there follows the social question, which is, of course, that of the excluded "non-viables." Some of these would become viable, and qualify, if they were to join forces, amalgamating splinter-sized farms. There is no overt provision in the bill for facilitating amalgamation. But a general directive to the NAAS to keep its eyes open to this possibility might keep missed opportunities to a minimum. Other "non-viables"—probably a substantial proportion—are not really farmers at all; they are foresters, shop-keepers, publicans and the like who raise a few pigs or keep a few cows as a sideline. But the hard core of non-viables, the real social problem, is constituted by those farmers who have no other means of livelihood, whose farms are hopelessly too small, too infertile or too ill-placed to yield a living except when their products are astronomically priced—if even then—or who personally lack the physical or mental qualities needed to hold their own in a calling whose standard of performance is constantly rising.

No one knows how many of these there are. The white paper says of them only that the Government "have been studying this problem and will continue to do so." No one knows how old they are. The man who can leave his hopelessly unprofitable holding to take up a reasonably well-paid job on someone else's farm or in local industry is in a very different position from the elderly farmer who, once off his farm, is nearly or quite unemployable.

When all the facts are assembled, the question of social responsibility for these people will remain. For close on twenty years farming has been largely cut off from the operation of normal economic forces. The present scheme is one step—still very small but positive and valuable—towards restoring contact. The odds are that it ought to be extended, and become a steadily more important part of agricultural support. But if it is, some farmers who in good faith have shaped their conduct on the lines encouraged by the policy of the previous twenty years will be squeezed off their farms. It will only be possible to progress firmly down this road if these displaced persons are recognised, in some measure at least, to be a national responsibility. This responsibility could not be handled by the Ministry of Agriculture as such. It would concern employment; it would concern pensions; it would concern housing; it would concern, obviously, finance. It would call for close collaboration, across departmental demarcation-lines, in a general national scheme. The Agriculture (Small Farmers) Bill is a small, bright beacon which may eventually light the way for a new and more sensible agricultural policy. For that very reason it calls for a pendant measure to help off the land men who are still farmers only because they have benefited so long from a much less sensible one.

NOTES OF THE WEEK

PARLIAMENT

Labour in Search of an Issue

Question time returned to the House of Commons on Monday, with the composition of ice cream to provide the most vexatious issue and with the Parliamentary Secretary at the Ministry of Agriculture turning aside an attack on the official presentation of a gold-plated hot dog with a line from Horace (loud Socialist shouts of "translate"), to supply the most elegant answer. The languid air that permeated the half-empty chamber confirmed a general impression that lasted throughout the foreign affairs and economic debates: the Opposition had not yet really found itself in the new session.

The necessary de-tranquilliser was a tremendous row, and Labour joyfully launched itself into this on Wednesday over allegations that a pamphlet damning the Labour party's housing policy had been distributed through official facilities. The head of the civil service is now to probe the facts. Labour has given considerable hostages to fortune in its trust that this will be a *succès de scandale* instead of another Bank rate fiasco: a lot of its present fighting spirit is now tied to the hope that this will turn out to be a matter not just of two stick-on labels but of a deliberately misused Government addressograph. Until this excitement, Labour had seemed in danger of becoming obsessed with the nubbly problems of publicity—how to deflate Mr Macmillan's successful personal publicity (both Mr Wilson and Mr Gordon Walker made extensive and sometimes entertaining use of the weapon of ridicule) and how to impart something of this same glamour to the great little pamphlet containing the pure essence of the party's policy documents which is shortly to be launched.

But the main personal conundrum of the first week was the malaise of Mr Bevan. Not only was he below his own usual oratorical standard during the foreign affairs debate, but he was even below the standard of Mr Selwyn Lloyd, who put his best foot forward with a robust review that was so unexpectedly reasonable on the Nato negotiations about Cyprus that it threw the Opposition front bench into visible disarray. Although a few flashes of the old devastating wit were elicited by Tory interruptions, Mr Bevan's speech, with its groping, dispirited manner, frequent malapropisms and patches of naivete on such topics as Arab democracy, came across even less effectively than it reads in print. It did in fact incorporate some sensible ideas, such as the suggestion that Britain should encourage Kuwait to cultivate closer relations with other Arab countries—but the effect of this was rather spoiled by Mr Bevan's evident vagueness about the distinction between the United Arab Republic, the Union of Arab States and the Arab League.

His best points on the Middle East, especially on Jordan, were put more cogently later in the debate by Mr Roy Jenkins, who also warned the Foreign Office to restrain its signs of obvious glee at any symptom of the Baghdad government moving against the interests of Cairo. The only really strikingly unorthodox contribution came from a Conservative backbencher, Mr Ronald Bell, who advanced the thesis that, so far from being unviable, Jordan was a great dynamic force in the Arab world, happily uncorrupted by possessing oil and quite capable of opposing Nasserism. Labour's task would be made a great deal easier if it could pick out which particular Conservative members to oppose.

TWELVE-MILE LIMIT

Time for Talking

Iceland's cod war is hanging fire. The September scuffle of boarding parties and fish-head bombardments has lapsed into uneasy stalemate at sea. The *Daily Mail's* exclusive scare story of a communist plot to unite Iceland, Greenland and the Faroes in a neutralist North Atlantic block has been righteously denied (even the communists were taken aback at being told that Iceland's prime minister, Mr Jonasson, was really one of them). Even so, any clash within the twelve-mile limit this winter could provoke a serious crisis. It is a risk that Nato ought not to run.

The reception Iceland's foreign minister has had at the United Nations suggests little satisfaction for him there. But neither can the British trawler owners feel enthusiastic about their catches inside the navy's three protected "boxes"—where the fish, like the Icelanders, seem to have been unusually contrary. The sensible policy for both sides is to start talking again. An appeal to the International Court at The Hague, which would probably be inconclusive for Britain and certainly expensive for Iceland, can only be a prolonged business. Mr Selwyn Lloyd's idea of a second conference on the law of the sea is a better bet. But it needs preparation. Concentration on fishery limits is one essential. If the talks get tied up in another world-wide wrangle over territorial waters (which would involve Communist China's twelve-mile claim at Quemoy, and the usual South American assertions of 200 miles) the chance of a settlement will be as slim as ever. There is something to be said for restricted talks between the interested North Atlantic countries, but Iceland could not reasonably be expected to attend in a minority of one, although it would hope to have Canadian and Norwegian sympathy. Concessions will be easier to make on both sides if they can be presented as necessary to general international agreement.

For the British trawler owners the big question is how many of them need to insist, particularly after their past two months' experience, on a limit of less than twelve miles off Iceland. The big modern trawlers in the fishing fleet can probably expect to pay their way against competition, twelve-mile limit or not. What they really have to fear are fresh unilateral extensions right up to the edge of the continental shelf. One arrangement might be to accept the new Icelandic limit, subject to a fifty-year guarantee that it would stay at twelve miles—apart from any rectification either way by a conservation authority. But a standardisation of international law on the subject would be the best guarantee. It is worth trying for again.

IRAQ

Hero into Villain

It was no surprise that Colonel Abdul Salam Aref returned to Baghdad this week. For the past month he has been darting from one European capital to another showing an obvious lack of interest in his appointment as Iraqi ambassador to Bonn. It was surprising, however, to hear that as soon as he got to Baghdad he was arrested for repeatedly attempting to disturb public security, and that he is to be tried for his activities. This is uncomfortable news not only to those who share his pro-Egyptian feelings, but also to those others whose concern is for the stability of whatever government the Iraqis choose to have.

The revolutionary government is under pressure from three sources: the Baath party, small in numbers but enjoying powerful support from Egypt and Syria; the communists, making the most of their chances to gain strength and ready—as they were not in Syria—to resort to violence to prevent union with the United Arab Republic; and the nationalists, the largest in number but less vigorous, on whom the prime minister, Brigadier Qasim, depends for his main support.

While the various groups struggle for position and power, the trials of officials and ministers of the former government fail to provide any sensational revelations; there have been no sentences yet. From time to time the proceedings have been enlivened by the extravagant statements of the president of the court, Colonel Fadhil Mahdawi, a brother-in-law of Brigadier Qasim, who has said that Iraq's population will be increased by several millions when the "lost" are returned. It is not clear exactly who or where these lost millions are; but when Colonel Mahdawi said that the Arab homeland would be regained by force, he was speaking of Alexandretta. If Colonel Aref is ever brought to trial, it will be of interest to see whether he is charged with trying to join Iraq to the United Arab Republic, as the former officials have been tried for their efforts to unite Iraq and Syria.

In London the best news about Iraq is the appointment of Sir Humphrey Trevelyan (who was British ambassador in Cairo when the Suez crisis broke out) as ambassador in Baghdad. His brief service as an under-secretary in the United Nations secretariat has unfortunately coincided with a period during which that organisation has been greatly preoccupied with relations between the western powers and the Middle East; and in these circumstances the most able British or American diplomat has been of more limited value to the UN than, say, a Scandinavian or a Latin American. In this case the United Nations' loss is Britain's gain: no ambassador can work miracles, but it should be useful for Britain to be represented in Baghdad by a man who knows the Egyptian revolution at first hand.

ADEN

Trouble in the South

After keeping quiet for four months while other parts of the Arab world were in turmoil, Aden has erupted again. The conviction of two journalists on a charge of contempt of court last week brought out the hooligans in riots that cost several lives and much damage. Cairo radio immediately stepped up its running attack on British activities in south Arabia. Its well-coached south Arabian speakers said that the British were using armed force against peaceful demonstrators; that they were trying to efface Aden's Arab character, promoting the interests of foreigners over those of Arabs, and attempting to give the imperialist regime a legal complexion.

The Aden Trades Union Congress (in whose paper, *Al-Amal*, the convicted journalists had accused the court of bribery) has addressed itself to external opinion with a list of questions to the Aden Government about irregularities in the departments. Though the trade unions in Aden, like political parties elsewhere in the Middle East, tend to represent a few organisers rather than a mass of members, the questions deserve answers. Even if they were true, the allegations would be tame compared with what actually happens in independent countries in the area.

These Aden trade unionists claim to be aware that it is the Adenese people's responsibility and duty to put an end to the strife there. But they show no sign of accepting any share of such responsibility for themselves. They attack the government for its disregard of basic freedoms, as for anything else that is wrong; but they do not seem to understand that a serious assumption of responsibility by them would bring with it the freedoms that they demand.

It is apparently of no concern to the Egyptians who spur on the rioting and subversion in Aden that the courts in Aden are more free, and less corrupt, than courts are in Cairo. What has happened to the opposition in Cairo? How many opposition newspapers are allowed in Cairo or Damascus? The Egyptian-paid publicists do their Arab brothers a disservice by encouraging them to riot for irresponsibility in a search for freedoms that the United Arab Republic does not enjoy. This is not to say that all Aden's troubles would cease if Cairo were silent. The troubles are genuine enough but, as the Aden TUC says itself, it is in Aden that the problems of Aden have to be solved.

BY-ELECTIONS

The Easy Three

The autumn by-election season started on Thursday when polling was taking place in two ultra-safe Conservative seaside constituencies, Morecambe-Lonsdale in Lancashire and Chichester in Sussex. In both of them the Conservatives marked up 18,000-odd majorities in straight fights in 1955, winning 71.2 per cent of the vote in Morecambe-Lonsdale and 70.8 per cent of it in Chichester. The interesting point on Thursday was how far these Tory percentages of the poll would be maintained in what have again been straight fights. Seven months ago, in parliamentary and local government elections up and down the country, the Conservatives' percentage share of the poll was dropping by much more than the 2 per cent or so which would make Labour favourites to win the next general election: Tory losses were particularly heavy in constituencies where a lot of their usual supporters are elderly retired people, as in Morecambe-Lonsdale and Chichester. Because of this latter point, and because local elections for several successive years have suggested that Labour's previous small toehold in seaside areas has become a little more firmly pressed in, these particular constituencies may not necessarily be well designed to show the full recent recovery of support by the Tories which the Gallup polls report.

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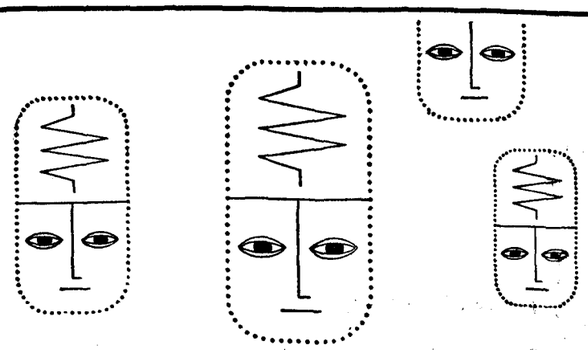

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that the former Conservative member (the blinded war veteran Sir Ian Fraser) had a personal following which his successor may not command and that the only industrial enclave in the constituency now has an unemployment rate of over 5 per cent (because of redundancy at a local mill); against this, the local Conservative vote-collecting organisation is reported to be working smoothly and the local Labour organisation is practically non-existent. At Chichester, by contrast, it is the usually efficient Conservative organisation which is having its troubles, because some progressive Conservatives consider that their candidate, an inexperienced local farmer, is a singularly unexciting choice.

Next Tuesday, diametrically at the other end of the political spectrum, there is a by-election at Pontypool (where Labour's share of the vote in a straight fight in 1955 was 72.9 per cent, giving the Opposition a majority of over 16,500). This time a Welsh Nationalist is intervening. If the Labour percentage here does not fall by more than the Tory percentage—and if, additionally, Morecambe-Lons-

Bait for Volunteers

It was wise, not to say adroit, of the Government to issue a white paper (Cmnd 570) handsomely accepting most of the Grigg committee's recommendations on recruiting for the armed services at the same time that the report itself (Cmnd 545) was made public. Otherwise the report would have drawn down more criticism and even ridicule on the service departments than it has. Attention however should be drawn to the surely astonishing state of affairs that in 1958 it is possible for an advisory committee to reveal that the army has not yet got a uniform suitable to walk out in or do fatigues in or even to fight in properly; to have to suggest to the brasshats that the modern male "other rank" wants to be able to wear a collar and tie, as part of that uniform, just as his feminine counterpart longs to drop them from hers; to be able to point out that the kitbag is an absurd and inefficient receptacle for a soldier's possessions in an age of strong, lightweight hand-baggage; and to have to deplore that service canteens still require troops to bring their own cutlery, on the grounds that they cannot be trusted not to pilfer knives and forks. Yet these were only some of the vestiges of Crimean mentality unearthed by the committee, which accord ill with a recruiting slogan "Join the Modern Army."

Even more serious, of course, were the committee's references—necessarily brief, but much to the point—to the effect on morale of troops of having to make do with utterly obsolete and often patched and broken-down equipment. Bad uniforms irritate the soldier; bad weapons take the heart out of him. They make nonsense of having him at all. What is the use of getting recruits if they are not properly armed? As the committee shows, the balance has gon eawry. Parliament should closely cross-question the Government over paragraphs 137-140 in the Grigg report.

The outstanding finding of the committee is that the immediate need is to meet a whole series of relatively minor service grievances in detail and humanely, but that there is now no need for a radical overhaul of **pay** and **discipline.** It found that after the increases of last April, pay was fair in relation to civilian jobs; the only service anxiety was whether it would stay fair if inflation were resumed, and the committee put up the eminently sensible suggestion of a **biennial pay review.** The committee also found that discipline was not a deterrent to the regular, if he got proper and realistic training; most of the bull about bull comes from the conscripts whose progressive elimination from all-regular forces will, the committee concludes in agreement with professional service opinion, greatly enhance morale. The remarkable upswing in recruiting this year, and the fact that units whose discipline is tightest and outturn smartest have found recruiting easiest, certainly bear out this view.

The committee has therefore wisely and sensibly studied those points at which service careers impose hardships and penalties not met with in civil life, and has made imaginative proposals for alleviating them. These will cost £13 million in a full year, and should not be grudged. The greater part of this recurrent expenditure goes on better **pensions** and **terminal grants** for other ranks, and on redressing the long-standing service grievance about the level of **pensions to service widows.** The committee also proposes improvements in **educational allowances,** the doubling of **disturbance allowances,** and other useful but not over-costly ways of meeting what the services call the "turbulence" inevitable in their lives. Easing the lives of service wives is important to prolongations; the greatest disincentive here is, as the committee repeats vigorously, **service accommodation,** but the £90 million improvement programme is slow, though it is to be raised by £20 million by the new housing loans proposals (Cmnd 568).

The other two vital points in service prospects are **promotion** and **resettlement**; on both the committee makes carefully detailed suggestions, though its point about the need to encourage commissioning from the ranks (especially in the army) was sounder than its belief in the need to redress the balance between public school and grammar school cadet entry. The problem of dovetailing short service commissioned careers into combined service-civilian careers for officers is admittedly not yet solved. The committee's main proposal—to bring those who cannot get above "lieutenant colonel level" out quicker, but to leave those who can in longer—has limits; its ideas will have to be fitted in with the encouraging experience of the resettlement organisations in fitting ex-officers into industry recently reported by Sir Frederic Hooper. If the fear of inflation and unemployment can be removed from service life it will become easier to attract the right men as officers. The committee might have emphasised more strongly that good officers are a *sine qua non* of high service morale.

The Government is right in stating that the better recruiting figures supply no case for disregarding or going slow with the Grigg recommendations. In fact, the real value of these will be shown if their implementation makes it possible to recruit voluntary forces greater than the 375,000 which Mr Sandys says is adequate, but which most other authorities increasingly think is quite insufficient. In view of the excellent September recruiting figures, there is now some hope that this will be possible. If the average rate of recruitment in the period July-September is maintained, then, according to the form of calculation made in *The Economist* of December 7, 1957, by 1962 the Army would have 175,000 volunteers, as against the 150,000-160,000 it probably needs to fill all present units with all types of men required. The Navy and RAF would do nearly as well. The prospect of a regular army of nearly 200,000 officers and men, which would then be attainable, would take the anxiety out of the abandonment of national service; and it is this hope of strengthening Britain's conventional forces on land which should engage Mr Sandys's attention.

dale and Chichester still show a swing to Labour—then the pollsters' report that there has been a great Conservative revival will come under considerable question. But, in the last analysis, it is not the swings in ultra-safe Conservative or Labour strongholds that will determine the complexion of the next government ; the people in mixed and marginal constituencies will decide that, and this time next week they will still not have spoken yet.

FRENCH ELECTIONS

Moslems Hang Back

THE French parties, let alone the electorate, will need the campaigning days before the first ballot on November 23rd to discover where all the 2,997 candidates for 465 seats in metropolitan France really stand. The *scrutin uninominal à deux tours,* last used in the Third Republic, sets a pretty puzzle for a new generation of voters, managers and experts. But there was disconcerting news for General de Gaulle personally from Algeria (where the electoral lists were to remain open until November 9th) when it was evident by midweek that Moslem candidates were being conspicuously backward in coming forward.

Part of the trouble could be attributed to the row between the settler politicians in Algiers who are friendly with MM. Soustelle, Bidault and Duchet, and the *ultras* from the committees of public safety. When such a stalwart as M. de Sérigny found himself rebuffed by his old *ultra* companions it was clearly no time for Moslems like Dr Sid Cara to do other than reserve their services until the issue was settled. But the reluctance of moderate nationalists to appear on any list looked bad. It was optimistic to conclude that local deals with the rebels were still in progress. The rejection of General de Gaulle's truce terms would prevent the militants from standing. But the essence of General de Gaulle's instructions to General Salan had been that all opinions, including those of European liberals like M. Jacques Chevallier, the former mayor of Algiers, and of Moslem moderates, should be heard. Had the army—the sole instrument of French rule—ideas of its own about these orders ? The new Gaullist policy in Algeria seemed to be in trouble.

KENYA

Walk-Out and Stand-Still

LIKE so many Mr Gromykos, the African elected members of the Kenya legislature walked out of the chamber in a body this week, when the Governor announced that no new constitutional changes were intended. These tactics were no doubt concerted to show their solidarity as well as their anger. Fortunately that solidarity is probably misleading. Mr Mboya has shown himself increasingly intransigent in his speeches ; but there are signs that the Central Province members, led by Dr Kiano, are getting tired of a purely sterile opposition. They are impressed by the government's success in ruling the country, with the modest aid of the African ministers who sit for the special seats introduced by Mr Lennox-Boyd to meet just this eventuality of Mr Mboya's boycott. They see that Africans in the rural areas have become increasingly prosperous and apathetic, while in the towns politically-minded Africans are impatient that the wa'ls of Jericho have not tumbled. The time may come when a deal can be done.

It is important that when it can be done, it should be. The clock cannot stand still in Kenya indefinitely. Unfortunately, the Kenya settlers—who have been frightened by Mr Mboya's extremist statements and by the link-up between the Kenya African elected members and the nationalist leaders in Tanganyika and Uganda—are beginning to think that it ought to be made to. They are fortified by the hope that in Britain the Conservatives may remain in power ; and they are bound to be encouraged by the foolishly complacent tone of Mr Profumo's speech in the recent—admittedly quite senseless—adjournment debate on the White Highlands. The right policy in Kenya is to continue to put Mr Mboya in his place, but to make much more capital out of his mistakes. All the time the horizon should be scanned for the emergence of an African leader who will start thinking in realistic terms about gaining power for himself and his party in Kenya, in reasonable association with the white and Asian communities. If such realism is still undetectable on the African side, it is equally undetectable among the Europeans. Both believe that time is on their side—and both are right: but for the Europeans only in the very short run, and for the Africans only in such a long and rough run that the present generation of inept African leaders may miss the boat. Kenya is parched with the need for about five professional politicians of all races to pull the situation out of this impasse.

GUINEA

The Cold Shoulder

THE press to recognise the new Republic of Guinea (which voted for independence in the French referendum on September 28th) has been joined in the past week by Britain, the United States, Italy and west Germany. Guinea is now at least on nodding terms with some 27 countries. But the nod from France has been slow to come. General de Gaulle has stood aloof from the backslapping and glad handing, although he may soon be pushed into accepting formal relations. M. Sekou Touré, Guinea's prime minister, says he has sent friendly letters and telegrams to Paris, without reply. He held back word of Ghana's and Liberia's recognition in hopes that France would be the first to give him its hand. He spoke frequently of his wish to stay within the franc zone (now he is beginning to talk of the sterling area). He has wanted France to introduce him to the United Nations as Britain sponsored Ghana. So far the general has been slow to take a hint.

Strictly speaking, General de Gaulle might argue that recognition should not precede the formal handing-over of sovereignty by France. It is plain, too, that he has been under pressure from the African territories that voted *oui* in September not to show any preference to the solitary *non.* But it will be two months before the new French Community (replacing the colonial ties of the French Union) comes into being. The letter of the law is not enough in dealing with young nations. British and American recognition became inevitable once the Soviet block, and neutrals like Sweden, had acted. French policy now seems intent on pressing M. Sekou Touré into Dr

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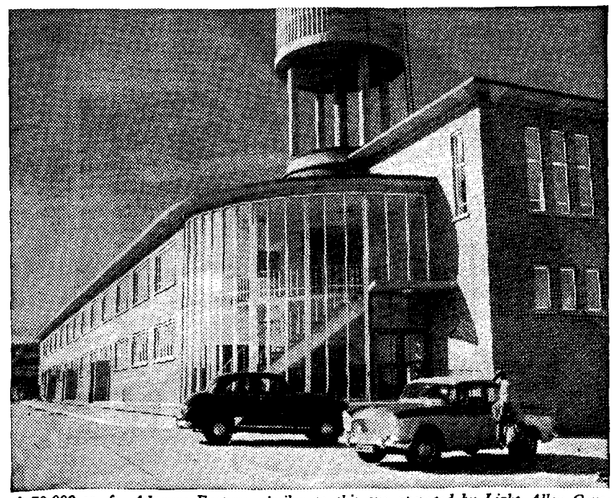

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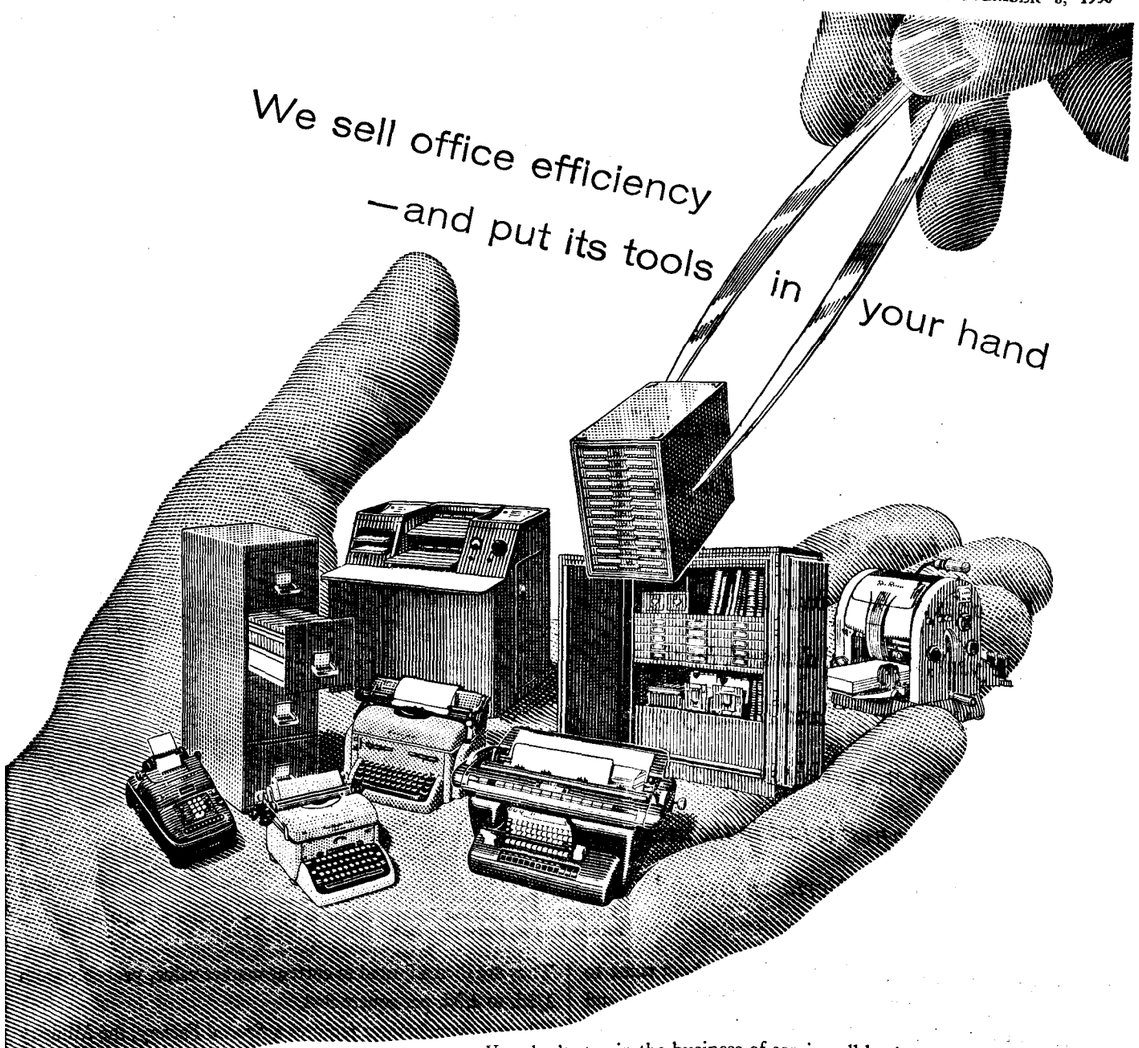

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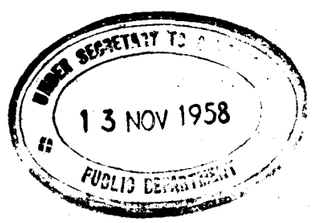

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Nkrumah's arms. It is a poor start for the idea of association which appears in the Gaullist constitution—an idea meant, as it seems, for Moroccans and Tunisians, not for impatient lesser breeds.

EDUCATION

More for the Teachers?

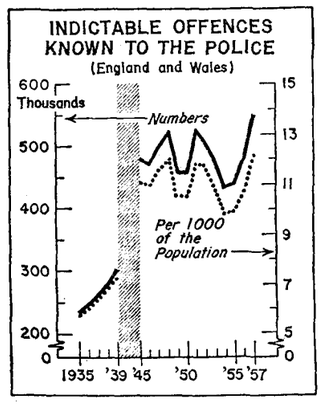
THE recommendation of the main Burnham committee that teachers' salaries should be raised by five per cent from January 9th follows the earlier concession to Scottish teachers of a five per cent increase on their (differently calculated) basic scales. In England and Wales it is now proposed that the increase shall be upon total earnings—i.e., inclusive of all allowances for special merit or responsibility. While the minimum goes up from £475 to £498, a graduate assistant master, for example, may go up from £1,100 to £1,155. In this way, the structure of special allowances, which help to draw teachers into the most needed sectors of the educational service, will be preserved. In the ordinary way, the recommendation, which now has to be referred back to the constituent bodies of the Burnham committee, would be automatically approved, and would then be agreed by the minister. But on this occasion there are complicating factors. The teachers regard this increase as a simple cost-of-living adjustment following their last award in 1956. But in 1960 the whole structure of teaching salaries and the adequacy of special and responsibility allowances in relation to professional salaries generally is to be reviewed under the agreement made with the minister in 1956; this is tantamount to saying that negotiations for an increase, and a substantial one, will begin next year. The teachers are putting forward £600-£1,200 as the minimum scale. But many local education authorities will be loth to concede an increase in 1959 which is to be followed by a further increase in 1960. Though the block grant would be increased to take account of such an increase in the cost of educational services, the local authorities apparently fear that rates would be affected too—and possibly the claims of their other employees for higher wages. It would be unprecedented for a Burnham recommendation to be turned down—but perhaps the teachers ought to keep their fingers crossed this time.

CRIME

Incidence, Causes and Cure

THE only thing that is certain about crime is that very little is certain. One of the things that distinguished last week's Commons debate from the many other discussions on the subject, in and out of Parliament, was the lack of dogmatism with which most speakers put forward their views. Perhaps the more tentative approach dates from Lord Pakenham's report on the causes of crime that was published earlier this year (*Weidenfeld and Nicolson*, 21s.), in particular the letter he quoted from the Home Office's statistical adviser, which pointed out the serious flaws in the official compilation of the amount of crime. Thus, the figures given by Mr Butler in the debate, and those charted in the accompanying diagram, have to be looked at in the knowledge that they are based on the offences that are reported to each separate local police force. A change in the public attitude to crime, and in particular to various sorts of crimes and to certain classes of criminals, can easily result in more or less crime being reported and consequently being returned in the official statistics.

But if it is assumed that there has been a real increase in the last three years—of which there appears little doubt—the causes are as unclear as the amount of it. As Lord Pakenham pointed out in his report, and as Sir George Benson affirmed last week, it is all largely a matter of untested opinion. The most promising feature of the debate was the emphasis on the need for research and Mr Butler's references both to the establishment of the new research unit in the Home Office and to the proposed Institute of Criminology at Cambridge, whose work, he said, would provide a vital basis for official policy regarding crime.



It is not, of course, merely a matter of assessing the relative importance of this or that factor in determining a criminal act. Even more urgent, especially since the rising trend of convictions will, if not reversed, soon strain the prisons and borstals to breaking point, is the need to assess the relative success of this or that method of dealing with the convicted. If research could help to pick out the minority of recidivists among first offenders (20 per cent according to Sir George Benson), the task of the prison service would be greatly eased.

TELEVISION

Triple View

THE time is rapidly approaching when the large profits now being realised by commercial television companies—Associated Rediffusion announced one of £5 million last week—will cease to seem just compensation for the heavy risks and losses of the early days and will begin to look like the highly questionable fruits of monopoly. The best way to disperse this embarrassing surplus, as the latest pamphlet produced by the PEP organisation* convincingly argues, is to end the monopoly which each company has at any one time in its area. It is becoming increasingly obvious that the third channel, which is now being considered together with colour television by the Postmaster-General's Television Advisory Committee, should go to commercial stations.

This may seem hard on the BBC, which has plans for using the extra channel for cultural and minority programmes. But there seems no point in spending public money to split up the BBC's 30 per cent segment of the audience when there is advertising money in plenty to bifurcate commercial television's 70 per cent. Furthermore, if millions of people are going to stare glassy-eyed at their screens for hours it is much better that what they

* "Prospects for Television." Published by Political and Economic Planning. 32 pages. 3s. 6d.

see should come from as many different sources as possible. This is even more true of current affairs programmes than of anything else. There is room for at least two independent news companies competing against each other as well as against the BBC, and with a greater share of choice time on which to present regular features as well as news.

Britain should not, of course, stop at three television channels. Local television stations, which would cost about £15,000 to build, should be encouraged—they might for one thing counteract television's present tendency to kill interest in local politics even deader than before. There should certainly be a channel for educational instruction and minority interests, either run entirely by the BBC or in partnership with universities, foundations, and other suitable interests. The way should certainly be left open for first-run films and major sports events (and some expensive minority programmes, like opera) to be shown at home on the pay-as-you-view principle. The only way to make these things possible is to switch British television from very high frequency wavelengths, where only three channels are feasible, to ultra high frequency, where there would be hardly any technical limit. It might be worthwhile, in order to foster exports of programmes, to use the occasion to switch also from 405 line transmissions to the 625 line standard that is more usual in Europe and the Commonwealth. Since such changes would be expensive and would take a number of years to complete, they should be fully discussed without delay.

CYPRUS

Post Mortem

In their statements in the House of Commons, Mr Macmillan and Mr Selwyn Lloyd have shown a studied forbearance in the face of the Greek government's refusal to attend M. Spaak's conference on Cyprus; they are still hoping for second thoughts in Athens, no doubt after the Greek government has done its best at the United Nations, and are rightly anxious to keep open every chance that there may, after all, be a conference in the end. They could have been excused for being more tart than they were, especially after the statements that have been published in Athens on the Nato negotiations. The misrepresentations that these contain suggest that the Greek government has had trouble in justifying its action to itself. It is, for instance, not true that either M. Spaak or the Nato council "recommended" that the British plan should be postponed; M. Spaak considered the possibility but recognised that it would be difficult. Nor is it true to say that the British Government "turned down" the amendments to its seven-year plan that M. Spaak put forward on September 24th; on the contrary, it agreed that they and any other proposed modifications should be considered at the conference.

In short, on the evidence set out in the British White Paper and in Mr Selwyn Lloyd's statement to the Commons on October 30th, the Greek charge of "incomprehensible and unacceptable intransigence" by the British Government does not hold water. (That Britain's ultimate intentions remain unduly obscure is another matter.) The Government may have made a tactical mistake in not paying more attention to Archbishop Makarios's offer to renounce union with Greece in favour of independence; he is believed to have been much piqued by the omission. But apart from this, and short of giving in to all the Greek demands before even the conference met, it is hard to see what more could have been done, by anyone except the Greeks, to bring a conference about.

ITALY

Faction and Near-Fission

While most eyes in Rome have been fixed on the election and coronation of a new Pope, the political dovecotes have been in a fine flutter. The Christian Democrats have been much agitated by the latest twist in the convolutions of Sicilian politics. The newly elected Christian Democrat chief minister in Palermo, Signor Milazzo, was asked by his party leaders in Rome to resign his office—apparently because of the undesirable left and right-wing support which he had attracted. When he refused he was expelled from the party. Unbowed by this blow, however, he proceeded last weekend to form a new Sicilian administration supported by an unholy alliance of the extreme left and the extreme right, plus a few dissident Christian Democrats. For the first time the Christian Democrats, who form the largest party in the Sicilian assembly, find themselves in opposition there.

Not unnaturally there have been unpleasant repercussions for Signor Fanfani; no doubt they have been heightened by his opponents within his own party, who will beat him with any stick that comes to hand. His situation has not been made any easier by Signor Andreotti, who, although minister of finance in the present coalition government, has seen fit to publish an article strongly advocating a return to a "*monocolore*" Christian Democrat government; there are various interpretations in Rome of Signor Andreotti's motives.

These signs of fission within the Christian Democrat party have been matched by a near-split among the Socialists. At a central committee discussion on the proposals to be put before the party congress next January, Signor Nenni came out more strongly than ever before in favour of complete independence from the Communists. He was soundly defeated by the pro-Communists, but when he immediately offered to resign as secretary all the factions united in begging him to stay on until the congress. Signor Nenni's personal prestige among the rank and file of his party is so great that even his opponents fear the consequences of letting him go. Whether he will be able to draw sufficiently on this support to get his way in January remains to be seen. If he does, he will have paved the way for union with the Saragat Socialists and for a real loosening of the present logjam in Italian politics. The latest signs of instability within the Christian Democrat party suggest that this would be a desirable development.

POLAND AND NORWAY

Rapacki Revised

While Mr Gomulka and his delegation are still travelling and making speeches in the Soviet Union, the Polish foreign minister, Mr Rapacki, has been visiting Norway. In some quarters in Oslo the invitation issued to him seems to have been construed as a kind of tacit recognition by Mr Halvard Lange, the Norwegian foreign

minister, of the "Rapacki plan" for a "denuclearised" zone in central Europe. But no mention was made of the plan in the joint communiqué issued at the end of the visit; this dwelt on the prospect of co-operation in the cultural, economic and other fields, and on continued contacts between the two countries, including a return visit to Warsaw by Mr Lange next year.

Mr Rapacki made several speeches in Oslo in which he was less reticent than this. He spoke of initiating further exchanges between individual Nato countries and members of the Warsaw pact, and of "putting into practice the principle of co-existence in a particular geographical territory." He emphasised the dangers of nuclear war, with special reference to the equipping of the west German army with atomic weapons, and gave repeated assurances that Russia would not use these weapons in the "Rapacki zone" if the West gave the same undertaking.

More significantly, he recurred, in each of his major speeches, to the question of reducing conventional forces, which was barely touched upon in the original version of the Rapacki plan. The Norwegians' reaction to his public and private suggestions was characteristically cautious—and it was his misfortune that Scandinavian attention was largely focused, at the time of his visit, on the Nobel prize awards and the plight of Mr Pasternak—but evidently Mr Rapacki was sufficiently encouraged to make public, after returning to Warsaw, the revised version of his proposals which is discussed in a leading article on page 481. While the Polish communists' direct interest in canvassing proposals of this kind is obvious enough, it is also clear that they could not be making them without Soviet approval. In Leningrad on Monday Mr Khrushchev assured his Polish visitors that "there are no issues that divide us, none on which we hold views different from those of our Polish comrades."

PLANNING BILL

Urban Face-Lifting

It is not surprising that the new Town and Country Planning Bill should have some defects of its virtues. A detailed study of the bill suggests that one possible consequence which will need watching is its effect upon the "comprehensive redevelopment" scheme of local authorities. These are essentially of two kinds. First, there are the large social projects that are rapidly transforming such areas as the East End of London and the large slum cores of many industrial towns. The tightly packed little rows of slum dwellings are giving way to hygienic (if often dull) blocks of flats, set in little oases of green; cramped Victorian schools are scrapped for glass academies; and grimy workshops for flatted factories. The danger is not that the process will be stopped, but that it will become more of a purely housing operation, with dwellings crammed into the minimum space at the maximum density.

Secondly, there are the plans for reshaping business, shopping, and civic centres. Many towns, including a number which are being developed with public money under the Town Development Act, are rapidly outgrowing their ancient centres. As with the new towns, the rise in values in these central areas could help (and help legitimately) to pay for the cost of public improvements. Unfortunately, the local authorities concerned are often too small and timid to take their opportunity and may find values rising steeply against them. The new bill meets this point only to the extent of promising town development authorities that they will be allowed to acquire land up to ten years in advance of requirements. There is a case for giving more positive encouragement for advance acquisition by rapidly growing authorities who can then lease sites to private developers; but as a corollary the Minister must be watchful to prevent local authorities from using planning control to choke off all rival developments in favour of their own investments.

In the future, however, the problem areas for urban renewal are likely to be neither the slums (which the local authorities are steadily clearing) nor the city centres (where spontaneous growth is certain), but the vast stretches of semi-obsolete Victorian property. On present trends, these areas will be consigned to further decay until the local authorities come to tackle them in their next major bout of slum clearance around 1975 or so. If so, this will be a wasteful use of urban resources. Much could be done in the near future to rehabilitate these areas by a judicious mixture of public improvements and private schemes for the renewal, conversion, and in some cases replacement of existing premises. Unfortunately, there are no private landlords or public agencies now willing and able to tackle this huge task in an effective way. Now that new housing may be expected gradually to tail off, it is time for Mr Brooke to propose some policy for these areas before Labour steps in and municipalises the lot.

POTATOES

Cuckoo in the Nest

"I kill my thistles, weed out docks, and spray for potato blight," said the bucolically outspoken Mr Jack Merricks a short while ago, "Wherever I find a pest I fight against it, and that applies to the Potato Marketing Board." Last week Mr Merricks, still advocating this admirable policy of mayhem, was elected to the board himself, to the board's intense alarm. His election is not only a remarkable personal achievement, but an interesting pointer to possible changes in the whole climate of farming opinion. Since the inception of marketing boards, the official candidates of the National Farmers' Union have hitherto regularly won almost automatic election to them. The one exception has been the minor postwar Tomato and Cucumber Board, whose precarious existence is continually threatened by the efforts of "abolitionists." Now the blight—for such it must seem to union headquarters—has spread to one of the oldest and most important of the various boards. Three years ago, Mr Merricks lost his deposit. Now he has squeezed home as a special member, on a 17.4 per cent poll of the 62,000 registered producers, just ahead of the board's former chairman, Mr Williams, who loses his seat and chair.

The implications of his unexpected success should not, of course, be exaggerated; it is not unknown for extremists to be elected to other bodies on relatively small polls. It is likely that relatively few farmers share Mr Merricks's distaste for all forms of state-backed organised marketing. His election, like the complaints now pouring in about the egg' board's lush new London headquarters, probably owes most to the countryman's perennial suspicion of administrative extravagance and bumbling. In the case of the potato board he could point to quite a lot of

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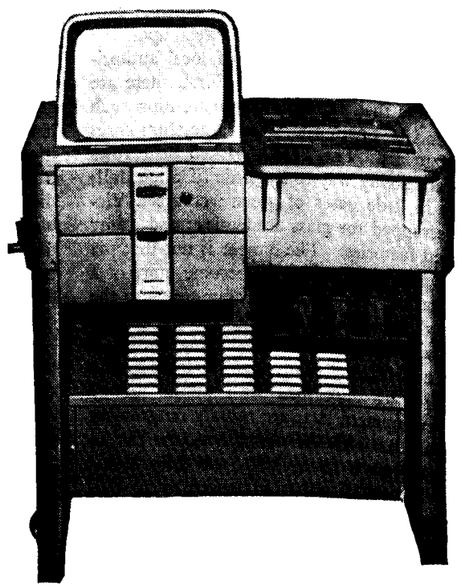


evidence for the existence of these evils, although the board can fairly complain that many potato farmers do not seem to realise that most of its large levy on them (£1 an acre) is needed to provide the growers' 5 per cent contribution to the cost of supporting their guarantee price—a contribution which in itself is far from excessive.

NEVERTHELESS, Mr Merricks's election comes at a significant moment in the potato board's history. The Government (like Mr Merricks) has wearied of the costs and inefficiency of the present method of supporting potato prices and has decided instead to pay the board an annual subsidy which, it appears (although the details are still unknown), can be expended wholly as the board sees fit. The board was given at the same time a strong hint to keep down the cost of this subsidy; and it has responded to this in the worst possible way—by introducing acreage quotas for the coming year so as to limit production. Mr Merricks, who has strongly and properly criticised acreage quotas for their effect upon good husbandry and efficient farming, thus appears on the scene at a time when the board is getting, seemingly by the Government's own choice, an unprecedented degree of discretion over both subsidies and production. His wholly delightful election should serve as an omen to Mr Hare to think a good deal more carefully about marketing boards in general and the potato marketing board in particular.

CUBA

Bullets at the Ballot

ABOUT half of Cuba's eligible voters went to the polls on Monday and elected Dr Rivero Aguero as president in succession to General Batista, who had picked him for the job. One of the four remaining autocracies in Latin America has thus gone through one of the forms of democracy, but without leaving much to chance. Although strict censorship obscured the proceedings, soldiers were much in evidence around the polling booths; and the elections came after two years of suppressed civil war during which the constitutional rights of the individual have been subordinate to the self-perpetuating wishes of the authorities.



The opposition in Cuba has not yet found its leader. Señor Fidel Castro, who leads the rebels, has managed to maintain himself against the largest and best-equipped army in the Caribbean, and appears to be extending his field of operations from the mountains of Sierra Maestra as far west as Las Villas province. He did his best to disrupt the elections; all congressional candidates were threatened, and some were murdered; communication systems were blown up, and—a spectacular gesture that failed tragically—a Viscount flying between Miami and Havana last Saturday was seized in the air, and crashed. But without the support of the powerful trade unions, who have not decided to trust him, Fidel Castro cannot overturn the regime. He may in the end be supplanted by his younger brother, Raul, who is less of a weathercock. Instead of trying to please everyone, Raul Castro concentrates on the plantation workers in Oriente province, where he commands a rebel force, and is openly anti-clerical and anti-American. He is reported to be doing well.

BRITAIN has become involved in the situation through Hawker Siddeley's sale of 17 old-fashioned fighter aircraft to President Batista. The official attitude in London is that the dissensions in Cuba are no reason for refusing arms to a legitimate government. This bland decision has enraged the rebels and roused criticism elsewhere in Latin America, where it is contrasted with the present American refusal to supply arms to either side. Fidel Castro has denounced Britain as an enemy and threatened to destroy or expropriate British property. His warning comes at a time when the British investment in Cuba is being extended. A consortium of British firms (including, again, the Hawker Siddeley group) has just pledged itself to a quarter share in the creation of a small dockyard near Havana, a pilot scheme that may lead to a much bigger shipbuilding installation. The promoters have gone ahead in the belief that, whoever rules in Cuba, the economic needs of the island will ensure the continuance of the scheme; they are, however, taking a risk.

The Economist

NOVEMBER 6, 1858

NO TRASH FOR JAPAN

The peaceful but enterprising *coup de main* by which Lord Elgin has gained for England and English commerce access to the densely-populated islands of Japan, will be rightly regarded as not less brilliant, if less immediately important, than that which enabled him to conclude the treaty of Tien-sin. The products and manufactures of Japan have hitherto been almost limited to the soil of the islands where they have been produced; or, at best, have been only permitted to trickle in thin streams into Europe through the close network of the restrictive Dutch tariff. According to the *North China Mail*, these Dutch restrictions have at least amounted to a thirty-five per cent duty,—and, moreover, even this indirect trade through the Dutch settlement of Nagasaki was strictly limited in many respects by the Japanese Government. Now, however, our exports and imports may in future be direct from the five ports to be opened by the new treaty,—and only a five per cent export duty is to be charged, except on a few prohibited articles. Even the 20 per cent import duty is not large, if it be true that there are no tonnage or other dues,—and it is stated that certain excepted English manufactures, including cotton and woollen goods, are to be admitted at a five per cent duty only. If this be so, more favourable terms for England could scarcely have been made, and . . . it is not unreasonable to suppose that a new and important development to our commerce will take place as a result of the Japan treaty . . . . The remarkable interest attaching to this new intercourse with Japan arises from the fact that the Japanese appear to be, not, like the Chinese, a stationary and inflexibly conservative people, but eager to adopt all the new inventions of Western art and science. . . . Clearly this is not a people whom our merchants should try to tempt with the sort of trash which is so frequently shipped speculatively to a new market,—the kind of "colonial" goods that are made for sale, but not for use. We shall only defeat our own purposes, if we adopt the frequent but not very creditable practice of sending showy shams to the Japanese; and we shall, moreover, destroy the credit of England with a people of apparently unsurpassed frugality and simplicity.

LETTERS

Films for Television

SIR—A fair inference to be drawn from the note "Ealing on the Little Screen" in your issue of October 25th is that we, as executives of Ealing Films Limited, had been rather less than frank, to say the least, in the statements which we made on the negotiations between Ealing and ABC Television for the showing on television of ninety-five old Ealing films. Any such inference would in fact be wrong. The statements we made were to the effect that a deal had been done but not signed, and they constituted in our opinion an accurate description of the position existing last autumn and winter. We believed then, as we still do, and our view is confirmed by legal advice we have obtained, that no legally binding agreement was ever entered into between Ealing and ABC Television.

We understand that ABC Television on the other hand are equally firmly convinced—supported also by legal advice—that a binding and enforceable agreement did exist. Whether their or our view is in fact correct is irrelevant to the point of this letter, which is to emphasise that our statements were issued in complete good faith and strictly in accordance with our understanding of the actual position, whereas your article, no doubt inadvertently, conveys the opposite impression.—Yours faithfully,

R. P. BAKER
MICHAEL BALCON

Ealing Films, London, W.5

Ghana

SIR—Your note, "Constitutional Exercises" in your issue of October 4th gives the impression that the Government's ban on the Ghana Opposition's rallies is a justified riposte to the Opposition's decision to boycott the regional elections because it fears to lose. That there exists such a fear cannot be denied. (After all, serious allegations of manipulations of the ballot by the Government have been made by the Opposition.) But I seek to prove in this letter that the Opposition's decision is perfectly defensible on constitutional grounds.

What the Opposition has done is to challenge the legality of the Government's action in the courts, and to refuse to participate in elections which ought not to be held until the court pronounces on their validity.

The almost insoluble impasse which preceded the granting of independence was overcome by Mr Lennox Boyd's compromise constitutional proposals which were accepted by all the parties in Ghana. Section 28 of his proposals mentions certain specific powers such as police, local government and "such other matters as the Parliament of Ghana may from time to time determine" over which the regional assemblies shall have authority to such an extent as may be prescribed by Act of Parliament.

By Section 31, the regional commissioners' report "shall be presented to the Parliament of Ghana within 9 months and as soon as may be thereafter a bill is to be introduced to give effect to its recommendations."

Under Section 48 the consent of a regional assembly is required before Parliament can suspend, abolish, or diminish its functions.

Section 49 states that "the interim regional assemblies shall not be competent to perform the functions ascribed to regional assemblies in the preceding paragraph."

All these sections have been incorporated into the present Ghana constitution. Taking them together, they mean that while the interim assemblies shall exercise the powers agreed upon following the recommendations of the regional commission, they shall not be capable of assenting to a bill to abolish, suspend or diminish those powers. The maintenance of the regional assemblies' powers is the point which the Opposition has stood firmly upon, and why it regards the Government's "some modification to their powers" (to use your words) as a complete violation of the constitution which enshrines the basic agreement under which independent Ghana came into being.

A government which had nothing to lose would not have proceeded with the plans to hold the elections until after this highly constitutional issue had been decided by the courts.

So you see, Sir, it is not the Opposition of Ghana, but the Government, which has lost faith in the uses of constitutional methods. It is the Government which, by its actions, seems to hold the view that the existence of a constitutional Opposition is not "the African way of doing things."—Yours faithfully,

BRODIE-MENDS

London, S.W.1

Hire Purchase Loans

SIR—May I point out that in your note, "A Tax Loophole?", last week, you would not appear to have fully understood our method of motor vehicle finance and the operation of our new form of hire-purchase agreement?

The amount returnable to the customer is *not* income tax—it is a portion of a hire charge with which the Inland Revenue is not concerned. This has to be charged in the first instance for technical reasons; though interest is payable at a *net* rate "after deduction of income tax at the rate in force for the time being," it has to be tabulated and described in gross terms—we cannot tell those who are planning future requirements what the standard rate of income tax will be. This interest, in the opinion of counsel, falls within the definition of yearly interest and the customer's right to deduct income tax arises under Section 169 of the Income Tax Act, 1952; he is not concerned with tax recovery (though he can claim relief from surtax) but if he does not pay income tax at the full standard rate will account to the Revenue for the difference through his own computation.

It is incorrect to say that "the company believes itself to be in the same position as an investment trust receiving franked income"; it is a finance company and its claim arises under Section 341.—Yours faithfully,

A. BLACKBURN

Carsavers Limited,
London, S.W.1

Covent Garden

SIR—I would like to comment on one or two of your remarks about Covent Garden in your issue of October 25th.

When we re-opened the Royal Opera House after the war in 1946 the Gallery cost 2s. 6d. Now as you say it costs 6s., but on many opera occasions during the season it costs either 8s. 6d. or 10s.; stalls which were 16s. when we opened in 1946 are 24s. today with many performances at £2 12s. 6d. or three guineas.

It is not true that the Royal Opera House is sold out for most performances. It is true that for certain ballet and opera performances the average paying audience amounts to well over 90 per cent of capacity (including the most expensive opera performances): the average audience all the year round is 75 per cent capacity, and while this is a good average it does mean that there are often seats for sale in both ballet and opera performances.—Yours faithfully,

DAVID WEBSTER

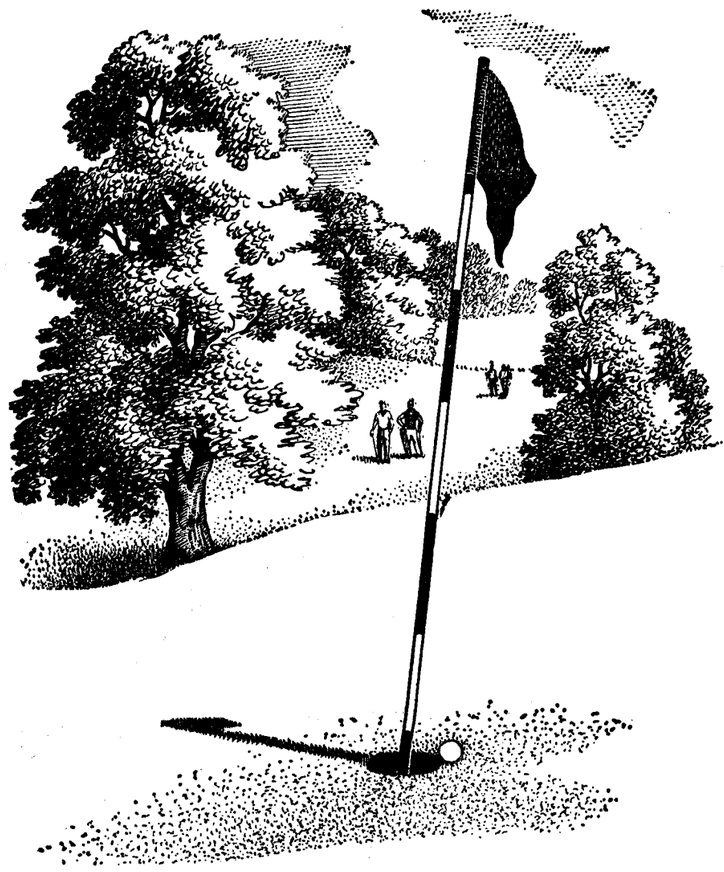
Covent Garden, London, W.C.2

Broadcasts to Europe

SIR—Your survey is most timely. Although the main energies of the communists are directed to the prevention of British and American broadcasts reaching eastern Europe, other stations from other quarters of the world are experiencing similar treatment.

The Yiddish broadcasts of Kol Zion Lagolah (the Voice of Zion) which are sent out nightly from Jerusalem are also victims of this pernicious treatment; thus the Jews of Eastern Europe are deprived of any possibility of cultural interchange with, and news of, their brethren in other regions. Just what are the Russians frightened of?—Yours faithfully,

MONTY SCHAFFER,
(London Correspondent)
Kol Zion Lagolah



IT WAS TOUCH AND GO all afternoon but frankly you've never played the last hole better—and now the match is all but won. One of those little, unexpected, joyful triumphs of life that will call for a celebration—a White Horse of course.



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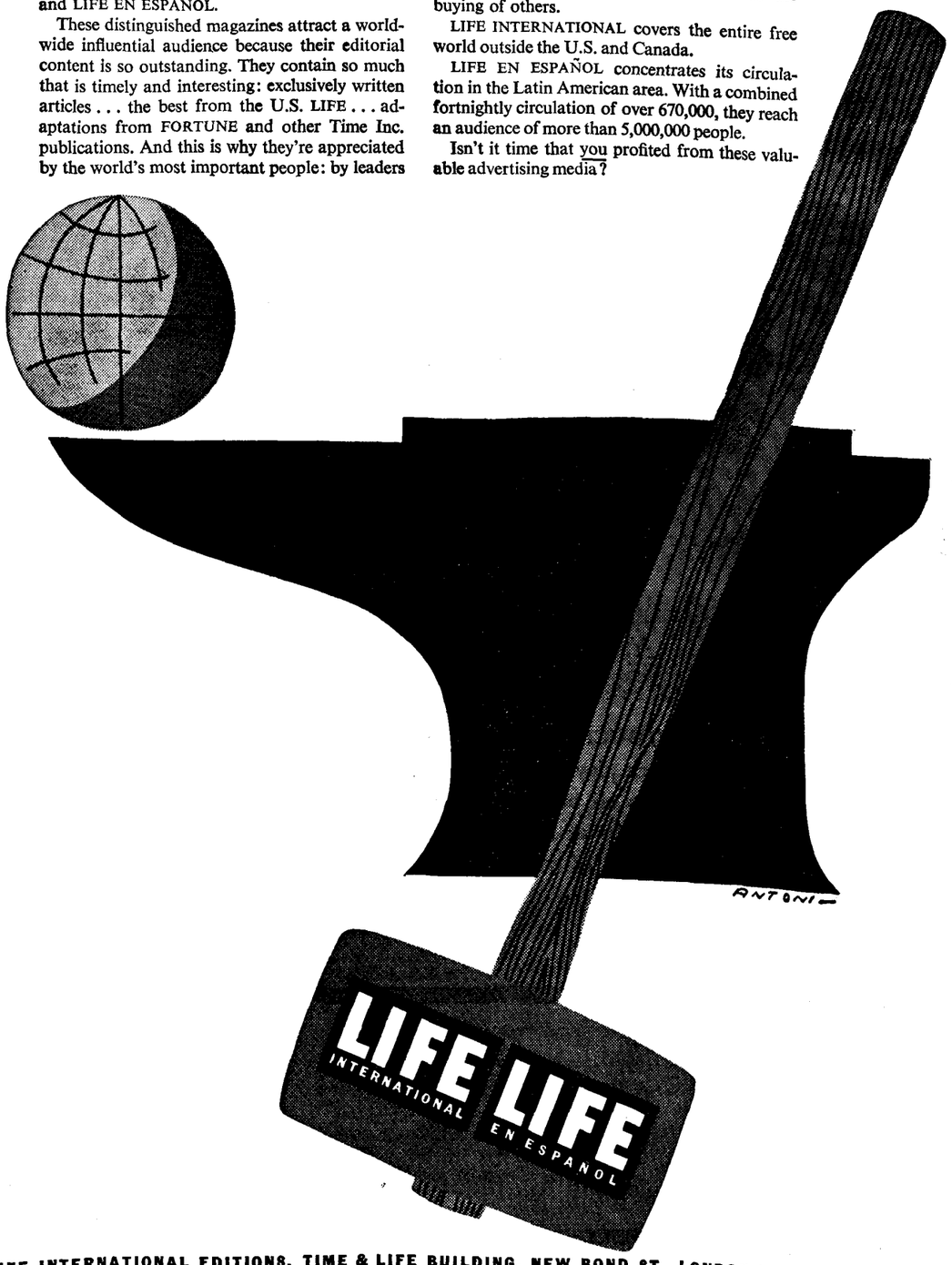

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AMERICAN SURVEY

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

Victory without a Mandate

WASHINGTON, DC

To the imprecise questions that were put to them, the American voters—or the half of them who bothered to go to the polls—have given an appropriate reply, loud but not clear. The substantial Democratic gains in the House of Representatives, where the party seems likely to have a majority of 128, and the bigger ones in the Senate, where it has fallen only a little short of two-thirds of the total membership, constitute a stinging rebuke to the Republican strategists who decided to wage a right-wing campaign and to portray the Democrats as a set of diabolical radicals. But the rebuke for the losers is a good deal plainer than the mandate for the victors. Only those who misunderstand the issues which largely decided the election will construe the result as an invitation to the Democrats in Congress to set themselves up as "a rival government" to the White House in the next two years. The size of the Democratic majorities may blunt the party's skill at getting along with a President of the opposite party, but it is unlikely to destroy it altogether.

In spite of the improvement in the latest unemployment statistics, which the Department of Commerce brought out with indecent haste just in time for the election, the economic recession took its expected toll of Republicans. Four of their senatorial candidates went down to defeat in three hard-hit states along the Ohio River—Ohio, Indiana and West Virginia—where the party also lost 10 out of 28 seats in the House of Representatives. The same issue undoubtedly contributed to the heavy Democratic vote in the northern part of the middle west and in the industrial sections of New England. The discontent of farmers with the courageous policy of Mr Ezra Benson, the Secretary of Agriculture, was the other economic disturbance that sent Republican incumbents flying like ninepins in the rural centre of the country. In both cases the Democrats have reaped the fruits of opposition; but they would be unwise to confuse this negative kind of victory with support for a positive programme of social reform which, in any case, most of them outlined only hazily in the course of the campaign.

One of the most striking things about Tuesday's vote was the crumbling of the two surviving strongholds of Republicanism in New England and the middle west. This was caused partly by local economic troubles, but also by deeper changes in the political structure of the two regions. Industry is growing in both areas; the cities are expanding at the expense of the countryside; the century-old loyalty to the Republican party that grew out of the Civil War is beginning to wither. The Democrats in New England, helped by Governor Ribicoff's demonstration in Connecticut that a Governor's coat tails can be as strong as a President's—he hauled a Senator and all six candidates for the House of Representatives into office with him—have won a majority of the region's congressional seats for the first time in a century, and have even violated Vermont's ancient Republican chastity. In the middle west, at least seven of the nine governorships at stake this year have gone to the Democrats. These two areas alone account for 30 of the 46 extra seats the Democrats have picked up in the Lower House. The moral is dismal for the Republicans: while their own toehold in the south has been shrunk by the loss of a seat in Kentucky, the Democrats have moved massively into the regions which history has hitherto denied to them.

The two parts of the country where the Republicans have fared less badly than they feared are the central Atlantic seaboard and the far west. They have held on to Senate seats in New York, Pennsylvania and Maryland which most

1958 Election Results

(figures in brackets indicate previous position)

The Senate

Democrats 62 (49)
Republicans 34 (47)

In these races for 34 seats, the Democrats made gains in California, Connecticut, Indiana, Maine (in September), Michigan, Minnesota, Nevada, New Jersey, Ohio, Utah, West Virginia (two) and Wyoming. Two more seats are at stake in Alaska later this month; they will bring the membership of the Senate to 98. Not counting them, the Democrats have a majority of 28, compared with one of 2 in the last Congress.

The House of Representatives

Democrats 281 (235)
Republicans 153 (200)
Independent Segregationist 1

There may be small changes in these totals when the count is complete; at present the Democrats seem to have a majority of 128 in the new House.

State Governors

Democrats 34 (29)
Republicans 14 (19)

Twenty Democratic governorships were at stake and 14 Republican, including Alaska, which has not voted; the results are not absolutely final, but Democratic gains are reported from California, Ohio, Maryland, Nebraska, Nevada, New Mexico, South Dakota, Wisconsin and Wyoming; Republican gains in Arizona, New York, Oregon and Rhode Island.

observers thought they would lose; and their joy at Mr Rockefeller's capture of the New York governorship is undimmed by the fact than he ran a most un-Republican campaign. On the other side of the country they have unseated Democratic Governors in Oregon and Arizona, and have done unexpectedly well to cling on to their congressional holdings in both these states and in Washington.

IT is instructive to see what kind of Republican candidate has been able to lead these fragments of the party through to safety. While the right-wingers like Messrs Knowland and Handley in California and Indiana, and Senator Bricker in Ohio, were being engulfed by the tide, men of markedly liberal outlook like Mr Rockefeller, Mr Hatfield in Oregon and Mr Scott in Pennsylvania were breasting it. The only major exception is Senator Goldwater in Arizona; and his success is probably explained by his opponent's unintelligent campaign and by the immigration of middle-class, anti-union voters into the state.

Indeed, if the outcome of the recession and of the farmers' unrest was more of a "no" vote against the Republicans than a "yes" vote for a Democratic programme, the Democrats can console themselves that at least the question of trade union powers got a clear-cut answer. "Right-to-work" measures, which forbid contracts requiring workers to join unions, were rejected in five of the six states where they were put to the test, only rustic Kansas giving its somewhat academic approval; and most of the Republicans who tried to use Mr James Hoffa as a stick with which to beat the entire union movement have been despatched into the outer darkness.

All of this will be reflected in the politics of the next two years. The centre of gravity of the Democrats in Congress has shifted towards the liberal wing, and doubtless the party's middle-of-the-road leaders will move part of the way with it; Mr Lyndon Johnson, the Senate leader, in particular, shares Mr Richard Nixon's knack of taking on a protective colouring from the scenery around him. Any legislation affecting the trade unions that is passed by the next Congress is unlikely to be more stringent than the Kennedy-Ives Bill which failed this summer. There will also be proposals for the extension of federal activity in a number of fields, not all of which are unacceptable to moderate Republicans: in school building, in slum clearance, in raising pensions for the old and the disabled. But two things are likely to limit the liberals' enthusiasm and to spare President Eisenhower the worst horrors of the nightmare he foresaw on Wednesday, a "Congress of spenders."

In the first place there are still enough Republicans, in combination with the southern Democrats, to form at times a conservative majority. The Democrats would have needed forty extra victories in the House of Representatives to be able to ignore their southern colleagues completely; and in any case not all the newcomers are unreservedly liberal. The conservative majority will be so thin that it cannot be used very often, but it will serve as a brake on occasion. In the second place, the issues which have won this election for the Democrats are not such as to destroy the belief which a great many observers hold, rightly or wrongly, that the mass of the American people still clings to a cautiously centrist position on "welfare state" issues and is still sensitive about large increases in federal expenditure. It may well be that the most savage battle of the next Congress will be fought, not on these subjects at all, but on civil rights measures designed to speed the process of racial integration in the tax-supported schools and to curb the senatorial privilege of filibuster, or talking a Bill to death.

But it is the Republicans who have been given most reason to reflect. Mr Nixon has seen one potential rival to his presidential ambitions, Mr Knowland, obliterated in California, only to watch another rise in New York, the one state where, for pesonal reasons, he must have least wished it. Even if Mr Rockefeller is speaking the truth when he modestly says he is not interested in the Presidency in 1960, the Republicans have gained a new centre of power on the left while losing one on the right. They can hardly ignore the moral: the right-wingers cannot claim that their policies might have saved the party when it is the right-wingers themselves who have done so conspicuously badly.

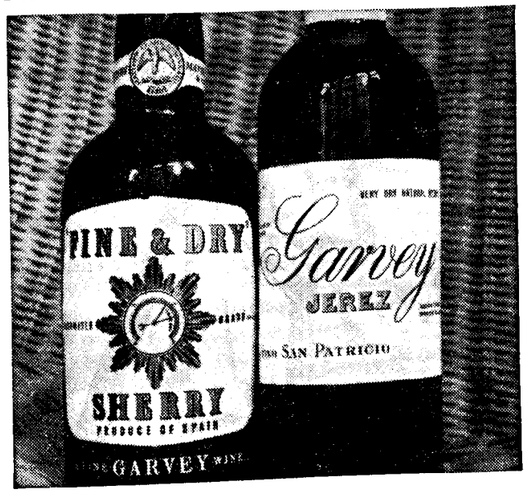
Some people believe that Mr Nixon will be driven by the emergence of Mr Rockefeller into becoming the spokesman of the old troglodyte, conservative wing of the party. This probably underestimates his political acumen. The relative success of Mr Rockefeller and those like him suggests that it is still possible for a liberal and personable Republican to put together the same kind of majority that Mr Eisenhower built in 1952. Whether he likes it or not, Mr Nixon is likely to find that the winds are blowing him on the same tack as New York's new Governor.

A Rockefeller Makes Good

NEW YORK, WEDNESDAY

To the uninitiated it came as a surprise last night when a grim little procession with a heavy gubernatorial police escort broke out of a corner bedroom on the second floor of the Biltmore Hotel, swept through a silent crowd of Democratic elite into a service lift and down to the floodlit music room below for Governor Harriman gracefully to concede that he had been defeated by his Republican opponent, Mr Nelson Rockefeller. The figures on the blackboard on the platform showed Mr Harriman still in the lead, it was only 10.45 in the evening and returns were far from complete. But early results come mainly from New York City, where any Democrat who is to win a statewide election must roll up a high majority to counteract the inevitably heavy Republican vote in the rest of the state. Mr Harriman was only just ahead and almost from the first experts had realised that he could not win. In the end, he was given only 300,000 more votes than Mr Rockefeller in the city, while Mr Rockefeller, helped by good weather which brought out rural Republicans, had a majority of nearly 900,000 outside it.

Confident, at least until the last weeks, that he would do well in the city which he had carried by 700,000 in 1954, Mr Harriman had concentrated his efforts upstate. But a different division of his labours might not have helped him much, for he remained a diffident, stiff, ineffective campaigner, while Mr Rockefeller's greatest asset was his energy and his ability to make himself liked everywhere. Mr Rockefeller's efficient operation may have appeared to be an advertising agent's dream, but in fact, unlike several other Republicans who have had political successes in recent years, he did not, it is said, put himself in the hands of any big public relations firm but ran his own campaign, stressing his independence even from leaders of his own



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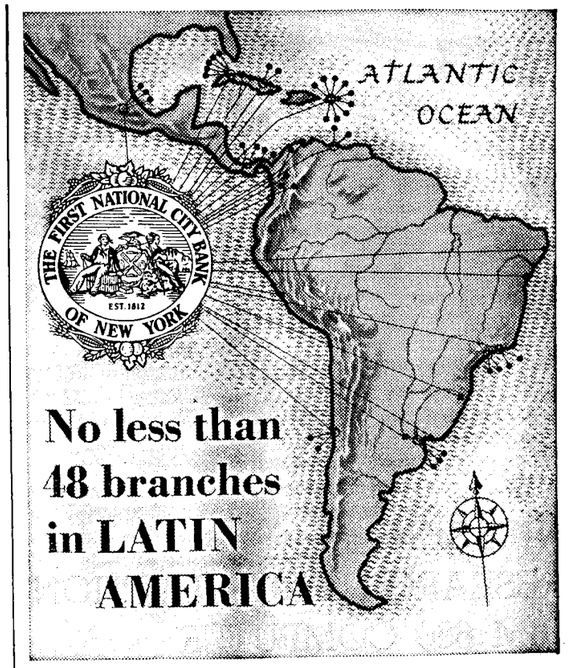

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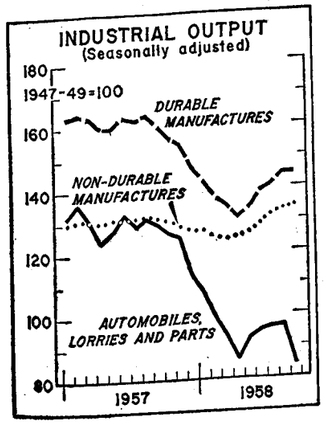
party. Whether or not the Democratic organisation worked as hard as it could for Mr Harriman, its achievements certainly left much to be desired and the weaknesses of the party machine in this state were once more made inescapably obvious. The machine was also responsible for Mr Harriman's defeat in a positive as well as a negative way. One big issue with which Mr Rockefeller rallied voters—there were few complaints about Governor Harriman's administration—was the "bossiness" with which Mr DeSapio, head of the Democratic organisation in New York City, had thrust an unwelcome choice of his own down Mr Harriman's throat as the party's candidate for the Senate vacancy.

Paradoxically, this candidate, Mr Hogan, the city's District Attorney, turned out to be an excellent and popular choice ; he might well have made a better Senator than the Republican, Mr Keating. But Mr Keating rode to victory on Mr Rockefeller's coat tails, although the Republicans did not make a clean sweep of the state. The Democrats added two seats to their strength in the House of Representatives and also made gains in the State Legislature—evidence that New York was not immune to the Democratic fever that swept the rest of the country. It is this running against the national trend which makes Mr Rockefeller's success so personally spectacular and Mr Harriman's defeat so ignominious. The Governor did not look as if he deserved so much humiliation as he bravely pulled on his inevitable battered broad-brimmed hat on the steps of the Biltmore last night and disappeared into the darkness, followed by his official family and their wives, many of them in shocked tears and most of them bedizened for the victory banquet which had preceded the slaughter.

Lift from Cars

THE automobile industry, which hotly denies the accusation that it ran over the boom last year with its big new models, has been, through no fault of its own, one of the last major industries to set out on the road to recovery. The local strikes which have impeded production were not finally settled until last week, opening the way for all of the three big producers to order full production. This is good news, not only for the unemployed in Michigan and Ohio, but also for the steel mills, the textile and rubber manufacturers, and the glass producers in other parts of the country.



It is estimated that in the last two months about 300,000 motor cars have been kept off the assembly line by a combination of an extended period of change-over to the new models and of labour troubles. This is one of the reasons why the recovery in the durable goods industries, which had so much further to climb back to their peak than the non-durable ones, is still lagging. In September the fall in the production of automobiles completely offset other gains in durable goods. Last month the output of cars had doubled, but it was still 20 per cent lower than it was in October, 1957.

The result is that the automobile dealers who report that the public is clamouring to buy the new cars, are, in many cases, in the tantalising position of having none to sell. There is other evidence to suggest that the manufacturers' hopes of selling 5.5 million cars in 1959 may not be too optimistic. Savings are up, debt incurred to buy automobiles is down, and disposable personal income (after taxes) is at a new all-time high. The real proof of the market, however, is in the selling ; the verdict will not be known until there is an ample supply of the new models, probably sometime in January. Until then manufacturers will tend to be cautious in their ordering and there will be reservations about the lift which Detroit can furnish the economy.

What is remarkable is the vigour and breadth of the recovery, even without benefit of full-scale operations in the automobile plants. The steel mills are operating at close to 75 per cent of their capacity, although they depend on orders from the automobile capital to keep them there for the rest of the year. And the figures on unemployment, which fell 300,000, to 3.8 million, in October, showed somewhat more improvement than even this normally good month usually provides.

Hail and Farewell

FAR and away the most lamentable result of Tuesday's election was the repudiation by the voters of Little Rock, Arkansas of Representative Brooks Hays, the president of the Southern Baptist Convention, and one of the finest examples of the southern moderate who is now being squeezed out as the race issue becomes more bitter. Mr Hays, who tried to act as mediator between Governor Faubus and the President last year, was officially unopposed, but a majority of voters punished him for his moderation by writing in on the ballot paper the name of Dr Clyde Alford, one of the leaders of the local White Citizens' Council. Otherwise the most noticeable effect of the election in terms of personalities is the removal from power of so many extreme right wing Republicans—Senator Jenner of Indiana, through his own retirement and the defeat of his hand-picked candidate for the succession ; Senator Malone of Nevada, one of the last of the uncompromising isolationists, toppled by Mr Channon, a young Democrat who also symbolises the revolt of Las Vegas against the political domination of Reno ; Senator Martin of Pennsylvania, who has retired and been succeeded by Mr Hugh Scott, another Republican, but one of the progressive Eisenhower brand ; and Senator Bricker of Ohio, who was defeated by a Democrat. Senator Knowland, although on many issues not as right-wing as these others, chose to represent himself as a conservative in his bid for the governorship of California and received a crushing setback.

As against these, only two fresh reactionaries have emerged to any prominence—Mr Robert Byrd, one of the two new Democratic Senators from West Virginia, a near-isolationist who was an out-and-out opponent of foreign aid on the House of Representatives' Foreign Affairs Committee, and Mr Wesley Powell, the new Republican Governor of New Hampshire, who is a violent polemicist

on the far right. On the other hand Senator Watkins of Utah, a conservative of the best kind who had suffered for his loyalty to President Eisenhower, failed to be re-elected largely because of the intervention, as an independent, of a former Republican Governor, Mr Bracken Lee, who occupies much the same position in the political spectrum as Mr Powell. Mr Watkins was one of the pillars of the informal "inner club" which keeps the Senate's intricate wheels turning; he made a brief but memorable impact on the outer world by his masterful handling of the committee which recommended censure of the late Senator McCarthy.

This has been a great year for "eggheads." Mr Hatfield, the new Republican Governor of Oregon, Mr Eugene McCarthy, the new Democratic Senator for Minnesota, and Mr McGee, the new Democratic Senator from Wyoming, are all former university dons. Two bright young men who at various times have worked for Mr Adlai Stevenson as his research assistants have been elected to the House of Representatives—Mr Ken Hechler from Hungtington, West Virginia, where he has been living only for the last two years, and Mr John Brademas, from the hard-hit industrial centre of South Bend, Indiana, who is a Rhodes Scholar and the first Greek-American to be elected to Congress.

Crack in Massive Resistance

FROM A CORRESPONDENT IN VIRGINIA

For the first time, Virginia's policy of "massive resistance" to the idea of mingling white and Negro children in the tax-supported schools has met with checks originating entirely within the state. The eight weeks during which schools in three communities have remained shut, at the Governor's command, in order to frustrate the directions of federal courts that Negroes must be admitted, have led both white parents and white teachers to disagree openly with the Governor, the state administration, and the political organisation of Senator Byrd, which controls it.

Ever since the schools were shut, the search for solutions has been at the mercy of conflicting efforts, cross purposes, and rumour. In Charlottesville, for example, where some 1,700 white children are affected by the closing of one white elementary school and the white high school (the Negro schools are all open) the desire of white parents not to have their children's education interrupted has led to the creation of three citizens' committees. One, which is fervently segregationist, is determined to organise a system of private schools from which Negroes would be excluded; another, which regards education as more important than the racial issue, is establishing temporary private classes until some final decision is taken on the reopening of the state schools; the third believes that Charlottesville should comply with the order of the federal court.

The first two groups have co-operated to open schools in places as diverse as Sunday schools and private basements; these are staffed by teachers from the state schools, who are regarded as "volunteers" even though their salaries are still paid by the state under their regular contracts. The governing bodies of the churches in the area have done much searching of soul over the problem of whether they should grant permission for their facilities to be used. The Episcopalians and the Presbyterians each have two churches in Charlottesville. The ones near the centre of the town have opened their doors; those near the University of Virginia have refused to do so. Last spring the General Assembly of the Southern Presbyterian Church declared that it would not be proper to allow church buildings to be used for schools designed to circumvent the ruling of the Supreme Court that racial segregation in the tax-supported schools is unconstitutional. Consultations are now going on over possible departures from this policy; and in Charlottesville it is emphasised that the permission to occupy Presbyterian facilities is purely a stop-gap measure.

The use of teachers from closed state schools also raises a host of difficulties. The judge of the Federal District Court which issued the order to the Charlottesville schools to admit Negro pupils has said that the teachers may not volunteer to teach in the private schools if these maintain a colour bar. The school authorities of Charlottesville assert, however, that the staff may continue to teach until the Negro students can show good cause for their admission to the private schools. After much negotiation, the citizens' group which is primarily interested in re-establishing classes of some sort issued a statement implying that the stop-gap schools would accept the Negro children whom the court had ordered to be admitted to the white schools, if they choose to apply. This, however, was received with some coolness by the teachers themselves, who do not want to endanger their contracts in a state governed by segregationists. The policy of the National Association for the Advancement of Coloured People, whose main aim is to have the state schools reopened without racial segregation, is that the Negro children should not seek to enter the emergency schools.

While the affected communities are humming with controversy, the state authorities have adopted a policy of inactivity; the Governor, Mr Almond, has cancelled successive press conferences. This week's election, at which Senator Byrd, the author of massive resistance, was returned to power for another six years, offered little inducement to the registering of a vote of protest. The Republicans are aware of how their political fortunes in the South have been prejudiced by the ruling of the Supreme Court, and Senator Byrd was opposed only by an independent, Mrs Wenzel, a woman doctor from the West, who has lived in the state for only four years.

On November 24th, the Supreme Court of Virginia, at the request of the state Attorney General, Mr Harrison, will rule on the validity of the laws under which the schools have been closed and the legislature authorised to provide tuition grants to parents to pay for the education of their children under private auspices; before then, however, a three-judge federal district court will hear a case brought by white parents in Norfolk to force the Governor to reopen the schools, on the ground that closing them violated the children's constitutional rights.

In this period of waiting, a rumour has been circulating all over Virginia to the effect that a special session of the State Legislature may be called to pass new measures dealing with the schools. Abandonment of the whole system of free state education is not ruled out. The constitution of Virginia contains one section which requires the maintenance of a state-wide system of free, efficient public schools. Another section, however, requires them to be racially segregated. If the Supreme Court, by striking down the second, could be regarded as having also invalidated the first, because the authors of the constitution held that only segregated schools were efficient, the way would be open to close all the tax-supported schools.

Against this background, late last month, more than 1,000 delegates from local branches of the Parents and Teachers Association assembled at Richmond to decide their policies, elect their officers and hear an address by the Governor. Advocates both of racial segregation and of its abandonment were well organised, and tremendous cheers interrupted the Governor eleven times in his fifteen-minute address, in the course of which he said that he "will not assign white and coloured children to be taught in the same schools." But when the crucial votes were taken, a motion supporting the state's present position on the schools lost by a tie, 557 to 557; a motion supporting local option on racial segregation in the schools won by the close vote of 515 to 513; and the officers proposed by the regular nominating committee were elected in preference to those put forward by the segregationists.

An even sharper rebuke, in terms of the votes cast, was administered to the upholders of massive resistance when the white teachers of the Virginia Education Association adopted a resolution, ten days later, urging the Governor to summon a special session of the legislature to adopt laws assuring the continuance of the state-supported schools. The administration of Virginia, which is too adept at local organisation not to respect similar capacity in other people, now has evidence of unorganised popular unrest as well: Mrs Wenzel, in spite of all the disadvantages under which she campaigned, received 114,000 votes compared with 305,000 for Senator Byrd.

Democrats' Progress

This year's elections in the middle west represent yet a further stage in the erosion of the great Republican mansions by Democratic termites which has been going on for ten years. Minnesota and Michigan displayed an advanced stage in the process. The Democrats already had the governorship and one Senate seat; all they needed was the second Senatorship to monopolise the top political jobs. In both cases they managed it, with Mr McCarthy in Minnesota and Mr Philip Hart in Michigan.

Elsewhere the Republican decay was not so far advanced but two years ago the Democrats had elected Governors in Iowa and Kansas and experience shows that the Governorship is often the focal point from which a minority party building itself up can work outwards. On Tuesday both their Governors were re-elected and this time in both states the two parties shared, evenly, the seats in the House of Representatives of which the Republicans had until 1956, an absolute monopoly. Also in 1956 the Republicans in another normally safe state—South Dakota—got the fright of their lives when the Democrats elected their first Representative in twenty years and the Democrat, Mr Herseth, came exceedingly close to upsetting the Governor. This time, although the Republicans made quite exceptional efforts to repel the boarders, Mr Herseth was elected Governor. Meanwhile in North Dakota another absolute Republican monopoly was breached—and the two parties now have two Representatives each.

But the voters did not act indiscriminately. It was a rare event for the Democrats to clean the slate as they did in Connecticut, where, when the Democratic Governor was re-elected, all six Republican Representatives were replaced by six Democrats, including Mr Chester Bowles, the former Ambassador to Delhi, who will be able to give some much needed guidance to the Democrats in the House on foreign affairs. On the one hand, the pattern of Democratic success was too marked right across the country for it to be attributable only to an assortment of local circumstances. Apart from the special case of Mr Hays, only one Democratic Representative lost her seat—Mrs Coya Knutson, of Minnesota, and this was due to a highly publicised split with her husband. On the other hand the seats that changed hands were not always those that would be considered statistically marginal. For example a Republican Representative in one of the areas of highest unemployment in Michigan who received only 50.8 per cent of the vote last time, saved his job, while William Jennings Bryan's granddaughter, Mrs Rudd Brown, won one of the Los Angeles seats against a Republican incumbent with a 62,000 majority in 1956.

Moreover, while the Democrats picked up a number of Senate seats, such as those in Utah and Wyoming which had been thought such outside chances that little help had been sent in from the national party, they failed to take at least four, in New York, Maryland, Pennsylvania and Arizona, in which their chances had been quite highly rated. Furthermore the voters showed in a number of cases that they were willing to reward Republicans for selecting personable, progressive candidates. In the "silk stocking" district of Manhattan, for example, a dynamic young modern Republican, Mr Lindsay, was easily able to save a seat which, in the hands of an elderly obscurantist lawyer, had been teetering on the Democratic brink for several past elections.

Finally it deserves to be recorded in an election which touched only lightly on foreign affairs that Mr William Meyer, the Democrat who managed the extraordinary feat of capturing rock-ribbed Vermont's single seat in the House of Representatives, had taken a stand in favour of the recognition of Communist China.

Jets' Third Man

Provided the Civil Aeronautics Board does not object to the unprecedented pact that has just been reached between the six biggest American airlines, any of them that is paralysed by a strike will receive back from its competitors the extra profits from the business diverted to them. The first beneficiary would be Capital Airlines, whose aircraft, most of them British Viscounts, have been grounded by a mechanics' strike since October 16th. The International Association of Machinists, which represents the strikers, is demanding an extra 42 cents an hour on top of the present average wage of $2.41 (which would thus give them a trifle over £1 an hour). Half of this would be backdated to October 1, 1957, when the last contract expired.

Negotiations with Capital Airlines broke down when the union rejected both a non-binding award of 20 cents an hour by a presidential fact-finding committee and an "insulting" ultimatum from the company to take 26 cents

immediately or lose one of the extra six cents for every day the men stayed out on strike. Although the employers have now made a new proposal and offered to accept binding arbitration, the mechanics say they are "tired of working under chain gang conditions for cotton pickers' pay." Similar strikes are also threatened against Trans World and Eastern Airlines.

As far as the pilots are concerned, the most burning issue is not one of pay, although the Air Line Pilots' Association has demanded $45,000 a year—an increase of $20,000, no less—for the senior pilot in charge of jet airliners on international routes. It is rather the demand, upheld by the presidential fact-finding committee, that as a safety precaution the third man in the cockpit of the jet airliner should have a pilot's licence instead of being, as in a conventional aircraft, solely an engineer. This is sharply contested by the flight engineers' unions, who fear that if their members have to retrain as pilots they will be low on the seniority list and therefore specially vulnerable to the redundancy that is coming as faster planes are installed. Last month Eastern Airlines' pilots tried to strike on this issue, but were enjoined by a court on the grounds that the dispute was primarily an inter-union one.

Both Pan-American World Airways and American Airlines have already signed contracts with the flight engineers' union for the manning of the jets and are refusing to back down. Because Pan-American's regular pilots will not fly the jets until this dispute is cleared up, the Boeing 707s that are now on the transatlantic run are being piloted by members of the senior supervisory staff. Since there are only twenty-four of these who are qualified, it seems doubtful whether Pan-American can maintain daily jet services to both London and Paris until it is out of its union wood.

Shopkeeper to a Nation

NEW YORK

An anniversary which has been loudly and profusely celebrated for the past ten months finally arrived last week; on October 27th, Macy's of New York was a hundred years old. Macy's first claim to fame is that it is large—"The Largest Store in the World." On an average shopping day some 150,000 customers surge into the store on Broadway and spread themselves unevenly over the nine floors and the more than 2 million square feet of floor space. At the height of last year's pre-Christmas stampede, the store's cash registers clocked up sales of over $2 million in a single day. Moreover, the New York store is but one of six stars in the firmament of R. H. Macy & Company, Incorporated, which now extends from coast to coast, and each of these parent companies has between four and seven branch stores of its own. This empire of retail trade employs 25,000 people, with an additional 10,000 recruited at Christmas time. Combined sales in the twelve months ending August 2nd were $456.5 million. This was an improvement on the previous year, in spite of the recession; earnings, however, dropped by 6 per cent.

The birth of Macy's could not at the time have appeared auspicious; its founder, Rowland Hussey Macy, had already made four unsuccessful attempts to establish himself as a shopkeeper. However, in the first year sales reached $90,000 and by 1870 they exceeded $1 million. The shop which set out to sell only ribbons, laces, embroideries, artificial flowers, feathers, handkerchiefs, cambric flouncings, hosiery and gloves now sells—in its 168 departments—everything from aspirins to antiques and from biscuits to 30-foot boats. While primarily a store for the masses, attracted by its famous advertising slogan "It's smart to be thrifty," Macy's does not disdain the Paris-designed dress at $300 or the mink coat at $5,000. Its fancy grocery department has an epicurean air with its fabulous array of imported cheeses; it also does a heavy trade in British biscuits. One of Macy's special claims to fame is its wines and spirits department. With 932 varieties of imported wine and sales, in a good week, of some 40,000 bottles, it claims its own world record. Twelve girls, equipped with ear phones and order pads, operate its telephone order service, which guarantees to bring liquor to the customer's doorstep within 48 hours, while another group handles the heavy mail order service.

In its vigorous fight to gain the custom of the masses, Macy's path has been strewn with price-cutting battles. Each morning the store dispatches its own army of "shoppers" to check up on the prices charged by its competitors. Rivalry with its opposite neighbour, Gimbel Brothers, Incorporated, is well-established in New York folklore. But Macy's, from its vantage point of size, disclaims this competition; it is Gimbels, they point out, which is competing with Macy's. Traditionally an outspoken and intransigent opponent of fixed retail prices, Macy's has had formally to curb its price-cutting fervour in relation to branded goods. But, true to its policy of having an answer for everything, Macy's has developed an enormous trade in merchandise bearing its own label. Many well-known makes of English jam appear discreetly under a Macy label, and 73 per cent of the wine and spirit trade is done under the Macy name at prices which are 10 to 15 per cent below those of other brands. In the special case of drugs and cosmetics, Macy's operates its own factory on Long Island.

This great trading empire has been built up by massive and conspicuous advertising; the advertising department may dispatch up to 200 different advertisements in one week, while the Sunday edition of the *New York Times* may carry (as it did last week) more than 12 full pages of Macy's advertisements. Macy's fame travels far. In 1953 its Tall Girl's Shop received a letter from that Junoesque figure, Queen Salote of Tonga, asking for an outfit for the Coronation; Macy's sent her a choice of six and she kept them all.

SHORTER NOTE

Next week, when Mr Strauss, the President's adviser on atomic policies, replaces Mr Weeks as Secretary of Commerce, only three members of the original Eisenhower Cabinet will be left: Mr Dulles, the Secretary of State; Mr Benson, the Secretary of Agriculture; and Mr Summerfield, the Postmaster General, who is himself expected to retire soon. Mr Strauss will have to be confirmed, when Congress meets, by the Democrats whose hostility toward him was the chief reason for his departure from the chairmanship of the Atomic Energy Commission. But he is not likely to be turned down; the President's choices for his Cabinet never are.

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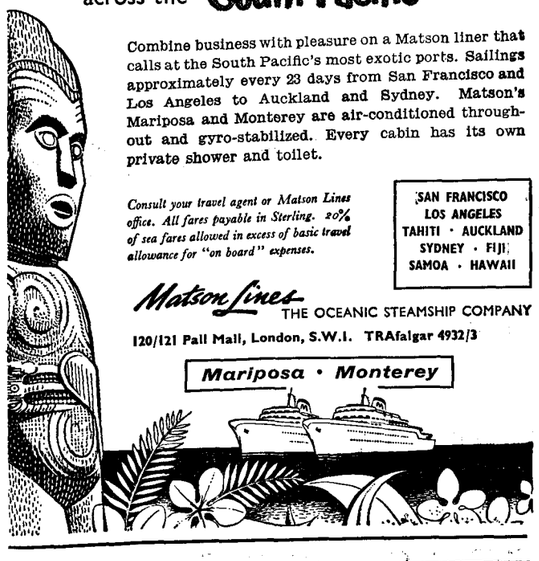

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The Archbishop's Choice

FROM OUR CORRESPONDENT IN NICOSIA

BENEATH the inevitable controversy over who was right and who was wrong in the Nato Council discussions on Cyprus one can detect a significant undercurrent of criticism by the Greeks—not merely of the British and Greek governments, but of Archbishop Makarios himself. The martyrdom of deportation and exile, which has made him sacrosanct for two and a half years, has failed to protect him from the shafts of clandestine criticism. This should not be exaggerated, but it is a straw in the wind.

Archbishop Makarios's difficulties in having to reconcile the views of the fascist right and the communist left, and at the same time maintain his ascendancy over the mass of the people, have long been apparent, though not always understood by the British Government. The extreme right (the Bishop of Kyrenia and his faction) have recently shown their hand by opposing the archbishop's independence plan; while in recent weeks the left has made itself felt by constantly urging him to look to the United Nations, rather than to Nato, for a solution of the problem. (Curiously enough, the extreme right has said just the same.) In a curious fashion the issue of Nato *versus* the United Nations has thus spotlit a basic ideological issue in Cypriot politics. In any forum or conclave arranged by Nato the Greeks would have to present their case to their allies in the context of the global struggle; while at the United Nations the archbishop expects to find the mass support of the communist and Afro-Asian blocks. For the present—and the emphasis is on the present—the archbishop has given priority to the UN; and there is perhaps a flicker of hope in the fact that at least some of the more intelligent Greek Cypriots privately believe he has made the wrong choice.

Moderate opinion is, as ever, muted by the threat of the terrorist's gun. Nevertheless, there have been audible (one could hardly call them public) rumblings of dissatisfaction that the archbishop did not accept the Spaak proposals, at least as a basis for discussion. M. Spaak, after at first being regarded with indifference, was on the verge of gaining the Cypriots' approval. His suggestions for amending the British plan were so close to those put forward by the Greeks themselves (replacement of the Greek and Turkish representatives by Cypriots, the creation of one unitary assembly, and so on) that the more critical felt compelled to ask: "Why did the archbishop not accept?" The answer may simply be that he feels his policy has lately been too "flexible" and that the time had come to show his true mettle. But in perhaps paying too much regard to the views of the extremists, he is in danger of losing contact with the feelings of the mass of the people.

In some degree, too, he and his advisers are infected with the prevalent Greek-Cypriot faith in the efficacy of the United Nations. "The UN made Britain pull out of Suez—it will do the same for Cyprus," is a line one repeatedly hears. All Cypriots believe that the UN will be overwhelmingly on the Greek side, and that the Greek case will be reinforced. If this proves untrue and if, in the meantime, the Nato offer should recede, then Archbishop Makarios will have even greater difficulties to face.

Meanwhile the gunmen go about their daily business. The events that followed the murder of Mrs Cutliffe at Famagusta on October 3rd have made a deep scar; and as the savage killings continue the struggle seems to lose all genuine political content. It is reduced to a grim, relentless vendetta. Encouraged by fighting speeches from their new chief, General Darling, which at times seem more attuned to the Western Desert in 1942 than to Nicosia in 1958, the troops' morale is probably higher than it has been for a long time; but despite the confident assertions that the "enemy" is on the run, there remains the gnawing doubt whether Eoka can in fact ever be finished off without resorting to methods of mass repression completely alien to the British soldier and administrator alike. Though they may have come to hate it, Eoka is still interwoven among the Cypriots. To the layman there seems little point in mass searches that flush out a couple of Eoka men, if the repression involved only prompts another handful of hot-blooded youths to join the terrorists.

ADMINISTRATIVELY, the British plan itself progresses so unostentatiously that one suspects that the Greek Cypriots themselves, after all the hullabaloo, are almost in danger of forgetting it. The Turks, who are trying to force the pace are reported to be pressing for separate municipal councils in as many towns as possible, and they have recently called on the government to build a separate hospital for them in Nicosia—which is doubtless envisaged as the basis for a separate Turkish medical service. Officialdom is still unwilling to do anything to offend the Turks, since it is believed that the Turks can be "nursed into position" and gradually made to cool off about partition. In some degree this has happened already; the political temperature in Ataturk Square may be said to have gone down from about 120 degrees in midsummer to a mere 90. But, sooner rather than later, someone will have to get down to talking turkey with the Turks. (Perhaps, indeed, the Americans are already doing it; in old Nicosia it is being said that a million a day keeps partition away.)

The one distinctive advantage of Archbishop Makarios's independence plan—which has many gaps and loopholes—is the absence of self-determination. As the "promise" of the choice of partition was made on December 19, 1956, only in the context of self-determination, the way surely is clear for the British Government honourably to disengage

itself from any commitment rashly entered into. The truth is that no one in his senses wants partition ; and the sooner there is an end to the equivocation about it, the sooner there may be an end to violence.

Echoes of Springhill

FROM OUR OTTAWA CORRESPONDENT

SPRINGHILL—a name that might belong to a suburban villa, and does not suggest a trump of doom—is charged this week with more emotions than any name in America. "Humankind cannot bear very much reality," wrote T. S. Eliot many years ago. Most of it, certainly in America, has developed highly successful techniques for avoiding all contact with anything so disturbing. It is cushioned and supported by gadgetry, social security, insurance, alcohol and almost continuous canned entertainment guaranteed free of any unpleasant reminders of truth. With all grave and legitimate grounds for human anxiety thus barred, North American man develops anxiety-neuroses about office politics or stock prices or the desperate struggle to keep up with the Joneses. Into this North American world with its head under the bedclothes the mine collapse at Springhill, Nova Scotia, blew a distant breath of reality. It penetrated every home, percolating in the fresh air that reached nineteen miners trapped at the 13,000 foot level of the wrecked colliery.

One of the rescue workers at Springhill, coming to the surface after they found the second group of seven men, said: "They were lying in a pocket God had made for them." In one of Canada's big cities last Sunday a rough and tough trade union leader with the face and physique of a bruiser denounced the churches. "Oh, brother, what a chance they missed," he said, "Do you know what they should have done ? They should have proclaimed from every pulpit across this country that God had worked a miracle. There's a lot of credit coming to someone and I guess it's God's. Why didn't the churches make a big thing of it ? "

The comfortable villas and bungalows and smart split-level new homes have all absorbed something of the sadness and excitement of Springhill. Now a relief fund is piling up fast. The Governor of Georgia has offered a free holiday to the nineteen men who came up alive after six or eight days. A popular radio performer in Canada, doing his gallant bit for the relief fund, has solemnly proclaimed that these men are entitled to three or four years of leisure before they have to work again. The persuasive fumes of sentimentality have spread so quickly that it is hard to believe that the breeze from Springhill ever carried the real air of unmentionable fact. It is sad that sentimentality takes over so quickly. The wave of public interest is now in danger of becoming both sordid and harmful. Springhill poses severely practical problems of economics and social welfare, which the big publicity build-up will not help to solve. Already the intended gesture of generosity from Georgia has turned painfully bitter. Like so many others briefly captivated by the name of Springhill the southern governor probably has very little idea where it is or what its people are like. Certainly it never occurred to him that his 19 invited guests from some remote northern province in Canada would include a negro. When he was informed that one of the miners was the wrong colour (presumably it does not show so much down in the pit), he did not withdraw the invitation. He merely insisted that the negro must have a "segregated holiday." On those terms the first impulse of the sturdy Nova Scotians was that no one would go. But this solidarity was broken when one survivor announced that he was not going to miss "this chance of a lifetime." It is not a good omen for the ordeal of uprooting which it seems that all the people of Springhill will have to face.

It is not a new thing for the Dominion Coal Company, now ultimately controlled by the shareholders of the Hawker Siddeley Group, to be torn between working uneconomic and unsafe pits and leaving a community without employment. After Springhill's last disaster in 1956 it chose the first alternative. It is unthinkable that it can do so again. But there is no better prospect of establishing any other industry there. Nearly two years ago, in its preliminary report, the Gordon Commission on Canada's economic prospects discussed ways of helping people to move out of the Atlantic provinces when their employment failed. This provoked an indignant outcry. So today the Mayor of Springhill, who is not a miner, is proclaiming that the little town will rise again. Since in fact the only solution appears to be for the Springhill miners to learn another occupation and move to the places where they may be able to practise it, it is no help to invest the name of Springhill with an imagined magic. The little community that brought a smell of reality all too briefly to North America is not at the end of its troubles but the beginning. Sentimentality can only obstruct the resettlement of its people. If the miners can be found new jobs somewhere else in Canada it is unlikely that any of them will want to call his new villa "Springhill."

In Ho's Little China

THE day before Mr Boris Pasternak was awarded the Nobel Prize for literature, the Arts and Letters association of north Vietnam gave a party for sixty-six writers, painters and musicians who were about to start three months' manual labour in the fields. If the coincidence of dates is fortuitous, the similarity of the situations is not. In communist Vietnam, as in China, Russia and eastern Europe, writers, artists and musicians have been trying to assert their independence of party control. The attempt has been vigorous and prolonged. Its suppression has followed the Chinese rather than the Russian model; the prescription of reform through manual work originated in Peking.

Indeed in this as in most other things, the Democratic Republic of Vietnam—to give it its official title—has behaved as if it really wanted to justify the popular idea of Vietnam as a "little China." The force of communist example has been compulsive. President Ho Chi Minh's government in Hanoi reproduced China's technique of land reform down to the last refinement of simulated people's trials and public executions. When Mao Tse-tung proclaimed his anti-doctrinaire doctrine of "a hundred flowers," Ho allowed a hundred more to blossom briefly in Vietnam. When they were seen to be—by communist gardening standards—weeds, they were lopped off, in Vietnam as in China.

One of the "weeds" has indeed good claims to be regarded as Vietnam's "Dr Zhivago." It is a novel



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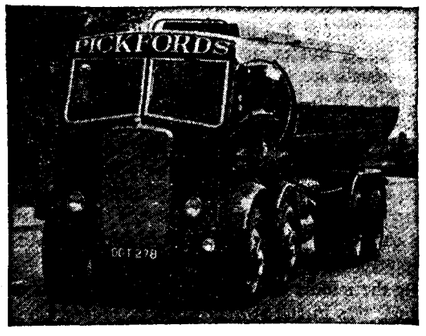

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entitled "Being About to Celebrate Marriage," by Vu Bao. When published in September, 1957, it was described by one critic as "a most successful work." The fact that, like "Dr Zhivago," it was a scathing exposure of communist methods, was slow to penetrate the party leaders' minds. In August this year, the literary review *Van Hoc* carried an article denouncing the critic who had originally praised Vu Bao's work. The book tells the story of two young lovers caught up in the land reform programme. The article attacked the author because:

> . . . in the eyes of Vu Bao, all our organisations from top to bottom were corrupted and spoiled. He featured the scenes of unjust torture, arrests and death sentences in a most discontented tone.

The strength of the intellectuals' revolt in Vietnam is shown by the fact that it has already lasted more than two years. The first repressive measures were taken late in 1956, after the new magazine *Nhan Van* (The Humanities) had exposed, in outspoken detail, the horrors of land reform and of the "census"—an excuse for mutual spying and prolonged interrogations. In December, *Nhan Van* was suppressed, after publishing only five issues. Two months later, in a demonstration for which Moscow has provided many precedents, the writers and artists of north Vietnam met in Hanoi to hear the new party line for the arts. The party theorist, Truong Chinh—who had been replaced a few months earlier by Ho himself as secretary-general—expounded a doctrine of familiar orthodoxy. Art and literature were required to be "socialist" in content. Writers and artists were to unite under the leadership of the party.

THERE was, at this stage, nothing to discourage official confidence that the intellectuals had been firmly put in their place. But events have since shown that Vietnamese intellectuals are, if anything, even less amenable to party discipline than their Chinese colleagues. The writers' and artists' congress founded two associations and the new writers' association decided to start a weekly called *Van*. With a strictly orthodox staff, *Van* was filled with party-line hack work which even the party's theoretical journal found "very poor." But in time, *Van* began to commission articles and cartoons by some of the lively but controversial contributors to the defunct *Nhan Van*.

By the middle of last year, the second revolt of the intellectuals was in full swing. In July, Truong Chinh outlined a new policy towards them at a special meeting of the Fatherland Front, a body which claims to represent other parties besides the Communists. He found weaknesses and shortcomings in the intellectuals, which he attributed to their colonial and semi-feudal background. They ought, he said, to develop a revolutionary mind, and this could be done only "by recognising the leadership of the party and acquiescing in thought reform."

Apparently unimpressed by this clear warning, *Van* went on asserting a freedom of expression which, if it fell short of its predecessor's forthrightness, was of a satirical nature intolerable to a communist dictatorship. At the end of November, four months after Truong Chinh had told the intellectuals to reform, the artist Tran Duy, formerly chief manager of the banned *Nhan Van*, was given space in *Van*. He filled it with a strip cartoon, which began with an artist drawing a flower and ended with the flower surrounded by figures of workers, peasants, soldiers and "toiling masses" carrying banners—all painted in by order of a party cadre who thought the picture of the flower should also show the victorious struggle of the people.

Tran Duy's cartoon was the signal for a prolonged campaign against *Van* and other journals. In February of this year *Van* was suspended and it has since been suppressed altogether, as was its precedessor. In March and April more than 300 writers and artists from all parts of north Vietnam were brought to Hanoi. For forty days, they were made to criticise themselves. On the last day, they sent a letter to the central committee of the party undertaking to "follow the party's literary and artistic line" and to "unmask the saboteurs before the people." Four days later—on April 19th—it was announced that three writers, well-known for their independence of party directives, had been arrested.

Before the announcement of their arrest all three had been attacked in violent terms in the party press; one had been described as a "top saboteur," another as a "traitor" and the third, a woman, as a Trotskyite who "had colluded with reactionary elements in the bourgeoisie and with spies left behind by the imperialists" (i.e., the French). The date of the announcement was evidently intended to make it appear that the writers were arrested in response to the indignation manifested by their colleagues during their congress. In fact, however, the arrests were made on April 10th, four days before the congress ended, though the announcement was held up for nine days.

Since then yet another attempt to establish a "safe" literary review has been made. The magazine *Van Hoc* (*Literature*)—which published the recent attack on Vu Bao's novel on land reform—first appeared in May. Its editor, Nguyen Dinh Tri, has credentials of unimpeachable orthodoxy: he once addressed the Union of Soviet Writers. But the revolt of the intellectuals has still not been entirely suppressed.

After the French Boom

FROM OUR PARIS CORRESPONDENT

THE Fourth Republic had the good grace to vanish at the crest of a boom; by now speculation is rife in Paris about what lies ahead in the economic field. At this stage there can be no talk of a slump or even of depression. Only in September did industrial output fall back to the level of a year ago. In the first quarter of this year it was about ten per cent higher than in the first quarter of 1957. After a period of unprecedented growth, even a slackening of the pace causes concern. In addition, business circles are very curious to see what will be the government's reaction because, in theory, under its special powers it can do almost anything until the end of January.

The ending of the boom has so far followed the traditional pattern. Leather and textile industries were among the first to feel it. Other consumer branches—particularly radio and electrical equipment, as well as durable household goods—followed suit. But the situation began to be viewed with serious concern only recently, when the fall in demand for motor-cycles showed signs of spreading to cars. In the first half of this year the motor industry beat all its previous records with a total output (of all vehicles) of 590,000. Since the Paris motor show early last month, however, orders have apparently slackened and this has been reflected in a fairly spectacular reduction in the waiting



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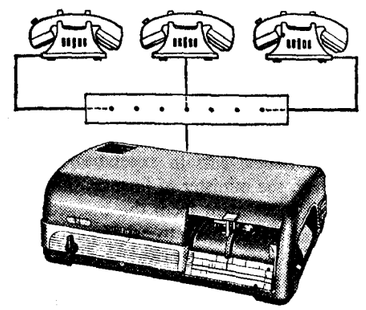

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periods for the more popular models. Diminishing orders are reported on the books of steel and engineering firms.

All these are merely warning signs. Some sectors of industry, such as chemicals or petroleum, are still forging ahead. The employment position is far from alarming. The tight labour market is barely recovering some flexibility (for the first time the gap in the official register between jobs sought and employment offered has widened somewhat; adjusted figures were 100,000 and 24,000 respectively in October). Even in the branches affected by the slack, employers tend, on the whole, to reduce working hours rather than cut their staff. Should this trend continue, however, it would have a greater impact on earnings in France than elsewhere; the compulsory 40-hour week has increased the importance of overtime in the wage packet.

The general position of the French economy is neither exceptional nor unexpected. France is not protected from the winds of recession blowing across the Atlantic, though it usually gets them after its European partners. Moreover the present state of things is partly the result of a conscious policy of credit restriction, in order to fight inflation, that was introduced in 1957 and reinforced early this year. Those close to the Bank of France maintain that this policy will be pursued and that the recent reduction in bank rate (by one half per cent to four and a half per cent) is no prelude to relaxation. The bank has other weapons in its arsenal of controls, including the ceilings of rediscount which have been greatly reduced. If its customers do not observe the rules, the central bank can penalise them with prohibitive rates. It can send them to the so-called "hell" and "super-hell," where the rates for a few days' credit are at present seven and ten per cent respectively.

One reason for the orthodox financiers' emphasis on tight credit is that, in any case, France's budgetary deficit prevents it from embarking on a deflationary experiment on the German, or even on the recent British model. When France borrowed money at the beginning of this year, it promised its international lenders that the French overall budgetary deficit, or *impasse*, would not exceed 600 milliard francs. Unexpectedly good tax returns and M. Pinay's fairly successful loan have improved the budgetary position so far. But estimates of expenditure have also increased—the defence estimates for 1959, for example, are now put at 1,560 milliard francs. If the present figures are projected to next year, then the *impasse* reaches something like 1,300 milliard francs. The estimates can apparently be pruned to bring the overall deficit nearer the 1,000 milliard francs level, but beyond that the gap must be closed by new taxes or radical cuts in expenditure. It is rumoured that M. Pinay, the minister of finance, intends to remove certain items of investment from the budget. Nationalised industries would thus have to rely more on the money market. His critics argue that private saving will prove insufficient and that France's basic industries will be undermined.

The other argument in favour of the squeeze is based on the persistence of the structural problem of France's foreign payments. The loan brought the government over $170 million in gold and foreign currency. It has also reversed provisionally the speculative trend against the franc. By mid-year France had gold and dollar reserves of over $500 million and its balance of payments always improves in the second half of the year. This time there are two additional favourable factors: the improvement in the terms of trade and the fall in imports, reflecting the slowing down of internal growth. France is insured against a payments crisis until next spring. But the recovery is transient, since it does not rest on any real increase in exports. Experts, French and European alike, recommend the continuation of the squeeze so as to drive French industrialists into foreign markets. Trade restrictions will have to be reduced sooner or later, while the prospect of the common market puts an additional premium on readiness for liberalisation.

The government may have to take some important decisions this winter. It must weigh the social threat of a lasting recession against the more chronic danger of inflation followed by a payments crisis. The economic equation is not made easier by the unknown Algerian factor. How will the government use its wide special powers? It certainly does not lack advice, which is often contradictory. Industrialists urge that credits should be relaxed and argue that foreign exchanges will look after themselves. Gloomy economists and civil servants reply that a boost to consumption now will mean jam to-day and inflationary indigestion tomorrow. But even they do not agree among themselves. Some would plump for financial stringency and let the market forces decide the rest. Others are in favour of keeping consumption at its present level and encouraging investment by selective credits.

From all sides comes the warning that any real changes must be preceded by an overhaul of the tax system. Even M. Pinay, who is not suspected of a predilection for structural reforms, has set up a small committee to advise him. The impression here, however, is that nothing radical will come out of this transitional period, that it will be necessary to wait until next year to see the shape of Gaullist economic policy. Still, the budget, which must be decreed before the end of December, should give some indication. And the strains of an economy seeking its level after the boom may compel the general to show his economic hand.

Sir Roy Welensky's Chances

FROM A CORRESPONDENT IN SOUTHERN RHODESIA

Although large issues are at stake, the campaign for the federal general elections in Rhodesia and Nyasaland next Wednesday has met with a surprisingly apathetic response from the public. There are probably three main reasons for this—a different one for each territory. Southern Rhodesia has had a surfeit of politics, beginning with the overthrow of Mr Garfield Todd as prime minister in January, and continuing through the hard-fought territorial election in June. Northern Rhodesia has had other matters to think about—principally the two-month-old Copperbelt strike and the shooting of nine Tonga tribesmen when villagers refused to evacuate homes which will shortly be inundated by the rising waters of Lake Kariba. And Nyasaland is more concerned with the progress of Dr Hastings Banda, the "black Messiah" who returned in July amid great excitement after years abroad, in building up the strength of the African National Congress in its noisy crusade for secession.

A further reason for apathy is that many people feel that among the 117 candidates contesting the Federal Assembly's 53 elective seats (six more in the northern territories are filled by two European nominees of the governors and four specially elected Africans), there are few who remotely represent their beliefs and interests. The 4,663 supporters of Mr Todd who voted in vain for the United Rhodesia party in June have now no candidates to back since the URP recently decided to enter the federal field only after these elections. Meanwhile, they have agreed (with some vagueness) to vote "according to their conscience"—which usually means for Sir Roy Welensky's United Federal party (which has a full 53 candidates). But some Machiavellian white liberals plan to vote for the right-wing Dominion party (which has 44 candidates) in the hope that, by pushing the pendulum of power away from themselves, it will eventually swing further back towards them. There are also eight candidates of the resolutely inter-racial Constitution party waving the liberal banner rather forlornly since only thre have the remotest chance of being elected; twelve Independents of various hues; and one extreme-right fire-eater, the self-styled leader of the rump Confederate party, whose main plank appears to be that he will, "when returned to power," close down the monopoly Argus press.

Apathy is most evident among Africans. It was calculated that the new Electoral Act, passed early this year, would bring on to the voters' rolls more than 40,000 Africans (the majority of them, admittedly, on the Special Roll, which only elects eight Africans and one European for African interests). In the event, out of a total electorate of 65,531 only 1,747 Africans have been enrolled—and of them only 89 are Northern Rhodesians and 16 come from Nyasaland. Sir Roy Welensky explains this as civic laziness, and ignores the fact that the African Nationalists have been carrying on vigorous campaigns to boycott the elections as a sign of their members' united opposition to federation.

It is not surprising, therefore, that the subject of race relations has played only a small part in campaign speeches. Sir Roy Welensky has based his campaign on his party's record of progress over the past five years, which is symbolised by the fast-rising wall of the Kariba dam; he has also tried to persuade forward-thinking voters that his is the team best fitted to win Dominion status for the Federation at the constitutional talks scheduled for late 1960.

During the early weeks of the campaign, the stratagem worked. The Dominion party went rushing after this distant hare, and produced plans for a referendum by the people (that is, by the European-dominated electorate) and a possible declaration of independence. Sir Roy then conjured up a grotesque picture of Colonial Office police and federal soldiers fighting each other; the Dominion party leader, Mr Winston Field, at heart a tobacco farmer rather than a politician, replied with a rashly pat statement that the electorate's decision was more supreme than that of the Supreme Court (who might rule such a declaration invalid), and invited comparisons with the views of the South African Nationalists. Then suddenly, both sides realised how breathless they were getting, and turned round to argue about who it was who had first talked about "Boston Tea Parties."

Late in the day, the Dominion party has begun attacking the government on more immediate and vulnerable points. Its candidates range from Afrikaners to British aristocrats with such names as Wedderburn-Maxwell and the Duke of Montrose, and its supporters from miners to tobacco squires; it is, in fact, a party of the discontented, intelligent and otherwise, with a few clever opportunists added. How long they will remain united in discontent is another matter: since June, when their representation in the Southern Rhodesian Assembly of 30 rose from three to 13, they have been in high spirits; but in their more sober moments they admit that they do not hope for more than 20 of the 59 seats in this election and are campaigning for "a strong opposition." They are unlikely to win any seats in Nyasaland, and not more than five in Northern Rhodesia, since the party is not yet really organised federally and most of a potential reservoir of Dominion party voters—the Copperbelt miners—are disfranchised because they are loath to surrender their South African citizenship in return for Rhodesian citizenship and a vote.

For this reason, the Copperbelt strike, and the widespread hardship that it has caused, will not swing many more votes to the Dominion party in Northern Rhodesia than in Southern Rhodesia, where coalfields, railways and some manufacturers have been badly affected by a stoppage which began as a technical argument about skilled and unskilled jobs and has developed into a battle over who fundamentally controls the copper industry—employers or employees. The Dominion party has scored slightly by alleging that the government has caused unemployment by failing to settle the Copperbelt quarrel and also by organising frantic airlifts from Britain of unwanted building artisans. (Sir Roy Welensky's reply, that most of the few hundred unemployed were unemployable, is unlikely to win him back any votes.) They have also produced a sensible scheme for decentralising hospitals. The world recession, to which the finance minister responded with the tactics of a "credit squeeze," has also given them more votes; Sir Roy Welensky planned to ease the "credit squeeze" as an electoral move, but was thwarted by the Copperbelt strike, and the Dominion party's plan to relax credit restrictions appeals particularly to its favourite targets, the tobacco farmer. Other seats may come its way because of airline staff redundancy and because of the good showing of a few attractive candidates.

But Sir Roy Welensky, confident of victory, is already planning to fly to London after the election to discuss amendments to Mr Lennox-Boyd's proposals for a new Northern Rhodesian constitution: these include raising two Africans to ministerial rank, a move that would be abhorrent to the white farmers. By then, however, Sir Roy, who—if he has shown no signs of statesmanship during the campaign—has never lost his grasp of political expedience, may feel himself able to be more progressive; it is rumoured that an African will be appointed as an assistant minister in his next Federal government. He is shrewd enough to realise that he must show more earnest of liberal tendencies if he is to recover prestige in Britain in time to gain notable constitutional advance for the Federation after 1960, let alone combat the rising African discontent at home.

How to Talk Back

The Government has decided to raise the £15 million limit set last year for annual expenses for overseas information services. Dr Hill, the Chancellor of the Duchy of Lancaster, became convinced on his recent tour of south-west Asia and east Africa of Britain's need to defend itself against the hostility of Cairo broadcasts in Arabic, Somali and Swahili and of the need for cheap books in English throughout the area he visited. Ten days ago Dr Hill briefly

became Cairo's favourite imperialist villain when, during a lull between blasts at President Bourguiba and incitements to riot in Aden, his plan was described as a wicked trick which the British Government was trying to play on Asians and Africans because other means of aggression had failed. Cairo's anxiety encourages the belief that Dr Hill's plan may enjoy a considerable amount of success.

Dr Hill did not mention television when he explained the decision to the House of Commons, but others have. In the larger centres of population television would present the case for Britain and the free world in a more compelling fashion than any other medium. Not only would it reach the coffee-houses, as has been suggested, but it could provide entertainment and instruction for that neglected but influential half of the population seldom seen out-of-doors in the Moslem world—the women.

In countries where the rate of literacy is not high, and where literacy in English is still rarer, the export of books may seem to count for less; but books do reach the growing class of educated men who matter in such countries—teachers, professional men, engineers, civil servants, and officers. Lord Chandos has lately told the story of the decline in British book sales in the Middle East especially, and of the many devices adopted by the Americans to ensure that their (more expensive) books and publications get a circulation. Vast quantities of cheap, subsidised Russian and Chinese books in English are beginning to circulate in Asia. The appetite is there: the question is whether something should be done by the Government to help British publishers to retain some share in the market in countries that do not allocate sterling for book imports.

Britain will not win the propaganda war in Asia and Africa simply by trying to shout louder than Cairo. The twisted facts broadcast from Cairo—as well as from Moscow and Eastern Europe—certainly need correction; but the aim of British broadcasting in the area should be to make its programmes so attractive to Asians and Africans that, in the end, Cairo will find it necessary to do the answering.

A Missionary in Asia

FROM OUR CORRESPONDENT IN TOKYO

THE Japanese—and the Koreans—are still smarting from remarks made in Tokyo and Seoul by Dr Ludwig Erhard, the West German deputy Chancellor and Minister of Economics, though they have done their best to conceal their feelings behind polite smiles. The Japanese, who have diligently read Dr Erhard's book "Prosperity through Competition," are still perplexed to know how he reconciles this slogan with his sharp criticisms of Japanese exports for being too cheap.

In a general comment on his Asian tour as far it has gone—he has already visited India, Burma, Thailand, Vietnam, Korea and Japan, and left Tokyo on October 31st for Ceylon and then Pakistan—persons close to Dr Erhard say that he started on his travels with a perfectly open mind, but that, as he has gone on his way, "his purse has tended to snap shut." Dr Erhard is known to believe that developed countries must help underdeveloped ones (he declared in Tokyo that "if Asia falls, Europe will be imperilled"). But, from what he has seen and heard on his tour, he now also believes that Asian countries are not doing as much as they might to help themselves—and, further, that the Americans, though generous, are going about aid in entirely the wrong way.

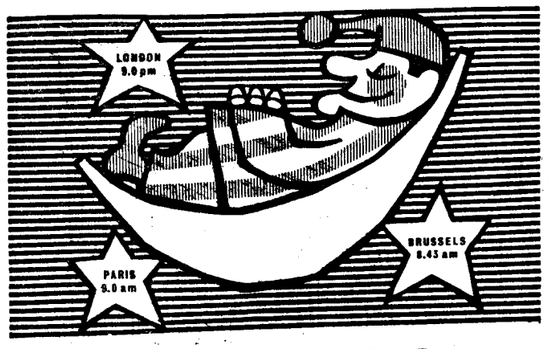
On the latter point, the German visitor has gone around asking: "Are the masses of the people being enlisted for projects that they can see—concretely, with their own eyes—are for their own good?" He thinks not. Too much aid money, he believes is going into projects that look impressive but that are remote both from the masses and from the day-to-day affairs of the countries they are supposed to benefit. Instead of large plants, Dr Erhard would like to see greatly improved agriculture, and what he calls "simple machines for small craftsmen." This, he believes, would really generate purchasing power, which he holds to be the true key to economic uplift.

KOREA especially, though not solely, displeased Dr Erhard by having what he called "far too much trading, and far too little actual production." He is said to have bluntly asked the Koreans: "How can you expect foreign investment, when your own banks so distrust your own business men that they charge them four per cent a month on loans?" His talk with Dr Syngman Rhee was, of course, private: but it is understood that Dr Erhard found himself baffled by Dr Rhee's continued insistence on the need to "march north," and his emphatic rejection of any possibility of peaceful reunification of Korea.

In Japan, Dr Erhard declared his conviction that Japan had a big part to play, economically, in south-east Asia. But he also dashed the hopes of some Japanese, who had been wondering if Germany and Japan could not do a deal about south-east Asian trade—less competition and more co-operation, in order jointly to oppose Communist China's economic infiltration of the area—by telling them frankly that the south-east Asian countries were still extremely suspicious of Japan's intentions and that Japan would therefore have a hard row to hoe. He also indicated, with equal frankness, that the much-publicised "Kishi plan" for south-east Asia was still in his opinion much too vague and lacking in detail to be worth very serious consideration.

Dr Erhard has also disconcerted the Japanese greatly by telling them that Japanese exports, which he declared were "20 to 30 per cent" cheaper than German goods, could not expect much sympathetic consideration as long as their cheapness was based on Japanese wages being far too low. The Japanese industrialists were especially upset because a demand that they pay higher wages was the last thing they had expected to hear from so outspoken an advocate of stern competition. They retort that Japan has an adverse trade balance of some $84 million with west Germany, and that German wages are nothing much to boast about, either.

Despite his censures, Dr Erhard is believed to have indicated, privately, that he would favour the opening of the German purse for Asian development, given such conditions as better development projects and firmer guarantees—against the subsequent nationalisation of German investments, as well as for the remittance of profits. In fact, he indicated that he would like to see the Germans putting aside a definite percentage of the national income for just this purpose, for a period of at least three years. "But," he is said to have concluded, with a somewhat rueful smile, "I am, after all, a politician as well as an economist: for making such a suggestion publicly, would I be praised, or crucified?"



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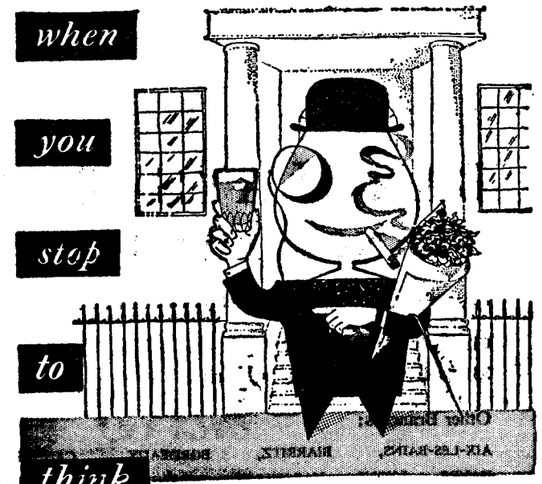

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Electrical Aids in Industry

Data Sheet **No. 3**

Induction Heating - 2

The broad principles involved in the use of induction heating for melting and processing metals have already been dealt with in this series (Data Sheet No. 2). In order to make a critical examination of its possibilities, however, the potential user should be aware of certain technical factors which must influence his decisions.

Induction heating, of course, demands the use of alternating current which is available from the public supply at a frequency of 50 cycles per second. Higher frequencies, however, are desirable for certain applications and can be obtained by means of the appropriate conversion equipment. Frequencies can therefore be considered in three categories.

Mains Frequency (direct from mains)—50 c.p.s.

Medium Frequency (machine generator)—50-10,000 c.p.s.

High Frequency (electronic generator)—up to about 2,000,000 c.p.s.

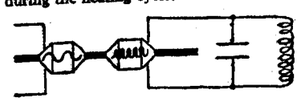
Mains Frequency

This needs no conversion equipment, it is particularly suitable for melting large pieces of scrap, and owing to the vigorous stirring forces produced, is excellent for alloy making. Mains frequency induction heating is also useful for stress-relieving of welds in pipes and vessels, heating of chemical vessels, pipelines, injection moulding machines and press platens.

An example of the use of mains frequency is the coreless induction melting furnace p.h. Such a furnace rated at 120 kW, with a capacity of 2,240 lb., will give a throughput of 5,000 lb. of hot metal superheated from 1,350°C to 1,450°C.

Medium Frequency

Motor generators ranging from 10 kW to 1500 kW or more at frequencies up to about 10,000 c.p.s. are widely used for heating for forging, melting from 100 lb. to 10 tons, hardening, annealing, etc. A bank of capacitors maintains a high power factor during the heating cycle.



Another form of generator for frequencies of 1 to 2 kc.p.s. and powers around 250 kW, useful for forge heating and melting high temperature aircraft alloys, is a 6-anode steel tank mercury arc inverter.

High Frequency

Metal hardening and metallurgical processing are best handled by high frequency induction (up to about 2,000,000 c.p.s.), particularly when a very thin case is required or when the section of the workpiece is too small to heat satisfactorily at medium frequency.

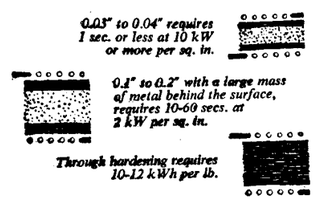
The choice of frequency depends upon the metallurgical requirements and the size of the component to be treated. The table below gives the practical relationship between size and frequency, and may be used as a guide to the choice of generator, subject to metallurgical considerations.

Optimum Values		Practical Values			
FREQUENCY C.P.S.	MIN. DEPTH OF HARDNESS POSSIBLE	MIN. DEPTH HARDNESS EXPECTED	MIN. DIA. SURFACE HARDENING THIN CASE	MIN. DIA. SURFACE HARDENING DEEP CASE	MIN. DIA. THROUGH HARDENING
3,000	.060 in.	.150-.200 in.	2" & over	3" & over	1" & over
10,000	.040 in.	.100-.150 in.	1" to 3"	2" & over	½" to 2"
500,000	.020 in.	.030-.050 in.	½" to 2"	1" & over	¼" to ½"
2,000,000	.010 in.	.015-.030 in.	¼" to ½"	not suitable	not suitable

These are of course very approximate since they also depend on metallurgical considerations.

Power required for H.F. Induction Hardening

The high frequency power required per sq. in. of hardened surface depends upon the amount of metal behind the surface. Higher powers and shorter heating cycles are necessary for thin cases and when the thickness of metal behind the surface is small.



For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association. Excellent reference books (8/6, or 9/- post free) are available on electricity and productivity—"Induction & Dielectric Heating" is an example.

E.D.A. also have available on free loan a series of films on the industrial use of electricity. Ask for a catalogue.

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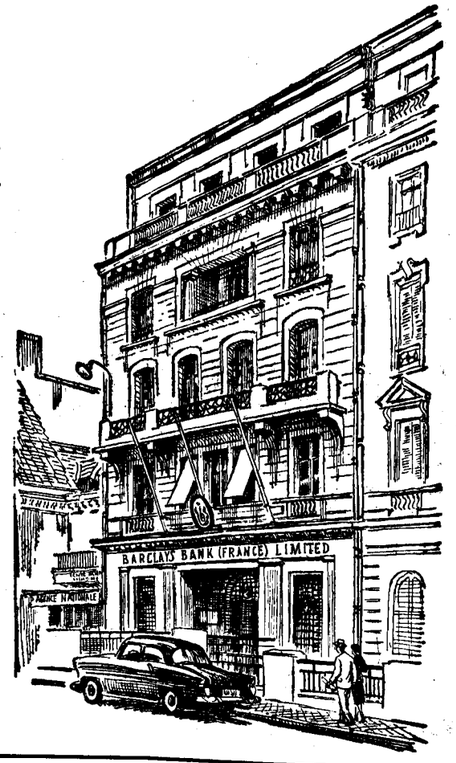

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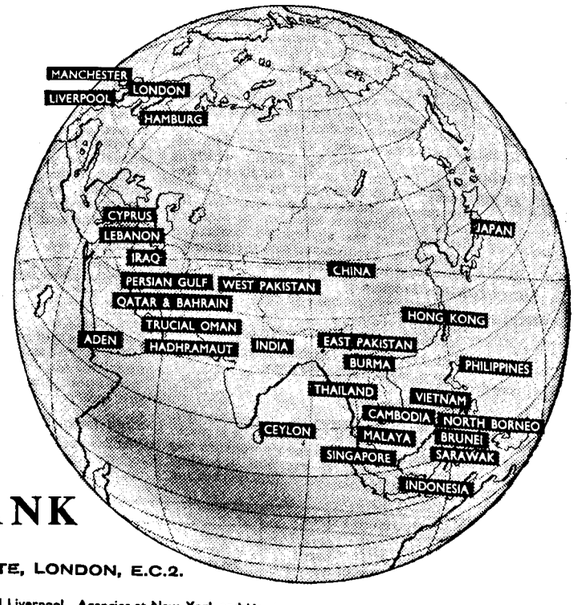

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THE BUSINESS WORLD

The Railway Crisis

THERE is a particular quality about the exchanges, published this week, between the chairman of the British Transport Commission and the Minister of Transport. Public esteem and paying one's way make all the difference in these matters. The railways are already heavily beholden to public funds both for current money and for long-term capital improvement, and now they have to confess to a loss this year of no less than £85 million. Since they have drawn £118 million to meet the deficits of 1956 and 1957, they cannot be surprised that the Minister wants to know why, or that he should deliver a cold and brisk exhortation to do better.

It has been clear for three months that the railways were faring extremely badly. In the 36 weeks to September 7th, their takings are over £18 million down compared with the same weeks of 1957. Nearly all of this fall is in freight receipts, which are down by as much as 7 per cent. The fall in coal traffic and in steel materials and products has become devastating since midsummer; the Commission says it is costing over £30 million a year. No wonder, then, that its financial planning has gone seriously awry. Given five years and £250 million to put its current finances in order until such time as the re-equipment schemes had started to earn real money, it now has two years and less than £50 million left. "The Commission's total borrowing powers in respect of deficits," Sir Brian Robertson delicately records, "may be exhausted during 1959." The Minister concedes that the Commission's financial predicament is due "to a large extent" to external causes. But Mr Watkinson was bound to issue a reproof: "Continued repetition would impair financial discipline and confidence in the financial future of the railways. Nor can the Government envisage an indefinite extension of the time when the Commission will break even."

So the Commission is to be further assisted by an advance of funds under the Transport (Railway Finances) Act of 1957—to what extent and on what terms remain to be worked out. It is fair to give the Commission credit for its efforts to keep its costs down—but its working expenses could not possibly carry cuts to approach the loss of traffics that the railways are now suffering. For next year, Sir Brian says, "we shall take as our target a reduction of £20 million per annum in addition to economies already in operation. In Mr Watkinson's reply, there is a perceptible shift of emphasis on this point: "I note that it is the Commission's intention to secure further savings in working expenses of at least £20 million per annum." And there is pressure of another kind, too. The Minister is appointing an auditor to verify that the Commission have made the savings that were promised and paraded earlier this year to justify the wage award. And he wants to satisfy himself that the present crisis is indeed due to a fall in coal and minerals traffic and not to any failure of the Commission to get their share of it. The Ministry watchdog has moved in, and some will think in a notably invidious way.

But when things go so violently wrong, an undertaking that has no reserves and no equity capital that it can leave temporarily unrewarded must expect to suffer subjection. The Commission is not struggling at this moment to get its financial affairs into balance by 1962; it is struggling to find the wherewithal to meet next week's wages. The crisis is as sharp as that. It is bound to leave the keenest advocates of modernisation wondering if the railways can ever succeed in their long haul towards prosperity through re-equipment. They have been fighting defensively for several years and are now shown to be horribly vulnerable to a fall in the activity of heavy industry that could hardly be described as calamitous. It is a time for a sour look at some nasty present facts, not at the distant horizon.

In their modernisation plan published two years ago, the Commission (with all history against them) rested their estimates on a stable value of money and (with a heavy industry boom to support them) on expanding economic activity. Mr Watkinson now tells them that the Government's view is that "the present phase in the economy is temporary and that a future

expansion of economic activity is to be expected." A time-table would help here; there are some judges of the steel industry who would not be so optimistic as the President of the Board of Trade appeared to be this week about the rate at which surplus steel stocks are being worked off. They may continue to be a depressing factor on the movement of steel making materials some time after engineering activity and home steel consumption have started to move up. In coal, distributed stocks are not high and they might be expected to respond more promptly to any increase in the demand for coal. But even here the continuing switch to oil introduces another timelag. Is the Coal Board's projection of the demand for industrial coal over the next few years as high as it was when the railway plans were last revised?

The present crisis has inevitably raised the question whether the future use of the railway system, after it is modernised, will justify the effort. At this stage all that the Transport Commission can do is to produce a few general examples of success so far. They are not to be sneered at, for some of the improvements are earning good money on their capital cost. But they are still marginal, and they give inconclusive support to the notion that even a technically efficient railway system of its present trunk mileage could be guaranteed to pay its way. The Commission declares that nothing has happened to stultify the appreciation it made two years ago about the future prospects of the railways; it remains confident that the plans are viable. Mr Watkinson does not dissent, but he adds that "it will have to be a more compact and efficient railway system than it is today."

Even in an expanding economy, it seems, it is becoming less certain that an efficient system of railway transport is bound to hold its own. If the railways can get their real costs down in commercial practice, and not merely in technical principle, they could become more competitive with operators of private transport in an important degree. But it is possible to suspect that affluent societies that base themselves on maximum efficiency in other directions are becoming less concerned about maximum efficiency in transport. Costs are not the first consideration of undertakings that run their own road transport, or of people who run their own cars. Both of them demand the services of the railways as a stand-by, to handle the less convenient freight or the journeys that they find intolerable by car. A magnificent railway system half employed while cars and trucks inch along the new roads would be an irrational outcome of the efforts of the railways to rehabilitate themselves. But is it quite impossible?

So the eye of faith becomes rather rheumy. What has to be done now is to concentrate all attention on investment that can produce a quick return. New equipment must be flogged so intensively that it picks up its own capital cost in the shortest time. Diesel traction has the obvious priority here, and there must be effective work by the Commission and the manufacturers to get more diesel equipment at work in the shortest time A radical improvement of the freight wagon stock must go with ruthless culling of old trucks. The invigoration of the commercial side of the business is not going nearly fast enough to match the hopes of technical advance through modernisation. The railways are discussing the possibility of new ways of charging that the electricity industry would regard as almost antique. They get the troublesome traffics that industry does not wish to carry for itself partly because they supinely accept the role of public carrier. They have not yet begun to exploit their freedom on the freight side to reach good bargains with their good customers, and the note that appears in Sir Brian Robertson's letter that the Commission is discussing with the heavy industries ways of improving the revenue from bulk and heavy traffics (which are already fairly well rated) does not lend itself to the inference that new commercial ideas have got very far. Until they do, the railways will continue to be the Minister's creature. And perhaps their miserable fate is that they will still be, after all their best efforts.

Reform for Building Societies

A white paper with the avowed objective of pumping government money into the building societies turns out to be the occasion of an ambitious reform.

HOUSE Purchase—Proposed Government Scheme* does far more than merely financing pre-1919 houses. It confers trustee status on deposits in approved building societies, describes what the societies must do in order to be approved for this purpose, and incidentally writes the Building Societies Association into the framework of a government plan in a way that cannot fail to enlarge its power and enhance its prestige. The scheme makes a serious attempt to separate the sheep from the goats within the building society movement as friendly critics of the movement have long wanted. High credit is due to the architects of this reform—to Mr Henry Brooke, the Minister, Mr Alexander Meikle, and his associates in the association, and Sir Cecil Crabbe, the Chief Registrar.

The house purchase scheme itself is simple and on the lines indicated in *The Economist* last week. Societies are to lend up to 95 per cent of the lower of cost or valuation on pre-1919 houses which are not priced above £2,500; they will flank part of that loan—the difference between 75 per cent and 95 per cent—if it is not covered by collateral security, with an insurance policy, but in that event they must add the whole insurance premium to the 95 per cent advanced. The loan, repayable over a maximum period of 20 years, must be made at a rate of interest not exceeding the maximum recommended by the Building Societies Association. Government money can then be drawn in to replenish the coffers of the societies, either in whole or in part as they individually wish. The Government loans, ranking as a first charge on the Society's assets *pari passu* with its deposits, are to be at a variable rate of interest which always remain ½ per cent below the association's recommended rate.

The White Paper estimates that the amount of lending which the societies are now doing on these cheaper pre-1919 houses is £40-£50 million. That money (or much of it) will be replaced among the lendable resources of the societies, but it is part of the bargain that they will use their additional lending power in making as many advances as possible at up to 95 per cent on houses built in the years 1918-1940. The plan has a limit which initially will not worry many societies. Government loans must not exceed 20 per cent of a society's combined deposits and share capital. It also has a useful adjunct; improvement grants are to be made easier, and the societies are to make additional loans towards such expenditure.

Encouragement is also offered to local authorities in the mortgage business. They are to be allowed to advance 100 per cent, on mortgage, in place of the present 90 per cent. Many authorities will wisely decline to go as far as that; but critics who dislike 100 per cent mortgages must see that there was something illogical in allowing Windsor and a few others to sell council houses on £1 deposits while refusing to allow councils to make similar advances on houses that were not already in council ownership.

BUT the crux of the whole plan as it affects the building societies is that trustee status is conferred on the deposits (but naturally not on the share capital) of some of them; and only those that can pass the trustee test will be able to draw loans from the Treasury. Time will show to what extent trustees want to use building societies; the association has long demanded trustee status. But now that trustee status is to be granted selectively one favourable result can be foreseen. It will simplify the task of the investor in choosing.

Any society with total assets over £500,000 can qualify for trustee status on its deposits provided that these conditions are fulfilled:

(1) Deposits loans and debts must not exceed two thirds of the balance outstanding on mortgage after deducting mortgages on parts 1, 2 and 3 of the schedule—broadly, that is, the big mortgages, the possessions and the properties in arrears.

(2) Deposits and other debts must not exceed the total amount due to shareholders.

(3) Liquid assets must not be less than 7½ per cent of total assets (excluding Government advances).

(4) Liquid assets must not be less than 33⅓ per cent of deposits and loans (excluding Government advances).

(5) Free reserves must not be less than 2½ per cent of total assets, and free reserves after deducting investment depreciation must be not less than 1½ per cent of total assets in the 1957 and 1958 accounts, not less than 2 per cent in 1959 and not less than 2½ per cent thereafter.

(6) No creditor or depositor must have priority.

The provisions also include a stringent and salutary definition of liquid assets: "Cash at bank and in hand added to the book value or market value—whichever is lower—of investments and interest accrued thereon, reduced by the amount of any bank loan or overdraft and of any other liabilities other than in respect of shares, deposits and loans." That conception of a liquidity struck after allowing for market depreciation has been upheld for many years by the Halifax and the Leicester Permanent Societies. It should now gain much wider acceptance.

The task of admitting a society to trustee status falls on the imperturbable shoulders of the Chief Registrar. It may be an uncomfortable burden to offer any man, but the rules have been drawn to give him all reasonable help. If he takes the view that he should admit to trustee status all societies which fulfil the conditions, and which ask for it, it appears that a minority in number of the 700 odd societies in the country but an overwhelming majority—amounting to about 90 per cent—of the assets of the movement could come within the Government scheme. It looks from these rules that only two big members of the association may be definitely excluded from the scheme.

Membership of the association, it will be noted with satisfaction in Halifax, is not a necessary qualification, but the Act if it follows the white paper exactly would exclude the Halifax, paying ½ per cent under the recommended rate and therefore not able to handle Government money without loss. Compromise seems inevitable. Meanwhile, the association obviously gains from the new arrangements. That is partly because its recommended minimum rate of interest calls the tune on the rate that the Government will charge on its advances. The recommended rate will thus be compulsive on all co-operating societies. But it is also because the test for trustee status bears at least one strong similarity to the rules of the association: the 7½ per cent liquidity ratio is now written into a Government publication.

These innovations, so quietly introduced, will not end the demand for building society reform. There will remain a large number of points at which the Chief Registrar's powers of discipline seem inadequate. There will remain a fringe of societies that reflects no credit on the movement to which they have attached themselves. Nevertheless Command Paper 571 does mark a notable stride forward, not only in finding money for houses, but also in protecting investors and in disciplining the building societies. The working of these reforms in practice will be watched with sympathy and with high hope.

* Cmnd 571. Stationery Office. 6d.

Commodities in '59

Recession in Europe may rob commodities of the full benefits of the upswing in the United States

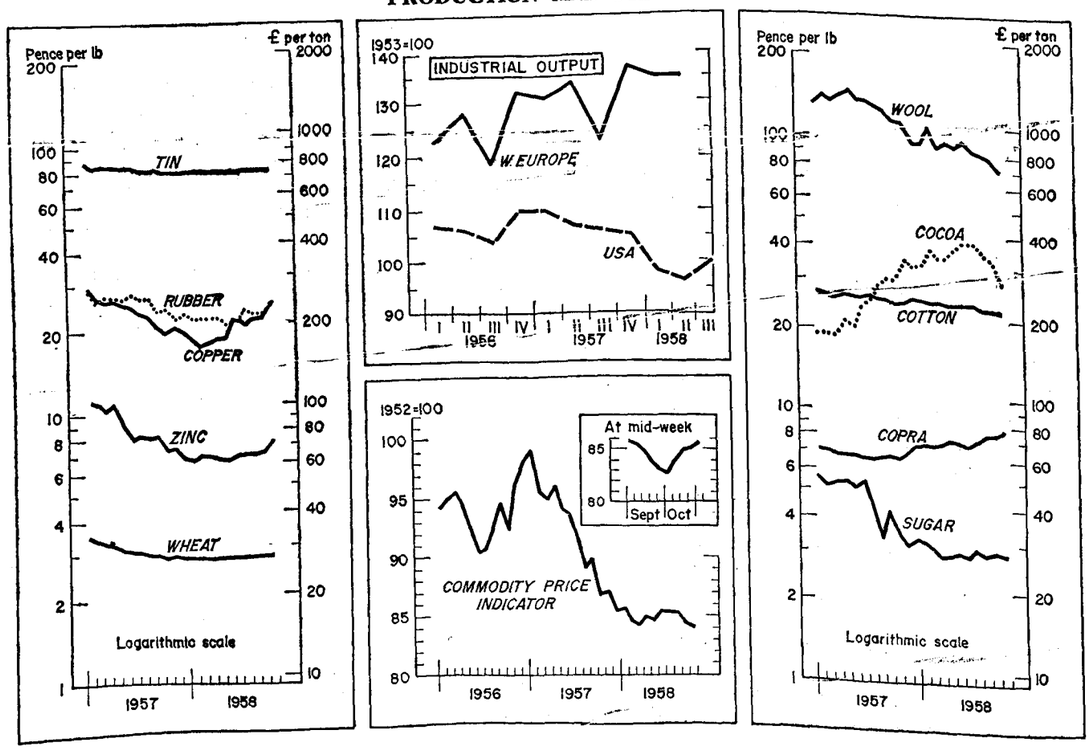
ARE better times in store for commodities? Non-ferrous metals, especially copper, have risen sharply in recent weeks and natural rubber has steadily gained ground. Some prices are lower, but the trend is upwards: in the past month *The Economist* commodity price indicator, which averages the prices of seventeen items, has risen by three per cent. With the United States now firmly set towards recovery, primary producing countries might feel that the worst of their troubles are over.

Unhappily the prospect is not so clear-cut. What happens to American industry is most important for the commodity markets. But what happens to European industry is hardly less so, and Europe is still lagging. In 1953-54 commodities managed to thrive, despite the American recession, because the fall in American demand was offset by strong economic expansion in western Europe. During the 1957-58 American recession there was no such compensating demand for primary materials; the growth of industrial production in western Europe slowed down, and commodity prices fell sharply. From the beginning of 1957 to mid-1958 *The Economist* indicator fell by 14 per cent. With industrial production in Europe now faltering, the commodity markets cannot expect to enjoy the full benefits of industrial recovery and restocking in the United States.

This must explain why the upturn in commodity prices has come late in the day, and on a narrow front. American recovery is now seven months old; by September industrial output in the United States was nearly 9 per cent above the April trough, and on Wall Street industrial stocks were above the pre-recession peak. Yet until a month ago commodity prices continued to sag. On October 7th, *The Economist* indicator touched 82.8 (1952=100), its lowest level for nine years and its rise since has only carried it to 85.6. Such a belated and limited response suggests that if American buyers have been gaining confidence, European industry is in no hurry to rebuild its stocks of primary materials

Some adventitious factors have also been at work, even among those commodities that have clearly benefited from the American recovery. The sharp rise in copper has been accentuated by the seven weeks' strike in the Rhodesian mines, settled this week, and by the strike in the Canadian mines of International Nickel. The rise in lead and zinc is partly attributable to the race by merchants to get metal into the United States before the current import quotas are filled. The strength of natural rubber owes a good deal to a substantial increase in Russia's purchases. Yet Western Europe is the joker in the pack. Its importance can be compared to the United States by taking the gross national products of the two areas. In 1957 western Europe's GNP was about three-fifths that of the United States, and in recent years it has been growing rather faster. In the five years to 1957 GNP in western Europe grew by 40 per cent to $258 billion; in the United States it rose by 27 per cent to $440 billion.

PRODUCTION AND PRICES



INDUSTRIAL output in western Europe reached its peak in the first quarter of this year, fifteen months after the United States had reached its peak; a slight fall in the second quarter has almost certainly continued into the third quarter. Though personal consumption has held up, expenditures on new plant and equipment in most European countries have declined, stock-building has slowed down and exports have fallen. A recent survey by the Economic Commission for Europe suggested that a renewed rise in total activity could only come from the rising trend of construction and government expenditures. "Whether they will suffice during the last part of the year to neutralise the downward pull in other fields, particularly industrial investment and exports, is doubtful." The further reflationary steps just taken in Britain do not appreciably affect that judgment.

It would, therefore, be prudent for the primary producing countries to assume that the recovery in the United States will be partly offset by a slight—not a severe—recession in Europe. In that event, commodity prices as a whole could still rise further, but not fully to match the rise in American demand. The main factors in favour of the primary producers are that stocks in consuming countries generally are not high, and that current rates of consumption of some commodities, notably copper, tin and rubber, are running comfortably ahead of world production In the United States the re-building of stocks is well under way; in Britain the rate at which total stocks and work in progress were being increased was much lower in the first half of this year than it was in the first half of 1957, and at the end of June the volume of stocks was only 3 per cent higher than a year ago. Among individual commodities there are wide differences. Stocks of copper in the United States are low, and the pipeline of Rhodesian supplies to Europe is nearly empty. Even though the strike has ended, and the British Government is offering 10,000 tons of copper from its stockpile, it will take many weeks to restore a normal flow. Stocks of lead and zinc in the United States, on the other hand, are still high, even if they are no longer burdensome.

The outlook for individual commodities is mixed. Copper prices are unlikely to suffer from the ending of the Rhodesian strike, but any further rise must be tempered by the increases in production that have recently been set in train. Tin prices look reasonably safe. They quickly recovered from the steep fall when the manager of the international buffer stock had no means of further support, and restrictions on exports have now brought supplies into balance with demand—after allowing for Russian exports. Though the manager cannot sell tin from the stock before the price exceeds £780 a ton, he can dispose of tin bought by the special fund at any price, and presumably he will want to get rid of that stock as soon as he reasonably can. Lead and zinc prices in London can hardly hold their present levels unless the producing countries, individually or collectively, make further cuts in production to offset the import restrictions imposed by the United States. Natural rubber prices might well withstand some falling off in Russian buying, for American consumption of natural rubber will almost certainly be substantially larger next year than this. Cocoa prices have rallied sharply, but their future is obscured by the uncertainties of Brazil's marketing policy and the size of the new crops.

For coffee and tea, and for the fibres and grains the prospect is not bright. Prices of coffee have fallen by roughly a fifth this year in face of the large surplus; the best that can be hoped for is that the agreement of Central and South American producers to restrict exports will avert a collapse in prices. World production of tea has increased this year and prices even of some better qualities have weakened. Cotton and wool are still suffering from the world-wide recession in the textile industries. Though some recovery may be in prospect, it may not do cotton much good. Nearly all growths of raw cotton produced outside the United States are selling well below the US export price, mainly owing to fears that the subsidy on American cotton will be increased. Such price-cutting in turn makes it harder for the American government to resist an increase in subsidy. And the new cotton legislation in the United States promises to bring about a larger crop, and lower prices, in 1959-60. Prices of wheat and coarse grains can hardly rise much in face of the massive surplus in the United States.

Yet the outlook for commodities, if not wildly exciting, is far from gloomy. Even if western Europe suffers a mild downturn this winter industrial output should revive in the spring. In the last few weeks the British Government has bent itself more energetically to priming the pump, and other European governments are no less eager to keep recession at bay. Looking at next year as a whole, and giving fair weight to the optimistic reading of the American prospect that many good economic judges are now making, it would be surprising if the exports of primary producers did not fare better than in 1958.

BUSINESS NOTES

IN THE MARKETS

Boom with Frills

THE boom in Throgmorton Street goes on. Its base is still a flow of savings, unmatched by an off-take in the form of new capital issues. If any doubts are expressed about the height of industrial ordinary prices (and certainly at present levels they discount earnings and dividends a good way forward), a glance at the booming stock markets across the Atlantic is enough to still them. In the gilt-edged market, where over the week to Wednesday's close the *Financial Times* Government securities index dipped slightly from 85.21 to 84.94, the money market has been an active switcher and possibly a net buyer of short dated stocks, while some of the maturing 2 per cent Conversion stock has been flowing into official hands. But the medium dated stocks are inactive, for the banks are standing pat after their heavy buying earlier in the year, and some of the long-dated and irredeemable stocks are being sold by small investors so that they may switch into industrials.

The abolition of the hire purchase restrictions gave the industrial market another big push, carrying *The Economist* indicator up from 226.9 to a new peak of 233.5. There are solid enough grounds for buying consumer durable equities. But the buying has not been confined to these shares and the speculative fringes that appear in any boom are becoming more evident. Shipping and rubber shares, where the grounds for confidence are not so immediately apparent, have come into the picture. Moreover, the stags are active when any new small issue comes along. The issue of 600,000 5s. ordinary shares at 6s. each by George Braund, the knitwear manufacturers, was oversubscribed twenty-five times and dealings opened at 7s. 3d. The issue by Wilkins and Mitchell, the washing machine manufacturers (which is discussed on page 554), was given the same welcome. And presumably the stags will charge forward again, if this pace continues, when the ordinary share issues of Herbert Gomme, the makers of G-Plan furniture, Dorothy Perkins, the wholesale fashion house, and Harveys of Bristol, the sherry importers, come to the market.

Dealings in Oil Search, however, provide the best evidence of speculation in the market. Recently, British Petroleum and Vacuum Oil decided "unless material encouragement was obtained" from the current drilling programme not to continue the search for oil in Papua. But now one of the Papuan wells, in which each company has a 45 per cent interest, has begun to flow freely. The only way in which investors can secure a stake in this strike is through Oil Search, which owns the remaining 10 per cent interest. The strike therefore set off a hectic boom in the Oil Search stock in the Australian markets, which dragged the London market along at their heels. The stock touched 26s. (Australian) and rose from 2s. to 11s. in London; option dealers were forced to raise their price for "call" options on the stock, but that did not seem to deter the "bulls" and finally some of the option brokers were refusing to deal. The speculation has put an enormous capital value on a piece of Papuan jungle, however important the strike may be and however welcome it is to national aspirations in Australia, which have been grievously disappointed in oil in the past.

Options So Far

AFTER the first frantic days of dealings, when over 1,500 bargains were recorded in a single day, the option market has settled down to a more staid existence, with between 300 to 400 bargains being struck each day. By far the greatest bulk of these options, as is inevitable in a bull market, is for the "call" and the manner in which the small number of active dealers undo the transactions has helped to keep the pot boiling in the industrial market. As the table shows, some speculators can now exercise their "call" at a small profit and some are within striking distance of doing so. But, having grown more accustomed to dealings, the option brokers have now slightly shaded the prices they demand.

	Striking Price	Option Price	Take-home Price*	Selling Price	Option Price
	Oct. 8	Oct. 8		Nov. 5	Nov. 5
Shell	157/6	6/6	165/6	157/6	6/3
Ultramar	78/6	6/6	85/9	86/3	6/-
Hawker Siddeley	32/-	2/3	34/7½	32/9	2/-
GUS "A"	25/7½	2/11½	28/-	28/6	1/9
Land Securities	18/-	2/3	20/6	19/-	1/10½
ICI	35/3	2/-	37/7½	35/3	1/9
Distillers	27/9	2/3	30/3	27/9	1/9
F.S. Geduld	99/7½	4/6	105/1½	108/1½	4/6

* Including commission.

Hopeful spirits in the option market have, however, received a tough answer from the Stock Exchange Council. They had appealed to the Council to reconsider its ruling that a member may not deal in options except with another member. The ruling was important to the option dealers seeking to lay off their transactions. The practice of the option dealer who sells the "put" of, say, 2,000 shares is to buy 1,000 shares and on the remaining 1,000 shares to offer the "put and call" to an established holder (who likes being paid for holding stock that he would have been holding in any event). On October 6th the Council decided that the option dealer must only deal through another broker. He must not approach directly an institutional investor, who is presumably some other broker's client, with a free of commission proposition that might in effect undercut the regular broker. This week the council announced that it was sticking to its ruling and that, moreover, a member must not deal in options between overseas centres nor directly in options in an overseas market.

Generally the interpretation of the rules announced this week are mildly restrictive. For example free closing within the account is allowed for a bargain against an option that has been, or will be, declared, but there is no free closing against an undeclared option. It would be unfair to conclude that the council is dragging its feet. It is impressed with the fact that a speculative holding has been built up on the back of option dealings that makes the equity market more vulnerable than it was before.

THE ECONOMY

Facts and (Administrative) Figures

JUDGMENT of the real significance of the increases in public investment announced by the Chancellor of the Exchequer this week is made no easier by the fact that the figure from which he started, as is customary, bears no clear relation to any of the official statistics of public investment already on record. He gave a figure of £1,425 million for investment in the public sector "last year"; said that by the end of this year the rate would be "running appreciably above that"; and announced that for "next year, 1959-60, we envisage a level of public investment about £125 million to £150 million higher than that of last year." The Blue Book on National Income and Expenditure published in September showed gross investment in the public sector as £1,502 million for the calendar year 1957. More recent figures suggest that in the first quarter of 1958 public investment, allowing for the fall in housebuilding, was about 5½ per cent up in real terms, or 7-8 per cent up in money terms, which would give an even higher figure for the financial year 1957-58.

But this, the Treasury declares, has nothing to do with the case: the definitions are different (in ways its statisticians do not specify). Their £1,425 million is "an administrative figure" which cannot be linked with anything generally published. The only other "administrative figure" on public investment with which, in theory, it might have been comparable, was the "about £1,500 million" given for public investment last year and this by the previous Chancellor a year ago. That figure was administrative enough, in all conscience: unfortunately, for further unspecified reasons, it turned out to be also quite wrong. The carapace beneath which civil servants can shelter from awkward questions of detail—very understandably—remains intact.

Keeping Investment High

IN the second quarter of this year, the first quarter of the 1958-59 financial year, public investment was probably just under 3 per cent higher in real terms than in the same quarter of 1957-58. This might imply a rate for this year, on the Chancellor's new basic figure of £1,425 million for 1957-58, of about £1,475 million, which would take up some £45-£50 million of the increase of £125-£150 million that he envisages in the current two-year period. In early August, it was revealed later in the debate, the Chancellor had already authorised extra investment of about £30 million, primarily in places of high and persistent unemployment. The level of £1,575 million announced this week for 1959-60 (the Government thinks it should remain about the same in 1960-61) might thus represent an increase of about 6-7 per cent in public investment next year over this year's rate. This, Mr Heathcoat Amory thinks, "should be sufficient to offset any fall that is at all probable in private fixed investment." Since the public sector accounts for just about 45 per cent of total fixed investment in the economy, this would allow for a fall of perhaps 5 per cent in private investment—within which capital expenditure by manufacturing industries has recently been falling somewhat, though investment by other private industries and services has still been rising enough to swell the total.

The Chancellor himself, in any case, seemed reluctant to agree with "some people [who] I know detect signs that the present record level of private industrial investment may not be maintained next year." He was presumably referring to manufacturers' forecasts to the Board of Trade that they expect to spend some 16 per cent less on fixed investment next year than this. The Chancellor and his advisers clearly do not attach overmuch weight to these forecasts—which over the last couple of years have certainly turned out to be too pessimistic. Even on the record of actual expenditure, indeed, his statisticians have recently been preferring some of their own estimates to figures based on what businessmen say they spent.

Past the Half Million

UNEMPLOYMENT again increased more than seasonally last month: on October 13th there were 514,000 people registered at the labour exchanges. The number wholly unemployed, 451,000, had risen by 35,000 since mid-September, of which perhaps half would have been expected from seasonal influences: the 63,000 temporarily stopped showed very little increase. There was an increase, again, in the number of people working short time in manufacturing industries, from 160,000 to 170,000. The national unemployment rate of 2.3 per cent is an average of quite widely different rates in regions of the country: in the London, Eastern and North Midlands regions the percentage unemployed is still below 2 per cent, whereas in Scotland and Wales it is 4 per cent or more, and in Northern Ireland it is still 8 per cent.

The number of vacancies remaining unfilled on October 8th, 170,000, was 10,000 lower than the figure on September 10th, which had itself been lower than four weeks before. In the economic debate this week Mr Macleod explained earlier references to a more hopeful trend in these figures in the two months; after allowing for seasonal factors, he said, there had been a fractional increase in the vacancies on offer from August to September, and another, though a smaller one, from September to October. He may well be right in his interpretation: but these particular figures happen this year to be peculiarly difficult to adjust for seasonal factors, and this makes conclusions about seasonally-adjusted movements even more hazardous than usual. Seasonal correction of such series rests primarily upon averaging the fluctuations in the figures recorded at the same time of the year for several years back, and applying these to the figures actually collected. Up to the end of last year vacancies unfilled were recorded every four weeks, which meant 13 times a year; this year, by occasional use of longer periods, they are being collected only 12 times a year. Correcting the new series from the old is an exercise to make reputable statisticians, if not politicians (or journalists), crawl under the table.

Seasonal correction of the unemployment figures themselves is probably the most acceptable of the possible adjustments to manpower figures; here Mr Macleod now expects unemployment to reach about 2.8 per cent—say 625,000—by January-February. He is confident that the seasonal fall will then level off the unemployment figure, and hopes it may indeed by then begin to fall more than seasonally.

STEEL

How Much Have Stocks Fallen?

In this year's curious coal-steel recession, few things have mattered more than the level of steel stocks in consumers' hands, and what is happening to them. In this week's economic debate Sir David Eccles managed to find grounds for cheer on this point:

> It is generally accepted that at the beginning of this year the stocks of steel products, over and above what industry might be expected to carry in normal times, amounted to at least 1¼ million tons. Much of these stocks—in fact, I am informed, most of these excess stocks—have already been used up, and as prices do not look like coming down, before long buyers will be back in the market.

Sir David's informants sound rather optimistic. Merchants' and consumers' stocks of steel at the beginning of this year certainly showed a very large excess over what are conventionally reckoned as "normal working stocks"—i.e. the average of 13 weeks' consumption that steel users have tended to carry throughout the postwar period (though this itself could be argued to be high). Stocks in fact rose further in the second quarter, bringing this "excess" to about 1¼ million tons of finished steel, which represents about 1¾ million ingot tons of steel production. And though stocks did turn downward during the second quarter, consumption fell, too, so that at the middle of the year the "excess stocks" were as high as ever. Sir David Eccles's figure would suggest a fall of at least 650,000 tons of finished steel since then.

Since the middle of the year there has indeed been a sharp running down of stocks, but it would be surprising if it were as much as that. From its current orderbooks and from indications that nationalised industries such as the railways and coal, which hold large stocks of steel, are now running these down, the steel industry now thinks that by the end of this year about half of the "excess stocks" may be used up, and that though drawings upon stocks may continue well into 1959, the whole of the excess stocks may have been cleared off by the middle of next year. This is not quite the same as "mostly used up already"; it would seem to put a rather different timing on to the recession.

GOLD FIGURES

Over the Seasonal Hump

The gold and dollar reserves of the Exchange Account rose by $54 million in October, the best gain since May. Once again, the increase was accompanied by a substantial deficit with the European Payments Union—of £12 million (though this is rather smaller than in recent months). This persistent conjuncture has not been adequately explained. Arbitrage in transferable sterling may have played a part. Payment of three quarters of this deficit in gold this month will absorb $25 million, whereas the October payment in settlement of the September deficit with EPU was $28 million. On a current basis, therefore the October surplus was $57 million, also the best since May. The improvement reflects the passing of the peak of the adverse season for sterling. It is probable that the reserves have still been helped by the flow of dollar capital to the overseas sterling area. Some of the proceeds of the recent New York loan of $46 million for New Zealand may have got into the reserves, though last month's loan to Australia can hardly have figured yet.

The run of gold gains will probably be broken in December, when the annual instalments, totalling $181 million, fall due on the North American loans. It would indeed be surprising if Britain again invoked the waiver, as it did both in 1956 and 1957. It should be noted, however, that the 1956 waiver was under the old arrangement; the new agreement allows a maximum of seven postponements, and Britain agreed not to invoke the major part of this potential in the years immediately ahead. Formally, therefore, two further early deferments would be possible. A decision must also be taken in December on whether to renew for a third year the stand-by credit of $738½ million with the International Monetary Fund.

THE THIRTEENTH GOLD GAIN

	$ million True dollar balance in period*	Actual change in reserves	Reserves at end of period
1957 :—			
August	−300	−225	2,142
September	−296	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039
June	+ 17	+ 37	3,076
July	+ 22	+ 8	3,084
August	+ 48	+ 5	3,089
September	+ 21	+ 31	3,120
October	+ 57	+ 54	3,174

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, 1957, for small receipts of US aid and for special payments.

Free Up to £10

Another question that every rise in the gold reserves ought to inject into the official mind is the lifting of the continued restrictions on overseas spending and transfers by individuals in Britain. An easing of the exchange control this week instructs the banks to allow automatically cash gifts overseas up to £10 a year for each donor. The application has to be made on the appropriate form, and the allowance is non-transferable and non-cumulative. The restrictions that remain, as those of £100 on the tourist allowance and of £10 on the export of sterling notes, must still be considered petty by a self respecting society. Certain restrictions on such transfers must presumably be kept while it is considered necessary to check an outflow of capital; but the limits ought to be much higher.

CREDIT FOR AIRCRAFT

Breaking the Berne Rules

Occasionally vigorous action in breach of an international undertaking may be justified; whether that will be true of the action taken by the President of the Board of Trade this week remains to be seen. Sir David Eccles has announced his intention to allow the Export

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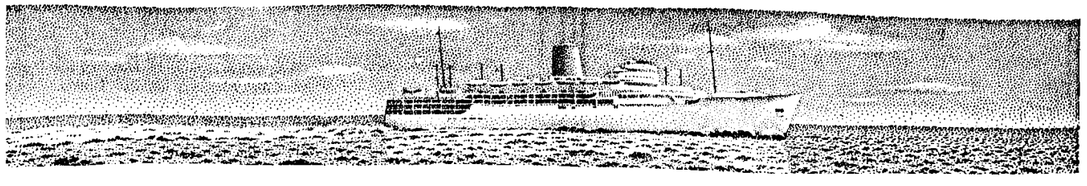


Credits Guarantee Department to insure up to seven years' credit on large airliners and on civil aero-engines, though only at the reduced proportion of 60 per cent of the total risk. He is thus trying to teach the American Export-Import Bank a lesson by matching its credit terms. Ex-Im is not a member of the Berne Union of credit insurers and is therefore not bound by the five-year limit on the length of credit insurances; it goes to the Berne Union meetings as an observer. Britain is a member and hitherto a loyal one. The explanation of the American attitude—which some people might regard as inadequate—is that Ex-Im is a credit giver and that its credit insurances are a mere by-product of its lending. The explanation of the British counter blow, which is not less questionable, is that only Britain and the USA are competing in this particular export business and therefore that no member of the union is being prejudiced by the British step.

Britain thus stands as the only member of the union that has admittedly broken the rules. There may in the past have been doubts about the ways in which some other members, Germany among them, carried out their undertaking not to grant longer than five years' insurance. There is room for doubt whether aircraft, even big airliners, are the most eligible items on which to grant cover beyond the agreed limit. What happens if some other member of the Berne Union is minded to extend long-term credit on export items in which it is particularly interested? There are risks in the possible development of a credit race of an extreme kind—and in such a race the United States of America and Germany would be strong runners.

To Lease or to Buy?

THE aircraft industry has always regarded itself as somewhat apart from the common run of manufacturing and it is not likely to be troubled by these wider issues. It has argued its case for longer credits before an inter-departmental committee under Sir Thomas Padmore of the Treasury, and it is presumably on their advice that the President of the Board of Trade has decided to extend the credit terms on aircraft. Up till now the ECGD has been prepared to underwrite four year credits to buyers of British aircraft, and in a few cases it has covered five years. But hitherto it has not been prepared to participate in deals for a longer period even when the manufacturer was ready to carry the full risk of credit for an extra year or two. The best that French manufacturers can offer is four year credit, unless the sale is made for dollars. The Ex-Im bank has been giving credits for aircraft exports that average five years, but occasionally extend over seven.

Generous credit terms will not sell an aircraft but they can tip the balance between two machines of roughly similar performance. Hence the importance that the British aircraft industry has attached to offering terms comparable with those available from America. Customers now expect to be offered competitive credit terms as a matter of course—even those which have been quite capable of raising money for themselves. Many big airlines have borrowed from the banks to meet the current round of re-equipment and airline managements are becoming afraid that their financial backers may soon want a say in airline administration.

The big airlines are therefore becoming more interested not only in credit terms that are sometimes indistinguishable from hire purchase, but also in the possibility of leasing equipment instead of buying it outright. One engine leasing arrangement has already been concluded in America and Rolls-Royce is working on a similar scheme under which it could offer customers of Rolls-Royce powered aircraft the option of a rental-and-maintenance agreement. A single engine can cost between £30,000 and £80,000, and it may cost one-third of this sum in spares each year.

THE CARRERAS AFFAIR

Equity and Control

No serious investor can remain undisturbed by the Carreras affair. The Baron family and its associates are disposing of their control of the company by selling their voting shares, leaving the "B" ordinary and voteless shareholders, who own by far the biggest slice of the equity, in the cold and in the dark. The terms are discussed on page 550. The family interests have acted in a perfectly logical way, seeking the best price they can for their shares and the voting control they carry in Carreras. They cannot be blamed for that. But, particularly in this company, with its indifferent record in recent years, the divergent interest of the voting and non-voting shares raises issues of the highest importance. This episode is bound to relegate the non-voting share to a status that no sensible long-term investor will touch. The investor who is content even in the very form of the security he holds to remain supine ought to learn his lesson.

HIGH PRICE FOR NO VOTE

	March 31	June 30	August 31	Sept. 30	Current price
Carreras:					
£1 ordinary	30/–	25/–	30/–	35/–	105/–
2s. 6d. "B" ordinary	2/1½	2/–	2/3	2/7½	3/3
Gt. Universal Stores:					
5s. ordinary	20/6*	25/–	25/6	26/–xd	31/–
5s. "A" ordinary	19/6*	23/–	23/–	24/–xd	29/–
J. Lyons:					
£1 ordinary	51/10½*	62/6xd	65/9	67/9	71/3
£1 "A" ordinary	51/10½*	61/3xd	65/3	66/6	70/9
Marks and Spencer:					
5s. ordinary	43/6	47/–	54/–	57/–	59/–
5s. "A" ordinary	40/6	43/7½	45/–	48/6	50/6
Pye:					
5s. deferred	13/1½	12/6	15/–	14/6	18/–
5s. "A" deferred	11/3	11/9	14/6	13/6	16/–
A. E. Reed:					
£1 ordinary	29/6	35/3xd	41/–	44/3	47/–
£1 "A" ordinary	27/6	34/3xd	38/–	42/6	45/9

Italics denote non-voting shares. * Adjusted for scrip issue.

Caveat emptor is a sound principle; the buyers of the "B" shares knew, presumably, what they were doing, and thought it of no consequence that they had no vote. Now they know differently. They can only hope that the new management will do better for them than the old. The holders of the shares carrying control are entitled to act in their own interest, but it plainly is not the same interests as that of the holders of the voiceless bulk of the ordinary stock. Episodes of this kind will make investors even more wary of non-voting shares. It is inconceivable that a voteless ordinary share issue could now be made for cash. The currency which a number of family-controlled businesses have been using to finance expansion has suffered permanent depreciation.

But the voteless share exists. What is to be done about it? Pye have set a good example by granting votes to the

formerly disenfranchised shareholders, and compensating those who thus relinquished control by a proportionately greater holding of the equity. Such a solution may not be possible in all cases, especially where the voteless capital heavily outweighs the voting capital. But it is particularly in such cases that the risk to the holder of the non-voting shares is the greatest. The Carreras episode must drive home the lesson to investors that it is always worth paying for a vote ; it is the voteless shares that are too dear. Voting shareholders can never be worse off than the voteless and they may become much better off when the vote counts.

PRICES

Is Freedom Wonderful?

GOVERNMENT control of the price of steel scrap, which came formally to an end this week, has been succeeded by an agreement to maintain most of the same maximum prices between the National Federation of Scrap Iron, Steel and Metal Merchants and the British Iron and Steel Federation. Neither party liked the idea of freedom much : as Mr Aymer Barrow, president of the scrap merchants' federation commented :

> Both the BISF and the Federation informed the Minister that they would prefer price control to continue, but under the circumstances they had no alternative but to accept the Government's decision.

The merchants' federation did not even like the qualified freedom to export scrap that was allowed at the same time as decontrol of home prices. It would have preferred any surplus scrap arising here to be bought and stockpiled either by the Government or by the steel industry.

Freedom for the price of coal, which came into force at the beginning of October, has been celebrated by the trade in certain areas with price increases. These have been explained as covering additional costs incurred since the last changes in price. They are said not to cover any increase in merchants' margins, which they consider are too low and in which the Robson Committee this spring agreed that an increase might be reasonable. On the industrial coal market there are not many signs that freedom is greatly quickening competition ; most of the aggressive selling, and the price shading, still seems to be in securing fresh contracts for oil. The National Coal Board, which sells about 40-45 per cent of its coal direct, and according to the Robson Committee is a relatively low-cost wholesaler, is under pressure to improve its own commercial efficiency ; whether this will mean changes in its own price structure and its share of the distributive trade remains to be seen.

BRITISH INSURERS IN USA

Three Offices Link Up

THE American fire and casualty business of three British insurance companies, the Atlas, Royal Exchange and Sun is to come under single management at the beginning of next year. In common with nearly all other insurers, domestic and foreign alike, these companies have been losing money in the United States. Underwriting losses running into millions of dollars have been hard to avoid under the American system of politically-appointed state insurance superintendents who make sure that premium rates limp along well behind rising loss ratios. The agreement for common management—by the present Sun manager —is the first of its kind among British insurers in America. Its purpose is to make underwriting more effective, and to secure the economies and efficiency of larger scale operation while preserving the separate identity of each company. The combined premium income of the three offices last year ranked seventh out of the twenty-one British insurance groups operating in the United States.

UNITED STATES BUSINESS
($000)

	1955	1956	1957
Sun :			
Premiums	16,413	17,753	19,905
Underwriting profits	−564	−1,242	−1,793
Investment earnings*	947	1,004	1,116
Royal Exchange :			
Premiums	10,689	14,249	12,856
Underwriting profits	−538	−2,946	−1,461
Investment earnings*	575	585	635
Atlas :			
Premiums	7,863	7,916	8,018
Underwriting profits	−434	−652	−1,241
Investment earnings*	473	489	533

Source : *Best's Insurance Guide.*
* Gross interest dividends and rents, less investment expenses.

FRANC ZONE

The Tunisian Dinar

A NEW currency made its bow to the exchange markets this week. It is the Tunisian dinar, based on the French franc but physically " made in England," since the notes of this currency were printed here. The dinar has been given an equivalent of 1,000 French francs and is thus more dignified as a unit of currency than the former Tunisian franc, which like its French parent was worth rather less than one-fifth of a penny. The former bank of issue, the Bank of Algeria and Tunisia, which is wholly owned by the French state, has yielded its note issuing rights in Tunisia to a new central bank. The bulk of the reserve held against the new currency is for the present being maintained in French franc assets, though in due course part of these may be converted into gold or other foreign currencies.

Tunisia will remain in the franc zone, which also includes Morocco and the other politically independent territories of Togo, the Cameroons and Guinea. The franc zone has certain points of resemblance with the sterling area : a common pool of reserves is maintained in Paris and the member countries, including those that are now politically independent, have agreed to abide by similar measures of exchange control. In this respect indeed the franc zone has rather more rigidity than the sterling area, since exchange control arrangements in each territory are operated through representatives of the *Office des Changes* in Paris. The pool itself is administered by a Committee of the Franc Zone, which was set up in 1952. This committee has now been divided into two sections, one for the countries inside the French community and the other for those that have chosen to be politically independent of it.

The prospects of the franc zone depend on the prospects for the French franc itself. No lasting recovery from the recent weakness has been achieved. There are now ominous rumours that the French authorities may be contemplating an increasing use of blocked or security francs for certain current purposes. Already the non-resident in France who sells property or other capital assets in that country, can spend the proceeds of those francs when in France. There has at times been an active market in capital account francs which are sold to tourists visiting the franc zone. The new possibility now being discussed in Paris is that of requiring Frenchmen who wish to travel abroad to buy their foreign exchange in the form of security dollars, pounds or florins, on which substantial premiums are now quoted. From this it might be but a short step to the creation of a complex system of multiple rates—a step that would be to the detriment of the franc as an international currency.

PUBLIC ACCOUNTS COMMITTEE

Deep in the Fog

THE Committee of Public Accounts made a valiant but largely unsuccessful attempt in the latest session to unravel the business transactions of the Atomic Energy Authority and the Ministry of Supply. The AEA

Hire Purchase Snowball

IT is now plain that the dismantling of official control of hire purchase and the subsequent competition in terms is having a substantial stimulus on demand for HP facilities. That demand comes at a time when the finance houses have no difficulty in raising funds ; the participation by the banks in the equity of the leading companies not only injected more capital into hire purchase but improved the companies' access to both deposits from the public and advances from the banks.

In the past few months, the hire purchase companies could have financed much more business than was available ; they curtailed their intake of deposits and reduced their bank overdrafts. They were careful, however, to maintain their overdraft limits ; and if the volume of hire purchase credit does rise substantially in the near future, it may be expected to entail increased advances from the banks to the finance houses. Since the trend of other advances is now upward, while the banks' liquidity is hardly more than adequate, there is an evident possibility that the seasonal tightening of liquidity in the early new year may threaten the continuation of credit expansion. If that were to happen, the monetary authorities would presumably have to decide whether they still desired to see credit expanded and were prepared for the purpose to relax their funding policy.

Immediately, the scrapping of controls has led to some disturbing and ruthless competition. No recommendations have yet gone out from the Finance Houses Association to its members ; the Association is due to meet in the near future. It is understood that discussions on general organisation are in progress between hire purchase interests and the Bank of England. This week the "no deposit" label has moved on to motor cars, and terms of repayment have been extended up to five years. This is risky even by American standards. A car firm asking merely for the first month's deposit in advance or 1 per cent down obviously has to keep a pretty sharp eye on the man who has discovered a cheap form of car hire. The finance houses and the car trade would do well to take note of this week's figures showing a significant rise in the year to September in general trade debts and business failures.

ONE welcome feature of the credit war is that, no doubt under pressure of the facilities offered by the banks, competition has extended to the rate. One big garage in outer London this week combines the offer of 1 per cent down with a service charge of 4½ per cent. Its finance house, Scottish Midland Guarantee Trust—wholly owned by the Commercial Bank of Scotland—may sometimes extend the last 9 per cent of the credit only " with recourse " to the dealer. But it appears to have shaded its own rate below 6 per cent, and the garage is cutting this further by foregoing the customary commission of 15 per cent of the service charge. This is a precedent that could usefully be followed ; but a general move in this direction would shave dealers' profit margins, and might affect the trade-in values they could offer.

A marked rise in sales of cars on HP was evident already in October, before the relaxations ; at 60,415, the figure was nearly one-fifth higher than twelve months before, whereas the September total was only just up on the year. But the most spectacular increase in HP sales last month was of motor cycles, which were freed from control in September: October figures were 32,735, compared with 24,563 in September and 17,895 in October last year. There was also a marked rise in sales of industrial machinery, which were also freed in September; evidently the easing of bank advances has not prevented further expansion by HP companies in this sphere.

Sales of radios, television receivers, and domestic appliances have also turned upward since the removal of restrictions ; deposit rates on these items were reduced from one-half to one-third in September (except for cookers, boilers, and water heaters, which were freed at that time). Sales of both gas and electric cookers increased sharply after being freed from control ; before that, they had been running below their 1957 levels. Sales of radio and TV sets recovered slightly when deposits on them were lowered, and appear to have risen even more steeply since controls were completely removed. Sales of domestic refrigerators have been running at high levels all year, despite bad weather this summer, owing probably to the reduction of purchase tax on them in this year's budget. With hire purchase restrictions removed, demand for refrigerators has increased even more, and one source has predicted that sales on the home market this year may be as much as fifty per cent higher than last year's total of 250,000. Removal of HP controls on refrigerators may mean that the seasonal drop in sales usually experienced in the winter may not be felt this year.

Small domestic appliances, sales of which are presently running at about the same levels as in 1957, are seldom sold on hire purchase and will probably not benefit greatly from removal of restrictions. It is possible, however, that consumers intending to buy these may in future buy two or three items at once, on hire purchase. Some indication of the pent-up demand for larger appliances may be inferred from the sharp rise in furniture sales since HP restrictions on them were removed ; both furniture manufacturers and retailers have reported an enormous amount of new business since September. It is too early for manufacturers of appliances to feel the effects of removal of restrictions ; one large manufacturer, however, has stated that he intends to increase production as soon as possible to meet new consumer demands.

keeps normal commercial accounts for its own information and that of the Comptroller and Auditor General, but it came as something of a shock to the PAC to discover that the most vital part, the operating account, was not published, nor was it going to be made available for the committee's inspection. The purpose is to conceal the sums spent annually on the production and development of nuclear weapons; the result is that whatever truncated figures the AEA does publish are largely without meaning. This contrasts sharply with American practice; there the Atomic Energy Commission—in some respects a much less liberal minded body than the AEA in this country—breaks down its expenditure each year under civil and military subheads. The AEA has had misgivings about its policy; the PAC was told that it had been reconsidered not so long ago "when some of us thought that it might be possible to release" figures on the operating account. But the veto remains and the Public Accounts Committee had to satisfy itself with nibbling around the edges of the AEA's operations and fussing about its pension schemes.

The Ministry of Supply is less wilfully secretive, but since it rarely acts independently, and is subject to innumerable pressures inside and outside the government, the motives for its actions rarely, if ever, come to light. The committee tried to discover why the Ministry was waiving royalties due to it on export sales of military aircraft—the royalties that are intended as partial recompense for the public money that has been put into the development of those aircraft. They are faithfully recovered on civil sales, made in the teeth of foreign competition, but three times recently they have been either reduced or forgone entirely when manufacturers of military aircraft pleaded that the royalty would make their price too high for a foreign buyer. Both the PAC and the Treasury would have liked to know whether the company concerned also cut its profit in order to make a competitive bid.

The reasons why the Ministry of Supply ordered three Britannia airliners for which, two years later, no buyers had appeared, is also one that perplexed the PAC. This decision seems to have been forced on the Ministry. An order of this size was the minimum that would justify laying down a Britannia production line in Belfast to relieve local unemployment, and the aircraft were needed for trooping, even though they were ordered without the specially strengthened floors required by Transport Command. Ultimately, they will be operated by independent airlines working trooping contracts, but their ownership was still uncertain when Ministry officials were giving evidence about the order this summer. The Ministry's official policy is to rationalise the aircraft industry, but the PAC kept discovering oddities that looked as if they could have come from feather beds.

RESTRICTIVE PRACTICES

Judgment Against the Chemists

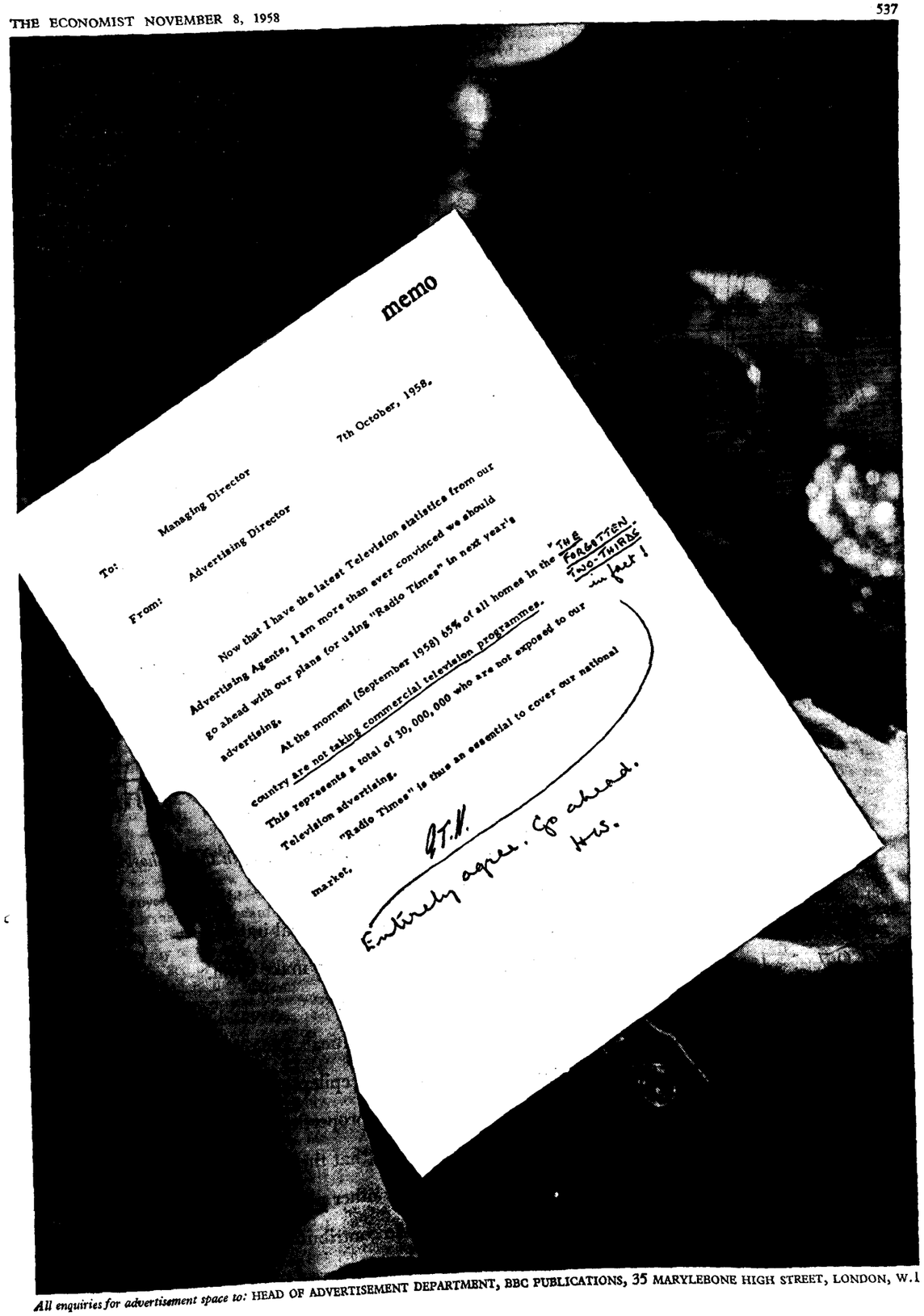
THE Restrictive Practices Court has now delivered a reserved judgment giving its reasons for having declared, last month, that restrictions contained in an agreement of the Chemists' Federation were contrary to the public interest and accordingly void. The main restriction provided that proprietary medicines manufactured by members of the Federation could be sold only through chemists' shops (not, as erroneously reported previously in these columns, only through chemists who were members of the Federation). The Court held that the main restriction was not reasonably necessary to protect the public against injury, as had been claimed by the Federation; it judged that the inconvenience to the public from not being able to buy the commodities it wanted from any retailer willing to sell them was not justified, on balance, by the slight risk of injury involved if they were able to do so. The Federation had also sought to justify the agreement on the grounds that its removal would deny the public certain specific benefits, including keeping in business a number of chemists in country districts; in finding against them on this point, the Court noted that it was not satisfied that the average small chemist would be unable to meet the challenge of new competition.

The Court ruled that two conditions related to the main clause in the agreement, which the Federation had asked to continue to operate after the removal of the main restriction, were also void. The first of these was that manufacturers should continue to submit their products to the Federation for inclusion on a list of "approved products"; the second was that retail chemists should not sell products on this list in a package other than that supplied by the manufacturer. The Court found that the first clause was ancillary to the main agreement, and hence must fall with it, and that the second, though harmless, brought no substantial benefit to the public.

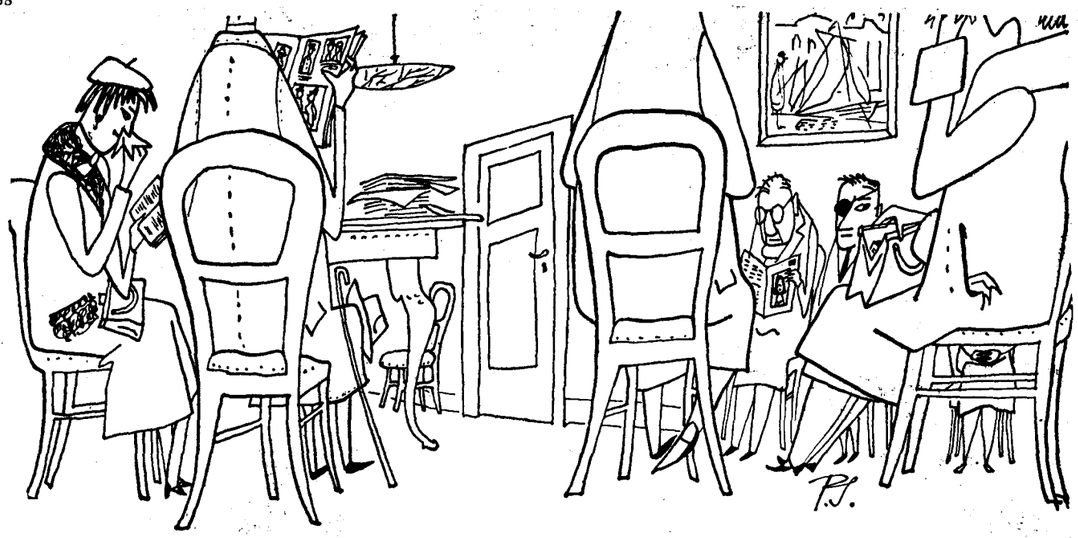
From Decision to Practice

WHEN, last month, the Court declared the main restriction void, counsel for the Registrar of Restrictive Practices applied for an injunction under section 20(3) of the Restrictive Practices Act, to follow automatically on the declaration of the Court. It was pointed out that the Court had declared the restrictions void but not illegal, and counsel for the registrar submitted that, without an injunction, the Federation could continue to operate just as it had in the past. In refusing the injunction, the Court cited the ordinary rule in such cases, that an injunction was not granted automatically unless commission or repetition of the offence could be reasonably apprehended. The Federation, it noted, had not known whether its rules were good or bad under the Act, and had come to Court to find out. Counsel for the Federation has offered to keep the Registrar informed of the steps taken in respect of the Court's declaration; if the Registrar is dissatisfied with these steps, he can then apply to the Court for an injunction on specific grounds.

The Federation has assured the Court that it will abandon the practices in question, though it has not given a formal undertaking to do so, and no question of contempt would arise if it did not. If the agreement should continue to be operated, complaints to the Registrar would presumably enable him to come back to the Court and obtain an injunction, violation of which would be contempt. But, as counsel for the Federation stated this week, the Act is concerned with agreements, rather than with the operations of individual businessmen; and since the Court declared the main restriction void, several manufacturers have run advertisements in the trade and national press stating that in future they will continue to supply only chemists. The Federation, moreover, has been given reasonable time to put its affairs in order, and will not be made to do so with the threat of an injunction hanging over its head. Should the Federation's members decide to act as before on their



All enquiries for advertisement space to: HEAD OF ADVERTISEMENT DEPARTMENT, BBC PUBLICATIONS, 35 MARYLEBONE HIGH STREET, LONDON, W.1



the things they say!

You know, I don't think doctors ought to prescribe commercial drugs at all.



But *all* drugs are made by some commerical firm or other.

Yes, but they aren't all sold under fancy names in fancy packages—at fancy prices.

Surely it's wrong to make a profit out of illness?



But if the pharmaceutical manufacturers didn't make profits, where would they get the £4,000,000 they spend every year on doing research to find other drugs that are very badly needed?

But I thought most of the new drugs had been discovered by doctors working in the big hospitals!

Not at all. Most new drugs and anaesthetics have been discovered and perfected by the pharmaceutical industry—in other words, by the very people who make them.





Give me some examples.

Well, take I.C.I. It was their Pharmaceuticals Division that discovered 'Mysoline', an entirely new treatment for epilepsy; and quite recently they announced a new anaesthetic, 'Fluothane', which has properties that make it quite unique. It was only at great effort—and cost—that these products were developed, perfected and made available. Many other pharmaceutical manufacturers could point to comparable contributions that *they* have made to the progress of Medicine.

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own initiative, in the absence of an agreement, there appears to be nothing to stop them; so the effects of the Court's decision might never be felt at all by the public in whose interests it was given.

ATOMIC INSURANCE

Ten Years to Claim

THE text of the Government's Nuclear Installations bill falls into two parts. One deals with the licensing and inspecting, and the other with the insurance, of nuclear plants built by concerns other than the Atomic Energy Authority. The site chosen by such an undertaking for a reactor, or for a plant for processing and storing atomic materials, must be licensed by the Minister of Power and subsequently inspected—the bill does not say how often—by the Ministry's inspectors. This means that the Ministry will be responsible for the safety of the nuclear power stations owned and operated by the Electricity Generating Board and also of the privately-owned research reactors in the laboratories of the universities and of industry. A high-powered research reactor could be a more hazardous installation than a nuclear power station.

The insurance clauses deal exclusively with third party claims and they may well set a pattern for similar legislation in other countries. They are limited to reactors on land, ships and aircraft being specifically excluded. The bill obliges owners of atomic plants either to insure against third party risks up to a maximum liability of £5 million, or to hold adequate liquid assets to meet claims up to this amount. This figure is an upper limit; the actual amount for which each risk is insured is likely to be much lower, though it will have to be agreed with the Ministry.

Special provision is made for an owner that may not wish to insure in the market. If, for example, the Electricity Generating Board, with a number of nuclear sites, were to elect to meet any third party claims directly, as the Atomic Energy Authority does, it will have to satisfy the Minister that its liquid assets are adequate to meet the maximum cover on two sites—that is, up to £10 million.

Where liability may weigh most heavily is on nuclear materials moving between plants. The bill places liability

Production on a New Measure

ACCORDING to the new official index of industrial production that was published for the first time last week, output in August was about 4 per cent lower than a year before; and in September, though it does not appear to have fallen any further, the margin below 1957 may have widened fractionally, since last year output rose more than seasonally between the two months. Manufacturing output in August was about 4½ per cent lower; mining output was just on 10 per cent down, and even "gas, electricity and water" the group of utilities in which output has risen strongly despite levelling off and recession elsewhere in the economy, was up by only about 2 per cent in August.

This is an entirely new index; the industries covered have been brought into line with the new Standard Industrial Classification, there have been changes in many of the indicators used to compile the 800 or so "component series" from which the "all industries" index is derived, and the compilation has been re-based and re-weighted in accordance with the results of the second postwar full census of production, for 1954. This kind of revision of any index of production is customary, inevitable, and highly necessary from time to time: the last revision here was in 1952, when the interim index based on 1946 was brought into line with the 1948 census of production.

Revision of the standard industrial classification, on which most official statistics of industry and manpower are based, has been a matter of sorting out activities between trades, taking some growing industries out of "miscellaneous" headings, and other rearrangements intended at least to fit the paper gridirons of the statistics rather more closely to the organic and changing patterns of industrial activity. For example, within the engineering industries, mechanical handling equipment, contractors' plant and quarrying equipment, and office machinery which used to be lumped along with "other non-electrical engineering" have been given separate headings, and domestic electrical appliances have been given a separate heading within the electrical engineering sector.

One effect of this revision on the index is to take repair work on radio and television sets, watches and clocks and furniture from manufacturing to the distributive trades; and to classify motor repairs and cobbling of shoes as service trades. These changes have reduced the coverage of the industrial index by about 3 per cent: this has a comparatively minor effect on the total index (though it seems to have reduced it by about half of one per cent this year).

PRODUCTION INDICES, OLD AND NEW

(All industries: seasonally adjusted)

	Old Index 1948=100		New Index 1954=100	
	1957	1958	1957	1958
Jan.	137	136	106	106
Feb.	138	138	108	109
Mar.	138	139	106	108
April	137	137	107	107
May	140	135	108	105
June	142	135	108	105
July	139	135	108	106
August	138	133–134	108	104
Sept.	140	...	109	104–105
Oct.	137	...	106	...
Nov.	140	...	108	...
Dec.	137	...	106	...

In the old index 6.6 per cent of the weighting of the index represented industries for which the only indicator available was the level of employment; in the new index such series cover only 2½ per cent of the index. Annual figures, which were the only figures available for series covering 2.7 per cent of the index, have been dispensed with; there will be less use of quarterly data in the new index, and more monthly figures. All these changes should in theory make for less revision in the recent figures as the months go by. In the engineering section, some series representing physical quantities of output have been replaced by price-corrected figures of output by value; but these value figures cover a larger part of production than the physical totals did, and the Central Statistical Office is confident that it now has much better price indices than before.

It does not seem possible to isolate the effect of the different changes, but it is believed that introduction of new series into the index has played as big or a bigger part than the reweighting. The new index (before seasonal adjustment) deviated rather more from the old in the first half of this year than in the previous annual totals. It seems that this may be because certain new output indicators, one for instance, in the aircraft industry, tend to shift a slightly higher proportion of annual output into the first half of the year. So the annual deviation between the old and new indices this year may not be considerable.

for any third party damage caused by fuel in transit to reactors on the supplier of the fuel, the Atomic Energy Authority. Unburnt fuel, particularly natural uranium, is relatively harmless. But spent fuel is dangerously radioactive, and when such fuel is being returned from the reactor to the AEA for processing and disposal, the third party liability rests squarely on the reactor owner, no matter how or whence it is being sent.

In these respects, the bill follows a conventional pattern, even if the risks with which it is dealing are unusual. Where it departs from standard insurance practice is in the treatment of third party claims. Radiation injuries may take years to manifest themselves; so the period within which claims for injury may be lodged has been raised from the normal three years to ten. It will be difficult to decide whether, for example, a case of leukaemia might have occurred naturally, or whether it resulted from some chance exposure to radiation ten years earlier. But the possibility that such claims may arise will compel reactor owners to maintain some form of third party insurance long after a reactor may have been dismantled—for as long, according to the bill, as the Minister requires.

SHORTER NOTES

The Central Electricity Generating Board has made a further change in its bulk supply tariff—the wholesale price at which it sells electricity to Area Electricity Boards—making the maximum demand charge rather higher and the running cost per unit rather lower. This gives the boards more incentive to introduce tariffs themselves designed to encourage off-peak consumption, or to make concessions more generous when they allow special off-peak rates already.

* * *

An important addition to an emerging capital market in South Africa comes with the announcement of the formation of a new accepting house—The Accepting Bank for Industry. This has been formed in Johannesburg in collaboration between the Industrial Development Corporation of South Africa of which Mr Van Eck is chairman, and Kleinwort & Sons.

* * *

The Government of Eire has announced the issue of £15 million of 5½ per cent Exchequer Stock, 1971-64, at 99. The issue is fully underwritten by the Irish banks. Applications open on Monday.

* * *

In the article "Motoring on Credit" in the survey "Motors in the Lead" published in *The Economist* on October 25th, estimates of the motor population expected in Britain in five years' time, at different rates of growth, were given incorrectly. These showed just under 7 million cars registered by 1963 if the car population were to grow at 9 per cent per year, and 6 million if the rate of growth were 6 per cent. In fact, both figures were about 150,000 too low; they should have been about 7.1 million and 6.2 million, respectively.

* * *

The feature on "Better Bank Figures" last week stated that true advances of the clearing banks as shown in the quarterly analysis are above the figures in the monthly statements, which include extraneous items; in fact, the "clean" figure is the smaller.

* * *

The Chase Manhattan Bank has made an application to open a banking office in Johannesburg, its first office in South Africa. In order to conform with South African banking regulations, the office will be established as a domestic corporation to be named the Chase Manhattan Bank of South Africa Limited.

* * *

S. Smith and Sons (England) has maintained its dividend at 10 per cent for the year to August 2nd on the capital as increased by a 100 per cent scrip issue. But a special interim of 2½ per cent has been declared, to avoid discriminating profits tax. Effectively, therefore, the dividend is set at 12½ per cent. The group's profits advanced from £2,847,193 to £3,382,306 and net profits from £1,277,616 to £1,631,146.

* * *

Sales by Beecham Group in the six months to September 30th came to £18.7 million against £16.1 million in the corresponding period of 1957 and £18.1 million in the six months to March 31st. Trading profits were £3,369,000 (compared with £3,195,000 in the same period last year and £2,898,000 in the six months to March 31st). The latest figures include one month's trading of Beecham's new subsidiary, Thomas and Evans.

COMPANY AFFAIRS

Comments on pages 550, 551 and 554 on
Carreras — Crompton Parkinson
Fison's — Associated-Rediffusion
Standard Motor — Van Heusen
Rover — Wilkins & Mitchell
Woolwich and Leeds Building Societies

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 552 and 553

LONDON STOCK EXCHANGE

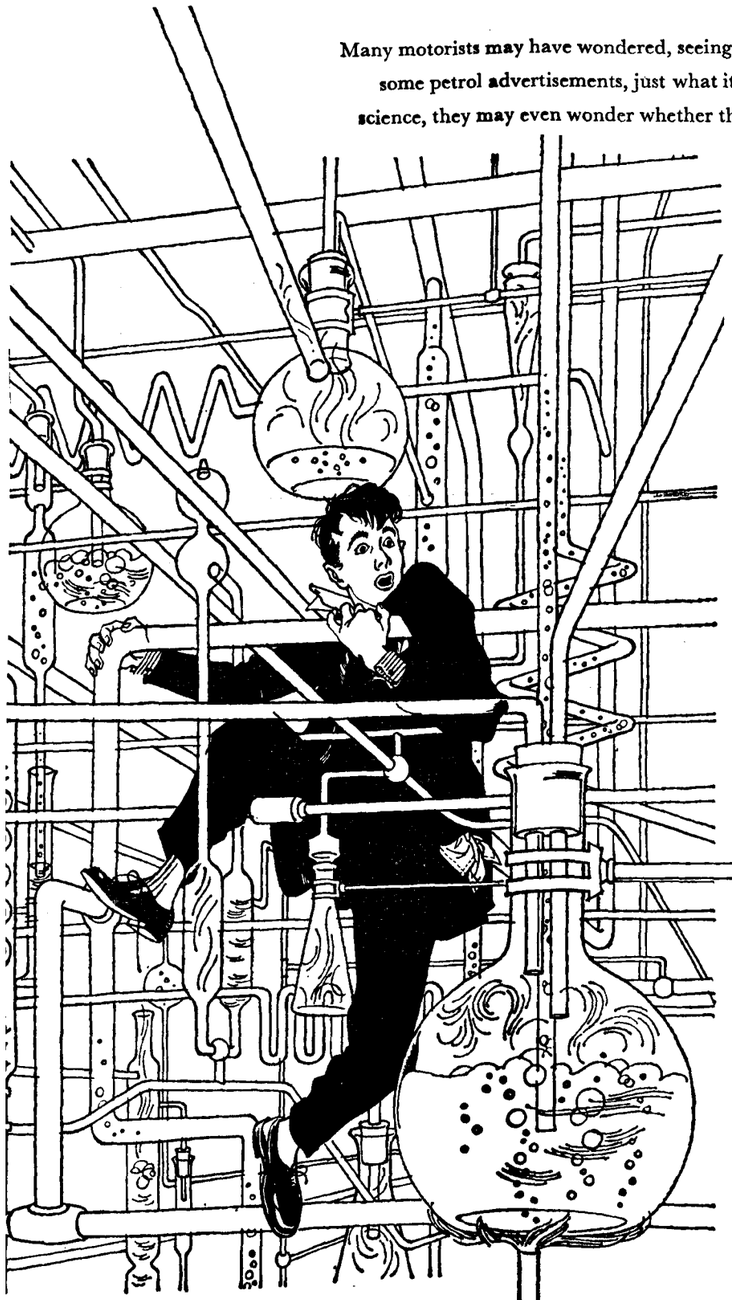
The week's movements reported on page 554

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 555

"Help—let me out!"

Many motorists may have wondered, seeing the rather technical look of some petrol advertisements, just what it's all about. Perhaps, blinded by science, they may even wonder whether there is very much in it after all!



This is a pity, for big things have been happening to petrol. It is better – and *different*. A first-class high-octane petrol such as Super Shell can be produced only by the most advanced refinery processes which lead to better fuels at economic cost.

But refining is only half the story. Additives play an increasing part in giving motorists the higher performance they need. You may remember the first important additive – tetraethyl lead – which in 1922 sensationally reduced petrol "knock". Today, a premium petrol may contain as many as ten additives, most of which never reach the headlines, but each with a special function.

The latest, and most important since tetraethyl lead, is I.C.A. – the Ignition Control Additive based on tricresyl phosphate – which was developed by Shell Research to overcome serious problems of power loss and rough running due to engine deposits. These deposits upset the smooth rhythm of ignition and are particularly troublesome in today's high-compression engines. I.C.A. has proved the answer. It was a triumph of fundamental research, far removed from an advertising "stunt". It is vital in modern cars, and it is exclusive to Shell.

Super Shell with I.C.A. gives you modern petrol at its powerful best, with the added pleasure of a really smooth engine. It is a striking example of how Shell, through the quality of its products, is contributing to better and more economical motoring everywhere.

YOU CAN BE SURE OF SHELL

COMPANY MEETINGS



RONEO LIMITED

SALES ESTABLISH ANOTHER RECORD

INCREASING DEMAND FOR PRODUCTS

SIR GREVILLE MAGINNESS'S SPEECH

The fifty-first annual general meeting of Roneo Limited was held on November 4th at the Connaught Rooms, Great Queen Street, London, W.C., Sir Greville S. Maginness, KBE (chairman of the company) presiding.

The secretary (Mr A. C. Hall) read the notice convening the meeting and the representative of the auditors, Messrs Barton, Mayhew and Company, read the report of his firm.

The Chairman said: Ladies and Gentlemen, copies of the Report and Accounts have been circulated to all members and I assume that you agree to take them as read.

CONSOLIDATED ACCOUNTS

The profit on trading for the Group in 1958 was £764,535 as compared with £828,648 in 1957—a decrease of £64,113. We have brought back into the Profit and Loss Account an amount of £53,389, representing taxation reserves no longer required, and after providing for taxation, depreciation and amounts written off, the net profit available for appropriation and dividends is £274,578 as against £264,734. Your Board proposes to place the sum of £170,000 to General Reserve and having paid dividends, less tax, on the 6 per cent and 10 per cent Preference Stocks for the year together with an interim of 5 per cent on the Ordinary Stock, amounting in all to £35,951, there remains a balance of £68,627, from which a final dividend of 10 per cent, less tax, is recommended on the Ordinary Stock—making a total of 15 per cent, less tax, for the year. This final dividend will absorb £47,268, leaving the sum of £21,359 to be added to the amount of £314,259 brought forward from last year, making a carry forward to next year of £335,618.

From the Consolidated Balance Sheet you will see that the current assets of £3,969,477, less current liabilities of £1,661,216, show a net surplus of £2,308,261 in comparison with £2,111,135 last year—an increase of £197,126.

TRADING

The past year has been a difficult one and although we were able to establish another record in sales in the history of the Company, the increase was not of sufficient magnitude to offset the effects of the continuing rise in costs, narrowing margins and intensive competition, so that the trading profit was less favourable.

I have referred to the new record of sales last year, which kept our productive capacity at a high level and left little margin for further expansion.

Your Board is satisfied that the demand for the products of the Company, viewed from the long-term angle, is one of increasing dimensions. Our existing facilities are inadequate to meet this situation and there are no means of dealing with it on our available land at Romford. We have, therefore, decided to purchase a suitable site at Norwich and to erect additional Works there which will enable us not only to extend our existing production but supply other lines of steel office equipment for which a demand exists. Your Board will submit proposals at the appropriate time for the provision of the necessary finance for this new factory, the main cost of which will have to be borne during the year ending June 30, 1960.

DUPLICATING MACHINES AND SUPPLIES

This Division continues to make good progress and it is particularly pleasing to welcome into our midst the many new users of our "750" Duplicator, the sales of which increased by some 35 per cent last year. With the introduction of the Electro-spray for use on our machines, it is gratifying that so many of our customers, both old and new, have shown their appreciation of this attachment which prevents set-off and enables the use of hard-surface papers without laborious and costly interleaving. The demand for the exclusive electronic stencil is such that additional machines are being produced for the processing of these stencils.

STEEL EQUIPMENT

The turnover in this Division was higher than ever before but competition was extremely keen.

Our Double-Walled Office Partitions have been successfully sold for many years and to meet the needs of the present-day market, we have developed and introduced the new "Flushline" Partition and the range of this will be considerably extended within the very near future. We have also entered the field of manufacture of special purpose Furniture and Equipment for use with the many office machines which are being sold in this country.

It has always been the policy of the Company to supply equipment of high quality and attractive design, both in structure and colour, and this has only been possible as a result of continuous research and development.

VISIBLE RECORDING EQUIPMENT

There is an ever growing demand for methods of card filing which offer considerable advantages over the functional forms of "blind" card indexing and to this end we have now added Multicard to our extensive range of recording and indexing systems. Multicard is basically a system of vertical card filing, incorporating a visible margin, and is designed to provide simple control features and greatly increased speed in the selection of records for reference or posting, whether this be by hand or machine. In developing this equipment, we have had in mind both large and small commercial organisations, municipal authorities, hospitals and nationalised industries, which are faced with the problem of using large numbers of record cards with economy of space. We are able to offer a comprehensive range which provides accommodation for at least 24 standard card sizes and offers unit capacities from 700 to 7,000 records. It has many unique features and the overall design is in accordance with the most modern trends. The cost, moreover, is modest in relation to the benefits which are derived from its use.

Interest in strip indexing, visual charting, machine posting equipment and, especially, Roneodex with its alternative methods of card suspension and flexibility to deal with all phases of recording and control, however complex, continues to grow and sales both at home and overseas have attained a high level.

EXPORTS

During the year under review imports into many of our markets have been still further restricted and, in some cases, the doors of entry have been closed upon us altogether.

Notwithstanding the more difficult conditions operating abroad, including an extension of local manufacture in certain lines of steel office equipment, I am pleased to be able to report that the volume of our total exports was fully maintained at the same level as the previous year, which was then the highest in the history of the Company, and your Board feels that in all the circumstances this was a creditable achievement. During the year we have added considerably to the number of representatives specialised in our various products, and we have thereby strengthened the service which we have been able to render to our agents abroad. Our sales of duplicators made further progress, especially in the dollar markets.

I am sorry to say that our Canadian Company has experienced another year of very difficult trading conditions due to the general recession in the North American market, and your Board have considered it prudent to write down the cost of the investment in this subsidiary and the necessary provision for this is made in the figure of £48,783 as shown in the Profit and Loss Account of the Parent Company. Our sales in Canada for the first three months to September 30, 1958, show an increase over the corresponding period of 1957, and your Board is of the opinion that although it would be too much to expect profits from our Canadian Company until there is a general return to normal trading conditions, improved results may be anticipated for the current year.

RONEO-NEOPOST LIMITED

Both the sales and profit of this subsidiary Company attained record levels.

Machines, such as duplicators and typewriters, have long since been taken for granted in any office organisation, and I am pleased to say that there is now increasing recognition of the merits of the postal franking machine in this connection. The proportion of franked mail to all mail that is handled by the General Post Office is still small and the future opportunities for an extension in this field are encouraging. Whilst the larger concerns are increasingly using our postal franking machine, the "Frankmaster" can be installed with considerable advantage by even the small traders or business houses whose mail does not exceed more than 20 or 30 letters per day.

NATIONAL SITUATION

We met last year shortly after the Chancellor had announced the intensification and strengthening of measures to maintain the internal and external value of the £ sterling. That these measures have achieved at least partially their objective is shown by the subsequent improvement in the position of the gold and dollar reserves.

There are various factors in the international trading situation which are at present very uncertain. There are signs of a widespread movement towards the freeing of international trade. In particular, the announcement at the Montreal Conference of our own intentions will be a source of encouragement to British exporters if this move is reciprocated in other countries where markets have been unduly protected by tariffs and quotas. The prospect of the early establishment of a European Free Trade Area seems less bright than it did a few months ago. From the standpoint of the country as a whole any measures designed to increase the volume of world trade must generally be to our advantage. Nevertheless, for particular industries—and to some extent in our home markets—such measures will offer a challenge to more effective salesmanship and greater productive efficiency.

INCREASED COMPETITION EXPECTED

There is no doubt that many of our existing competitors in international markets enjoy the advantage of greater assistance from their Governments in providing extended credit facilities. We must expect increased competition in the future from the countries of Eastern Europe. Although in the long run exporters from these countries may be expected to drive as tough a bargain as anyone else, if a political objective is to be served, they will not be inhibited to the same extent as ourselves by the limitation of credit facilities to what appears to be prudent on the basis of ordinary commercial considerations. As one whose own experience of Russia goes back more than 40 years, I believe that there are big opportunities for the development of trade mutually beneficial with that country. It is not an easy market and we must make ourselves familiar with Russian methods and outlook if we are to secure the full potential benefit from it.

In whatever markets, however, we are seeking to sell, we have to recognise that competition is growing keener and keener and will continue to do so. In no industry can we expect to rely indefinitely on a technical lead established by priority of discovery and development. We shall have constantly to change our methods and take advantage of every new technical development which research offers to us. This means that we must cultivate throughout the country not merely a grudging willingness to accept change but an eager readiness to improve working methods wherever and whenever opportunity offers. The recent warnings of the Council on Prices, Productivity and Incomes show that we are still in danger of a recrudescence of inflation. Although retail prices have remained virtually unchanged for several months, this is due to the favourable movement of world prices and not to the stabilisation of our own internal costs. Increases in wages which have not been matched by increases in output inevitably push up costs. In many industries today the point has been reached at which, on the one hand, there is little margin for accommodating higher costs without raising prices and, on the other hand, a market situation in which demand, even at current prices, is falling off.

IMPORTANCE OF SKILLED WORKERS

As some of us have pointed out in the past, and as is now becoming more widely realised, the greatest threat to the maintenance of a high level of employment in this country comes from the risk of our so raising our internal costs as to price ourselves out of overseas markets. The recent increase in unemployment, and the possibility of the continuance of this trend during the winter, naturally give rise to anxiety. We must not allow ourselves to be led to false conclusions, and even to mistaken policies, by an uncritical use of the published figures of the numbers of registered unemployed. As has long been appreciated, the extent of unemployment tends to vary very much from one part of the country to another and there are a few areas where difficulties in placing in employment all the local available labour have persisted even through the postwar period of general labour shortage. What has not been so widely realised—partly because the Ministry of Labour has only recently published occupational analyses of the unemployed—is that to a preponderating extent the men unemployed nowadays are those who offer themselves as unskilled workers and that at June 16th—the latest date for which figures are available—for most skilled occupations unemployment was virtually non-existent and, for many, vacancies continue to exist which the employment exchanges are unable to fill.

These facts underline the importance of our training adequate numbers of young people to meet our needs for skilled workers in the future. This is a matter on which a Government Committee representative of employers' organisations and trade unions presented a unanimous report last year, and it seems to me that this subject is one which we should all consider carefully. We should spare no effort to raise the standards of skill and broaden the scope of training and develop that degree of versatility which the younger generation will need in order to meet the rapidly changing conditions which the advance of science and technology will bring.

VALUE OF SMALL INVESTORS

Two years ago I referred to the sources of savings for industrial investment. At that time I pointed out that there must be much greater encouragement for the private individual to resume his role as saver and investor and that, with the redistribution of incomes which has occurred in recent years, attention would in future have to be directed far more than hitherto to the small investor, and particularly the working man. I suggested that ways of guiding small savings into industry were well worth exploring. It is gratifying to see that what I then said has been taken up in many other quarters since and that it is being urged on the Chancellor of the Exchequer that he should do what he can to help in this matter. The interest which the joint stock banks are taking in cultivating small accounts is itself a helpful sign but I am sure that much more concentrated attention will need to be devoted to this question if we are to educate a substantial proportion of the working population as to the advantages of saving and investment in the future prosperity of British industry.

In conclusion, I am sure that Stockholders will desire to associate themselves with the Board in expressing their appreciation to all those in the employ of the Company who by their loyal efforts have made their contributions to the results of the year which have been placed before you.

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

The retiring director, Mr Paul Chamberlain, was re-elected and the proceedings terminated with a vote of thanks to the chairman.

COBALT DEVELOPMENT INSTITUTE

The Cobalt Development Institute held its third Annual General Meeting in Brussels on October 20, 1958. Mr H. Robiliart, Managing Director of Union Minière du Haut-Katanga, presided.

Mr H. Robiliart and the Chairman of the Cobalt Information Center, Mr Ch. Piedboeuf, were re-elected as Chairman and Vice-Chairman of the Institute, and a second vice-chairmanship was entrusted to Dr L. B. Pfeil, Director of the Mond Nickel Company, Limited.

At present, the Cobalt Development Institute comprises 12 producing companies in the United States, Canada, Great Britain, Rhodesia, Norway, Germany, Morocco and the Belgian Congo. The delegates agreed to admit two other producing companies as members of the Institute.

The Assembly examined and approved the activities and the financial management of the "Centre d'Information du Cobalt, S.A." (CIC), which is entrusted with the execution of the Institute's programme.

It will be remembered that the Center, whose offices are at 35 rue des Colonies, Brussels, is represented in the United States by the Cobalt Information Center at the Battelle Memorial Institute, Columbus, Ohio.

Mr V. Van Vinckenroy, CIC Managing Director, submitted a short report on present activities as well as the Center's 1959 programme and budget proposals, which were unanimously approved by the Assembly.

Important research work is being carried out for CIC by different Belgian, Swiss, German and American laboratories. These investigations include both fundamental research and studies of a more immediate practical nature of which some are likely to lead to applications for patents in the near future.

The results of these investigations, as well as the technical information collected by the Center, are widely circulated through the appropriate channels, including "Cobalt," the new quarterly review which CIC now publishes in French and English. The first issue, which has just come out, contains a general survey of cobalt applications as well as an article concerning high-temperature resisting alloys.

The Cobalt Information Center has a complete range of documentation concerning cobalt and its applications at the disposal of all users of this metal.

FISONS LIMITED

NEW SALES RECORD

SIR CLAVERING FISON'S REVIEW

THE SIXTY-FIFTH ANNUAL GENERAL MEETING of Fisons Limited, will take place on November 28, at Harvest House, Felixstowe. The following is a summary of the review by the CHAIRMAN, Sir Clavering Fison, for the year ended June 30, 1958:—

ACCOUNTS:—Total sales were £47,391,000 (£44,750,000 last year) and Group profit after tax was £1,594,970 (£1,516,413 last year). A dividend of 10 per cent is recommended on the Ordinary Capital ,making a total of 15 per cent for the year. There has been a rise of £2,158,000 in 1958 in the net amount of fixed assets of the Group and this is largely accounted for by the construction of our new ammonium nitrate plant at Stanford-le-Hope and by the modifications which have been carried out to some of our major fertilizer works to enable ammonium nitrate to be used.

FERTILIZER DIVISION:—In the United Kingdom during the year under review there has been another substantial increase in the total tonnage of plant food consumed, of which we have obtained a share, bringing our own deliveries to the highest point yet attained. This is particularly encouraging because the acreage under arable cultivation remained approximately the same.

The average plant food content of compound fertilizers continues to increase. Conscious of the benefits to the farmer of this trend, we have introduced more concentrated fertilizers. The first year's marketing of our " 41 " compound met with considerable success.

Weather conditions last year favoured the application of basic slag to grassland and this material was in strong demand. As mentioned last year, we have a substantial interest in this product and our production units worked to the full limit of their capacity.

In July this year we were able to make quite substantial price reductions and pass on to farmers benefits of economies in practically all our products, mainly arising from a reduction in our raw material costs, principally phosphate rock and sulphur. These reductions have the effect of making the prices of our compound fertilizers, after taking into account the subsidy which the farmer receives, lower than at any time in the past five years.

A further increase in the sales of our horticultural products can be reported: the most interesting feature in this field has been an increase in demand for liquid fertilizers. We now market a complete range of compound fertilizers in liquid form, which are much in demand from professional growers and market gardeners. They present an opportunity for considerable saving in labour costs of application, since they can be metered into the water supply or irrigation equipment.

CHEMICAL DIVISION:—The trading results of the Chemical Division as a whole showed a profit for the year under review, although not a large one. Fisons Pest Control Limited.—During the year we launched three new products, namely " Fisons 1815 ", " Rogor " and " Blitane ", which have been conspicuously successful. Benger's Limited had a remarkably successful year; in addition to a number of important and well-established medical products, the company has others in an advanced stage of development. Although the company is trading in an extremely fast moving market and one in which many unforeseen technical and commercial difficulties can arise I think satisfactory progress will be continued. Genatosan Limited have been affected by the rise in promotional costs common to the proprietary pharmaceutical industry. Whiffen & Sons Limited during the year concentrated their production of industrial chemicals at their Loughborough factory and closed down the original Fulham Works. The turnover of Fisons Chemicals (Export) Limited again showed a substantial increase and was the largest ever achieved. We were particularly successful in Australia, but I should also mention the large increase in our exports and in other income derived from the dollar account countries. This had increased nearly tenfold to its present level of nearly £500,000 per annum. We are continuing our policy of overseas expansion particularly in Australia, Canada and India.

RESEARCH:—A number of new products of research are now contributing significantly to the profits of the Company. In spray chemicals for agriculture, in medical specialities, and in industrial fine chemicals, there has been increasing investment in processes and products based on the Company's own research and development activities.

STAFF:—I want to take this opportunity of thanking all who work for our Group of Companies, in our factories and offices, at home and abroad, for their loyalty and co-operation, without which we could not have achieved the good results disclosed by the accounts.

STATISTICAL SUMMARY	1956	1957	1958
	£	£	£
CAPITAL AND RESERVES:			
4½% Cumulative Preference Stock	4,258,900	4,258,900	**4,258,900**
Ordinary Stock	5,804,863	5,804,863	**6,902,211**
Reserves and Profits Retained	7,143,255	7,762,304	**8,625,248**
	17,207,018	17,826,067	**19,786,359**
GROUP NET PROFIT	1,238,762	1,516,413	**1,594,970**
APPROPRIATIONS OF PROFIT:			
Reserves and Profits Retained	627,893	905,544	**869,145**
Dividends (net) on Issued Stock of Fisons Ltd.	610,869	610,869	**722,128**
GROUP SALES	41,500,000	44,750,000	**47,391,000**

Principal Subsidiary Companies of the Group include:—

BENGER'S LTD. — FISONS MILK PRODUCTS LTD. — LOUGHBOROUGH GLASS CO. LTD.
CORBY BASIC SLAG LTD. — FISONS PEST CONTROL LTD. — NITROGEN FERTILISERS LTD.
FISONS CHEMICALS (EXPORT) LTD. — GENATOSAN LTD. — WHIFFEN & SONS LTD.

Associated Companies include:—

FISON-AIRWORK LTD. — MURGATROYD'S SALT AND CHEMICAL CO. LTD.

There are also Subsidiary and Associated Companies in South, Central, and East Africa, Sudan, India, Ceylon, Malaya, Australia, Canada, and U.S.A.

PRODUCTS OF THE FISONS GROUP:

Fertilizers. Chemicals for Agriculture, Industry, and Medicine. Pharmaceutical and Milk Products.

Compagnie Industrielle et Financière des Chantiers et Ateliers de Saint-Nazaire

PENHOËT

PARIS

(Shipbuilding, nuclear engineering, etc.)

The Annual General Meeting of Chantiers et Ateliers de Saint-Nazaire (Penhoët) was held in Paris on July 9th, with M. René Fould in the Chair. The following is a summary of the report presented by the Board of Directors:

Orders placed with the Company before January 1, 1955, are being executed on its behalf by two new companies, Chantiers de l'Atlantique (Penhoët-Loire) and Chantiers Réunis Loire-Normandie. The completion of these orders is expected to take place during 1958 and 1959. The Company's revenue was obtained from the investment of the capital at its disposal.

CHANTIERS DE L'ATLANTIQUE (PENHOËT-LOIRE)

Turnover for the year amounted to Frs. 32,990,463,000. Seven ships were laid down, including an aircraft carrier for the French Navy and a new transatlantic liner. Another seven ships were launched, including a 53,000-ton tanker, and nine ships were delivered during the year.

Output of power-units comprised nine Diesel engines with a total output of 56,000 hp and four steam propulsion units of 64,000 hp.

Research in connection with the construction of an atomic power-plant for a submarine continues in collaboration with the French Naval authorities, and preliminary studies for an atomic tanker have now been completed. Land-based experiments in connection with this project continue. The Company was also responsible, jointly with Chantiers Réunis Loire-Normandie, for the construction of the atomic pile EL.3 which was put into service during the year.

The complexity of the programme arising in connection with the development of heat exchangers is such that the Company thought it desirable to seek the collaboration of other enterprises engaged in similar work. An agreement was therefore signed with two other companies which led to the formation of a Group to undertake joint research and divide manufacturing processes according to individual specialised equipment and knowledge.

This Group, which was formed in 1957, was awarded the contract for the heat exchanger for the second stage of the atomic power station construction programme (Chinon EDF.II). This particular order will be carried out with the collaboration of Babcock and Wilcox.

Work on the first stage of a four-year investment plan began during the year, and the following projects are either completed or due for completion at the end of 1958:

Extension of the welding shop;

Regrouping of the drawing offices and research establishments;

Erection of four 30-ton cranes on No. 1 slipway.

Preparations are in hand for the second stage of the plan and two further projects will be undertaken in 1958: the construction of a workshop for prefabricated sections and of the connecting internal road network.

Generally speaking the number of orders still to be dealt with, the measures taken to cut costs, and the restricted number of yards able to undertake the construction of very large ships are all points in favour of the Company and should enable Penhoët to await confidently the time when the demand for ships will revive.

CHANTIERS RÉUNIS LOIRE-NORMANDIE

This company launched five cargo ships last year, ranging from 7,400 tons to 13,000 tons, as well as one banana boat. Deliveries accounted for four cargo ships and one banana boat, but only one new order was received and orders for five ships were cancelled. On the other hand, numerous and extensive repair contracts were carried out at the Grand-Quevilly yards. The company continued to be very active in the field of lifting gear and hydraulic presses.

SOCIÉTÉ DES ATELIERS D'AVIATION LOUIS BRÉGUET

Although the company was seriously affected by order cuts which took place in August, 1957, as were all other aircraft manufacturers, its activities were quickly reorganised and its development continues.

On the technical side, several successes were achieved, particularly in respect of the anti-submarine aircraft " ALIZE," which was ordered in quantity by the French Navy, and the lightweight fighter " TAON " which will provide the second generation of NATO fighter aircraft. These achievements, among others, speak well for the company's future prospects.

The winding up of Chantiers Navals de Caen proceeded normally, and Société Generale de Constructions Mécaniques has sufficient orders in hand to provide work for the whole of the current year.

PROFITS AND DIVIDEND

After the transfer of Frs. 750m to Contingency Reserves, the Profit and Loss Account showed a net profit of Frs. 516,057,387. It was, therefore, proposed to distribute a gross dividend of Frs. 900 per share, equivalent to Frs. 781 net.

The report, the accounts, and the proposals put forward by the Board were adopted.

THE CEMENTATION COMPANY LIMITED

INCREASED GROUP PROFITS

The 38th annual general meeting of The Cementation Company Limited will be held at Grosvenor House, Park Lane, London, W., on Tuesday, November 25, 1958.

The following is an extract from the Statement by the Chairman, Mr A. R. Neelands, circulated with the report and accounts.

The Trading Profit before charging taxation, was £1,031,640 as compared with £932,698 for the previous year, an increase of £98,942.

The net profit of the Group, after providing for taxation, amounts to £471,884 compared with £352,817 last year, an increase of £119,067.

A policy of expanding activities abroad has given rise to an increase in overseas profits and a greater liability to overseas taxation (1958: £452,462, 1957: £268,156). This increase in overseas taxation, however, has been less than proportionate to the increase in overseas profits. As a result of working more abroad through companies not liable to United Kingdom taxation on their profits unless remitted and in countries where the local rate of tax is less than that of the United Kingdom there is a reduction in the Group provision for taxation.

In the case of the Parent Company whose overseas profits are chargeable to UK taxation, double taxation relief whereby overseas taxation on profits earned abroad is allowed as a credit against UK taxation on those profits, has reduced the amount of UK Income Tax and Profits Tax payable to a figure considerably less than it would otherwise have been if all our work had been carried out in the United Kingdom.

As you are all aware, a Rights Issue was made in January this year of 4 million Ordinary Shares of 5s. each at a price of 6s. 3d. per share in the proportion of one new share for every two shares held, which was very substantially over-subscribed. The dividend proposed for the year to March 1958, will be paid on the new shares although we have not had the use of the money except for the last quarter of the year.

At the same time, we made an issue of £500,000 Unsecured Loan Stock placed privately.

Our total capital including share capital, loan stock and reserves now amounts to £8 million compared with £3.6 million five years ago.

We propose to pay the same Dividend—12½ per cent—as last year on the Ordinary Shares, including the new capital which will absorb £215,625 against £143,750 last year.

Carry forward of Revenue Reserves and Undistributed Profits of the Group is increased to £1,396,044 and Capital Reserves are increased to £743,627.

I have every reason to feel confident of the future, subject to the usual reservations regarding the unforeseen.

There is a substantial improvement on last year's results; this I would point out is almost entirely independent of use of the new capital which was available for two months only, and in that period was only used to reduce Interest charges.

We have started this year well with a larger volume of work than usual and, although we have had some disappointments in the awarding of work, these have been no more than normal.

PARENT COMPANY ACTIVITIES

In the British Isles competition for Civil Engineering construction work is very keen.

Overseas, India continues to be our main field of Civil Engineering activity. Durgapur, now in its second year, is up to schedule with over £4 million's worth of work completed since commencing on site in November, 1956.

COMMONWEALTH SUBSIDIARY COMPANIES

For the South African Company, the year has been one of changing outlook and increasing scope of operations to face changing conditions.

In Rhodesia, where our cementation and drilling activities have always been in demand, we have been awarded our first shaft sinking contract in that country by Mufulira Copper Mines.

The Cementation Company (Canada) Limited shows an improvement on last year's results and returns a profit.

BERALT TIN AND WOLFRAM

The 30th annual general meeting of Beralt Tin and Wolfram Limited was held on October 30th, in London.

Mr F. Gates, Chairman, presided and in the course of his speech, said: At our General Meeting last year I said that the average price realised over the previous five years for the Company's wolfram concentrates was about 330s. per unit. The price now stands at about 70s. per unit. With a concentrate containing 75 units of WO3 per ton, which is our normal grade, this price difference represents a fall in sales value of nearly £1,000 per ton and a fall in net yield at the mine, after deducting export tax, of about £720 per ton. Even at our present reduced production of about 100 tons per month this involves a reduction in net annual income of about £860,000; on the average production during the last five years the reduction would have been about £1½ million per annum.

I may mention that, whereas the prices of copper, lead and zinc fell between January 1, 1957, and September 1, 1958, by 24 per cent, 39 per cent, and 36 per cent of their respective prices at the former date, the price of wolfram fell during the same period by no less than 72 per cent. The general fall in metal prices has caused difficulties for most producers of base metals, but, as the above figures show, their difficulties have been small compared with those which wolfram producers have had to face.

Thanks to the consistency of mineralisation in our main mine and the steps that have been taken over the past years to introduce new methods and equipment calculated to reduce operating costs wherever possible, both underground and in our mills, our Company can operate successfully at much lower prices than most of its competitors. It is almost impossible, however, even for our Company, to produce wolfram profitably at the price of under 65s. per unit to which the market recently fell, a price which is probably the lowest in terms of real values since the Company was incorporated in 1927.

Nevertheless, we must remember that the volatility of the wolfram market can be just as marked when prices begin to rise as when they are falling, and a revival in the world's steel industries, now running at much below capacity, might well result in an increase in the wolfram price to a level at which our Company can produce at a satisfactory profit. I can assure you that our mine is in a position to respond immediately to any improvement in the demand for wolfram.

EXPANDING PRODUCTION OF TIN CONCENTRATES

Having regard to the violent fluctuations to which the wolfram price is subject, it is clear that the Company's position would be strengthened if an increased production of tin concentrates at an economic cost could be secured and I informed you last year that the Board had laid plans with that object.

Considerable progress has been made in carrying out those plans, particularly in the Vale da Ermida section of the property.

The work so far done at Vale da Ermida has established the existence of a large tonnage of ore containing more than three parts of tin to one of wolfram, and the overall grade of this deposit, though much lower than the average grade of wolfram ore in our main mine, is nevertheless remarkably consistent.

During the six months, April to September, 1958, the value of production from Vale da Ermida at the prices ruling during that period covered the working costs of the section and made a useful contribution to overheads and I have every hope that, when Panasqueira Mill is equipped to treat the whole of the production from Vale da Ermida efficiently, working costs will be substantially reduced.

I am confident, therefore, that, with some modest increase in the price of tin and the restoration of the wolfram price to a reasonable level, the Vale da Ermida section is capable of making a valuable contribution to the Company's future prosperity.

I now come to Argimela, the tin bearing property some 27 miles distant by road from Panasqueira, which we own through a wholly-owned Portuguese subsidiary company known as EMAL.

An extensive sampling programme has been carried out, but we cannot yet say with any degree of certainty at what tin price this property can be worked at a profit. The evidence so far available suggests that it contains a large tonnage of tin ore, the average grade of which, however, seems barely sufficient to justify a large-scale bulk operation.

There are, however smaller blocks of higher grade which it may be possible to work profitably by other mining methods. Much more work is still required before the prospects of profitable operation of this mine can be accurately assessed.

The report and accounts were adopted.

JOHN I. THORNYCROFT & COMPANY

DIFFICULT TRADING CONDITIONS

The fifty-seventh annual general meeting of John I. Thornycroft & Co., Limited, will be held on November 26th in London.

The following are extracts from the circulated statement of Sir John E. Thornycroft, KBE, Governing Director and Chairman:

Trading conditions in both the home and export markets have been very difficult, as was forecast in my statement last year, so that it is no surprise that the balance of trading for the year to July 31, 1958, was less by £406,119 compared with the average for the preceding three years. Last year a similar comparison showed £3,110 more.

In the previous years reference has been made to the slowing up of production by outmoded demarcation and restrictive practices and it is with regret that I have to report that, despite assurances given when wage increases were granted earlier in the year, there has been no improvement.

The prospects of absorbing the increased wages granted during 1958 without greatly increased volume of sales, which must be obtained from the export markets, are not good. Expansion of world trade is essential, and will take place only if the cold wars stop and the young nations conduct their affairs so as to create trust in those older nations which can give them long-term financial aid. Intensive sales effort is being maintained, but regard must be given to cost involved. The smaller companies are at a disadvantage in competing with larger companies on a global basis, because of the quickly changing possible markets. Future policy is bedevilled by political considerations. Three have already been mentioned: purchase tax; re-nationalisation; and local manufacture. There is also the impact on the home market that will take place if and when the European Common Market and European free trade area is brought into being.

THE BRITISH LINEN BANK

Statement to Stockholders by the Governor, Lord Airlie

The Right Honourable The Earl of Airlie, KT, Governor of the Bank, has circulated a Statement with the Accounts of which the following is an extract:

I desire in the first place to refer in sorrow to the great loss which we have suffered by the death last June of our distinguished colleague, Sir Ernest Maclagan Wedderburn, DL, LLD, WS, who had been a Director of the Bank since 1937.

To fill the vacancy the Board will recommend at the Annual Court of Proprietors the election of Sir Hugh Watson, MA, LLB.

The Balance Sheet once again reveals a strong and satisfactory position.

Notes in Circulation show a small decline of £80,000. This is the first occasion for ten years when a decrease has been recorded, and although the average over the year was higher than that for 1957, there are signs that the sharp upward movement in our circulation figures, so marked in recent years, is now tapering off.

The most gratifying feature of the Balance Sheet is the increase of £3¾ million in Deposits to £81¼ million achieved in the face of continued keen competition from sources outside the banking system.

Acceptances, Guarantees, etc., show a fall of £778,000 as compared with a year ago.

Under Assets, cash, cheques, money at call and Treasury Bills total just over £30¼ million and represent a ratio of 31.79 per cent to the aggregate of Deposits and Notes in Circulation.

Our Investments in the Balance Sheet are shown at £41,048,000 as against £39,586,000 on the corresponding date last year—an increase of almost £1½ million, reflecting in part the increment to our Deposits. The investments in British Government Securities, all of which are redeemable at fixed dates are entered at below cost and under redemption price. The market value of these investments at the close of our financial year was in excess of the book value.

Advances show a rise of almost £2 million, compared with the figure of twelve months ago. Because of the impact of credit restraint there was a downward trend in the earlier part of the year under review. Seasonal requirements of our customers, however, coupled with the relaxation of restrictions, have recently caused our lendings to take an upward swing to the present figure of £26,172,000. Our advances continue to be well spread.

Our total resources have expanded by almost £3 million.

At £286,529 net profit for the year is up by £5,972 on last year's figure. When the sum of £200,665 brought forward from last year is added to the year's profit, the amount available for distribution is £487,194. Transfers have been made, as before, of £85,750 to Staff Pension Fund and £75,000 to Contingencies Account. £64,687 10s. has already been applied in payment of the dividend for the half-year to March 31st last at the rate of 18 per cent per annum, less Income Tax, and it is now proposed to devote a like sum towards a distribution at the same rate for the second half of the year, after deducting Income Tax, leaving the balance of Profit and Loss Account to be carried forward at £197,069.

These results, achieved in a year of considerable difficulty, can be regarded as not unsatisfactory.

SEAPORT (SELANGOR) RUBBER ESTATE

MR J. A. CLUBB'S REMARKS

The annual general meeting of Seaport (Selangor) Rubber Estate Limited will be held on November 26th in London. The following are extracts from the circulated remarks of the chairman, Mr J. A. Clubb:

As most will already know, the Company suffered a grievous loss by the death on July 11, 1958 of our Chairman, Sir Eric Miller. For 35 years as a Director, the last 12 of which he was Chairman of the Company, Sir Eric with outstanding judgment and vast experience of the rubber plantation industry, gave this Company eminent service, the value of which no words of mine can adequately assess. I am sure all members will join with us, his colleagues, in mourning his passing and paying tribute to the great contribution he made to our affairs and to the industry as a whole.

Our crop of 928,000 lb was 202,000 lb more than that harvested in 1956/7 when a strike on the estate in the early months of that financial year seriously affected cropping. As in previous years part of the crop was processed into sole crepe but a proportion was this year also made into R.S.S. or sold in latex form. After providing £15,722 for taxation the net profit is £25,089 against £37,379 in the previous year when we included a favourable tax adjustment of £8,940. We have transferred £5,024 to Capital General Reserve, £12,786 to Replacement of Planted Areas Reserve and recommend a dividend of 12½ per cent less tax.

Our rejuvenation programme was further advanced during the year by replanting 207 acres. With the replanting of 80 acres this Autumn completed, we shall have qualified for the maximum assistance under the Government Replanting Scheme so that the full cost of future replanting will be wholly for our account. Field conditions on the estate are reported to be good while immature areas are developing satisfactorily.

Following completion of investigations into the nature of the ground and tin values in the unworked portion of the Seaport mining area, Petaling Tin decided that under present circumstances the remaining area was not a dredging proposition. There is, however, a small area which may be workable by other methods. Petaling Tin's decision is a great disappointment not only to ourselves but also to their Board. Their No. 5 dredge remains on Seaport on a care and maintenance basis for the time being and we are advised that while tin restriction is in force our mining leases, the longest of which expires in 1973 and then reverts to the State Government, will be protected from forfeiture for non-working. It seems unlikely on present indications that there will be further mining on Seaport (except possibly in the small area previously referred to) and we are therefore investigating the possibility of obtaining reconversion to agricultural title of the unworked land under mining lease.

In the foreseeable future it looks as if the demand for rubber, both natural and synthetic, will continue to increase. If the shortage of supplies cannot be met by natural, it will be increasingly satisfied by synthetic rubber, plants for the production of which are being set up throughout the world. While research into improved technical properties of the natural product continues we, in common with most producers of natural rubber in Malaya, fully cognisant of the need to reduce production costs are doing what we can to increase the acreage under modern high-yielding rubber.

SECOND BROADMOUNT TRUST LIMITED

EARNINGS AGAIN INCREASED

BONUS ISSUE

The thirtieth annual general meeting of Second Broadmount Trust Limited was recently held in London.

The following are extracts from the circulated statement of the Chairman, Mr E. B. Montesole, JP, and his subsequent remarks at the meeting:

Both gross and net revenue are the highest since the Company was formed thirty years ago. The usual strengthening of reserves will be noted and substantial surpluses realised on securities sold have been used to write down each and all of the remaining investments to or below market value.

We are recommending maintenance of the dividend on the Ordinary Shares of 39 7/12 per cent (4¾d. per 1s. Ordinary Share) and having regard to the larger capital this represents an increase on last year's distribution. We are further proposing to issue more bonus shares, two for three, thus increasing the Ordinary Capital from £60,000 to a round £100,000.

Since the circulated statement was made the Chairman said that in the absence of unforeseen circumstances he felt reasonably confident revenue would be sufficient to pay a dividend of 3d. per 1s. Ordinary Share on the increased capital.

The report, etc., was adopted and the resolution enlarging the Ordinary Capital duly passed.

JOKAI (ASSAM) TEA

The annual general meeting of the Jokai (Assam) Tea Company Limited was held on November 4th in London, Mr G. A. Rainey (the chairman) presiding.

The following is an extract from his circulated statement: The results for the year under review are somewhat disappointing as compared with 1956, but in relation to the industry as a whole may, I think, be regarded as reasonably satisfactory.

There was an unprecedented rainfall early in the season and this combined with low temperatures, adversely affected both crop and, to a certain extent, quality, and limited the production of second flush teas. Certain gardens of the company unfortunately also suffered from severe hail.

Crop showed a decrease of some 400,000 lb though despite these setbacks the recognised standard of quality was generally maintained.

The average price obtained, however, was down by 2¾d. per lb, resulting in a reduction in proceeds of approximately £250,000.

The burden of Indian taxation, etc., continues to be a heavy strain on the industry, and the Indian Tea Association has been making the strongest representations to the Government of India.

The profit shown in the Revenue account is £377,898 as compared with £643,258 last year. On the assumption that the company will qualify as an Overseas Trade Corporation, taxation is estimated at £175,000.

A final dividend of 5 per cent, free of tax, on the Ordinary shares is recommended, making a total of 10 per cent, free of tax (as against 15 per cent, free of tax).

The report was adopted.

THE SUNDERLAND SHIPBUILDING DRY DOCKS AND ENGINEERING COMPANY

MAJOR DEVELOPMENTS TO PROCEED

NEED FOR CONSERVATION OF RESOURCES

The fourth annual general meeting of The Sunderland Shipbuilding Dry Docks and Engineering Company Limited was held on November 5th at Sunderland, Sir H. Wilson Smith, KCB, KBE (the chairman), presiding.

The following is his circulated statement:

In my Statement twelve months ago I stressed that the Group results for 1956-57 included certain exceptionally favourable features, but I added that, after discounting certain of these, your Directors would be disappointed if profits in the immediate future were to fall below those for 1955-56. The results now before you confirm the validity of both of those comments.

THE YEAR'S RESULTS

Trading conditions worsened noticeably in 1957-58 which had, in any event, got off to a bad start with the loss of production due to the shipbuilding and engineering strike. The Group's activities are geared in the main to the shipping industry and, although the marked recession in shipping has not yet had its effect on the volume of current work in the shipyards, it has on our ship-repairing Company and on the marine work of our engineering Companies. The Group trading surplus fell from £1,067,621 to £889,746—the fall in the combined results of the engineering Companies being significantly greater, both in amount and in proportion, than the fall in shipbuilding and ship-repairing. On the other hand, total profits, before tax, buttressed by an increase in investment income, though down on last year by £115,000, were £75,000 better than two years ago.

The upturn in the Group's investments, and in the income therefrom, is in the main the result of the increase of more than £2 million in the amounts received in excess of expenditure on work in progress and must not be regarded, therefore, as anything more than a temporary increase in liquid resources. As regards the cash balances of the Group, they always fluctuate within very wide limits, and the increase shown at the Balance Sheet date has no particular significance.

DEVELOPMENT PROGRAMME

Despite the deterioration which has taken place in the shipping industry in the last twelve months, your Directors have decided, after very careful consideration, to press ahead with the major developments to which I made reference in my last Statement. They are satisfied that these schemes, when completed, will add greatly to the efficiency and competitive strength of the Group. On the other hand, in the face of this costly development programme, combined with uncertainties about trading prospects, it is clearly more than ever necessary to husband the resources of the Group and to retain in the business a high proportion of current profits. It is for these reasons, coupled with the fall in Group profits and still more in trading profit, that your Directors recommend no change in the dividend distribution.

The report and accounts were adopted.

BANIR RUBBER ESTATES

The thirty-third annual general meeting of Banir Rubber Estates Limited was held on October 30th in London, Mr Alex Douglas (the chairman) presiding.

The following is an extract from his circulated statement:

The crop harvested during 1957/58 totalled 816,500 lbs compared with 877,000 lbs in 1956/57, the lower figure being due to some unfavourable weather experienced and to the reduction in the mature area of rubber as a result of mining operations. Net sale proceeds, after allowing for marketing expenditure, export duty and cesses, amounted to £65,471 compared with £75,138 in the previous year being equivalent to 19.24d. and 20.56d. per lb respectively.

The profit on Production Account amounted to £19,454. To this is added Investment Revenue, Interest and Transfer Fees, totalling £7,596. Of this total dividends from our Trade Investments contributed £6,250.

The total sum invested in our subsidiary company, Malayan Products Limited, now stands at £55,755. I am fully convinced that we shall shortly reach the stage when we shall begin to receive income from our investment.

We continue to receive reports that Banir Estate is being maintained in very good order. Satisfactory yields are being obtained while every step is taken to win the maximum amount of latex from trees which will be felled either in areas to be mined or as a result of the replanting programme.

The report was adopted and a total dividend of 25 per cent, less Income Tax, was approved.

THE CARPET MANUFACTURING COMPANY

APPRECIABLY HIGHER SALES

The Sixty-eighth Annual General Meeting of The Carpet Manufacturing Company Limited was held on October 30th at Kidderminster, Mr E. H. O. Carpenter, chairman and joint managing director, presiding.

Mr Carpenter in his published statement referred to the raising during the year of £650,000—6¾ per cent Debenture Stock out of which the Loan Stock outstanding had been repaid. Although capital expenditure had not been high during the period, there were substantial additions to plant now pending. The Company would probably be called upon to provide more capital for the Associated Companies overseas, which he was glad to say had enjoyed a successful trading year. Tufted Carpets Limited had made marked progress for so young an establishment; in fact, Kosset Carpets had already become virtually a household word.

Mr Carpenter also mentioned that the Sales were appreciably higher than in the last trading year, and there was a satisfactory increase in Trading Profits at £350,284 (£246,896); net profit after taxation £157,412 (£116,223). The Directors recommended a transfer of £40,000 to additional depreciation and £50,000 to contingency reserve. After the payment of the proposed final dividend of 10 per cent on the Ordinary Shares, making 12½ per cent for the year on the capital as increased by the bonus issue of 1 share in 5, there would remain £151,607 (£142,610) to be carried forward.

The report was adopted.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION

SATISFACTORY RESULTS

MR J. N. BUCHANAN'S STATEMENT

The thirty-third annual general meeting of The Industrial Finance and Investment Corporation, Limited, will be held on December 1st, at 82 King William Street, London, E.C.

The following is the statement by the chairman, Mr J. N. Buchanan, DSO, MC, which has been circulated with the report and accounts for the year ended June 30, 1958:

In the early part of the year under review the country was confronted with the Sterling crisis, followed by Bank Rate at 7 per cent and the credit squeeze. Stock markets, not unnaturally, went through an uncertain period and conditions for financial operations became difficult. The remedial measures taken have brought about an improved position and in all the circumstances the results now before you may be considered as satisfactory.

PRE-WAR CAPITAL RESTORED

Towards the end of the Company's year, your Board decided that the situation was sufficiently stable to permit the final step to be taken to restore the Company's pre-war capital by writing up the nominal value of the Ordinary shares from 15s. to £1.

About the same time we purchased, by an exchange of shares, Star Investments Limited which owns the business of Dawnay, Day and Company Limited and Colonel Julian Day has joined the Board. A happy relationship has been established and your Board is confident that considerable advantages will accrue to the Company. The effect of these two transactions is clearly portrayed in the Consolidated Balance Sheet.

In this Balance Sheet the investments have been segregated into those held by Investment Trusts and those held by Finance Companies. The distinction between the two types of company is that profits on realisation of investments made by Investment Trusts are not liable to taxation and are not available for distribution by way of dividend. In a Finance Company such profits are subject to tax but may be used in payment of dividends.

INCREASED MARKET VALUE

The market value of our portfolio has increased substantially since June 30th, but it would be incorrect to infer from this that investment income will on that account be easier to maintain. If industry generally takes a more confident view of the economic outlook, that may be a good omen for 1959-60, but so far, in the current year, profit margins in general continue to be under pressure.

A number of interesting transactions are in course of negotiation and, subject to there being no major economic or political disturbances, the current year should again provide satisfactory results.

LONDON AND RHODESIAN MINING AND LAND COMPANY

The annual general meeting of London and Rhodesian Mining and Land Company Limited, will be held on November 26th in London. The following is an extract from the circulated statement of the chairman, Brigadier S. K. Thorburn, OBE, MC:

During the year under review the Company traded for a profit of £76,920 as compared with £123,831 last year. From this profit must be deducted £35,388 in respect of taxation, leaving a net profit for the year of £41,532. After various adjustments your Directors recommend the transfer to General Reserve of £25,000, as well as the payment of a dividend of 5 per cent.

After referring to the Company's interest in Town Properties and Gold Mining, the statement continued:

Ranching. About four years ago your Board realised that a new and progressive policy was necessary if your ranches were ever to play their full part in bringing in their share of the Company's revenue. It was obvious that money would have to be spent on dams and fencing, and the breeding policy revised. This new policy was started some three years ago, and a great deal of work has been done.

The statement then outlined further steps in the reorganisation of the ranches and continued:

Now as to the future: I see little likelihood of an increase in profits or dividend next year, but we are hoping that from then onwards the results of this reorganisation should begin to bear fruit.

HOSCOTE RUBBER ESTATES

The twenty-sixth annual general meeting of Hoscote Rubber Estates Limited will be held on November 26th in London.

The following is an extract from the circulated address of the chairman, Mr H. B. Egmont Hake, CBE:

Largely on account of the fall in rubber prices profit before taxation is some £18,000 less than for the previous year. Fortunately the £23,200 of the year before; and ignoring the tax credit of over £15,000 which occurred then the comparable figures of profit after taxation are £57,227 for the year under review against £61,638 for the previous year.

Our replanting programme for the year cost £33,032 and we have transferred this amount to Replacement Reserve: we have also allocated £9,504 to the Development Reserve, which also receives the benefit of the capital excess arising out of the disposal of Jeransong Estate and the Durian Tipus division of Pertang, and other small areas.

Our policy of modernising the property continues: during the year we planted 294 acres and for the current year we plan to deal with 323 acres. Though these programmes are a heavy drain on our resources, it is essential not only to keep pace with the rotational need to match obsolescence with replacement, if we are to look with confidence for a reasonable profit over the competitive years ahead, but also to clear off arrears of replanting as steadily as our resources will permit. It is satisfactory to know that all these young areas are growing well and promise a fine contribution to our earning power over the years.

MIDLAND INDUSTRIES LIMITED

SALES OF 'MIL' PRODUCTS WELL MAINTAINED

The twelfth annual general meeting of Midland Industries Limited was held on October 30th at Wolverhampton, Mr J. H. Bean, CBE (the chairman), presiding.

The following is an extract from the Chairman's circulated statement:

The net profit of the Group before taxation, amounted to £128,246, compared with £130,230 for last year. A smaller proportionate amount is absorbed by taxation so that the net profit after tax at £57,346 exceeds that for last year by approximately £4,000. Your Directors recommend a final ordinary dividend of 4½d. per share less income tax, making a total distribution on the Ordinary Shares for the year of 7d. per share.

The financial position of the Group has again improved; total net assets have increased by over £30,000 and liquid resources are at a high level. It has accordingly been decided to call an Extraordinary General Meeting in order to consider increasing the issued Ordinary Capital to £100,000 by the capitalisation of £15,000 of Reserves in the issue of three fully paid Ordinary Shares for every seventeen Ordinary Shares held.

In my Statement last year, I referred to the fact that the first three months' trading showed an increase over the corresponding period of the preceding year. This in fact was so but the introduction of the Government credit policy, in conjunction with cuts in Government expenditure, adversely affected the sales of our Agricultural Implements, our Steam Appliances and the amount of Government Contract Work for the remainder of the year.

The confidence I expressed that the Company was well placed to meet this situation has been substantiated and our turnover for the year has been maintained.

Sales of 'Mil' Steam Fittings were held at a steady level over the year and the introduction of our recently patented High Pressure Hot Water Valve and Steriliser Control Unit should ensure an increasing turnover in this Division. Experiments are now being carried out with an improved design of mechanical steam trap and it is hoped that this trap will be introduced to the market early next year.

The sales of the 'Mil' Hydraulic Loader and its increased range of attachments compare favourably with last year and the introduction of a patented Buckrake and redesigned Industrial Loader should ensure our turnover being maintained during the current year. Our first quarter's trading shows an increase over the corresponding period last year and indications are that whilst this advance may not be permanent your Board is confident that the Company is generally well placed to meet any change in situations and to take full advantage of whatever improvement may occur during this year.

The report and accounts were adopted and at a subsequent Extraordinary General Meeting the proposed scrip issue was approved.

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DOMINION OF CANADA THREE-AND-A-QUARTER PER CENT. REGISTERED STOCK, 1958-63.
For the purpose of preparing the Interest Warrants due January 1, 1959, the BALANCES will be STRUCK at the close of business on December 1, 1958, after which date the Stock will be transferred ex-dividend.
For the Bank of Montreal, Financial Agents of the Government of Canada, in London.
E. A. ROYCE, Manager.
47 Threadneedle Street, E.C.2.
November 1, 1958

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	Airmail	*Air Freight**
Australia, New Zealand	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	£7 10s.
South Africa	£9 0s.	—
South America	£7 15s.	£6 15s.
Sudan	—	$25 or £9
USA	£9 0s.	—
West Indies		

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APPOINTMENT REQUIRED

EXECUTIVE OFFICER 34 years of age—BSc (Economics); majored in Accounting and Commerce—twelve years with Board of Trade, open to offers for suitable post in Industry or Commerce.—Write Box 1066.

APPOINTMENTS

EXECUTIVE ACCOUNTANT

Exceptional opening for an experienced man of outstanding personality in a large Group marketing consumer and capital goods under a Trade Mark which is a household word. There are a number of factories overseas.

Selection will be made primarily on a basis of personality and qualities of leadership.

Approved applicant would find himself well remunerated with the usual perquisites of managerial office.

Letters of application, which will be treated in confidence, should contain full details of background, education and experience and be sent to Box No. 1062.

MATHEMATICAL STATISTICIAN required by N.C.B.'s Pneumoconiosis Field Research (a long term investigation into the incidence of pneumoconiosis among mineworkers) in London. Duties include the development of new statistical methods and their application to the analysis of data collected by investigators and extensive use is made of punch cards in the coal fields. Honours degree in mathematics and preferably a qualification in statistics and electronic computing. A good knowledge of is required together with the ability to supervise other scientific staff. Good opportunities for promotion within the industry. Appointment (superannuable) according to qualifications and experience within scales £1,059-£1,468 male, £1,011-£1,398 female, or £690-£1,202 male, £674-£1,147 female.—Write, giving full particulars, to Staff Department (X.1250/2H) National Coal Board, Hobart House, London, S.W.1, before 18th November, 1958.

CHARTERED Accountant required by old-established progressive British merchant company in Singapore. The Company is part of a group and there are good prospects. The position is a responsible one and the successful candidate will, on occasion, be required to take complete charge of the Accounts Department. Home contract terms, free furnished quarters provided, good basic salary, plus high cost-of-living allowance, and provident scheme. Candidates under 30 preferred.—Write Box B. 245, c/o Streets, 110 Old Broad Street, E.C.2.

LADY Secretary required for West Africa in well-established export business owned by West African. Commercial experience and initiative essential. Age: 30-40 years; 15 months' service followed by 10 weeks' leave in England. Starting salary £840 per annum. House, servants and transport provided free.—Apply, giving two references, Box 1067.

ANKARA UNIVERSITY

Applications are invited for the post of Professor of Economics in the Faculty of Political Science, Ankara University, Turkey. Duties to lecture in English on Advanced Economic theory, to take seminars and train assistants. There will be opportunities for research. Candidates must have sound academic qualifications, desirably with substantial relevant publication to their credit.

Basic salary £2,300 a year. Oversea allowance and allowances for children and for home education (£50-£100 each). Free furnished accommodation. Local tax paid. Installation grant. First-class return passages, and for family. Home leave every second year. Medical assistance scheme. Employer's portion U.K. superannuation paid.

Secondment might be arranged in appropriate cases.

Write, quoting N4 (58) and enclosing stamped addressed foolscap envelope, to Director, Personnel Department, 65 Davies Street, London, W.1., for further particulars and application form to be returned completed within two weeks of receipt.

MARKET RESEARCH OFFICER
MINISTRY OF AGRICULTURE, KENYA

To study the market in East Africa for a wide range of local agricultural produce and to advise on local market trends and potentialities.

Candidates should have an Honours degree in Agricultural Economics, Economics or Commerce, but those with considerable experience, in a responsible position, of agricultural produce marketing may be considered. Age limit 45 years.

Appointment on probation to the permanent establishment with pensionable emoluments in range £939-£1,863 per annum or on contract/gratuity terms. Free passages on appointment and leave for officer, wife and children up to a maximum cost equivalent to three adult passages in all. Furnished Government quarters, when available, at moderate rental.

Apply, giving brief particulars, to Director of Recruitment, Colonial Office, London, S.W.1, quoting BCD 63/7/038.

GRADUATE required to serve shortened Articles with Chartered Accountants, W.C.—Write Box 1068.

QUALIFIED ACCOUNTANT

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Please apply with all relevant details to Box 1071.

For other appointments see page 559

A YOUNG Economist is required by the London Office of a rapidly growing industry for trade survey work in its Market Research unit. Applicants should be aged 21-26, should have completed any national service commitments, and must possess a first- or second-class honours degree in Economics with subsidiary Statistics. This is a new appointment which offers considerable scope to an ambitious individual and the successful candidate will be expected to expand and develop the work on his own initiative. The starting salary will be in the range £750-£900 and conditions of service are of the highest order.—Send full personal details to Box 1072, quoting reference U/36.

BRITISH NYLON SPINNERS LTD. invites applications for a post at their new London Office in the Tariffs and Quotas Section of the Company's Market Research Unit. The work is varied and interesting, covering a wide range of products and markets and involving contacts with outside organisations. Essential qualifications are a good Honours degree; a keen interest in international trade matters; and ability to cope with detailed work. Previous experience in dealing with tariffs and quotas is desirable but not essential. Candidates should be under 35 years of age. Applications, which will be treated as strictly confidential, should set out full personal history and should quote reference U/20 to Personnel Manager, Pontypool, Mon.

RESEARCH FELLOWSHIP IN THE ECONOMICS AND ORGANIZATION OF TRANSPORT

JESUS COLLEGE, OXFORD

The College intends shortly to elect to a Senior Research Fellowship in the Economics and Organization of Transport, under the terms of the endowment provided for the University by the Institute of Transport. The appointment will be for three years in the first instance, with the possibility of renewal for a further two years. The salary will be £1,500, and is subject to the provisions of the Federated Superannuation Scheme for Universities. The Fellow will become a member of the Governing Body of the College, with rooms in College and dining rights. He will be expected to enter on his duties as soon as possible after appointment, and in any case not later than October 1, 1959.

The closing date for applications is December 31, 1958. These should be addressed to the Principal, Jesus College, Oxford, from whom further particulars may be obtained.

COMPANY AFFAIRS

CARRERAS

CARRERAS was created, built up and sustained by the Baron family. The family retained a tight grip on its management, owning well over half of the 240,000 voting ordinary shares of £1 each. The remainder of the ordinary capital—no less than £7,200,600, made up of 57,604,800 "B" shares—is voteless and its owners have no say in the running of the company. As with other family businesses, the capital structure seems to have been adopted originally as a protective device against the possibility of absorption by another group.

The structure was then preserved—with pride and interest no doubt playing their part. Carreras has several times, before and since the war, made free scrip issues of non-voting stock, giving the family the opportunity of selling stock for cash without parting with a single vote. Now the Baron family is selling out, with no sop to comfort the voteless "B" shareholders who have fallen on lean days. The family did not apparently seek a bid, but when one came the opportunity was too good to miss. The chairman and the head of the family, Sir Edward Baron, is now 70 and the bid provided a chance of avoiding a forced sale to meet death duties.

Thus control changes hands and Carreras will be merged into another business without consulting the interests of the "B" shareholders and without any necessity of having to make an offer to this powerless majority. The Rembrandt Tobacco Company, a wholly owned subsidiary of Rembrandt Tobacco Corporation (South Africa), acting through N. M. Rothschild and Sons, is the bidder at £5 10s. in cash for each of the 240,000 voting ordinary shares of £1 each. Full acceptance will cost Rembrandt Tobacco £1,320,000. The bid must succeed, for holders of over 75 per cent of the voting capital—representing the Baron family and its associates, including the Yapp trust—have already accepted it. The intrinsic worth of the Carreras voting shares is nothing like £5 10s. on investment and yield considerations; the bulk of the bid price represents the price of a vote—the value of a small tail to wag a big dog—and the strong bargaining position of the Baron family.

Since the end of August the Carreras "B" shares have risen from 2s. 3d. to 3s. 6d. (by 55 per cent)—but since the bid they have eased to 3s. 3d. The voting £1 shares have soared from 30s. to 102s. 6d. (by 240 per cent). Throughout this period the directors of Carreras made no statement at all about the possibility of a bid; it is understood that neither they nor their associates dealt in the market during this time, but there was a buyer in the market for what tiny amount of stock was offered. A rise in the market price—though not usually one of this proportion—often occurs in advance of a take-over bid, for there is nothing to stop the intending bidder trying to help matters along by picking up stock if he can.

Carreras, when the bid goes through, will become a subsidiary of Rembrandt Tobacco. Its interests will be co-ordinated with those of Rembrandt's two subsidiaries, Rothmans in this country and Rothmans of Pall Mall in Canada. The companies will continue to work independently, with Carreras selling its own brands and completing its move to a new factory at Basildon. Advantages may ultimately accrue from joint research and buying policies and there will be some integration of manufacture, probably with some part of Carreras's capacity being used to manufacture Rothmans' brands in this country and Canada. The tobacco industry is intensely competitive and the merger, on the industrial side, could help both Carreras and Rothmans to maintain their share of the market and profits against the advance of the big battalions.

But to the "B" shareholders in Carreras that may seem hardly to be the point. They will still hold a majority of Carreras ordinary capital, but in the amalgamated group they will remain powerless—as powerless as preference shareholders and without even a contingent right to power simply because they come last. Any benefits that may accrue from the merger must be a long way off. The only immediate comfort, if comfort it is, is that Carreras's profits in the year to October 31st show "some improvement" on the 1956-57 results, when a gross profit of £1,800,000 was earned and an ordinary dividend of 6 per cent was paid. They will contrast this crumb with the cake that the Baron family gets. But they will have to wait for anything better.

FISONS

IS Fisons ready for a bound forward? The yield of 4.8 per cent offered by the £1 ordinary stock on the 15 per cent dividend paid on the increased capital discounts growth and a more liberal dividend policy. Both are possible. The postwar history of Fisons has been of considerable capital growth (financed both by retained profits and appeals to the stock market), of conservative dividends and of a low rate of return, on capital employed.

Currently, about 75 per cent of Fisons sales is in fertilisers and as a supplier to subsidised agriculture, Fisons cannot expect to receive a big margin on those sales. This is the bread and butter side of the business and it will remain so, for the trend in fertiliser consumption is still upwards. The jam, if there is to be any, will come from the chemical division. So far, the operations of this division, especially the trading losses made by Fisons Pest Control, have kept the return on capital low. The division has been reorganised; large sums have been spent on research; the pharmaceutical business is now described by Sir Clavering Fison as "one of the most prosperous and fastest growing in the country"; one of the chemical subsidiaries which has made losses recently has been closed down; and the chairman looks forward to a "substantial increase in income" from this side of the business. The growth in profits may be slow at first but the directors are hoping to build up the sales of chemical products.

Year to June 30	1957	1958
Consolidated earnings:		
Sales	39,500,000	41,700,000
Materials	21,200,000	22,000,000
Wages	5,000,000	5,600,000
Other costs	8,900,000	9,300,000
Trading profit	*4,414,723*	*4,651,199*
Other income	236,849	419,781
Depreciation	1,013,086	1,184,609
Tax	1,567,418	1,541,153
Net profit	*1,516,413*	*1,594,970*
Ordinary dividend	500,670	611,929
Retained profit	905,544	872,842
Consol. Balance Sheet:		
Net fixed assets	11,127,971	13,286,100
Net current assets	12,298,519	11,918,434
Stocks	9,555,395	8,397,863
Debtors	3,362,983	3,746,856
Liquid assets	5,048,301	5,818,963
Reserves	7,762,304	8,625,248
Ordinary capital	5,804,863	6,902,211*

* Including partly paid shares.

But, even if investors cannot expect any big immediate growth in profits, they will recognise that the group is now much stronger financially than it was. The reduction in stocks has helped to swell liquid resources; these are kept big in order to meet the swings in working capital needs in time with the seasonable flow of orders for fertilisers. But the rights issue of ordinary shares is now well in the past, capital commitments are down from £6 million to £3 million and there are no further major capital projects looming on the horizon. The major item of expenditure still to be completed is the nitrogen factory at Stanford-le-Hope and this plant will not make any substantial contribution to profits in the current financial year. But looking beyond 1959 the directors of Fisons seem to be anticipating growth and a better return on capital. For investors that can mean bigger dividends.

STANDARD MOTOR

MASSEY-FERGUSON'S sudden and opportunist bid in the summer for an important part of the equity of Standard Motor severely jolted any ideas that an amicable—and sensible—merger of these two companies' interests might be in view. The 8s. bid in cash by Massey-Ferguson for all the shares which Standard issued to ordinary shareholders in Mulliners (Holdings) when it took over that company in June

was made without consulting the Standard board and, though it was only partially successful, it raised Massey-Ferguson's stake in Standard's ordinary capital to 24 per cent. It prompted the directors of Standard Motor to a forecast of the expected profit and of a 12 per cent ordinary dividend for the year to August 31st, though only one month earlier the directors had said that the dividend would be "not less than 8 per cent," as had been paid in 1956-57.

Years to August 31,	1957	1958
	£	£
Gross profit*	3,066,349	4,716,641
Deprec. and amortisation	2,188,829	2,391,610
Tax	457,595	1,321,449
Net profit	419,925	1,003,582
Ordinary dividend	318,665	541,068
Ordinary dividend (per cent)	*8*	*12*
Retained profits	Dr. 38,594	314,160

* Includes profits of Mulliners (Holdings) since acquisition.

The preliminary figures now published are close to those disclosed last July. The combined profit before tax of Standard and Mulliners is £2,743,404; but the pre-acquisition profits of Mulliners are £418,373 so that an effective gross profit of £2,325,031 compares with £877,520 in 1956-57. Clearly, Standard Motor, though its dependence on tractors holds down its average profit per vehicle, has shared fully in the recovery and boom in the motor industry. The restoration of the dividend to 12 per cent, as paid in 1954-55, can be justified by current earnings. In itself it can be said to justify the price of 8s. 6d. on the Standard 5s. units (to give a yield of just over 7 per cent). But a realistic price on these shares will depend on any further moves by Massey-Ferguson (if it makes any at all). Will it propose marriage, make a bid (as it did in July, 1957) or will it return to the accumulation of shares in Standard through the market (as it did early in 1957)?

ROVER

SELLING Land-Rovers and a range of more expensive motors, Rover was not seriously affected by the 1956-57 recession that hit the manufacturers of smaller and cheaper models. It therefore follows that its earnings have not boomed like those of other motor manufacturers over the last twelve months or so. In the year to August 2nd, its gross profits improved by only £15,858 to £1,781,715. Net profits show a sizeable fall from £807,833 to £742,539, but this is entirely due to an accounting change. An alteration to the basis on which the company values its stock resulted in an increase of £461,480 in their valuation this year, which in turn lifted the charge

Years to end-July	1957	1958
	£	£
Profit before tax	1,765,857	1,781,715
Tax	958,024	1,039,176
Net profit	807,833	742,539
Ordinary dividend	268,710	269,695
Ordinary dividend (per cent)	*22½*	*22½*

for tax this year from £958,024 to £1,039,176. But if net profits for 1956-57 are recalculated on the same basis there is a rise in net profits from £726,235 to £742,539. The ordinary dividend has been left unchanged at 22½ per cent and it is still adequately covered. But the 5s. units have fallen from 19s. 3d. to 17s. 9d., to yield 6.3 per cent.

WOOLWICH AND LEEDS

TWO building societies of the "£100 million plus" class account to September 30th, the Woolwich Equitable (assets £138 million) and the Leeds Permanent (assets £116 million). A year which began almost at the nadir of the 1957 crisis and ended almost at the best so far of the great recovery, and which thus included virtually the whole of the dear money period, presented exceptional problems for these giant borrowers and lenders of other people's savings. Students of the building society movement will find it enlightening to observe that they applied diametrically opposite treatments to those problems.

Both societies had less money coming in for lending, though in the Leeds society this was almost wholly because of high withdrawals, whereas the Woolwich figures show both a substantial fall in receipts from shareholders and a substantial rise in withdrawals. The Leeds society faced financial stringency with rigid orthodoxy; it held its liquidity ratio unchanged at the massive ratio of 16.17 per cent of total assets and within that £18.8 million of "liquid" assets it held nearly £8 million in truly liquid form, that is assets encashable without loss within a month. It cut its advances on mortgage sharply in order to do so at a time when it must have been besieged by unsatisfied mortgage borrowers.

Years to Sept. 30	1957 £'000s	1958 £'000s	Variation £'000s
Woolwich Equit.:			
Received from shareholders	17,874	15,677	−2,197
Withdrawn by shareholders(exinterest)	10,177	11,373	+1,196
Mortgage advances	16,086	17,372	+1,286
Liquid assets	21,399	18,630	−2,768
Liquidity ratio	*16·04%*	*13·46%*	...
Reserves	5,439	6,000	+ 561
Reserve ratio	4·08%	4·34%	...
Total assets	133,391	138,406	+4,282
Leeds Permanent:			
Received from shareholders (Cum. interest)	21,148	21,019	− 129
Withdrawn by shareholders (Cum. interest)	13,520	15,667	+2,147
Mortgage advances	16,159	13,525	−2,634
Liquid assets	17,904	18,781	+ 877
Liquidity ratio	*16·17%*	*16·17%*	...
Reserves	5,646	6,084	+ 438
Reserve ratio	5·10%	5·24%	...
Total assets	110,709	116,127	+5,418

The Woolwich society accommodated more of the public at a time when it was difficult to do so; it lent on mortgage £1¼ million more than in the previous year although it had £3¾ million less net new money coming in. The society's cash and investments are nearly £3 million down in consequence.

The table shows the main figures of the two societies; they are less than strictly comparable, for Leeds is a northern society with a pass book system and draws up its accounts differently from the Woolwich which has a share warrant system. The discrepancy cannot be big enough to falsify the main conclusion. Purists must hold that the Leeds reaction was the correct one, which might imply that the Woolwich society had done something which is in principle unsound. But a society as strong as the Woolwich can afford to let its liquidity ratio fall occasionally. It did indeed fall from 16.04 per cent to 13.46 per cent but at the lower figure the ratio still seems adequate. Much must depend on what has happened to the investment portfolios of the two societies. But in the year that ended with a well established bull market in gilt edged it would be remarkable if both societies had not recovered a large slice of the heavy depreciation they suffered in the previous year.

CROMPTON PARKINSON

NUCLEAR power added a speculative flavour to the ordinary shares of the heavy electrical engineering companies. The boom in these shares is long since over but it left in its wake a number of comparatively low yields. Crompton Parkinson's 5s. units were among them, for the company is a member of Atomic Power Constructions. This consortium was formed too late to bid for one of the four initial contracts for atomic power stations; it is a likely but by no means certain candidate for the fifth one. The terms of such a contract may be stiffened now that more is known about the technique of building a nuclear power station, but a late-comer to this field also stands to gain from the accumulation of past technical experience. It would, of course, still have to spend heavily on research and development, damping down the profits it might earn.

The possibility that this contingency could arise may have had its effect on Crompton Parkinson's dividend policy. In the past this policy has been most cautious: for the five years since June, 1953, the ordinary dividend was effectively left unchanged, the 25 per cent scrip issue in 1954 being followed by a scaling down of the dividend payment. But, a year ago the company made a 50 per cent scrip issue and in May the interim dividend was effectively raised from 4 to 5 per cent. The directors then said that this increase was not necessarily indicative of a bigger total payment for the year to June 30th. But some investors clearly thought the tide was on the turn, and when the final payment was set at 7 per cent (against the equivalent of 6¾ per cent) the 5s. ordinary units were immediately marked down 1s. 1½d. to 12s. The increase in the total dividend from the equivalent of 10¾ per cent to 12 per cent was well below the more optimistic expectations. The shares have since recovered a little and at 12s. 4½d. yield just under 5 per cent.

That price is still governed more by the possibility of an atomic power contract than by the group's achievements in more conventional electrical engineering. In this field, in which it is a big manufacturer of electric lamps as well as a big supplier of switchgear and gener-

Company Affairs *continued on p. 554.* **London and New York Stocks** *on next two pages.*

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Oct. 29, 1958	Price, Nov. 5, 1958	Net Yield, Nov. 5, 1958 £ s. d.	Gross Yield, Nov. 5, 1958 £ s. d.
99 13/16	96 1/16	War Loan 3% 1955–59	99¼	99 23/32	3 17 9	3 4 9
96 11/16	90 5/8	Funding 2½% 1956–61	96⅛	96 11/16	2 16 6	3 18 10
99 23/32	96 12/16	Conversion 2½% 1958–59	99 23/32	99-14-7 1/2	1 2 6	3 7 4
97 15/16	93 5/16	Exchequer 2½% 1960	97 13/16	97 15/16	2 12 11	3 13 2
99¼	95 3/16	Exchequer 3% 1960	99 5/32	99 7/32	2 2 3	3 12 4
100 11/16	95 1/16	Conversion 4½% 1962	100 7/32	100 21/32	2 4 8	4 5 6
94 9/16	88 5/8	Exchequer 3½% 1962–63	94½	94 17/32	2 17 8	4 6 5
101¼	99 7/16	Conversion 4¾% 1963	101 11/16	101¼	2 5 2	4 8 10
90 1/8	83 5/8	Savings Bonds 3% 1955–65	89½	89½	3 10 11	4 19 3
82 1/8	77 5/8	Funding 3% 1959–69	81 7/8	82	3 17 0	5 5 10
89 3/4	86 3/8	Funding 4% 1960–90	87 15/16*	88¼	11 3 4	5 0 11
80	75	Savings Bonds 3% ... 1960–70	79 13/16	79 7/8	2 17 8	4 14 6
91 3/16	84 3/8	Exchequer 2½% 1963–64	90 7/16*	90 9/16	3 6 2	4 8 10
83 1/16	78 5/8	Savings Bonds 2½% .. 1964–67	83*	83	3 16 2	4 19 10
74 3/4	69 5/8	Savings Bonds 3% ... 1965–75	74½	74 3/8	3 16 10	5 8 11
103 7/16	99 1/2	Exchequer 5½% 1966	102 1/16	102 1/8	2 18 3	5 5 8
83 11/16	78 5/8	Funding 3% 1966–68	83⅛	83 5/8	3 16 2	5 5 6
95 1/8	91 1/8	Victory 4% 1920–76	95	95	2 19 3	4 15 6
87	81 9/16	Conversion 3½% 1969	86 7/16	86 3/8	3 13 1	5 6 4
100 1/4	97 1/4	Conversion 5¼% 1974	100 1/16	100 3/16	3 2 0	5 8 7
78 3/16	71 1/8	Treasury 3½% 1977–80	77⅞	77⅞	3 10 9	5 6 11
77 1/4	70 3/8	Treasury 3½% 1979–81	76⅞	76⅞	3 11 1	5 7 0
102 11/16	98 1/2	Funding 5½% 1982–84	102½	102⅝	3 1 4	5 8 8
67 1/4	60	Redemption 3% 1986–96	67	66¼	3 6 0	5 5 0
74 1/2	64⅜	Funding 3½% 1999–2004	74 1/16	73¾	3 2 5	5 0 8
76⅝	69 1/16	Consols 4% ..after Feb. 1957	75 15/16	75½	3 0 1	5 5 6
69 1/16	63⅛	War Loan 3½% ..after 1952	67⅝*	66⅞*	3 0 1	5 4 4
68⅞	62⅜	Conv. 3½% ..after Apr. 1961	67 1/16	67	3 0 3	5 5 0
60	54⅝	Treasury 3% after Apr. 1966	59⅛	58¼	3 10 9	5 6 11
52 1/16	46¾	Consols 2½%	52⅜	52⅛	2 15 4	4 16 4
51 3/16	46⅜	Treasury 2½% after Apr. 1975	50⅝	50	2 17 8	5 0 6
95 5/16	90⅛	British Electric 4½% 1967–69	94 7/16	94½	3 5 4	5 6 2
76⅝	72 1/16	British Electric 3½% 1968–73	76⅜	76½	3 17 9	5 8 0
73¾	68⅝	British Electric 3% ..1974–77	73⅝	73⅝	3 14 11	5 6 11
87 1/16	82⅜	British Electric 4½% 1974–79	86 11/16	87	3 6 8	5 6 7
78 1/2	72 5/16	British Electric 3½% 1976–79	77⅛*	77 3/16*	3 11 3	5 6 2
87¾	82 7/16	British Gas 4% 1969–72	87⅞	87⅞	3 9 10	5 7 9
84	79¼	British Gas 3½% 1969–71	83 9/16	83½	3 13 4	5 8 11
67⅞	60 7/16	British Gas 3% 1990–95	67¼*	67	3 5 9	4 19 6
76⅝	72 1/16	Brit. Transport 3% ..1968–73	76⅝	76½	3 17 9	5 8 0
85½	79¼	Brit. Transport 4½% ..1972–77	85 7/16	85⅜	3 8 3	5 7 2
68 15/16	60 15/16	Brit. Transport 3% ..1978–88	68 3/16	67¾	3 10 4	5 4 5

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Oct. 29, 1958	Price, Nov. 5, 1958	Yield, Nov. 5, 1958
		DOMINION AND COLONIAL			
100 11/16	96⅜	Australia 3½% 1954–59	100	99½*	4 7 0
105⅜	97⅞	Australia 6% 1974–76	104	103¾	5 12 10
76½	73½	Ceylon 4% 1973–75	75¾	75¾	6 7 11
98½	94½	Jamaica 6% 1977–82	97	97	6 4 11
104¾	97⅜	New Zealand 6% 1976–80	104½	103¾	5 13 3
101⅛	91¾	Rhodesia and Nyasaland 6% 1976–79	98*	98*	6 3 5
74⅝	69	Southern Rhodesia 2½% 1965–70	74¼	74	5 10 5
		CORPORATION AND PUBLIC BOARDS			
100⅝	98¼	Agricultural Mortgage 5½% 1980–85	100	100	5 10 0
105	98⅜	Birmingham 5¼% 1974–76	105	104	5 7 3
92¾	86	Bristol 3% 1958–63	92½	92½*	4 3 7
95½	91½	Glasgow 4¾% 1976–79	95*	95*	5 8 0
100¼	96½	Corporation of London 5¼% ..... after 1920	98⅛*	98*	5 8 2
57¾	53	L.C.C. 3% 1958–63	56½	56*	5 7 2
64	56	Met. Water Board 'B' 3% 1934–2003	63½	63¼	5 1 9
		FOREIGN BONDS			
101½	83	German 7% 1924 (British Enfaced 5%)	99¼	100¼	...
180	154	German 5½% 1930 (Enfaced 4½%)	178½	179½	...
18	12¾	Greek 7% Refugee 1924	17	16½	...
169	160	Japan 5% (Enfaced) 1907	161½	161¾	Nil
119½	105½	Japan 6% (Enfaced) 1924	119½	118¾	...
53½	48	Uruguay 3½% Bonds (Assented)	53½	53½*	...

NEW YORK CLOSING PRICES

	Oct. 29 $	Nov. 5 $		Oct. 29 $	Nov. 5 $		Oct. 29 $	Nov. 5 $
Ath. Topeka...	25⅜	25⅛	Boeing.....	56⅝	55⅛	Inter. Nickel ..	90¼	88⅜
Can. Pacific....	29½	30	Celanese	25¾	26	Inter. Paper ...	115½	118⅝
Pennsylvania...	16⅞*	16⅝	Chrysler	53⅜	53¼	Kennecott.....	99	99
Union Pacific ..	31⅜	32¾	Col. Palmolive .	82¾	85	Monsanto	36	36¼
Amer. Electric .	52¼	50⅛*	Crown Zeller..	55¾	55⅜	Nat. Distillers .	27⅛	26⅞*
Am. Tel. & Tel..	194⅛	195½	Distillers Seag..	33	33¼	Pan-American..	20¼	21¾
Cons. Edison ..	58¾	58¾	Douglas	57⅛	57	Procter Gamble	72½	72⅜
Int. Tel. & Tel..	54¼	53⅛	Du Pont	127½	129¼	Radio Corpn....	39	40¾
Standard Gas ..	3	3¼	East. Kodak ...	46⅛	47⅛*	Sears Roebuck .	34	34½
United Corpn..	8⅛	8⅛	Ford Motor ...	67½	70	Socony-Mobil ..	48¼	48¼
Western Union	25⅜	27⅜	Gen. Electric ...	66¼	86¾	Stand. Oil Ind..	48⅜	48½
Alcoa.....	87⅞	86½	General Foods .	48¼	50¼	Stand. Oil N.J..	58	58¾*
Aluminium	34	33¼	General Motors	98⅜	104⅝	Stand. Oil Ind..	32⅛	32⅜
Amer. Can.....	50	48⅝	Goodyear	118½	124½	Union Carbide.	114¾	118¾
Am. Smelting..	50⅜	49½	Gulf Oil.....	56	57	U.S. Steel	87	89
Am. Viscose ...	35½	38¾	Heinz.....	42⅞	44¾	West. Electric .	67⅝	68⅞
Anaconda	61⅛	60⅝	Int. Bus. Mach..	38¼	40⅜	Woolworth	50¼	49⅛
Beth. Steel	52⅝	52*	Int. Harvester .					

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Oct. 29, 1958	Price, Nov. 5, 1958	Yield, Nov. 5, 1958
		%	%	**STEEL AND ENGINEERING**			
44/3	41/3	6 b	6 a	Colvilles £1	30/–	30/4½	3·77
61/3	57/6	9 b	9 a	Dorman Long £1	25/9	25/10½	4·94
83/9	59/3	9 b	9 a	Steel Co. of Wales £1	20/11½	20/7½	4·52
83/9	36/–	6¼ b	5 a	Stewarts & Lloyds £1	26/–	26/–	5·00
83/–	47/9	7½ b	7½ a	John Summers £1	34/–	34/4	4·73
17/6	12/11½	7½ b	7½ a	United Steel £1	25/3	26/11½	5·65
30/6	21/4½	6 b	5 a	John Brown £1	30/3	32/3	7·79
60/–	46/–	9 b	7 a	Cammell Laird 5/–	5/4½	5/9	6·54
86/–	27/6	4 b	4 a	Swan Hunter £1	58/6	58/3	3·46
45/–	31/3	7½ b	7½ a	Vickers £1	33/–	33/3	5·54
£273/8	£20	$2·10c	$2·25	Averys £1	60/6	64/–	6·84
£195/16	£141 5/16	$1·60c	$1·65	Coventry Gauge 10/–	17/–	17/6	
29¼	25¾	9 c	9 c	Alfred Herbert £1	37/–	38/–	
11/6	28/–	5 b	4 a	Ransome & Marles 5/–	14/10½	15/6	
				Renold Chains £1	38/10½	38/10½	
				Allied Ironfounders £1	36/6	38/6	
				Babcock & Wilcox £1	51/9	54/3	
19/–	18/–	2½ a	2½ b	British Aluminium £1	51/3	57/–	
42/6	29/6	5 b	5 a	Davy & United £1	75/6	79/6	
48/6	40/9	6¼ b	6¼ a	Guest Keen £1	53/10½	55/4½	
19/6	32/9	3¢3 c	18⅛ a	Metal Box £1	59/9	63/4½	
12/6	102/6	12½ a	15 b	C. A. Parsons £1	51/6	53/9	
13/–	113/9	60 b	40 a	John Thompson 5/–	25/9	26/–	
13/–	86/3	†50 b	†20 a	Tube Investments £1	72/11½	74/4½	
21/3	†54/–	†132½ c	†147½ c				
16/6	63/9	8 b	8 a	**BUILDING, etc.**			
				Associated Portland £1	47/3	50/–	
23/–	16/–	13⅛ b	10 a	British Plaster Board .10/–	19/4½	19/7½	
15/–	16/10½	7½ b	7½ a	Richard Costain £1	57/6	59/4½	
9/–	7/3	4 a	16 b	Crittall Manufacturing. 5/–	8/10½	9/11½	
38/3	19/9	17½ b	10 a	London Brick £1	55/–	57/6	
12/10½	7/11	1½ b	10 c	Turner & Newall £1	70/10½	72/4½	
19/4½	7/10½	1 a	2½ b	Wall Paper Defd. £1	111/3	112/9	
15/10½	8/7½	5¹²c	2¹²a				
				CHEMICALS AND PAINT			
				Albright & Wilson 5/–	18/11½	18/7½	
10/–	27/–	22½ c	30 c	Borax Defd. 5/–	16/10½	17/7½	
14/3	13/4½	20 c	7 a	Brit. Ind. Plastics 2/–	7/11½	7/11½	
10/7½	6/8¼	2½ a	7 b	Fisons £1	57/9	62/6	
7/9	40/11½	5 a	9½ b	I.C.I. £1	35/11½	35/6	
18/–	13/7½	5 b	5 a	International Paints 4/–	11/9	12/11½	
11/9	15/6	15 b	5 a	Monsanto 5/–	14/10½	15/11½	
7/6	48/9	12 b	4½ a	Pinchin Johnson 10/–	20/–	21/9	
56/–	47/4½	5 a	10 b				
				ELECTRICAL AND RADIO			
43/–	31/–	36 b	10 a	A.E.I. £1	55/–	55/9	
28/–	19/7½	7½ a	12½ b	B.I.C.C. £1	48/3	49/3	
14/11½	11/6	11 b	6 a	Decca Record 4/–	30/6	31/6	
49/6	37/–	15 b	10 a	E.M.I. 10/–	51/3*	53/9*	
13/6	9/4½	10 b	4 a	English Electric £1	57/9	57/9	
76/6	36/6	21 c	7½ a	General Electric £1	38/–	37/9	
100/–	75/6	8 a	17 b	Pye Defd. 'A' 5/–	15/9	16/–	
				A. Reyrolle £1	88/6	88/9	
52/–	37/7½	16²3 b	†10 a	**MOTORS AND AIRCRAFT**			
35/7½	20/6	15 b	5 a	British Motor 5/–	11/11½	11/7½	
80/4½	37/–	11½ b	8½ a	Ford Motor £1	41/9	44/3	
				Leyland Motor £1	47/6	48/9	
				Rootes Motors 4/–	6/–	6/3	
				Standard Motor 5/–	8/11½	8/6	
				Dunlop Rubber..... 10/–	23/9*	24/4½*	
				Joseph Lucas £1	42/3	42/–	
				Pressed Steel..... 5/–	21/11½	23/9	
				Triplex Holdings 10/–	45/4½	45/11½	
				Bristol Aeroplane..... 10/–	10/11½	10/6	
				De Havilland £1	19/5¼	19/9	
				Dowty Group 10/–	40/9	42/–	
				Hawker Siddeley £1	33/11½	32/10½	
				Rolls-Royce £1	96/6	96/9	
				PAPER AND NEWSPAPERS			
44/9	26/6	8 b	4½ a	Bowater Paper £1	43/3	43/6	
48/3	27/9	5 a	9 b	Albert E. Reed £1	46/3	47/3	
24/9	16/–	5 b	3 a	Spicers £1	22/–*	21/9*	
23/6	8/9	7½ a	12 b	Daily Mirror 'A' 5/–	20/–	23/–	
29/–	18/6	5 a	12½ b	Odhams Press 10/–	24/6	28/–	
				TEXTILES			
24/11½	19/6	2½ a	6¼ b	J. & P. Coats £1	22/10½	22/10½	
20/11½	12/10½	5 a	5 b	Fine Spinners £1	19/9	20/–	
39/3	29/10½	12½ b	5 a	Lancashire Cotton £1	38/3	39/–	
36/3	30/–	12½ c	7½ a	Patons & Baldwins £1	35/6	36/3	
15/–	4/10½	6 c	4 a	Salts (Saltaire) 5/–	6/11½	6/–	
47/9	38/4½	10 b	5 a	Woolcombers £1	46/6	47/–	
16/3	10/11½	6 c	Nil	Bradford Dyers..... £1	15/11½	16/–	
48/4½	33/11½	22½ c	22½ c	Calico Printers £1	30/3	37/6	
13/7½	8/10½	5 b	3 a	Courtaulds..... £1	27/9*	29/4½*	
19/–	15/3	7½ c	7½ c	Jute Industries..... 10/–	9/–	9/4½	
				Tootal..... £1	17/11½	17/4½	
20/11½	14/9¾	18 c	3 a	**DRAPERY & STORES**			
51/6	33/6	7½ b	20 a	Boots Pure Drug 5/–	19/9	20/–	
29/–	17/3	7½ a	25 b	Debenhams 10/–	49/–*	49/6*	
77/–	55/6	12½ a	5 b	G.U.S. 'A' 5/–	27/4½	28/9	
30/9	20/3	25 b	10 a	Harrods £1	69/–	77/–	
19/3	13/11½	10 a	7½ a	House of Fraser 'A' 5/–	28/11½*	30/9*	
51/6	37/3	10 a	22½ b	Lewis's Investment ... 4/–	18/3	19/3	
33/–	21/–	20 b	12½ a	Marks & Spencer 'A' ..5/–	50/3	51/4½	
48/4½	34/7½	26²3 b	13⅓ a	United Drapery 5/–	32/11½	33/–	
				Woolworth 5/–	48/3	48/4½	

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Oct. 29, 1958	Price, Nov. 5, 1958	Yield, Nov. 5, 1958
		%	%	**BANKING**			
39/9	15/9	7½ a	22½ b	Barclays £1	48/6	50/3	4·78
44/6	28/–	3½ a	7½ b	Lloyds..... £1	61/9	64/–	4·69**
44/4½	28/3	6 b	4 a	Midland £1	79/3	80/3	4·49
8/6	6/9	13 b	4 a	National Provincial £1	82/6	82/9	4·35
58/6	31/6	6¼ a	11¼ b	Westminster "B" £1	51/6	52/6	4·29
52/10½	31/3	40 b	10 a	District..... £1	62/3	62/6	4·80
195/–	133/9	18·17b	6·17a	Martins..... 5/–	17/–	17/6	4·29
10/9	5/7½	12½ c	5 c				
14/5¼	11/8¼	22½ c	22½ c	Com. Bk. of Scot. "A"10/–	29/3	30/–	3·67
59/9	44/–	7 b	6¼ a	Royal Bank of Scotland .£1	88/9	89/–	4·75
102/9	70/6	6 a	11½ b				
40/7½	24/3	7½ b	3¾ a	Barclays D.C.O. £1	35/3	36/–	4·44
45/–	26/–	†41⅛ a	†10 b	Chartered Bank £1	45/–	44/9	6·70
				Royal Bank of Canada $10	£27⅜	£27¼	3·04
58/6	39/9	†5 b	†21/2 a	Bank of New S. Wales .£20	£19 5/16	£19 1/16	3·18
87/3	59/11½	†71 1/12 b	†5 a	Bank of Montreal $10	28⅝¶	28⅜¶	5·07g
£183⅜	£137⅜	17½ b	7½ a				
165/–	117/6	†133⅛ b	†5 a	**FINANCIAL**			
88/–	41/6	...	...	Alexanders £1	28/–	28/6	3·51
36/–	25/6	13⅜ b	7½ a	National Discount "B" £1	42/–	42/6	4·71
				Union Discount £1	57/–	58/6	4·27
43/6	27/7½	13½ b	6¼ a				
43/6	32/9	3⁶3 c	18⅛ a	Commercial Union....5/–	38/3	39/6	4·64
12/6	102/6	12½ a	15 b	Employers Liability £1	118/9	122/6	4·49
15/–	117/6	†16·2a	†16·2b	Equity & Law ... 8/6 pd.	165/–	175/–	2·74
12/6	113/9	60 b	40 a	Legal & Gen..... 5/–	155/–	162/6	3·08
13/–	86/3	†50 b	†20 a	Pearl..... 5/–	110/6	113/–	5·39
21/3	†54/–	†132½ c	†147½ c	Prudential "A" 4/–	202/6*	211/3	4·87
16/6	63/9	8 b	8 a	Royal Exchange..... £1	74/–	76/6	4·18
23/11½	16/–	13⅛ b	10 a	Bowmaker 5/–	31/6	32/10½	3·80**
21/4½	16/10½	7½ b	7½ a	Lombard Banking..... 5/–	18/3	19/3	3·90
109/–	73/3	4 a	16 b	U.D.T. £1	108/–	109/–	3·67
38/3	19/9	17½ b	10 a	B.E.T. "A" Defd. 5/–	35/–*	38/3*	3·59
12/10½	7/11	1½ b	10 c	Cable & Wireless 5/–	12/9	12/10½	3·89
19/4½	7/10½	1 a	2½ b	Land Securities 10/–	17/7½	19/4½	3·10**
15/10½	8/7½	5¹²c	2¹²a	London & County ...10/–	14/10½	15/11½	4·41**
				FOOD, DRINK AND TOBACCO			
10/–	27/–	22½ c	30 c	Allied Bakeries "A" ..5/–	37/9	37/–	4·05
14/3	13/4½	20 c	7 a	Beecham Group 5/–	21/9	24/9	4·04
10/7½	6/8¼	2½ a	7 b	International Tea 5/–	9/10½	10/7½	4·47
7/9	40/11½	5 a	9½ b	J. Lyons "A"..... £1	69/6	70/9	4·00
18/–	13/7½	5 b	5 a	Ranks 10/–	16/10½	17/6	5·71
11/9	15/6	15 b	5 a	Schweppes..... 5/–	30/–	31/9	4·72**
7/6	48/9	12 b	4½ a	Tate & Lyle £1	69/–	70/–	4·71
56/–	47/4½	5 a	10 b	United Dairies £1	41/3	43/–	5·35
43/–	31/–	36 b	10 a	Bass..... £1	27/6	28/–	4·76
28/–	19/7½	7½ a	12½ b	Distillers 6/8	13/9	14/11½	6·02
14/11½	11/6	11 b	6 a	Flowers 5/–	48/6	49/6	5·05
49/6	37/–	15 b	10 a	Guinness 5/–	12/9	13/6	5·19
13/6	9/4½	10 b	4 a	Ind Coope & Allsopp...5/–	75/–	76/6	5·49
76/6	36/6	21 c	7½ a	Watney Mann Defd. £1	91/6	100/–	5·00
100/–	75/6	8 a	17 b	Whitbread "A" £1			
52/–	37/7½	16²3 b	†10 a	Brit. Amer. Tobacco .10/–	50/6	51/6	5·63
35/7½	20/6	15 b	5 a	Gallaher 10/–	32/3	34/11½	5·86
80/4½	37/–	11½ b	8½ a	Imperial Tobacco £1	49/–	49/3	8·12

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		MISCELLANEOUS	Price, Oct. 29, 1958	Price, Nov. 5, 1958	Yield, Nov. 5, 1958
		%	%				
39/9	15/9	7½ a	22½ b	Assoc. Brit. Picture ...5/–	39/6	39/9	3·77
44/6	28/–	3½ a	7½ b	British Match £1	42/9	44/6	4·94
44/4½	28/3	6 b	4 a	British Oxygen £1	43/9	44/3	4·52
8/6	6/9	13 b	4 a	British Ropes 2/6	8/6	8/6	5·00
58/6	31/6	6¼ a	11¼ b	Glaxo 10/–	53/9	58/6	2·99
52/10½	31/3	40 b	10 a	Hoover "A" 5/–	50/6	52/10½	4·73
195/–	133/9	18·17b	6·17a	Hudson's Bay £1	182/6*	181/3*	2·69
10/9	5/7½	12½ c	5 c	Rank Organisation 5/–	10/11½	10/3	2·44
14/5¼	11/8¼	22½ c	22½ c	Sears "A" 5/–	14/03¾	14/5¼	7·79
59/9	44/–	7 b	6¼ a	Thomas Tilling £1	87/6	58/6	4·53
102/9	70/6	6 a	11½ b	Unilever..... £1	96/3	101/–	3·46
40/7½	24/3	7½ b	3¾ a	United Glass Bottle..... £1	37/9	40/7½	5·54
36/–	26/–	†41⅛ a	†10 b	United Molasses 10/–	35/–	36/–	6·84
				OIL			
58/6	39/9	†5 b	†21/2 a	British Petroleum..... £1	56/–‖	55/3‖	4·72
87/3	59/11½	†71 1/12 b	†5 a	Burmah Oil £1	86/10½	83/9	5·36
£183⅜	£137⅜	17½ b	7½ a	Royal Dutch ..... 20 fl.	£177⅛	£175⅜	2·68
165/–	117/6	†133⅛ b	†5 a	Shell Transport..... £1	160/–	158/11½	4·12
88/–	41/6	...	...	Ultramar 10/–	87/–	87/–	... d
36/–	25/6	13⅜ b	7½ a	Wakefield C.C..... 10/–	33/6	35/3	5·84
				SHIPPING			
43/6	27/7½	13½ b	6¼ a	Brit. & Com'wealth. .10/–	42/–*	43/6*	4·60
23/9	16/6	10 c	Nil	Cunard..... £1	19/–	20/3	...
35/6	27/3	10⅝ c	10 c	Furness Withy £1	31/6	33/6	5·97
20/–	14/6	10 a	10 b	London & Overseas ...5/–	18/6	20/–	5·00
37/6	22/–	8 b	3 a	P & O Defd. £1	33/–	35/6	6·20
17/9	12/–	5 c	Nil	Reardon Smith 10/–	14/3	15/6	...
25/6	19/3	7½ c	9 c	Royal Mail £1	23/9	24/3	7·42
				MINES			
161/10½	115/–	60 b	20 a	Anglo-American 10/–	161/10½	160/–	5·00
101/3	73/9	10 a	15 b	General Mining..... £1	100/7½	100/7½	4·97
45/10½	36/7½	80 b	40 a	Union Corporation ...2/6	45/6*	44/4½	6·76
31/4½	23/10½	55 b	50 a	Daggafontein 5/–	31/–	31/4½	16·73
111/3	76/3	40 a	60 b	Free State Geduld 5/–	110/7½	108/9	4·60
69/9	56/–	30 a	35 b	Hartebeestfontein 10/–	64/–	63/–	10·32
64/–	46/6	50 a	50 b	President Brand 5/–	63/9	62/3	8·03
110/7½	84/4½	60 a	80 b	Western Holdings 5/–	110/–	108/9	6·44
57/9	41/6	6¼ a	12½ b	Consolidated Zinc £1	56/–	56/6	6·64
116/10½	80/7½	120 b	80 a	De Beers Defd. Reg. ..5/–	115/–	116/10½	8·56
$169	$1323¾	$3·75c	$3·75c	International Nickel. n.p.v.	$161¼	$158¾	4·21
8/6	6/4½	20 a	5 b	London Tin 4/–	7/9*	7/7½	13·11
83/11½	50/7½	10 a	30 b	Rhod. Anglo-Amer.... 10/–	78/11½*	76/3*	5·25h
19/9	12/10½	11 2⁄4a	6¼ b	Rhod. Selection Tst. ..5/–	18/7½*	18/7½	1·96h
115/–	26/–	6 c	26 c	Rio Tinto Reg. 10/–	60/–	59/4½	4·38
6/4½	6/10½	11 2⁄4a	4⅛ b	Roan Antelope 5/–	9/1½*	9/–*	2·89h
73⅛d	51⅜d	6 c	8 c	Tanganyika Cons..... 10/–	65/3	62/6	5·20
63/3	46/–	12½ a	37½ b	United Sua Betong..... £1	59/9	63/3	15·81
61/3	43/9	5 a	12½ b	Tronoh 5/–	11/11½	11/4½	26·37
				TEA AND RUBBER			
26/–	19/6	†21/2 a	†10 b	Cons. Tea & Lands £1	26/–	25/9	16·89
27/9	20/–	†5 a	†5 b	Jokai (Assam)..... £1	24/–	24/6	14·20
22/3	17/6	6 a	10 b	Nuwara Eliya..... £1	19/3	19/9	16·20
				Grand

ating equipment, Crompton Parkinson has continued to prosper. In the year to June 30th, its gross profits advanced by £144,073 to £2,687,577 and its net income by £53,182 to £1,112,429. From this sum, the net ordinary dividend absorbs only £400,615 and the emphasis still seems to be on ploughing back.

ASSOCIATED-REDIFFUSION

THE public has no direct interest in Associated-Rediffusion, but the size of its first profit was enough to make investors gasp and to set off a further buying spree in shares with a commercial television flavour. A trading profit of £5,108,216 after depreciation for the year to April 30th replaced a loss of £626,228 for 1956-57. Nothing has to be found for income tax and no dividend is paid, so that the massive profit of £4,824,015 has been used to cut down advances made in the years of losses by shareholders. By the end of April these advances had been brought down from £4,750,000 to £1,187,500 and since then the £500,000 in a 6 per cent loan stock has been redeemed and all outstanding temporary advances repaid. A capitalisation of £4½ million from the profit and loss account is proposed; that will raise the capital from £500,000 to £5,000,000.

WILKINS & MITCHELL

THE issue of 1,062,696 5s. ordinary shares in Wilkins & Mitchell, the manufacturers of "Servis" washing machines and machine tool makers, at 8s. each, could scarcely have been better timed. The issue terms were fixed before the bonfire of HP restrictions was lit but Wilkins & Mitchell is just the kind of company to benefit from their abolition and from any increase in sales of durable consumer goods. Moreover, industrial equities continue to boom and there are some, but not very many, new issues of ordinary capital on offer; George Braund's issue of 600,000 ordinary shares of 5s. each at 6s., for example, was oversubscribed twenty-five-fold. In Wilkins & Mitchell's case, over two-thirds of the 3,360,000 5s. shares are held by the Wilkins family (who will continue to manage the business), and firm acceptances on sub-underwriting terms have already been received for 366,022 shares, leaving only 696,674 shares for public subscription. The whole of the issue is underwritten by the stockholders, Rowe and Pitman, at 3d. per share (including sub-underwriting at 1½d. per share). The shares at 8s. offer a yield of 8⅛ per cent, on an anticipated 13 per cent dividend covered over two and a half times by earnings in a section of the market where returns of only 5 per cent are now not uncommon. On Thursday it attracted the stags as well as the institutions and the issue was very heavily oversubscribed.

The Wilkins & Mitchell group is a leading manufacturer of washing machines, selling its products throughout this country. It has agents and distributors in sixty other countries and thirty per cent of its sales are made overseas. It also manufactures power presses, chiefly for the motor trade, but also for the aircraft, electrical, and general engineering industries, exporting a quarter of them. But its profits, like those of other manufacturers in these markets, have fluctuated quite widely: falling from a peak of £418,068 in 1955 to £250,868 in the following year before recovering to £362,217 in the year ended March 31, 1958. Now that the HP brakes are off, the chance that the 1955 record will be passed is good, for sales and profits are already above those recorded in 1957-58. Expansion, however, has to be paid for and about £350,000 has been spent on plant in the past three years; over the last six months the bank overdraft has risen from £55,474 to £158,080. The group will have to fight hard against strenuous opposition for its place in an expanding market. That, coupled with the fact that the company remains essentially a family business, can have its effect on dividends.

BRITISH VAN HEUSEN

AMALGAMATED COTTON MILLS' bid for all the ordinary share capital of British Van Heusen is not an example of two firms in the cotton industry creeping under the same umbrella for their mutual protection. British Van Heusen has been earning consistently good profits—£263,170 in 1957, compared with £256,255 in 1956—and has branded, well-advertised products to sell. Since 1955 Amalgamated Cotton has earned profits a little in excess of £1 million per annum; the latest figures available are for the nine months to September 28, 1957, which show a trading profit of £864,379. The bid is 25s. cash for every 5s. ordinary share in British Van Heusen—ex the maintained interim dividend of 10 per cent just declared by Van Heusen, which was followed last year by a final of 15 per cent. The Van Heusen shares have recently improved from 16s. to 19s., but the bid is well above this price—and, indeed, it looks generous. Amalgamated Cotton is clearly willing to pay a good price for the goodwill of the name, Van Heusen. One hundred per cent acceptance by the owners of the 1,286,625 shares in Van Heusen would cost Amalgamated Cotton just over £1.6 million. Its balance sheet at the end of September, 1957, disclosed liquid assets of about £715,000. There is already one link between the two groups, which have one common directorship in the parent companies. "Vantella" shirts are produced by a subsidiary of Amalgamated Cotton incorporating cuffs and collars for which Van Heusen holds a patent. The date on which the agreement governing their interlocking arrangements expires has not been disclosed. But both companies obviously now feel it is in both their interests to bind their fortunes more closely together, for "after careful consideration of the position and prospects of the company and the value of the shares," the directors of British Van Heusen have unanimously recommended the offer to their shareholders. The Van Heusen shares have been marked up to 24s. in response to the bid, which should be accepted.

London Stock Exchange

FIRST DEALINGS:	Oct. 29	Nov. 12	Nov. 26
LAST DEALINGS:	Nov. 11	Nov. 25	Dec. 9
ACCOUNT DAY:	Nov. 18	Dec. 2	Dec. 16

DESPITE the latest rise in the gold and dollar reserves a renewed bout of weakness in long-dated and irredeemable stocks led to a fall of 0.27 to 84.94 in the *Financial Times* index of Government securities in the week to Wednesday. Old Consols lost ¼ to 52⅜, but losses on other irredeemables were much greater, 3½ per cent Conversion dropping ⅞ to 67. The longest dated stock, 3½ per cent Funding 1999-2004 fell ¾ to 73¾ and 3 Redemption 1986-96 fell the same amount to 66¼. The "tap" stock, 5½ per cent Conversion 1974, improved ⅛ to 100⅞ and medium-dated issues were firm. The "shorts" made small gains, 2½ per cent Funding 1956-61 gaining ⅞ to 96|⅛.

Reports that the abolition of hire purchase controls had already led to a sharp increase in sales and the Government's plans for higher investment gave a fresh impetus to the industrial market, carrying *The Economist* indicator up by 6.6 points to a peak of 233.5. Insurances were again strong, London and Lancashire gaining 8s. 9d. to 127s. 6d. xd.

After the scrip issue in preference shares, Whitbread "A" held their gain of 8s. 6d. to 100s. Among building shares, Tarmac rose 2s. 6d. to 91s. 10½d. and Richard Costain 1s. 10½d. to 59s. 4½d. House of Fraser "A" gained 2s. 7½d. to 30s. 9d. xd and GUS "A" 1s. 4½d. to 28s. 9d. Harrods rose suddenly by 7s. 6d. to 76s. 6d. New Day was prominent among furniture shares, advancing 1s. 1½d. to 12s. 4½d. Producers of consumer durables were popular; Hoover ordinary rose 2s. 6d. to 53s. 3d. and Allied Ironfounders 2s. to 38s. 6d. Motors were strong, Ford rising 2s. 6d. to 44s. 3d., but Rover fell 1s. 6d. to 17s. 9d. on the results. Pressed Steel gained 2s. 7½d. to 23s. 9d.

There was another flurry in shares with television interests; BET "A" deferred rose 3s. 3d. to 38s. 3d. xd, Moss Empires 1s. 9d. to 17s. 10½d. and Daily Mirror "A" 3s., to 23s. Unilever advanced by 4s. 9d. to 101s. and Glaxo gained the same amount to 58s. 6d. Steel shares made small gains and shipbuilders were firmer, but Thornycroft fell after the chairman's statement to 23s. 6d. France Fenwick declined 2s. to 34s. on the smaller interim dividend, but other shipping shares improved.

Burmah Oil lost 3s. 1½d. to 83s. 9d. on disappointment with the interim dividend. Other oil stocks were dull, although TPD jumped 12s. 6d. to 77s. 6d. and there was a speculative burst in Oil Search, carrying them up from 2s. to 11s. Kaffirs weakened and some heavy falls occurred on Wednesday. Copper mines were generally firmer. Rubber shares made a further advance; Selangor River rose 2s. 3d. to 21s. 9d. xd and United Sua Betong 3s. 6d. to 63s. 3d.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended November 1, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £9,557,000 compared with a deficit of £18,153,000 in the previous week and a surplus of £15,703,000 in the corresponding period of last year. There was a net expenditure "below-line" of £13,067,000 leaving a total deficit of £593,428,000 compared with £634,333,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Nov. 2, 1957	April 1, 1958, to Nov. 1, 1958	Week ended Nov. 2, 1957	Week ended Nov. 1, 1958
Ord. Revenue					
Income Tax	2312,500	713,984	768,746	26,582	29,590
Surtax	163,000	41,700	43,200	1,000	1,100
Death Duties	163,500	104,700	102,100	2,500	2,800
Stamps	56,250	41,000	33,500	1,600	1,400
Profits Tax, EPT & EPL	275,000	157,900	176,700	5,000	5,100
Other Inland Rev. Duties	...	150	120	40	...
Total Inland Rev.	2970,250	1059,434	1124,366	36,722	39,990
Customs	1256,940	724,597	766,084	36,202	27,978
Excise	932,310	509,120	507,995	20,555	27,340
Total Customs and Excise	2189,250	1233,717	1274,079	56,757	55,318
Motor Duties	104,000	24,532	25,783	1,555	1,710
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	14,500	15,400	3,500	4,000
Sundry Loans	30,000	26,900	25,439	1,124	262
Miscellaneous	110,000	107,229	52,326	902	393
Total	5439,500	2466,313	2517,393	100561	101673
Ord. Expend.					
Debt Interest	695,000	409,465	393,661	24,167	22,078
Payments to N. Ireland Exchequer	73,000	36,913	40,154	...	...
Other Cons. Funds	10,000	5,304	4,812	440	427
Supply Services	4292,859	2313,426	2376,540	59,991	88,625
Total	5070,859	2765,107	2815,167	84,598	111130
Sinking Funds	38,000	20,207	20,523	260	100
"Above-line" Surplus or Deficit	—	319,001	318,297	+15,703	— 9,557
"Below-line" Net Expenditure*	315,332	275,131	13,348	— 13,067	
Total Surplus or Deficit	634,333	593,428	+2,355	— 22,624	
Net Receipts from:					
Tax Reserve Certificates	151,914	172,045	10,905	14,812	
Savings Certificates	—4,200	77,400	—1600	1,700	
Defence Bonds	—18,356	48,283	—6084	—1510	
Premium Savings Bonds	44,680	40,815	1,520	1,540	
Total	174,038	338,543	4,741	16,542	

*Including net receipts of the Civil Contingencies Fund of £16 million in 1957 and £14 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Nov. 2	3,150·0	1,794·6	190·1	2·8	5,137·4
1958					
Aug. 2	3,250·0	1,643·1	192·0	...	5,085·1
„ 9	3,270·0	1,569·9	190·5	...	5,030·4
„ 16	3,270·0	1,589·9	209·4	...	5,069·3
„ 23	3,270·0	1,630·9	164·0	...	5,064·9
„ 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
„ 13	3,270·0	1,657·9	178·3	...	5,106·2
„ 20	3,270·0	1,704·4	167·5	...	5,141·9
„ 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
„ 11	3,310·0	1,773·4	183·1	...	5,266·5
„ 18	3,320·0	1,756·1	214·2	...	5,290·3
„ 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2

THE MONEY MARKET

THE fall in the Treasury bill rate was resumed at the tender on Friday of last week. The discount houses raised their bid for 91-day bills by 8d. to £99 2s. 1d., marking a reduction in their annual discount rate of 2s. 8d. per cent; the average rate on the whole allotment of these bills dropped by just under 2s. to £3 11s. 8½d., a new low point since early 1955. The offer of £250 million included £50 million of 63-day bills, to help smooth the tax transfers in January; the discount market bid at £99 7s. 5d. per cent for these bills, and the average rate of discount was £3 12s. 10.07d. per cent.

The discount market was allotted 46 per cent of its applications for the 91-day bills and 84 per cent of those for the shorter maturities; its total allotment rate was around 54 per cent, compared with 36 per cent in the previous week. Yesterday's tender again comprised solely the three months' maturities; evidently the authorities are relying on the maturity of the 2 per cent Conversion 1958-59 to supply funds to the market in the third week of January.

Funds were scarce in Lombard Street just before the week-end, and small borrowing was necessary at Bank rate. This week, after a difficult start on Monday, conditions have eased, and a sizeable demand for three months' bills has brought the rate on market dealings down to 3½ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 14/8/58)	4½	**Discount rates:**	
		Bank bills:	
Deposit rates (maximum)		60 days	3 11/16–3 3/4
Bank	2½	3 months	3 11/16–3 3/4
Discount houses	2½	4 months	3 11/16–3 3/4
		6 months	3 11/16–3 13/16
Money:			
Day-to-Day	2 3/4–3 5/8	**Fine trade bills:**	
Treasury bills:		3 months	4 1/2–5 1/4
2 months	3 19/32	4 months	4 1/2–5 1/4
3 months	3 19/32	6 months	4 3/4–5 1/2

BANK OF ENGLAND RETURNS

(£ million)	Nov. 6, 1957	Oct. 29, 1958	Nov. 5, 1958
*Issue Department**:			
Notes in circulation	1,976·3	2,012·0	2,021·0
Notes in banking dept.	24·1	38·4	29·4
Govt. debt and securities*	1,996·2	2,046·3	2,046·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	9·3	11·6	14·3
Bankers	228·3	238·6	229·2
Others	73·2	70·9	70·8
Total	310·8	321·1	314·3
Securities:			
Government	248·6	266·4	267·0
Discounts and advances	30·1	11·8	13·6
Other	23·4	21·4	21·3
Total	302·1	299·6	301·9
Banking department reserve	26·5	39·2	30·2
	%	%	%
"Proportion"	8·5	12·2	9·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957	91 *day* 63 *day*		s. d.	%
Nov. 1	220·0 40·0	419·3	131 10·53	47
1958	91 *day*			
Aug. 1	240·0	468·9	80 2·49	39
„ 8	250·0	467·9	77 3·63	55
„ 15	250·0	437·8	74 5·00	32
„ 22	250·0	437·4	74 6·25	28
„ 29	270·0	424·1	74 11·48	83
Sept. 5	270·0	434·6	74 0·93	64
„ 12	270·0	423·7	73 6·81	51
„ 19	270·0	413·7	71 9·20	68
„ 26	260·0	381·4	72 6·10	55
Oct. 3	270·0†	424·8	74 1·39	44
„ 10	250·0	423·6	73 0·72	55
„ 17	250·0	435·7	72 3·08	45
„ 24	250·0	409·6	73 7·94	36
	91 *day* 63 *day*			
„ 31	200·0 50·0	442·9	71 8·23	46

* On October 31st tenders for 91 day bills at £99 2s. 1d. secured 46 per cent, and for 63 day bills at £99 7s. 5d., 84 per cent, higher tenders being allotted in full. The offer this week was for £270 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: November 5	Market Rates: Spot: October 30	October 31	November 1	November 3	November 4	November 5
United States $	2·78–2·82	2·80 3/8–3/4	2·80 9/16–11/16	2·80 9/16–11/16	2·80 11/16–13/16	2·80 11/16–13/16	2·80 11/16–13/16
Canadian $	...	2·71 15/16–72 1/16	2·71 13/16–15/16	2·71 13/16–15/16	2·71 13/16–15/16	2·72–72 1/8	2·72 1/16–3/16
French Fr.	1167·18–1184·82	1176 3/8–7/8	1176 5/8–7/8	1176 5/8–77	1176 3/4–77	1177 1/4–3/4	1177 3/4–78
Swiss Fr.	12·15 3/16–12·33 9/16	12·22–22 1/4	12·21 7/8–22 1/8	12·21 7/8–22 1/8	12·22 3/8–7/8	12·23 1/4–1/2	12·23 1/8–3/8
Belgian Fr.	138·95–141·05	139·40–45	139·27 1/2–32 1/2	139·27 1/2–32 1/2	139·50–55	139·55–60	139·55–60
Dutch Gld.	10·56–10·72	10·56 5/8–7/8	10·56 5/8–7/8	10·56 5/8–7/8	10·56 7/8–57/8	10·57 1/4–5/8	10·57 1/4–3/8
W. Ger. D-Mk.	11·67 3/16–11·84 3/16	11·69–69 1/4	11·68 7/8–69 1/8	11·69–69 1/4	11·69 3/8–5/8	11·69 7/8–70 1/8	11·70–70 1/4
Portuguese Esc.	79·90–81·10	80·05–20	80·05–15	80·05–15	80·00–15	80·00–15	80·00–15
Italian Lire	17365/8–17627/8	17443/4–451/4	17443/4–451/4	17443/4–461/4	17451/4–461/4	1746–1/2	17461/4–3/4
Swedish Kr.	14·37 5/8–14·59 5/8	14·47 3/8–3/4	14·47 1/8–3/8	14·47 1/4–1/2	14·47 3/4–48	14·48 1/2–3/4	14·48 7/8–49 1/8
Danish Kr.	19·19 1/2–19·48 1/2	19·34 1/8–3/8	19·34 3/8–5/8	19·34 3/8–35	19·34 3/4–35	19·35–35 1/4	19·35 3/8–5/8
Norwegian Kr.	19·85–20·15	20·00–00 1/4	20·00–00 1/4	20·00–00 1/4	20·00–00 1/4	20·00 1/8–00 3/8	20·00 1/4–1/2
One Month Forward Rates							
United States $		3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	5/16–3/16c. pm
Canadian $		3/4–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm
French Fr.		3–5 dis	3–5 dis	3–5 dis	3–5 dis	3–5 dis	3–5 dis
Swiss Fr.		1 3/4–1 1/2c. pm	1 7/8–1 5/8c. pm	1 7/8–1 5/8c. pm	2 1/8–1 7/8c. pm	2 1/4–2c. pm	2 1/8–1 7/8c. pm
Belgian Fr.		1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par
Dutch Gld.		5/8–3/8c. pm	5/8–3/8c. pm	5/8–3/8c. pm	3/4–1/2c. pm	5/8–3/8c. pm	7/8–5/8c. pm
W. Ger. D-Mk.		1 1/8–3/8pf. pm	1 1/8–3/8pf. pm	1 1/8–3/8pf. pm	1 1/8–3/8pf. pm	1 1/8–3/8pf. pm	1 1/8–3/8pf. pm
Three Months Forward Rates							
United States $		13/16–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	13/16–11/16c. pm	7/8–11/16c. pm	13/16–11/16c. pm
Canadian $		3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	13/16–5/8c. pm	3/4–5/8c. pm
Swiss Fr.		3 3/4–3 1/2c. pm	4 1/8–3 7/8c. pm	4 1/8–3 7/8c. pm	4 3/8–4 1/8c. pm	4 5/8–4 3/8c. pm	4 5/8–4 3/8c. pm
W. Ger. D-Mk.		2 1/4–2pf. pm	2 1/8–1 7/8pf. pm	2 1/8–1 7/8pf. pm	2 1/8–1 7/8pf. pm	2 3/8–2 1/8pf. pm	2 3/8–2 1/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/13 1/4	250/13 1/4	...	250/2	250/11 1/4	250/11 1/4	

US Statistics

Monthly averages or calendar months except where annual rates are shown.

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

World Trade ..... October 18th

BRITISH		OVERSEAS	
Prices and Wages.....	Nov. 1st	Western Europe:	
Production and Consumption	Sept. 20th	Production and Trade ...	Sept. 27th
Manpower	Oct. 11th	British Commonwealth	Oct. 11th
External Trade	Oct. 25th	Western Europe:	
Industrial Profits	Oct. 18th	Prices and Money Supply	Sept. 20th
		United States	This week

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices Composite index	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade		At current prices	At 1957 prices
	1947–49 = 100						1948 = 100			1939 = 100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1958, June	119·2	95·6	123·7	121·6	106·7	127·8	118	109	108	330·6	83·10	80·76
„ July	119·2	95·0	123·9	121·7	106·7	127·7	118	109	108	339·2	83·50	80·99
„ August	119·1	93·2	123·7	120·7	106·6	127·9	...	109	...	351·7	84·35	81·97
„ September	119·1	93·1	123·7	120·3	107·1	127·9	...	...	...	360·5	85·17	...

PRODUCTION AND MANPOWER

	Gross national product[7] Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building	Civilian employment[1]		
			Durable goods			Non-durable goods			New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
	$ billion	1947–49 = 100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	419·2	143	159	138	199	129	108	167	46·3	67,530	64,708	4·2
1957	440·3	143	160	131	213	130	105	172	48·5	67,946	65,011	4·3
1958, June	429·0[8]	132	139	103	185	129	102	168	47·6	70,418	64,981	6·8
„ July	440·0	134	141	102	185	132	107	171	48·7	70,473	65,179	7·3
„ August		136	144	108	187	133	108	173	49·4	70,067	65,367	7·6
„ September		137	144	110	177	134	109	175	50·2	68,740	64,629	7·2

TRADE

	Personal consumption[7] Annual rates	All business[2]		Total retail[2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948 = 100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	93
1956	269·4	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	284·4	56·3	90·7	16·7	24·5	1,077	266	243	1,719	982	147	149
1958, May	288·3[8]	52·4	86·9	16·6	23·9	1,053	217	207	1,623	1,017	150	143
„ June		53·2	86·4	16·6	24·1	1,019	221	216	1,396	836	146	124
„ July		54·0	85·9	16·7	24·0	1,045	214	217	1,405	859	149	124
„ August	292·0	54·4	85·4	16·9	23·9	...	...	...	1,381	837	...	123
„ September		...	...	16·6	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income[7]			Consumer credit		Banking statistics[3]		Budget expenditure[4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds[6]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	− 3·9	0·023	...	3·01
1956	330·5	235·2	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	347·9	247·1	11·6	44·78	34·11	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1958, May	349·9	242·0	13·7	43·03	32·96	82·6	92·8	5·8	− 0·9	1·046	3·14	3·57
„ June	352·0	244·7	13·2	43·12	33·05	84·7	94·9	6·6	+ 4·2	0·881	3·20	3·57
„ July	358·8	251·2	13·1	43·03	33·13	84·2	93·4	6·6	− 3·7	0·962	3·36	3·67
„ August	356·1	247·6	13·3	43·22	33·23	86·4	93·6	6·2	− 1·4	1·686	3·60	3·85
„ September	357·5	248·3	13·5	43·24	33·16	...	...	6·6	+ 0·6	2·484	3·75	4·09

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for second quarter. (6) Bonds due or callable from 10 to 20 years. (7) Revised series from 1956 onwards.

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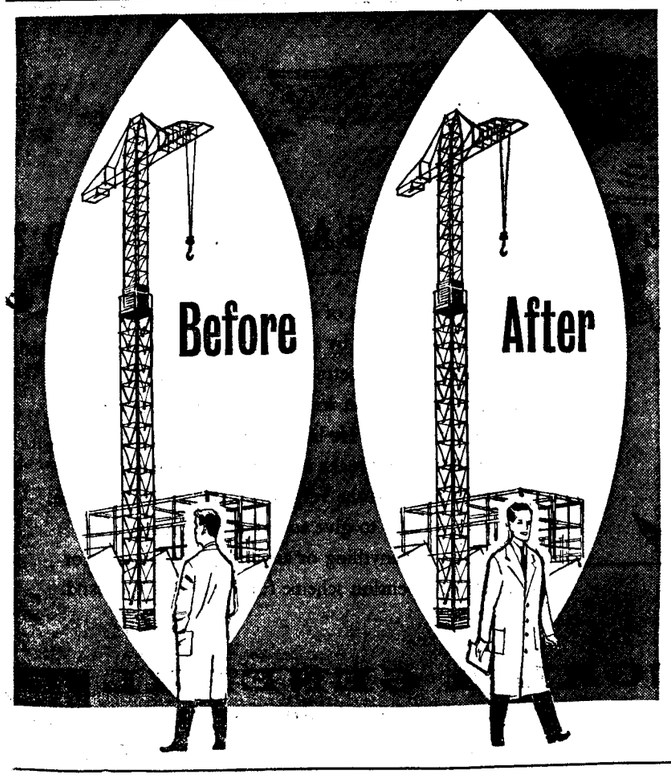

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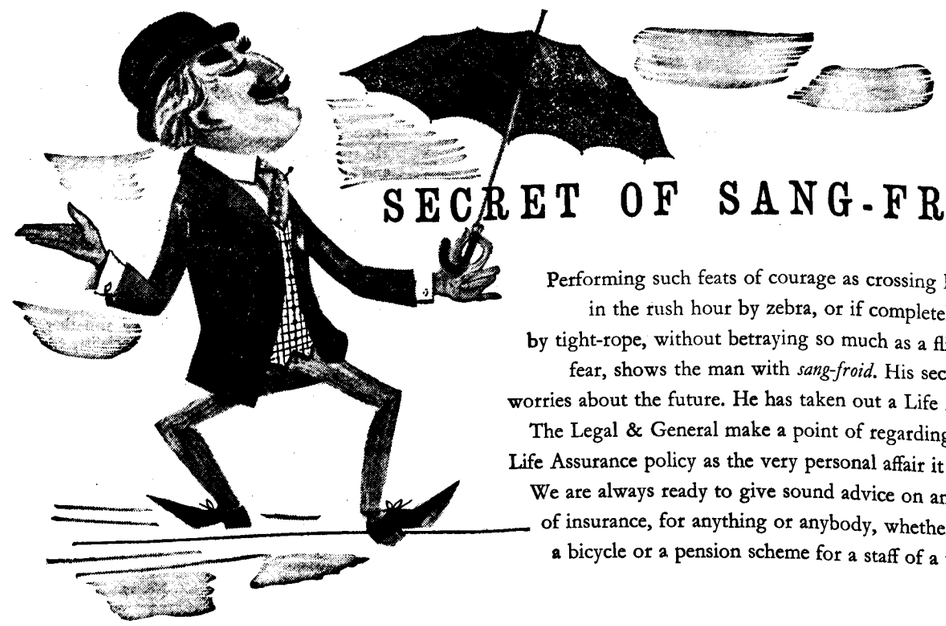

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For further appointments and other classified advertisements see page 549

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Closing date for applications is *December* 31, 1958.

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	CODE NO.
ADMINISTRATIVE CLASS. Home Civil Service and Northern Ireland Civil Service (METHODS I and II). One House of Commons Clerkship may be filled through this competition (METHOD I).	11/59
FOREIGN SERVICE. SENIOR BRANCH (METHODS I and II).	12/59
SPECIAL DEPARTMENTAL CLASSES (H.M. Inspectors of Taxes; Cadet Grade, Ministry of Labour and National Service; Assistant Postal Controllers, Post Office; Grade III Officers, Ministry of Defence) (METHODS I and II).	17-20/59
STATISTICIAN CLASS (METHOD 1 only).	21/59
EXECUTIVE CLASS and FOREIGN SERVICE BRANCH B (METHOD I only) for graduates.	22/59

METHODS OF SELECTION. Method I consists of examination at honours degree level plus preliminary and final interview; Method II consists of short examination (English and general papers) followed, for selected candidates, by Civil Service Selection Board tests and interview by Final Selection Board. When two methods are provided, candidates may choose either or both. Candidates for Method II must have, or obtain in 1959, a university degree; for Administrative Class and Foreign Service (Senior Branch) it must be with 1st or 2nd class honours.

AGE LIMITS. At least 20½ and under 24 on 1.8.59 with extension for service in Forces or Overseas Civil Service. In addition, for Statistician Class (21/59), extension up to three years for approved post-graduate experience.

Write for application forms to Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting appropriate code number(s). Closing dates: Method II, December 1, 1958; Method I, February 28, 1959.

SCHOOL of ORIENTAL and AFRICAN STUDIES, UNIVERSITY of LONDON, W.C.1.

Applications are invited for RESEARCH FELLOWSHIPS in the Economic History of East and South-East Asia. Fellows will be required to carry out individual research within a co-operative Anglo-American project. Appointment will be initially for three years, with possibility of extension or of transfer to a permanent post at the School.

Candidates must be graduates with high honours and preferably with a higher degree in history, economics or political science. Specialised knowledge of the area is not essential, but candidates should have an interest in Western activities in Asia, and have conducted research in their own field. If necessary, training in an Oriental language will be provided and the scheme envisages that part of the Fellowship may be spent at an appropriate research centre in the United States.

Appointments will date from 1st January, 1959, at salaries fixed within the range, £1,000-£1,500, according to qualifications and experience.—Applications, stating age, qualifications, experience, and the names of three referees should reach the Secretary of the School by 22nd November, 1958.

A LEADING firm of Stockbrokers has a vacancy for a chartered accountant, or a graduate economist with industrial experience, to undertake investment studies of particular companies and industries. Age not exceeding 27. Prospects for man with suitable personality. Initial salary, according to experience, up to £1,000 per annum, with participation in a bonus scheme.—Reply Box 1069.

EDUCATION AND TRAINING OFFICER

The Booker Group of Companies wish to appoint an Education and Training Officer in the Personnel Department of Bookers Sugar Estates, Ltd., in British Guiana. Bookers Sugar Estates, Ltd., are responsible for ten estates producing 240,000 tons of sugar a year and employing some 25,000 people. This is a new appointment and the development of the training programme forms a vital part of the personnel policy; training activities cover management and technical training at all levels—ranging from senior management training to an apprentice training school.

Applicants, to be between 30 and 40, should have a thorough knowledge of training and education in industry; and experience including the arrangement of senior management courses, supervisor training and T.W.I.

The salary will depend on qualifications and experience, but will be not less than £2,000 a year.

The appointment is centred on Georgetown and there will be assistance in finding housing and in removal to British Guiana. There is U.K. leave every other year with family passages. The position is permanent and there is a good pension scheme.

Please apply, in writing only, to The Secretary, BOOKER BROTHERS, McCONNELL & CO., LTD., Bucklersbury House, 83 Cannon Street, London, E.C.4.

QUALIFIED STATISTICIAN required by substantial public company with headquarters at Manchester. Age about 30. Preference given to applicants who have had a few years' experience in industry since qualifying. Permanent position, with good salary.—Apply with full particulars to Box 1065.

EDUCATIONAL

9/- a line.

SUCCESSFUL TUITION FOR THE B.SC.ECON. DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if Entrance is included). Moderate fees, instalments. Over 920 Wolsey Hall students passed Lond. Univ. B.Sc.Econ. exams., 1951-57. Tuition also for G.C.E., Law, Statistical, other exams. —Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

INTERNATIONAL CORRESPONDENCE SCHOOLS. Experienced coaching for all leading professional, trade, technical and general exams. General Certificate of Education: C.I.S.; I.C.W.A.; Management (B.I.M.); I.Mech.E; Brit. I.R.E.; R.I.B.A.; and many others.—Write for FREE book stating subject to: International Correspondence Schools, 71 Kingsway (Dept. 499), London, W.C.2.

EUROPE HOUSE, 161 Fleet Street. M. Rene Sergent, Secretary-General O.E.E.C., will speak on the work of the Organisation for European Economic Co-operation on Wednesday, 12th November, at 6.30 p.m.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARk 8392.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

BIM—POLYTECHNIC EXECUTIVE PROGRAMME

This four-week residential course is jointly sponsored by the British Institute of Management and the Department of Management Studies of The Polytechnic, Regent Street, W.1.

The course is designed for selected executives nominated by their firms. Early application is essential. The fee is 100 guineas including publications, plus the cost of hotel accommodation. The 1959 dates are as follows:

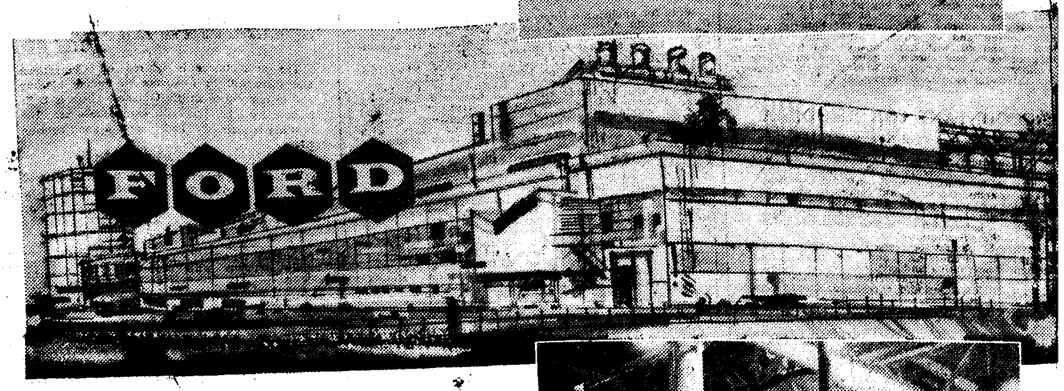
FEBRUARY 2—FEBRUARY 27
APRIL 13—MAY 8
NOVEMBER 9—DECEMBER 4

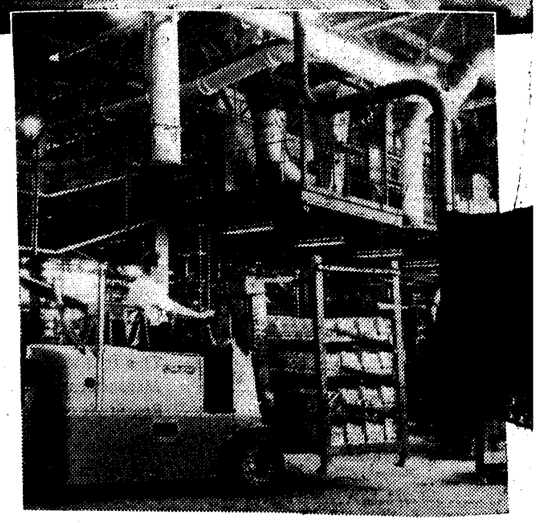
Enquiries should be addressed to The Director of the Executive Programme, Department of Management Studies, St. Katharine's House, 194 Albany Street, London, N.W.1.

Registered as a Newspaper. Entered as Second Class Mail Matter at New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press, Ltd., London, W.C.2. Published by The Economist Newspaper Ltd., at 22 Ryder Street, London, SW1. Postage on this issue: UK 4d.; Overseas 5½d.

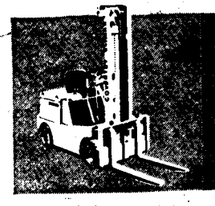
In their
remarkable
new foundry







use
fork trucking
by . . .



Coventry Climax

584

COVENTRY CLIMAX ENGINES LIMITED, Dept. E. COVE

The Economist

NOVEMBER 15, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

PRIVATE SECRETARY TO GOVERNMENT
21 NOV 1958
PUBLIC DEPARTMENT

Test of Nerves

Demands for panic measures in Cyprus should be resisted (page 573).

Living with the Public Industries

Labour plans for further nationalisation are bedevilling the problems of the industries nationalised already (page 621).

When to the Country?

The factors that should determine the date of the next general election (page 575).

Mr Khrushchev and the Germans

Does either side want to upset the existing balance? (page 576).

US Labour Presents its Bills page 599
Children's Comics Today page 578
Holiday in Jordan page 611
Before the French Poll page 611
The Free Trade Area pages 580 and 615
Welensky Territory pages 585 and 593

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 654
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1.
VOLUME CLXXXIX · NUMBER 6012

PEACOCK'S *for Advertising*

Policy ADVERTISING is a vital part of any marketing scheme. It is not enough to manufacture efficiently—in order to *sell*, the goods must be made known. Advertising is an essential part of the total marketing operation, and must be planned in relation to the overall campaign.

Most advertisers employ an advertising agency. Advertising agencies, like other businesses, vary in quality. Some specialise in handling technical or consumer accounts, some only produce advertisements, others relate their campaigns to the whole marketing operation.

S. C. Peacock Ltd. belongs to the latter school and, above all, enjoys a good reputation for honesty of opinion. As one of the Brunning Group of Marketing Companies, its policy is that the advertising function is only part of the total selling operation. The campaigns it plans, the advertisements it produces, must relate to the whole marketing operation.

S. C. Peacock employs a staff of some 250 and has an annual billing of over £2,000,000. It handles a number of large and many medium-sized advertising accounts and its activities cover the consumer, retail and technical fields. Its offices operate from two main centres: London, serving the South of England and Liverpool, serving the North. In addition, there are branch offices at Birmingham, Manchester and, for Yorkshire, an associated company, Chapman's Advertising Ltd., at Halifax, and for Scotland, Ellis Lloyd Advertising Ltd., at Glasgow.

Service Features of the service provided by S. C. Peacock Ltd. include:
Television and Film Advertising handled by a special section of the agency under the control of a Director and a T.V. executive. The agency has its own T.V. theatres in both the London and Liverpool offices.

Market Research carried out in its entirety and in the fullest sense of the word by a separate company in the Brunning Group.

Overseas Advertising controlled and administered by an Overseas Department within the agency, handling both technical and consumer accounts.

Public Relations and editorial feature work—a specialist function, carried out as a matter of policy by separate organisations with which S. C. Peacock Ltd. has a very close working arrangement.

Method of operating an account Each account is the responsibility of a Director and a senior Account Executive. Campaign planning is operated on the group system—the group comprising a senior Copywriter, a Visualiser, the Director and the Account Executive concerned and such other specialists as may be called in for consultation on media, research, export, etc. In addition to major policy meetings with clients, regular progress meetings are held enabling all current matters to be reviewed and progress checked on work in hand. Minutes of such meetings are provided in the form of Contact Reports.

Characteristics of the agency Peacocks can be summed up as an advertising agency with a liking for logical thought and sound planning. For this reason it places great emphasis on the need for a thorough study of existing and potential markets and the preparation of a fully detailed Marketing Plan. Because of its position as a company in the Brunning Group, the marketing service it can offer is unrivalled.

S. C. Peacock Ltd. believes in sound and attractive advertisements and holds the conviction that the primary function of all advertisements is to sell a product or make known a service—and that, therefore, all aspects of an advertisement must be purposefully directed to that end.

S. C. PEACOCK LIMITED

LONDON: Lincoln House, 296-302 High Holborn, W.C.1 · Telephone: CHAncery 2605
LIVERPOOL: 21 Leigh Street, Royal 8861 · BIRMINGHAM: 191 Corporation Street, Central 7705
MANCHESTER: 18 Lloyd Street, Deansgate 5691 · READING: 9 Kings Road, Reading 50241
HALIFAX: Chapman's Advertising Ltd., Horton Street, Halifax 4781
SCOTLAND: Ellis Lloyd Advertising Ltd., 87 West Regent Street, Glasgow C2, Douglas 5437

MARKETING
and allied services within the
BRUNNING GROUP

Marketing Brunnings Marketing Services Ltd. offer two principal services. The first is a consultancy service, covering all aspects of marketing. The company has on its staff experienced marketing men able to assess markets, reconstruct a manufacturer's selling organisation and methods, advise on promotional methods and investigate every aspect of marketing, including all financial implications. Arising from a preliminary interview, which is without obligation, the manufacturer is advised whether a detailed investigation would be beneficial or not. Such investigations are made on an agreed fee basis. **BRUNNINGS MARKETING SERVICES LTD · Lincoln House, 296-302 High Holborn, London, W.C.1. Telephone: CHAncery 2605.**

Economic Intelligence The second service is provided by Brunnings Marketing Services Ltd. through their Economic Intelligence Division. This comprises an international service for undertaking investigations, market surveys and research assignments which need conducting in confidence and at an appropriate level and call for something beyond the capacity of ordinary market research and standard sources of information. The collection, collation and assessment of such commercial, industrial, financial and general economic intelligence, depend for success upon good sources and skill in using them. The Economic Intelligence Division has the range of sources and the ability and experience to undertake such assignments. **ECONOMIC INTELLIGENCE DIVISION · BRUNNINGS MARKETING SERVICES LTD · Lincoln House, 296-302 High Holborn, London, W.C.1. Telephone: CHAncery 2605.**

Market Research Research into consumer habits is an essential tool of good marketing. Consumer Research Ltd., maintaining an extensively trained field investigation staff throughout the U.K. is able to offer such general and specialised facilities as Consumer Market Surveys, Retail Distribution Checks, Product Tests and Motivation Research. **CONSUMER RESEARCH LTD · Lincoln House, 296-302 High Holborn W.C.1. Tel: CHAncery 2605.**

'Commando' Sales Forces Many companies occasionally need additional salesmen for short periods. J. A. Sutherland Ltd. provide a force of high quality, permanently employed salesmen who can operate in any part of the country. They are extensively used by companies large and small for launching new products, developing new territory and canvassing T.V. areas prior to advertising campaigns. A Booklet gives full details of this service. **J. A. SUTHERLAND LTD · 19 Bedford Row, London, W.C.1. Telephone: CHAncery 5233.**

Sample, Coupon and Circular Distribution
Direct advertising to the housewife has grown tremendously in the last five years. Manufacturers and retailers have found it to be a highly successful form of advertising. Circular Distributors Ltd. is the largest organisation of its kind in the world, distributing some 400 million pieces of literature and samples yearly to households throughout Britain and employing some 10,000 staff. Distribution costs, on average, about 1d. per unit. This service is also described in a Booklet. The company also operate a similar service throughout France. **CIRCULAR DISTRIBUTORS LTD · 54 Gt. Marlborough St., London, W.1. Telephone: GERrard 0068.**

Business Information The group publishes each week a Business Bulletin, a short well-written news letter which a business man can read easily and quickly. There is always something in it every week to interest any business man. Subscription £5.5.0 per annum. A free specimen copy will be sent on request. Write: **BUSINESS BULLETIN · Glen Island, Maidenhead. Telephone: 224.**

Other Companies The Brunning group also owns other companies, namely Kennet Press Ltd., Reading, offset Printers; Duprint Ltd., Sunbury-on-Thames, laminated Plastics and display material; Packing Services for Premium offers, sample offers, catalogue despatching, etc., is provided at the Maidenhead offices of Circular Distributors Ltd.

The Total Turnover of the group is in excess of £4,800,000 per annum.



What are these men doing?



They are having a telephone conversation . . .

With the new Ring-Master intercom there's no dialling or lifting of receivers—no need to stop what you're doing, in fact. The caller just presses the numbered buttons for the extension required. Conversation can be held quite normally at either end—even when the speaker is some way from the desk unit! And with the crystal-clear sound reproduction, voices can be recognised immediately.

The revolutionary Ring-Master system can bring *instant push-button contact* to *your* organisation, however small or large—from 2 to 999 extensions!

Ask for further details of the Ring-Master—telephone or write to one of the addresses below.

Extra facilities for visual paging, calling preference, public address and secretary interception can easily be added.

Ring-Master loudspeaker internal telephone system



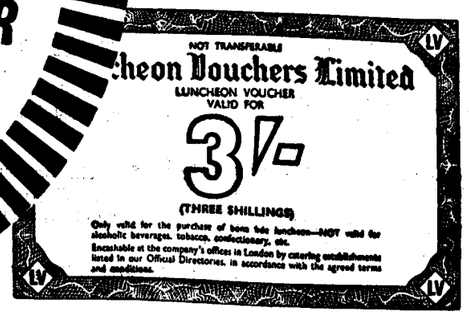
E.M.I. SALES & SERVICE LTD
HAYES MIDDLESEX. Tel: SOUthall 2468
London Sales Office: 363-367 Oxford Street, London, W.1. (GROsvenor 7127/8; MAYfair 8597).
North Region Sales Office: Regent House, Cannon Street Manchester. (Deansgate 8043).
Birmingham Sales Office: City House, 111/117 John Bright Street, Birmingham, 1. (Midland 5821).
Scottish Sales Office: 135 Renfield Street, Glasgow, C.2. (Douglas 6061).



Nearly 2,000,000 of our Vouchers are used every month in more than 4,000 catering establishments in London and the Provinces.

Employees want them and the cost to you is negligible. We have a booklet fully explaining our Service, gladly sent on request.

WHEREVER LUNCHEON VOUCHERS ARE ACCEPTED—OURS ARE WELCOMED.



Luncheon Vouchers Limited, Saxone House, 74a Regent St., London, W.1. Telephone: REGent 5711

The changing face of advertising

FEW PEOPLE THESE DAYS FALL FOR THE FOUR SUMMER MYTHS

There used to be a traditional prejudice against advertising in July and August. Like most prejudices, it doesn't stand up to rational examination. Here are the arguments to demolish the four summer myths once and for all.

The holiday-months myth. "*Everyone is on holiday in August.*" You are wrong, Sir; the estimated population percentage on holiday in any August week is 6 to 9%.

The August-weather myth. "*August is summer—the weather is wonderful.*" August is usually a wet month—only 11 days without rain this year—perfect TV-viewing weather.

The great-outdoors myth. "*Nobody stays indoors in summer.*" Even when the weather *is* fine people still watch a lot of television. Peak-time weekend ratings for August 1958 were only 7% down on March. From the cost point of view, this was more than offset by the increase in total audience and, of course, by ATV's special summer rates which gave a cost per thousand 15% *lower* than in March.

The no-business myth. "*Nobody buys anything in summer.*" Wrong again! The July-September quarter usually has the second highest retail sales of the whole year.

No, August is a month just like any other. People watch ATV programmes nearly as much, although the peak moves later in the evening, while on a cost-per-sale basis you get *better* value than usual in August.

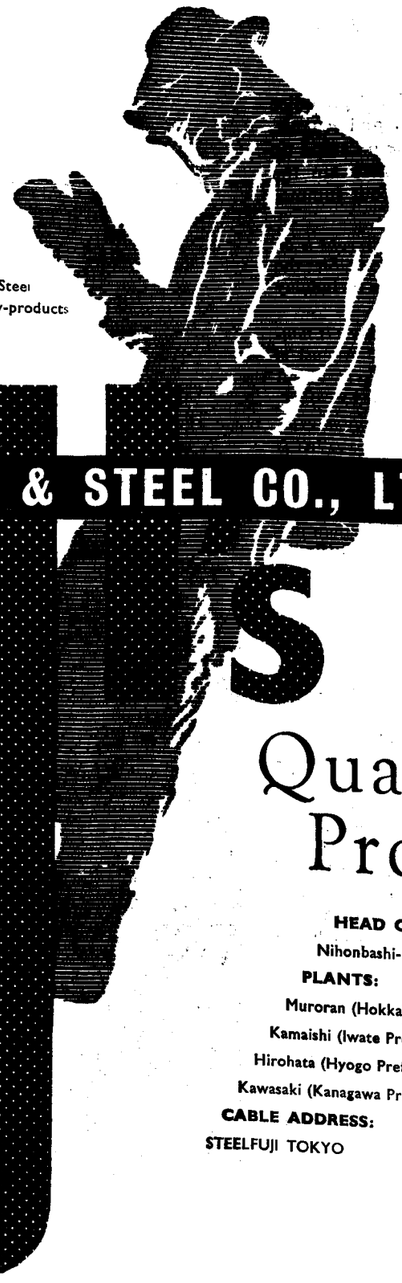
The fact that most advertisers are realizing these things is part of the changing face of advertising. If your competitors haven't realized them yet, don't breathe a word; with a campaign on ATV next summer, you should clean up the market.



Associated TeleVision Limited
Programme company for the weekend in London and weekdays in the Midlands
LONDON: Television House, Kingsway, W.C.2 CHAncery 4488
MIDLANDS: Herbert House, 71 Cornwall Street, Birmingham 3. CENtral 5191

PRODUCTS:

Pig Iron
Billets
Slabs
Sheet Bars
Bars
Shapes
Wire Rods
Rails
Hoop
Plates
Hot Rolled Sheets
Cold Rolled Sheets
Galvanized Sheets
Tin Plates
Panzermast
Light Gauge Steel
Chemical By-products



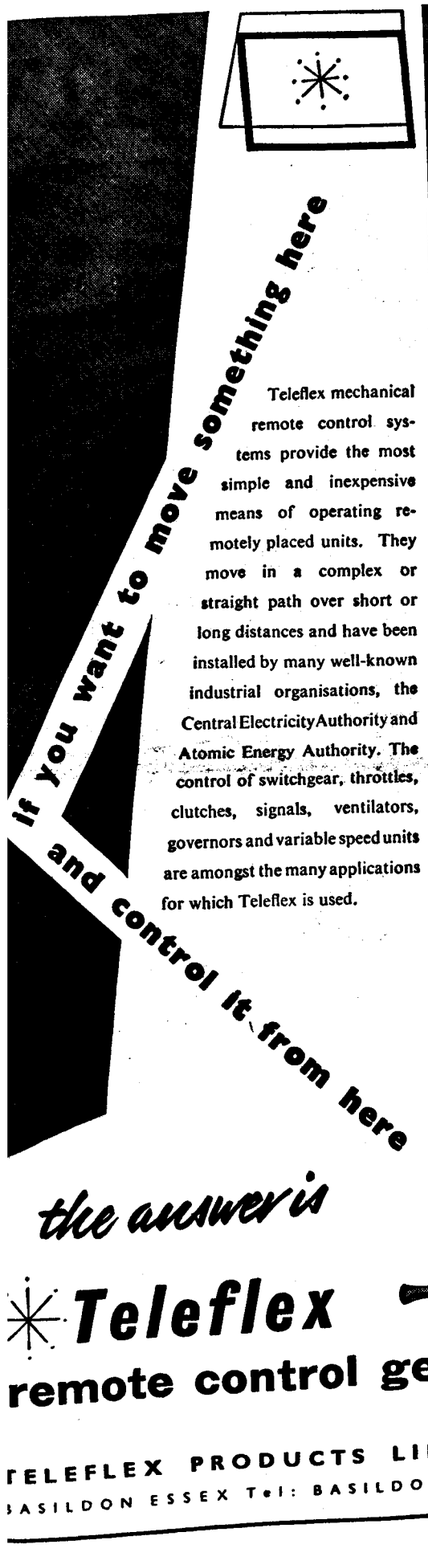
FUJI IRON & STEEL CO., LTD.

Quality Products

HEAD OFFICE:
Nihonbashi-Edobashi, Tokyo, Japan

PLANTS:
Muroran (Hokkaido)
Kamaishi (Iwate Pref.)
Hirohata (Hyogo Pref.)
Kawasaki (Kanagawa Pref.)

CABLE ADDRESS:
STEELFUJI TOKYO



Teleflex mechanical remote control systems provide the most simple and inexpensive means of operating remotely placed units. They move in a complex or straight path over short or long distances and have been installed by many well-known industrial organisations, the Central Electricity Authority and Atomic Energy Authority. The control of switchgear, throttles, clutches, signals, ventilators, governors and variable speed units are amongst the many applications for which Teleflex is used.

TELEFLEX PRODUCTS LIMITED
BASILDON ESSEX Tel: BASILDON 22861

P.1048

Who are the men behind the

MANCHESTER GUARDIAN?



The man on the left of the picture is Llewellyn Brunt, aged 27, a poet. As you can see, he wears ammunition boots. He wears trousers, too. It is difficult to say much more about him because he is hidden behind the *Manchester Guardian*, which he is searching closely to see if it has published a ten-thousand word article on Class he sent in. It has not.

In the middle is Charles Wainwright Hopkinson, the pretender to the Irish throne. It is not easy to know what he is doing behind the *Manchester Guardian*. Perhaps he does not want to be there at all, but is simply trapped between Llewellyn Brunt, the 27-year-old poet, and

Harold J. Bentham, who is the man on the right. Mr. Bentham is an astro-physicist who plays the 'cello and loves his wife. He is also kind, tolerant, upright, clear-headed, courageous, generous and wise. *He* is reading the *Manchester Guardian* because he likes it. He will probably go on reading it even after he is canonised. The *Manchester Guardian* considers it a pleasure to take his threepence.

Question : Are *you* kind, tolerant, etc. ?

Answer : You must be, or you wouldn't have bothered to turn this advertisement upside down. The Manchester Guardian would be quite happy to lighten your pocket of threepence, too.

VIEWPOINT



Photographs: courtesy of English Steel Corporation Limited and Vickers-Armstrongs (Shipbuilders) Limited, Palmers Hebburn Works, member Companies of the Vickers Group.

The Vickers apprentice may feel overwhelmed by the size and power of the structures and machinery around him. He finds himself in a strange and busy world. Yet his training and the immediate task absorb his thoughts and energy completely.

Seen from the viewpoint of the boardroom, this task is only one of many specialised activities dovetailing into a great project. The immediate operation may be completed in days or hours, while the overall plan may range years ahead. The future of an industry always holds an element of uncertainty, but prediction based upon experience can reduce this uncertainty. By bold decisions, the Vickers board grasps the future and positively takes a hand in shaping it.

Such decisions, aided by qualities of judgement, are firmly based on the resources and the past successes of the company. Above all, at each moment of decision, the board's viewpoint is strengthened by the knowledge that when plans turn to action, it can confidently call on outstanding engineers from any branch of the Group.

Among the activities of the Vickers Group of Companies are Shipbuilding, Shiprepairing, Aircraft Construction, Steel-manufacturing, General Engineering. They make products as diverse as mine skips and optical instruments, earthmoving equipment and printing machinery, structural steelwork and railway carriages. The Vickers Viscount is known on every continent, Vickers-built liners and cargo vessels sail the oceans of the world whilst Vickers engineering products have set standards which are universally accepted.

VICKERS

THE VICKERS GROUP OF COMPANIES

AIRCRAFT CONSTRUCTORS ENGINEERS SHIPBUILDERS STEELMAKERS

The resources of the Vickers Group are available through their companies in Australia, Canada, Europe, Gt. Britain, India, Pakistan, Rhodesia, South Africa, USA

TGA V14

ALLIANCE

ASSURANCE COMPANY LIMITED

Head Office

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

The Finest Service

for

All classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

The Company undertakes the duties of Executor and Trustee



Are you looking ahead?

How many times have you seriously thought about the future and what it holds for you and your family?

What have you done about it?

The man who has not only thought, but taken action, can answer confidently. He has provided for the needs of later life. And whatever he tells you about his hopes and fears, the odds are he will mention insurance.

Stop and think now. All may be well at the moment. But isn't it worth the modest cost of a Prudential insurance policy to have a clear and confident view of the future?

An enquiry commits you to nothing, but it is sure to be worth while.



Ask the man from the

PRUDENTIAL

The address of the local office is in the telephone directory



Security

LAID ON WITH A TROWEL

There is no safer, more solid investment than in bricks and mortar. Over the past century the Halifax Building Society has built up a tradition of security — based on a sound financial policy and an acute sense of responsibility for every £1 invested. It is a tradition which will safeguard your investment too!

IF YOU HAVE £10 TO £5,000 INVEST IT IN THE SECURITY OF THE HALIFAX

The Regular Savings Department is ideal for smaller savings—sums from 10/- to £10 per month.

HALIFAX BUILDING SOCIETY

HEAD OFFICE · HALIFAX, YORKSHIRE

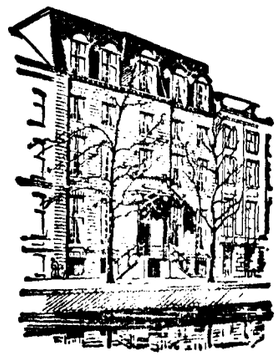
London: 51 Strand W.C.2 & 62 Moorgate E.C.2

Consult Telephone Directory for address of nearest office

HANDEL-MAATSCHAPPIJ

H. Albert de Bary & Co. N.V.

448-454 HERENGRACHT • AMSTERDAM



INTERNATIONAL BANKING
OF EVERY DESCRIPTION

APPOINTMENTS

Vacant 9/- a line: Required 6/- a line.

REED PAPER GROUP

REED CORRUGATED CASES LIMITED

have a vacancy for a

COMMERCIAL ASSISTANT

(age 26-32)

in the Commercial Department at the Divisional Head Office at Brentford. He will be required to carry out work over a wide field on commercial and financial matters.

Applicants should be familiar with budgeting and forecasting procedures and be prepared and able to work closely with the Sales, Production and Accounting Departments of the Division. Candidates should be qualified accountants or have a degree in Arts or Economics and should have already had experience in one or more of the above functions or in general commercial work.

Conditions of service are excellent and include a non-contributory pension scheme. Salary will be in accordance with qualifications and the high standard required.

Apply in writing stating age and experience to the Personnel Manager,
REED CORRUGATED CASES LTD.,
Great West Road, Brentford, Middlesex,
quoting reference C/HO.

CHARTERED ACCOUNTANT, recently qualified, sought by Public Company with factories in United Kingdom and abroad, offices E.C.4, to help Controller instal Management Accounting and then to become Chief Accountant to a Division. Agreeable personality and initiative more important than experience. Salary around £1,250 (certainly £200 per annum more than applicant's previous remuneration).—Write, Box 078.

For further appointments and other classified advertisements see page 741

MANAGER

WELL KNOWN NATIONAL FINANCE HOUSE with Branches throughout the country seek the services of a MANAGER for their Block Discounting Department. The man required must be familiar with block discounting of hire-purchase and credit sale agreements in all trades and industries and have trade connections and a thorough knowledge of the required documentation. Finance house experience in a managerial capacity essential and substantial salary will be paid.

Write Box B.259, care of Streets, 110, Old Broad Street, E.C.2.

LEADING Plastics Manufacturers require qualified Economist/Statistician about 30 years, with experience in an industrial concern, to head small department responsible for statistics and market research, situated in London. Write full details of education, qualifications experience and salary required.—Box 1077.

THE BRITISH COUNCIL

RECRUITMENT PROGRAMME 1959

I. General Service Entry : Honours Graduates (Age 21-36).
II. General Service Entry (United Kingdom).
III. Contract Appointments in Overseas Education.

Booklet "Appointments 1959" and application forms from Personnel Department, 65, Davies Street, London, W.1.

UNIVERSITY OF LEICESTER

Applications are invited for a research post in connection with an inquiry into the employment of married women in industry.

Applicants should hold a degree or diploma in the Social Sciences. Salary within the range £700-£900 a year depending on training and experience. Further particulars may be obtained from the Registrar.

AUSTRALIA—UNIVERSITY OF ADELAIDE

The University invites applications for the following appointment :

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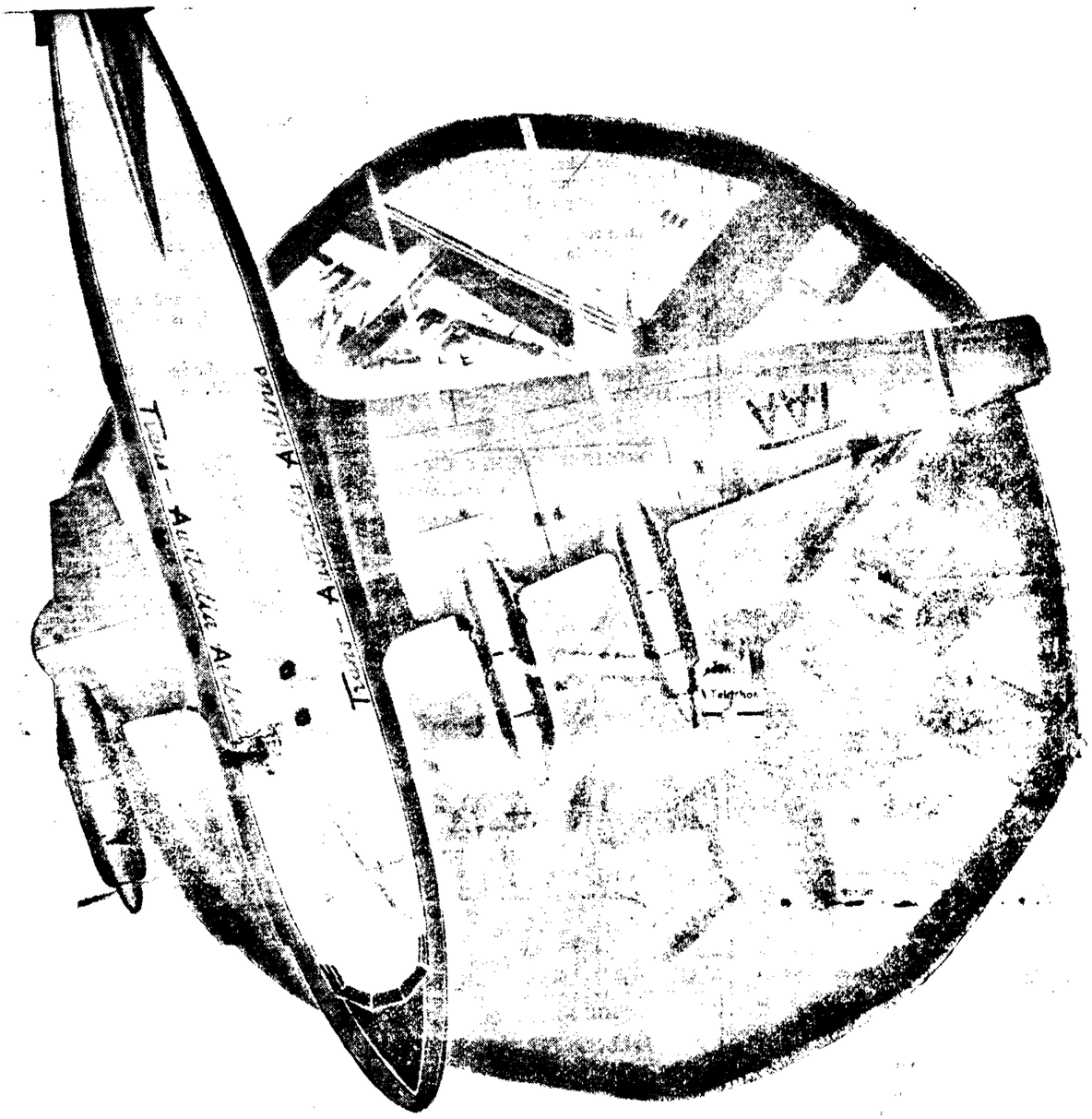

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Forward from Socialism

The Labour party's condensed and rewritten election programme marks a significant divide in British political history (page 763).

Assessment for Sterling

With Bank rate at 4 per cent, the outlook for the pound invites a new look but is any basic change necessary? (page 811).

Stuck on the Status Quo

The Russian plan for Berlin finds the West resolved not to be pushed out, but uneasy at the immobility that has left it vulnerable (pages 789 and 76[illegible]

The Balkan Heretics

Reasons why Tito and the Jugoslavs should be given the help they need (page 765).



Selling Cars this Winter page 813
Right Turn for France page 801
How Many Coloured Britons? page 767

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 851

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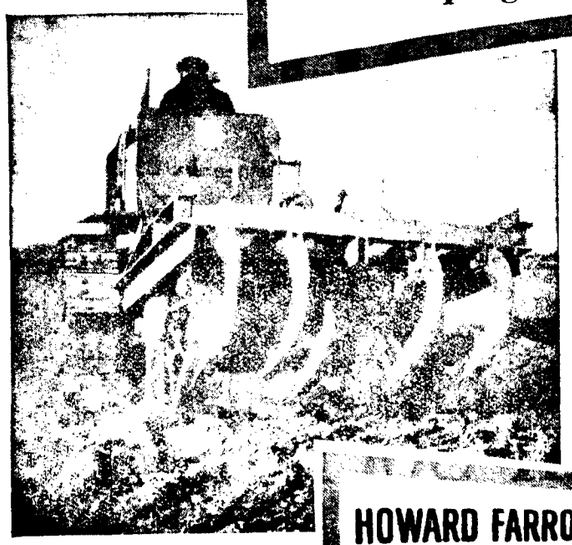

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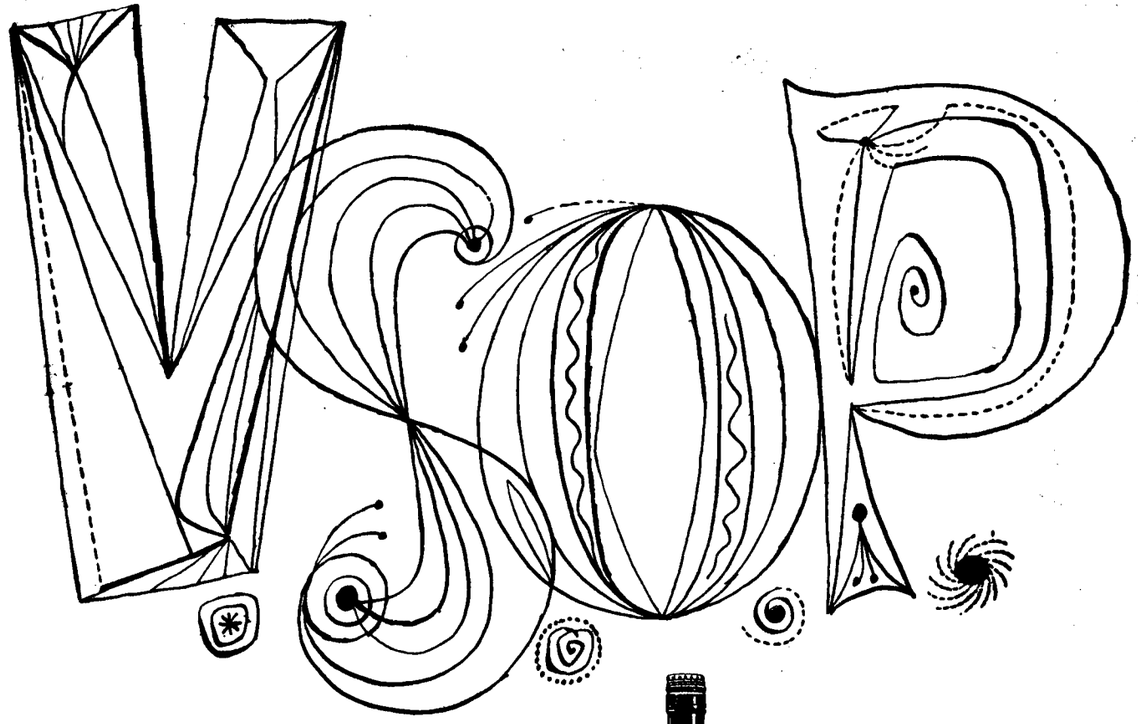
The closing date for applications is 31st December, 1958.



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Incidentally, it was Maurice Hennessy who, in the year 1865, *chose the star as a symbol, inspired by the device embodied in the window catch in his office. You can see it for yourself when you visit Cognac.*

assuming after each general election that the country can expect three-and-a-half years under conditions that are propitious for firm government before one last year of probable political showmanship, the customary and assumed interval for firm government may insensibly be cut to three years or two and a half or even less. And in these matters it is the precedent set which is important; it is the attitudes of mind in which a government can envisage its task at or shortly after the opening of each period of office that may be affected.

The national question, which Mr Macmillan should weigh side by side with proper considerations of party advantage, is therefore this: is this Parliament already so sick that to end its life a little early would be a merciful release, or would such a step, like other forms of euthanasia, be a regrettable encouragement to future bad habits? At present, the right bias is surely towards the latter view. In the first three weeks of the 1958-59 session, electioneering in Parliament has not degenerated to the point where it has affected policy decisions; so far, it has concerned itself principally with stick-on labels instead. It is not easy to point to any important particular decisions which have been held up solely because an election is approaching; just possibly, the announcement of technical convertibility of sterling may have been, but there are good reasons for arguing that it should be delayed on other grounds as well.

Of course, this present state of affairs might change. It might conceivably be changed by a failure to secure a free trade area with Europe. It could conjecturally be changed by the emergence of another crisis in the Middle or Far East (or in Berlin). At one stage this autumn it looked as if it might be being changed by developments in the Quemoy dispute. If ever a situation arose in which Mr Macmillan felt that a major policy decision was being impeded, either by his party's fears of courting electoral unpopularity or by an unwillingness to commit Britain to a course of action overseas which a Labour government might reverse, then he should certainly go to the country immediately. But at the moment the signpost of the national interest does not seem to point that way. On balance, it rather looks as if it should be a factor influencing him—though not necessarily driving him—towards the presumption that he should envisage holding his election near the end of this parliament's full term, in the autumn of 1959.

Mr Khrushchev and the Germans

This week's pronouncements on Germany from Moscow have administered some shocks, but they also offer some pointers

MR KHRUSHCHEV has been giving the Germans cold comfort. In an interview with Mr Walter Lippmann, published on Monday, he expounded a policy of maintaining the *status quo* in the world; Germans will assume that to mean maintaining the division of their country. Asked whether Russia would consider a German reunification on terms agreed between the two German states, he shied away, taking refuge in that passage in the Potsdam agreement—the only part he appears still to regard as valid—which states that Germany should never again be in a position to disturb the peace. On Tuesday he struck a further blow at German hopes, dropping the western powers a strong hint that they would soon have to deal with the east Germans on Berlin matters. Berlin's strange four-power status is the only feature of the Potsdam concept of a single Germany that survives in fact. Mr Khrushchev's threat in effect to force the western powers to recognise the east German state seems calculated to make the division of Germany more complete and formal than ever.

Mr Khrushchev's attitude fits into a familiar pattern. Mr Lippmann once commented that he found in Europe something like a tacit conspiracy to keep Germany divided: the Russians are not the only people who fear that a united Germany might disturb the peace; there are plenty of people in this country, too, who, if they do not all express their views with Mr A. J. P. Taylor's openness, feel that the division of Germany has conveniently shelved the German question. Both sides pay lip-service to German unity, while pitching their terms so high as to rule it out. The West, standing guard as it must in western Europe, says that a reunited Germany must be free to pick its allies as it wishes—in other words, to join Nato; it demands free elections, believing that they would advance a western system of society and government to the Oder-Neisse line. The Russians declare that the east German state must be preserved, whatever the east German population may want; and they demand the abolition of Nato altogether.

To those who think that the division of Germany will do more harm than good, it is a pity that Mr Khrushchev should have chosen this moment to talk as he has; for some thoughtful west Germans have lately begun to stir and show encouraging impulses to advance into the open, out of the safe but blind entrenchment of western defensive policy. Quite a lot of west Germans have, of course, long favoured a more active policy. Dr W. W. Schütz, the chairman of the Indivisible Germany movement, a body formed to keep the concept of a single Germany alive, has just brought out a book full of fresh ideas.* He expounds a policy which would be inspired not by a fatalistic acceptance

*"Das Gesetz des Handelns." Frankfurt: Verlag Heinrich Scheffler.

of the *status quo*, but by a determined will to achieve reunification, and which would find expression in constant probing negotiation in Moscow, Warsaw, Prague, London, Washington, Berlin and Bonn; it was, after all, only at the price of ten years of such endeavour that Austria at last got its reward.

Recently the federal government itself has shown faint signs of movement. In obedience to a resolution which the Bundestag passed when it met in Berlin in October, it has drafted a note to Moscow suggesting the setting up of a commission of the four former occupying powers to discuss the German question. The note abandons a good many dogmas. Under the inspiration of Herr Lemmer, the federal minister for all-German questions, the dogma that there must be no contacts with the east German regime has begun to be eroded. The possibility of closer relations with Warsaw, Prague and other east European capitals is under review, though somewhat pessimistically.

DESPITE all this Dr Adenauer, whose political position is built on the Catholic predominance in western Germany, still bases his policies on the concept of a Carolingian Europe centred on the Rhine and the unquestionable necessity not to weaken its defences. He, too, like Mr Khrushchev, wishes to maintain a *status quo*. He has little sense of, and perhaps little interest in, the larger Germany and Europe that stretch eastward. It is doubtful whether his latest moves represent any real shift of attitude—to judge, at any rate, by Bonn's reaction to Mr Khrushchev's talk of giving up the occupation of Berlin: who would have thought to hear a German government complain that such an act would be a dangerous breach of Russia's obligations?

This Maginot-like caution, based on a *de facto* acceptance of the German schism, leaves out of account the dangers that may arise if it is prolonged; starting from the indispensable need for western security, it is possible to argue in more than one way about what has to be done. Mr Khrushchev pointed sharply to these dangers when he talked to Mr Lippmann of the possibilities of a new German-Russian alliance, or alternatively of west Germany going to war with the Soviet block. These are extreme ways of describing the dangers, but it is certainly clear that there is no such thing as a stable "status quo" in a divided country. As the arms pile up on either side of the Elbe, the danger grows that they may go off. And the longer the division of Germany continues the deeper it becomes, and the more difficult an eventual reunion.

By far the strongest argument for the futility of any efforts towards German unity is that the Russians themselves simply do not want it. Their military force in east Germany is a political grappling iron making fast their whole east European domain. Any decision to remove the Russian troops and allow the people of east Germany a say in their own future would tend to shift the balance of power in Europe against Russia. It is precisely because it would be a gain to the West that the Russians must be expected to look at it askance.

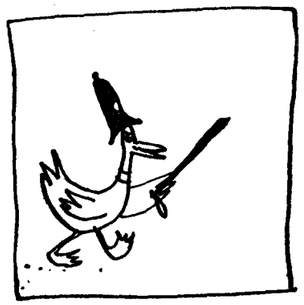
Yet Russia does have a certain interest in removing the instabilities of the German scene. Now and then there are signs that it is embarrassed by the necessity of maintaining its hold on east Germany through an extreme regime, whose dogmatism is a perpetual reminder to west Germans of the evils to which communism can fall prey. Russia, too, reasonably dislikes the prospect of the armament of west German forces with atomic arms. It has an interest in alleviating the state of armed tension in Europe. In his talk with Mr Lippmann Mr Khrushchev made it clear that Russia would not contemplate political deals that would alter the basic balance of power in the world. That can be taken for granted. Even so, settlements that reduced the tension without upsetting the balance might, he indicated, be another matter.

German reunification, and indeed any European political and military settlement, will only be achieved by a process that does preserve this balance. Western policy would do well to think about such a solution, instead of using the German question simply as a stick to beat Russia with.

NO doubt there are times when Russia shows no interest at all in moving out of the deadlock. Yet there have been other moments when the door has appeared to open for a moment, only to be pushed shut by the West. The revised Rapacki plan offers at any rate the opportunity to talk about the opening stages of the military disengagement without which any movement on the German question is surely impossible. Its advantage is that it offers to limit the spread of atomic weapons without impairing the existing western defence system. Even the Russian insistence on the status of the east German regime could be handled more intelligently. By digging in on the exclusive claims of Bonn, and treating the east German regime to a boycott pure and simple, the West not only makes it easy for Herr Ulbricht to maintain a position of intransigence; it impales itself on Berlin like a capon on a spit, appetising and incapable of movement. Thus Mr Khrushchev can create alarm and confusion among the western governments whenever he chooses—as he did on Tuesday by talking of Russia "giving up the remnants of the occupation regime" and handing over its remaining vestigial functions in east Germany to Herr Ulbricht. If and when he does do that, the western powers will have no alternative but to deal with the east German government as they would with any other *de facto* government. Why insist, then, on a policy that can only be kept up as long as the Soviet government chooses to condone it?

Mr Khrushchev's latest fusillade of speeches may even do some good if it stimulates the western powers into contemplating a reappraisal of their German

policy. In doing so they need not, and should not, lower their guard. But the objections to an internal German negotiation, and even to a study of confederation as a possible framework for German unity, are not as solid as they have been made to look. Mr Khrushchev has been rubbing Mr Gomulka's nose in the fact that Bonn does not recognise the Oder-Neisse frontier, while east Berlin does; how could it be made more plain that so long as the west Germans are silent on that subject, a serious discussion of German unity is ruled out? A west German approach to diplomatic relations with the countries of eastern Europe, and with Poland in particular, would be a step towards crossing this barrier of fear and distrust; but here, too, the fiction that only one German state exists stands in the way. Germany's western ties are vital to the Federal Republic. They would be just as necessary to a reunited Germany. But Germany will never be reunited at all unless its eastern neighbours can be convinced that the new united state could be, not a military spearhead of the West, but a stabilising element in the balance of all Europe.



No Laughing Matter?

Although there are only 8½ million British children between 5 and 15, total readership of children's comics is now some 26 million a week



CHILDREN, whatever their parents, now read comics by the million. The habit has run like a rash since before the war, until today there are about fifty major weekly comics; the circulation and proprietors of the most important are shown opposite.

The first firm, D. C. Thomson, is the only one specialising primarily in the traditional type of comic with its rudimentary drawings and funny strips. *Beano* and *Dandy* are both of this ilk, inexpensively produced and widely read. This firm also turns out what are known in the trade as the Boys' Big Four, *Wizard, Hotspur, Adventure* and *Rover,* with stories but no strips. The Amalgamated Press produces a great variety of comics for children of all ages, from *Tiny Tots* for the four-year-olds to *Sun, Comet, Valentine* and others for teenagers. The apparent duplication of their effort (*Girls' Crystal* and the *Schoolfriend,* for instance, are for all practical purposes identical) has a sound commercial basis. There is a tendency for circulations to get stuck at around 300,000; after that it is often easier to float a new publication than to buy circulation for the old ones. The third major group is owned by the Hulton Press; its four publications are in most ways the "aristocrats" of the comic world, in terms of production standards and quality of content.

The figures in the table show only the number of comics sold. In a survey undertaken in 1957, it was found that readership of many comics was 2½ per copy. Applying this figure to the total comic circulation of 11 million, it appears that nearly 26 million comics are read by British children every week. Since there are 8½ million children between five and fifteen, this works out as an average of three comics per child per week, a figure that can rival the pass-on circulation of women's magazines. Add to that the children's monthlies (at 6d. to 2s.) and their annuals (costing around 8s. 6d.) and comic readership in all reaches formidable heights.

This does not mean, however, that the comic producers are all making easy money; far from it. The last three years have seen a wilting of the boom. Advertising has been difficult to attract; and the increase in television viewing has led to falling sales all round. "Between the telly and the 11-plus," one firm said, "children can't find time to read—not even comics." For this reason, firms that started new children's publications on the main wave of enthusiasm four or five years ago have nearly all regretted it. The *Junior Mirror* was wound up after eighteen months; the *Junior Express* had a rough passage and now, as the *Express Weekly,* seems to be limping; the *Young Elizabethan,* which has nothing comic about it, seems to be slimming. Even *Sunny Stories,* one of the many products fed by Mrs Enid Blyton's 14,000 words of output per day, has its circulation problems.

What goes into this heap of children's literature? A first clue comes from the trade, where comics are known as comics no longer. Most of them have now graduated to the status of "children's magazines." The old type of comic strip paper is dying out—slowly because, as one producer said, "in this business, it is still true that the lower you aim, the larger your sales." Increasingly, something much closer to a picture magazine—but it must be a picture one—is becoming popular with children. The papers for the very tiny, such as *Jack and Jill, Robin* and *Playhour* have all been

smartened up. But it is the range of Hulton comics that shows this change—for the better—most clearly.

Eagle was started eight years ago, with the Rev Marcus Morris (who has left his living to devote himself full-time to the job) as editor-in-chief. The sights of the paper were set high; it was to be an antidote to the horror comics. The Dan Dare strip, one of the few space stories in British comics, is the pride of the paper, but it also has a sports page, factual supplements and drawings for those boys, a large majority, who are interested in science. There is usually a serial on some religious matter as well. Admittedly the *Eagle* heroes, including Dan Dare himself, appear sometimes to be upright to the point of near inanity; but there has been a genuine editorial attempt to avoid this, and the panel of experts whom the paper employs to answer the 300-odd letters received from readers each week (children and parents in roughly equal numbers) is a prudent instrument.

IN most other boys' papers layout seems to be poorer and the stories distinctly more unreal—though the drawings themselves are often accurate enough (boys soon complain if they are not). War stories and the Wild West predominate at the moment; science fiction (apart from Dan Dare) has proved to be adult rather than kid's stuff; but there are many historical adventures and a good deal of sport. Sport figures especially in the *Rover, Wizard, Hotspur* and *Adventure,* and, with some adventure stories, provides almost the entire subject matter for these papers. But school stories are nothing like so popular as they were in the twenties and early thirties, when the *Gem* and *Magnet* accounts of St. Jims and Greyfriars were so widely read; they are now almost entirely confined to the girls' papers, and the change has surely been distinctly for the good. The loaded snob appeal for the prewar comics (which George Orwell once explored) has all but gone; foreigners are now U. Moreover, by contrast with other modern comics in other countries, death and violence are carefully fictionalised. Since the parliamentary row three years ago, all British producers are especially sensitive to criticism of sadistic tendencies in their comics.

Girl, Eagle's companion, is in many ways a more remarkable paper than any other. Written for girls aged between ten and fifteen, slightly older than the largely flat chested readers of *Schoolfriend* and *Girls' Crystal,* it covers most of the subjects near young girls' hearts at the moment: ballet, riding, travel, being an air hostess and nursing—all subjects, that is, but sex. Throughout, as in the old canon established by the *Gem,* the *Magnet* and the classic stories for boys and girls, this subject is not mentioned—explicitly at least—although it is the staple of all the competing papers in this field. These others, such as *Valentine* and *Marilyn,* are depressing creations in which a selection of teenagers moves steadily and inevitably from clinch to clinch for about thirty pages. The fantasy life portrayed is simply a lead-in to the more elaborate and still more depressing dreamworld of the women's magazines to which all the readers will graduate in due course.

WHAT effect all these comics have on children's reading is a source of unending argument. One view (born of much past experience) is that they provide literature for children who would otherwise read nothing, while whetting the more ambitious child's appetite for serious books later on. The other, and directly opposed, view is that they are just a substitute for books. In England, where at least 8 out of 10 children read comics regularly in spite of the fact that children's literature is a highly developed art, this second view might seem at first sight to be closer to the truth. Many educationalists assume that it must be,

PRINCIPAL CHILDREN'S COMICS

Publisher and Paper	Estimated Circulation 1957 (Thousands)	Publisher and Paper	Estimated Circulation 1957 (Thousands)
D. C. Thomson & Co.:		*Amalgamated Press:*	
Beano	1,000*	Schoolfriend	762
Dandy	1,000*	Lion	346
Wizard	1,000*	Tiger	297
Hotspur		Girls' Crystal	343
Rover		Sun	305
Adventure		Comet	
		TV Fun	250*
Hulton Press:		Film Fun	900*
Eagle	750*	Radio Fun	
Girl	650*	Knockout	
Swift	500*	**Total Circulation†**	**11 million**
Robin			

* Approximately. † Including others not listed (*Tiny Tots, Playhour, Jack and Jill, Express Weekly, TV Comic, Zip, Mickey Mouse, Beezer, Topper, Marilyn, Valentine, Romeo, Bunty,* etc.) whose circulation is estimated to be 3 million.

but the statistics do not seem to support them. All through the great comics boom librarians have reported a steady increase in children's demand for books; the number of children's titles published annually has gone up from 1,600 in 1937 to 2,000 today. Children read comics quickly and then go on to something else. On the continent of Europe, where a distinctly smaller number of comics are read, fewer good children's books are read, too.

What about the effects of comic reading on children's attitudes generally? It can be granted at once that the influence of comics must help to standardise attitudes among children—towards school, towards leisure activities, towards aspirations and towards the opposite sex; when (as happens now) some 40 per cent of girls between eight and fifteen read *Schoolfriend,* almost the same proportion read *Girl* and an even higher proportion of boys read *Eagle,* this seems inevitable. But their influence cannot be pervasive. Certainly they cannot be blamed for idealising the gang warfare that some teenagers indulge in; in comics, the subject is hardly ever mentioned. The pernicious bully worship of some postwar American comics and the snobbery of prewar British ones have little counterpart today. Modern British comics may sap the mind, but it is difficult to make out a case that they corrupt it.

NOTES OF THE WEEK

FREE TRADE AREA

No Time for Threats

M. COUVE DE MURVILLE'S visit to London on November 6th has evidently convinced the British Government that the French are serious in their objections to the free trade area as it stands. The gulf that still separates the British and French viewpoints is discussed in an article on page 615. Clearly some new thinking has to be done.

One form which that thinking is taking seems misguided. It is the notion that when the common market comes into force at the end of the year, there should be some sort of retaliation against it. Thus the suggestion is heard of a "little" free trade area embracing Britain and Scandinavia. If the Scandinavians want to develop the Nordic Union into a customs union which will act as a unit within the broader economic association, that can be a constructive and fruitful development. But it would be foolish for the United Kingdom, whose relationship with the new European economic community will be of such far-reaching importance to the western world, to pretend that such schemes can provide it with an alternative. They are too small to have much effect even as bargaining counters. The Scandinavians are, incidentally, a great deal less enthusiastic about such ideas than some people in Britain; they are more aware of the inexorable need to come to terms with the community of Six.

Another rash threat is that the Organisation for European Economic Co-operation and the European Payments Union might be broken up. So they may; but not unless somebody does the breaking. Who will suffer most if OEEC, the only live co-operative organisation embracing virtually all Europe outside the Soviet block, is broken up, leaving the community of Six to stand alone? The worst reaction to a disappointment is to break things.

If no basic agreement can be reached in the few weeks of this year that remain, the countries outside the new community should concentrate their efforts on getting provisional arrangements to remove the threat of serious discrimination in the first stage of the common market, which starts with the new year. The need to find a *modus vivendi* with the new community is inescapable. But it may take time, perhaps a long time, to achieve. In the meantime it is in everyone's interest to find ways of smoothing out the worst immediate difficulties, so that talks may be kept going in a friendly way, and not wrecked by retaliation.

Convertibility in a Huff?

As this talk of retaliation against the common market is in the air, it is worth considering carefully what form it might take. One presumption is that the Swiss might withdraw from the European Payments Union if the free trade area negotiations break down. Britain might regard this as providing an additional reason for making sterling "technically convertible" (i.e., for saying that transferable sterling, which can at present be turned into dollars at a small discount on the unofficial market at Zurich, can thenceforth be turned into dollars at the official rate in London); some people in Britain want to take this step anyway, both on arguments of prestige and in the belief that there would be a great advantage in "bringing all dealings back to London." Once this had happened, imports into Britain from Germany and other European countries would technically be as "hard" as imports from North America.

Britain's imports of many consumer goods (though not of machinery) from North America are at present subject to quota restrictions, while most imports from Europe are not. The Government has already undertaken to try to liberalise quota restrictions on North American goods next year. But it has not been suggested that all quotas against dollar goods would be fully swept away. It is easy to envisage that, if OEEC no longer existed and if sterling was technically convertible, Britain might say that the quotas that remained could no longer be applied discriminatorily against North America. The total permitted level of imports of certain categories of goods into Britain might be put at or above the amount that has come into Britain this year (under the system whereby imports from Europe have generally been free of quota restrictions, but imports from America have not been). It might then be said that any consequent fall in German and other European exports to this country would be the result of our liberal decision to allow more general American competition with them, not of any new restrictionism on our part.

All this is pure speculation. But it is easy to see how such a road of temptation might be opened up. It would be a queer way to take the last step to technical convertibility. International confidence that a weighty question had been coolly resolved would hardly be increased if the impression spread that a main determinant of the final decision had been an anti-continental fit of huff.

JORDAN

King Hussein's Adventure

INSTEAD of celebrating his 23rd birthday quietly in Switzerland this weekend, King Hussein is back at work in Amman. The fumbling Syrians spoilt his holiday by attempting to intercept his plane over Syrian territory on Monday; in doing so, they did him a better turn than they intended. The Jordanians also had a share in the fumbling. The arrangements for the flight were apparently vague; the United Nations representative in Jordan was not, as has been said, involved in getting permission for the king's passage through the inhospitable Syrian skies.

One of the dangers of President Nasser's propaganda is that Arabs are liable to take it more literally than it is meant. Perhaps, in the end, this will be his undoing. It did, after all, lead to the position on Monday, when some middle-grade Syrian official in Damascus had really no way of knowing that he would not be doing his bit for the Arab national cause by offering King Hussein, dead or alive, to his President. Cairo had often enough demanded the removal of King Hussein and promised him the fate of the Iraqi Hashemites. When the Syrians saw a chance to do something about it they tried to make the king land at Damascus and, when that failed, chased him back over the Jordanian border.

King Hussein's position now looks stronger than at any time since he asserted himself against subversion and communism in the spring of 1957. If he does not antagonise Nasser by trying to wring more sympathy out of the incident than it merits, it may give Jordan a much-needed opportunity to put its affairs in better order. The United Nations has been told. The matter should rest there.

President Nasser has not taken the tactful course of blaming the embarrassment on some over-zealous Syrian officer and apologising for it. His reluctance to do so reflects, perhaps, the weakness of his authority in Syria. Nasser may be an imperialist at heart, but the Egyptians who serve him are not colonisers or administrators who would know how to force his will on the wily Syrians. He has chosen the easy way out. The guns of Cairo radio are once again trained on the little king in Amman, and the fragile structure of Arab solidarity is having another good shaking.

IRAQ

The Gathering Crisis

THE Iraqi revolution last July was, unlike its Egyptian forerunner in 1952, largely accidental. It happened when it did because the conspirators found themselves in the right place at the right time, in charge of troops whose mood was angry because they were unexpectedly being posted away from Baghdad. By the time the Egyptians were ready to remove King Farouk the pyramid of leadership among the free officers' group had become established, and some of its leaders rule in Cairo today, more than six years later. In Baghdad, however, the painful sorting out goes on while those in charge are faced with all the responsibilities of government. After the arrest of Colonel Aref last week, their circle is narrower.

The Iraqis are desperately in need of advice and help, but they spurn their old friends; and their new ones seem to be of little use to them. Iraqi governments used to look to the British embassy for instruction or encouragement; the American embassy used to be able to offer aid or arms. But the British link has been broken, and the American ambassador sits quietly behind the Iraqi tanks at his gate. The Iraqis get small comfort from the United Arab Republic. President Nasser has come to regard as false those self-appointed prophets of Nasserism, such as Colonel Aref, who this summer sought to gain power by trading on Nasser's popularity in the Arab world. Western critics of Nasser may rejoice that Aref and the Baath Party did not succeed in tying Iraq to the United Arab Republic; but they cannot claim this as a victory for the West. It leaves the Iraqi leaders all the more vulnerable to the siren call of the Soviet Union.

As the Iraqi ship of state ploughs into ever more turbulent waters three of its former leaders, whose experience would be of enormous value to it, have been sentenced to death. They cannot appeal; but the prime minister can commute their sentences. Do the sentences mean that Brigadier Qasim's idea of settling a crisis consists of casting a handful of former ministers and officials to the restive mobs that otherwise cannot be controlled? What happens when there are no more trained officials to waste? Perhaps the mobs will then assume the rule.

The Iraqis are now very much on their own. It is what they say they wanted; but, from time to time, they must look longingly back to the days when Nuri made all their decisions for them.

PARLIAMENT

Honours Even

THE two tricky statements which the Prime Minister had to present in succession on Wednesday afternoon—on Cyprus and on the bizarre episode of the sticky labels—again enabled him to display his mastery of a crowded and restless House of Commons. On the first topic the Opposition was plainly inhibited by the belief that it has been damaged by the charge that it has given the Greek Cypriots reason to think they will get all they want if they hold out until there is a change of government. On the second, the Opposition had scored a legitimate party point and were entitled to make a certain amount of noise about it.

All the same Mr Macmillan contrived to take a good deal of wind out of Mr Gordon Walker's sails by his straightforward admission of indiscretion by a junior press officer in the Ministry of Housing and Local Government. According to the head of the civil service's report this officer had given a list of addresses, some of them in the form of stick-on labels, to a retired senior official of his own department, who, in the Prime Minister's sharply phrased view, ought to have known better than to let them be used (with "OHMS" chopped off the top of the labels) to help in the circulation of the Rented Homes Campaign's pamphlet attacking the Labour Party's housing policy.

The Prime Minister's statement was so cunningly balanced that by the time he sat down, after undertaking to produce a general circular on the assistance which departments might properly give to outside organisations and to look into the regulation governing the conduct of ex-civil servants, the Opposition front bench was hard put to it to think of any intelligent-sounding questions to put. Failing enough of these Mr Mitchison began to make exceedingly heavy weather with a suggestion that there should be prosecutions under the Official Secrets Act, from which point onwards Mr Macmillan had nothing to fear.

On the whole affair three comments, one strictly political and the other two of some public concern, seem in place. First, the several opportunities it has given the Opposition to cheer lustily in unison, combined with Mr Crossman's successful debating speech on pensions on Tuesday night, has provided excellent therapy for the Labour Party's tired blood.

Secondly, the Opposition is quite right to keep alert to the danger of the Government getting careless about letting civil servants be made use of for party purposes.

But—a final word of caution—one does hope that in its zeal to accomplish this the Opposition does not push the Government into cramping the style of press officers and other civil servants in their contacts with the public. The general rule, exceptions from which should have to be defended, is that information should be given to those who seek it.

BY-ELECTIONS

First Test to Labour

THE Conservatives have not done well in the past week's three by-elections. Compared with 1955, Morecambe showed a swing of just under 6 per cent to Labour and Chichester showed no swing to either side. So far as one can judge, Pontypool fell in between these figures, and probably showed a disguised swing of two or three per cent in favour of Labour.

No doubt the swing at Morecambe was partly explained by the withdrawal from the Tories of the personal vote which had previously attached itself to the blind ex-servicemen's leader who was the former Tory MP. The complication at Pontypool was that a Welsh Nationalist intervened, in an area where hardly anybody speaks Welsh (and where the inhabitants might normally be expected to be almost as inclined as Englishmen to regard Welsh Nationalists as cranks). The Nationalist got 10 per cent of the vote, which looks like another of those now familiar buffets to both the major parties from the new army of iconoclastic imps in the electorate. What is even more interesting, only 4½ per cent of his share of the poll was weaned away from Labour, against 5½ per cent from the Tory. Normally one might have expected the nationalist to recruit rather more of his support from traditionally Labour voters than from traditionally Tory ones, if only because, in Pontypool, the former outnumber the latter by over three to one.

The implication of these three by-elections, taken together, is that the Conservative recovery since last spring has brought them back from a position where Labour should certainly have been expected to win any immediate general election, to a position where (if one believes these figures) Labour should be expected just to win one. Of course Labour would be foolish to set great weight on these isolated returns, from a seaside area and from a contituency dependent on the depressed industries of coal and steel; the psephologist's yardstick that a general swing of over 2 per cent at a general election would give Labour a majority is subject to all sorts of reservations, about the personal pull of sitting Tory MPs in marginal seats and so forth. But less jauntily sits the crown at the Conservative central office as a result of this winter's first test.

PENSIONS

Wreckers of Social Security

TUESDAY'S debate in the Commons did not produce a single helpful contribution to new thinking about the Government's pension plan. But it did provide an infinitely depressing picture of the political atmosphere in which that plan looks like being operated. The first part of the Opposition amendment, in what was supposed to be a debate about long-term machinery, simply reacted reflex-like with the election cry that Labour favoured "raising existing retirement pensions immediately," even although there has been no increase in the cost of living, since those pensions were last raised by 25 per cent in January. The second part of the Opposition amendment called for "a fully comprehensive system of national superannuation which will abolish poverty in old age"; as Labour knows perfectly well that poverty in old age can be abolished only if the national scheme can be enlarged by making it gradually less comprehensive and more discriminate, this part of the amendment was a direct self-contradiction in terms.

By far the most important feature of the emerging pensions scene is that a large proportion of the next generation of pensioners is going to draw additional benefits in retirement from private superannuation schemes. The sensible task of planners now is to try to encourage these private schemes to be extended and increased at private cost, while concentrating additional emoluments in the state scheme on those who will still not be lucky enough to enjoy adequate private pensions (and helping the really needy among present old people by gradually larger national assistance payments subject to needs tests). The Government's new scheme could be used to further this line of advance, particularly if ministers are not afraid to concentrate future increases in contributions and rates more and more on the graduated element instead of on the flat rate, while positively encouraging employers who run adequate private superannuation schemes to contract out of the graduated state system. Another hopeful line of advance might be *via* the sort of pensions plan that the Liberals are thinking of sponsoring, which would deliberately set up a new national superannuation scheme that would apply only to those who do not belong to an adequate private scheme.

But the Liberals are forfeiting the good opinions they might otherwise deserve by leaping on to Labour's electoral bandwagon by pretending to favour higher pensions for everybody indiscriminatorily now. Here's a fund, says the politicians, let's use it to buy as many votes as possible. So long as that attitude persists, instead of a determination to use state money to help as few needy people as possible by as much as possible, any new scheme of any sort will soon be broken as wide open as is the present national insurance scheme. It is politicians on their hustings who are now the real potential wreckers of that fearsomely delicate mechanism, the social security state.

DISARMAMENT

Out of Control

AFTER two weeks, the Geneva meeting on nuclear tests is still without an agreed agenda; and the separate conference on precautions against surprise attack, which got under way in the same city this week, has marked time while a series of identically propagandist harangues were delivered by the Russian, Albanian, Czech, Polish and Rumanian spokesmen. The western governments' reluctance to have these encounters held at foreign ministers' level has thus been fully justified; democracies cannot spare their ministers for these tedious exercises in attrition as easily as communist states can. But there is little other comfort to be drawn from the Geneva proceedings. The western representatives have pleaded with patience and notable restraint, for getting down to brass tacks; they have made some tactful verbal concessions, thanks to which the talks on tests have now at least got an agreed official title; but there is no sign yet of any real closing of the gaps.

In both the conferences, the essential difficulty remains the Russians' suspicion of international inspection and control. The blunt words Mr Khrushchev used in the interview which Mr Walter Lippmann has published this

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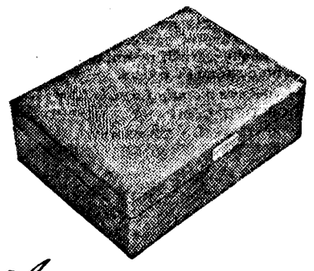

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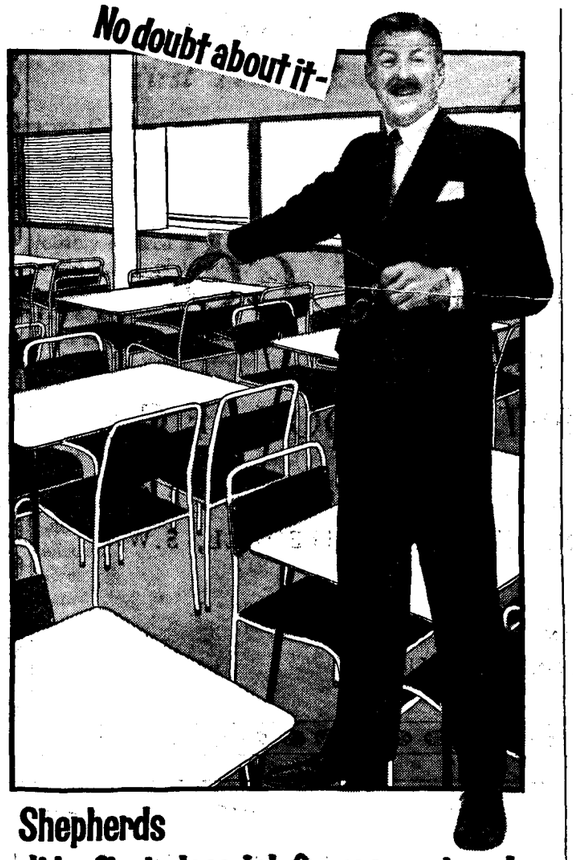

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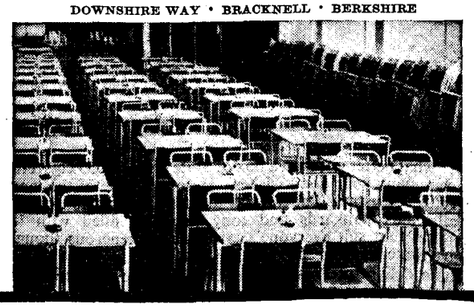

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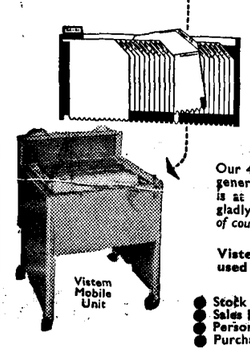

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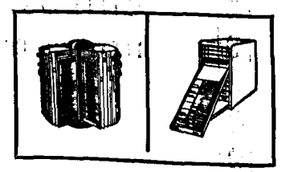

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Supreme the World over

week make the point perfectly clear. When the Soviet leader invited a suggestion for improving relations, Mr Lippmann suggested that agreement at the talks on surprise attack was the most practicable way of reducing tension. Mr Khrushchev swept this aside, insisting that Russia would reject any plan for inspection and control until mutual confidence had first been established, by such means as treaties of friendship. International inspection, he said, was a particularly "ridiculous" idea in regard to rockets. Yet Mr Zorin, in the United Nations Assembly on Wednesday, was accusing America of dark designs on the moon, and demanding a ban on the firing of rockets into space except under international agreement. Soviet statements can hardly be as self-contradictory as they seem at first sight. Until Mr Khrushchev makes more sense, one can only fall back on the familiar deduction: that the Russian rulers know perfectly well that unpoliced agreements always give totalitarian states the advantage over free societies, whose governments cannot expect their peoples to connive silently at any flagrant violation of public pledges.

NATO

Don't Shoot Dr Rust

DR RUST, the state secretary in the west German ministry of defence, arrives appropriately to explain—certainly behind the scenes, perhaps in front of them as well—why his government is spending so little on the purchase of arms in Britain, and in particular whether it ever intends to spend the full £50 million which were deposited here for the purpose when support costs were cut down a year ago. The announcement of a heavy cut in an order for tracked carriers has started a hue and cry in this country about the German bias against buying arms in Britain. It is pointed out that the Germans refused British tanks, took only a few British planes, and then turned to France for strike aircraft; that they have generally ignored the British work on development of weapons, and now have cut their biggest order from 2,800 vehicles to 1,000. Yet they have spent large sums elsewhere. It is being suggested that there is a political bias against Britain; that the Americans are methodically undercutting every offer made by British arms firms or by the Ministry of Defence; that Germany prefers to place orders with industries located in the common market area which in time Germany expects to dominate, and so on. Several inconsistent arguments are involved—but they all add up to no orders for British manufacturers.

This is all very well. But the point should be made that the British record of providing the armed services—and especially the army—with postwar equipment is not so wonderful that the shop-window is loaded with irresistible goods at bargain prices. In particular, there are grave doubts whether any type of tracked vehicle is suitable for the many purposes the Germans want it to serve; the British Army considers wheeled carriers far more reliable. Germany, after all, is buying frigates here, and may yet buy—unless the Americans chip in again—guided missiles. The German army is inclined to chop and change exactly like the British, and this is certainly one reason for uncertainties about orders.

There is a serious moral which must not be lost in petty arguments about where Germany should shop for weapons. The situation only arises because of the resounding, perhaps catastrophic, failure of Nato to standardise on any but the most derisory range of weapons and supplies for its forces—a failure for which every government must be blamed, including the American. It is a failure that costs Nato dear, for it means that the Supreme Commander's forces are probably half as effective as they might be if there were standardisation and interdependence in production. Standardised weapons which were much less than perfect in the eyes of service designers would probably make the Nato forces twice as effective as they are now, with each country pursuing its own national—and of course perfectionist—weapons policy. National and vested interests have stood in the way, and so has the sheer inability of the brass hats to decide or agree, year after year, what types of war to prepare for. It is a sad spectacle. But the Germans have come too late into the game to carry the blame for it.

CANADA

"Dief's" Better Half

MR DIEFENBAKER'S travels in the Old World had an unpromising start. In London he made a really rather dreadful speech at the Albert Hall, apparently under the influence of the heady brew with which the Beaverbrook newspapers had regaled their readers before and during his visit. His audience loved it, but the Canadian premier scarcely improved his reputation in the world outside the hall. Since he crossed the Channel, however, his utterances have been very different; and he seems certain to increase his international stature if his tour proceeds on the lines he has marked out on the Continent.

Canada is well placed to play the candid friend both to European and to Asian and African nations. Mr Diefenbaker has inherited this role from Mr St Laurent and Mr Pearson, who created the part. In France he expressed a friendly but firm opposition to the idea of letting America, Britain and France shape policy for the whole western alliance. In Germany, while emphasising the danger of any Nato member taking unilateral action that might disrupt the alliance, he discouraged any "peremptory" verdict on the new Rapacki plan. In Italy he has pursued similar lines of thought, and has also restated Canada's continuing interest in the creation of a permanent United Nations standby force. Mr Pearson's initiative was directly responsible for the successful formation of the existing UN force in Gaza and Sinai, and Canada has maintained its outstanding share in the operation of this force throughout its two years of duty. Last week the UN assembly quietly shelved the project for a permanent standby force, largely because of the antipathy of a group of Asian countries headed by India. Mr Diefenbaker seems characteristically undeterred by this setback. It will be interesting to see whether he presses his arguments for the permanent force upon his Asian hosts later on in his world tour.

CENTRAL AFRICA

Sir Roy's Big Victory

Our correspondent in Salisbury, Rhodesia, cables: Sir Roy Welensky's United Federal Party is wildly happy at the results of Wednesday's federal election. With only one result still to come in for 44 ordinary seats the state of the parties is: UFP, 36; Dominion party, 6;

Independent Dominion party, 1. Of the other seats the UFP have won four of eight African "special seats" and two of four "specially elected African seats." The results still to come cannot possibly affect the decision.

Thus the Dominion party has failed badly. On the strength of its successes in Southern Rhodesia last summer after the Todd crisis, forecasters had expected that it would win 15 to 20 seats. It is hard to know what factors the Dominion leaders will blame for this setback. It seems that many voters in Southern Rhodesia voted Dominion to show their disapproval of Mr Todd, but have now returned to Sir Roy "because we need an experienced government to negotiate internationally," a point on which UFP propaganda has dwelt. But Sir Edgar Whitehead has led his Southern Rhodesian government through such a cautious legislative session, and Sir Roy ran such a conservative election campaign, that Mr Field and the Dominion party leaders found it hard to point to any vote-catching difference between the parties. Mr Field made a fool of himself from sheer inexperience on constitutional issues, and will probably blame the press for misrepresenting him; but clearly he must also have a hard look at the gimcrack organisation of his party in Northern Rhodesia and Nyasaland.

Nevertheless it was an election among white men; under pressure of the nationalist boycott, only a few of the 40,000 Africans whom Sir Roy said would be enfranchised either registered or went to the polls. But it is significant of what might have happened that with the aid even of a few African votes Mr Gaston Thornicroft, the leader of the Salisbury coloured population, beat the Dominion party candidate, and came within 300 votes of being the first non-white to capture an ordinary seat. Mrs Rosin, with Todd sympathies, easily won for the UFP what was thought likely to be a Dominion seat—again with African support. Otherwise, liberalism has done badly, with the dismissal of all the Constitution ("Capricorn Africa") party candidates, who secured only 650 votes in all.

The question now is whether Sir Roy will feel able to pursue a more liberal line. His first reaction, not surprisingly, is to think that he has a mandate to demand independence. He is now off to London to demand modifications to the Northern Rhodesian constitution—in a way favourable to the white settlers. But if he wishes to make a favourable impression in London he should take liberal advice to appoint Jasper Savanhu as an assistant minister as was noted by your correspondent last week; in fact he then felt obliged to declare that his selection of his cabinet would not be "made by the London *Economist*." But perhaps he will prove by this or some other move in London that his intentions are really liberal.

GHANA

Dr Nkrumah's Steamroller

THE announcement that forty-three Ghanians have been arrested for plotting to murder the prime minister hardly strengthens confidence that democratic institutions in Ghana provide a full outlet for minority opinions and the redress of minority grievances. It comes on the eve of the passage of a bill through the Ghana parliament to sweep away the procedure laid down by Mr Lennox-Boyd, at the time of the passing of the Independence of Ghana Act, for making subsequent changes in Ghana's constitution. Under Mr Lennox-Boyd's system such changes had to be approved by a two-thirds majority in parliament and a majority of the regional assemblies. The regional assemblies, now in operation, will have to assent to this excision of their most important function; as Dr Nkrumah's Convention People's party won a majority in all of them in the recent regional elections (which were boycotted by the opposition), they will no doubt meekly agree. Once the bill is through, Ghana's parliament will be freed of the shackles of entrenched clauses, and can change the constitution—for example, to a republic—by a short bill. There is no second chamber in the state.

This is perfectly legal; in Dr Nkrumah's eyes it vests final sovereignty in the hands of the popularly elected majority, as he always intended, and takes veto powers away from regional minorities, a federal-type device he detests. But who will get this power in reality and how will it be used? Dr Nkrumah's government is all-powerful in Ghana—far more so than Mr Macmillan's in Britain, where the opposition is strong and constitutional convention is ingrained. The power to declare Ghana a republic may be innocuous. Not so the power, which this bill will give Dr Nkrumah's government, to put though legislation to interfere with the judiciary, the civil service or the auditor-general (an important office whence effective criticisms of and checks on the government can emanate). So much patronage is already in the hands of Dr Nkrumah's party that the chances of parliament jibbing are not great. Would-be rebels in the government party need only look to Eastern Nigeria to see the risks they run: there, certain friends of Dr Mbadiwe, who revolted against his regional leader, Dr Azikiwe, have lost the valuable marketing board agencies which they held. No wonder Dr Busia is alarmed at the way things seem to be going.

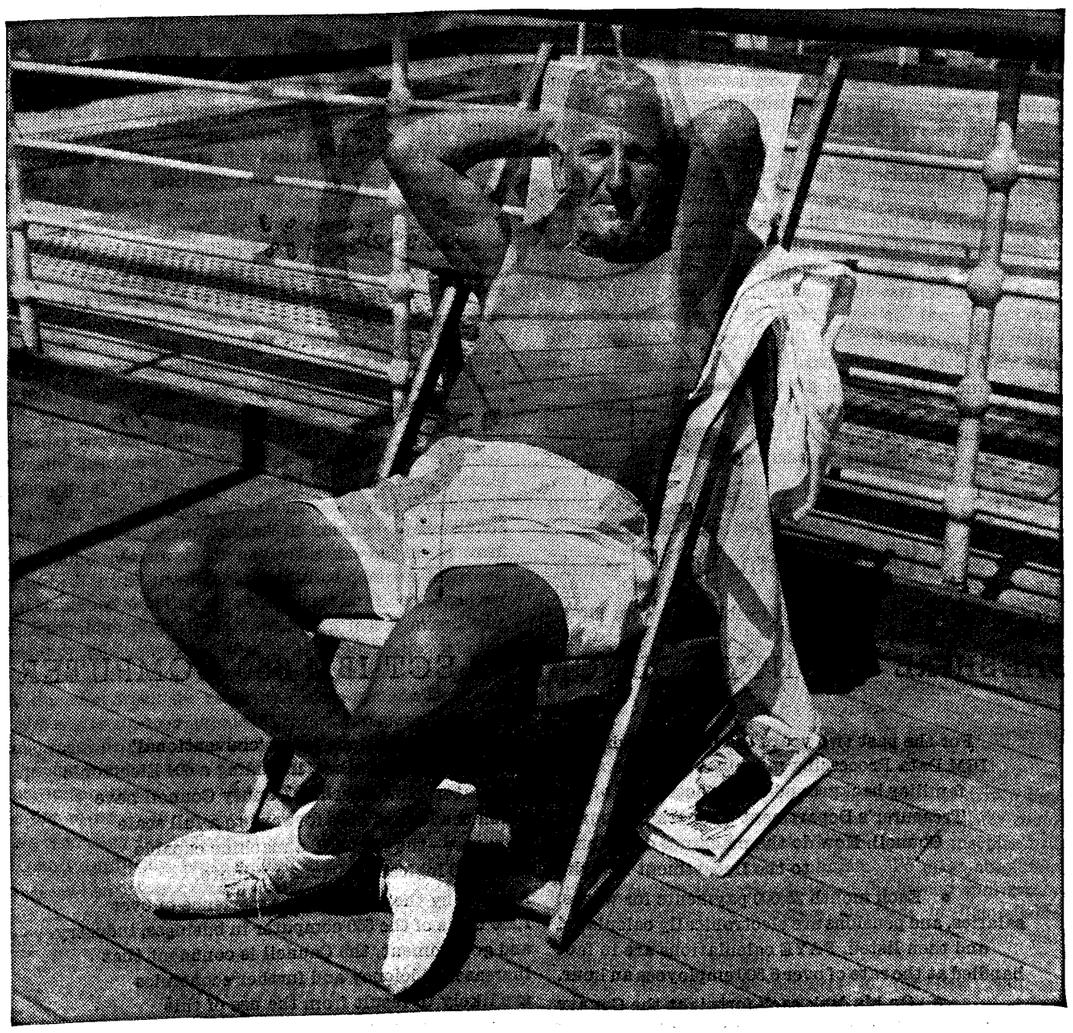
If minorities in Ghana already feel so frustrated that they are illegitimately turning to violence, some of the responsibility must be shared both by Dr Nkrumah and Dr Busia—the first for acting as if it was a crime rather than a duty for the opposition to oppose, the latter for allowing the opposition to do its duty so halfheartedly. Dr Nkrumah seems to want the sort of parliament that Charles I wanted—but where are its Pyms and Hampdens?

MINERS' WAGES

A Wagging Tail

THE miners' refusal to accept the Coal Board's recent wage offer must have aroused some uneasy historical reflections at the Ministry of Labour. In the 1920s miners' wage claims were an explosive national issue, which often led to the threat—and the actuality—of strikes. Since the war, the miners have withdrawn from the front line. The railway workers or engineers or busmen or some other union have fought the first wages battle each year; the miners have agreed to abide by the rulings of a special machinery of compulsory arbitration for their industry, which has in effect, each summer after the main battles in other industries are over, given them what workers in other industries have got.

This summer there was a hiatus because of the delay in settlement of wage claims in general. By the time the miners' claim reached arbitration the general wages pattern for the year had not been set. They were awarded nothing



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on this first claim, and therefore promptly put in another one. At the annual conference at Porthcawl the mine-workers' executive was given authority to withdraw from the arbitration machinery. But before it did so, the Coal Board, taking note of the way in which wage increases in other industries had now been granted, offered a 4 per cent increase in return for certain conditions. The most contentious of these was that voluntary Saturday working (at the usual high overtime rates) should be allowed in pits producing a high proportion of large coal, even though the Board refused to call for it at mines producing mostly small coal. Both the union executive and a special delegate conference finally recommended acceptance of these terms ; but then, in an unprecedented *volte-face*, the men in the coalfields voted to reject them.

The union leaders, who do not want trouble, are now likely to ask that the dispute over Saturday working should go to arbitration. They have high hopes that the Coal Board will quietly give way and agree that nobody should do Saturday working at all. The arguments being put forward in many quarters in favour of the Board making this concession are at first sight seductive. It is argued that it would be a great disaster if the miners started to make threats of a national strike again, instead of continuing to rely on arbitration. Moreover, although it is the surplus of small coal which is just now filling the disused quarries, large coal is also in good supply ; why, then, have large coal—and the inevitable high proportion of small coal that is mined with it—produced at overtime rates ? But though this is a fair argument in the short run, on the longer view it just will not do. For when the economy picks up, more large coal is almost certain to be needed. It is economic nonsense to argue that one group of miners cannot be asked voluntarily to produce more if the market demands it, just because other miners producing coal that the market does not want are not to be given the chance to make the same money. This is to deny the very purpose for which industry exists. A concession to this restrictionism might seem cheap now, but it could be very expensive later.

EASTERN EUROPE

About Turn

MR GOMULKA and his high-powered delegation were in Russia from October 25th until Tuesday. Similar themes ran through the Polish and the Russian public speeches: the solidarity of the socialist camp, the economic achievements of the countries of the Soviet block, the wickedness of the capitalists. Many words were uttered but nothing of great significance was said (in public, that is) until the last two days of Mr Gomulka's tour. On Monday, Mr Khrushchev spoke at the Soviet-Polish friendship meeting in Moscow.

Some of the implications of what he said about the future of Berlin, " the capital of the German Democratic Republic," are discussed in a leading article on page 576. This is a vital topic to the Poles. Mr Khrushchev also gave an honourable mention to Mr Rapacki and his plan ; at the same time he told his Polish friends that " any attempt by the German revanchists against the German Democratic Republic should be regarded as an attempt against the Oder-Neisse border." The joint Soviet-Polish declaration, published on Tuesday, again returned to the German question, supporting Herr Ulbricht's proposals for the preparation of a German peace treaty—proposals that would place the main responsibility for solving the German question on the shoulders of the governments in Bonn and Berlin. Apart from this, the declaration spoke of strengthening the Warsaw pact, fighting revisionism, and exchanging experiences between the two communist parties ; it promised continued Soviet economic help to Poland, and it gave support to the " lawful and sovereign right of the great Chinese people to liberate and unite all their lands, including Taiwan and the offshore islands."

The Polish visit to Moscow has turned Mr Khrushchev's attention to Europe again ; his initiative here means trouble ahead. Clearly he is thinking of ways of forcing the western powers to pay attention to the east German regime. At the same time, he has reminded the Poles that their western frontier is still threatened from Germany. Mr Gomulka, on the other hand, behaved as if there had never been differences between him and Mr Khrushchev ; he gave his hosts no offence and plenty of signs that he was perfectly aware of the dangers of revisionism at home and west German " imperialism " abroad.

HUNGARY

Victory Assured

THE lists of candidates for the Hungarian elections have been prepared ; the date has been fixed for Sunday ; no surprises are expected. These elections and their results can safely be written about before they happen. It is two years since Mr Kadar said:

> We surrender the party monopoly ; we want a multi-party system and clean, honest elections.

By now most of the potential leaders of opposition in Hungary have been executed, or imprisoned, or driven into exile. At the end of September the prime minister could inform the National Assembly that the judicial machine had succeeded in crushing the revolution. To make absolutely sure, the authorities have celebrated the second anniversary of the revolution by arresting hundreds of " unreliable elements " still at large. A generous Soviet loan was announced a few days ago.

There will be 338 members in the new National Assembly ; only 153 will be old deputies. Most of the men on the lists are new and obscure ; 110 are known as party members. Among these, there is a majority of Rakosi's adherents—who, however, may be presumed to have thrown their lot in with Mr Kadar for personal and party reasons. Most of the Stalinists have been either demoted to the bottom of the lists or excluded altogether: Joszef Revai, the former minister of culture under Rakosi, figures in the seventh place on the Budapest list ; Messrs Berei and Kassai, who have done much since 1956 for the restoration of orthodoxy, are not on any list at all.

Most of the chosen men can look forward to at least four years of peace and quiet in the National Assembly. The single list has to get at least half of the total of votes, and half of the available electors have to take part. This means that 25 per cent of the electorate is sufficient to provide the Hungarian nation with its new representatives. Only one doubt still remains: the deputy minister of the interior recently admitted that about 700,000 enemies of the people (i.e., more than 10 per cent of the electorate) still exist in Hungary. The question is, whether this figure will be admitted in the return of spoilt ballot-papers.

SMALL FARMERS

The Next Steps

THE Small Farmers Bill got a mixed reception in the Commons' debate on its second reading. Many MPs were understandably anxious about the consequences of excluding from Government aid all those small farmers whose holdings cannot be made reasonably economic. Accurate statistics are lacking, but it would seem that at least 50,000 full-time farmers (and thrice as many part-time ones) will fail to pass the minimum standards stipulated in the bill. What is to happen to all these uneconomic holdings? To abandon them to gradual extinction is unrealistic. Small farmers have always shown a remarkable tenacity. The revolution in farming techniques has so far made little difference to their numbers. The only satisfactory agricultural solution is to prepare a scheme for the progressive amalgamation of uneconomic holdings, to take effect as present owners (many of whom are oldish men) go into retirement. Unless the Government does this quickly it may find its present laudable intentions defeated by aggrieved pressure from uneconomic farmers demanding a share in the present scheme—or, worse still, demanding and getting continued special favours for small farmers' staple products such as milk at the annual price reviews.

A second problem is that the bill will assign a heavy load of work, and also a large degree of paternalistic discretion, to the Government's agricultural advisory service. Several MPs suggested that the county agricultural committees, whose influence has been rapidly declining, should be used to help. The advice of local farmers would doubtless soften bureaucratic administration, but its probable consequence of admitting into the scheme a large number of borderline or hard luck cases is the very thing that the Government rightly wishes to avoid. The first requirement is to improve the numbers, quality and status of the agricultural service itself, which is understaffed and underpaid and has not fared very well under ministerial control.

Two courses need to be pursued simultaneously with the policy outlined in the new bill. One is to cut down progressively the cost of the price guarantees; the other—and complementary—need is to redirect the considerable sums paid in direct grants to schemes which clearly and directly raise the competitive power of British agriculture, and of its "problem" farmers in particular. Several schemes—improvement grants and hill farming grants, for example, as well as small farmers' aid—appear to satisfy this criterion; but there should not be too many schemes of public expenditure and their total effect should be kept under continuous and careful review. It would be tragic, for example, if the actual administration of the present bill had the effect—as it conceivably might have—of discouraging specialisation among small farmers. Such things will need watching.

CROWN PRIVILEGE

Overmighty Prerogative

THE issues raised in the Court of Appeal's decision last week in *Auten v Rayner and Others* confirm the view, widely held at the time, that the Lord Chancellor's concessions about "crown privilege" two years ago did not go far enough. In this context the term "crown privilege" refers to the right, derived from prerogative and sanctified by judicial precedent, by which a minister can prevent official documents being presented in court simply by swearing an affidavit to the effect that their disclosure would be contrary to the public interest. The privilege is claimed in two quite separate circumstances—firstly and uncontroversially, to protect genuine state secrets and, secondly, to withhold confidential reports and memoranda that need to circulate uninhibitedly within the administration if the wheels of the public service are to go on turning.

In Mr Auten's case the plaintiff had appealed against a lower court's refusal to order the production of a report to his superior from a detective in the Criminal Investigation Department, against whom and various others Mr Auten was bringing charges of false imprisonment and malicious prosecution. Although the court held that the Home Secretary's affidavit against producing these reports must be treated as conclusive, the questions asked by the Master of the Rolls and his judicial colleagues showed their acute uneasiness at the scope of the privilege that was being claimed.

As the court pointed out in its judgment, the very term "public interest," in whose name the plaintiff was denied access to the wherewithal for proving his case, begs the essential question. It should be recognised as being every bit as much in the public interest to see that private litigants get justice as it is to suit a government department's convenience. Some responsible person clearly has to decide in each particular case whether the document should be produced (since, for example, it might handicap the police too much to force them in effect to do entirely without their confidential informers). The question, as squarely put by the Master of the Rolls, is whether in weighing the interests of the administration of justice against the department's point of view the minister is the best judge.

The right answer, as opposed to the answer which the courts are presently bound by precedent to give, surely ought to be No. The best solution would be to give the decision, as the General Council of the Bar has suggested, to the judge sitting *in camera*. A second-best solution would be to give it to the Attorney-General. Of the two, the first would weight whatever appearance of bias there might be in favour of the private individual and the requirements of justice. Unless there are overwhelming reasons to the contrary, that is where, in a liberal democracy, any bias always ought to be.

JAPAN

Truncheons and Boomerangs

WILD disorder marked the highly unparliamentary proceedings in Tokyo last week, when Mr Kishi's government extended the Diet session to make time for the passage of its Bill giving the police more power to their truncheons. Socialist opposition MPs tried to trap the speaker and his deputy in their offices, occupied the speaker's chair in the chamber, and disconnected his bell. The deputy speaker, however, slipped into the chamber and, protected by a squad of Liberal-Democratic MPs, rang a bell which they had hastily wired to a battery, and announced the extension to a chorus of *banzais* from Mr Kishi's supporters.

The Socialists' claim that the extension is irregular and invalid would be more telling if their own conduct had been less grossly improper. Throughout the controversy over the police Bill, they have spurned reasonable argument and concentrated on mass demonstrations, protest stoppages of work, and wild accusations. But much non-party opinion is on their side, for, as our Tokyo correspondent explained in *The Economist* of November 1st, the ruthless police methods of prewar Japan are all too painfully remembered today, and some of the Kishi government's actions have awakened justifiable suspicions that the clock is being put back.

In postwar Japan, police powers were so reduced as to impede the normal work of preventing crime. The case for enlarging them is a sound one. But Mr Kishi's Bill would give the police alarmingly wide powers to act—on private premises, as well as in public places—against gatherings which they regard as likely to become disorderly. His personal assurances of vigilance against abuses of this power have been received with understandable scepticism. Even the big business men who normally back his conservative policies have seen the way the wind is blowing, and have made notably noncommittal comments. Rather late, Mr Kishi seems to realise that he has bitten off more than he can chew; if he can find a means of retreating gracefully—which will not be easy now—he may yet hold the Bill back. In that case, his clumsy handling of an over-ambitious venture may turn out to have checked rather than hastened the swing back to authoritarian ways in Japan. But parliamentary methods will have been sadly discredited in the process; and if in the outcome Mr Kishi himself is ejected from office, Japan's delicately balanced relations with America will once more be in jeopardy, to the embarrassment of both countries.

REFUGEES

Realism in Need

THE United Nations General Assembly last week adopted a British proposal, first put forward by the Bow Group in their magazine *Crossbow*, to hold a "world refugee year" beginning next June, during which special efforts will be made to raise money and find homes for the refugees who come under the mandate of the UN High Commissioner for Refugees.

The sad fact that there has to be an artificial stimulus of this kind emphasises how thoroughly minds have been shut to the problem. Emergencies, such as the Hungarian rebellion, awaken bursts of generosity, but these die even before the new refugees have all found homes. Many have been left high and dry in the countries that gave them temporary sanctuary. Although the forced movement of peoples has become a regular phenomenon of our times, each new exodus catches the world unprepared. The High Commissioner, Mr Lindt, has to beg and badger for funds from a public that has never recognised the illogic and the inadequacy of extemporisation.

The enormity of the problem is one reason why it is so often shrugged off. Mr Lindt has now selected three prior tasks, all of which could be solved fairly easily and cheaply. He wants to find homes for more than 20,000 refugees (a quarter of whom are children) of families that have been living in camps in central Europe since the end of the second world war; to settle the 6,000 Hungarians who are still stranded in Austrian camps; and to move the 5,000 "white" Russians in China who have the visas they need to emigrate but have no money for the fare.

The solution to these problems alone would justify holding a refugee year. But since the organisation and its plans could at any time be overwhelmed by a new flood of refugees, it would surely be sensible to set more ambitious sights. Could not the chance be taken to establish, both financially and psychologically, a more realistic approach to the whole problem? If so, the year might not only reach a peak in fund-raising and migration; it might also lead to an improved system under which uprooted people no longer have to rely on sporadic generosity and *ad-hoc* efforts.

TECHNICAL EDUCATION

Doc Tech

THE new higher award for technologists—to be called Membership of the College of Technologists (MCT)—announced last week by the National Council for Technological Awards, is most carefully described as not a technological PhD or DSc. It is strictly *sui generis;* but as it is to be based partly on original work, and is designed to stimulate inventiveness and original thought in technology and industry, it clearly approximates more closely to a university post-graduate research degree than to anything else. This is a good thing. The universities have very far-sightedly agreed that the Dip Tech (created in 1956) shall rank as equivalent to first degrees in universities, and this means that Dip Techs should be able to work for higher research degrees in universities if opportunity offers; *per contra,* an even greater number of graduates, once in industry, are likely to find that the new Membership is the most convenient higher degree to get, if they are ambitious to improve their qualifications. The work for it will specifically have to be done on an industrial level, although it is to be integrated with work in the Colleges of Technology who are to award the degree.

The job of the College of Technologists will be to ensure that the Membership really is a tough qualification, inasmuch as the industrial record of the student, the course he follows for the higher degree and the originality of his contribution will all be taken into account. There is no reason why MCT should not become a prized qualification; and why such combinations of letters after one's name as "BSc, MCT" and "Dip Tech, DSc," should not come to be regarded as of equal merit and equal honour.

This innovation is therefore to be warmly welcomed as contributing to the variety and flexibility of higher education in Britain, and giving further impetus to the standing of the Colleges of Technology. Already the institution of the Dip Tech, for which nearly 1,800 students are now working, has greatly stimulated the technical colleges to improve themselves (unless they are good enough they cannot offer the diploma) and has drawn local firms and colleges closer. But in keeping the Membership a selective and prized mark of high standards of competence and originality, the College of Technologists must remember that industry is a freer and more open way of life than the academic—and must make provision for the man who may have no education higher than the Ordinary Certificate (if that) yet be capable of a crucial invention. Such George Stephensons become increasingly rare; but when found they need to be given recognition in a meritocracy in which letters after one's name threaten to become as important as a passport or birth certificate.

LETTERS

Cyprus

SIR—Any student of the Cyprus question cannot but feel profoundly frustrated seeing one effort after another to break the deadlock end in failure. Apparently there is something that bedevils the situation, and if ever we manage to lay our fingers on it the problem will be solved.

Perhaps the slate will have to be thoroughly cleaned one day by each side owning up to its faults and seeing what it can do to make restitution, if we are going to begin negotiating again. In any case we all simply have to find a new approach in order to break through the barrier of mistrust.

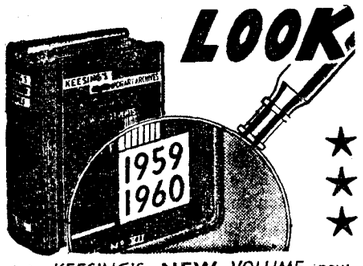
Though there are few similarities between the Algerian and the Cyprus problem, I do feel that there is a lesson to be learnt from General de Gaulle's bold tackling of the former. For there is no point in wishful thinking that the Greek population of Cyprus will ever stomach plans which others seem to be trying to ram down their throat.

Some Englishmen may doubt Archbishop Makarios's word. They are entitled to do so, as we are free not to place much trust in the Tories' word. But I cannot believe that there is a single Englishman who does not admit that it needed courage on the part of the Archbishop to transfer the Cyprus problem from the basis of enosis on to that of self-determination and finally on to that of independence, with specific international guarantees barring both union with Greece and partition.

Unfortunately the response of the Tory Government was disappointing—to say the least. Even if the Archbishop's recent statement came too late it should have been seized upon immediately. But apparently mistrust again spoilt matters, and undermined recent Nato efforts.

Perhaps people outside Cyprus do not grasp the full extent of the tragedy of Cyprus—how much it has meant in human suffering. Consequently they may not have the same sense of urgency as we. However, it is criminal to suppose that one can play about with the fortunes of a whole people indefinitely and trample without shame upon fundamental human rights. If the existing international machinery proves ineffective in remedying this situation within the foreseeable future then, I am afraid, there is still much to be desired in our age by way of smoothing out international differences and consolidating goodwill and peace.—Yours faithfully,

Larnaca, Cyprus N. G. DIMITRIOU



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Iceland

SIR—Your Note last week on the 12-mile limit raises several points with which I would readily agree, but some which I would certainly question.

Your article referred to the past two months' experience of fishing inside Iceland's 12-mile limit as though the level of catches were such as to make an insistence on less than 12 miles appear churlish.

Just as a random sample of one person is unlikely to give a close and accurate result on a research survey of a population of hundreds of people, so would the using of the record of two months' fishing catches give a non-representative figure if used as a basis for catches over several years.

In fact the last two months have shown a shortage of fish on most of the usual grounds, in conformity with the customary seasonal pattern. The fact that the decline in landings over these two months has been rather heavier than in previous years bears no relation to the conditions under which our trawlers have been fishing. In plain terms the fish just haven't been there but they will, no doubt, return, just as they will to other grounds which are similarly showing reduced catches this season.

The point is that the disputed Icelandic grounds are normally very productive of quality fish such as plaice and halibut, in addition to being well stocked with cod and haddock at certain seasons of the year.

The big modern trawlers are certainly fast enough to go further afield and bring back their catch in good condition for the market, but a large proportion of our fleet has been designed and built with the Icelandic grounds in mind. These cannot readily be transferred to other more distant grounds because their bunkers will not permit them to fish there economically.

It is, unfortunately, only too true that trawlermen must fear further extensions right up to the edge of the continental shelf. But your suggestion that the limit imposed unilaterally by Iceland might be accepted subject to a fifty-year guarantee that it should remain at 12 miles appears to be prejudiced by the statement of the Icelandic Prime Minister. In a recent speech he is reported as saying "a 12-mile limit would suffice for the present." What guarantee have we that such an agreement would not fail as conspicuously as that signed in 1956, which was intended to last for ten years?—Yours faithfully,

FARNDALE PHILLIPS

British Trawlers Federation, Grimsby

Animal Feeding

SIR—The official Committee on Grassland Utilisation have just submitted a report which states, quite rightly, that there is much which the farmer could do, profitably, to increase his yield of grass. But they greatly weaken their case by saying (quite wrongly) that profits on dairy herds can also be increased by further feeding of concentrates.

They reached this conclusion by an analysis of dairy farm profits which considered only two variables, concentrate and all other feeding. But, lacking knowledge of the yield of grass, they estimated it by difference, from assumed requirements per cow, an obviously inaccurate and biased procedure, as they themselves admit. They compared the returns on concentrate feeding on groups of farms on which they supposed the input of grass was similar, while in fact it was different.

It was not a question of using such methods *faute de mieux*. In December, 1957, Mr A. G. Antill read a paper at the Manchester Statistical Society analysing the effects on dairy farm profitability of a large number of variables. The results (which were also published in the *Westminster Bank Review*, February, 1958) were indeed alarming. When the effect of other variables has been allowed for, the farmer is found to be using, even at low inputs, 4s. worth of concentrates to produce a gallon of milk which he sells for 3s. 1½d. (and which is only worth 1s. 6d. to the Milk Marketing Board when they have to sell it for manufacture). And concentrate inputs beyond £45 per cow per year, which are quite common, have no additional effect whatever upon milk yield. On experimental farms better results may be obtained; but this is what happens under conditions of practical farming.

I am often accused of trying to reduce the farmer's income. But on this occasion I am asking him to accept net profits which will be very much higher, if he stops feeding concentrates to his dairy cows altogether. The activities of most dairy farmers are also positively injurious to the balance of payments. They necessitate the import of large quantities of concentrates, from which a much lesser value of dairy products is obtained. The Government were clearly anxious about this. One of the terms of reference of the Committee was "securing economies of imports of feedingstuffs." The Committee have given the Government an incorrect answer.—Yours faithfully,

COLIN CLARK

Agricultural Economics Research Institute, Oxford

Training for Overseas

SIR—Readers of your Note of November 1st (page 405) on the courses run by Oversea Service may be interested to know some details of this organisation.

Oversea Service is a registered company, non-profit making limited by guarantee, working from the conviction that it is in the direct interest of employers and employees, as well as in the general interest of our country and its trade and commerce, that those who go out to do our business in Government or private service in the under-industrialised countries of the world, should be accepted and respected, as representatives of western Christian civilisation, by the overseas peoples amongst whom they will live and work. By means of short, residential, intensive introductory courses, focused on one particular geographical region at a time, Oversea Service offers specialised training in the problems of personal relationship and adjustment with which individuals are confronted, and helps them to view their own work in the perspective of the social and political background of the countries concerned.

Oversea Service maintains contact with those who have attended courses, and provides them with introductions to others already resident in the countries for which they are destined. Study conferences are also organised for men and women home from their first or second leave from overseas postings, and for home-based staff, which give opportunities for discussing matters of common interest in the light of experience of oversea territories.

Oversea Service is backed by the British Government, by a number of oversea governments, by trusts, by several important business organisations, and by the churches. During the first five years a total of 1,376 students, both men and women, over half of whom came from business firms, attended the courses. This is only a beginning. We look forward with confidence to a considerable expansion of this vital work as our aims and facilities become more widely known and supported by commerce and industry.—Yours faithfully,

J. WHITWORTH-JONES

Acting Chairman Oversea Service

2, *Eaton Gate, S.W.*1

BOOKS

Welensky Territory

The Birth of a Dilemma: *The Conquest and Settlement of Rhodesia*

By Philip Mason. Issued under the auspices of the Institute of Race Relations.

Oxford University Press. 378 pages. 30s.

THE white settlement of Rhodesia presents a phenomenon that has been common enough in other ages and other empires but which is unusual in the history of the British Empire. Elsewhere British colonies have either been colonies of settlement as in Australia, where emigrants planted themselves in almost empty country, or colonies of conquest as in Trinidad, where an alien province acquired in war was brought under British administration; these at least have been the two main types of which we can easily identify varieties. But Rhodesia has a different history: at this point and almost only at this point in British imperialism can we actually detect some of the motives and the processes which Lenin, prompted by Hobson, assumed to be universal and made the basis of the anti-imperialist myth.

There were elements in the early history of Rhodesia—a background of financial speculation, a foreground of ruthless violence, and a rather raffish air pervading the whole scene—that provoked criticism, a "Wild West" atmosphere that seems more congenial to American than to British expansion. Heroism in plenty, with the other pioneering virtues, is to be found in the story, and one of the merits of this book is that Mr Mason fairly allots credit for these virtues to the combatants on either side. Rhodesia, says Mr Mason, is "the key to Africa"; this is the place where there was a show-down, seventy years ago, between aggressive westernism in an irresponsible mood and barbaric Africa. Lobengula is rightly presented as a heroic figure, but as an impossible anachronism; the Rhodesian pioneers as set upon conquest but as the makers of a modern nation. Neither one nor the other looks very pretty at this distance of time and, to judge the effect of that blood-letting, we must remind ourselves that Rhodesia claims to be the only state in Africa where peace and order have prevailed throughout the first half of the twentieth century, where there has been no more blood-letting. In 1958 the progress and the prosperity are so evident to a visitor that the barbarity of sixty years ago is irrelevant and almost incredible.

As the title implies this book is neither a history nor a political thesis, but a discussive essay upon the central theme of Rhodesian society:

> an attempt to marshal certain evidence about the meeting of people in Africa and the growth of a situation which presents the victors with a dilemma as yet unresolved. We have seen tribes who before the Europeans came had . . . achieved political structures of some complexity, had sometimes an advanced concept of law, but had taken few steps towards control of their physical surroundings . . . To them came the Victorian English, the young light-hearted masters of the world, confident that their own achievement in every sphere of life was the best.

Rhodesia, according to Lord Sumner's famous judicial decision which Mr Mason does not mention, is a colony by conquest with the corollary that the indigenous inhabitants are under the protection of the Crown. But the settlers, "that part of the community which is in power," is faced with "the dilemma that confronts every conqueror; maintain the position by force and make certain of hatred in the end, or aim from the start at an equality which involves an immediate sacrifice of power."

The first part of this book is the best: the author begins by examining and analysing the achievement of the Bantu people before the impact of western civilisation destroyed their somewhat flimsy social structure; he then recounts the story of the invasion by the pioneers and of the two Matabele wars with an understanding that is lacking in most earlier accounts; in the third part he presents some of the problems of race relations in Rhodesia today. The book contains little formal history; it might be an even better book if it did.

Orthodox Democrat

Foreign Policy: *The Next Phase*

By Thomas K. Finletter.

Oxford University Press: for the Council on Foreign Relations. 208 pages. 28s.

THE Democrats' great victory in last week's American elections has, naturally enough, heightened interest in whether they have anything fresh to say on foreign policy. The author of this book should be qualified to speak for them. Not only was Mr Finletter Secretary of the Air Force in the Truman Administration, but as Mr Stevenson's adviser on foreign affairs and his leading supporter in New York State, he would also, had the Democrats won the presidential election of 1956, probably now be Secretary of State. He is the hero of the party's liberal intellectuals, whose disillusionment at the failure to secure for him this year's Democratic Senatorial nomination contributed to the spectacular Republican victory in New York.

Unfortunately Mr Finletter's views, as expressed in this book, are trite and loosely expressed. To be fair to him

one should add that the book is said to be "an elaboration" of lectures delivered exactly a year ago, which doubtless explains its diffuseness and its occasionally slapdash syntax. Most of what Mr Finletter says is all right as far as it goes. But it does not go very far. His views are those of the orthodox American liberal, laying the main emphasis on spending more on military defence than President Eisenhower thinks fit, but also being in favour of such worthy policies as giving more economic aid to underdeveloped countries.

After spending what might seem a disproportionate amount of space on military problems Mr Finletter picks up and drops in a desultory way most of the major topics of foreign policy and passes in review various people's ideas of tackling them, without always making it clear whether he is endorsing or merely summarising them. Most people, including Mr Dulles, favour some mixture of the different elements Mr Finletter mentions. The test of any alternative Secretary of State is whether he has a clearer sense of priorities, based on a sharper vision of reality. By this test Mr Finletter falls very short. At the outset when dealing with defence, he seems to acknowledge this obligation. He says with a great show of firmness that the United States ought to give absolute priority to expenditure on the great deterrent and lower priority to civil defence and military means "to further the purposes of our foreign policy." But, much as the American Army dislikes it, this is now the present order of priorities. Does Mr Finletter want to accentuate this still further and practically eliminate the resources available for limited war? At one moment, when he talks of spending more on the capacity for massive retaliation than is at present spent on all defence, it sounds as if he does. Then he appears to repent and talks about increasing the capability for limited war also. Even if all this extra is spent he doubts if this will give the West military superiority unless the armed services are completely merged, and even then he does not sound very certain. Mr Finletter's effort at precision having evaporated, the argument peters out.

The author strongly favours Field Marshal Montgomery's view that Nato ought to unify its policies outside the European area. He also thinks that the United States should identify itself more with "the Anti-Colonial Revolution," but beyond saying that the problem is not insoluble he gets nowhere towards reconciling these two desirable ends.

Since Mr Finletter attaches so much importance to a Western political offensive in Asia to replace the mistaken emphasis on military pacts, the realism of his few reasonably specific proposals can best be assessed in relation to India and Red China. First, he says that India should be encouraged to take the lead in forming an Asian defence organisation against Communist penetration. Next, he says very boldly that the United States "should re-examine our whole China policy." The result of his own re-examination is to advocate recognition of Communist China subject to a list of conditions as long as his arm. They include "a resolution on terms acceptable to us of all existing disputes" between China and the West, such as United Nations military protection for Formosa and the reunification of Korea; Chinese agreement to "join with America and the West in persuading Russia to agree on a proper programme of disarmament"; admission of "two Chinas" to the United Nations; and an amendment to the United Nations charter under which India would replace China as a permanent member of the Security Council.

If it could get such terms or anything like them the Eisenhower Administration would leap at the chance to recognise Communist China tomorrow. If the Democratic victory is to mean any rethinking of foreign policy the party will have to do better than this.

The Nation as Owner

Nationalisation in Britain: *The End of a Dogma.*

By R. Kelf-Cohen.
Macmillan. 310 pages. 25s.

FROM 1945 to 1955 the author was a civil servant concerned with the nationalised fuel and power industries: he tells us also that he is a disillusioned ex-believer in nationalisation as a principle. The second point comes out occasionally in the sharpness of his criticism of how disappointingly nationalisation has turned out in Britain. The first is largely veiled by a decent reticence, in that he tells us little first-hand of relationships between ministries and these industries (preferring, for example on page 181, to quote this journal for a discussion of processes with which he must be much more directly familiar himself); but Mr Kelf-Cohen's experience has presumably had something to do with his most important general conclusion—that the ministries should more definitely, and more openly, guide the policies of these industries.

Whether or not one accepts that proposition (it is discussed in a leading article on page 621), Mr Kelf-Cohen has produced a comprehensive and powerful indictment of nationalisation as it has been carried through in Britain, and an effective polemic against the Labour party's proposals to re-nationalise certain industries, nationalise some more, and buy the state's way (via national superannuation funds and death duties) into a wide selection of Britain's largest companies right across industry.

From a discussion of Labour's traditional arguments for public ownership, put forward for so long so vehemently, the author proceeds to the point that on assuming power and decreeing nationalisation a Labour government discovered that nobody had ever suggested precisely what organisation, powers and responsibilities the nationalised industries should have. He outlines the slightly differing forms of public corporation that were successively set up to take over coal and the public utilities, and gives a biting but generally fair analysis of the progress of these industries so far.

Mr Kelf-Cohen is perhaps a little readier to assume that what "the Nation" (his capital) wants is really definable, and that the nationalised industries can find this out and supply it, than more sceptical critics—which leads him to place great emphasis on formal relations with the consumer, and to complain bitterly that the consumers' councils have been a farce. Could they in fact ever have been anything else? He feels, too, that these industries would probably be startled if it were pressed upon them that their purpose is "to render a service to the Nation who own the industry." Some people who have vainly enjoined more commercial practices upon these industries have come away with different impressions, being told, for example, that "cheap electricity is an essential service to the country," or that "it would simply not be reasonable to ask people to pay for anthracite what it costs."

Labour relations, as he says, form the point where ultimate government responsibility for these industries may be forced into the open, much as ministers try to avoid it. In these public industries—as in some private—inflation has put trade unions first, corporations a poor second, the public nowhere. So far as actual prices to the consumer are concerned, however, the effect of this has been largely offset by the failure of these industries to cover full depreciation and their privileged access to cheap money: over the first decade of nationalisation, as a broad generalisation, the besetting sin of the nationalised industries has been to sell their products too cheap, not too dear.

In Search of the Bushman

The Lost World of the Kalahari

By Laurens van der Post.
Hogarth Press. 256 pages. 18s.

THIS is another vividly adjectival venture into Colonel van der Post's interior or "legitimate being," set this time against a quest for boyhood's dream of Eden, and articulated most appropriately with a search for bushman communities in Kalahari sands and the swamps of the Okovanga. The colonel shows once again that he has all the obsessive egocentrism that the English tradition in books of travel has generally required of their authors; but in this case a sinuous and brilliant prose, as well as the subject of the book, has mitigated a self-assertion that might otherwise have become quickly tedious. As it is, one is charmed by his submission to the spirits of the land—the spirits of this oldest Africa which gave the gods to Egypt—and quite ready to find it understandable and proper when he placates them with a letter of apology.

The bushman is the oldest of Africa's surviving types of man: his ancestors, unnumbered and unknown, go somehow back to those African men and women who stood, so far as present knowledge can suggest, on the threshold of the human story. Yet little is known of him; and now it may be too late to learn much more. Bushman communities must once have been numerous throughout much of central and southern Africa, but they are rare today, and may be found only in the bad lands of the far south west—may be found, that is, provided one has the energy and courage and material means to go and find them; and a great deal of all three will be required. These few who survive are generally thought to be dying out (although the pygmies of the Central Congo, perhaps a related peoples, are said to be increasing); and Colonel van der Post's bold and useful expedition suggests that they have in fact ceased to exist in the Okovanga swamps and live today only in the Kalahari. Direct and recent information about these dwindling groups is hard to come by; and it is clear that Colonel van der Post has a great deal of value to report.

Unfortunately, it is not reported in this book (though some of it is recorded, strikingly and movingly, in the television films which in the end were the journey's outcome, as they were its purpose). For much of his narrative we have to accompany Colonel van der Post through a customary series of setbacks and traveller's ill-fortune, made worse by conflict with a moody character called Spode, who was supposed to make a film of the expedition. This gentleman got thoroughly on the author's nerves (with ample reason); and possibly the contrary was also true. There are moments, indeed, when one has an odd feeling that the book's object was to offer some devious argument or apologia for Colonel van der Post's having failed to make the best of Mr Spode. There are moments—and they are far too many—when the book might better have been called "the lost film of the Kalahari."

All this may be well enough told, but is irrelevant and annoying because it has little or nothing to do with the matter in hand; and the matter in hand—the actual finding of a bushman community of some thirty souls—is of tremendous interest. When at last we do win through to these bushmen their description is enthrallingly handled and beautifully done. In face of the great simplicity that is bushman life in the Kalahari a kind of hush falls upon this book: the prose gets away from its wordy tendency, becomes purified, calmer, willing even to forget itself; and in this tense silence we see and hear another world, a world before time began or toil began, before the apple was eaten, before life grew strangled in competitive endurance. Unhappily we see and hear this very briefly; for the writer tells us that he is reserving a full description for another volume. It will be eagerly awaited. But let us hope that next time the Colonel will put Spode right out of his mind: and concentrate upon the bushman.

A Dynasty Under Fire

The Stuarts

By J. P. Kenyon.
Batsford. 240 pages. 25s.

FEW dynasties have committed more follies and blunders than the Stuarts; few have aroused such warm partisanship. Mr Kenyon is no sentimentalist but an angry young man, here more concerned to shock and to entertain than to enlighten. His characterisation of the first Marquis of Halifax, "freethinking and deeply cynical, regarding politics and politicians with censorious disfavour," might be applied to his own attitude, though he does not command Halifax's irony and coolness of temper. Unkind readers may even see a likeness between the Earl of Sunderland, "ill-tempered, intolerant and spiteful," and Mr Kenyon, who has recently published a full-scale biography of Sunderland.

The Stuarts are sitting targets for Mr Kenyon's rattling machine-gun. First comes James I, a vulgar, obscene, sentimental parvenu, a flamboyant homosexual hopelessly enamoured of the Duke of Buckingham, who had "the dark blue eyes of the highly-sexed." Last comes Anne, petty, mean and stupid, her attitude to politics dominated by a guilt complex and her personal life by "passionate relations with her own sex." Between come Charles II, who in his sexual appetite "was not a gourmet so

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much as a gourmand"; James II, who resorted to self-flagellation when deprived of his mistress; and William III, whose relations with Portland had "a deep homosexual strain." Even Mary II, distinguished for her "sweetness and graciousness," exchanged with Anne, at the birth of their step-brother, "scabrous gynæcological chit-chat as only women can."

The subjects of the Stuarts appear little more attractive. The parliamentary gentry were engaged in a "neurotic rat-race," for they were "poised uneasily between the crown above and the ravening, pullulating mass of the aspiring gentry below." Philistine and ignorant, the victims of an education which was "narrow and blinkered," the gentry finally "committed class suicide by restoring the monarchy in 1660." Earlier the lawyers, unable to make any useful contribution, had "succumbed to what can only be called a neurosis"; and their influence produced nothing more than "gimcrack constitutionalising."

There is often substance behind Mr Kenyon's scornful phrases, and he can produce admirably concise and pungent narrative. Yet even those who share his lack of sympathy for the Stuarts themselves will find it difficult to recognise the seventeenth century in these pages so filled with perverts, neurotics and [illegible] boors. The impression of aridity is heightened by the fact that the plan of the series compels Mr Kenyon to omit the Interregnum. The result is as if we were given a history of the Bourbons with the French Revolution left out. Like the other books in the series this is admirably illustrated. But it is odd that in making the point that Charles I owes his image of saintly resignation and romantic langour to Van Dyck, Mr Kenyon should have contrasted this with Bower's portrait of 1649, instead of with the earlier portraits by Mytens.

Case Study in Oil

Competition in Oil: *The Gulf Coast Refinery Market, 1925-1950*

By Daniel C. Hamilton.

Harvard University Press. London: *Oxford University Press.* 233 pages. 60s.

DURING the last few years a number of books on the petroleum industry have been published in the United States, which involve an altogether new departure. Earlier books were either purely descriptive and statistical or—at the other end of the scale—looked at the industry from the straight political or legalistic angle. The newer books are serious case studies handling their facts and figures with an eye on their implications for the student of economics—among them are Bain's "Economics of the Pacific Coast Petroleum Industry," Cassady's essay on "Price Making and Price Behaviour in the Petroleum Industry" and the monumental study by McLean and Haigh of "The Growth of Integrated Oil Companies." Professor Hamilton's book is a valuable addition to this range, the more so as it deals with refining in an area that is of the greatest significance for the United States and also for the world oil industry: the stretch of coast between the US Gulf and the Atlantic Seaboard up to Philadelphia/New York.

Since the book is restricted to one aspect of the oil industry in one geographical area, its main title—Competition in Oil—may seem perhaps to overstate its scope: to have reversed the order of the main and of the sub-title might have been more appropriate. As it is, the book provides much useful information in a field where the data are hardly ever systematically co-ordinated and the author shows an uncommon lack of any bias. The picture drawn by the author is significant throughout, the more so as some of it can *mutatis mutandis* be applied to other regions and spheres of the industry.

Mr Hamilton is confronted with the widely held view that all petroleum markets are dominated by a handful of large companies. He also knows that in 1951 the four biggest refiners in the area he studies did 52 per cent of the business and the biggest ten 84 per cent. Yet these and all the other criteria of monopolistic or oligopolistic behaviour fail to add up to anything rigid or complete: entry of newcomers is not easy but it is not impossible; the curves of prices and margins show clearly the influence of genuine supply and demand factors; there is no difficulty in obtaining crude oil or in transporting it; and there is a reasonably wide choice of "free" outlets for sales. There is, moreover, no tendency to stifle technical progress or to monopolise processes or know-how. The study also brings out clearly how much more difficult it is to exercise control in a fast moving industry than it would be in a static one. Mr Hamilton's final verdict is perhaps best expressed by a sentence he quotes from a study by Mr Alan S. Manne: "Despite the continued existence of a core of oligopolistic rivals, the actions of that core are usually conditioned by the behaviour of a small fringe of independent firms. And as a direct result of this unstable competitive fringe—small though it may be—the industry's . . . responses need not differ greatly from what might be expected if perfect competition were prevailing throughout." Thus the author leaves the subject of his investigation with an attitude of enlightened fatalism: he acknowledges its oligopolistic character but he cannot but appreciate the strong undercurrent of competition—actual or potential.

All this tends to strengthen the conception that the American domestic oil industry, hedged around though it is by strict governmental control of crude production and imports, still retains a competitive quality lacking in other areas; because of that quality, and despite the degree to which the supply lines have changed in the last decade, what happens in the US Gulf is likely to remain to a certain degree significant for a large part of the world. The picture drawn by Mr Hamilton brings out clearly the difference between the area of his survey and other areas where the lack of independent sales outlets qualifies the competitive nature of the oil business.

OTHER BOOKS

THE BOSS: *The Life and Times of the British Business Man.* By Roy Lewis and Rosemary Stewart. *Phœnix House.* 255 pages. 21s.

This is a study of top management and boardroom life in both big and small business. As one of the authors is a member of *The Economist's* staff, it is against our policy to review it.

ANTITRUST POLICIES: 2 Volumes. By S. N. Whitney. *The Twentieth Century Fund.* 559 and 541 pages. $10 for both volumes.

An authoritative study of how the American anti-monopoly laws have affected eight important industries—meat-packing, oil, chemicals, steel, paper, coal, motor cars and cotton textiles—and of twelve basic court cases in this field.

THE ELECTORAL COLLEGE. By L. Wilmerding, Jr. *Rutgers University Press.* London: *Mark Paterson.* 224 pages. 40s.

This study, by a recognised expert on the subject, describes the history and evolution of the complicated and confused system of indirect election by which Americans choose their Presidents; the author then discusses the various current proposals for bringing it up to date.

THE FUTURE SUPPLY OF OIL AND GAS. By R. C. Netschert. *Johns Hopkins University Press.* London: *Oxford University Press.* 134 pages. 24s.

According to the author, who is on the research staff of Resources for the Future, Inc., the United States has ample supplies of petroleum available for all its foreseeable needs for the next sixteen years. He approaches this controversial question from an economic, not a technical, angle and the book includes a review of existing estimates of oil and gas reserves and of the methods used in arriving at them.

MASS COMMUNICATIONS. By R. E. Chapin. *Angus and Robertson.* 148 pages. 37s. 6d.

A compilation of statistics, with the source given and its reliability assessed, of the various media of communication in the United States—newspapers, books, magazines, films, wireless and television.

MARKETING IN CANADA. By Edward J. Fox and David S. R. Leighton. *Richard D. Irwin Inc.*, Illinois, sponsored by the American Marketing Association. 437 pages. $6.50.

POLITICAL HANDBOOK OF THE WORLD: *Parliaments, Parties and Press, as of January 1, 1958.* Edited by Walter H. Mallory. Published for the Council on Foreign Relations by Oxford University. *Press.* 229 pages. 35s.

PROCEEDINGS OF THE BUSINESS AND ECONOMICS STATISTICS SECTION. 1957. American Statistical Association. 469 pages.

This book contains some 60 papers and reports of discussions. The subjects were, in the main, concerned with methods of short-term and long-term forecasting and related problems.

THE OXFORD BOOK OF IRISH VERSE: SEVENTEENTH CENTURY TO TWENTIETH CENTURY. Selected by Donagh MacDonagh and Lennox Robinson. *Oxford University Press.* 343 pages. 21s.

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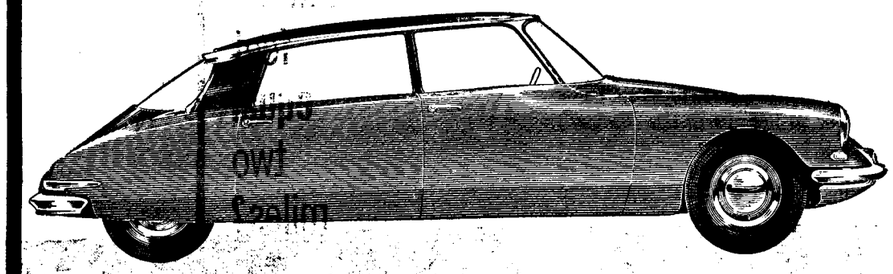

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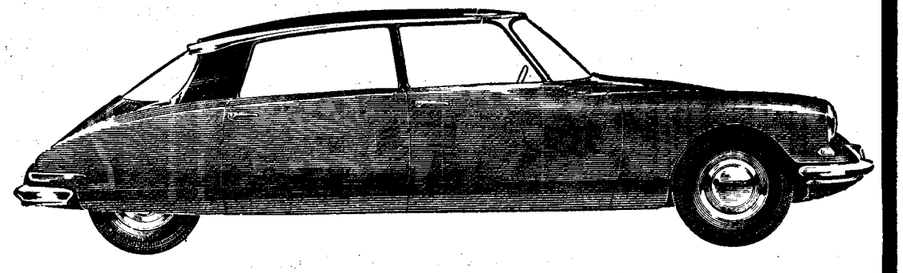

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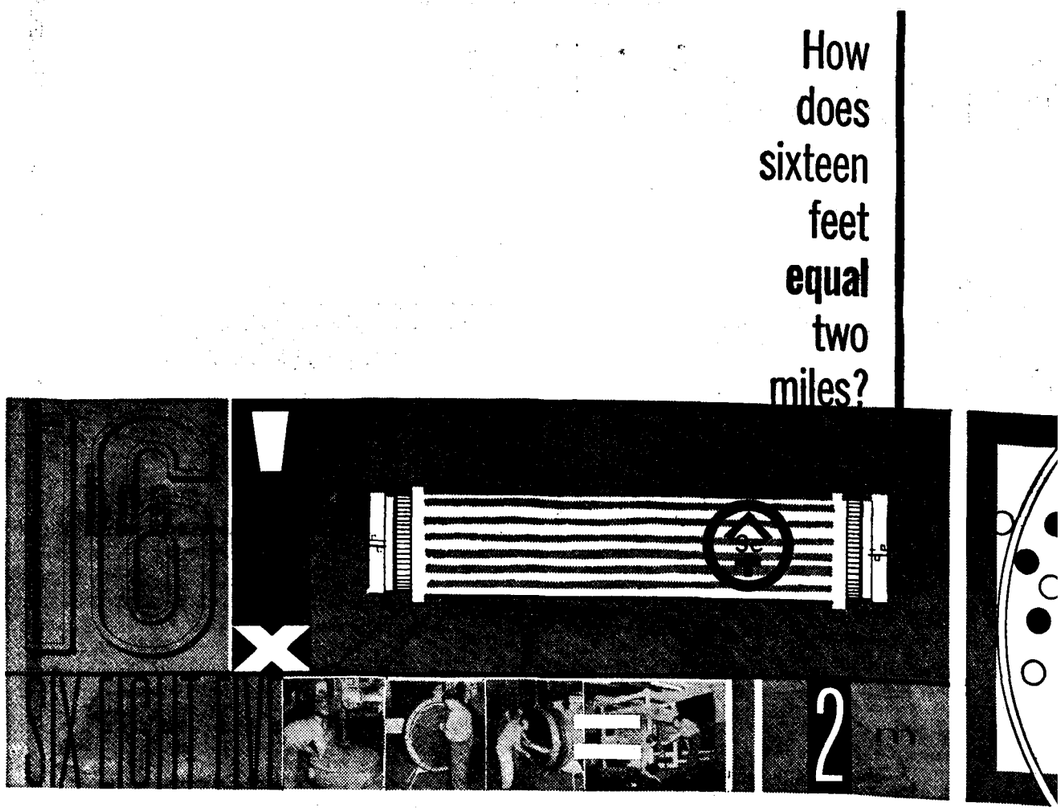

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AMERICAN SURVEY

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

Labour Presents its Bills

WASHINGTON, DC

SINCE last week's election the American Federation of Labour and Congress of Industrial Organisations, or AFL-CIO, has worn a smile as big as its name. To the trade union federation the voters have presented, along with the heads of assorted right-wing Republicans, a victory even more clear-cut and decisive than the one they gave to the Democratic party. Not only were "right-to-work" measures, which make membership in trade unions entirely voluntary, rejected in five of the six states where they were on the ballot, thus freeing the unions in these states from the fear that their strength would be whittled down by this device. The electorate also resisted the temptation, to which it sometimes succumbs, of hanging an entire breed because one dog has earned a bad name.

The well-publicised sins of Mr Hoffa's teamsters'—or lorry-drivers'—union, and of other groups which have been expelled from the federation for corruption, have not been visited upon the union movement as a whole. Democratic candidates like Senator Proxmire in Wisconsin and Representative McGovern in South Dakota, whose opponents attacked them strenuously for accepting trade union aid and implied that they were in league with the devil, held on to marginal seats with increased majorities. Two out of every three candidates who got financial assistance from the federation, or its member unions, won; and in both Houses of the new Congress there will be majorities—large in the Senate, comfortable in the House of Representatives—of members whom the organisation believes, on the basis of their past records, to be friendly to it.

This is a tribute to the electorate's discernment in sorting out the AFL-CIO's sheep from Mr Hoffa's goats. It is also being taken by the federation as a sign that it can relax the defensive stance it has adopted in the past year. Last week the organisation's Executive Council joined Mr Lyndon Johnson, the Democrats' leader in the Senate, and Mr Paul Butler, the party's national chairman, in the rapidly growing queue of people with lists of laws they want the next Congress to pass. The trade unions' special contribution is a request for the statutory minimum wage to be raised by at least a quarter. But what is most interesting is the federation's continued enthusiasm, even though the election proves that it is no longer under a cloud, for a Bill to curb corruption in the unions. Mr George Meany, its president, clearly has a twofold motive. No doubt he wants to remove the last remaining danger that the corruption of some will hurt the reputation of all; but he is also interested in the help such a measure would give him in bringing Mr Hoffa to heel. The leader of the expelled teamsters remains a major threat to Mr Meany's authority.

The federation's stand virtually guarantees that legislation to regulate the unions will come before the next Congress, and that it will be something like the Kennedy-Ives Bill, which came to grief last summer in circumstances so murky that no one could tell exactly whose dagger was in its vitals. The new Bill will almost certainly order unions to report what they do with their money each year, thus making it more difficult for people like Mr Hoffa to manipulate union funds in ways which have enriched his cronies and, it has been alleged, Mr Hoffa himself. Other likely clauses will try to expose any financial interests that union officials hold in the companies they deal with, and lay bare the activities of the "labour relations consultants" whom some employers hire in an effort to keep their workers from being organised. It will probably be made compulsory for all unions to hold regular, secret elections for their officers. Most of them, including the teamsters, already do, or say they do, but a law on the statute book might tighten up some people's rather loose ideas of democracy. Mr Meany is also in favour of excluding most ex-convicts from union offices. This would banish quite a few familiar faces among the teamsters.

THERE probably will be minor skirmishes about these provisions. The more rigorous reformers will try to strengthen the Secretary of Labour's powers of enforcement and to cut down the number of small unions who would be excused from reporting their finances. But the big battles will come over the AFL-CIO's ambition to amend the eleven-year-old Taft-Hartley Act, more commonly known in labour mythology as the "slave-labour law." So far the only change that Mr Meany has committed himself to seek is one to remove the provision which allows the states to adopt "right-to-work" laws. These are laws forbidding employers and unions to enter into contracts that require workers to join the union within a specified period. The Taft-Hartley Act gives a general blessing to such contracts, but then permits individual states to ban them. The concept of local option is still a hallowed one in America; but the unions' plea that labour law should be uniform throughout the country may well appeal to many of the new members of Congress.

There may also be changes in two fields where the Taft-Hartley Act has proved to be irritatingly vague. The unions would like to get a more favourable definition of their right to engage in "secondary boycotts"—the practice by which, when a strike is in progress against one company, pressure is brought against a second to prevent it from doing business with the first. There is also the dangerously troublesome problem of picketing. It is generally agreed that when pickets are thrown round a factory simply to extort bribes from an employer—as they have been by some dishonest union leaders in New York, for example—they must be

proscribed. But it is not easy to draw a legal line between this and the picketing rights of unions seeking recognition for more respectable reasons, which the AFL-CIO wants to extend. This week the Senate committee which has spent so long peering into the works of Mr Hoffa's teamsters starts an inquiry into both picketing and secondary boycotts. It is likely to produce some gamy evidence; and this may strengthen those who wish to make the Taft-Hartley Act more, not less, stringent, and to extend the life of the committee, which is scheduled to disband in January.

It is ironic that, as the hopes of useful legislation grow brighter, Mr Hoffa and his teamsters—the main reason for it—should be so plainly in the ascendant. The eight or nine AFL-CIO unions which Mr Meany ordered to break off their national pacts with the expelled teamsters last August are reluctantly doing so. But Mr Meany gave his blessing to co-operation at the local level; and this is continuing on such a scale that it is doubtful whether his ban has very much meaning. Even those sea-green incorruptibles, Mr Reuther's automobile workers, have called on the teamsters for help in enforcing a strike in Detroit. Mr Hoffa seems to be making his point: that his union is too powerful to be ignored.

It must also be confessed that, if the Senate committee investigating Mr Hoffa had hoped to bring down the law on him—as it did on his predecessor, Mr Dave Beck—it has largely failed. The committee has shown fairly convincingly that Mr Hoffa employs too many gangsters; that he plays with union funds as if they were dominoes; and that he connives at the rigging of elections. But these are matters for which the remedy should lie primarily in the hands of the union's own members, and there is not a jot of evidence that the lorry-drivers feel in the least outraged. Mr Hoffa discovered what Mr Khrushchev has discovered: that if you deliver the goods—in this case, regular wage increases and handsome pensions—you can get away with not far short of murder.

The Senate committee's main achievement has been to awaken the other trade unions to the need to take action. Mr Hoffa is trying to throw off the one remaining curb on his power: the three-man team of monitors which a federal court appointed to supervise the teamsters after the protests about Mr Hoffa's election a year ago. The chairman of the monitors is convinced that legislation along the lines that are now being proposed would enormously simplify his task. That task is an urgent one. If a Bill goes through the new Congress with the AFL-CIO's support it may at last be possible to control the teamsters' offensive behaviour and avert the public disgust with trade unionism which would be the greatest threat to labour's future.

Grounds for Manoeuvre

SENATOR LYNDON JOHNSON'S twelve-point programme, which he fished out of his pocket so promptly after the Democratic party's victory, is at one and the same time a swift move to set the tone of the next session of Congress before the new boys from the northern states have a chance to find their feet; a sharp hint to the party's national organisation, under its outspoken chairman, Mr Butler, to keep out of the congressional leaders' backyard; and a gesture to contrast Democratic mildness and sweet reasonableness with President Eisenhower's partisan fulminations against "radicals" and "spenders." As with the Senator's similar list a year ago, some of its points are very general, others are not primarily legislative, and several reflect Mr Johnson's well-known zeal for scientific progress. It includes "bold, new, imaginative" (but unspecified) foreign policies, cheaper money, "a consistent policy for Latin America," more rockets for outer space, airports for jet aircraft and an atomic merchant marine.

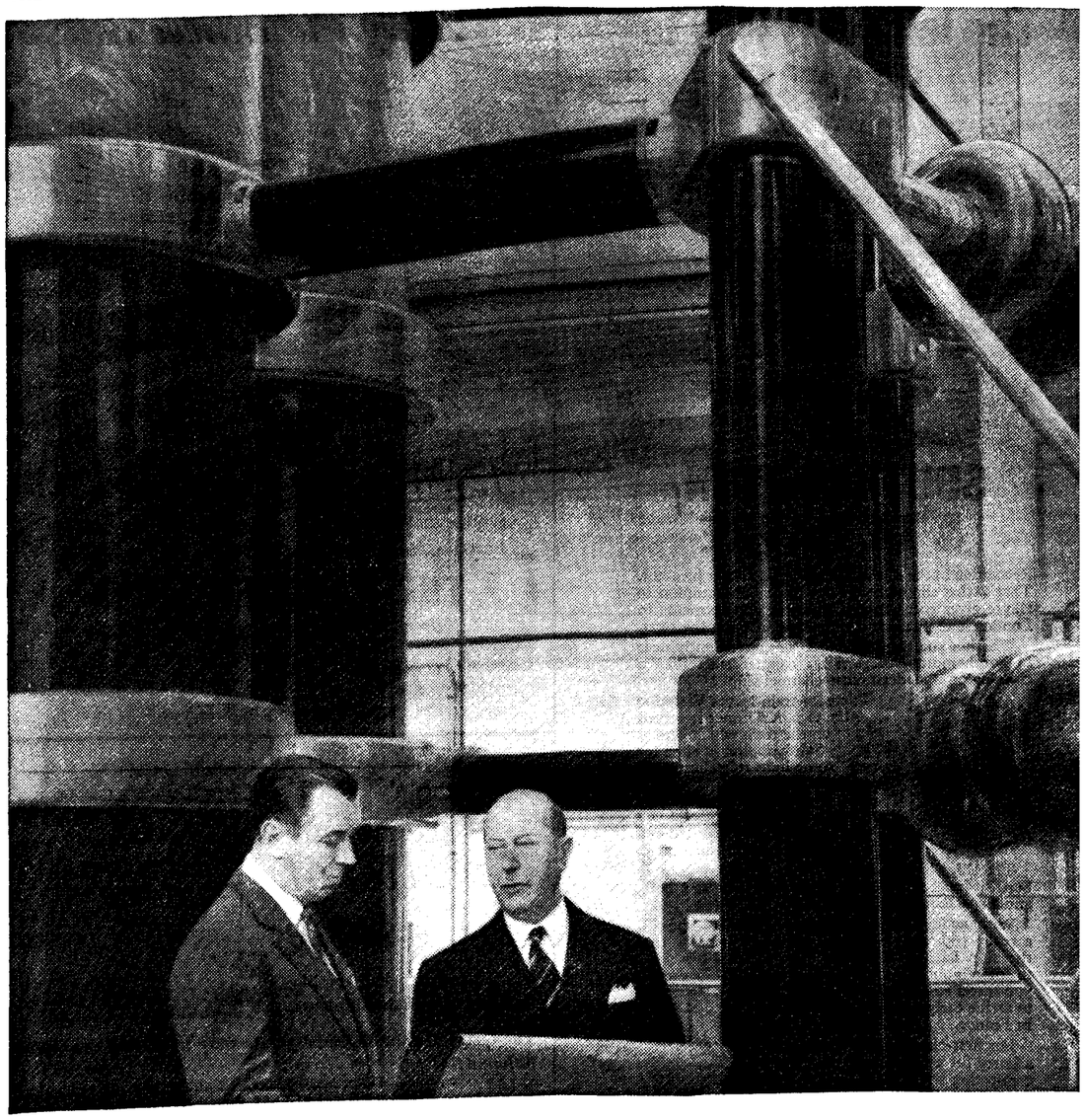
So far the only major welfare measures which Senator Johnson has endorsed have been a "bold" housing and slum clearance policy (which certainly deserves the highest priority) and a Bill such as the one the President vetoed in the last session to help depressed areas. But the northern liberals, so long frustrated, will surely demand more than this to show for their access of strength. At the very minimum the Senator will have to allow for some schemes to give federal aid to the hard-pressed school system. Even such a limited agenda would be costly. It is bound, therefore, to provoke the President's severe censure if he carries through his undertaking at last week's press conference to spend the next two years fighting to wipe out the budget deficit. Senator Johnson's tactics evidently will be to line up as many conservative-seeming colleagues as possible behind each particular measure, both to make the President's use of the veto look unreasonable in the public eye and to build up the necessary two-thirds vote in both Houses to override it.

The President himself is already publicly appealing to the conservative chairmen of committees to help him fight inflation. But these are the very southern Democrats who are encouraging open defiance of federal authority on the race issue. Thus Mr Eisenhower will have an even stronger incentive than before to play down the enforcement of the civil rights of southern Negroes, just at the time that Vice President Nixon's urgent need of northern Negro votes in 1960 will be driving him to play the issue up. Similarly, in the Democratic party Mr Butler, the party's chairman, influenced by electoral considerations in the North, is urging the new Democratic Congress to act strongly on civil rights, while Senator Johnson, wanting to hold the congressional party together, has an obvious interest in keeping his colleagues busy with other things.

Shareholders' Gain

LIKE President Eisenhower, investors and speculators evidently read the election returns as a threat—or a promise—of stronger pressures for government spending; the Dow Jones industrial index reached a new high on November 5th as the extent of the Democratic victories became known. But if fears of inflation were renewed, investors also had good news from the industrial front to justify their enthusiasm, which this week has carried the market even higher. No official figures on the third quarter's earnings will be available for another six weeks or so. But many of the results of individual companies have made unexpectedly cheerful reading. And the computations of the National City Bank show that the profits of over 700 corporations, which account for more than half of all profits, were 17 per cent higher in the third quarter than they had been in the second. As earnings usually fall in the summer, the seasonally adjusted recovery is put at about 22 per cent.

Continued on page 604



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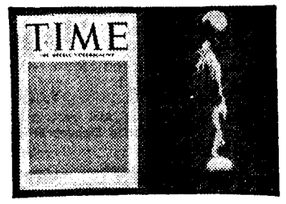

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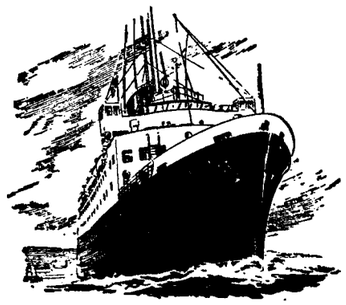

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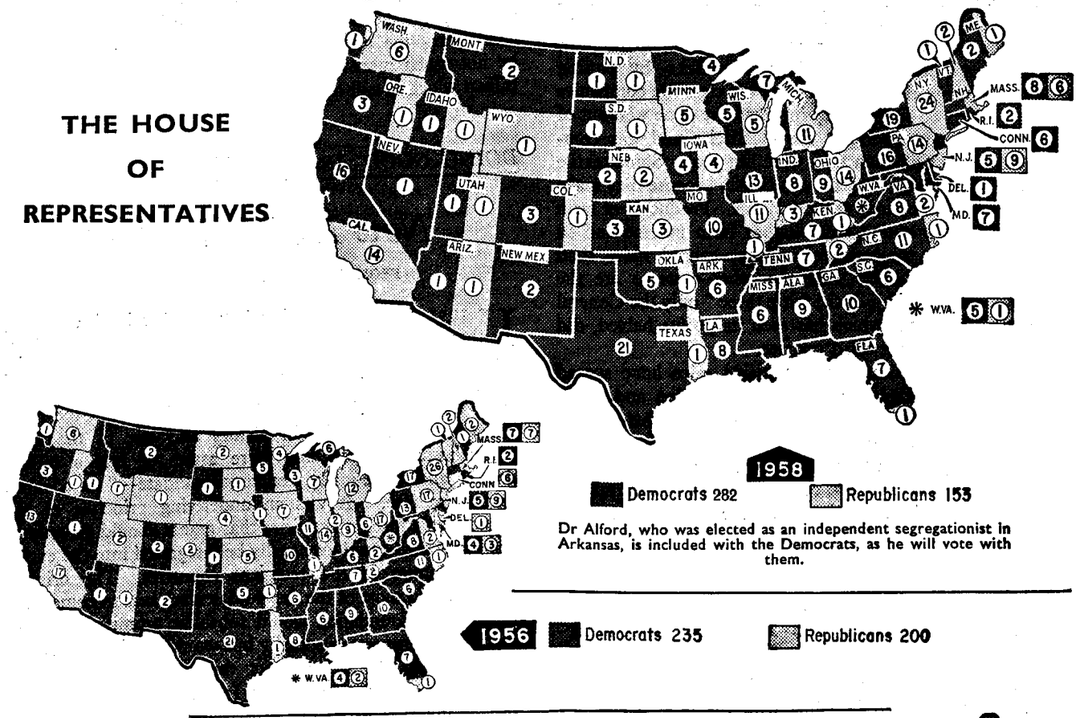
Changes in the 1958 Election

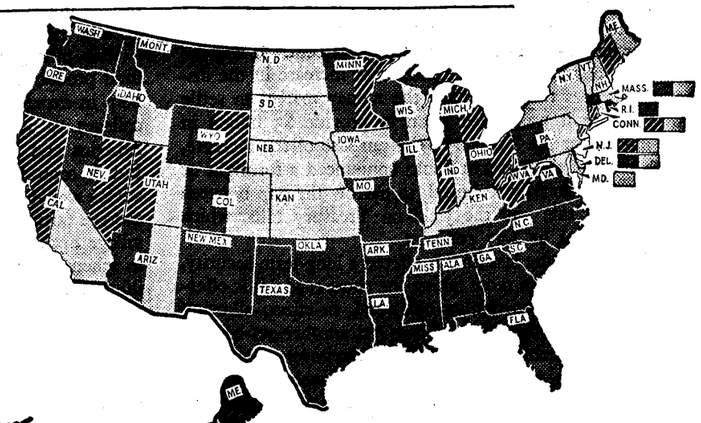
THE HOUSE OF REPRESENTATIVES



Dr Alford, who was elected as an independent segregationist in Arkansas, is included with the Democrats, as he will vote with them.

THE SENATE

	AFTER ELECTION	BEFORE ELECTION
Democrats	62	49
Republicans	34	47

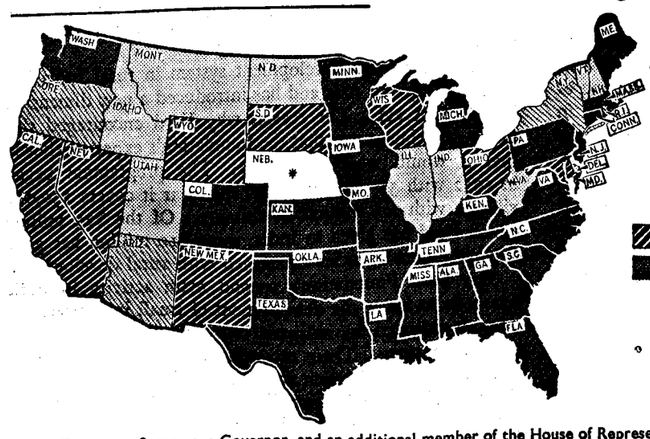


Democratic Gains
Democratic: held or not contested this year
Republican: held or not contested this year

In 34 races there were 13 Democratic gains and no Republican ones.

THE GOVERNORS

	AFTER ELECTION	BEFORE ELECTION
Democrats	33	29
Republicans	14	19



Democratic Gains
Republican Gains
Democratic: held or not contested this year
Republican: held or not contested this year

In the 33 races this year there were 8 Democratic gains and 4 Republican ones.

* The result in Nebraska will remain in doubt until the out-of-state vote is counted.

Two more Senators, a Governor, and an additional member of the House of Representatives will be elected in Alaska on November 25th.

Continued from page 600

This is, of course, recovery from a low level and in most cases profits in 1958 will be well below those of 1957, no matter what happens between now and the end of the year. But there are notable exceptions. Smokers, by puffing harder, have kept the profits of most big cigarette companies rising ; makers of building equipment have done well out of the boom in construction ; the electricity and gas companies are better off than they were last year. Some textile companies are prosperous, though chiefly because they make other things—cellophane and chemicals. Producers of farm equipment are profiting from higher farm income and in September even the stricken railways earned more than they had a year earlier. At the other extreme are the automobile companies ; of the " big three " only the General Motors Corporation, which has seen its profits halved, did not lose money in the third quarter.

For most industries, however, rising sales have spread fixed costs over a larger volume of production and, more important, have made even more rewarding the cost-cutting, introduced earlier. Productivity also is higher. Investors understandably reason that, as the recovery proceeds, these same factors should bring even sharper rises in profits, although some observers fear that the present prices of shares will need some living up to.

The Treasury's Short Road

At the eleventh hour last week the New York Federal Reserve Bank fell into line with the other eleven by raising its discount rate—the rate it charges on loans to its member banks—from 2 per cent to 2½ per cent. It was the eleventh hour because this most recent increase in the discount rate was timed to allow the money market to settle down before it was called upon to provide $3 billion in new money for the Treasury ; the purpose of the increase, which most of the Reserve Banks announced a fortnight or so ago, was primarily technical, to narrow the gap between the discount rate and the yield on Treasury bills, which stood this week at 2.77 per cent.

Badly burned the last time it offered a long-term security, the Treasury is once more taking the short road : it is offering 214 day tax anticipation bills, and, in effect, allowing the market to fix the rate. This is yet another set-back to the aim of lengthening the maturity of the government debt, but it is doubtful whether the market for government bonds will be ready to absorb a long-term offering even by December, when over $12 billion of maturing securities must be refinanced. One of the fears about short-term financing of the deficit—that the securities will be lodged mainly in the banks and set the scene for fresh inflation—is, at the moment, largely without foundation. The returns on short-term Treasury securities are high enough to attract non-bank buyers. At the end of July the commercial banks held less than a third of the public holdings of the marketable government securities due within a year. But the Treasury, by depending on short-term issues, is being forced to roll up an immense volume of refinancing for 1959, and such frequent appeals to the money market cannot avoid limiting the freedom of the central bank to control credit.

The Treasury has done its best to persuade investors that it is their duty, as well as to their long-term interest, to buy government bonds, in order to preserve the value of the dollar. But this campaign has fallen on sceptical ears. The chief comfort to Treasury officials must be the likelihood that the deficit which they have to finance during this fiscal year—the one which began on July 1, 1958—may be not much more than $10 billion instead of the $12.2 billion which is still officially forecast.

DOING GOOD ABROAD—II

New Models in Asia

FROM SPECIAL CORRESPONDENTS

In 1951 a private meeting between Mr Paul Hoffman, then the head of the Ford Foundation, and Mr Nehru, the Indian Prime Minister, laid the groundwork for what has become America's largest single effort of private foreign aid. When he arrived in India Mr Hoffman was the best-endowed philanthropist in history and one of the most enthusiastic. Behind him were assets of half a billion dollars and an equally generous mandate—" to advance human welfare." It was an underlying principle of the foundation's foreign activities that grants should go only to projects which could eventually be integrated into the evolving economies of the recipient countries. The original initiative and most of the day-to-day work was to come from them. The foundation would subsidise promising government programmes temporarily but would not be responsible for operating them. In effect this gave a running start among the Asian countries to India, with a trained civil service inherited from the British and a development plan already drawn up.

This plan gave the highest priority to self-sufficiency in food production and India's first request was therefore for help in expanding agricultural education. Six agricultural colleges received grants at once, and trainees were sent to America and Japan to study modern farming techniques. But it soon became apparent that no amount of expert advice would increase agricultural output in India until the average farmer had better health and more education. The village agricultural instructor thus found himself involved in schemes for digging wells, providing drains and fighting illiteracy. Once these innovations were accepted, and wells were being dug and roads built by local effort, they brought with them a social awakening. The government took advantage of this to organise villages into groups of a hundred each to co-operate in running welfare services and various other schemes of self-help.

This community development system in rural India has set a new style in Asia and has introduced a new dimension into foreign aid. The reason why Ford encouraged this major experiment was that the foundation's experts believed that it would work—as it has. The programme began in 1952 with 55 pilot projects ; this year it covers 250,000 villages with 1.5 million inhabitants. Of the $25 million which Ford has given to India, some $10 million has gone to government agencies concerned with rural development.

The Ford Foundation's second main activity in India has been to foster the development of small industries. In 1953 it financed an industrial survey by an international team of experts. Their recommendations have led to an unusual amount of action and some of them are reflected in the provisions for industrialisation in India's second five-year plan. While the first plan emphasised straight

nationalisation of industry, the second leaves private undertakings with considerable freedom to prove their value in a socialist state. A by-product of the survey has been the recent appearance of an electric generator and water pump powered by bullocks ; this triples the amount of water which can be pumped as compared with the old wheel method. Ford money is used to train villagers to operate it.

These examples show that the imaginative hopes entertained by Mr Hoffman when he went to the East, and the plans long since delegated to his successors, have been fulfilled to an exceptional degree in India, which provides an encouraging case history for such efforts in a developing country and which has come to serve as a model for similar undertakings in less stable parts of Asia. But elsewhere basic education and training in public administration had to come before significant sums of cash could be used effectively for long-range schemes. Pakistan, for example, suffered from a lack of expert civil servants because few Muslims had reached the top in government service under British rule. For this reason, in addition to its early grants for Pakistan's village agricultural and industrial development scheme, the foundation provided for American advisers to work under contract with the Pakistani government to help draw up its first five-year plan.

Throughout the Middle East, in fact, Ford has found that education is the great primary need. Hence the foundation's generous aid for missionary schools and colleges, and for schemes sponsored by governments, such as Egypt's clerical training centre where the salaries of a staff recruited under the United Nations' technical assistance programme are paid with Ford money. Adaptability and flexibility have enabled the foundation to provide quickly the direct cash aid without which a paper programme often fails. Even so, some grants have not materialised : Iraq's former government, for example, never got its rural development plan under way, and a Ford grant was still unexpended in the spring of 1958. In the Middle East, however, Ford has always had to allow for the instability of governments.

Iran has so far been an exception to this last difficulty. There in 1952 the Shah's land distribution programme was just starting and seemed the most promising attempt in the area to bring about a revolution from the top. United Nations and United States technical assistance missions, and the Near East Foundation, were all helping the Iranian government to set up the new land owners as independent operators. The Ford Foundation added substantial help for training village agricultural teachers and advanced the first, crucial $100,000 of capital for a revolving loan fund to provide supervised credit for the farmers. Within three years there were such measurable gains as a reduction in interest rates from the usual 30 per cent to 12 per cent, a high average of repayments under a system of group responsibility for loans, an increase from $125 to $425 in annual incomes and, most important, a definite breaking-down of the traditional Iranian distrust of central government. But whether these gains can be preserved without giving the foreigner executive functions which he should not have is another matter.

The Near East Foundation, an outgrowth of Near East Relief, had started farm demonstration work in 1930 in the Balkans, Palestine and Lebanon. Its purpose was to improve basic farm practices and teach the peasants elementary hygiene and reading and writing. It was invited to operate in Iran in 1945 and, when the Shah's land distribution scheme was conceived in 1950, it was asked to help to set up twelve model villages. The American government's technical aid programmes have made increasing use of the Near East Foundation's methods and personnel in rural assistance. It now operates in several countries, notably Jordan, under contracts with the American government and in Iran it has had the satisfaction of seeing much of its work adopted by the Iranian government. The Near East Foundation's philosophy is conservative and it aims primarily at stimulating local efforts. Its achievement has been to pass on to countless villagers such simple techniques as are within their reach for increasing the yields of their crops and preventing disease. Its services are now in demand in new and far places like Ghana and Korea.

The private American group which has been active longest in the Middle East is the Rockefeller Foundation which went into Egypt in 1914 to help with hookworm control. After the last war, this foundation undertook public health surveys for the Egyptian and Iranian governments. In Egypt the government provided 90 per cent of the costs of the study and has followed this up with serious attempts to improve public health. Responsible Egyptians who have worked with the foundation make two significant observations: first, that by going straight to the villages, where Egypt's great troubles are, Rockefeller set an important example ; and secondly, that its experts had sufficient prestige to command respect. Since 1956 the Rockefeller Foundation has used $20 million from its capital funds, in addition to income, for expanded help to Africa, the Middle East and Asia, thus underlining its conviction that prospects for peace can be affected decisively by what happens in these areas. The emphasis is on providing fellowships for the professional training of potential leaders. Where a local institution provides such training, Rockefeller invests in it ; thus in 1957 the American University of Beirut received an annual grant of $500,000 for ten years.

The Ford Foundation, a tax-exempt charitable trust, was established by the motor car family in 1936, but it was not until 1951 that it began to make substantial grants to fulfil its purpose of serving the welfare of humanity. Four-fifths of its grants have been to assist American efforts.

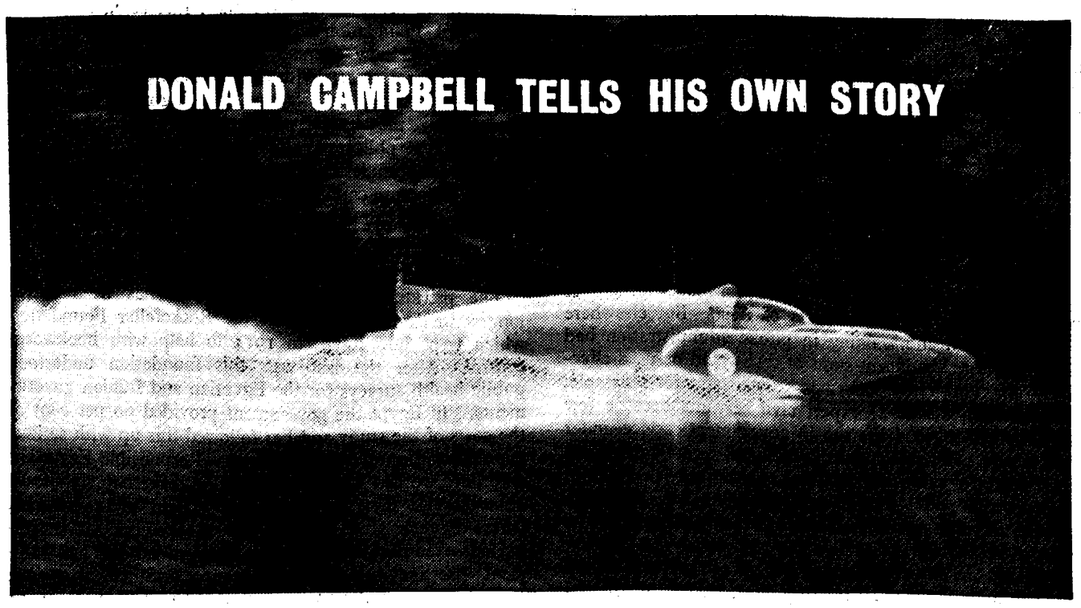
Its overseas development programme, to encourage the social, economic and educational advancement of countries in the less-developed areas of the world, concentrates mainly on providing expert consultants and advisers and on establishing new training institutions and programmes. This overseas assistance falls into five fields :—

(1) village development ;
(2) industrial and business development ;
(3) education and vocational training ;
(4) public administration ;
(5) economic and social research.

Of the $75 million appropriated for these purposes since October, 1951, $58.5 million had been allocated by the end of last March ; the main recipients were :—

India	$25.6 million
Pakistan	9.5 „
Middle East	12.8 „
Israel	1.2 „
Burma	3.9 „
Indonesia	3.5 „

Over $1 million is now being made available for educational work and economic and social research in Africa ; of this $35,000 has just been allocated.



'THE SENSATION IS ONE OF SKATING-SILENTLY-AT TERRIFIC SPEED'

How I broke through the 'water barrier'–and lived by DONALD CAMPBELL

Who smashed the World Water Speed Record for the fifth time on Monday at 248·62 m.p.h.

EVERYONE knows about the 'sound barrier'. That barrier of shock waves which jet aircraft hit at a little over 750 m.p.h., and which causes the familiar 'bang' in the sky. Not so much is heard about the 'water barrier'. And far less is known about it. What is this 'water barrier'?

HIGH-SPEED PITCHING

The water barrier is caused by factors quite different from those which cause the sound barrier. Mysterious factors that are still not entirely understood. But what *happens* is this.

Somewhere between 180–240 m.p.h. – the critical speed varies between different boats and might even be higher – violent and rapid pitching sets in. The boat is vibrated up and down many times a second. This puts a tremendous strain on its structure – and also subjects its pilot to severe gravitational loading. Which means that – every time the boat vibrates – his body's weight may momentarily increase seven times.

This is a moment of great danger. The tragic death of John Cobb was caused by the water barrier. Travelling at a speed of 206 m.p.h., his boat Crusader was vibrating 18 inches up and down 7 times a second. It blew to pieces.

200 M.P.H. IN 15 SECONDS

Bluebird was designed from the start to be strong enough to break through the barrier. 20 thousand man-hours of research work were put in before we even started to build her. A scale model with a rocket motor was exhaustively tested. The result? Bluebird is one of the strongest craft – boat or aircraft – ever built, taking into consideration her size and her weight. We estimate that she is capable of withstanding *twice* the stress to which she is subjected in record-breaking runs.

Another point about Bluebird. Her acceleration. Apart from one or perhaps two aircraft, *Bluebird accelerates faster than any other craft ever built. At* 95% *of full power, she will reach* 200 *m.p.h. in* 15 *seconds!*

FINGER LIGHT

How did it feel to hurtle across Coniston Water at record-breaking speed in Bluebird?

The sensation is always one of skating – silently – at terrific speed. That's on calm water. If the water is disturbed, it's like riding in a springless car with solid tyres over cobblestones.

There was plenty to do and think about. Take steering. Bluebird at speed is the most delicate thing a man could hope to handle, and like lightning in her response to the controls. The touch of a finger will alter her course. Then there are instruments to watch – and watch closely, because safety depends on them. Air speed indicator, water speed indicator, rev. counter, jet pipe temperature, stress meter, fuel pressure gauge. Radio contact to be kept. All this to be done with incredible rapidity. Because, remember, it takes only *50 seconds* from the start of a fast run to the moment I'm ready to step on shore again.

A NEW RECORD

Naturally I'm proud and happy to have managed to break the world water speed record for the fifth time. I meant to top 245 m.p.h. this time and I've done it. And I'm more than grateful to everyone who helped to make this possible. To Leo Villa, my chief engineer. To all the others who worked with me. **And to The British Petroleum Company, who supplied the fuel and the lubricants for Bluebird's successful run.**

Future plans? Bluebird can go even faster. With the experience we now have Leo and I are sure of it. In 1960 I'm planning to do 300 m.p.h. in her. Not only that. In the same year I want to have a crack at the land speed record. And raise that to 400 m.p.h. So here's to 1960!

The British Petroleum Company, who supplied all the fuels and lubricants used in Bluebird, congratulates Donald Campbell on his record-breaking achievement.

BP

Voters' Quiz Game

In thirty-nine states the American voter last week not only had to choose between candidates for twenty or thirty offices at the federal, state, county and urban levels but was also expected to answer "yes" or "no" to a series of involved questions. His verdict was sought on the issuance of bonds to finance public works, amendments to the constitutions of cities or states and other embarrassing matters (such as in Britain are often decided by free vote of the House of Commons) on which his state or local representatives preferred to transfer the responsibility back to him. In addition, in several states petitioners could put their own pet schemes straight on to the ballot paper or force a popular vote on measures recently passed in the State Legislature.

Fortunately, from the viewpoint of an expanding American economy, at least 80 per cent of the $2.3 billion proposed for bond issues (well over twice the total asked for last year) met with approval. Of these, the school bonds proved the most popular and, rather perversely, the states with the most unemployment were the most reluctant to spend themselves out of their recession. As for issues of a non-fiscal kind, the game of bingo figured prominently in the elections in Colorado, Delaware, and New York City, where the voters legalised this mild form of gambling, provided the proceeds went to religious or charitable organisations. This will mainly increase the revenues of the Roman Catholic Church which, one way and another, has had an excellent election, with Catholic candidates being elected in areas such as Minnesota where there used to be strong prejudice against them, and a dangerous proposal to tax their thousand schools in California being heavily defeated there.

Michigan forfeited its chance to tear up its archaic constitution and start afresh at a constitutional convention. Missouri denied its banks the right to open branches. Oregon insisted on retaining capital punishment, although its abolition was endorsed by both candidates for the governorship. Its voters also refused to allow the state itself or two of its cities to undertake public ownership of electric power, although the principle is now supported by both parties in the state. Finally, the voters of Georgia rejected a plan to offer a reward of $100,000 to any inventor who could abolish the boll weevil, a pest that destroys the cotton crop, and New York neatly illustrated the hazards of the present system of referenda: the voters approved a bond issue for building $75 million of public housing but rejected the subsidies which would put the flats within the reach of the poor families for whom they were intended.

Flying Laboratory

FROM A CORRESPONDENT

The X-15, America's most advanced aircraft for research at high altitudes, has just been rolled out for inspection. It is purely a vehicle for carrying out tests, and will be handled only by the most expert pilots, when the factory's aerodynamic trials are passed and the Air Force takes over early in 1959. The X-15 is designed to reach an altitude of over 100 miles and a speed of more than 3,600 miles an hour—a mile a second. In both respects this is a great advance on any manned aircraft which has yet flown and, when the X-15 has proved itself, these capacities will mark a respectable approach to the "manned space ship" of the future.

But there still is a great deal that must be known before even more advanced manned aircraft can be designed; the purpose of the X-15 is to provide some of the knowledge. This explains the 1,300 lb of instruments which it will carry, to measure temperatures at 600 different spots and pressures at 140; to record the reactions of the pilot and the aircraft to the controls, to weightlessness and to rapid accelerations; to acquire data on aerodynamic heating and heat transfer and the effects on structural components. The nickel steel alloy sheathing can withstand temperatures ranging from 1,200 degrees fahrenheit down to 300 degrees below zero, and the inner structure of titanium and stainless steel should be able to resist such heat as leaks through. The XLR-99 rocket engine will produce 50,000 lb of thrust for the aircraft, which is 50 feet long, has 200 square feet of wing area, and weighs 31,275 lb when loaded. To conserve fuel and to eliminate any risks involved in taking off from the ground, the X-15 will be carried to 45,000 feet by a B-52 bomber and started on its way from there.

This must be thought of as a great step toward the Air Force's cautiously mentioned "Dyna-soar" bomber of the future, which is to employ the "skip-glide" principle of high altitude flight at great speed for long distances. Once 100 miles or more of altitude and very great forward speed have been attained, it is reasoned that the pilot of that far-off vehicle will be able to glide fully around the earth several times, dipping into the atmosphere at intervals and then "skipping" outward again, and ultimately slowing down his flight sufficiently to descend safely where he chooses. This avoids the fixed trajectory that is the ballistic missile's greatest drawback. The Air Force has never concealed its conviction that purely mechanical means of flight through space, like today's satellites, are insufficiently rewarding, and that the really important achievements, whether military or scientific, will come through manned vehicles. The X-15 will afford the opportunity of testing present beliefs about the strains to be encountered and the ability of both man and aircraft to overcome them.

SHORTER NOTES

Correction: The name of the new Democratic Senator from Nevada is Mr Cannon, not Mr Channon, as stated in *The Economist* last week in a note on page 507.

* * *

Mrs Rudd Brown was not, after all, elected to one of the Los Angeles seats in the House of Representatives; she had been given false hopes because someone pressed the wrong button on the electronic computer. Her defeat does not invalidate the point made on page 509 of *The Economist* last week that it was not always the statistically marginal seats that went Democratic. The Republicans had a majority of 105,000 in the third district of Connecticut, which they lost, while in Washington state the Republicans hung on to all their five House seats although one of them was exceedingly marginal.



THE HISTORY of Hawker Siddeley is largely the story of British Aviation itself. From the old Avro 1 triplane of 1909, which made the first flight by a British aeroplane powered by a British engine, to today's 1,000 m.p.h.-plus Arrow fighter, Hawker Siddeley companies have been in the forefront of aviation progress.

The record includes the following notable achievements: Hawker *Hurricane* and Hawker *Typhoon*, first British operational fighters to fly at over 300 m.p.h. and over 400 m.p.h. Gloster *Whittle E 28/39*, first Allied jet aircraft; Avro *Vulcan*, world's first delta-winged bomber; Armstrong Whitworth *Argosy*, the world's first pressurised turboprop freightercoach and successor to the original Argosy, first aeroplane to make air transport pay. In two World Wars, aircraft like the Sopwith Camel and the Lancaster and Hurricane helped to defend our way of life. Today, Hawker Siddeley provides the R.A.F. with its only day interceptor, the *Hunter*; its only all-weather night fighter, the *Javelin*, and its most potent V-bomber, the *Vulcan*.

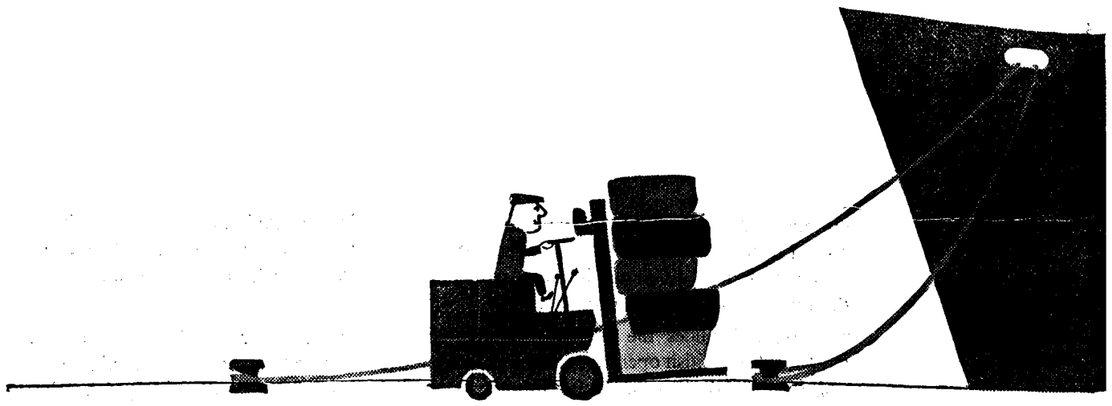
The Division is also actively engaged in Guided Weapons with the Armstrong Whitworth *Seaslug*, Britain's first ship-to-air missile, and the Avro "Stand-Off" bomb which will give extra flexibility in attack to the V-bomber force. Other projects are on the secret list.

Of the 182 aircraft flying at the 1958 S.B.A.C. Show at Farnborough, no fewer than 129 came from Hawker Siddeley Aviation Division — proof of the powerful contribution Hawker Siddeley is still making, after 50 years of solid achievement, to Britain's Air Power.

Constantly keeping pace with new developments, Hawker Siddeley is concerned with research into short and vertical take-off techniques and every aerodynamic device which will solve problems in the jet age. Whatever the next 50 years will bring, its Aviation Division is equipped to help keep Britain in the forefront of world aviation.

HAWKER SIDDELEY AVIATION DIVISION

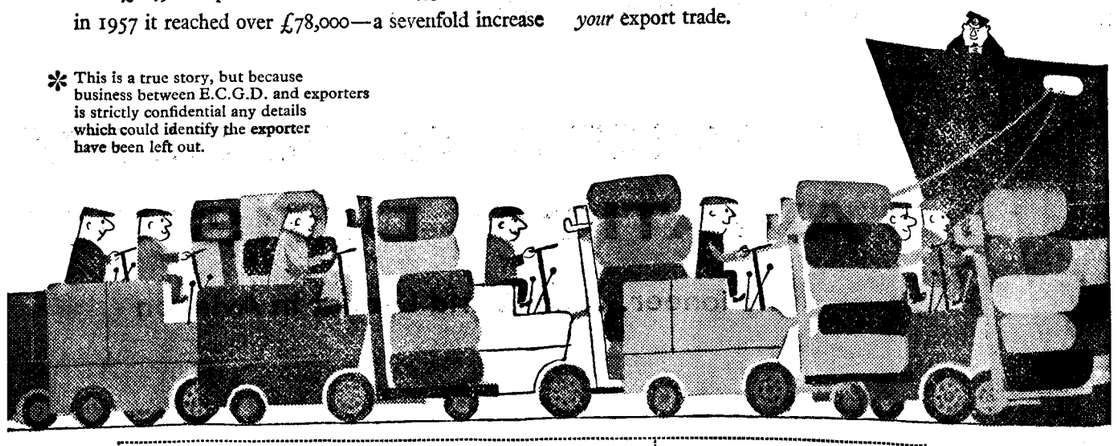
Pioneer...and World Leader in Aviation



Woollen mill builds 7 times bigger export trade in 2 years!*

Only three years ago a Yorkshire woollen mill shipped 84% of their exports to one market, the U.S.A. But see what happened when they talked to ECGD about insuring the rest of their business. Suddenly they were in a strong financial position to give credit to buyers in *other* countries. By 1956 their £11,900 export trade had risen to £36,000, and in 1957 it reached over £78,000—a sevenfold increase in just two years! By now 89% of their exports went *outside* the single U.S. market. The cost to the exporter was only 9/3d. for every £100 insured with ECGD. By vetting your prospective buyer and by seeing that you get paid, ECGD enables you to expand overseas free from credit worries. Have a talk with your ECGD man and see if you can't do the same for *your* export trade.

* This is a true story, but because business between E.C.G.D. and exporters is strictly confidential any details which could identify the exporter have been left out.



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THE WORLD OVERSEAS

Holiday in Jordan

FROM OUR MIDDLE EAST CORRESPONDENT

Amman, Wednesday

As we were. Having spent a week speculating on what would happen in Jordan during the King's absence, we can now look forward to wondering what will happen now that he is still here. There is at least something hard to bite on: the incident in the sky over Damascus. But we cannot pretend that it explains anything in particular; on the contrary, it has again complicated a situation that was beginning to clarify itself. The immediate signs are ominous. The radio war is warming up again; and while many impartial observers here, including some of Jordan's best friends, hope nothing will be done to aggravate the results of the incident, it looks as though their hope will not be fulfilled.

The first reflection that suggests itself is that the business was badly mismanaged. The Jordanians insist that the flight was authorised by the Syrian authorities, yet the Syrians were not informed that the King would be a passenger. They must have realised that the flight was linked with the King's holiday only after hearing a palace announcement giving details of his plans. They must have thought it odd that an apparent attempt at concealment had been made; and when Syrians think something is odd, they are better than most people at making difficulties.

On the other hand, the Syrian explanation—that two Migs went up to escort the royal Dove—holds no water at all. The behaviour of the Migs gave no hint of friendly or respectful intentions. Officials here assert that they meant to open fire and were foiled only by the adroitness of the King's pilot, a seconded RAF wing commander. Others think that not even a Battle of Britain ace could have brought the Dove home safely if the Migs had really intended business. According to this school of thought the Syrian fliers failed in the more difficult task of frightening the King back to Damascus.

What are we to make of this episode, coming at a time when relations between Jordan and the United Arab Republic were showing concrete signs of improvement in the shape of more moderate broadcasts and the reopening of land frontiers and air space? The King, with every justice, was angry at the affront. His broadcast statement after the incident roundly accused the Syrians of "aggression" and promised that his government would take measures to deal with the situation. A strongly worded complaint was at once lodged with the office of Signor Spinelli, Mr Hammarskjöld's personal representative in Amman, whose function is to observe the implementation of the all-Arab resolution of August 20th. Since then the Jordanian prime minister, Samir Rifai, has announced his government's intention of taking the matter to the Security Council, where presumably the Russians are waiting with a veto. What then?

Whatever the strength of Jordan's legal position, the ability of its government to give effect to its views is limited. It cannot break off diplomatic relations with the UAR, because they are already broken. It is in no position to impose economic sanctions, since they would hurt Jordan more than anybody else. The trouble is that Jordan is the most likely sufferer from the resumption of the cold war with the UAR—an embarrassing position for an aggrieved party, but one that must be faced. About the best Jordan can expect to achieve by a protest is substantial United Nations majorities in its favour. Whether this would have any effect on President Nasser is another question.

It has been said above that many of Jordan's best friends here hope that the incident will not be pushed to the point of a new complete rupture with neighbouring Arab states. The best that could happen would be an apology from President Nasser, though this seems excluded by the present tone of UAR broadcasts. The next best hope is that the incident may die a natural death, with the King's dignity intact and the danger of another inter-Arab breach averted. If that is the aim, much finesse will be required.

The immediate consequences inside Jordan of the King's return were significant. Within an hour the army was on the streets of Amman with slogans, *feux de joie* and Bedouin dances; school children were not far behind. After dusk some groups of civilians paraded the streets with slogans and hand-claps. The following day—declared a public holiday to celebrate the King's safe return—police joined the army in the streets, and vehicles of the two forces were gaily bedecked with oleander branches. But when one remembers the Arab love of noisy demonstrations, and the complete ban that has been imposed on them for the last eighteen months by martial law, the most conspicuous feature of the parades was the studied, orderly calm of civilian bystanders. West bank Jordan was even quieter.

Before the French Poll

FROM OUR PARIS CORRESPONDENT

The first ballot in the French general election will be held on Sunday, November 23rd. But the electoral battle is still at the skirmishing stage. In the school playgrounds of Paris and the provinces the candidates are just warming up in front of rather thin gatherings. In France itself there are 2,784 contenders for 465 seats in the new Assembly—about six candidates for each single-member constituency. Thus, in the first ballot few seats will be filled; most candidates will be manoeuvring to be well placed at the second attempt, on November 30th.

If elections were held on the British system and a simple majority were sufficient in the first poll, the Communists

might emerge as the strongest party, at least if they have preserved the bulk of their 1956 voting strength. But in the first ballot an absolute majority is required; the aim in most constituencies, therefore, is to gain first place among "national" (that is, non-communist) candidates. Those who fail will then be expected to stand down in favour of the leading contenders. All this makes electioneering somewhat difficult. A candidate has to hit his rivals hard enough to persuade the voters that he is different from them, but not too hard, because he may want his defeated opponents to ask their backers to vote for him, or at least not to stand in his way.

The importance of the second ballot has been increased by two events which have slightly altered the prospects as they were described in *The Economist* of October 25th. One is the relative failure of the projected pact between the neo-Gaullist UNR, dominated by M. Soustelle, and the conservative *Indépendants*, led by M. Duchet. General de Gaulle's faithful lieutenants within the UNR were against such an exclusive alliance, because it would have associated Gaullism too closely with conservatism. They are helped in their obstruction by the extraordinary enthusiasm that is being shown for the despised job of a deputy. In many constituencies the representative of the UNR clashes not only with a conservative but with another Gaullist standing on the lofty platform of "fidelity and renovation."

The bargains which are not struck before the poll will have to be made between the ballots. In the meantime, this improves the chances of the centre parties, and of the Socialists particularly. Another change, however, works in the opposite direction. The Communists have hardened their position. The early statements of M. Thorez gave the impression that, having counted their votes in the first ballot, the Communists would then stand down in favour of "Republican" candidates. This soft line apparently shocked the rank and file; at any rate the party has now made it plain that it will not help candidates who supported the new constitution, and that all concessions must be mutual. Even if these orders are not followed by all Communist voters, they spoil the chances of M. Mollet's candidates, who had hoped to be elected on the anti-capitalist ticket.

GENERAL DE GAULLE, having proclaimed himself above the battle, has not allowed any party to use his name. Apart from the Communists and a handful of others, all the candidates are now "Gaullists," and it is up to the voter to decide which are more Gaullist than others. The image of the general varies from platform to platform. Here he is near-Socialist, M. Mollet in heroic form; there he becomes an anti-parliamentary Hercules cleansing the stables of the Palais-Bourbon. But the way in which the Gaullist wave will flow into party channels is only one of the mysteries of these elections. There are other unknowns; in 1956 the Poujadists polled two and a half million votes and M. Mendès-France, then at the height of his popularity, brought many votes to the Republican Front; there are also the votes lost by the Communists in the referendum.

Who will inherit all these millions of votes in the first ballot? The UNR, illegitimate heir of the Gaullist Rally, logically stands the best chance. Its performance and the behaviour of its deputies will be watched carefully. Will this be M. Soustelle's battalion, or President de Gaulle's instrument for controlling a balanced chamber? Electoral forecasts are still very cautious here, though the general impression remains that the next assembly will either be evenly divided and docile, or dangerously over-weighted on the right.

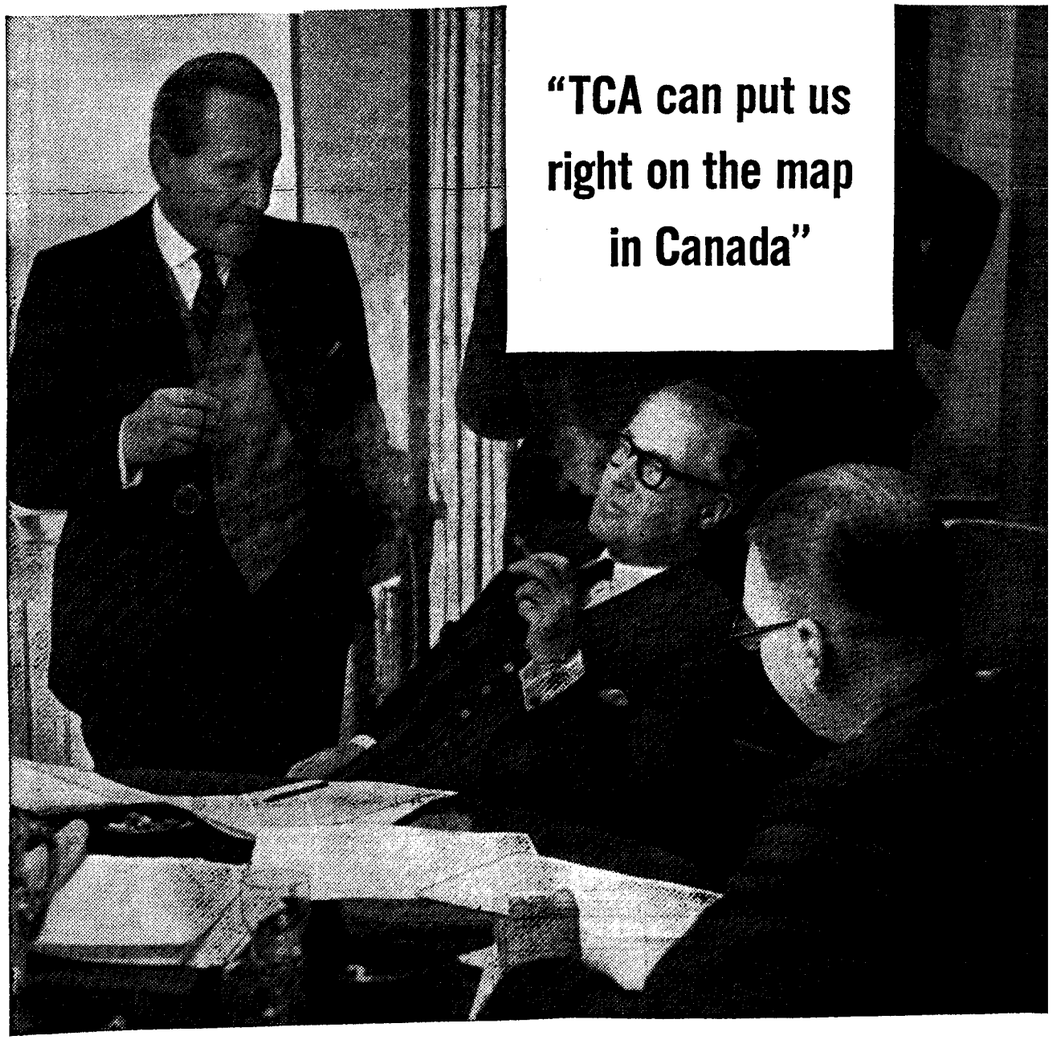
The danger has been increased by the way the prospective Algerian contingent is taking shape. Little doubt remains that the course of the elections in Algeria marks the first setback in General de Gaulle's series of successes. Moderate nationalist spokesmen are most unlikely to emerge from the poll that will be held throughout Algeria between November 28th and 30th. There is a single ballot with lists arranged to ensure a proportion between Moslem and French deputies. At one stage, after General de Gaulle's instructions to the army, when the air was thick with rumours of a secret negotiation, the prospect looked fairly bright. Then came the rebel leaders' veto, which has proved to be still effective enough to decide Moslem moderates not to come forward. The European liberals, too, concluded that there was no chance of a free vote.

It is true that a rush of last-minute candidatures last Saturday brought the total number of lists to 52 for the 18 Algerian constituencies. Only 12 deputies out of 67 will be elected unopposed. Elsewhere there are many lists, though little real visible choice. The Socialists did finally put up several lists under express orders from their Paris headquarters. But the Socialists have had little following among the Moslems since M. Lacoste's term of office in Algiers, and it is doubtful whether their spokesmen will oppose the slogans of "French Algeria." The bulk of the other lists is filled with names of the old representatives of the colonial lobby, together with those newcomers who have become prominent since May in the committees of public safety. Algeria's integration into France is an ever-recurring slogan in the titles of the various lists.

SUCH Moslem candidates as have appeared are mostly figureheads, recruits from committees of public safety or employees of the authorities. The expected names of moderate nationalists, like M. Farès, are not to be found on the lists. Nor are the names of liberal Frenchmen, like M. Chevallier, the former mayor of Algiers, or M. Savary, the former socialist minister. The latter explained that he had decided not to stand because of the conditions prevailing in Algeria. He insisted on the "psychosis of fear" among Moslems, which gives the army a decisive role in the election.

The undoubtedly narrow limits of choice are causing concern here. Some "left-wing Gaullists" have appealed to the general to postpone the vote; but this idea has been rejected. The government, while deploring the boycott by the liberals, does not seem unduly perturbed. It sees in the election one of the first steps towards an Algerian settlement and is apparently prepared to wait.

Whatever the future course of the government's Algerian policy, these deputies will, in the meantime, sit in the French chamber. The French settlers in Algeria have twenty-one seats guaranteed to them by the quota system. This is twice as many as they would have had if the ratio of one deputy for 93,000 inhabitants, applied in the home country, had been observed. The double representation of the colonial lobby would, however, be of secondary importance but for the fact that the Algerian poll may now provide it with an additional 46 obedient Moslem auxiliaries. Including the Sahara deputies, the lobby may even have a block



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vote of 71 in a new chamber of 546 deputies. Some of the colonels—trying their luck in France, since they were not allowed to stand in Algeria—are already getting ready to lead this parliamentary troop. The contingent of the *mal-élus*, as they have been dubbed here, is a bad omen for the new assembly.

Free Trade Seen from Paris

FROM OUR SPECIAL CORRESPONDENT

MR MAUDLING may well feel some irritation as he looks down the council chamber in the Chateau de la Muette at the little team sitting behind the label, France. For a year Mr Maudling has been struggling there to negotiate a free trade area and has won, it seems, fifteen other countries to support his cause; but his efforts have constantly broken on the stubborn resistance of this rock. Mr Maudling has tried frontal pressure; he has tried mild concessions; he has sent in his Swedish and Swiss *franc-tireurs*. All seems to no avail. At moments his opponents seem to give ground. Then they pop up somewhere else obstinately contesting a new point. Last week M. Couve de Murville, the French foreign minister, told Mr Maudling in London that France had no intention of accepting the principle of a free trade area for the seventeen countries of OEEC on anything like the present terms.

Almost self-sufficient, France does not share its neighbours' desire for free trade; its geographical position, however, enables it to exercise a powerful influence—even a veto—on their endeavours to do so. France accepted the common market only at the price of big concessions to French industry's bent for protection and organisation; and the treaty gives France a commanding political position in the community's development. The free trade area, by contrast, seemed in French eyes to offer France almost nothing. As the French saw it, Britain was claiming a market for its industries without offering anything to continental farmers; it asked for entry into protected European markets in return for entry to a British market in which industries from the Commonwealth had a free hand. Britain wanted to keep the preferences that its industry enjoyed in the Commonwealth and push open the door to Europe, too. As a major industrial power Britain, like Germany, seemed likely to benefit greatly from freer trade within Europe; it offered in return none of the compensations for weaker countries—investment funds, rehabilitation funds—present in the treaty of Rome. The free trade area seemed a one-sided commercial device which was not even redeemed by a political commitment. Above all, the very creation of a larger area would weaken the commanding position France has gained in the group of six.

In the long courtship which led to the treaty of Rome France took up the classic position of the wooed. It kept its consent just out of reach until bit by bit the German suitor accepted the French terms. In the free trade area negotiations it has adopted a similar line—proposing delays in the start or later stages of the scheme, never sticking long to the firm principle of a free trade area starting next January 1st, until it gets the terms it wants.

Some of these terms are old chestnuts now: harmonisation of some social changes and labour costs, an agricultural commitment, a vague claim to a share in the preferences given by the Commonwealth to British industry. But by far the most important concerns the essential principle of a free trade area; the maintenance by member countries of separate national tariffs against outsiders.

The most obvious difficulty this creates is what is called the "problem of origin." Cheap textiles from Hongkong, say, might filter through the low British tariff, and pass on into France, perhaps processed in Britain. The British claim that a system of certificates of origin could and should prevent goods less than 50 per cent of the value of which is added by manufacture in the area from taking advantage of free trade within it. The French and many other people on the continent feel that the problem can only be resolved by a "harmonisation" or levelling of outer tariffs as in a customs union.

The claim for tariff "harmonisation" is also put forward on broader grounds. To French industry the common market is a mutual deal in preferences. Thus, Germany offers France entry to a market protected by an agreed tariff; France does the same for Germany. In the free trade area Britain is asking for access to the protected French market, but offers in return a British market which will not be protected at all from Canadian chemicals or Indian cloth. In the summer Mr Maudling made a concession to the French by agreeing that the tariff problem should be discussed industry by industry. The matter has now been studied enough to make possible a series of deals, if there were a real willingness to negotiate on both sides.

Such a set of deals would, however, be upset if a member country changed its tariffs after the treaty is signed; at a late stage, the French have called in question the right to do this. What if an Anglo-Canadian free trade area were to be devised, say five years hence? Mr Maudling's answer—that there should be consultation before such a move is made and a complaints system afterwards—seemed to the French to fall into the classic pattern of British co-operation with Europe—fine words without commitments. Such changes would not be important, explained Mr Maudling. If that is the case, retorted a Belgian, speaking for the Six, why not commit yourself?

THIS lack of a political commitment is perhaps the loudest of the French complaints. Yet paradoxically Britain now appears to be advocating strong institutions for a free trade area, France weak ones. The British Government favours a strong Council of Ministers with majority voting on escape clauses—to prevent individual countries from escaping from tariff discipline when they feel like it. France has long opposed any suggestion that there should be strong institutions to enforce free trade within the area, on the ground that there is no strong political commitment on the reverse side of the medal—like the issue of external commercial policies that M. Wormser raised. Given the basic political weakness of the British concept, the French prefer unanimous voting which would allow any one country to use an escape clause arbitrarily though under defined circumstances. There would be lots of rules, in other words, instead of a political decision. Despite the talk in favour of a political commitment in a free trade area, the French know that a weak commitment would leave France in enjoyment of its advantageous position.

The French government now says that it has no intention of making a decision for or against a free trade area in principle until the terms are settled—and the differences are still wide. The British and other critics of France

inevitably wonder whether this means that France is in fact delaying in order to bargain for better terms, or haggling in order to avoid a free trade area altogether.

There are certainly two distinct attitudes in France. One group, which includes the *patronat* or employers' federation, seems opposed to any sort of free trade area on terms possible for Britain. This group wants to preserve the position France has acquired within the common market and knows that any broader scheme would inevitably weaken it. The cry that the free trade area is designed to undermine the common market has been voiced with new force of late. Within the administration, however, and notably in the Quai d'Orsay, there are many people who would like to negotiate an economic association between the Six and outer western Europe, provided France gets reasonable terms. But these terms will certainly not amount to a free trade area as the British first conceived it.

The Canberra Stakes

FROM OUR CORRESPONDENT IN AUSTRALIA

MR MENZIES is still expected to win the election on November 22nd, but hardly anyone now expects him to win seats from the opposition in the House of Representatives, as seemed likely after the Victorian elections some weeks ago. The latest opinion poll shows a swing towards Labour among those who were previously undecided ; in round figures, 43 per cent are for the Liberals or their allies, the Country party ; 40 per cent for the Australian Labour party (ALP) ; 7 per cent for the Democratic Labour party (DLP), and 9 per cent are still undecided.

There are two reasons for the swing towards Labour. First, Dr Evatt opened his campaign by shrewdly offering to resign after the election if the Democratic Labour party would give its second preferences to his own party instead of to the Liberals. This put the DLP on the spot because it has always maintained that the reason for its separate existence is disapproval of Dr Evatt and the pro-communist policies of which it accused him. Its spokesman, Senator Cole, replied that the ALP should have the DLP's second preferences only on certain " conditions " ; one was that it should recognise the " industrial groups " and another that it should formally abandon nationalisation as one of its declared aims.

Neither of these conditions, as Senator Cole knew, had the remotest chance of being accepted. The industrial groups were anti-communist cells which, largely by mobilising the Roman Catholic vote, succeeded some years ago in ridding several unions of their communist leaders ; but when they extended their activities to the Labour party they stirred up such sectarian hatred and such distrust of themselves as something alien to Labour, to the unions, and to Australia itself, that there can be no question of accepting them now. As for the demand that nationalisation should be abandoned as a party aim, that might seem less difficult, since it is really dropped already, but as in Britain it is indelicate to say so. When pressed on this point by a television interviewer, Dr Evatt said that there would be no nationalisation without a referendum, and he quoted the most innocuous definition of socialisation yet heard—all ideals and no organisational commitments. But the party's left wing, headed by the wild Mr Eddie Ward, would strongly object to striking nationalisation off the programme for ever.

Dr Evatt, of course, had counted on the DLP's rejection of his offer, but the terms of the rejection were better than he could have hoped. They enable him to shout that the DLP is not a Labour party at all, that it serves only to keep Labour out of office. The DLP may make some compensating gains from the preliminary results of the Hursey case. Unless it wins on appeal, the communist-dominated Waterside Workers' Federation will have to pay heavy damages to the Hurseys, father and son, who had refused to pay a union levy for the benefit of the ALP and were thereupon expelled from the union and physically prevented from working. But the DLP seems unlikely to split the Labour vote as badly as it would have done if Dr Evatt had never made his offer.

The other reason for the swing towards Labour is that Mr Menzies, with his usual contempt for the opposition, wants to humiliate it utterly this time by winning without offering a single electoral promise himself. He merely points to his government's record, to Australia's growing prosperity and to the drying up of overseas capital inflow which he predicts would follow a socialist victory. Dr Evatt, on the other hand, argues as if the country were already in the grip of a severe depression and dangles before the electors such baits as big increases in child and maternity allowances and pensions, free dental treatment for children, tax exemption on fares to work and the removal of the sales tax on household necessities. He would also have the Commonwealth Bank go into hire purchase finance to force down rates, as well as lend money cheaply to young couples and make personal loans without security to all suitable applicants. All this, Dr Evatt reckons, would cost £A119 million, which he would find by organising defence more efficiently and economically, by an excess profits tax, if necessary, and by borrowing the rest from the bank.

Mr Menzies counters with the claim that these concessions would cost all of £A165 million and cannot be introduced without severe inflation and higher taxation. Unfortunately for him many people who are not chronic voters for Labour do not agree. They have watched the reflationary measures in Britain, they know that farm incomes are expected to be £A180 million down on last year, of which less than half will be offset by paying less in tax, they see that wool prices are still in the depths—so they think that quite a lot could be given away without causing inflation. Most of them speak only of the internal situation and blandly ignore the danger, as international reserves fall, of giving any stimulus to the demand for imports. But even those who take this into account, and who applauded the cautious budget of three months ago, feel that Mr Menzies should offer something now—not as much as Dr Evatt and with more relevance to production and investment, but something.

There are other people who will feel like voting for the Labour party if only because it has been out of power for so long—which they feel is bad not only for the opposition but also for the government, producing irresponsibility and inexperience in the one and laziness and complacency in the other. This is a good argument for voting Labour until one surveys the cabinet potential on each side. Having done that, a majority of voters seem likely to decide that the second pair of qualities would be rather less harmful than the first.

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one has produced any new ideas about what to do about defence or west New Guinea, or how to be friends with Asia without cold-shouldering one's friends in the west. These are Australia's biggest problems, but as no one can think of the answers, it is safer to keep to the unemployed (or the Communists, according to political taste), who apparently swarm unseen in our midst.

Sicilian Revolt

FROM A SPECIAL CORRESPONDENT IN PALERMO

Six Christian Democrat deputies in the Sicilian Regional Assembly have rebelled against the party's central executive or, more precisely, against its secretary, Signor Fanfani (who is also prime minister and foreign secretary in the national government), and have set up a coalition junta at Palermo supported by Communists, Socialists, Monarchists and neo-Fascists. This "hybrid coalition" is denounced with great vehemence by the Christian Democrat secretariat in Rome and, more circumspectly, by the ecclesiastical hierarchy in Palermo, but it has been saluted as the lawful government of Sicily by President Gronchi, whose personal popularity on the island is at present the main breakwater against a rising tide of resentment bordering upon disaffection.

Signor Milazzo, the president of the new junta, is a veteran of the old Popular party and has sat for the Christian Democrats in every junta since Sicily achieved home rule. He has now been expelled from the party and his supporters have been ordered to desert him on pain of expulsion. Far from wavering, however, the rebels expect to recruit new adherents in the assembly and intend, if Signor Fanfani keeps up hostilities, to fight the regional elections next spring under the banner of an independent Catholic Socialist party.

The junta can count on at least fifty-four out of the ninety votes in the assembly and is unperturbed by the fact that nineteen of these come from the Communists and ten from the Socialists. The rest are divided between the other parties, while the Christian Democrats, for the first time, are in opposition and will have to fight the regional elections at a disadvantage. No one doubts that they will lose votes in Sicily, but this is, at present, the least of Signor Fanfani's worries. He is under cross-fire from his opponents in the party for mishandling the Sicilian affair and for allowing a situation to arise in which the party is threatened by a split —which could soon spread from Sicily to the mainland—or, at best, by the secession of its Sicilian branch with every likelihood of the example being followed by the Christian Democrats of Sardinia and the other self-governing regions. A similar landslide is taking place in the Liberal party, whose leaders in the Sicilian assembly are in conflict with their central executive, which has ordered them to oppose Signor Milazzo. Here, too, a regional split seems probable.

Italians on the mainland are at a loss to assess the significance of this island revolt. At first sight many are tempted to set it down to congenital separatism and to accuse the Sicilians of ingratitude for all the statutory privileges and economic aid given them by Rome. The unnatural alliance of Communists, Socialists, Catholics, Monarchists and Fascists, they say, is a proof of political immaturity. But in Sicily things look somewhat different. The immediate cause of the explosion is resentment at the clumsy interference in the island's affairs by the Christian Democrats' central executive. This first ordered the outgoing president of the junta, Signor Giuseppe La Loggia, not to resign, although he had been beaten in the assembly. It then virtually claimed the right to designate the new president and finally to veto the choice of the assembly which had elected Signor Milazzo. (Under the statute of home rule the Sicilian assembly, unlike the national parliament, elects the president and members of the junta.)

Irritation at the high-handed methods of the Christian Democrats would not alone explain the sudden outburst of Sicilian patriotism which sustains Signor Milazzo's incongruous government. Behind the political squabbles is deep and widespread resentment at the way in which the development of the island's economy has been thwarted by certain North Italian interests which tend to monopolise industrial credit in Sicily and so to neutralise the effect of the special laws and credit facilities devised to put local industry on its feet. Sicilian industrialists complain that they cannot compete for credit with the big industrial "monopolies" of the North, and say that their efforts to build up a local industry as distinct from local branches of the big northern industries are being deliberately frustrated by the big monopolies with the complicity of certain local and national politicians. The quarrel between the Sicindustria (Sicilian Federation of Industries) and the national Confederation of Industries (to which the Sicindustria, in theory, belongs) has passed from the stage of pamphlet warfare to open broadsides in the local and national press. Certain members of the former junta in Palermo are accused by the Sicindustria of retarding the application of a law passed by the assembly in August, 1957, to help local industry by means of a financial holding similar to the national institution, IRI (Institute of Industrial Reconstruction). Finally, the new financial company was given a board which is said to be dominated by representatives of the big northern monopolies.

Apart from these charges there is clearly matter for concern in the way in which the Sicilian economy is developing. Contrary to expectations it is tending to develop from that of a depressed area into a pseudo-colonial economy with all the disadvantages that this implies. The building of costly facilities for industry is not leading automatically to industrialisation and is the cause of much social unrest when short term employment on public works comes to an end. The increase in per caput income in Sicily has not kept pace with the national average increase, and since there is no local industry to provide equipment for the impressive programme of public works there has been a reflux of capital from Sicily to the North. Local industrialists would seem to be justified when they ask the national and the regional governments to guarantee a programme of industrialisation to keep pace with pre-industrialisation, and ask to be made responsible for an industrial policy for Sicily.

This economic background helps to explain the apparently incongruous allianee of right and left-wing parties in the present government. Sicilians claim that there is nothing unnatural in a coalition that rests on a fundamental identity of interests. In any case, they say, theirs is not a national government but a higher form of local administration. The important thing is that it be in the hands of honest men.

THE 4 REASONS

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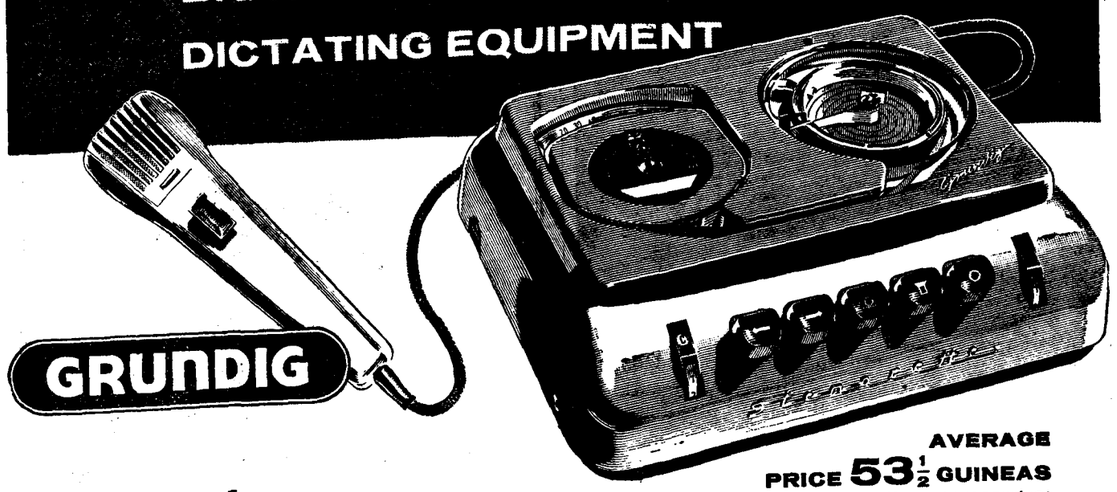

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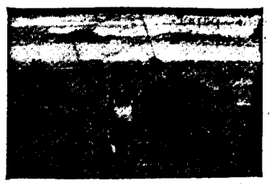

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THE BUSINESS WORLD

Living with the Public Industries

NOBODY will be surprised to hear that the Federation of British Industries believes that further nationalisation, by the front door or the back, would be a Bad Thing: nor would anyone expect the federation to judge that nationalisation so far has been a good one. To many, indeed, the only unexpected feature of the statement of FBI policy towards nationalisation issued this week* will have been its cool-tempered and by no means wholly hostile analysis of the industries now in public ownership, the problems that have faced them since they were taken over, and their performance so far. Its judgment of their performance, inevitably, is adverse (could any honest socialist's be otherwise?) but moderately expressed, as in its summing up:

> The record cannot yet be said to fulfil the expectations of outstanding progress and improvement held out by the nationalisers.

Nor is the FBI concerned to make a case for de-nationalisation (barring its calculated aside to the effect that "it may be both practicable and desirable to set free" one nationalised industry, civil air transport). It recognises a "narrow zone" in which "public and private ownership are reasonable alternatives and where the balance of advantage may sometimes, though by no means always, fall on the side of the former." It is primarily concerned to argue that nationalisation should not spread beyond that zone.

The FBI's analysis of nationalisation so far, moreover, goes more frankly into the underlying reasons for lack of success in the public industries than most critics from the right usually find it politic to do. If one reckons depreciation realistically, these industries have in general failed to cover their costs out of their revenues; to some extent at least this must have tended to inflate the demand for the goods and services they sell; and from projections based upon these inflated demands and upon privileged access to cheap finance, they have formulated development programmes that require what may be presumed to be an exaggerated share of the capital resources that the British economy can muster. That is the main economic criticism of the nationalised industries; and in echoing it, the FBI is prepared to recognise that their policies have to some extent been due

> either to a mistaken belief that the national interest is served by low prices of essential services irrespective of cost or to insistence by the Government of the day on postponement of price increases which from time to time a nationalised industry has proposed.

Understandably, the FBI is concerned to emphasise the inadequate control of costs in the nationalised industries, rather than to dwell upon any inadequacy in their prices:

> Prices should fully cover costs and if they do not somebody has to pay the difference. This does not mean that past increases in nationalised industries' prices were all justified: still less that a further increase is now to be advocated.

There is such a thing as having your logic and eating it too; but even this must be counted a good deal for an industrial federation, responsible to the business customers of the public industries, to admit.

IT is a good deal more, indeed, than any political party has yet been prepared to admit. As the FBI points out, public industries are and must ultimately be subject to political control: "Their managers, unlike those of private enterprise, have neither the clear authority nor the yardstick of profitability necessary for efficient operation." In principle, these nationalised semi-monopolies have to conform to some imprecise concept of the public interest which Parliament, through the responsible minister, has to interpret. In practice, Parliament is eternally dissatisfied about the degree of accountability that it commands from the public industries, and ministries are constantly perplexed by the problem of vetting

* Report on Nationalisation. Federation of British Industries. 68 pages. 5s.

and controlling their investment. Yet ministers are repeatedly interfering with their current operations to a degree that makes fully responsible management ineffective. During what Sir Hugh Beevor last week reckoned as "the present five to nine months before an election," certain private industries at least may have good reason to fear for their future if Labour were to get in. But whichever party gets in, the public industries have little reason to hope that any government will be prepared to dispense with its power to interfere, at crucial moments, with their day-to-day management. This is power without direct responsibility, and its effect upon the commercial efficiency of the public enterprises does not really bother either set of politicians; for one set is politically committed to the argument that nationalised industries cannot pay, and the other set believes that whether they pay or not does not really matter.

Practical development of these relations between governments and the public industries has already put considerable strain on the form of organisation that Britain, in accordance with tradition, applied to them: the public corporation. In principle, such a corporation is a commercial concern with specific functions and responsibilities. It has to charge for its products such prices as will make its revenues "not less than" cover costs, "taking one year with another": its board members are appointed and can be dismissed by the responsible minister, and it is subject to "general directions" from the minister. But these directions were generally intended to deal only with emergencies, for instance when the "national interest" might be taken to conflict with the corporation's commercial interest, and were expected to be few and far between. In fact, there have been only two such directions in the history of postwar nationalisation. But the ministers' influence has nevertheless been steady and pervasive, extending often beyond their necessary functions of vetting or allocating capital (which have been performed quite ineffectively) to such matters as the kind of aircraft a nationalised airline should buy and above all to the prices that the public industries should charge (though only one of these industries is formally subject to public control of its prices and none to control by the government). This is a long way from the public corporation as Mr Herbert Morrison saw it in the days of the Central Electricity Board and the London Passenger Transport Board.

IT can be argued, indeed, that this public corporation framework is simply not adequate as a framework for the industries nationalised since the war; that these far larger, and more monopolistic creations, with their much greater influence upon the rest of the nation's affairs and their vast demands upon capital resources, differ absolutely from the public corporations of the thirties and cannot effectively be organised in the same way. This is perhaps the main conclusion of another recent and distinguished critic of nationalisation, Mr Kelf-Cohen (in a book* reviewed on page 594). The government, he would argue, "must more and more take the responsibility": it must impose "a more definite and deliberate policy" upon the boards, making frequent use of its powers to issue "general directions" (for example, directing the National Coal Board to arrest the decline in the output of large coal, and the area electricity boards to improve load factor). It should "set up an organisation which supervises and formulates policy for the industries: no legislation is required as the existing Acts provide the necessary powers in the general direction."

This view might well attract ministers, and ministries too. Mr Kelf-Cohen was formerly a civil servant concerned with nationalised industries in the Ministry of (Fuel and) Power. His view runs deliberately counter to the idea that publicly owned industries, as independent corporations, can really operate commercially; and, for example, to the FBI's view that "even with more time the Parliamentary system and Government administration would be together unsuitable for the control of industry." It assumes either that politicians and civil servants can do a better job of managing these industries than anybody else who can be persuaded to try (for it is difficult to see where the directions Mr Kelf-Cohen has in mind would stop), or, more plausibly, that their ultimate management must inevitably be so political that it is better to drop the pretence of commercial independence. And one must admit that parts of the nationalised industries, in particular the railways, may now be moving out of the sphere where ordinary commercial considerations have any connotations save those of hope (in company with many railway systems throughout the world) and that coal, over the next decade or so, may suffer from the same urge towards convenience. At the other end of the scale, it is doubtful whether if commercial considerations alone counted Britain's electricity system would be committed as deeply as it is to nuclear generation; and civil air transport (again in common with its counterparts abroad) has still, after thirty years, hardly taken off into full commercial viability.

Even so, the argument that ministers should take more and more of the responsibility will seem to many a counsel of despair. Whether or not these industries constitute some special zone for public ownership, they remain largely essential to, and are knit into, the whole productive machine of British industry. To subordinate their policies wholly and avowedly to the decisions of politicians and civil servants would surely perpetuate and accentuate many of the weaknesses of the present boards—such as insulation from the forces of the market, remoteness of control, reliance upon paper programmes rather than responsible management—and leave them even more susceptible than they now are to the pressures of special interests. Nor would more direct responsibility make any easier the special task that ministries dealing with these industries

* Nationalisation in Britain. Macmillan. 25s.

already have to perform, but so far have failed to achieve: that is to find some reasonable basis for assessing their capital needs, against each other and against those of other sectors of the economy. The transfer of public industries from the private to "the public sector" has sharply altered the balance of public investment as against private investment which a government may attempt to adjust in Keynesian management of the economy. Today, therefore, some higher logic may often be argued for putting "nationalised industries' investment" as a whole up 10 per cent or down 10 per cent (though it could conceivably produce contradictions such as the "necessity" to spend less on developing coking coal mines because private steel is spending more on new blast furnaces). But there will have been little logic anyway in the total and individual amounts of investment authorised for these industries in the first place. These are the crucial decisions that settle the place of the public industries in the economy, and they are already in the hands of the politicians and the civil servants. The way they have been performed so far is not a demonstration of high competence to take on more business decisions.

THE alternative of trying to make the public corporations more commercial and less political, therefore, is not merely a matter of philosophical attitudes; it derives simply from the fact that commercial criteria can demonstrably be used to run industries reasonably well, and that in free societies political and "planning" criteria so far have not succeeded. Its application in the conditions of British nationalised industries would mean, as Mr Kelf-Cohen advocates, more use of "general directions" by the responsible ministers—not, however, to settle the operating policies of these industries, but to make explicit many of the pressures to do uncommercial things (today, for example, rural electrification; tomorrow, perhaps, the trains running on time that voters will still want there to sneer at out of their car windows) that ministers now prefer to achieve by covert pressures in "consultation." These directions, indeed, might be needed to make some nationalised boards that are too bemused by their "public service obligations" act more commercially, as for example in laying down the size of reserve that the minister would think proper. Dislike of market criteria is not confined to any one part of the administration of these public industries.

The direction might also be the instrument of a new policy for co-ordinating their investment: one which required all schemes to be submitted, and classified, in terms of a strictly-defined rate of return on new capital, and which from time to time laid down the return, geared to current rates in private industry and to public utilities abroad, that these industries should aim at earning. The same effect could be gained by charging these industries some such going rate for the money that the Treasury can raise on gilt-edged issues by pledging its own credit, or by sending one or two of them to the market, if this were practicable. What matters is a more realistic rate of return on nationalised investment, however imposed. It would in turn mean more realistic prices, or less investment, or specifically-defined cases where the government accepted lower rates for strategic, prestigious, or protective reasons. Higher rates might rule out some nuclear power stations as well as some coal mine reconstructions.

IT would also require considerable political self-denial upon the part of ministers. Nobody would expect that in practice these industries, even under such a regime, could wholly move out of politics; their relations with ministers would always be partly a matter of personalities, and "accountable" or not, they would remain obliged to explain all their doings in public in far more uncomfortable detail than any private industry ever needs to do. But much of what is done today would have to be seen to be done, and it would become clearer what ministers have to answer for. It might also become easier to judge performance in these industries; and, just conceivably, to attract one or two of the private industrialists who today, understandably, would not for a moment think of taking a turn at running them.

This alternative is no more plausible than "more power to the minister"; though it may be infinitely preferable it is perhaps even less likely to occur. What is more likely than either is that the politicians will prefer to go on exercising their power covertly and arbitrarily putting all the responsibility on the boards. Exercises in reorganisation, which may be largely irrelevant until relations with the minister are cleared up, may attract the Conservatives more; uncritical praise (but not a whit less interference) may be Labour's formula if it gets the chance to apply one. It hardly needs saying that the time between now and the election is certainly not going to promote such clear thinking about the public industries from either party as has come, say, from the FBI: and that Labour's threat to enlarge the whole problem of nationalisation must bedevil any attempt to live sensibly, in this mixed economy, with the public industries we have.

FREE TRADE AREA?

Will Britain be included in a Free Trade Area or excluded from the Common Market? The effects of these two possibilities are analysed and estimated in our report, "BRITAIN AND EUROPE".

"Britain and Europe" is an exhaustive, industry-by-industry study, giving the detailed reasoning behind the forecasts. It is based on extensive consultations with industry throughout Europe as well as on the study of published facts and statistics; contains 304 pages of text, tables and charts; and is obtainable for 15/- from booksellers or for 16/-, packing and post included, from

THE ECONOMIST INTELLIGENCE UNIT LIMITED
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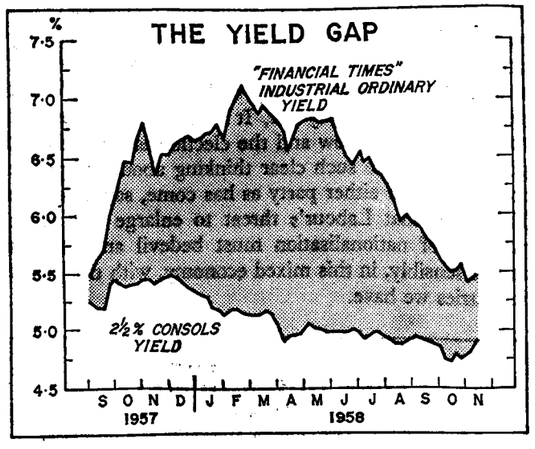
BUSINESS NOTES

IN THE MARKETS

Switching to Industrials

A FORTNIGHT or three weeks ago the gilt-edged market experienced its first significant check in a long rise, and it is fair comment that the extent and duration of the setback in gilt-edged have taken nearly everybody by surprise. The *Financial Times* index of government securities fell from 85.21 to 83.83 in the fortnight ended on Wednesday. What has happened has been a succession of small switching orders from gilt-edged into industrials. The selling of long-dated gilt-edged has been matched by increased buying in the industrial market where over the same fortnight *The Economist* indicator has forged ahead from 226.9 to 235.7 and the public jumps eagerly at the few new issues of industrial ordinary shares that come forward.

Throughout this period there has been no big selling of gilt-edged stocks either long or short. Sterling remains strong ; it is only the small man who has altered his assessment of gilt-edged. This should therefore be a passing phase, but jobbers cannot afford ever to take a long or even a medium view of the market. Since the extent of the decline



caught them unawares they have been obliged to adjust their books and in doing so to add to the decline.

The small investors have been acting on an unusual kind of anticipation of inflation. It is assumed first that a Democratic congress in America is more likely to speed economic recovery with mild doses of inflation than a Republican one would have been. It is assumed secondly that at some point during this winter unemployment in this country will reach a figure that embarrasses a government with its eye on an election and that therefore the government will inflate out of the unemployment and thus triumph at the polls. Time will show how far investors are prepared to carry that line of thought. The yield gap between gilt-edged represented by 2½ per cent Consols and industrials represented by the *Financial Times* Industrial index has, as the chart shows, this year narrowed markedly. That would normally mean either that British Government credit was weakening, which is certainly not true, or that the earnings anticipations from industry were on the up grade and anyone who believes that is obviously looking well ahead. Therefore, it is likely that the basic strength of the gilt-edged market has not been permanently weakened, and that the persistent buying of industrials (and of options on them) may have become rather speculative and be almost due to slacken off. On the shorter view, however, the gilt-edged market will need careful nursing in advance of the Government's expected refunding operation, and the flow of small gilt-edged issues will have to be checked.

INVESTMENT FOR ALL

Dealing on a Margin

PROPERTY owning democracy is a fine phrase. How effectively will the two schemes for financing share purchases by the small man announced this week by Bowmaker and Aims of Industry fit into that conception ? The scheme put forward by Bowmaker (in which Lloyds Bank has a 25 per cent interest) is the more wide-ranging and it may set an example that other hire purchase finance houses will follow. Somewhat ironically, it appears to conflict with the official guidance to the Capital Issues Committee and the banks. But much that has happened in the banking field since the relaxations of July might be difficult to reconcile with it.

Bowmaker's plan is to advance up to 75 per cent of the cost of any investment in stocks or shares and the whole of the brokerage and stamp duty. For that service the finance house will charge interest at 5 per cent a year on the original advance (equivalent to around 9 per cent actual) plus a flat fee of £1 at the end of the transaction. This is the same rate that the banks charge on personal loans and it is below the rate charged by Bowmaker on its hire purchase contracts ; but in this scheme, the company will not have to pay a commission rebate to any dealer. The administrative costs should run at about the same level as those on HP contracts on cars. The new scheme does not take the form of an HP agreement and the charge made by Bowmaker ranks as annual interest and so can be offset against tax. The aspiring investor has a free choice of the stocks he may wish to buy and he can choose his own stockbroker if he wishes. Bowmaker will not give any advice on these investments. The shares bought will be registered in Bowmaker's name until the debt is wholly cleared, when they will be transferred to the beneficial owner ; until then Bowmaker will act as a passive nominee, passing on dividends to the investors and deferring to their wishes if new issues, bids and voting questions crop up.

Will this scheme, designed primarily to attract the man with between £100 and £1,000 to invest, encourage active speculation ? The cost is high for any professional dabbler, and Bowmaker is not at all anxious to let its plan become a speculators' paradise. To prevent this, it has made a ruling that the stock cannot be sold until three months after

TYPICAL COSTS OF DEALING

Total Investment	£480
Down payment (at 25 per cent of total)	£120
	£360
Brokerage and stamp duty	£15 2s.
Total advanced by Bowmaker	£375 2s.
Interest charge for 12 months	*£18 15s.*
Total repayment over 12 months	*£393 17s.*
Interest charge for 24 months	*£37 12s.*
Total repayment over 24 months	*£412 14s.*

purchase. It can, moreover, turn away any client's business. Nevertheless the plan will in effect allow dealing on a margin of 75 per cent at the cost of 9 per cent per annum ; this is far bigger than the margins allowed on Wall Street. And the scheme is basically different from instalment deposit schemes in the United States, where stock is not bought until the cash instalments are paid over by the investor.

Dealing for Workers

AIMS of Industry, an active propagandist of the merits of private enterprise, has produced a scheme that is more limited in its investment scope and distinctly ingenious in its *modus operandi*. Its plan attempts to put employee shareholding on a wider base. It requires no legislation though companies joining it will have to alter their articles of association. The Treasury, the Board of Trade and the Inland Revenue have all been consulted.

Under this scheme, the sponsoring company will set up a shop company and provide it with its initial funds. This shop company (which will take the form of a trust so as to get over the ban on a company in dealing in its own stock) will use these funds to buy the ordinary shares of the sponsoring company on the Stock Exchange. These shares will be converted into bearer form and then offered to employees at stock exchange middle prices. The shop companies will also buy back on the basis of middle prices, and they can deal not only in their own sponsoring company's ordinary shares but also in those of any other company in the scheme. The Treasury has to give permission for the issue of bearer securities and it has agreed to do so in this case, so long as the nominal value of the warrant is less than £5 and so long as no stock exchange quotation is sought. Moreover the Inland Revenue has agreed to an arrangement which will enable employees not subject to the standard rate of tax to get immediate tax relief on their dividend coupons.

Tate and Lyle plans to go ahead with the scheme in the new year. Associated Portland Cement group has approved of it in principle and a score of other companies are considering it. One obstacle is that the sponsor company will have to pay stamp duty at 6 per cent of the nominal value of the shares when they are converted to bearer form and will have to meet the initial brokerage costs. Two obvious comments can be made about the plan. It by-passes the stock exchange, which must remain the mainspring of equity investment. And it invites the worker to lock up his capital in the firm from which he gains his livelihood, just as other employee shareholding schemes do, without offering him a real opportunity for diversification.

STEEL

Output Down Again

THE more than seasonal improvement in activity in the steel industry in September turns out to have been, as seemed probable at the time, merely a reflection of rather longer works holidays in August, allowing better furnace utilisation when the men came back. In October production averaged 363,500 ingot tons a week, 17 per cent lower than a year before, which was rather worse than the average of the two previous months. Steel output in the first quarter of this year was one per cent down on the twelve months before: in the second it was 10 per cent down: in the third quarter it was 16 per cent down. There has been no particular improvement in orders recently: demand for strip mill sheet is still above last year's level, but as yet the hire-purchase boom in durable consumer goods does not seem to have been much reflected in higher demand for other light steel products.

FINISHED STEEL DELIVERIES & CONSUMPTION, 1957-58

(000 tons)

	Deliveries	Exports	Home deliveries	Consumption	Consumers' stocks at end of period
1957 I	4,200	650	3,550	3,490	3,980
II	4,140	670	3,470	3,430	4,000
III	3,680	560	3,120	3,150	4,000
IV	4,230	660	3,570	3,550	4,120
1958 I	4,120	530	3,590	3,525	4,220
II	3,800	510	3,290	3,400	4,130
III	3,130	460	2,670	(2,995)	(3,800)

The big further fall in steel demand in the third quarter of this year came from cuts of 29 per cent and 31 per cent respectively in purchases by coal and the railways. The Coal Board has too much coal to finance to afford to carry big stocks of anything else: and the railways at present can hardly afford anything. It is difficult to believe that somewhat higher public investment can make any quick difference to these industries' steel buying.

Nor, to get the record fairly straight, do the Steel Board's first estimates of stocks at the end of September support any of the recent optimism about most of the excess stocks being gone. The figures suggest that during the third quarter consumers' stocks may have fallen by 330,000 tons of finished steel: this would be little more than a quarter of the figure of 1¼ million tons of steel estimated to be held in excess of "normal working stocks" by the industry's customers at the beginning—and still by the middle—of this year.

BUILDING SOCIETIES

Halifax under Fire

RECENT figures from the building society movement (up to October 31st for the Halifax Building Society and up to September 30th for the members of the Building Societies Association) illustrate two tendencies that were expected. When the members of the association decided

not to lower the recommended rates of interest charged on mortgage and paid to investors despite the fall in Bank rate from 7 per cent to 4½ per cent, it was obvious that their share interest rate of 3½ per cent net (equal to £6 1s. 9d. per cent to the standard rate taxpayer) had become a much better proposition. Money did indeed flow in—thought not, the association reiterates in its latest issue of Building Society Affairs, in sufficient quantity to satisfy the demand for mortgages.

ASSOCIATION MEMBERS

(£000)	Third quarter, 1957	Second quarter, 1958	Third quarter, 1958
Shares and deposits received	77,088	79,140	86,861
Shares and deposits withdrawn	57,346	59,740	58,275
Net investment	19,742	19,400	28,586
Advances made	73,574	62,350	66,313
Advances repaid (with interest)	65,380	62,840	67,982
Total assets	1,754,380	1,858,257	1,902,061

The second significant event was that the Halifax society took a different view from the members of the association; its lending rate on owner occupier mortgages goes down from 6 per cent to 5½ per cent at the beginning of next month and its share interest rate has gone down by ¼ per cent net. The latest figures suggest that some investors have preferred to use other societies. The Halifax (total assets now £374.8 million) has continued to grow, but its rate of growth has been cut down.

HALIFAX BUILDING SOCIETY
to Oct. 31st

(£000)	1957/58 first 9 months	1958/59 first 9 months	Three months to July 31, 1958	Three months to Oct. 31, 1958
Receipts from investors	63,610	67,060	22,760	21,670
Withdrawals by investors	37,830	45,620	14,470	15,950
Net investment	25,780	21,440	8,290	5,720
Mortgage advances	53,990	49,980	16,780	18,530
Mortgage repayments	32,580	35,740	11,590	13,120

Figures of the Halifax society as at September 30th (not October 31st) added to those of the members of the association at the same date give a 90 per cent sample of the movement:

COMBINED 90 PER CENT SAMPLE

(£000)	Third quarter, 1957	Second quarter, 1958	Third quarter, 1958
Shares & deposits received	100,400	100,965	109,296
Shares & deposits withdrawn	72,626	73,659	74,312
Net inflow	27,734	27,306	34,984
Mortgage advances	87,094	78,647	83,761

The combined figures show a modest growth in the net inflow of new funds and a modest recovery in the total rate of lending. On the whole, they support the contention of the council of the Building Societies Association that if interest on shares and deposits were cut the societies would be shorter than ever of the funds that owner occupiers need to borrow. That may be true at the moment; it will not necessarily be true when the reforms outlined in the home ownership white paper issued last week are translated into legislation. The argument for amending that scheme so as to allow the Halifax society to use it while still charging borrowers less than the association's recommended rates are strong, particularly as the society is one of those which does lend substantially on pre-1919 property.

AIR FARES

BEA on the Offensive

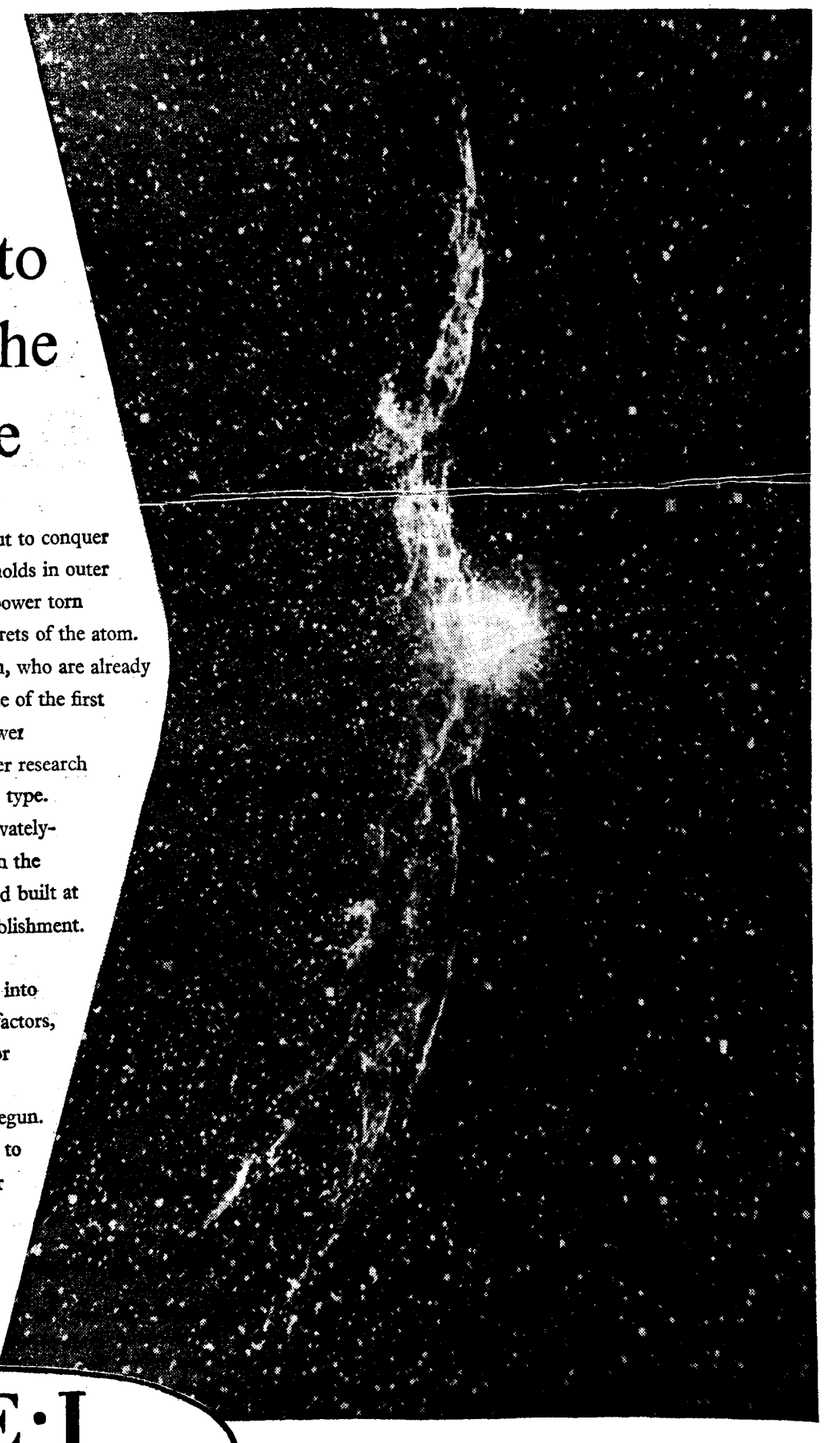
CHEAP holiday fares announced this week by British European Airways are designed to weaken the hold on new types of holiday traffic developed by some British independent airlines. These airlines, with BEA, attended the recent conference at Cannes which discussed the level of air fares for the twelve months from next April. The airlines offer two types of holiday fares, to travel agents only, who then make them up into an inclusive holiday sold to the public. The lower of these is based on an outright chartering agreement between the airline and travel agent. The higher rate, known as an "inclusive tour," charges the travel agent fare and a quarter for the return flight.

The independent airlines were able to maintain a useful gap between the rates that they, as charter companies, could offer to travel agents and the rates that BEA, being a scheduled operator, was allowed to offer on the "inclusive tour" arrangements. BEA decided to fight back at Cannes by using the highly complex voting procedure to spike its competitors' guns. First it attempted to get agreement to lower rates for inclusive tours. When this was blocked by the independents, BEA used its own power of veto in turn to stop the conference from rubber-stamping the routine resolution that covers charter business. If it is not approved, this resolution lapses and, on BEA's interpretation, this would allow BEA to go into the charter business itself. The first result of these manœuvres is an announcement from BEA that cut-price fares will be offered on some off-peak flights during the summer to fill empty seats. BEA might be said to be dipping its toe cautiously into the pool, for the new fares have not been agreed by the airlines themselves—the Cannes meeting was suspended and will resume in a few weeks. Nor is it certain yet that the Ministry of Transport will give the scheme its blessing for some people feel that BEA's commercial enterprise in this matter has been unduly sharp and fast.

LIMITED AND NV

Unilever's Scrip Issue

IN the stock market boom, a special factor has given further strength to the ordinary units of Unilever Limited and Unilever NV—the possibility that the diarchy would make a scrip issue. Anticipations prove to be right: both companies are to make a 25 per cent scrip issue. The share premium account of NV is practically exhausted and the Dutch scrip is therefore to be created by capitalising revenue reserves. Hence, under Dutch tax law, shareholders resident in Holland who receive the scrip



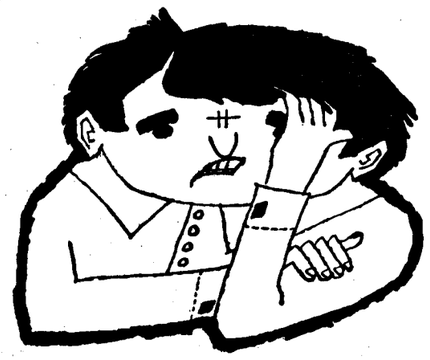
Power to probe the universe

Mankind is reaching out to conquer new worlds—new footholds in outer space, new sources of power torn from the innermost secrets of the atom.

AEI-John Thompson, who are already building at Berkeley one of the first commercial nuclear power stations, are able to offer research reactors of the 'Merlin' type.

'Merlin', the first privately-owned 5 MW reactor in the world, was designed and built at the AEI Research Establishment. Already with its aid a programme of research into such matters as safety factors, materials testing, reactor physics and training in reactor operation has begun. 'Merlin' opens the way to new explorations of our mysterious universe.

A·E·I
JOHN THOMPSON



IRRITATION

"Assembly's complicated . . . machining's difficult . . . there's no colour. This won't do! Let's switch to a new material. Let's try . . . *PLASTICS!*"



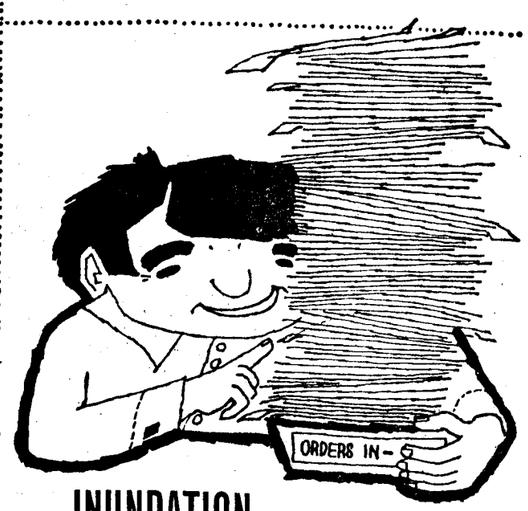
INFORMATION

"Give the details to the 'Lively Lads at Lorival'. Tell them what our problems are—they'll sort them out."



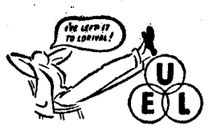
INVESTIGATION

"Ah! Things are moving now. Those people have experience—and *ideas*, too. It's a really first-class, friendly service."



INUNDATION

"Orders pouring in for this new model! For long-running, mass-production plastic mouldings in any material—it certainly pays to 'leave it to Lorival'."



LORIVAL PLASTICS

UNITED EBONITE & LORIVAL LTD · LITTLE LEVER · BOLTON · LANC

are liable for tax at 20 per cent on its nominal value. Dutch companies often get round this barrier by declaring a special interim dividend, sufficient to enable Dutch shareholders to discharge their tax liability.

For NV to do this, it would have to declare a special payment of 6¼ per cent; and therefore Limited, under the dividend equalisation agreement, would have to make an equivalent extra payment. Combined with the normal trading dividends these payments would have made total distributions which the two boards are not prepared to recommend. They are, in fact, prepared only to compensate Dutch shareholders for part of the tax liability. They have done so by declaring two interims of 6¼ per cent and 3 per cent, payable separately but on the same date, on NV ordinary shares (compared with an interim of 5¼ per cent in 1957). This automatically involves Limited in the payment of two interims of 1s. 4.8d. and 8.4d. per £1 ordinary stock (compared with a single interim of 1s. 2.4d. in 1957). These interims are payable on the existing capital, as the final payments for 1958 will be. In effect, then, the interim dividends from trading have been shaved but the directors expect to recommend final payments which will make the total distribution to NV shareholders 18¼ per cent (against 15½ per cent) and to Limited stockholders 4s. 2.4d. per £1 unit (against 3s. 6d. per unit). But they warn shareholders that the 1957 rates of dividends will not necessarily be maintained in 1959 on the increased capital.

BANK OF ENGLAND

An Interim Reappointment

MR CAMERON COBBOLD has been reappointed Governor of the Bank of England for a further five years from next March; but he is unlikely to serve for the full term. Although Mr Cobbold is only 54 he has been on the Court since 1938 and Governor since 1949, and did not wish to continue for a third term; but it has been felt that a change in the governorship would be undesirable until the Radcliffe Committee has reported on the working of the monetary system and the report has been digested. The Governor has therefore agreed to continue in office for the time being. The Radcliffe report is not expected before next summer; by any standards, indeed, delivery of the report two years after the committee's appointment would be good going.

Mr Cobbold was the first new governor appointed after the nationalisation of the Bank in 1946: Lord Catto, his predecessor, succeeded Montagu Norman in 1944. Thus there is only a limited precedent to indicate how the authorities would choose a governor today, in the light not only of formal nationalisation and the increased role of government in economic and monetary affairs but also of the sweeping reforms in the administration of the Bank which Governor Norman instituted. Any comment that the Radcliffe report may make on the relation of Bank and government, or on the organisation of the Bank, would obviously be relevant. Mr Cobbold, it may be recalled, was formerly deputy governor, and before that one of the first executive directors. The present deputy governor, Mr Humphrey Mynors, has been reappointed for a second term of five years from March next; the four executive directors are Sir George Abell, Sir Cyril Hawker, Mr Maurice Parsons and Mr John Stephens.

COAL

Holding Costs Down

BY running down manpower, reducing overtime, and stopping Saturday working, the National Coal Board during the first half of this year did manage to arrest the steady rise in mining costs that has proceeded almost since nationalisation: its total costs in the second quarter averaged 85s. 3d. a ton against 86s. 10d. a ton in the first. But the reduction still left coal costing 6s. a ton more than a year before: and though the collieries achieved profits of £5,351,430 in the second quarter, and the opencast workings, on about a twentieth of their tonnage, yielded £2,278,000 after the contractors had had their share, total NCB profits fell short by £164,570 of meeting the £7,815,000 of interest due for the quarter. In the third quarter the board managed to cut output by a larger percentage, and may have managed to cut costs a little more: but it is now faced with the prospect of a rise in day wages at least.

Moreover, the "proceeds" count in the much more than seasonal addition to unsold coal stocks at valuation: the board thinks the coal is in the accounts at a conservative figure, after allowing for extra expenses of double-handling, but there is still the possibility that its eventual disposal might mean taking a loss. The board's stocks, now amounting to 17,650,000 tons, are now 9 million tons higher than a year ago, and indeed about 14 million tons higher than the "normal working stocks" the industry likes to hold: this means extra working capital of £40-45 million. For an industry that borrows working capital as well as its longterm capital from the Government, and has a limit of £75 million from the peak borrowing level of one year to the peak of the next, this steady accumulation of coal means that it will have to go through the wringer of a parliamentary debate to raise its borrowing limit—and pretty soon.

OVERSEAS TRADE

Exports and Imports Up

BRITISH overseas trade is usually high in October, and last month's figures were no exception. But exports rose even more sharply than imports, and the trade deficit was nearly £11 million smaller. Exports rose by £26.4 million to £266.8 million, and were slightly above the average for the first nine months of the year. For the first ten months, however, exports were 3½ per cent lower

UNITED KINGDOM TRADE

(£ million—monthly averages or calendar months)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Visible deficit	Exports to N. America
Year 1957	339·6	277·1	11·1	51·4	36·6
1957:					
1st qtr.	352·7	278·8	13·0	61·0	33·9
2nd "	346·9	283·8	10·2	52·9	39·3
3rd "	332·1	265·6	9·8	56·6	37·5
4th "	326·9	280·1	11·5	35·2	35·8
1958:					
1st qtr.	311·2	273·7	13·7	23·9	34·6
2nd "	303·9	258·8	11·6	33·5	39·2
3rd "	314·9	261·5	12·0	41·4	37·2
Oct.*	328·0	266·8	12·2	49·0	42·3

* Provisional.

than a year ago. Imports in October rose by £16.8 million to £328.0 million, and were six per cent higher than the average for the first nine months of this year. For the first ten months imports cost 9½ per cent less than a year ago, thanks to the fall in commodity prices. With re-exports also high at £12.2 million, the gross visible trade deficit fell to £49.0 million, though it was still £16 million above the average for the first nine months of the year.

Shipments to the United States last month rose by £3.6 million to a record £26.2 million; in the first ten months they were 12 per cent higher than a year ago (excluding repayments of silver bullion in 1957). Shipments to Canada rose by £3.7 million to £16.1 million, but for the ten months they were five per cent smaller than a year ago.

BOARD OF TRADE

Summit View

THE President of the Board of Trade, ran a refrain of the depressed thirties,

> Is grossly overpaid
> First we had no Board
> And now we've got no trade.

Yet the department of the Board of Trade, even if the illustrious board has not sat since 1850, covers a vast amorphous field, from the ancient responsibilities of customs and weights and measures to company legislation, contacts with industry and hire purchase. The Board of Trade is no longer, as it was in the nineteenth century, the sole government department concerned with trade and economic matters; but it has by far the widest contacts with industry. In his Stamp Memorial lecture delivered this week, Sir Frank Lee, permanent secretary since 1951, contributed a personal portrait of his department as it has grown since its first beginnings in 1621; and in the course of an absorbing conducted tour he shed revealing sidelights on some immediate issues.

Most notably, Sir Frank confirmed that work is being done on getting further information for publication on industry's order books; and he foreshadowed special action being taken soon to provide statistics of interest, profits, and dividends received and earned by British companies through their operations overseas, and of overseas companies and their subsidiaries through their operations in Britain. The department is also hoping to get figures of direct investment, inward and outward; and ultimately, it would like to get further information about the finances and liquidity of industry as a whole. As Sir Frank says, this is a matter on which the Radcliffe Committee can be expected to have views. Meanwhile, some eyebrows might be raised at the widening sphere of the Board of Trade's coverage, but the providers of information in industry obviously find it less inconvenient to make their returns to as few separate departments as possible.

Sir Frank also noted the differences that arose between some civil servants and the conclusions of the Speed commitee and the government on the organisation of the Export Credits Guarantee Department: "some of us" had felt that it should become a statutory corporation, to formalise its independent status. In fact, ECGD remains a special responsibility of the President of the Board of Trade.

PROFITS TAX

Special Interims

THE more a company has paid out of profits in ordinary dividends, the more it gains from the introduction of the flat rate 10 per cent profits tax. Only in cases where the directors had in the past been excessively parsimonious does the new tax operate to a company's disadvantage. For most companies there is more cash from which dividends can be paid and a bigger payment can be made without disturbing any notions about the proportion of net earnings that should be retained in the business. This autumn, the flat rate tax has been tilting the balance towards more liberal dividends, even in cases where no significant expansion of profit has been occurring.

In being more liberal, companies have generally chosen a method that saves them some profits tax. They have, in effect, been anticipating the first full year's saving of distributed profits tax which occurs once the financial year is completely clear of the pre-budget rates of tax. It is not possible to pay no dividend at all for the financial year that straddles the budget and to declare a special dividend for the following year, because this is effectively ruled out by the Inland Revenue's anti-avoidance legislation. But a good number of companies whose profits in their latest financial years are partly taxable at the old and partly at the new rates, have found a useful compromise. Where the dividend is to be effectively increased, the old rate of dividend is again paid but a special interim, payable currently but chargeable to the later financial year when the flat rate profits tax fully applies, is declared as well. That saves that part of the distributed profits tax that would hitherto have been payable on the extra dividend. The saving is not a big one for the general run of companies and it is usually worth securing only if the greater part of their financial year falls before the end of last March.

	Prev. year's div. %	Latest year's div. %	Special interim %	Assumed div. %	Current price	Yield %
Brooke Bond...	5†	5†	5†6	5⁵⁄₆†	11/4½	4·46
Patons and Baldwins	15	5	7½	12½	37/3	6·71
Salts Saltaire ...	15	6	4	10	6/–	8·33
BMC.....	12½	12½	5	17½	13/3 xd	6·60
J. Lucas.....	7½*	7½	2½	10	44/3 xd	4·52
Rootes	4	4	4	8	7/– xd	4·57
S. Smith & Sons	10**	10	2½	12½	11/7½xd	4·30
CAST	50**	50	20	70	18/7½	18·79

* Plus 1¼ per cent. tax free.
** Adjusted for scrip issue. † Tax free.

Investors generally assume that a dividend will be increased only if there is a reasonable chance that it will be at least maintained in the coming financial year. With all the special interims so far made this should be a safe assumption. The companies concerned will have to defray the cost of a higher dividend plus the special interim out of the latest year's profits, perhaps with some help from accumulated reserves. But no board of directors is likely to offer an increased payment unless it is fairly confident that future earnings will be sufficient at least to maintain it. The special interim is rightly interpreted as a sign of their confidence.

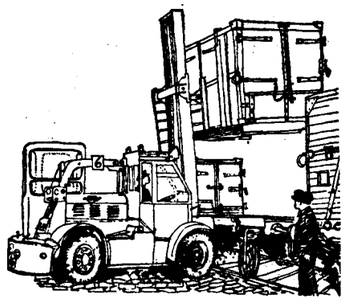
DOLLAR LOAN

New Zealand Borrows Again

THE New Zealand government has this week completed negotiations for a second loan in the New York market. A syndicate, headed by Kidder, Peabody and Company, has underwritten an issue of $10 million in 12-year bonds; the terms have yet to be fixed. This issue follows the credits of $46 million that were arranged in October with the bankers, J. P. Morgan and Company, and against which New Zealand pledged the central bank's gold reserve of just over £12 million. These earlier facilities were essentially short-term, the equivalent of about £12 million being a three-year loan secured by gold while the balance of £4 million was a revolving credit repayable within a year. The loan arranged this week is medium term. It does not represent additional borrowing but is intended to reduce New Zealand's recourse to the £10 million two-year overdraft credit arranged with the Midland Bank in London in September. That overdraft remains available in full, to be drawn upon in accordance with the needs of New Zealand's balance of payments; but to the extent that New Zealand is satisfying its requirements by longer-term borrowing in New York, the use of the London overdraft, on which 1 per cent over Bank rate is payable, will be lessened.

The decision of the New Zealand government to secure longer-term accommodation in New York must in part be explained by the mounting volume of short-term indebted-

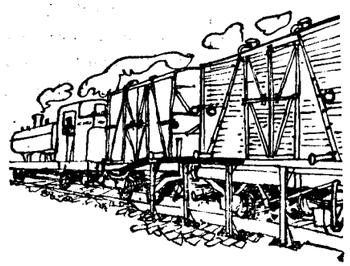
From Rail to Road



"There is no doubt that when traffic is collected into goods-train loads a transport service in terms of ton-miles can be provided far more cheaply over well-used main lines of the railways than will ever be possible by road—so cheaply in fact that the cost of a good deal of assembly, sorting and distribution can be borne before the overall unit cost from door to door (except for quite short distances) approaches that of road transport throughout."

THESE fighting words from Mr A. B. B. Valentine, of the British Transport Commission, in an address on "The Revolution on the Railways in the Freight Field" to the Railway Students Association a fortnight ago, contrast a little oddly with the appeal for renewed succour that the British Transport Commission has had to address to the Government. Talking to members of the Commission, the outside observer constantly finds this apparently buoyant confidence, projected right over the tribulations of today to the opportunities of tomorrow. The bridge across which their gaze sweeps is modernisation—technical and commercial. Some of the technical framework has recently been on display at an exhibition of freight handling equipment at Battersea.

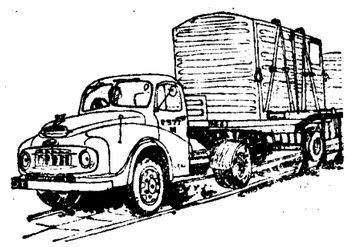
A large part of the railways' technical problems with freight is concerned with transhipment of goods between road and rail. This touches only a margin of the railways' business, but a margin in which the opportunities ought to be lucrative, and one where they are at present losing most to their competitors on the road. More than 90 per cent of the tonnage of freight now carried on the railways, Mr Valentine disclosed, is forwarded from private sidings and ports without any road-rail transhipment, and nearly 75 per cent is delivered on rail transport throughout to private sidings and ports. But the bulk of the merchandise business needs to be sent by lorry to a siding or freight terminal, and to be transhipped at the other end on to a lorry once again for final delivery.



The railways now have a large array of equipment designed to simplify and to cheapen this expensive link in the chain of freight transport, some of it already in use and some of it still experimental. It includes an assortment of mobile cranes and lift trucks to move various types of container, as well as some simpler and ingenious equipment such as the "Penman" system in which containers fitted with rollers are backed by the shunting engine on to a ramp, under which a lorry can back in and take them off.

NONE of these elaborate and ingenious devices will pay off unless the railways begin to make effective use of the freedom in charging which they were formally granted in the Transport Act of 1953 and achieved in outline in their freight charges scheme which was approved last year. Evidence of the actual exercise of this commercial freedom is not as yet particularly obvious; but there is plenty of evidence of what the railway chiefs would like to do. Mr Valentine argued that what is needed is detailed study of the circumstances and costs of carrying the traffic, and potential traffic, of customers one by one and negotiation of individual terms and contracts that also take into account factors such as regularity and permanence. With its high fixed costs there is "scope for some form of application of the principle of two-part tariffs already used in electricity supply."

"If the costs of carrying the traffic of two forms really differ," he said, "there is no logical or economic reason why the charges they pay should not differ, as would be the case if they used their own transport. There is no tenable basis any longer for a claim that the charges to all traders for the carriage of a given commodity should be equal. At the same time the very different theory that in principle all traffics should be carried at charges which yield an equal rate of profit must also go out of the window."



ness that New Zealand has recently been accumulating. There is some concern in Wellington about the magnitude of the maturities of external debt over the next two years. These amount to the equivalent of the total overseas income from dairy products for a full year, or more than two-thirds of income from meat exports, or over half the expected wool cheque. In these circumstances a modest funding operation has special attraction, especially as the cost of borrowing longer in New York is likely to be smaller than that of drawing on the short-term facilities in London.

SHIPPING FREIGHTS

Growing Demand for Tonnage

Some British-flag vessels have recently been moving out from their laying-up anchorages and ballasting across the Atlantic to the grain terminals, to pick up cargoes for India and Pakistan. Demand for tonnage has also improved on other grain routes, such as River Plate to Europe and North Pacific to Japan. And freight rates have improved sufficiently to tempt these vessels out, especially for grain shipments from the North Pacific and Australia. The trans-atlantic coal trade, however, remains in the doldrums ; with surplus coal stocks in Britain and the ECSC the normal winter increase in demand is not likely to materialise. Chinese charterers have been prominent in the market recently. They have found employment for more than 100 ships in the last few weeks, mainly on time charter for periods of four to seven months. Time chartering generally has been quite active, again with a modest rise in rates, but it has been almost entirely confined to short periods. Even grain charterers, who are assured of plenty of trade over the next twelve months, have shown no inclination to insure themselves against a general rise in freight rates by fixing vessels for consecutive voyages or on a long-term basis.

This week also saw renewed activity in the depressed tanker market, but the rate structure is still weak as the result of a slight reduction in the volume of tankers laid up. However, it is expected that a number of old tankers that are approaching the end of their long-term charters will have to go to the buoys. American restrictions on imports of oil have left the market far more tonnage on offer than is in demand, and even new ships straight off the stocks still have difficulty in finding employment. A seasonal increase in demand may occur, but as with the dry-cargo market, the large volume of laid-up tonnage will act as a powerful brake on any substantial rise in freight rates.

WHEAT CONFERENCE

A Fair Start

It is impossible to assess the value of the first session of the international wheat conference that ended in Geneva last week. The talks were exploratory, and no country was required to commit itself on the ideas put forward. To examine those ideas further two committees have been appointed—one general and one technical. The general committee has already started work in London on measures to increase the membership of the agreement and the proportion of world trade that moves under it. It will also investigate different methods of expressing the obligations of members, for example, to buy or sell a given quantity at a minimum or maximum price, and whether any of the existing provisions can be simplified or made more effective.

The British delegation must be pleased that the committee's terms of reference take account of its own suggestions—i.e., that the disposal of surplus stocks should be linked to the agreement, that it should encourage consumption and discourage excessive production, and that prices should move more freely between the upper and lower points. The principal members clearly felt that it was worth making some effort to get Britain, the largest importer, back into the scheme. The next session begins in Geneva late in January.

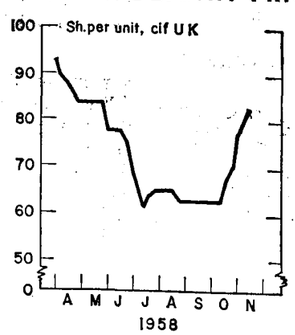
PAPUAN OIL

About Turn

Following news of an oil strike at Puri No. 1 exploratory well in New Guinea, British Petroleum and Vacuum Oil have announced their decision to continue their present exploration programme in Papua. Previously both companies had stated that they would not subscribe further funds to the Papuan project when the present drilling operations were finished, unless some materially encouraging feature emerged ; now they have said they will continue despite the fact that the Puri well, after reaching an output in excess of 1,000 barrels a day, began producing appreciable quantities of water. Latest reports are that water is still coming from the well, although there is still substantial pressure at the outlet pipe. BP and Vacuum each own 45 per cent of Australasian Petroleum, the company which is conducting the drilling ; the remaining ten per cent is owned by the Australian company Oil Search, although it is planned to increase Oil Search's share by arranging future financing to allow a greater participation by the Australian public.

This news may have combined with the water from the well to damp the ardour of speculators in the shares of Oil Search ; on news of the strike, the price of the shares rose initially by 8s., to 11s. 9d. in London, closing at 9s. at the end of last week. Trading was much lighter this week, and by Thursday the price had fallen to 8s. 6d. The rise was even wilder on Australian stock exchanges ; at one time last week the shares were selling at 26s. in Sydney, though earlier this week they had fallen to around 11s. Oil Search had previously issued a prospectus to raise £A5 million to continue operating in Papua on its own, but withdrew it after the announcement that BP and Vacuum would

WOLFRAM PRICES RALLY



After falling to 60s./65s. a unit (of 22.4 lb) cif, the lowest level for years, wolfram has risen by 25s. in the last month. Some consumers have at last decided to replenish their stocks, and there is not much wolfram available for quick delivery.

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HERCULES POWDER COMPANY LIMITED

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continue their support. At this stage, even 11s. seems optimistic; even if oil were established in commercial quantities, the Puri well is at present accessible only by helicopter, and even a price of 8s. 6d. places a value of £60 million on 30,000 square miles of the world's most impenetrable jungle.

CONSETT IRON

First Stage: £28 million

AMBITIOUS though Consett Iron's decision to go ahead with its development programme is, it is not quite as ambitious as the plan first mooted. The £28 million programme is still described as the "first stage," but the directors now seem to have different ideas about the timing with which development can be pushed ahead. The financial problem was always considerable, and there is now an added element of uncertainty—the prospective demand for ship plates—though it must be noted that the Consett Iron directors describe the demand for plate as "fairly good" and "likely to increase." The programme, including the replacement of the existing plate mill and the installation of some additional steel-making plant, will begin at once and is estimated to take three years to complete.

The investing public is not being asked to put up any of the new money needed for this scheme. The company expects to be able to find up to £10 million from its own resources, to borrow up to £4½ million from each of its two bankers, and to borrow the remaining £9 million from the Finance Corporation for Industry. The service charges on these loans are bound to be heavy, and FCI has the additional right, either by converting part of its loan or by subscribing in cash, to acquire up to one million £1 ordinary shares in Consett at par (compared with a current market price of 20s. 7½d.) at any time up to September 30, 1965. By that date, presumably after two elections, the directors believe, the loans from the banks and the FCI should be repaid provided that the demand for steel remains "satisfactory." They consider that repayment should be accomplished without prejudicing the current ordinary dividend rate, which was set at 8¾ per cent in 1956-57.

TIN MARKET

Tin and Sympathy

TIN'S troubles are rapidly fading. American consumption has improved and the severe restrictions on exports are being felt. Cash tin in London has on balance risen this month by £6 to £755 a ton and three months' metal commands a premium. But the Tin Council, which administers the international tin agreement, is taking no chances. At its meeting in London last week it decided that exports from the producing members for the first quarter of next year should be kept down to the current rate of 20,000 tons. Output from other countries, excluding Russia, can be put at 4,500 tons for that period, and exports from Russia at 4,500 tons, making total supplies of 29,000 tons. On the conservative assumption that free world consumption is then no higher than in the first quarter of this year, that is 36,400 tons, export supplies would fall well short of needs.

In fact, exports from Russia are likely to fall. Britain, Holland and Denmark are maintaining their restrictions on imports of Russian tin, and Russia, after breaking the market last September, is apparently going to play the game. Russia has expressed its willingness to co-operate with the council, and the council's chairman is to keep in touch with the Russian trade delegation in London to review the state of the market and to arrange for Russian co-operation. What this will amount to may become clearer after the tin council's next meeting on December 16th. Russia can always apply for membership.

The council's severe restrictions on exports are intended to bring the price of tin within the range of £780 to £830 a ton, where the manager of the buffer stock ordinarily does not operate. Once the price is safely there, he may well seek to unload some of his large stock, which amounted to 23,300 tons on June 30th. There are no restrictions on the price at which he may sell tin from the special fund; will he be tempted to let a little of this tin trickle out if there is a sharp advance to £780?

STERLING AREA EXPORTS

Wool Turns Traitor

THREE sterling area countries—Australia, New Zealand and South Africa—are the world's leading exporters of raw wool; and wool is the largest single export of the overseas sterling area. The fall in wool this year, which was sharper than in most commodities, thus hurt the overseas sterling countries more than the other primary producing countries. Between the first half of 1957 and the first half of 1958 wool prices fell by a quarter. The quantity exported by the overseas sterling area also fell, by 14 per cent, and the value of wool exports dropped by £120 million (36 per cent) to £211 million. Total exports of all kinds by overseas sterling countries in the first half of this year amounted to £1,807 million; this was £289 million (14 per cent) less than in the same period of 1957. *The Board of Trade Journal* suggests that the decline in the overseas sterling area's exports may now be slowing down.

EXPORTS OF THE OVERSEAS STERLING AREA

	January–June, 1958 £ mn.	Change on January–June, 1957 Actual £ mn.	Percentage change Value	Quantity
Wool	211	−120	−36	−14
Cotton	34	− 13	−27	−18
Jute	37	+ 5	+17	+22
Cotton manufactures	25	− 10	−29	−28
Jute manufactures	38	− 7	−15	−11
Copper	45	− 14	−24	+19
Tin	20	− 11	−34	−30
Lead	15	− 6	−27	+ 5
Rubber	117	− 18	−13	+ 7
Diamonds	26	− 3	− 9	...
Tea	78	− 8	− 9	− 3
Cocoa	60	+ 6	+12	−35
Coffee	23	− 3	−10	− 8
Sugar	35	− 9	−20	−13
Dairy products	44	− 4	− 9	...
Meat	72	+ 6	+ 4	− 5
Hides and skins	31	− 5	−13	...
Wheat	8	− 12	−60	−66
Rice	27	− 9	−25	−21
Fruit	62	+ 11	+22	...
Oils and oilseeds	63	− 6	− 9	+ 5

CAPITAL ISSUES

CIC Plods On

THE Capital Issues Committee remains in business—if only just. Following the relaxations of the Chancellor's directive of early July, the figures of new issues for the third quarter of this year show the first fruits. The total number of applications before the CIC was the lowest for any recent quarter at 398, compared with 870 in the previous quarter and 1,066 in the corresponding quarter of last year. The total number of refusals and partial refusals was also abnormally low—34 complete refusals compared with 82 in the previous quarter and 158 in the corresponding quarter of last year. The surprise naturally is not that the refusals should have fallen in number and proportion but that there should still be some. The ratio of refusals to total applications has never been a valid guide to the restrictive effect of the CIC because the issuing houses and stockbrokers who bring their clients' business to it take pride in not being refused and therefore pre-select. And the committee is still taking quite seriously its allotted task of looking first at the question of whether immediate urgency exists and only setting that consideration on one side if the project is aimed at increasing exports, diminishing imports or earning foreign exchange.

It is surely time to ponder whether that sort of pruning is worth continuing or for that matter whether the banks, guided as they are by the CIC rules, ought still to be refusing loans for the purchase of any security—even savings certificates, now that a hire purchase house stands ready to advance money for small scale share buying on what is in effect a 75 per cent margin. But the CIC at the moment plods on, ruling out "speculative" issues and ruling out issues by hire purchase houses unless they contribute to stability in that business. The move made this week by Bowmaker now raises the question of just what is speculative. The Treasury may now take the view that a purchase of securities on credit need not be: though logically the man who buys an borrowed money intending to hold on is speculating on the same market movement as the man who buys for a quick capital profit.

The real reason why the burden of work on the CIC was sharply reduced was the lifting of the minimum level requiring consent from £10,000 to £50,000. The absence of those small applicants accounted for much of the decline in the number of applications, and as might be expected the volume of money asked for fell less sharply. Total applications were for £249.8 million, compared with £279.5 million in the previous quarter and £377.4 million a year earlier. This was no greater a decline than the slackness of the issue market might have indicated. The refusals—£11.5 million against £33.6 million in the previous quarter and £48.9 million a year earlier—were much more sharply down, indicating a welcome, but insufficient, relaxation of the control.

WESTERN DEEP LEVELS

Deeper and Quicker

KAFFIRS have weakened slightly in the last few days, but are still close to their peak levels for the year. It is a good time for a mining venture to come to the market with an appeal for new money. Zandpan, a developing mine in the Klerksdorp area, is coming and so too is Western Deep Levels, the mine being developed in the Far West Rand to tap a gold reef—a southward extension of the Carbon Leader—at a greater depth than has been tried before. Under the original loan agreement, Western Deep, which began life with a capital of £851,000, could not have made a public issue of ordinary shares until September, 1959. This restrictive clause has now been removed and the appeal has been brought forward a year. The reason given for this change in plan by the principal finance house concerned, Anglo American, is that work in sinking the shaft and erecting buildings and plant has gone ahead faster than was at first envisaged. Not only is the original loan of £5 million from the syndicate headed by Anglo American fully called up but also Anglo American has made temporary loans to keep the capital programme running.

It is now proposed to issue 4,750,000 "A" shares of £1 each at par. These shares have a preferential right to receive a dividend of 10s. per share before any dividend is paid on the "B" shares—a class of which there are now only £1,000 in issue but in which all future equity issues, if any, will be made. In all 825,374 "A" shares are offered to the companies, Central Mining, New Witwatersrand, Rand Mines, Transvaal Consolidated, Western Ultra Deep, West Witwatersrand and West Driefontein. The remaining 3,923,626 "A" shares are offered in varying ratios to shareholders in the mining companies interested—Blyvooruitzicht, Witwatersrand Deep, West Driefontein and Western Ultra Deep. Either directly or indirectly much of the new money will come from the "shops," as is usual in the launching of a new gold mining venture, but application for a quotation and permission to deal in the "A" shares will be made to the London and Johannesburg stock exchanges.

SHORTER NOTE

Sir Cecil Ellerton is to retire from the deputy chairmanship of Barclays Bank at the end of this year. He remains a member of Barclays board. Mr John Thomson will become sole deputy chairman.

COMPANY AFFAIRS

Comments on pages 644, 645, 646 and 647 on

British Motor
Rootes Motors
S. Smith and Sons
Joseph Lucas
Duple Motor Bodies
Spurling Group
Carreras
BSA
Marks and Spencer
Ind Coope
Spicers
Wiggins Teape
Albert E. Reed
Borax
E. Gomme
Dorothy Perkins
Investment-Trust-Units
Brooke Bond
Hawker Siddeley
Corner House Investment

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 648 and 649

LONDON STOCK EXCHANGE

The week's movements reported on page 647

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 650

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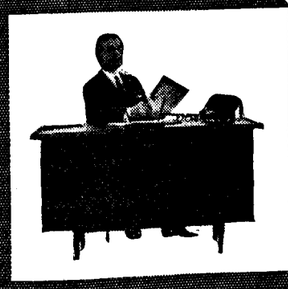

* *Incidentally, as a reader of this particular publication you are almost certainly one of the 'top 2 million' yourself!*

COMPANY MEETINGS

BLYVOORUITZICHT GOLD MINING COMPANY LIMITED

HIGHER TOTAL WORKING PROFIT

MR T. REEKIE'S STATEMENT

The twenty-first Ordinary General Meeting of shareholders will be held in Johannesburg on November 18, 1958. The following is an extract from the circulated statement by the Chairman, Mr T. Reekie, dated November 11, 1958:

WORKING RESULTS

The ore milled during the year at 1,244,000 tons was 20,000 tons less than that milled during the previous year, principally due to a reduced number of non-Europeans being available for work underground. The yield improved from 11.367 to 11.804 dwt per ton milled due largely to a decrease in stoping width, and the gold recovered increased by 15,782 ounces to 734,191 ounces. The average amount received for gold was 1s. 1d. an ounce less than in the previous financial year, but due to the higher grade ore milled the working revenue was nevertheless £157,881 higher at £9,215,345. Working expenditure increased from £3,801,652 to £4,003,730 mainly on account of an increased footage of inclined shaft sinking, increased pumping charges and the generally higher cost of operating at greater depths, and the working profit from gold was accordingly £44,197 lower at £5,211,615.

The total working profit from gold, uranium and acid was £6,950,925, an increase of £282,690 compared with the previous twelve months.

ACCOUNTS

Provision for taxation and lease consideration absorbed £3,629,314, two dividends of 1s. each per share declared during the year totalled £2,400,000, and the repayment on account of the capital portion of the uranium and acid loans amounted to £475,973. There was also a retransfer from Capital Reserve of £111,017. The balance of the Income and Expenditure Account at June 30, 1958, was accordingly £2,490,722.

The investment in Western Deep Levels, Limited shown in the Balance Sheet arises from the cash consideration of £150,000 received in respect of the mineral rights contributed to that company's mining lease area. This was utilised in subscribing at par for 150,000 "A" shares of £1 each in that company.

CAPITAL ACCOUNT

Expenditure of a capital nature on mining operations during the year totalled £231,155.

After allowing for the net proceeds of sales of surplus winding and other equipment, and the amount received in respect of the mineral rights made available to Western Deep Levels, Limited, there was a net credit on this account of £287,910. It is estimated that approximately £345,000 will be spent during the current financial year.

Expenditure on the uranium and acid plants amounted to £39,524 and £36,070 respectively. It is estimated that approximately £40,000 remains to be expended to complete these plants.

DEVELOPMENT AND ORE RESERVES

Development footage totalled 49,541 feet compared with 54,267 during the previous twelve months. The value of the payable disclosures was lower on account of a lower proportion of reef exposures having been made in the high grade zones of the deeper areas, but the percentage payability increased by 1.3 per cent to 90.7 per cent. The relative values obtained for gold and uranium were respectively 726 inch-dwt. and 26.82 inch-lb. The payable ore developed during the year increased from 908,000 tons to 1,207,000 tons with improved values per ton of 16.9 dwt. for gold and 0.585 lb. for uranium. Values encountered in the western portion of the property continued to be lower than the overall mine average.

Satisfactory progress continued to be made with the opening up of the mine below the 6th level by means of the "A" sub-incline shafts. A total of 2,542 feet was sunk in the four sub-incline shafts during the year and at September 30th the following distances below the 6th level had been reached:

A1 Sub-Incline Shaft, 3,763 feet; A2, 3,525 feet; A3, 3,417 feet and A4, 2,247 feet. The working length of this series of sub-incline shafts will be approximately 4,500 feet below the 6th level.

The available ore reserve was re-estimated at June 30, 1958, to be 4,660,000 tons having values of 14.3 dwt. per ton for gold and 0.516 lb. per ton for uranium, over a stoping width of 43.5 inches. Compared with the previous estimate, the ore reserve decreased by 160,000 tons, while the values were higher by 1.5 dwt. and 0.092 lb. per ton for gold and uranium respectively, the stoping width being 2.2 inches less.

Higher working costs have resulted in an increase in the pay limit which has excluded from the reserve certain previously marginal blocks of ore in the western section of the mine, and this, together with a reduction in the effective stoping width, has largely accounted for the decrease in the ore reserve tonnage.

PUMPING

The pumping capacity remained unchanged throughout the year at 18,500,000 gallons per day. Preparations continued to be made for the further expansion of the facilities for handling underground water as the workings extend.

VERTICAL SHAFT SYSTEM

A review of the capabilities of the existing timbered rectangular shafts to serve the mine adequately in its extension of operations to depth has indicated the probable requirement of a new vertical circular shaft from the surface to the horizon of the 6th level main haulage. The Technical Advisers are at present investigating the matter in all its aspects, and at this stage therefore there is no information in this regard which can be made available.

URANIUM AND SULPHURIC ACID

The uranium and acid plants operated satisfactorily throughout the year. There remain only small modifications to be made, after which both plants will be complete. Loan funds unexpended at June 30, 1958, totalling £29,947 will be used to finance this work.

CURRENT YEAR'S RESULTS

Additional effort is being devoted to waste rock sorting to ensure that the minimum possible quantity of such rock is treated by the mill, and during September, 1958, 15.04 per cent of the ore hoisted from the mine was sorted out, compared with 11.89 per cent during June, 1958, and 9.69 per cent for the year ended June 30, 1958. Although the additional sorting has contributed to an increase in unit costs, there has been a decrease in the cost per ounce of gold produced.

CONSOLIDATED MAIN REEF MINES & ESTATE LIMITED

HIGHER WORKING PROFIT

MR T. REEKIE'S STATEMENT

The sixtieth Ordinary General Meeting of shareholders will be held in Johannesburg on November 18, 1958. The following is an extract from the circulated statement by the Chairman, Mr T. Reekie, dated November 11, 1958:

WORKING RESULTS

The policy of making a gradual reduction in the scale of operations was carried out during the year under review and the decrease in the milling rate combined with more selective mining, including some tonnage from the better grade shaft pillars, resulted in an increased yield and revenue per ton milled. Compared with the results for the previous year the tonnage milled at 1,740,000 tons was 260,000 tons less, but the grade of ore milled improved by 0.286 dwt to 3.051 dwt. As a result of the reduced scale of operations, the working revenue for the year was £156,093 less, but this was more than offset by a reduction in working expenditure of £176,342 and the working profit at £144,328 increased by £20,249.

ACCOUNTS

The excess of sundry income over sundry expenditure amounted to £36,754 which was £18,293 less than in the previous year mainly due to a decrease of £18,344 in the adjustment refund made by the Outstanding Liabilities Trust Fund. Although the Company with its low ratio of profit to recovery was not liable for taxation on its gold mining revenue, a provision of £8,032 was made for taxation in respect of the Company's non-mining income. Two dividends each of 1s. 3d. per share amounting to £155,950 were declared. An amount of £7,153 was re-transferred from Capital Reserve in respect of the realisation of certain Mining Assets and Trade Investments. After allowing for these items in the Income and Expenditure Account the balance unappropriated at June 30, 1958, was increased by £24,253 to £428,274.

PNEUMOCONIOSIS

Pneumoconiosis payments, charged to working costs, were £44,178 or 3d. per ton milled less than in the previous year.

DEVELOPMENT AND ORE RESERVE

The footage developed was less than in the previous year and development was again confined to selected areas of the mine. A large portion of the ore exposed in current development was stoped out and milled during the year. As a result of an increase in pay limits owing to higher costs, a reduction in stoping widths and the limited tonnage developed during the year, the available ore reserve declined by 673,000 tons to 568,000 tons at June 30, 1958.

POSITION AT THE MINE

The extraction of the shaft pillars in No. 8 Shaft, Bird Reef, was completed and mining of the pillars between 19th and 21st levels at No. 10 Shaft, Bird Reef, has been started. Stoping of the pillars in the incline portion of No. 4 Main Shaft was commenced in August, 1957. In the latter portion of the year half the stamp battery was taken out of operation.

During the current financial year it is planned to continue the gradual reduction in the milling rate and, while there will be a consequent increase in costs per ton milled, it is hoped that this will be accompanied by an improvement in the grade of ore mined.

EAST ASIATIC RUBBER ESTATES

The thirty-fifth annual general meeting of East Asiatic Rubber Estates Limited was held on November 11th in London, Mr H. T. Karsten, the chairman, presiding.

The following is an extract from his circulated statement: Although the past year saw a further decline in the price of rubber, our forward sales at higher prices and a continued improvement in the outputs from the Estates offset the fall in revenue and the Profit for the year has been sufficient to enable us to propose a dividend of 10 per cent.

Replanting: The total area replanted at March 31, 1958, was 4,324 acres of which 1,342 acres are mature. A further 628 acres of the older uneconomic areas are being replanted during the current year. Despite a reduction in the overall mature area, the crop of 4,169,900 lb exceeded the previous year's output by 345,300 lb.

For the current year a total crop of 4,152,000 lb has been estimated and indications are that this should be easily attained, as the crop for the first 6 months has been 2,217,100 lb. 750 tons of the current year's crop have been sold and accounted for to date. Unaccounted and forward sales amount to 217 tons. The increasing stock of the synthetic product at a time when all the natural rubber produced is being absorbed does indicate that we are competitive. Owing to the heavy cost of replanting our old seedling rubber we are at the moment unable to pay a larger dividend, but as we gradually get our replanted areas into production we should be able to reduce our costs and compete even more successfully with the synthetic industry.

The report was adopted.

HARRISONS & CROSFIELD LIMITED

HIGH LIQUIDITY AND STRONG RESERVES

The annual general meeting of Harrisons & Crosfield Limited, will be held on December 9th in London.

The following are extracts from the circulated statement by the chairman, Sir Leonard Paton, for the year to June 30, 1958:

Sir Eric Miller.—Sir Eric Miller died a few days after the close of the financial year at the end of fifty years as Director and thirty-three years as Chairman, but only a matter of months after he retired from the Chair and became the company's first Life President, an appointment created specially for him.

His work for Harrisons & Crosfield and the members of the Group will not soon be forgotten, nor the qualities of head and heart which made him inside the business a paterfamilias, and to a wider public a kindly trusted friend.

Mr H. O. Peake.—The directors now propose a second Life President, Mr H. O. Peake. Mr Peake completed fifty years' continuous service in August last. He became a Director in 1919, and was appointed Vice-Chairman on July 1, 1924, the same day as Sir Eric Miller became Chairman. Since then these two have run the business in double harness through bad times and good, with results all can see. It is appropriate that both members of the fine condominium should receive equal recognition.

GROUP PROFITS AND DIVIDENDS

The Group Profits for the year, after charging £648,825 for taxation, amounted to £539,912. Adding the amount brought forward from last year, £477,344, makes the balance available £1,017,256, which it is proposed to appropriate as follows: General Reserve £332,812, Dividends of the Parent Company (less tax) paid and proposed £231,610, totalling £564,422, and leaving to be carried forward £452,834.

The Directors recommend a final dividend of 10 per cent on the Deferred Ordinary Stock, repeating last year's total of 15 per cent for the year. In addition the Directors recommend the payment of a Special Jubilee Bonus of 2½ per cent on the Deferred Ordinary Stock to mark the fiftieth year since the company was incorporated.

Further to commemorate the occasion, the Directors have formed a Fund to be named The Miller-Peake Jubilee Fund, and have transferred to it the sum of £37,500, which is the equivalent of the Jubilee Bonus. The Fund will be used at the Board's discretion for the benefit of the Staff throughout the Group.

GROUP TRADING PROFITS

Although profits after tax are little short of the previous year, the Group trading profit shows quite a substantial fall. Our growing activities outside the East yielded increased profits, but the increase was inadequate to compensate for less favourable results in Eastern territories.

The business remains highly liquid. Net Current Assets at June 30th were £6,382,000, Reserves and Undistributed Profits totalled £4,654,000.

AUSTRALIA AND NEW ZEALAND

Full credit is due to Mr J. W. McDonald, the Chairman, and his colleagues for a successful year's trading by Harrisons Ramsay Pty. Limited. Turnover has increased and profits are a record. New Zealand offices have faced more severe restrictions on imports and have done well to maintain profits.

USA AND CANADA

Our American partners, Irwin-Harrisons-Whitney, Inc., under Mr Pierson Irwin's stimulating direction, continue to take a leading part in the tea trade in America, with satisfactory results.

The younger American company, Harrisons & Crosfield (America) Inc., which works in close harness with Harrisons & Crosfield (Canada) Limited, has shown a record volume of sales with net profit the highest so far.

Harrisons & Crosfield (Canada) Limited continues to expand its business with Canadian manufacturers, furnishing supplies of raw materials drawn mainly from the UK, Europe, and the USA. Notwithstanding the recession on the North American Continent, the company has again increased its turnover.

New warehousing facilities are being established in certain main centres in Canada to meet the growing needs of the business.

Locana Corporation Limited. The Canadian development company continues to expand in harmonious association with Hambros Bank, and our other partners in the investment field.

MALAYA AND INDONESIA

Our Subsidiary, Harrisons & Crosfield (Malaya) Limited, has maintained satisfactory results. Lower prices of tin and rubber have inevitably brought reduction in trading activity with increased competition and lower profit margins.

We regret it is not possible to report any improvement in the conditions under which we are endeavouring to carry on business in Indonesia.

TEA AND RUBBER

Tea.—Unless there is some major upset, it appears unlikely that any marked change may be anticipated from the average price levels which have ruled during the past year, a prospect far from reassuring to many plantation companies in India and Ceylon.

Rubber.—Many present factors are advantageous to the rubber industry. There may be setbacks, but the general price tone is firm. Consumption of natural latex has been reasonably maintained in most countries apart from the USA and prospects are not unpromising.

INDUSTRIAL RAW MATERIALS

In association with an industrial partner, and with offices in London, Manchester, Newcastle and Glasgow, we have since the war built up a substantial business in the manufacture and sale in the UK and for export of raw materials for the rubber, paint, textile, ceramic, and other industries. Facilities are available for kindred lines either for manufacture or distribution, or both, and finance can be found to back any acceptable proposition. This may be of special interest to manufacturers seeking to strengthen their competitive capacity in face of the new pattern of European trade now gradually emerging.

RANSOME & MARLES BEARING COMPANY LIMITED

RECORD TURNOVER

The forty-second annual general meeting of this company was held on November 6th at Newark, Notts, Mr Edward W. Senior, CMG, chairman, presiding. The following is an extract from his circulated statement:

For the year ending June 30th, 1958, the turnover is a record in our history and consequently has improved the profits of your Company. The consolidated profit, after all charges but before taxation, is £1,423,755 and compares with £962,857 in the previous year; after deducting taxation of £757,174 as against £550,952, the net profit of the Group becomes £666,581 compared with £411,905. The Directors recommend a final distribution of 7½ per cent less tax and a bonus of 2½ per cent less tax. They propose to declare a special interim dividend for the current year of 2½ per cent less tax.

We have over the past few years spent very considerable sums of money on our plant, both to increase our capacity and efficiency and to improve the quality of our products. Although we have not yet quite reached our capacity we have this year made reasonably full use of our manufacturing facilities, resulting in a considerably increased turnover. This, of course, has had a beneficial effect on our production costs and enabled us to absorb some part of the increases in labour and material costs which otherwise must have been passed on to our customers.

Our overseas subsidiary companies have made a very satisfactory contribution to our profits, although the company in Canada has felt the effects of the difficult economic conditions in that country. The Australian company continues to develop its sales organisation.

EXPORTS MAINTAINED

Our export activities are, of course, not confined to the Commonwealth countries in which we have subsidiaries, for we have in addition 56 representatives in other States. Competition has been severe and profit margins narrowing, but through joint effort and close collaboration it has been possible to maintain our export turnover.

Whilst we are encouraged by the results of the past year, I feel it would be unrealistic not to take note of the problems which, in the light of present conditions, face us in the coming year. The previous recession in the United States occurred at a time of expanding world trade, a condition not existing today, so that in the coming months we may feel some effects of the present recession. Falling commodity prices may make it difficult for some overseas countries to import as many goods as they would wish. These factors which may affect us directly or indirectly have yet to be evaluated, and the advantages or otherwise of the European Common Market and possibly the Free Trade Area will take time to assess.

At home there has been a general slowing down overall in manufacturing output, but this is at present tempered by the continuing high activity of several branches of engineering of which the Motor Industry is an outstanding example. Our order book, however, though lower than last year, is substantial, and we have the resources to take advantage of any expansion in demand which we hope might eventually develop from the easing of the credit squeeze.

The report and accounts were adopted.

THE INDIAN IRON AND STEEL COMPANY, LIMITED

(Incorporated Under the Indian Companies Act, 1913)

SIR BIREN MOOKERJEE ON NEED FOR UNIFORM FORMULA OF WAGE STRUCTURE

The Annual General Meeting of The Indian Iron and Steel Company, Limited will be held on November 28th at 12 Mission Row, Calcutta.

The following is an extract from the circulated statement of the Chairman, Sir Biren Mookerjee:

There was a reduction in the production of saleable steel of no less than 31,679 tons in 1957-58 compared to that in 1956-57. There was an unavoidable diminution in the use of purchased steel scrap during the year on account of difficulty of procurement which largely accounts for the fall in the output of ingots relative to the increased availability of Hot Metal. The output ratio of saleable steel has registered a decrease due to the fact that in 1957-58 more steel was produced in fully finished form commanding a higher realisation price but involving naturally a lower overall yield per ton of ingot.

As foreshadowed last year, the disorganisation of production by reason of the extension works gradually increased throughout the year and has since reached the point where the maximum effect on current production is being felt. It reflects the greatest credit on all concerned that, for so long a period of the new construction works, the effect on production has been kept at such a remarkably low level.

LACK OF DISCIPLINE

Another factor of a graver character, however, operated during the year under review to adversely affect production. This was the growing lack of discipline on the part of the workers generally and the marked deterioration in the effort put forth by them. We are, together with the other main producer, being made to suffer by reason of Communist plans to foster discord in an endeavour to supplant the recognised labour unions. In our own case there were seven sporadic strikes and a two-day lightning strike in the Melting Shop earlier in the year.

Although the new Open Hearth Furnace "E" contributed an output of more than 20,000 tons, the total production of ingots in 1957-58 fell short by approximately 25,000 tons compared to the previous year. This is a regrettable state of affairs and I can only express the hope that the workers will quickly come to realise where their true interests lie and to appreciate that to allow themselves to be swayed by political agitators can result only in detriment to their own welfare and the complete disruption of the country's planned progress.

With the virtual completion of the first stage of the 1953 Extensions, the Melting Shop capacity is now approximately 62,500 tons of ingots per month, against which production is only averaging some 44,000 tons as a result of the unsatisfactory and continuing conditions I have explained above.

The statement then dealt with Employees' Welfare and Emoluments, Housing and Medical Facilities.

After reviewing developments in connection with the 1955 Extensions programme, the Chairman continued:

FUTURE PROSPECTS

It will take a bolder person than a mere business man, who is not a politician, to venture on any forecast of the future of this key industry or of the trend of the economic, financial or industrial development of the country as a whole. This much, however, I think, can be reasonably said that the prospect is uncertain in the absence of the correction of adverse circumstances which persist in many directions. The most hazardous and a grave hindrance to industrial development is the almost daily occurrence, frequently accompanied by violence, of strikes in industry, transport, administrative and other services. It cannot be denied that some of the more recent strikes have been organised by the Communist Party for political purposes and for supplanting existing recognised unions. The material for these and other strikes is greatly fostered by the lack of effective measures to reduce the cost of living, to produce more food and to augment the supply of cheap cloth, housing and other indispensable necessaries of life.

The present level of direct taxation, both corporate and individual, has, undoubtedly, destroyed incentive to a great extent and reduced the desire to earn more and to save for industrial investment to a negligible factor. The heavy burden of indirect taxation, both Central and State, is borne almost entirely by the common man who falls an easy victim to the promises and propaganda of careerist labour leaders.

Whatever the foreign aid by way of loans, gifts or technical assistance may be, it will not help India to achieve the over-emphasised and unduly speedy development of its heavy industries, whether in the public or in the private sector, unless immediate and adequate remedial measures are set in train to counteract the general sense of frustration now prevalent in all classes of people of this country.

In the case of the steel industry, there will be a very large increase in the number of workers when the Government plants in the public sector come into operation, and it would seem essential that if future labour unrest is to be eliminated there must be a uniform formula for the determination of wages for the industry as a whole. With the advent of the Government plants the position within the industry would, in the absence of a uniform formula for a wage structure, possess the makings of a labour agitator's paradise and inevitably lead to most serious adverse consequences on production. If the tremendous capital expenditure incurred on the expansion of the country's heavy industries does not produce the relevant increase in production the consequences may well be distastrous. Apart from internal considerations, a fact which must not be lost sight of is that a large part of the expenditure involved will be represented by foreign liabilities which must be repaid. Repayment of these liabilities, together with the building up of the sadly depleted foreign exchange balances, can only be achieved by exports. This being so, it is absolutely essential, as a first step, that a statutory Wage Fixing Tribunal be set up without delay to determine a wage structure on the basis of (a) an evaluated basic wage in relation to productivity and world standards for each particular class of work, which would consolidate most of the multifarious allowances now being given by the private sector; (b) a zonal dearness allowance; (c) an incentive bonus; and (d) an annual bonus based on the fianancial results achieved.

PROPOSED BONUS ISSUE

After reviewing the Accounts, the statement continued: As a result of the Rights Issue of Ordinary Shares last year, the subscribed capital of the Company is increased to Rs.13,06,69,560 by inclusion of the par value Rs.5,18,37,080 of the Rights Shares, while the share premium account is raised to Rs.2,42,88,327 by inclusion of the premium of Rs.3.50 per share at which these shares were issued. Requests have been received from a number of Shareholders that the share premium account should be utilised for an issue of bonus shares. Your Directors are in full agreement and I am pleased to confirm that, as already publicly notified, the Board have authorised application to be made to Government for their consent to the capitalisation of the major portion of the share premium account to cover an issue of bonus shares in the proportion of one bonus share for every five Ordinary shares held at a date to be determined in due course by the Board of Directors, with the intention that the new shares shall rank in all respects *pari passu* with the existing Ordinary shares save and except that they will not participate in any distribution of dividend in respect of any period ending on or before March 31, 1959.

This bonus issue, however, touches only the fringe of the problem of the Company's capital structure. It is desirable that a reasonable relationship should be maintained between share capital and reserves and that, in turn, share capital should reasonably reflect the value of the nett assets of the undertaking. Our reserves, which are already substantial in relation to capital, will increase from year to year as profits are set aside to provide for repayment of our heavy indebtedness and it would normally be the policy of your Directors that a part of these reserves should be capitalised from time to time by means of bonus issues. The present penal rate of tax on bonus shares, however, effectively precludes such a course being taken and the bonus issue for which application has now been authorised, being made out of the share premium account and not accordingly attracting the tax, represents the maximum extent to which the problem can, under the existing taxation structure of the country, be resolved.

BRITISH ASSETS TRUST LIMITED

CHANGES IN INVESTMENT PORTFOLIO

ENCOURAGING SMALL INVESTORS

MR ALASTAIR C. BLAIR ON BOARD'S POLICY

The Sixty-first Annual General Meeting of British Assets Trust Ltd. will be held on December 4th at the registered office of the Company, 9 Charlotte Square, Edinburgh.

The following is the review by the Chairman, Mr Alastair C. Blair, CVO, WS, which has been circulated with the Report and Accounts for the year ended September 30, 1958:

A year ago I anticipated that profits in many industries both here and in North America would be lower during the year, and this has in fact been the case. In spite of this, businessmen on both sides of the Atlantic have continued to have confidence in the future of their countries, and although business has declined in many directions there has been no approach to collapse. In the USA, owing to the feeling that inflation will continue gradually, stock prices are considerably higher than a year ago. It is not easy to decide, taking into account the various economic and political risks, whether stock prices are dearer in America or here, but we have in some instances taken the view that British prices are more reasonable and during the year have brought back some £600,000 to this country, although you will see from page 9 of the Report that this has in fact made little difference to the distribution between Dollars and Sterling compared with a year ago. Our distribution between one industry and another, however, is somewhat changed and is now more conservative than it was last year.

REVENUE ACCOUNT

The Revenue Account shows a slight reduction in our Total Income for the year. This is mainly due to reductions in the dividends paid by some Base Metal Companies in which we have holdings. Higher rates of interest have cost us more and the figure for interest on Short Loans is some £9,000 up. On the other hand, owing to the revision of the form of Profits Tax as from April last, we do not anticipate that we shall in future years have to make any provision for Profits Tax, as our liability will be offset by various reliefs. We have estimated our Profits Tax liability on a conservative basis in past years and we now expect that there will be more than sufficient already provided in the Tax Reserve to take care of any amounts still outstanding, even although the new form of Profits Tax only began half-way through the year. We have therefore made no deduction for this Tax in these Accounts.

The Balance Sheet reflects the issue of Ordinary and Preference Shares a year ago, but otherwise does not call for any particular comment. The valuation of our investments is a record for a year-end, but, as you will see from page 12 of the Report, the valuation was higher in June last year.

COMPANY'S SHARE STRUCTURE

On page 11 of the Report we have given an analysis of shareholdings for the two years 1953 and 1958. The number of Ordinary transfers that have been registered by the Company shows a substantial increase compared with five years ago and indicates a free market in the Company's Shares. It is the Board's policy to widen the ownership of our shares and to encourage small shareholders. Between 1953 and 1958 the Ordinary capital of the Company has been increased from 3¾ million to 15 million 5s. Shares and the Ordinary shareholder owning 100 5s. Stock Units in 1953 who left his holding in the Company undisturbed would now possess 400 Ordinary 5s. Shares and £50 of "A" 5 per cent Preference Stock without having subscribed any further capital.

Looking ahead, we expect that our total income will not change very much for the current year as our more conservative portfolio of investments should make for steadiness. But in all the uncertainties of the present time, I would make no prediction as to the level of our valuation in September, 1959.

GROUPEMENT DE L'INDUSTRIE SIDÉRURGIQUE (GIS)

PARIS, FRANCE

(Iron and Steel Finance)

INVESTMENT PROGRAMME CONTINUES

The Annual General Meeting of GIS was held in Paris on June 28th, and the following are details from the report presented by the Board of Directors:

REVIEW

The year 1957 marked a further important step in the expansion of the French iron and steel industry.

Output of crude steel—14.1m. tons—represented an increase of 5.2 per cent over that of the previous year; turnover, at Frs. 690,000m., increased by 18 per cent and investments reached a total of Frs. 83,000m., 38.3 per cent up on 1956. In the face of world-wide recessionary tendencies, the activity of the French iron and steel industry continued its upward trend; its position relative to that of other ESCS members remained unchanged (23.6 per cent of total production) and if the volume of export sales fell slightly (−4.75 per cent) this was largely offset by increased deliveries (+ 9 per cent) and orders (+ 10.6 per cent) in the home market.

INVESTMENTS

The total of the industry's medium- and long-term debts rose from Frs. 310,400m. at December 31, 1956, to Frs. 338,000m. at December 31, 1957, representing an increase of only 9 per cent. The ratio of debts to turnover at that time was 49 per cent as against 53.06 per cent in 1956, 58.7 per cent in 1955 and 65.25 per cent in 1954. The general trend pointed to decreasing medium-term debts and State loans, and an increasing proportion of long-term debts.

LOANS AND GUARANTEES

Four new loans amounting to Frs. 975m. which had been granted to members by the Crédit National were guaranteed by GIS during the year. In addition GIS launched another public loan on September 23, 1957, the fifth in five years, which enabled twenty-four member companies to make additional investments ranging from Frs. 130m. to Frs. 3,100m. This loan was so successful that GIS was authorised to make a supplementary issue on October 14th, which brought the total invested to Frs. 22,000m. as against the original figure of Frs. 18,000m.

CAPITAL

Following increases which took place on January 30, 1957, January 18, 1958, and May 3, 1958, the Group's capital now amounts to Frs. 7,600m.

Net profits for the year amounted to Frs. 161,674,189. After the transfer of 5 per cent to the Statutory Reserve, and taking into account Frs. 17,283,395 brought forward from the previous year, the sum available for distribution amounted to Frs. 170,873,875. It was therefore proposed to distribute a net dividend of Frs. 90 per share, to transfer Frs. 20m. to General Reserves, and to carry forward the resulting balance of Frs. 4,988,589.

The report, the accounts and the proposals put forward by the Board were adopted.

HARMONY GOLD MINING COMPANY LIMITED

PROGRESS OF EXPANSION PROGRAMME

MR P. H. ANDERSON'S STATEMENT

The eighth Ordinary General Meeting of Shareholders will be held in Johannesburg on November 17, 1958. The following is an extract from the circulated statement by the Chairman, Mr P. H. Anderson, dated November 10, 1958:

OPERATIONS AT THE MINE

Operations during the year ended June 30, 1958, were on the whole satisfactory, although at times adversely affected by the necessity to undertake with a limited labour force non-productive work preparatory to the planned expansion in the scale of production. Largely as a result of a higher yield at 8.023 dwt per ton milled, gold output increased by 12,261 ounces to 381,877 ounces, but due mainly to the non-productive work mentioned above, working costs increasedl materially and the working profit from gold at £1,817,049 was £118,125 lower than for the previous year. Working profit from uranium (including pyrite) on the other hand improved by £154,868 to £1,329,501 as a result of the higher grade of slime treated.

Both the footage sampled and the percentage payability were higher than in the previous year and the average gold and uranium values improved from 546 inch-dwt and 38.74 inch-lb to 584 inch-dwt and 41.30 inch-lb respectively. The ore developed also increased in tonnage and value and the available ore reserve at the end of the year was estimated to have been raised by 802,000 tons to 2,841,000 tons with a gold content of 9.2 dwt per ton, or 0.5 dwt higher than in the previous year. The uranium content was slightly lower at 0.657 lb per ton.

Pending the commissioning of No. 2 Shaft, all development in this zone continued of necessity to be on the eastern side of the shaft during the year under review. The percentage payability was almost unaltered at 97.6 per cent while gold values improved from 647 to 773 inch-dwt and uranium oxide values from 48.31 to 55.88 inch-lb. High-speed off-reef development has recently been started westwards from the shaft in order to establish stopes in that area as soon as possible. The workings east and south of No. 2 Shaft and north of No. 3 and the Ventilation Shafts are starting to merge and it is becoming increasingly difficult and of less significance to segregate development results for these areas. The practice of giving such results separately will therefore be discontinued at the end of the current financial year.

FINANCE

During the financial year ended June 30, 1958, the profit made by the Company, after deducting taxation, was £3,011,466, while £1,500,000 was drawn on loan account from Central Mining Finance Limited, making a grand total of £5,782,532. Against this, a net amount of £2,228,497 was spent on capital account and £62,421 on trade investments. £1,575,000 was appropriated for dividends and £349,643 was repaid on account of the capital portion of the uranium and pyrite loans, thus leaving a balance of £1,566,971 on the Income and Expenditure Account at June 30, 1958. The final instalment of £500,000 of the Central Mining Finance Limited loan was drawn on July 31, 1958.

It is considered that capital expenditure during the current financial year will approximate £3 million, and that a somewhat similar amount will be spent on capital account during the year ending June 30, 1960, in order to complete the expansion programme.

EXPANSION IN THE SCALE OF OPERATIONS

The third 50,000 tons per month unit of the gold reduction plant was completed during the first quarter of the current financial year, and a start has been made on the fourth unit to increase the rated capacity of the plant to 200,000 tons. With the commencement of hoisting at No. 2 Shaft there has been a steady build-up in the scale of operations, which is expected to continue until mid 1959. Thereafter the usual seasonal decline in the non-European labour supply may be expected to prevent any further build-up for the remainder of that year. Besides being dependent on the native labour supply, the milling rates to be achieved during 1959 will be affected by the amount of off-reef development required to open up stoping areas to the north and west of No. 2 Shaft preparatory to the further expansion of operations early in 1960 when the fourth unit of the gold plant is scheduled to be completed. Work has also begun on the extension to the pyrite plant to 120,000 tons per month and on the erection of a sulphuric acid plant with a rated capacity of 120 tons per day.

URANIUM

The ten-year period of the Agency contract terminates on June 30, 1965, in so far as this Company is concerned. In addition, the Company has arranged to supply up to a maximum of 1,500 tons or 3 million lb. of uranium oxide for purchase by the United Kingdom Atomic Energy Authority during the period from July 1, 1958, until not later than December 31, 1966.

TAXATION AND LEASE CONSIDERATION

No Union of South Africa taxation or lease consideration is as yet payable by the Company. The assessed loss for tax purposes at June 30, 1958, was estimated at £11,670,000.

DIVIDENDS

Dividend No. 5 of 1s. per share was declared on September 19, 1958, payable to Shareholders registered in the books of the Company on September 30, 1958.

The Company expects to be able to finance the present very heavy capital expenditure programme from available cash and profits until its completion in the early part of 1960 and still be able, at least, to maintain the present dividend rate during this period.

MELIAS LIMITED

ANOTHER SUCCESSFUL YEAR

The forty-ninth annual general meeting of Melias Limited was held on November 13th in London, Mr G. Mason-Styrron (chairman and joint managing director) presiding.

The following is an extract from his circulated statement on the 52 weeks ended June 28, 1958:

The year has been a successful one again and there is a considerable increase in the trading profit. This improvement is due to two factors. First, the benefit of the acquisitions of the years 1955-56 and 1956-57 is by now being fully realised and secondly, a very impressive overall increase in turnover has again been achieved.

DIFFICULT TRADING CONDITIONS

However, during the second half of the financial year and particularly in the last quarter of it, trading conditions became much more difficult.

Grocery and provision sales are no longer as buoyant as they have been in previous years. It is, therefore, becoming increasingly difficult to make up for reduced gross profit by higher turnover.

This fact has, of course, led during the last few months to the much-discussed cutting of prices of proprietary lines. We joined this fight only when we saw that manufacturers were not prepared to enforce price maintenance and we then decided to embark on a policy of price-cutting in a limited number of leading proprietary brands.

We have during the year under review added only a few new units to our number of branches, our policy being to consolidate completely earlier acquisitions, before embarking on any further large scale expansion. But if favourable purchases of businesses can be made during the current financial year we certainly intend to acquire them.

The maintenance and refitting of our branches has continued all through the year and large amounts have been spent thereon and I am extremely glad to be able to say that we have again done this out of current earnings and existing resources.

PROFITS AND DIVIDENDS

You will, no doubt, be pleased to see from the figures below how the profit has risen again:

	Net Profit before Taxation and Depreciation of Freeholds
1955 (52 weeks)	£151,590
1956 (53 weeks)	£178,239
1957 (52 weeks)	£220,285
1958 (52 weeks)	£250,498

Your Board have accordingly decided to recommend the same final dividend of 15 per cent repeating the total of 25 per cent for the year, but at the same time as the final dividend is paid, to pay a special interim dividend of 5 per cent on account of the year ending June next year. It is not intended that this special interim dividend shall replace the interim dividend normally paid in April each year which will, of course, be dependent upon the results of trading and the outlook at the time when such dividend comes up for consideration.

During the current year, trading has so far been satisfactory and due to even higher productivity than before, we are succeeding in cutting our costs in an endeavour to keep in line with the reduced gross profit margins.

The report and accounts were adopted.

DALGETY AND COMPANY LIMITED

DIFFICULT CONDITIONS

The annual general meeting of Dalgety and Company Limited will be held on December 4th in London.

The following are extracts from the circulated statement of the chairman, Lieutenant Colonel C. P. Dawnay, CBE, MVO:

After last year's annual general meeting, Mr D. Abel Smith expressed his wish to retire from the Chairmanship of the company, which he has held for over ten years. He has guided the company wisely and most successfully through the postwar period and has carried through a most complicated capital reorganisation which established the company in a sound position to face whatever the future may hold. We are fortunate that Mr Abel Smith has agreed to remain on the Board and give us the benefit of his wisdom and experience. Following Mr Abel Smith's retirement your directors elected me to the Chairmanship of the company and Sir Eric Speed was elected Deputy Chairman.

I now have pleasure in submitting the customary review of the company's main activities during the period covered by these accounts. From these accounts for the year ended June 30th last, you will realise that seasonal and trading conditions were considerably less favourable than in the previous year, and that a substantially reduced trading profit was earned. This has, however, been largely offset by our having been admitted as an Overseas Trade Corporation, as a result of which the current year's provision for taxation is considerably lower than in previous years and certain taxation provisions previously made are now in excess of estimated requirements and have been transferred to Contingencies Reserve.

VISITS

With the problems which these days confront us, and the need to remain competitive, it is necessary not only for directors and senior executives to travel frequently overseas but also for there to be considerable exchange of visits between staff at all levels. I do not propose, therefore in future to enumerate all these visits except to mention that this year we have welcomed the General Managers for Australia and New Zealand and the Manager for East Africa who have had most useful discussions with our Managing Director and other members of the Board.

WOOL AND PRODUCE

As wool broking remains the backbone of our business, it is not surprising that we should have felt the impact of a reduction in the size of the Australian clip resulting from droughty conditions over a wide area, and of the fall in values of some 25 per cent as compared with the previous year. The net profits of our Wool Departments in Australia were down by nearly a half whilst those in New Zealand fell by a third despite a favourable production season.

FINANCE AND ACCOUNTS

There are two items in the balance sheet which call for particular comment—the increase in Advances from £12,269,000 to £16,230,000 and the decrease in Trade Creditors and Clients' Balances from £13,888,000 to £10,161,000. These two items together have absorbed £7½ million during the year and I regard it as probable that we shall find it expedient to raise further capital in the coming year, though I cannot yet forecast what form such additional capital might take.

Reference to the Profit and Loss Account will have shown you that the reduction in trading profits, to which I have already referred, has been largely offset by the lower provision for taxation on such profits and that, in addition, there is no liability on the company for Profits Tax on dividends paid out this year. Both these benefits arise from the company having been admitted as an Overseas Trade Corporation from August 1, 1957.

At a time of less favourable trading conditions, the directors are fully conscious of the need to conserve the company's financial resources so as to remain competitive, to cater for the needs of our pastoral clients and to provide suitable premises and other facilities for the efficient conduct of the business. Nevertheless, over the past five years a conservative dividend policy has been pursued and the directors therefore feel justified in passing on to shareholders some part of the saving in tax referred to above.

We are accordingly recommending a final dividend on the ordinary shares of 10 per cent, which, with the interim dividend paid last May, makes a total distribution of 13½ per cent for the year, compared with 12 per cent for 1957.

OUTLOOK

In its general stock and station and wool-broking business the company is holding its own against strong and increasing competition. Lower wool prices obviously help neither the company nor its clients and the effects of drought in parts of Australia are felt for some time. These circumstances must affect our profits during the current year.

None the less the company is pursuing a forward policy and the directors are confident that the company's geographical and departmental spread will enable it to continue to earn useful profits subject to some variations according to seasonal conditions and the prices of primary products.

MODDERFONTEIN EAST LIMITED

MR A. J. WOOD'S STATEMENT

The forty-second Ordinary General Meeting of shareholders will be held in Johannesburg on November 17, 1958. The following is an extract from the circulated statement by the Chairman, Mr A. J. Wood, dated November 10, 1958:

WORKING RESULTS

Despite an increase of about 84,000 tons in the amount of ore taken from development rock dumps there was a decline in the tonnage of ore milled, which at 1,643,000 tons was 28,000 tons less than in the previous year.

The yield per ton at 1.981 dwt declined by 0.075 dwt, and this decline coupled with a lower average amount received for gold during the year resulted in the working revenue at 24s. 10d. per ton milled being less by 1s. 1d. per ton than the corresponding figure for the previous year. Working costs, however, at 24s. 5d. were lower by 5d. per ton milled. The working profit at £37,080, or 5d. per ton milled, was less than half the previous year's figure.

ACCOUNTS

The total profit for the year of £58,114, with the unappropriated balance of £246,725 brought forward from the previous year gave a total of £304,839. Two dividends of 9d. per share each, totalling £69,810 were declared, provision for taxation and mineral lease consideration amounted to £12,904.

PNEUMOCONIOSIS

Due to a reduction in pneumoconiosis charges with effect from October 1, 1957, the expenditure under this heading was £16,396, or 2d. per ton milled, less than for the previous year.

POSITION AT THE MINE

Development, at 3,714 feet, decreased by 685 feet compared with the previous year, and was almost entirely confined to the final prospecting of the limited and generally unpayable internal areas of the mine. A total of 2,565 feet was sampled on Main Reef Leader, the payability declining from 39.4 to 27.5 per cent and the value improving slightly from 180 to 196 inch-dwt. The payable ore developed, of which over 40 per cent was developed in the Klipfontein Corridor, amounted to 199,000 tons of an estimated value of 3.5 dwt.

As was foreshadowed last year the available ore reserve declined still further and at June 30, 1958, stood at 767,000 tons of an average value of 3.6 dwt over a stoping width of 39.9 inches. Compared with the previous year these figures represent a decrease of 396,000 tons in available reserve, an increase of 0.2 dwt in value and a decrease in stope width of 0.7 inch. This trend in the depletion of the ore reserves is likely to continue. It is therefore becoming increasingly difficult to obtain sufficient payable ore from underground and further arrangements have been made to supplement this tonnage by drawing on the remaining surface dumps. The mine is clearly operating on very slender margins and is particularly vulnerable to any increase in costs.

In view of the small amount of internal development remaining to be done it is inevitable that a further reduction in the ore reserve will take place and, under existing conditions, it is evident that the mine is nearing the end of its profitable life. Every effort will, however, be continued to maintain operations at a profit for as long as possible.

GENERAL

Since the close of the year the Company has been granted permission to prospect an area of approximately 97 morgen of the farm Welgedacht No. 74 (previously No. 2), district Springs, for a period of one year. Two winzes, 18/25 and 19/25, and 24a level development end have been extended a short distance into this area, but so far no payable values have been disclosed.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:
The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

COMPANY AFFAIRS

Motor Boom

FROM recession to recovery in the space of two years is cause enough for congratulation. But this is too cool a phrase for the recent experience of the motor manufacturers. Their latest profits reflect an outright boom. The car manufacturers' faith that the recession would not last, reflected in their willingness to go ahead with their development schemes, has been justified in no uncertain manner. Utilisation of new equipment and capacity has given an added impetus to their advancing earnings. Production has been stepped up without a corresponding increase in man-hours worked and this, together with a fall in overhead costs per vehicle produced, has brought down the costs and expanded the profits per vehicle. Investors have not kept pace with the industry's advance; although motor shares boomed with the rest of the market they were marked up yet again on the actual results and dividends. What has attracted investors in these results is not simply their good showing in the past but also the confidence in the future implied by the general raising of dividends—in such a manner, it must be noted, as to make the greatest possible saving in profits tax. This, just as much as the abolition of hire purchase restrictions, has quickened the interest in motor equities.

British Motor Corporation has led the field. In 1956-57, BMC passed the interim ordinary dividend; the group was then making a loss, but a few months later it paid a final of 12½ per cent, keeping the total payment the same as it had been in the three preceding years, For 1957-58 BMC paid an interim of 4 per cent and this is now followed by a final of 8½ per cent, again making 12½ per cent in all. But in addition the directors have declared a first interim dividend for 1958-59 of 5 per cent in order to save profits tax; effectively the 5s. ordinary shares have been put on a dividend basis of not less than 17½ per cent. This is certainly the basis on which the dividend has to be viewed. The directors say that present indications suggest that the interim to be expected next April may be "possibly at an increased rate". There is no saving observation in their announcement about reducing the disparity between the final and interim payments. Moreover the directors have appropriated the big sum of £6½ million to a dividend equalisation reserve. The curbing rein on dividends seems clearly to have been loosened.

The arithmetic of earnings certainly justifies liberality. Profits before tax and depreciation more than doubled in the year to July 31st, rising from £11,219,504 to £24,549,239, and this profit is well above that of £14,360,898 earned in 1955-56. After tax, the net profit from trading has soared from £2,836,911 to £9,236,150. One reason for this more than proportionate advance in net profits is that, while tax has more than doubled from £5,266,771 to £11,459,650, depreciation has risen by only £296,782 to £3,853,439. With new plant and equipment now installed, the provision for depreciation seems likely to rise faster than this in future years.

Rootes Motors, on the score of earnings, has achieved even more than BMC, but that is because the recession in 1956-57 gave its profits an even more severe shaking. In that year profits before tax and depreciation fell from £3,027,136 to £820,204 and a net profit of £870,610 was followed by a loss of £249,815, while the ordinary dividend was halved, from 8 to 4 per cent. In the year ended July 31st, the group earned a gross profit of £3,484,357 and a net profit of £1,208,753. The ordinary dividend for 1957-58 is left unchanged at 4 per cent, but a special interim for 1958-59 of 4 per cent has also been declared. The directors say that this special payment will not affect their recommendations on the final dividend for that year and clearly the company's 4s. ordinary units can now be put back on an 8 per cent dividend basis.

S. Smith and Sons is a maker of motor accessories as well as of aviation and marine instruments and electric clocks. This spread of interests enabled its profits in the year ended August 3rd, 1957, to advance quite strongly from £2,333,495 to £2,847,193 and the ordinary dividend was raised from 17½ to 20 per cent. The group has obviously benefited from the boom in the motor industry and its profits before tax have gone ahead to £3,382,306. By paying a total ordinary dividend of 10 per cent on the capital as increased by a 100 per cent scrip issue, the directors have effectively left the payment for 1957-58 unchanged. But they too have declared a special interim for 1958-59 in order, as the directors admit quite openly, "not to incur additional liability for profits tax". This special payment is 2½ per cent, which effectively raises the total dividend to 12½ per cent—a rate that the directors hold to be fully justified by the latest results.

Joseph Lucas (Industries) is tied more closely to the fortunes of the motor industry than S. Smith and Sons. In the difficult year to July 31, 1957, it reported an advance in profits from £5,010,441 to £5,622,381. In the latest year, with the motor boom behind them, they have jumped to £6,873,545. The ordinary dividend for 1957-58 is left unchanged at 7½ per cent, but again there is a special interim for 1958-59 of 2½ per cent, putting the £1 ordinary shares on a dividend basis of 10 per cent. This is by no means generous. In 1956-57 the trading dividend of 7½ per cent was supplemented by a tax free payment of 1½ per cent from the sale of investments. The only consolation for shareholders is that for once at least the company has not been ultra-conservative. But they are still entitled to think that they should get more.

Duple Motor Bodies is a smaller concern building omnibus and motor coach bodies. The commercial vehicle industry has not shared in the boom enjoyed by the car manufacturers. But Duple Motor Bodies, as was forecast when it acquired Willowbrook in August, has achieved a sturdy rise in profits, which before tax have nearly doubled from £61,506 to £151,127 and after tax more than doubled, from £26,273 to £71,277. The ordinary dividend has been raised from 8 to 10 per cent—a sign of confidence as Willowbrook was acquired so as to provide Duple with additional capacity.

The Spurling Group concentrates most of its business on the distribution, sale and servicing of Vauxhall cars, Bedford commercial vehicles and Rover models. In the year to May 31st, its profits were affected by the closing down of its Park Royal factory and the transfer of its metal bodywork plant to Hendon, and, of much greater significance, the inability of Vauxhall to deliver new models in sufficient quantities to its distributors. Nevertheless, the group's trading profits went up from £137,779 to £162,803 and its net profits from £38,357 to £48,074. The ordinary dividend for 1957-58 was left unchanged at 15 per cent, but again there is a special interim—of 5 per cent, making the effective payment 20 per cent. Now that Vauxhall models are flowing more freely to the distributors, it is not surprising that the chairman, Mr W. F. Spurling, describes the outlook as "bright".

(£'000s)

Years to	B.M.C. July 31		Rootes July 31,		Joseph Lucas July 31,		S. Smith August 2,		Spurling May 31,		Duple June 30,	
	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958
Gross profit	11,220	24,549	824	3,484	7,924	9,179	2,847*	3,382*	138	163	62*	151*
Depreciation	3,557	3,853	1,164	1,252	2,302	2,305	NS	NS	18	19	NS	NS
Tax	5,267	11,460	Cr.160	948	4,228	5,099	1,570	1,751	66	78	35	80
Net profit	2,837	9,236	Dr.250	1,209	1,668	2,242	1,255	1,603	38	48	26	71
Ordinary dividend	2,288	2,288	115	115	543	543	332	332	26	26	18	23
Retained profit	1,557	6,860	Dr.389	849	1,053	1,627	860	1,210	4	14	Dr.9	32
Current price	13/3xd		6/9xd		43/9xd		11/4½xd		9/3		4/9	
Assumed Ordinary dividend (per cent)	17½		8		10		12½		15		10	
Yield (per cent)	6·60		4·74		4·57		4·39		8·65		8·42	

* After depreciation.

CARRERAS AND ROTHMANS

AS holders of 76 per cent of the ordinary capital of Carreras have acepted the offer of £5 10s. in cash for each £1 Carreras unit made by Rothmans, the subsidiary company of Rembrandt of South Africa, the offer has now been made unconditional. It is in the clear interest of shareholders who have not yet accepted this bid to follow the lead of the Baron family and its associates. Since the bid was announced, the 2s. 6d. "B" non-voting shares, for which no offer was made, have remained practically unchanged at 3s. 3d. Since the end of August they have risen by about 50 per cent in price but the £1 voting units in the same period rose by 240 per cent (from 30s. to 102s. 6d.). The directors of Carreras and their associates have already stated that they did not deal during this time and it is now understood that neither did the directors of Rembrandt, Rothmans or their associates.

This is not the end of the Carreras affair, for the episode cannot but have important repercussions on the attitude of investors to non-voting stock. Moreover, within Rembrandt there is now a large but powerless minority, made up of the "B" shareholders in Carreras, who must wonder what the future holds for them. One important question for them is whether the new blood will be more vigorous than the old. Only time will tell. Rembrandt clearly wishes to penetrate deeper into the Commonwealth and European markets and the acquisition of Carreras, including its cigarette brands, may further that ambition. The merged group is stronger than the two separate groups, competing with each other and with the big tobacco groups. The merger, too, may produce eventual economies in buying, research and in production. Capacity at Basildon and in the Carrreras factory in Canada will help Rothmans to push up the production of its own brands. This company has made a success in selling "king-sized" filter cigarettes and there may be an opportunity for further expansion in the British market, for filter-tipped cigarettes in this country make up only about 10 per cent of consumption, compared with 50 per cent in the United States and Germany and as much as 75 per cent in South Africa.

BSA

BECAUSE of the Daimler car, Birmingham Small Arms is often thought of as a motor manufacturing company. In fact, about half its business is in motor cycles and autocycles and in machine tools. In 1956-57 when the motor companies reported sharply lower earnings, BSA, following the re-organisation of the group under the new chairman, Mr John Sangster, reported an advance in trading profits from £2,463,304 to £3,116,863. In the latest year to July 31st, profits have edged up only a little to £3,264,651 and the directors warn shareholders that "in looking to the future it must be borne in mind that the short-term prospects, due mainly to the recession in the machine tool and steel industries, are less favourable than they were twelve months ago." But they are also of the opinion that "the time has come when a larger share of the profit should be distributed to the ordinary shareholders." This is certainly frank and, in keeping with it, the ordinary dividend has been raised to 11 per cent. In 1954-55 the dividend was 10 per cent; it was reduced to 8 per cent the following year; and then restored to 10 per cent in 1956-57. The new dividend is well covered by the net profit of £1,067,200; its repetition in future years should therefore set no problem, but the directors' reference to the current outlook suggests that shareholders should not expect too much. At 35s. 3d. xd., the £1 Ordinary shares yield 6¼ per cent.

MARKS AND SPENCER

MARKS AND SPENCER has raised its interim dividend by 2½ per cent to 12½ per cent. For 1957-58 the final dividend was 22½ per cent so that investors can now assume a total dividend of not less than 35 per cent for 1958-59. The 5s. "A" ordinary units stand at 52s. 3d.xd and the yield on this basis is still only 3.3 per cent; this low return explains why there was little response to the increase in the dividend. The stock is at its peak for the year and a steady increase in profits and dividends is what investors expect when they pay so much. The cover for the dividend is not great by postwar standards and a careful eye has to be kept on trends in retail trading. The dividend announcement is accompanied only by turnover figures (not profit figures) for the half-year to September 30th. Sales are £1.4 million higher at £64.7 million—not an unsatisfactory increase compared with the trends in retail sales achieved by other concerns trading for cash. But it is not a large increase and investors may begin to wonder whether Marks and Spencer's lower prices have been offset by corresponding reductions in costs. If they have not and if competition continues to limit the extra sales that can be secured, trading profits for the full year to March 31st could prove a little disappointing, though net earnings will benefit from the flat rate of profits tax since Marks and Spencer has always distributed a large proportion of its earnings. In the past the chain of Marks and Spencer stores has netted its full share of any increase in purchasing power in the hands of the public and the logic of the low yield is that it will continue to do so. But the abolition of hire purchase controls will not help Marks and Spencer; indeed, it might divert, at least temporarily, some customers into other types of goods and into other kinds of stores.

IND COOPE AND ALLSOPP

THE fall in Ind Coope and Allsopp's gross income for the year to August 30th from £4,708,196 to £4,627,361 is disappointing—and all the more so because the group has enjoyed the benefits of a full year's income from Benskin's Watford Brewery, of its reciprocal arrangements with Friary Meux and of its heavy investment in the past in bottled and canned beers. It may also be an unfavourable pointer to the fortunes of the other big brewery groups this year, for Ind Coope has the biggest chain of licensed properties in this country and it is one of the most dynamic of the breweries. These results rather confirm the impression that there is a limit to the advantages that modernisation in the brewing industry can bring. Most of the big brewing groups have invested heavily in renovating their properties and in improving their brewing plants and many of them have locked up a good deal of capital in the production and distribution of bottled and canned beers. They had to do so in order to survive and in spite of reciprocal trading agreements and amalgamations aimed at reducing costs, the industry seems just as highly competitive as ever. If Ind Coope finds the going hard, what sort of road is it for the other brewers?

Years to August 30,	1957	1958
	£	£
Gross income	4,708,196	4,627,361
Depreciation	527,985	629,447
Loan interest	459,150	474,716
Tax	2,039,429	1,844,636
Net profits	*1,681,632*	*1,678,562*
Ordinary dividend	863,446	867,730
Ord. dividend (per cent)	*14*	*14*
Retained earnings	682,166	663,285

A sharp fall in tax left Ind Coope's net profits a mere £3,070 lower at £1,678,562 and the ordinary dividend, which was raised by 1 per cent in each of the two preceding years, is left unchanged at 14 per cent. On this dividend, the 5s. units at 12s. 4½d.xd. yield just under 5.7 per cent.

PAPER RESULTS

THE latest batch of half-yearly profits from paper and newsprint companies suggests that they have weathered the recession reasonably well. In 1957 the industry, having invested heavily in earlier years, was faced with a surplus of paper-making capacity. Profits fell and some dividends were cut, but this year profits are more stable and interim dividends have been maintained. **Spicers** reported recently a further modest fall in net profits in the first six months of the year; at £308,000 they compare with £322,000 in the second half of 1957 and with £351,000 in the first half of that year. The interim dividend is left unchanged at 3 per cent. The total dividend of 8 per cent paid in 1957 was covered less than one and a half times by earnings. This is the rate that investors should assume in calculating the yield, for a restoration of the dividend to 10 per cent as paid in 1956 seems unlikely and the 15 per cent paid in 1955 quite out of reach.

Wiggins Teape left its total ordinary dividend unchanged at 17½ per cent in the face of the severe fall in net profits. Now, the interim dividend is again held at 5 per cent. Profits before tax for the six months to June 28th came to £1,930,567, against £2,112,079. Sales, however, have increased and the directors point out that earnings were affected by the starting up of new plant. They add

that on the present evidence net profits for the full year should not be much less than in 1957.

The most up to date figures come from **Albert E. Reed,** reporting for the six months to September 30th. This group reduced its ordinary dividend in 1957-58 from 16 to 14 per cent. The interim dividend has now been left unchanged at 5 per cent. Sales rose by £2 million to £31.7 million and gross profit margins were almost maintained, for the latest half-yearly profit of £2,854,000 compares with £2,795,000 in the corresponding period of last year.

A new paper machine at Aylesford Paper Mills and a new board machine at Colthrop Board and Paper Mills came into production in 1957-58, but it was impossible to utilise this new capacity in full. Its cost had, however, to be amortised and the depreciation charge has risen from £625,000 to £823,000. although the tax charge has fallen by £109,000 to £1,083,000, net profits have declined by £30,000 to £948,000—a figure that compares unfavourably with £2,336,000 for the full year to March 31st last.

	Price, Feb. 24	Price, Nov. 12	Yield %
Bowater £1	26/6	43/3	5·78
A. E. Reed £1	29/–	47/3xd	5·92
Spicers £1	16/6	21/9	7·35
Wiggins Teape £1	39/6	55/–xd	6·35

The directors say what is evident from these figures is that trading conditions in both the paper and board manufacturing and converting industries have remained highly competitive, and they anticipate severe competition in the second half of the current financial year. Looking further ahead, however, they believe there are signs that the demand for the group's products will pick up. The stock market has already discounted some improvement, for paper shares have been among the leaders in the recent stock market boom.

BORAX (HOLDINGS)

A SHORTAGE of cash has forced United States Borax and Chemical Corporation—the American operating company of Borax (Holdings)—to pass its dividend and to discontinue the declaration of regular quarterly dividends "for the time being." Future distributions will depend upon "realised earnings and available cash." Cash is short because the price of potash has fallen and because resources were depleted to cover the heavy initial expenditure incurred at Boron last year. The directors of Borax point out that the holding company's profits for the year to September 30th will not be affected by the American company's decision since it relates to the financial year that began on October 1st. Since the reorganisation in 1956 any dividends declared by the American company have been retained in the United States and Borax (Holdings) pays its own dividend out of reserves accumulated in the past in this country.

But this statement, whatever qualifications are made, has come as a severe shock to those who bought Borax shares on their anticipated growth potential in the 1956 and 1957 boom when the 5s. deferred shares touched 36s. 6d. On this week's announcement, they were further marked down from 17s. 7½d. to 15s. 7½d.

NEW ISSUES

FOR the 1,062,696 5s. ordinary shares offered a week ago by **Wilkins and Mitchell** at 8s. investors, including a large number of stags, applied for just under 19½ million. Dealings in the shares began at 10s. 1½d. The market booms on and **E. Gomme,** the manufacturers of G-Plan furniture, was the next to come forward with an offer. Slightly over one-third of its ordinary capital and a large slice of the preference capital has been offered for public subscription. The 1,100,000 ordinary 5s. shares were issued at 15s. per share and 350,000 7 per cent £1 cumulative preference shares at 19s. Hambros Bank has underwritten both classes for a commission of 6d. per share.

E. Gomme acquired the capital of William Birch in 1954 and in October this year acquired Castle Brothers (Furniture). That offer was in cash and cost the Gomme group £456,500. The combined balance sheet of the group, including Castle Brothers' accounts made up at the end of July, showed cash assets of £307,000 to set against this liability. The turnover of E. Gomme in the first quarter of the current financial year exceeded that of the corresponding quarter of 1957 and, excluding the figures of Castle Brothers, group profits are expected to amount to about £640,000 in the year to July 31, 1959. The directors expect to pay for that year an ordinary dividend of 25 per cent, giving a yield of 8.3 per cent on the issue price. This family business, in which much of the net profit was retained, has been growing rapidly. After falling to £151,067 in 1955-56 combined profits before tax rose to £461,093 in 1956-57 and £639,226 in 1957-58. The preference shares, well covered by earnings and assets, no doubt have their attractions for institutional investors, while the ordinary shares have brought the stags charging in again. On Thursday the issue was heavily over-subscribed—a reflection almost as much of the shortage of new issues in the market as of the boom in furniture shares that has followed the abolition of the hire purchase restrictions.

Charterhouse Finance Corporation sponsors the offer of 500,000 5s. ordinary shares at 15s. per share in **Dorothy Perkins,** which owns a chain of 130 retail fashion shops. In all, Dorothy Perkins has 1,600,000 ordinary shares in issue as well as 400,000 5s. "B" ordinary shares which carry four times the voting power of a share now being offered. The company is also offering for public subscription 200,000 7 per cent £1 cumulative preference shares (out of a total of 270,000 shares) at 19s. 6d. The group's trading profit was £351,331 in the year to April 30th and its turnover again increased in the first six months of the current year. Profits are expected to reach the 1957-58 level, enabling the directors to pay a dividend of 22½ per cent on the ordinary stock. At the issue price, the ordinary stock is being offered on a yield basis of 7½ per cent—presenting investors with not quite so attractive an offer as those made by E. Gomme and Wilkins and Mitchell.

INVESTMENT-TRUST-UNITS

THE current popularity of unit trusts is shown by the enthusiastic welcome given to the offer of one million units of Investment-Trust-Units at 11s. 4½d. xd. each. Lists opened on Monday and closed, fully subscribed, at 9.30 a.m. on Tuesday, although the offer was intended to remain open for a week. This open-ended and managed trust is from the "Bank-Insurance" stable, which has made a success of its scheme to sell "Scotbits" across the counters of Scottish banks, and its portfolio is made up entirely of investment trust stocks. The quoted yield is £4 0s. 4d. per cent., but the earnings attributable to each unit—including the income not distributed by the investment trusts which make up the portfolio—are equivalent to £5 14s. per cent. The recent break-up value of the stocks underlying each unit is estimated by the managers of the trust at 13s. 9d. When industrial ordinary stocks boom, so do the equities of investment trusts. That boom and the group's good management record have caught the investor's eye.

BROOKE BOND

IN the short interval between publication of the preliminary profit figures and the full accounts of Brooke Bond its 5s. "B" ordinary shares put on 7½d. to 11s. 6d. There is little more information in the full accounts that could not be deduced from the earlier statement, and a company that produces and distributes tea and, therefore, also holds large stocks of the commodity at a price risk, is not given to forecasting its profits far ahead. The stability of tea prices in 1957-58, however, meant that the group's achievement in pushing up the sale of its packaged teas was reflected fully in profits; gross profits, in fact, rose by £1.2 million to £5.2 million. Profits from the group's plantations were lower and taxes levied in producing countries rose again. Bigger profits

Years to June 30,	1957 £	1958 £
Consol. earnings:		
Gross trading profit	4,014,238	5,161,413
Depreciation	655,348	703,886
Taxation:		
United Kingdom	604,144	1,147,855
Overseas	979,015	1,145,235
Net profit	1,622,806	1,758,399
To reserves	736,189	1,514,639
Ordinary dividend	375,000	375,000
Ord. dividend (per cent)	5*	5*
Cons. balance sheet:		
Net fixed assets	9,257,841	10,655,807
Stocks	21,679,579	19,420,844
Debtors	4,357,104	4,647,835
Cash, etc.	2,281,973	5,101,242
Bank loans, etc.	2,181,476	1,762,447
Net current assets	18,501,353	19,952,550
Revenue reserves	6,940,845	8,102,554
Capital reserves	5,833,819	7,124,854
Preference capital	1,500,000	1,500,000
Ordinary capital	7,500,000	7,500,000

** Dividend free of tax; also special interim of 5/6 per cent paid with 1957–58 final dividend.*

at home have in turn raised the charge for British tax and net profits are only £135,593 higher at £1,758,399. The ordinary dividend is small by comparison with net profits, but to the £375,000 which a dividend of 3d. tax free per share will cost, an extra £62,500 can fairly be added in respect of the special interim dividend of ½d. per share, which for profits tax purposes is assigned to the 1958-59 accounts.

The group's stocks fell by £2.3 million to £19.4 million, not as the result of a deliberate change in policy, but reflecting the dock strike towards the end of the financial year. This reduction of stocks in the pipeline explains why cash assets have risen from £2.3 million to £5.1 million. Swings of this order in stocks have occurred before, reflecting changes in the price of tea, and the group, big though it is, is still vulnerable to the ups and downs of commodity prices. That is one good reason for its conservative dividend policy. But the directors may now have signalled a break with this policy, though the yield on the 5s. "B" shares at 11s. 6d. of just under 4½ per cent. is still low.

HAWKER SIDDELEY

HAWKER SIDDELEY, since its purchase of the Dominion Steel and Coal Corporation in Canada, has been living with a major financing problem. The problem can be solved finally only by a big issue on the London stock market. But this week its subsidiary, A. V. Roe Canada, announced that it is to sell 400,000 out of its holding of 700,000 common shares in Algoma Steel at $32½ a share in Canada. That would bring in about £4⅞ million. The company may reap a small profit from this sale, for the Algoma shares were bought from the estate of the late Sir James Dunn at a price equivalent to $30 a share. The intention clearly is to foster the development of DOSCO.

CORNER HOUSE INVESTMENT

MR CHARLES W. ENGELHARD is one of the few Americans who take an active interest in South African mining. First, it was platinum. Then, this year, he became a force in the Kaffir market through his sponsoring of the American-South African Investment Company. ASA, with the generous support of the South African Government and of the finance houses, brought dollar capital into gold mining. It was launched with a flourish on Wall Street and the initial response was such that ASA issued 1,200,000 of its £1 shares at $28 each instead of 1,000,000 as was originally planned. Since then, however, the market has been disappointing and sticky with sub-underwriters finding it difficult to sell the stock; the price has come down to $26⅜ on Wall Street.

Mr Engelhard's fertile mind has now produced another unorthodox scheme. He and Mr G. V. Richdale were both active spirits in the reorganisation of the Corner House group, with its substantial interests in Central Mining and Rand Mines. This group has now formed the Corner House Investment Company, with an initial capital of £125,000 subscribed by Rand Mines. The first venture of this company has been to offer its shares in exchange for shares in four old gold mines that are being wound down. The details of the individual offers are set down in the accompanying table. As the affairs of these mining companies run down, the proceeds will be re-invested by the Corner House company. No change in the policy of the four mines is proposed and so, presumably, the process of liquidation is not to be speeded up. The offer is unconditonal and is not binding on any minority of shareholders who decide not to accept it. These minority shareholders will not fare any worse than the majority.

The directors of the four companies concerned say that the offer is made on a "fair and reasonable basis" and recommend acceptance to those shareholders "who wish to reinvest in a sound long life proposition." The difficulty is that while distributions in liquidation are not taxable in this country, they are in South Africa and France. It may therefore pay South African and French shareholders to accept the offer and to secure a stake in a new portfolio. Presumably, Central Mining, which is taxed as a dealing company and which will want to demonstrate its solidarity with the Corner House group, will accept the offer. But for the individual British shareholder, especially the surtax payer, the effective exchange from tax-free cash to taxable dividends is far less attractive. The case for accepting the offer is strongest in the case of New Modderfontein, and the weakest in Transvaal Gold. If he accepts the offer, the British shareholder has a choice between staying with a group whose size and whose investment policy cannot yet be established or selling for cash the Corner House £1 shares when he receives them. The market has already guessed that the opening price of these shares may be 21s.-22s. Or the British investor can stay in the mines as a minority shareholder, taking the chance that the sum of capital repayments and liquidation proceeds will be higher than the effective price he is now offered. In doing so, he accepts the risk that the market in these shares will be limited. In Transvaal Gold, however, and possibly in Rose Deep and Modderfontein B that risk, where tax-free cash is the investors' aim, may be worth taking.

Mine	Nominal value	Proportion of issued capital on European register (per cent)	Offer price	Number of £1 shares in Corner House Investment per 300 shares
Modderfontein "B"	3d.	35	3/6	52*
New Modderfontein	2s. 6d.	55	2/6	37*
Rose Deep	6s. 6d.	29	13/6	202*
Transvaal Gold	3d.	28	7/3	108†

* Plus 10s. cash. † Plus 15s. cash.

London Stock Exchange

FIRST DEALINGS:	Oct. 29	Nov. 12	Nov. 26
LAST DEALINGS:	Nov. 11	Nov. 25	Dec. 9
ACCOUNT DAY:	Nov. 18	Dec. 2	Dec. 16

HEAVY falls occurred in gilt-edged stocks last Friday and further heavy losses were suffered at the start of the week. A slight recovery was made on Wednesday. Long-dated stocks and irredeemables all suffered losses of well over one point with the exception of 5½ per cent Funding 1982-84 which fell ⅛ to 102; 3½ per cent Funding 1999-2004 dropped 1⅛ to 72⅜. Among the irredeemables 4 per cent Consols dropped 1½ to 74. The 5½ Exchequer stock 1966 was unchanged at 102½ but other medium-dated stocks showed losses extending to ¾ while the "shorts" suffered falls of about ¼, 4¾ per cent Conversion 1963 being that amount lower at 101. The *Financial Times* index of Government securities fell by 1.11 to 83.83.

A strong demand for industrials persisted, and the volume of turnover reached an extremely high level on Monday but business became patchy on Thursday. *The Economist* indicator rose by 2.2 to 235.7. British Bank of the Middle East advanced 6s. 9d. to 43s. 3d. on the dividend forecast and small gains were made by other banks, Midland rising 1s. 3d. to 81s. 3d. Insurance shares were again a strong market, Pearl advancing 5s. to 118s. Brewery shares eased on the announcement of poor trading figures, but became firmer on Wednesday, helped by the recovery in the September output figures. Distillers gained 1s. 7½d. to 29s. 7½d. Mappin and Webb "A" fell 1s. to 12s. 3d. on the passing of the interim dividend. New Day Furnishing held a rise of 1s. 1½d. to 13s. 6d. on the announcement of a recent boost in sales.

BMC led a further rise in motor shares and there was renewed interest in distributors' shares; Henlys rose 2s. 7½d. to 31s. 7½d., Stewart and Ardern 1s. 4½d. to 14s. 1½d. and E. J. Baker 7½d. to 5s. 7½d. Falls predominated among aircraft shares, Folland dropping 1s. 6d. to 8s. 3d. Hawker Siddeley weakened 2s. 7½d. to 30s. 3d. The passing of Crosses and Heatons' interim dividend caused a setback in cotton shares but prices recovered later. Crosses and Heatons lost 7½d. to 8s. 9d. on balance. Wool shares were firmer, West Riding Worsted gaining 4s. 3d. to 45s. 9d.

Oil stocks were firm after weakening on the disturbances in the Middle East. Ultramar fluctuated before reaching a peak for the year of 90s. Kaffirs made further gains, West Driefontein rising 3s. 9d. to 111s. 3d. while Anglo American Corporation gained 6s. 3d. to 166s. 3d. CAST gained 1s. 4½d. to 18s. 7½d. on the results and other diamond mines improved. Malayan tin producers were strong and rubber plantations continued to attract buyers.

US Dollar premium: ¼ per cent on $2·80⅝

LONDON AND NEW YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Nov. 5, 1958	Price, Nov. 12, 1958	Net Yield, Nov. 12, 1958 £ s. d.	Gross Yield, Nov. 12, 1958 £ s. d.
99 13/16	96 1/16	War Loan 3% 1955–59	99 25/32	99 21/32	1 19 9	3 7 7
96 11/16	90 5/8	Funding 2½% 1956–61	96 11/16	96 17/32	2 17 11	4 0 5
99 23/32	96 13/16	Conversion 2% 1958–59	99-14-7½	99-14-6	1 1 3	3 11 2
97 15/16	93 3/16	Exchequer 2% 1960	97 15/16	97 3/16	2 15 1	3 15 9
99¼	95 3/16	Exchequer 3% 1960	99 7/32	99 1/8	2 4 4	3 14 0
100 11/16	95 3/16	Conversion 4½% 1962	100 2/32	100 3/8	2 6 2	4 7 4
94 19/32	88 5/8	Exchequer 3% 1962–63	94 17/32	94 3/8	3 1 6	4 7 5
101 5/16	99 7/16	Conversion 4¾% 1963	101¼	101	2 10 10	4 10 2
90 1/8	83 5/8	Savings Bonds 3% ... 1955–65	89 1/2	89	3 12 11	5 1 2
82 1/8	77 5/8	Funding 3% 1959–69	82	81 7/16	3 18 7	5 7 8
89 3/4	86 3/8	Funding 4% 1960–90	88¼	88	2 17 9	4 15 0
80	75	Savings Bonds 3% ... 1960–70	79 7/8	79 3/16	3 19 10	5 9 10
91 3/16	84 3/8	Exchequer 2½% 1963–64	90 9/16	90 1/2*	3 6 11	4 9 5
83 1/16	78 5/8	Savings Bonds 2½% . 1964–67	83	82 5/16	3 18 5	5 2 4
74¾	69 5/8	Savings Bonds 3% ... 1965–75	74 3/8	73 5/8	3 18 5	5 9 11
103 7/16	99 1/2	Exchequer 5½% 1966	102 1/8	102 1/8	2 18 5	5 6 0
83 11/16	78 5/8	Funding 3% 1966–68	83 5/8	83	3 18 1	5 7 8
95 1/8	91 1/8	Victory 4% 1920–76	95	94 7/8	2 19 9	4 16 1
87	81 9/16	Conversion 3½% 1969	86 3/8	86 3/8	3 14 2	5 7 7
100¼	97¼	Conversion 5½% 1974	100 3/16	97 1/8*	3 4 8	5 5 9
78 5/16	71 1/8	Treasury 3½% 1977–80	77 7/8	75 7/16*	3 13 2	5 8 5
77¼	70 3/8	Treasury 3½% 1979–81	76 7/8	75 11/16	3 12 10	5 9 2
102 11/16	98 1/2	Funding 5½% 1982–84	102 5/8	102	3 2 1	5 9 8
67¼	60	Redemption 3% 1986–96	66¼	65 1/8	3 7 5	5 2 3
74 1/2	64 3/8	Funding 3½% 1999–2004	73¾	72 3/8	3 3 11	5 2 10
76 5/8	69 9/16	Consols 4% ..... after Feb. 1957	75 1/4	74	3 2 9	5 9 10
69 9/16	63 1/8	War Loan 3½% ..... after 1952	66 7/8*	65 11/16*	3 1 2	5 6 4
68 7/8	62 3/8	Conv. 3½% ..... after Apr. 1961	67	65 13/16	3 1 5	5 7 1
60	54 5/8	Treasury 3% after Apr. 1966	58 1/4	57 1/8	3 0 7	5 5 8
52 13/16	46 3/4	Consols 2½%	52 1/8	50 7/8	2 16 8	4 18 10
51 3/16	46 3/4	Treasury 2½% after Apr. 1975	50	48 3/4	2 19 2	5 3 2
95 9/16	90 1/8	British Electric 4½% 1967–69	94 1/2	94 1/16	3 6 5	5 7 6
76 5/8	72 1/16	British Electric 3% ... 1968–73	76 1/2	75 3/4	3 19 6	5 10 0
73¾	68 5/8	British Electric 3% ... 1974–77	73 5/8	72 7/8	3 16 4	5 7 10
87 7/16	82 5/8	British Electric 4½% 1974–79	87	86 3/8	3 7 8	5 7 10
78 1/2	72 5/16	British Electric 3½% 1976–79	77 3/16*	76 3/8*	3 12 7	5 7 11
87¾	82 7/16	British Gas 4% 1969–72	87 5/8	87	3 11 3	5 9 4
84	79 1/4	British Gas 3½% 1969–71	83 1/2	83	3 14 7	5 8 6
67 7/8	60 7/16	British Gas 3% 1990–95	67	66	3 7 0	5 1 2
76 5/8	72 1/16	Brit. Transport 3% ... 1968–73	76 1/2	75 3/4	3 19 6	5 10 0
85 1/2	79 1/4	Brit. Transport 4% ... 1972–77	85 3/8	83 1/8*	3 10 1	5 7 11
68 15/16	60 15/16	Brit. Transport 3% .. 1978–88	67¾	66 11/16	3 11 11	5 6 5

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Nov. 5, 1958	Price, Nov. 12, 1958	Yield, Nov. 12, 1958 £ s. d.
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	99 1/2*	99¼	4 16 0
105 3/8	97 7/8	Australia 6% 1973–75	103¾	103¼	5 13 9
76 1/2	73 1/2	Ceylon 4½ 1977–82	75¾	75 1/2	6 7 9
98 1/2	94 1/2	Jamaica 6½ 1976–80	97	97	6 4 11
104¾	97 7/8	New Zealand 6% 1976–80	103¾	103 1/2	5 13 9
101 1/8	91 3/4	Rhodesia and Nyasaland 6% . 1976–79	98*	97 7/8	6 3 8
74 5/8	69	Southern Rhodesia 2½% 1965–70	74	73 3/8	5 12 5
		CORPORATION AND PUBLIC BOARDS			
100 5/8	98 1/4	Agricultural Mortgage 5½% 1980–85	100	100	5 10 0
105	98 7/8	Birmingham 5¾% 1974–76	104	104	5 7 3
92¾	86	Bristol 3% 1958–63	92 1/2*	92 1/2	4 3 7
95 1/2	91 1/2	Glasgow 4¾% 1966–68	95*	94¾	5 8 9
100 1/4	96 1/2	Corporation of London 5¼% 1976–79	98*	98	5 8 2
57¾	53	L.C.C. 3% ..... after 1920	56*	54 1/2*	5 10 1
64	56	Met. Water Board 'B' 3% 1934–2003	63¼	61¾	5 4 3
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	100¼	100¼	...
180	154	German 5½% 1930 (Enfaced 4½%)	179 1/2	179¾	...
18	12¾	Greek 7% Refugee 1924	16 1/2	16¼	Nil
169	160	Japan 5% (Enfaced) 1907	161¾	161¾	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	118¾	116 1/2	...
53 1/2	48	Uruguay 3½% Bonds (Assented)	53 1/2*	53 1/2*	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)			ORDINARY STOCKS	Price, Nov. 5, 1958	Price, Nov. 12, 1958	Yield, Nov. 12, 1958
					STEEL AND ENGINEERING			
31/6	24/11½	8 b	5 a	%	Colvilles £1	30/4½	30/3	8·59
28/–	21/7½	6 b	4 a		Dorman Long £1	25/10½	25/11½	7·96
20/7½	16/6	6 c	3 a		Steel Co. of Wales £1	20/7½	20/7½	7·76*
27/6	20/–	8 b	5 a		Stewarts & Lloyds £1	26/–	25/11½	8·76
35/3	22/3	14 c	6 a		John Summers £1	34/6	34/3	8·17
26/3	17/9	7½ b	4 a		United Steel £1	26/11½	26/–	9·85
34/–	23/–	4 a	6 b		John Brown £1	32/3	31/10½	8·95
64/–	48/–	13 b	5 a		Cammell Laird 5/–	8/9	8/4½	8·10
34/7½	28/6	7½ b	2½ a		Swan Hunter £1	58/3	59/–	4·79
64/9	43/3	6 2/3 b	5 a		Vickers £1	33/3	34/7½	3·72
17/9	12/9	†4 2/3 b	†17 a		Averys £1	64/–	62/9*	3·72
38/3	28/3	†2 a	†4 b		Coventry Gauge 10/–	17/6	17/9	6·12
15/10½	9/3	5 a	10 b		Alfred Herbert £1	38/–	38/3	5·46
39/7½	30/4½	3 a	9 1/2 b		Ransome & Marles 5/–	15/6	15/10½	4·72
42/9	21/9	33¼ a	8¾ b		Renold Chains £1	38/10½	38/4½	6·51
55/6	41/10½	6 3/4 b	6 a		Allied Ironfounders £1	38/6	38/3	6·54
59/–	36/9	8 b	4 a		Babcock & Wilcox £1	54/3	53/9	4·84
75/9	45/3	15 c	6 c		British Aluminium £1	57/–	59/–	4·07
55/7½	34/7½	7½ b	4 a		Davy & United £1	75/8	74/6	5·37
63/7½	41/–	4 a	7 b		Guest Keen £1	58/–	58/–	4·15
55/–	43/9	3¾ b	3¾ a		Metal Box £1	63/4½	63/3	3·48
27/9	23/–	15 b	10 a		C. A. Parsons £1	53/9	54/–	2·78
74/9	48/6	7½ a	10 b		John Thompson 5/–	26/–	25/9	4·85
					Tube Investments £1	74/4½	74/6	4·70
					BUILDING, etc.			
50/3	31/–	6 b	3 a		Associated Portland £1	50/–	49/9*	9·62
19/7½	12/7½	5 a	7½ b		British Plaster Board . 10/–	19/7½	19/6	6·41
65/–	27/11½	5 c	8¾ c		Richard Costain £1	59/4½	65/–	3·69
9/6	6/3	5 a	10 b		Crittall Manufacturing . 5/–	9/1½	8/7½*	8·69
58/6	36/11½	15⅝ c	6 a		London Brick £1	57/6	58/–	5·39
73/4½	52/11½	12½ b	5 a		Turner & Newall £1	72/4½	72/11½	4·16
118/3	78/9	7½ a	20 b		Wall Paper Defd. £1	112/9	116/3*	4·73
					CHEMICALS AND PAINT			
19/6	13/4½	16 c	4 a		Albright & Wilson 5/–	18/7½	19/6	4·10
20/4½	14/10½	5⅝ b	2¼ 12 a		Borax Defd. 5/–	17/7½	15/7½	2·80
7/7½	4/10½	12½ b	7½ a		Brit. Ind. Plastics 2/–	7/1½	7/3	5·53
64/6	42/10½	5 a	10 b		Fisons £1	62/6	64/6	4·65
36/3	24/3	5 1/3 b	2 2/3 a		I.C.I. £1	35/6	36/3	4·41
13/3	8/7½	4 4/5 a	13 1/5 b		International Paints 4/–	12/11½	13/3	5·48
16/2¼	12/6	5 a	8½ b		Monsanto 5/–	15/11½	15/9	4·25
22/–	15/3	5 a	11 2/3 b		Pinchin Johnson 10/–	21/9	21/9	7·46
					ELECTRICAL AND RADIO			
56/9	47/–	15 c	5½ a		A.E.I. £1	55/9	56/9	5·29
51/6	39/3	4 a	8½ b		B.I.C.C. £1	49/3	51/3	5·89
33/6	24/7½	4 3/4 c	14⅞ a		Decca Record 4/–	31/6	33/6	5·21
54/9	28/–	15 c	15 c		E.M.I. 10/–	53/9*	53/4½	4·99
60/3	44/6	10 b	4 a		English Electric £1	57/9	57/3	5·47
40/3	29/9	3½ a	6½ b		General Electric £1	37/9	37/3	5·40
37/–	25/9	12½ c	12½ c		Pye Defd. 5/–	16/–	17/–	3·68
11 b	74/6	6½ a	A. Reyrolle £1	88/9	88/9	3·94		
					MOTORS AND AIRCRAFT			
13/9	6/7½	12½ g	5 a		British Motor 5/–	11/7½	13/3*	6·60
46/3	31/9	6 b	3½ a		Ford Motor £1	44/3	46/–	4·13
48/9	39/–	12½ c	12½ c		Leyland Motor £1	48/9	47/3	5·29
7/3	4/11½	8 c	4 a		Rootes Motors 4/–	6/3	6/9*	4·71
8/9	6/7½	8 c	12 c		Standard Motor 5/–	8/6	8/3*	7·21
26/6	14/4½	11 b	4½ a		Dunlop Rubber 10/–	24/4½*	24/4½	6·22
45/6	28/–	2½ a	5 b		Joseph Lucas £1	42/–	43/9*	4·57
23/9	12/5¼	14 b	7½ a		Pressed Steel 5/–	23/9	22/21/4*	4·89
46/4½	32/9	20 c	7½ a		Triplex Holdings 10/–	45/11½	44/9	6·19
14/4½	8/7½	6½ b	3½ a		Bristol Aeroplane 10/–	10/6	10/6	9·53
21/4½	14/3	7½ c	7½ c		De Havilland £1	19/9	18/9	8·00
42/–	29/3	15 a	16½ b		Dowty Group 10/–	42/–	41/9	4·79
34/9	24/9	7 b	3 a		Hawker Siddeley £1	32/10½	30/3	6·61
100/6	82/9	15 b	5 a		Rolls-Royce £1	96/9	97/3*	4·11
					PAPER AND NEWSPAPERS			
44/9	26/6	8 b	4½ a		Bowater Paper £1	43/6	43/3	5·78
48/6	27/9	9 b	5 a		Albert E. Reed £1	47/3	47/3*	5·93
24/9	16/–	5 b	3 a		Spicers £1	21/9*	21/9	7·36
23/6	8/9	7½ a	12 b		Daily Mirror 'A' 5/–	23/–	22/9	4·28
29/–	18/6	5 a	12½ b		Odhams Press 10/–	28/–	26/3	7·67
					TEXTILES			
24/11½	19/6	2½ a	6¼ b		J. & P. Coats £1	22/10½	22/–	7·95
20/11½	12/10½	5 a	5 b		Fine Spinners £1	20/–	19/7½	10·19
39/3	29/10½	12½ b	5 a		Lancashire Cotton £1	39/–	38/9	9·03
37/3	30/–	12½ c	7½ a		Patons & Baldwins £1	36/3	37/3	6·71
6/8¼	4/10½	6 c	4 a		Salts (Saltaire) 5/–	6/–	5/10½	8·51
48/7½	38/4½	10 b	5 a		Woolcombers £1	47/–	47/3	6·35
30/3	19/7½	5 b	3 a		Bradford Dyers £1	16/–	15/1½	12·68
13/7½	8/10½	15 b	3 a		Calico Printers £1	37/6	35/6	5·54
19/–	15/3	7½ c	7½ c		Courtaulds £1	29/4½*	28/10½	5·54
					Jute Industries 10/–	9/4½	10/–	8·57
					Tootal £1	17/4½	17/6	
20/3	14/9 3/4	18 c	3 a		**DRAPERY & STORES**			
51/6	33/6	7½ a	20 a		Boots Pure Drug 5/–	20/–	20/3	3·56
29/–	17/3	12½ a	25 b		Debenhams 10/–	49/6*	49/6	6·68
80/–	55/6	12½ a	5 b		G.U.S. 'A' 5/–	28/9	28/7½	5·68
30/9	20/3	25 b	10 a		Harrods £1	77/–	73/9	4·75
19/3	13/11½	17 c	7½ a		House of Fraser 'A' .. 5/–	30/9*	30/8¼	5·68
89	88 1/2	12½ a	5 b		Lewis's Investment .. 4/–	19/3	19/–	5·56
53/–	37/3	22½ b	12½ a		Marks & Spencer 'A' .. 5/–	51/4½	52/3*	3·35
33/9	21/–	20 b	12½ a		United Drapery 5/–	33/–	33/9	4·81
49/3	34/7½	26 2/3 b	13⅓ a		Woolworth 5/–	48/4½	49/3	4·06

NEW YORK CLOSING PRICES

	Nov. 5 $	Nov. 12 $		Nov. 5 $	Nov. 12 $		Nov. 5 $	Nov. 12 $
Ath., Topeka	25⅞	26½	Boeing	55⅛	53⅞	Inter. Nickel ..	88⅜	91
Can. Pacific	30	29⅞	Celanese	26	26	Inter. Paper ...	118⅜	121
Pennsylvania ...	16⅝	16⅛	Chrysler	53¾	52⅞	Kennecott	99	101
Union Pacific ...	32¾	34⅛	Col. Palmolive .	85	85⅛	Monsanto	36¼	39⅛
Amer. Electric .	50⅛*	50⅝	Crown Zeller. .	55⅜	56⅞	Nat. Distillers .	26⅞*	27
Am. Tel. & Tel..	195½	201	Distillers Seag..	33¼	34¾	Pan-American..	21¾	23¼
Cons. Edison ..	58¾	59¼	Douglas	57	59⅛	Procter Gamble	72¾	73½
Int. Tel. & Tel..	53⅜	54½	Du Pont	195½	205	Radio Corpn...	40¾	41⅜
Standard Gas ..	3¼	3⅛	East. Kodak ...	129¼	139¾	Sears Roebuck .	34½	36
United Corpn..	8⅛	8⅛	Ford Motor ...	47⅛*	50⅜	Shell Oil	83⅞	86⅜
Western Union	27⅛	29¾	Gen. Electric ..	70	70¼	Socony-Mobil ..	48¼	49⅝
Alcoa	86½	87¾	General Foods .	86¾	73*	Stand. Oil Ind..	48½	49⅛
Aluminium	33¼	32½	General Motors	50¼	50	Stand. Oil N.J..	58¾*	60¼
Amer. Can.....	49⅝	50¾	Goodyear	104⅜	103¼	20th Cent. Fox	32⅜	35
Am. Smelting ..	49½	49¾	Gulf Oil.....	124½	125	Union Carbide.	118¾	120½
Am. Viscose	38¼	38½	Heinz.....	57	65	U.S. Steel	89	88½
Anaconda	60⅜	60⅝	Int. Bus. Mach..	443	444	West. Electric .	68⅞	68⅜
Beth. Steel	52*	51½	Int. Harvester .	40⅜	40⅛	Woolworth ...	49⅛	50¾

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)			ORDINARY STOCKS	Price, Nov. 5, 1958	Price, Nov. 12, 1958	Yield, Nov. 12, 1958
					BANKING			
51/7½	31/9	6 b	6 a	%	Barclays £1	50/3	50/6	4·75
64/6	41/3	6½ b	6½ a		Lloyds £1	64/–	64/6	4·65**
81/3	57/6	9 b	9 a		Midland £1	80/3	81/3	4·43
83/9	59/3	9 b	9 a		National Provincial £1	82/9	82/3	4·38
53/9	36/–	6¼ b	5 a		Westminster "B" £1	52/6	52/–	4·33
65/9	47/9	7½ b	7½ a		District £1	62/6	65/9	4·56
18/–	12/11½	7½ b	7½ a		Martins 5/–	17/6	18/–	4·17
30/6	21/4½	6 b	5 a		Com. Bk. of Scot. "A" 10/–	30/–	29/7½	3·71
60/–	46/–	7 b	7 a		Royal Bank of Scotland .£1	59/–	59/–	4·75
37/9	27/6	4 b	4 a		Barclays D.C.O. £1	36/–	37/9	4·24
45/3	31/3	7½ b	7½ a		Chartered Bank £1	44/9	45/3	6·63
£27½	£20	$2·10c	$2·25c		Royal Bank of Canada $10	£27¼	£27 16/16*	3·01
£19 5/16	£14 15/16	$1·60c	$1·65c		Bank of Montreal $10	£19 1/16	£19 3 1/16*	3·06
29⅜	25¾	9 c	9 c		Bank of New S. Wales .£20	28⅜	27⅝	5·21
31/6	28/–	5 b	4 a		Bank of Ldn. & S. Amer..£1	31/3	30/9	5·85
					FINANCIAL			
29/–	18/–	2½ a	2½ b		Alexanders £1	28/6	28/–	3·57
42/6	29/6	5 b	5 a		National Discount "B" £1	42/6	42/–	4·76
58/6	40/9	6¼ b	6¼ a		Union Discount £1	58/6	58/–	4·31
39/6	32/9	363⅓ c	18⅓ a		Commercial Union.... 5/–	39/6	39/6	4·64
122/6	102/6	12½ a	15 b		Employers Liability £1	122/6	122/6	4·49
177/6	117/6	†16·2a	†16·2b		Equity & Law ... 8/6 pd.	175/–	177/6	2·70
165/–	113/9	60 b	40 a		Legal & Gen. 5/–	113/–	118/–	5·16
118/–	86/3	†50 b	†20 a		Pearl 5/–	113/–	111/–	4·87
211/3	154/–	†132½ c	†147½ c		Prudential "A" 4/–	211/3	211/3	4·87
78/3	63/9	8 b	8 a		Royal Exchange £1	76/6	78/3	4·09
34/4½	16/–	13⅛ b	10 a		Bowmaker 5/–	32/10½	34/4½	3·64**
21/4½	16/10½	7½ b	7½ a		Lombard Banking 5/–	19/3	19/3	3·90
112/–	73/3	4 a	16 b		U.D.T. £1	109/–	112/–	3·57
39/6	19/9	7½ b	10 a		B.E.T. "A" Defd. 5/–	38/3*	39/3	3·50
13/11½	7/11	10 c	10 c		Cable & Wireless 5/–	12/10½	13/11½*	3·81
19/4½	7/10½	1 a	2½ b		Land Securities 10/–	19/4½	18/11¼	3·17**
15/10½	8/7½	5⅜ 12 c	2 1/12 a		London & County ... 10/–	15/11½	14/10½	4·48**
					FOOD, DRINK AND TOBACCO			
40/–	27/–	22½ c	30 c		Allied Bakeries "A" ..5/–	37/–	39/–	3·85
24/9	13/4½	2 c	7 a		Beecham Group 5/–	24/9	24/7½	4·06
10/9	6/8¼	2½ a	7 b		International Tea 5/–	10/7½	10/9	4·42
71/6	40/11½	9⅛ b	5 a		J. Lyons "A" £1	70/9	71/3*	3·98
18/–	13/7½	5 b	5 a		Ranks 10/–	17/6	17/4½	5·75
33/–	15/6	15 b	5 a		Schweppes 5/–	31/9	32/9	4·58**
70/6	49/9	12 b	4½ a		Tate & Lyle £1	70/–	70/6	4·68
58/–	47/4½	5 a	10 b		United Dairies £1	56/9	57/6	5·22
43/–	31/–	36 b	10 a		Bass £1	43/–	42/9	5·38
29/7½	19/7½	7½ a	12½ b		Distillers 6/8	28/–	29/7½	4·50
14/3	11/6	11 b	6 a		J. Lyons "A" 5/–	14/11½	14/3	5·96
49/6	37/–	15 b	10 a		Guinness 10/–	49/6	49/6	5·05
13/6	9/4½	4 a	10 b		Ind Coope & Allsopp..5/–	13/6	12/4½*	5·66
77/–	56/6	21 c	7½ a		Watney Mann Defd. £1	76/6	75/7½	5·55
100/–	75/6	17 b	8 a		Whitbread "A" £1	100/–	100/–	5·00
52/9	37/7½	†62⅓ b	†10 a		Brit. Amer. Tobacco .10/–	51/6	52/6	5·52
35/7½	20/6	15 b	5 a		Gallaher 10/–	34/1½	33/10½	5·90
50/4½	37/–	11½ b	8½ a		Imperial Tobacco £1	49/3	49/9	8·04

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)			ORDINARY STOCKS	Price, Nov. 5, 1958	Price, Nov. 12, 1958	Yield, Nov. 12, 1958
					MISCELLANEOUS			
40/9	15/9	7½ a	22½ b	%	Assoc. Brit. Picture ... 5/–	39/9	39/9	3·77
45/–	28/–	3½ a	7½ b		British Match £1	44/6	45/–	4·89
47/–	28/3	6 b	4 a		British Oxygen £1	44/3	45/3	4·42
8/7½	6/9	13 b	4 a		British Ropes 2/6	8/6	8/7½	4·93
59/–	31/6	6¼ a	11¼ b		Glaxo 10/–	58/6	58/9	2·98
53/–	31/3	40 b	10 a		Hoover "A" 5/–	52/10½	52/6	4·76
195/–	133/9	18·17b	6·17a		Hudson's Bay £1	181/3*	182/6	2·67
10/9	5/7½	12½ c	5 c		Rank Organisation 5/–	10/3	10/–	2·50
14/9¾	11/8¼	22½ c	22½ c		Sears "A" 5/–	14/5¼	14/8¼	7·59
59/9	44/–	7 b	6¼ a		Thomas Tilling £1	58/6	58/3	4·55
102/9	70/6	6 a	11½ b		Unilever £1	101/–	100/–	3·50
43/3	24/3	7½ b	3¾ a		United Glass Bottle £1	40/7½	42/3	5·33
36/–	26/–	†10 b	†4¼ a		United Molasses 10/–	36/–	35/6*	6·94
					OIL			
58/6	39/9	†5 b	†2½ a		British Petroleum..... £1	55/3‖	55/3‖	4·72
87/3	59/11½	†7½ b	†5 a		Burmah Oil £1	83/9	81/10½*	5·49
£18 3/8	£13 7/8	17½ b	7½ a		Royal Dutch ..... 20fl.	£17 5/8	£18	2·62
165/–	117/6	†13¾ b	†5 a		Shell Transport..... £1	158/11½	160/7½	4·06
90/–	41/6	....	....		Ultramar 10/–	87/–	90/–	....
36/–	25/6	13⅛ b	7½ a		Wakefield C.C. 10/–	35/3	35/9	5·76
					SHIPPING			
43/6	27/7½	13½ b	6¼ a		Brit. & Com'wealth. .10/–	43/6*	43/3	4·62
23/9	16/6	10 c	Nil		Cunard £1	20/3	19/9	....
35/6	27/3	10⅘ c	10 c		Furness Withy £1	33/6	33/6	5·97
20/3	14/6	10 a	10 b		London & Overseas ...5/–	20/–	19/6	5·13
37/6	22/–	8 b	3 a		P & O Defd. £1	35/6	36/6	6·03
17/9	12/–	5 c	Nil		Reardon Smith 10/–	15/6	16/3	....
25/6	19/3	7½ c	9 c		Royal Mail £1	24/3	24/–	7·50
					MINES			
166/3	115/–	60 b	20 a		Anglo-American 10/–	160/–	166/3	4·81
101/10½	73/9	10 a	15 b		General Mining..... £1	100/7½	101/10½	4·91
45/10½	36/7½	80 b	40 a		Union Corporation ...2/6	44/

Money and Exchanges

EXCHEQUER RETURNS

For the week ended November 8, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £35,798,000 compared with a deficit of £9,557,000 in the previous week and a surplus of £7,294,000 in the corresponding period of last year. There was a net expenditure "below-line" of £8,913,000 leaving a total deficit of £566,543,000 compared with £651,368,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Nov. 9, 1957	April 1, 1958, to Nov. 8, 1958	Week ended Nov. 9, 1957	Week ended Nov. 8, 1958
Ord. Revenue					
Income Tax	2312,500	726,980	780,216	12,996	11,470
Surtax	163,000	42,700	44,500	1,000	1,300
Death Duties	163,500	107,900	105,600	3,200	3,500
Stamps	56,250	42,100	34,600	1,100	1,100
Profits Tax, EPT & EPL	275,000	163,100	183,800	5,200	7,100
Other Inland Rev. Duties	...	150	120	...	...
Total Inland Rev.	2970,250	1082,930	1148,836	23,496	24,470
Customs	1256,940	744,177	790,196	19,580	24,112
Excise	932,310	571,640	566,165	62,520	58,170
Total Customs and Excise	2189,250	1315,817	1356,361	82,100	82,282
Motor Duties	104,000	27,476	28,815	2,944	3,032
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	14,500	15,400	...	...
Sundry Loans	30,000	27,358	25,866	458	427
Miscellaneous	110,000	107,692	52,952	463	626
Total	5439,500	2575,773	2628,230	109460	110837
Ord. Expend.					
Debt Interest	695,000	415,838	399,296	6,373	5,635
Payments to N. Ireland Exchequer	73,000	39,356	42,785	2,443	2,631
Other Cons. Funds	10,000	5,304	4,815	—	3
Supply Services	4292,859	2405,226	2442,340	91,800	65,800
Total	5070,859	2865,724	2889,236	100616	74,069
Sinking Funds	38,000	21,757	21,493	1,550	970
"Above-line" Surplus or Deficit	— 311,708	— 282,499	+ 7,294	+ 35,798	
"Below-line" Net Expenditure*	339,661	284,044	24,329	8,913	
Total Surplus or Deficit.	**651,369**	**566,543**	**17,035**	**26,885**	
Net Receipts from:					
Tax Reserve Certificates	151,150	175,248	—764	3,203	
Savings Certificates	—5,900	80,100	—1700	2,700	
Defence Bonds	—20,031	48,640	—1675	357	
Premium Savings Bonds	46,710	43,065	2,030	2,250	
Total	171,929	347,053	—2109	8,510	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and £14 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Nov. 9	3,210·0	1,744·6	201·7	...	5,156·3
1958 Aug. 9	3,270·0	1,569·9	190·5	...	5,030·4
" 16	3,270·0	1,589·9	209·4	...	5,069·3
" 23	3,270·0	1,630·9	164·0	...	5,064·9
" 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
" 13	3,270·0	1,657·9	178·3	...	5,106·2
" 20	3,270·0	1,704·4	167·5	...	5,141·9
" 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	183·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3
" 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
" 8	3,350·0	1,739·5	166·7	...	5,256·2

THE MONEY MARKET

THE Treasury bill rate was steady at the tender on Friday last week, when the offer of £270 million was wholly of 91-day bills. The discount houses maintained their common bid at £99 2s. 1d. per cent, but outside applicants appear to have shaded their rates a little. As a result, although the total offer was up by £20 million to £270 million while total applications dropped by £9 million to £434 million, the discount market secured only 45 per cent of its application at the minimum price, compared with an average of 54 per cent the previous week on the 63-day and 91-day bills together. The average rate of discount fell by just over 1d., to £3 11s. 7.04d. per cent. At yesterday's tender, for an unchanged total amount, the Treasury again included 63-day maturities, together with £210 million of 91-day maturities.

The money market experienced an unaccustomed surplus of credit just before the week-end; money from outside sources was available at down to 2½ per cent. This week credit conditions have been tighter, and on Wednesday the authorities gave fairly large special aid. Rates up to 3⅝ per cent—above the bill rate—have been paid on substantial lines of money. Business in bills has not been large; the prevailing rate has been 3 11/32 per cent. The Treasury bill rate in the United States has risen this week from 2.65 to 2.77 per cent.

LONDON MONEY RATES

	%
Bank rate (from 5% 14/8/58)	4½
Deposit rates (maximum)	
Bank	2½
Discount houses	2½–2¾
Money: Day-to-Day	2¾–3⅝
Treasury bills:	
2 months	3 19/32
3 months	3 19/32
Discount rates: Bank bills:	%
60 days	3 11/16–3¾
3 months	3 11/16–3¾
4 months	3 11/16–3¾
6 months	3 11/16–3 13/16
Fine trade bills:	
3 months	4½ –5¼
4 months	4½ –5¼
6 months	4¾ –5½

BANK OF ENGLAND RETURNS

(£ million)	Nov. 13, 1957	Nov. 5, 1958	Nov. 12, 1958
Issue Department:			
Notes in circulation	1,983·5	2,021·0	2,026·4
Notes in banking dept.	16·8	29·4	24·0
Govt. debt and securities*	1,996·2	2,046·2	2,044·4
Other securities	0·8	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	2·0
Banking Department:			
Deposits:			
Public accounts	11·9	14·3	10·2
Bankers	223·6	229·2	238·0
Others	74·1	70·8	67·0
Total	309·6	314·3	315·2
Securities:			
Government	263·6	267·0	283·3
Discounts and advances	20·8	13·6	4·3
Other	23·9	21·3	21·5
Total	308·3	301·9	309·1
Banking department reserve	19·3	30·2	25·9
"Proportion"	% 6·2	% 9·6	% 7·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Min. Rate
1957 Nov. 8	91 *day* 230·0† / 63 *day* 40·0	434·0	s. d. 131 8·42	% 23
1958	91 *day*			
Aug. 8	250·0	467·9	77 3·63	32
" 15	250·0	437·8	74 5·00	32
" 22	250·0	437·4	74 6·25	32
" 29	270·0	424·1	74 11·48	32
Sept. 5	270·0	434·6	74 0·93	32
" 12	270·0	423·7	73 6·81	32
" 19	270·0	413·7	71 9·20	32
" 26	260·0	381·4	72 6·10	32
Oct. 3	270·0†	424·8	74 1·39	44
" 10	250·0	423·6	73 0·72	33
" 17	250·0	435·7	72 3·08	45
" 24	250·0	409·6	73 7·94	36
" 31	91 *day* 200·0 / 63 *day* 50·0	442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45†

* On November 7th tenders for 91 day bills at £99 2s. 1d. secured 45 per cent, higher tenders being allotted in full. The offer this week was for £210 mn. of 91 day bills, and £60 mn. of 63 day bills. †Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: November 12	Market Rates: Spot: November 6	November 7	November 8	November 10	November 11	November 12
United States $	2·78–2·82	$2·80\frac{5}{8}$–$\frac{3}{4}$	$2·80\frac{5}{8}$–$\frac{3}{4}$	$2·80\frac{5}{8}$–$\frac{3}{4}$	$2·80\frac{5}{8}$–$\frac{3}{4}$	$2·80\frac{5}{8}$–$\frac{3}{4}$	$2·80\frac{5}{8}$–$\frac{3}{4}$
Canadian $	...	$2·72\frac{1}{16}$–$\frac{5}{16}$	$2·72$–$72\frac{1}{8}$	$2·72$–$72\frac{1}{8}$	$2·72\frac{1}{16}$–$\frac{3}{8}$	$2·72\frac{1}{16}$–$\frac{3}{16}$	$2·72\frac{1}{16}$–$\frac{3}{16}$
French Fr.	1167·18–1184·82	1178–78¼	1178–78¼	1178–78¼	1178⅜–⅝	1178–¾	1178–¾
Swiss Fr.	12·15 5/16–12·33 9/16	12·23⅛–⅜	12·23⅛–⅜	12·23⅛–⅜	12·23⅜–⅝	12·23⅜–⅝	12·23½–⅝
Belgian Fr.	138·95–141·05	139·55–60	139·50–55	139·50–55	139·52½–57½	139·52½–57½	139·52½–57½
Dutch Gld.	10·56–10·72	10·58–58¼	10·58–58¼	10·57⅞–58⅛	10·58⅜–⅝	10·58⅜–⅝	10·58⅜–⅝
W. Ger. D-Mk.	11·67 3/16–11·84 3/16	11·70⅛–⅜	11·70–70¼	11·69¾–70	11·70–70¼	11·69⅞–70⅛	11·69⅞–70⅛
Portuguese Esc.	79·90–81·10	80·05–15	80·05–15	80·05–15	80·10–25	80·10–25	80·10–25
Italian Lire	1736⅝–1762⅞	1746¼–¾	1745¾–46¼	1745¾–46¼	1746–46½	1745¾–46¼	1745¾–46¼
Swedish Kr.	14·37⅝–14·59⅜	14·49⅛–⅜	14·49⅛–⅜	14·49–49¼	14·49–49¼	14·48⅞–49⅛	14·49–49¼
Danish Kr.	19·19½–19·48½	19·35½–¾	19·35½–¾	19·35½–¾	19·35⅛–⅜	19·34⅝–⅞	19·34⅝–⅞
Norwegian Kr.	19·85–20·15	20·00½–¾	20·00½–¾	20·00½–¾	20·00⅝–¾	20·00⅝–⅞	20·00⅝–⅞
One Month Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm
Canadian $		5/16–3/16c. pm	5/16–1c. pm	5/16–1c. pm	5/16–1c. pm	5/16–1c. pm	5/16–1c. pm
French Fr.		2½–4 dis	2½–4 dis	2½–3½ dis	2½–3½ dis	3½–4½ dis	4–5 dis
Swiss Fr.		1⅞–1⅝c. pm	1¾–1½c. pm	1¾–1½c. pm	1⅝–1⅜c. pm	1¾–1½c. pm	1¾–1½c. pm
Belgian Fr.		⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par
Dutch Gld.		1–1¾c. pm	1–¾c. pm	1–¾c. pm	1–¾c. pm	1–¾c. pm	1¼–1c. pm
W. Ger. D-Mk.		1⅛–⅞pf. pm	1⅛–⅞pf. pm	1⅛–⅝pf. pm	1–¾pf. pm	1⅛–⅞c. pm	1–¾pf. pm
Three Months Forward Rates							
United States $		13/16–1 1/16c. pm	¾–9/16c. pm	¾–9/16c. pm	¾–⅝c. pm	¾–⅝c. pm	¾–⅝c. pm
Canadian $		1–1⅛c. pm	1–1⅛c. pm	1 1/16–1⅛c. pm	1 1/16–1⅛c. pm	1 1/16–1⅛c. pm	1 1/16–1⅛c. pm
Swiss Fr.		4⅝–4⅜c. pm	4⅝–4⅜c. pm	4⅝–4⅜c. pm	4⅝–4⅜c. pm	4¾–4½c. pm	4¾–4½c. pm
W. Ger. D-Mk.		2¼–2pf. pm	2¼–2pf. pm	2¼–2pf. pm	2½–2¼ pm	2⅛–1⅞pf. pm	2⅛–1⅞pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/11½	250/2	...	250/11½	250/13¼	250/2½

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

World Trade ..... October 18th

BRITISH		OVERSEAS	
Prices and Wages	Nov. 1st	Western Europe: Production and Trade	Sept. 27th
Manpower and Output	This week	British Commonwealth	Oct. 11th
External Trade	Oct. 25th	Western Europe: Prices and Money Supply	Sept. 20th
Industrial Profits	Oct. 18th	United States	Nov. 8th

	Unit	Mid-year or averages: 1955	1956	1957	1957: Aug.	Sept.	Oct.	1958: July	Aug.	Sept.	Oct.
TOTAL MANPOWER		June figures									
Working population:											
Total	'000s	23,912	24,107	24,188	24,282	24,279	24,281	24,092	24,158	24,137	...
Men	"	16,084	16,188	16,225	16,274	16,259	16,254	16,180	16,207	16,193	...
Women	"	7,828	7,919	7,963	8,008	8,020	8,027	7,912	7,951	7,944	...
Armed Forces	"	803	761	702	681	674	665	609	603	599	...
Civil employment:											
Total	"	22,933	23,149	23,245	23,336	23,334	23,325	23,094	23,129	23,100	...
Manufacturing industries	"	9,206	9,269	9,271	9,319	9,351	9,371	9,099	9,109	9,108	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955:											
Employees in engineering(1)	"	...	+ 53	+ 48	+ 78	+ 99	+ 109	+ 18	+ 21	...	...
" " consumer goods industries(2)	"	...	— 9	+ 2	+ 12	+ 17	+ 21	— 93	— 86	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	"	232·2	257·0	312·5	265·6	267·4	275·2	411·9	445·6	476·0	513·8
Temporary or under 2 weeks	"	88·2	98·2	95·7	76·3	85·0	85·7	130·3	136·7	164·7	173·2
Over 8 weeks	"	94·2	93·1	129·3	112·7	108·2	111·0	190·1	195·3	193·0	211·6
By regions (3):											
Great Britain	"	1·1	1·2	1·4	1·2	1·2	1·3	1·9	2·0	2·2	2·3
London and South Eastern	"	0·7	0·8	1·0	0·8	0·8	0·9	1·1	1·2	1·2	1·4
Eastern	"	0·9	1·0	1·3	1·0	1·0	1·1	1·2	1·4	1·5	1·6
Southern(4)	"	0·9	1·0	1·3	1·0	1·1	1·2	1·4	1·4	1·5	1·8
South Western(4)	"	1·2	1·2	1·8	1·4	1·5	1·7	1·7	2·0	2·1	2·5
Midland	"	0·5	1·1	1·3	1·0	1·0	1·0	1·5	1·7	1·9	1·9
North Midland	"	0·5	0·6	1·0	0·8	0·8	0·8	1·4	1·3	1·7	1·7
East and West Ridings	"	0·7	0·8	0·9	0·8	0·8	0·8	1·9	1·9	2·4	2·5
North Western	"	1·4	1·3	1·6	1·5	1·5	1·4	2·6	2·9	3·1	3·2
Northern	"	1·8	1·6	1·7	1·5	1·4	1·4	2·0	2·4	2·5	2·8
Scotland	"	2·4	2·4	2·6	2·3	2·3	2·2	3·5	3·7	3·7	4·0
Wales	"	1·8	2·0	2·6	2·3	2·3	2·5	3·6	3·7	3·7	4·1
VACANCIES											
Unfilled vacancies notified to Employment Exchanges: Total	"	444	390	276	310	284	274	215	203	179	167
INDUSTRIAL PRODUCTION											
Index:											
All industries	1954=100	105	106	107	92	111	112	98	89	106–107[6]	...
" " *seasonally adjusted*	"	...	...	...	*108*	*109*	*106*	*106*	*104*	*104–105*[6]	...
Mining and quarrying	"	99	99	99	74	95	100	84	67	...	...
Construction	"	100	106	106	105[8]	...	106[9]	...	...	...	...
Gas, electricity and water	"	105	110	112	91	105	114	96	93	...	...
Manufacturing, total	"	106	106	108	92	114	113	98	88	...	...
" " *seasonally adjusted*	"	...	...	...	*110*	*110*	*107*	*107*	*105*	...	...
Engineering and electrical goods	"	107	107	111	93	116	116	...	...	...	...
Shipbuilding	"	108	117	108	108	109	111	107	...	...	...
Vehicles	"	115	107	115	83	121	116	116	...	...	...
Chemical trades	"	106	111	115	103	119	120	...	...	...	...
Textiles, leather and clothing	"	99	99	99	81	105	103	80	...	...	...
BASIC MATERIALS		M/W averages									
Production of:											
Coal (5) (7)	W	'000 tons 4,250	4,269	4,301	3,203	4,143	4,363	3,684	2,938	4,116	4,359
Pig iron	W	" 240	253	275	273	283	286	227	221	231	242
Steel, ingots and castings	W	" 381	397	417	373	438	438	316	299	369	364
Sulphuric acid	M	" 174·6	187·2	194·7	182·5	188·0	199·7	165·7	162·4	...	...
Newsprint	W	" 11·91	12·36	12·55	11·76	12·80	12·90	9·12	11·74	...	...
Electricity (5)	M	mn. kwh 6,679	7,263	7,581	6,163	7,064	8,089	6,593	6,395	7,250	...
MANUFACTURING											
Textile production:											
Cotton yarns, single	W	mn. lb. 16·91	16·33	16·85	14·52	16·39	17·61	12·11	11·68	14·16	...
Worsted yarn	M	" 18·48	19·38	19·48	14·24	19·14	21·94	16·38	11·44	17·90	...
Rayon and synthetic fibres	M	" 39·32	40·21	41·32	35·17	39·11	41·94	32·86	24·81	31·96	...
Cotton cloth, woven	W	mn. yds. 34·3	31·0	31·4	31·1	29·3	32·8	19·2	25·2	...	...
Wool fabrics, woven	M	mn.sq.yds 34·2	33·1	32·8	24·0	32·8	35·0	28·6	20·6	30·6	...
Engineering production:											
Passenger cars and chassis	W	'000s 17·26	13·61	16·56	10·45	19·35	19·85	21·37	11·15	20·45	...
Commercial vehicles and chassis	W	" 6·53	5·71	5·54	3·20	6·12	6·34	5·85	2·97	5·86	...
Metal-working machine tools	M	'000 tons 12·52	12·90	14·10	14·42[8]	...	14·20[9]	...	...	...	...
Internal combustion engines	M	'000 BHP 408	411	406	308	451	411	382	...	...	...
BUILDING ACTIVITY (5)											
Permanent houses completed:											
Total	M	'000s 26·42	25·03	25·09	23·37	24·13	26·40	23·57	20·66	24·26	...
By private builders	M	" 9·46	10·35	10·54	10·65	10·97	11·70	11·15	10·22	12·48	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estimated number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Britain. (6) Provisional estimate. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for third quarter. (9) Average for fourth quarter.



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General information and conditions of appointment are obtainable from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on January 16, 1959.

MILK MARKETING BOARD

AWARDS IN AGRICULTURAL ECONOMICS

The Milk Marketing Board invite applications for their awards for vocational study and for research in agricultural economics. The awards are open to men and women who are graduates of universities in the United Kingdom in any subject, but preference is given to those whose degrees have been obtained in economics, in social or business studies, or in agriculture. Candidates are expected to have gained a first-class or good second-class Honours degree, but any qualifications of similar status may be accepted.

There are three categories of awards:—

(a) SCHOLARSHIPS (£500 per annum) are primarily for students of subjects other than economics for agricultural economics during their undergraduate career, but who may wish to study these subjects before proceeding to post-graduate work;

(b) STUDENTSHIPS (£600-£700 per annum) are for post graduate students qualified to study for a post graduate degree or diploma or to take up research work in agricultural economics;

(c) FELLOWSHIP (£800-£1,200 per annum) are for persons who have already had experience in post-graduate study in some subject cognate with agricultural economics.

Applications should be sent not later than December 31, 1958, to the Secretary, Awards in Agricultural Economics, Milk Marketing Board, Thames Ditton, Surrey, from whom further particulars and forms of application may be obtained.

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Candidates should be graduates, preferably in economics or arts, with experience of the finance of international trade gained, probably, in a merchant bank. Preferred age 34 to 38.

No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion. Please send brief details in confidence, quoting reference S.1322a to R. A. Denerley.

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YOUNG Economist is required by the London Office of a rapidly growing industry for trade survey work in the Market Research unit. Applicants should be aged 25-26, should have completed any national service commitments, and must possess a first- or second-class honours degree in Economics with subsidiary Statistics. This is a new appointment which offers considerable scope to an ambitious individual and the successful candidate will be expected to expand and develop the work on his own initiative. The starting salary will be in the range £750-£900 and conditions of service are of the highest order.—Send full personal details to Box 1072 quoting reference U/36.

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The Council of Europe awards annually a number of Fellowships to encourage research into the following questions, considered in the light of their present-day importance: (a) political, legal, economic, agricultural, social, educational and scientific problems connected with European integration; (b) European civilisation (philosophy, history, literature and the arts).

The Fellowships are each of the value of 500,000 French francs and are tenable for a period of eight months. The next awards will be made in July, 1959.

Candidates are invited to propose such subjects as are likely to make a real contribution to the fields of study mentioned above with the object of writing a publishable work. Subjects which have an essentially national bearing will not be accepted.

Candidates must normally be nationals of a Member State of the Council of Europe. An exception however is made in favour of refugees from European countries non-Member States of the Council of Europe, provided that they are legally resident in the territory of a Member State.

The British Council assists in publicity and recruitment for these Fellowships in the United Kingdom. Further particulars and forms of application which must be submitted before March 15, 1959, may be obtained from The Director, Universities Department, Education Division, The British Council, 65 Davies Street, London, W.1.

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Applications are invited for the post of Personal Assistant to the Secretary. University degree and/or professional qualifications in law or commerce desirable. Age not over 30. Qualities sought include initiative, tact, breadth of outlook and ability to express ideas clearly and concisely. Appointment offers interesting and varied work, good prospects and contributory pension scheme.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in Australia and London, is December 7, 1958.

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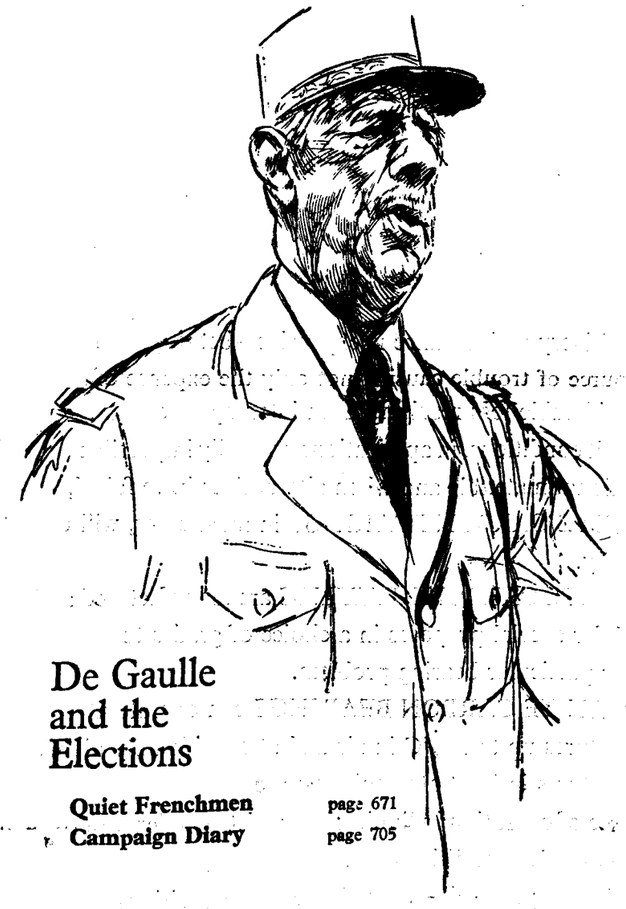

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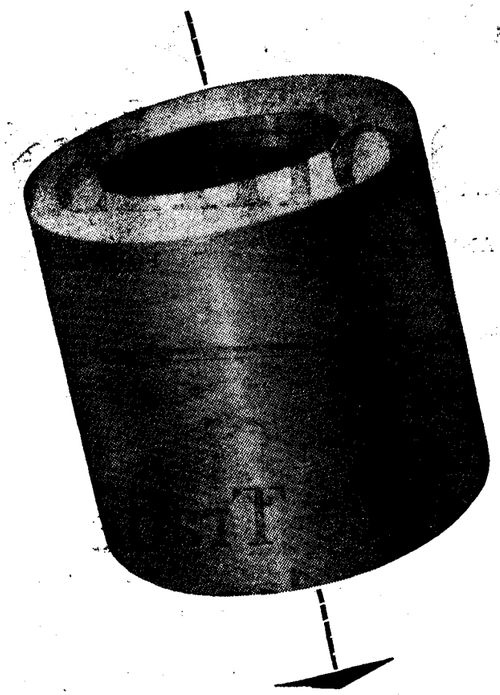

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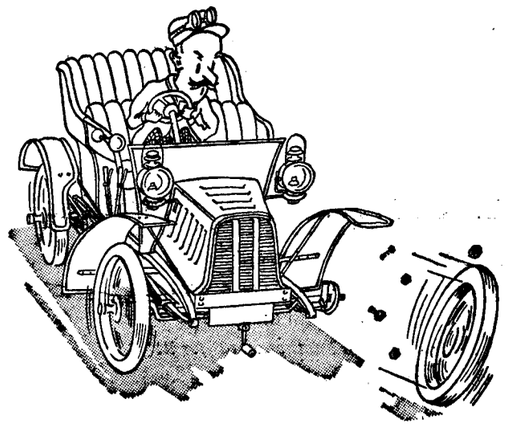

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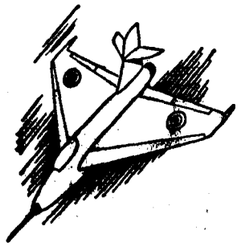

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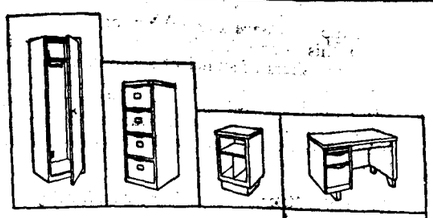

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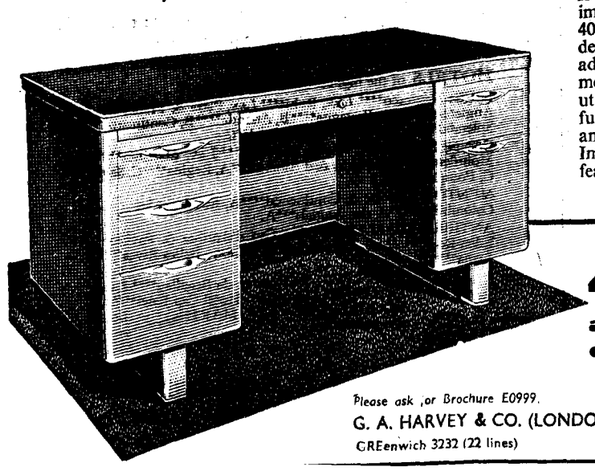

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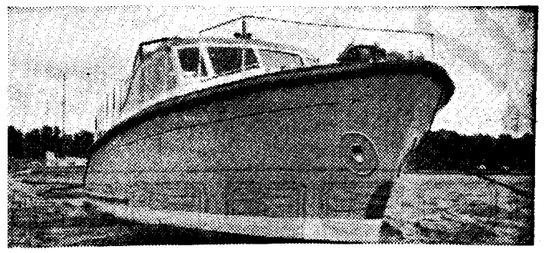

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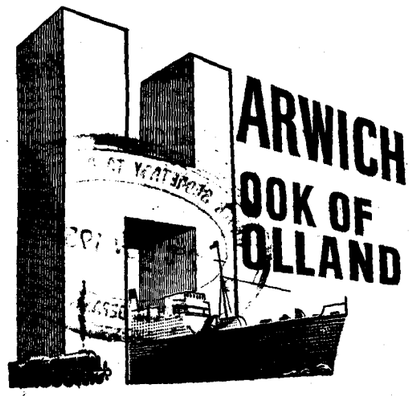

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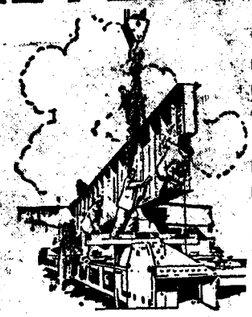

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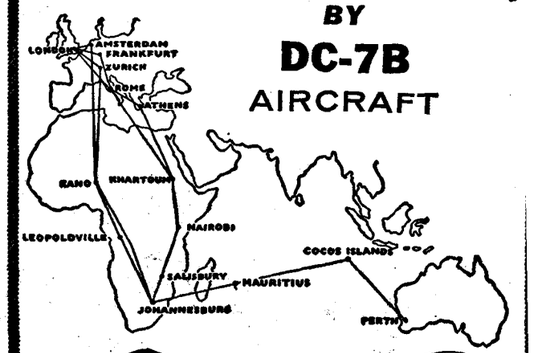

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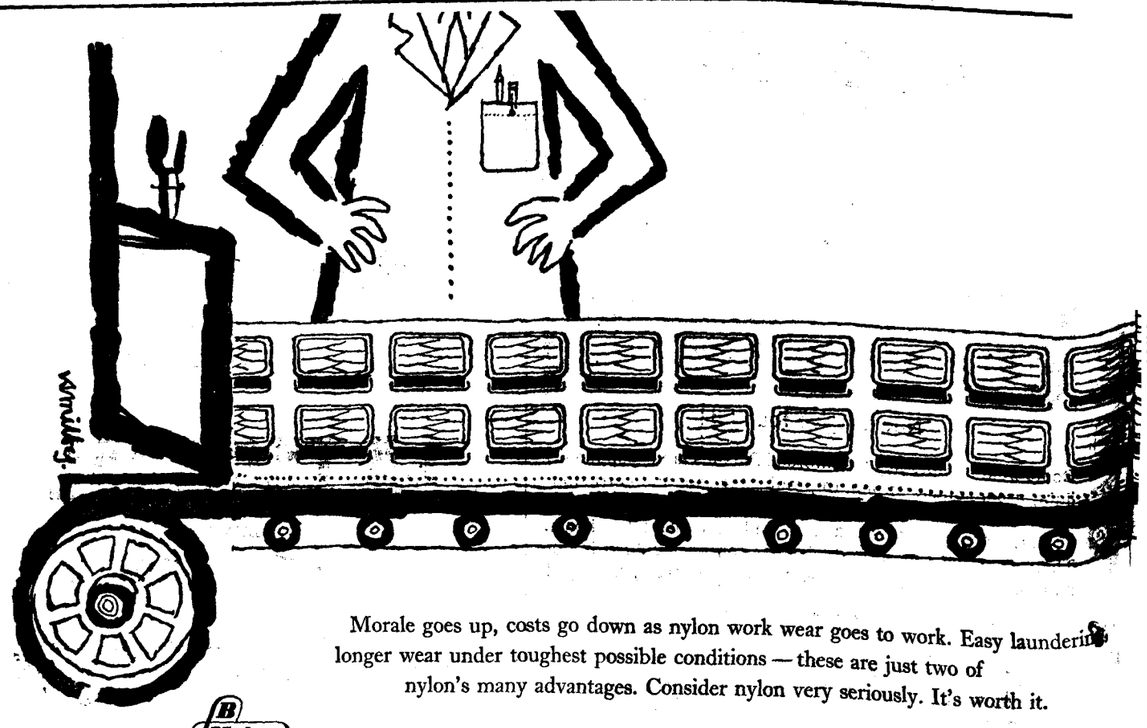

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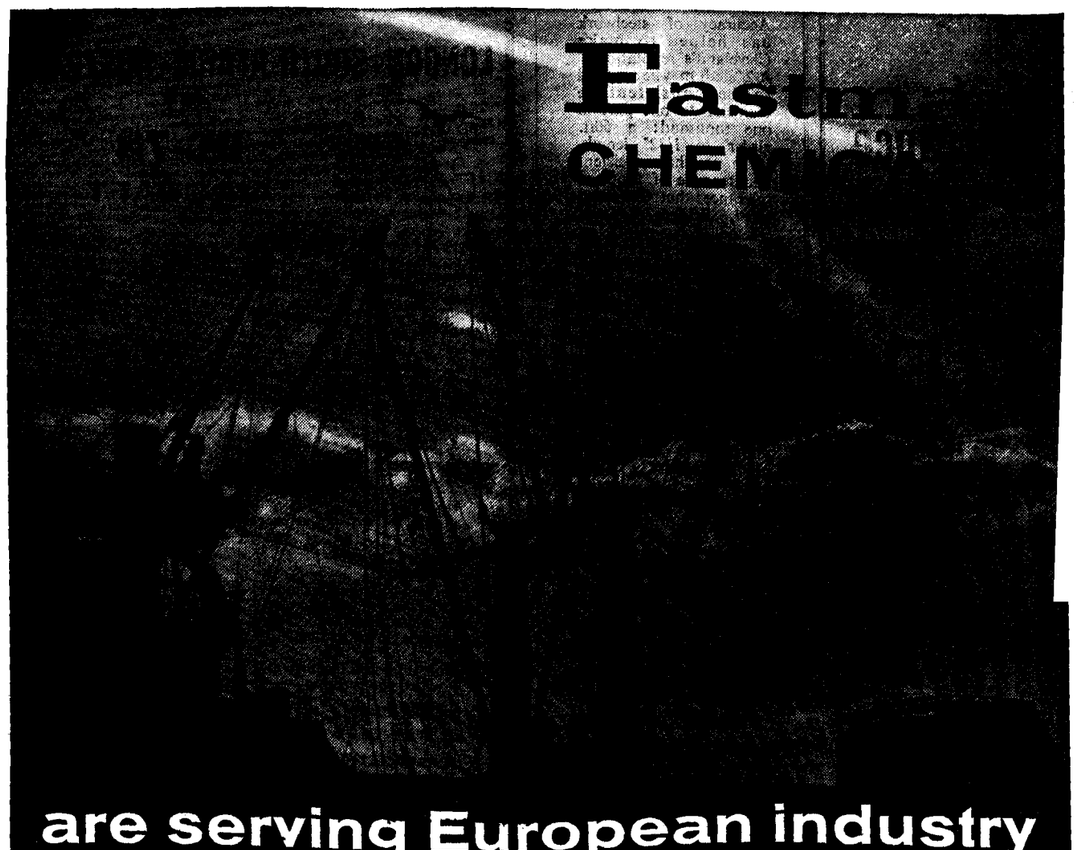

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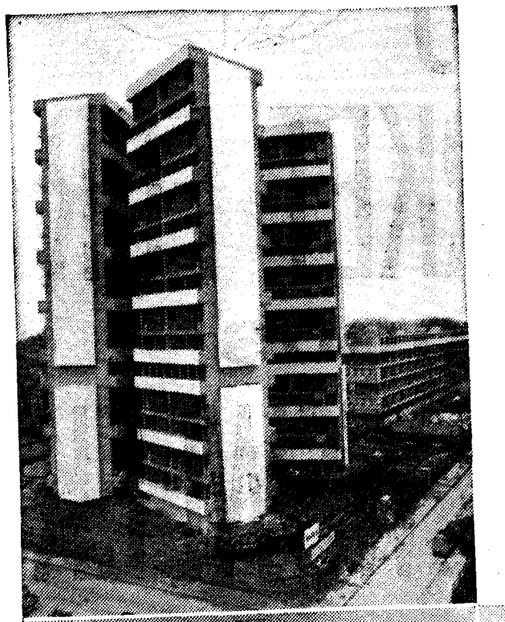

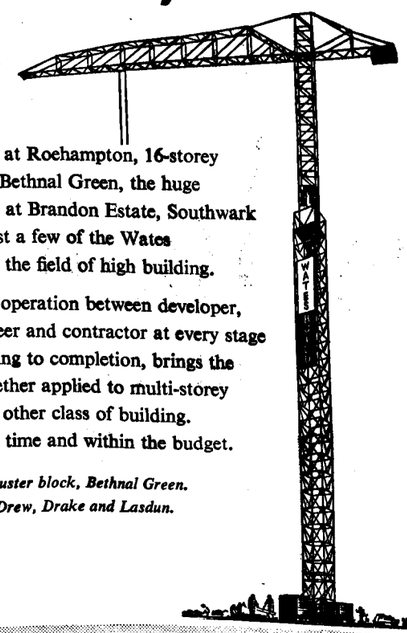

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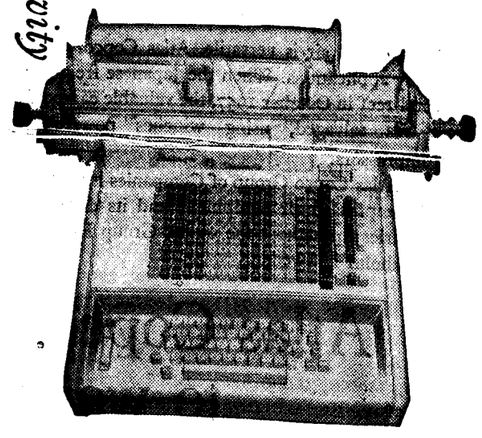

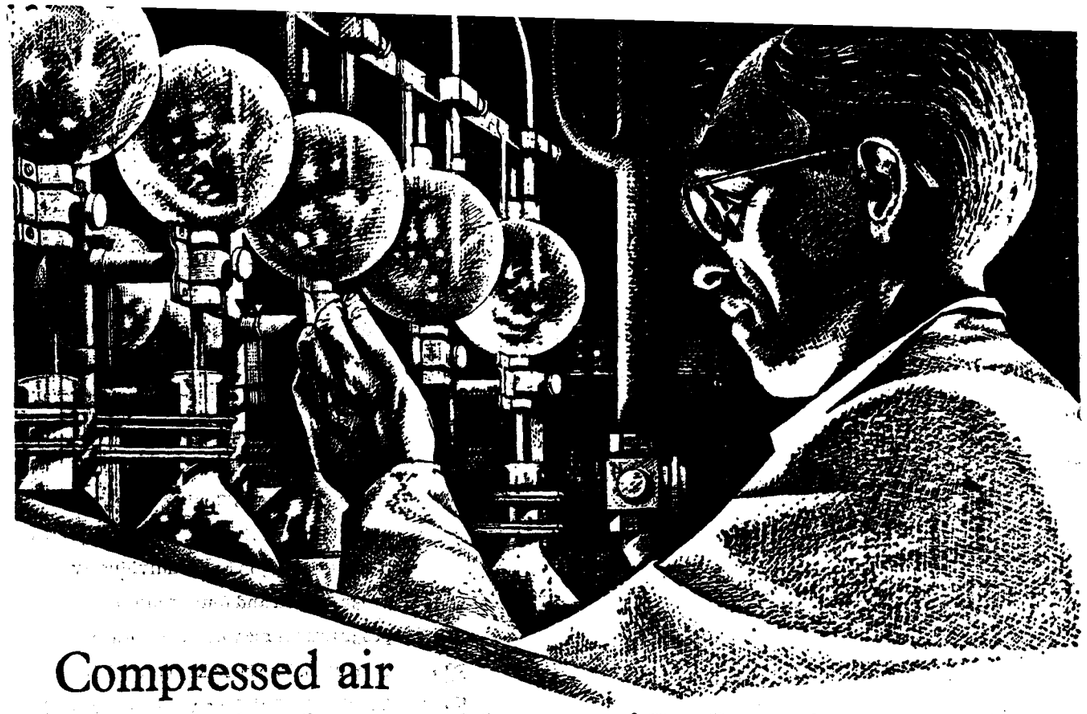

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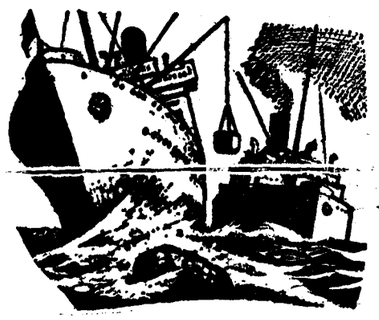

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The Economist

NOVEMBER 22, 1958

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Free Trade Fundamentals

THE breakdown in the negotiations for a European free trade area is one of those great and complicated misfortunes which need to be faced, not by the polysyllabic wrangling appropriate to committees, but by going back to consider the simple fundamentals of foreign and economic policy. From the beginning Britain has had, or should have had, two primary interests in this matter.

The first and greatest interest is that the common market among six nations of continental Europe (Germany, France, Italy and the Low Countries) should come into successful effect. The reason for wanting this is overwhelmingly political: once these six countries rely on each other's industries in one common market, they will find it much more difficult ever to go to war with one another again. Britain should remember enough recent history to recognise the inestimable benefit of this; Europe certainly does.

The second British interest is that there should not be discrimination against British goods in these six countries' new common market; compelling though this interest is, it is natural that, in the massive sweep of history, most outsiders will regard it as not quite so important as the first. To avoid this discrimination, Britain suggested that the eleven other countries in the Organisation for European Economic Co-operation (led by Britain, the three Scandinavians and the Swiss) should take part in the tariff-reducing and quota-dismantling part of the six's plan, while not joining them in their scheme of wholesale economic integration. To five of the six—the five with efficient low-cost industries and with a considerable hope of selling more goods in Britain and Scandinavia—this offer of a wider "free trade area" seemed a good mutual bargain. France has always been the odd man out, because its high cost industries do not seem to have much immediate hope of increasing their exports to anybody.

Last week, after two years of dithering and procrastination, the French finally turned the free trade area down. To some extent their decision was in direct contravention of former statements of intention to which French representatives had assented. It is natural that the British and others should be cross about this, but it is also not much use. The best way in which an approach to a new policy can be discussed will be by asking and answering four frank questions. Each of them, together with the essential issues involved, has hitherto been too much obscured by economic doubletalk and diplomatic over-politeness:

(1) *Why have the negotiations for a free trade area broken down?* Because the French—who have agreed to take some economic risk in opening their markets to German, Italian and Benelux goods (in return for some political advantage)—are not willing to open their markets to British goods. They fear that, if they did this, their high cost industries would be "swamped" in their domestic market. The fact had better also be faced that some of the French do not want Britain in any European

economic grouping at all ; they think that the confluence of the free trading British with the relatively free trading Germans would impair France's political position in any such association. More generally, the French argue that the British are demanding the commercial advantages of the common market without accepting any of its responsibilities.

(2) *How far would Britain's exclusion matter?* The first tariff and quota reductions which the six countries are due to make on January 1st fortunately would not immediately harm our interests by introducing a major degree of discrimination into European trade. Although the prospect of early discrimination in quotas is a little more worrying than that of a minute early discrimination in tariffs, the changes due on this January 1st are pretty small beer ; that is why there is a good chance that the six may yet decide to make these first liberalisations indiscriminately to all OEEC countries or even to the whole world, as a gesture of goodwill. The real objection to passing the January 1st deadline without having reached agreement is a long-term one. For two years now British industry has been persuaded to start making preparations for an increase in sales to the Continent, together with an increasing immixture of Continental trade in Britain, on the assumption that the free trade area arrangements (or something like them) will eventually come into effect. If British industrialists now get the impression that the whole project is going to wither on its stalk, if it looks as if sales in Europe will in future be harder instead of easier, this impulse may be irretrievably lost. The object of British policy now should be to see that it is not ; all the more because if it is lost, the effect of creating the common market will tend to be to [illegible]arate Britain from Europe more than ever. There are as strong political as economic reasons for a close British association with the rest of western Europe.

THE present situation, perhaps in oversimplified terms, is that five of the European six think that the British vision of a free trading Europe is economically the more beneficent, but believe that the maintenance of their unity with France is politically the more important. The French tactic will almost certainly be to make just enough concessions to keep their partners in line. Indeed, that might be the definition of the best terms that Britain will get. The ordinary, and rather perplexed, observer may find it natural to butt in at this point in the argument with two questions :

(3) *How far in concessions could Britain profitably go in order to resolve the deadlock?* Would it be worth our while to say that, rather than let the project of freer European trade lapse, we might, on certain terms, join the common market ourselves? There are two objections to this. First, if Britain joined the common market, it would have to impose the same tariffs on outside goods as the six ; probably, though not certainly, this would mean putting tariffs on raw materials from the Commonwealth which Britain now imports duty free. Quite apart from the terrifying political implications of this (especially for a Conservative government), it would not, in this bald form, be economically worth while ; it would involve increasing our costs for the whole of our export trade and internal production, in order to save ourselves from tariff discrimination in that one seventh of our export trade which takes place with the European six.

Secondly, since the main anxiety of the French protectionists is to keep tariff-free British goods out of their country, any such British initiative would secretly terrify them, too—and they would seek new ways of getting their government to ditch the venture. So far France has said that it would welcome us into a common market, but not into a free trade area, because it knows that our Commonwealth obligations are singularly unlikely to allow us to consider the former ; it has said "welcome" on what it trusts are impossible conditions as a polite way of saying "keep out."

These are not necessarily unanswerable objections to any British initiative ; indeed some people would say that they are the reverse. Some case could be made for arguing that Britain should now say that it will "consider joining the common market" (on certain conditions about safeguarding its imports of Commonwealth raw materials), as a means of breaking the barrier of political distrust, and of taking a political ace out of the hands of French protectionists. Certainly, the limiting factor should not be the probable failure of Conservative backbenchers to appreciate any such initiative. The right economic precept is surely that any British action (under any name) would be worth while up to —but not beyond—the point where it would involve us in increasing our industrial costs or in having to turn away any significant volume of cheaper imports from outside Europe.

4. *Should Britain try to get the other five Europeans to jostle the French into line by threatening that otherwise Britain will start reprisals against the whole common market?* One course we could presumably take would be to say that we (and, if we can persuade them, other Commonwealth countries) will now throw our weight against the common market in discussions at Gatt, some of whose members already look askance upon the common market as a potential new discriminatory block. We could also threaten to break up the Organisation for European Economic Cooperation and the European Payments Union ; if EPU was broken up, imports from Germany and the rest of the six would then become equally as "hard" currency goods for us as are imports from the dollar area, so that we might then say that any quota restrictions imposed against American goods must thenceforth be imposed equally against German and other European goods.

The objection to all this is not that it would stop this great European desideratum, the continental common market, from coming into effect ; fortunately, the six are almost certain to go ahead with their common market, whatever Gatt might say. The objection is that

nearly all these steps (especially the break-up of OEEC and EPU) would hurt Britain at least as much as they would hurt the six. They would be economically silly as well as politically perverse. This is not necessarily to say that, if the Scandinavian countries set up a customs union of their own after January 1st, the British should not try to get free trade arrangements with it, in order that any restrictions which they may impose against German exports should not also be imposed against ours. But any step by Britain should be taken only if the step is inherently in its own interests, as an independent advance towards freer trade in whatever limited field is still open to it ; there can be no case for taking any step just to spite (or "stir up") the six.

AT this moment of maximum confusion in European trade, Britain's best course will be to guide itself by three simple principles. First, the further economic integration of the west European six will be a great and historic achievement ; nothing that we do should give the impression of trying to hinder it. Secondly, freer trade between anybody is, of itself, almost bound to be a good thing for everybody in this age of industrial revolution. This requires, thirdly, a definition of how far discrimination is, of itself, a bad thing. Discrimination which takes the form of the erection of any new barriers against anybody is certainly retrograde and deplorable ; discrimination which takes the form of a speedier advance towards freer trade with some neighbours than with other countries is much less harmful. These may seem very theoretical principles, and therefore unexciting ones. But in considering the steps that Britain might take in the weeks ahead they are likely to prove very practical guides to what Mr Maudling should do—and of what he should not do.

Quiet Frenchmen

General de Gaulle's power to give effective leadership may depend on the kind of National Assembly that is elected this weekend and next

FRANCE'S electorate is hardened to muddle and confusion ; even under the Fourth Republic's mathematics it managed to vote roughly the way it wanted to vote. Perhaps it sees its way clear now. The politicians and psephologists do not. There are still too many parties : not M. Soustelle, not M. Duchet or M. Bidault has contrived to build the great Gaullist alliance before the first ballot on Sunday. There are too many candidates : six to a seat across France, with one Paris constituency boasting as many as sixteen. Even so, this is fewer than in 1936, the last time the *scrutin d'arrondissement* was in official favour. What has really rattled the experts is the electors' own silence. Meetings are badly attended. Rallies are confined to the faithful. Questions concern the parish pump (the historic myopia of the *arrondissement*). Some of the big noises, like M. Mendès-France, have found more cameramen and correspondents awaiting them than actual voters. Has the electorate made up its mind already? Or is this shrugging of shoulders, this apparent retreat from responsibility, the new state of French politics under the Gaullist constitution?

It is too soon to tell. But the electorate does not seem to have warmed to the idea, widely proclaimed by the new candidates of the Right, that there is anything very vital about its decision. The big choice was made in September. There may be some stirring of democratic hearts when the party brokerage between the first and second ballots is over. The natural impulse then might be a pronounced swing to the Right if, in fact, the electorate is still thinking in September's terms of *oui* and *non*. The problem already seems to have weighed on General de Gaulle's mind. The national arbiter has studiously refrained from any partisan intervention since the campaign began ; he has also refrained from calling the election off in Algeria, despite the developments there that will give an unearned bonus of 67 seats to the Right in the new Assembly.

But his own purpose, and prestige, would not be served if the election simply presented him with a *chambre introuvable* on the model of 1816, more Gaullist than he is. Hence the electoral system was framed, at M. Mollet's instance, to favour the Socialists. Even the boundaries of M. Mendès-France's constituency at Louviers were redrawn on the general's orders to assist the return of this necessary leader of the opposition. The general's preference for a balanced Assembly has been plain enough. Will the electorate, confronted with local choices between marxism and anti-marxism, or between the old *système* and new blood, manage to give him what he wants?

FOUR big political groupings can be distinguished at the outset of the Fifth Republic. Those who voted *non* in September form one. Of these, the Communists are expected to lose up to two-thirds of their seats through republican alliances against them at the second ballot. But they are deliberately fighting every seat in metropolitan France, and for them the big issue will

be how far (if at all) their normal strength recovers after the drop of a million votes in the September referendum. The fate of the dissident Socialists and M. Mendès-France's Radicals will depend on local conditions. The worst result, although one devoutly wished for by M. Soustelle and the Communists themselves, would be for the vocal opposition to the Gaullist regime to be confined to the small Communist block that will make its way back, mainly from the red belt of Paris, at the first ballot.

Within the Gaullist ranks the Socialists, supported by some Radicals, form the main liberal element and the one most concerned to reach a negotiated political settlement in Algeria. Whether or not the general's own inclinations would make him prefer M. Mollet as his first prime minister, it is essential to his own prospects for future political manœuvre that a sizeable left-of-centre block should emerge in the Assembly. On the initial strength of this Socialist element a good deal of Gaullist policy, particularly in Africa, will depend. The best news for M. Mollet and his friends so far has been the failure of the Right to coalesce in one massive Gaullist unit. The Right is divided between the old Independents, led by M. Pinay and M. Duchet, and M. Soustelle's new *Union pour la Nouvelle République*. It is no less satisfactory, in the interests of a balanced Assembly, that the Independents are themselves split, that M. Soustelle has been at odds with one of his chief adherents, M. Delbecque, and that the right-wing

The Economist

NOVEMBER 20, 1858

TOO MANY TRAVEL BOOKS

¶ The art of book-making is rising to the rank of a great social evil. It is one of the worst features of the literary condition of the present age, that such an art should flourish as it appears to do, judging by the specimens which are each week laid upon our table. Whether the evil arises from deficient taste on the part of readers whose appetite is rather vigorous than judicious, and who care not much of what nature be the intellectual food they swallow, so they enjoy an unstinted quantity; or whether it be that the mass of such trash offered to the publishers is so great as to defy all precautions against its admission, and compel them, in spite of all their vigilance, to allow a portion of what is thrust on their attention to be flung upon a literary market by no means understocked . . . we will not attempt to determine. Certain it is, that this book-manufacture is a nuisance which ought not to be inflicted on the public, and an injustice towards authors of a higher and more conscientious class. . . . Travellers enjoy especial facilities for this kind of manufacture. They are always provided with the skeleton into which they may weave the more or less flimsy fabric of their work. They have gone over a certain amount of ground, travelled in vehicles more or less uncomfortable, and seen many places more or less insignificant, about each of which it is possible to say a good deal. Then they have probably visited several inns, and enjoyed a few minutes converse, agreeable or angry, with the landlord of one or more. . . . Then they are tolerably sure of readers, however few; for there are always some who find interest even in the dullest and driest accounts of foreign lands, and especially of scenes so romantic as those of the Levant. And if the book be insufferably stupid . . . a romantic tale of Oriental love may be fished up from some old newspaper . . . and the book is made.

Christian Democratic movement with which M. Bidault hoped to replace the remnants of the MRP (now localised in Brittany and Alsace-Lorraine) has made little impression in the country.

This fragmentation of the Right became inevitable when the general refused to set himself at the head of a new Gaullist party. The divisions will affect the choice of the right-wing candidates who will go on to the second ballot where, according to M. Duchet, they will fight the Socialists to the bitter end. Although there have been rumours that some arrangement would be reached between MM. Mollet and Duchet to ensure the election of republican candidates, particularly against Communists and Mendèsists, local trials of strength now seem likely.

The political mixture in the new Assembly, apart from the Communists' departure, thus promises to be pretty much as before. Most of the familiar faces (although some, like MM. Laniel and Bourgès-Maunoury, are in grave local danger) will be back. Is this the reason why the electorate has remained so pointedly uninterested in the campaign? M. Mollet himself has taken time off to complain that the country must not passively hand everything over to the general to decide for it. Nothing could be achieved, he said, if the government did not have the backing of an active majority of the electorate. Perhaps M. Mollet has still to learn how much really was at stake in the parliamentary surrender to General de Gaulle last May. What was done then in reducing the Assembly's power and importance could not be undone now, even if the general himself willed it.

The lesson of the Algiers coup has clearly not been forgotten across the Mediterranean. When the Moslem rebels rejected General de Gaulle's terms for a cease-fire, the hopes that any valid representation of Algerian nationalism could be achieved in the elections were sensibly diminished. There is now evidence, including some from returning liberal candidates, that the final blow to these hopes was delivered by French army leaders who showed themselves utterly unwilling to recognise the existence, even in a moderate political form, of the nationalist feelings shared by the rebel forces in the *bled*. However understandable this reaction among the fighting troops, the action of certain officers seems to have been in open contradiction to General de Gaulle's orders to General Salan. Is the name of General de Gaulle no more formidable now than that of M. Pflimlin six months ago? Direct authority over the army in Algeria still seems to be in doubt.

General de Gaulle has done a great deal since he came to power to remove the legitimate fears aroused by the manner of his return. But the crisis that bore him back has not been resolved. The overwhelming vote of confidence that he received in September gave him the chance to be his own master—in Algeria as well as in France. Yet if his orders are not being followed within a few weeks of the referendum, his authority

there must be shaky. If, by the end of this month, the friends of the Algerian *ultras* are found to be in control of the Assembly in Paris, there will be less prospect than ever of achieving an early settlement for the war and of opening a stable political and economic future for France and Algeria alike. This is the one big issue underlying France's vote this Sunday and next. General de Gaulle's position as the one man whose influence is great enough to bring European and Moslem together in North Africa may depend on the outcome.

Nineteen Sixty-Five

Mr Khrushchev has set long sights and lofty targets for the new Soviet economic plan. Into what kind of Russia will it lead him?

COMMUNISTS are great believers in the future. The slogan of "catching up with the United States" was coined when Soviet industry was still in its infancy. Only in recent years has it lost its appearance of utter unreality. If Mr Khrushchev's latest repetition of this slogan, in his new challenge to an economic race, has had more impact in the west than usual, it is not simply because of any sudden spurt in Soviet production, but because the Russians have decided to look further ahead. The inventors of five-year plans have switched to longer planning periods. Mr Khrushchev's targets for 1965—published last week in Moscow in preparation for the party congress in January—are themselves only a half-way stage in a vast plan stretching over the next fifteen years.

Thus one reason for the shock effect of Moscow's announcement is that it has revealed objectives for seven years ahead (is there something about the number 7, even to the Marxist planners?). Another is that the announcement has come at a time when the economy of the United States is only just emerging from a recession. The Russians have always argued that they must win the economic race because they are the runner with the longer stride; it is an argument that carries all the more conviction when the man in front is marking time. But victory in the Khrushchev stakes will depend on the form that the western competitor, and particularly the American pacemaker, in fact shows.

If it is borne in mind that it takes two to make a race, and that the Russians have just changed the distance by altering their planning period, the new Soviet seven-year plan is not a surprise in itself. Soviet gross industrial output is to be increased by 80 per cent over the next seven years. The planned annual rate of growth is actually slightly less than the rate of the last few years, and substantially less than in the exceptional postwar decade of rapid development and reconstruction. The accompanying table compares Soviet plans with the actual current American figures for fuel and basic materials; there are other branches of Soviet production for which the scheduled rate of growth is faster. The output in machine building is planned to be doubled, and in chemicals trebled, by 1965; some of the newer engineering sectors are to move faster still. As to the fuel base, it is to consist to a greater extent of oil and natural gas, and is to be broadened eastward to take in more of the cheaper sources of Kazakhstan and Siberia. The expansion of Soviet industry, which drove Mr Khrushchev into his managerial reform and his measures of decentralisation, now dictates a modernisation of industrial structures which shows many resemblances to the American pattern.

BASIC PRODUCTION
(million metric tons)

	1958 estimated	Soviet Union 1965 plan	1972/3 target	United States 1957 actual
Coal*	475	596–609	650–750	465
Crude oil	113	230–240	393	354
Electric power†	233	500–520	900	716
Crude steel	55	86–91	107	102
Cement	34	75–81	116	53

* Soviet output includes brown coal. † Billion kWh.

The priorities given to heavy industry in the past were so effective that its targets were over-fulfilled, while many of the promises made to the consumer remained a dead letter. But the bias has diminished, and the new pledges do not sound so unreal. Light industry (excluding the food industries) is to increase its output by about half over the seven years. Along with a much richer and more varied diet the Russians are promised better clothing, including a new range of artificial textiles. The average man is not being encouraged to think of a motor-car of his own, even in 1965; but it is intended that electric gadgets for the home—vacuum cleaners, refrigerators, television sets—should cease by then to be the rare luxuries they are now.

THE expected rise in consumption can be fairly measured by the planned increase in incomes. Real wages in town and farmers' incomes are scheduled to rise by 40 per cent over this period. This should be popular, particularly as it is chiefly the lower income-groups that are to benefit; old age pensions are to be raised as well. The extent of this improvement, however, is not unprecedented or extraordinary if the expected rapid rise of national income is taken into account. More leisure and better housing are two of Mr Khrushchev's slogans most attractive to the Russian masses.

Acute overcrowding has been the chronic lot of Soviet town-dwellers. The tremendous growth of urban

population, war damage and insufficient building have contributed to keep this wound sore. Investment in housing is to be stepped up, and the rate of construction doubled ; 15 million new flats—more than 600 million square metres of floor space—are to be built in the next seven years. Translated into human terms this means that, if there are now about four people to a room in the Russian towns, there should be only two in 1965.

The reduction in working time is more striking, though it is to be carried out by stages. It is proposed to apply the 40-hour working week throughout the Soviet Union by 1962. Two years later, it is now declared, the transition to a 35-hour week of five working days is to begin ; its completion is planned for 1966-68, and workers in particularly hard jobs, like miners, are promised an even shorter week (30 hours). Obviously such a reduction must presuppose, and depend upon, great improvements in efficiency. The non-agricultural labour force is to be increased by just over a fifth, to 66 million, by 1965. If that were all, the cut in working hours would about balance it ; thus there will have to be a tremendous increase in productivity if the labour plans and the production plans are to be fulfilled. Mr Khrushchev hopes to achieve this through modernisation of equipment, technological change, and a continuing effort to increase and improve the supply of skilled labour. In this effort, educational reforms are intended to play their part ; technologists and scientists are to predominate among the expected 2.3 million new graduates from the universities and technical schools.

Another stiff task faces agriculture. Its gross output is set to increase by 70 per cent. Supplies of meat, milk and dairy produce are at least to be doubled. In this field, however, the precedents are not encouraging. The fact that the new target for the grain crop—about 180 million tons a year—is roughly the same as the unfulfilled objective of the two previous plans is a bleak reminder of past failures. Mr Khrushchev draws comfort from the progress that has been made, with the help of various reforms, in the last four years. He hopes that collective farms will be able to start investing heavily themselves. He backs this bet with the promise of a million new tractors and by proposing to treble the supply of fertilisers. If the agricultural plan succeeds, it will be the planners' first real victory over the peasants.

The success of this first seven-year plan thus depends on the progress of productivity in town and country alike. Barring the collapse of these assumptions, there is no evident reason why the new plan, particularly for heavy industry, should not be fulfilled. The consequences of success in the venture should not be underestimated. For the men and women of Soviet Russia it would open new vistas ; after a period of only gradual improvement in their lot, they are told that they are to become rapidly better-off—and eventually the best-off—people in the world. A successful economic expansion on this scale will also strengthen Soviet authority over the communist block, together with Russia's capacity to distribute economic aid. Quite a modest fraction of a national income nearly two-thirds higher than it is now could provide solid backing for rouble diplomacy in the Middle East and elsewhere.

THE economic progress of the Soviet Union, not so long ago as backward as the candidates for aid were themselves, is a spectacle that exercises fascination over many countries of Asia and Africa. This time, it could have an impact in Europe as well: better living conditions might encourage the Soviet government to feel that it can safely open up its frontiers ; the 35-hour week could prove a contagious example. Mr Khrushchev has boasted that by 1965 the communist block will account for more than half the world's output. True, the dynamic Soviet leader tends to view the West in static terms. The advanced western countries still enjoy a substantial margin in any serious comparison of material well-being. They have no need to match the Soviet plans ton for ton. Yet, even though Mr Khrushchev's glove need not be picked up, it is impossible to overlook that a competition for supremacy in economic power and wealth is going on ; the architects of incipient European union, like the economic advisers in Washington, will feel the challenge. This is not alarming ; if the east-west conflict can be kept within the limits of a duel of living standards, the world will be fortunate.

The Soviet Union has still a lot of catching up to do, and it still faces difficulties which need not be minimised. Western comment is probably, however, disposed to put too much emphasis on the economic strains and stresses in the new Soviet plan. The Russians have had more difficult tasks before, when, to get the quick rate of growth on which they insisted, they had to invest a bigger share of a much smaller income. Today they have some more room for manœuvre. Mr Khrushchev's main difficulties may, indeed, be political ; success, no less than failure, involves risks for him. If within a decade the Russian people is to leave the worst of its economic troubles behind, if it is to be more educated and to have more leisure, it is likely sooner or later to begin to press for more of a say in its political affairs. Mr Khrushchev today, with the struggle for Stalin's inheritance behind him, can dispose of dissidents almost casually ; the manner in which Marshal Bulganin has been tossed into the refuse-bin of the "anti-party group" is discussed on page 684. But what of Mr Khrushchev tomorrow ? The spokesmen of a new generation will not be silenced so easily. A day may come when Khruschevism, like Stalinism, will be seen no longer to fit the needs of a changing society ; and Mr Khrushchev's present exertions may even be hastening the day. Mr Dudintsev's message of "Not by Bread Alone" may take on its full political meaning between now and 1965.

NOTES OF THE WEEK

GERMANY

Berlin under Pressure

NOTHING has happened yet to make the western fears of a new blockade of Berlin look more solid than they were. But Mr Khrushchev has made it clear in another speech that the intention he had expressed of handing over Russian occupation powers to the east Germans—which would acutely embarrass the western powers—is to be put in writing. The Russian press continues to denounce Berlin as a nest of western espionage.

Berlin is the original focal point of the cold war. It was suggested in *The Economist* last week that the western policy of boycotting the east German regime had made it easy for Russia to embarrass the West by threats like Mr Khrushchev's. Naturally this does not mean that the western position in Berlin should be given up to any Russian, or east German, pressure. The western powers cannot give up Berlin, except as part of a settlement that reunites Germany and thus restores the city to its position as Germany's capital. Until then, its liberty is a pledge of the western powers' resolution to stand by their friends. What is wrong is to suppose that, because it would be embarrassing to have to deal with German communists in place of Russian communists, the Russians are necessary in Berlin and the western interest requires them to stay. This puts the form before the substance ; and it puts the West in a silly position.

Bonn Opens a Door

RUSSIAN intentions may be tested by the note that the west Germans delivered in Moscow this week, proposing once more the setting up of a commission of the four former occupying powers to discuss the German question. The note makes a sensible concession to Russian views. In September, when Bonn proposed a commission to discuss German reunification, the Russians and east Germans proposed a commission to discuss a German peace treaty ; the unity of Germany, they said, was a matter for the two German states.

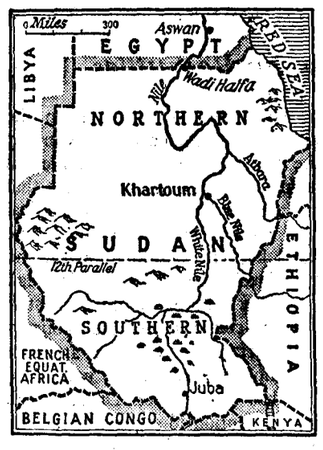
This Russian insistence that Bonn should talk with east Berlin presents obstacles in western eyes, for it seems to give the east German regime the opportunity to perpetuate itself in a reunited Germany, and thus prevent the east German people from ever deciding their own fate. The western proposal, on the other hand, that the commission should discuss reunification but not a German peace treaty, implies that it should only make arrangements for free elections for an all-German parliament ; the status of the new Germany, its frontiers and alliances, would evidently be left for negotiation with the united Germans themselves. This is a project obviously unacceptable to Russia.

The new west German note compromises by suggesting that the proposed commission could discuss the German question in any aspect, including reunification and including the contents of a peace treaty. It allows, in discreet terms, for experts from east and west Germany to be brought into the discussion. This is an advance. The Russians may, of course, answer that the provisions for bringing the east Germans into the talks are still too non-committal. Even if they respond positively, a German settlement will still be far off, because of a further and still more awkward question. No agreed settlement of the German question is possible unless and until the former occupying powers are ready to leave ; this means that when agreement approaches, the big issue of military disengagement in Europe will have to be faced as well.

SUDAN

Another General Takes Over

SO accustomed have people in Britain become to bad news from the Middle East that any change in a friendly country in that region is automatically taken to be anti-western in nature. When, in the early hours of November 17th, General Ibrahim Abboud and General Ahmad Abdul Wahab sent out the Sudanese army to take over the functions of government, the move was quickly proclaimed a triumph for President Nasser and the United Arab Republic. By the time the coup d'état was twenty-four hours old that opinion had been reversed ; the army, it was said, had saved the Sudan from falling into Nasser's hands. The truth probably lies in between.



Since the elections of March, the Sudan has been governed by an uneasy coalition of the *Umma* party (anti-Egyptian) and the *People's Democratic* party (pro-Egyptian) while the *National Union* party (pro-Egyptian) provided a less-than loyal opposition. The political and economic affairs of the country have been allowed to drift into dangerous water while the politicians wrangled. Now the army has promised to clear up the mess ; it will not be easy.

The first concern of anyone ruling the Sudan, as of anyone ruling Egypt, must be for the proper use of the life-giving waters of the Nile. The past few months have seen tension rising between Cairo and Khartoum over the sharing of these waters. The deposed prime minister, Abdullah Khalil, was to have started talks on a Nile waters agreement in Cairo this week. The fear that any agreement reached in Cairo would be too favourable to Egypt may have caused the Sudanese army leaders to act when they

did ; and Abdullah Khalil is probably glad to get out of his trip to Cairo. Among General Abboud's first statements was a pledge to improve relations with the UAR. It is still not clear whether he was merely eager to disarm criticism from Cairo, or whether he is anxious for an agreement. The Sudan and Egypt must, one day, come to terms over the Nile waters ; they need not be exclusively Nasser's terms, but they will have to have his approval.

Even if the army can settle Sudanese-Egyptian affairs as the politicians could not, the Sudan has other problems that may cause trouble, however smooth the Nile waters may run. There is an unusually big cotton crop, which will have to be sold. A clear cotton marketing policy ought to be adopted, so that the Sudanese and their Lancashire and other customers can do business in an orderly manner—unless the Sudan seriously prefers to rely on barter arrangements. Not far south of Khartoum the Sudan ceases to be an Arab country ; it becomes so un-Arab that the southern members of parliament once refused to vote for the boycott of Israel on the ground that the Sudan was only half-Arab. The south is an explosive area, not always appreciative of the civilising mission of the Khartoum government ; at present, about a third of the army has to be stationed there to keep the peace.

General Abboud has become prime minister with a cabinet of six of his military colleagues and five civilians. He has already declared that he needs aid from anywhere he can get it. The former government received American aid funds, a World Bank loan for port, railway and road improvements, and the promise of a gift of British arms. If General Abboud was hinting that he was thinking of applying to Russia, it is not clear that he can expect to do better there than his predecessor did in the West.

GHANA

Dr Nkrumah Reshuffles

THE demotion of the hectoring Mr Edusei from the Ministry of Internal Affairs in Ghana to the Ministry of Communications in the course of a cabinet reshuffle has been widely taken as a sign that Dr Nkrumah realises that his government has gone too far in harrying its political opponents. This may be wishful liberal thinking. The move has taken Mr Edusei back to his old ministry, and when he was there previously he talked as though he controlled internal security ; probably he will still. He remains in the inner councils of the country and he is never less than frank—a valuable attribute for which he never gets enough credit from ungrateful journalists. No doubt he has embarrassed Dr Nkrumah at times, and his proclaimed intention to sequestrate all the opposition's passports may have upset his leader—but it is not unknown elsewhere in Africa as a political practice. In general, Mr Edusei has served his leader well, and his work of getting the country firmly in hand is done. In taking over his portfolio, Dr Nkrumah may be not only acknowledging this fact, but also indicating that he approves what has been done and intends to stick to the same policy—a policy which he may fairly claim, though offensive to liberals in Britain, has not landed Ghanian parliamentary institutions into a Pakistani or a Sudanese mess.

In taking over internal affairs, moreover, Dr Nkrumah further concentrates power in his own person, and becomes even more completely the nation's paramount chief. Through Mr Botsio, the new foreign minister, he will doubtless press on with his policy abroad. This involves, among other things, putting Ghana at the head of a pan-African movement. Its next phase is a conference at Accra early in December to which the Convention People's Party (not the Ghana government) has invited the leaders of the nationalist parties from colonial Africa. But some of the most powerful leaders and parties in that vast area have declined quite pointedly. Dr Nkrumah owes much to Mr Edusei in showing him the ropes in home affairs—but a good deal less to Mr George Padmore, his adviser on African affairs, in handling foreign policy.

LABOUR PARTY

Labour's Shadows

THE casting out of Mr George Brown from the Opposition's Shadow Cabinet was not simply a matter of making room for Dr Edith Summerskill, who came back from oblivion with a strong sympathy vote prompted by her ejection from the National Executive at Scarborough. Looking simply at the talent available, no one could surely have supposed that the shadow Minister of Defence was the most expendable member. But, while Dr Summerskill was now being formally forgiven for the left-wing silliness in Egypt which had caused her to be dropped last year, Mr Brown was being punished for his more recent right-wing deviation in support of British intervention in Jordan. He was not even first among the runners-up. Although he has just been re-elected unanimously as chairman of the parliamentary party's trade union group he obviously lost some of its members' votes. His total of 90 contrasted with the 111 and 108 received respectively by the top losers, Mr Fred Lee and Mr Fred Willey.

Mr Brown's fate can be looked at in one of two ways. On the one hand it seems a prodigal way to be treating not-so-plentiful talent. On the other hand if the notion that Mr Bevan is to make a great fresh start in British diplomacy is to be a principal item in Labour's shopwindow Mr Brown does look like a very uncomfortable partner for him to be stuck with at the Ministry of Defence. However Mr Gaitskell has drawn no such conclusion since he has asked Mr Brown to stay as shadow Defence Minister, though without shadow cabinet rank.

Mr Bevan has at last found the place at the top of the members' poll which he always used to occupy as the constituencies' favourite in the elections for the National Executive. Whereas the earlier successes had been the rewards of rebellion, this one was the reward of conformity. However, since (so far as one can calculate from the total figures) 253 Labour MPs voted and Mr Bevan received 206 votes, it must follow that there are still forty-seven unreconciled right-wingers who want to have no part of him in a future Labour government. Otherwise the results were mainly notable for the success of Mr Gordon Walker, who moved up five places—mainly at the expense of Mr Alfred Robens and Mr Anthony Greenwood, who continue the downward drift that began last year. Obviously Mr Gordon Walker was helped by the success of his rousingly partisan speech on sticky labels just before the poll. By contrast Mr Crossman's equally effective speech on pensions, delivered from the front bench by invitation, came too late to help him into a permanent place there.

The effect of the anti-plumping rule, which obliges all members to cast all twelve votes, is shown in the continued prominence of that safe but heavy lawyer Mr Mitchison, who still appears as the person after Mr Bevan and Mr Wilson whom Labour members would most like to see in a Gaitskell cabinet. It remains only to record that up-and-coming young men like Mr Healey and Mr Benn did not do

Private Members' Bills

SINCE the first six winners in the draw for the right to introduce private members' bills on alternate Fridays include five Conservatives, it is hardly surprising that there is little in them to embarrass the Government. The practice has grown up under both parties for Government Whips to encourage safe backbenchers on their own side to put their names in the hat, so as to reduce the chances of political opponents or awkward supporters getting opportunities for glamorous solos. As often as not the happy winners are then furnished by departments with unconsidered, but worthy, trifles which failed to find a place in the Government's own programme, thus defeating a large part of the purpose of private members' time. Some, but by no means all, of this year's batch come in this category. These are the top six:

(1) *The Family Allowances and National Insurance Bill*, sponsored by an energetic young Tory, Mr Denzil Freeth, is an extremely modest application of some of the Franks Committee's recommendations in this field. An extra appeal would be provided for applicants for family allowances by giving the work of the present Referees to the National Insurance Tribunals. There would be a right of appeal to a commissioner on law and on fact from both National Insurance and Industrial Injuries tribunals, and on points of law from the Medical Appeals Tribunal. Since it leaves out the Franks Committee's proposal to permit legal representation before such tribunals, which the unions object to because it might upset the cosy lay atmosphere of the hearings, the bill will probably get through without much difficulty.

(2) *The Landlord and Tenant (Furniture and Fittings) Bill* is an effort by the lone Tory trade unionist in the House, Mr Mawby, to bring fancy prices for furniture and fittings under the same legal ban as the straight premiums and key money they are designed to replace. Mr Mawby may have trouble with members on his own side, who will not favour further interference with the housing market just as the Rent Act is making many landlords' tricks look archaic.

(3) *The Legitimacy Bill* is the choice of the one lucky Labour member, Mr John Parker, but he has been able to list three Conservative names among the sponsors. The main object is to remove an exception, of archiepiscopal provenance, to the humane Legitimacy Act of 1926, which allows bastards to be legitimised when their parents wed. The exception prevents this happening when the parents were not eligible to marry each other at the time their children were born—either because they were married already or because the mother was below the age of consent. Since the bill is bound to be opposed on the grounds that it would encourage adultery its chances cannot be rated high.

(4) *The Baking Industry (Small Establishments and Seasonal Resorts) Bill* is intended to help small bakers stay in business by exempting bakeries with five workers or less and all bakeries at seasonal resorts from the prohibition on any individual worker baking at night for more than six months in every year. This is a very reasonable measure, sponsored by Mr Philip Goodhart, but, since there is trade union opposition, he may have a hard time with it.

(5) *The National Assistance (Amendment) Bill*, nominally the brainchild of Sir Gerald Wills but of obvious departmental origin, would clear up some uncertainty about which local authority should pay the bills when a patient who has had a long spell in hospital away from the area in which he originally lived has to be transferred to a home. Under this sensible bill the authority in the original area would pay.

(6) *The Betting Reform Bill*, another measure which is believed to be of departmental origin, is being handled by Sir Eric Errington. The Government is believed to be using this opportunity to feel out the chances of implementing one very small part of the Royal Commission on Gambling's report: that which deals with totalisator betting. The tax status of the Racecourse Betting Control Board's disbursements would also be cleared up—they would be treated as business expenses. The new bill has been signed by Mr Chuter Ede and Mr Wigg, who have needled the Government about this before.

Bills below the first six have less chance of discussion and enactment. Among these are:

(a) *The Wills, etc. (Publication) Bill*, which is proposed by Mr Marcus Kimball with the object of preventing the press from publishing details of wills which the deceased has expressly wished to conceal. The arguments in its favour are that publication of such details often cause embarrassment or distress to people who are either mentioned or not mentioned. Opponents call it an undesirable restriction on a free press.

(b) *The Race Discrimination Bill*, proposed by Mr Fenner Brockway. This includes rather too much for a first stab at legislating in this delicate field. But since too many people are getting discouraged too easily about the value of any legislation of this sort, it is a great pity that the luck of the draw has forced this bill's chances of being debated at all to depend on the quick despatch of the vexed question of the night bakeries.

(c) *The Wages Bill*, in the name of Mr Patrick Maitland, would amend the Truck Acts so as to allow wages to be paid by cheque and to permit certain types of profit-sharing schemes that suffer from legal handicaps. This may well be reached (since it is scheduled to follow Sir Gerald Wills's innocuous measure on February 27th) and ought to be passed ; it remains to be seen if the TUC continues to oppose payment of wages by cheque, partly on the not very progressive grounds that workers do not want to let their wives know how much they earn.

(d) *The Television (Commercial Advertisements) Bill* is the legislative phase of Mr Christopher Mayhew's attack in depth on commercial television. Training its guns on one of the commercial companies' weakest spots, it would ban the right to insert advertisements at "natural breaks" in the programmes, on the certainly valid ground that this right has been abused. The chances of a lively debate about TV on Friday, March 13th, depend on the rather unlikely hope that members will be brief on the subject of betting.

One other measure which failed to interest anyone who won a place on the ballot, but which might yet conceivably win a thoroughly deserved passage is the Society of Authors' *Obscene Publications Bill*, sponsored by Dilke's biographer, Mr Roy Jenkins. As Mr Jenkins explained when successfully seeking leave to introduce the bill under the Ten Minute Rule, it would stand rather well in the queue if the House would give it a unanimous and undebated Second Reading next Friday. This would put it in the same position which it had reached two sessions ago before it was diverted into a Select Committee. The new version, which includes fresh powers for the police to deal with pornography sold on barrows, has won the support of Mr Chuter Ede, whose opposition had handicapped the bill's advocates hitherto.

very well and that Mr Kenneth Younger, who until last year was actually in the Shadow Cabinet, did extraordinarily badly.

BY-ELECTIONS

Aberdeenshire's Rocks

MANY Conservatives believe that East Aberdeenshire, which was voting on Thursday, was the unluckiest possible place for them to have a by-election at this time. In 1955, Sir Robert (now Lord) Boothby, won 68½ per cent of the vote here in a straight fight with Labour. But Labour had piled up bigger votes in the constituency in the past; and it is generally agreed that Lord Boothby must have had a large personal following in 1955, built both by his thirty years as the local MP and by his three or four years as a television star. With unemployment in one of the small towns in the constituency now at 10 per cent, it was generally expected on Thursday that Labour should win more than the 31½ per cent of the vote that it got last time.

The question, then, is whether the other two-thirds of the vote will have been sufficiently evenly split by the intervening Liberal to let Labour in—or even whether the Liberal may have picked up sufficient support to pip the other two candidates at the post. The Tories are fairly confident that they have "licked the Liberal revival" outside the Celtic fringes of Britain; indeed, the latest *News Chronicle* Gallup poll shows the Liberal straw vote in the country down to 9 per cent—back to sad deposit-losing form. But in the scattered marches of rural North East Scotland personalities are apt to count. The Liberal personality at East Aberdeenshire is a highly-respected local farmer known to a large number of people in this small (45,000) and previously low-voting constituency. The Tory personality is a 23 year-old Oxford undergraduate with an English accent and family connections with the Scottish landowning classes.

MALTA

The Maltese Cross

THIS week Mr Mintoff is back in London for constitutional negotiations and with him are the leaders of the other parties, Dr Borg Olivier and Miss Mabel Strickland. This is already a tribute to Colonial Office tenacity. As Miss Strickland's party has no seats in the Maltese legislature, both Mr Mintoff and Dr Olivier say that she has no real right to be there; but Miss Strickland, having got an invitation, refused to withdraw. Besides, as usual, she has a good deal to say. Dr Olivier's party has split and is now probably two parties. Mr Mintoff's Labour party is nominally not split, but the General Workers' Union, hitherto his mainstay, has sent along a separate representative in case it should. Who represents the Maltese people? Not the Colonial Office, it is safe to say, for the opportunity to explain the alternatives to the Maltese in the last six months of direct rule seems to have been irretrievably lost. So much for Colonial Office public relations.

But what are the alternatives? Integration seems to be dead—killed by Mr Mintoff's determination to link it with the economic impossibilty of "equivalence," which always to him meant parity of British and Maltese living standards sooner rather than later. His rudeness, his final walk-out last April, destroyed the good will which had been built up in the House of Commons for a remarkably generous settlement. He now seems to be asking for absolute independence; Dr Olivier clings to sovereign Commonwealth status; the Colonial Office has not withdrawn (or has it?) the offer of a five-year trial run of the autonomous constitution offered under the integration plan *minus* Maltese members in Westminster.

Britain's military interest in Malta is declining fast; but there is a duty to behave responsibly towards the Maltese, even in despite of Mr Mintoff. Hence the arrangement with a commercial firm to convert (at a cost of £4 million to Britain) the dockyard to civil use—an arrangement to which Mr Mintoff objects and which he might wish to dismantle when back in power (though what he would put in its place is unclear). Britain has some responsibility also to Nato to keep Malta's facilities at western disposal. There is every reason to get Malta back under Maltese rule. But now it seems that there looms the problem of internal security, after the way Mr Mintoff bullied the police in the last period of his reign. Perhaps the answer is to turn to some such device as is being tried in Singapore: self-government for the Maltese plus an internal security council under —say—a Nato chairman. But nobody supposes it will be easy to get anyone to agree to anything.

FREE TRADE AREA

In the Open

THE smouldering differences that have always lain beneath the polite, academic exchanges in the Organisation for European Economic Co-operation about the free trade area have at last flared up. M. Soustelle, as official spokesman after the French cabinet meeting on November 14th, at last gave plain expression to its dislike of the whole business. France, he indicated, could not accept a European economic association with no single uniform tariff against the outside world. This means that France does not accept the idea of a free trade area at all; such a scheme is not a customs union, and the members are supposed to be allowed to keep their own national tariffs against outsiders. Mr Maudling, who was negotiating at the time on the basis of a document from the six common market countries which accepted the principle of at any rate some variations in national tariffs, announced that the British delegation would not resume the talks this week as had been intended. Presumably it will not resume them at all until the French position has developed in some way.

The break has certainly dramatised the gulf that exists between the British and French views. It may have put the exchanges on a more realistic basis; whether it will bring a speedier resolution of the differences remains doubtful. The Benelux governments have begun to search for ways of persuading the French to budge. Anxious voices have been raised in Italy and Germany. But there is no reason to believe that these efforts from within the Six will have any more success than hitherto. General de Gaulle has now arranged to visit Dr Adenauer next Wednesday. The value of the visit will lie less in any repetition of ineffective German pressure on the French than in progress towards a common position with which Britain can negotiate. Dr Adenauer's feelings were probably ruffled by the general's claim for a more prominent French place in western counsels; they may well be soothed by French



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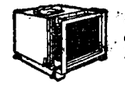

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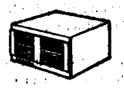

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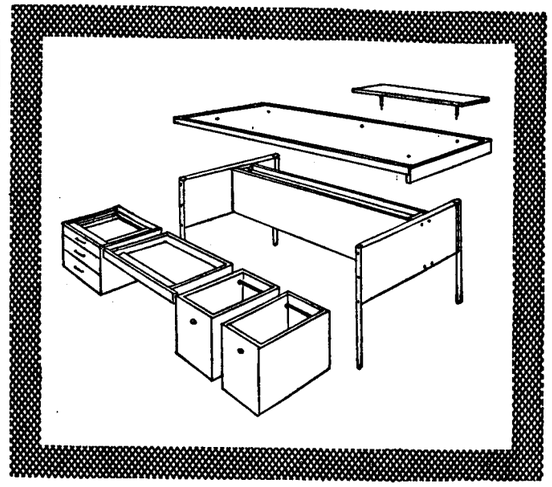

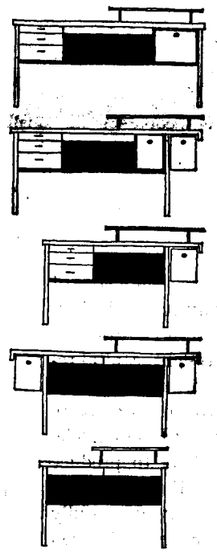

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assurances that France intends at the end of the year to meet all its obligations under the common market treaty.

New thinking has become necessary both in Whitehall and in Paris. Some is evidently going on in France; for the one ray of light which has fallen across the gloomy scene is the report from Paris that France is considering extending the liberalisation of imports due under the common market treaty to the other countries of OEEC, thus avoiding the worst discrimination that threatened on New Year's Day. Such a move would be constructive evidence of French anxiety to avoid a breach. It would not be a first step towards a free trade area, nor would it even imply a promise to negotiate. The Six would be granting a favour, unilaterally; but a provision of that kind would help to prevent the chance of negotiation becoming any slimmer than it is already.

DISARMAMENT

Pigs, Pokes and Faux Pas

At the Geneva talks on nuclear tests, the American delegation is led by the competent and careful Mr James Wadsworth. He can hardly be blamed for the fact that the Americans, having a very good case, seem to be trying to throw it away. The case is that a suspension of tests must be properly policed; otherwise dishonesty will pay, and confidence and relaxation will not develop. The basic Soviet argument, in contrast, has been transparent nonsense. Having (grudgingly) conceded the need for policing, and having accepted the scientists' recommendations on methods of policing, the Russians at Geneva have nevertheless tried to set the whole question of policing aside. They have used the classic Muscovite gambit of first stating an extreme position, and then offering minor "concessions" which sound good in the newspapers but still leave their basic terms unchanged. It ought not to be difficult to expose these twisty manœuvres and show the world who is to blame for three weeks' lack of progress; but in practice it seems to be too difficult for either the executive or the legislative branch of the United States government.

The State Department in Washington did its bit toward making it look as if America was the unreasonable party by issuing, last Saturday, a terse rejection of the draft agreement offered by Russia that day. The Soviet draft was, undoubtedly, an offer of "a pig in a poke"; it would have, in effect, imposed an obligation to halt tests before other nations could see how much policing Russia would permit. But experienced diplomats ought to know that unacceptable drafts can be countered with positive amendments as well as with brusque rebuffs—and that in present circumstances brusque rebuffs are just what Mr Tsarapkin is in Geneva to get. He shares the hopes of the middle aged lady in the West End bar:

> I've come all the way to Town to be insulted,
> And I'm jolly well going to stay here till I am.

On Tuesday, Senator Albert Gore of Tennessee, who, being unusually well informed on atomic affairs, was no doubt considered a good choice to serve as a Democratic congressional adviser at Geneva, published a signed newspaper article about his impressions of the talks (which, he concedes in passing, are being held behind closed doors). He argues that the negotiations at which he has been present for three weeks are virtually futile; that the kind of policing system for which his delegation is pressing will be neither obtainable nor workable; and that the United States should adopt a completely different policy on tests. Communist propagandists have naturally seized upon this as evidence of both impropriety and American insincerity. Mr Wadsworth must be a sorely tried man.

COMPULSORY ACQUISITION

The Next Planning Problem

Despite many rumblings, the Opposition did not vote against the second reading of the bill to pay market values for land compulsorily acquired; it is a sign of the times that Labour does not now regard it as electorally advantageous to be branded as favouring the milking of any private citizens, even landowners. But every Town and Country Planning bill since the war has had to be quickly followed by another one, and last week's quiet debate should not obscure the fact that the new bill is likely to prove no exception.

The Government essentially is trying to do two things: to maintain an effective system of planning control and to pay fair compensation to all owners whose land is either (a) restricted in its use on planning grounds (these people will still be paid under the 1947 Act's formula) or (b) compulsorily acquired (these people will be paid under the 1958 bill). According to Mr Bevins, the Government has successfully separated the "Siamese twins of planning refusals and compulsory purchase" and reconciled its objectives through the *deus ex machina* of the local development plans. The value of all land will in future largely turn upon the provisions of these plans or, in the frequent cases where the plans themselves are vague or silent, upon the interpretations or decisions of local planning authorities.

This is a very rickety foundation on which to base two separate and unequal standards of compensation. The main problem concerns undeveloped land on the fringes of cities. When zoned for development such land has, not surprisingly, risen greatly in value; and local authorities will now pay those enhanced values when they acquire it. But other land in these profitable areas has been sterilised for green belts or permanent agricultural use and 1947 standards of compensation on it paid or recognised as payable, while there is a third type of land on the fringe of cities which has not yet been allocated to any final use by local plans but has considerable potential building value. Here are the seeds of some most awkward dilemmas. An increasing number of restricted owners can be expected to demand either that plans should be loosened (so that they can share in rising land values) or, alternatively, that compensation should be increased. The Government has declared that it will resist the latter course, which would increase a compensation bill for planning restrictions already amounting to around £10 million a year. But to yield slowly to the former course might undermine the whole basis of town planning and render much of the expenditure on green belts and so on fruitless.

A first step should be to insist that the local development plans, on which so much now hinges, are made a great deal more competent, realistic, and farsighted than they are now. But more than this will be needed, since the root problem is that planning, by closely restricting development, inevitably inflates land values on approved sites—thus raising the costs of development (whether it be private or public) while making compensation for planning refusals

seem increasingly unrealistic. Before this roundabout drives some government, willy-nilly, into yet another extempore (and inconclusive) bill would it not be wise to have a fresh expert inquiry into the whole field which the Uthwatt report tried to examine sixteen years ago?

NEW TOWNS

One Big Commission?

THE Government's New Towns bill is a fairly sensible but not very imaginative attempt to tackle a thorny subject. At present eleven public development corporations are actively engaged in building twelve new towns in England and Wales; they own most of the land and houses, and much commercial and industrial property there. The bill provides for the transfer of all these corporations' assets (except for sewage undertakings, which may go to the local authority) to a single Government-appointed commission. The transfer will apparently take place in each town when the Government decides that the active phase of public town-building has proceeded far enough. The proposed commission will be primarily concerned with sound property management and will not be able either to undertake further development or to sell off assets without ministerial consent. It seems that some of the housing may be transferred to local authorities, and in any case local committees are to be appointed in each new town to advise the commission upon housing management. The commission, with Treasury approval, may contribute to local amenities or to the cost of water supplies and sewerage, but apart from this any profits (which in some new towns may be considerable) are to be returned to the Treasury.

The Opposition will probably attack this bill as a cold-hearted scheme of centralised control over assets which ought to be locally managed for the benefit of local citizens. But Labour's own plan—to turn the towns over to the local authorities—would certainly be worse. No general arguments about local self-government can justify turning a particular group of small local councils into large-scale landlords of property which they have neither financed nor developed themselves; and by the same token it would be unfair to deprive national taxpayers of any return (if such is forthcoming) from a public venture which may for once turn out to have been reasonably profitable. On the other hand, Mr Brooke's tightly controlled central commission does look rather a remote, unattractive monster, and the device of local committees for housing seems a rather feeble safeguard.

Might he not be wiser to place groups of new towns (for example, the four in Hertfordshire) under a number of more localised agencies, to give these bodies greater discretion, and to make a clearer scheme for applying part of any profits to local purposes? Friendly emulation among the various new towns has a real value. It would be a pity to throw it completely away.

TRADE UNIONS

Troublemakers in Trouble

LAST Sunday, about six hundred men, many of them ex-communists, filed into Holborn Hall to launch the latest revolutionary group to appear in British industry—the "rank and file" movement. The single object of this group is to disrupt industry by every possible means. Its aim is to force head-on collisions with employers, to call political strikes and, most important of all, to infiltrate into office in the trade unions, especially at shop steward level; it has also infiltrated into some local Labour parties. The executive of the movement has purposely been kept small, a weekly newspaper set up to voice its views, and a thriving chain of secret meeting places has been established up and down the country.

Now, quite suddenly, a glare of publicity has been directed at its activities. Some informants claim to have evidence that the group's leaders have had a large hand in every unofficial strike this year. Perhaps some of this publicity should be taken with a pinch of salt. The group suffers from the unusual misfortune of being attacked from the left and right of the trade union movement simultaneously. On the left, the dwindling Communist party has no sympathy at all for a group which wants to take from it some of the initiative in causing industrial unrest; moreover, it has nothing but hatred for people like Mr Fryer, the group's official leader, who deserted the party after Hungary. On the right, official union leaders are determinedly on the attack; when needled by small bodies of this sort they often seem to be more ready to speak loudly and wave the big stick than when organised communists are behind the trouble-making. The Amalgamated Union of Building Trade Workers has already suspended five members who supported last Sunday's conference. If this pressure continues the movement should soon collapse, outwardly at least. It is said to be short of funds; one of the mysteries indeed is whence it has got the funds that it has already deployed.

But it is under the surface that these unofficial activities most need watching. Six hundred members may not sound much, but, strategically placed, they can do a great deal of damage. The leading lights of the movement, moreover, are practised political and industrial agitators. In particular, Mr Healy, a South London Labour party organiser, is a man to be reckoned with. Many of the rest are a strange assortment of malcontents from every level of English and Irish society. It is not surprising that employers of casual labour, at sites where strikes could be crippling, are now very much on the lookout for them.

ARGENTINA

Pressure Groups at Work

THE political gales that shook Argentina last week have subsided, leaving President Frondizi still in uneasy control of a country whose schisms are sharply exposed. The crisis—a blown-up version of the innumerable economic and political troubles that have dogged the president since his election in February—began on November 11th when he turned on the labour unions by declaring a state of siege. The police, who under emergency law can arrest without warrant, clapped the main agitators into prison, thus thwarting the plans of the "62 group" (the 62 trade unions controlled by supporters of General Perón) to strike in protest against the government's policy of allowing a limited amount of foreign money into Argentina's sacrosanct oil industry.

The most obscure figure in a confused situation is the former vice-president, Sr Alejandro Gómez. As a country school teacher new to the political world, his appointment in February offended no one. But since then his refusal to be a yes-man has apparently won him enemies, and the complexity of plots and counter-plots was made the pretext for accusing him of conspiring to oust the president. He was first expelled from office; but a few days later the government thought again and he was reinstated and allowed to resign honourably with a flourish of compliments on either side.

President Frondizi, in his attempt to pursue a sensible economic policy, is caught between army pressure groups and the two million workers who are still believed to be under the remote control of General Perón in his Dominican sanctuary. The peronistas at first supported Sr Frondizi, but he has now alienated them by refusing to continue Perón's conciliatory labour policy. On the other side, a group of army officers known as the "gorillas" accuse him of not being sufficiently tough with labour; they would probably not need much of an excuse before intervening in a crisis to "maintain order and the constitution" by reinstalling a military junta. To perplex matters further, there are a number of concealed peronistas in other army cliques. These groups are all pushing hard against one another; the risk to President Frondizi is that they have a common interest in a showdown.

POLAND AND JUGOSLAVIA

Obstinate Revisionists

RECENT meetings among the leaders of the Soviet block countries have invariably provided an opportunity for the most violent denunciations of Marshal Tito's regime: the visit of Mr Gomulka's delegation to the Soviet Union was no exception. Although the Jugoslavs were not explicitly mentioned in the final communiqué, their revisionism had been attacked and condemned in a number of speeches by Russians and Poles alike. At a press conference in Belgrade on November 14th Mr Kunc of the Foreign Ministry announced that the Jugoslavs rejoiced at the strengthened ties between the Soviet Union and Poland, but resented that this had to be done at Jugoslavia's expense. On the same day, *Borba* commented that it was inevitable that the Jugoslavs should be blamed for all kinds of difficulties inside the Soviet block, but it was a pity that Mr Gomulka should have joined in this particular campaign. It also contrasted Mr Khrushchev's pronouncement about "good trade relations" with, for instance, Chinese discrimination against Jugoslav merchant ships.

When Mr Gomulka visited Belgrade in September last year he was trying to find backing for the independent policy he was then pursuing towards Moscow; now, his joining the anti-revisionist campaign is clearly a part of the price he has had to pay for the modicum of internal independence the Poles are still enjoying. Shortly before the beginning of the Jugoslav party congress in the spring, important members of the Polish communist party apparently visited Belgrade; the names of Messrs Ochab and Morawski have been mentioned. The purpose of their visit was the same as Mr Gomulka's: they wanted to win friends in Belgrade and at the same time to influence their Jugoslav comrades to adopt a more "orthodox" party programme, which would have made possible the return of Titoist heretics to the fold. After the party congress some Jugoslavs claimed, off the record, that Mr Gomulka and other Polish visitors had acted as Mr Khrushchev's "agents." Such gestures of conciliation are out of place now; Jugoslavia is more isolated than ever, and deprived of its illusion that any communist party in the Soviet block can stand aside from the anti-revisionist campaign which Moscow and Peking conduct so vigorously.

CARDINALS

Red Hats Galore

TWENTY-THREE new cardinals at a stroke: by this swift and lavish conferment of red hats, Pope John XXIII has not merely replenished the Sacred College, he has topped it up to a level unattained since the sixteenth century. At first sight, his promotions will suggest to many people, by their scale, speed, and distribution, an anxiety to give satisfaction all round. There is, indeed, something for nearly everybody. The Italians will now have 29 cardinals out of 75, against only 17 out of 52. The French will have eight instead of six, the Latin Americans eleven instead of nine, the United States four instead of two. Mgr Godfrey, filling the gap left by Cardinal Griffin's death two years ago, takes his place alongside the Australian and the two Canadian cardinals. No red hats are awarded to Asia, or to Eastern Europe—but preferment has come to the Archbishop of Vienna and, interestingly, to the Bishop of Berlin, who at 45 is much the youngest member of the college. While liberal hopes may be raised by the promotion of Archbishop Montini of Milan, the more cautious should be reassured by the appointment of Mgr Tardini both as cardinal and as Secretary of State.

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Giving satisfaction by inflation is a dangerous affair, and if this were the only interpretation of the Pope's action it would be a pity. But a closer scrutiny of the list suggests that the 77-year-old Pope has been particularly concerned to restore without delay the fabric of "collective leadership" which had suffered from Pius XII's weakness for keeping too much in his own hands. The advancement of both liberal and conservative personalities will increase the Sacred College's representative character. Of the twelve Italians who now receive the red hat, ten are experienced either in Vatican administration or in diplomacy (the latter include the present nuncios and delegates in Brazil, the Netherlands and the United States). Five of the new cardinals hold no see, and are apparently to remain in their posts in the Curia. Among them, Mgr Tardini gets the Secretaryship of State—a post sometimes described as combining the offices of First Minister and Foreign Secretary—after a vacancy of 14 years. From 1944 to 1954 he and Mgr Montini, who is nine years younger, shared in practice many of the burdens, but not the status, of this office. It is recorded that in 1953 both men rejected the red hats which they now receive. Under John XXIII, one may perhaps deduce, membership of the Sacred College is more inviting to a strong-willed monsignor than it was under Pius XII.

AGRICULTURE

High Farming for Grassland

THE report of the Committee on Grassland Utilisation (Cmnd 547) is at bottom concerned as much with the possibility of changing farmers' attitudes as with that of producing more and better grass. The techniques of grassland improvement and utilisation, though constantly evolving, are neither new nor untried; and those farmers who have fully adopted modern methods have benefited as visibly as did the high-farming pioneers of the eighteenth century. Yet the majority still regard grass not as a crop but as an uncultivated natural product, and rely, for the needs of breeding and milking stock, on expensive imported concentrates—to their own detriment and to that of the national balance of payments.

Admittedly, there are some material difficulties. New methods demand additional capital outlay, not only in seed and fertiliser but also in new equipment—some of it fixed equipment, which involves, for tenant farmers, coming to an agreement with their landlords. But the chief difficulty is that high farming in grassland is a much more exacting job than processing concentrates into milk. It goes without saying that good husbandry and good stockmanship are needed, that all plans must be flexible enough to allow for the weather and adapted to the particular farm. But these developments of traditional skills are not enough. The farmer must also be highly profit-and-loss conscious, with a business man's habit of weighing alternatives, in terms of money costs and yields, at every stage of his programme and virtually with every shift of his electric fence. Grassland management, in fact, presents "too many fresh problems of management for the average farmer"—especially the small farmer—"to approach with confidence." It calls for a new, hitherto unrepresentative, managerial type.

The report welcomes the Government's new small farmers scheme, with its emphasis on advisory services and its conditional grants for grass-husbandry and business improvement; and most of its recommendations, apart from the recasting of certain subsidies, aim at making the advisory services and the research organisations behind them more effective both in technical and in commercial guidance. (On this last point, indeed, the committee confesses to working with a very wide margin of error. Some recent research, notably by Mr A. G. Antill and Mr Colin Clark, justifies a far more iconoclastic view of concentrates than that of the report.) But the big unknown quantity is the capacity, and the willingness to learn and to venture, of the mass of small farmers who are being called upon to transform themselves. In miniature, and in the heart of Britain's highly developed community, the grassland report presents what is really the central problem of the backward peasant economy.

SOVIET UNION

Guilty Marshal

MARSHAL BULGANIN'S descent down the ladder—from prime minister to chairman of a provincial economic council—was always attributed to his desertion of Mr Khrushchev in the hour of need. It is now officially confirmed that he turned against his travelling companion during the deadly struggle for power in June 1957. In Mr Khrushchev's economic theses for the next party congress, the "anti-party group" is now described as consisting of "Malenkov, Kaganovich, Molotov and Bulganin, who were joined by Shepilov." This revelation also confirms the theory that Mr Khrushchev had been outvoted in the party presidium by at least six to five (Mr Pervukhin and Mr Saburov were full members of that body at the time) and won the day only by appealing to the central committee, packed with his own men, and probably to Marshal Zhukov, then his ally.

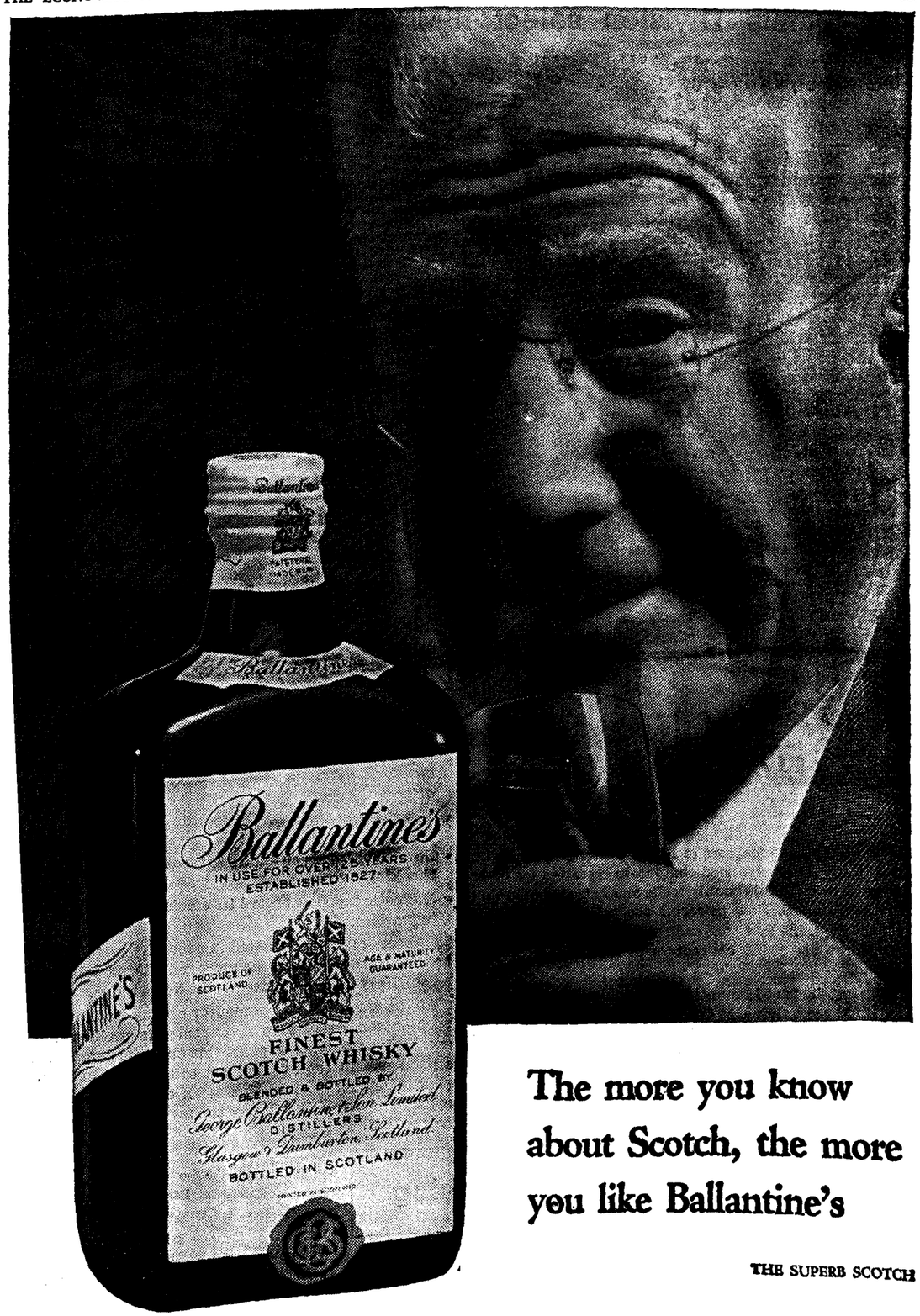
The "anti-party group" is now accused of all the sins. It had opposed Mr Khrushchev's policy of peace and plenty. The defeated are always wrong. What seems true, however, is that Mr Khrushchev's agricultural policies and managerial reforms met with stiff resistance in 1957. Marshal Bulganin in distant Stavropol may not yet have paid his full penalty, and the party congress next January may produce other reshuffles at the top.

One change announced last week is probably not a sign of disgrace. Mr Nikolai Byelayev has been removed from the all-union party secretariat, headed by Mr Khrushchev. But he remains a full member of the party presidium. This 55-year-old graduate in economics has been an economic organiser in several regions, and is now the party boss in Kazakhstan. Indeed, he is the only member of the presidium who is also first secretary of one of the republican parties. This may explain his present release from the secretariat. An important leader is needed to watch over the development of Kazakhstan, which is to become a big industrial base as well as a new Soviet granary.

SOUTH AFRICA

Basuto Delegation

THIS week the Commonwealth Relations Office finds itself, exceptionally, in the position so often occupied by the Colonial Office: receiving a delegation asking for a measure of self-government. The political and economic development of Basutoland, which is one of the three High



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CRC 17

Commission territories in South Africa, has reached a stage where the setting up of an elected legislative and an appointed executive council is overdue; reforms have been recommended in the report of a constitutional committee set up by the Basuto National Council, hitherto a purely advisory body. The report proposes that a new legislative council should be able to make laws for all internal matters; the executive council should consist of nominated members, *ex officio* members and members elected to it by the legislative council. The paramount chief is to be vested with the delaying powers of a second chamber. The place of the governor in a colony is taken by the resident commissioner, who will act, of course, as representative of the British High Commissioner to South Africa. Half the new legislative council is to be popularly elected; of the remainder some are to be nominated by the paramount chief, some are to be chiefs, others civil servants—in all, 80.

This is approximately the first stage of the normal colonial self-governing constitution, which develops towards universal franchise and ministerial responsibility. But Basutoland's position, an island in Union territory, is peculiar. This is recognised in three ways—first by giving the High Commissioner rather vague but alarming overriding powers, second by reserving High Commission matters to the resident commissioner, and thirdly by the statement, a sop to South Africa, that Basutoland "cannot in the foreseeable future become a completely independent state." Nevertheless, the form of this constitution is British, and diverges widely from what Dr Verwoerd would regard as a suitable native authority to run a "Bantu state." For clearly it can rapidly develop—and it must be hoped it will develop—resistance to outside interference, which is certainly not the idea of the South African Native Affairs department, as has been shown by recent events in Sekhukhuneland. Dr Verwoerd is clearly uneasy; but Britain can give the High Commission territories self-governing institutions that would be a model to Bantu areas in the Union, and nothing can be lost by taking this initiative. The CRO should implement this report in full; the official definitions of apartheid deprive Dr Verwoerd of any objections to it. But rue it he may if it becomes the political ideal for Africans in all the reserves: that will depend on how well the Basuto operate it.

ADVICE TO CONSUMERS

The Consumer Council Grows Up

With the separate premises, and the prospect of separate legal existence, announced in its third annual report, the Consumer Council is moving towards independence from its parent, the British Standards Institution. This is a good thing. The function of the council is to inform, protect and represent the consumer; to do whatever can be done, by two-way publicity and skilled interpretation of grievances, to ensure:

(*a*) that consumers shall know which goods meet their needs; and

(*b*) that manufacturers shall produce goods with the quality that consumers want.

The council's quarterly "Shoppers' Guide" and the information and complaints service available to associate members work in one direction, however modestly; its pressure on manufacturers to eliminate defects, improve labelling, and remedy particular grievances works symmetrically in the other.

In both classes of activity the setting of objective standards has a part to play. But the council's connection with the British Standards Institution has led it to devote a disproportionate amount of energy to publicising the "kite mark" and extending its use. Where safety is involved, as in protective clothing or electrical apparatus, there is a very strong case for the kite mark; indeed the only criticism it attracts is that the qualifying specifications have sometimes not been stringent enough. But when "quality," durability and performance are being measured, a single pass-or-fail grade is an unsatisfactory expedient. If its requirements are pitched too high, the consumer who actively wants (or has) to make shift with cheaper, lower-quality goods gets no guidance in distinguishing between those offering good value for money and the downright shoddy which are dear at any price. If they are pitched low, the makers of quality branded goods may refuse to have any truck with a label whose connotations are of a quality well below that associated with their name; the manufacturers of branded textiles, for example, feel that the kite mark would "undermine the brands which have become household words."

To some extent, this latter fear is irrational; one might almost as well argue that a distinguished professional man's reputation might be undermined by the fact that others less distinguished have passed the same qualifying examination. Irrational or not, however, this opposition is an additional reason for turning away from the notion of a single pass-mark and concentrating on the less cut-and-dried, if more intrinsically difficult, job of advising consumers what to look for by notes in "Shoppers' Guide" and other means. Detachment from the British Standards Institution should make this change of emphasis easier.

AFRO-ASIAN ECONOMICS

Conference Tricks

Several hundred Asians, Africans and Russians will meet in Cairo on December 8th for a four-day economic conference which has already been given a lavish build-up by the communist powers and the United Arab Republic. How many of those who attend it will arrive with any clear idea of what they are letting themselves in for? The invitations have been sent out, in an aura of sober respectability, by the federation of Egyptian chambers of commerce, which has also somehow found funds to offer the delegates all their expenses and air passages to and from Cairo. The published agenda is unexceptionable, and is based on studies prepared in non-communist Asian

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The Index to *The Economist* is published quarterly. The subscription rate is 10/- a year; single copies are priced at 2/6 each. The Index to Volume CLXXXVIII (July to September, 1958) is available from:

The Publisher, 22 Ryder St., St. James's London, S.W.1

countries. The organisers have done their best to represent this meeting as a legitimate offspring of the 1955 Asian-African conference at Bandung, which was a genuinely representative encounter at the governmental level.

In fact, however, the coming meeting at Cairo is not descended from Bandung at all. Its parentage derives from a gathering of communists and fellow-travellers held in Delhi in 1955 in an attempt to influence the Bandung talks; that gathering was publicly disowned and deplored by the Indian government. Since then, a proliferating network of groups, nominally dedicated to "Afro-Asian solidarity," but in reality dominated and directed by the communist and Egyptian governments (in a sometimes uneasy partnership), has sought to steal the banner of Bandung. This is its latest effort. The last one was a meeting of Asian and African writers held in October at Tashkent in Soviet Asia —which, luckily for the organisers, had ended before Mr Pasternak was reclassified as a sub-pig.

At Cairo, as at previous gatherings under the same auspices, some of the "delegates" will be thinly masked mouthpieces for the communist and UAR governments; some will be enthusiastic dissidents from non-communist countries who are quite ready to help Moscow, Peking and Cairo put pressure on their own governments; others may be sincere individuals who have been innocently ensnared and who, even if they see their mistake, will hesitate to withdraw, fearing to look foolish. Will any of these get up and ask the Russians, say, to reconcile their talk of disinterested economic aid with their recent dumping of tin to the grave detriment of Indonesia, Malaya and Siam—or with their cancellation, on political grounds, of credits promised to Jugoslavia?

Europe's Supreme Court

THE Council of Europe is no longer in the main stream of European events, but it has had its moments of glory. In August, 1949, its first session—chaired by M. Spaak, and adorned by some of the great names of the European movement—passed a convention which could touch the daily lives of most European citizens: the European convention of the rights of man.

The concept of human rights has been discredited by the enshrinement in the United Nations charter of fine principles which many members patently dishonour. The European convention, by contrast, is not a pious statement, but a treaty obligation enforceable by law. The convention not only lists certain basic rights—the right to fair trial; protection against torture, slavery and arbitrary killing or arrest; freedom of expression and of association; free elections, freedom of religion and thought—which are articles of faith where the rule of law prevails. It sets up machinery to enforce them; a commission examines cases and seeks to mediate; then, if no agreement is reached, a final decision is taken by a two-thirds majority of the Council of Ministers—the supranational principle at work. Last Tuesday the working of this code of law, which stands above the laws of individual states, was debated in the Lords.

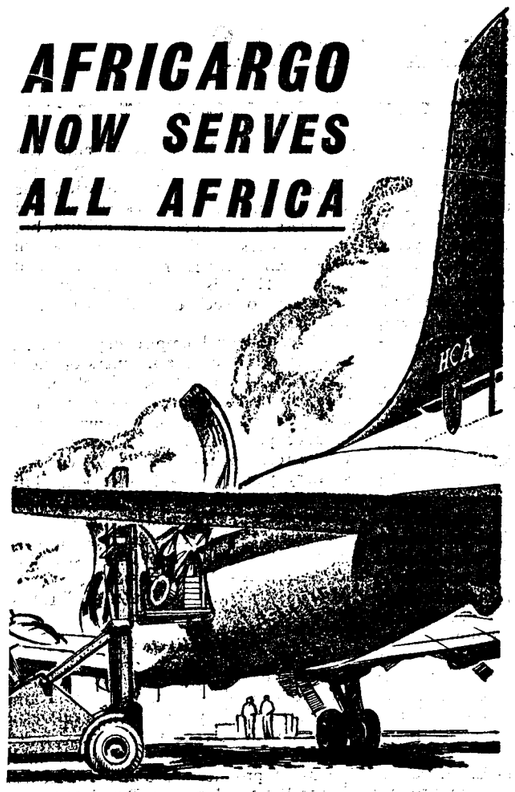
THE convention was in part inspired by the experience of Nazism. A European court might not have prevented the Nazis from riding roughshod over the rule of law, except perhaps in their early days; but at least the issues would have been made clearer to the world sooner. The most spectacular feats in the building of a united Europe are economic and political. But the convention is a coping-stone securing the principles of liberty and law. When new political edifices with new powers are being built, a court that watches over the basic political liberties may be of value. The convention provides, too, a salutary test for any new members who in time come to join the European community.

This far-reaching encroachment on national sovereignties was inevitably watered down by escape clauses. Few European governments would permit a European court to judge and condemn their emergency measures in time of war. A derogation from the convention is, therefore, permitted under emergency conditions. The conditions for such let-outs, however, are doubly qualified. First, there can be no escape from the four basic rights: freedom from torture and slavery, protection against arbitrary killing, and the right to be judged by existing laws. Second, an escape clause can be challenged on the ground that conditions do not justify a state of emergency. Thus the convention is not inhibited from reaching effectively into many of the political situations—above all in colonial territories—which today so often undermine basic liberties and the rule of law.

The Cyprus problem has, in fact, provided the crucial test. (France has not ratified the convention, so that Algeria does not come under it.) Britain ratified the convention in 1952, and applied it, shortly after, to 42 colonial territories. Shortly after, Malaya, Singapore, Cyprus, Kenya and British Guiana successively caught fire. Britain informed the commission that it would apply the escape clause. But Greece challenged the propriety of the Cyprus emergency decrees. After some deliberation between the parties the commission visited the island to study the situation and to mediate. Its intervention helped last winter to persuade the British government to modify the emergency decrees. Since then terrorism has broken out in Cyprus once more, and the decrees have been tightened up. Later this year the commission will report to the Council of Ministers. It will not have an easy task.

GIVEN its record of compliance with the convention on Cyprus, it seems a pity that the British government is excessively cautious about two features of the convention that are optional. When the convention was first devised, it was conceived that individuals should be able to appeal to it, once they had exhausted the processes of law in their own countries. Hitherto Britain has only applied the convention in a weaker sense; a signatory state, like Greece, can plead an infringement by another, say Britain, but the individual himself cannot plead. British citizens are still deprived of the opportunity to appeal to this supreme European body. On Tuesday Lord Layton asked the Lord Chancellor whether the government would reconsider this question; he got a discouraging reply. It is a curious attitude for the native land of *habeas corpus*.

The Lord Chancellor also hedged on another critical point. The convention planned an eventual European court to replace the procedure of commission and council, once eight member countries agreed. The eight have come forward, and the court will be set up at the end of the year. Britain, however, has not yet exercised the option to accept its jurisdiction, and to Lord Layton's question whether it would do so the Lord Chancellor once more hedged. He seemed unnecessarily cautious. Britain should give its backing to the development of this court.



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LETTERS

The British Overseas

SIR—The writer of your article in your issue of November 1st on the bad behaviour of British business men abroad has obviously spent many years studying the subject at first hand in the British Museum, and it is with regret that I must shake his touching faith in British officials, British troops, the British Council and other missionaries.

Anyone who has read "A Passage to India" and who has lived in the country it describes will be amazed to learn that British officials have a "grounding in local customs and susceptibilities" and an "inbred respect for ways of life different from their own." It is just the very absence of these qualities, reinforced by a general lack of culture and imagination, which so offended and repelled educated Indians, and which has played a large part in the melancholy succession of diplomatic reverses and blows to prestige and commercial interests in places like Persia, Egypt, Iraq, etc. Foreigners, and coloured peoples in particular, can no longer be treated with the cold standoffishness and stiff observation of protocol that still brand too many of our representatives. The consorts of officials too, as E. M. Forster pointed out so tellingly, often produce a deplorable effect on the "natives," with their deep-rooted snobbery. The British Empire, as is well known, was built by unscrupulous commercial adventurers, and lost by the wives of civil servants.

The article asserts that British troops "were either instructed how to behave or knew this instinctively from their upbringing and training," but there has been a recent example of a soldier of high rank whose upbringing and training have not prevented him from unnecessarily offending an entire nation. At the other end of the scale I have myself witnessed British soldiers in India hurling tins of corned beef and other missiles from the train in an effort to hit the starving women begging along the line. I was also present when a sergeant tried to remove an Indian judge from a railway carriage on the grounds that he, the sergeant (who resided in Stepney), "was not accustomed to travelling with wogs." Exceptions, of course.

The British Council, another band of brothers whom the poor oafish business men are invited to imitate, is certainly working with a superior sense of mission to promote the interests of the British Council. It is by no means certain that the effect created by its emissaries, among whom the woolly-minded, the ineffectual and the eccentric seem to predominate, gives a good or representative picture of modern Britain, the scientific, technological, social and even sporting achievements of which pass unnoticed. The other missionaries, the religious ones, are just as selfless and blameless as the apostles of culture, but one wonders if their journey, which takes them so far from Nottingham and Notting Hill, is really necessary in these days of such discredit to Christianity.

"A commercial empire depends . . . to some extent on the manners of those that sell [the goods]" and this, of course, must act as a corrective to the manners if they are bad. Bad manners will surely produce poor sales, and deficiencies in public relations may be visited with the salutary penalty of a loss of job. The business man, in his own interest, must be an efficient ambassador; the officials, the soldiers, the religious and cultural missionaries are, it appears, answerable to God alone.—Yours faithfully,

Milan BRIAN Y. DEAKIN

Potatoes

SIR—Give the devil his due! After two seasons of high prices there would in all probability be an unnecessarily large potato acreage planted next year, almost certainly coinciding with high yields, if producers are left unchecked. If the Potato Marketing Board had done nothing, this time next year you would be complaining about over production and about potatoes going to rot in the clamps.

For once the board has acted wisely. Its enlightened self-interest, perhaps fostered by the new system of price supports, in imposing acreage quotas for next year will lessen unneeded fluctuations in production; and this is to the customers' advantage.—Yours faithfully,

GEORGE ALLEN
Agricultural Economics Research Institute, Oxford.

Mental Hospitals

SIR—In your reference to the proposed mental health bill you omit the need to abolish the present position of the medical superintendent if hospitals are to run efficiently and economically. It may surprise your readers to learn that legally no patient can be admitted or discharged, allowed leave of absence or even to go for a walk outside the grounds without permission of this gentleman. When one considers there are often five or six consultants and two thousand patients in a mental hospital the waste of time, inconvenience and general absurdity of the position is apparent.

The legal powers of the medical superintendent should be extended to all consultants.—Yours faithfully,

JOHN E. DUFFIELD
Littlemore Hospital, Oxford

BOOKS

Appeals to Clio

The Political Uses of History: *A Study of Historians in the French Restoration*

By Stanley Mellon.
Stanford University Press. London: *Oxford University Press.* 226 pages. 40*s.*

EVEN more than in other countries, history has been used, and is used, as a political weapon in France. "What did Danton say in '93?" has a force that no appeal to Mr Gladstone can have in Britain; and the fall of Robespierre, or the character of Louis XIV, is debated with a heat and an appeal to public opinion never provoked by discussions of the economic circumstances of the preparation for the English Civil War.

Dr Mellon has chosen an important epoch for his study, and he has illuminated the French way of using history. It is important to notice the limitations of the subject he has chosen. From the non-historical, or anti-historical, climate of the Empire to the climate of the Restoration is a plunge indeed. The Emperor had wished to impose an official version of history, and official oblivion of its most awkward passages, on his subjects. Louis XVIII had no such resource. The prestige of historical studies was rising all over Europe, and France had much history to examine and to explain or utilise. The beginning of serious historical study is a subject of general interest; so is the beginning of serious study of the French Revolution. Both are alluded to in this book; we learn something of the work of Augustin Thierry and of Mignet as well as of forgotten figures like Trognon; something of the democratic claims made for the medieval "communes" and of the indirect rehabilitation of the Revolution by the publication of memoirs (whose doubtful authenticity in many cases might have been emphasised).

But Dr Mellon's main subject is the use of historical precedent in the immediate controversies of the time. Faced with "Ultra" condemnation of the Revolution and with attempts, however feeble, to undo the evil thing, to "ecraser l'infâme" of the new order, Liberal historians were led, not to defend the Terror, but to explain it in the context of a Revolution that was necessary, part of normal French evolution, and only driven to savagery by the treasonable folly of the aristocracy now attempting to recover its privileges under the cover of limitless loyalty to the king. The real loyalty of Frenchmen, said these historians, was due to the king *and* the charter, to the reconciliation of the two Frances. And if that meant a stressing of "Gaulish" as against "Frankish" elements, of Gurth and Wamba against the Normans—to take a parallel from "Ivanhoe" much in people's minds—so much the better. The conquests of the Revolution were to be preserved and justified. So it was with other current problems; they could be made historical *causes célèbres* in the good cause. Of course, Ultras like Bonald could reverse the process; but the historical battle usually went in favour of the Liberals—after all Guizot and Thierry were historians in a sense that Bonald was not. Nor was it only a matter of professional lectures or of books. Some of the most lively historical controversies got into the courts: the Jesuits were retried in the La Chalotais affair and Louis XIV in the prosecution of Lamennais.

The great question, however, was the Revolution. Unlike the later Clemenceau, the Liberals did not wish or did not dare to treat the Revolution as a "bloc"; for them, there was a good and a bad Revolution, and their enemies, like some modern controversialists dealing with the Russian Revolution, were eager to show that—as Lenin included Stalin—so Mirabeau included Robespierre. All this, moreover, took place under a regime where points had to be made by indirection and by implication; where the rightness of the Restoration could not be openly questioned; where it was necessary to attack émigrés but to praise the former émigré, Louis XVIII. The day of Michelet and Louis Blanc had not yet come.

Dr Mellon has dug up much that is of interest, even if it is only a disturbing symptomatic interest; but he is not very considerate towards his readers, who will miss some points altogether unless they already know a good deal of the history of those times.

Lending to Princes

Bankers and Pashas

By David S. Landes.
Heinemann. 360 pages. 30*s.*

AS cotton shipments from Louisiana tailed off after the start of the American Civil War, so Lancashire, faced with a cotton famine, looked elsewhere for its supplies of the staple. The Jumel fibre of Egypt was the best substitute of comparable quality, and in 1862 the price of cotton in Alexandria moved briskly upwards; the four year cotton boom had begun. Alexandria hummed with new banks, agents and adventurers of all sorts. In addition to the pickings from the Suez concession, there was now a new boom to exploit and a new Viceroy to mulct. Ismail Pasha, though far from naïve in money matters, revealed an even greater capacity for spending than his profligate predecessor Saïd. Ismail inherited a national debt of something over three million pounds; thirteen years later it stood at ninety-one millions.

Egypt was being absorbed into the main stream of European political and economic rivalries; nominally a province of the Ottoman Empire, it became in fact a special sort of colonial territory, and French influence was more in evidence than British. In 1863 de Lesseps was halfway through his gigantic undertaking; Alexandria was a flyblown pastiche of Second Empire Paris, and the Viceroy's private banker was Edouard Dervieu. The story of how Dervieu built up his position, of his successes and his many disappointments is traced here from his correspondence with Alfred André, partner of one of the most respected private banks in Paris. On the one hand we see Dervieu, energetic, opportunistic, occasionally revealing an innocent trustfulness wholly unexpected in anyone so closely connected with Egyptian state finance, and always an optimist; on the other hand André, of the *Haute Banque Protestante*, a cautious, accomplished banker, underlining the dangers of lending to princes, urging the necessity of keeping assets liquid. From this correspondence, found recently in the vaults of the Bank of France, Professor Landes of Columbia University has built up a detailed picture of financial operations in Alexandria during the boom; he shows the rapid rise of the Egyptian debt to the point of national bankruptcy, and, more than this, provides an insight into the workings of the international finance houses—the discreet and clannish merchant banks in the European capital markets. Indeed the two initial chapters giving the general financial background of the period could stand on their own as an essay on the *modus operandi* of these institutions at that time, and are separate from the main story of the book.

Much of all this breaks new ground, and Professor Landes is naturally concerned to support his story with careful annotation of his sources. It would, however, be a pity if the general reader were to be discouraged by the somewhat formidable appearance that extensive footnotes and statistical appendices give at a first impression. For this is a very readable and fascinating account of financial mongering in Egypt in the 1860s.

Birth of an American Party

The Jeffersonian Republicans: *The Formation of Party Organisation 1789-1801*

By Noble E. Cunningham, Jr.
North Carolina University Press. London: *Oxford University Press.* 279 pages. 48*s.*

WHAT Bagehot said of party in relation to the House of Commons—"party is inherent in it, is bone of its bone, and breath of its breath"—can

with almost equal truth be said of the public life of the United States almost from the moment of its inception in 1789. Fittingly, American scholarship has turned a sharp eye on this phenomenon in American life and the historians and analysts of the American party system form a considerable and distinguished band. To them must now be added—and in a prominent position—the name of Dr Cunningham. In this volume, though treating of a well-worn theme, he has broken so much new ground that previous concepts of the origins of the American party system can hardly survive his findings.

The prevailing theory of the beginnings of the national parties in the United States held that it was at the local and state levels that party organisation first took shape and that it was by consolidating and federating there that the national party was made. In tracing the development of the Jeffersonian Republicans in the first decade of the Republic down to and including the election of their standard-bearer to the presidency in 1801, Dr Cunningham demonstrates beyond all reasonable doubt that the impetus and incentive for party organisation at the state level came from a party-minded Congress and from national figures like Jefferson and Madison. They did not merely combine; they created the elements for their combinations.

To demonstrate this, Dr Cunningham takes us in considerable detail through the party history of Congress and the congressional and presidential contents of these years. He allots little space to the substance of party argument; this has been generously treated elsewhere. In accordance with the trend of historiography in more than one country, Dr Cunningham is an organisation man. The how, not the what, of party conflict is his theme. He unfolds the fascinating story of the rapid adjustment to the party system of a society brought up to despise and deplore "faction," of the quick growth of electioneering devices of every kind, of the rapid transition from the *persona* of the reluctant, non-partisan, non-campaigning nominee of an anonymous group of "friends" to the hearty visage of the avowedly party man, the campaigning candidate. He has laid bare the electioneering activities of a neglected pioneer politico, John Beckley, whose distribution of 30,000 Republican tickets in the Pennsylvania election of 1796 obliges us to record an earlier date to the origin of bossdom in the state of Pew and Grundy than we had previously imagined.

All this and more Dr Cunningham tells us in precisely documented, but seldom arid, detail. It is a pity that, by definition, his book concentrates almost exclusively on the Republicans. No doubt he is right in saying that in all this they made the running. But it would further enhance our understanding if some time Dr Cunningham would tell us more about the Federalists whom they had to make their running against.

Fifty Years of Politics

Viscount Addison: *Leader of the Lords*

By R. J. Minney.
Odhams. 256 pages. 25s.

THE late Lord Addison was one of the very small number of men whose careers mirror the transformation of society during the last half century. Though many will recall his skilful steering, at an advanced age, of the legislative programme through the House of Lords during the 1945-51 Labour Government, few will be so well acquainted with his record in earlier years: his successful amending of Lloyd George's National Health Insurance Bill, while still a back-bencher; his role in the establishment of what is now the Medical Research Council; his work, again with Lloyd George, at the Ministry of Munitions; his efforts for housing as first Minister of Health; his devotion to agriculture as Minister in the second Labour Government—fields that still today reflect his achievements and which are impressively described in this felicitous and warm-hearted biography. Nevertheless, given Addison's life span, the author's partly non-chronological structure can be confusing, not least in regard to the period of his movement from the Liberal to the Labour party.

Although the reader may be most at ease with the picture of Addison the man—the tactful physician who nursed Labour's programme through a hostile House of Lords, and the moving account of his last months—the greatest impact belongs to an earlier period, especially his relations with Lloyd George, for unpublished material throws light on their quarrel and the eventual disintegration of the Coalition of the first world war.

This biography, however, for all its revelations about the decline of the Liberal party, does very little to take us behind the scenes in the Labour party, as Dr Dalton has done. Moreover, such disclosures as we find are exceedingly humdrum, while a description of Lord (then Mr) Attlee's request to Addison to take a peerage seems rather too polysyllabic for complete acceptability. Clearly, despite this book's merits, there is still room for further "intimate" biographies of this period.

We Europeans

Towards a European Parliament

By Kenneth Lindsay.
Secretariat of the Council of Europe. London: *HMSO.* 164 pages. 7s. 6d.

Europe and the Europeans

By Max Beloff.
Chatto and Windus. 288 pages. 25s.

MR LINDSAY has set out to provide a brief history of the first ten years of the life of the Council of Europe, partly because he believes that after this period of experiment the time has come for critical decisions to be taken. He has concerned himself mainly with the Consultative Assembly and the personalities which it has brought forward. He regards the Statute of the Council as far too rigid and he deplores the paralysis which he believes it to have induced in the Committee of Ministers. Both Mr Lindsay and Sir Robert Boothby, who contributes an introduction, are dismayed by the steady multiplication of overlapping European bodies scattered across western Europe, whose functionaries, as Sir Robert says, are "busily engaged in exchanging statistics which nobody reads and resolutions to which no attention is paid."

It is, however, the British attitude which Mr Lindsay most deplores. For he is convinced that "if Britain had given the same dynamic leadership in peace that she gave in war, Britain could have become the architect of a unified Europe, without in any way injuring Commonwealth trade or her special relationship with the United States." That Mr Macmillan and Mr Sandys were once such enthusiastic Europeans makes Continental opinion smell the traditional perfidy. If the British approach could be changed, Mr Lindsay would feel that all the rest might follow. After all, astonishing things have been achieved in a mere ten years, far more, he makes his reader realise, than is generally known, and a great deal by the Consultative Assembly at Strasbourg, which has no more than advisory powers. It is interesting historically that the personnel of the assembly has been supplied to a notable degree from the ranks of the resistance of the European nations to Hitler, which did indeed long to create the counter-thing to Hitler's Europe; in fact, in 1948 they did so in answer to the menace from Stalin. Mr Lindsay quotes from a moving speech from a Dutchman, M. van der Goes van Naters, in May, 1954, when he said that having spent four years in a Nazi concentration camp, the Council of Europe had now brought him together with good Germans who were also good Europeans.

Professor Beloff's book both records, and is, one of the little-known achievements of the Council of Europe, for whom it was prepared. In October, 1953, the Council invited seven European thinkers, including Signor de Gasperi and Dr Toynbee, to a discussion of Europe at Rome: at Strasbourg in March, 1956, a study group followed up their work with further deliberations whose purport Mr Beloff also presents. The European inheritance and the tasks that face Europeans are scrupulously analysed with due examination of the obstacles that lie in their path. The reader is reminded that the Scandinavian countries feared too great Catholic influence at Strasbourg just as the British Labour government feared the Council of Europe to be too avowedly anti-socialist. It is pointed out that "while at the United Nations most actual decisions arise out of the operations of the various *blocs* . . . the European countries, whose position and livelihood are often at stake, have been slow to see the necessity of working together."

It is impossible here to indicate more fully the suggestive wealth of the Rome and Strasbourg discussions as reported by Mr Beloff. An example taken from the chapter called "The Cultural Task" speaks of "an inquiry as to whether the teaching of modern languages could not be broadened into a general humanistic training, in the way in which the Renaissance had exploited the teaching of Latin and Greek." The political and economic tasks, too, are exhaustively examined.

Etymology

Origins

By Eric Partridge.
Routledge and Kegan Paul. 970 pages. £4 10s.

MR PARTRIDGE has put lovers of English in his debt many times over; but now they must declare themselves bankrupt. There is nothing quite like this fascinating book. Its sub-title is "a short etymological dictionary of modern English," but in two ways this underrates what it offers. First, it is only short in a runcible sense: it has nearly a thousand large, well-printed, two-column pages; and it covers some 20,000 words without scamping. Second, it is hardly a dictionary in the ordinary sense. There are no definitions, except where the development of meaning has to be explained; and the words are grouped together under roots, so that the more important groups make something like encyclopedia articles, covering wide migrations and farflung colonies of meanings. *Mullet*, for example, appears in the article which is headed by *melancholy*, and *elixir* under *serene*: facts so curious that one has to read both articles straightaway.

This system, of course, depends on good cross-referencing. One cannot guess for sure under what head a word will be derived: partly because, if one knew that, one would know its etymology; and partly because there seems to be a strong element of the arbitrary in Mr Partridge's arrangement. Why, for example, does one have to look up *pater* under *father*, but *mother* under *mater*? And only essayist's convenience leads to *Welsh* being dealt with under *Flanders*. This would not matter if the cross-references were perfect, but there is still some work to be done for the second edition: *cousin* and *sis* refer one to *sister*, but the main article is missing from its proper place.

The articles are clear and readable. They give the history of each group of words and the development of the various meanings. The philological apparatus is formidable and up-to-date: one bows in awe before the Hittite and Tokharian parallels. Mr Partridge is a little less impressive off the main Indo-European track. He has a penchant for Egyptian derivations which (to the amateur) look less than convincing; and some of his references to Arabic and the Slav languages stand in need of expert vetting. His derivation of the words *Hun* and *Turk* would cause offence in some quarters, and that of *Sudan* is plain

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ETHIOPIA TODAY
ERNEST W. LUTHER The author was for six years in Ethiopia (1950-56) and acquired an intimate knowledge of the land and people. His experience and travel as Economist for the State Bank of Ethiopia gave him a unique opportunity also to report on economic, political and social conditions in the country.
(*Stanford University Press*) 25s. *net*

wrong; but to say this only serves to illustrate another virtue of his book—that he deals with many important proper nouns.

The last 150 pages are particularly useful. They contain lists of prefixes and suffixes, with their origins, and of those Latin and Greek elements from which learned men make up new words: this helps Mr Partridge to lighten the pages of the main dictionary. A few sample checks show the lists to be thorough over many fields, but rather weak on chemistry. This is small blame to the author, who disclaims technology at the start: the wonder is how much he covers, despite his disclaimer.

It is a splendid book, on which one can spend more time than one has: it should be given to all clever nephews at Christmas.

The Mahdi and the Khalifa

The Mahdist State in the Sudan 1881-1898

By P. M. Holt.

Oxford University Press. 264 pages. 35s.

THIS book has a double value—for the historian, who will gain a scholarly and well-balanced picture of the rise and fall of the Mahdist movement in the Sudan, and for the specialist. The author calls it a preliminary study, "susceptible of much amplification in the light of further research on the materials in Khartoum," but these are perhaps more likely to repay the attention of the specialist, and in particular the local student of Sudanese history, than to alter the main features of the picture so admirably drawn.

Wisely enough, the international background and the course of military operations are briefly (though adequately) summarised as being sufficiently familiar, and the main theme is the character and motives of the Mahdi and his successor, the difficulties facing them and the results they managed to achieve. Diligent research and a deep understanding have enabled Dr Holt to write on these subjects with great perspicacity, and one of the chief results has been to consolidate the rehabilitation of the Mahdi as an honest zealot and reformer: a good man and in many ways a great one. The character of the Khalifa was less simple; his difficulties were far more complex, and they were cumulative over a far longer period. Where the Mahdi had the easy task of rousing an oppressed people against twenty years of abominable misrule—a task facilitated, over a brief span of time, by the general inefficiency of the forces opposed to him—the Khalifa, for some thirteen years, had to contend both with growing disaffection and intrigue at home and with urgent problems of administration and economies that were far beyond the scope of himself or his staff. At the same time he had to compete with foreign powers of whose strength and resources he had no conception and whom he scorned to conciliate. It is interesting, incidentally, and particularly suggestive, to note how many of his most trusted commanders were of slave origin, and how many of his administrative staff had been officials under the old Egyptian regime.

The author shows skill and a sure touch as he threads his way through the maze of local politics and intrigues. The introductory chapter and that dealing with the administration of the Khalifa in particular are masterly, meticulously careful and concise, and throughout there is a welcome clearance of old myths and prejudices and an objective reassessment of values.

The production by the Clarendon Press is beyond praise in spite of the difficulties involved in the transliteration of Arabic names.

Craft and Character

Points of View

By W. Somerset Maugham.

Heinemann. 255 pages. 21s.

TWO threads run through this collection of essays, in intention the last product of its author's long and prolific working life. One is Mr Maugham's familiar unillusioned, tolerant and appreciative interest in human oddity, variety, inconsistency; the other his craftsman's concern, intense as ever, with style and technique. With one exception, all the characters presented are writers. Goethe, here studied as a novelist; that likable and much-tried divine Dr Tillotson; Chekov and Katherine Mansfield, whose portraits are woven into an essay on the short story; the Goncourt brothers, Jules Renard and Paul Léautaud; these appear in the round, drawn with sympathy and irony and complete with warts and eccentricities, ranging from Goethe's snobbery and egotism to Léautaud's squalid malice. The studies are not, perhaps, profound; but they have a quality no less valuable than that of profundity—their subjects walk into and inhabit the imagination, take on an immediate life as unforgettably as Mr Maugham's own creation Edward Duffield. And on the relation between character and style, experience and matter, on the whole endlessly fascinating topic of what makes writers tick, "Points of View" is as illuminating and stimulating as "The Summing Up."

The exception, in this literary portrait-gallery, is "The Saint." The "point of view" of this essay is as remote from the others, various as these are, as Arcturus from the planets of the solar system. The Saint in question was an Indian *swami*, encountered by Mr Maugham on a journey in India some twenty years ago; and his story is told, with some preliminary explanation of the vocabulary and doctrine of Brahmanism, "as naïvely as the old monks wrote the lives of famous saints." Illumination, flight from home, total self-renunciation, extreme asceticism tempered only by the devotion of disciples and pilgrims, fame, miraculous powers, exemplary charity, patience and wisdom, an edifying death accompanied by heavenly portents; the pattern of sanctity is a familiar one, almost a stereotype. If there is one thing that Mr Maugham normally delights to upset, it is a stereotype; but this one he leaves exactly as it stands. He is as uninvolved emotionally as ever. The story is told, the portrait drawn, objectively, from the outside; it is not even given that extra weight and significance attaching to a first or a final chapter. It can be regarded as just one more delineation of human oddity, differing from the others only in being too odd for assessment, too odd for anything but non-committal, dead-pan narrative. But it looms over the rest of the book like an enormous question mark. The oddest thing of all would be—so the reader guesses, between the lines, the story-teller's unspoken comment—if this were, by any chance, the truth.

Art in Perspective

A Concise History of Art

By Germain Bazin.

Thames and Hudson. 548 pages. 35s.

IT is an ambitious task to try to tell the layman in one volume the story of art from prehistoric times to the present day. M. Bazin, who is director of the Louvre, is not the first to have attempted it, but his book, of which this is the first English translation, has certain distinct features. He has genuinely tried to put in perspective the development of art in different parts of the world at each period, and his treatment of the arts of the Far East is fuller than is usually accorded by popular art-historians. And here he has helped the reader considerably by some historical notes and an account of the religions of the different countries. Another aid that will appeal to some readers is that introductory remarks to each chapter provide a shortened version.

But let it not be thought that the author has reduced his subject to its bare bones and that the treatment is shallow. Far from it. The book makes fascinating reading, which is supported by over 700 illustrations of paintings, architecture, sculpture and examples of the minor decorative arts; many of these are only small reproductions, but there are 16 colour plates. (It seems an unfortunate small omission that the actual gallery or museum housing the original work of art is not shown—only its geographical location.)

How far does this book explain developments in art? M. Bazin outlines the "finalist" school of thought, which explains the determining factors in art not in circumstances outside the work, but in the capacity of artistic activity to expand on its own, so that as soon as a new principle is discovered, successive generations of artists develop it to its inevitable conclusion, following implicit laws of growth. But perhaps Picasso has said the last word on the problem: "Everyone wants to understand art. Why not try to understand the song of a bird?"

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Electrical Aids in Industry — *Data Sheet* **No. 4**

Resistance Heating – 1

In this form of heating, the heat is produced by passing an electric current through a high resistance conductor which is termed the "heating element."

The heat is transferred from the heating element to the work by convection, radiation or conduction or by a combination of any, or all, of these. When it is a question of radiation or convection, the element can be a bare wire or strip of suitable material, provided it is adequately supported on electrical insulation capable of withstanding the temperature.



When there is to be contact between the work and the element, heat being transferred to the work by conduction, the wire or strip must be surrounded by suitable insulating material and enclosed in a protective sheath.



In the majority of cases, the wire or strip forming the heating element is made of a nickel-chromium alloy which has a high electrical resistance and can be safely used in air at temperatures of up to 1050°C., or in a suitable atmosphere, of up to 1150°C. Other element materials are available for use at higher temperatures.

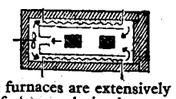
Electric resistance heating may profitably be put to many diverse uses; two of these are described briefly below, others will be listed in a subsequent data sheet.

Furnace Heating

Electric resistance furnaces can be divided into two main categories, batch type and continuous. In most cases, the heating elements are of nickel-chromium alloy, for furnace temperatures up to around 1050°C., but higher temperatures, up to nearly 3000°C., can be obtained by using other metals or alloys, or in some cases non-metallic elements. A protective atmosphere is desirable to prolong the life of some of these higher-temperature elements. For all temperatures electric resistance furnaces can be constructed so that the heating process takes place in a controlled atmosphere if this is dictated by the composition or heat requirements of the work charge. In some furnaces, fans are used to circulate the air or special atmosphere over the charge, thereby giving increased heating rates and a uniform temperature over the whole charge.



Automatic temperature control and programme control of the heating process are readily effected.

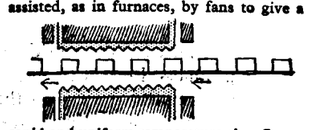


Electric furnaces are extensively used in industry, for example in the general heat treatment of metals, in the glass and ceramics industries, for grazing and sintering, and for many other applications requiring temperatures above 500°C.

Oven Heating

There are two basic forms of heat transfer used in electric resistance ovens; convection and radiation. The latter is dealt with in a separate data sheet under the heading "Infra-Red Heating".

Convection ovens may again be of the batch or continuous type. In either case, the charge is heated mainly by the movement of hot air, which is sometimes assisted, as in furnaces, by fans to give a



rapid and uniform temperature rise. Ovens are normally designed for temperatures of up to about 500°C., and the heating elements are invariably of nickel-chromium or nickel-chromium-iron alloy.

Ventilation, when required, can be provided and regulated entirely to suit the heating process. Temperatures and times are readily controlled. A vacuum can be maintained in suitably designed ovens to assist in the extraction of moisture and solvent.



Convection ovens are extensively used for drying, baking and stoving operations, and for a host of other processes requiring a low or medium temperature.

For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association, 2 Savoy Hill, W.C.2.

Excellent reference books on electricity and productivity (8/6 each or 9/- post free) are available — "Resistance Heating" is an example; "Induction and Dielectric Heating" is another.

E.D.A. also have available on free loan a series of films on the industrial use of electricity. Ask for a catalogue.

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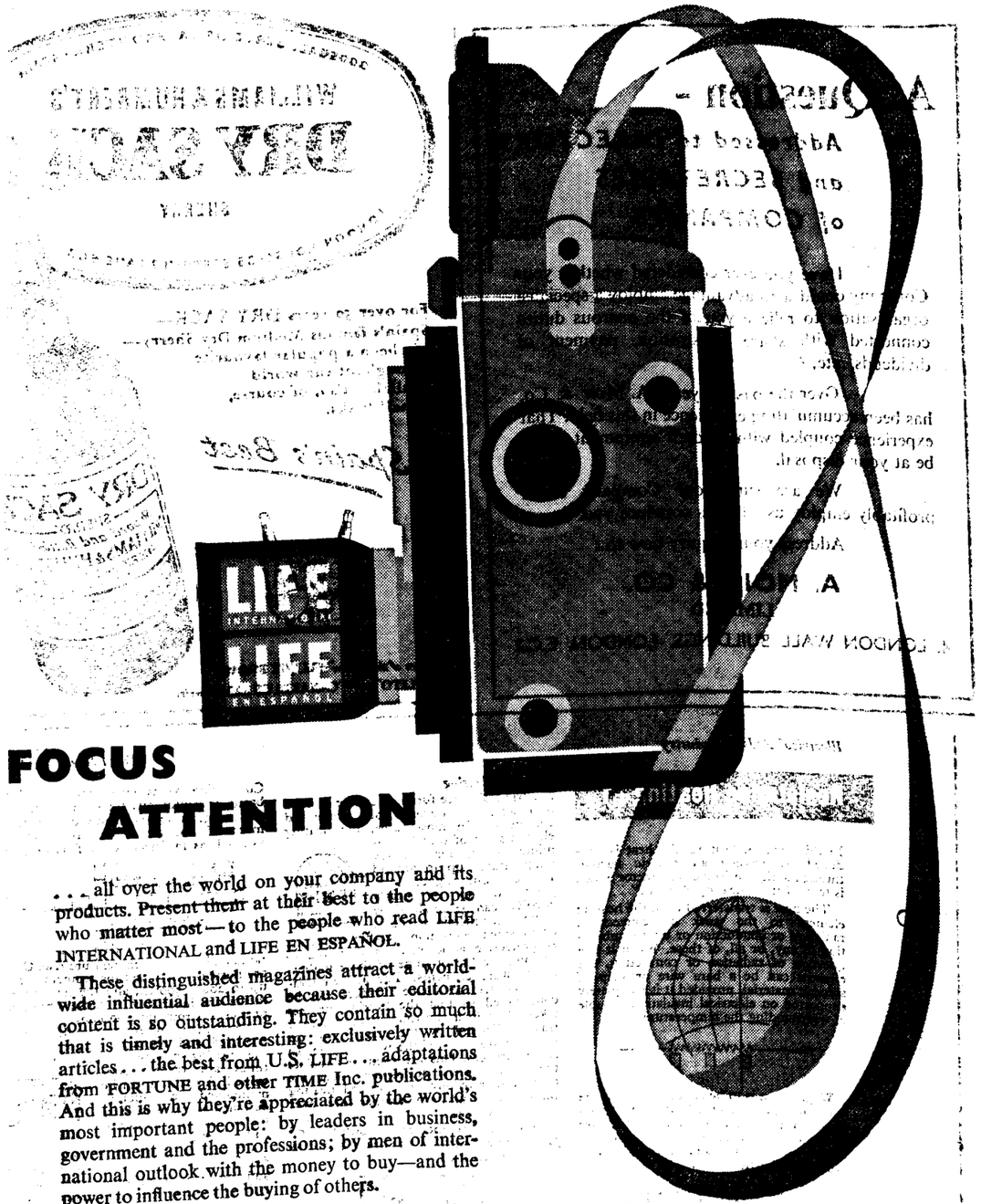

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Faith, Hope —or More Parity?

WASHINGTON, DC

A MELLOW and sunny harvest season has brought cheer to the farmers, but none to Mr Ezra Benson, the Secretary of Agriculture. It is one of the crosses which the Administration has to bear this autumn that the popularity of its farm policies should be put to the test just when their ineffectiveness is becoming most apparent. Next Tuesday the producers of maize, America's largest crop, hold a referendum to decide whether they will keep the present system of controls over plantings, and the comparatively high price supports that go with them, or abolish the restrictions and accept lower price supports. Both Mr Benson and the powerful Farm Bureau Federation, the agricultural organisation which is more Bensonist than the Secretary, hope that they will choose liberty.

If the maize farmers opt for the end of restrictions, as they probably will, it will not be, however, because they have been converted to Mr Benson's belief that more freedom will reduce the present vast surpluses of food and increase farm income. Nor will it imply that they want to soften the rebuke the farmers gave to the Administration in this month's elections. They will simply be calculating that the new system is marginally, and temporarily, more profitable than the old. For one thing, if they stick to the old programme, the number of acres qualifying for the full support price next year will be cut and Mr Benson will probably abandon his genial habit—which he adopted just before the 1956 elections—of providing some support even for the vast amount of maize which is produced in defiance of the restrictions. For another, the farmers' friends in Congress managed to insist on a minimum support price in the new scheme higher than Mr Benson wanted to pay; and this will apply to the entire, unrestricted crop. But the farmers are perfectly aware that the abolition of controls is almost certain to lead to an increase in production next year and a fall in the market price of both maize and hogs, to which most of it is fed.

For the last six years, in a superb display of political courage, Mr Benson has been struggling to do away with excess production by submitting American agriculture to the discipline of a free market. He has gradually chipped away at the level of the price supports which the government offers to the producers of six "basic" commodities, including maize, wheat and cotton, but the scheme continues simply to transfer large surpluses of these commodities into the government's lap. Arrayed against Mr Benson have been the forces of both scientific progress and economic self-interest. It was not merely the good weather this year that produced a crop eleven per cent bigger than the previous record on the smallest acreage harvested in forty years. Farmers, using more fertiliser and better machinery, have sent the average yield on an acre soaring by nearly a half since the war. This explosion of fertility, combined with the stolid reluctance of the farm block in Congress to let price supports be cut by more than a sliver at a time, has nullified Mr Benson's attempt to restrain production by bringing the price mechanism into play.

Sometimes it seems that American farm policy has contrived to repeal the laws of supply and demand. It can be argued that a fall in price now leads farmers to produce more, not less, as they strive to maintain their revenue and cover their ever-rising costs. In the coming year the surplus of maize will be big enough to supply the country's entire needs for half a year, and that of wheat for fifteen months. In all, the amount of farm produce in the government's storage bins is climbing back almost to the record level of 1956, despite Congress's instructions to the Department of Agriculture in that year to dispose of it as rapidly as possible. Up to five per cent of the Budget this year will be spent on failing to solve the problem of these unwanted supplies.

THE farmers at least would be happy if this process promised to hold up their standard of living. But, after two good seasons, it seems certain that their income will decline next year. This is partly because the price of hogs —which the government does not support—will fall as the extra maize is used to breed more of them, and partly because farmers will no longer receive payments for not planting major crops on all of their allotments. The prices of the goods they buy, on the other hand, are likely to keep on rising; and the ideal of "farmers' parity"—which aims, roughly, to make farmers as well-off, in relation to city dwellers, as they were before the first world war—will grow still more remote. It is all very well for economists to argue that farmers can expect no better while too many of them are producing too much, but this has an academic ring, not only to farmers but also to the politicians for whom they spell votes.

Mr Benson's supporters say that, if the farmers persevere trustingly along the path he has laid out for them, all will be well in the end. It will not be surprising if the swollen Democratic majorities in next year's Congress challenge this call to faith. The very worst change the Democrats could make, and one which a regrettable number of them will try to make, would be simply to reverse Mr Benson's course: to retain the present system of supporting the price of "basic" commodities but push back the level of support towards its postwar heights. This would swell the surpluses still further; it would offend the common sense of many farmers, who know the surpluses represent a distortion in the economy; and it would increase both the cost to the taxpayer and the price the housewife has to pay in the market. This final defect would eventually be its downfall, since the Democrats from the cities have been growing increasingly restive about policies that keep food prices high.

In these circumstances it is not surprising to see springing up new versions of an old farmers' favourite. Senator Talmadge of Georgia, a state which fears that its cotton is being priced out of its market, is the latest to suggest scrapping the whole system of planting restrictions, high price supports, and government storage of the resulting surpluses. Under his proposals farmers would produce as much as they liked; prices would gravitate to their natural level; and the farmer's standard of life would be preserved by paying him, as a direct subsidy, the difference between what he would earn—on the part of his crop that was sold within the United States—and what he would need for "parity." The fall in market prices would be popular with the trade unions, with consumers, and with congressional spokesmen from the cities. However, it would probably be very unpopular indeed with America's competitors abroad—an objection which successive Administrations have considered to be insuperable. In the short run, at any rate, the scheme would continue to produce large surpluses, which would flood on to the world market at a lower price. This would be especially disastrous in the case of wheat.

In the end, if the problems of over-fertility and surplus are not solved by Mr Benson's trustful reliance on a free market, they may have to be solved by stricter controls over production. This is argued by Senator Proxmire of Wisconsin, one of the comparatively few men in Congress who truly deserve to be called radicals. He would like to limit production, not by the feeble method of restrictions on plantings, but by fixing sales quotas which would keep total supply in line with total demand, and to increase the consumption of farm products both in foreign aid and by providing subsidised food for poor families at home. His scheme would undoubtedly be very expensive, especially as the method he uses for calculating "farmers' parity" is substantially more generous than the present one. Whether the farmers would also reject it on the grounds of "regimentation," as its critics assert, remains to be seen. After the trials of the last decade, they may be readier to look with sympathy on proposals for a planned agriculture.

Fumbling with Missiles

UNLIKE his predecessor as Secretary of Defence, Mr McElroy has earned a reputation for being neat-fingered. But the State Department had to send a repair squad after him last week when his press conference on coming shifts in American defence policy was interpreted in some quarters as heralding a lessened dependence on bases in Europe and a withdrawal into a new "Fortress America" bristling with intercontinental missiles. What caused the alarm was Mr McElroy's statement that, as the Atlas, with its 5,000 mile range, approached perfection, the shorter-range ones, which the United States is supplying to members of the North Atlantic Treaty Organisation, became "less interesting." This does not mean, however, as the State Department was at hasty pains to point out, that there is any basic change in American strategy, that supplies of intermediate range missiles, the Thor and the Jupiter, will not continue to flow to Europe, or that the intercontinental ones are more than a supplementary, and long-expected, contribution to the deterrent power of the free world.

Mr McElroy was thinking, not about Nato, but about the lessons to be learned from the crises in Lebanon and the Chinese islands and, as he must at this time of year, about the budget for the twelve months beginning next July; this is no guarantee that in time Nato may not feel the consequences of some of his decisions. One, which shows how wrong it would be to accuse Mr McElroy of concentrating on the risk of an all-out nuclear war, is that the supply functions of the Navy are to be emphasised, for some of the "peripheral areas," where trouble may flare up, lack the airports to accommodate a big air lift.

The hard choices between one missile and another which now face the United States are imposed by the prospect of a government deficit of $5 billion next year, following on the heels of this year's $12 billion one. The President, determined as he is to bring the budget under control before he leaves the White House, has himself already ruled out economies at the expense of foreign aid; instead this year's request to Congress will probably rise. Other savings of consequence which Congress would accept are hard to find and the Defence Department is not likely to win much more than the $41 billion a year it is now spending. To concentrate on the most promising weapons, the marginal ones must be discarded. But one choice, between the two intermediate missiles, the Thor and the Jupiter, is, no doubt to Mr McElroy's relief, less crucial than it was because of the imminent operational appearance of the Atlas. In American eyes the Atlas has many virtues. Control over it will rest solely in American hands and its bases in the United States will be less vulnerable, both to Communist attacks and local objections, than those in Europe.

Changing Tune in Virginia

THE voters in Norfolk, Virginia, have dealt a blow—how serious a one remains to be seen—to the hopes that the state which fathered "massive resistance" to the Supreme Court was preparing to change its course. They voted by a three to two majority to keep the schools closed rather than to obey the order of a federal court to admit a few Negro children to the white schools. This is hardly an encouragement to Virginians who have been arguing that parents would not tolerate having their children deprived of their education. Yet within the next week or two the legal walls which Virginia erected two years ago to prevent a single Negro child from attending a white school may come tumbling down. A federal court began to hear a case involving them this week; next week it is the turn of the State Supreme Court. All that Mr Almond, the Governor, has said in public is that, if the laws to carry out massive resistance are overthrown, he will appoint a legislative group to draw up a new programme for submission to a special session of the State Legislature.

But the two influential newspapers in Richmond, the state capital, have pulled down the flag of massive resistance with a jerk—something which they would hardly have done without encouragement of some sort from Mr Almond. The editor of one, Mr Virginius Dabney, is a moderate segregationist, but Mr Kilpatrick, of the *News Leader*, is one of the ablest, least moderate, and most influential.

What Mr Kilpatrick now advocates is a system of local option, with the state providing tuition grants for children whose parents do not want them to attend the state schools. In essence this is not very different from the local assignment



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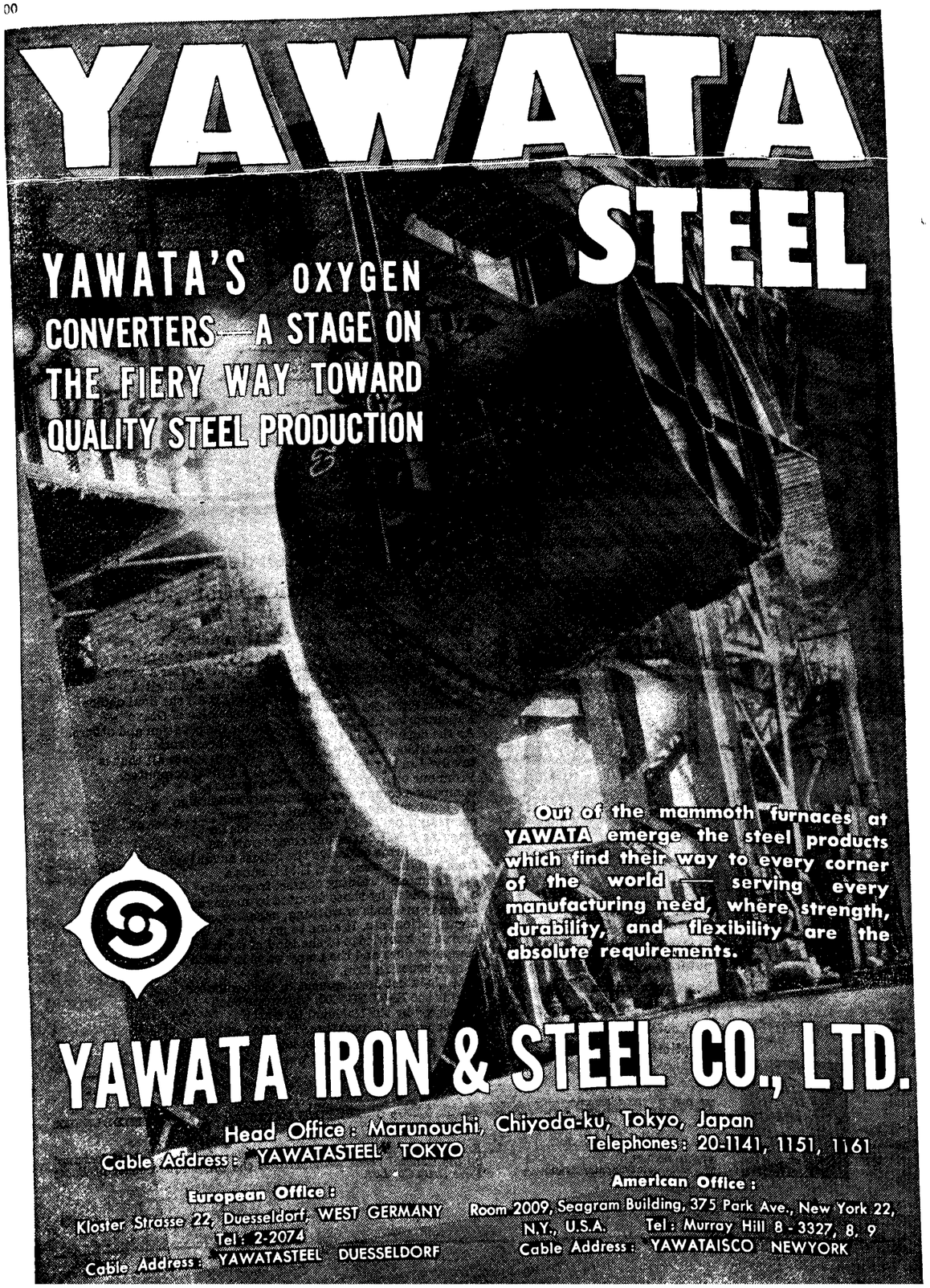


scheme adopted in North Carolina; it offers nominal concessions which, it is hoped, may make it possible to preserve the present system—or at least slow down the change. It is not very different, either, from the Gray plan presented in Virginia during the administration of Governor Stanley, and vetoed by Senator Byrd, who up to the present has called the tune in Virginia. The fascinating speculation now is whether Governor Almond has been emboldened to challenge his old leader by the imminent collapse of massive resistance laws and proof, in the election returns on November 4th, that an unexpectedly large number of Virginians feel that Senator Byrd has led the state into a dead end.

Republican Regrouping

THE plea of Senator Aiken of Vermont that the liberal Republicans should provide some of the party's leaders in the Senate is precisely the one that he has uttered after every Republican electoral defeat since the war. Hitherto the only response has been to appoint Senator Saltonstall, a feeble choice, to one of the four party offices. But now with the wholesale departure of reactionaries, through defeat or retirement, and the success of Senators-elect Scott of Pennsylvania and Keating of New York to strengthen the liberal wing, changes may have to be made.

It has been one of President Eisenhower's worst political failings that, since he has dealt with the congressional party almost exclusively through regular and therefore conservative channels, even Eisenhower Republicans of some standing, like Senator Aiken himself and the retiring Senator Ives of New York, have been repeatedly and publicly let down because they were not in his confidence. The situation has been aggravated by the Republicans' reluctance to follow Senator Lyndon Johnson's practice of disregarding the rule of strict seniority to see that each Democratic Senator serves on one important committee before any have two. By contrast, in the Republican party Senators like Mr Javits of New York and Mr Case of New Jersey, whose views give a more contemporary appearance to the party, have been buried out of sight in committees dealing with such subjects as the post office and the District of Columbia; while on the Foreign Relations Committee, which is so frequently in the public eye, the rigid seniority system has matched a sad row of nonentities and eccentrics against a brilliant assemblage of Democratic talent.

Until now it has been taken for granted that Senator Dirksen, the chameleon-like Republican whip, would succeed Senator Knowland as the minority's leader. But immediately Senator Aiken issued his challenge Senator Styles Bridges, the senior Republican Senator in point of service, the most reactionary surviving leader, and the most accomplished wire-puller in Congress, announced that if there were any danger of conflict he would be willing to serve. This should have the effect of rallying the liberals round Senator Dirksen, who may in turn feel obliged to make the concessions to them which Senator Bridges of all people had felt constrained to offer. These include the creation of a new post of assistant minority leader to be given to Senator Kuchel, a quiet man of moderately liberal views from California. But the sensible allocation of the party's talent among the various committees is every bit as important for its reputation as the nominal balance of authority at the top.

What's New in Britain?

THE British manufacturer, it seems, must break through his thick shell of Anglo-Saxon placidity and produce some new ideas; this is the most persistent advice of those engaged in selling British goods in American shops. They do not want from England the chic of Paris or the exoticism of Rome, but they must have change. They can, for instance, do a modest and steady trade in sensible English shoes, but it is the saucy Italian sandals that trap the customer. Even Scottish cashmere, the hall-mark of fashion for many a post-war year, has had to yield to the more dramatic fashions emanating from Italian mills.

The shop buyer, on his annual purchasing trip to Europe, has one question on the tip of his tongue: "What's new?" He has to budget his purchases and he lingers longest in the country where he sees most opportunity to satisfy the capricious and novelty-loving instincts of the American public. If there is persistently no change—and one glassware buyer complained that British crystal had remained the same in shape and pattern for thirty years—he will be tempted to omit that country on his next whistle-stop tour. This autumn an unusual item did find its way, although unwittingly, into British exports. An American buyer acquired a stock of 2,000 London policemen's capes, "guaranteed used," and managed to attach to each the official badge; this act of sacrilege went down well with college girls and another shipment followed.

When their quality is taken into consideration, the prices of British goods displayed in the stores are not generally regarded as excessive. Individual products have priced themselves out of the market—some high-quality knitwear and cut glass are examples—but here again the fault lay in the design as much as in the actual price ticket. For many types of goods British prices are in line with those of other continental suppliers and, where they are higher, they have the inestimable advantage that the traditional faith in the superior quality of British goods seems unshaken—both in those who buy them and in those who sell them. Moreover, there is a much greater willingness today than in the early post-war period to pay for quality; suppliers of English bone china have proved this in their successful fight to regain their pre-war footing. Retailers emphasise that the real question is one of producing what the American wants to buy.

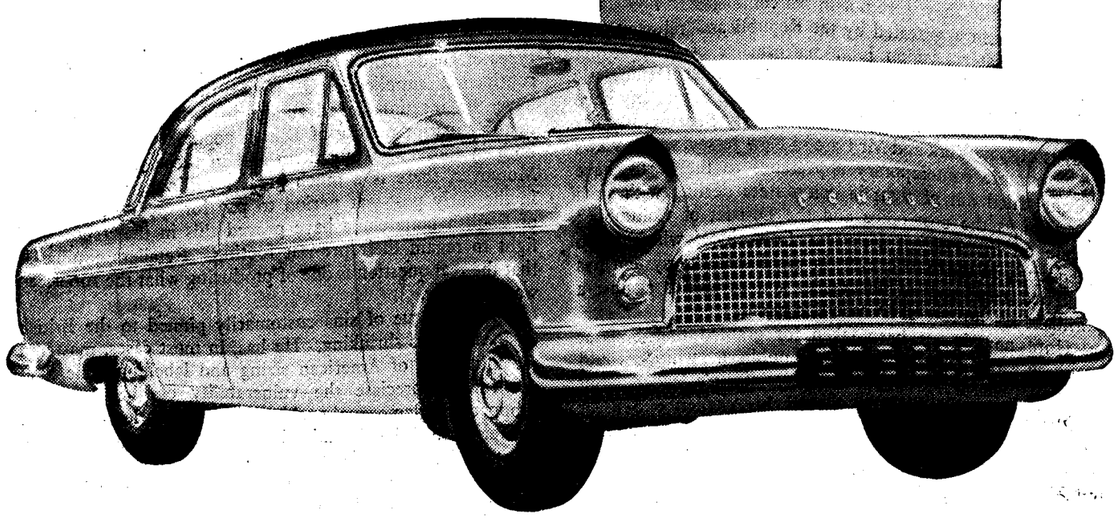
The catalogue of sins customarily pinned to the British businessman is shrinking. He has, in most cases, mastered the intricacies of American sizing and labelling. He does not fully appreciate the vulnerability of the American shopper to glamorous packing, but he is learning. His delivery schedules in this field are usually good, partly because of greater reliance on air freight although china and earthenware supplies pose a problem because of their bulky nature, the range of different patterns and the fact that many of the manufacturers have full order books.

The Englishman is said to be much slower than his competitors in meeting special requests — for samples, for instance—or in carrying out agreed changes in pattern or style. His most egregious error is his reluctance to acquaint himself directly with the peculiarities of the American market, or to renew these contacts at reasonable intervals. This is sometimes attributed to disinterest and sometimes to a generally cautious attitude to spending money on promotion. One buyer of glassware claims that

Beauty and balance



As beautiful and as gracefully poised as an ice ballerina, the brilliant CONSUL DE LUXE brings you a perfect balance of today's most-wanted motoring qualities...crisp, clean, two-tone lines... effortless, exhilarating power (plus 4-cylinder economy!)...'wide-screen' view front and back... *comfort* unequalled in its class, with big, deep-cushioned seats which provide a uniquely spacious and luxurious glide-ride for six! Add enormous boot, deep-pile carpets, pleasing, practical *de luxe* details throughout... today's most *remarkable-value-for-money* car is the restful, zestful CONSUL DE LUXE!



FORD winners—
plus unique Ford Service

Ford Motor Company Limited · Dagenham

he has had only one official English visitor to his department in twelve years, while German, Swedish and Belgian firms make such visits a routine matter. In the absence of direct contacts, importers often feel that their problems get scant attention. An importer of English bone china, for instance, has for years tried unsuccessfully to persuade his supplier to abandon an outdated method of crating which requires much high-cost labour to dismantle.

Many individual examples prove that close attention to the detailed requirements of the American market can bring rich reward. A manufacturer of men's sweaters, while retaining broadly conservative styles, has yet built up a large trade on the basis of constant adjustment to changes in taste. For many goods, fashions in pattern and colour diverge widely on the two sides of the Atlantic; it is no accident that the English china firm making great headway at the moment is one which employs an American designer. In trying to get adaptations made for the American market, some importers find that their suggestions are often rejected on the grounds that the firm must cater to the world market; many feel, however, that the "world market"—and particularly a country like Canada—might respond favourably to these concessions to American taste.

On the question of advertising, opinions differ. Some urge exporters to tame their natural individualism and co-operate in group advertising, while others claim that, since the cost of effective advertising is exorbitant, exporters must rely on the efforts of those that sell their wares. The British manufacturer is too diffident about the virtues of his products; for a machine-ordered society, no devices for making craftsmanship more conspicuous — "hand-engraved," "hand-blocked," "hand-knitted"—should be overlooked.

WHILE the "imported" label has always been revered by the American shopper, the present fashions have weighed in heavily on the side of the foreign supplier. Each summer's migration of tourists to Europe adds to the numbers of those with a liking for things foreign and creates new tastes ranging from a particular make of English marmalade to dart boards. The shops, constantly on the look-out for new ways to persuade the public into bigger and better spending, both feed and foster this trend. The trade returns, however, bear depressing witness to the fact that Britain, and also France, have not shared in this boom. By contrast, over the last three years Italy and Japan have both doubled their sales of many consumers' goods, while Belgium, Western Germany and other European suppliers have all made substantial gains. In knitwear, beachwear, women's shoes and many other leather goods, Italy is now the unquestioned queen. In glassware, Germany, Belgium and Sweden are sharing between them much of England's prewar market; more recently Waterford crystal from Ireland has staged an impressive come-back. But English bone china has no equal—nor has the English biscuit. Earthenware, too, is competing fairly successfully with domestic manufactures.

While the value of Japanese goods going into the American shops today is about twice that of British goods, a natural process of selection at present reduces competition to a few key points; the current triumph of the Japanese in the camera market is a German, and not a British, difficulty. Real discomfort so far has largely been confined to the trade in woollen cloth—virtually a British monopoly before the war—where, in addition to their troubles arising out of American import quotas and tariffs, exporters have to face the unpalatable fact that Japan can now produce quality as well as quantity. To show that there is no ill-feeling, the New York office of the British Overseas Airways Corporation on Fifth Avenue carries a window display of Japanese craftsmanship; and further down this great shopping mall, a newly opened branch of a Japanese department store has become, temporarily, a "must" both for the tourist and the itinerant shopper.

In spite of all this, British goods have certain advantages over their competitors. Many of the large stores have a long tradition of "buying British" and, other things being equal, are predisposed to build up this relationship. With its excellent reputation for high quality, the fact that a product is British is always prominently advertised. In terms of large promotional displays, the Italian theme has passed from store to store. In the last six weeks, however, two among the élite of American department stores have returned to the charms of the largest and oldest supplier of quality goods to this market.

In New York, Lord & Taylor left no sentimental stone—from a parade of Scots Guards' pipers to reproductions of the crown jewels—unturned in its effort to attract the public's patronage for a $3 million display of British goods. More recently Neiman-Marcus, a Dallas shop which pockets many a Texan dollar, has staged an unprecedented for-men-only display of British products, bolstered by the Shakespearian performances of the Old Vic Company and by such publicity stunts as a 70-foot replica of London Bridge, and a Rolls-Royce car supported, literally, on four Wedgwood cups. While in neither case was altruism towards the British exporter the inspiring motive, the combined publicity has successfully focused the spot-light on British goods. Moreover, Lord & Taylor has testified loudly in public, and its officers adhere doggedly to the view in private, that a new creativity is stirring in the breasts of British designers and manufacturers.

RIVALS IN AMERICA'S SHOPS

(Imports in $ millions)

	UK		Japan		Italy		W. Germany	
	1954	1957	1954	1957	1954	1957	1954	1957
Textiles	98·8	105·2	95·5	189·9	28·7	47·8	13·9	29·4
Manufactures of wood	39·4	44·2	23·5	58·9	3·1	4·3	0·4	3·6
Leather	4·9	8·1	1·5	5·3	3·0	13·3	0·9	5·9
Glass, etc.	2·6	5·2	2·0	5·4	0·6	2·8	5·1	10·0
China, etc.	9·5	10·4	16·4	29·0	4·1	7·2	5·5	5·7
Toys	1·7	2·0	10·2	27·4	0·4	0·8	3·5	3·8
Total above	156·9	175·1	149·1	315·9	39·9	76·2	29·3	57·4
TOTAL IMPORTS	503·1	756·2	276·0	602·2	143·8	244·0	103·0	592·1

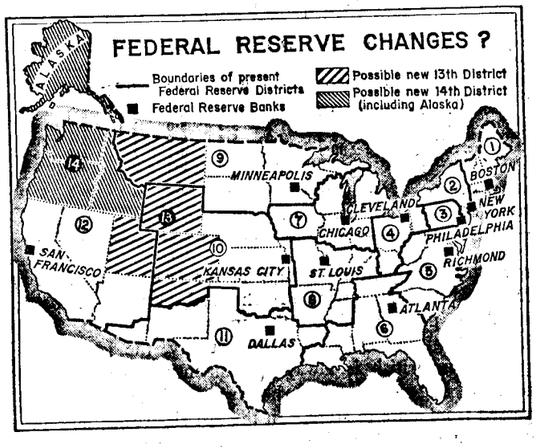
Bankers' Geography Lesson

FROM A CORRESPONDENT IN COLORADO

WESTERNERS feeling their political and economic oats are beginning to demand a recasting of the twelve Federal Reserve districts, to recognise the growing wealth and independence of regions once treated almost like colonies. This would require an Act of Congress, since the present districts are all that Congress authorised when the law creating the central bank was passed in 1913. The

Federal Reserve system, the "bankers' bank" privately owned but controlled by a governmental board, was split up into twelve districts partly because of the traditional American dislike of centralisation, and partly because of the vast distances and varying economic and banking conditions in the country.

Congress directed that the districts should be as economically homogeneous as possible. In fact, they were created by a series of compromises among bankers and politicians. The Rocky Mountain West, the Great Plains states, and the Pacific Northwest were attached "like vermiform appendices," as one critic has said, to distant centres. Montana



was attached to Minneapolis, Wyoming and Colorado to Kansas City, Southern Arizona to Dallas, Idaho and Washington to San Francisco. All these areas have grown in population and wealth and they are beginning to feel that the organisation of the central bank should reflect the change.

Two events are expected to strengthen the West's demand for revision of the Reserve districts: the admission of Alaska to statehood, and the 1960 census, which will reveal an enormous westward shift of population and wealth. But even in the last Congress Senators Magnuson and Jackson introduced a Bill to create a new district composed of Washington, Oregon, Alaska and perhaps Idaho. Legislators from the mountain states, led by those of Colorado, are proposing another new one, to be made up of Colorado, Utah, Wyoming, Montana, the northern half of New Mexico and perhaps Idaho; they comprise a range livestock economy. Presumably these would be the 13th and 14th districts. Once changes were in the air, demands also might arise for a recasting of middle western and eastern districts. The Chicago district, which was originally agricultural and to which Iowa belongs, has now become primarily industrial with the development of the automobile and other industries, and Iowa might more suitably be attached to Minneapolis.

The staffs of the Federal Reserve Banks have a great deal more to do than merely serving as "banks' bankers." They all gather regional economic statistics, make voluminous reports and in general keep a flow of detailed information moving into Washington and available to the public. This is one source of the feeling that the districts might well be more homogeneous than they are today.

The Last Hurrah

MR JAMES CURLEY, four times Mayor of Boston, died last week at nearly eighty-four. The last of the genial rogues who bossed the big cities in the days when scant provision was otherwise made for the masses of poor immigrants, his forte lay in dreaming up a fresh scheme for raiding public funds to suit every hard-luck story that was spun to him. His public career began with a prison sentence, when, as a young alderman, he impersonated an illiterate friend at an examination for postmen. The principle of helping one's friends being a winning one with the Boston Irish, they loved him to the end and turned out, nearly a million strong, at his funeral.

When Mr Edwin O'Connor brought out his best-selling novel on big city politics, "The Last Hurrah," Mr Curley's first reaction was to sue for libel; his second to bask in the reflected glory of the novel's romanticised hero Frank Skeffington; his third to cash in on the market with his own account, sufficiently described by its title "I'd Do It Again"; and his fourth to seek an injunction against the company making the film of the novel. The second reaction was the wisest. The autobiography, which dwelt lovingly on Curley's more disreputable electoral tricks, confirmed what Bostonians had known all along: that, while Mr O'Connor's subordinate characters are drawn straight from Boston's political life, Skeffington himself is a composite figure, of which a laundered version of Curley is only a part.

The anecdotes about him are countless—how he threatened to burst a flood gate under the vaults of the First National Bank of Boston unless it gave the city a loan, how (like Frank Skeffington) his constant reading of poetry, especially Shakespeare, gave his speeches a richly literary spice, how, when he failed to be chosen as a delegate from his own state to the Democratic National Convention in 1932 he turned up as the delegate from Puerto Rico.

But unlike his exact contemporary Al Smith, who rose from the same poor Irish background, he did not get far when he tried to go beyond the bounds of his city. He managed one term as Governor of Massachusetts in 1924, when he insisted on reviving all the pomp of colonial times, but in 1936, when trying for the Senate, he achieved the unique feat of being the only Democrat to lose a seat in that great Democratic year. During the war he came to Washington as a member of the House of Representatives, a disastrous episode that brought him an eighteen-month prison sentence for fraudulently claiming to be able to influence the award of contracts. By the time sentence was passed he was again Mayor of Boston and, after serving six months, he was pardoned by Mr Truman and received back in office with great applause. But enough was enough. He lost the next election and another attempt at a comeback failed in 1951. Yet two years ago when the Democrats resumed control of the state government, Curley was sworn in as a member of the State Labour Board. He died, as the many beneficiaries of his patronage must have wished him to do, still on the public payroll.

SHORTER NOTE

The Democratic candidate for Governor in Nebraska has claimed victory on the basis of an unofficial count of postal ballots, which gives him a lead of 1,533 votes.

THE WORLD OVERSEAS

Campaign Diary

FROM OUR PARIS CORRESPONDENT

LONELY Gladiators: "Battle of the Gladiators"—so the current French electoral system was nicknamed in the past. Several competitors face one another in the first ballot (this Sunday), only two or three are left in the second round, and the victor alone goes to parliament. Many famous performers have come down into the arena this time. There are old-timers of the Third Republic, like M. Daladier and M. Reynaud; warriors of the Fourth, like MM. Mollet, Pinay and Gaillard; and newcomers just out of uniform, like Colonel ("leathernose") Thomazo.

But the public has stayed at home. Have Frenchmen decided that everything can be left to General de Gaulle, or are their minds already made up? The campaign naturally varies from constituency to constituency. Attendance is relatively higher in the provinces, where there is less entertainment, than in the big towns.

The following notes do not pretend to give a national picture; they merely try to capture a mood.

Duel in the Red Belt: Montreuil lies only a few miles from the enchanting lights of Paris. But the décor here is old and shabby, brightened only by a few new municipal blocks of flats and several factory chimneys. This is a communist stronghold in the Paris red belt. M. Duclos' meeting is in the gym hall of a local school. About sixty people, mostly young and old, predominantly working-class. A woman councillor speaks first of local hardships. M. Duclos, small and fat, with an ironic twinkle, starts reminiscently. He was first elected here in 1936. Popular Front and Liberation—two periods, he argues, when the Communists shared power and great reforms were carried out. And now? Wages are threatened; the war goes on. Alternatively serious and ironic, the best communist orator in the chamber speaks for more than an hour. He leaves questions to his assistants; he must rush elsewhere.

By that time, M. Frenay's meeting in another school-hall is in full swing. Strangely enough, it is here that there are tough-looking stewards. There are possibly a score more people than for M. Duclos. Generally better dressed, too. Two or three women in cheap fur coats would probably resent the comparison.

Montreuil had a communist majority. But another district has been added to it and the "noes" in the referendum fell short of the normal communist poll. M. Frenay, a former resistance leader and postwar minister, with the double investiture of the "left wing Gaullists" and the Socialist party, hopes to catch these votes. With pride he claims that he was "parachuted" into this tough district to give the workers an alternative. He then quotes from Mr Khrushchev's secret speech about Stalin and challenges M. Duclos to a debate. There is only one hostile questioner: what has the speaker been doing in the past ten years?—He fought for "Europe." Will this, and conservative votes on the second ballot, prove enough to beat M. Duclos in his stronghold?

Colonel versus Speaker: M. Frenay is a "leftist." Colonel Bourgoin is an orthodox representative of the neo-Gaullist UNR. He was put up in a popular Paris district to oppose the socialist M. Le Troquer, speaker of the late National Assembly. M. Le Troquer has been deputy for this district for over twenty years and a local councillor before that. He is a one-armed invalid of the first world war. Colonel Bourgoin is a one-armed paratrooper, hero of allied landings in the second.

Another hall in a school. On a blackboard, a childish poem about "the jolly month of May, when I was very gay. . . ." The public, resembling in size and make-up M. Frenay's, listens to vague introductory lectures. Colonel Bourgoin makes a modest bow. If he is called a hero, it is simply because he only lost an arm when others lost their lives. His oratorical skill, however, is not equal to his valour. In a rather disjointed speech, he first called all deputies scoundrels and later described them as good men defeated by the "system." Real trouble, however, came at question-time, though none of the audience was hostile. A typical modest *rentier* asked the candidate's views on the ever-depreciating franc. The colonel was at a loss (so were his assistants). He caught on to the questioner's suggestion of fighting against fraud. Someone shouted that it was all the fault of the deputies. The colonel made it plain that his only platform was faith in, and loyalty to, General de Gaulle. "And if someone dares to slander the general in the chamber, he will not do it twice." On these fighting words the meeting dispersed, amid applause. The result here may depend on communist backing for M. Le Troquer.

ALGERIA in Normandy: M. Mendès-France has been deputy for the Louviers district of the Eure, in Normandy, since 1932. He is also mayor of Louviers. He has a strong local position, though it has been weakened just now by his campaign against the Gaullist constitution. Attendance in the provinces is apparently better than in Paris, but the former prime minister had been touring small villages addressing only a handful of people. Beaumont-le-Roger was his first "big" meeting. Beaumont, a small town of 2,000 inhabitants, is not normally linked with Louviers. It has been added to it by some strange boundary drawing. M. Mendès-France was thus in new territory. But he is a crowd puller. The small town hall was packed with over 200 people. A few Parisians, but mostly local people and neighbouring farmers.

The debate was opened by a young veteran of the Algerian war with a short indictment of the colonist *ultras*. M. Mendès-France then warned the audience that he would

speak about other subjects elsewhere, but here would deal mainly with the vital Algerian question. He spoke for an hour as earnestly as if he were facing the National Assembly. In somewhat simpler terms than those of parliamentary debate, he restated his position. France had the choice between co-operation and the use of force. Previous governments had made promises which were always sabotaged on the spot. He had welcomed General de Gaulle's instructions to General Salan, but they had not been carried out. The republic was in danger ; hence it was all the more important to have republican deputies in the chamber.

The public was not all favourable. There were yells and catcalls (particularly at the mention of Dien Bien Phu). M. Mendès-France showed his skill and experience. He silenced some hecklers with the retort: " They have no relatives fighting in Algeria, so they do not care." He demolished the arguments of a vociferous opponent so strikingly that he had to assure the audience: " He has not been brought here to give me cues." There was more applause at the end than at the beginning. But how many votes were gained ? France's once famous prime minister moved into the thick, London-like fog, hurrying to his next meeting.

Flying Sparks in Turkey

FROM OUR CORRESPONDENT IN ANKARA

THE sparks are flying in Turkey's young democracy—so wildly indeed over the last three months that some people are predicting that they may reach the powder kegs and blow sky high the whole admirable two-party edifice, initiated with such high hopes just thirteen years ago. The most acute phase began with the Iraqi revolution in July, an event which had deep and immediate repercussions in Turkey. Subsequent coups of various brands in Pakistan, Burma and the Sudan have confirmed the notion that political disturbances are infectious.

In Turkey the opposition People's party has been simmering with scarcely repressed fury since the elections of October, 1957, which the party maintains it would have won if the government had not weighted the scales against it. In the last days of July, soon after the revolution in Iraq, the People's party launched a political offensive of a formidable and singular nature. It managed to insinuate that the prime minister, Mr Adnan Menderes, was a sort of Nuri Said, and that what had happened in Iraq could easily happen in Turkey. In reply to this, Mr Menderes reminded the People's party that in the time of Kemal Ataturk instigators of sedition had swung from the gallows—and they could swing again.

Matters were hardly improved when the President of the Republic, Mr Djelal Bayar, opened the Turkish parliament on November 1st. The deputies belonging to the People's party sat through the president's speech in stony silence, and afterwards boycotted the election of parliamentary officials. A few days later, Mr Ismet Inönü, the People's party leader, declared publicly that the President was not impartial, and was responsible for everything that had gone wrong in Turkey since the Democrat party came to power in 1950. In September and October both Mr Menderes and Mr Inönü stumped round parts of Anatolia as if they were at the height of an election campaign. There were violent incidents at some of their meetings.

Though both sides in the increasingly bitter party struggle feel justified in expressing almost limitless indignation, the opposition seems to have the better case. Most impartial observers have been deeply concerned at two aspects of Democrat policy in recent years : the appalling millstone of debt that has been hung round Turkey's neck by errors of economic policy ; and the tarnished reputation acquired by Turkish democracy as a result of legislation and the universities, as well as the freedom of the press and other liberties. This has caused the removal of judges and professors from their posts, and sent a doleful stream of journalists to prison.

The government, for its part, can point with legitimate pride to the rhythm of material development which puts most Asian countries, and many in Europe, to shame. But the almost unplanned nature of this development (fifteen sugar factories where there was only raw material for five, so many hydro-electric schemes that their power will take eighty years to materialise) has led to debts, inflation and other troubles. Yet, for all these grievous errors, Turkey's productive capacity has been enormously increased, and one day, if it can get by in the meantime, the country will profit from it. Turkey's debts are estimated at £400 million sterling. But few countries have so much to show for their debts.

The first-aid credits that were rushed to Turkey at the end of July were given on two conditions : that the Turkish lira should be devalued—an operation long overdue ; and that public spending inside the country should be restricted. The government, to do it justice, has carried out these undertakings (though devaluation was *de facto* and not *de jure*), but in doing so has set itself a knotty political problem. How, with spending restricted and foreign creditors clamouring to be paid, can the rhythm of development which had come to be the *raison d'être* of the Democrat government be maintained ? Clearly, if international obligations are to be honoured, it cannot. This inevitable contradiction is already causing unrest among the rank and file of the government's supporters, and in the government itself. There was a noisy grinding of gears as the machine went into reverse, and in August several wheels fell out of the gearbox in the form of resigning ministers. The People's party, seizing the opportunity, attacked with redoubled vigour. The redoubtable Mr Inönü, cheered on by his supporters, took the field and challenged the government on every possible issue. So acute became the party strife that Turkish democracy seemed to be teetering on the edge of the abyss.

THE personality of Mr Inönü, now 74 years old, is an important factor in the present situation. The old Pasha (he is the only man in Turkey who retains this title) is said to have the support of many of the principal officers in the Turkish army. Some people say that he has only to breathe the word, and a military coup would be the result. On the other hand, since it was Mr Inönü himself who in 1945 launched the democratic regime, he is assumed to be anxious to preserve it. Moreover, there is a tradition in the Turkish army against interference in politics. The general opinion is that such interference is unlikely unless Mr Menderes does something blatantly unconstitutional, such as suppressing the political parties or openly rigging the elections.

To increase the political strength of the opposition, it now looks probable that the People's party will unite with



"Additives, Sir, are things that are added to things..."

the boy's a genius

It sounds simple enough. To add special qualities to a motor oil, you just . . . well . . . add things to it.

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Even more remarkable, perhaps, is the latest development – additives which actually affect the way oil behaves in heat and cold. As every schoolboy knows, oil tends normally to thicken in cold and thin out as it gets hot. But with these additives, oil stays free-flowing even in freezing cold and toughly protective in boiling heat. It becomes " Multigrade" – several grades in one – just right at all engine temperatures. Thanks to Shell X-100 Multigrade, motorists start easily on winter mornings, warm up more quickly and use less petrol in their everyday driving.

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the small Freedom party which, despite the high quality of its members, has been an electoral failure. The large increase in the parliamentary strength of the opposition at the last elections (from 34 to 182) has changed the balance of political forces, even if the government's limitation of parliamentary rights prevented the Assembly from being an effective organ of government. A most significant fact at the elections last year was the vote for the opposition in Ankara, which is mostly inhabited by the absurdly underpaid class of civil servants (some officials get as little as £10 a month, and the most important only £60).

Much now depends on the course of economic developments and its effect on the Democrat government's main source of support—the Turkish peasants, three-quarters of the whole population. Prices have risen since devaluation, including those of such common foods as cheese, milk, eggs and olive oil. Petrol, which the peasant needs not only for ploughing but for swanning about in the tractor with his family on board, has also risen steeply. Bread went up last year, and may have to go up again, though the government will no doubt do all it can to prevent it. Much has been done for the peasants since 1950, and they are better off than they have ever been. But with wealth come expectations. Instead of realising these, the government may be obliged to cut the lavish agricultural credits on which the peasants have fattened in recent years and even (as is now seriously mooted) tax farm incomes. A reliable source reports that the taxation of agricultural incomes is a further condition laid down by the experts for the credits recently granted to Turkey. If so, the peasant may feel that the door through which he glimpsed the millenium is being shoved to in his face.

The Voices of Andorra

FROM A CORRESPONDENT IN ANDORRA-LA-VELLA

WHEN General de Gaulle is elected President of the Fifth Republic he will also become co-prince of the tiny Pyrenean state of Andorra. He will find his Andorran subjects in an angry mood. Their normally azure political sky is thundery with talk of "cold war" and "aggression"; and the man responsible is the general's own minister of information, M. Jacques Soustelle.

Andorra (population 6,000) is nominally independent of France. It issues its own exotic green-and-gold passports, and its internal affairs are managed by the 24-member Council of the Valleys, a rustic parliament claimed to be as old as the House of Commons; its heads of state are two co-princes—the Bishop of Urgel (just over the Spanish border) and the President of France, as successor to the French monarchs who inherited the suzerainty over Andorra possessed by the mediæval Counts of Foix. Consequently, when all privately owned radio stations in France were nationalised after the second world war, Radio-Andorra remained outside the new RTF (Radiodiffusion-Télévision Française) network.

The station soon became the object of a two-pronged attack—by private interests eager to take it over and by the official RTF anxious to close it down. For most of 1948 and 1949 Radio-Andorra was jammed by the RTF. After a Paris court had ruled the jamming illegal, its private and official opponents joined forces to set up a rival station to be called Andorradio. When, in December, 1952, the Council of the Valleys vetoed the project and sent its eleven-man police force to shut down Andorradio's installations, the French co-prince, then President Vincent Auriol, closed the Andorran frontier. The inflow of French tourists was reduced from 200,000 in 1952 to 15,000 in 1953. But the Council of the Valleys stood firm, and one of President Coty's first acts on succeeding M. Auriol as co-prince was to restrain the French interests involved and reopen the frontier. The tourist trade picked up, and for four more years the chirpy call-sign "*Aquí Radio-Andorra*" had no challenger. Then the Algiers mutiny last May brought General de Gaulle to power and M. Soustelle to the ministry of information.

M. SOUSTELLE is an ardent practitioner of psychological warfare. After dismissing senior members of the RTF suspected of untoward loyalty to the Fourth Republic, and converting the state radio and TV network into crude but—in the short run—effective propaganda instruments, he turned his attention to Radio-Andorra, which has a big audience in southwest France, and the silent, shuttered Andorradio. Radio-Andorra broadcasts neither news nor political comment. Its owner is, moreover, a friend of M. Jean Baylet, the southwestern Radical leader whose *Dépêche du Midi* is France's only non-communist daily critical of de Gaulle. There was no scope for M. Soustelle there. But 51 per cent of Andorradio's shares are held by the government-owned Sofirad company (which also has a controlling interest in Radio-Monte-Carlo). If Andorradio could be got on the air it might counteract the influence of Baylet's *Dépêche du Midi* and divert advertising revenue from both the *Dépêche* and Radio-Andorra. Early in September three senior members of the RTF (including its new director, M. Chavanon, a Soustelle nominee) were given seats on the Sofirad board. RTF technicians were sent to Andorra. A senior French official took the Bishop of Urgel a letter from President Coty. In mid-September M. Soustelle's ministry announced that "by agreement with the episcopal co-prince" Andorradio would now go on the air on a permanent basis—and so, at the end of the month, it did, on a wavelength (367 metres) provided by the RTF.

The Council of the Valleys called an exceptional *Assemblea Magna*, attended by heads of families from every parish, which voted a unanimous protest against this "violation of Andorran rights." The protest reminded both co-princes that the council alone was empowered to grant concessions in Andorra. The bishop replied that he had been asked by the French authorities to agree to occasional broadcasts only, "to save the station's material from deteriorating," and had consented to a maximum of two hours' broadcasting a day. He fired off a protest of his own to President Coty when the Andorran customs revealed that Andorradio's installations had been in no danger of deteriorating: its most important equipment, worth some £80,000, had arrived from France only a week before the station went on the air. This correspondent saw a big crate in the Andorradio compound which had just arrived, via Port-Vendres, from the RTF, 10 rue Hoche, Algiers.

A member of the Council of the Valleys urged an appeal to the UN. An Andorran mayor said: "If they persist, nobody should be surprised if a bomb goes off in that



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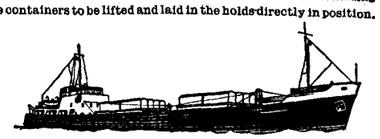

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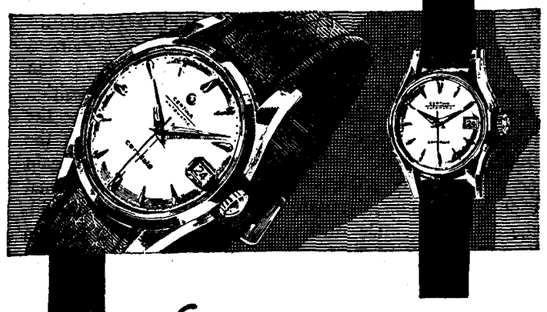

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station one night." But most Andorrans concede that no decisive French move towards a settlement can be expected until the new co-prince takes over. This may only be a somewhat lilliputian problem, but his attitude to it, the Andorrans say, will tell them more about the Fifth Republic than any number of lofty declarations.

Officials and the Law

FROM OUR BONN CORRESPONDENT

With Dame *Schadenfreude* showing her slip here and there between the lines, the west German newspapers are bandying the names of several prominent government officials who are implicated in pending legal proceedings of one kind or another. Immediately after the war, when the occupiers were much taken with what seemed to them at the time a unique opportunity to "re-educate" a uniquely wayward nation, certain members of the British control commission tried to wean German journalists of their readiness to suppose the guilt of an accused person before he had been tried. Such a hastily-condemning spirit, the would-be reformers pointed out, had made things much easier for the late police state; and in rubbing in the advantages of leaving judge and jury to determine guilt, they recommended the reticence observed by the British press on all matters *sub judice*.

It was a waste of breath. As a whole, German newspapers still report and comment upon *sub judice* affairs with a lack of inhibition that would land an English editor in gaol. One consequence of this impetuosity is that the German public are now being given so much to gossip about long before the facts have been aired in court. To swell the uproar, an embarrassed government has also been unable to resist putting in a word or two in advance of the judges.

As wrong-doing goes, the alleged offences sound comparatively venial. Probably they could all be collectively diagnosed as the growing pains of democracy after dictatorship in a state rising from the ruins, a little uncertain of itself and lacking enough men qualified for executive office. But public attention has been captivated by the coincidence that several of the persons concerned are associated closely with Dr Adenauer. Herr Hans Kilb, who is widely known as Dr Adenauer's former personal assistant (he was only recently transferred to a Euratom post in Brussels), is now in prison in Bonn anticipating trial on charges of corruption. He has been refused bail. When working in the Chancellery Herr Kilb accepted the loan of a handsome car from the manufacturers, and the state prosecutor is investigating the possibility that some service may have been performed in return.

Apparently, it is by no means a solitary case. Last week an official in the federal ministry of labour, Herr Josef Siemer, of the same rank as Herr Kilb, was arrested in similar circumstances. Herr Siemer is under suspicion of having accepted the loan of a car from a firm of typewriter manufacturers interested in hearing more of its machines clattering in the provisional capital's multiplying mansions. In the words of a leading daily:

> The Bonn state prosecutor is overwhelmed with work at the moment. Some 200 further cases of corruption in which federal officials are involved are awaiting clarification. The loan of a car comes into most of these investigations.

Public interest is high. With a sidelong glance at the news, both *Die Welt* and the *Frankfurter Allgemeine Zeitung* have published earnest homilies deploring the degeneration in standards of conduct that has everywhere attended the "German miracle," and the spreading fashion of assessing a man's worth by his shinier possessions. The former remarks that so many people nowadays seem to assume they have a birthright to all the beneficent contrivances on the market. The latter expresses the hope that today's sons will find something nobler to do in life than merely to try to earn more money than daddy. The mood is such that a Berlin senator has instructed his staff not to accept presents of any kind, not even a calendar, a ball-point pen or a cigar.

It was clumsy of an incredulous Chancellery, when Herr Kilb was first arrested, to put out a statement which could be, and was, generally interpreted to mean that Dr Adenauer knew all about his personal assistant's activities and considered them blameless. Obviously, he did not know; Dr Adenauer has since had a session with the state prosecutor, and Herr Kilb is still in custody. But this makes it all the stranger that the government should have rushed to protect the three senior foreign office officials who have been summoned to appear before a Bonn court next March on what could be a fairly serious charge of slander. Two are confidants of Dr Adenauer—Dr Herbert Blankenhorn, who has just been appointed ambassador in Paris after a term as ambassador with Nato, and Professor Walter Hallstein, the former state secretary at the foreign office, now president of the European Commission (the executive authority of the Common Market) at Brussels. The third is Dr Vollrath von Maltzan, who has just retired from the Paris embassy. They are being sued by Herr Hans Strack of the economics ministry, who alleges that as a result of their inaccurate reporting and hostile intrigues he was removed from his post as head of the Near East department.

Asked at a press conference whether it was not perhaps untimely to appoint Herr Blankenhorn to Paris just when he was involved in a lawsuit of this kind, a government spokesman replied that the federal cabinet was convinced that the three foreign office notables had acted "in accordance with their official duties." The opposition parties have naturally pounced on this disregard for the processes of the law. There are to be questions in the Bundestag, and the limelight is to be turned once again on some of the unhappier goings-on in the provisional capital. Undoubtedly, a great part of the blame rests with the Chancellor. Dr Adenauer persists in relying upon a very limited circle of advisers for his knowledge of current happenings, and sometimes seems to be naively unaware that it is not always as easy for the head of a government to dispose of the inconvenient as it was for the chief burgomaster of Cologne.

Apprehensive Gas Men

FROM A CORRESPONDENT IN CALGARY

Natural gas has now begun to flow from Alberta through a 2,200-mile pipeline to Montreal, and coincidently with the start of the flow there has appeared the first report of the Royal Commission on Energy, appointed by the

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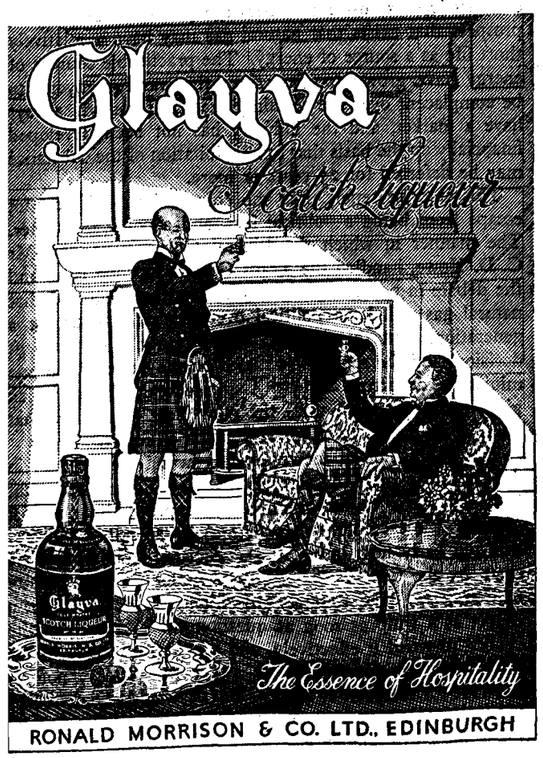

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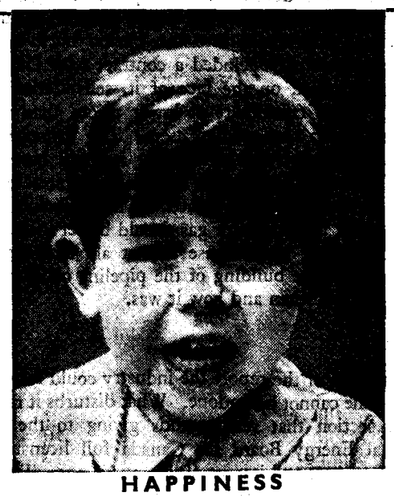

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present government at Ottawa just over twelve months ago. The report has been eagerly awaited, but now that it has appeared it has aroused certain misgivings within the Alberta natural gas industry itself. After the public sittings of the Borden Commission, as it is commonly called, in the west, the contents of the report can hardly have been surprising to the industry's executives, but their immediate reaction has been that of a man watching his worst anticipations fulfilled. The core of the disappointment lies in the prospect the industry sees of further administrative delays and political manœuvrings standing between it and the full exploitation of this natural resource. This impression may be ill-founded, but it exists. The industry is allergic to anything it thinks of as political interference, and its considerable experience of it, in most parts of the world, has not endeared the process in any way.

The interim report seems to confirm many of the arguments of the western Canadian natural gas producer. It accepts, and so adds its seal of authority to, the industry's belief that there is more natural gas in Canada than Canada itself will ever use, and that its export to such markets as may exist is in the interests of Canada as well as of the industry itself. The words of the report are: "The entry of Canadian natural gas into available United States markets, on a moderate scale, is a highly desirable step." They should at least help to end the controversy over whether Canada has gas to spare or whether, in the long run, it will regret ever having exported a single cubic foot. But with the pat on the head came two disappointments, one in the nature of a rebuke, the other, a strait jacket.

The rebuke goes to the management of Westcoast Transmission, which developed the pipeline for gas from the northern Alberta fields through British Columbia to Vancouver and across into the Pacific north-west states. The management concluded a contract with United States distributors that, on the face of it, sells Canadian gas to United States consumers at lower prices than the gas is sold in Canada to Canadian users. The management both denies the charge and claims that it could have made no other kind of bargain with the United States distributors when the contract was signed. The Americans, it says, insisted that the prices for gas should be set in detail before they contracted to purchase any at all, and without that firm contract the building of the pipeline could never have been financed when and how it was.

THAT side of the report the industry could forgive; what is done cannot be undone. What disturbs it rather more is the section that recommends giving to the suggested National Energy Board for Canada full licensing powers over the export and import of all natural gas. The industry would accept, with varying degrees of pleasure, the creation of a National Energy Board that was an advisory body. It has at the moment good relations with the provincial conservation boards, which must give the first licence for any export of gas from a province, whatever the destination. But it remains apprehensive that a second board, possessing a second set of licensing powers, might become a replica of the United States Federal Power Commission, and it knows and fears the delays that can dog applications to that body in the United States. It has experienced the strength that such a body, in a federal state, lends to the obstinacy of special interests and to the ingenuity and garrulity of the lawyers they retain. Again, the industry may be reading into the report more than is there, but it is reading it out aloud, and in a loud voice.

The industry also foresees another complication. A proposal to give this kind of power to a federal, or central government, creation might open a door for a constitutional challenge, under the British North America Act, to the federal statute that purported to clothe the board with such powers. Ownership and control of all natural resources in each Canadian province is already vested in that province (technically, in the Crown in the right of that province, which means in each provincial government). What right, then, has the government in Ottawa to attempt to regulate their marketing? Lawyers could think up many excellent arguments on each side; the natural gas industry is afraid that they will. If the lawyers are given that chance the industry sees any further export of natural gas, as an accomplished fact, disappearing into the mists of time. The Federal Parliament might set up the board by midsummer of next year. If the validity of the statute were challenged in the Supreme Court, a final decision might be handed down by the midsummer of 1960, at the earliest. By that time many markets in the United States that are available now might have gone, supplied from within by an extended net of pipelines.

OF course the industry is influenced by the $1,000 million of capital it has already laid out in exploration and development, only to have many of its proven fields of gas capped for lack of a market for their contents. It tends to ignore the fact that, so far, most of the delays in the grant of permission to export have been provincial, not federal. But even its less explosive members are perturbed at the real prospect that exists that natural gas may have a relatively short life as a source of energy. The practicable sources of energy have grown too fast since the war for anyone to be complacent over the certainty that their gas will always have a market, and the industry has not been developed financially on the basis that full exploitation of the substance may be deferred for 25 years or more.

This interim report, like the commission itself, cannot escape from being a political fact, and a political counter. The manner in which the Liberal Government, and Mr C. D. Howe, handled the Trans Canada pipeline issue and the debate in parliament three years ago have ensured that natural gas will have political overtones in Canada for a generation. But this is only a report, not a government decision, and the report was issued on the eve of the prime minister's departure for his Commonwealth tour, which gives his government until the New Year to decide what parts of it, if any, to adopt and which to reject.

The publication of the report has swung the industry in Alberta away from the Conservatives at this moment, but it is still open to the cabinet to recapture that support (perhaps more securely than before) by an adroit political decision early next year. If the decision is not made by then, by the time Parliament reassembles the opportunity will be gone. The Liberals are certain to use the interim report as a whip as soon as question time gives them the chance to wield it effectively, and any gesture made to the industry after that would be a Liberal victory, not an accolade for the party in power. But of that Mr Diefenbaker is likely to be very well aware. Certainly he will be if he reads his correspondence.

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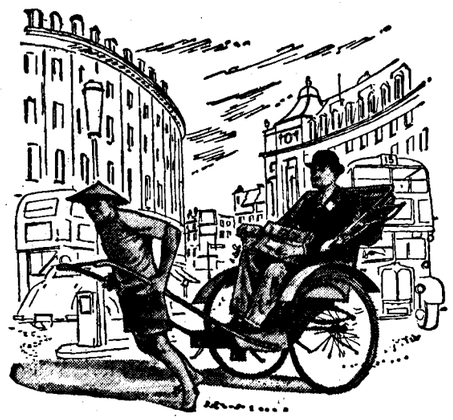

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THE BUSINESS WORLD

Solomon and the Strip Mills

CREDIT for the last big wrong decision about where to put a strip mill in Britain was claimed, accurately or not, by a Conservative prime minister. Mr Macmillan, in the Commons this week, appeared anxious to outdo his predecessors. However, what he had to announce may turn out to be less extraordinary than at first he made it sound. On the face of it, a judgment of Solomon cutting a million-ton strip mill in two and awarding half to Wales and half to Scotland might be even sillier than Mr Baldwin's pressure in the mid-thirties to make Richard Thomas & Co. put down Britain's first integrated continuous strip mill in a confined Welsh valley remote from either a port or a home orefield. But it can be argued that Mr Macmillan's "two major strip mill projects" will be, *in posse* at least, anything but equal; and that from underneath the political soft soap a fourth big strip mill, as originally supported by the Iron and Steel Board in 1956, may eventually emerge, not much impaired and at the right place, Newport—with the less important but interesting diversification of Colvilles' finishing capacity as an added gift horse to appease the Scots.

Nobody who has not participated in the lengthy discussions that have led to this intriguing outcome can as yet form a reasonable opinion about all this. Few details of either scheme are yet available; and the Newport project in particular, already once rehashed at the behest of the Steel Board, appears still to be in a somewhat cloudy stage. The fourth strip mill was originally the subject of a dispute over its timing and the kind and order of its plant units (though not over its location) between the board and the British Iron and Steel Federation. More recently, the company concerned—and by implication the federation—accepted that Newport should be a strip mill; the timetable remained unresolved, though the sheer passage of months in discussion continuously narrowed the difference between these two expert bodies about when the Newport strip mill ought to be brought in. Over the last nine months, the issue has been before the Government.

In his statement, Mr Macmillan said the Government had accepted the view of the Steel Board that additional capacity for strip mill products was required. He did not commit the board to the decision "in principle" that this extra capacity should include two major projects, nor to the locations chosen; he did not mention the federation. The board has made no formal statement whatsoever about the decision; but it was always committed to a strip mill—at Newport—and on an optimistic interpretation of Mr Macmillan's statement it may feel it has got much of what it wanted. The federation has commented formally that

> it will be some time before detailed proposals have been worked out for the developments in South Wales and Scotland to which the Prime Minister has referred. In these circumstances, and until details are available, it is not appropriate for the federation to comment upon the Prime Minister's announcement.

This is typically diplomatic; but it rather coldly dissociates the federation from any responsibility for whatever the projects turn out to be. It has never been part of the federation's arguments that there ought to be a "major strip mill" in Scotland; on the other hand, Colvilles is one of its most prominent members, and, after all, the Treasury is to find the extra money involved.

THIS new Scottish mill seems to be largely an alteration to plans already made by Colvilles. Last year this company brought into operation a new iron and steel works at Ravenscraig, on the outskirts of Glasgow,

fed with imported ore from a new terminal on the Clyde, 17 miles away. At present it comprises a single blast furnace with associated coke ovens and materials handling facilities, an open-hearth melting shop with an initial output of about 400,000 ingot tons a year, and site services; another blast furnace and a new primary mill to roll these ingots into slabs are already under construction. The company was also committed to modernise its heavy plate mill at Dalzell and its lighter plate mill at Clydebridge. It is not proposed to build another blast furnace, extra steel capacity, and a semi-continuous strip mill there, capable of producing 500,000 tons of hot-rolled wide flat products—say 250,000 tons of light plate and 250,000 tons of sheet plate. "Modernisation of the handmills" at Gartcosh, another works in the group may imply the installation of cold-rolling capacity to handle the hot-rolled sheet from Ravenscraig. Mr Macmillan put the "additional cost" of the new project at £50 million; it is not clear whether any of the £15-25 million that Colvilles was already intending to spend on further development at Ravenscraig can be counted into this figure.

There are various kinds of semi-continuous mills for the rolling of wide flat products. What seems to be in mind at Ravenscraig and a little less certainly at Newport is a reversing mill that will take slabs from the primary cogging mill and run them back and forth in the "roughing" passes before passing them on to a continuous finishing train of four or more stands in tandem which will handle them in much the same way as a fully continuous mill. Those at Ravenscraig and Newport are to be laid out so as to allow conversion to fully continuous operation at a later stage.

JUDGMENT on the Newport project when it eventually emerges, and indeed of the Governments' whole policy on strip mill capacity, must hinge upon the extent to which provision for this further conversion—and indeed for steady and rapid expansion of the whole mill—is demonstrably being made. The initial 500,000 tons of finished steel—say 700,000 ingot tons of crude steel—corresponds, no doubt, to the first blast furnace and the first furnaces or converters installed in the melting shop. But the primary slabbing mill can hardly have a capacity of less than, say 2½ million ingot tons, and the rolling mill much less than 1-1½ million tons (semi-continuous) or 2 million tons if made fully continuous. There is plenty of room on Richard Thomas and Baldwin's site at Llanwern, near Newport, for extension into one of Britain's largest integrated works; but much depends upon the timetable and the rate at which it is intended to build up capacity from the initial half-million tons. Newport offers an excellent deep-water anchorage capable of handling the largest ore-carriers now in efficient operation (inadequacy in this matter remains one weakness of the Margam site); a highly efficient ore port here could indeed improve ore supplies for Ebbw Vale as well. And the blend of Oxfordshire ore and imported ore that has been thought of for the Newport steelworks would produce a pig iron highly suitable for advanced steelmaking technique, such as one of the converter processes using oxygen.

As finally put forward, that is to say, the scheme for an integrated steelworks and continuous strip mill at Newport was probably, the experts reckoned, a much better proposition economically than Kidwelly in West Wales or Grangemouth, and on balance better than Immingham on the Humber. How much will the decision for a "first stage" of a semi-continuous mill weaken the economics of this plant? With a much slower rate of operation, capital costs per ton on semi-continuous running would presumably be higher, though the mill will be making some money earlier. If this mill is properly planned for extension to an eventual 3 million tons—and not too eventually—it must moreover be an expensive one, because of more extensive site preparations and because some of the big indivisible units of the plant must for some years be employed far below capacity. The eventual cost of such a plant, indeed, would presumably not differ from the figures of £150-200 million that have long been quoted. Mr Macmillan gave no figure for the state's down payment on the first instalment of it; but this would seem likely to be a lot more than will be involved at Colvilles.

LAST year, the Steel Board was foreseeing a shortage of about 900,000 tons of sheet and tinplate by 1962, though it has since hedged that bet somewhat. It was taking into account the extra capacity coming in at Shotton, Port Talbot and Ebbw Vale, which will raise capacity for thin, flat products from the present 3.7 million tons to about 4.7 million tons by about 1960. The two new mills planned will raise this capacity when they come in by about a million tons of finished steel. A quarter of this would nominally be light plate from Colvilles, but the board was in any case reckoning that the existing strip mills would still be rolling some light plate in 1962. By, say, 1963-64 Ravenscraig should be beginning to contribute, and Newport's initial stage could be in commission by about 1965.

The extra sheet steel they will contribute is not likely, initially, to be very cheap. Semi-continuous operation may offset Newport's advantages in ore-handling over the continuous mills at Ebbw Vale, Shotton, and Port Talbot (all built in days of lower capital costs). The same applies to Ravenscraig, where a semi-continuous mill may be logical enough: not being on tidewater, this site is not inherently a cheap location for steelmaking. If its flat steel or products made from it have to be sold outside Scotland they will have to bear higher transport costs. Faith in a growing Scottish market for thin flat products is indeed one of the main gambles of Mr Macmillan's judgment of Solomon; at present Scotland consumes only about 150,000 tons of sheet and tinplate, so that the scheme

postulates a fairly rapid expansion even to absorb the initial 250,000 tons of the initial Ravenscraig mill.

FINANCE and politics, finally, are tangled inextricably in these two mill projects. One embarrassment for any Conservative government in thinking straight about a full-sized strip mill at Newport has always been that Richard Thomas and Baldwins is the last big steel company still in state ownership, and that to commit it to £150-£200 million of further development might make any prospect of getting it denationalised hopeless. It has long been clear that directly or indirectly the Treasury would have to find the extra money; but anything that would minimise the immediate commitments of this company has always had attractions. As a partial alternative the arrangement by which the Treasury is to make available to Colvilles the part of the "additional £50 million" that will "require funds additional to the resources" of Colvilles sounds a rather curious one, though its terms have not yet been disclosed. This is a company with £10 million of ordinary shares in private hands, but with £4 million of 5½ per cent cumulative preference shares and £10 million of 4½ per cent debentures still in the hands of the Iron and Steel Holding and Realisation Agency. Any substantial further loan of government money could make the gearing of this capital bear distinctly heavily on Colville's equity shareholders. There is much to be said for diversifying this group; whether this way of doing it is one that Colvilles always had in mind for the future, and has brought forward on the Government's "sociological" offer of capital, is less clear.

Politically, too, the decision offers some further lessons. One is that really steadfast lobbying, playing hard on "areas of persistent unemployment," is a pretty good bet with this Government, even in an industry where the economics of location are as important as they are in steelmaking. A second lesson—upon which the Steel Board, the Steel Federation and the Labour Party may all ponder—is the reality of power revealed behind the elegant machinery of "supervision in the public interest" of which this industry is so proud. The Steel Board forecast an uncovered demand and suggested a given kind of mill; a nationalised company and the federation suggested something rather different; the board prevailed upon the company to propose what it wanted in the first place; and the Government, being handed the baby, has settled for a quite considerably different compromise. This is closer supervision of capital investment than any nationalised industry has ever been subjected to: the Coal Board has never actually been told to sink a mine where there may not turn out to be enough coal. One can still hope that behind the political frills, Britain will be securing the basis for the full-sized strip mill it is going to need, at an economic location and with the time table not too long drawn out. But this has still to be clearly demonstrated.

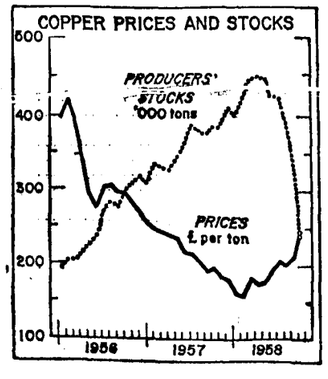
Copper after the Storm

After a painful—but not disastrous—year, the Rhodesian copper companies are facing better times

INVESTORS in the Rhodesian copperbelt will be thankful that the mining companies' reports published this week already belong to history. They cover a year, to June 30th, that saw copper as low as £160 a ton and profits squeezed to the bone. The average price received by Roan Antelope dropped by £74 to £177 a ton, and the profit margin per ton was cut by £56 to £39 a ton. Investors can almost certainly count on better times for 1958-59. By the middle of July copper had climbed to £200 a ton, and after the Rhodesian miners went on strike in September it rose sharply, reaching £260 a ton early this month. The price is now back to £240 a ton, but a severe relapse seems unlikely. Roan Antelope's latest quarterly statement illustrates the improvement; profits before tax are £42 a ton for the September quarter against £27 a ton in the June quarter.

On the long view, there are other reassuring signs in these 1957-58 reports. The world's major copper mining companies have shown that they can weather an American recession as severe, perhaps, as any that is likely to recur—short of world slump. They did so by agreeing, after some haggling and delay, to cut output. They were helped by the fact that consumption of copper in Europe remained high. This cut in supplies, equal at one time to a rate of 450,000 tons a year, started the recovery in prices, and the upswing in the American economy later helped it along.

Sir Ronald Prain, chairman of the Selection Trust group of copper companies, was an early and eloquent advocate of restricting output; his group introduced a 10 per cent cut on June 1st last year. Not until last January did the Anglo American group find merit in the idea, and then in a way that worked to their advantage. Their new Bancroft mine was still working at a loss; production costs had risen steeply owing to severe



flooding ; and it was clear that Bancroft's troubles could not be overcome as long as it continued in production. Anglo American decided to cut the group's planned output of 270,000 tons a year by 10 per cent for one year from April 1, 1958. This gave Bancroft the respite it needed. But its rated output was 40,000 tons a year, against a reduction of 27,000 tons required in the group's output, and so it was arranged that Nchanga and Rhokana between them should actually increase their output by 13,000 tons. To pay for intensified development at Bancroft, so as to combat the flooding difficulties, Nchanga and Rhokana then agreed to provide Bancroft with enough money to cover the cost of development and to service its loans.

The squeeze on copper profits has forced the companies to take an even closer interest in trimming costs. Despite its lower output, Roan Antelope managed to reduce its costs by 9s. to £84 19s. a ton ; Mufulira's costs, on the other hand, went up by £3 10s. a ton to £85 6s. a ton, owing partly to the expenses incurred in developing the western section and rebuilding parts of the smelter. A disappointing outcome of copper's setback is that labour seems to have become less, not more, conciliatory. The recent strike of European mineworkers lasted for over seven weeks ; yet when the men went back on November 5th, it was on terms virtually the same as were offered by the companies before the strike. But over a hundred simple jobs formerly done by artisans can now be done by non-artisans or can be included in the normal duties of other classes of artisans. Economies are likely to be needed still, for European workers have reopened a claim for an all-round wage increase of 15 per cent, and an African claim for an increase is to go to government conciliation.

BOTH the big groups face further capital expenditure, though on nothing like the scale of the boom years. In addition to their own programmes, including commitments for Ndola and Bancroft, the copper producers have to continue to meet the obligations they have accepted for the general development of the Federal economy. Thus there is a continuing—and in a sense a prior—claim on profits. Sir Ronald Prain says that though the accumulated replacement reserve of £1,977,000 of Roan Antelope covers the current year's replacement needs, the company will in the future have to appropriate for replacement more than the £650,000 reserved from profits for this purpose in 1957-58. Chibuluma will need more capital if it is decided to develop additional ore to the west, and to instal a plant to refine cobalt matte ; at present this matte, which contains only 10 per cent metal, has to bear the costly haul to Belgium for refining. Hitherto the mining and milling charges at Chibuluma have been split equally between copper and cobalt, with the result that trading on cobalt showed a notional loss of £335,000 last year. Sir Ronald explains that most of these common costs would be incurred whether cobalt was produced or not, and the company has decided as from July 1st to charge all of them to copper. This book-keeping will still leave Chibuluma's costs comparing favourably with other mines in the group, but Sir Ronald again states that shareholders "must not expect cobalt under present conditions to add any appreciable profits to our business."

By next spring, barring labour troubles, world production of copper may be running close to the maximum. Most of the cuts in output in the United States have now been rescinded ; the Rhodesian mines are already working at capacity, and Bancroft can be expected to restart promptly on April 1st at its rated

COSTS AND PROCEEDS OF COPPER

	Sept. qtr., 1957 £	June qtr., 1958 £	Sept. qtr., 1958 £
Mufulira :			
Realised per ton	207·7	183·3	204·4
Cost per ton	148·3	134·3	141·5
Chibuluma :			
Realised per ton	213·2	170·5	193·8
Cost per ton	115·6	109·6	140·3
Roan Antelope :			
Realised per ton	197·0	170·7	190·8
Cost per ton	149·1	139·1	139·0

COPPER SALES, PROFITS AND DIVIDENDS

	RHODESIAN ANGLO AMERICAN				RHODESIAN SELECTION TRUST			
	Nchanga*		Rhokana		Mufulira		Roan Antelope	
	1956–57	1957–58	1956–57	1957–58	1956–57	1957–58	1956–57	1957–58
Production (long tons)	112,583	121,200	88,306	86,216	99,793	92,904	86,294	79,931
Copper sales (long tons)	107,315	120,011	86,589	87,469	95,942	88,847	84,687	77,444
Sales revenue (£000s)	30,369	23,605	24,164	18,187	24,898	16,716	21,240	13,682
Net profit (£000s)	9,529	4,370	9,872	4,259	6,092	2,720	4,217	1,452
Dividends (£000s)	7,000	3,500	5,625	3,125	4,834	1,611	3,033	843
Retained profits (£000s)	2,529	896	4,452	1,132	1,301	1,276	1,243	707
Dividends (per cent)†	100	50	225	125	30·47‡	16·25	18·75	5·21
Share Price	11 15/16		28 3/4		...		9/–	
Yield per cent	4·19		4·35		...		2·89	

* Nchanga's year ends on March 31 and the remainder on June 30.
† After deducting Rhodesian taxes.
‡ Adjusted for free scrip issue.

output of 40,000 tons a year. Union Minière, the Belgian Congo producer, recently decided to work at capacity again. In all, world production next year may amount to some 3¼ million tons, say 450,000 tons more than this year.

How much of this extra copper will be consumed ? Consumption in the United States next year could rise by 150,000 to 200,000 tons, while consumption in the rest of the world could grow by another 100,000 tons, if recession in Europe goes no further. This would leave 150,000 to 200,000 tons to go into stock. Such a surplus would not be unbearable, especially as refiners will start the new year with stocks at a low level—probably not much above 200,000 tons ; this would compare with the big opening stock in 1958 of 410,000 tons.

But the prospect of this surplus suggests that the average price of copper next year might not go much above £240 a ton. As it happens, that is close to the price that the Rhodesian companies have assumed in their long-term expansion plans, and it would also be close to the price that Sir Ronald Prain would like to see ; his faith in the growth of demand for copper assumes a price low enough to discourage substitution by other metals and by plastics. An average price of about £240 would leave the Rhodesian companies with sufficient profits to finance expansion with something left over for shareholders. The yields offered by copper shares at today's prices but on yesterday's dividends are risible. Investors, in fact, have already discounted a measurable improvement in future payments.

Investment for All

THE City now hums with schemes designed to spread the ownership of ordinary shares more widely. If some of these plans sit oddly with the Government's directives to the Capital Issues Committee, if the directive to the banks on the use of credit for speculation now seems left out on a half-sawn limb, the lack of logic can be adjusted later. The Government neither approves nor disapproves: the Bank of England has not approved—it has been made aware. All these plans seek in their different ways to put meaning into "a property owning democracy."

By what canons are these schemes to be judged? First, the small investor, unlearned in investment, must be protected against his own ignorance ; the risks of investment have to be spread and diversified for him. He has neither the money nor the knowledge to secure a well balanced portfolio by himself. He depends upon the prop of good management and that costs money. Secondly, he has to learn the basic principles of investment: why an ordinary stock and a fixed interest security are such different types of fish ; why dividends vary and capital values move with them ; and why the possibility of a capital profit implies the corresponding risk of a capital loss.

The most responsible and the most satisfying method of investment for most people is to buy through a broker. For the beginner investing his first £100 or less this is expensive, because of minimum commissions, and risky because he buys one security and not a spread of several securities. The small investor does not make the broker rich—he often loses money on small bargains although on present commission scales the cost of dealing is higher comparatively for the small lot. It costs the broker no more and no less to buy £100 of stock than to buy £1 million. A revision of the commission scales, basing them on money turnover, might still help here. Dealings through the Post Office Register enable any investor to buy up to £1,000 of selected Government stocks at any one time at very low costs. But the scheme is strictly limited in scope. Dealings do not even extend to the guaranteed stocks ; nor does the investor know at what price he is dealing until he has dealt ; and the Post Office, rightly, refuses to offer any advice. It might be possible to include a bigger range of securities, including equities, on the register. But would the Post Office, the Government's maid of all work, be willing to carry the added burden ?

Acting on the adage that many hands make light work and perhaps forgetting that too many cooks spoil the broth, a number of investment clubs, on the American pattern, have been set up in this country. Investors who join them pursue a common investment policy. That does save dealing costs. Whether a committee of uninstructed investors can choose better than one uninstructed investor has still to be proved in this country. One merit claimed for the clubs is that they can indulge in "averaging," investing a regular sum in one security (or a fixed group of securities) as prices swing up and down. As every hapless dabbler knows, averaging is nonsense. The mere fact that one guessed wrong, that the share bought has gone down, is no reason at all for supposing that this is the share that will now rise most. The payment of regular instalments to buy units in a unit trust aims at the same end and is much more sensible ; it assumes that expansion and inflation are here to stay and if the spread of securities in the trust is reasonable, should achieve its end. But it is a sophisticated form of investment, requiring the investor, when the market slumps, to grit his teeth and to hold on and, when the market booms, to restrain his enthusiasm. Are there many small investors who have the money, the pluck, the patience or the knowledge to behave so consistently ?

The Bowmaker scheme, in which the investor puts 25 per cent down for the immediate purchase of securities, and can repay the remainder in instalments may stimulate direct investment. In fact, even with its safeguards, it encourages dealings beyond the buyer's means. And if that is not speculation, what is? The plan is not specifically designed for the small investor, and it would be foolish for an investor, unversed in the ways of the market, to begin his career by dealing on a line of credit for which he pays the market rate. The first lesson that he has to learn is that there is no easy or cheap way to make a fortune. The second is fiduciary responsibility.

The sale of ordinary stock by a company directly to its employees is usually a form of profit sharing. It spreads share ownership, as does the plan put forward by Aims of Industry to convert registered stock into bearer stock and to deal in it through "shop" companies. Shares can be offered to employees on preferential terms or in such a manner as to keep the costs of purchase down to a minimum. But neither management nor advice is offered to the employee nor has he necessarily achieved any spread of risks. He may indeed have narrowed them by putting his savings and his pay packet in the same basket. Such schemes cannot be condemned outright, but they have a limited use.

THE form of investment best suited to the needs of a man with just a few pounds to invest seems clearly to be the unit trust and it is the growth of this movement that the Government ought most actively to encourage. In unit trusts, the act of dealing is simple; the spread in the portfolio, good or bad, is known; the management record is there for anyone to see; and the trust's advertisements make some attempt at least to educate the investor. The trusts' loading charges are governed by law, but even so the cost of dealing, though lower than in America, is not negligible. The difference in the bid and offer prices has often to cover the jobbers' turn, brokers' commissions, administration and management fees and stamp duty. Good management is worth paying for, and in many of the open-ended and managed trusts the outcome for the holder has been satisfactory. If the charges look high to the investor, they look low to the managers; their fees are not sufficient to permit aggressive selling tactics. The recent success of new issues of units, of instalment buying schemes and of the sale of "Scotbits" across the counters of Scottish banks are now to be followed by the creation of new trusts. If they are backed by well-known names among the merchant bankers and issuing houses the task of educating the public in their use will be easier.

Is this enough? The English banks act as trustees for some of the unit trusts. Is the weight of administrative costs so enormous as to prevent them selling units across their counters? Whatever happens the stock exchange itself should not remain a passive spectator. It might look at the suggestion made here several years ago that it could start a unit trust itself. Certainly, it has a duty beyond self-interest to back up the unit trust movement. Of all the institutions the stock exchange is the one most capable of educating the public in investment matters and it is the one that can speak with the most authoritative voice. Thus far, like the Government, it has remained silent.

What can the Government do to help? It could abolish or reduce stamp duty. The case for reduction is strong; a straightforward reduction would help all investors. Anyone who believes in a property owning democracy ought to be prepared to ride the political row that this would let loose. But men of less courage might at least reflect that concessionary rates are part and parcel of income tax, estate duty and stamp duties on house purchase, while small savings in Government issues are directly encouraged by tax exemptions. Despite the obvious difficulties, a sliding scale of stamp duty would at least be a help. A different obstacle is that the small investor may not be paying the full standard rate of tax, though he receives dividends after tax deducted at the full rate. He then has to go to the trouble of claiming back from the Inland Revenue. The Aims of Industry scheme, because the PAYE commitment on the pay packet is known, does permit tax relief to be given on the spot. It might be more difficult to work out for a similar concession for unit trusts.

The next Finance Bill will give the Government its opportunity to act. The City, in the meantime, can bring forward the schemes in the knowledge that the Government is not blocking its efforts and may actively be encouraging them. Yet, whatever steps are taken, the City and the Government will find that the small man is still small. To cater satisfactorily for his investment needs is going to mean a long exercise in education and radical changes in the bespoke business of the Stock Exchange to handle small orders.

COMPANY AFFAIRS

Comments on pages 742, 743 and 746 on

Distillers	EMI
BSA	Debenhams
Glaxo	John Harvey
Raleigh	BICC
Tube Investments	Birmid
British Tabulating Machine	

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 744 and 745

LONDON STOCK EXCHANGE

The week's movements reported on page 746

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 747

BUSINESS NOTES

BANK RATE

4 per cent Pros and Cons

THURSDAY'S reduction in Bank rate from 4½ to 4 per cent, the fifth successive reduction this year, is also the most surprising. The Bank always likes to achieve a tactical surprise: but many observers had felt that no further act of monetary relaxation was called for this year. Quite a lot has been done already: and the fact that it may yet not be sufficient to prevent the economy dipping further into recession this winter is rather a reflection on the inevitable time-lags of policy measures than an argument for further stimulants that may add to inflation worries late next year. The weakness of the gilt-edged market in the past few weeks—itself an inauspicious prelude to a Bank rate reduction—has reflected in some part the worry among investors in Britain that the seeds of future inflation were being sown. These observers may have been wrong: and the Bank's refusal to be shaken off its course may be interpreted as an affirmation of its own confidence that the situation is in hand. Certainly, there must be sympathy with the authorities in what the Governor in his Mansion House speech described as the dilemma between short term and long term policy, between the needs of the economy now and its likely needs in a year's time. But given the importance of expunging the long record of insufficient resistance to inflation in Britain, it was reasonable to hope that for the time being the Bank would still choose (as it can be complimented on having chosen hitherto) the side of caution. No one expects this ½ per cent reduction to have much real effect on industry; and the psychological effect might be the wrong one at this time.

Three main considerations seem to have been in the Bank's mind in making the reduction. First, as the adverse seasonal period for sterling is ending, it is felt that the relaxation deemed desirable on immediate domestic considerations (the hire purchase relaxations are considered to have had no violent impact on consumption) can now safely be made—especially as foreign holders of sterling have so far shown no concern about future inflation here. However, the reduced interest differential could lead to some withdrawals of foreign funds. Secondly, the Bank has a commendable desire to make Bank rate again a fully flexible instrument: 4½ per cent can be regarded as still high when the economy is in external strength and domestic recession, and 4 per cent is a better level from which to make a future warning, but not crisis, increase of 1 per cent. Thirdly, as all the gilt-edged market knows, the Government faces a maturity of £592 million in January, and a replacement issue cannot be delayed much longer. That meant that Thursday was almost the last opportunity for moving Bank rate before Christmas; but as an argument for making the move at all it is not convincing. The authorities presumably feel that the recent weakening of gilt-edged does not display any serious weakening of public confidence in their ability and willingness to maintain sound money. That supposition will be tested in the market in coming weeks: if it proves wrong, the Bank must not hesitate to take the necessary steps, even though they might then prove much more embarrassing than no-change would have been now.

Gilt-edged Doubts

THE particular worry of the gilt-edged market in its decline since mid-October has been that the Government seems to be piling up in rapid succession a series of direct and sometimes questionable commitments. Facilities for Commonwealth governments to borrow at rates below those at which they could (or could not) borrow in the market were followed by the plan to grant Exchequer loans to building societies financing old houses. Then this week the Government announced first a vast new commitment to finance two steel projects, one of them undertaken by a private company for partly "sociological" reasons, and secondly a request for more investment next year by local authorities, which if it is made is unlikely to be financed wholly from market sources. Not all the money will be called upon at once, but some of these schemes fit ill with the supposed predeliction of a Tory Government to take decisions out of the hands of the Whitehall planner and return them to the free working of the market. But once embarked upon, a programme of this kind makes it all the more necessary for the Government to maintain the soundness of the gilt-edged market, the only source from which it can raise its own funds without barefaced monetary inflation.

As the accompanying table shows, the biggest movements in gilt-edged have been in the irredeemables; those were the stocks that rose most sharply after the Bank rate decision. The short bonds had fallen hardly at all, and in them the rally on Thursday was small. One prop at this end of the market has been the Treasury bill rate. At first sight it was somewhat surprising that there had been no reaction in the money market to the weakening of gilt-edged; but demand for bills continued strong, from outside sources and from the big discount houses, which would not like to see their bill portfolios run down before their end-year

GILT-EDGED NET PRICES AND GROSS YIELDS

	Sept. 20, 1957	Jan. 1, 1958	Oct. 14, 1958	Nov. 19, 1958	Nov. 20 1958
Funding 2½% 1956–61	88	90 3/4	96 5/16	96 1/2	96 5/8
Conversion 4¾% 1963	...	...	101 3/32	100 31/32	101 5/16
Exchequer 5½% 1966	...	...	101 7/8	101 1/8	101 5/8
Funding 5½% 1982–84	...	...	100 7/8	99 15/16	100 1/16
Fund. 3½% 1999–2004	62 19/16	64 1/2	73 1/2	70 5/16	71
War Loan 3½%	60 3/8	62 15/16	68 1/4	65 3/8	66 1/16
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Funding 2½% 1956–61	6 6 6	5 12 6	4 1 5	4 0 11	3 9 11
Conversion 4¾% 1963	...	...	4 9 8	4 10 4	4 8 8
Exchequer 5½% 1966	...	...	5 3 9	5 6 4	5 4 9
Funding 5½% 1982–84	...	...	5 8 8	5 10 1	5 8 8
Fund. 3½% 1999–2004	5 16 5	5 13 7	4 19 6	5 4 2	5 9 2
War Loan 3½%	5 15 11	5 11 5	5 2 7	5 7 0	5 5 11

balance sheets. Also, the sellers of gilt-edged were largely private investors unloading small amounts of War Loan, rather than the institutions, which are the big holders of dated stocks; some further sales by banks are believed to have been made.

The Market Surprised

RISES in the gilt-edged market on the 4 per cent Bank rate spread right down the list; the stream of small sellers had already slackened on Wednesday. On Thursday it disappeared: what little selling the banks had been doing ceased; the gilt-edged market, caught on the wrong foot, quickly got out of its "bear" position and the Government broker had a fine funding day. There was thus a substantial element of bear closing in the rise which took place as well as an invitation to intending buyers not to hold off. It is more than usually uncertain whether the market will now boil over or whether Thursday's rise can be held and ultimately enlarged upon. What does seem certain is that the irredeemables are now cheap (Consols are only 51¼) in relation to a 4 per cent Bank rate. If investors leave them there and still prefer the dated stocks, market experts will have to make yet another agonising re-appraisal.

The industrial market, unlike the gilt-edged market, was caught in a bullish phase and industrials rose further. BATS went up a shilling to 53s. 9d. as did Tate and Lyle to 72s. It was less than a general upsurge but the rises far outnumbered the falls. Unless the argument that the Treasury bill rate might have had to rise if Bank rate had not fallen was decisive, and it probably was not, the reasons for the reduction this time have been almost wholly industrial. The cut is part of the attempt to curb the recession. But industrial shares could hardly have risen as they have over the last few months if investors had not already been assuming that deepening recession would be countered by credit relaxation. Investors must now ask themselves: "If this is not enough, what more can the Government do?" And if they are confirmed bulls they seek the answer in the Budget.

Impact on Money Rates

THE reduction in Bank rate has this time not been followed by uniform reductions in fixed rates in the money market. Bank deposit rates are down by ½ per cent, to 2 per cent; but the clearing banks have reduced their minimum rate on call loans to the discount market by ⅜ per cent, to 2⅜ per cent. As a result the average rate paid by discount houses on all their money, including that taken at flexible rates, is unlikely to be below 2⅞ per cent, compared with around 3¼ per cent hitherto. The banks' action in increasing the margin between their deposit rates and their call loan rates is itself likely to have some effect in limiting the fall in the Treasury bill rate—which in any case, at £3 11s. per cent on Friday of last week, was abnormally low in relation to 4½ per cent Bank rate.

Rates on clearing bank overdrafts will mostly come down by ½ per cent, making the range from 4½ per cent for blue chip companies to 5½ per cent for personal borrowers who do not enjoy favoured standing: but a few of the personal borrowers who had previously paid only 1 per cent over Bank rate were subject to a minimum of 5½ per cent, and thus will enjoy no reduction. No change is made in the 5 per cent charged on personal loans. In Scotland, rates on advances are down by an even ½ per cent (minimum rates falling to 5½ per cent on cash accounts and 6 per cent on unsecured overdrafts) and deposit allowances are down from 2 to 1½ per cent; but no reduction is being made for the first £500 maintained on savings account, which still attracts 2 per cent.

The Building Societies Association reiterated its Council's view that a reduction in the 6 per cent mortgage rate is unlikely this year. The members continue to be more impressed with the unchanged rates obtainable on national savings securities than with movements in Bank rate.

LOCAL AUTHORITIES

More and Quickly

A MAJOR element in the Government's programme to raise public investment next year is housebuilding and other capital expenditure by local authorities, which bore the main brunt of the Thorneycroft curbs. Local authorities are released from their previous obligation to restrict the number of houses built in 1959-60 to not more than 80 per cent of the 1957 total; and a circular from the Ministry of Housing and Local Government asks councils to "consider whether there are any projects which could be submitted for loan sanction within a matter of three months and completed by the end of 1959." All such proposals "will be sympathetically considered by the Minister concerned, more especially if the area is one where unemployment is, for the time being, high." Similar advice on road and education works is expected to be given by the Ministries of Transport and Education: and investment in water and sewage works is expected to be higher next year.

In putting the emphasis on schemes that can be started quickly and completed before the end of next year, the Government evinces its desire to concentrate its reflationary measures into the period while the economy is still in recession, and avoid the danger of their coming into effect just when a recovery is already well under way and the emphasis of policy may again be on retrenchment. Here the Government is up against the central difficulty of counter-cyclical policy, that of timing; and it is questionable how far it can succeed. The London County Council has already stated that no immediate speed up of its housing programme is practicable.

If local authorities do find new schemes to start quickly, how will they be financed? No official change has been made in the policy of the Public Works Loan Board. Since 1955, the PWLB has granted money only to applicants who could show that they were unable to get it from market sources. Lately, this policy has had an almost embarrassing success: Exchequer issues to the Local Loans Fund in the current financial year are a mere £3.7 million, swamped by repayments of £35.7 million. Local authorities have been raising a good deal from the mortgage market, but the larger issues on the stock exchange have not been faring well, and the queue of borrowers is still very long. Moreover, the relatively high interest rates payable have encouraged local authorities to accumulate a large volume of short-term debt, which is continually coming due for refinancing. Local authorities pressed by the Government to undertake new commitments may well retort that the Government had better find the money; and at least while the present emphasis of policy holds, it is difficult to believe that the PWLB will not in practice be more easy to woo.

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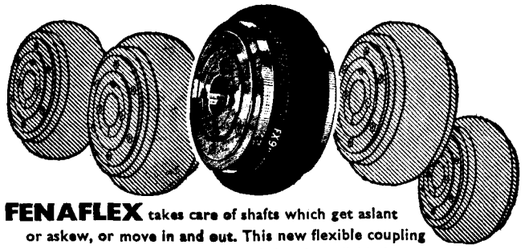

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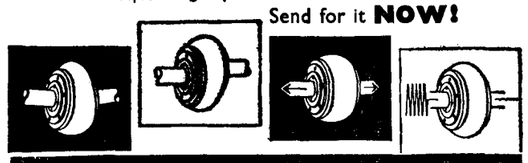

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TELEVISION BOOM

Marketing ATV

ARRANGEMENTS for the marketing of the "A" Ordinary shares of Associated Television are forging rapidly ahead and the programme now envisages a quotation for ATV "A" Ordinary in January, after they have been split into 5s. units. These shares now of £1 nominal are already actively dealt in at around £14 under Rule 163 (2). A second step designed to make the shares less heavy will be a one for one scrip issue, but that is unlikely to materialise until about the middle of next year. The voting shares—the 150,000 ordinary shares of £1 each—will not be quoted, for the adequate reason that they can only change hands into a name approved by the Independent Television Authority; if they are so transferred they must pass at the current price of the "A" ordinaries. And for this same reason this is one company in which a non-voting ordinary share has to be accepted.

To facilitate the marketing ATV has announced the first stage of its capital reorganisation. The 400,000 deferred shares of 1s. each are to be converted into 325,000 £1 "A" ordinary shares, at the rate of 13 "A" shares for 16 deferred —a basis of exchange recommended by the two interested issuing houses, Robert Benson, Lonsdale and S. G. Warburg. It is possible to argue that the basis is less than generous to the holders of this deferred share who are entitled to 14 per cent of the equity. The basis looks reasonable on the directors' estimate that profits before tax from television, excluding other income, will exceed £5 million (against £3.6 million last year) provided that the £5 million figure is not greatly exceeded. But if profits went on soaring the deferred shares would have lost a valuable element of high gearing. These shares, originally issued to the men who were going to run the undertaking, have already suffered a cut in their share from 17½ per cent of the equity to 14 per cent.

Moreover the plans suggest a little haste. The shares will come to market before the one for one free issue and therefore with a small total ordinary capital of £2,175,000 and a nominal rate of dividend of almost certainly not less than 75 per cent. There would have been much to be said for having the scrip issue first, if it were not for the boom in television shares, for the trouble over dealings in Granada and for the well known distaste on the Stock Exchange Council for having active markets in unquoted shares.

Little by Little for Rank

AFTER its recent decision to close 80 of its cinemas in an attempt at rationalisation, it is scarcely surprising that the Rank Organisation should turn increasingly to making films for television; indeed, part of its studios at Pinewood has been reserved for that purpose for some time now. Although not a direct signatory to the agreement signed this week between Sydney Box TV and an American company, Sol Lesser Productions, Rank will put up nearly half of the £2 million involved in the project, which will eventually produce more than 250 half-hour films for TV. In addition, the facilities at Pinewood will become the centre of production for the venture; and it is estimated that when the project is fully under way about 40 per cent of the studio space there will be devoted to making TV films.

PROPERTY DEAL

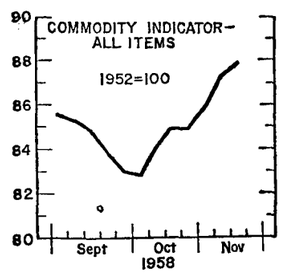
Dolphin Square

ONE of the expected results of lifting rent control was the restoration of an effective market in residential property; another was that responsible landlords would think twice about giving political hostages by holding out for the last penny. The Dolphin Square deal, the largest deal in London residential property for some years, is a good example of both. The price for this block of 1,200 middle class flats, though not officially disclosed, was clearly between £2¼ and £2½ million. At that figure Mr Maxwell Joseph bought it from Richard Costain. He therefore paid a million pounds more than Dolphin Square cost to build before the war, but only about half what it would cost to build today. City experts who had been buying the £1 Costain ordinary shares on the argument that Dolphin Square was worth £5 million were right but only on paper. The shares dropped back to 62s. 6d. to yield 2.8 per cent. City operators also had to swallow Sir Richard Costain's announcement that though the deal brings a capital profit of about £1 million there will be no cash distribution to shareholders out of it.

Yet oddly enough both the transaction and the present price of Richard Costain's shares make sense. Owning residential property is a specialised business requiring contant supervision and yielding a modest 6 or with great good luck 8 per cent to the landlord. It is quite different from Costain's prospering, high yielding and risky contracting business where big profits and losses are made and where retentions out of profit have to be high to take care of the unsuccessful ventures. The Costain company will put some of the proceeds into other property investments, but they will be commercial properties requiring less constant supervision; it will put some money into the contracting business

Production will be carried out by the Box-Lesser group in four series of 39 half-hour films each; the first of these 39 steps—dealing, appropriately, with insurance—will begin in February. The American company will have first option on the films, though they will be offered for sale on the open market both in Britain and the United States. Sidney Box TV is a new company formed by Sidney Box, a director of Tyne-Tees Television, which will begin programme contracting in Newcastle early next year. The Rank Organisation already has interests in Southern Television; financially, though, this latest move is its largest involvement in television.

COMMODITIES ADVANCE



The Economist commodity indicator is now six per cent above the trough. In recent weeks copra, cocoa, the non-ferrous metals and rubber have led the advance.

which continues to expand and prosper, particularly overseas, and it will use some money to repay bank overdrafts—as it must since Dolphin Square was charged as security for overdrafts amounting in the last balance sheet to £1.9 million. It is a sign of strength that the company can defy the potential takeover bidder by announcing "no cash distribution." It is a sign also that the potential bidder's shareholding which was worrying the directors last spring had fallen a little in recent months. But when all that is done the Richard Costain group will have reserves of about £2½ million (which is more than twice its issued capital) and a disproportionately large investment, which was yielding less than the rest of the enterprise, will have been re-deployed.

AIRCRAFT DESIGN

Coaching by Electra

THE Lockheed Electra is the first turbo-prop airliner built in the United States and like the Vickers Vanguard in this country, it has been left somewhat stranded by the tide that has carried the jet airliner, in all its shapes and forms, so far ahead in popularity. Consequently, Lockheed has switched its sales policy in an ingenious way. Instead of presenting the Electra as the 100-seat, 3,000 mile range airliner that it was originally planned to be, the company's salesmen now stress its ability to commute between cities a few hundred miles apart, handling passengers on and off in a matter of minutes down stairs built into the aircraft, with propellors still turning. By using big fuel tanks, the aircraft need rarely re-fuel during these short hops.

This is something that the jets patently cannot do, and however much it may go against the grain to sell an airliner of this size and capacity as a sort of flying coach, Lockheed's staff have shown resourcefulness and ability to face unpalatable facts. The company has been criticised in this country and in the United States for the credit terms on which it has offered the Electra, and in particular for its willingness to take old aircraft of any make in part exchange. This form of credit has its critics even inside Lockheed itself. But the direct consequence of this sales drive is that orders for the Electra now stand at 162 with the first machine going into service on December 1st. Lockheed is close to, and may have passed, the break-even point on its Electra production.

The aircraft is of about the same size as the Bristol Britannia but much smaller than the Vanguard. It flies at 400 to 450 mph, which is fast for a turbo-prop and must have given the engine designers many headaches. Engine noise inside the cabin is higher than on the Britannia, and comparable with the bigger Viscounts. If the Electra, with its short, square-tipped wings and cropped propellors, bears little resemblance to fashionable concepts of a modern aeroplane, it shows in every detail the solid, smooth-working and functional engineering that is the hall-mark of American aircraft design. This was noticeable in the way that it hopped on and off Gatwick's one long runway when it was demonstrated there last Monday, in its acceleration and deceleration as sharp as a kangaroo's, and in the immaculate action of its control flaps. The Electra sells for £800,000 against £1,125,000 for the Britannia and operating costs are said to compare with those of the Douglas DC 6B, an aircraft that many airline accountants still regard with affection, even if their passengers do not.

GOLD SHARES

Kaffirs at a Peak

THE formation of American-South Investment Company, under the leadership of Mr Charles W. Engelhard, brought dollar capital into South African gold shares. It has had an important effect on the Kaffir market. Purchasing its portfolio direct from the finance houses, it took off their books shares that they might otherwise have considered selling through the market. The boom in Kaffir shares has lasted since the summer and though, no doubt, the "shops" have been active switchers they do not appear to have been big net sellers. The London market is short of stock and when demands from the Cape, the Continent and, to a lesser extent, from the United States coincide, as they did this week, prices can be driven up quickly. Demand was again concentrated upon the Orange Free State, Klerksdorp and Western Rand issues and it pushed the *Financial Times* gold share index to a peak for the year of 87.3.

This augured well for the issue of 10s. shares at par by Zandpan, a new developing mine in the Klerksdorp area and dealings began in the stock (nil paid) at 5s. 10½d. premium. The premium, having touched 7s. 1½d., settled down at 6s. 3d. Such a premium on a new untried mine, which has reported reasonably good but not startling development results, shows that the temperature in the Kaffir market is high. In the summer, it was possible to compare the prospective dividends on the new mines with the yields then offered and to argue that prices were too low. The rise in prices has since brought yields down to a realistic level, and perhaps in some cases, even a bit lower.

KHANAQIN OIL

No Clue to Policy

THE termination this week by the Iraqi Government of the Khanaqin Oil Company's concession can hardly be taken as any indication of the Kassem government's future policy toward foreign oil companies. The agreement between Khanaqin, a subsidiary of British Petroleum, and the Iraqi Government was signed in 1951, and provided for termination of rights in the event of the company's being unable to reach a level of exports of two million tons a year by February, 1959. Under the terms of the agreement, the company had notified the government some weeks ago that it could not meet this requirement, and both exploration and production will accordingly cease. Khanaqin held a concession of about 750 square miles in north-east Iraq, and production has recently been running at about 200,000 tons a year, although it reached 400,000 tons in 1955. This oil is refined at the Alwand refinery—owned by the Iraqi Government—and distributed inside Iraq by the company under an agency agreement which will continue after the concession is ended.

The new government's policy toward foreign producers remains somewhat enigmatical. Discussions with representatives of Iraq Petroleum Company are still in progress; the government has demanded that IPC surrender those parts of its concession that are not now exploited or under development, in order that they may be developed by a State company using foreign contractors. It is also seeking to claim the 12½ per cent of IPC's output which the present concession provides that it may take in place of cash royalties, on a shorter notice than the stipulated six months. Negotiations are also under way to accelerate the company's present development programme, now scheduled to be completed by the end of 1961; when this expansion is complete, the government's oil revenues will be nearly doubled. Here—as in its announcement this week that it intends to claim a 12-mile limit for its territorial waters (emulating Saudi Arabia)—the Iraqi Government appears to have been willing to negotiate rather than demand; but its ultimate views on the future of Iraq's oil resources remain to be seen.

LEAD-ZINC CONFERENCE

Canada Makes a Stand

THE United Nations conference on lead and zinc ended in Geneva last week without reaching agreement on anything weightier than the setting up of an international study group. A scheme for restricting exports would probably have been drafted had Canada not forthrightly opposed it. Though Canada is hurt less than other exporting countries by the American import quotas on lead and zinc its government was clearly making a stand on principle. Canada evidently feels that if the United States government is allowed to get away with this protectionist move the likelihood of quotas being imposed on other commodities is increased. Canada argued that responsibility for the plight of the lead and zinc producers rested with the United States, whose past policies had encouraged the expansion of production abroad as well as at home. By imposing quotas to protect its own mines the United States was now making the rest of the world pay. These are fair points, though one cannot recall that other countries complained at the time about the American government's lavish stockpiling and barter programmes for lead and zinc.

The American delegation produced the remarkable argument that it was unreasonable to attack the introduction of quotas since international prices of lead and zinc had subsequently increased. While giving the impression publicly that the problem of surplus was now one for the exporting countries to tackle, the Americans privately supported proposals for export controls by other countries. The Americans know that international prices must eventually suffer from their import restrictions; if an international control scheme could be introduced the American government would save face. But the Americans would do no more than hint that if a scheme was agreed upon, and if it was seen to be effective, then their government might take its own quotas off. This was not good enough for Canada. Another conference is to be held, probably in the second half of January. The attitudes of governments at that conference may well be influenced by the level of lead and zinc prices in London. If they are still somewhere near the current price of £77 a ton for both lead and zinc it may be doubted whether any significant move will be made.

REMPLOY

Social Cost Analysis

REMPLOY LIMITED, the Government-guaranteed company that employs severely disabled workers, increased its sales during the year ending on March 31st to a record total of £3,769,600 a gain of £564,800 over the previous year; at the company's annual meeting this week it was revealed that sales during the current year are running at an even higher level, despite a fall in Government orders, which normally constitute a large part of the company's business. The net operating loss increased last year by more than £100,000, to a total of £2.56 million, owing to increased overhead costs, including building up the sales organisation. It is difficult to analyse this loss in either commercial or governmental terms; while Remploy was set up in 1946 under the Disabled Persons Act and its losses are met by the Minister of Labour, it competes in selling its products on a commercial basis, and hence falls precisely in neither camp. The company now operates 90 factories and employs more than 6,000 severely disabled men and women, many of whom are unemployable anywhere else; while it produces a wide range of products that are sold competitively to the public (as well as the Government), it has carefully to avoid accusations of "undercutting" its commercial competition, and prices its goods as though it were paying wage rates equal to those paid by industry.

It has sometimes been argued that, since the difference between Remploy's sales and its expenditures averages between £7 and £8 per week per man employed, it would cost the taxpayer less to give these disabled workers National Assistance to stay at home; in doing this, however, the valuable—and unmeasurable—social benefits of the company would be lost, both to its employees and the country. Remploy's workers are made to feel useful members of the community by their work; and, while the company does not aim at rehabilitation or placement in private industry, last year 141 of its employees returned to jobs in private industry for which they would otherwise have been unqualified. In addition, both consumers and the Government benefit by the company's products (under one sponsorship scheme, hydraulic pit props are now being reconditioned for the National Coal Board). The gains from a commercially administered Welfare State require a perceptive brand of accountancy for their analysis.

FACTORIES BILL

Emphasis on Prevention

THE Factories Bill, which received its second reading in the House of Commons this week, is the first new piece of legislation dealing with working conditions in industry in general since the 1948 Act; as the Minister of Labour noted on Monday, however, it is hardly a major Bill by comparison with earlier legislation. Much of the present Bill deals with fire prevention and risks; existing provisions relating to fire alarms and escapes are strengthened, and the Minister is given the power to make special regulations dealing with fire prevention and the provision of fire-fighting apparatus. He may also make special requirements about the internal construction of a factory and the materials used there; however, nothing is said about the external construction. At present, local authorities—who are responsible for structural inspection of factories—have no authority to exclude the use of certain materials which might enable fires to spread rapidly; the fire at the Jaguar factory last year, for example, was found to have spread through the material used to insulate the ceiling.

The Bill revokes Defence Regulation 59, replacing it with more limited powers on the part of the Minister of Labour

to grant exemptions to the provisions of the Factories Act of 1937, allowing women and young persons to work longer hours than are laid down in that act, and to do night and other shift working. Under the new Bill the Minister will not be able to make any exemption regarding persons less than sixteen years old, and his powers to make other exemptions will be restricted. At present there are 767 individual orders in force in factories under Defence Regulation 59; there are also 1,665 orders issued by district inspectors under the Evening Employment Order and, at 1,238 factories, authorisations have been granted allowing double-day shift working by women and young persons under the Employment of Women and Young Persons Act of 1936.

The Bill imposes on the Minister the duty of promoting health, safety and welfare at factories, thus providing a statutory basis for many activities which he undertakes at present in an advisory capacity; penalities for contraventions of the various Acts are considerably stiffened—or at least brought in line with inflation. The power of the Minister to make special regulations controlling the use of dangerous materials, appliances, or processes is also extended. Unfortunately, many of the recommendations embodied in the Report of the Gowers Committee are still not embodied in law; and there are still some 12 million people employed in shops and offices whose working conditions are not covered by comparable legislation.

UNDER WHICH FLAG?

Boycott for Panhonlib

DURING the first four days of December the International Transport Workers' Federation intends to organise a boycott of ships flying the "flags of convenience" (Liberia, Panama, Costa Rica and Honduras) which do not have collective agreements with their crews "acceptable" to it. About 1,200 ships are said to be involved. Dockers and seamen will refuse to work these ships during the boycott, and the unions hope that repairers will also refuse to work in them: support has been promised from dockers in America and oil refinery workers in Belgium. After the four-day boycott, which is intended to be a "major demonstration," these ships will still be subject to boycott from time to time, and ships will be "pinpointed" for the purpose, until their owners comply with the wishes of the unions. What those requirements are is not altogether clear, since the wages and standards of living and accommodation in the majority of these ships are well known to be above reproach. Most of the large fleets also have adequate welfare and medical services, pension schemes and other fringe benefits: and where Greek seamen are employed, for example, there are collective agreements with the Greek seamen's union. A more practical object of the boycott appears to be to compel shipowners to pay £2 per man per month into the ITWF's funds.

The growth of fleets under these flags has been encouraged by American interests to avoid the prohibitive wage costs of ships under the American flag, and by Greek and other interests in order to avoid high taxation in the traditional maritime countries. American companies using flags of convenience have now set up an American Committee for "Flags of Necessity," and this committee, as well as the Niarchos group, has issued statements to the effect that it regards the boycott action as a breach of national and international laws, and will contest it in the courts. And the International Shipping Federation, which represents shipowners of the traditional countries and therefore has no love of its flag of convenience competitors, has stated that it cannot support this disruption of national industrial agreements by an international trade union body which is not party to those agreements.

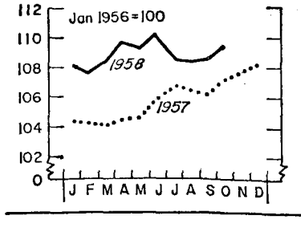
SUDAN COTTON

Big Crop, Low Prices

ONE of the problems facing the new military government in the Sudan is the disposal of the cotton crop, which normally provides over half the country's export earnings. In common with Egypt and most other producers of long-staple cotton the Sudan is facing a surplus. Last season an abnormally small crop, plus some increase in exports, brought the carry-over down sharply. But this season the crop is expected to be at least three times larger than the previous crop of 165,000 bales, and it might reach a record 600,000 bales. While demand for all types of cotton has suffered from the world-wide recession in textiles, demand for long-staples has suffered also from technical changes in demand, particularly the introduction of the drip-dry shirt in western countries. These shirts are made from a single coarse yarn of American-type cotton instead of from a doubled yarn of fine long-staple cotton. Consequently prices of long-staple cotton have fallen much more sharply than the rest.

In the last twelve months the Sudan has twice reduced its export tax on cotton and the Gezira Board has successively reduced its reserve prices for sales by auction. Sudan Lambert No. 6 cotton in Liverpool has now dropped to about 26½d. a lb cif, which is 7d. a lb cheaper than in January, and about 19d. a lb cheaper than in January last year. The premium for Sakel No. 6, a finer staple, has almost disappeared, and both are now only a few pence dearer than American types. In a further attempt to stimulate sales the board recently decided to sell to private bidders, at an unpublished price, and let it be known that large buyers would not necessarily be expected to pay the *full reserve prices. This step is not likely* to restore confidence and it may kill interest in the auctions; in that event small buyers would find it difficult to obtain supplies. At the same time the previous government agreed to accept barter deals from communist and other countries. Russian buyers have long dangled the bait of barter before the Sudan, but it has not succumbed until now. It remains to be seen whether Russia will provide the Sudan with a market as important, relatively, as Russia's market is to Egypt.

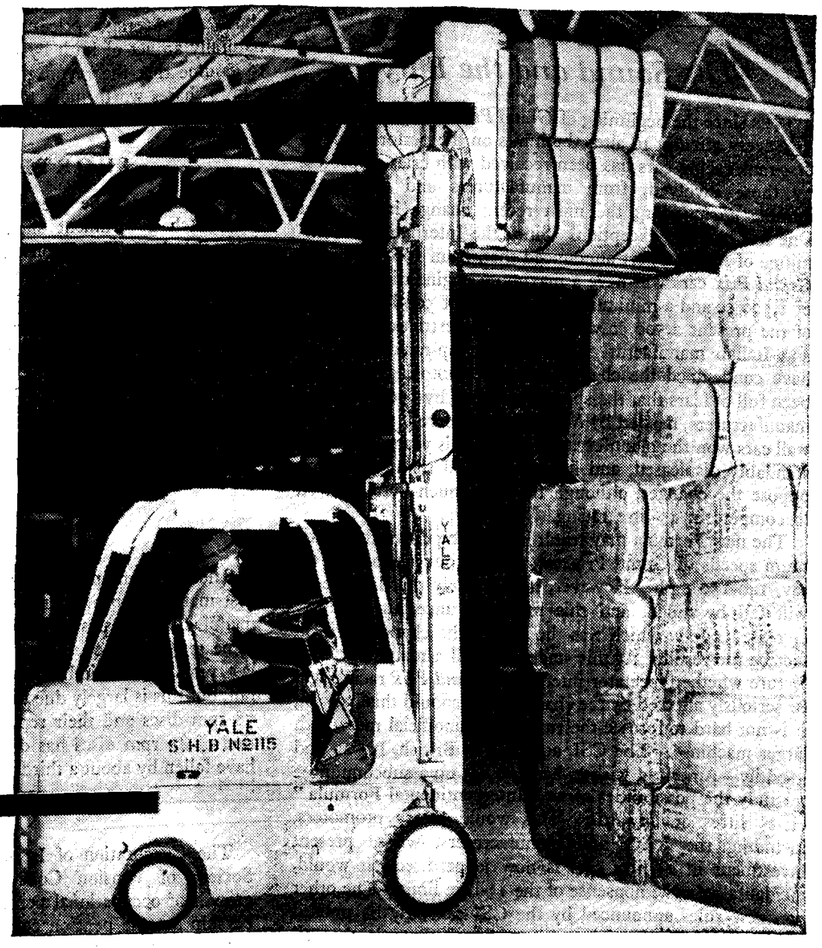
RETAIL PRICES



Mainly because of dearer potatoes and milk, the index of retail prices moved up a point in October. But it was still only per 2 cent higher than in the same month last year.

PROBLEM

Fast stacking in storage areas . . .



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FORMULA ONE

The Sound and the Fury

EVER since the beginning of *Grand Prix* racing, practically every attempt to alter the limits on the performance of first-rank racing cars has been received with cries of protest by those involved, from manufacturers and drivers to humble *aficionados*; the most recent change in Formula One has been no exception. Since the International Committee of Motor Sport announced that, from 1961 onwards, *Grand Prix* cars will have a maximum engine displacement of 1,500 cc and a minimum weight limit of 500 kg (in place of the present 2,500 cc with no weight restriction), British and Italian manufacturers and several top-ranking drivers have condemned the changes, and the motoring press has been full of fears that the sport may perish by 1962. British manufacturers, headed by Mr Tony Vandervell, whose Vanwall cars won the manufacturer's award this year, are understandably displeased, and it is understood that Ferrari too oppose the changes, although they are much better placed to compete in 1½-litre racing.

The new Formula may result in bringing down the maximum speeds of Grand Prix cars from around 180 mph to, say, 140-150 mph. However, it is unlikely that lap speeds will fall by much, and this makes it uncertain whether increased safety, which was the aim of the changes, will in fact be the result. At this stage it is still a matter for conjecture whether spectator interest in *Grand Prix* racing will be seriously affected by the changes; but should this happen, it is not hard to foresee the running of unofficial races with larger machines. The CSI, acceding to British, Italian and —oddly—American wishes, has now set up a subcommittee to study the possibilities of an "Intercontinental Formula" of 2½ litres or upwards. This would please promoters, including the RAC, and manufacturers, whose present investment in 2½-litre cars is now jeopardised; it would, incidentally, make nonsense of the 1½-litre limit. The other two new rules announced by the CSI can only be praised in the interests of safety. The first of these is that oil replenishment will not be permitted during a race—an attempt to eliminate the hazardous situation of a car which casts oil on the track—and the second requires cars to be fitted with roll bars to protect the driver in the event of an accident. But an even greater hazard continues to be neglected: little has been done to tone down sports car racing, which is much more likely to end in disaster than *Grand Prix* racing, and which seems likely to become even more popular when the new Formula One comes into effect.

COURTAULDS

Metal Foil Venture

DIVERSIFICATION was the policy for Courtaulds outlined by its chairman at the recent meeting—a diversification that will make the world's biggest producer of synthetic fibres less dependent on the textile industry's fluctuating fortunes. The latest step is the bid by Courtaulds for the 600,000 issued ordinary shares of Betts and Company at 17s. per share. This will give Courtaulds a stake costing about £500,000 in the metal capsule and foil business and the shareholders of Betts and Company will be glad to sell it at the price, for the bid is pitched about 3s. 3d. higher than Betts' shares just before the announcement and much above the average price of recent years. It involves, naturally an act of faith by the management of Courtaulds to assume that the rayon giant will make Betts and Company's shares worth more to itself than they were worth to investors.

SHORTER NOTES

Indonesia may be preparing a line of retreat in case the Dutch government should impound tin concentrates from Bangka. These concentrates are at present smelted at Arnhem. This month the London firm of Brandeis, Goldschmidt became responsible for sales of the resultant tin metal, and they are free to obtain the best terms for the smelting of concentrates. There is spare smelting capacity elsewhere, and if the Indonesians provoke the Dutch government into impounding any concentrates at Arnhem, standby arrangements for smelting in another country would be useful. But if that happened, the government of the country concerned might be in some embarrassment.

* * *

Sales of gramophone records in September showed the first marked improvement for some months. The value of manufacturers' sales (which do not include purchase tax) came to £1,248,000, 4 per cent higher than in September last year. The number of records produced continues to fall, but this is largely due to the fading popularity of the old 78 rpm discs and their replacement by 45 rpms. Production of 45 rpm discs has doubled this year while 78 rpms have fallen by about a third.

* * *

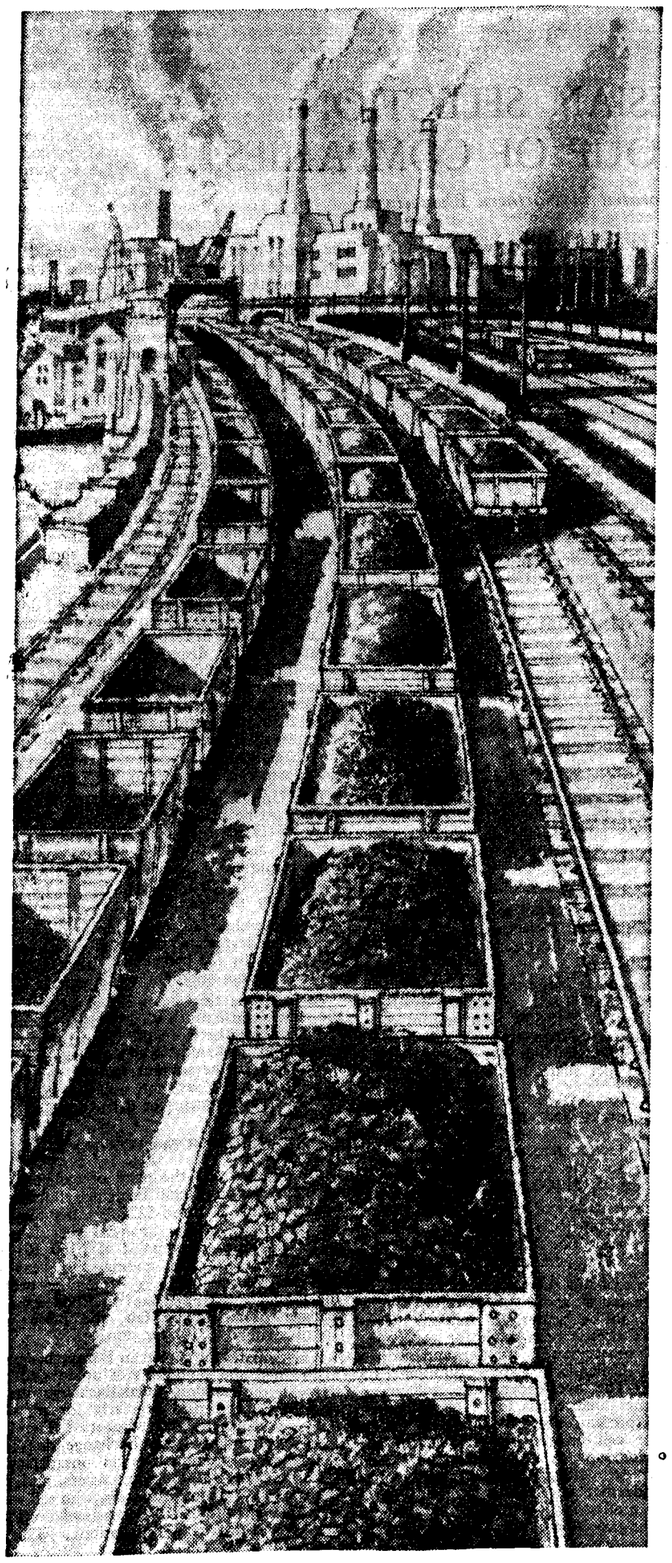
The Corporation of Insurance Brokers has formed the Society of Pension Consultants—the specialists in the growth of occupational pensions. Those eligible for membership are the pension consultants (or "servicing pension brokers") and the consulting actuaries, who advise on the design and the administration of pension schemes insured with life offices or self-administered.

* * *

The table "Current Cars Compared" in the survey of the motor industry published in *The Economist* of October 25th showed the price in pence per pound of kerb weight of the Lotus Seven sports car as 18.9d.: it should be 189.0d. The road test fuel consumption of 28.5 mpg quoted for the Ford Zephyr Mark II with overdrive represented touring consumption: for proper comparison with the 22.1 overall consumption quoted for the same company's Consul Mark II the Zephyr figure is 22.5 mpg.

* * *

Car production in October was at the rate of 19,872 a week, almost as high as in September and a quarter as high again as twelve months before: it shows no signs of the seasonal decline that many people in the industry—until hire purchase was freed—were expecting. And commercial vehicle production actually rose slightly: while not nearly back to its record levels of 1955, it was substantially higher than in October, 1957.



Coal is still our main source of power

—and a vital part of our natural inheritance

Power for heating and lighting, for driving machines; power to keep the factories running, the towns and farms, and power for our homes. Coal provides 85% of this power. Despite other sources of power, coal will go on supplying the bulk of our needs for the next hundred years and beyond.

The very nature of mining calls for long-term planning. A great reconstruction programme is taking care of the industry's capacity to produce the coal; but to produce the next generation of managers, engineers and scientists is just as important.

Young men will find in the industry satisfying and worthwhile careers, with, for example, special training for engineering graduates. There are also university scholarships or student apprenticeships for schoolboys.

Write for the free illustrated booklet "The Many Careers in Coal" to the Staff Director of the nearest Divisional Headquarters (at Edinburgh; Newcastle-upon-Tyne; Doncaster; Manchester; Arnold, Near Nottingham; Dudley, Worcs; Cardiff or Dover) or to the Director General of Staff, National Coal Board, Hobart House, London, S.W.1

COMPANY MEETINGS

RHODESIAN SELECTION TRUST GROUP OF COMPANIES

Incorporated in Northern Rhodesia

The following are abridgments of the Statements dated October 15, 1958, by the Chairman, Sir Ronald L. Prain, OBE, circulated to the Members:

RHODESIAN SELECTION TRUST LIMITED

FINANCIAL RESULTS

Mufulira paid an interim dividend and has recommended a final dividend, the two totalling 3s. 3d. gross per share, which will mean an income to your company of £1,031,000 for the year. Administration and sundry expenses, less interest received, reduce this figure to about £915,000. No taxes are payable on this income since we receive it fully franked. It is proposed that £125,000 be transferred to general reserve.

The distributable profit amounts to £870,000. An interim dividend of 1d. a share, less Rhodesian tax at 7s. 6d. in the pound, was paid. Your board now recommends the payment of a final dividend of 6d. gross, making a total for the year of 7d. gross, costing £825,000, thus resulting in a balance being carried forward of £45,000.

MUFULIRA

Much planning has been carried out during the past year on the Mufulira West development plans and as a result some of the technical details have been amended, but there remains no change in the scheme as a whole in respect of production capacity or capital cost. The scheme is now expected to be completed in 1962 with the exception that the extension of the electrolytic refinery has been postponed owing to favourable opportunities for continuing temporarily the shipment of fire refinable grade copper.

CHIBULUMA

The Chibuluma report for the year appears to show a substantial profit on copper with considerable losses on cobalt, the two giving an overall profit of £1,152,000 for the year. However, it has been decided to change the accounting system so as to present a somewhat fairer picture. This will result in showing less profits on copper and less losses on cobalt: the change merely represents a redistribution of costs as between our two main products.

Even after making this change Chibuluma's cost of producing copper should remain relatively satisfactory and should enable the company to earn substantial profits. The present state of the cobalt market remains depressed and Chibuluma will have to take a decision in regard to creating further treatment facilities in Rhodesia. This involves an assessment of the future market for cobalt and of its profitability for Chibuluma. If the decision is taken to proceed with this plant it will inevitably involve substantial capital expenditure.

The company continues to operate under its loan agreement with the United States Government. The loan has now been reduced to under £4 million and may well be reduced to under £3 million by the end of the current year.

ROAN ANTELOPE COPPER MINES LIMITED

PRODUCTION AND COSTS

Throughout the year we operated on a curtailed production programme, as our contribution towards the correction of the overall world copper position. Our curtailment was to a rate equivalent to 90 per cent of our capacity, giving a target for the year of 80,000 long tons of copper. In fact production amounted to 79,931 tons.

The average cost of production decreased from £156 per ton to £138 per ton.

FINANCIAL RESULTS

Sales for the year amounted to 77,444 long tons, the difference between this and production representing the tonnage put into stock for refining purposes.

The average sales price was £177 per ton, a decrease of £74 per ton compared with the previous year. The profit margin per ton decreased from £95 for the previous year to £39. The gross profits amounted to £2,920,000. From this has to be deducted the decrease in the value of copper stocks, amounting to £398,000. Interest earned, less interest paid, and miscellaneous items, brought this profit to £2,972,000.

Tax liability amounts to £870,000. The appropriation for replacements reserve is £650,000, making the reserve at the end of June, £1,977,000.

The net figure appropriated to general reserve is £625,000 and the balance available for dividend is £946,000. An interim dividend of 1d. per share, less taxes, was paid and the recommendation for the final dividend is 4d per share, less taxes.

MINE AND REFINERY

The production target is 80,000 long tons of copper for the current year. The ore reserves are 95,191,000 tons.

The construction of the first stage of the Ndola Refinery was virtually completed during the year. The second stage is expected to be ready for operation early in 1960.

The cost of this project which was originally estimated at about £4.5 million is now estimated to be nearer £5 million. Provision has already been made for your company to subscribe £3 million and British Insulated Callender's Cables Limited £1.5 million. The over-expenditure will mean that further finance has to be raised, but it is not at present expected that there will be a further call on the shareholders of the refining company, as arrangements have been made for temporary borrowing from banks which, together with a ploughing back of refinery profits for a short period, should ensure the provision of the necessary finance. The bank loan will have to be repaid in due course out of refinery profits. These arrangements mean, of course, on the other side of the picture, that we and the other shareholders shall have to wait longer than originally expected before we can receive the full dividend on our investment.

INDUSTRIAL RELATIONS

Discussions were proceeding at the end of the year between the copper mining companies and the European Mine Workers' Union on proposals which the companies had put forward with a view to improving efficiency and effecting economies in the industry. Negotiations on the question as to whether certain individual jobs should in future be carried out by artisans, or could be done by other employees, continued with only minor success and eventually broke down in August when the Union rejected the companies' proposals in respect of 22 jobs, which remained under dispute, including all the more important which had been at issue. The companies informed the Union that they had no alternative but to implement these proposals forthwith, pointing out that matters of principle were involved, including the duty of management to conduct operations in the way in which it considers to be most efficient.

The Union, which had shown little disposition to negotiate on any of the 22 jobs, immediately instructed its members not to carry out any of the disputed jobs and as a result a number of men who refused to perform tasks allocated to them had to be discharged by the companies.

On September 9th the Union held a strike ballot and despite a number of compromise offers made by the companies, called a strike with effect from midnight on September 12th.

At the time this statement goes to press the strike is in its fifth week and negotiations are proceeding between the Copperbelt companies and the Union under an independent chairman. In the circumstances it would be difficult for me to say more and I must therefore reserve comment for a later occasion.

COPPER MARKETING

During the year the price of cash copper on the London Metal Exchange fluctuated between £160 10s. and £222 15s. per ton. At the beginning of the financial year it was £216, reaching a low point of £160 10s. in February, 1958, and ending the year at £197 5s. By the middle of September, before the influence of the strikes in Rhodesia and Canada began to be felt, the price was approximately £210 per ton.

The demand for copper in Europe has been maintained and premiums of up to £10 per ton over the London Metal Exchange quotation have been paid regularly for physical delivery of electrolytic wirebars. The fact that the London Metal Exchange does not reflect these premiums is an unsatisfactory state of affairs for those producers, and this includes most major producers, who sell some part of their output on the basis of the London Metal Exchange quotations. This is perhaps inevitable so long as the London Metal Exchange contract leaves the delivery options to the seller. In my opinion it is most desirable that a further attempt be made to introduce a London Metal Exchange contract under which buyers will have the option of specifying the type of copper they wish to receive. Until this is done I fear that the London Metal Exchange contract may continue to reflect a discount price and this, in the long run, is not a state of affairs which is conducive to maintaining the international reputation of the Exchange.

WORLD PRODUCTION AND CONSUMPTION

There is a general feeling in the copper industry that the prices of last February represent the bottom of the decline which began in March, 1956, and that the subsequent improvement is the beginning of a period of greater stability. This situation has probably been brought about by two factors. The first was the continued good demand in Europe at a time when consumption in America was running at an unexpectedly low figure, and the other is the extent of the voluntary curtailment undertaken by most of the bigger copper producers of the free world. Since last year these curtailments have become more numerous and more important, resulting at one time in a total free world curtailment at an annual rate of over 450,000 tons of copper. Some of these curtailments have since been relaxed but, generally speaking, the producers of the free world are still imposing on themselves some restriction of output.

I expressed the opinion last year that if the majority of larger producers adopted this course the degree of curtailment then necessary to balance the statistical picture might not be unduly great, and also the opinion that production restriction appeared to present the best chance of stabilising the copper position as compared with the various other suggestions which have been made from time to time for a solution of this problem. I believe that the events of the past year have justified this view, and that the copper industry may be putting its house in order by the soundest and least painful method. It seems elementary that when you have too much of any commodity the simplest solution is to produce less until more is consumed. This solution is not one, unfortunately, which can be readily applied by all industries but where mining is concerned it appears to be the quickest and most effective method of correcting a statistical imbalance.

MISCELLANEOUS

Prospecting and exploration in the Federation under the aegis of companies formed for that purpose, and in which your company is a shareholder, continued throughout the past year.

Economic circumstances in Northern Rhodesia have not been such this year as to encourage European employees to take advantage of the Home Ownership Scheme which I mentioned last year, but there has been a reasonably satisfactory response. We have not yet been able to inaugurate a corresponding scheme for African employees owing to legal and other complications, but it is hoped to do so in the near future.

It will be recalled that three years ago your company and other Copperbelt mining companies joined in forming a Technical Education Foundation to meet a need created by the rapid growth of Copperbelt industries generally. The foundation got under way early in 1957 and during the past year permanent buildings were opened at four centres, including Luanshya (the adjoining township to Roan Antelope).

CONCLUSION

The copper industry is just emerging from a period of difficulty such as inevitably accompanies a drastic fall in price, but thanks in a large degree to its own exertions it is now beginning to build up the industry on a sounder basis. It is impossible, if one is impartial, not to view this period as having been a healthy factor in the development of the industry, as it has brought realism to the production side of the industry and renewed confidence to the users of the metal.

In the short view, much will depend on the course of business activity in Europe and America during the coming months; copper appears to be, however, in a sounder position than it was a year ago and perhaps sounder than certain other commodities, and is well placed to take advantage of increased business activity.

However, mining is a long-term business requiring planning many years in advance and its health or otherwise should not be judged by results over a short period. Taking the longer view, I have always expressed faith in the future of the copper industry and nothing has transpired to change that view. In fact the studies we regularly make of this subject indicate the possibility of a greatly expanding use of the metal, though always with one important qualification, namely that the price of the metal must not be allowed to run away upwards beyond the various points at which substitution is certain to occur. These points are not static and they vary from use to use. The solution would appear to lie in the ability of the mining industry to produce enough copper to meet the expanding consumption of the world, and yet not hesitate from time to time to adjust this production rate at periods of low consumption; in this way it might be possible to avoid the swings in price which have characterised the past seven or eight years. Provided that the copper industry has learned this lesson and is prepared to take steps to prevent such occurrences again, it does seem to me as if copper has prospects which few other commodities can equal in promise.

MUFULIRA COPPER MINES LIMITED

(The Chairman's remarks under the headings Industrial Relations, Copper Marketing, World Production and Consumption, Miscellaneous (part) and Conclusion are similar to those contained in his statement to the Stockholders of Roan Antelope Copper Mines Limited.)

RESULTS FOR THE YEAR

Throughout the year we operated on a curtailed production programme as our contribution towards the correction of the overall world copper position. Our curtailment was to a rate equivalent to 90 per cent of capacity, giving a target for the year of 93,000 long tons of copper. In fact production amounted to 92,994 tons.

The average cost of production decreased from £147 per ton to £136 per ton of electrolytic copper.

Sales for the year amounted to 88,847 long tons. The average sales price was £188 per ton, a decrease of £71 per ton compared with the previous year. The profit margin per ton decreased from £114 for the previous year to £52. The gross profits amounted to £4,178,000. To this has to be added the increase in the value of copper stocks, amounting to £277,000. Interest earned, less interest paid and minor items brought this profit to £4,900,000.

Tax liability amounts to £1,430,000. The appropriation for replacements reserve is £750,000, which compares with £1,500,000 in the previous year. The replacements reserve at the end of June amounted to £1,387,000. The appropriation to general reserve has been put at £1,250,000.

The balance available for dividend is £1,679,000. An interim dividend of 8d. per share, less taxes, was paid and the recommendation for the final dividend is 2s. 7d. per share, less taxes.

MINE POSITION

This month sees the completion of the first 25 years of production at Mufulira, during which time we have produced approximately 1,680,000 long tons of copper at an historic value of £237 milion. Ore reserves stand to-day at 169 million tons compared with the report in the year 1933 which showed ore reserves at 116 million tons.

The main constructional activity at the mine continues to be in respect of the Mufulira West development expected to be completed in 1962 with the exception that the extension of the electrolytic refinery has been postponed owing to favourable opportunities for continuing temporarily the shipment of fire refinable grade copper.

CHIBULUMA MINES LIMITED

The mine maintained an average production rate of over 40,000 tons of ore per month. The grade of ore delivered to the mill was, as expected, considerably lower than the previous year at 4.70 per cent copper compared with 5.84 per cent. Mining costs increased quite appreciably both on a per ton of copper basis and on a per ton of ore basis also. The mill recoveries during the year were even higher than the already high recoveries of the previous year.

Copper from mine production was 17,861 long tons. In addition, the stock of copper concentrate which existed at the beginning of the year was smelted during the year, resulting in a further production of over 9,000 long tons. The total saleable output was thus 27,177 long tons.

COBALT PRODUCTION

The cobalt treatment plant at Ndola operated throughout the year. The process there consists of the conversion of a cobalt/copper concentrate into a cobalt/copper matte. This matte is shipped to Belgium for final conversion into cobalt and copper.

The cobalt matte production at Ndola for the year was 6,645 tons. The rate of production is expected to reach 1,100 tons per month. Costs, as was only to be expected with an erratic production, were higher than anticipated. Including overseas costs and refining charges, and mineral royalties, but after crediting revenue from the sale of 675 long tons of copper, recovered as a by-product, the cost of production per pound of cobalt metal averaged just over 19s. during the year, on a delivered USA basis.

RESULTS FOR THE YEAR

Copper sales during the year totalled 27,210 long tons at an average price of £177 per ton.

As far as cobalt is concerned we are utilising our production at present to meet

the greater part of our annual obligation to the United States Government in respect of loan repayment. In this way we delivered 587 long tons of cobalt metal at an average price of £1,596 per ton, giving a value of £936,000.

The gross trading profit was £1,543,000, and the net profit £1,352,000 on which no tax is payable on account of the Federal tax laws applying to new mines.

Under the terms of our agreement with the US Government during the past year we delivered copper and cobalt, together aggregating a value of £1,530,000. The loan was accordingly reduced at June 30, 1958, to the sum of £3,973,000. During the current year our obligation will amount to £1,180,000 worth of metal which we expect to discharge in the form of cobalt.

The board has appropriated £200,000 for replacements. Of the balance of £1,152,000 profit for the year, £1,150,000 has been transferred to general reserve to cater for two obligations, first the repayment of loan capital and secondly to meet expenditure of a capital nature.

TECHNICAL PLANS

There is no plan for Chibuluma to create its own smelting facilities for copper, nor is any problem anticipated in the near future over the ability to have concentrates smelted elsewhere on the Copperbelt for the production of final metal for shipment overseas.

As far as cobalt is concerned we are exporting overseas an intermediate product, namely matte, and in the long run this is a costly process as our matte contains only about 10 per cent cobalt. Your board therefore has under constant consideration the question of creating further treatment facilities in Rhodesia, but no conclusion has yet been reached in this respect. This introduces questions of further capital expenditure, of the future possible course of the cobalt market, and not only the question of relative economics of treatment here or elsewhere, but the assessment of the likely profitability of future cobalt production. In the meantime matte continues to be shipped to Belgium for refining.

The original ore reserves have been recalculated at 9.7 million tons. After deducting the tonnage withdrawn from reserves since the commencement of operations we are left with 8.6 million tons, the grade of which is 5.15 per cent copper and 0.23 per cent cobalt.

During the year drilling indicated a small ore occurrence some 9,000 feet to the west of the mine, not yet included in the ore reserve figure. This occurrence, is now estimated at about 1 million tons of ore at 4.05 per cent copper and 0.06 per cent cobalt.

GENERAL FINANCIAL SITUATION

Shareholders will realise that Chibuluma may still be faced with capital expenditure. The capital expenditure to date, plus provision for working capital, has totalled over £7 million as against a share and loan capital of £6 million. The difference has been financed temporarily out of our revolving cash resources. Further capital expenditure may include expansion to the cobalt plant, and expenditure on developing the additional ore to the west.

Since neither of these projects has yet been decided upon, it is not possible to say what additional capital costs may be. I mention the point, however, to indicate that some additional capital may be required in this business before the mine and plants can be said to have reached their full development.

COURT LINE LIMITED

MENACE OF UNTAXED "FLAGS OF CONVENIENCE"

HANDICAPS CONFRONTING BRITISH SHIPPING INDUSTRY

THE HONOURABLE J. P. PHILIPPS ON "A MATTER OF SHIPS OR TAXES"

The twenty-ninth annual general meeting of Court Line Limited will be held on December 10th in London.

The following is the Statement by the Chairman, The Honourable J. P. Philipps, TD, which has been circulated with the report and accounts:

Ladies and Gentlemen, I do not think it is necessary for me to go into details of the present state of the Shipping Industry in general and the Tramp Shipping Industry in particular. Statements by other companies and the Press have made it only too clear. Suffice it to say that the increase in world gross registered tonnage from 72 million tons in 1948 to 106 million tons in 1958 without a corresponding expansion of world trade is the root cause of our troubles.

"LOCKING THE STABLE DOOR?"

In my speech to you on December 7, 1955, I drew attention to the menace of untaxed flags of convenience. While I am delighted that at last, in 1958, the General Council of British Shipping has taken up the cudgels, I cannot help pointing out that this is tantamount to locking the stable door after the horse has fled as there are now precious few profits to be taxed. However, if the Chancellor will grant us the "special tax free replacement fund" I suggested in my speech to you last year, the British Shipping Industry will be able to meet its competitors on equal terms when world trade expands once more.

As illustrations of the handicap under which we in this country are at present operating, I would draw your attention to the fact that, in spite of receiving Investment Allowances on three new ships, we shall pay a total of £959,600 in Income Tax and Profits Tax on the trading surplus earned in the three years 1956, 1957 and 1958. A company registered in Bermuda or any other tax free country would be free of this taxation liability and would be able to build an additional new ship with the money. Again, if we sold either of our two eldest vessels which are now fourteen years old for its current price today of about £190,000, we should have to pay to the Government a Balancing Charge of no less than £82,700. It must surely be in the interests of the nation as a whole that that money should be re-invested in a new physical asset instead of being handed over to the Treasury and used as income to meet current Government expenditure.

TAKING ADVANTAGE OF CIRCUMSTANCES

Some critics of operators under the so-called flags of convenience take the narrow view that it is merely a matter of unfair wages and working conditions, and suggest the traditional maritime nations should join together and impose sanctions. According to my information, the conditions on most flags of convenience vessels so far as they affect the crew are in no way inferior to those existing in the best conducted fleets. We must face the fact that people cannot be blamed for taking advantage of circumstances which place them in a superior position to that of their competitors. It must be recognised that they are not doing anything which is illegal except when it is done by English owners.

There is no doubt, under present conditions, our industry is facing a deadly menace which can only have one ending, that is the accelerated decline and final elimination of our Merchant Fleet, more especially the Tramp Section. There is only one way to remedy the situation and the Government need look no further than a revision of its taxation policy as it affects the Shipping Industry. Of course, if the maintenance of an adequate British Merchant Fleet is not regarded as a national necessity there is nothing more to be said. It is simply a matter of ships or taxes.

OPERATING SURPLUS

You will remember that at our Meeting last December I told you that we had just re-negotiated some of our forward contracts of the period. I explained that this would have the effect that the surplus for the year now under review would be smaller than had been anticipated at the time my last circulated Address was printed. At that time I was anticipating that six ships would complete their voyages by June 30, 1958, and so be in time for inclusion in these accounts. Unfortunately, our m.v. *Hannington Court* failed to complete her voyage until some three weeks later, and thus only the profits earned by five ships have been included, causing a still further reduction in the operating surplus to £768,612. However, the earnings of that ship will favourably affect the surplus for the current year, which in view of our forward contracts, should show a satisfactory result.

DIVIDEND

Owing to changes relating to Profits Tax in this year's Finance Act your Directors have decided on this occasion not to recommend the payment of a Final dividend for the year ended June 30, 1958. They have, however decided to pay a Special interim dividend of 10½d. per share (17½ per cent), less Income Tax, for the year ending June 30, 1959. This dividend will be paid on December 11, 1958, to those Shareholders on the Registers at the close of business on November 25, 1958. This procedure should result in a considerable saving of Profits Tax to your Company. The exact amount of the saving cannot be ascertained until the profits for the period up to the beginning of April, 1960, are known. It must be emphasised that this interim dividend for 1958-59 is of a special nature and will not in any way affect any decision on future interim or final dividends.

I feel sure that you would like me to take this opportunity of thanking on your behalf all the Staff, both ashore and afloat, for the part they have played in keeping our ships running in these difficult times.

TUBE INVESTMENTS LIMITED

THIRD SUCCESSIVE RECORD IN EARNINGS

INCREASED SALES OF ELECTRICAL APPLIANCES AND CAPITAL GOODS

Record earnings for the third successive year were reported by Sir Ivan A. R. Stedeford, KBE, Chairman of Tube Investments Limited, in his annual statement circulated with the accounts to stockholders on November 13th. They reflected, Sir Ivan said, a period of consolidation and, perhaps, offered evidence that TI's widely spread but well knit range of manufactures provided firm ground on which to withstand many of the country's economic vicissitudes.

Trading profits, at £12,579,000 after depreciation, were £605,000 more than in the previous year. Difficulties had not been lacking, but some Divisions and companies more than made good what others suffered, and, in the end, sales were increased by over £8 million.

It was TI's practice to write off out of profits all plant in ten instalments, so that, with minor exceptions, none of TI's equipment more than ten years old figured in the accounts. With the stringent monetary conditions in the autumn of 1957, and the prospects of falling demand, redoubled care was taken in authorising new capital expenditure, and the total sanctioned was in consequence less than in the previous year. Priority was given to projects for reducing costs, or adding new products to our range.

The future had its familiar undertone of uncertainty, and so prospects for the current year were difficult to assess. At present, a number of Divisions looked ahead with lower order books. Competitors for world markets meant business—hard driving business—and this included Russia, whose oft-repeated intentions to enter them were already seen to mean more than words. On the other hand, a movement back to expansion, assisted by official measures, had begun, even if, at present, it was moving slowly. The company was well equipped and ready to exploit the opportunities there may be in the days ahead of competition and change.

While preparing for 1960 and beyond, he believed that whatever the outcome of the current year, stockholders could await it without undue concern. The higher dividend of 17½ per cent on ordinary stock would be paid out of earnings of a little under 70 per cent.

The first twelve months of working in double harness with Reynolds Metals Company of America in the jointly-owned company, Reynolds TI Aluminium Limited, had been very satisfactory although world demand for aluminium fell sharply and profits were lower. A tribute was due to our American colleagues for the effective way in which they had set about tackling their responsibilities under the agreement. There had been a reduction in the price of the virgin metal from North America, the first in ten years, of as much as £17 a ton. This was welcome to fabricators in the home market, where aluminium's full potential had yet to be developed. Reynolds TI Aluminium had acquired an interest in Venesta Limited, UK producers of aluminium foil, and was already producing foil stock, an important market.

The Electrical Division had an excellent year, a record in output and profits being achieved by the Simplex Electric Company, which claimed at least 80 per cent of the spin dryer market, with its Creda "Debonair." Good results were anticipated for its newest cooker, the Creda "Mercury," with its many advanced features. Mersey Cable Works improved its results; the Power Centre company had occupied its new premises, which should enable it better to develop the demands for its system of cable trunking, and Gowshall Limited had seen and seized its opportunities to expand sales of its road signs of all kinds.

CHANGING TUBE TRADE

The diversity of uses of TI's precision, pressure and mechanical tubes, and the ever-widening range of fabricated components, contributed to the best year yet recorded by the Steel Tube Division. Much of the present range was either not made at all ten years ago, or then represented a fraction of the business. A notable feature was TI's growing contribution to the nuclear industry. Ten years of research and development was beginning to show a return.

Our electric resistance welded steel tubing had absorbed much of the business which in earlier days was met by seamless tubes. We had recently put into commission a mill of our own design and make which we believed was the biggest and most versatile of its kind so far in this country. Having pioneered this process in the UK some thirty years ago, and being now one of the world's largest producers, we were gratified that the quality and economy of our production justified this expansion.

Another good year was enjoyed by the Engineering and General Divisions; despite the credit squeeze, sales generally advanced well, with emphasis on heavier plant. Important export contracts covered such widely differing equipment as Sendzimer strip mills, complete non-ferrous rolling mill plant, mechanical conveyors, aluminium foil mills, wire-drawing plant, and mills for rolling the rarer metals for nuclear engineering. They included orders from the USA, Russia, India, Brazil, British Guiana and South Africa. Additional capacity for the design and making of even larger and heavier plant was being provided for W. H. A. Robertson & Company Limited of Bedford.

In a new factory at Slough, Crane Packing Limited had put down a special-purpose plant of TI design for the fabrication of polytetrafluorethylene. Old Park Engineering Limited, set up last year for the production of large welded fabrications, had, by its good results, confirmed hopes of an expanding business.

The satisfactory feature of the Cycle Division's year was that, as overall UK sales dropped to a still lower level, our own were practically maintained. But intensifying competition overseas, and restrictions at home, resulted in our considerable turnover contributing little to profits. TI's plan for concentrating its cycle production was nearing completion. He believed that there was yet a good living to be earned by all concerned in British cycle production in compact and efficient plants. TI had spared no expense to make this possible in the Cycle Division. The acquisition of the Wright Saddle Company and Sun Cycle & Fittings Company had taken the Division nearer to self-sufficiency.

TOMORROW'S STEEL SUPPLIES

The year for the Iron and Steel Division started well, but the malaise which infected the world steel industry later made its effect felt. Sales, nevertheless, just exceeded those of the previous year, and earnings remained much the same. The two new electric furnaces at Round Oak Steel Works were completed, and there was every evidence that they would provide economies in operating costs. Trial production of alloy tube steels had been successful.

TI now had two well-founded home steel companies established in the production of the qualities of tube steel it used. It seemed assured, therefore, that whatever the future ownership of the steel industry, TI would not again suffer the shortages which were such a severe handicap for more than a decade after the war.

The operations of overseas subsidiaries and associates were generally satisfactory. Decisions had been reached with our Indian partners, Messrs Murugappa & Sons, to double the capacity of Tube Products of India Limited by installing a second ERW tube mill: a mill for cold rolling strip would also be added. TI Cycles of India Limited would also soon double capacity, and plans were in hand to produce cycle saddles, chains and lamps in India.

These extensions and new projects would cost nearly £2 million, of which some £1,400,000 would be needed in foreign currency for payment of imported equipment. In addition to taking up our agreed proportion of the additional equity capital to be issued, we had agreed to provide the balance of the sterling necessary by way of a loan until such time as India's foreign exchange position permitted repayment. As a result of these arrangements, we would be able to ensure that this country would have the opportunity of supplying the capital equipment.

A half interest had been taken in the Ceylon Cycle Industry Limited, of Colombo, which was laying itself out to supply the island's requirements of bicycles. It was a small but robust organisation under able management, turning out quality products

Simplex Electric Company (SA) Pty Limited had merged on a 50/50 basis with the South African company of W. T. Henley's Telegraph Works Company under the name Henley-Simplex Africa (Pty) Limited. Extensions to works were in hand, and additional products would be manufactured.

Hercules and Phillips (South Africa) Limited had another difficult year. The trade recession in the country, moderate though it had been, resulted in a fall in the demand for bicycles. This further aggravated the regrettable position of South Africa's cycle industry, which had a productive capacity much in excess of, perhaps almost double, the market's foreseeable requirements. This dilemma had proved disadvantageous to all concerned.

TI had acquired the Technical Construction Company (Pty) Limited of Springs, which was engaged for welded fabrications. Tubemakers of Australia had a fine record year, but Standard Tube & TI Limited of

Ontario had come through a period of reduced demand.

EXPORTS MAINTAINED

It might have been expected, Sir Ivan added, that the difficulties and competition in overseas markets would have been reflected in the volume of TI's direct exports. He was pleased to report that this did not happen. Although prices plumbed the lower levels, TI maintained its share. We would go on doing our best to secure export business in whatever direction opportunity offered. The rapid development of industry in Communist countries presented opportunities as well as dangers. We had to expect growing competition in manufactured products and probably at prices unrelated to real cost. On the other hand, we might find these countries important markets for industrial goods.

The trend of our trade as between the Sterling and European areas again moved somewhat in favour of Europe. We were, therefore, among those who waited with keen anticipation—perhaps with a little apprehension—the challenge the Free Trade Area would offer, if it came about. The last thing this country wanted was a trade war with the six Common Market countries. If a compromise became possible, as we must hope, our part should be to encourage the European grouping to participate in yet further removals of worldwide trade obstacles. While developments in Europe attracted attention and hopes, it was an important fact that Britain did 80 per cent of her trade with the rest of the world—particularly the Commonwealth and the USA—and this was trade which was, and would continue to be, of first importance.

AUTOMATIC ASSEMBLY

Discussing pure research and development, Sir Ivan said that a laboratory had been provided at TI's Technological Centre in Walsall for the experimental processing of beryllium. Useful results had already been obtained. Technological developments there had led to automatic assembly and inspection being brought to full use in some subsidiary companies at key stages of manufacture, this in addition to automatic processing.

The electronic computer, installed at Walsall last year, was now being used to develop more complex systems of stock, production, sales and accounting control. While no all-embracing solutions to the tasks of management could be expected from computers, there could be small doubt that, used economically, they could provide important and hitherto unattainable aids to administration and policy making.

TI's new and bigger residential centre in Edgbaston—which replaced the one we opened ten years ago—was now in full use, and would be a considerable asset. With all the opportunities for advanced training we now offered boys leaving school and University, we hoped, Sir Ivan added, that we would be able to rely increasingly for our future managers and executives on the young men who had grown up with us. Already more and more apprentices were moving through our schemes to higher qualifications, and so adding to our strength, not only of craftsmen and technicians, but also of supervisors. Only if we had enough men with the right instincts and experience all down the line would we find the better ways and lower costs of doing all we did—which was the root of opportunity.

WANKIE COLLIERY COMPANY LIMITED

(Incorporated in Southern Rhodesia)

LEVELLING-OFF IN DEMAND FOR COAL IN RHODESIA

MR T. COULTER REVIEWS LONG-TERM PROSPECTS

The following are extracts from the statement by the Chairman, Mr T. Coulter, which has been circulated with the report and accounts for the year ended August 31, 1958:

ACCOUNTS

The profit for the year amounted to £1,369,351 after providing for depreciation, debenture interest, debenture trustees' fees and directors' emoluments, but before taxation. This compares with a figure of £1,227,030 for 1957. Taxation absorbed £315,000 and a sum of £140,000 was transferred to taxation equalisation reserve.

To the profit figure for the year has been added £180,319, being the net amount placed to a special surplus revenue reserve at the end of last year after providing for taxation on a gross amount of £288,511 pending a settlement of the Company's claim for an increase in the basic cost of production as affecting the margin of profit per ton.

In conformity with the terms of the Price Agreement an amount of £385,000 was transferred to general reserve, which now stands at £1,655,000.

The total distribution to shareholders for the year was £659,726 which represents 1s. 3d. per share and compares with 1s. 1½d. per share for the previous year.

The Company's income although primarily dependent on its coal mining activities, is not solely made up from coal revenue. An increasing factor is the interest received from investments, loans and deposits which with sundry revenue from our other activities and after allowing for taxation, represents at least 3d. per share in the make-up of the dividend for the year.

Capital expenditure on fixed assets during the year amounted to £254,061. The balance sheet shows fixed assets totalling £7,858,324.

Current assets (excluding stocks and stores), at £3,899,914, as against current liabilities of £1,194,813, indicate a surplus of £2,705,101.

SALES

During the year there has been a levelling-off in coal and coke demand within the Federation. The following tabulation gives a comparison of sales including export for the past three years ended August 31st:

	1956 Tons	1957 Tons	1958 Tons
Coal ...	3,695,356	3,945,378	3,911,891
Coke ...	242,848	272,239	242,517

There has been a small decline in output as compared with the previous year. As the company is now equipped to its contractual output capacity of over 5 million tons of coal per annum, this break in the rising trend is an indication of the considerable gap which still must be bridged before the Company's capital assets can be exploited to the full.

It is disappointing that it has not been possible to take better advantage of the increased availability of railway trucks to step up export sales. This would help to absorb surplus production capacity and to bring down unit costs at the collieries. Unfortunately the railage position has only permitted the Company to enter the export market at a time of growing world coal surpluses and it has proved extremely difficult to build up satisfactory export connections. Our agents are nevertheless pursuing the matter energetically and we hope that the level of exports last year may be improved upon.

COAL PRICE AGREEMENT

The Company's claim in regard to the basic cost of production as affecting the margin of profit per ton in terms of the Price Agreement, was submitted to arbitration in December last. In the course of this arbitration a settlement was reached and subsequently approved by the Southern Rhodesia Parliament.

The effect of this settlement was that the Company became entitled to retain the amount of £288,511 less tax, which was placed to a special surplus revenue reserve at the end of last year. The settlement also provided for an increase in the basic cost per ton of 1s. 6d. This increase became effective from September 1, 1957, and the basic cost per ton was therefore advanced from 13s. 6d. to 15s. with effect from that date. In the future the basic cost per ton is to be varied in proportion to changes in the average annual consumer price index figure for Southern Rhodesia, thus avoiding obscurity in the interpretation of the original clause which led to the necessity for arbitration.

MINING OPERATIONS

Early this year a careful study was made of future coal demands in the Federation including the probable effect of the Kariba hydro-electric scheme coming into operation. It seems clear from this examination that the Company will not be called upon in the foreseeable future to utilise the full capacity of its collieries and it is estimated that the maximum possible demand up to the start of power generation at Kariba in 1960 will not exceed a rate of some 4,500,000 tons per annum.

Thereafter we must naturally expect a reducing demand from thermal power stations and the Railways, but this should be offset gradually by increasing demands from other users as the economy of the Federation expands.

It was decided in March to close down No. 1 Colliery and place it on a care and maintenance basis to bring the output capacity and establishment at Wankie more into line with existing and probable future coal demands.

Nos. 2 and 3 Collieries, operating on double shift, have a combined capacity of over 4,500,000 tons per annum and can deal easily, therefore, with the current level of demand and any probable increase occasioned by additional export sales.

The Company's sales tonnages to the Copperbelt for September, during approximately three weeks of which month strike conditions existed, were some 30,000 tons below normal.

The lower level of demand means that unit costs of production will continue to run at a higher level than would otherwise have obtained, and this must inevitably affect the selling price of coal.

In addition, in terms of the Price Agreement, the annual redemption of the Company's debenture stock commences during the year ending August 31, 1959, and provision is made for an increase in the profit margin from 5s. 3d. to 5s. 9d. per ton with effect from September 1, 1958, to meet this obligation.

The combined effect of these two items will unfortunately necessitate an increase in the average selling price to 19s. 6d. per ton with effect from November 1st this year.

GENERAL

The health of the community at Wankie has remained good. Relationships with our employees both African and European, have also remained on a very satisfactory basis. The extensive investigations carried out over the past two years with the assistance of the Lurgi-Ruhr-chemie combination into the commercial possibilities of establishing an oil-from-coal industry at Lubimbi clearly indicated that the scheme as originally envisaged, would at best be only marginally profitable under present-day costs and market conditions. Our efforts are being directed towards the examination of various alternatives, and these investigations are being actively pursued.

NEW ZEALAND LOAN AND MERCANTILE AGENCY COMPANY LIMITED

MR MICHAEL G. H. BROWN'S SPEECH

The sixty-fourth annual general meeting of New Zealand Loan and Mercantile Agency Company Limited, was held on November 18th in London.

Mr Michael G. H. Brown, the chairman, presided and in the course of his speech said:

The latest advices we have received indicate that pasture and livestock conditions in Victoria and New South Wales are, in the mainland, excellent, but that in much of Queensland, rain is badly needed. In New Zealand recent rains have improved the present prospects and conditions are generally good.

The outlook for wool has seldom been more difficult. Most prices have risen a little from their low point and it is hoped that an improvement in world trade will lead to a further recovery in values. On present estimates the total clip in Australia is expected to be a little less, and in New Zealand a little more, than last season.

As a result of the growing world demand for beef, prices of cattle in New Zealand are reaching high levels with corresponding increases for store and breeding cattle. This market is very strong. Values of dairy products have also risen considerably recently.

At this point in the year, it is impossible to say how the twelve months' trading will turn out. Without a continued rise in the price of wool it will be difficult to maintain our profits at last year's level.

However, our organisations are active and we are watching the costs wherever possible. Whatever the conditions that lie ahead, I assure you that we shall do our best.

The report and accounts were adopted.

ROOTES MOTORS LIMITED

RECORD PRODUCTION

OVER 50 PER CENT INCREASE IN SALES TO DOLLAR MARKETS

SIR WILLIAM ROOTES ON FUTURE EFFECT OF PURCHASE TAX

The Fortieth Annual General Meeting of Rootes Motors Limited will be held on December 11th in London.

The following is the circulated statement of the chairman, Sir William Rootes, GBE:

I am glad to be able to report that the Consolidated Profits for the year ended July 31, 1958, have returned to a more satisfactory level, in fact slightly higher than in 1956.

A dividend of 4 per cent, less income tax, is recommended on the Ordinary and "A" Ordinary Shares for the year ended July 31, 1958. This dividend is recommended at the same rate as last year in order that the profits tax payable shall be kept to a minimum.

The Board has, however, declared a Special Interim Dividend of 4 per cent, less income tax, for the year ending July 31, 1959, payable at the same time as the recommended dividend referred to above. This Special Interim Dividend will not affect any final dividend which may be recommended in respect of the year ending July 31, 1959.

The number of cars which were produced last year was a record for the Group and, although generally commercial vehicle sales were difficult, here again our total showed an appreciable increase.

Whilst our sales and production were strong, trading margins remained fine. These conditions prevailed throughout the year under review and continue today.

VERY SATISFACTORY EXPORT SALES

We are glad to be able to say once again that over 50 per cent of our total output was exported. Fortunately our overseas sales were well distributed. Conditions continued to be difficult in Australia, and became more difficult in certain other countries—notably New Zealand due to tighter financial controls—and for one reason or another a number of markets were closed or virtually closed to us. There were, however, improvements elsewhere. In particular, mention must be made of the important dollar markets of USA and Canada, where we sold over 50 per cent more units in 1957-58 than in the previous year, which itself was a record.

It will be appreciated that in the export field we are exposed to forceful competition from abroad and this competition is still growing in intensity, particularly from Europe.

In this connection I feel that I should refer to the question of the European Free Trade Area. It would seem that success is so far eluding the Government in its strenuous efforts to align this country with our friends on the Continent. I naturally hope that the Government will not be precipitate in entering into commitments unless we obtain fair trading conditions.

IMPORTANCE OF COST LEVELS

In all these circumstances it is doubly important to hold our present cost levels, and if possible to reduce them. We are doing everything within our power to achieve these ends. I cannot, however, be confident that inflation in this country has been held and I therefore feel the industry's competitive position internationally can become somewhat precarious.

RECORD HOME SALES

Turning now to the Home market, I am glad to say that the Group also achieved record sales. The necessity of a strong Home market, if we are to survive and maintain our export performance, must be apparent to all, particularly when we recall the disastrous effect on employment and on our earnings in the previous year of the Suez crisis.

In this connection I must refer to the question of Purchase Tax. The continuance of this heavy surcharge on commercial vehicles is quite indefensible and the even heavier tax on cars inevitably has the effect of weakening our home position and, in consequence, our export strength. This subject is one which cannot be dealt with in a few sentences and it has been fully ventilated to the authorities. However, I feel I would be wrong if I omitted to point out the seriousness with which we regard existing Purchase Tax, as affecting the future of our industry and the country's economic welfare.

REPUTATION FOR HIGH QUALITY AND PERFORMANCE

Last year I expressed myself as being very confident of our products. Today I am even more so. We have made major improvements to our complete range and in particular have just recently added new Commer and Karrier trucks in the 5/6 ton category and a new Humber Super Snipe, all of which have been extremely well received. The Humber Hawk, Hillman, Sunbeam and Singer—indeed, all our vehicles—are making striking progress and maintain their reputation for high quality and performance.

As well as being highly competitive, ours is a continuously changing industry and great effort and good team work are essential by all employed if success is to be achieved. I would like to thank our workpeople and our staff for their loyal efforts to this end in the past year.

I would also express appreciation to our dealers, both at home and overseas, as well as to our suppliers, for their support and co-operation.

LLOYDS BANK LIMITED

CAPITALISATION OF RESERVES

An EXTRAORDINARY GENERAL MEETING of Members of Lloyds Bank Limited was held on November 14th at the Head Office, 71 Lombard Street, E.C.3.

The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, the Chairman, presided.

The Resolution agreeing to the proposed capitalisation of Reserves was duly passed.

HARRIS LEBUS LIMITED

DEMAND FOR MODERN FURNITURE

The eleventh annual general meeting of Harris Lebus Limited was held on November 14th in London, Sir Laurence Watkinson, KBE, CB, MC, chairman, presiding.

The following is an extract from his circulated review:

The accounts give a profit for the period of 52 weeks to July 11, 1958, of £356,664, before deducting tax, but after providing for all charges, including depreciation, compared with a profit of £395,091 for the period of 52 weeks to July 12, 1957. Bearing in mind the difficulties of the furniture industry this result is not discouraging.

The demand for furniture is moving noticeably and with growing speed towards more modern designs. In July we marketed a new range of Link furniture designed to cater for those who can only indulge their taste for modern designs at lower prices and this is being well received. A new range of non-branded merchandise was marketed at the beginning of September after the end of the year under review. The demand for the Company's upholstered products has been especially gratifying.

The furniture industry has been directly affected in the past three years by no less than three variations in Government policy, in addition to changes in the Bank rate. Every one of these changes involved dislocation and I would, with respect, enter a plea for more stable conditions.

The hire purchase relaxations will certainly stimulate the trade in the shorter term but what the future may hold must, in my opinion, be uncertain until we have a clearer idea not only of the economic climate but also of the strength of the competition with furniture of other consumer durables which, of course, have also been given important hire purchase relaxations.

The report was adopted.

ELECTRIC & MUSICAL INDUSTRIES LIMITED

ELECTRONICS · TELEVISION AND RADIO TRANSMITTERS AND RECEIVERS · OFFICE EQUIPMENT · GRAMOPHONE RECORDS

World Wide Progress during 1957/58

	1956	1957	1958
		£ thousands	
Sales	52,894	61,063	**65,905**
Trading Profit	2,417	4,732	**5,322**
Group Net Profit	872	1,114	**2,156**
Paid to Stockholders	432	432	**432**
Total Assets	16,848	18,646	**20,339**

Gramophone Records. A large increase in Group sales in the U.K., U.S.A. and elsewhere. The Company has had a good share of the "Top Ten" popular artistes, including a number of golden disc winners. The demand for "serious" records continued strong. The Company has introduced "Great Recordings of the Century" and published the first eight volumes of the "History of Music and Sound" on long-playing records.

Tax on Culture. Records are unjustly subject to highest rate of purchase tax (60%)—more than on fur coats, jewellery, etc.—making retail prices 40% higher than they need be.

Process Control. We have designed equipment for use in nuclear power stations and examined similar applications of it to the petroleum, chemical and food industries.

Office Computers. Our computers embody all the latest construction techniques and are designed to provide the high degree of reliability essential to meet modern needs. The Emidec 2400 is outstanding in its exceptionally high speed and storage capacity.

Analogue Computers. We are in full-scale production of the new Analogue Computer —Emiac II—for the study of nuclear reactor projects and research work on guided missiles and on other problems of high-speed flying.

Television Transmitting Equipment. The new Ultra High Frequency transmitter installed by the B.B.C. for tests at Crystal Palace was designed and built by E.M.I. and is the most powerful UHF television transmitter in Europe. Considerable interest has been shown by several European countries in this latest development. Orders for television studio equipment have been obtained from the B.B.C. and all the newly appointed Commercial Television programme contractors and in addition a number of transmitters have been ordered by the B.B.C. for extending the coverage of their VHF FM Service.

Stereo Reproduction. Stereo records are essentially an E.M.I. invention, arising from the 1931 patent of the late A. D. Blumlein. E.M.I. has now developed a completely new system of transmitting and receiving stereophonic radio programmes, requiring only inexpensive changes in equipment.

Capitol RS101 Stereo Reproducer. We believe this to be the best value high fidelity model on the market. It plays also all single-channel records.

"Emitape". The capacity of the magnetic tape factory is being enlarged to meet the persistent increase in demand.

The Accounts and Mr. J. F. Lockwood's Review may be obtained from the Secretary, E.M.I. Ltd., Hayes, Middlesex.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY

(Incorporated in the Union of South Africa)

EXTRACT FROM MR D. A. B. WATSON'S SPEECH

The annual general meeting of the Johannesburg Consolidated Investment Company, Limited, was held on November 18th in Johannesburg.

Mr D. A. B. Watson, who presided in the unavoidable absence of Mr H. J. Joel, the Chairman, said the profit, before providing for tax, amounted to £2,340,434, a decrease of £128,832 compared with the previous year. The gross income was slightly higher than that for the previous year and the decrease in profit arose mainly from the fact that a sum of £175,242 which had been spent over a number of years on various prospecting ventures was written off during the year under review.

Mr Watson continued: I am very pleased that the forecast made in the chairman's statement last year that investment income would be substantially maintained in the year under review has been borne out. The slight increase in this income masks a number of fluctuations, income from copper, platinum, lead and zinc being lower and that from gold, diamonds, manganese and various industrial interests being higher. While, as stated in the Directors' Report, income from diamond interests was affected by the decline in diamond sales during the year, the comparative effect was more than off-set by income from additional investments acquired in diamond companies during the previous year.

After providing for taxation, the net profit was £1,940,313, compared with £1,598,414 for the previous year. Including the credit of £500,000 in respect of taxation overpaid in previous years, and the balance of £297,550 unappropriated at June 30, 1957, the amount available for appropriation was £2,737,863, as compared with £1,897,254 at June 30, 1957.

Having regard to the exceptional nature of the credit of £500,000 in respect of the over-provision for taxation in previous years, we considered it appropriate to transfer an equivalent amount to the Investment Reserve. The total amount of the Investment Reserve, namely, £1,500,000 is not, in the opinion of your Board, excessive in relation to the total book value of our portfolio.

After making the above appropriation to Investment Reserve and paying the dividend of 4s. 6d. per share, the carry forward was reduced by some £56,000.

It will be noted that there has been a considerable improvement in the liquid position of the Company and that current assets exceed current liabilities by £1,371,167, reflecting an increase of £702,385 over the figures for the previous year.

After a detailed review of conditions and prospects in the various fields of investment, Mr Watson concluded:

To sum up, it seems inevitable, in view of the less profitable conditions at present existing in a number of fields of investment in which your Company is interested, that some reduction in the net profit for the current year is to be expected. Unless, however, any unforeseen depreciation in the book value of the Company's investments occurs during the current year the Board expects that it will be possible this year to maintain the 4s. 6d. dividend rate.

HARTEBEESTFONTEIN

(Incorporated in the Union of South Africa)

ANOTHER SUCCESSFUL YEAR

MINE'S PRODUCTION SHOWS CONSISTENT IMPROVEMENT

The ninth annual general meeting of Hartebeestfontein Gold Mining Company Limited will be held on December 4th in Johannesburg.

The following is the circulated review of the chairman, Mr B. L. Bernstein:

The financial year ended June 30, 1958, was another successful year for your mine. The total working profit increased by £2.26 million due to higher tonnages milled and to increased recoveries of gold and uranium oxide. Earnings from the production of uranium oxide were substantially higher as this was the first full year of production. The working profit derived from uranium was £3,047,084 and represented approximately 45 per cent of the total working profit.

As you are no doubt aware an agreement between the SA Atomic Energy Board and the Combined Development Agency restricts the sale of uranium to the Agency to 6,200 tons in any one year. The quota granted to your mine for the six months ending December 31, 1958, is 521,590 lbs. Your Company's present contract for the sale of uranium oxide will expire on December 31, 1966.

The total surplus for the year was £6,732,681 which, when added to the undistributed balance of £238,788 brought forward from the previous financial year, made £6,971,469 available for appropriation. £2,827,355 was appropriated for capital expenditure and repayment of loans and £2,925,000, equivalent to 6s. 6d. per share, was distributed to shareholders in dividends. The balance of £1,219,114 was carried forward to the current financial year. No provision has been made for taxation as the Company still had an assessed loss as at June 30, 1958, estimated at £3,423,358. At the present rate of profit and bearing in mind the capital expenditure programme, it is anticipated that the assessed loss will be absorbed towards the end of the current financial year and that the Company will become liable for tax and lease payments in respect of the financial year ending June 30, 1960.

MINE'S IMPROVED PERFORMANCE

On the production side the mine has shown a consistent improvement as compared with the previous year's performance. The average monthly milling rate increased from 76,666 tons to 84,833 tons. The grade recovered at the mill has improved from 10.291 dwt to 10.967 dwt per ton. Working costs during the year decreased by 5d. per ton and 8s. 8d. per ounce as compared with the previous year's costs and averaged 65s. 2d. per ton and 118s. 10d. per fine ounce of gold, respectively.

DEVELOPMENT OPERATIONS

Shareholders are aware that the Kromdraai fault, which strikes north-east/south-west, divides the mine into two distinct mining areas. The present stoping areas are confined to the south-eastern side of the fault, where the average depth of the reef is 3,000 feet below surface. The reef on the other side of the fault is some 3,000 feet deeper.

Your mine came into production on a comparatively low mill tonnage, all derived from mining operations in the shallow eastern portion of the mine. As profits were earned so operations were expanded and steps were taken to open up the deeper western portion of the property. At the end of 1956 sinking of a sub-vertical shaft, No. 2A, was commenced from the transfer level connecting No. 1 and No. 2 shafts some 3,000 feet below surface. No. 3 shaft was sited near the northern boundary of the mine and will serve as the main upcast ventilation shaft in the deep level area. The high profit earned not only enabled this policy to be pursued with vigour but also made the distribution of substantial dividends possible.

The first stage of the work necessary to open up the deeper portion of the mine is now well advanced. No. 2A sub-vertical shaft intersected reef at a depth of 6,256 feet below the surface. No. 3 shaft sunk from surface had reached a depth of 5,341 feet on September 30, 1958. It is estimated that this shaft will intersect Vaal Reef at a depth of 5,680 feet. At No. 2A shaft a haulage on the transfer level, approximately 5,730 feet below surface, is at present being driven in a north-easterly direction to connect with No. 3 shaft.

On surface the first stage of expanding the gold plant is nearing completion and it is anticipated that the second stage will be completed by the end of the current financial year. The capacity of the gold plant will then exceed 130,000 tons per month. The output of the enlarged mill, however, will be governed by the mining conditions met with in the deeper area and by the availability of native labour. It is hoped that the milling rate will be increased progressively and will reach 112,000 tons per month towards the latter half of 1959.

In order to permit of greater latitude in the opening up and exploitation of the deeper area of the mine and to provide improved ventilation facilities in that area, an additional surface shaft will be required. This shaft, which will be known as No. 4, will be sited approximately 7,000 feet to the south of No. 2 shaft and will be sunk to a depth of approximately 7,500 feet from surface.

Exploratory development from No. 2A and No. 4 shafts will determine the shaft system which will be required ultimately to serve the western portion of the deep area of the mine. Bearing in mind all the factors, including the fact that funds are now available for this purpose, your directors have decided that the sinking of No. 4 shaft should commence early in 1960. Permanent hoists have, therefore, been ordered and, in the interim preliminary work will be completed.

CAPITAL EXPENDITURE PROGRAMME

At the annual general meeting in November, 1956, I indicated that capital expenditure of some £6 million would be required during the following four years and at last year's meeting, held in November, 1957, I advised you that this estimate would be exceeded. During the past two years there has been a marked increase in the percentage of waste rock sorted both on surface and underground. While this has resulted in the earning of higher profits and in an increased rate of dividend payment, it has also increased the scale of underground operations and has necessitated an acceleration of the previously planned capital expenditure programme.

In addition, the underground pumping capacity has been doubled, the hoisting capacity is being increased and improvements to the uranium and reduction plants are being effected. Furthermore, owing to the nature of the ground encountered, sinking costs at No. 2A shaft have been higher than anticipated. Due to these circumstances it is now estimated that the amount to be spent during the four-year period ending June 30, 1960, including expenditure connected with No. 4 shaft, will be about £8,500,000, of which £4,600,000 had been spent at the end of the financial year under review. During the current financial year it is estimated that capital expenditure will be about £2,500,000.

SOLAR INDUSTRIES LIMITED

(Formerly the Aluminium Castings Company, Limited)

MR R. K. CALDER'S REVIEW OF ACTIVITIES

The fifty-second annual general meeting was held on November 14th in Glasgow, Mr R. K. Calder (Chairman and Managing Director) presiding.

The following is an extract from his statement:

The effect of the Canadian recession and of the cut backs in the aircraft programme in the second half of the year occasioned losses of just short of £90,000.

While the UK Subsidiaries showed an increase in output of some 17½ per cent, and a recovery in trading profits of over £100,000, the turn round in the Canadian Company was much too great to prevent the decline in trading profits from £429,512 to £358,277.

Charges against the profits including Depreciation of £88,131 amounted to £192,023, an increase of £13,861.

The charge for taxation—there being no allowance for the Canadian loss—advanced to £125,400 against only £79,656, and the final net profit is therefore £45,291 as compared with £170,641 in the previous year.

SUBSIDIARIES' ACTIVITIES

Aluminium Bronze Co. Ltd. made a substantial recovery from the previous year when the Suez difficulties had curtailed output. The current year sees the recovery maintained.

Atkinson's Agricultural Appliances Ltd. staged a recovery, both in turnover and in earnings. Results in the current year are equally encouraging. The recently developed Atkinson PTO Guard—designed to comply wtih the new safety regulations affecting farm equipment—has been favourably received and will, I hope, contribute materially to the results of the current year.

The Bright Companies naturally followed the pattern in the motor industry and showed an all round improvement. A licence agree-

ment has just been concluded in respect of USA and it is hoped that production there may be possible in the near future.

Burnley Aircraft Products Limited again increased both output and earnings and progress is being maintained in the current year. To cope with increased demands a further extension of the Company's Britannia Works is now being built.

Scottish Aluminium Ware Limited, despite the earlier promise again made a call on the Parent Company for a subvention payment. Reorganisation of this Company is continuing and a small profit is currently being shown.

Trent Foundries Limited showed a small improvement in earnings but the earlier plans for building expansion have not yet been proceeded with in view of the more urgent needs in other divisions of the Group.

The Verichrome Plating Companies had rather mixed fortunes, the Walsall division losing ground, while the Larkhall Company returned both higher sales and profits. The current year sees the position well maintained.

Finally, the position at Renfrew Aircraft & Engineering Company Limited is, I am glad to report, showing considerable improvement.

Major Bright has both taken over the Presidency and taken up residence in Canada and he enjoys the full confidence of the Board in the difficult task of fully restoring the fortunes of the Renfrew Company.

While the future of the aircraft industry in Canada is fraught with uncertainty I am glad to say that the current order load—largely commercial work—is satisfactory. I hope that with the changes in management and the more favourable outlook now prevailing in Canada profitable operations may continue.

The Directors, in the light of the results for the year, were unable to recommend a dividend on the Ordinary Shares. Provided, however, that the improvement in the current year is maintained and in particular that the Canadian Company operates as forecasted your Directors will give favourable consideration to the payment of an interim dividend early in the new year.

I would wish to record appreciation of the services rendered to the Group by Mr D. K. G. Sloan, Secretary to the Parent Company, who died so suddenly in July last.

In conclusion, I am sure that members will join me in thanking my colleagues on the Boards of the Parent and Subsidiary Companies, Managers, Executives, staff and all employees, both at home and abroad, for their hard work without which the Group could achieve nothing.

The report and accounts were adopted.

THE BIRMINGHAM SMALL ARMS COMPANY

MR JOHN Y. SANGSTER ON SHORT- AND LONG-TERM PROSPECTS

The ninety-seventh annual general meeting of The Birmingham Small Arms Company Limited will be held on December 12th in Birmingham. The following is an extract from the circulated statement of the Chairman, Mr John Y. Sangster:

The Trading Profit (before Taxation) is £2,261,707 against £2,202,666 for the previous year. This result has been achieved in spite of the general recession in industry which adversely affected our volume of sales to an increasing extent as the year progressed.

Your Directors recommend a Final Dividend on the Ordinary Stock of 8 per cent, less Tax, making 11 per cent for the year, as compared with 10 per cent for the previous year.

The Motor Cycle Companies, BSA, Triumph and Ariel, enjoying as they do the major share of the total market, have made a most satisfactory contribution to Group Profit notwithstanding the setback which has been experienced by the Industry as a whole both in the Home and Export Markets. Prospects appear to be at least as good as they were twelve months ago. With our new Scooter programme we have aimed at producing a product which will secure for us an important share of the world market for this class of vehicle and we have every confidence that our machines, which are competitive in price and unsurpassed in appearance and performance, will achieve our object.

The Daimler Company has made a moderate profit for the year in contrast to the losses which have been incurred in previous years.

Your Board has decided to proceed with the production of an entirely new 2½ litre Motor Car which has been designed, developed and tested during the past two years, but we do not anticipate reaching the production stage before the autumn of 1959.

BSA Tools Division: A year ago I reported that a recession then existed in the Machine Tool Industry. The position has progressively worsened and we have experienced a most difficult year, in which profits have been severely curtailed.

The Steel Division: The much publicised falling-off in demand for the products of the British Steel Industry first became apparent some months ago and has now assumed serious proportions. The trading results for the year of our own Steel Division have not been unsatisfactory. We hope that the beneficial effects which should flow from the several steps taken by HM Government to facilitate and encourage industrial expansion, will not be long delayed.

BSA Guns: During the year production commenced of Automatic Rifles under the Ministry of Supply Contract referred to last year.

The statement then reviewed the activities of the smaller Units of the Group and continued:

Our short-term prospects at the time this statement is issued are less favourable than they were twelve months ago, but I look forward to our longer-term prospects with confidence.

Nationalisation of Steel: The intention, expressed by the Labour Party, to renationalise the Steel Industry is an issue of paramount importance to this Company. State ownership would mean a monopoly in which individuality, initiative, and freedom would cease to exist and would be gravely detrimental to the interests of our stockholders, employees, customers, and the nationally important exports of the Steel Industry which help to pay for the food and raw materials which this country must import in order to live.

STOTHERT & PITT LIMITED

SATISFACTORY TRADING RESULTS

The seventy-fifth annual general meeting of Stothert & Pitt, Limited was held on November 14th at Bath.

Sir Llewellyn T. G. Soulsby, JP (the chairman) presided and, in the course of his speech, said: The trading profit for the year is satisfactory and output has again increased. All departments were fully employed during the year.

Although the profits for the year constitute a record, we must regard ourselves as fortunate that both turnover and profits have advanced in a period of increasing competition when supply has been tending to exceed demand in certain directions. The improvement must be attributed to the additional capacity and greater efficiency in the Works as a result of the capital expenditure to which reference was made in my letter of August 6th last.

Current trading continues on a satisfactory basis and we have a sound order book covering the next two years or so. Exports are being maintained at a substantial figure and during the year under review we exported our products to forty-five countries.

It is the hope and intention of your Board to maintain for so long as it may be expedient to do so the more liberal policy outlined in my letter of August 6th last. We now recommend a final dividend at the rate of 7½ per cent bring the total distribution for the year up to 25 per cent.

The report and accounts were adopted and at the subsequent extraordinary general meeting the capital increase and one for three scrip issue proposals were sanctioned.

NEEPSEND STEEL & TOOL CORPORATION LTD.

SIR STUART C. GOODWIN'S STATEMENT

The thirty-eighth annual general meeting of this company was held on November 18th at Sheffield, Sir Stuart C. Goodwin, DL, JP (chairman) presiding.

The following is an extract from his circulated statement for the year ended March 31, 1958:

The trading profits, before taxation amounted to £1,260,119 as against £1,334,118 in the previous year. The Group is in a very sound financial position. It is gratifying that the trading profit reflects only a slight fall compared with the year before. While the turnover exceeded that of the previous year, the margin of profit was reduced.

Conditions in the steel industry are not so favourable as a year ago. Like other firms in the industry we are feeling the effects of the general recession, although possibly not so seriously as those whose interests do not also embrace the end products from ancillary trades. This fact emphasises the point I made last year, that the policy of extending our interests in the ancillary trades must stand us in good stead in the prevailing conditions. With short time working in several departments, and intense competition especially in the export market, our results a year hence may reflect this.

The report was adopted and a final dividend of 37½ per cent, less tax (making 50 per cent, less tax, for the year) was approved.

J. & F. STONE LIGHTING & RADIO

The twenty-fifth annual general meeting of J. & F. Stone Lighting & Radio Limited was held on November 20th in London.

In his circulated statement, dated October 24th, the Chairman, Mr D. G. Nairn, OBE, commented on the difficult conditions under which the Group has been required, by Government decrees, to trade during the year to June 30, 1958, but, he said, the remarkable achievement must not be overlooked of earning approximately £720,000 under such conditions and without sacrificing in the least degree the very conservative financial principles which had characterised the Group throughout its existence.

It had not been possible for them to offer their Hire Purchase customers the attractive terms which they would have liked to have offered and which the Group was well able to finance themselves.

He continued: In relation to the Issued Capital of £1,200,000, our Profits at £720,000 reflect earnings of 60 per cent before taxation. If this rate continues and the new Profits Tax regulations remain unchanged, then, allowing for 10 per cent Profits Tax and 42½ per cent Income Tax, the net cost of Ordinary Stock Dividends at the rate of 30 per cent per annum gross is covered nearly one and two-thirds times.

Commenting on the recent easing of financial restrictions on Hire Purchase and other forms of credit trading, Mr Nairn said: Our liquid position is immensely strong and we are fully equipped to meet all competition in a free market.

The report was adopted.

APPOINTMENTS REQUIRED

AFRICA. Are you obtaining adequate share business in this rapidly expanding continent ? Advertiser (Englishman, abroad now), has travelled whole territory very many years on behalf important interests, in capacity exclusive representative, obtaining outstanding results. Is presently *considering change* appointment. Overall operational costs possibly £6,000 per annum, but likelihood turnover well exceeding £100,000 (present results prove). Would welcome mutual investigation prospects with first-class British or U.S. manufacturers.—Box 1076.

GRADUATE in Economics and Politics, age 29, seeks long or short term employment. Considerable political and administrative experience. Special aptitudes in research, publicity and finance. Presently employed in International Organisation. Travelled extensively in Africa, Asia and Europe.—Write, *Box 1079.*

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NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an Interim Dividend of fifty Cents (50c) per share, Canadian funds, has been declared by the Directors of Noranda Mines, Limited, payable December 15, 1958, to shareholders of record November 21, 1958.

By Order of the Board,
C. H. WINDELER.
Secretary.

Toronto, Ontario,
November 13, 1958.

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APPOINTMENTS

COUNTY COUNCIL OF ESSEX

COUNTY PLANNING DEPARTMENT

Applications invited for the following posts :

(1) Assistant Area Planning Officer, Special Grade (£750-£1,030) at Braintree. Applicants must be Corporate Members of the Town Planning Institute or other *comparable professional* Institute and have had a wide experience in development control. Applicants should also be experienced in the preparation of development plans for county towns and large villages, and be able to assume control of a small Area Office of eleven persons during the absence of the Area Officer.

(2) Senior Planning Assistant, Special Grade (£750-£1,030) at Wanstead. Applicants must have *had practical* experience in the preparation of development plans in urban areas and be able to take charge of a small section of staff. Experience in, and a flair for, statistical and research work related to planning regarding population, industry, employment, education, etc., will be an advantage. Applicants should be Corporate Members of the Town Planning Institute or other comparable professional institute, or possess a University Degree in Economics or Geography. Five-day week ; day release facilities ; medical examinations ; superannuation.

Application forms from County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, returnable by December 8, 1958.

BRITISH PETROLEUM COMPANY Limited has vacancies for METHODS ASSISTANTS in its Organisation and Methods Branch at Head Office in London. Age limit 38. Applicants should, preferably, be in possession of a degree in either Commerce, Economics, or Statistics, and have had at least three years' experience in office methods work. Duties will include the investigation of clerical and administrative methods of procedure, and applicants must be prepared also to study the possible applications of electronic digital computers and data processing equipment. Salary according to age, qualifications, and experience. Non-contributory Pension Fund, assisted House Purchase Scheme. Removal expenses and settling-in allowances payable in certain cases. Luncheon club.—Write, quoting reference H.4269B, to Box 5919, care of 191, Gresham House, E.C.2.

LONDON TRANSPORT require an Associate or Fellow of the Institute of Actuaries (or equivalent) for interesting and varied work connected with staff statistics, pensions, sick pay, friendly societies and other actuarial matters. Commencing salary would depend upon qualifications and experience but would not be less than £1,020 per annum (Associate) or £1,150 per annum (Fellow). Medical examination ; contributory superannuation scheme after probation ; free travel. Please apply, within 7 days, to Staff and Welfare Officer (F/EV 716), London Transport, 55 Broadway, S.W.1.

THE UNIVERSITY OF MANCHESTER

SIMON FELLOWSHIPS

The University offers a number of Simon Fellowships for advanced study or research in the social sciences. This term is used in a wide sense to include not only Economics, Government, etc., but equally, fields such as Education, Jurisprudence and Social Medicine. Values within the range of £1,000—£1,800 per annum (Simon Research Fellowships) or within the range of £1,850—£2,250 per annum (Simon Senior Research Fellowships), according to qualifications and experience. They are open to members of the public services as well as to persons with academic experience.—Applications should be sent by January 15, 1959, to the Registrar, the University, Manchester, 13, from whom further particulars may be obtained, and who will be pleased to answer any enquiries regarding the scope of the Fellowships.

STAFFORDSHIRE COUNTY COUNCIL

COUNTY PLANNING AND DEVELOPMENT DEPARTMENT

Applications are invited for the appointment in the County Planning and Development Department of an assistant in the Research Section on A.P.T. Grades I-II (£575-£845 per annum) the *commencing* salary and grading to be in accordance with qualifications and experience.

Applicants should have an honours degree in geography or economics and should preferably have had research experience.

The Council are prepared to grant lodging allowances of 35s. per week for a period of six months and second class railway travel home every two months during the initial six months to married applicants maintaining a home outside the geographical county. Consideration will also be given to the granting of financial assistance in appropriate cases towards removal expenses.

Applications, giving details of age, education, qualifications, present and previous appointments, experience and the names of two persons to whom reference may be made should be sent to D. W. Riley, County Planning and Development Officer, 41a, Eastgate Street, Stafford, not later than December 3, 1958.

Relationship to any member or senior officer of the County Council must be disclosed. Canvassing will disqualify.

T. H. EVANS.
Clerk of the County Council.

PURCHASING OFFICERS ASSOCIATION requires a TECHNICAL OFFICER to assist in the preparation of publications, educational programmes and research studies. Applicants should have writing and speaking ability, a thorough understanding of economics and be willing to travel extensively in the United Kingdom. Commencing salary £1,250 to £1,500 according to age and experience.—Applications, marked "T.O.", should be addressed to the Secretary, Purchasing Officers Association, Wardrobe Court, 146A, Queen Victoria Street, London, E.C.4.

For other appointments see page 751

NORTHUMBERLAND COUNTY EDUCATION COMMITTEE

ASHINGTON COUNTY TECHNICAL COLLEGE

Applications are invited for the following post on the staff of the above College. Training and/or experience in technical education will be an advantage.

ASSISTANT (GRADE B) IN SHORTHAND AND TYPING. To take charge of the subjects throughout the Commerce Department under the direction of the Head of Department. The department is now well equipped and enjoys ideal teaching conditions. The bulk of the work is in well-established day courses and there is considerable scope for initiative and development.

Salary : Grade B Burnham Technical Scale (at present under review). Starting point on the scale is determined by teaching and/or industrial experience.

Forms of application and further particulars may be obtained from the Director of Education, County Hall, Newcastle upon Tyne, 1, to whom completed forms should be returned not later than fourteen days after the date of this advertisement.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

A mathematical statistician, with a good academic record, is wanted as Senior Research Officer or Research Officer. Grading and salary according to age and qualifications in the range £900-£1,750. The candidate will be required to undertake research, lecture and teach statistics at undergraduate and postgraduate levels. Membership of F.S.S.U. and children's allowances of £50 given. Further particulars and application forms can be obtained from the Secretary, Institute of Statistics, St. Cross Road, Oxford. The electors will not necessarily limit their choice to those candidates who apply for the post.

AUSTRALIA—UNIVERSITY OF MELBOURNE

READER IN AGRICULTURAL ECONOMICS (including the Economics of Farm Management)

Applications are invited for the above position. The salary range is £A2,550 to £2,800 per annum. Initial salary will be determined according to qualifications and experience. Superannuation similar to F.S.S.U. in Great Britain will be provided.

Conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on December 15, 1958.

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Philippines	£10 6s.	—
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Sudan	£7 15s.	£6 18s.
USA	—	$25 or £9
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COMPANY AFFAIRS

DISTILLERS

THE scrip issue foreshadowed by the chairman of Distillers, Sir Graham Hayman, last August, has not been done by halves. It will require a massive capitalisation of reserves. First, the nominal value of the ordinary shares is to be written up from 6s. 8d. to 10s., which will require the capitalisation of £21,002,257. Secondly, a one in four scrip issue of 10s. shares will be made, requiring the capitalisation of £15,751,693. In all, then, £36,753,950 will be capitalised, raising the issued ordinary capital to £78,758,466. The greater part of the sum to be capitalised will come from the capital reserve, which has been increased by £27.7 million on the revaluation of the investments in certain subsidiaries.

The interim on the new ordinary capital will be 7½ per cent (equal to 4 per cent on the old). The directors point out that the total dividend paid for 1957-58 of 20 per cent would be equivalent to 10½ per cent on the increased capital. That would in any case need rounding off; but since they rather ostensibly do not issue the conventional warning that the scrip issue carries no implications about future dividends, Throgmorton Street is thinking that there will in fact be something bigger than a mere rounding off. What that increase may be, if it comes, is anyone's guess but the rise in the ordinary units from 28s. 10½d. to 30s. 10½d. suggests that some at least are thinking of 12 or 12½ per cent.

The directors also propose to raise the authorised share capital to £100 million. The new ordinary capital of £78.8 million and the preference capital of £2.2 million would then leave about £19 million of unissued capital—enough comfortably to cover the £15 million that the group will probably need in the next two years for development.

BSA

THE directors of Birmingham Small Arms, headed by Mr John Y. Sangster, have raised the ordinary dividend from 10 to 11 per cent in the knowledge that in the year to July 31st trading profits rose by a mere £59,041 to £2,261,707 and in the belief that short term prospects are even less favourable than they were twelve months ago. But the new management is now firmly in the saddle; it has been carrying through a searching reorganisation of the group and the sale of the pedal cycle business has strengthened liquid resources. In the last financial year the motor cycle division made a "most satisfactory contribution" to the group's profits while the Daimler company made a "moderate profit in contrast to the losses which had been incurred in previous years." On the other hand, the profits of the machine tool division have been "severely curtailed" and though the steel division has earned a satisfactory profit it has worked through its order book and new orders are not sufficient to keep its capacity fully employed. That, however, is much the experience of other machine tool and steel makers and Mr Sangster is not yet confident that the corner has been turned. Hence his doubts about the immediate prospect—doubts that are reinforced by another increase in wages which under the pressure of competition must mean smaller margins of profits. Elsewhere, however, BSA may gain from the abolition of hire purchase restrictions in its motor cycle division, where it has already begun to market new models, while the Daimler Company has designed and developed a new motor car specifically for the North American market. In all, BSA looks prepared for re-expansion when the time comes. The yield of 6.3 per cent on the £1 ordinary units standing at 35s. xd. strikes a fair balance.

GLAXO LABORATORIES

INVESTORS always seem to be prepared to pay a high price for the 10s. ordinary units of Glaxo Laboratories. Currently they stand at 55s. 6d. (having fallen 3s. 6d. on the publication of the full accounts) but still yield only 3.2 per cent on the dividend as increased from 12½ to 17½ per cent for the year to June 30th. Investors seem to be hypnotised by the big earnings cover, seemingly forgetful that pharmaceutical manufacturers always have to retain big reserves for research and development. It is also true that Glaxo has been expanding, with its trading profits soaring ahead from £3,889,750 to £5,310,166 in the last financial year.

But now the sober assessments of the chairman, Sir Harry Jephcott, give investors due warning that expansion is neither automatic nor eternal. Two-thirds of the group's sales are in overseas markets and both at home and abroad the increase in sales had begun to slow down quite appreciably in the later months of the financial year. To keep up the volume of overseas sales, as Sir Harry says the group must, it has to operate at "reduced and sometimes unremunerative prices." No wonder then that Glaxo, having taken over Allen and Hanbury, is anxious to merge the overseas interests of the two concerns, leaving Allen and Hanbury's business at home as a separate entity. The group, already strong both financially and technically, should be strengthened by this merger. But Sir Harry says that since the beginning of the current year competition, particularly in overseas markets, has grown more acute, that it is now difficult to maintain the volume of sales and that to return profits at the level recorded in 1957-58 "may prove impossible."

RALEIGH INDUSTRIES

FOREWARNED is forearmed and the statement by the directors of Raleigh Industries last May that the group was then confronted with a sharp recession in trade was a clear signal that the dividend might be reduced. Investors, however, were taken aback by the severity of the cut in the dividend just announced. The final payment is 6 per cent, and the total dividend is down from 13½ to 8 per cent. As equity earnings have slumped to just over 14 per cent the dividend obviously had to come down. But the steepness of the fall in gross profits—by just over 39 per cent from £2,209,369 to £1,341,095 in the year to July 31st—cannot but be contrasted with the forecast made a year ago by the chairman, Mr George Wilson, that profits in 1957-58 would "approximate" to those achieved in 1956-57. At that time, the group, with the added volume of sales contributed by the BSA cycle interests (which Raleigh acquired in June, 1957) was working overtime in most departments. When the group raised £3½ million on a 6 per cent debenture the directors also predicted "provided no unforeseen circumstances occur" that profits would be maintained. In fact, the tide turned quickly and suddenly soon after this issue and forecast: for the industry as a whole deliveries of pedal cycles in the year to July, 1957, fell by about 13 per cent.

No doubt Mr Wilson will analyse this unhappy turn of events when he issues his statement with the full accounts. But light has already been shed on the cycle industry's difficulties by Sir Ivan Stedeford in his statement to shareholders in Tube Investments. Last year, the cycle division of Tube Investments, he explains, faced even keener competition from manufacturers in Holland, Germany, Japan, Russia and China. Costs at home, he added, continued to rise without an equivalent improvement in productivity—blunting the British industry's competitive edge. Sir Ivan believes that a compact and efficient British industry can still earn a "good living" and Tube Investments has been busy "reorganising and concentrating cycle production" in the last two years. A year or so ago, Raleigh committed itself to a massive capital investment programme and it has been taking other cycle companies under its wing. The directors seem to be thinking of the future in terms of a concentrated industry, dominated by two groups. They appear, too, to be pinning some hopes on the market for motor-assisted cycles. Raleigh recently introduced the first mass-produced "moped"; unfortunately, "moped" sales this year have fallen sharply. Raleigh has always exported a large number of the cycles it manufactures and it remains to be seen whether

recent events will force it to trim its ambitions. Since the dividend announcement Raleigh £1 ordinary shares have lost 6s. 9d. They now stand at 29s. 3d. but the yield is still only 5½ per cent.

TUBE INVESTMENTS

SHAREHOLDERS, taken by surprise by the resoundingly good profits earned by Tube Investments in the year to July 31st, and the increase in the ordinary dividend from 15 to 17½ per cent, will search the statement of the chairman, Sir Ivan Stedeford. for the explanation. That statement suggests that diversification, *per se*, is not the complete answer: Tube Investments is a team of well-managed companies, and the group is continually changing its composition, organisation and methods in order to improve its efficiency.

Two companies engaged in the manufacture of cycles were brought into the fold during the year, while all the aluminium interests were put into a new company jointly owned by Tube Investments and Reynolds Metals of America. Within the companies that comprise the group the search for economies has been vigorously pursued: "with the stringent monetary conditions in the autumn of 1957 and the prospect of falling demand, redoubled care was taken in authorising new capital expenditure and the total sanctioned was in consequence less than in the previous year. Priority was given to projects for reducing costs, or adding new products to our range."

The reward for good management is to be seen in the fact that, despite the recession and difficulties in overseas markets the group maintained the volume of its direct exports; indeed, exports by the steel tube division set a new record. This division ended the year in "fine fettle," and although the order book had shortened the decline has been arrested. Moreover, although the iron and steel section was working well below capacity at the end of the financial year, over the whole year sales exceeded those of 1956-57 and earnings remained much the same. The electrical section enjoyed a year of record output and profits when other manufacturers were finding the going hard. But perhaps the group's best achievement was its ability to maintain the volume of its bicycle sales, even though profit margins from these sales were much lower with the result that this "considerable turnover contributed little to profits."

Several of the group's divisions have fewer orders on hand and Sir Ivan admits that immediate prospects, though he looks to 1960 and beyond with every confidence, are difficult to assess. But the ordinary dividend has been raised and Sir Ivan tells shareholders that they can look at the outcome of the current year "without undue concern." It is the past record of this group as much as earnings of 70 per cent on the dividend of 17½ per cent that explains why the £1 ordinary units stand as high as 77s. 9d., to yield 4½ per cent.

ELECTRIC AND MUSICAL INDUSTRIES

GRAMOPHONE records account for about half of the worldwide business of Electric and Musical Industries, and in the year to June 30th while its sales of records at home rose by 23 per cent, its exports of records fell slightly. The increase in gross profits from £6,141,000 to £6,792,000 thus came largely from the domestic trade but in the United Kingdom the group leans more heavily towards electronics than gramophone records. It is obviously in the electronic side of the business that the chairman, Mr J. F. Lockwood, seems to see the more encouraging prospects for expansion and, in his statement, he points out that in industrial countries the sale of electronic equipment has been rising much faster than total capital expenditure in industrial countries. He admits that competition in gramophone records has been sharpened by the entry of newcomers into the industry and, although he implies that they may be finding the experience unrewarding, their lower prices can unsettle the market and profit margins. Moreover, Mr Lockwood believes that the full impact of this recession has not yet been felt and he speaks of "a more difficult" year to come. One important aspect of this is that in the financial year profits earned in the United States began to fall.

The boom in gramophone records may be past its peak but the directors of EMI have already committed themselves to paying a total dividend of 20 per cent for 1958-59 after a one for three scrip issue (equivalent to a rise from 15 to 26⅔ per cent) if profits are maintained at the 1957-58 level. Was this an unnecessary prognostication? At least a small increase in dividend for 1958-59 was justified by the results, and other companies have found a way round the profits tax difficulty by declaring special interim payments.

DEBENHAMS

DURING the two and a half years in which Mr J. Bedford has been at the helm of Debenhams he has steered a steady course, searching for wider horizons for this the biggest of the department store groups. The group derives much of its business from the middle classes and, like other department stores, has not gained much from the shift in income in favour of wage earners. Recently, therefore, it has not only improved and modernised its stores but has also made it plain that it is in the market for other kinds of retail outlets. It has made some small acquisitions but has not as yet pulled off a really big coup. Its profits are expanding but only slowly—rising by only £257,394 to £5,804,511 in the year to July 31st. Mr Bedford, however, does not seem displeased with the rate of growth and remains confident about the future. He is putting the ship in good order, setting on its way a re-organisation scheme within the group and bringing new and younger blood on to the bridge.

Nor does it seem that shareholders will be forgotten. The 100 per cent scrip issue which Debenhams made has increased the voting power of the ordinary shareholders from 63½ to 69 per cent of all the votes. Only the holders of the third preference shares suffer some loss in voting power, but they are given scrip in compensation. An interim dividend on the increased ordinary capital of 5 per cent (against the equivalent of 3¾ per cent) has already been forecast, and this seems to imply a total payment of not less than 15 per cent (against 13¾ per cent). On that assumption, the 10s. units at 51s. yield just under 6 per cent.

BRITISH TABULATING MACHINE

IN the year to September 24th, the gross profits of British Tabulating Machine have risen by £287,000 to £1,469,000 and a 10 per cent dividend has been repeated on the capital as increased by the one for four rights issue made last September. There is also a special tax free bonus of 2 per cent paid in celebration of the company's golden jubilee year. Since this announcement the £1 ordinary shares of the company have risen to a new "high" of 60s.

Though these results are good in themselves the proposed merger between British Tabulating and Powers-Samas Accounting Machines (a wholly owned subsidiary of Vickers) is by far the most important news of the year. Research expenditure is high and the potentially strong challenge of International Business Machine in the British and European markets sets a new and much bigger problem for these two leading British punched card and computer manufacturers to solve. After "full consideration" it has been agreed in principle that "the merger could be best effected" by British Tabulating acquiring the whole of the share capital of Powers-Samas for 3,064,516 of its own £1 shares plus a cash settlement of not more than £250,000, giving Vickers 38 per cent of the equity of the new group. British Tabulating is meanwhile increasing its ordinary capital by a 25 per cent scrip issue to 5 million £1 units, giving the new company a nominal ordinary capital of £8,064,516 and "to reflect the merger" the name of BTM is to be changed.

The directors say that the scrip issue is "related solely to the question of the capital structure of the merged company and has no relation to future dividend policy." At the current price of 60s. the BTM £1 units yield only 3½ per cent on the 10 per cent trading dividend. Investors clearly believe that the merger with Powers-Samas will produce a more powerfully competitive group but when the formal offer is made they are entitled to be given some indication of the anticipated earnings of the new company and its future dividend policy.

Company Affairs *continued on p. 746.* **London and New York Stocks** *on next two pages.*

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Nov. 12, 1958	Price, Nov. 19, 1958	Net Yield, Nov. 19, 1958 £ s. d.	Gross Yield, Nov. 19, 1958 £ s. d.
99 13/16	96 1/16	War Loan 3% 1955–59	99 21/32	99 21/32	1 19 4	3 7 9
96 11/16	90 5/8	Funding 2 1/2% 1956–61	96 17/32	96 1/2	2 18 3	4 0 11
99 3/4	96 13/16	Conversion 2½% 1958–59	99-14-6	99-15-3	0 14 0	3 10 11
97 15/16	93 3/8	Exchequer 2½% 1960	97 13/16	97 13/16	2 15 4	3 16 4
99 1/4	95 3/16	Exchequer 3% 1960	99 1/8	99 1/8	2 4 1	3 14 2
100 11/16	95 9/16	Conversion 4½% 1962	100 3/8	100 11/32	2 6 2	4 7 6
94 19/32	88 3/8	Exchequer 3% 1962–63	94 3/8	94 5/16	3 1 10	4 7 10 1
101 5/16	99 7/16	Conversion 4½% 1963	101	100 31/32	2 10 9	4 10 4
90 1/8	83 3/8	Savings Bonds 3% ... 1955–65	89	88 3/4	3 14 1	5 2 9
82 1/8	77 5/8	Funding 3% 1959–69	81 7/16	81 1/4	3 19 3	5 8 5
89 3/4	86 3/8	Funding 4% 1960–90	88	87 7/8	11 15 8 / 3 17 11	13 14 5e / 4 15 3
80	75	Savings Bonds 3% ... 1960–70	79 3/16	79 1/8	4 0 2	5 10 3
91 3/16	84 3/8	Exchequer 2½% 1962–64	90 1/2*	90 7/16	3 7 5	4 10 0
83 1/16	78 5/8	Savings Bonds 2½% ... 1964–67	82 5/16	82 1/4	3 18 10	5 2 9
74 3/4	69 5/8	Savings Bonds 3% ... 1965–75	73 5/8	73 5/8	3 18 7	5 10 1
103 7/16	99 1/2	Exchequer 5½% 1966	102 1/8	102 1/8	2 18 7	5 6 4
83 11/16	78 5/8	Funding 3% 1966–68	83	82 7/8	3 18 7	5 8 3
95 1/8	91 1/8	Victory 4% 1920–76	94 7/8	95	2 19 7	4 16 0
87	81 9/16	Conversion 3½% 1969	86	85 3/4	3 15 0	5 8 7
100 1/4	97 1/4	Conversion 5½% 1974	97 1/8*	97 3/16*	3 4 8	5 9 9
78 3/16	71 1/8	Treasury 3½% 1977–80	75 7/16*	75 1/4*	3 13 6	5 8 11
77 1/4	70 3/8	Treasury 3½% 1979–81	75 13/16	75 5/8	3 13 2	5 9 8
102 11/16	98 1/2	Funding 5½% 1982–84	102	101 7/8	3 2 4	5 10 1
67 1/4	60	Redemption 3% 1986–96	65 1/8	65	3 7 8	5 2 7
74 1/2	64 3/8	Funding 3½% 1999–2004	72 3/8	71 9/16	3 4 10	5 4 2
76 5/8	69 9/16	Consols 4% ..after Feb. 1957	74	73 9/16	3 3 2	5 10 7
69 9/16	63 1/8	War Loan 3½% ..after 1952	65 11/16 *	65 5/16 *	3 3 1	5 7 0
68 7/8	62 3/8	Conv. 3½% ..after Apr. 1961	65 13/16	65 3/8	3 3 10	5 7 11
60	54 5/8	Treasury 3% after Apr. 1966	57 1/8	57	3 0 9	5 7 0
52 13/16	46 3/4	Consols 2½%	50 7/8	50 3/4	2 16 10	4 19 2
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	48 3/4	48 3/4	2 19 3	5 3 4
95 9/16	90 1/8	British Electric 4½% 1967–69	94 1/16	94	3 6 9	5 7 11
76 5/8	72 1/16	British Electric 3% 1968–73	75 3/4	75 5/8	3 19 11	5 10 6
73 3/4	68 5/8	British Electric 3% 1974–77	72 3/8	72 3/4	3 16 8	5 8 3
87 7/16	82 5/8	British Electric 4¼% 1974–79	86 3/8	86 3/8	3 7 9	5 8 0
78 1/2	72 5/16	British Electric 3½% 1976–79	76 3/8*	76 1/8	3 13 1	5 8 6
87 3/4	82 7/16	British Gas 4% 1969–72	87	86 7/8	3 11 7	5 9 10
84	79 1/4	British Gas 3½% 1969–71	83	82 15/16	3 14 10	5 8 11
67 7/8	60 7/16	British Gas 3% 1990–95	66	65 1/2	3 7 8	5 2 11
76 5/8	72 1/16	Brit. Transport 3% .. 1968–73	75 3/4	75 5/8	3 19 11	5 10 6
85 1/2	79 1/4	Brit. Transport 4% .. 1972–77	83 1/8*	83*	3 10 4	5 8 4
68 15/16	60 15/16	Brit. Transport 3% .. 1978–88	66 11/16	66 3/8	3 12 5	5 7 11

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Nov. 12, 1958	Price, Nov. 19, 1958	Yield, Nov. 19, 1958
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	99 1/8	99 5/16	4 14 0
105 3/8	97 7/8	Australia 6% 1974–76	103 1/4	103 1/8	5 14 0
76 1/2	73 1/2	Ceylon 4% 1973–75	75 1/2	75 1/2	6 7 9
98 1/2	94 1/2	Jamaica 6% 1977–82	97	98 1/8	6 3 11
104 3/4	97 7/8	New Zealand 6% 1976–80	103 1/2	103 1/4	5 14 1
101 1/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	97 7/8	98	6 3 5
74 5/8	69	Southern Rhodesia 2½% 1965–70	73 3/8	72 1/2	5 14 7
		CORPORATION AND PUBLIC BOARDS			
100 5/8	98 1/16	Agricultural Mortgage 5½% 1980–85	100	100	5 10 0
105	98 7/8	Birmingham 5¾% 1974–76	104	104	5 7 3
92 3/4	86	Bristol 3% 1958–63	92 1/2	91 1/4	5 0 0
95 1/2	91 1/2	Glasgow 4¾% 1976–79	94 3/4	94 1/2	5 9 7
100 1/4	96 1/2	Corporation of London 5¼% ..... after 1920	98	98 1/8	5 7 11
57 3/4	53	L.C.C. 3% 1934–2003	54 1/2*	53 3/4*	5 11 7
64	56	Met. Water Board 'B' 3%	61 3/4	60 3/4	5 6 11
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	100 1/4	100 1/4	...
180	154	German 5½% 1930 (Enfaced 4½%) 1924	179 3/4	179 3/4	...
18	12 3/4	Greek 7% Refugee 1907	16 1/4	16 3/4	Nil
169	160	Japan 5% (Enfaced) 1924	161 3/4	162	...
119 1/2	105 1/2	Japan 6% (Enfaced)	116 1/2	117	...
53 1/2	48	Uruguay 3½% Bonds (Assented)	53 1/2*	53 1/4*	...

NEW YORK CLOSING PRICES

	Nov. 12 $	Nov. 19 $		Nov. 12 $	Nov. 19 $		Nov. 12 $	Nov. 19 $
Ach. Topeka	26 1/2	27 1/4	Boeing	53 7/8	51 3/8	Inter. Nickel	91	88
Can. Pacific	29 7/8	30 1/4	Celanese	26	25 1/8	Inter. Paper	121	116 1/2
Pennsylvania	16 1/4	16 3/8	Chrysler	52 7/8	53	Kennecott	101	102 1/4
Union Pacific	34 1/8	35 3/4	Col. Palmolive	85 1/8	84 1/4	*Monsanto*	39 1/8	41
Amer. Electric	50 3/4	51 3/8	Crown Zeller	56 7/8	57 5/8	Nat. Distillers	27	31
Am. Tel. & Tel.	201	199	Distillers Seag.	34 3/4	35	Pan-American	23 1/4	22 7/8
Cons. Edison	59 1/4	58 5/8	Douglas	59 1/8	58 1/8	Procter Gamble	73 1/2	78
Int. Tel. & Tel.	54 1/2	56 1/8	Du Pont	205	204 3/4 *	*Radio Corpn.*	41 3/8	41
Standard Gas	3 1/8	3 3/8	East. Kodak	139 3/4	135 3/4	Sears Roebuck	36	37 1/8
United Corpn.	8 1/8	8 3/8	Ford Motor	50 3/8	48 1/8	*Shell Oil*	86 3/8	80 1/4
Western Union	29 3/4	30 1/8	Gen. Electric	70 1/4	70 1/2	Socony-Mobil	49 5/8	49 1/2
Alcoa	87 3/4	84 1/4	General Foods	73*	76 1/2	Stand. Oil Ind.	49 1/8	47 5/8
Aluminium	32 1/2	31 5/8	General Motors	50	49 1/8	Stand. Oil N.J.	60 1/4	59 7/8
Amer. Can	50 3/4	52 3/8	Goodyear	103 1/4	113 1/2	20th Cent. Fox	35	38 1/4
Am. Smelting	49 3/4	49 3/4	Gulf Oil	125	121 3/4	Union Carbide	120 1/2	120 1/4
Am. Viscose	38 1/2	37 1/2	Heinz	65	65	U.S. Steel	88 1/2	90
Anaconda	60 7/8	59 3/4	Int. Bus. Mach.	444	442	West. Electric	68 3/8	68 1/4
Beth. Steel	51 1/2	50 1/2	Int. Harvester	40 1/8	40 7/8	Woolworth	50 3/4	50 3/4

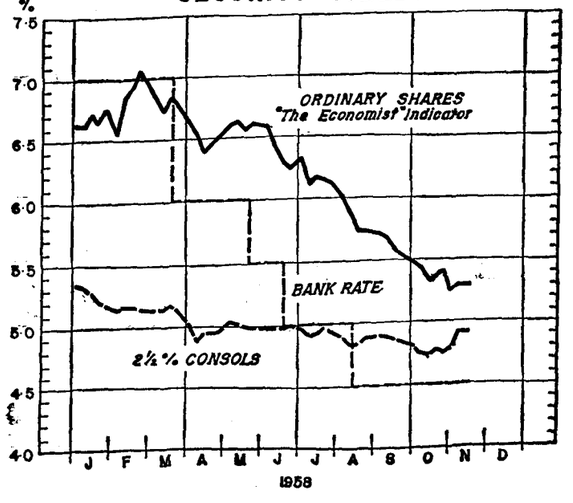
* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (j) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Nov. 12, 1958	Price, Nov. 19, 1958	Yield, Nov. 19, 1958
		%	%	**BANKING**			
52/-	31/9	6 b	6 a	Barclays £1	50/6	52/-	4·62
64/9	41/3	6½ b	6½ a	Lloyds £1	64/6	65/3	4·60**
81/9	57/6	9 b	9 a	Midland £1	81/3	81/6	4·42
84/3	59/3	9 b	9 a	National Provincial £1	82/3	84/3	4·27
53/9	36/-	6¼ b	5 a	Westminster "B" £1	52/-	52/-	4·33
65/9	47/9	7½ b	7½ a	District £1	65/9	65/6	4·58
18/6	12/11½	7½ b	7½ a	Martins 5/-	18/-	18/11½	4·14
38/6	21/4½	5 a	7½ b	Com. Bk. of Scot. "A" 10/-	29/7½	29/9	4·20
69/3	46/-	9 b	7 a	Royal Bank of Scotland £1	59/-	60/-	4·67
37/9	27/6	4 b	4 a	Barclays D.C.O. £1	37/9	37/9	4·24
45/6	31/3	7½ b	7½ a	Chartered Bank £1	45/3	45/6	6·59
£273/4	£20	$2·10c	$2·25c	Royal Bank of Canada $10	£27 7/16*	£273/4*	2·98
£197/8	£14 13/16	$1·60c	$1·65c	Bank of Montreal $10	£19 13/16*	£197/8*	3·05
29 1/4	25 3/4	9 c	9 c	Bank of New S. Wales. £20	27 5/8 ‖	28 1/8 ‖	5·21g
31/6	28/-	5 b	4 a	Bank of Ldn. & S. Amer. £1	30/9	30/9	5·85
				FINANCIAL			
29/-	18/-	2½ a	2½ b	Alexanders £1	28/-	27/-	3·70
42/6	29/6	5 b	5 a	National Discount "B" £1	42/-	41/6	4·82
58/6	40/9	6¼ b	6¼ a	Union Discount £1	58/-	56/3	4·44
39/6	32/9	3½ c	18½ a	Commercial Union ... 5/-	39/6	38/9	4·73
128/9	102/6	12½ a	15 b	Employers Liability £1	122/6	128/9	4·27
177/6	117/6	†16·2a	†16·2b	Equity & Law ... 8/6 pd.	177/6	171/3	2·80
167/6	113/9	60 b	40 a	Legal & Gen. 5/-	165/-	160/-	3·13
118/-	86/3	†50 b	†20 a	Pearl 5/-	118/-	115/-	5·29
211/3	154/-	†132½ c	†147½ c	Prudential "A" 4/-	211/3	205/-	5·02
80/-	63/9	8 b	8 a	Royal Exchange £1	78/3	79/6	4·03
34/10½	16/-	13½ b	10 a	Bowmaker 5/-	34/4½	32/4½	3·86**
21/4½	16/10½	7½ b	7½ a	Lombard Banking 5/-	19/3	19/3	3·90
11/3	73/3	16 b	4 a	U.D.T. £1	112/-	113/-	3·54
40/-	19/9	17½ b	10 a	B.E.T. "A" Defd. 5/-	39/3	39/6	3·48
13½	7/11	10 c	10 c	Cable & Wireless 5/-	13/11½*	13/-*	3·85
20/-	7/10½	1 a	2½ b	Land Securities 10/-	18/11¼	19/3	3·12**
16/11½	8/7½	58 12c	21 20	London & County ... 10/-	14/10½	16/11½	4·14**
				FOOD, DRINK AND TOBACCO			
40/-	27/-	22½ c	30 c	Allied Bakeries "A" ..5/-	39/-	39/6	3·85
26/-	13/4½	20 a	7 a	Beecham Group 5/-	24/7½	25/3	3·96
11/3	6/5½	2½ a	7 b	International Tea 5/-	10/9	11/3	4·22
71/6	40/11½	9¼ b	5 a	J. Lyons "A" £1	71/3*	70/6*	4·02
18/-	13/7½	5 b	5 a	Ranks 10/-	17/4½	17/4½	5·75
15/9	7/9	7½ b	2½ a	Schweppes 5/-	15/-¶	15/4½ ‖	4·88**
71/3	48/9	12 b	4½ a	Tate & Lyle £1	70/6	71/-	4·65
58/-	47/4½	5 a	10 b	United Dairies £1	57/6	57/6	5·22
38/-	31/-	36 b	10 a	Bass £1	42/9	43/-	5·35
32/6	19/7½	7½ a	12½ b	Distillers 6/8	29/7½	30/10½	4·32
14/6	11/6	11 b	6 a	Flowers 5/-	14/3	14/6	5·86
50/-	37/-	15 b	10 a	Guinness 10/-	49/6	50/-	5·00
13/6	9/4½	4 a	10 b	Ind Coope & Allsopp. 5/-	12/4½*	12/-*	5·83
77/-	56/6	21 c	7½ a	Watney Mann Defd. ... £1	75/7½	75/9	5·54
101/6	75/6	17 b	8 a	Whitbread "A" £1	100/-	101/6*	4·93
52/9	37/7½	†62½ b	†10 a	Bric. Amer. Tobacco .10/-	52/6	52/4½	5·54
35/7½	20/6	15 b	5 a	Gallaher 10/-	33/10½	34/11½	5·86
50/4½	37/-	11½ b	8½ a	Imperial Tobacco £1	49/9	49/3	8·12

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price Nov. 12, 1958	Price, Nov. 19, 1958	Yield, Nov. 19, 1958
		%	%	**MISCELLANEOUS**			
41/3	15/9	7½ a	22½ b	Assoc. Brit. Picture ... 5/-	39/9	41/3	3·64
45/6	28/-	3½ a	7½ b	British Match £1	45/6	45/6	4·84
47/-	28/3	6 b	4 a	British Oxygen £1	45/3	45/-	4·44
8/9	6/9	13 b	4 a	British Ropes 2/6	8 7½	8/9	4·86
59/3	31/6	6¼ a	11¼ b	Glaxo 10/-	58/9	59/-	2·97
53/-	31/3	40 b	10 a	Hoover "A" 5/-	52/6	51/9	4·83
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	182/6	180/-	2·70
10/9	5/7½	12½ c	5 c	Rank Organisation 5/-	10/-	9 10½	2·53
14 10½	11/8¼	22½ c	22½ c	Sears "A" 5/-	14/8¼	14 10½	7·56
59/9	44/-	7 b	6¼ a	Thomas Tilling £1	58/3	58/-	4·57
103/9	70/6	10½ a	10½ b	Unilever £1	100/-	101/6	4·14
43/3	24/3	7½ b	3¾ a	United Glass Bottle £1	42/3	41/6	5·42
36/-	26/-	†10 b	†4½ a	United Molasses 10/-	35/6*	35/-*	7·04
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum £1	55/3 ‖	55/-‖	4·75
87/3	59/11½	†7½ b	†5 a	Burmah Oil £1	81 10½	81/3	8·83
£183/4	£137/8	17½ b	7½ a	Royal Dutch ..... 20 fl.	£18	£183/4	2·52
165/-	117/6	†133/4 b	†5 a	Shell Transport £1	160 7½	161 10½	4·03
95/6	41/6	...	...	Ultramar 10/-	90/-	91/6	... d
37/3	25/6	13½ b	7½ a	Wakefield C.C. 10/-	35/9	37/3	3·53
				SHIPPING			
43/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. .10/-	43/3	43/3	4·62
23/9	16/6	10 c	Nil	Cunard £1	19/9	19/6	
35/6	27/3	10¾ c	10 c	Furness Withy £1	33/6	34/3	5·84
20/3	14/6	10 a	10 b	London & Overseas 5/-	19/6	20/-	5·00
37/6	22/-	8 b	3 a	P & O Defd. £1	36/6	36/6	6·03
17/9	12/-	5 c	Nil	Reardon Smith 10/-	16/3	16/6	...
25/6	19/3	7½ c	9 c	Royal Mail £1	24/-	24/6	7·35
				MINES			
169/4½	115/-	60 b	20 a	Anglo-American 10/-	166/3	169/4½	4·72
103/9	73/9	10 a	15 b	General Mining £1	101 10½	103/9	4·82
48/6	36/7½	80 b	40 a	Union Corporation 2/6	45/-	48/6	6·19
32/4½	23/10½	55 b	50 a	Daggafontein 5/-	31/4½	32/4½	16·22
115/-	76/3	40 a	60 b	Free State Geduld 5/-	110/-	115/-	4·35
69/9	56/-	30 a	35 b	Hartebeestfontein 10/-	64/3	64/9	10·04
66 11½	46/6	50 a	50 b	President Brand 5/-	63/6	66 11½	7·56
116/3	84/4½	60 a	80 b	Western Holdings 5/-	111/3	116/3	6·02
58/-	41/6	12½ b	8½ a	Consolidated Zinc £1	56/9	56/6	6·19
120 7½	80 7½	120 b	80 a	*De Beers Defd. Reg.* ..5/-	119 4½	120 7½	8·29
$169	$132¾	$3·75c	$3·75c	International Nickel. n.p.v.	$161¼	$157¾	4·24
8/6	6/4½	20 a	5 b	London Tin	8/3	8/-	12·50
83 11½	50 7½	10 a	30 b	Rhod. Anglo-Amer. ... 10/-	76/3	78/9	5·08h
19/9	12/10½	2½ a	6¼ b	Rhod. Selection Tst. ..5/-	18 7½	19/6	1·92h
62/4½	45/7½	†15 c	26 c	Rio Tinto Reg. 10/-	59/4½	58/9	4·43
4·88**	9/9	6/10½	11 2a0	Roan Antelope 5/-	8/9	9/-	2·89h
4·65	67/-	42/6	32½ b	Tanganyika Conc. 10/-	63/6	62/3	5·22
5·22	11/7½	7/10½	60 c	Tronoh 5/-	11/7½	11/4½	26·37
				TEA AND RUBBER			
26/3	19/6	†2½ a	†10 b	Cons. Tea & Lands £1	26/-	26/-	16·73
27/9	20/-	†5 a	†5 b	Jokai (Assam) £1	24/9	25/6	13·65
22/3	17/6	6 a	10 b	Nuwara Eliya £1	19/6	19/6	16·41
1/11¾	1/11½	16 b	4 a	Grand Central 2/-	1/4½*	1/3¾*	30·46
4/-	2/4½	5 a	25 b	London Asiatic 2/-	4/-	3/9¾	15·74
83 4d	51 4d	6 c	8 c	United Serdang 2/-	83 4d	83 4d	21·94
65/3	46/-	37½ b	12½ a	United Sua Betong £1	65/-*	63/-*	15·87
61/3	43/9	5 a	12½ b	Harrisons & Cros. Defd. £1	58/3*	56/6*	6·19

SECURITY YIELDS



STOCK EXCHANGE INDICATORS

LONDON
The Economist Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Oct. 22	227·1	5·37				
„ 29	226·9	5·39				
Nov. 5	233·5	5·25				
„ 12	235·7	5·29	237·1 (Nov. 19)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
„ 19	237·1	5·29				

* 1953=100.

Financial Times Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
Nov. 12	211·9	5·47	91·89	4·90	15,176	High	High
„ 13	212·3	5·46	91·93	4·89	14,379	213·1	207·6
„ 14	212·3	5·46	91·96	4·90	14,498	(Nov. 7)	(July 9)
„ 17	211·6	5·48	91·84	4·94	17,998	Low	Low
„ 18	212·2	5·47	91·66	4·96	15,180	154·4	159·0
„ 19	212·7	5·45	91·72	4·94	14,334	(Feb. 25)	(Nov. 6)

† July 1, 1935=100. ‡ 1928=100.

NEW YORK
Standard and Poor's Indices (1941–3=10)

1958	425 Industrials	Yield %	25 Rails	Yield %	80 Utilities	Yield %	Govt. Bonds	Yield %
Oct. 22	54·70	3·41	30·92	5·03	39·25	4·20	91·35	3·76
„ 29	54·73	3·41	31·92	4·86	39·74	4·18	92·00	3·70
Nov. 5	55·65	3·35	32·28	4·80	40·26	4·13	91·87	3·74
„ 12	56·74	3·29	33·19	4·67	40·94	4·05	91·68	3·73
„ 19	56·84	3·28	33·97	4·56	41·31	4·02	92·55	3·68

425 Industrials:—1958: High, 56·84 (Nov. 19); Low, 48·20 (Jan. 10).

** Yields based on assumed dividends:—Babcock & Wilcox, 13%. Boots, 14⅔%. Bowmaker, 25%. British Motor, 17½%. Debenhams, 30%. E.M.I., 26⅔%. Land Securities, 6%. Lloyds Bank, 15%. London & County, 6⅔%. Joseph Lucas, 10%. Salts (Saltaire), 10%. Schweppes 15%. Steel Co. of Wales, 8%. Triplex, 27½%. Turner & Newall, 15%.

NEW ISSUES

FAMILY businesses anxious to place shares and to secure a stock exchange quotation are having a clear run in the present boom. Big new issues by some of the giants of industry may be around the corner, but they have yet to make their appearance. Hence the stags tumble over each other to subscribe for the few small issues that come forward: one issue after another. E. Gomme's offer of 1,100,000 5s. ordinary at 15s. each was oversubscribed very heavily. Similarly, the Dorothy Perkins issue of 500,000 5s. units at 15s.—on a lower yield basis than the Gomme issue—was oversubscribed more than seven times. Dealings began on Tuesday in the Gomme ordinary units at 2s. 6d. premium and on Wednesday in the Dorothy Perkins ordinary shares at 9d. premium.

John Harvey & Sons of Bristol is a business founded over 150 years ago and is well known for its sherry wines, retailing thirty brands. John Harvey is offering 400,000 7 per cent £1 preference shares (out of an issued preference capital of £461,100) at 20s. 6d. each and 800,000 5s. ordinary shares (out of an issued capital of 2,876,480 shares) at 11s. each. Cazenove and Company has underwritten both issues, at 4¼d. (plus 1¼d. over-riding commission) on the preference shares and at 1¼d. (plus ¼d. over-riding) on the ordinary shares.

The sales and profits record is impressive: turnover quadrupled in the last eight years and in the year to February 28th alone it rose by nearly 26 per cent. Gross profits, amounting to £103,538 in 1948-49, had doubled by 1954-55, and in 1957-58 they advanced by another 45 per cent from £304,202 to £443,056. The directors point out that half the profits are usually earned in the last four months of the financial year but if sales this Christmas equal those achieved a year ago, earnings should "approximate" to the 1957-58 level. Such profits would cover the anticipated ordinary dividend of 15 per cent three times and the preference dividend eleven times. The new money will be used to erect new bonded warehouse premises and to complete stocks of table wines. The bank overdraft outstanding on November 6th was £455,350.

Both issues are offered on a prospective yield of 6.8 per cent. That should make the preference shares attractive to institutional investors. The ordinary shares, in view of the company's success in penetrating the North American markets, are not without growth possibilities and on Thursday the issue was heavily oversubscribed indeed.

BICC

As an electrical equipment and cable manufacturer, British Insulated Callender's Cables has to live with fluctuations in the price of copper and the attendant stock risks. Stock losses have played havoc with profits in the past but in the six months to June 30th the price of copper was much more stable (though at a lower level). As a result, though the physical volume of sales was higher, the value of sales at £53 million was lower than the turnover of £58 million reported in the first half of 1957. But it equals the turnover achieved in the second half of 1957 and the trading surplus of £3,971,000 is actually a shade higher.

SALES AND PROFITS

(£'000s)

Six months ended	June 30, 1957	Dec. 31, 1957	June 30, 1958
Sales	*58,000*	*53,000*	*53,000*
Trading surplus	3,880	3,953	3,971
Depreciation	840	964	933
Reorganisation expenses	175	157	144
Taxation	1,375	1,627	1,512
Net income	*1,264*	*1,215*	*1,109*
Gross surplus/Sales	*6·7%*	*7·4%*	*7·5%*

Though the greater stability of the price of copper seems to have been the major factor in producing this result, BICC has also, in the face of stiff competition, kept a tight control on costs and has steadily been overcoming the problems raised by its re-equipment schemes. Profits would have been even higher had not the Canadian subsidiary returned what are described as "disappointing" results; but, even here, the chairman, Mr W. H. McFadzean, says that some improvement is already apparent. Net profits at £1,109,000 are below the £1,264,000 reported in the first half of 1957 but this is due to an increase in tax, for immediate relief on losses incurred by overseas companies had not been secured. But Mr McFadzean looks forward to trading results in the full calendar year that "will not differ materially" from those achieved in 1957. Then ordinary earnings covered a dividend of 12½ per cent more than twice. The interim payment has been left unchanged at 4 per cent and a final of 8½ per cent seems assured. The £1 ordinary units now stand at 51s. 6d. (yield 4.8 per cent), as compared with the year's "low" of 38s. 9d. Investors, in fact, are already looking beyond the current year's outturn.

BIRMID INDUSTRIES

HAVING had orders for light alloy castings cancelled drastically by the aircraft and aero engine manufacturers, Birmid Industries has become more dependent upon the motor industry for custom. Despite the motor boom, the trading profits of Birmid in the year to July 31st rose by only £179,128 to £2,558,270. The loss of orders from the aircraft industry and "teething troubles" in some of the group's plants do not provide the full explanation. The crux of the matter is set out by Lord Exeter in his statement to shareholders. He says that "manufacturers of castings who have previously not catered for the motor industry" have sought to employ their unused capacity on this type of work. This "new and often uninformed" competition, which, Lord Exeter claims, in many cases does not seem "to be based upon any logical costing system," has forced prices and margins down. Birmid's order books are still at a "reasonably high level," but the company's customers limit orders "to much shorter periods than was the case when supplies did not meet demands."

London Stock Exchange

FIRST DEALINGS:	Nov. 12	Nov. 26	Dec. 10
LAST DEALINGS	Nov. 25	Dec. 9	Dec. 30
ACCOUNT DAY:	Dec. 2	Dec. 16	Jan. 6

JUST before the reduction in Bank rate from 4½ to 4 per cent the gilt-edged market, which had been falling, became a little firmer. Nevertheless, losses, especially among the longer-dated and irredemable stocks, were fairly severe on Monday and over the week to Wednesday's close the *Financial Times* Government index had fallen slightly by 0.35 to 83.48. On Thursday the reduction in Bank rate caught the gilt-edged market by surprise. The rises that followed, with old Consols going up by ⅝ to 51½, contained an element of "bear" closing.

After some initial uncertainty, industrial ordinary shares developed a better tone and following the Bank rate reduction prices were marked a little higher though not without exception. *The Economist* indicator rose by 1.4 to 237.1 over the week to Wednesday's close. Stores were strong on reports of pre-Christmas buying, but the rises in Harrods from 73s. 9d. to 75s. 3d. and in Gorringe from 34s. 9d. to 38s. 3d. were exceptional. Electrical shares were in good demand, Decca moving up 2s. to 35s. 6d., while Philips Lamp were 1s. higher at 76s. 6d.

Engineering stocks were strong, Vickers rising 1s. to 35s. 6d. Among textile shares Combined English Mills lost 9d. to 8s. 7½d. on the announcement of lower profits. Aire Wool eased 1s. 3d. to 18s. 6d., but Lister jumped from 9s. 7½d. to 12s. 9d. Horrockses fell 3s. to 25s. 9d. Property shares continued to boom, Regis jumping 2s. 6d. to 68s., while City Centre Properties rose 10s. 6d. to 44s. 6d. H.P. Finance shares remained firm, apart from Wagon Finance, which lost 3s. 6d. to 74s. after profit taking. The British Bank of the Middle East rose by 8s. to a new "high" of 47s. 3d., on rumours about a take-over bid in the offing. Dealings in the new Suez Finance Company began, the Frs 10,000 shares being quoted at 35¼. Following a disappointing statement about profits, "Fags," among overseas rails, eased 1¾ to 14½. Unilever were rather uncertain following the scrip issue, the Limited shares closing on Wednesday at 101s. 6d. and the NV shares at 106s. 9d. Borax were again weaker at 15s.

Oils turned easier on profit taking. Ultramar after rising to 95s. 6d. fell back to 91s. 6d. In a Kaffir market short of stock prices moved ahead strongly. St. Helena was outstanding in the OFS group, rising 2s. 3d. to 47s. 6d., the highest point for eight years. West Wits rose 2s. 6d.—a seven year peak of 53s. Coppers moved irregularly and leading rubber shares eased, "Suas" falling 1s. to 68s.

US Dollar premium: ¼ per cent on $2.80⅛.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended November 15, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £31,862,000 compared with a surplus of £35,798,000 in the previous week and a deficit of £13,224,000 in the corresponding period of last year. There was a net expenditure "below-line" of £4,320,000 leaving a total deficit of £539,001,000 compared with £671,062,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Nov. 16, 1957	April 1, 1958, to Nov. 15, 1958	Week ended Nov. 16, 1957	Week ended Nov. 15, 1958
Ord. Revenue					
Income Tax	2312,500	740,837	793,285	13,857	13,069
Surtax	163,000	43,700	45,500	1,000	1,000
Death Duties	163,500	110,100	109,000	2,200	3,400
Stamps	56,250	43,400	36,300	1,300	1,700
Profits Tax, EPT & EPL	275,000	166,800	191,000	3,700	7,200
Other Inland Rev. Duties	...	150	120	...	...
Total Inland Rev.	2970,250	1104,987	1175,205	22,057	26,369
Customs	1256,940	767,647	814,159	23,470	23,963
Excise	932,310	609,285	602,500	37,645	36,336
Total Customs and Excise	2189,250	1376,932	1416,659	61,115	60,299
Motor Duties	104,000	27,959	29,336	483	521
PO (Net Receipts)	2,000	...	350	...	350
Broadcast Licences	34,000	14,500	15,400	...	...
Sundry Loans	30,000	27,358	25,866	...	...
Miscellaneous	110,000	108,087	52,978	395	26
Total	5439,500	2659,823	2715,794	84,050	87,564
Ord. Expend.					
Debt Interest	695,000	431,231	399,296	15,394	...
Payments to N. Ireland Exchequer	73,000	39,356	42,785	...	...
Other Cons. Funds	10,000	5,304	4,817	...	2
Supply Services	4292,859	2486,476	2497,040	81,250	54,700
Total	5070,859	2962,367	2943,938	96,644	54,702
Sinking Funds	38,000	22,387	22,493	630	1,000
"Above-line" Surplus or Deficit	—	324,931	250,637	13,224	31,862
"Below-line" Net Expenditure*	346,131	288,364	6,470	4,320	+ 27,542
Total Surplus or Deficit	671,062	539,001	19,694		
Net Receipts from:					
Tax Reserve Certificates	151,983	175,987	833	739	
Savings Certificates	−6,800	84,200	− 900	4,100	
Defence Bonds	−21,312	50,598	−1281	1,958	
Premium Savings Bonds	48,430	43,395	1,720	330	
Total	172,301	354,180	372	7,127	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and £14 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Nov. 16	3,260·0	2,188·8	231·9	...	5,680·7
1958 Aug. 16	3,270·0	1,589·9	209·4	...	5,069·3
" 23	3,270·0	1,630·9	164·0	...	5,064·9
" 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
" 13	3,270·0	1,657·9	178·3	...	5,106·2
" 20	3,270·0	1,704·4	167·5	...	5,141·9
" 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	183·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3
" 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
" 8	3,350·0	1,739·5	166·7	...	5,256·2
" 15	3,370·0	1,655·2	194·4	...	5,219·6

THE MONEY MARKET

BANK rate came down from 4½ to 4 per cent on Thursday, but fixed rates in the money market did not move correspondingly. While the clearing banks' deposit rate, at seven days' notice, was cut from 2½ to 2 per cent, their minimum rate for call loans to the discount market fell only to 2⅜ per cent, from 2¾ per cent. After the announcement, a few February maturities changed hands at 3¾ per cent, compared with 3½ per cent previously.

Although the timing of this cut in Bank rate surprised the City as a whole, the reduction has for some time been largely discounted in the money market. On Friday of last week, the discount houses raised their bid for 91-day bills by 2d. to £99 2s. 3d., and the average rate of discount was £3 11s. 1d. per cent.

Despite the narrowing of the margin between Bank rate and call money rates, the discount market may be able to avoid a fall in its running margins on bills, since bill rate is itself likely to be closer to Bank rate. Moreover, the good margin enjoyed on high coupon bonds should increase further.

The Dutch Bank rate was reduced at the end of last week from 3½ per cent to 3 per cent. In America, the Treasury bill rate has risen from 2.77 to 2.88 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Bank bills:	
Deposit rates (max.)		60 days	3 11/16–3 3/4
Banks	2	3 months	3 11/16–3 3/4
Discount houses	2–2¼	4 months	3 11/16–3 3/4
Money:		6 months	3 11/16–3 13/16
Day-to-Day (min.)	2⅜	Fine trade bills:	
Treasury bills:		3 months	4½–5¼
2–3 months	3¼	4 months	4½–5¼
		6 months	4¾–5½

Discount rates: Nov. 19

New York

			%
Official discount rate: (from 2% 23/10/58)	2½%	Treasury bills: Nov. 10	2·77
		" 17	2·88

BANK OF ENGLAND RETURNS

(£ million)	Nov. 20, 1957	Nov. 12, 1958	Nov. 19, 1958
*Issue Department**:			
Notes in circulation	1,987·0	2,026·4	2,031·0
Notes in banking dept.	13·3	24·0	19·4
Govt. debt and securities*	1,996·3	2,046·5	2,046·5
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	10·5	10·2	11·2
Bankers	228·2	238·0	236·7
Others	75·7	67·0	68·9
Total	314·4	315·2	316·8
Securities:			
Government	269·1	283·3	289·5
Discounts and advances	23·4	4·3	3·8
Other	24·1	21·5	21·2
Total	316·6	309·1	314·5
Banking department reserve	15·8	25·0	20·3
" Proportion "	% 5·0	% 7·8	% 6·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million September 3, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
	91 day 210·0 / 63 day 40·0		s. d.	%
1957 Nov. 15		426·1	131 7·45	23
1958	91 day			
Aug. 15	250·0	437·8	74 5·00	32
" 22	250·0	437·4	74 6·25	28
" 29	270·0	424·1	74 11·48	53
Sept. 5	270·0	434·6	74 0·93	64
" 12	270·0	423·7	73 6·81	81
" 19	270·0	413·7	71 9·20	68
" 26	260·0	381·4	72 6·10	85
Oct. 3	270·0†	424·8	74 1·39	44
" 10	250·0	423·6	73 0·72	55
" 17	250·0	435·7	72 3·08	45
" 24	250·0	409·6	73 7·94	36
	91 day 200·0 / 63 day 50·0			
" 31		442·9	71 8·23	46
Nov. 7	270·0	433·7	71 7·04	45
" 14	210·0	408·3	71 0·97	68

* On November 14th tenders for 91 day bills at £99 2s. 3d secured 68 per cent and for 63 day bills at £99 7s. 6d. 80 per cent higher tenders being allotted in full. The offer this week was for £210 mn. of 91 day bills, and £60 mn. of 63 day bills. † Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: November 19	Market Rates: Spot: November 13	November 14	November 15	November 17	November 18	November 19
United States $	2·78–2·82	2·80 9/16–11/16	2·80 9/16–11/16	2·80 5/8–3/4	2·80 5/8–3/4	2·80 5/8–3/4	2·80 5/8–3/4
Canadian $	...	2·72 1/8–3/8	2·72 1/16–3/16	2·72 15/16–72 1/16	2·71 7/8–72	2·71 7/8–72	2·71 9/16–11/16
French Fr.	1167·18–1184·82	11871/2–3/4	11783/4–79	11783/4–79	11783/4–79	11783/4–79	11787/8–791/8
Swiss Fr.	12·15 3/16–12·33 9/16	12·23 1/8–3/4	12·23 3/8–24	12·23 7/8–24 1/8	12·24 1/8–1/2	12·24 1/8–3/8	12·24 1/8–3/8
Belgian Fr.	138·95–141·05	139·52 1/2–57 1/2	139·52 1/2–57 1/2	139·50–55	139·52 1/2–57 1/2	139·52 1/2–57 1/2	139·60–65
Dutch Gld.	10·56–10·72	10·58 3/4–59	10·59 1/8–3/8	10·59 1/8–3/8	10·59 1/4–1/2	10·59 1/4–1/2	10·59 1/8–3/8
W. Ger. D-Mk.	11·67 3/16–11·84 13/16	11·69 7/8–70 1/8	11·70–70 1/4	11·70–70 1/4	11·70–70 1/4	11·70–70 1/4	11·70–70 1/4
Portuguese Esc.	79·90–81·10	80·10–25	80·10–20	80·05–25	80·05–20	80·05–15	80·05–15
Italian Lire	1736 5/8–1762 1/8	1745 3/4–46 1/4	1746–46 1/2	1746–46 1/2	1746–46 1/2	1746 1/4–3/4	1746–46 1/2
Swedish Kr.	14·37 5/8–14·59 3/8	14·48 3/4–49	14·48 3/4–49	14·48 3/4–49	14·48 1/8–3/8	14·47 1/2–3/4	14·48–48 1/4
Danish Kr.	19·19 1/2–19·48 1/2	19·34 5/8–7/8	19·34 7/8–35 1/8	19·34 7/8–35 1/8	19·35 1/8–3/8	19·35 1/2–3/4	19·35 1/4–1/2
Norwegian Kr.	19·85–20·15	20·00 7/8–01 1/8	20·01–01 1/4	20·01–01 1/4	20·01–01 1/4	20·01–01 1/4	20·01–3/4
One Month Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	1/4–1/8c. pm	3/8–1/8c. pm
Canadian $		3/16–1/8c. pm	5/16–1/8c. pm	3/16–1/8c. pm	5/16–1/8c. pm	1/4–1/8c. pm	7/16–7/16c. pm
French Fr.		3 1/2–4 1/2 dis	3 1/2–4 1/2 dis	4–5 dis	4–6 dis	5–8 dis	7–10 dis
Swiss Fr.		1 3/4–1 1/2c. pm	1 3/4–1 1/2c. pm	1 3/4–1 1/2c. pm	1 3/4–1 1/2c. pm	1 3/4–1 1/2c. pm	1 3/4–1 1/2c. pm
Belgian Fr.		1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par
Dutch Gld.		1 3/8–1 1/8c. pm	1 1/2–1 1/4c. pm	1 1/2–1 1/4c. pm	1 1/2–1 1/4c. pm	1 1/2–1 1/4c. pm	1 1/4–1c. pm
W. Ger. D-Mk.		7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	1–3/4pf. pm
Three Months Forward Rates							
United States $		3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	11/16–1/2c. pm	5/8–7/16c. pm	9/16–7/16c. pm
Canadian $		11/16–1/2c. pm	11/16–1/2c. pm	11/16–1/2c. pm	11/16–1/2c. pm	5/8–7/16c. pm	9/16–7/16c. pm
Swiss Fr.		4 3/4–4 1/2c. pm	4 3/4–4 1/2c. pm	4 3/4–4 1/2c. pm	4 7/8–4 5/8c. pm	4 7/8–4 5/8c. pm	4 7/8–4 5/8c. pm
W. Ger. D-Mk.		2 1/8–1 7/8pf. pm	2 1/8–1 7/8pf. pm	2 1/8–1 7/8pf. pm	2 1/8–1 7/8pf. pm	2 3/8–2 1/8pf. pm	2 3/8–2 1/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/2 1/4	250/2	...	250/2	250/1 1/2	250/1 1/2

UK External Trade

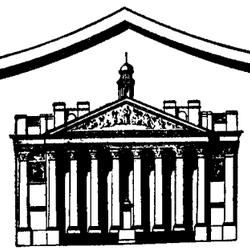
Imports are valued cif : exports fob.
Total trade unless otherwise stated.

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

BRITISH		OVERSEAS	
		World Trade	October 18th
Prices and Wages.....	Nov. 1st	Western Europe: Production and Trade ...	Sept. 27th
Manpower	Nov. 15th	British Commonwealth	Oct. 11th
External Trade	Nov. 22nd	Western Europe: Prices and Money Supply	Sept. 20th
Industrial Profits	Oct. 18th	United States	Nov. 8th

	Unit	Monthly averages			1957			1958			
		1955	1956	1957	Aug.	Sept.	Oct.	July	Aug.	Sept.	Oct.
VALUE											
Imports :											
Total	£ million	323·6	323·8	339·6	335·7	308·4	353·1	337·8	304·3	311·2	328·0
Food, drink and tobacco	,,	120·1	120·7	124·7	120·2	112·6	133·2	136·3	121·8	123·8	136·3
Basic materials	,,	93·7	91·9	97·4	101·1	86·4	99·7	78·9	74·0	69·6	70·9
Fuels	,,	34·0	34·5	38·9	38·7	37·6	36·1	39·6	37·3	39·6	40·8
Manufactures	,,	74·7	75·5	77·4	74·8	70·3	82·8	81·5	69·9	76·9	78·9
Exports of UK produce :											
Total	,,	242·1	264·3	277·1	269·4	246·3	271·8	285·8	257·8	240·4	266·8
Manufactures—Total	,,	199·0	218·3	229·5	223·9	204·9	222·1	244·0	214·7	199·0	222·8
,, Metals	,,	33·0	36·8	39·7	34·6	34·9	39·6	36·6	32·3	32·9	35·1
,, Engineering products	,,	93·2	105·8	112·9	113·8	100·3	107·6	132·1	110·8	101·6	115·7
,, Textiles	,,	25·9	24·6	25·1	25·3	21·6	24·0	21·6	20·2	18·0	18·1
Re-exports	,,	9·9	12·2	11·1	10·5	9·8	11·2	12·2	13·1	10·9	12·2
Balance of trade (exports *less* imports) :	,,	−71·6	−47·3	−51·4	−55·7	−52·3	−70·1	−39·7	−33·4	−59·9	−49·0
VOLUME											
Imports :											
Total	1954=100	111	111	115	112[3]	...	115[4]	...	113[3]	...	...
Food, drink and tobacco	,,	107	109	113	106[3]	...	115[4]	...	118[3]	...	...
Basic materials	,,	105	102	106	106[3]	...	103[4]	...	90[3]	...	...
Fuels	,,	121	115	114	125[3]	...	112[4]	...	128[3]	...	...
Manufactures	,,	125	125	130	127[3]	...	135[4]	...	131[3]	...	...
Exports :											
Total	,,	107	114	116	110[3]	...	117[4]	...	109[3]	...	...
Manufactures	,,	109	115	118	113[3]	...	117[4]	...	111[3]	...	...
BY AREA											
Imports :											
Dollar area—Total	£ million	70·1	71·0	80·4	76·3	74·3	84·5	68·9	62·1	65·3	65·8
,, ,, USA	,,	35·0	34·0	40·2	32·7	36·1	43·5	27·5	23·8	30·5	33
,, ,, Canada	,,	28·6	29·0	26·7	29·0	26·0	27·5	30·4	26·9	25·7	24·4
Non-sterling OEEC countries	,,	78·4	79·6	80·8	81·0	80·3	91·4	86·9	75·0	79·2	87·2
Sterling area	,,	130·9	126·5	129·3	122·5	101·0	124·5	127·7	115·3	113·4	122·6
Exports :											
Dollar area—Total	,,	34·8	45·2	47·8	50·9	43·3	45·7	51·2	44·5	48·5	51·8
,, ,, USA	,,	16·6	21·6	21·5	19·0	20·2	20·6	24·0	22·5	24·2	28·1
,, ,, Canada	,,	12·1	15·2	16·7	23·5	14·0	16·3	19·7	14·4	12·8	16·8
Non-sterling OEEC countries	,,	67·5	75·1	78·2	70·4	67·1	78·2	75·2	73·5	68·0	70·7
Sterling area	,,	120·9	122·4	127·2	123·6	116·1	126·6	135·4	119·6	105·4	123·8
Balance of trade (exports *less* imports) :											
Dollar area	,,	−35·3	−25·8	−32·6	−25·4	−31·0	−38·8	−17·7	−17·6	−16·8	−14·0
Non-sterling OEEC countries	,,	−10·9	− 4·5	− 2·6	−10·6	−13·2	−13·2	−11·7	− 1·5	−11·2	−16·5
Sterling area	,,	−10·0	− 4·1	− 2·1	+ 1·1	+15·1	+ 2·1	+ 7·7	+ 4·3	− 8·0	+ 1·2
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	374·3	398·4	377·6	447·4	323·9	394·8	518·9	368·7	348·4	406·1
Meat	,,	67·0	72·4	74·2	88·2	60·0	64·4	72·1	81·0	62·6	56·4
Sugar, unrefined	,,	186·2	194·3	235·6	233·4	180·9	282·3	181·2	197·9	225·0	238·2
Raw cotton (1)	,,	24·2	27·0	30·7	23·9	27·3	32·2	23·0	21·5	16·4	9·9
Raw wool, sheep's and lambs' (1)	mn. lb.	55·1	53·2	51·6	35·6	14·4	45·7	28·5	34·9	19·9	49·0
Rubber, natural and synthetic (1)	'000 tons	24·6	18·2	22·7	22·2	20·5	31·9	22·9	9·9	12·2	14·5
Softwood	'000 stds.	140·0	104·8	120·0	186·6	148·8	155·5	188·8	145·1	131·4	124·4
Woodpulp	'000 tons	186·9	183·3	178·2	176·8	180·0	189·4	177·2	177·9	184·5	181·8
Crude petroleum	mn. galls.	601	618	605	600	642	624	772	802	789	819
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,196	836	686	579	589	647	483	371	425	450
Woven piece-goods—cotton	mn. sq. yds.	46	40	38	37	33	34	31	30	27	27
,, ,, ,, wool (2)	'000 sq. yds.	8,965	9,107	9,028	9,775	6,852	8,037	7,938	7,843	6,140	6,880
Passenger cars and chassis	number	32,545	27,986	35,522	37,088	33,460	37,022	50,207	35,070	38,389	39,425
Commercial vehicles and chassis	,,	11,656	10,506	10,214	9,711	8,188	10,217	11,386	8,766	7,204	7,953
Agricultural tractors	,,	8,720	7,482	9,414	9,652	9,366	11,481	11,753	7,568	7,975	7,376
Machinery—electrical	£ '000	5,158	5,314	5,602	5,785	5,360	5,089	6,674	5,963	4,046	5,887
,, other	,,	34,687	38,657	42,211	40,221	35,848	40,870	45,213	39,957	37,941	40,668
Chemicals, elements and compounds	,,	4,422	4,948	5,219	4,723	4,575	5,012	5,179	5,730	4,742	4,894

(1) Retained imports. (2) Excluding fents from January, 1956. (3) Average for third quarter. (4) Average for fourth quarter.



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Authorised Capital	... ...	Pak. Rs. 40,000,000
Issued & Subscribed Capital	...	Pak. Rs. 20,000,000
Paid-up Capital	... ...	Pak. Rs. 20,000,000
Reserve Funds	... ...	Pak. Rs. 20,000,000
Deposits as on June 30 1958	...	Pak. Rs. 630,000,000

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BOMBAY (INDIA)

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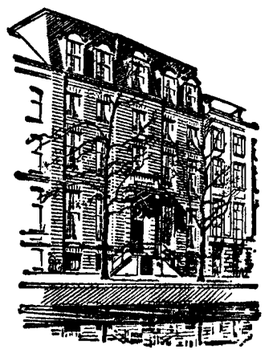

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[redacted]ditions of service are excellent and include a non-contributory pension scheme. Salary will be in accordance with qualifications and the high standard required.

Apply in writing stating age and experience to the Personnel Manager,
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quoting reference C/HO.

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For further appointments and other classified advertisements see page 741

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WELL KNOWN NATIONAL [redacted] HOUSE with Branches throughout the [redacted] seek the services of a MANAGER for [redacted] Block Discounting Department. The [redacted] required must be familiar with block disc[redacted] of hire-purchase and credit sale agreement[redacted] all trades and industries and have [redacted] trade connections and a thorough know[redacted] of the required documentation. Finance [redacted] experience in a managerial capacity essential and substantial salary will be paid.

Write Box B.259, care of Streets, 110, Old Broad Street, E.C.2.

LEADING Plastics Manufacturers require qualified Economist/Statistician about 30 years, with experience in an industrial concern, to head small department responsible for statistics and market research, situated in London. Write full details of education, qualifications, experience and salary required.—Box 1077.

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I. General Service Entry : Honours Graduates (Age 21-36).
II. General Service Entry (United Kingdom).
III. Contract Appointments in Overseas Education.

Booklet "Appointments 1959" and application forms from Personnel Department, 65, Davies Street, London, W.1.

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Applications are invited for a research post in connection with an inquiry into the employment of married women in industry.

Applicants should hold a degree or diploma in the Social Sciences. Salary within the range £700-£900 a year depending on training and experience. Further particulars may be obtained from the Registrar.

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The University invites applications for the following appointment :

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Salary Scale : £A1,500-£80-£2,060.
Superannuation : On the F.S.S.U. scheme.
Terms : Every potential applicant is invited to seek from the Registrar or from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1, a copy of the general conditions [redacted] appointment which give particulars of duties, tenure, [redacted]ave, promotion and travelling expenses, and a copy of the statement giving general information about the [redacted]sity and the Departments in which the appointments [redacted]e made.

University Film : A potential applicant in Great Britain [redacted] borrow from the A.U.B.C. a coloured film illustrating the University and the city and surroundings of Adelaide. The University Calendar may be consulted in the library of any University which is a member of the A.U.B.C. Further information about the University or about any particular post will gladly be supplied on request to the Registrar.

Applications : In duplicate, and giving the particulars listed in the general conditions of appointment, should reach the Registrar of the University, Adelaide, South Australia, *not later than December 31, 1958.*

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The demand for office machinery and automation equipment is expanding rapidly —how will it develop over the years in small business, in scientific research, in particular industries?

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While essential qualities will be initiative, broad interests and a systematic approach, a knowledge of economic forecasting methods is desirable. Age probably about 25 to 30.

Please write, giving complete details, to the Personnel Manager, IBM United Kingdom Limited, 101 Wigmore Street, London, W.1, quoting reference MS.58/11.

HERTFORDSHIRE COUNTY COUNCIL
ELECTRONIC COMPUTER INVESTIGATION

Applications are invited from fully qualified accountants with considerable experience of accountancy in a large organisation, and preferably in the computer field. The person appointed will hold the rank of Assistant Treasurer (Scale £1,475-£1,695), the starting salary depending upon experience. With the help of a qualified accountant and of the Organisation and Methods team, he will be responsible for reviewing present methods and preparing for the installation of a computer.

This is not a temporary post.

Applications, together with the names of two referees, to the County Treasurer, County Hall, Hertford, by [redacted]9, 1958.

QUEEN'S UNIVERSITY OF BELFAST

[redacted]nate of the Queen's University of Belfast invites [redacted]ons for a newly created Chair of Political Science. [redacted]ointment will date from October 1, 1959. Salary [redacted]us F.S.S.U. Applications should be received by [redacted]31, 1958.—Further particulars may be obtained [redacted] Cowie, M.A., LL.B., J.P., Secretary.

LONDON COUNTY COUNCIL

HEAD OF DEPARTMENT OF ADMINISTRATIVE SUBJECTS required at London School of Printing and Graphic Arts. The school, with a student roll of 6,500, provides whole-time and part-time courses covering design, science, technology and administration; and considerable development is taking place in the field of management studies. Burnham salary for Grade II head of department £1,448 by £50 to £1,648.—Application forms and further information from the Principal, Back Hill, London, E.C.1. (2244)

THE Imperial Tobacco Company has a vacancy for a young woman graduate, with a good degree in Economics, in the Economic Section at the Company's Head Office.—Applications should be addressed to the Staff Secretary, The Imperial Tobacco Co. Ltd., Bedminster, Bristol, 3.

THE UNIVERSITY OF MANCHESTER

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THE ROYAL COLLEGE OF SCIENCE AND TECHNOLOGY

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METHOD STUDY	—	5 weeks commencing 5th January
WORK MEASUREMENT AND INCENTIVES	—	5 weeks commencing 9th February
WORK [redacted] APPRECIATION	—	3 weeks commencing 23rd February
PRODUCTION PLANNING AND CONTROL	—	3 weeks commencing 5th January
COST REDUCTION AND CONTROL	—	2 weeks commencing 2nd February
SUPERVISORY MANAGEMENT	—	2 weeks commencing 5th January
MIDDLE MANAGEMENT DEVELOPMENT	—	3 weeks commencing 26th January
SENIOR MANAGEMENT	—	4 weeks commencing 16th February
OPERATIONAL RESEARCH APPRECIATION	—	1 week commencing 16th February
INDUSTRIAL AND HUMAN RELATIONS	—	2 weeks commencing 19th January

Inclusive fee 12 guineas per week.

Full information from Professor C. Macrae, CBE, DPhil, "Chesters," Bearsden, Glasgow.

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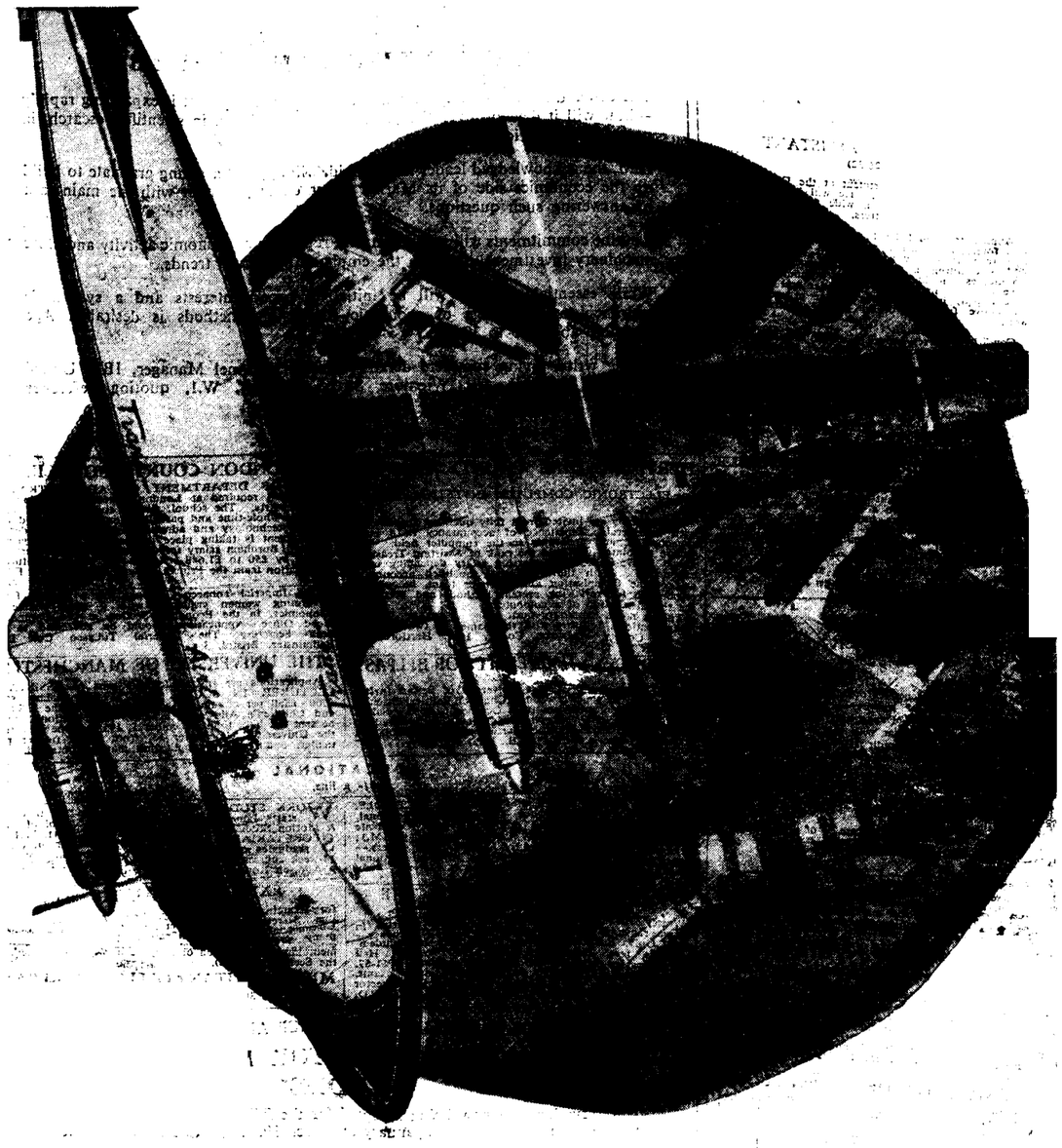

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Forward from Socialism

The Labour party's condensed and rewritten election programme marks a significant divide in British political history (page 763).

Assessment for Sterling

With Bank rate at 4 per cent, the outlook for the pound invites a new look but is any basic change necessary? (page 811).

Stuck on the Status Quo

The Russian plan for Berlin finds the West resolved not to be pushed out, but uneasy at the immobility that has left it vulnerable (pages 789 and 76[illegible]

The Balkan Heretics

Reasons why Tito and the Jugoslavs should be given the help they need (page 765).



Selling Cars this Winter page 813

Right Turn for France page 801

How Many Coloured Britons? page 767

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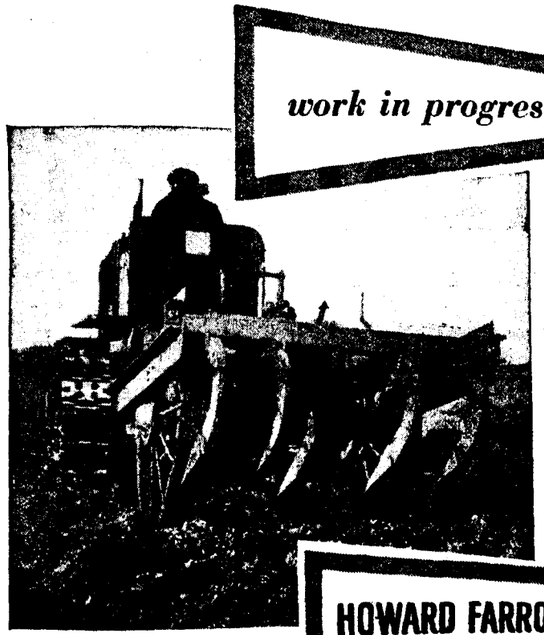

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This is a new post and applicants should have had practical engineering experience. Knowledge of sugar cane agriculture would be a recommendation.

Applications must give full details of University degrees and other qualifications held and of posts occupied. They should, if possible, be accompanied by certified copies of at least two testimonials. Applicants should be between the ages of 30 and 45 years.

The duties involved will cover the general administration of field mechanisation research under the guidance of the Industrial Field Mechanisation and Labour Saving Committee. The successful applicant will be responsible for carrying out tests of machinery and the submission of reports. He will also be required to maintain close contact with growers and advise them concerning mechanisation.

The salary for the post will be commensurate with the requirements of the successful applicant. The post carries pension rights, a free house, non-contributory medical benefits and the use of a car.

The successful applicant, if at present serving outside South Africa, will be offered a free passage to South Africa and, if he is a married man, his family's passage will be refunded after he has been confirmed in the appointment.

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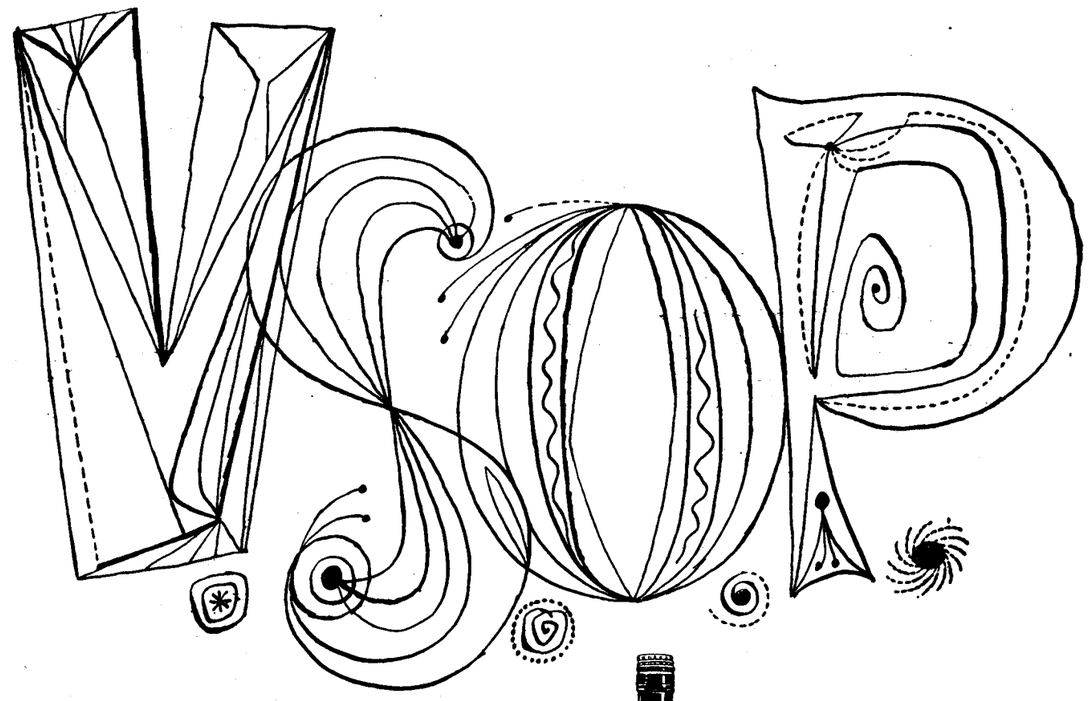

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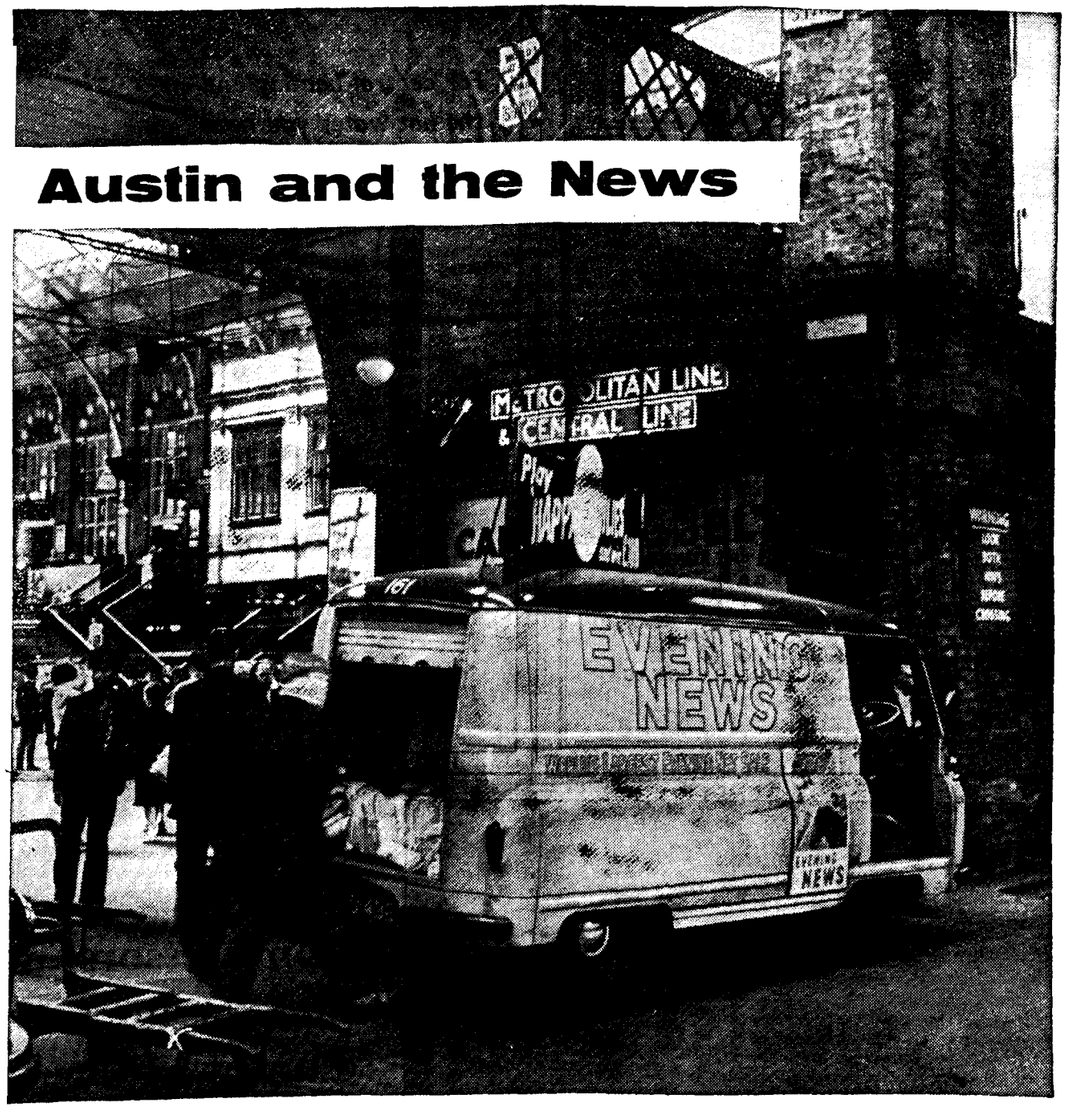

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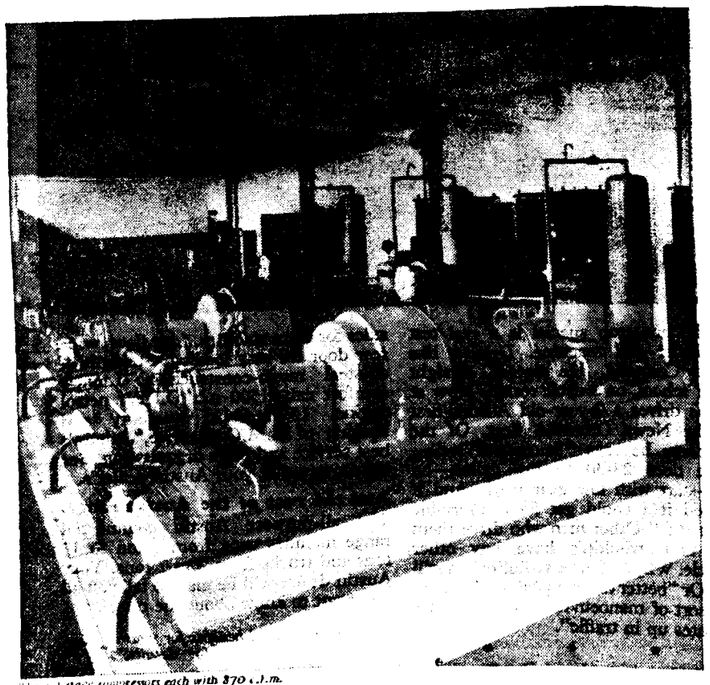

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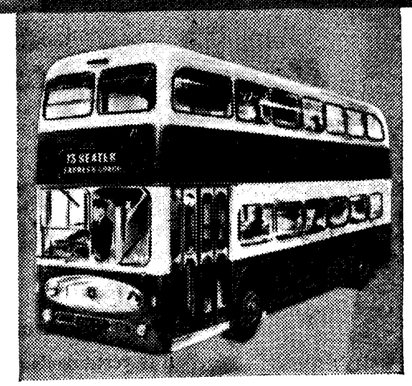
(Bottom) This 8-wheeled Albion CALEDONIAN with hub reduction rear axle is fitted with a 4,000 gal. tank. G.V.W. is 24 tons with payload of 16½ tons.



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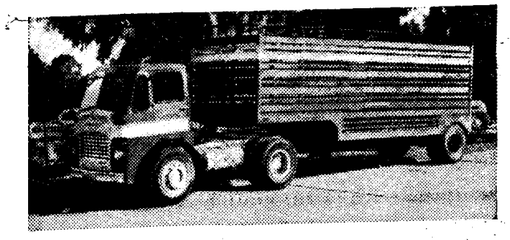

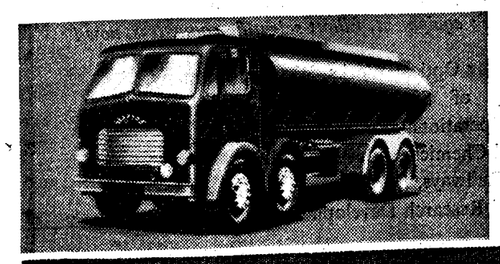

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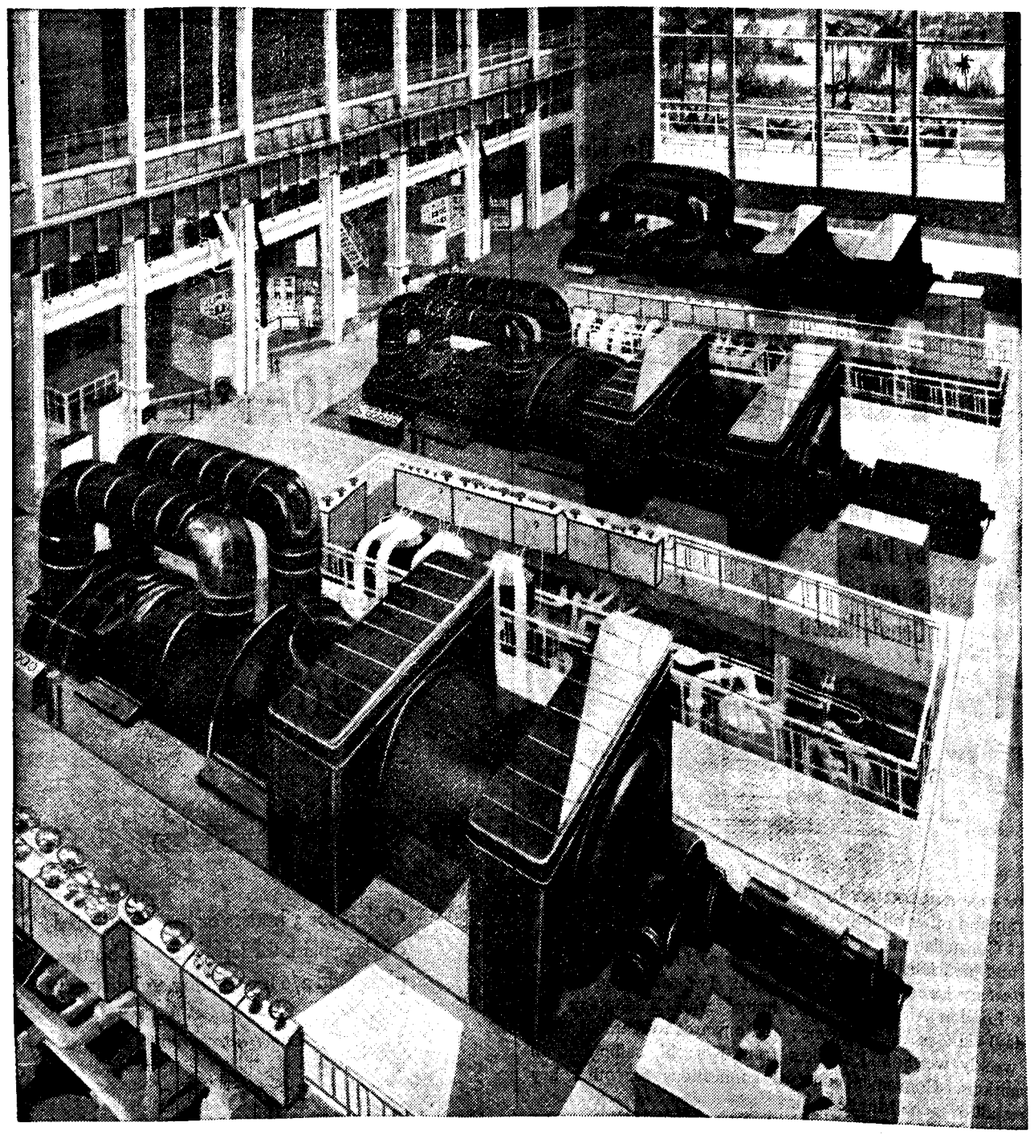

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The Economist

NOVEMBER 29, 1958

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Forward from Socialism

THE Labour party's gaudy pamphlet may not be for artistically squeamish stomachs, with its predominant colours of sickly green on funeral black, together with a little off-red in the margin. And for a party which stresses happiness as its main objective, its leaders on their otherwise slickly professional television show looked deathly grim. But before listing the many real doubts, the one overwhelming conclusion to be drawn from "Your Personal Guide to the Future Labour Offers You" is that the Opposition party has made a genuine attempt to be no longer disqualified for serious consideration by the conscientious voter.

Labour used to stand for nationalisation. It does so no more. Mr Gaitskell's first effort at setting his party free from this deadly encumbrance was to trade it in for the fetish of equality. But the party has thought better of that, too. Although there are bits and pieces still left around from the three-year-old pamphlet "Towards Equality," the new recension of Labour's policy shows that the main effect of the National Executive's decision to bring that out as the first of the series is fortunately that it has been the first forgotten.

But, after this squelching of tired notions, what is there left to make Labour seem more progressive than Mr Macmillan? At first sight there is not much. The main opening impression of the new manifesto is of mee-tooism plus some extravagant auction bids. Labour promises that in the next Parliament it will do a surprising number of things which the Conservatives will by then already have done in this session (e.g., mental health reforms, more money for secondary education), and that it will be lavish in its expenditure of taxpayers' money on buying particular interests' votes. But, somewhat muffled by all this are two big bangs on the party's drum, which Labour hopes will be distinctive sounds in the ears of the reasoning elector. The Opposition stands for "controlled expansion" and for a peace campaign.

By picking on industrial expansion, instead of equality, the Labour party shows the voter that for once it is grappling with a genuinely contemporary challenge. As a goal, expansion is doubly tantalising. Economically, it is arguable that if Mr Heathcoat Amory errs at all in the timing of his switch to expansion, he may be temperamentally inclined to err on the side of caution; the case for getting a move on with investment is the economically right one for a progressive Opposition to be pressing. And, politically, the computation of the extra revenue that painlessly flows in from increased production is the perfect candidates' reply to the age-old challenge of how to pay for the promises he is making.

Even as a purely political exercise, however, there are at least three snags in this. The first is that, as Mr Macmillan has gently indicated the Government is not going to oblige by staging an election at a time of

maximum slack in the economy. If the Tories go to the polls when everything is booming except the guns, few floating voters will spare a thought for the men who talked about expansion first. Secondly, even if the visual aids which the party's television programme used to good effect do demonstrate that British productivity has been trailing along in a slow coach, most people, buoyed up on the never-never and by Britain's vastly securer currency and improved terms of trade, feel that things are going to get better and better—without a Labour Government.

The third hazard is the most dangerous: the Labour party's sums sound just too pat. All the extra bills, it is said, will be paid for out of economic growth. There will be no inflation with the promised expansion, and therefore no cause for a flight from the socialist pound, because the party leaders will get on to their private line to their trade union friends. This has always looked like the weakest link in the Labour party's case; and now the voter will be asked to take on trust what appears on its face to be an implausible experiment in human relations. In the last resort the voter will really have only two things to guide him. The first must be his assessment of whether Labour will be more likely to contain the trade unions' bids because of its associations with them (this argument was not usually used as a point in favour of the Tory party being likely to clip the big industrialists, in the days when it was more closely associated with them). The second must be his judgment of the personal strengths and weaknesses of the men who would be responsible for Labour's policies.

THE latter consideration, balancing the men we have against the men we might have, applies equally to the Labour party's claim for support because it possesses the more venturesome peace-fighters. For those who believe that nothing is more important than a British breakout from the rigid positions of the cold war, the particular collection of notions which Labour now endorses may seem as good a prospectus for an alternative foreign policy as anyone is likely to turn up—though Mr Grimond might not agree. But the hard fact has to be faced that the chances are against Mr Bevan having any success in it whatever, simply because the Russians, the Chinese and the Arabs will not play.

The first judgment that the independent voter will have to make on foreign affairs is whether there is enough possibility of achieving such political settlements to say the chance ought to be taken. The second judgment must be whether the individuals concerned, Mr Bevan and Mr Gaitskell, would be likely to manage to pull off this marked shift in the style of British diplomacy without fatally rupturing the western alliance. The third must be whether, if these leaders are subjected to the setbacks that seem only too likely, they will be tough enough—as Mr Gaitskell himself so far has been—to resist the pressures for more and more accommodation to the communist point of view from the sentimental left. Very awkwardly, that pressure is likely to be strongest at moments of sudden crisis—at Quemoy's, or Berlin's, or after Middle East debacles.

ALONGSIDE these two vital pillars of Labour's case in this week's manifesto are fragments from several geological layers of the party's thought. On some subjects that could have thrown Labour seriously on the defensive during an election—notably, the comprehensive schools and the municipalisation of housing—the process of compressing the policies into one pamphlet has made them much less offensive. On municipalisation it is clear that this manifesto is not merely an example of the chameleon being better camouflaged, but of the leopard having changed its spots. The single sentence in this manifesto about a plan for "empowering local councils to buy rent-restricted property and modernise it as fast as possible," really cannot be said to refer to the scheme for a wholesale municipal monopoly of rented houses that was billed as the "biggest socialisation project yet attempted in the democratic world" in the Labour policy statement two years ago. (The pamphlet in those famous OHMS envelopes can now be seen to have been a strictly non-partisan document, attacking an idea to which no British political party is any longer attracted.)

Unfortunately, other items in Labour's programmes have been sharpened when condensed, particularly its protectionist and pork barrel pledges. The specific nature of these pledges is the worst positive blunder in the manifesto, and depressing testimony to the Opposition's inexperience in statecraft. The detailed promises to give more money to practically everybody—to farmers (by guaranteeing more commodities), to pensioners, to patients (by abolishing all prescription and dental charges), to tenants (by repealing the Rent Act)—would hang like halters around any early Labour government's neck.

Yet, when all is said, this is at least not a socialist programme—although the word is thrown in very occasionally like a kidney or two in a steak pudding. Something is happening to the Labour party. It is true that this sixpenny-coloured pamphlet winds up by reproaching the Tories, in the good old style, for believing that "the economic future of fifty million people packed on a small island can—and should—be shaped decisively by a free-for-all scramble with private profits as the prize." But so apparently, and fortunately, does Labour, now that it has inscribed expansion instead of equality on its banners. Certainly the Labour Britain suggested by most of the new programme sounds vastly more acquisitive and less confiscatory than anything that the old socialists have ever acknowledged before.

The concluding passages of the pamphlet do indeed recognise, in effect, that it is only when the Opposition can carry conviction as the more humane, as the more enterprising, as the more radical, and as the less dogmatic party that the country should offer Labour a future. The recipe for the Labour party now should be to go forward from socialism to precisely that. Few people will feel that in this manifesto the party has got there yet. But it has gone some way forward. And for the long-term future of British politics, for those who can lift their eyes beyond the immediately approaching battle, that is by far the most important fact. The political battle in this country is no longer between a conservative party and a socialist one. It is between a group of more penny-wise, more experienced, if occasionally more atavistic "ins," and a group of more profligate, more pressure-group-ridden, if sometimes more ambitiously questioning "outs."

The Balkan Heretics

International communism wants to see the Jugoslavs in difficulties; the West has an interest in helping to make them a success

WHEREVER the high priests of communist orthodoxy have gathered in 1958, time has been set aside for attacks on the Jugoslav heresy. Mr Khrushchev in Peking; Herr Ulbricht in Sofia; Mr Gheorghiu-Dej in Prague—when glasses are clinked, anniversaries celebrated, and declarations of amity initialled, the occasion is never too jolly or the subject too remote for the eminent men to drag in a bitter paragraph about revisionism and Marshal Tito. Belgrade sits under a hail of dialectical bombardment, taking it all in and giving tit for tat.

Visitors sometimes complain of the self-importance of the Jugoslav communists. Belgrade is not a grand town. Indeed, it is rather provincial; the country that is governed from it is not large, populous, rich, technically eminent, or in any way powerful. Yet its politicians, journalists and broadcasters can pass their days in exhilarating combat with nearly every centre of communist power from Berlin to Peking. Thus the impression is created that Belgrade holds a key place in a world-wide ideological conflict. Incongruous as the impression may be, it is not in fact created by the Jugoslavs—who are taking great care not to be the aggressors in the quarrel—but by the others.

It is the rulers in Moscow and Peking, and the lesser communist parties that follow their lead, who have chosen to invest the Jugoslavs with an importance far in excess of their material part in the world's affairs. Their quarrel with Jugoslavia is possibly the only international relationship in which any governments nowadays seriously bother to pursue ideological questions at all. In most of their foreign dealings, the communist governments have long since ceased to conceal that their actions are prompted by considerations of power, security, interest and opportunism like anybody else's. But in what passes between them and Belgrade, ideology dominates.

Marshal Tito in a speech last month professed himself perplexed, as well as saddened, by the zeal with which this abstract quarrel is pursued: "We wonder what is the point," he said. Presumably, the point is that the attack on Belgrade reflects, or is intended to sublimate, a submerged conflict within the orthodox communist countries themselves. Whatever the reason, it has involved the communist governments in the tricky exercise of trying to preserve a degree of decent normality in their relations with the Jugoslav state, while yielding to none in the ferocity with which they attack the heresy of the Jugoslav ruling party. Some have quite failed in this difficult balancing act. The Albanians have not resisted the temptation to make trouble over the Albanian minority of Kossovo and Metohija; the Bulgarians, as if anxious to remind the world that the Balkans have never ceased to be one of its most explosive parts, have been airing their claims on Macedonia as if the year were 1878. The Chinese have been "particularly venomous," as President Tito complained the other day.

THE Russians, by contrast, are taking evident pains not to let the renewed quarrel get out of hand as it did in Stalin's choleric last years. Their object now appears to be not—as Stalin's was from 1948 until his death—to force the Jugoslavs to heel by direct methods of harassing and intimidation, but to establish that the Jugoslav heresy has nothing to do with communism. For this purpose, Jugoslavia has to be detached from the rest of communist eastern Europe, and the Jugoslav communist party has to be isolated and made ridiculous. Provided that that is done, Jugoslavia can be treated "normally"—that is, as other non-communist countries are treated; but the "correct" relations that are sought must be between governments, not between the Jugoslav communist party and the other ruling communist parties. Mr Khrushchev, when he spoke on November 10th at a meeting in honour of Mr Gomulka in Moscow, confirmed this. He even said that "on state level" he would do his best to strengthen Soviet relations with Belgrade; but the "struggle against the perversion of Marxism-Leninism" would go on.

Obviously this is difficult to pull off between countries in which the government and the party duplicate each other. It is, however, consistent with this view of the game that the Russians, while they stopped the long-term credit of some $285 million which they,

together with the Czechs and east Germans, had promised the Jugoslavs for their programme of capital investment, should, after an initial hesitation, have agreed to perform their side of the current trade agreement. "Correct" relations include trade. But the Russians are not going to lend their money to make Jugoslav Communism a success. It is some of this long-term credit from eastern Europe that the Jugoslav government is now seeking to replace by credits from the United States, Britain, and other western countries to finance new fertiliser plants, agricultural mechanisation, and some industrial improvement. There are strong arguments for lending it.

WHAT is bad for Mr Khrushchev and Mr Mao Tse-tung is not always, necessarily, good for the West; but their quarrel with Jugoslavia is such a case. Apparently, they are setting out to demonstrate that a communist party must come to a bad end unless it accepts foreign dictation of its ideas, policies, and leadership, and unless on getting power it takes its country into the Soviet military alliance. If that is their aim, then a communist party that successfully demonstrates the contrary will be doing the West, and indeed the world generally, a service. The reasons that make the orthodox communist governments want the Jugoslav heresy to fail must make the West want it to succeed—just as the mass of ordinary Jugoslavs have no choice but to desire its success; for although, broadly speaking, they are not communists, their dislike of domestic communism is outweighed by their dislike of Russian domination.

If this is a dilemma it is simplified by the fact that success and failure mean, for practical purposes, success or failure in the attempt to develop the Jugoslav economy to a point at which the country becomes materially fit to live in. This is not an enterprise that anyone need hesitate to approve. Poor countries in Europe, now that they are aware of their rich neighbours and can watch them growing richer, are not content to accept poverty as a misfortune of nature. The restless intolerance of poverty, the pressure of population growth, and the steady drift of population to the towns would force any Jugoslav government of any complexion today into a programme of economic development bigger and more intense than a poor economy with a naturally low rate of capital formation can, strictly speaking, support. When they ask for loans from the West it is not, therefore, a complete answer to point out to them the dangers of going too fast; they are more impressed by the dangers of going too slow.

Jugoslavia already has substantial foreign debts and its balance of payments, already unsatisfactory, has begun to be further burdened with repayments—to Britain, for instance, at the rate of £2,200,000 a year on the credits arranged after the first breach with Moscow. There is strong competition from other borrowers, some of them more credit-worthy, some with a good case for aid, others with a customary claim to a place in the queue for the London market. Turkey, another strong political claimant, has just got £3,500,000 from London under the arrangements made earlier this year. The Jugoslavs asked in the summer for between £10 and £15 million from London. This is much more than they will get. There ought not, however, to be any doubt that they should get something; and it would be refreshing to see a trace of urgency in deciding and letting them know what it is to be.

IN the end there is a more persuasive argument for helping the Jugoslavs than the reasonable desire to frustrate the Russian rulers in one of their more ill-conceived purposes. It is, or should be, a basic western interest that the level of life in the poorer parts of Europe should be raised. If that is neglected, the discrepancies in living standards within Europe will tend to grow more extreme; even if they do not, they are gross enough already to be sources of tension and disturbance. Jugoslavia is still struggling to digest the nationality problems which it inherited from the Austrian and Turkish empires, while its communist neighbours are interfering in the hope of stirring up trouble. Because of the gross economic discrepancies between the various national regions of Jugoslavia, as well as between its richest areas and their western neighbours, the work of national fusion and the task of economic development are inextricably tied up with each other; in other words, without economic progress, full national cohesion can hardly be attained. It may also be true that if their economic plans are allowed to fail, the risk will arise that the Jugoslavs may sooner or later be driven back into obedience to Moscow; though, now that the second quarrel has been forced on them, the present Jugoslav leaders would have to be driven into a very tight corner before they would submit.

In deciding to help the Jugoslavs, the West will not be winning a recruit to the anti-communist ranks, or acquiring the power to shape the course of Jugoslav politics in any direct way. It will be doing something that is worth doing in itself, in search of a position in which no dangers, either to peace or to an orderly evolution of Europe, need be expected from that quarter; that is ambitious enough.

The Economist

NOVEMBER 27, 1858

LITTLE BY LITTLE

ERIC; OR, LITTLE BY LITTLE. By FREDERIC W. FARRAR

¶ This tale of Mr Farrar's is interesting and well-written—the work of a Christian, a gentleman, and a scholar—but it is hardly likely to answer its main object, which is to please and to influence for good the schoolboy class. We cannot forego a comparison of its merits with those of "Tom Brown's School Days"—that spirited tale having obtained so immediate and strong a hold upon its youthful readers, as to form a kind of gauge and permanent indication of the kind of tale that is likely to reach their sympathies. . . . Mr Farrar, on the contrary, is a schoolmaster; he is interested in the boys, but is not one of them; his language is not theirs. . . . In addition, Mr Farrar is one of those spiritually-minded men on whom the great realities of life press so urgently that he cannot refrain from constant exhortation and allusion to them. We do not form so low an estimate of the ordinary schoolboy as to suppose him incapable of appreciating these things, but it is not in the nature of healthy youth to dwell long upon them. A tale that is pitched in a high religious key must therefore of necessity be out of tune with his nature. Besides the overstrained seriousness of the book, there is another characteristic which alone would make it distasteful to most boys, viz., the touch of sentimentality with which it is flavoured. Some of the school friendships are almost feminine in their tenderness, and there is a slightly hysterical tone throughout which is far from healthy. . . . But in the much-debated question of the moral agency of boys, he takes what appears to us a very judicious line. . . . Of course, there is a point at which a bad boy ought to be reminded of the harm, other than merely personal, that he is doing. It is quite right that Eric should be ashamed of himself for getting drunk before his younger brother. There is no harm, either, in the boys observing among themselves how many bad habits one black sheep had left in the school; though we hardly think any real boy, however good, would have done it, like Montagu, by throwing a pebble in the water, and pointing to the ever-widening circles of ripple. On the whole, Mr Farrar does not overdo the moral-agency system. . . . We cannot quit the volume without recommending it to the perusal of parents and schoolmasters. They will not only find it useful, as throwing for them considerable light upon school life, but they will also find it extremely interesting and entertaining.

Keeping the Door Open

If Britain is to have a coloured citizenry without a colour problem both natives and newcomers must be educated to live together as Britons. What must be done—and by whom for whom?

THE last of the trials of those charged with violence during the Nottingham and Notting Dale race riots is over, and many people will hope that this disgraceful chapter is now closed. But that does not mean that the last has been heard of the colour problem in Britain. The thread of colour in the British population mixture is going to broaden year by year, and friction will almost certainly increase unless positive steps are taken to deal with it. The call for hard thinking is common to all the independent pilot surveys of coloured immigration which have been made, with commendable despatch, since the events of the summer.*

It is matter for satisfaction that, officially, liberalism, economic common sense and a lively sensitivity to the effects abroad of colour prejudice at home prevail. So far the Government has hinted at only one mildly restrictionist (and understandably defensive) move: it has said that it may have to take powers to deport Commonwealth immigrants who turn to serious crime. It has resisted the demand for much more drastic powers to debar or deport "the criminal, the idle and the unfit" as one Conservative backbencher described a high proportion of coloured immigrants in the debate on the Queen's Speech. The Government knows perfectly well that although some immigrants bring tuberculosis to Britain, coloured nurses sustain the hospitals; and that if some coloured workers have to search hard for jobs, they promise to give the British economy a mobility of labour which it has formerly lacked. But it is no secret that some departments, looking ahead at the way the situation may develop, are considering how reciprocity might be introduced in the treatment of migrants from Commonwealth countries—especially after the colonies, and notably the West Indies, become independent.

They think that the liberal line—uncontrolled immigration—can be held for a few more years, but not indefinitely. Far from thinking that the British people will get used to colour, as they are reconciled to Poles, Irish or Middle Europeans, this school of opinion in Whitehall and beyond feels that when the tide of colour rises to a certain, as yet unspecified, point, the mass of British voters will demand that some check be imposed.

Are they right? Just how big is that tide—perceptible in Streatham, invisible in Somerset? There is much argument over very inaccurate figures, but at a conservative estimate there are now at least 200,000 coloured settlers, half of them West Indians, in Britain. (Taking students, foreign visitors and seamen, and other coloured transients into account, the visible coloured population may at any one time be 300,000 or more.) This is still a minute percentage of the population. How fast is it increasing? Most of the new settlers are young people of an age when they are likely to breed children, while in the last seven years West Indian immigration has averaged 14,000 a year; on top of that there have been the Pakistanis and others. But coloured people have also emigrated again; a lot of them have never intended to stay longer in this climate than is necessary to build a nest-egg for themselves and their relatives to enjoy at home.

It is not possible on these figures to make precise demographic forecasts. But it seems desirable to base a guess on some reasonable assumptions of what may happen. Otherwise people are in danger either of being scared by a bogy of "six million blacks in twenty years" or of forgetting that the coloured component will grow and that they must adjust themselves to it. On the assumptions that the existing coloured population is about 200,000 with a sex ratio of 3 men to 1 woman, and that

(a) the *net* inflow in the next two decades will average 10,000 a year from all sources;

* *Colour in Britain*, by James Wickenden. The Institute of Race Relations. 1s. 6d.
Coloured Peoples in Britain, by the Bow Group. 6d.
West Indian Immigration, by G. C. L. Bertram. The Eugenics Society. 1s. 6d.
Black and White in Harmony, by C. S. Hill. Hodder and Stoughton. 4s. 6d.
Overseas Students in London. Conference of Voluntary Societies on the Welfare of Overseas Students. 1s. 6d.

(b) the marriage, fertility and death rate of coloured men and women in Britain will approximate to the pattern for equivalent British age groups ; and

(c) on a rough-and-ready guess, a little over one quarter of coloured men will intermarry with local women, and have children by them,

it seems likely that by 1978 there will be rather more than 800,000 coloured people in the population, two-thirds of them locally born—and this two thirds divided equally between the children of inter-coloured unions and coloured-white unions. This 800,000 would be 1.5 per cent of the projected total population of 54 million. But in every hundred British school children and young people of university age, there would be about 4 coloured ones ; in some—especially slum—areas the proportion of coloured children would be far higher.

This should not be an insurmountable problem. It should mean, indeed, that by 1978 the process of assimilation will be in full swing, in the best place for it—integrated schools. As second generation Britons, these children will not suffer from the drawbacks of illiteracy, lack of skill, "bush" standards and inability to adjust. But this will not solve the entire problem. Their parents will probably still mostly be living in harlemised districts in the big towns ; and new arrivals will continue to import the types of behaviour and attitude that disgust or annoy the whites. The problems will remain, even if it be assumed that the settlers would fully share in a doubling of the British standard of life in the next 25 years. The danger is that, if race friction and some of the evils that flow from immigrant unemployment persist, the acceptability and future of the young coloured generation may be prejudiced.

For the not-so-distant future, a "coloured teenagers'" problem could then loom, and it might be alarming. It will, therefore, hardly do to leave matters entirely to *laisser faire*, in the conviction (true as it would be in a colour-blind world) that large-scale unskilled immigration would ultimately benefit an expanding economy, as it did America's or Australia's in the nineteenth century.

THE points of friction have been adequately diagnosed in the surveys mentioned, and in other books. They need not be rehearsed here. It is the very virtues of the coloured immigrants in doing some of the least popular jobs, sustaining part of the necessary mobile pool of temporarily unemployed, and living in the substandard accommodation which the native population will no longer put up with that also produce the evils. They compete, or are thought to compete, with the poorer whites who are ignorant and easily enraged ; they overcrowd and spread the substandard housing ; and unemployment does lead some of them into crime—and largely into a type of crime like pimping and drug-peddling which most inflames local distaste. The impact of all this falls mainly on the British working class ; the benefit of coloured work is often reaped at higher levels—by those who use buses rather than those who live among busmen.

Against these troubles, voluntary work, good as it is, cannot alone prevail—as Nottingham discovered. There is never enough of it. Almost everybody who has studied the problem agrees that there are two forms that public authority action should take. The first arises from the fact that some coloured immigrants stay unemployed for a much longer time after arrival than does the average white unemployed man ; in consequence they relapse into a sense of hopelessness which drags even good men down, which leads easily into crime and depreciates districts even faster. These men urgently need a special form of training to go with, or precede, employment. It would be worthwhile to try this out in every district with large coloured settlement ; on an experimental scale, it need not be costly. With training, many even of the rawest coloured immigrants become reliable, if often slow, workers ; trained and settled in jobs they overcome the mental strains of adaptation, become steady and even suburbanised, and give the police no trouble.

Secondly, in a country where housing is partly publicly subsidised, difficulties arise when one distinctive block of the poorer classes can find accommodation only in private slums, because as latecomers it seems fair to put them invariably at the end of the queue. In other words local authorities need to be readier to allocate places for coloured immigrants in their housing lists and slum clearance schemes.

THESE proposals will raise two objections. One will be the protest that local authorities "must not do more for immigrants than for our own people." The second, and more sophisticated, objection will be that if bigger efforts are made to help and advance those coloured workers who are here, the word will go back to the West Indies and elsewhere that "things are easier now" and more will come. It is unemployment and overcrowding for coloured people here that may hold the inflow down to a net 10,000 a year. It may be that a humane effort to raise their standards and status would attract a far larger flow of immigrants and of whatever problems come with them.

But these are things that *may* happen, not things that have happened. It is too soon to say that the choice is between leaving coloured workers untrained and having to shut the door to them. The present scale of the problem, as set out here, does not justify panic measures ; it does call for action to improve immigrants' adaptability and to educate the native population by every possible means to accept and absorb them. The avalanche can be dealt with *if* it comes. Meanwhile, free entry from the Commonwealth enriches this country with brains from the dominions as well as brawn from the colonies, and helps it to wield a moral leadership in the world which the race riots only showed up more clearly. These are cards not to be thrown away.

NOTES OF THE WEEK

GERMANY

Berlin

AT last the Soviet government has communicated to the western powers its proposals to change the status of Berlin. The proposal set out on Thursday is that the occupation of Berlin should be brought to an end ; west Berlin should become a demilitarised "free city" with a status that might be internationally guaranteed ; east Berlin would become in form what it is in effect already, the capital of the German Democratic Republic ; and Herr Ulbricht's regime would take over from the Russians the remaining reserved powers over the approaches to Berlin.

Obviously the western powers cannot accept this—not because it would mean dealing with the east Germans as the *de facto* authority in control of the approaches to west Berlin ; that they may well have to swallow, and it will do no great harm ; but because it would require them to abandon their authority and withdraw their troops, and this would leave west Berlin naked to its enemies. International guarantees would not then preserve it from its inevitable fate ; nor would the presence of a United Nations agent, which the Russians—departing from their customary view that the German question is none of the UN's business—have said they would be willing to consider.

MR KHRUSHCHEV has confronted the West with a serious problem. There is no need to jump to the conclusion that he has faced it with a threat of war or blockade ; he has not. His threat is that if a four-power agreement is not reached in six months, the Russians will hand over to the east Germans and leave the western powers to stew. (The Soviet Army would presumably stay in east Germany ; it might leave the capital.) In explaining their intentions, the Russians have taken care to put them in the most reasonable possible light, eschewing righteously any suggestion of any "painful disruption" of Berlin's way of life.

Since they cannot accept, how ought the western powers to reply? As was said in *The Economist* last week, they cannot give up Berlin except as part of a settlement that reunites Germany and thus restores the city to its position as Germany's capital ; only that would remove the reason for their presence. The talks which the Russians now suggest ought, therefore, to be talks not on Berlin alone (since agreement on Berlin alone is impossible), but on the whole German question ; and the western powers should seriously consider proposing such wider talks. There are six months' grace. Such talks may come to nothing. But it is worth while to consider the possibility that the Russians' present move is inspired by fear of the rearmament of west Germany with nuclear arms—and that, rather than see that happen, they might conceivably be willing at last to talk seriously about German unity within the only possible context—that of military disengagement.

EUROPE

A French Success

PARIS should be pretty pleased at the result of General de Gaulle's meeting with Dr Adenauer. By breaking off the free trade area talks Mr Maudling gave the initiative to France. It has seized the opportunity with both hands. General de Gaulle, backed by the vigorous efforts of the "Europeans" in Paris influential with Dr Adenauer, has brought the German government to a closer adherence to the French view than ever before. The Chancellor is evidently willing to pay a high price for the hope that the general will put his weight into little Europe.

The only shred of encouragement from Wednesday's talks at Bad Kreuznach is the French recognition that something must be done to alleviate the effects on the rest of western Europe of the impending round of quota and tariff changes by the Six. But the French government has by no means accepted the principle of no trade discrimination. It is prepared to extend the 10 per cent tariff cut to all Gatt members and to offer a 20 per cent increase in quotas to the other countries in the Organisation for European Economic Co-operation. But for many products these concessions will be insignificant beside a third provision of the Treaty of Rome which the French have decided not to extend to non-members. This is the rule that each country's import quotas from the common market for any individual product shall henceforth not be less than 3 per cent of its own output of that product. Because many of France's import quotas today are minute, it is this that matters. The quota for German and Italian cars, for instance, will be increased by more than 10,000, the British by a few hundred.

In the discussion of a long-term solution the French also seem to have carried the day. The two governments agreed that there should be a multilateral association between the other countries of OEEC and the common market. They suggest that Professor Hallstein, president of the executive commission of the Six, should explore the way. There is a disquieting implication that the broader group shall be, not a strong association in its own right carrying all western Europe along the path of integration pioneered by the Treaty of Rome, but a loose scheme whose weakness ensures that the community of Six remains inviolate. It is highly doubtful that the concept of association cooked in Paris and garnished at Bad Kreuznach will permit the freeing of trade throughout the OEEC area in step with the Six.

WOLFENDEN REPORT

Cities of the Plain

WEDNESDAY'S generally intelligent debate on the Wolfenden report seemed to show that Mr Butler has the majority of the House of Commons with him in

accepting most of the committee's proposals on prostitution and rejecting most of them on homosexual offences. All the same, it is a great pity that, although he summarised the evils that spring from the present law on homosexuality most vividly, the Home Secretary felt he had to announce that he was opposed to changing it because of possible misinterpretation by the public. He held out only one hope to MPs who believe with the Wolfenden committee and the Archbishops of Canterbury and York, that private homosexual acts between consenting adults should no longer be a crime: if they can stir up a gale of public opinion on their side he might be willing to be blown along with it.

Although there were some speeches of extraordinary silliness, such as Mr Bellenger's stone-age outburst from the Labour benches and Mr Dance's revelation that homosexuality caused the downfall of the Roman and Nazi empires, others indicated the seriousness of the pressure to which Mr Butler had given way. Curiously enough two psychiatrists in the House, one from each side, both urged the rejection of the committee's recommendation, because if the public concluded that the House of Commons thought there was nothing wrong with homosexuality, this would encourage offensive and possibly corrupting public displays of affection between males.

The Opposition took no official stand on the report. But both speakers from its front bench, Mr Greenwood and Mr Younger, made effective cases for backing the Wolfenden committee on homosexuality, but questioned its tactics for dealing with prostitution. There was little backing anywhere for the notion that it would be hypocritical to sweep prostitution off the streets because they would then carry on their trade out of sight; freedom of passage through the streets without having to suffer ugly accosting was recognised as a sensible objective. But Opposition speakers, in particular, showed a creditably libertarian worry about the proposal, accepted by the Government, that if charges of soliciting are contested, as with higher penalties they probably will be, the police should not have to produce a witness to prove that anyone was annoyed.

The test of the Wolfenden proposals on prostitution will be whether they effectively deter streetwalking by the threat of a gaol sentence after the first offence, without filling the gaols with prostitutes who as everyone recognises would be neither reformed nor rehabilitated there.

BY-ELECTIONS

Bells at Shoreditch?

THE Conservatives had felt that so many special factors were loaded against them in the East Aberdeenshire by-election last week that they are entitled to feel relieved at the result. The 23 year-old Oxford undergraduate who was their candidate got in safely, although he secured 20 per cent less of the total (and significantly enlarged) poll than Lord Boothby had done in 1955. The whole of this 20 per cent went to the intervening Liberal, who won just over 24 per cent of the vote in all. But six months ago the Liberal, a farmer with a substantial local reputation, would have been expected to get up to a third, instead of less than a quarter, of the vote in a constituency such as this. With unemployment in two of the constituency's towns near to 10 per cent, many people had also expected that Labour would at least maintain its 1955 share of the vote, instead of losing more than 4 per cent of it.

On Thursday the by-election spotlight switched to the straight fight at Shoreditch and Finsbury, a safe Labour seat (1955 figures: Labour 73½ per cent of the votes against the Conservatives' 26½ per cent). Last May in a by-election in the not dissimilar nearby constituency of North Islington Labour marked up a swing of 10½ per cent compared with 1955, and the total swing to Labour in the London County Council elections a month earlier was not very much smaller. But it so happens that Shoreditch and Finsbury itself showed one of the three smallest swings to Labour (of under 4 per cent) in those April LCC elections, admittedly on a tiny poll. Thursday's result was therefore awaited with some interest. The point is, of course, that it is about time that the Tories started to show a swing to themselves somewhere, if the rosiest tales of their recent recovery are going to be believed. Whatever one says about East Aberdeenshire (where the Tories gained some relief only in the sense that they had expected worse), the fact remains that two of the other three by-elections in the past month have shown swings to Labour above the minimum (2 per cent) which would bring them back to power in an immediate general election. Although an expected low poll in slummy Shoreditch may seem a poor sort of national pointer, the Tories could not easily blame "special factors" for another swing against themselves here. In fact, because of the progress of slum clearance, Shoreditch's special factors since 1955 should, if anything, have worked against Labour.

ALIENS

Paying Guests

LAST week Mr Butler excised two minor absurdities from the Home Office's still largely deplorable system of control on the residence of aliens in this country. As a humanitarian measure, the Government will now normally allow the widowed or elderly parents of naturalised British subjects to take up permanent residence with their sons or daughters in Britain. As a practical measure, it will now normally allow foreigners with private means of support to live here as writers, artists or simply in retirement if they want to; hitherto it has ejected even usefully dollar-spending American (and Arabian) millionaires when their short-stay permits expire, on the grounds that it would be unfair to treat them differently from people who might fall on national assistance. An article in *The Economist* on April 14, 1956, advocated precisely this second reform; it was attacked from both front benches at the time as a typical example of this newspaper's traditionally cussed megalomaniamsm.

The question now is whether further pressure towards liberalism can be successfully exerted. Probably there is no immediate hope of securing any significant relaxation of the restrictions on aliens who seek jobs here, even though the present British system of control stems largely (and absurdly) from an emergency wartime barrier erected against the entry of spies in 1914; no party yet seems ready to accept that it would be in Britain's interests to treat aliens nearly as liberally as it treats all Commonwealth citizens—to recognise that the proper bias should

be towards regarding any alien who competitively secures a job in Britain, and spends his money here, as being likely to make a net contribution to an expanding British economy. But there may be more hope of eventually getting the Home Office to drop its special regulations and registration requirements for aliens with permits for short stays here. These requirements are now not merely an irritation to Britain's foreign guests, but also an utter waste of the British taxpayers' money.

The main object of these rules about registration is to enable the Home Office to do its private shrimping for aliens who might overstay their permits and "illegally" try to take up jobs here. But if they do get jobs, as Mr Paget pointed out last week, the Ministry of Labour can track them down when they apply for insurance cards. If they do not get jobs and fall destitute, the national assistance authorities get a record of them. If they neither get jobs, nor claim national assistance, nor become known to the police or security authorities or other welfare authorities for other troublesome reasons, then why on earth worry about them?

FRANCE

Second Round

CLOSING time for candidatures in the second ballot of the French elections struck at Tuesday midnight. Some 1,500 hopefuls chose, or were ordered, to stay in the race for the remaining 426 seats (only 39 were filled last Sunday). Candidates can still withdraw and upset local odds, but the main trends are already apparent. Last Sunday's rightward swing and the emergence of the neo-Gaullist *Union pour la Nouvelle République* (which our Paris correspondent discusses on page 801) are expected to continue. Against this tide the communists are keeping their troops in the field almost everywhere. They are only standing down in favour of a few socialists and Radicals who opposed the Gaullist constitution in September. There is just one exception to this iron rule. Against M. Delbecque, the Gaullist plotter in Algiers who is standing for a constituency in the Nord department, the communist has been told to give way to a Mollet socialist.

The UNR, encouraged by its success, is maintaining its candidates except where an alliance is needed to oust a communist. Clashes with some conservative *Indépendants* must thus ensue. These duels, if not called off at the last moment, could favour the socialists in certain constituencies where otherwise they would have been squeezed out by a united Right. Experts in Paris believe that the UNR will get up to 150 seats, and will be followed by the *Indépendants* with 110. The Socialists are given 70 seats. The MRP is, surprisingly, expected to remain largely unchanged (50 to 60), the Radicals and centre groups to have 40, and the communists not more than 20 to 25. Most of the 71 deputies from Algeria and the Sahara are likely to align themselves with the UNR, which could thus secure a comfortable majority in the new Assembly by allying itself with the conservatives. It does not follow that such an alliance could be marked by enduring harmony. For the present, it would seem logically to face General de Gaulle with a massive right-wing block that may leave him no alternative but to call upon its leader, M. Soustelle, to be his first prime minister. Yet the feeling in Paris is that the general will somehow avoid this course.

NORTH AFRICA

Uneasy Heads

WHILE French Algeria staged its electoral campaign this week (amid loud complaints of army partiality by the less-favoured integrationists), the rulers of independent Morocco and Tunisia plainly did not have their troubles to seek. President Bourguiba was still drawing breath in southern Tunisia after the hectic days in which he claimed to have uncovered an Egyptian attempt to assassinate him and overthrow the government. Four Egyptian officers, he announced at Gabès, had been arrested on Tunisian territory and were being held for trial. They had been under orders, he said, to join followers of Salah ben Youssef (Mr Bourguiba's old rival) and certain Algerian leaders in the plot against him.

At the same time, it became known in Tunis, despite official silence and Algerian rebel denials, that Tunisian troops had been used to round up Algerian leaders who had become disaffected with the exiled Algerian "government" in Cairo. In this murky atmosphere, thickened by Cairo radio's assertions that he was planning to attach all North Africa to Nato, President Bourguiba clearly had a strong claim on the arms that Britain and the United States have now agreed to send him.

Morocco, too, had a restless week. The government of the moderate M. Balafrej, weakened by the resignation of the economics minister, M. Bouabid, eventually succumbed. Divisions within the ruling Istiqlal party complicated attempts at cabinet reconstruction, but Morocco could not afford a full-scale political crisis while the outbreaks among the Rif tribes and casual bomb-throwing and brigandry strained all the resources of law and order. On Tuesday, the King received the Algerian leader, M. Ferhat Abbas—the first occasion on which the palace had been opened, with royal pomp, to the FLN. It seemed that Morocco's own troubles might make it an uncertain partner in M. Abbas's immediate plans for North Africa.

MR NIXON

Red Carpets and Realities

WRAPPED in the usual fog of well meant platitudes, Vice-President Nixon, who is already a seasoned traveller in the sunnier climes of Africa, Asia and South America, has come to pay his first substantial visit to this country. It is a good moment for the visit, both from the British point of view and from his own. Mr Nixon's presidential prospects, lately streaked by the comet-like irruption of Mr Nelson Rockefeller, could be enhanced by a successful encounter with his hosts in London. His hosts for their part, seeing in him an heir-presumptive who already stands close behind the throne, and recollecting that his political life has shown disturbing as well as reassuring aspects, are sensibly glad of a closer look at him. It would take more than a few days crowded with formal engagements to dispose of all their doubts about Mr Nixon, but his first gestures, and his words at the Guildhall banquet on Wednesday night, were certainly well chosen to make a favourable impression.

When the red carpets have been rolled away, and the feast of English-speaking solidarity is over, what of the stock-

taking ? On occasions of this kind there is a very natural tendency for both parties to talk as if disunity between the two countries were unthinkable. In part this is mere courtesy, and correctly regarded as such by all concerned. But courtesy can shade off into a dangerous self-deception. When two parties spend the week proclaiming that they are with each other through thick and thin, they risk painful disenchantment when they discover, as soon as they look round, that they are not. And just one quick look round is enough to show that they are not. The British, for example, ought not to be surprised and disappointed at not getting wholehearted United States backing for their Cyprus policy; and, with the roles reversed, the same applies to Quemoy. Bonds of alliance, blood, language and tradition involve no obligation to follow one's partner into every net in which he may have enmeshed himself ; and backbiting about his reluctance to follow one in is the quickest way to strain those bonds. The Atlantic alliance is essentially a pledge to stand fast together when human liberty is truly in peril—that pledge is symbolised by the American memorial chapel in St. Paul's, the opening of which Mr Nixon attended on Wednesday.

ADVERTISING

Worthy of His Salt

THE advertising industry is an eminently custard-pie-worthy target for criticism. It is so ineffably self-satisfied. It is so sincere in the Willis Wayde manner. It is so obviously Belloc's Matilda dressed up as the Goddess Athene. That its really disreputable fringe is tiny is apparent to any fair observer who knows it ; that there is embodied in its activities a useful and indeed essential job is not to be denied ; that those activities sometimes seem about as productive as those of six Two-Ton-Tony Galentos mutually cancelling out on each end of a tug-of-war rope is equally undeniable. (And the spectacle of creative brains impersonating Two-Ton-Tony Galentos is really, on almost any view of human dignity, rather a depressing one.) Possibly—just possibly—a Royal Commission on advertising might be able to suggest better means than now exist of clipping the shady fringe and armouring the public against *suggestio falsi ;* it is harder to suppose that it could liberate the luckless tug-of-war champions.

But Mr Francis Noel-Baker, urging Parliament last week to vote for the setting up of such a commission, made himself and his supporters look much sillier than the advertisers. First, he spoke at such inordinate length that there was no time to put his own motion to the vote. Secondly, he chose to direct his attacks less on advertising itself than on the products actually advertised, notably brand petrols and detergents. Just why it is that detergents have the property, admittedly appropriate, of making Labour MPs foam at the mouth is a difficult psychological question. True, their advertising is the classic instance of the immobile, portentously and expensively heaving tug-of-war ; arguably, no housewife would notice a pennyworth of difference if all the competing firms' singularly hideous cartons contained the same brand. The fact remains that detergents are the best and cheapest labour-saving device to enter the home in this century, especially in a hard-water area. The prospect of Mr Noel-Baker sternly banishing detergents from his home conjures up a charming picture of patriarchal authority—as does his simultaneous decree that because fancy names are given to the soapy ingredients in tooth-paste, all Noel-Baker teeth shall be cleaned with salt. Tories familiar with the notion of a " public image " must be rubbing their hands over the picture that Friday's debate helped to build up ; the picture of a Labour party identified with pool petrol, a nasty taste in the mouth, and the dear old pre-detergent scum of curdled grease squalidly coating the kitchen sink.

SMITHFIELD MARKET

Strong Meat

IT has taken nearly five months for the committee of inquiry into Smithfield meat market to produce its findings. One question before it was whether there are causes of unrest in the present structure of the market ; to most people's satisfaction this had already been answered by the prolonged strike last summer, and it is not surprising that the committee finds that there are. The thorny question remained of how the position could be improved. Here the committee, headed by Mr Roy Wilson, QC, accompanied by a businessman and a leader of the steelworkers' union, has some strong things to say. Like Professor Jack's committee earlier this year, Mr Wilson's committee sharply criticises the Transport and General Workers' Union. It finds that many of the union's activities in the market are irresponsible and indefensible ; in particular, it condemns the union's ban—imposed contrary to the market by-laws and to a specific court ruling by a judge—on retailers who want to carry their own meat to their vans.

That Smithfield is a hotbed of restrictive practices has been common knowledge for a long time. But the report rightly emphasises how all the market's difficulties are exacerbated by the exaggerated sub-division of the labour force there and by the entrenched position of the self-employed bummarees and pitchers. These self-employed workers (who have hitherto dominated the local branch of the TGWU) are responsible to nobody ; they have restricted entry to their trade to such an extent that waiting for their (compulsory) services causes endless delays, and they are thereby enabled to charge a monopoly price (plus tips, which might better be called bribes) that must cause them to rank among the highest paid manual workers in the country. As a temporary measure, the report proposes that the number of bummarees should be increased. To this the union has agreed. But in the longer run, the committee rightly suggests, the best course would be to remove the self-employed status of the bummarees and pitchers altogether, and put them under the control of a responsible employer.

Discussions on the report between [illegible] market employers have been postponed until January. A slight improvement in labour relations has taken place in the market since the men's summer strike over meat drivers' pay collapsed, but meanwhile the labour structure remains unchanged. When discussions do take place, the TGWU is likely to throw its full—and usually preponderant—weight against any radical changes. But the employers should now be prepared to act to secure a complete reorganisation. A similar redeployment of the labour force was carried out at Covent Garden last year, admittedly at the expense of a

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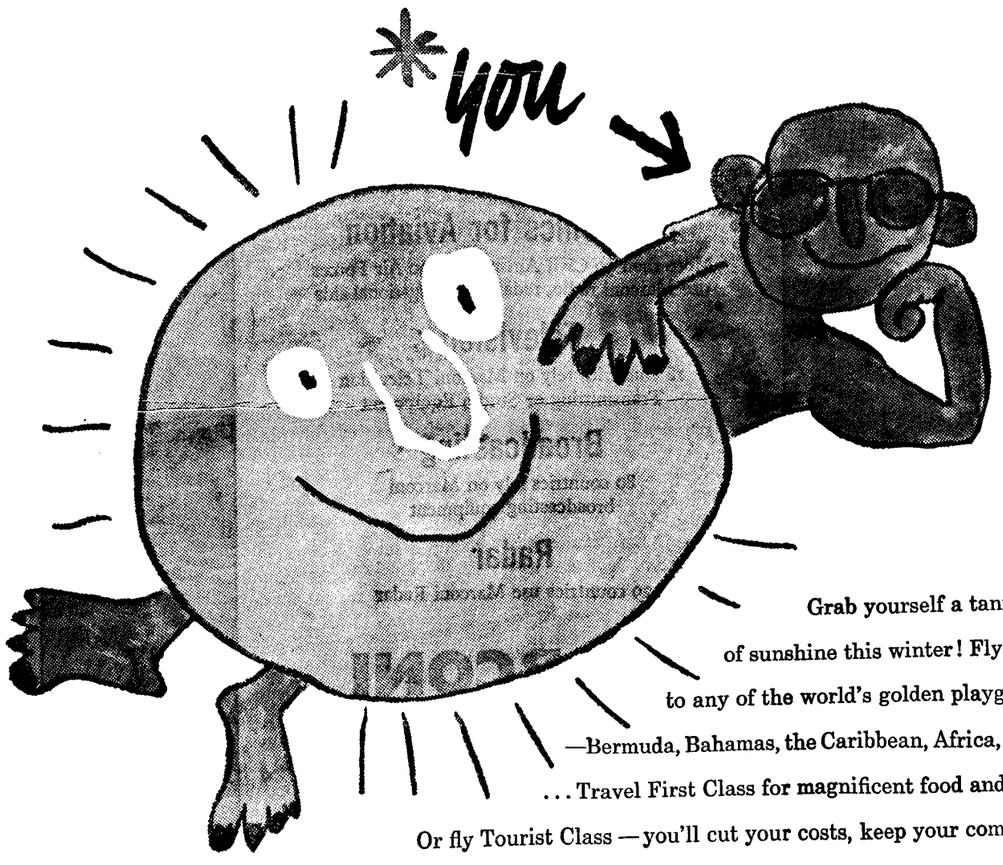

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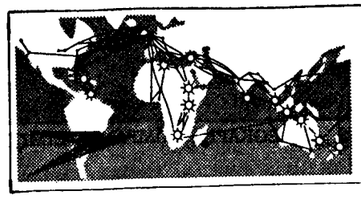

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short strike; looking back, that strike was abundantly worthwhile both for the housewife and for those who directly use the market.

LOCAL GOVERNMENT

The First Block Grant

THE Government's dull-sounding General Grant Order, presented to Parliament this week, is a significant pointer to the expected rate of growth in the most important local government services. The order merges a number of specific central grants for various local services (including education, health, child care, and fire prevention) into the new and much-criticised block grant, which is to be distributed among local authorities on a standardised formula. The Government expects that total local expenditure on education (which is estimated to be running at £542 million for England and Wales in 1958-59) will be higher by £91 million in the financial year after next, and that the cost of the other services (put at £102 million in 1958-59) will go up by £9 million. For 1959-60 the increases expected above the current year's levels are £58 million (or over 10½ per cent) for education and just under £6 million (or 5½ per cent) for other services. These estimates allow for certain known increases in prices and salaries, such as the recent (but so far rejected) Burnham award of a 5 per cent rise for teachers, but not for any further or future increases. Thus they largely represent the first instalment of an increased provision for educational needs, the details of which are shortly to be announced in Mr Geoffrey Lloyd's long-promised white paper.

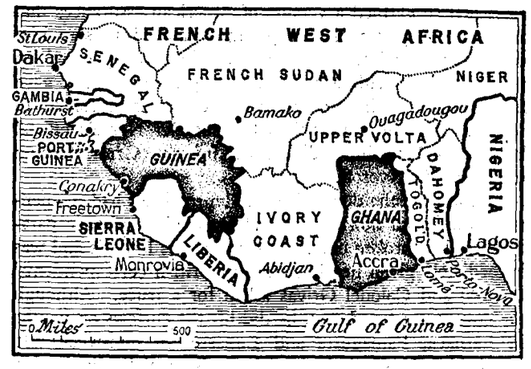
From the local authorities' standpoint the most significant fact is that the Government has not cut the proportion of their expenditure that will be covered by Exchequer assistance, apart from a small reduction in aid made as part of a horse-deal over sharing the proceeds of industrial up-rating. The general grant will amount to £393 million for 1959-60 and £414 million for 1960-61, which equals 55.6 of estimated local expenditure compared with a current proportion of 56.4 per cent. The snag for the local authorities is that they will have to carry part at least of any further price or salary increases occurring during this two-year period. In language reminiscent of that addressed to farmers at the annual agricultural price review, the Government warns local authorities to stand ready to tackle this problem by economies and a constant attention to new techniques, and indicates that only a substantial cost increase (if that) will bring forth more Government aid. It is this prospect of contingent squeeze that has been the main factor making so many people in local government so strongly opposed to the principle of the new block grant.

WEST AFRICA

Two Guineas

DR NKRUMAH's and M. Sekou Touré's statement of intention to work out a union of Ghana and Guinea as a basis for a wider West African federation has naturally set the papers fluttering on the constitutional lawyers' desks. The cynical explanation, of course, is that M. Sekou Touré, cut off from the nutritive flow of French capital, needed £10 million; while Dr Nkrumah, who is about to open a conference of African nationalist parties, needed a rousing send-off for these deliberations. Both certainly moved fast; it seems that M. Sekou Touré had no intention when he left Conakry of signing anything of the sort, and one suspects that the whole idea was born during an expansive evening in Christiansborg castle.

The document, however, indicates what is in the mind of the two statesmen. Dr Nkrumah disavows any prejudicing of Commonwealth ties. M. Sekou Touré's similar protestations about relations with the French-African community (and the European common market?) suggest a belief that General de Gaulle's delay in recognising the new state is



designed to keep open the possibility of doing some sort of deal when he sees how the cat jumps in the other territories—where, despite the recent vote for remaining in association with France, the popular demand for independence is growing. M. Sekou Touré needs £10 million to ride out this period of ostracism; Dr Nkrumah is anxious that he should succeed in doing so. Both wish to make life uncomfortable for M. Houphouet-Boigny, whose territory, the Ivory Coast, lies between Ghana and Guinea, and who is now fighting a rearguard action for the general in his party, the RDA, which already seems to be regretting its emphatic vote *Oui* a few weeks ago—a vote that swung so much of French West and Equatorial Africa in favour of France.

Because so many devious skeins are entangled here, it would be unwise for Britain to take a retchy line about lack of Commonwealth consultation. If the engagement becomes a marriage, there will be time enough to see if the flexible Commonwealth structure can accommodate it. To rule out accessions of this kind on principle would seem rash—particularly since a first-class row over British Somaliland's desire to unite with Somalia is due to burst any time now. Let informal talks begin, let Mr Nehru be sounded, by all means; and let the Foreign Office be brought in to try to reassure the French that the British are not bagging a fragment of their empire in revenge for the creation of the common market. This is, however, only one theme in the unfolding African drama.

CYPRUS

The Archbishop Speaks

CYPRUS had its usual general strike and juvenile disorder on Monday to mark the opening of the United Nations Assembly debate on the British, Greek and Turkish resolutions about the island. A good deal now depends on how

the dust settles again. A period of relative international calm could open new opportunities in Cyprus itself. Britain entered the UN debate with some slim hopes that its familiar message might find more acceptance than in the past in a few ears that are normally anti-colonialist. For one thing, Britain had its own resolution in the field, a bolder bit of tactics than the old refusal to talk at all. For another, the impression seemed to be growing among neutrals that the issue, after all, was not simply one of imperialist oppression. This idea was powerfully stimulated by the utterances of Archbishop Makarios himself. Apparently mistaking New York's press for that of Athens, he issued so garbled a version of American assurances that the State Department was promptly moved to slap him down—across all the front pages. He then appeared on television and, with Mr Ben Hecht prompting him, gave figures for British atrocities that he was later forced to retract. All this, rather than Commander Noble's official brief, added to life's difficulties for the Greek foreign minister, Mr Averoff.

By the time the debate began, Cyprus itself had momentarily quietened down. General Darling's sand-shoe paratroopers had broken one Eoka network (its leader's end was immediately given heroic stature in British correspondents' reports) and Colonel Grivas asked for a truce. Although the governor refused that, he did lift the curfews on youths in Larnaca, Famagusta and Limassol in mid-week. It remained to be seen whether or not General Darling's plan to keep the Greek population perpetually on the hop would pay any political dividends. The question of withdrawing the British families and miscellaneous civilians remaining on the island—a clear liability in General Darling's operations—may profitably be reopened once the UN debate is safely over. Second thoughts on Cyprus's place as the premier British Middle Eastern base might also lead in the same direction.

LONDON TRANSPORT

Blunders and Buses

On Wednesday, London Transport made the second and larger instalment of the 9 per cent cuts in services which were promised after the bus strike. These were long overdue; indeed, since 195 buses an hour will still be running in each direction along Oxford Street at peak periods, the changes are almost certainly not sweeping enough. More could still be done to turn buses round before reaching the centre of town; and the idea of introducing higher fares on late night buses has not yet been properly examined. The cuts, and the current "Hop on a Bus" advertising campaign, have come too late to save London Transport from being £4½ million short on the capital charges it owes this year to the British Transport Commission. Some observers are prepared to bet that it will not cover its full costs next year either.

In private, most London busmen must now recognise that this year's strike was a disastrous mistake. They have not yet come near to making up the heavy losses of wages that they suffered during it; and the fact that the strike taught the public to walk short distances instead of riding on a bus has led directly to the recent cuts in services, and to the reduced opportunities for overtime which they entail. The militant trade unionists among the busmen are disgruntled, but also disunited. The main grievance of London's "green bus" crews is over the recent pay award to provincial busmen which, being larger than that "won" by London's green bus workers during their strike, has re-opened the whole question of differentials and leap-frog claims. But a recent conference called by the union to discuss the co-ordination of bus wages was boycotted by London's higher paid "red bus" crews. This disunity is one of the reasons why the present talk of working to rule may not yet need to be taken too seriously. Another is that slack working hurts the busmen themselves. The driver who does not keep closely to schedule delays and disorganises the man behind even more than he hurts the public; the conductor who insists on standing on the platform before ringing his bell is holding up other buses as well as his own. Naturally enough, the busmen are nearly unanimous in their desire to reduce or refuse to carry standing passengers, but London Transport could find no reasonable excuse in its present labour situation for fearfully conceding this demand.

EDUCATION

Teachers' Revolt

The teachers have unexpectedly jumped in ahead of the local education authorities in turning down the 5 per cent flat rate increase (on all teaching salaries and special responsibility payments combined) which was recommended by the Burnham main committee a fortnight ago. The teachers, led by their London and Birmingham branches, base part of their complaint on the usual rather pettifogging statistical grounds. They are dissatisfied with a 5 per cent cost of living increase because they say that the cost of living has risen by 6½ per cent since their last increase in 1956. But their main objection has been to the proposed package deal whereby in 1959 new salary scales—and perhaps a new structure of allowances—would be discussed for implementation by April, 1960. They had previously expected that the results of this review would be through by the beginning of the autumn term next year, and they are not prepared to wait the extra time. For some reason they think that the teacher shortage will enable them to squeeze a very substantial increase in salaries out of the local education authorities next year. Moreover the National Union of Teachers is determined that the main feature of that review should be an increase in the basic scale rather than in special responsibility allowances. The reason for this is that the NUT has a majority of primary teachers, mainly women, and at a pinch these dictate its policy. Their demand is always for an increase at the bottom with intense resentment against any attempt further to open the concertina in favour of graduates and teachers with scarce qualifications in grammar or secondary modern schools.

What the local authorities will do now is uncertain. The Burnham committee meets again early in December and faces an unprecedented situation. The teachers have never turned down its recommendations before, and there is no provision for arbitration. One thing, however, is absolutely clear. Whatever can be said for a 5 per cent increase now and an overhaul of salary structure later, the demands of the primary teachers for a flat rate increase should be exposed for the nonsense they are. There is still far too little differential in the teachers' pay structure, and the primary teachers do very well compared with most relevant professions containing women of their grade of intelligence, training and skill. Many other teachers do not.

CO-OPERATIVES

The Kraken Wakes?

The more wide-awake elements in the co-operative movement are climbing into the saddle. This is the unexpected and highly encouraging news that has come out of the co-operative conference that has just been held at Blackpool. The delegates who assembled there on Sunday knew that this might be a historic occasion. Before them for debate was the report of the Gaitskell Commission which, after thoroughly examining the whole range of co-operative methods, had proposed sweeping reforms in almost every branch of co-operative organisation. In particular, the commission recommended the setting up of a Co-operative Retail Development Society to act as a spearhead of reform. The society was to provide expert advice on retail techniques; to channel capital—£200 million in the next ten years—for redevelopment; and to establish national chains in the dry goods trade, in which so far the co-operatives have been notably unsuccessful. This revolutionary proposal was opposed by the executive who wanted to reduce the new society to an advisory service tucked safely under the wing of the Co-operative Wholesale Society and the Co-operative Union. This would have reduced the power of the reformers to almost nothing.

The real battle came on Tuesday. Led by some of the more efficient retail societies like Leicester, the reformers put their case, and by the narrowest of margins (less than 100 out of a total of 13,000) won the day. But the contest is not yet over. The new spirit that is infusing the retail societies has now to spread through the committees—both up to the wholesale society and down to the strung-out co-operators who persistently refuse to amalgamate and reap the advantages of scale. The argument will be used that the reforms mean "the end of co-operation as a way of life." Good; co-operation should be recognised as a democratic form of business organisation instead. The swing towards businesslike reform has not necessarily any political implications; those who turn up to pass left wing motions at Co-operative party congresses are not always the same people as those who have most say in the movement's trading decisions.

A useful motion was also passed this week to ensure that individual co-operatives are free to vary their prices to meet local competition from cut-price stores. This official sanction of flexibility, when added to the activities of the development society, could give the co-operatives the chance to regain the position that they established as pioneers of self-service but lost when they let the supermarket pass them by. Their expansion could have another salutary effect: it could provide yet another line of attack against the crumbling barriers of retail price maintenance in this country.

SOUTH-EAST ASIA

The Slippery Slope

The proposed extension of martial law for another year in Indonesia tells more about the situation there than any number of official speeches. It suggests both continuing internal insecurity and a parallel with the trend towards military rule elsewhere. This year's major rebellion against central government rule is indeed far from over, as a destructive guerrilla raid on Padang, in Sumatra, reminded Jakarta this week. Simultaneously, rebels of longer standing, belonging to the outlawed religious "state" Darul Islam, are reported to have killed 168 villagers in Celebes.

In these circumstances, it is not surprising to learn that army men have been appointed to important executive positions in the administration and diplomatic service. Commenting on this, the army chief of staff, General Nasution, asserted that there would not be an army *coup d'état* in Indonesia, because a workable system for avoiding excesses had been evolved. The appointment of army officers to posts in the government service was, he said, the best middle course. Further appointments would follow, to the projected national planning board and to parliament.

It may be thought that if enough of these appointments are made, the army will, in all but name, be ruling Indonesia. The name, however, may be important: "President" Nasution might be able to come to terms with his brother officers in the rebel government, in a way that President Sukarno cannot hope to do. Meanwhile, the postponement of the Indonesian elections for up to a year (from September 24th), if it discourages democracy, at least has the merit of hitting the Communist party harder than the others; alone among the parties, its preparations for polling day had been completed well ahead of schedule.

North of Celebes, in the Philippine republic, where the habit of voting is more deeply ingrained than perhaps anywhere else in Asia, democracy received a passing jolt this month, with rumours of an army plot against the state. The rumours were denied and the only hard fact was the

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transfer of the commander of the first regular division to an academic post. It seems unlikely, however, that the Philippines are really on the slippery slope to dictatorship.

SOVIET BLOCK

Three Flowers of Communism

THE frequent Chinese announcements about the formation of the communes, "the basic units of communist society," have found little reflection in the Soviet press. Nevertheless, the Russian service of Peking radio has kept the Russians informed about Red China's latest step towards full communism. In the last issue of the Soviet theoretical journal, the *Kommunist*, the Chinese communes are discussed, but only as a stage—though the highest—in agricultural collectivisation: the ideological importance which the Chinese attach to them, and the fact that this is a stage not yet reached in the Soviet Union, are tactfully overlooked.

The Chinese example, which the Russians have been doing their best to play down, has already made some impression in south-eastern Europe. The central committee of the Albanian communist party last week adopted two interesting measures. According to one decree, all state and party functionaries in Albania will have to spend a month every year in manual work. The other decree, which concerns the creation of "model farms," was announced by the party paper *Zeri i Popullit* with the comment that, in implementing it, the experience of the Chinese communist party would be found very useful. It is remarkable that the example of Peking, and not of Moscow, was invoked. In addition to Albania, Bulgaria is showing an inclination to follow the Chinese example in its current plans for agricultural collectivisation. Both Sofia and Tirana have also an important feature of their foreign policy in common with Peking: their campaign against Jugoslavia and revisionism is much harsher and more unqualified than Mr Khrushchev's.

To the outside world, the Soviet block once more presents a monolithic *façade*; but within it, a tendency is visible for some of Moscow's political prestige to be transferred to Peking. Mr Khrushchev's experiment in the middle-of-the roadmanship is being conducted along largely pragmatic and empirical lines; the ideological content, so dear to many Marxist-Leninists, is not much in evidence. This is the gap that Peking shows signs of setting out to fill—with, in Bulgaria and Albania, a degree of success already. If Marshal Tito (though he would certainly not admit it) is on Mr Khrushchev's right, it is not inconceivable that Mao Tse-tung will take his place on the Soviet leader's left.

THE NATIONAL GALLERY

Sands Running Out

LAST week the Treasury reaffirmed that it is at least toying with the idea of an increase in the annual purchasing grants of the National and Tate Galleries. No doubt something will be forthcoming, but will it be enough? By any yardstick, the present grants are pitifully small—£7,500 a year for the Tate and £12,500 for the National Gallery. With investment income, the National Gallery doubles its annual grant, but this only gives it the means to buy two pictures every three years of the quality of the Poussin "Adoration"—one of its recent acquisitions.

The trustees of the gallery are not complaining about the system whereby they have to seek special assistance for the occasional purchase of an outstanding masterpiece. Over the last three or four years special grants and the death duty provisions of the National Land Fund have supplied an additional sum (over and above the annual grants) of about £500,000 of public money for exceptional National Gallery acquisitions; what they want, however, is a reserve behind them to be able to step into the world art market more quickly. In addition, to purchase what in this art world are the run-of-the-mill works, worth, say, under £40,000, they are asking for an annual grant of £150,000. Although proportionately a massive increase, this is not a large sum in relation to present-day prices. Nor is it a sum for the Treasury to be afraid of; it is less than half the subsidy to Covent Garden, which has the advantage of being covered up in the total Arts Council grant. Moreover, the trustees point out that in filling the gaps in the collection—which is why they want more money—time is not on their side; the stock of pictures in private hands, and therefore capable of coming on the market, is declining rapidly. And, after all, art may not be too bad a national investment. A few years ago, the National Gallery acquired Cézanne's *La Vieille* for just over £30,000; today, according to the chairman of the trustees, it would fetch only a little less than the top prices at the recent record sale at Sotheby's.

PERSIAN GULF

The Gulf Between

THE Arabs and the Persians are quarrelling over the gulf that separates them. It has been generally decided by the radio voices of Cairo, Damascus, and Baghdad and by the Arab press that the Persian Gulf is really the Arabian Gulf. A historical case can be made for an Arabian Gulf, but it would not be the Persian Gulf; it would be the Red Sea. From the first maps until the end of the eighteenth century, the Red Sea was called the Arabian Gulf. The Arabs and Persians who live along the shores of the Persian Gulf know it by that name only.

In the gulf, some twenty-five miles off the Arabian shore, lie the Bahrain islands, connected with Arabia by tradition, blood, commerce and a pipeline that carries oil from Saudi Arabia to the refinery at Awali. At a press conference on November 22nd, the Shah of Persia laid claim to Bahrain and generously suggested that its present Arab ruler, Shaikh Salman al-Khalifah, should give up his sovereign status to become the Shah's viceroy in his own country. Bahrain was last under Persian rule in the eighteenth century. The twentieth century Persian claim to Bahrain has complicated British relations in the gulf for many years. Regard for the Persians' sensibilities, if not for the merits of their claim, has been one of the reasons why the problems of boundaries and territorial waters have not been settled by the British for their Arab friends. There are many Persians in Bahrain but they show no signs of desiring the blessings of government from Teheran. They are glad to have jobs, which they cannot find at home; the Shah is not helping them by stirring up Arab feelings against them.

When, last week, Iraq laid claim to twelve miles of territorial waters in the gulf the Persian Government acted as if some of the high seas had been stolen from Persia. These

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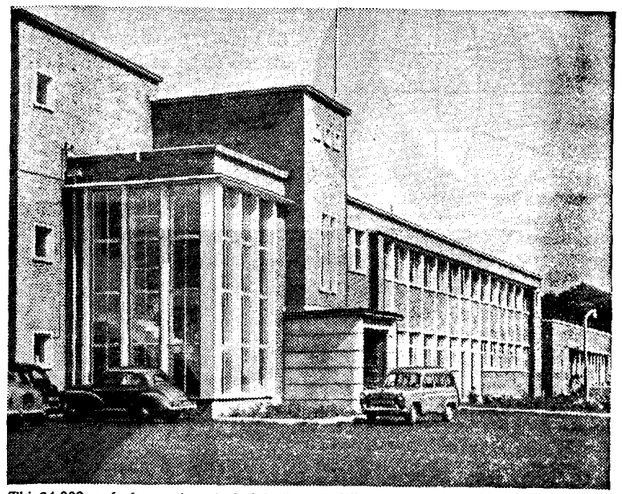

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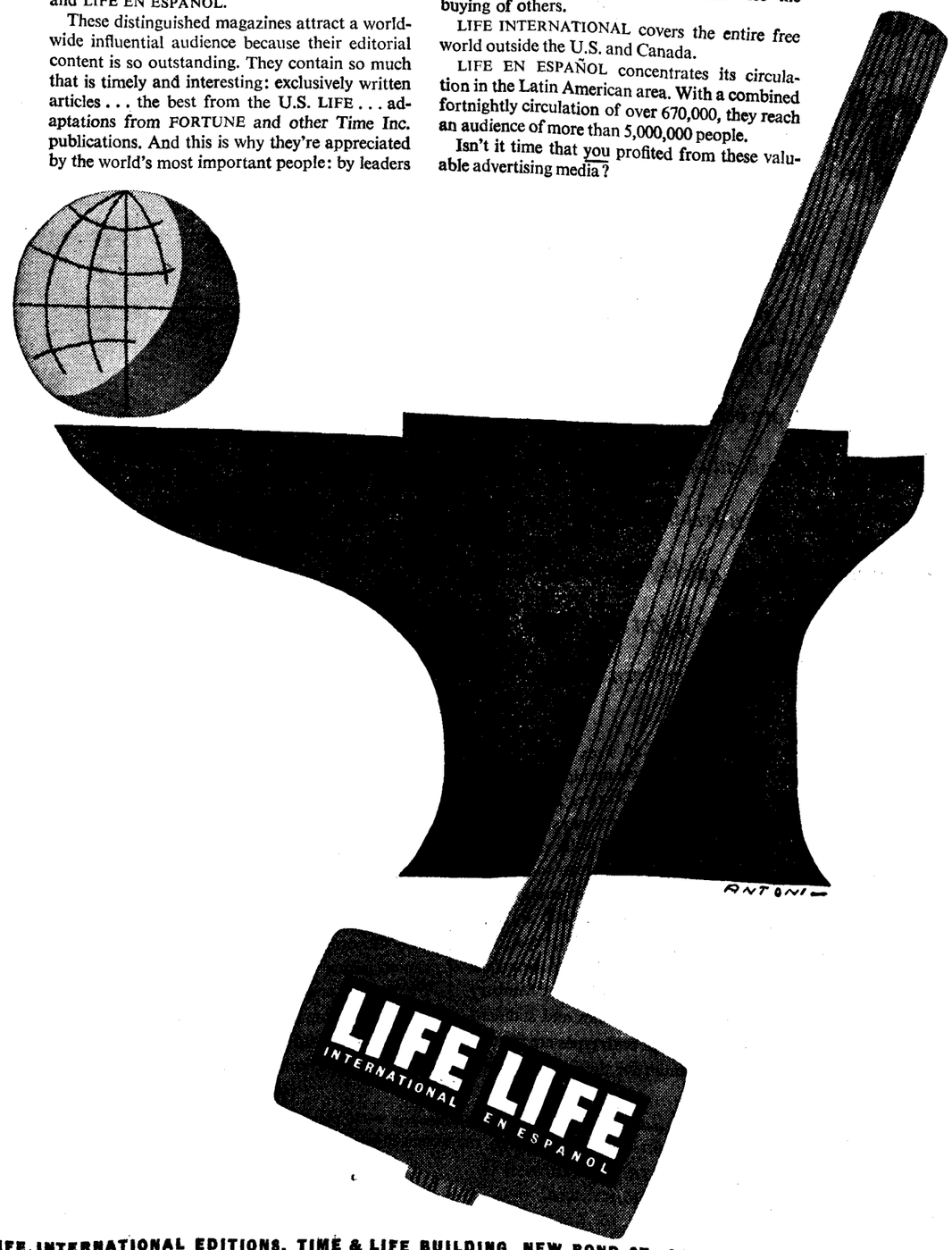

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petty quarrels among the governments of the Persian Gulf countries work against the interests of both Persians and Arabs. With an ever-increasing international interest in the oil that may lie beneath the shallow waters of the gulf, the governments concerned would gain far more if they would get together and divide the whole area among themselves on an equitable pattern determined by the lengths of shore they actually hold. They could then call it by whatever name they chose; but at least they would know which waters belonged to whom.

DEFENCE

A Chatham House for Defence

THE formation of an Institute for Strategic Studies in Britain, announced this week, is welcome. Backed by a grant from the Ford Foundation it can start on an immediate career of useful service. Strategy is little studied in this country outside the Chiefs of Staff and Joint Planning Staffs committees or the Imperial Defence College, and their conclusions never reach laymen. Universities make little provision beyond the study of the history of war. Yet strategy today has been completely transformed by nuclear weapons; at least along broad lines, it is the concern of everyone who thinks at all about current and international affairs and who tries to make any assessment of them. The reactions to the annual white papers on defence show how keen is the interest of the would-be informed public, and at the same time how little guidance it gets. The institute can usefully supply this. It is not a research department of one of the fighting services, like the impressive Rand Organisation in California; it will have no locked rooms containing classified maps and information. It need not have them to assess broadly the strategic implications of the known performance of weapons—what is known is enough for systematic study. But it should set its sights high, and in the remarkable series of studies undertaken by the Rand Organisation it will find a useful model. Above all, it will do well to relate the size and composition of British forces to the broad strategic issues of the world situation.

LETTERS

Free Trade Area

SIR—In your article on free trade fundamentals, the only substantial economic reason you suggest why Britain should not say that it will consider joining the common market is that the external tariff on raw materials would raise our industrial costs. In fact, the argument is quite unsubstantial.

For one thing, the European Economic Community will impose an external tariff on quite a limited range of raw materials. Secondly, we could probably bargain to bring the Commonwealth into an external relationship with a common market of which we were members, just as the continental members have done for their overseas associated territories. In the third place, our import prices would not rise by as big a percentage as any tariffs we might have to impose; some of the burden would be taken by the supplying countries. Fourthly, our industrial costs would rise by only a fraction—perhaps one-fifth—of any rise in the costs of imported materials. All in all, the rise in our industrial costs would at most be a fraction of one per cent.

Your economic case for staying out of the common market is, in fact, so weak that one suspects you are really arguing that we should go in. If so then more power to your elbow.—Yours faithfully,

A. C. L. DAY

London School of Economics

Comics

SIR—I should like to correct two errors in your interesting article on children's comics entitled "No Laughing Matter" in your edition of November 15th.

You state that I "feed *Sunny Stories*" with my work (the children's magazine put out by Newnes). I don't. I have nothing whatever to do with *Sunny Stories*, which I relinquished about six years ago, in order to have a magazine of my own which I could control completely.

That magazine is *Enid Blyton's Magazine*, which has been running successfully since it began in 1952, and is used in schools as well as in homes. Part of its success comes from the fact that I am able to run four big children's clubs through it, the members numbering over 500,000. These clubs help four great charities, all of which, save one that is for animal-lovers, help children afflicted in some way (blind, spastic, ill or homeless). The young members have raised over £30,000 since the magazine began in 1952. I regard this aspect of my magazine as of great importance, in that it encourages the natural compassion found in most young children to find outlet—and perhaps to mature and come to fine fruition in adulthood. The heartening thing is, that our newssheet at the back of the magazine, which deals with these clubs and their objects, is the most-enjoyed section of the magazine.

I have strayed a little from my points, and I must not take up much more of your space—except to correct the second error, which, alas, has been a tiresome and untrue tag round my neck for years—and that is the astonishing assertion that I write 14,000 words a day! No one could do this—and although the general public may be innocent enough to believe it, no writer in his senses would credit it. I write many books—but *not* at the rate of 14,000 words a day! Or anything like it. When one considers that children's books are much shorter than adults' books (the Little Noddy books are only about 6,000 words long) it is apparent that a children's writer would have to write about a dozen—or more—of these to equal the length of one novel! So although children's authors may *appear* far more prolific than adult writers, it is usually because their books are very much shorter.—Yours faithfully, ENID BLYTON

London, WC1

P.S.: Your readers may find it unbelievable that young children can raise so much money on their own. How they raise it is interesting—and astonishing. They are asked to earn it *themselves*—not to collect from others. The majority of these half-million children get it in such ways as the following: Washing up for Mummy, 6d. Cleaning Daddy's bicycle, 6d. Walking to school and saving bus fare, 1s. 6d. Taking neighbour's dog for walks, 1s. They hold sales (and here old comics fetch a lot of money!), they give concerts, they send part of their birthday money, and so on. I often think that these are the children who should appear in our papers, and not the many delinquents! My post is enormous—but no one receiving these touching and generous childish gifts for less fortunate children could grudge the tremendous correspondence involved in acknowledgment.

★

SIR—I was sorry to read, in your issue of November 15th, that "the *Young Elizabethan*, which has nothing comic about it, seems to be slimming." No doubt you were referring to the magazine *Elizabethan* which my firm publishes. The new and simplified name has been current since May of this year,

so your observation clearly cannot relate to the most recent numbers. As it happens, the two latest issues of the magazine are of unusual thickness, and I can state categorically that, whatever may have happened or be happening to other publications for young people, *Elizabethan* (according to the best expert opinion available to me) has been doing well even by comparison with most adult magazines in recent months.—Yours faithfully, ALTRINCHAM
Periodical Publications Ltd.,
London, EC4

Canadian Gas

SIR—May I add some observations I have made on the spot to those set out by your correspondent in Calgary on the reaction to the Borden Commission's interim report? The "apprehensive gas men" are in that state of mind primarily because of a recommendation in the Borden report which your correspondent does not even mention. This is recommendation 12, which proposes that the tariffs charged by oil and gas pipelines, running through more than one province or serving export markets, should be regulated to be "just and reasonable, non-discriminatory and calculated to yield a *fair rate of return on the shareholders' equity* (my italics), after making due allowance for . . . operating expenses, depreciation, interest, income and other taxes."

This particular proposal, if it were adopted, would be a major calamity. No thinking person opposes the principle of controlling pipelines' charges, and had the commission come out in favour of regulation, expressed in the conventional form of a maximum percentage of the net capital investment, usually referred to as the "rate base," it would have met with a wide measure of acceptance. But this recommendation singles out one sector of the oil and gas and public utility industries for extraordinary treatment. If it is implemented, it would be impossible to finance new, or enlarge existing, trunk pipeline systems in Canada. But if the dubious reasoning advanced in support of this recommendation is allowed to gain ground in official circles in Canada, it could easily jeopardise the whole tempo of the dominion's economic expansion. There is virtual unanimity among the leaders of the western oil industry, and responsible industrialists and financiers across Canada, that this idea is unworkable and cannot be adopted by the Government. It should also be made clear that this proposal directly concerns only the four trunk pipelines; the provincial pipelines and all the gas distributing companies are unaffected.

Your correspondent acknowledges that this report is a political fact and a political counter; but he should have gone further and emphasised the essentially political character of the document itself. That, at least, is the firm belief of every responsible person whom I met in Western Canada after the report was issued. It is devoutly to be hoped that this recommendation will be looked upon as an aberration and that the trend of thought which it reveals will be unhesitatingly rejected by the Canadian Government and people.—Yours faithfully, ERLEIGH
London, EC2

Icelandic Fish

SIR—With reference to the letter from Sir Farndale Phillips in your issue of November 15th, I wish to draw your attention to the following statements, neither of which is true:

1. It was implied that the landing agreement in 1956 was about the fishery limit;

2. It was implied that the agreement of 1956 was on a governmental level and had been broken by Iceland.

The fact is that the agreement of 1956 was about the ending of a monopolistic practice called "the landing ban on Icelandic fish." This landing ban was imposed by the British trawler owners in 1952, and the British Government insisted upon several occasions that it was not a governmental matter, but entirely a private matter for the trawler owners to settle. As it was a restrictive trade practice the problem was considered by the OEEC. The agreement of 1956 ending the landing ban was not signed on behalf of the respective governments but by the representatives of the fishing industries of the two countries, and it has not been broken.

At the time of the signing of the 1956 agreement, the Icelandic representative to the OEEC gave the following declaration on behalf of the Icelandic Government: "No new steps will be taken for the extension of fishery limits around Iceland before the discussions of the next General Assembly of the United Nations concerning the report of the International Law Commission have ben concluded." No such steps were taken until the Geneva conference on the law of the sea had failed to find a solution.

In this connection we might recall that the British trawler owners have upon several occasions submitted to the British press equally fallacious statements claiming that the three-mile territorial limit is the rule of international law and thereby tried to justify the navy's action in Icelandic waters. There is, as the British should well know, no generally recognised limit. But, as evidenced by the Geneva Conference earlier this year, a limit of 12 miles enjoys the greatest international support.—Yours faithfully, HANNES JÓNSSON
Icelandic Embassy,
London, SW1

Concentrates for Cows

SIR—In his letter of November 15th Mr Colin Clark accuses the Grassland Utilization Committee of drawing the wrong conclusions as to the profitability of feeding concentrates to dairy cows because they used a method of analysis different from that adopted by Mr Clark and Mr Antill. The multi-variate linear regression technique, used at Oxford, is satisfactory only if the explanatory variables vary independently of each other or if the degree of interaction between two or more of them can be measured and allowed for. This is certainly not the case in milk production and it was for this reason that the technique was rejected by the committee.

Mr Clark claims that their regression technique establishes the relationship between concentrates fed and yields per cow. This would be true if concentrates and all other factors affecting yield varied independently of each other or if the interaction between them could be firmly established and allowed for. In practice, there is a great deal of inter-dependence between the amount of concentrates fed and one or several other variables, such as the density of stocking per acre, the amount of labour, the supply of grass and of other home-grown fodder, the quality of cows, the seasonality of yield and the monthly price of milk. It is well-nigh impossible, in small samples such as were available to Mr Clark and to the committee, to establish all the relationships between these variables, even though we know that they exist and have an effect on the profitability of milk production. To ignore these interconnections, as Mr Clark seems prepared to do, can only lead to erroneous conclusions—such as that it costs 4s. per gallon to raise yields per cow from 500 to 700 gallons, thus making a loss of 10½d. on every gallon of milk within this range. Since only about 1 per cent of the farms studied had yields per cow of less than 500 gallons the implication is that nearly all farmers are fools!

Because of the dangers of using the multiple regression technique, with several inter-dependent variables, it seemed more sensible to use a less sophisticated method of grouping farms according to the levels of feeding with grass and with concentrates (the two most important elements in feeding). This showed that farmers who make better use of their grass make higher profits, and that farmers who have better grass and feed heavily with concentrates do even better. As pointed out in the committee's report, these differences in profits are not attributable to variations in these two factors only, but are, in part, due to variations in other factors associated with the different levels of feeding with grass and with concentrates. This may not give us all the answers but, in this instance, the results are certainly less misleading than those derived from the multiple regression technique, with its known imperfections.—Yours faithfully, W. J. THOMAS
Grassland Utilization Committee
London, SW1

*

SIR—Colin Clark contends that profits on dairy herds cannot be increased by further feeding of concentrates. The basis of his argument is a complicated statistical examination of dairy herds. I doubt whether this particular analysis is helpful because it was done at a time when compound animal feeding stuffs were rationed.—Yours faithfully,
London, EC4 T. K. GRIBBIN

BOOKS

The Defeat of the King

The King's War, 1641-1647

By C. V. Wedgwood.
Collins. 703 pages. 35s.

IN this, the second, volume of Miss Wedgwood's history of the Great Rebellion readers will again find the swift narrative, lively use of anecdote and sensitive portraiture that have always given charm and distinction to her work. She has adhered to her aim of writing narrative history, in which "a description of what happened, and *how* it happened" will often implicitly answer the question "*why* it happened." Hence her narrative is unconcerned with the questions teasing professional historians on the relation of the opposing forces to the social categories of the rising or declining gentry, or on the connection between the "mere gentry" and the rise of the Independents. Miss Wedgwood looks rather for individual reactions and local sentiment. On these she is often enlightening. Thus although the clothing districts generally responded to the call of Parliament, Shrewsbury supported the King, who had protected local clothing interests against the encroachments of London. Cheshire contained many who hated the "hell-bred Cavaliers," since many settlers had gone from that county to Ireland and there was resentment that reinforcements to quash the Irish rebellion were detained for the King's armies in England.

No such narrative has been attempted since Gardiner published his methodical and meticulous account seventy years ago. But where he exhibited a parliamentary bias Miss Wedgwood found from her notes that she "was describing the war rather as the defeat of the King than as the victory of Parliament." And where Gardiner looked for the rise of Cromwell, Miss Wedgwood's attention has been engaged by Prince Rupert. But she is too good an historian to be an uncritical royalist. She may be nostalgic for the baroque court of Van Dyck and Inigo Jones (the one dying in the year in which this volume opens, the other a member of the defeated garrison of Basing House); but she is sharply critical of the faults, evasions and ingratitude of Charles I. Scheming mediocrities clustered round a King whose inefficiency and indecision lost the early military advantage, and whose hopes of Irish and Catholic support hardened wavering opinion against him. On Rupert, a "second Black Prince" for the royalists and an ally of the devil for the parliamentarians, she had much to say that is extremely interesting, linking his experience in the Thirty Years' War with his conduct in the Civil War. He copied Swedish tactics in interspersing pikemen with musketeers and, though he won fame for his cavalry charges, his own predilection was for siege warfare. He advised the King to fortify strong points and to wear down the parliamentary forces. While Rupert often exhibited candour and nobility, the plundering of Brentford and the ransom demanded from Leicester as the price of immunity from pillage recalled to the English the horrifying sacks of German cities.

There is much detail of local fighting and small skirmishes, and Miss Wedgwood nervously warns the reader that "much that I have included here is not in itself memorable and is not meant to be precisely remembered." In transmuting notes into narrative she succeeds in giving an impressionistic picture of royalist incompetence and incoherence. But the massed touches of local colour blur the cleaner lines of general strategy. Miss Wedgwood does not ignore events in London, though she is more interested in events in the field than in Pym's subterranean political and financial tactics, which were essential to parliamentary victory. She has used Professor Hexter's published and unpublished work on Pym but, more concerned with men than measures, dismisses him as "personally unknown to us." Ideas play little part in the narrative, and, though she describes the pamphlet war, she mentions neither Henry Parker nor Henry Robinson. Indeed she holds that "theory and doctrine are more often the explanation of actions already envisaged or performed than their initial inspiration"; and the opening of the floodgates of radical thought at the end of this period is not marked by any eddies in the stream of narrative. But within her own firmly stated terms of reference Miss Wedgwood has written a fair and illuminating account of the royalists at war, with a verve which Rupert would have admired, a sensitivity with which Falkland would have sympathised and a balance of which Clarendon would have approved.

Dedicated to Africa

A Time to Speak

By Michael Scott.
Faber. 365 pages. 21s.

TO some people Michael Scott is a modern saint; to others yet another turbulent political priest. But the two roles are not incompatible; and the interest of the Rev. Michael Scott's self-portrait is the springs of action, the inner motives, that make a man toil and dedicate himself so single-heartedly and even shortsightedly to the cause of the oppressed in the name of religion. Mr Scott had presumably no intention of contributing to the psychology of religious experience; indeed, it may well be asked why he decided to write this autobiography. The form of the book suggests the answer; it is evidently part of the effort to wake the world's conscience, but more especially the English conscience, to the injustices still being perpetrated in southern Africa in the name of white supremacy (though Mr Scott would include a great many Colonial Office shibboleths about good government as well).

The result, perhaps, is not entirely satisfactory as autobiography, or as a considered survey of the disabilities under which Africans labour in the Union, in the Federation, or in south-west Africa; and it abounds in rather hasty judgments on African issues elsewhere, perhaps because Mr Scott has developed a tendency to think that whenever and however Africans come up against white authority they must be in the right. Moreover, he is a man of enthusiasm—for example, his faith in the Okavango River development scheme, which is unblemished by a single reference to its cost in terms of the capital which would have to be found by other people. He leaps from his personal story to *ex cathedra* statements about policy and back again; and it says much for the intrinsic interest of his pilgrimage that this method—and signs of hasty composition—still add up to a book of great readability and considerable narrative power.

Mr Scott's religion is essentially an activist one; the injunction to love one another he interprets from the first as a command to redress the wrongs of one another. His own account hardly suggests that he invariably exercises the Christian virtue of prudence in examining the facts of the case. But this enthusiasm has its constructive side. Though for a time he was an active fellow-traveller, he soon came to see that communism was as full of autocratic oppression as any other institution. This left him with only the conscience of mankind to appeal to, which meant to him the United Nations. The best part of "A Time to Speak" is the story of how he became the champion of the Hereros and succeeded in presenting their case at the United Nations when South Africa was determined to suppress it.

Mr Scott, in fact, is a practising Christian determined to put Christianity to the test, not in mere day-to-day relationships, but in great social issues and political conflicts; it is as though he was seeking, at times, to prove the truth of Christianity to himself by demonstrating its practicability as a major influence in solving the problems of the world. As a private and personal religion it means rather little, it sometimes seems, to him; it must, to be worthwhile, visibly and militantly uphold the right and defeat the forces of evil—as Mr Scott identifies these. The mills of God must be speeded up; and it must fairly be said that in so far as

this is possible, Mr Scott has done something to accelerate their operation in Africa. So out of the doubting, hesitating, believer who takes holy orders in such a torture of self-questioning and unorthodoxy (and he never satisfied the examiners in liturgiology) is gradually born the tremendous certitudes of the social reformer, wearing his cloth like a suit of armour, in a self-undertaken crusade against white man's inhumanity to black. But if the chosen instrument—non-violent resistance—should fail, what then? Mr Scott has put, one feels, all his personal eggs in one basket. After all, in the age of faith the Church could often call on quite a few divisions. "A Time to Speak" can hardly be the end of Mr Scott's autobiography, or his variety of religious experience, and the sequel should be as interesting as this part of the story—and *credo*.

Secondary Modern

The Young Devils: *Experiences of a School-Teacher.*

By John Townsend.
Chatto and Windus. 217 pages. 15s.

THIS is a variation, *andante moderato*, on the theme of the blackboard jungle. Mr Townsend describes the teacher's end of the stick—now used more and more sparingly—in the new system of secondary modern education. His school—or rather both his schools, for in this thinly veiled autobiographical sketch he spends a term in a mixed school as well—is clearly drawn from life, though perhaps the staff are slightly enlarged for dramatic effect. But only very slightly: the result is all too horrifyingly and recognisably authentic to be dismissed as mere caricature. "Cuthbert-Hargreave Secondary Modern" is one of those hurriedly promoted elementary schools (formerly a state board school) in a district so tough that very little of the veneer of modernisation has stuck on. The headmaster takes refuge from his utter incompetence by muddling the administration and laying down a public relations smokescreen as thickly as a destroyer between the school and the censorious eyes of the world; the teachers change with the rapidity of a taximeter; the children are not taught but indulge very freely in what a psychologist might call play-therapy with improvised materials (such as the copper on the school's roof); and the local authority co-operates enthusiastically in every possible way to conceal the fraud which is being perpetrated in the name of secondary education for all and the 1944 Education Act.

The teaching staff defends itself skilfully from battle to battle with cynicism and ca'canny; its incentive is a responsibility allowance and the prospect of moving to a better school. The pupils come up excellently under Mr Townsend's pen (he undoubtedly liked them, a thing that few of us would even attempt to do); academically almost *nil*, in the ways of the world they are adept. School for them is the great game of doing down, or being done down by, the teacher—a game far more interesting than football or any sport laid on at the local authority's requirement, in which they take a wholly tepid interest. The teacher, with almost no sanctions left to him in a fine, progressive, psychological age, faces them like a lion-tamer without a chair or a whip (Mr Townsend's apt metaphor). If he teaches them something, he is one up; if they drive him to a nervous breakdown, they win. Yet, through their devilry, there breaks their essential youthfulness, hopelessness, deprivation and pathos. When Mr Townsend discovers the homes they come from, the urban environment in which they live, the extra-school educational processes to which commercial enterprise exposes them, he sees, and makes the reader see, that it is the children who suffer more than the teacher, and who are the heroes of his story. The rough who, after leaving school, later serves him in a restaurant and scrawls "on the house" across the bill; the ex-girl pupil who solicits him accidentally and then says, "Oh, hello, sir," and discusses her trade; the boy who, once asked casually into his flat for an hour to have a cup of tea, a talk and to watch TV, thereafter turns up night after night—because a teacher's bed-sit. was an incredible world of peace and interest—these are the telling incidents of the book.

Mr Townsend's book will be ill-received by any number of associations of teachers, local education authorities and whatnot in the education world. There is a real conspiracy to hide the truth about the bad secondary moderns. But the real question is, just how many Cuthbert-Hargreave Secondary Moderns are there? Certainly scores, probably hundreds—but because of the conspiracy, because inspection is such a farce (or so confidential) the actual proportion is unknown. Ten per cent—or twenty? We do not know. But it would be utterly naïf to take any local authority's statements about it.

Rules of the Game

Policy Against Inflation

By R. F. Harrod.
Macmillan. 253 pages. 24s.

WITH the utmost crudeness, the prescriptive part of "Policy Against Inflation" may be summarised as follows. The aim of policy in general is to maintain full employment and a rate of growth in accordance with the country's supply potential. Deficiency calls for stimulus, excess for repression. Policy should be guided by the comparison of certain data, notably factory-building starts, machine-tool orders and —an important point—delivery dates in general, with the normal expectation of growth; and statistical techniques and resources should be improved for the purpose. It should in general prefer monetary to fiscal action, as being more flexible and quicker-acting. Monetary methods should be used only to correct deviations above or below the supply potential, not to discourage excessive wage claims. In order to remove the obstructive distorting influence on monetary policy of incessant government borrowing, the nationalised industries should be made responsible for their own capital needs, being previously relieved of their present interest burden. This would avoid the present destructive and dislocating concentration of any necessary "squeeze" on bank advances.

Greater freedom of action in the matter of Treasury bill issues should also be used for a more delicate and effective external policy; by using Bank rate and Treasury bill issue policy in different combinations, high short-term rates, influencing international capital movements, can be combined with an expressive or a repressive internal credit policy—or conversely—according to need. A long prospect of tightrope walking remains the penalty of our failure to fund the sterling balances; our reserves will never be really comfortable until the dollar price of gold is raised; and exchange control should be kept in force. But there is absolutely no reason for any further devaluation; and to make this clear, at home and abroad, is an important part of the prescription. On wages and the "wage-push" threat to stability, monetary policy can have little direct effect. To impose stagnation, in order to discourage claims, is quite likely to raise costs. The proper approach to the wage element in inflation is to reduce the spread (itself largely a product of "demand-pull" inflation) between basic wage rates and earnings, and then to rely on the good sense of trade unionists to claim no more than the rate of growth justifies.

This prescription comes as the climax of as close and vigorous a piece of historical and theoretical analysis as Mr Harrod has ever produced. His book could indeed be read simply as a commentary on twentieth-century monetary history—and in fairness one must add that there is vastly more to this commentary that the parading of Mr Harrod's twin King Charles's heads, the sterling balances and the 1949 devaluation. Analysis and prescription together come near to producing a set of "rules of the game" for the post-Keynesian era, to match the "rules of the game" by which the gold standard was operated in its heyday. Admiration for the delicacy and ingenuity of Mr Harrod's "rules," and for the structure of argument underlying them, does not, however, quite banish misgivings about his reliance on persuasion as the remedy for "wage-push" inflation. The push has coincided with, and been reinforced by, the long rise in import prices which was the inevitable consequence of devaluation. But Mr Harrod gives no reason, beyond his confidence in the trade unions' good sense, for supposing that it will not continue autonomously, regardless of import prices, so long as the balance of bargaining power is what full employment makes it. There ought to be better ways of adjusting that balance than imposing relative stagnation on the economy. But even if there are, they must be sought, identified, made acceptable to public opinion, and put into practice. Mr Harrod should devote to this question the same hard-headed lucidity he applies to the rate of interest. *Credo quia impossible* is not an adequate foundation for policy.

History in the Ruins

Angkor

By Malcolm MacDonald.
Cape. 238 pages. 42s.

A Short History of Cambodia

By Martin F. Herz.
Atlantic Books. 141 pages. 25s.

ABLE western officials, administrators, scholars and journalists have flocked to South East Asia in great numbers since the war. The influx was, for two reasons, unprecedented: most of the countries in the area had, until then, been the special preserve of one colonial power or another; and each of the new states was born with built-in problems that the incoming westerners tried to solve, or merely to observe. Some of them are able writers and the result of their tours of duty has been a great volume of books. It is hardly surprising that two or more often seem to have been working simultaneously, and independently, on little-known subjects.

The neglected history of Cambodia has now gained two popular expositors. Mr Malcolm MacDonald, whose long innings as Commissioner-General in South East Asia took him repeatedly to every country in the area, has already written about the people of Borneo. Now he recounts, in a warm, personal, anecdotal style, the history of the Khmers, the imposing ruins of whose empire he has photographed with the Singapore chain-cinema owner, Loke Wan Tho. Mr Herz, who spent two years in the American embassy at Pnom Penh, has attempted to trace the history of Cambodia "from the days of Angkor to the present."

It must be allowed that Mr MacDonald is more successful, in an admittedly limited aim, than his junior American *confrère* in his more ambitious one. Both dip deeply into Cambodian legend and into the writings of an earlier diplomatic observer, Chou Ta-kuan, who went to Angkor in 1295 with an embassy from the court of Timur Khan, the Mongol emperor of China. Something of the pomp and licence of the Khmer period emerges from chosen quotations. But Mr Herz devotes nearly eighty pages to the French period and after, while dismissing the Khmer empire in thirteen pages. This is lopsided history indeed. Mr MacDonald, in contrast, tells the story of the great builder-emperors in some detail. Ideally, a third author should synthesise their labours and produce a real, popular history of Cambodia (the only standard work in English, Briggs's "The Ancient Khmer Empire," is less accessible to the general public).

Until such time, one has reason for gratitude for two books, however slight, that bring life to the history that lay buried in the ruins of Angkor for several centuries.

Wolsey in Motley

Naked to Mine Enemies

By Charles Ferguson.
Longmans. 543 pages. 25s.

MR FERGUSON is a senior editor of the "Reader's Digest," and this five hundred and forty page biography of Wolsey demonstrates some of the perils of over-compensation, for its sprawling narrative, over-energised style and bright-eyed tourist's interests in the past provide a massive antidote to interest in its subject. The publishers refer to "a prose which makes generous use of the resources of the English language," and, in a way, they are right. Certainly Mr Ferguson will say nothing simply, and flogs his prose like a tipsy jockey on a clothes horse, with much action and little forward movement. And, seeing the past in terms of fancy-dress, he has not been able to resist donning the motley himself. Phrases like "his whilom kingdom," "fall afoul of," and "aplenty," morris-dance their way among others like "to shell out" and "Parliament was a bore." When times were especially "parlous," then "uneasily the people watched and were right queasy." Wolsey himself is now "my Lord of York," now "my lord Cardinal," now "Master Almoner" or even "this Ipswich fellow." The thread of his life appears somewhat fitfully in this Wardour Street tapestry as the author cannot resist an opportunity to weave in patches of social history, sometimes aided by "the good Trevelyan." If Wolsey so much as sits down at table we are treated to some of the quainter passages from contemporary behaviour books; if he visits a great house we have to endure the information that "Fancy cushions 'called bankers and dorsers to be placed over the benches and backs of the seats of the better persons at the table were now also in general use.'" Mr Ferguson, however vivid he tries to be, has not the gift of bringing the past to life.

This destroys much of the book's justification. He has read widely but makes no pretence to have produced any fresh information. "My experience suggests," he writes on page 532, "that any serious interest, even if it appears to be obscure or remote, can today be pursued through a local library." But for such an interest to be profitable to other it must result in a striking reassessment of familiar matter, or a more readable and compelling picture than existed previously. Mr Ferguson achieves neither aim. And the fervency of his interest in Tudor England has only the effect of obstructing both the authority of what he says and his ability to communicate it to others. Pollard's remains not only the most reliable and complete biography of Wolsey, but also the most enthralling.



Ah yes . . . I know the shippers . . .

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Two Ancient Peoples

The Etruscans

By Raymond Bloch.
Thames and Hudson. 260 pages. 25*s.*

The Celts

By T. G. E. Powell.
Thames and Hudson. 283 pages. 25*s.*

It is most appropriate that these two excellent volumes of the now well-known "Ancient Peoples and Places" series should have appeared so close together. Each deals with a people whose name is famous, yet strangely mysterious. We know both the Etruscans and the Celts from written sources, classical and other, yet in many ways these sources tell us remarkably little, and have often served to obscure rather than enhance the historical reality of these nations. These two books should go far to give greater definition to their subjects, and to clothe the shadows in flesh and blood.

Etruscology has a respectably long history as a scholarly discipline, going back to the beginning of the seventeenth century, and has accumulated a huge literature. M. Bloch skilfully threads his way through this, outlining the steps by which Etruscology became a study in its own right. He has the advantage that geographically and chronologically his subject is fairly compact. Although at one time and another they controlled much larger territories, the homeland of the Etruscans in Tuscany covers a relatively small part of mainland Italy. The period of their greatest power and prestige covers little more than two centuries, the sixth and seventh centuries BC. Before the eighth century BC it is not strictly possible to speak of Etruscans, whilst after the middle of the third century BC Etruria had become simply a province of Roman Italy. Between these dates, however, the Etruscans had made a unique contribution to the development of European civilisation, and had vitally affected the development of Rome itself.

The undoubted wealth of Etruscan civilisation was evidently based on the resources in iron ore of Tuscany and the island of Elba (which the Etruscans controlled from an early date). These resources attracted equally Greek and Phoenician traders, and led to a rapid development of the Etruscans, no less in social organisation than in arts and crafts. M. Bloch succeeds admirably in re-creating, so far as this is possible, the life and outlook of the proud, aristocrat Etruscan city-states, and in showing how the zest for life evident in the remains of the early phases changed slowly, no doubt because of the repeated failures and disasters of their later history, into a strange and morbid preoccupation with death and the perils of the after-life. It is doubtful if a better all-round introduction to Etruscan civilisation as a whole could be found than this little work, though it is particularly unfortunate that the translation should be marred by a number of slips, chiefly over dates and spelling.

Mr Powell undoubtedly set himself a most difficult task in attempting an introduction to Celtic studies, but the difficulty only enhances the large measure of his success. His subject is as diffused in time and space as that of M. Bloch was compact. The search for Celtic origins forces him to range widely over the whole of the prehistory of Central Europe from the neolithic onwards, while in order to complete the picture of Celtic society and to illustrate Celtic survival he must deal with an Irish literature that was still a living force as late as the end of the sixteenth century. Spatially the study of the Celtic peoples spans from Ireland to Asia Minor and from Spain to south Russia, and in time it covers a large but indefinite number of centuries. Obviously to cover such a subject in a short book of this kind the author must adopt a synoptic rather than discursive method, and hasten quickly over much that might be dwelled on for much longer. Nevertheless it is amazing what a mass of material he has managed to condense without in the least injuring the book's readability.

The Celts who emerge from the pages of Mr Powell's book are no twilight creatures of romance, but brawny, red-blooded barbarians whose fierce enjoyment of living and fighting astonished classical observers. The most lasting achievement of their period of political greatness in Continental Europe was their creation of an amazing and remarkably satisfying stylised art. Mr Powell's treatment of the art of the Celts has of necessity to be very brief, but those who wish to know more of this fascinating subject will find all they want in Jacobsthal's great work, to which he refers them. Instead of an extended treatment of the art, we get what we may be even more grateful for, a picture of Celtic economic and social organisation, institutions and methods of warfare. Best of all, however, there is a long chapter on Celtic religion, about which so much nonsense has been written. Once more Mr Powell synthesises a mass of scattered information, and if the result has no longer the romance of illusion, it gains instead the romance of fact. Even the Druids at last become credible.

OTHER BOOKS

ANNUAL ABSTRACT OF STATISTICS No. 95, 1958. Central Statistical Office. 337 pages. 21*s.*
Only minor revisions have been made in the scope of the *Abstract* which, like earlier editions, covers a very wide range of subjects. Most of the 355 tables give annual figures for each of the years 1948 to 1957 and, where possible, for 1938.

THE BOARD OF TRADE. By Sir Frank Lee. *The Stamp Memorial Lecture* 1958. University of London, *The Athlone Press.* 33 pages. 3*s.* 6*d.*
The lecture was discussed in *The Economist* of November 15, 1958.

SUGAR YEAR BOOK 1957. *International Sugar Council.* 138 pages. 10*s.*

A SECOND BOOK OF ENGLISH IDIOMS. By V. H. Collins. *Longmans.* 256 pages. 12*s.* 6*d.*



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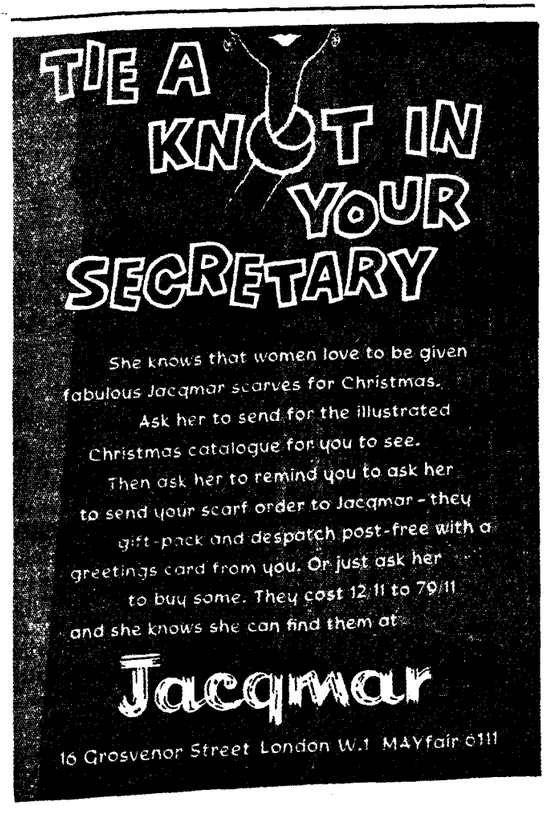

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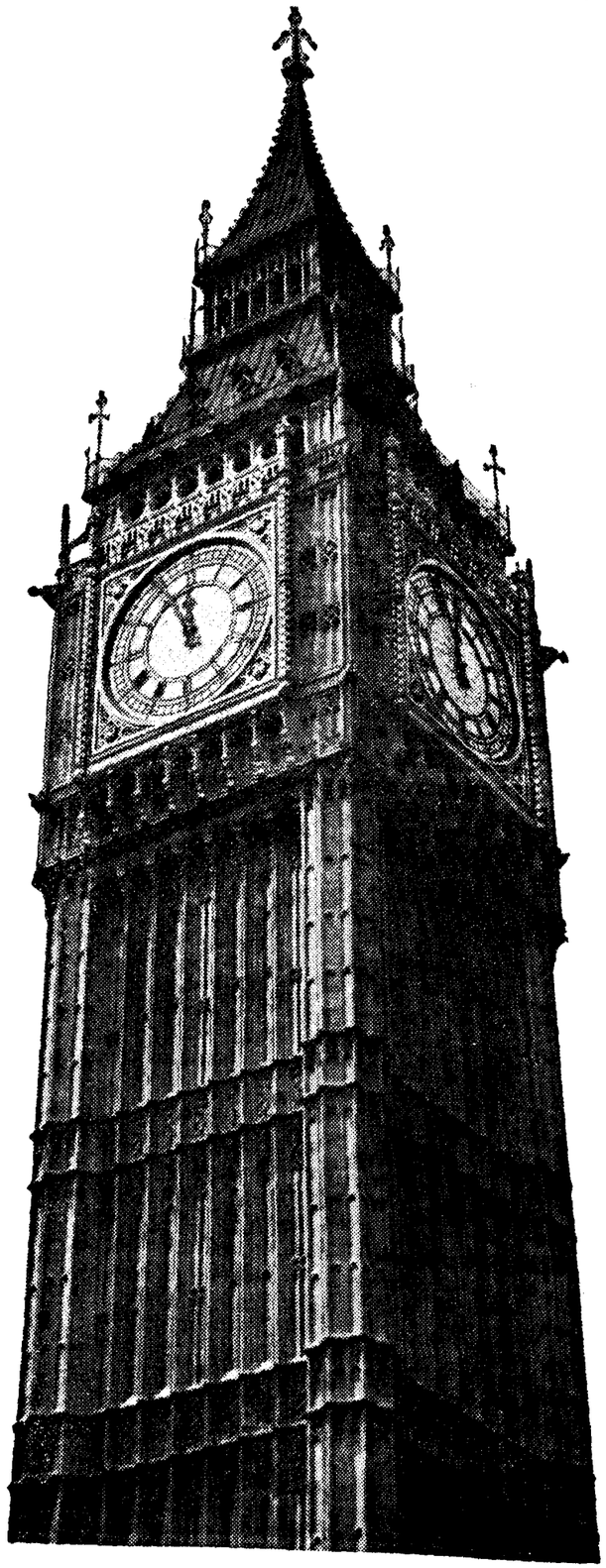

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Stuck on the Status Quo

WASHINGTON, DC, *Wednesday*

IT is not so much what Mr Dulles does in a crisis as what he does not do in between them. This is the complaint that his more discerning critics have been levelling against him this year; and it is applied to the present dispute over Berlin as it was to the other two emergencies with which he has been faced in the last four months. To give Mr Dulles his due, the American interventions in both Lebanon and Quemoy seem to have achieved—for the time being—what he intended them to achieve. In both areas the *status quo* has been preserved, in the sense that territories under the control of governments friendly to the West have not fallen into less amicable hands, even though in both instances a price has been paid: in the Middle East by a further alienation of the pan-Arab movement, and in the Far East by the painfully obvious reluctance of most of America's allies to support its policy over the offshore islands. But the Secretary of State's critics assert that in neither case has he done anything to change the underlying flow of events, or to stop the situation from becoming still more troublesome in the future.

It may be that the same pattern is being repeated in Germany. In its proper, indeed indispensable, insistence that the West must cling to its military foothold in Berlin, the State Department may be underestimating the dangers of a too punctilious adherence to the diplomatic *status quo*; if events unfold along their present course—that is, if the Russians carry out their threat to withdraw and hand over control to the East Germans—its policy for Germany as a whole may be imperilled. It is important to report that American *public* opinion is unanimous as it has not been for many months. There are none of the qualms that marked the decision to land in Lebanon or to help the Nationalists break the blockade of Quemoy. Senator Green, the elderly Democratic chairman of the Senate Foreign Relations Committee, who two months ago was vigorously assailing the Administration for risking war over the offshore islands, said sternly this week that Mr Khrushchev had "miscalculated the temper of the United States" if he hoped to force the allies out of Berlin; and the *Washington Post* and the *New Republic*, which are never reticent about voicing their suspicions of Mr Dulles, are equally adamant. But the question of staying in and holding west Berlin, which nobody in the West would doubt is necessary, is not really the question that is posed. It was left to the *New York Times* on Monday to drop the first hint that a distinction may have to be drawn between the necessity of staying in Berlin and the comparative luxury of refusing to have any dealings whatsoever with the East German authorities.

In his press conference on Wednesday Mr Dulles conceded under pressure that the West might deal with the East Germans, if Mr Khrushchev posts them on the check-points to Berlin, but he sought to minimise both the likelihood and the significance of such an arrangement. The State Department's position is that it will use every device at its command to avoid being forced into such dealings. But some of the devices that have been suggested seem to be self-defeating.

For instance, if the West hinted that to revoke the allied agreement over Berlin would also be to revoke Poland's title to the former territories of Eastern Germany, the chief effect would be to infuriate the Poles. There have been echoes in Washington of the blunt talk in Bonn about running tanks through the East Germans' check-points—even though the East Germans would not be seeking to stop the traffic, but simply to secure a recognition of their right to let it through. The best chance, many think here, of ignoring the East Germans lies in repeating the 1948 air lift—even though this time the way will not physically be barred. But the technicians are reported to fear that the communists possess equipment which, by interfering with aids to blind-flying, might seriously hamper an air lift during the fogs of the coming winter.

IF the West is eventually pushed into the subterfuge of dealing with the East Germans as "agents" of the Russians, without securing some kind of price for its concession, the more pessimistic observers in Washington foresee unpleasant consequences. The division of Europe, it is argued, will have grown still more rigid, and the hopes of liberalising the regimes of eastern Europe still more remote. However ingeniously "recognition" is defined—the Americans are now engaged in their fourth year of high-level negotiations with the unrecognised communist Chinese—it will be impossible to conceal that another step back has been taken from the insistence that East Germany is to be absorbed into the western half by means of free elections. Either the frost over Europe will harden still further; or it will be melted by the Germans taking the blow-torch into their own hands.

It is this possibility which makes Mr Khrushchev's gambit seem more ingenious than it looked at first sight. The danger might be lessened if Mr Dulles were willing to enter into some kind of "package" negotiation—by linking the problem of the Berlin check-points, for instance, with discussions about the revised version of the Rapacki Plan; if successful, these would establish control teams in communist territory and would begin to get the Red army off the backs of the east Europeans. So far there is no sign that Mr Dulles is willing to do this. The leading Democratic spokesmen on foreign affairs show little more enthusiasm; and it is very doubtful whether Mr Dean Acheson, the Democrat who preceded Mr Dulles as Secretary of State, differs from him on this point in anything more important than the minutiae of diplomatic procedure. Any modification in the structure, and the posture, of the

North Atlantic Treaty Organisation, all of them agree, threatens its dissolution.

There is less unanimity about the Far East, the other region where the Administration is perched stolidly on the *status quo*. Most Democrats, including Mr Acheson, are now committed to the belief that Marshal Chiang Kai-shek should be detached from the offshore islands. If he is not, the Chinese Communists may soon acquire armaments which will make it possible for them to renew their blockade more successfully, and may confront the Americans with the choice of letting it succeed or extending the conflict beyond a civil war. Where Mr Dulles differs from his Democratic critics is in the extent to which he is willing to risk the consequences of putting pressure on Marshal Chiang. He remains reluctant to do anything that might subject the Nationalist regime to internal stress ; but some leading Democrats are beginning to ask whether too much is being paid for Marshal Chiang's stability.

The official attachment to the *status quo* arises, in part, from the conviction of many Americans that, in Europe at any rate, the West's best interest is served by refusing to compromise in even the smallest detail. Recently this point of view seems to have been exalted into something very near a philosophical principle. The difference between the Administration and its critics lies between those who are willing to envisage some modifications in Nato, without destroying its essentials, in order to loosen the communist grip on eastern Europe, and those who are not. Hitherto there has been a strange unreality about many of the attacks that Democrats make on Mr Dulles ; vehement general denunciations have been combined with only minor suggestions for reform. The young Democrats who assemble for the new Congress next year will strengthen the ranks of those who want to be more adventurous without surrendering the basic principle of resistance to communist encroachment.

State of Alaska

THE Republicans, it seems, have been completely frozen out of the new state of Alaska. The election of three Democrats—Mr Egan as Governor, Mr Rivers as Alaska's single member of the House of Representatives, and Mr Bartlett as one of the two new Senators—is no surprise. But in the race for the second Senate seat, which the Republicans had high hopes of winning, an apparently insurmountable lead has been gained by Mr Gruening, who was appointed Governor of the territory in 1939 by Franklin Roosevelt, served for 13 years, and has been one of the most persistent advocates of statehood. The defeat of his Republican opponent, Mr Stepovich, is one more blow to the Republicans ; with the other Alaskan results, the Democrats will have a majority of 30 in the Senate and 130 in the House.

But Mr Gruening's unexpected victory is also a sharp rebuff for the able and popular Secretary of the Interior, Mr Seaton, who moved into the campaign hard on the heels of the Vice-President and who, for the past three weeks, has been promising Alaskans everything their hearts desire : more money for airports in a state dependent on air travel, schools, more favourable conditions for homesteaders and—a peculiarly Alaskan climax—a good prospect of the abolition of fish traps. These expensive devices, which account for about a quarter of the catch, have become a symbol of outside exploitation of Alaska's resources and are a long-standing grievance with the small commercial fishers who cannot afford them. Mr Seaton campaigned, however, at two disadvantages. The Democrats could argue plausibly that the future of Alaska, which needs so much aid to develop its resources, lies with the Democratic majority in Congress ; and that Mr Stepovich has not been nearly as enthusiastic about statehood or abolishing fish traps as his progressive sponsor from Washington.

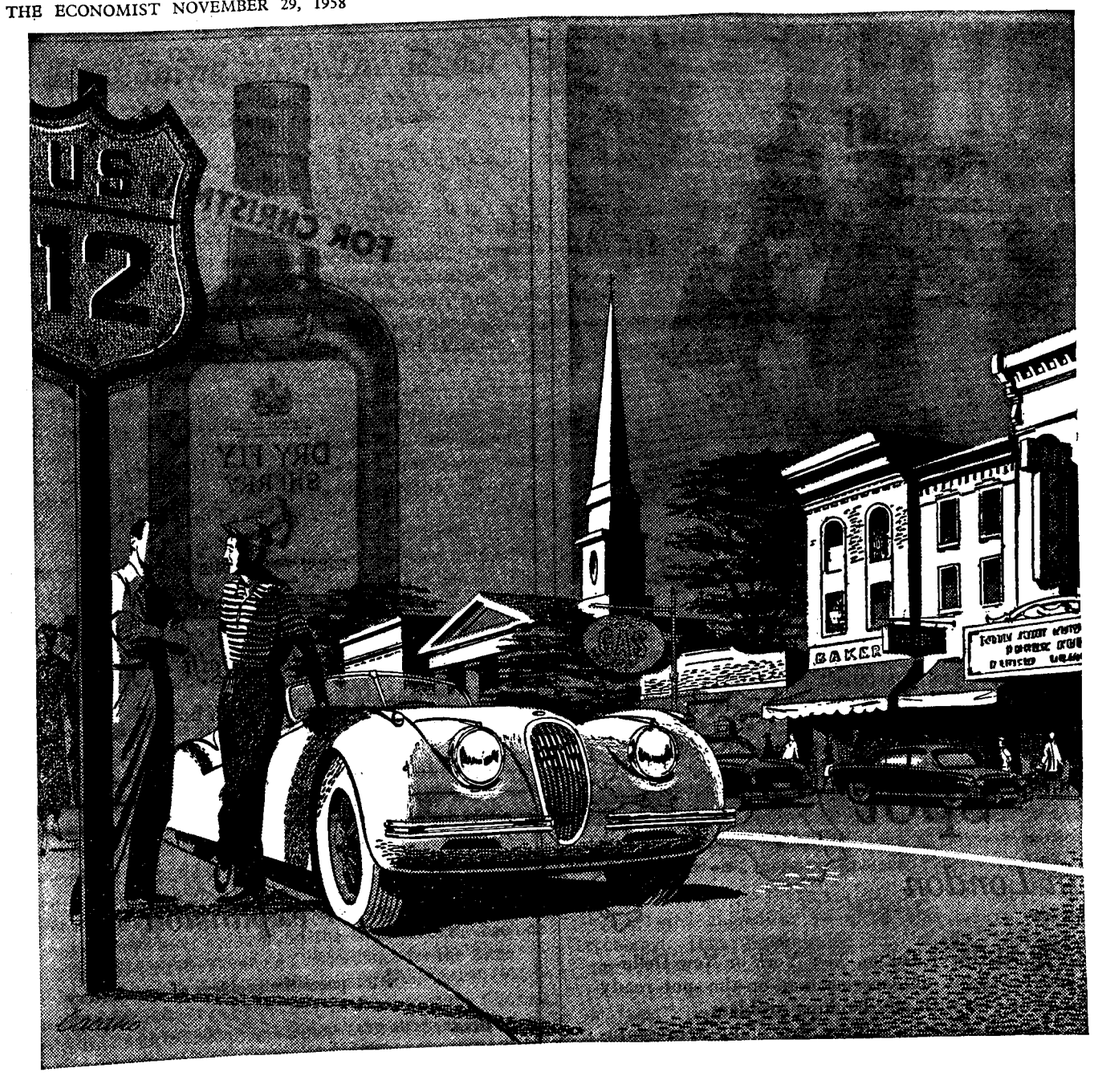
Only ceremonial occasions now stand between Alaska and the full panoply of statehood. The Governor must certify the election results and Mr Eisenhower must issue a Proclamation of Statehood ; then, next July 4th, on Independence Day, Alaska will officially become the 49th State, the first to be admitted since 1912. How the flag is to be rearranged to accommodate 49 stars is still uncertain, but it has already been announced that in future Alaska will vote before the rest of the country, giving it a Democratic send-off as Maine, which has just abandoned the practice, used to give elections a Republican one.

A Halt to Mergers?

THE decision in a lower court that a merger between the Bethlehem Steel Corporation and the Youngstown Sheet and Tube Company would violate Section 7 of the Clayton Anti-trust Act is a notable victory for the Department of Justice. Its hand will be strengthened in many cases where it is trying to force asunder companies which it contends have absorbed competitors. The decision will also cause other firms contemplating mergers to think again—unless one party is in low financial water ; this is still an acceptable reason for a merger. Such a defence did not arise, however, in the case of the second and sixth largest steel companies in the country. Their contention, instead, was that by pooling their assets and capacity (16 per cent of the total for Bethlehem, 5 per cent for Youngstown) they would become more efficient and could compete more effectively with the United States Steel Corporation, which owns 30 per cent of the industry's plant, particularly in the middle west, where Bethlehem now has no foothold.

The judge would have none of these sophisticated arguments. Congress, he said, strengthened Section 7 in 1950 in order to halt the tendency toward concentration in industry, and it made no distinction between good and bad mergers. The sole criterion is the effect on existing competition, and the judge ruled that a merger between these two steel companies would reduce it in the industry as a whole, in specific branches of it and in several geographical areas. Moreover, this merger might well start a chain reaction throughout the industry. The companies' contentions that they do not now compete with each other and, if merged, would give US Steel a real run for its money, were both denied.

The judge's decision was so emphatic that the steel companies, who have two months or so to make up their minds, may not appeal. This would be a disappointment to the Department of Justice, which has been seeking a definitive interpretation of Section 7 ever since Congress expanded it to ban the acquisition of assets, as well as shares, of one corporation by another when this reduces competition. But the companies, who first announced their intention to merge in 1956, may feel that it would be too costly to pursue a case which would not be decided until 1960 at least, and which, in the present temper of the Supreme Court, would probably go against them—to the strengthening of the anti-trust law.



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Reckoning with the Robot

FROM A CORRESPONDENT IN NEW YORK

DURING the past year the press has reported wide displeasure on the part of those who own or rent that godsend of the electronics age, the computer. It is costly and technically temperamental. It refuses to perform mental miracles on its own initiative and, instead, is strictly limited in its ability by the intelligence, experience and imagination of the men who push its buttons. And, for one reason or another, it has failed to provide the dazzling economies in labour which constitute its chief attraction to businessmen.

To this, the manufacturers of computers retort that their marvels can be appreciated only when the energies of the computers are fully employed. Making out the payroll—the first and sometimes the principal thing a user does with his machine—scarcely justifies the investment. What is needed, according to the computer industry, is a reordering of staffs, of corporate policymaking and administration to fit the machine. Traditional organisation has been outmoded, the producers say, by transistors and memory cores. The sales pitch, in a word, is being aimed higher, and its implications are not altogether pleasing to the men who originally let the robot in and now see it threatening to annihilate their carefully built departmental empires.

It was common enough, just a decade ago, to chuckle at the prospect of machines that think for men. Of course no state of Orwellian horror is setting in now ; the general attitude toward computers is one of good-natured awe, curiosity and respect. The famous Univac made no enemies among businessmen by predicting, with uncanny precision, the two Eisenhower election victories. Not long ago, a technician with time on his hands succeeded in teaching the game of draughts to a computer ; the reward for his pains is that the best he can hope for now is a draw. One large manufacturer is devoting the time of both machine and man toward developing a Concordance for the Bible.

But some of the fun goes out and a little of Orwell creeps in when the industry approaches the Bureau of the Census, as it has, with an idea for keeping tabs on each American man, woman and child, from cradle to grave. The State of Illinois already has a system which records the comings and goings of nearly five million motorists, sets their fines for certain traffic violations and revokes their licences if necessary. The huge General Electric Company has 84 large and medium-sized robots on hand and on order. They have proven their worth in systems which, among other things, report the activities, progress and responsibilities of each echelon of management to the one above.

COMPUTERS have developed rapidly, both technically and commercially, as businessmen have seized the chance to halt growth in office staffs, now twice their prewar strength. In 1957, more than $200 million worth of them were produced for civilian use ; the military took uncounted others for anti-aircraft defence, guidance of missiles, and the plotting of orbits in space. According to a recent estimate, at least 6,000 electronic brains were in place by the middle of 1958. A third of these are used by government offices and installations, about a fourth by manufacturing companies, another sixth by banks, insurance firms and other financial companies (potentially the biggest source of demand) and the rest by service organisations and universities. Another 3,000 are said to be on order, and a market of $5 billion or more is thought to be possible in six or seven years.

Ever since Univac's commercial debut eight years ago, competition among makers of such equipment has been lively. This is so even though the International Business Machines Corporation, which entered the business in 1952, has carried off five of every six computers so far installed as well as no fewer than fifteen of each sixteen now on order. Competition comes not only from a score of other manufacturers, but also from every maker of standard office equipment, including IBM itself. Between them, they have greatly advanced the art of electronic computing.

The basic concept employed in the first Univac is still used for the so-called digital machines — as opposed to "analogues," a smaller group of computers which actually measure, rather than count, and so are best adapted to automatic control of processes. The digital machines are programmed—that is, supplied with whatever knowledge they need, such as mathematical tables or rosters of employees —by means of a code applying the binary system of numbering. This makes use of two numbers—zero and one—in combinations to signify words or letters (e.g., " 01101 "), and counts by the simple arithmetic process of adding one and one. For example, a brain instructed to raise 5,678,910 to the 38th power, would respond by adding the number to itself 5,678,910 times for the square, and continuing the extrapolation in the same way. Or, if its memory includes the name " Doe, John," or an equivalent serial number in code, data about him can be lodged alongside it and easily extracted. More complex jobs utilise extensions of these techniques, but in every case the computer has been educated in advance by its users on the weather or aerodynamic equations, accounting tables or business statistics, Mendel's Law—in short, on whatever it needs to work out the problem.

The vital ingredient is speed and, where possible, economy. Here, progress has been rapid. The vacuum tubes of the unwieldy Univac are giving way to miniature transistors and pinhead-sized ferromagnetic cores (a plus, or " one " represented by a positive impulse or charge ; a minus, or " zero " by a negative one). Data can be fed into the machine and results recorded on punched cards, punched paper tapes, magnetic tapes or drums, and by the new " ferromagnetographic " (magnetic ink) process developed by one manufacturer. The reduction in size not only means that the computer takes up less room but also that less power is needed to operate the computer and to keep it from over-heating. One machine now on the market can store up to 24 million digits, with random, immediate access to any. Another, which looks uncannily [illegible] memory in 12-millionths of a second.

The right combination of the techniques available today can more than satisfy a firm burdened with paper work. For example, an insurance company has taught its computer to bill premiums, compute commissions, calculate dividends and, when not busy, work out actuarial tables. One belonging to a petroleum refinery now takes into account the characteristics of the plant, the quality of the crude oil being processed and the several aspects of the market-place, and schedules the refinery runs to obtain the most profitable combination of products. The electronic brain of a large chain of stores keeps track of all stocks by type,

style and size, relates them to daily sales, estimates trends in demand, orders what is needed, and reports anything unusual in, say, face powders, or Persian rugs to the management. At that, more often than not, it appears, the robots find time to stand around idle and eat up the profits. And the corps of stenographers and key-punch operators replaced by a computer have, in fact, only given way to an army of workers—some in high wage brackets—who are necessary to instruct it, translate for it and dispose of its efforts.

What has happened, is that technology is outrunning the comprehension of businessmen. The computers' efficiency is their downfall. One tack which the manufacturers have taken is to tailor machines more closely to specific functions. These smaller "book-keeping" computers, in the less-than $100,000 category, have sold very well. But the same problem tends to reappear because these machines, more often than not, are bought by smaller companies. Moreover, it is generally agreed—except by members of the computer industry—that over 90 per cent of American companies simply cannot afford a computer costing $10,000; none, so far, sells for less.

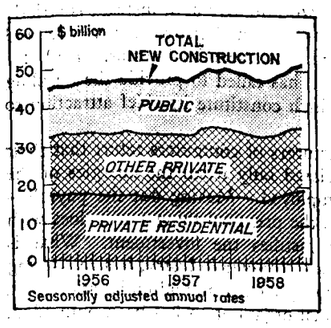
Another course which the industry has found it both tactical and strategic to follow is to teach the art of computer-programming and operation to its customers' own employees. Last year, IBM alone gave three- and four-week training courses to 14,000 students. Out of this, however, is emerging a new and increasingly numerous breed of organisation men, not only conversant with electronic computing but also excited about its potentialities. Most of them are now young. But as time goes by, these "space men," as one company calls them, will command a voice in management at least as loud as that of the well-entrenched executives now so resistant to change. Then the wonderful robots will be ready to manage themselves right into a seat on the board.

No Prop Like Housing

IF investors had heard last week that the construction industry, one of the great props of the economy, faced a cheerless new year, it would be easy to understand the sharp fall in share prices early this week which most observers are now calling a breathing space after eight months' steady climb. But construction promises to set new dollar records next year as it has in every year since 1947, and to do so in terms of physical volume as well, something it has not achieved for three years. It is officially estimated that spending for construction will rise from this year's $48.4 billion to $52.3 billion, the first time the $50 billion mark has been crossed. Almost all of the increase is due to more spending on highways and housing.

The speed with which the economy recovered from the depths of the recession owes a good deal to the boom in privately financed (but often publicly insured) housing which has already taken place. Last spring Congress gave the Federal Housing Administration an additional $4 billion to insure mortgages; and by October the number of houses on which work had begun rose to a seasonally adjusted annual rate of 1,260,000, the highest for any month for three year. The housing authorities look for next year to be about as good as 1953. But builders, who already are beginning to feel the first effects of higher interest rates, note with a shiver that the Department of Commerce expects that the year will start at a high level and then taper off as money for mortgages becomes harder to find at the low rates of interest prevailing in 1958.

Builders are pinning their hopes on the enlarged majority of the Democrats, whose liberal members have always favoured a big housing programme. But the industry may not be taking the President's economy drive sufficiently into account. The Democrats' scheme is to attach many features of their programme which were defeated this year to the Administration's request for more authority for the FHA to insure mortgages; this will be one of the first pieces of business in the new Congress as FHA is down to its last billion. Mr Eisenhower, however, is said to regard housing and agriculture as the two great holes in his budget through which billions vanish. If he meets the Democrats' manœuvre with a veto, and there is a great set-piece of a battle, housing may be shaken, though only temporarily, to its foundations.



Dixie: Republican Desert

THE relief with which Republicans greeted the news that in this month's election they had saved eight out of their nine southern seats in the House of Representatives is a measure of their utter failure to exploit President Eisenhower's original popularity in the one-party Democratic South. In half the twelve southern states the Republicans remain totally unrepresented. The eight seats they do have fall into two groups—three from the desperately poor mountain areas of eastern Tennessee and southern Kentucky, which fought with the Union during the Civil War and have stayed Republican ever since, and five from normally Democratic areas which were first won in the elections of 1952 or 1954 and which mark the full extent of Republican penetration under Mr Eisenhower's leadership. There are two Republican Representatives from Virginia (one of them sitting for the Virginian suburbs of Washington) and one each from North Carolina, Florida and Texas.

By this year the political impact of President Eisenhower's dispatch of troops to Little Rock, Arkansas, had so demoralised his southern followers that it was feared that all five would be swamped. They were saved by the personal political positions they had built up, combined with the fact that they had all voted as southerners in last year's debates on Negro rights. Curiously the one seat that was lost was in neither of the main categories. It was at Louisville, Kentucky, where desegregation had been successfully carried out and which has been a Republican seat, although usually a marginal one, since 1946. Mr Robsion's defeat there is an indication of how very transient was the apparent Republican sweep in Kentucky in 1956, when two Republican Senators were elected.



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It would be superficial to attribute the Republican failure solely to Little Rock. The principal trouble has been the sluggishness of "Operation Dixie," the great drive to establish two-party government in the South, which did not get launched officially until 1957, five years after the first Eisenhower victory. This was largely because the Republicans could not make up their minds whether they were trying to outflank the Southern Democrats on the left or on the right. Since most southern Democrats are conservative, it was possible to argue either that they were in the wrong party or that their liberal-minded critics were in need of an alternative political home. But it was difficult to argue both at the same time.

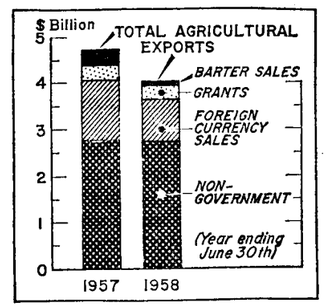
Governor McKeldin had shown with great success in the border state of Maryland and State Senator Dalton with some success in Virginia that it was worthwhile for a Republican to run as a liberal. But Mr Lee Potter, the Virginian member of the Republican National Committee who was put in charge of Operation Dixie, was temperamentally not so inclined. He actually announced publicly this year that it was not worth the time and trouble to field a Republican against Senator Byrd. His folly was underlined when 114,000 Virginians registered a protest vote in favour of a woman independent, Dr Wensel.

Governor McKeldin of Maryland has always been encouraged to run as liberal by the large and organised Negro vote in Baltimore. The chances of seeing either effective Republican candidates in the South or liberals entering contests for Democratic nominations there would be enormously improved if the Negroes would register to vote in much greater numbers than at present, when only 25 per cent of those who are eligible do so. This might help even conservative Republicans, since the Negro leaders are primarily anxious to seize any chance of ending the seniority which brings southern Democrats to the chairmanship of congressional committees. But the drive to register Negroes after last year's Civil Rights Act made a disappointingly slow start, not only because of the obstacles which the state laws present but also because of Negro apathy and cynicism.

Back to Barter

THE new list of the 26 foreign metals and minerals which the United States will accept in return for agricultural surpluses was guaranteed a warm welcome from their producers, particularly those of lead, zinc and tin. The continued inclusion of zinc and lead and the addition of tin should help to stabilise their prices and to soften somewhat the blow, particularly to Latin America, of the quotas imposed on imports of the first two by the United States. But the extension of the barter programme—there were only 12 minerals on the old list—has few charms for agricultural exporters such as Canada, which feel that the barter method of disposing of American surpluses cuts more deeply than any other into normal commercial sales. Between 1954, when the barter programme got into its stride, and the middle of 1958, about $923 million worth of surpluses were bartered for foreign minerals, which then were used by government agencies or deposited either in the strategic or the "supplementary" stockpile. The strategic stockpile now accepts only a handful of materials needed to round out America's war reserve; the other is not so limited and cushions domestic producers' products.

In the spring of 1957, however, the Department of Agriculture concluded that barter sales were displacing exports which would have been paid for in cash and imposed such severe restrictions that barter operations fell, in the year which ended last June, to a quarter of what they had been. Since then there has been some recovery, but in August, when Congress extended the surplus disposal law to the end of 1959, it transferred to the President the power to name the minerals which would be accepted; while the new list was being drawn up, barter ceased altogether, an ironic result of congressional enthusiasm for the scheme.



Officials say that while barter will increase, it probably will never return to its earlier levels. Undisclosed limits have been placed on the quantities of minerals which will be accepted, to avoid stimulating new production; tin for barter must not come from the quotas assigned to producing countries under the tin agreement; and an elaborate classification of countries is supposed to help the Department of Agriculture make certain that normal exports do not suffer. The Canadians remain to be convinced.

Polluted Channels

THE allocation of lucrative television channels, which gave rise to charges of corruption earlier in the year, has sparked off both a further round of personal accusation and of slapdash political investigation and an unexpectedly tough intervention from the Attorney General. The Committee on Legislative Oversight—which, in the course of looking into the way independent commissions regulate important sections of the American economy, lifted the scalp of Mr Sherman Adams—has heard charges that a former chairman of the Federal Communications Commission, Mr McConnaughey, set a five-year legal retainer as the price of his decisive vote in the award of a television station in Pittsburgh. But although the committee's investigators had arranged maximum publicity for the charges in advance, they turned out to amount to no more than the usual third-hand gossip and were denied under oath. The investigations of Mr Harris, the committee's chairman, have offended many people's sense of fair play. But they have shown some concrete results. The most significant has been the submission to a federal court of a brief signed by the Attorney General arguing that any applicant who has a claim pending and makes informal approaches to any commissioner should be disqualified forthwith. This would require a radical change in Washington's habits.

A report to the Senate from a group of experts raises doubts, however, about the need for the whole artificial apparatus of a "trial" between rival competitors for television stations. Its abolition would certainly lead to a gain in honesty. Plans for running stations are often so very much alike that, although the decision is supposed to go

according to a list of high-sounding and often incompatible criteria, the issue may turn on which offers the better lavatories or, since there is a provision that station owners must be of good character, which applicant's lawyers can more effectively blacken the names of their client's rivals. After such a struggle, with no holds barred, the two leading competitors often enough, as in the Pittsburgh case involving Mr McConnaughey, decide to merge and pay off the remaining applicants with substantial " contributions to their costs."

If the channels were not scarce none of this farce would be needed. The report shows that if there was general use of ultra-high frequency there could be a much greater range of choice. The FCC is accused in caustic terms of an " abdication of responsibility " for failing to consider any such radical changes that would upset vested interests in the television industry. But politicians on the two standing committees on interstate commerce, one of which is headed by Mr Harris, are generally considered to be every bit as much to blame as the commissioners for allowing themselves to become the auxiliaries, rather than the scourges, of the big network companies.

Good Causes for Gambling

NEW YORK

WHEN the voters of New York City went to the polling booths on November 4th they had to take a stand on a lively local issue: whether to grant " bingo " legal respectability. As a simple game of chance, only Nevada allows bingo to be played on an open commercial basis. But nine other states give the game immunity from the prohibitions against gambling when it is played to raise funds for worthy causes. And elsewhere, the police usually take an indulgent view providing the game is in honest hands. A year ago New York State joined the ranks of those which allow bingo to be played for charity, but it left the individual communities free to decide, by referendum, whether to lift their local bans. New York City has come out two to one for bingo, and many other localities in the state have voted in its favour.

Up to now the position of bingo in New York State has been ambiguous. In 1952 the Court of Appeals ruled that it was permissible providing it was part of an evening's entertainment for which a single entrance fee was charged —an interpretation which has forced bingo addicts to endure intermittent sessions of recorded music. Under the new state law, charitable and non-profit-making groups may hold bingo games ; they must, however, pay $10 a time for a licence, make full financial returns, limit their binges to six times a month, and comply with other detailed regulations. New Jersey introduced similar legislation in 1954. Last year its Legalised Games of Chance Control Commission granted over 22,000 licences, of which nearly half went to church organisations. Bingo earned net profits of nearly $4.5 million for its sponsors out of gross takings of $18.5 million.

While the essential elements of the game have provided amusement and diversion for centuries, bingo was named and introduced as a modern parlour game in 1929 by a toy manufacturer, Mr Edwin Lowe. Each player has a card with 25 numbers between 1 and 75 arranged in a square, and the first to get five in a row as the numbers are called out cries " bingo." The fund-raising potentialities of the game were soon realised and, as the nation's economy sagged, bingo boomed ; by 1934 it was estimated that there were 10,000 public games a week. Believing that publicity was more valuable than exclusive rights, its promoter allowed other manufacturers to use the name, and today he shares the market with some twenty competitors. To keep the bingo parlours fed with cards—each card can be used only once and an evening's play may involve 30 or 35 games—requires a major printing operation ; one firm claims an output of a billion cards a year.

Some 5 million Americans, it is estimated, play bingo each week. The average player is female, over forty and usually operates six or more cards concurrently. The enthusiasm which can drive her round a weekly circuit of charitable functions is undaunted by the statistical odds against victory and the sizeable share of the proceeds which supports Roman Catholic schools, volunteeer fire departments, ex-servicemen's programmes and a host of special charities.

The use of bingo for these philanthropic ends has, however, precipitated an angry religious controversy : should a society which condemns gambling approve the activity if it is carried on under religious or charitable auspices ? The Roman Catholic church—partly, perhaps, because of its greater need for revenue to support its schools—favours bingo as a fund-raiser, while official Protestant and Jewish opinion roundly condemns it. The voters, it seems, are not censorious of the small-time gambler, providing that the pocket money which she so liberally dispenses is put to good use and does not find its way into the hands of unscrupulous promoters.

Meanwhile, the city of New York, desperate for additional revenue, has started another somewhat similar controversy ; it is casting longing, if uncertain eyes, at the possibility of legalising and taxing off-track betting. At the race-course itself, the states control betting, and they take, for their trouble, a substantial percentage of the turnover ; in the special case of New York, the city has been allowed to share in this bounty. But the practical difficulties to be overcome are considerable before the extensive but at present illegal business of off-track betting can be taxed. Moreover the Protestant churches have voiced their strong disapproval of this exploitation of human frailty. The Mayor has appointed a commission to examine the proposal, but approval is unlikely to come in time to relieve the next budget—if at all.

SHORTER NOTE

A special committee under Mr William Draper, former head of the American mission at Nato, has been set up to advise the President on whether there is merit in criticisms that too much military aid is being pumped into underdeveloped countries. The members include Mr John McCloy, General Gruenther and Admiral Radford, who are becoming standard members for bodies of this sort, and President Truman's Director of the Budget, for the sake of bipartisanship.

The absence of any critical assessment of the claims of the military was one of the major weaknesses of the review of foreign aid as a whole done for the President by Mr Fairless two years ago, and since then a number of congressional investigations have suggested that money is being wasted and the economies of certain countries distorted by their being encouraged to maintain overlarge forces.



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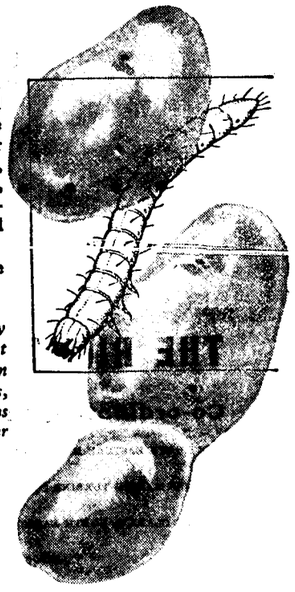

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THE WORLD OVERSEAS

Right Turn in France

FROM OUR PARIS CORRESPONDENT

LAST Sunday's poll—the first ballot in the French general election—was a direct sequel to the referendum. In September four Frenchmen out of five put their country's destiny in one man's hands. Less than two months later, faced with a more complicated choice, the majority has sought to reiterate this vote of confidence in General de Gaulle. The opponents of the Gaullist constitution have paid the penalty. The communists have suffered their biggest electoral setback since the war. The non-communist opposition has been swept aside—spectacularly so in the defeat of M. Mendès-France and the low poll for M. Mitterrand. The success of the neo-Gaullist UNR—the other main feature of the vote—springs from the same cause. Even without the general's blessing, the UNR appeared to the electorate as the most "gaullist" of the contending parties.

A country does not change regimes without altering its political allegiances. Last Sunday's poll marks the biggest political swing since the period immediately following the liberation. The war brought its changes, but since then France seemed to remain evenly divided between Left and Right, the centre cutting somewhere across the Radical and MRP parties. Each election brought important changes on each side of the national division without perceptibly upsetting the existing balance. But now the pendulum has swung to the Right. The big communist losses are not compensated by any socialist gains. The UNR wave, while it has swallowed poujadist votes, has been accompanied by the advance of the orthodox Right. The shift is in fact bigger than is apparent in the accompanying table. The "centre" is now further to the right than ever. The Radicals have crumbled. Mendèsism is no longer a real force. And among people now placed in the "centre" are various dissident Radicals, like M. Morice, who in England would be considered truer blue than the Suez rebels.

	1958, first poll		1956, January	
	Votes ('000)	%	Votes ('000)	%
Communists	3,882	18·9	5,533	25·7
Socialists	3,167	15·5	3,181	14·8
Radicals and Centre	2,348	11·5	2,876	13·3
MRP and Christian Democrats	2,379	11·6	2,374	11·0
Conservatives	4,093*	19·9	3,086	14·3
UNR and Gaullists	3,604	17·6	949	4·4
Extreme Right (including Poujadists)	670	3·3	2,817	13·1

* Includes *Independants* (2·8 million) and various conservatives.

The communists have lost some 1.5 million votes, or about a quarter of their record poll in 1956. They did not stage the recovery that some commentators expected, and the electoral law certainly did not favour them. Having thriven on proportional representation, the communists are doomed to failure—through their "splendid isolation" and lack of local personalities—in a system of small, single-member constituencies. Some of their followers drew the moral and stayed at home (the communists were probably the chief victims of abstentions, which were higher than in any postwar election). A few seized this chance to express their exact opinion and voted for splinter socialist groups. Others, whether from reluctance to waste their vote or through a change of heart, turned directly to the socialist with a chance (in Marseilles, and in the Nord and Pas-de-Calais departments). But the socialists are not the only beneficiaries. The communist poll always contained a "poujadist" fringe of people who were "against" the regime and voted for its strongest opponents. The Gaullist Rally used to pick up these votes. The UNR has taken them over now, particularly in the big towns and seaports.

Communist losses are general but uneven. They are biggest in the east, the south and in central France. They are relatively small in the traditional strongholds where communist leaders seemed to have a chance of victory (a few constituencies in the Paris red belt, a couple in the Nord, Le Havre, and so on). While hoping for a turn of the tide, the communist leadership may seek the consolation that the party still represents nearly one Frenchman in five and is supported by more voters than any other. But it will have only a handful of deputies.

M. SOUSTELLE'S UNR has polled not quite as many votes as the communists but is almost sure to have the biggest group in the new chamber. It has inherited the votes of the poujadists, the nationalist component of M. Mendès-France's former following, and the habitual anti-republicans. Now that it has the wind in its sails, it should mop up more orthodox conservative votes in the second ballot and recover the full strength of the Gaullist Rally in 1951. The success of the UNR is not so much the victory of new men. Gaullist deputies past and present (like M. Palewski and M. Chaban-Delmas) have done well, not only such newcomers as Colonels Thomazo and Bourgoin and M. Delbecque. The public thought that it discerned the old gaullist merchandise under the new, unofficial, label. The so-called "left-wing gaullists" did not share in the triumph.

The UNR leaders refuse to be classified as men of the Right. Theirs is certainly not an orthodox conservative party, yet it enjoys the following, and bears many of the hallmarks, of the authoritarian Right. The other claim that it is "the party of government," sounds more plausible now that—unlike 1951—General de Gaulle is in power.

Between the defeated communist giant and the rising neo

gaullist one, the other contenders can be described briefly. The official conservatives—MM. Pinay's and Duchet's *Indépendants*—have polled slightly less than in 1956. But if the various conservatives without the label are added, the party gets nearly a fifth of the poll. While somewhat alarmed by the success of their gaullist allies, the *Indépendants* can expect to be the second biggest parliamentary group. The MRP did surprisingly well to hold its vote, but the new electoral law has altered its geographic distribution. It is now concentrated in its strongholds in the traditionally conservative areas of eastern France. The party, which set out originally to be both Roman Catholic and progressive, cannot remain unaffected by this shift.

The Radicals have almost disappeared from the political stage. They had already been weakened by splits. Now the Mendèsists share their champion's eclipse, while the leaders in the South-West (like MM. Baylet and Bourgès-Maunoury) are also ousted because of their hostility to the gaullist constitution. As for that new anti-gaullist alliance, the *Union des Forces Démocratiques*, it has been knocked out before it really entered the ring. Finally, M. Mollet's socialists maintain their strength. They lost a few votes, but increased their share of the total poll. On the other hand, the maintenance of communist candidatures in the second ballot does not foreshadow as many socialist deputies as had once been expected. M. Mollet may find few followers if he becomes leader of what he has promised will be a " constructive opposition."

France's swing to the Right may be accentuated in the second ballot by the working of an electoral law handicapping the divided Left. (Party bargains between polls are discussed on page 771). The neo-gaullist UNR, reinforced by some 70 recruits from Algeria, will emerge as by far the biggest group in the first chamber of the new regime. Together with its conservative allies, it should have an absolute majority. Logically, this new majority should immediately unfurl the banners of " French Algeria." It is a measure of the pace of change in the French political scene that many liberals in Paris, who not so long ago were deploring the new constitution because it enlarged the president's powers unduly at the expense of the powers of parliament, are now discovering a faith in enlightened absolutism: their hopes are turning to General de Gaulle to save them from a *chambre introuvable*.

Mr Menzies' Runaway Win

FROM OUR CORRESPONDENT IN AUSTRALIA

No one is more surprised at the election result than the members of the government themselves. They had expected to win, but to lose their marginal seats. The public opinion poll immediately before the election was even more favourable to the Australian Labour party (ALP) than the earlier poll mentioned in *The Economist* of November 15th, showing that those intending to vote for the ALP had caught up those for the Liberal-Country party coalition. But the final result (which is not declared at the time of writing) will give the government coalition a majority of between 30 and 32 in the House of Representatives (which has 124 members), a gain of between two and four seats. The coalition has also won control of the Senate, where in the past three years it had been dependent on three dissident Labour senators for its majority.

The post-mortem is now in full swing. The Labour party attributes its defeat to communist smears, aided at the crucial moment by an open letter from the ninety-three-year-old Archbishop of Melbourne. This letter was an attempt to counter the influence of Cardinal Gilroy of Sydney, who a few days earlier had pointed out to his flock that they could vote for any party they liked other than the communists—a statement that was seized on with delight by the ALP publicity men and used on an election poster. Archbishop Mannix of Melbourne issued a rejoinder, pointing out that in fact all communists would wish the ALP to win.

Did this final shot of the warring prelates affect the result ? Probably not. The election seems to have resolved itself into a choice between the two political leaders. The result has been widely interpreted as a personal triumph for Mr Menzies ; and so it was, for there is no belittling his achievement in winning his fifth consecutive election with a bigger majority than before. But even more than a triumph for Mr Menzies, the result is a defeat for Dr Evatt —a vote of no confidence.

THIS is not because the nation believes that Dr Evatt is a communist in disguise. No doubt most of those who voted for Mr Menzies realised that the communist bogey had been magnified for the election. True, they do not like " unity tickets " in trade union elections—that is, how-to-vote handouts in which ALP men appear side by side with communists and so help them into office. But they know that Dr Evatt consistently, and his federal executive recently, have condemned this practice ; and even though it has not stopped, they cannot regard it as evidence that Dr Evatt has communist affiliations.

The distrust of Dr Evatt is of a more general kind. People have got to know him fairly well through the television sets that many have bought in the past three years, and they seem to feel that he does not improve on acquaintance. The least sophisticated viewer may feel that his speeches are dull and his delivery dreary, while the more sophisticated may judge him unreliable and unpredictable, a man of unsure judgment. Mr Menzies has helped to put this into words for them from a hundred platforms: the man who has got his own party into such a mess is not a man to run Australia. There is no doubt that Dr Evatt is now Labour's chief liability. Yet he is unlikely to be deposed. Apart from the tradition of loyalty to the leader, any such move would come from the Right, and the left-wing federal executive would resist it. Some Labour supporters will fervently hope that he will resign ; but if he did, is there a successor who could win national confidence ? The deputy leader, Mr Arthur Calwell (a Roman Catholic) is cosy rather than commanding, and suspect to both Left and Right as a man who will trim his opinions to the prevailing wind. Mr Eddie Ward is too far to the Left. Mr Percy Clarey might fill the bill. But no obvious leader is in sight.

With this consideration to reinforce his personal ambition, Dr Evatt may stay on. Yet it is now less possible than ever it was that the dissidents will be united under his leadership ; he would, therefore, be leading them towards another certain defeat. In face of that prospect a further split in the Labour party some time in the next three years seems likely, and the Democratic Labour party may yet realise its ambition of forming the nucleus of a party slightly to the left of centre. In a nation of property owners, well paid and thoroughly bourgeois, that is the sort of party that could eventually sweep Mr Menzies from power.

Gatt Marks Time

FROM A CORRESPONDENT IN GENEVA

THE thirteenth session of the General Agreement on Tariffs and Trade, having opened with what seemed a promising attack on the agricultural protection issue, has ended in stalemate. After seven weeks of talks, it has been decided to mark time. Soon after the departure of the ministers, who in the first few days took as their *Leitmotiv* the Haberler report (discussed in *The Economist* of October 24th), it became apparent that textbook truths do not prevail against interests.

The Americans, armed with domestic legislation under the Reciprocal Trade Agreements Act which permits them to lower tariffs up to 20 per cent, wished to make the most of this weapon and suggested a new round of tariff negotiations. Some countries with relatively low tariffs which are having export difficulties because of quota restrictions (such as Australia and New Zealand) refused to engage in another tariff round unless it was coupled with discussion of agricultural protectionism ; the underdeveloped countries, too, would not hear of lower tariffs unless something else was done to help their exports. A committee which was supposed to discuss the practical implementation of the Haberler report in the end gave birth to nothing more exciting than three more committees, each dealing with one of the problems discussed in the report.

The Germans had hoped that the general discussion of agricultural problems would allow them to deflect the attack on their own restrictive agricultural import policies ; and their delegation stuck to the theme that Gatt rules are incompatible with the economic requirements of some countries. West Germany's refusal to liberalise the 16 per cent of imports which come under its farm marketing laws and its desire to keep some remaining industrial restrictions led to hard words but little action. The Indian chairman of the conference, Mr Jha, showed great moral courage in attacking the German policy at a moment when the Indians are trying to enlist the help of Bonn with their industrialisation programme. The German delegation was certainly taken by surprise by the vehemence of the Indian's plea and his implication that trade came before aid. Protection-minded Indian industries are very critical of India's continued association with Gatt, and Mr Jha has found it difficult to defend the principles of multilateralism at home when Germany is ignoring them so openly. To west Germany's surprise, the United States turned out to be one of its strongest critics. The leader of the German delegation made a hurried trip to Bonn and consulted Dr Erhard ; but no concessions could be wrung from the Germans. The conference had to be satisfied with expressing strong criticism of the German attitude and the establishment of a joint consulting group which will meet in Geneva early next year.

Against this background the Swiss achievement in quietly slipping into Gatt as an " associate member," with Switzerland's extreme agricultural protectionism wholly left aside from the conditions of membership, was a masterpiece of commercial diplomacy. Without any concessions on their part the Swiss have manœuvred themselves into an advantageous position for tariff negotiations with the common market countries.

The Rome Treaty no longer seems a lump in Gatt's throat threatening to choke it ; the difficulty is getting rid of the feeling of indigestion. Questions of law and debates about the compatibility of the Rome Treaty with the General Agreement have been left aside, and the contracting parties have now turned to " specific and practical problems." This does not mean that the Six have in any way succeeded in appeasing their critics. The danger that the treaty will divert trade instead of creating it remains as serious as ever. The Six maintain that nothing can be discussed until ill-effects are actually proved, while other countries have strong views about preventive measures. One Commonwealth delegate rightly pointed out that once damage had materialised in terms of trade figures it might be beyond remedy, because a new pattern and new channels of trade might have been created by then. But the Six are evidently determined to avoid the issue. It is therefore not surprising that the discussions on particular commodities which will be affected by the new preferences for French overseas territories (tea, sugar, coffee, bananas, tobacco and cocoa), which started in Brussels some time ago, are making slow progress. This session, in view of the continuing division of opinion, could do no more than decide to continue to make use of Gatt's consultation procedure to deal with specific practical problems.

The three main problems of this conference—the Haberler report, the German import question and the Treaty of Rome—have thus been channelled into consultation and working party groups. It is to be expected that the constant pressure exerted on countries will show some results. This slow process, which exhausts the patience of some observers, is to be preferred to spectacular failures. It is certainly the intention of the men in Geneva who seek to guide the policy of Gatt not to make it a rigid body interpreting its own laws but a flexible organisation that tries to instil an outward-looking trading spirit. If this past conference cannot boast any practical steps forward, it also showed no signs of sliding back. It marked time, in a period when international trade relations are being reshaped.

Fanfani Under Fire

FROM OUR ROME CORRESPONDENT

THE conflict between Signor Fanfani and his critics on the right, left and centre of the Christian Democra party—some of them members of his cabinet—has becom so envenomed that the prime minister is becoming increas ingly uncertain of his party's support. The governmen coalition of Christian and Social Democrats, which muster barely 295 votes of its own in the Chamber—three short c a majority—is in danger of falling under stray fire fro Christian Democrat *francs-tireurs*. Although the party national council, at which grievances were aired very freel last week, unanimously recommended the deputies t remain loyal until matters can be thrashed out at the par

conference next April, guerrilla warfare has in fact broken out in Parliament. At least a score of Christian Democrat deputies have helped the opposition to quash the government's decree-law putting a special tax on gas-propelled motor cars. Those of the culprits who can be identified are to be reprimanded, but this will not stop them doing it again when the government asks parliament to ratify a decree-law to continue the " Suez " tax on petrol.

Signor Fanfani, who is party secretary as well as prime minister, is faced with the unpleasant choice of withdrawing these taxes, already imposed by decree, or asking for a vote of confidence. If he does the first he will lose face ; if the second, he will risk defeat. The Republican party, which gave this government its support (in the form of the " benevolent abstention " of the seven Republican deputies) at the outset, has just decided not to back Fanfani on general principles any more, but only as it thinks fit.

A government crisis is in the air. The name of Signor Tambroni, minister of the interior, is already being suggested as the possible leader of a " monochrome " interim government pending the Christian Democrat conference. President Gronchi is keeping in the background with unaccustomed self-restraint, though he is known to be worried by the turn things are taking in the Christian Democrat camp. The clash between Signor Fanfani and his opponents is something more than a mere conflict of factions and personalities ; it brings the party's unity and the whole future of the Christian Democrat regime in question. Signor Fanfani is accused on all sides of misusing his powers as party secretary to instal a party bureaucracy subservient to himself—an oppressive and officious machine, his critics complain, which is gradually ousting men with ideas and personal standing from every position of influence. In Sicily the cord snapped because the party machine came into conflict with local privileges. The Sicilians, who have been expelled from the party, but who control the regional government, are forming a movement of their own and there are signs that the rift may spread to the mainland. The once disbanded group of Christian Socialists is reappearing, and has sent representatives to Palermo to make contact with the rebels. Whatever may happen to his government, Signor Fanfani will spend the winter in a struggle with the Christian Democrat " notables " for advantage at the conference.

Venezuela's Next Government

FROM A CORRESPONDENT

THE chief contestants in Venezuela's presidential elections on December 7th will be Dr Romulo Betancourt, the leader of Acción Democrática, and Rear-Admiral Wolfgang Larrazábal, who resigned from the presidency of the provisional junta in order to contest the elections. Admiral Larrazábal is supported by the Union Republicana Democrática (URD), a middle-of-the-road group.

Admiral Larrazábal is popular with the independent voter. In less than a year, he has become a national figure because of the energy and decision with which he defended the country's newly won freedom against three successive military coups. When his fellow officers revolted against the provisional government, he did not hesitate to call out the trade unions and student organisations to support him. This confidence in organisations that have traditionally been cold-shouldered by the military earned him the support—moral if not electoral—of a population that otherwise does not care much for a man in uniform.

But this is not enough to win an election. Acción Democrática received 872,000 votes in the last free elections, held in December 1947, the Christian Democrats (Copei) 262,000 and the Communists 37,000. With the number of registered voters increased to about 3 million, Acción Democrática is expected to get about 60 per cent of the votes. Copei is putting forward its leader, Sr Rafael Caldera, a lawyer with a long political career, who will be backed by the extreme right wing. URD will draw votes both from the more liberal right wing and the non-committed. The socialists have put forward as candidate Dr Rojas Contreras, but he has no chance of winning more than 3 or 4 per cent of the vote.

DR ROMULO BETANCOURT has in his favour the fact that he is a civilian in a nation sick of uniformed " caudillos." He is also an astute politician. Unless a last minute manœuvre brings all the parties together in support of a new " national unity " candidate, he appears almost certain to win. If he does, he will take over a country that has changed vastly during a decade of military rule. Venezuela in 1948 produced 70 million metric tons of oil ; in 1957 production was over 145 million metric tons. Electric power output has increased from 232,000 kwh in 1945 to over 1.5 million kwh in 1958. Cement production has gone up to twelve times the 1945 figure. But industrial production has been extremely irregular in its growth ; impressive statistical gains have been scored *á la Russe* but absolute levels are unimpressive. And agricultural production, although heavily subsidised by the government, has not even kept pace with increased demand. The only industries that have really flourished are those directly connected with the vast public works programme sponsored by the dictatorship.

Agriculture and industry—after nine years of enormous government spending—are still the two big problems of the Venezuelan economy. " Sowing the oil " has been the economic policy of successive regimes since the war. This means re-investing the oil revenues so that, when the oil reserves are depleted, the country will have a solid industrial basis on which to build its future prosperity. Unfortunately, it has been too much interpreted in practice as covering the country with concrete. A public works programme that would have shamed a Pharaoh went ahead at an increasing pace while industry and agriculture received only patchy benefits. Yet, while the workers' flats built since 1945 are the admiration of the fortunate families that occupy them, the housing shortage remains acute. The flight from the countryside to the towns has proceeded unchecked and unmitigated by any parallel industrial growth. The cities are encircled by rings of wretched shanty-towns.

Venezuela has only about six and a half million inhabitants. It has the highest national product per head in Latin America, but at least half its population live in abject poverty. Whichever government takes over now, a flow of wealth without precedent in the history of the continent will have to be channelled into agriculture and industry ; a reasonable social security and income re-distribution policy will have to be implemented—and the armed forces will have to be kept happy about the conduct of affairs.

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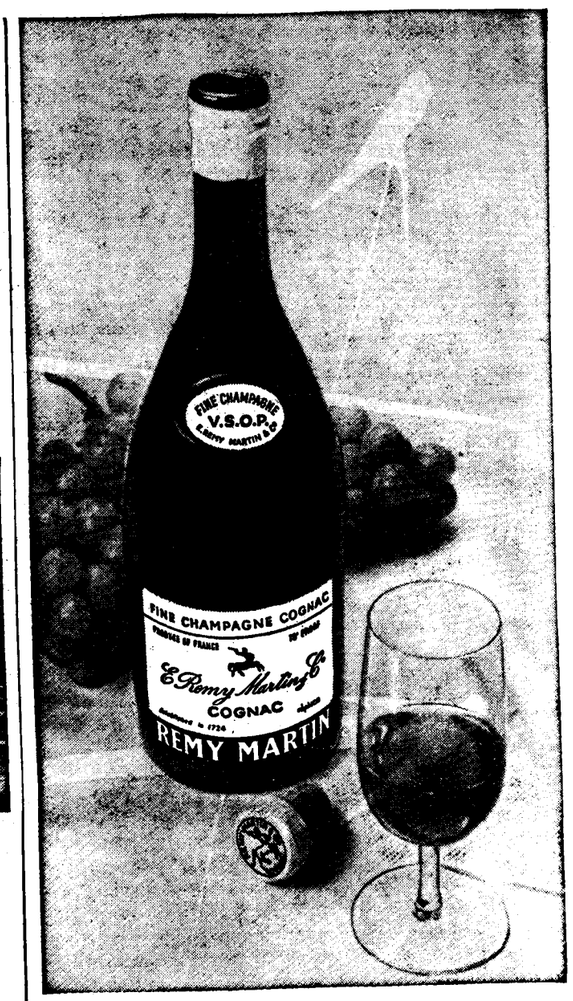



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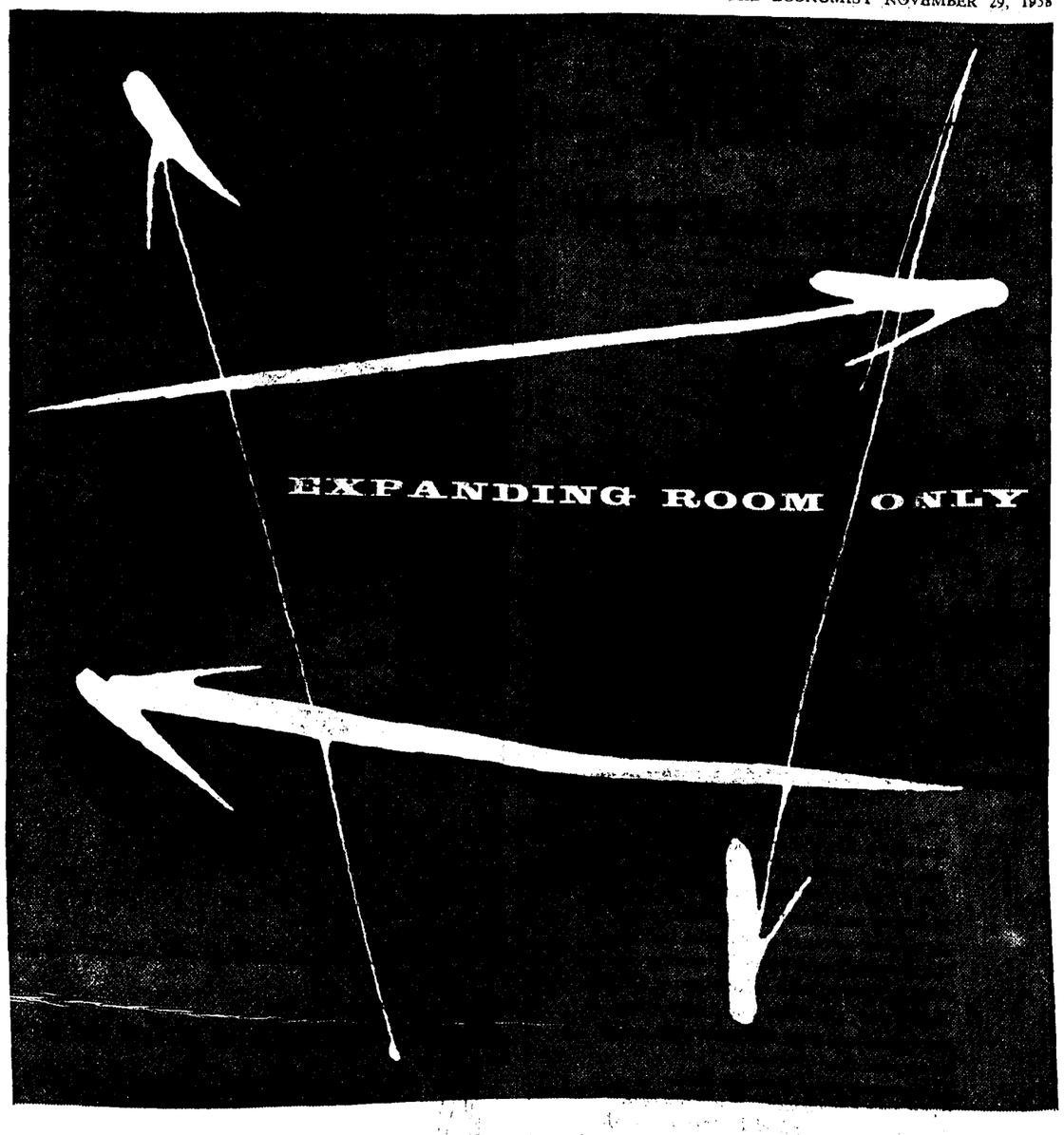

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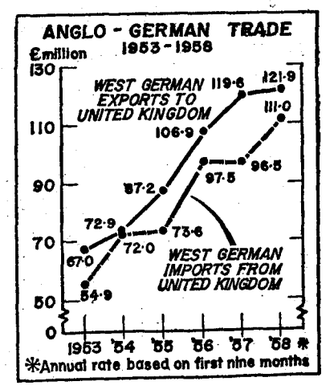
pared with the last. The Venezuelan army has always had a say in politics—even when Bolívar was alive, Venezuela was described as a "cattle-filled army barracks" and today, in spite of oil, the atmosphere of a barracks is still there. There are important pressure groups, including the army officers themselves, which are always prepared to see communism in any attempt to curtail the easy flow of funds into military hands. Each of the three army revolts against the provisional regime claimed to be directed against communism. This is in accordance with tradition; and it will tend to bring the army into conflict with Acción Democrática again if Dr Betancourt returns to power.

British Trade with Germany

FROM OUR BONN CORRESPONDENT

FOR several sound reasons the British Government is taking fresh pains to promote Anglo-German trade. Whatever the final pattern the European market may take, Germany is likely to be one of Britain's most rewarding customers, and Britain of Germany's. There is nothing fundamentally new in this; but the unnatural interruptions of two wars have obscured the full possibilities of trade between the two countries. In 1913, when most of the world was virtually a free trade area, Britain and Germany were each other's best customer. Britain's share of the German market was then 8.1 per cent, Germany's of the British market 11.6 per cent. Today these figures stand at 4 per cent and 3 per cent respectively. Had Britain now as big a share of the German market as it had before 1914, exports to western Germany would be running at well over £200 million a year. That would be nearly twice the present volume, which — if the third quarter of 1958 is representative—has recovered to a level of £130 million annually. This year British exports to western Germany have been increasing steadily while those to the other major European countries have declined. Particularly notable is the fourfold increase since 1953 in the amount of manufactured goods sold by Britain to Germany. (Total sales of goods of all kinds slightly more than doubled during the same period). But the gains are by no means in one direction only. Western Germany has sold more to Britain (£91.4 million) so far this year than Britain has sold to Germany (£83.2 million). The two economies can be complementary, instead of injuriously competitive, if their relationship is intelligently conducted. With this in mind the British Ambassador announced at Frankfurt on Wednesday evening some new measures for fostering mutual trade.



At the invitation of the government and the Federation of British Industries, a German retail trade mission is coming to England this weekend to see what several branches of industry have to offer the German market. Most of the twelve visitors are senior representatives of such big all-purpose stores as Kaufhof, Kaufhalle, Horten, Hertie, and Karstadt, whose crowded premises are a familiar feature of most big towns, and whose annual turnover is together in the neighbourhood of £450 million a year. Before talking things over with various trade associations, the Germans are to have a look at Harrods. Later they will visit textile centres in Lancashire and Yorkshire. They are not coming to buy on the spot; but they may order later.

While the Germans are in England, and after their return, half-page advertisements are to be published in a number of leading German newspapers calling German manufacturers' attention to useful openings on the British market, and giving the addresses of local British consular commercial officers who can provide further information and help. A television programme is being prepared to help convince the British public in general and the commercial world in particular of the importance of developing Anglo-German trade. In December the commercial officers of the nine British consulates in west Germany are coming to Bonn to exchange reports and ideas and to plan further moves.

It will probably surprise many people to hear that the Board of Trade is encouraging the British toy and machine-tool industries, in particular, to have a go at the German market. The economics minister at the British Embassy in Bonn is engaged in writing personally to some 300 toy and machine-tool manufacturers in Britain, pointing out to them the fair prospects that exist of doing business in Germany so long as they set about it the right way. There are approximately eleven million children under 15 in western Germany today, and to humour them the army of home-made toys is being increasingly reinforced by foreign contingents. Britain's share of western Germany's total toy turnover is still less than one per cent, and, it is believed, could be considerably enlarged.

Machine tools are apparently an even brighter trade prospect. The German metal-working industry offers one of the largest single markets in the world. In 1957 it was worth some £90 million; and it is expected to grow further under the stimulus of European integration. The import of all machine tools into western Germany is liberalised; licences are not demanded, and, with one or two exceptions, no customs duty is imposed. So far British manufacturers have made scarcely any impression on this promising market. They are being urged to study it not only with the object of turning a quick penny, but also to prepare themselves for the German competition that is to be expected if and when British tariffs on machine tools come to be abolished.

Political Pincers in Ceylon

FROM OUR COLOMBO CORRESPONDENT

THE removal of the ban on political meetings was like taking the cork off a bottle of pop. Politicians of all kinds—except the still proscribed Tamil Federal party—rushed into a frenzy of speechmaking. Their audiences were encouragingly large, and the spate of activity continues. Three months' enforced silence alone does not account for the current excitement. The imposing of emergency rule and the action taken under it by the police and

the army under it also created discontents which now enliven political activity. There are, too, the still unsolved communal issues which led to the outburst of Sinhalese-Tamil conflict in May.

The right-wing United National party, now led by Mr Dudley Senanayake, is at last recovering from the stunning effects of its electoral defeat of April, 1956. The inconveniences and irritations of the emergency have been grist for its mill. It is also receiving more active support from people whose interests have been encroached on by some of the Bandaranaike government's radical reforms, and from those who fear such encroachments in the future. The desire, especially among the middle classes, for stability and discipline, law and order, and less labour unrest also works to its advantage.

Mr Senanayake now cockily forecasts a general election early next year, two years ahead of the constitutional date. The UNP is not laying emphasis on a constructive programme: it is concentrating on attacking the government—for what it has done and not done. Mr Senanayake is also trying to create the impression that his party is not against socialism. He says it will not denationalise the bus services (which were formerly owned by some of its key supporters) and the port of Colombo, but would instead give more benefits to the workers there.

THE UNP is making less noise on the language issue. Instead, it criticises the government's failure to check growing unemployment, to run the port efficiently, to meet public demands for a bribery commission, to bring down living costs and to foster respect for law and order. Does its muted tone on the language issue reveal a realisation that this issue has outlived its usefulness as an electoral rallying-cry? Certainly little headway has been made by doctrinaire partisans of Sinhalese like Mr Sam Bandaranaike, the premier's cousin, who broke with the government party on the language issue. The UNP, however, particularly needs to increase its appeal to the middle class, and an attempt to beat the linguistic tom-toms could easily prejudice this.

The government's economic failures are the main talking point for the (Trotskyite) Lanka Sama Samaj party, led by Dr N. M. Perera. The LSSP has discarded the "responsive co-operation" which it extended to Mr Bandaranaike's government in 1956. Its confident new slogan is "For an LSSP government." It is also making play with alleged corruption in high places. Dr Perera has suggested that Pakistan's fate may overtake Ceylon if corruption goes unchecked.

The orthodox Communist party is too small to present any danger at the moment. It does not seem to know exactly what to do. It is asking the government not to let "reaction" raise its head again. It may believe that the UNP is really gaining ground, or it may simply be reluctant to concede gains to its Marxist rival, the LSSP. The Trotskyites certainly benefited from the Communists' debacle in the trade union field early this year.

The government is without doubt feeling the effects of the assault from both right and left, and this, its supporters hope, will prod it into more effective action. Mr Bandaranaike is naturally determined not to be talked into an early election in an uncertain climate. His hope is that between now and 1961 the government will be able to show enough results to ensure a second victory at the polls. This is not going to be easy. Will trade weather be more favourable than it has been during the last two years? Will organised labour, a good part of which is under unpredictable or opposition control, create fresh difficulties? Will the political differences within the government coalition become even more embarrassing? Will public suspicion of corruption prove too damaging? And will a few more defections from Mr Bandaranaike's parliamentary party upset the present balance? Last week he managed to obtain a vote of confidence, but only against a background of conflicting and unsubstantiated allegations about abortive plots to seize power, a background that suggests little confidence in the government either among the public or even among ministers themselves.

Open for Business

NORTH AFRICA'S uncertain political future has not prevented the French government from taking a step to encourage foreign investment in Sahara oil. A decree governing permits for exploration and concessions for production of oil in the Sahara is about to be published. While it has been based on French laws already in existence concerning exploration for, and exploitation of, mineral resources, it takes into account the conditions under which companies have to operate in the desert region. The aim of the decree is to give every incentive to the investment of foreign capital, without compromising the state's right to control its natural resources.

The French have wisely decided to make the law as simple as possible. It conforms to the established principle of fifty-fifty profit-sharing between the companies and the government. After a 12½ per cent flat royalty has been paid on the crude oil produced, the difference will be made up by income taxes, as it is in the oil-producing countries of the Middle East.

At a time when the Arab governments are said to be seeking a way through the fifty-fifty barrier to more profits, the French have been careful not to upset the principle by demanding more and running the risk of frightening the companies away. There are to be no bonuses, and no competitive bidding by the companies for the permits or the concessions. The government is to use its discretion in granting permits or concessions; but the principle of first come, first served is expected to be the rule. Companies operating in the Sahara must be French juridical entities, but foreign participations of 50 per cent will be allowed as a matter of policy, though this is not set out in the decree. Rights for the export of crude oil are guaranteed, but the franc zone is to have priority.

The French hope that production in the Sahara will reach 20 million tons by 1963. This amount would save them some $300 million a year in hard currencies. France will, however, continue to import the heavier grades of Middle East oil that are better for industrial use than the light oil of the Sahara.

Perhaps the most attractive part of the French law is its guarantee of the 50-50 profit-sharing principle for fifty years to those companies which are successful in the Sahara. No government in the Middle East is now willing to offer these terms in such clear language. The French government has done its part. It is left to the companies to consider whether the future of North Africa is as politically and commercially hopeful as the French offer is inviting.

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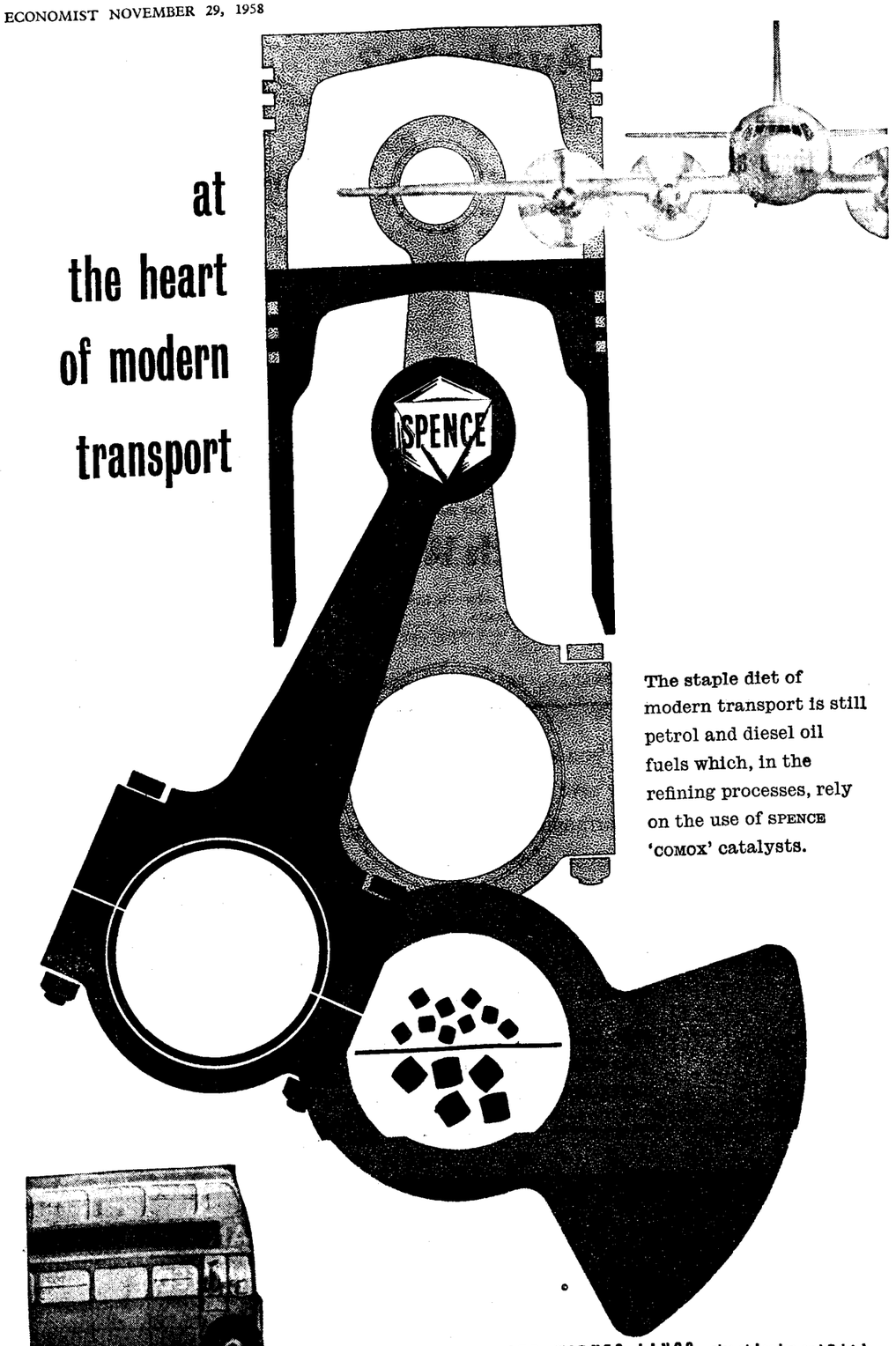

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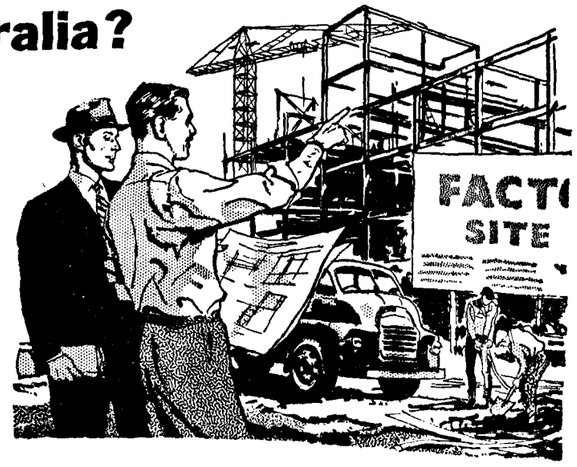



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THE BUSINESS WORLD

Assessment for Sterling

LAST week the Bank of England took a calculated risk; it made a further reduction in Bank rate, despite the wavering of domestic confidence in the gilt-edged market, and mindful of the reaction that might occur abroad. The authorities evidently judged that the pound had built up sufficient strength in the past year to help it through the coming months, when seasonal forces in any case favour sterling, and that this further modest move to stimulate the economy was therefore safe. Whether this bold decision was wise must be left to future hindsight: the authorities are in a better position than outsiders to judge the measure of domestic and external confidence in sterling. What is quite certain is that the continuation of the present policy of lifting the economy from recession is still conditional on the behaviour of sterling. The Bank has made no secret of its readiness to raise Bank rate on any warning signs from abroad—though reversing engines while unemployment was still relatively high and the Government was preparing for an election might not be easy.

Sterling's recovery since the crisis measures of September, 1957, is unprecedented through the postwar period. In the year to end-October, the central gold and dollar reserves rose by $1,081 million (this excludes the $250 million drawn from the Export-Import Bank in October last year); figures published this week show that in the year to end-September total overseas balances in sterling fell by £107 million. Foreign residents have added almost that amount to their sterling holdings, with the improvement in confidence, but these accretions by foreigners have been more than offset by the heavy drawings made by sterling countries, to meet their wider current deficits.

Three major elements can be identified in this double achievement of higher external assets and lower external liabilities. First, Britain's current surplus has reached record heights, mainly because imports have stopped rising in volume and have become 10 per cent cheaper in price. Secondly—and this should certainly not be underestimated—the high interest rates maintained in London in relation to those in overseas centres have attracted foreign funds. Thirdly, this attraction has been given special force by the dramatic reassessment this year of the standing of the major currencies. This year's suspect currency has been the United States dollar, and because sterling has been trusted it has captured the biggest single share of the $2 billion of gold lost by the United States.

The factors that reassured foreign holders of sterling were the same as those that reassured domestic holders of gilt-edged—in essence, confidence in the purchasing power of the pound. Moreover, the doubts that began to be shown in the gilt-edged market in the second half of October did not spread to the foreign exchanges; if they had, Bank rate might not have come down. But the reduction itself has been followed by some weakening, though so far probably not a bigger one than the authorities were expecting, and apprehension about Berlin as well as Bank rate may have played its part. The spot rate on New York has fallen from around $2.80¾ to $2.80⅞; an initial decline against Continental currencies has been mainly reversed. But the apprehensions of the gilt-edged market are not at an end: the gains on Thursday and Friday were followed by a [illegible] more unwelcome because it took place side by side with the knock-down of equities in Wall Street and London. Immediately, gilt-edged ought to be steadied by the relative firmness of sterling; perhaps domestic investors may decide that they have been premature in talking themselves into an inflation scare. But there are grounds for the doubts, if not yet for the scare, and if they persisted they would spread overseas and could become serious. Sterling is bound to feel some impact next year from the passing of the abnormally favourable

conditions in Britain's trading account; and London's power to attract foreign funds has been reduced by the narrowing of the interest differential. The authorities are presumably allowing for these stresses, and they

THE STERLING BALANCES

(£ million)

End of periods	Overseas Sterling Area	Non-Sterling Countries	Of which: Dollar Area	Of which: OEEC Countries	All Countries
1957 :—					
March	2,917	568	50	199	3,485
June	2,925	569	50	205	3,494
September .	2,790	583*	30	276*	3,373
December..	2,700	570	35	260	3,270
1958 :—					
March	2,629	613	42	279	3,242
June	2,624	647	44	306	3,271
September .	2,580	686	39	350	3,266

* Rise reflects German central bank's 1957 deposit of £68 mn.; its deposit for purchases of arms is reflected in the figure for September, 1958.

should be manageable—as long as confidence is not impaired.

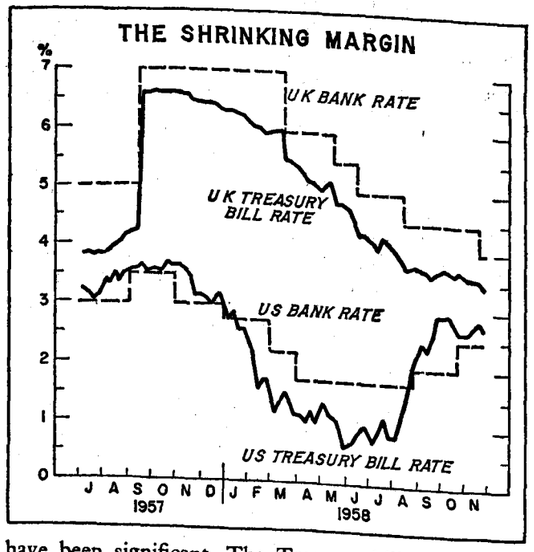
The expected reduction in Britain's record current surplus, because the terms of trade are no longer improving and because of the delayed impact of lower commodity prices on British exports, may be accompanied by increased commitments on investment account. Britain this year could not invoke another postponement of service on the postwar dollar loans, due on December 31st; and discussions are due with the International Monetary Fund on the repayment of the $561 million drawn during the Suez crisis. Drawings by sterling countries on their London balances may tail off, in countries such as India and New Zealand because there is little left to draw; but the British Government is making direct loans to Commonwealth governments easier, and has already promised substantial aid for India.

NOT all the omens in the commercial account are unfavourable to sterling. The fall in exports is expected to be largely to sterling countries, and may thus involve little loss of exchange. Correspondingly, the Commonwealth loans, unlike drawings on sterling balances, are restricted to purchases from Britain. At the same time, there is no immediate reason to fear an abrupt diminution in the flow of dollar capital to the overseas sterling area, which has been so helpful in cushioning the impact on the London reserves of the fall in these countries' exports. Finally, commodity prices next year ought to [illegible] this may curb Britain's surplus it should help the central reserves.

So far as can be seen, then—and no one pretends that is far—Britain is unlikely to have as much over from its trading and investment transactions for improving the reserves as it had in the exceptional conditions of the past year, but the margin should not disappear altogether. What of foreign money? Estimates of its magnitude now range rather high in some quarters of the City; the figure of £200 million or even more is mentioned, but other responsible quarters put it nearer £100 million—the amount by which non-sterling countries increased their London balances in the year to end-September. The inflow certainly quickened in the month or so before the cut in Bank rate.

Not all the recorded increase represents commercial balances. The German central bank, for example, has begun to build up another deposit at the Bank of England (which has still not reached the agreed amount). Nor have all the transfers on commercial account had an impact on the gold reserves or the balance with the European Payments Union: many have been matched by sales of sterling forward, and banks supplying this cover have in turn covered themselves by purchases of spot dollars or European currencies. Still, a fair portion of the transfers to London have been left uncovered; although margins on forward exchange have narrowed, they have not quite kept pace with the narrowing of the interest differential, and the cost of exchange cover has recently fully offset the margin in favour of London.

These uncovered funds are obviously the most vulnerable. Some withdrawals have been reported in the money market this week, but they do not appear to



have been significant. The Treasury bill rate fell by only ⅛ per cent following the cut in Bank rate, and the bill rate in New York actually fell by a little more. a strong pull in its own right; but while it remains, London still has the advantage over other centres, given an equal factor of confidence. The signs up to now are that the pound is still trusted; and meanwhile, the men of Zurich, their eyes on Berlin, are having second thoughts about whether Germany really is the safest place for their money. One striking aspect of the whole experience of 1958, indeed, is that, when confidence in Britain's domestic policy is strong, sterling's relative status is not always and necessarily affected adversely by an international political crisis.

Looking at Britain, the biggest fear of international operators is undoubtedly a political one. Their fear that Labour might win the next election could become an increasing embarrassment to the Treasury, and to the Labour Party, as the time of the election draws near. One can object that this is a most unfortunate intrusion on the principle of alternation and continuity of government, as well as a curse on sterling. Yet the fears of foreign holders of sterling know no party; and if the intentions of the Labour Party are misunderstood, it is open to Opposition leaders to put foreign opinion right.

This special uncertainty may grow or diminish with the movements of the Gallup poll and the bearing of Labour leaders. Leaving it out of account, it remains true that sterling could now be affected by speculative movements. But that is true of any bull position, just as it is true that the moment of greatest technical strength is at the height of the bear attack. Sterling's recent recovery owes comparatively little to purely speculative movements; there have been no serious rumours, as in past years, of a lifting of the official ceiling on the sterling rate. Money has come to London to earn more interest, and former short positions in sterling maintained by hundreds of firms have been closed because they no longer fear depreciation. All this could be reversed (though the scope for speculation has been curbed a little by the maintenance of the 1957 restrictions on refinance credits and overdrafts to non-residents). While sterling remains free and strong, it must be especially vulnerable to overseas confidence, at least until still more has been done to pay off the sterling balances. So far, overseas confidence has not been basically weakened, and there is nothing to suggest that, if it were weakened by fears of inflation, this could not be remedied by the same measures that would be needed to restore domestic confidence in the stability of the pound.

Selling Cars This Winter

The next few weeks may be decisive for the motor industry and its booming trade

IN the classic seasonal pattern of the motor industry, trade is slack from September onwards until with the end of March the prospect of spring encourages the public to think more kindly of the joys of motoring. For ten years after the war that pattern was overlaid by a pent-up demand at home which remained vigorous throughout the winter and by exports to the Southern hemisphere for the Antipodean summer. The year 1956 was a sombre one for the industry, and in the two winter quarters of 1956-57, there were five consecutive months in which output of cars ran at an average of less than 12,000 a week, or about half capacity; few of the manufacturers, if any, could then have earned a net operating profit. In 1957, with booming demand at home and abroad, the last quarter's output reached an all-time record of more than 250,000; but even that was beaten in each of the first two quarters of this year, and—allowing for holidays—just about maintained in the third quarter. Such sales have a remarkable effect on profits, as the accounts of several leading car makers have shown this week. The table of "rates of profitability" of the big five manufacturers and two of their principal suppliers over recent years shows that if the car manufacturer is a pauper on sales of 50 per cent of capacity, he is a prince of money makers when his trade is good.

PROFITABILITY RATES IN THE MOTOR BUSINESS

These figures show operating profits, after depreciation but excluding any extraneous new operating items, expressed as a percentage of net investment in operations, i.e., fixed assets (at depreciated book figures), plus stock and debtors, etc., less trade creditors, etc.

	Year ending	1954	1955	1956	1957	1958	Average
BMC	July 31	47·6	42·9	19·2	13·0	33·6	29·5
Ford	Dec. 31	63·2	49·7	19·1	34·5	...	38·1
Rootes	July 31	27·3	20·6	8·3	−1·3	9·4	11·0
Standard	Aug. 31	35·5	52·3	5·1	6·0	16·4	17·0
Vauxhall	Dec. 31	79·7	51·0	15·2	−1·4	...	19·9
Rover	July 31	56·4	41·9	35·1	32·5	20·8	34·1
S. Smith	July 31	31·2	22·4	17·5	20·9	21·1	22·1
Lucas	July 31	30·6	26·2	15·5	17·3	19·7	21·2
TOTAL		47·9	38·9	16·3	13·5	23·4	25·1

The accounts that the British Motor Corporation, Rootes, Standard and Rover, together with Joseph Lucas and S. Smith & Sons, have published this week cover a period of seasonally uninterrupted boom; they compare in financial terms with the 1956-57 years of recession followed by partial recovery. Profits are correspondingly higher, and dividends more generous: several of the companies have paid special interim dividends allocated to 1958-59 so as to increase their distributions and save profits tax. The BMC group has put £6½ million into a dividend equalisation reserve, which Sir Leonard Lord commends to shareholders as "a bulwark against fluctuations in earnings." There are more specific notes of caution in some of these chairmen's remarks about prospects for sales, particularly abroad, next year (as there were in Ford's comments on its last half-yearly figures). Mr Waring of Lucas was more cautious than most of the actual manufacturers about their continued success—though it goes with an extra dependence—in the American market. Output of commercial vehicles, again, has not matched the boom in car sales, and tractors,

which recovered in 1957 after a minor recession in 1956, have stayed only level. About half of Standard's output consists of Massey-Harris-Ferguson tractors. Lord Tedder comments upon the recently chequered relationship between the two companies:—

> I have had a number of useful and friendly talks with Col. W. E. Phillips, Chairman of Massey-Harris-Ferguson Ltd., and some of his colleagues which have led me to believe that we can look forward to working in harmony in our joint interests.

That is indeed welcome news. Nevertheless, Standard is clearly anxious to strengthen its motor manufacturing side; and Lord Tedder says that "these developments will in due course require new capital in a form yet to be decided."

These results, and current rates of output, are impressive; but the current prices of motor shares are geared to equally confident expectations about motor production next year. If one assumes anything significantly less than a continuance of these boom rates of total sales, which would imply even better sales at home, motor shares might turn out to be overvalued. And there are some elements in the immediate prospects for sales that could mean a slackening early next year—barring further political stimulants.

The next few weeks will show the pattern of sales to be expected this winter. Up to the end of October, output showed little hesitation. For the ten months to the end of October, total car production totalled 877,254 units, against 685,995 in the corresponding period of 1957, and exports for the same period were 414,089 cars (248,562 in 1957). So there were 463,165 cars available for the home market, or to add to dealers' supplies, or to increase export sales, against 337,433 in 1957. In 1957, home registrations up to the end of October were 358,448; this was 20,000 more than the unexported production, implying a reduction of about that volume, between January 1st and November 1st, in dealers' stocks. This year, new registrations up to the end of August were 100,000 up on 1957; but with an increase of 125,000 in the unexported balance for the first ten months, and home sales for September and October which can hardly have exceeded the booming figures for September and October of last year (76,000) by as much as 5,000, there seems to have been a balance of at least 20,000 more cars in the dealers' pipe-line.

So instead of a probable reduction of 20,000 in dealers' stocks in the first 10 months of 1957, it seems likely that at the beginning of this November they were at the same level as at January 1st last, or even rather higher. Such a build-up is normal in the winter months, to cushion the fall in home sales and to keep seasonal cuts in output as low as possible. But if at this early stage of the winter dealers' stocks are already as big as they were at the end of last year, the trade may be reluctant—or indeed financially unable—to take additional cars into stock and pay for them on the nail, unless they are convinced that home sales are going to remain buoyant. The general impression seems to be that for the last two or three months at least until hire purchase was freed, home sales of new cars had been tapering off. Much depends upon what

OUTPUT OF FOUR MAJOR MOTOR MANUFACTURERS

Cars and Commercial Vehicles:	BMC*	Ford	Vauxhall	Standard	TOTAL
1957–58 :—					
August–October ..	108,399	76,531	46,534	15,310	286,654
November–January	132,527	94,225	43,085	19,808	344,320
February–April	136,071	92,571	41,410	22,606	357,561
May–July	127,715	90,791	47,425	19,082	355,503
1957-58, year to July	504,712	354,118	178,454	77,006	1,344,038
Current daily rate of output :—					
Cars and commercial vehicles	2,000	1,475	800	360	
Tractors		187		320	

* Includes tractors.

MOTOR PROFITS AND SHARES

(£'000's)

	BMC	Rootes	Standard	Joseph Lucas	S. Smith
Years to	July 31, 1957 / 1958	July 31, 1957 / 1958	August 31, 1957 / 1958§	July 31, 1957 / 1958	August 2, 1957 / 1958
Gross Profit	11,385 / 24,845	824 / 3,484	3,066 / 4,717	7,924 / 9,179	3,612 / 4,339
Depreciation	3,557 / 3,853	1,164 / 1,252	2,189 / 2,392	2,302 / 2,305	765 / 957
Tax	5,432 / 11,755	*Cr.* 160 / 948	458 / 1,321	4,228 / 5,099	1,570 / 1,751
Net Profit	2,837 / 9,236	*Dr.* 250 / 1,289	420 / 1,004	1,668 / 2,242	1,255 / 1,603
Ordinary dividend	2,288 / 2,288	115 / 115	319 / 541	543 / 543	332 / 332
Retained profit	1,557 / 6,860	*Dr.* 389 / 849	*Dr.* 39 / 314	983 / 1,552	860 / 1,210
Gross fixed assets	62,434 / 69,328	18,205 / 19,547	19,988 / 22,400	19,861 / 22,846	9,273 / 11,540
Net fixed assets	32,648 / 36,327	11,764 / 12,028	12,037 / 13,026	11,864 / 13,453	5,388 / 6,849
Net current assets	34,968 / 44,224	8,604 / 9,720	1,510 / 3,228	23,159 / 24,754	8,149 / 8,131
Stocks	37,484 / 41,585	16,969 / 19,669	8,834 / 11,000	15,407 / 17,948	6,197 / 7,162
Liquid assets	17,844 / 26,180	1,052 / 1,302	749 / 3,687	3,944 / 5,731	1,915 / 980
Bank loans	... / ...	620 / 1,157	262 / 37	... / ...	85 / 61
Reserves	22,314 / 29,367	6,289 / 7,208	4,255 / 4,948	16,730 / 19,391	7,436 / 5,816
Ordinary capital	31,840 / 31,840	5,000 / 5,000	6,928 / 7,842	12,570 / 12,570	2,891 / 5,782
Capital Commitments	*5,139* / *5,177*	*614* / *777*	*707* / *1,516*	*2,180* / *1,898*	*1,195* / *985*
Ordinary dividends (per cent)	12½ / 17½†	4 / 8†	8 / 12	7½* / 10†	10 / 12½†
Current price	12/5¼	6/11½	7/9	41/3	11/-
Yield (per cent)	7·03	5·22	7·74	4·85	4·50

* Plus tax-free payment of 1¼ per cent. † Assumed dividends. § Including Mulliners.

has happened since hire purchase on cars was freed at the end of October. So far, there seems to have been a sharp rise in contracts on used cars, but only a slight increase in hire purchase sales of new cars. If manufacturers are to keep up their production at anything like present levels, the extra stimulus of the freeing of hire purchase will be the crucial factor.

But unless that stimulus is remarkable, it will not be long before the familiar discussion about the merits of a reduction in purchase tax begins all over again. If anything like a general expectation were to develop that purchase tax on cars might be either abolished, or substantially reduced, something like a buyers' strike could well arrive early in the New Year. In December, January and February of 1957-58, new registrations in this country totalled 110,000. It would take less than an extreme reaction to the possibility of a reduction in purchase tax to cut this figure in half. Then the motor industry (with exports offering no relief) might find that its existing schedules would imply an excess of the order of 60,000 or 70,000 cars. Then there would be hasty revision of production schedules, in the manufacturers' own works and those of their suppliers, with some short time working and possibly some lay-offs. A pre-budget announcement that there was to be no reduction of purchase tax could achieve its maximum impact only if it committed the Government irrevocably for months. They would probably prefer to keep a free hand. But they might be virtually forced to reduce or abolish the purchase tax on cars in advance of the budget. From the long-term point of view, that would give the motor car manufacturers great cause for rejoicing. But at the moment they must be watching the figures of incoming orders with some care.

BUSINESS NOTES

IN THE MARKET

Confidence Unshaken

WALL STREET and not Bank rate at 4 per cent is the most potent influence on the equity market in London. That is the only way in which events in Throgmorton Street this week can be read. Prices cracked on Wall Street on Monday, resulting in the biggest losses in a single day since September, 1955. What unsettled the American market, the pundits said, was the lack of vigour in the recovery of the steel and motor industries and President Eisenhower's reaffirmation of his intention to curb government expenditure. What this fall from the year's peak added up to, the dealers said, was a long overdue technical correction. Prices put an enormous discount on future earnings and dividends and the drop in them, blowing off some of the speculative froth, was almost welcomed. London, a day later, followed Wall Street down. There was no real volume of selling and the steepness of the decline was exaggerated because this was the last day of the account and in a few stocks the jobbers were not willing to give some speculators carry-over facilities.

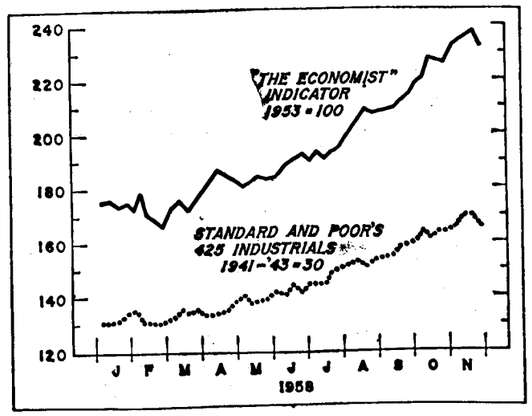
Dealers on both sides of the Atlantic read the signs the same way: that this is still the time to buy equities. And so when Wall Street rallied strongly London did too. Nevertheless, the early fall was enough to bring the *Standard and Poor's* industrial index down over the week from 56.84 to 55.39 and *The Economist* indicator down from 237.1 to 232.1. The old arguments of increased consumer spending, the easing of credit, and of sustained industrial recovery next year were brushed down and sent on their way again. There is still money waiting to be invested and the creation of new unit trusts must help to underpin the industrial market, though this has still to be put to the major test of a big rights issue. Sometimes the market sounds as if it is whistling to keep its courage up, but the fact is that confidence was not really shaken by Wall Street this week.

The reduction in Bank rate, however, did have its effect on gilt-edged, acting temporarily at least as a tonic for a

HOW PRICES HAVE MOVED

	Feb. 25, 1958	May 28, 1958	Nov. 19, 1958	Nov. 21, 1958	Nov. 26, 1958
Exchequer 3% '60 ...	96¼	97²¹/₃₂	99⅛	99²⁷/₃₂	99²⁵/₃₂
Savings 2½% '64-'67 ..	78⅝	80¹¹/₁₆	82⅛	82¹³/₁₆	82¹³/₁₆
Brit. Gas 3½% '69-'71	79¾*	81¹⁷/₃₂	82¼	82⅞	82⅞
Brit. Tran. 3% '78-'88	63¹/₁₆	65¼*	65³/₁₆	66³/₁₆	66¼*
Funding 3½% '99-'04.	66⅝	69⅞	70⁵/₁₆	71⁷/₁₆	71³/₁₆
Ass. Portland Cement	32/-	37/-	48/6*	47/9*	46/6
Associated Electrical .	47/-	48/3	57/3	57/3	56/3*
Bowater	26/6	29/3	43/9	44/9	43/3
British Petroleum ...	40/3¾†	50/3¾†	55/-	54/-	54/-
Imperial Chemical ...	24/3†	29/4½†	35/4½	35/7½	35/3
Imperial Tobacco	37/6	43/3	49/3	50/-	48/10½
Marks & Spencer 'A'.	37/3	43/1½	52/7½*	52/10½	51/3
P & O Deferred	22/-	27/3	36/6	36/3	34/9
Rolls-Royce	82/9	86/10½	100/7½*	102/3	100/7½
Unilever	73/6	73/-	101/6	101/6	99/-
Fin. Times Indices :					
Govt. securities ...	80·65	83·02	83·48	84·43	84·24
Industrial ordinary.	154·4	168·7	212·7	213·4	209·0
Dow Jones Ind. Index	*436·89*	*460·44*	*565·97*	*559·57*	*549·15*

* Ex dividend. † Prices adjusted for scrip issues. Gilt-edged prices shown net of accrued interest.



liverish market. The rise in the long end of the market was checked for no logical reason when the industrial market took its banging, but it was resumed on Wednesday and again on Thursday, and the Government broker has raised the tap price of the 1982-84 Funding stock. At the short end the banks still seem to be selling, and this fact could incommode a government refinancing operation. But the bond market is likely to be strong enough to pass one minor test: the offer of the first industrial debenture on a 5¾ per cent coupon for many months. Scottish Brewers is taking this plunge, with £1 million of 5¾ per cent stock (1979-84) at 99½, and these terms were fixed ten days ago, before Bank rate came down.

Small Impact on Money Rates

IN the money market, reactions to the ½ per cent cut in Bank rate have been very modest. The Treasury bill rate fell by no more than ⅛ per cent at the tender on Friday of last week, an exceptionally small adjustment to a Bank rate change, though exactly the same as that following the August cut from 5 to 4½ per cent. At just under 3⅞ per cent, bill rate is around the level that would normally be appropriate to 4 per cent Bank rate. That does not mean that it may not fall further, at least until the market starts talking Bank rate up. The discount houses' bid last week was somewhat uncompetitive, as is reflected in the fall in the successful portion of its applications for 91-day bills from 68 to 42 per cent. Moreover, despite the fact that the banks reduced their minimum call loan rate by ⅜ per cent rather than the full ½ per cent, so that the average cost of the market's money is down from about 3¼ per cent to 2⅞ per cent, running margins on bills at the current rate are better than in the recent past, and on bonds they are very good indeed.

The big hire purchase finance houses reduced their rates on deposits by the straight ½ per cent, to 4 per cent for money at three months' notice and 4½ per cent at six months'. There has been a wide gap since summer between the rates paid by the houses enjoying bank affiliations and the rest; most of the big houses have recently had plentiful supplies of money. No formal reduction has been made in maximum hire purchase charges recommended by the Finance Houses Association, leaving the range at 7½-10½ per cent; but these maximum rates have been under pressure lately, and rates charged could fall further.

In the mortgage market, rates have come down by ⅛-¼ per cent. Money at seven days' call is now at 3⅜ per cent; loans from two to five years are 5½-5¾ per cent, five to fifteen years around 5¾ per cent and long-term loans 5⅝-5¾ per cent. Rates charged by the Public Works Loan Board are still roughly in line—though the local authorities are grieved that the building societies look like getting their Government money cheaper.

BRITISH SHAREHOLDERS TRUST

The Right Stride

THIS week the unit trust movement has taken one stride in the right direction and one step in the wrong. At the moment the English banks do not seem to be willing to sell units across their counters and it has been left to the City houses to launch their own unit trusts. The first of these comes from Philip Hill, Higginson, consisting of an offer of 5 million units at 10s. net each in British Shareholders Trust. This is an open-ended, flexible trust, and if the response is good it may issue more units, for it has CIC permission to issue up to £5 million worth. It is a cash fund, run on the same lines (but not with the same high loading charges) as the American mutual funds: the underlying securities will be bought only when the cash is received. Philip Hill, Higginson will not be a principal in dealing in the underlying securities in front of the creation of the units, as it is possible for an appropriation fund to do. Nor will it act as a principal in issuing the units; it will not, as it is possible both for cash and appropriation funds to do, pass its own cash over to the trustees for the purchase of securities and then buy back from these trustees the units so created before re-selling them to the public.

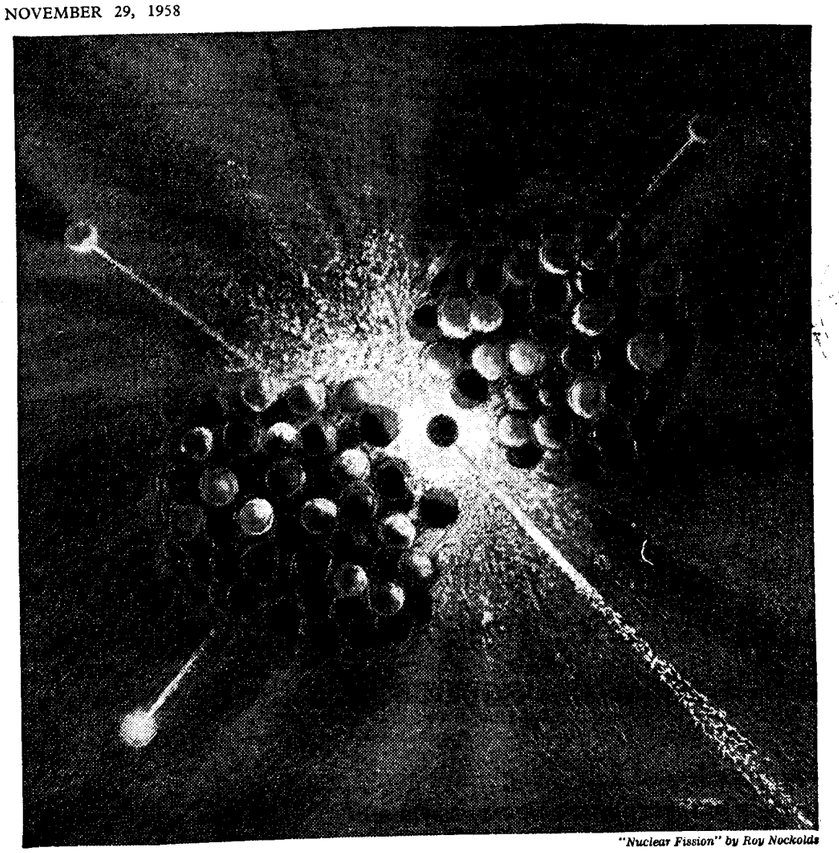
Because it will act as an agent throughout, Philip Hill, Higginson will not make any dealing profits (over which the Board of Trade has no control). That may explain why the loading charge is at the maximum permitted by the Board of Trade. The initial management charge is 2 per cent plus a commission charge of 1¼ per cent, and every half year the managers can deduct ¼ of one per cent of the value of investments to cover administration expenses. Where the investor deals directly with the managers, he will pay the full 3¼ per cent charge to them; this, argue the managers, is some compensation for the fact that once the units are quoted in the range 10s. 1d. to 15s. they will pay outside agents a commission of 1⅛ per cent.

The fund can be invested in British Government securities and a wide range of leading British industrial equities. At first, there will be a fair proportion of gilt-edged in the fund, but that, it is hoped, will eventually be reduced to give the fund more of an equity flavour. The initial yield on the fund will be about 4¼ per cent gross. By law, the managers have to be responsible for the choice of investments, but Philip Hill, Higginson intends to lean on the advice of an independent investment council in investment policy.

The Wrong Step

AS a means of bringing good management and a spread of investments within the grasp of the small investor, the birth of British Shareholders Trust is welcome. Philip Hill, Higginson, which hope to adopt aggressive selling tactics, do not expect to make much money out of the trust as managers. But the arrangements for purchase allow the units to be bought for 25 per cent down, the remainder being paid off to United Dominion Trust at a cost of 5 per cent nominal (equivalent to just over 9 per cent actual). There is no requirement in this scheme, as there is in the more general plan of Bowmaker, that the units have to be held for three months before being sold. In addition, the investor can at his own cost insure that if he dies his estate is not encumbered with outstanding instalments. To buy units for cash is not cheap. To buy them on the instalment plan is even more costly: the unit has to appreciate by about 7½ per cent in value to cover the interest charge alone.

Such instalment arrangements can only be an inducement to the small investor to speculate. The participant is encouraged to take a view on the future course of market prices. He need, after all, put down only £5 in cash to buy the minimum number of units. If the small man is to invest his few pounds he must be urged from the outset to invest within his means, not to venture outside them.



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BRITISH EXPORTS

Decline Slackens

THE October trade returns suggest that the fall in exports is slowing down, while imports are tending to rise. For September and October exports averaged £253.6 million, only two per cent lower than a year ago; in the May-August period exports were 6½ per cent smaller than they were a year earlier. Export prices in September and October were about two per cent lower than a year ago, so the volume of exports showed no decline. The better showing of the last two months largely resulted from buoyant shipments to one market, the United States, to which total exports averaged £24.4 million a month, 26 per cent higher than a year ago; this large increase more than offset the fall in shipments to Canada, and left total exports to the dollar area nearly 13 per cent higher than a year ago, at £50.2 million. In contrast, total exports to the OEEC area averaged £69.4 million for the two months and were 4½ per cent lower than a year ago, while exports to other non-sterling countries showed no change. Total exports to the sterling area fell by 5½ per cent to £114.6 million a month.

Imports in September-October averaged £319.6 million a month, and were only 3½ per cent smaller than a year ago, whereas between January-August 1957 and 1958 they fell by 11 per cent. As import prices in the last two months were about five per cent lower than in September-October last year the volume of imports increased by about two per cent, and mainly reflected larger arrivals of petroleum, machinery and other finished manufactures, and of certain food items, particularly tea, cereals and feeding-stuffs. Imports of industrial materials generally remained low, though arrivals of wool, jute, oils and oilseeds in the last two months were higher than could have been expected at this time of the year, and imports of copper, aluminium and newsprint were also up.

BANK CREDIT

Making Way for Advances

THE upsurge in advances that followed the lifting of the credit squeeze this summer was not just a flash in the pan; the November statements of the eleven clearing banks show a combined increase in the five week period of just over £50 million, making a total increase since mid-August of around £140 million. That is a rise of 7 per cent. At the same time, the Government has still been able to meet much of its needs for finance from small savings and the gilt-edged market rather than the banks; and without a rising base of liquid assets, the banks have had to finance the increase in their advances by selling gilt-edged. The first move was by the National Provincial, selling £10 million in the October period; in the latest month Barclays has sold £25 million and Lloyds £14½ million.

These are substantial amounts. It is not certain that all the bonds were unloaded on to the market: some of the sales may have gone straight to the authorities. Barclays is the bank showing the biggest increase in advances since August, of £31 million, of which £14½ million was in the latest period; but its sales have left something in hand, its liquidity ratio rising from 33.1 to 34.1 per cent. Of the Big Five, only the Midland shows a more comfortable ratio (35.4 per cent). Lloyds' sales have raised its ratio from 31.2 to 32.0 per cent; the National Provincial is at 32.7 per cent and the Westminster at 32.5 per cent. Some of the smaller banks are still more tightly placed—Williams Deacon's and the National Bank are only a fraction above the conventional minimum of 30 per cent, while Coutts is just below it. If the drain of funds to the Exchequer in the tax paying months of the new year is allowed to make its full impact on the banks, the gilt-edged market might have more to fear—and the banks might even go slow on expanding their advances. But it would not be inconsistent with current monetary policy if the authorities were to ease up in their funding, and allow some money to be pumped into the market on the maturity of the Conversion 2 per cent in mid-January.

A good portion of the rise in advances has obviously gone to personal and professional borrowers: how much will be apparent from the quarterly classification due to be published in mid-December. But this will not show separately the new personal loans. It is notable that the two banks that are not offering this facility have not lagged behind in lending: Lloyds showed the second biggest increase in advances in the November period, and the National Provincial the second biggest increase in the three months since August. But a big portion of the new advances must have gone to trade and industry: in England, though as a subsequent note suggests perhaps not in Scotland, the recession has not been serious enough to make firms either too hesitant to ask for more bank credit or too poor a credit risk to be granted it.

SCOTTISH BANKS

The Credit Signs

THE Scottish banks, infuriatingly, have accounting years to different dates, and they do not publish their monthly statements. This difficulty, to which the Radcliffe committee must surely draw attention, makes it impossible to assess credit trends in Scotland; but the reports of the three banks with accounting dates in the autumn give some reflection of the bigger fall in business that has occurred north of the border. Two of the three banks show reductions in their note circulations; that at the Commercial Bank of Scotland is the first for ten years and the governor, Lord Saltoun, says it "probably reflects a reduction in total money wages paid in Scotland."

The Commercial Bank shows an increase in deposits in the year to October 25th of less than £2 million; but the National Bank of Scotland (the subsidiary of Lloyds with which the Commercial is to merge) shows an increase of £9.0 million, to £106.9 million in the year to November 1st, and the British Linen Bank, the subsidiary of Barclays, an increase of £4 million to £81.3 million in the year to September 30th. Much of the increase in deposits reflects higher liquid assets. The three Scottish banks do not show any appreciable increase in their investment portfolios (those of the English banks are appreciably up on the year), and only modest increases in advances. Most of these have taken place since the lifting of the credit squeeze in July, but the Scottish banks appear to be having some difficulty in finding suitable customers.

Both the National Bank of Scotland and British Linen show modest increases in profits, following declines in the previous year; and the Commercial Bank of Scotland in

its consolidated statement shows an appreciable increase, from £495,317 to £543,963. The National is paying a special bonus of 1½ per cent, and the Commercial Bank is raising its final dividend to 7½ per cent, making 12½ per cent for the full year, compared with 11 per cent previously. The improvement in its profits, again, is "in large measure" due to the hire purchase business. Net amounts advanced under HP contracts rose from £13.3 million to £17.6 million; the HP subsidiaries' advances from the Commercial Bank fell from £2.7 million to £2.4 million, but their deposits from the public jumped from £7.4 million to £12.8 million. To flank Scottish Midland Guaranteed Trust, acquired in 1954, the bank formed finance houses in Rhodesia and South Africa; and in the summer it joined with Lloyds Bank in a successful bid for the ordinary capital of Olds Discount (the banks have just acquired the preference capital).

It is now confirmed that the shares of the two British finance houses will be transferred to a holding company in which the merged National Commercial Bank and Lloyds Bank will have an equal interest; and since Lloyds will have an interest of some 36 per cent in the merged bank, its total share in the two finance houses will be 68 per cent (it has quite separately a 25 per cent interest in Bowmaker). The merger of the two banks is not expected to be through the courts before next May or June; when it happens, it is proposed to abolish the honorary positions of governor and extraordinary director, and to elect a chairman of the board of ordinary directors. Hitherto, chairmanship of the board has rotated at quite short intervals among the board.

IRON AND STEEL

At the Bottom?

PRODUCTION from British ironfoundries in the third quarter of this year was 12 per cent lower than in the same months a year before; it had been about the same as 1957 in the first quarter and about 6 per cent down in the second. This decline seems primarily to be related to the falling off in fixed investment; the ironfounders record that demand from the building and engineering industries slackened, while the concomitant fall in steel production cut its requirements of ingot moulds. But deliveries of iron castings to the motor industry were also lower in the third quarter—as indeed the Iron and Steel Board's figures recently showed that steel deliveries were. The fall in demand for castings no doubt reflected slackness in commercial vehicle production: these vehicles take a considerably larger weight of castings than do cars, production of which was still booming at the time. Moreover, the motor producers have been ordering a good deal more cautiously in recent months, and running down their stocks (they ordinarily carry fairly large stocks of steel, but not of castings).

There is some talk of a slight and sporadic revival in orders for castings since these figures came out; but little of any significant improvement in demand for steel. This seems now to have levelled out, though the orderload is still shrinking slightly as the steelworks work through their orders. Customers' stocks are being steadily run down. But at present it is difficult to foresee from stock figures any upturn in demand for steel until perhaps the second quarter of next year. Whether the freeing of hire purchase will stimulate sales of consumer durables enough to work back through manufacturers' production to their steel orders remains to be seen: for the moment it seems mainly to be clearing out retailers' and producers' fairly large stocks of finished goods.

BUILDING SOCIETIES

Living With 4 Per Cent

ON December 1st the Halifax Building Society is to reduce its rates to 3¾ per cent net paid on shares and to 5½ per cent charged on mortgages. On December 12th, the Building Societies Association meets (the Halifax is not a member) and with Bank rate down to 4 per cent it must decide whether to lower the recommended rates of 3½ per cent net on shares and 6 per cent on mortgages. Member societies will have to ask themselves whether they could face a cut of about one-fifth in their margins (which are already no more than are needed to reinforce their reserves) which would result if their rates were reduced to the Halifax's levels; such a cut will hardly appeal to those societies that wish to build up their reserves to qualify for trustee status under the Government's house purchase scheme.

YIELDS PER CENT

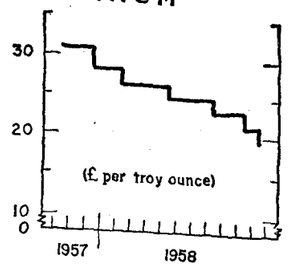
	June 30, 1953	March 31, 1956	Jan. 1, 1958	Nov. 19, 1958	Nov. 27, 1958
Bank rate	4	5½	7	4½	4
2½ per cent Consols	4·1	4·6	5·4	4·9	4·9
The Economist Ordinary Share Indicator	...	5·7	6·4	5·3	5·4
Savings Certificates ....net	3·1	3·1	4·2	4·2	4·2
gross	5·3	5·3	7·3	7·3	7·3
Defence Bonds ....net	3½	4	4½	5	5
gross	3·9	4·5	5·3	5·7	5·7
Building Societies shares ...net	2½	3	3½	3½	3½
gross	4·6	5·2	6·1	6·1	6·1
Larger Finance Houses Deposits	5	6½	8	4½–5	4–4½

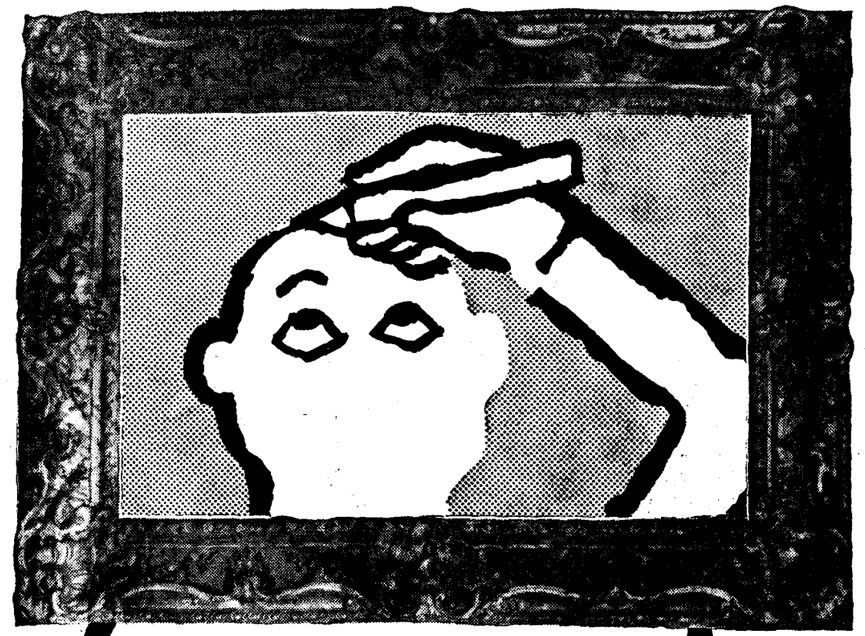
Figures in italics show effective rates for taxpayer at present standard rate of 8s. 6d. where interest paid is free of tax; interest on defence bonds is subject to tax, but the bonus on redemption is tax free, and is allowed for in the italicised line.

But it is not a reduction in margins that really stands in the way of a cut in the building societies' borrowing or lending rates; that will be decided by how much money they have available for lending. The societies have weathered the competition of rates of interest offered on other savings media remarkably well. Many of them can expect to be given trustee status, which should bring an extra flow of funds their way. Many of them after next May will be able to pump out on new mortgages the money they will receive from the Government. At the moment the net inflow of funds continues to improve. Does this

FALL IN PLATINUM

Platinum prices continue to fall in face of competition from Russia. This week both UK refiners cut their prices by 35s. to £19 10s. a troy ounce.





can you picture yourself in, say, 9 years' time?

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not present the opportunity, with Bank rate down again, to demonstrate the movement's strength by cutting rates? The societies, however, may prefer to wait and to see whether 4 per cent Bank rate is here to stay and whether the cash continues to flow in. Above all, they may prefer not to act decisively unless the rates on National Savings—the societies' principal competitor for small savings—come down.

A reduction would remove one problem: the Government's scheme is tied to the Association's recommended rates and if the Halifax continues to lend at rates below this level it cannot come into the scheme without making a loss. Two other points have recently been made by Sir Bruce Wycherley, the managing director of Abbey National. Sir Bruce asked, first, why, since trustee status meant that a society had "graduated, in security, with honours," the Government has confined this accolade to societies with more than £500,000 of assets? If a society fits the Government's bill in all other respects, there is, Sir Bruce observes, "no especial merit in size." His second point is that some concerns calling themselves building societies may bring discredit to the movement: "It is imperatively not a building society's functions," Sir Bruce says, "to act as a finance house for a property company, even if it hopes thereby to secure the owner-occupier mortgage in the properties with which that property company deals."

TRADE WITH NEW ZEALAND

Cutting the Preference

WHEN Australia obtained the right two years ago to reduce the margin of preference on British goods it was inevitable that New Zealand would seek to do the same. Its case rested on similar grounds. Since the war the benefit to New Zealand of duty-free entry to the British market has been tempered by the protection given to British farmers, and by subsidised competition from foreign suppliers. The value of the specific margins of preference granted on some New Zealand products has been eroded by inflation, whereas the *ad valorem* margins that New Zealand grants on British goods have kept their value. These margins, generally a minimum of 20 per cent, are effectively often higher than that; the margin on motor cars, for example, is 35 per cent. Thus the balance of advantage of the Ottawa Agreements has moved in Britain's favour, and this is fully recognised in the new trade agreement between the two countries announced this week.

New Zealand continues to enjoy the same rights in the British market; the concessions are on Britain's side. As before, Britain will enjoy minimum margins of preference on about 90 per cent of its exports, but the existing minimum of 20 per cent can be sharply reduced. On essential producer goods, such as iron and steel, which cover about 10 per cent of Britain's exports, the margin falls to five per cent. On other producer goods, covering about one quarter of our exports, the margin falls to 7½ per cent. On the rest, including the bulk of the textile items, amounting to about half of our exports, the margin falls to 10 per cent. New Zealand also obtains the right to increase duties on British apparel and ready-made clothing, hosiery, rayon and silk piece goods, and confectionery; formerly rayon and silk piece goods were guaranteed duty-free, while the duties on the rest were restricted to 27½ per cent.

The lowering of British preferences will take some time, and it can be expected that New Zealand will first concentrate on those producer goods not made at home; by bringing the most-favoured-nation rate down closer to the British rate the cost of these goods would be reduced. Like Australia, New Zealand hopes to broaden the opportunities for its exporters in other markets by offering concessions on the British preference, and it also hopes to conclude some bilateral trade deals. This is the rock on which the negotiations nearly foundered. The British Government was rightly apprehensive lest such deals should restrict British sales. The New Zealand government now affirms that the object of bilateral agreements "would not be the diversion of existing trade from Britain but the creation of new trade by finding outlets for that part of New Zealand's production which cannot be absorbed at remunerative prices in the British market."

Housewives' Choice

THE decision to increase the import quotas for North American cheese was announced on Wednesday, the day that Mr C. F. Skinner, the New Zealand Minister of Agriculture, arrived here for talks with the British Government on marketing. The announcement cannot have brought much joy to Mr Skinner, for it aptly illustrates the conflict between the two countries. A helping hand for New Zealand is all very well, but it can be embarrassing when it means that the British housewife must pay considerably more for butter and cheese. In the middle of May, in response to New Zealand's agitated protests about dumping, Britain restricted imports of butter from several countries, including traditional suppliers like Sweden and Eire. It was estimated that total imports would be cut by 10 per cent, or 40,000 tons, below the level of 1957. In the event, the market has advanced at a pace that ought to be worrying British officials. Since the end of May the wholesale price of finest New Zealand butter has risen from 206s. to 274s. a cwt; Dutch butter has gone up from 205s. to 390s. a cwt, and Danish butter from 222s. to 355s. a cwt. Mr Skinner stated recently that the New Zealand price would have to reach 315s. a cwt before it was equivalent to the producers' guaranteed price, which was below the cost of production.

Cheese prices have also risen sharply, owing mainly to a fall in British production and to the drop in imports from Australia. The best New Zealand cheese has gone up from 151s. to 291s. a cwt, a price which probably gives the producer a profit of about 100s. a cwt over the guaranteed price. Though supplies from Australia are now improving, New Zealand producers have been slow to switch from butter to cheese, and production there is running well below last season's level. The only major source of additional supplies is North America, which can now send cheese to a value of £2 million in the year ending May 31st, 1959, an increase of one-third over the original quota.

New Zealand is understandably anxious to have not only an assured market in Britain, but one that yields profitable prices—on its own definition. No doubt it will press for the continuance of import restrictions on certain foreign butter. But New Zealand seems to pay too little attention to the fact that butter has to compete with margarine, and consumption of butter in Britain has started to decline. Having treated New Zealand generously in the new trade agreement, it is to be hoped that in the new talks Britain will place the interests of its housewives at least as high as those of New Zealand's farmers.

COMPUTER RESEARCH

Frankensteins of the Fifties

SCIENTISTS from several countries have been meeting this week at the National Physical Laboratory at Teddington to examine the possibility of teaching machines to think. This is the next logical development of electronic computers. A computer is essentially a vast abacus capable of working on complicated scientific calculations or on repetitive accounting operations. The conference was examining whether a certain amount of routine administration and supervision might be mechanised in the same way.

Machines can be built to deal with words and facts ; these are converted into computer-fodder in the form of numerical symbols ; then the computer is given a choice between two courses of action " Is X true or false? " which is no more difficult than arranging for a computer to decide whether to add or subtract. But the design of " thinking " machines is another question. When they try to discover how the human brain copes with a simple function, such as locating a book in a library, engineers get no clear answer from either the philosophers or the biologists. Indeed, biologists themselves are intensely curious to find out how computers work, and many of them attended this week's conference in the hope of gaining a better understanding of the working of the brain, which in some ways appears to function like the individual counting units in a computer ; much research is therefore concentrating on building electric analogues of a handful of cells that will respond to chosen stimuli as an animal intelligence might respond. Many of the men doing this work are qualified psychologists as well as mathematicians or electronics engineers ; the head of the section of the NPL that organised the conference is at home in all three disciplines.

A New Automation?

"THINKING" machines would open up prospects of a new type of automation. The basic difference between commercial computers and these new machines is that the former need a detailed set of instructions, the preparation of which is a skilled and lengthy job. There are some operations, such as those that occur in a fractionating column or in chemical processes, that are too complex to be reduced to a mathematical formula that can be fed into a computer. " Thinking " machines that could work without such a programme would cut out much of this preparatory work. They would decide a course of action much as a human operator does, starting with the end desired and evolving the best method of achieving it. In America, it is hoped to build machines that can compute programmes for other, more simple-minded machines to follow. In this country work is being concentrated on machines that will " learn " how to control complex process operations by making trial-and-error adjustments as they go until the plant is brought into equilibrium. The machine will start with the knowledge of what this equilibrium should be ; the rest it will have to learn as it goes by " remembering " which moves were successful and which threatened to blow up the plant.

Other possibilities discussed and in some cases demonstrated at Teddington this week included machines for translating languages ; machines that use the principles of the retina of the eye to read a variety of type and perhaps even hand-written figures too ; typewriters that work from dictation (the machine is " taught " a limited vocabulary so that it could choose the right word for the context) ; and apparatus for finding any given book in a library. One French paper put forward the idea of using a computer as an aide-memoire for lawyers ; another, also from France, suggested that a machine storing data on a large number of medical case histories might be a valuable guide to diagnosis.

Years are likely to elapse before these machines emerge from the laboratories even as the crudest working prototypes, but a quickening effort is being put into their development. A big programme of research into " learning " machines is being prepared at the National Physical Laboratory involving the construction of a new 6-storey building ; on the biological side, the Nuffield Foundation has made a grant of £34,000 to University College for the construction of an electronic analogue representing 4,000 human brain cells—there are such models now but these contain no more than 16 to 30 units—and some experts think that the work on translating machines being done at Cambridge holds more promise than that on similar machines in America.

METAL MARKET

Copper Falls Further

COPPER fell again early this week, and though it rallied later to close on Thursday at £228 a ton for cash metal, there was a net drop of £11 on the week. There were several reasons for the weakness. On one day the market absorbed heavy hedge selling ; on another the Board of Trade announced that it would offer a further 7,500 tons of copper from the stockpile for pricing and delivery before the middle of January. Like other metals, copper was also affected by the break on Wall Street, by the fall in the American custom smelters' price, and by the unexpectedly large cut in the Belgian price. But sales eventually dried up and buyers came in, taking heart from the recovery on Wall Street.

INDIA

Britain's Aid

BRITAIN'S contribution to the international rescue operation for India agreed at Washington in the summer will provide £38½ million for India's use before next March. Last week it was revealed that some £10 million of this aid will be in the form of a further advance payment in settlement of India's excess provision for pensions and other compensation for former administrators. Under the original agreement, Britain was to make annual instalments until 1965, but the proposed prepayment will leave only a small sum outstanding. The remainder of Britain's aid, £28½ million, is to be extended under the Export Guarantees Act. Discussions on further help to meet the needs of 1959-61 are to begin in London around the end of the year ; the international creditors have agreed in principle to find $600 million.

India's existing reserves are still falling. At the end of October the sterling balances of the Reserve Bank were

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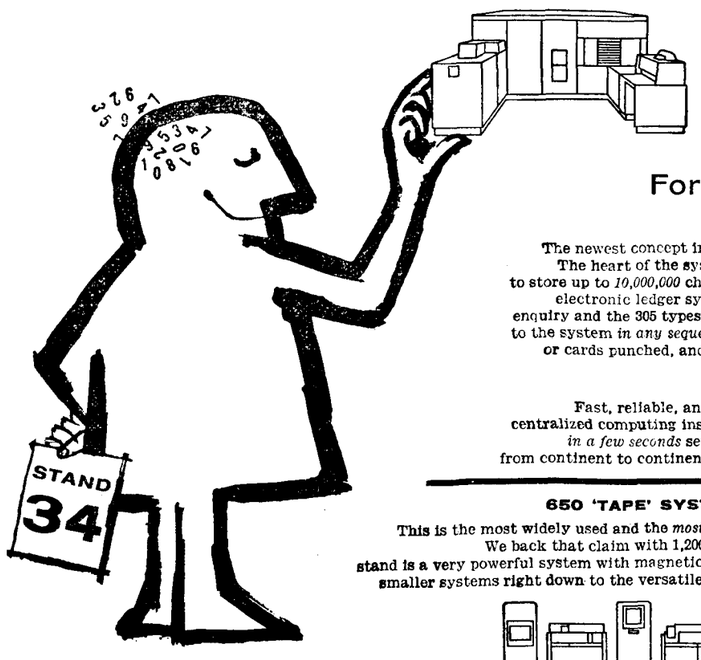

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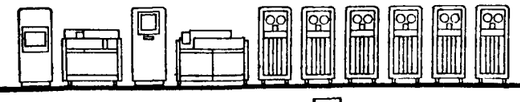

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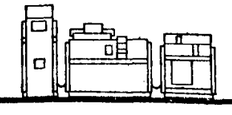

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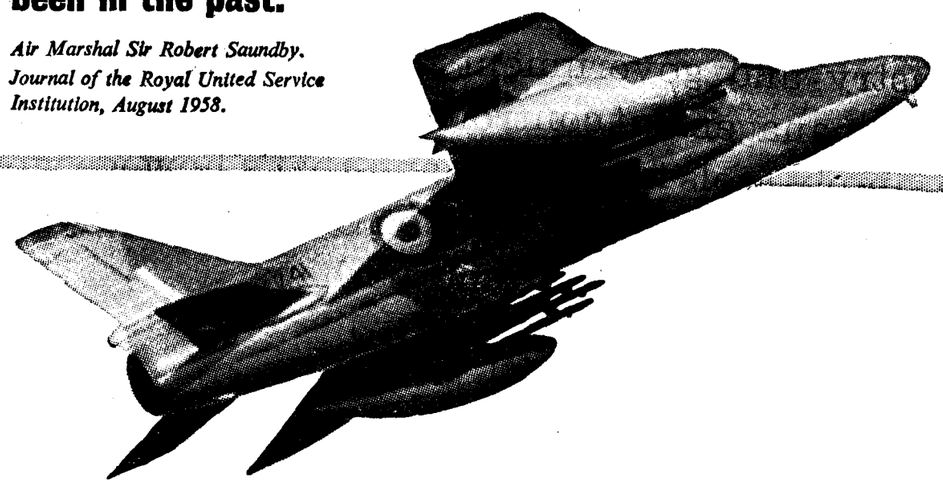
CRC35

AIR POWER IN LIMITED WAR

'Since limited war, so long as we maintain the nuclear deterrent, is the only type of war we are likely to be called upon to fight, our air power, based on manned military aircraft, will be no less important in the future than it has been in the past.'

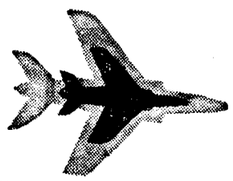
Air Marshal Sir Robert Saundby.
Journal of the Royal United Service Institution, August 1958.



Wars must be limited *not only in space but also in time.* A strong air component is the best means of ensuring swift, effective resolution and winning a decision before the conflict can develop and spread. In such an air component, Sir Robert Saundby points out, 'the ideal would be a fighter ground-attack aircraft . . . the maximum possible performance, coupled with the ability to operate from small or medium-sized airfields, will be of great importance.'

The Folland GNAT fulfils all these conditions. One of the fastest aircraft in service, it is far more manoeuvrable than the great majority of fighters, has a higher ceiling and a remarkable rate of climb and radius of action. It can take off in 400 yards and land in 600—and carry a powerful armament of rockets or bombs. Moreover, its extreme simplicity of design makes maintenance easy—even at advanced tactical airfields. In reversing the trend to greater size, complexity and cost in modern fighter design, the Folland GNAT makes an effective fighter and ground-attack component a sound economic proposition.

THE FOLLAND GNAT



INTERCEPTOR AND GROUND-ATTACK LIGHT FIGHTER

Ordered by the Indian, Finnish and Yugoslav Air Forces
Two-seater trainer version chosen by the ROYAL AIR FORCE

FOLLAND AIRCRAFT LIMITED · HAMBLE · SOUTHAMPTON · HANTS

down to £133 million, compared with £164 million at mid-year and £560 million at the beginning of 1956. The rate of decline has slackened somewhat from the precipitous slide of 1957; but the bottom of the barrel is near. Detailed figures for the first half of 1958 show a current deficit of £150 million—still very large even though it is rather smaller than in either of the half years of 1957. Exports were 12 per cent below their level a year before, reflecting not only lower prices of some teas and other raw materials but also a further drop in exports of cotton textiles—attributed to competition from China, Russia, Japan and Hong Kong in Asian markets. Thanks to the severe restrictive quotas, total imports were reduced even more steeply, though government imports rose to a new record. The fall in imports was mainly from Continental Europe and the dollar area rather than from sterling countries—though Britain's exports to India are down about one seventh this year. Import quotas are being maintained unchanged in total in the current licensing half year, to end-March.

IRAQ

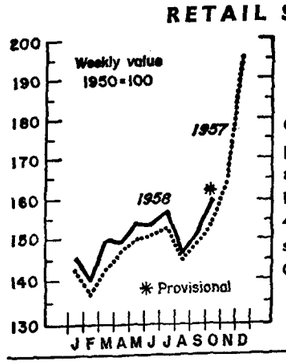
Central Bank's Afterthought

STUCK into the flyleaf of the annual report of the central bank of Iraq for 1957 is a slip which reads:

> The Central Bank of Iraq, while presenting its eighth annual report, heralds an era of general economic prosperity, which will be felt before long by the masses of the people. This prospect comes as a natural consequence of the glorious revolution having put an end to repression of thought, made away with desultoriness in remedying the prevalent ills, and removed the means which benefit one section of the community to the exclusion of the others.

It is not clear whether the insertion is intended as *addendum* or *erratum*. The report itself, while carefully phrased at a number of points, bears no markedly political overtones. This would not be the only occasion on which perorations on financial matters by leaders of the Iraq revolution have been intended more for political than for practical effect. There has still been no decision on Iraq's proclaimed intention to leave the sterling area. In London the question does not arouse much anxiety. Whatever Iraq's formal currency status, it has large commitments in sterling, to British contractors and others, and could not comfortably switch to another basis. Iraq has for some years, and with encouragement from the Bank of England, been building up its own reserves of gold and dollars and of Continental currencies. The central bank's report notes a further move in this direction in 1957. By the end of September this year, the central bank had accumulated a total equivalent to £16½ million in gold, dollars and other non-sterling currencies, compared with less than £6½ million at end-1955. Meanwhile, its sterling holdings had fallen to £76 million, compared with £98½ million in 1955. Politically, Iraq is now making much of the switch; but the limit to the process is economic.

RETAIL SALES



Retail trade was brisker in October thanks to easier hire purchase for household goods and a moderate improvement in clothing. Turnover rose by 4 per cent and the volume of sales by 2 to 3 per cent over October 1957.

ROADS

Driving on the Motorways

THE Motorway Code issued by the Ministry of Transport this week gives the rules and regulations for driving on motorways. It will be distributed in the north west before the opening of the Preston by-pass on December 5th; and its rulings will be reassessed in the next three months as experience is gained on the Preston by-pass. Motorways are restricted roads; they will not be open to pedal cyclists, learner drivers, mopeds, invalid carriages, animals, slow-moving oversized loads (except by special permission) or agricultural vehicles. They are designed for fast driving, and will pose many problems not previously encountered by British motorists, except in some foreign countries. No upper or lower speed limits are being laid down at present (except for certain vehicles drawing trailers), and the Minister of Transport does not intend to impose limits unless a high accident rate forces him to do so. Experience in other countries in the matter of speed limits has varied: in general, on the Continent, there are neither minimum nor maximum limits, although an experimental maximum limit of 80 kph (50 mph) has recently been put on the Frankfurt-Mannheim autobahn, following a number of fatal accidents there, and some very low minima also exist in a few places. In America there are maximum speed limits on practically all superhighways and turnpike roads, which appear to be getting lower every year; in addition, lower limits have been tried in some places. On the Ostend-Brussels motorway, perhaps the one most similar to the new British roads, there are now no speed limits of any kind.

FRANCE

A Free "Financial" Franc?

RECENT rumours concerning the future of the franc have been too persistent and too inclined to burst into print in the most reputable organs of the French press to be disregarded. A move is said to be afoot to prepare the franc for the new ordeals on January 1st when the first tariff and quota instalments have to be paid towards membership of the European Economic Community and its common market. The most credible of the reports is that a "financial franc" is to be created. This would in the first place combine the present market for *devises titres*, which is the market through which French residents can buy foreign securities (in the equivalent to London's premium dollar market), with the market for capital francs through which non-residents can buy French securities. Once unified, these two markets would then be freed and the rate allowed to fluctuate according to market demand. These financial francs, though designed for capital transactions, might also be made available for certain current

purposes and in particular for both inward and outward tourist expenditure.

Beyond this, there are suggestions of a more fundamental currency reform as one of the early priorities for the first government of the Fifth Republic. The French franc, it is sometimes said, has too many noughts to be respectable. With two of them taken away a new official unit could be established worth 4.2 to the dollar, and 11.8 to the pound: it would just about look the D-mark, the Swiss franc and the guilder straight in the eye. M. Jacques Rueff is said to be advising the French Government on this project and, from what is known of his views on currency orthodoxy, this strongly suggests that gold is likely to play a considerable part in it.

These rumours have brought modest pressure on the franc, especially in the forward market. In the free forward markets outside France, the franc has fallen to discounts that represent a rate of interest of about 12 per cent per annum. The spot rates for the franc, which were at support point in relation to D-marks and guilders before the election, have this week lifted slightly above this floor. But the French EPU balance for November is expected to show a considerable deficit.

OIL AND COAL

Less Energy Used

INCREASED consumption of fuel oil by industry in recent years has generally not offset the decline in the industrial use of coal and the net result—expressed in the terms of coal—has been a drop in the total demand for the two fuels. The figures given in the table do not include

COAL AND OIL CONSUMPTION BY MAIN INDUSTRIAL GROUPS

		(Per cent change from previous year) 1955	1956	1957	1958*
Iron and steel	Coal	− 3·1	− 5·8	− 8·2	−18·6
	Oil	*+14·7*	*+10·9*	*+12·8*	*+ 9·5*
Engineering	Coal	+ 1·2	− 3·5	− 7·7	− 1·3
	Oil	*+35·5*	*+ 7·6*	*+ 7·7*	*+30·6*
Food, drink and tobacco	Coal	− 0·5	− 0·8	+ 0·3	− 7·7
	Oil	*+47·4*	*+19·6*	*+11·9*	*+35·5*
Chemical and allied trades	Coal	+ 3·6	+ 1·4	− 1·6	−15·2
	Oil	*+41·7*	*+ 7·4*	*+ 4·1*	*+23·6*
Textiles and clothing	Coal	− 4·0	− 5·5	− 5·3	− 9·9
	Oil	*+16·7*	*+16·3*	*−10·5*	*+13·6*
Paper and printing	Coal	+ 1·7	− 3·9	− 3·7	− 6·9
	Oil	*+33·3*	*+28·6*	*+19·4*	*+49·0*
Cement and other building materials	Coal	− 0·8	− 1·1	− 6·4	−12·1
	Oil	*+20·0*	*+25·0*	*+20·0*	*+41·5*
China and glass	Coal	− 0·6	− 6·5	− 5·3	−13·2
	Oil	*+88·9*	*+ 7·8*	*−12·7*	*+38·3*
Other trades	Coal	− 0·2	− 6·7	− 4·8	+22·4
	Oil	*+12·2*	*+18·2*	*+10·8*	*+15·5*
Total	Coal	− 0·4	− 3·1	− 4·9	− 9·6
	Oil	*+25·5*	*+12·0*	*+ 8·5*	*+19·9*
Total (coal equivalent of oil, plus coal)		+ 2·8	− 0·8	− 2·6	− 4·1

* First nine months.

he fuel industries themselves, or the public utilities; they lso exclude firms using less than 1,000 tons of coal a ear. These small undertakings have probably not switched freely from coal to oil as larger concerns, but their total tel usage has probably fallen less. If they were included, total fuel consumption would show a smaller fall than the table shows. Even so, total fuel consumption seems to have fallen during the past two years more sharply than industrial output; increased fuel efficiency is evidently making its mark on demand.

SHORTER NOTES

Switzerland has intimated that it does not intend to leave the European Payments Union on January 1st. But it reserves its right to do so if negotiations for non-discrimination within a free trade area break down.

* * *

The Roads Campaign Council, 15 Dartmouth Street, London, SW1, an organisation composed of automobile clubs, transport associations, motor agents' and motor manufacturers' associations, has announced a competition for a long-term plan for development of highways in the London area. The deadline for the first stage of the competition is April 30, 1959; from the sketch schemes submitted at this time not more than six competitors will be selected to prepare more detailed plans, from which the winning scheme will be selected. Prizes of £2,000, £1,000 and £500 will be given to competitors submitting the three schemes judged the best by the Council's assessors.

* * *

An application to raise the import duty on polythene, polyvinyl chloride, polystyrene and polymethyl methacrylate from 10 to 33⅓ per cent has failed. British manufacturers argued that these polymers were synthetic organic chemicals, and thus liable to the key industry duty of 33⅓ per cent. A tribunal appointed by the Board of Trade has decided that they are not.

* * *

Britain's terms of trade remained unchanged in October. The index of import prices was 98, two per cent below the average for the basis year, 1954, while export prices remained nine per cent above the 1954 average.

COMPANY AFFAIRS

Comments on pages 842, 843 and 846 on

Gilbeys
Allied Bakeries
Susan Small
Ind Coope
Cheltenham Brewery
Joshua Hoyle
GUS
Barclays DCO
Needlers
Strong & Co.
Phipps Brewery
W. Butler
Royal Dutch/Shell
John Harvey
British Plaster
Joshua Tetley
Ushers
Ansells
Commercial Bank of Near East

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 844 and 845

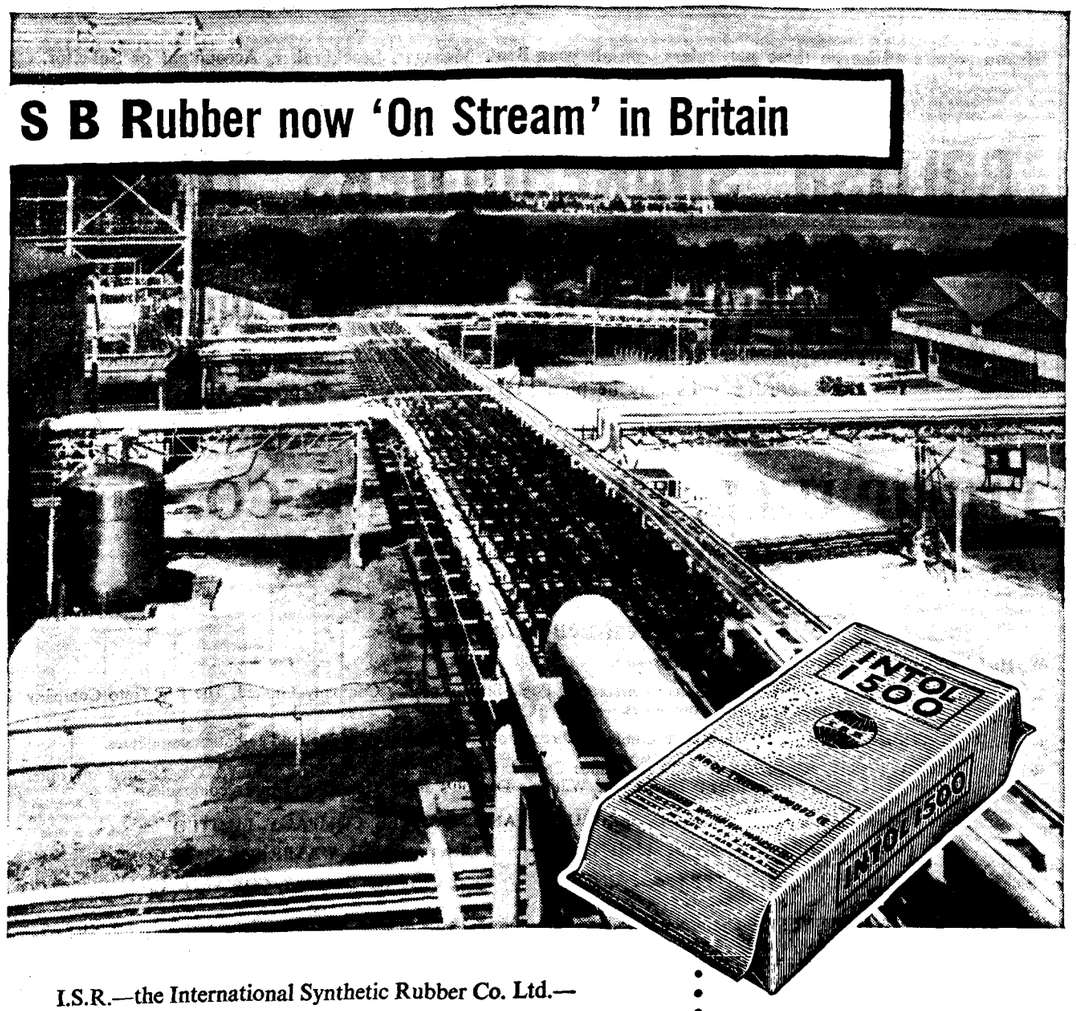
LONDON STOCK EXCHANGE

The week's movements reported on page 846

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 847

S B Rubber now 'On Stream' in Britain



I.S.R.—the International Synthetic Rubber Co. Ltd.—
is operating a new plant in the United Kingdom
of the greatest economic importance to the Sterling Area.
I.S.R. is 'On Stream' at Hythe near Southampton,
producing 'INTOL' Butadiene-Styrene rubber,
ending the Sterling Area's dependence
upon outside sources for a
commodity of growing importance.

Full technical data are available on all 'INTOL' grades. I.S.R. offers a full advisory service to manufacturers.

The International Synthetic Rubber Co. Ltd.
HYTHE, SOUTHAMPTON
TELEPHONE — Blackfield 3141 TELEX — 47627 CABLES — IESSAR Southampton

ISR

If you require advice on these particulars, consult your Bank Manager, Stockbroker, Accountant or Solicitor.

Consent of the Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946; It must be distinctly understood that in giving this consent the Treasury does not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

BRITISH SHAREHOLDERS TRUST

The Managers invite application for up to

5,000,000 units at 10s. net per unit.

The List of Applications will open on 28th November, 1958, and will close at noon on 3rd December, 1958.

Thereafter units may be purchased at the then current price.

Managers:

PHILIP HILL, HIGGINSON & CO. LTD.,

34, Moorgate, London, E.C.2

Investment Council:

W. H. LAWSON, Chartered Accountant (*Chairman*).

D. R. COLVILLE, N. M. Rothschild & Sons; Director of Eagle Star Insurance Company Limited, The Rio Tinto Company Limited and other companies.

R. M. ROBERTSON, British Investment Trust Limited; Director of The Royal Bank of Scotland and other companies.

R. E. F. de TRAFFORD, Chairman of Atlas Assurance Company Limited, Philip Hill, Higginson & Co. Limited and other companies; Director of Williams Deacon's Bank Limited and other companies.

Trustees: MIDLAND BANK EXECUTOR AND TRUSTEE COMPANY LIMITED

Bankers: MIDLAND BANK LIMITED — **Auditors:** PRICE WATERHOUSE & CO.

Solicitors to the Managers: LINKLATERS & PAINES — **Solicitors to the Trustees:** COWARD, CHANCE & CO.

FIRST PURPOSE OF THE TRUST.—The problem confronting most people who are not in close touch with financial affairs is how to invest their savings. One of the most effective methods of making savings grow and at the same time endeavouring to insure against the effects of inflation is to make a long term investment in the ordinary shares of selected leading British industrial companies.

The British Shareholders Trust has been formed to provide an ideal vehicle for this. Its units represent a cross-section of shares in the leading companies in Great Britain. They have been selected because of the strength of the companies concerned, the skill of their management and the prospects of steady growth which they present. They are all British and on their success the future of this country to a very large extent depends. A holder of units will thus be directly participating in the ownership of the leading British industrial and commercial enterprises.

It is dangerous to invest without knowledge. The British Shareholders Trust provides expert management which has direct access to the best advice available on the status of British industrial companies. An investment in British Shareholders Trust is an investment in industrial Britain at its best. B.S.T. is a unit trust authorised by the Board of Trade and constituted by a Trust Deed. The investments will be chosen by the Managers, in consultation with the **Investment Council**, consisting of men of high standing and of great experience in financial affairs. The life of the Trust is for a period of 25 years, but this can be curtailed or extended in certain circumstances.

SPREAD OF INVESTMENTS.—The funds of the Trust are to be invested initially in British Government Securities and in ordinary shares of some fifty to sixty of the leading British industrial companies, chosen from the list set out below.

Albright & Wilson Ltd.
Allied Bakeries Ltd.
Associated Electrical Industries Ltd.
Associated Portland Cement Mfrs. Ltd.
Babcock & Wilcox Ltd.
Bassetlaw Group Ltd.
Boots Pure Drug Co. Ltd.
British American Tobacco Co. Ltd.
British Electric Traction Co. Ltd.
British Motor Corporation Ltd.
British Oxygen Co. Ltd.
British Petroleum Co. Ltd.
British South Africa Co.
John Brown & Co. Ltd.
Canadian Eagle Oil Co. Ltd.
City of London Real Property Co. Ltd.
J. & P. Coats Ltd.
Courtaulds Ltd.
John Dickinson & Co. Ltd.
Distillers Co. Ltd.
Dunlop Rubber Co. Ltd.
English Electric Co. Ltd.
Express Dairy Co. Ltd.
Ford Motor Co. Ltd.
Furness Withy & Co. Ltd.
Great Universal Stores Ltd.
Guest Keen & Nettlefolds Ltd.
Arthur Guinness, Son & Co. Ltd.
Alfred Herbert Ltd.
Home & Colonial Stores Ltd.
Hudson's Bay Co.
Imperial Chemical Industries Ltd.
Imperial Tobacco Co. (of Great Britain & Ireland) Ltd.
Ind Coope & Allsopp Ltd.
Lancashire Cotton Corporation Ltd.
Leyland Motors Ltd.
Lloyds Bank Ltd.
London County Freehold & Leasehold Properties Ltd.
Joseph Lucas Industries Ltd.
Marks & Spencer Ltd.
Metal Box Co. Ltd.
Midland Bank Ltd.
Monsanto Chemicals Ltd.
Pearl Assurance Co. Ltd.
P. & O. Steam Navigation Co.
Pressed Steel Co. Ltd.
Prudential Assurance Co. Ltd.
Reckitt & Colman Holdings Ltd.
Albert E. Reed & Co. Ltd.
E. S. & A. Robinson Ltd.
Rolls-Royce Ltd.
Shell Transport & Trading Co. Ltd.
Steel Co. of Wales Ltd.
Stewarts & Lloyds Ltd.
Tate & Lyle Ltd.
Tube Investments Ltd.
Turner & Newall Ltd.
Unilever Ltd.
United Drapery Stores Ltd.
United Steel Companies Ltd.
Vickers Ltd.
Wall Paper Manufacturers Ltd.
Watney Mann Ltd.
Whitbread & Co. Ltd.
F. W. Woolworth & Co. Ltd.

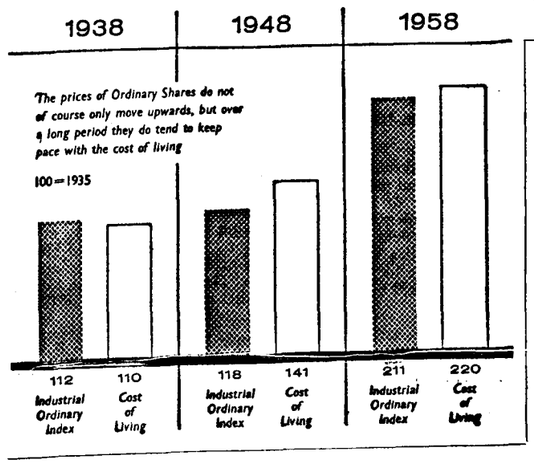
Power is given by the Trust Deed to invest in a maximum of **125 investments, which constitute the authorised list** and may include Trustee Investments, debentures and preference shares. All these investments will be quoted on a recognised Stock Exchange and will be of comparable standing to those already named in the initial list.

SAFE CUSTODY OF INVESTMENTS.—The Trustees are responsible for the safe custody of the investments of the Trust. They are consulted by the Managers on the choice of investments to be included in the authorised list.

INCOME.—In respect of his holding a unit holder will receive from the Trustees a half-yearly distribution of income. The first distribution will be paid on June 21, 1959. It is estimated that initially this will be at the rate of approximately 4½ per cent. per annum on his investment less income tax at the standard rate. If a unit holder does not pay income tax at the full rate he may obtain an appropriate repayment of tax.

QUOTATION OF UNITS.—Daily prices are quoted by the Managers and published in the Press. Actual dealing prices (which will include the initial charge referred to below, buying expenses and commission to agents) will be calculated by the Managers on the day of application to buy or sell units; these prices will in normal conditions cover amounts up to 10,000 units.

HOW ORDINARY STOCKS HAVE RISEN WITH THE COST OF LIVING



Buying Units

To buy units fill in the Application Form below and send it to the Managers. Units may only be bought in multiples of 10.

APPLICATION FORM (CASH)

To: PHILIP HILL, HIGGINSON & CO. LIMITED,
34, MOORGATE, LONDON, E.C.2

I hereby apply for _____ units of the British Shareholders Trust at a price of 10s. per unit in accordance with the particulars dated 27th November, 1958, and upon the Terms of the Trust Deed therein referred to.
Units may only be bought in multiples of 10.
*I declare that I am not resident outside the Scheduled Territories and that I am not acquiring the above mentioned units as the nominee of any person(s) resident outside those Territories.
I enclose the sum of £_____ **Cheques should be made payable to "B.S.T."**

Date_____, 1958.

SIGNATURE _____

Block Letters Please
SURNAME (*In full*)_____ Please state Mr., Mrs. or Miss.
CHRISTIAN NAMES (*In full*)_____
ADDRESS _____

Application Forms for joint holdings will be issued on request. **(32)**

** If you are unable to make this declaration it should be deleted and the application lodged through an Authorised Depositary. (NOTE: Authorised Depositaries include Banks, Stockbrokers and Solicitors in the United Kingdom. The terms 'Authorised Depositary', 'Scheduled Territories' and 'Nominees' are defined in the Bank of England's Notice E.C. Securities 8, as amended.)*

If at any time a unit holder wishes to dispose of his units he can ask the Managers to buy them from him at a price governed by Board of Trade regulations. In fact, the Managers in normal conditions will buy units for immediate payment at a price above this minimum. Units may only be sold in multiples of 10.

MANAGEMENT CHARGES.—An initial charge of 2 per cent. and a commission charge of 1¼ per cent. to meet management expenses and commission to agents are included in the price of units. Every half year the Managers are entitled to deduct from the Trust's income ¼ per cent. of the value of the investments of the Trust to pay the expenses of administration.

MEETING OF UNIT HOLDERS.—A meeting of unit holders may be summoned by the Trustees or the Managers. Also 10 per cent. or more of the unit holders are entitled to require that a meeting be held.

TRUST DEED.—A copy of the Trust Deed may be inspected at the Manager's Office, or a copy bought for 2s. 6d. The Trust Deed contains provisions for its alteration by Supplemental Deed which in some cases will require the approval of a meeting of unit holders.

Dated 27th November, 1958.

Buying Units by Instalments

The Managers have made arrangements with United Dominions Trust Limited for units to be paid for by instalments over 12, 18 or 24 months. The Managers have also made arrangements through an insurance scheme to pay the instalments still outstanding if a unit holder dies, whereupon the units will become the property of the unit holder's estate. The insurance scheme can, however, only apply to a unit holder under the age of 55.

To buy units by instalments, fill in the Application Form below, where full details of these arrangements are set out.

APPLICATION FORM (INSTALMENTS)

To: PHILIP HILL, HIGGINSON & CO. LIMITED,
34, MOORGATE, LONDON, E.C.2

I hereby apply for _____ units of the British Shareholders Trust at a price of 10s. per unit in accordance with the particulars dated 27th November, 1958, and upon the Terms of the Trust Deed therein referred to. Units may only be bought in multiples of 100, with a minimum of 200 and a maximum of 2,000 units.
*I declare that I am not resident outside the Scheduled Territories and that I am not acquiring the above mentioned units as the nominee of any person(s) resident outside those Territories.
I have NOT reached the age of 55/I am aged 55 or over. (*Delete according(ly).*)
I enclose the sum of £_____ **Cheques should be made payable to "B.S.T."**

made up as follows:—
Initial payment (being at least 25% of the total cost of the units) ... ... £_____
Insurance fee and Managers' registration charge—
10s. for each 100 units (5s. for each 100 units if aged 55 or over) ... ... £_____
I wish to pay the balance of £_____ by instalments over_____ months (insert 12, 18 or 24) in accordance with the terms outlined below and hereby instruct you in the event of my application being accepted to deliver the unit certificates to United Dominions Trust Limited.

Date_____, 1958.

SIGNATURE _____

Block Letters Please
SURNAME (*In full*)_____ Please state Mr., Mrs. or Miss.
CHRISTIAN NAMES (*In full*)_____
ADDRESS _____

Joint holdings are NOT permitted for purchase of units by instalments. (32)

THE TERMS ON WHICH YOU MAY BUY UNITS BY INSTALMENTS ARE BRIEFLY AS FOLLOWS:—

1. **Interest will be charged on the amount borrowed at the following rates:—**
   5% flat for 12 months. 7½% flat for 18 months. 10% flat for 24 months.
2. **The units will be registered in your name; distributions will therefore be paid to you.**
3. **The unit certificate will be deposited with United Dominions Trust Limited (U.D.T.) together with a blank transfer signed by you.**
4. **Your instalments will be payable monthly, the first of them one month after the unit certificate is issued.**
5. **Should the instalments not be paid, U.D.T. may sell the units, deduct the amount due to themselves and refund the balance to you.**
6. **You will have the right to repay the outstanding balance at any time whether by sale of the units or otherwise; the interest charged will then be reduced.**
7. **Tax certificates will be issued to you for interest paid.**

COMPANY MEETINGS

THE STANDARD MOTOR COMPANY LIMITED

LORD TEDDER DESCRIBES EXPANSION AND DEVELOPMENT

The fifty-fifth annual general meeting of The Standard Motor Company Limited, will be held on December 17th at the registered office of the Company, Banner Lane, Coventry.

The following is the statement by the Chairman, Lord Tedder, GCB, which has been circulated with the report and accounts:

I am glad that in presenting to you the Report and Accounts for the year ended August 31, 1958, I am able to announce considerable progress both in Profit and Output.

INCREASED PROFIT

The consolidated profit of the Company and its subsidiaries is £2,743,404. This includes the profit of Mulliners (Holdings) Limited and Mulliners Limited for the thirteen months to August 31, 1958, and 51 per cent of the profit of The Forward Radiator Company Limited for its financial year ended June 30, 1958. From this figure must be deducted the pre-acquisition profit of the "Mulliner Group" of £418,373, not available for distribution. This leaves a Group profit for the year, before taxation, of £2,325,031. Provision for taxation takes £1,321,449, leaving a Group profit for the year, after taxation, of £1,003,582, compared with £419,925 last year.

HIGHER DIVIDEND

As indicated in my letter to you of July 18th, we are recommending to stockholders a dividend of 12 per cent (less income tax) on the Ordinary Stock for the year ended August 31, 1958, compared with 8 per cent last year.

LARGER ALLOCATION TO EMPLOYEES' SPECIAL FUND

We are also recommending an allocation to the Employees' Special Fund of £50,000, which adequately covers its net expenditure for the financial year. It will no doubt be necessary to review the future working of this Fund in the light of impending legislation for retirement pensions.

RETAINED PROFITS

After charging the fixed dividend on the Preference Capital and appropriating the proposed Ordinary Dividend and the allocation to the Employees' Special Fund, we are left with a carry forward of £3,509,727 on Consolidated Profit and Loss Account. This compares with £3,195,567 brought forward from last year.

PRODUCTION

Output of cars and tractors rose from a combined total of 107,702 units last year to 147,616 this year, again divided almost equally between cars and tractors.

EXPORTS

Cars exported by ourselves and tractors exported by Massey-Ferguson totalled 91,612 units, being some 62 per cent of overall output and bringing in dollar earnings of almost $50 million. In all more than £45 million was earned in overseas currency. I feel sure that you will share my pride that our company should be making this contribution to the nation's economic strength in the world.

USA

Most impressive is the expansion of business in the United States of America. This is thanks largely to the increased popularity of the T.R.3, although considerable sales of 10 hp saloons and estate cars have been marketed under the name "Triumph." During the past year we sold altogether some 18,000 cars to this market and we hope to sell 25,000 in the current year.

10/12 CWT ATLAS VAN AND PICK-UP TRUCK

In the past the Company has marketed a limited range of small capacity vans and pick-up trucks based on passenger cars. At the Commercial Motor Show in September we entered for the first time the true field of light commercial vehicles with the Atlas Van and Pick-up. These two vehicles are highly competitive and have been well received both at home and on the Continent.

1958 MOTOR SHOW

This year's Motor Show saw the debut of three new models. The Vignale Vanguard was the first of our cars to show the influence of the work of the Italian stylist, Giovanni Michelotti, who has, as I mentioned last year, been retained as our Styling Consultant. It has been received enthusiastically.

The new Standard Vanguard Estate car and the new Standard Ensign have undergone similar restyling.

DEMAND FOR ESTABLISHED MODELS

There is still a healthy demand for all our established models. The Standard Pennant, Standard Companion, Standard Ten and Standard Eight retain their popularity, and the 6 cwt Van and Pick-up are selling well.

A restyled version of the Triumph T.R.3 was introduced in January. In the past six months it has been exported in larger quantities than any other sports car.

The year has witnessed a continued series of victories for the T.R.3 and the Standard Pennant in competitive rallies.

INDUSTRIAL POWER UNITS

We have recently entered into a new agreement with Auto Diesels Limited under which we have taken over from them the world marketing rights of our piston engines for stationary work. So far as the gas turbine engine is concerned, they retain the rights for the United Kingdom (excluding those for general automotive and agricultural purposes) and we will handle the rest of the business throughout the world. An Industrial Sales Division has been set up for this purpose.

TRACTOR PRODUCTION

During the past year we started manufacture of a new and larger tractor for Massey-Ferguson, known as the M.F.65. Additionally, we are supplying in large quantities subassemblies of both the F.E.35 and the M.F.65 tractors to North America for complete assembly in the United States.

TRACTORS AT THE SOUTH POLE

Massey-Ferguson provided tractors manufactured by us for the Antarctic Expedition and those that Sir Edmund Hillary took with him were the first land vehicles to be driven to the South Pole. It is a tribute to the toughness and adaptability of the Ferguson tractor that little modification was necessary for this historic journey.

EXPANDING PRODUCTION IN FRANCE

In March we opened a new factory at Beauvais. This is part of the expansion scheme which I mentioned last year and which is being carried through by our Associate Company, Société Standard-Hotchkiss. Standard-Hotchkiss have recently completed a changeover of tractor production to a model similar to that now being made in Coventry.

The tractor engine, which is manufactured by our friends Hotchkiss-Brandt, is basically the same as that used in the Triumph T.R.3. This provides the opportunity for producing sports cars on the Continent—a prospect which is being actively examined.

EUROPEAN COMMON MARKET

Increased production capacity on the Continent is particularly welcome at this time, since it could help us to meet the consequences of a European Common Market. It was primarily with this in mind that we decided last December to set up a subsidiary company in Belgium to act as a spearhead for sales to this market.

It will be appreciated that both France and Belgium are members of the Common Market.

Your Directors are determined that the company should be poised ready to take full advantage of new markets opened up in this way, and ready also for the Free Trade Area should it materialise.

DIRECTORS' OVERSEAS VISITS

During the year many overseas visits were made by the Directors, including a world tour undertaken by Mr A. S. Dick, the Managing Director, and Mr Michael Whitfield, the General Sales Director. In the course of this they visited several of our plants and a large number of distribution centres.

DEVELOPMENT PROGRAMME IN INDIA

They spent some time in India to assess the progress of the £1 million development programme. By the end of next year our associate company will be manufacturing over 60 per cent of each unit that is assembled there.

AUSTRALIA

In Australia they were able to advise on a reorganisation of our Associate Company which has recently changed its name from The Standard Motor Products Limited to Australian Motor Industries Limited.

VALUE OF OVERSEAS PRODUCTION FACILITIES

Shareholders will appreciate the value of increasing our overseas production facilities, for without them we should be entirely excluded from some markets and severely restricted in others.

SALES DEVELOPMENT

Our developments have not been confined to production. We have also been steadily strengthening our sales organisation at home and abroad.

During the past year we have further expanded our training schemes for dealers' personnel.

We have recently established Standard-Triumph (East Africa) Limited, which will control car distribution in Kenya, Tanganyika and Uganda.

FACTORY MODERNISATION PROGRAMME

Since the introduction of tractor manufacture it has been the policy of the Board that the tractor and motor car divisions should be complementary and inter-dependent. Priority was given to the modernisation of the tractor division and, having completed this, we have taken a far-reaching decision to put through a scheme of modernisation and expansion of the motor car side of our Organisation, not only to meet the programme of completely new motor cars and commercial vehicles on which we are now working, but also to make us more independent and competitive.

MULLINERS

As part of these developments we have recently added to our Organisation the body building firm of Mulliners, which has given us, for the first time since the war, our own facilities for body manufacture, paint and trim. Mulliners have a controlling interest in The Forward Radiator Company Limited, who are at present adding considerably to their pressing capacity to enable them to undertake for us additional production of all types and sizes of pressings used in body manufacture.

NEW ASSEMBLY HALL

In Coventry, building work has started on a completely new paint, trim and assembly plant at our car factory, which will supplement the facilities acquired at Mulliners. When this building is completed, which we anticipate will be at the end of next year, we will have containing three parallel assembly lines and incorporating under-floor storage for components and overhead accommodation for motor car bodies. This project will enable us for the first time completely to assemble, paint and trim a motor car under one roof, while also effecting a considerable saving in handling costs.

With our newly acquired facilities at Mulliners, it will place the painting and trimming of the whole of our passenger vehicles and substantially all of our commercial vehicles under our direct supervision, thus giving us a greater control over the quality of our products.

NEW FACTORY FOR GEAR BOX PRODUCTION

Complementary with this expansion we have leased a modern factory of some 280,000 sq ft in Coventry from the Ministry of Supply for the eventual production of gear boxes for our motor vehicles.

BEANS INDUSTRIES

In addition to the substantial and modern foundry and machining facilities already in operation at Beans Industries Limited, installations are being completed for quantity production of two large diesel engines for Massey-Ferguson Limited.

NEW DISTRIBUTION CENTRE AT SLOUGH

Premises on the Slough Trading Estate, Buckinghamshire, have been leased, giving us an additional operational area of some 160,000 sq ft. These premises will be used for the distribution of spare parts for the Southern Counties and for the preparation and release of Standard and Triumph cars for the London Area.

MASSEY-FERGUSON

You will recall that I wrote to you on July 18th last regarding our relationship with Massey-Ferguson. Since that time I have had a number of useful and friendly talks with Colonel W. E. Phillips, Chairman of Massey-Ferguson Limited, and some of his colleagues, which have led me to believe that we can look forward to working together in harmony in our joint interests.

FUTURE PROSPECTS

The expansion and modernisation of our production facilities, together with the expansion of our overseas activities, all of which will entail considerable revenue expenditure in the current year, are being introduced to meet the new model programme upon which we have now embarked. We believe that, together, these will put the motor car side of the company progressively into the strongest position it has ever held. These developments will in due course require new capital in a form yet to be decided.

GRATITUDE TO EMPLOYEES

None of the progress that I have reported to you would have been possible without the hard work and the co-operative attitude of the company's employees. On behalf of the Board I wish to pay sincere tribute to the part they are playing.

"STANDARD NEWS"

At the beginning of 1958, we introduced a monthly works newspaper entitled "Standard News." This is not a mouthpiece for Management. It sets out not only to give our various operations of the company, but also to provide a forum for the expression of their own views.

THANKS TO SUPPLIERS, CONTRACTORS AND DISTRIBUTORS

I should finally like to express the Board's gratitude to our suppliers and contractors, from whom we receive such valued co-operation, and to our distributors, both at home and abroad, whose enterprise is so essential to the Company's prosperity.

KENNINGS LIMITED

STATEMENT BY THE CHAIRMAN MR GEORGE KENNING, DFC, TD, MA

LARGEST DISTRIBUTION IN THE COMPANY'S HISTORY

The year ended June 30, 1958, has marked a period of favourable conditions for the motor trade, contrasting sharply with the hard struggle of the previous year.

The Group trading profit of £890,600 is a record, exceeding last year's total by £211,860, and our previous record by £186,720.

The proposed final dividend of 13 per cent on the Ordinary Capital, making 18 per cent for the year, is the largest distribution in the Company's history.

Your Directors feel that these results are highly satisfactory.

During the year we have made further progress in improving the facilities we have to offer to the motoring public. Motor depots have been acquired at Holland Park, London, and Great South West Road, Feltham. Heanor depot is now open. Site work is in progress at Freeman Oakes, the contract for the new Derby depot has been let, while plans for the new Head Office are virtually completed. Substantial premises have been purchased in Derby in accordance with a policy of specialisation in the commercial vehicle field which we intend to pursue in other parts of the country. New tyre depots have been opened in Derby, Southampton, Edgware Road, London, and Hull. Another tyre depot will shortly be completed in Bristol. A number of new filling stations have been built and others have been reconstructed, while work is in progress on several additional sites.

Our Car Contracts department has proved to be most successful and there is no doubt that this aspect of our business will continue to expand. With our national coverage through our depots and agents and with the experience we have gained through being among the first in this particular field, we are singularly well equipped to benefit from the growing interest in this method of operating transport.

STAFF INSURANCE SCHEME

During the past year we have continued to receive the loyal support of our managers, staff, and workpeople, and we appreciate their goodwill. We are pleased to say that, in addition to the substantial staff pensions scheme we operate, we propose to effect insurance which will provide the dependants of each of our 3,000 employees with one year's salary in the event of death.

The year I have just reviewed has been undoubtedly a favourable one. The first three months of this year have been equally that the rest of the year will necessarily follow this pattern. Nevertheless, the activities of your Group are now so broadly based within the motor trade that it is not entirely dependent on any one activity. We shall also continue to receive benefits from the developments we are continuously making. It would be rash of me to forecast that last year's record figures will be equalled or bettered, but it is the feeling of your Board that, subject to the usual reservations, this is within the bounds of possibility.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

PROGRESS OF PROPOSED MERGER WITH THE NATIONAL BANK OF SCOTLAND

LORD SALTOUN ON THE ECONOMIC POSITION

The Annual General Meeting of Shareholders of the Bank will be held in the North British Station Hotel, Edinburgh, on Thursday, December 18, 1958, at 12 noon.

The following is the Statement by The Right Honourable Lord Saltoun, MC, Governor of the Bank, which has been circulated to Shareholders with the Report and Accounts for the year ended October, 25, 1958:

It is appropriate that I should begin this Statement on a personal note. It was with deep regret that we learned of the death of Lord Rotherwick, our Governor, in March last. Lord Rotherwick's association with the Bank stemmed in the first instance from the close banking relationship which we have had for many years with his family and their shipping interests and later developed into a direct personal association on his election in 1943 as an Extraordinary Director and as Deputy Governor in 1948. He became Governor in August, 1954, and until his death we had the benefit of his wide business experience and sincere personal interest in our affairs.

The Board of Ordinary Directors have honoured me by their invitation to succeed Lord Rotherwick as Governor and present this annual Statement to Shareholders, and I am happy to say that Sir W. Nicholas Cayzer, Bart, who succeeded his uncle as Chairman of British and Commonwealth Shipping Company Limited, recently accepted the invitation of the Board to become an Ordinary Director and his re-election will be proposed at the Annual Meeting.

During the past year the most important matter relating to our domestic affairs has been the proposed merger with the National Bank of Scotland. In August Shareholders were advised that full agreement had been reached at Board level on the form which the merger would take, on the basis on which shares would be exchanged and on the name of the combined institution, *i.e.* National Commercial Bank of Scotland Limited. Since then we have held an Extraordinary General Meeting of Shareholders at which the resolutions for the elimination of the uncalled liability on our "A" shares were unanimously approved. We are now seeking the confirmation of the Court of Session to this reduction of capital. The final stage in the procedure will be the submission for the consideration of the Court of Session of a Scheme of Arrangement and Amalgamation. We are advised by our Solicitors that the final decision by the Court cannot be expected for some months after the presentation of the Scheme and accordingly the full merging of interests of the two Banks may not be achieved until May or June of next year.

EXTENSION OF INTERESTS

We have also, during the year, taken several important steps to broaden and extend our interests in the Hire Purchase field. In the Governor's Statement a year ago reference was made to our intention to extend our finance company interests to Southern Rhodesia. This was duly achieved by the formation of Scottish Rhodesian Finance Limited (in which we have a major interest), with The London & Rhodesian Mining & Land Company Limited as our associates. Later in the year we formed a South African Company, South African Scottish Finance Corporation Limited, in association with British & Commonwealth Shipping Company Limited, and I am glad to report that these African Companies have already made encouraging progress.

I am sure that you are all aware of the recent change in the official attitude towards direct participation by Banks in Hire Purchase finance. This Bank pioneered such participation when it acquired a 100 per cent interest in Scottish Midland Guarantee Trust Limited in 1954. It was quite evident to us at that time that the Authorities and the British Banks reserved judgment on the merits of such a departure from traditional banking practice. We were confident, however, that it was only a matter of time until other Banks joined us in this field, and that has turned out to be so.

In recent months we have been associated with Lloyds Bank and with the National Bank of Scotland in a spreading of our Hire Purchase interests. A successful bid was made for the equity of Olds Discount Company Limited, and this is being followed by an offer to acquire the Preference Stock of that Company. Olds Discount have specialised in the financing of consumer goods and are therefore complementary to our Subsidiary Companies where the concentration has been on vehicles and plant. It is the intention of the three Banks to form a new Holding Company in which Lloyds Bank and the combined Scottish Bank will each have a 50 per cent interest. All the shares of Scottish Midland Guarantee Trust and of Olds Discount will be transferred to, and held by, the new Company. This new Hire Purchase group will operate from some 90 Branch Offices and will be actively engaged in every side of Hire Purchase finance.

CHANGE IN ECONOMIC CLIMATE

During the past year there has been a complete change in Britain's economic climate. The inflationary pressure has, temporarily at least, ceased to be the major factor in the economy. In recent months the country has shown some of the symptoms associated with a trade recession, *i.e.* a falling level of industrial production and an increase in unemployment, and the Government has announced a series of measures which all involve a change in emphasis from restriction to expansion. For Bankers the most important measure was the ending of the credit squeeze in July, and the restoration of a large measure of freedom in the conduct of our business. In ending the credit restrictions the Authorities indicated that when we next enter a period when restraint is necessary new methods of control will be tried, and in Banking system will be channelled off into Special Deposits which will then be frozen for as long as the Authorities consider necessary. The success of such an experiment is by no means assured, but it is certainly desirable to avoid a repetition of the uneven and inequitable methods of restriction adopted in recent years. In the three months since the end of restrictions there has been no major upsurge in bank advances, and it is doubtful whether any marked increase in the credit needs of industry and commerce will emerge until confidence in the short-term future of British business is restored.

FAVOURABLE COMPENSATING FACTORS

I would now like to refer to the experience of this Bank during a year of changing climate. As the Governor stated last year, a Bank such as ours, with a relatively large amount of interest-bearing deposits, will tend to lose rather than gain during times when interest rates are high unless there are compensating factors such as improving yields on investments and greater liquidity with advantageous money market rates. I am glad to say that these compensating factors have been in our favour and the outcome for the year shows a measure of improvement.

As you may know, the Scottish Banks during the year were reluctantly compelled to increase their charges to customers for banking services. These charges had remained unchanged for some five years during which time our costs had been continuously rising, and the extra benefit which we now receive is not nearly commensurate with the aggregate increase in costs.

LIQUIDITY RATIO WELL MAINTAINED

I shall now comment on some of the main items which appear in the Annual Accounts.

The Bank's Deposits at almost £124 million show a modest increase of £1¼ million. This is the second year in succession in which our Deposits have increased, but these are still below the figure of £130 million in October, 1954 before the period of severe credit restriction.

The Note Circulation for the first time in 10 years shows a contraction of £350,000 at fully £20 million. This is evidence of a diminution in the flow of cash and probably reflects a reduction in total money wages paid in Scotland.

Our liquidity ratio which we measure by comparing our liabilities to the public (by way of Deposits and Notes) with our cash and other quick resources of £59¼ million (the first group of assets in the Bank's Balance Sheet) is well maintained at 41.1 per cent compared with 41.9 per cent a year ago.

Our Government investments have increased by £1.5 million and are shown at a book value of £46.9 million. The market value of these investments is noted in the Accounts at £45.5 million, and once again we have not thought it necessary to write down the book value of these investments by any transfers from reserves or contingency accounts. The portfolio consists entirely of stocks redeemable at par at fixed dates and average life is approximately 7½ years.

In connection with the merger with the National Bank of Scotland we obtained a other properties and, as we expected, this disclosed a large surplus over the figure of £2,650,000 at which these Bank Premises are stated in the Accounts.

The Bank's Advances to the public, as shown in the Consolidated Balance Sheet, have increased slightly during the year—by £1.7 million to £37.4 million. In the early part of the year the advances tended to fall but this trend was reversed after the termination of credit restrictions.

The continued progress of our Subsidiary Companies is demonstrated in the increase of £4.2 million to £17.5 million now outstanding on Hire Purchase and similar contracts. The bulk of this increase has been financed out of deposits from the public.

CONSOLIDATED BALANCE SHEET

The Consolidated Profit and Loss Account shows a Net Profit after Tax of £543,963, an increase of £48,646 compared with last year. This improvement is in large measure due to the continued successful development of our Hire Purchase interests. Out of this Profit the Directors have appropriated £150,000 to Contingency Account and £100,000 to the Officers' Pension Fund and have again contributed £10,000 to the Widows' and Orphans' Fund. They now propose that the final dividend to the "A" Shareholders should be 7½ per cent (making 12½ per cent for the year). The final dividend on the "B" shares is at the rate of 5 per cent (making 10 per cent for the year). Subject to the approval of these recommendations the amount carried forward on the Consolidated Profit and Loss Account will be increased from £150,465 to £154,116.

FUTURE ADMINISTRATION

In the merger discussions with the National Bank of Scotland the two Boards of Ordinary Directors have given much thought to the future pattern of administration of the combined Bank. For many years each Bank has appointed a Governor, Deputy Governor, and a Board of Extraordinary Directors. The persons occupying these offices have not taken any part in active administration, which is a responsibility resting entirely on the shoulders of the Ordinary Directors. It is thought—and I may say that I entirely agree—that, on the merger of the two Banks, the now orthodox structure of administration should be adopted, with a Board of Directors (including a Chairman elected by the Board) having the entire administrative responsibility. It is accordingly recommended that the offices of Governor, Deputy Governor and Extraordinary Director should be allowed to lapse. I feel sure that this proposal will be acceptable to Shareholders and, in anticipation of that decision, I would like to take this opportunity of thanking the Extraordinary Directors for their sustained interest in the affairs of the Bank and their ready support which we have always enjoyed.

I would also like to thank the General Manager, the other Officials, and all of the Staff in the many parts of the country where we are represented for their effective and energetic services. I would also pay tribute to the Managing Directors and Staff of our most active Subsidiary Companies in this country and in Africa.

KAMUNTING TIN DREDGING

MR ADDINSELL'S STATEMENT

The forty-fifth annual general meeting of Kamunting Tin Dredging Limited was held on November 25th at 55-61 Moorgate, London, E.C.2, Mr J. Addinsell (the Chairman) presiding.

The following is the Chairman's statement for the year ended March 31, 1958, which had been circulated with the report and accounts and was taken as read:

Shareholders will see from the Directors' Report that Mr W. M. Warren has resigned from the Board for reasons of health. Although Mr Warren had been a Director only since 1955 he had been associated with us for many years as Chairman of the Management Company in Malaya. I am sorry we have had to lose the benefit of his wide experience of the tin industry and his colleagues join me in wishing him a speedy recovery to better health.

The production of tin concentrates totalled 1,661 tons for the year. Of this, however, 47 tons were held as part of our permissible carry-over stocks under the tin export control provisions. Sales therefore amounted to 1,620 tons tin concentrates against 2,256 for the previous year, while the corresponding average price realised for the metal content was £725 against £758 per ton.

The consequent reduction in our gross of £246,245. Taxation takes £117,000 and the sum of £34,879 has been placed to Transfer of Dredges Reserve, increasing this Reserve to £287,500 after charging the cost of transferring the No. 6 dredge to the adjacent Tekka-Taiping area in which it is now working. In a few years, as I explained in my Statement last year, we shall have to dismantle and remove this dredge to the more distant area acquired from the Taiping Rubber Company. It is estimated that the dismantling and removal will cost some £475,000 which, it is hoped, will be met from our own resources.

Your Board recommends the payment of a final dividend of 20 per cent which, with interim dividend of 7½ per cent paid on the March 4, 1958, will absorb £105,746 leaving the carry-forward at £74,983.

SUBSTANTIAL CASH OUTLAYS

During the year substantial cash outlays have been made, £40,000 for the purchase of the Tekka-Taiping area and £22,379 on the transfer of the No. 6 dredge to this area. In addition further expenditure of some £12,600 was incurred on the Taiping Rubber area.

Further contributions to the Buffer Stock amounted to £50,879 making our total contributions and advance deposit £103,679 at March 31, 1958. This item is shown separately on the Balance Sheet.

Control of export of tin was introduced on December 15, 1957, and the Accounts include only the first quota period to March 31, 1958. Circulars have been issued to shareholders by the Company's Technical Managers showing permissible exports for each of the quota periods up to December 31, 1958. In the first nine months of the current financial year, i.e. from April 1st to December 31, 1958, our permissible exports for Malaya and Thailand total 773 tons tin concentrates and the consequent restriction in production is likely adversely to affect our profits for 1959.

The Technical Managers' Report gives details of the year's operations. It will be seen necessary boring and other exploratory work the No. 4 Malayan Dredge ceased working in December, 1957, and the No. 2 Thailand dredge ceased at the end of January, 1958.

The introduction of the tin export control scheme has considerably increased the work and responsibilities of your Management in the East, Anglo-Oriental (Malaya) Limited, and the Staff, and we are grateful to them for their services.

The report and accounts were unanimously adopted, the final dividend approved and the retiring Director re-elected.

PRETORIA PORTLAND CEMENT COMPANY LIMITED

(Incorporated in the Union of South Africa)

INCREASED SALES AND PROFIT

The sixty-third Ordinary General Meeting will be held in Johannesburg on December 5th. The following is an extract from the circulated Statement by the Chairman, Mr. B. G. Twycross, dated November 14, 1958.

Despite higher costs of production the Company was able to increase its trading profit for the year from £578,474 to £625,418. This improvement over the previous year was due to increased sales.

Dividends from associated and subsidiary Companies and interest earned from capital funds invested pending utilisation, increased by £38,202. The improved trading results and additional interest earned were to some extent offset by the necessity to provide £223,315 for taxation as compared with £182,651 in the previous year. The profit for the year after providing for taxation was £692,256 as compared with £654,692 for the previous year. Two dividends totalling 4s. were declared during the year.

Since the close of the financial year the new plant at Slurry has been in operation and producing in accordance with guarantees. The matter of further renewals at Slurry requires early attention.

Planning of the Jupiter raw material handling scheme mentioned in last year's Statement is nearing completion.

PRICE OF CEMENT

As from July 1, 1958, there was a general increase in rail rates which the Cement Industry was permitted to recoup by an increase in selling price. It is now possible to report that the Price Controller has agreed to an increase of 5d. per pocket in the selling price of cement with effect from September 19, 1958. Of this amount, 3d. per pocket has to be set aside towards the cost of replacing fixed assets. Shareholders will recall that the Industry was awarded 3d. per pocket for the same purpose in January, 1954. Thus the total to be set aside for this reserve is now 6d. per pocket, less tax. It is also considered by the Price Controller that the Industry should provide out of current revenue a proportion of the funds necessary for the expansion of the productive capacity required to meet the country's growing demand.

At the same time control on distributors' selling prices was withdrawn. It is expected by the Price Controller that the Cement Industry will exercise its influence to stabilise retail prices should this become necessary.

SUBSIDIARY AND ASSOCIATED COMPANIES

The Eastern Province Cement Company previous year. Certain plant replacements will be undertaken shortly.

The Premier Portland Cement Company (Rhodesia) Limited increased its production and sales, and its associated Companies, the Chilanga Cement Limited and Northern Rhodesia Lime Company Limited, experienced a satisfactory year.

The Cape Portland Cement Company Limited reported increased sales and profits as compared with the previous year. At the new Riebeeck Works production should commence during 1959.

RHODESIAN ANGLO AMERICAN LIMITED

(Incorporated in Northern Rhodesia)

REDUCED INCOME FROM COPPER MINING INTERESTS

MR H. F. OPPENHEIMER ON ECONOMIC DEVELOPMENTS IN THE FEDERATION

The following are extracts from the statement by the Chairman, Mr H. F. Oppenheimer, which has been circulated with the Annual Report and Accounts for the year ended June 30, 1958:

The revenue of your Company for the financial year ended June 30, 1958, has been considerably reduced as a result of lower dividends declared by Rhodesian copper mining companies, which are our primary source of income. Considering, however, that the price of copper fell early in 1958 to as low as £160 per ton, the dividends we have received were not unsatisfactory.

The net profit for the year of £2,838,000 after taxation compares with £5,155,235 for the previous year. After writing off costs and the discount on the recent issue of loan stock, amounting in all to £309,000, the Directors have been able to recommend a final dividend of 3s. per share (net) which, with the interim dividend of 1s. per share, makes a total of 4s. for the year.

Recently the price of copper has improved considerably, and provided an early solution can be found for the present labour unrest in the Northern Rhodesia copper industry, our revenue from dividends next year should show an improvement.

OFFER OF LOAN STOCK

Your Company, with its large investments in varied enterprises in the Federation of Rhodesia and Nyasaland, has rather a special role in the territory's development. It was decided towards the end of 1957 that, although the price of copper was at a very low level and economic conditions in the United Kingdom were difficult, the raising of fresh funds could no longer be deferred, and early in 1958 an offer of £4 million of 6 per cent registered loan stock was made to members.

Holders of this loan stock were given an option to take up 1 million ordinary shares in your Company at any time up to March 31, 1963, at 80s. per share, in the proportion of one share for every £4 of loan stock held. Payment for shares subscribed on exercise of the options may be made either in cash or by the surrender of loan stock of the equivalent nominal value.

We required these funds not only to maintain and extend our interests in the [illegible] being carried our principally in Northern Rhodesia, and in other financial enterprises in the Federation, but also for following up our major investments in the copper mining industry, notably in Bancroft Mines Limited.

BANCROFT MINE

Bancroft Mine came into production in January, 1957, a time when the serious decline in copper prices was beginning to manifest itself. From the start production costs at that mine were inflated by difficult mining conditions and by the consequent necessity of carrying out extensive underground development.

As part of the curtailment of the aggregate production of the three mines administered by the Anglo American Corporation, Bancroft entered into an agreement with Rhokana and Nchanga whereby it ceased production for a year from April 1, 1958, in return for funds to finance the necessary research and development work.

This arrangement is of undoubted advantage to our Company as a shareholder of the Bancroft Company, and we were glad therefore of the opportunity a month later to participate in providing permanent finance for that Company.

Vigorous implementation of the underground development programme, aided by the willing co-operation of the mine employees, has already brought about a marked improvement in conditions at the mine; the Consulting Engineers consider that the main problems have been overcome and that the reopening of the mine need not be delayed for any technical reasons.

The flooding of the Kansanshi Copper Mine, which occurred in October, 1957, temporarily stopped work at the mine, where the potential of the sulphide ores was being explored by underground development financed from the sale of copper. Metallurgical investigations into the combined treatment of the oxide and sulphide ores have, however, been continued and we have been contributing to the cost of this work.

The tests so far carried out are encouraging, and I am hopeful that when these are completed it will be possible to reopen Kansanshi as a small but profitable mine. This would require further capital, but in consequence of having strengthened our cash resources, we are ready to provide our share if called upon.

EXPLORATION AND PROSPECTING

In seeking new mining ventures through our interests in Chartered Exploration Limited and other prospecting Companies, we are fulfilling the proper role of an active mining and finance Company. Modern methods of aerial geophysics are being applied, and these are followed up wherever drilling.

The concessions are vast, and although certain mineralised areas have been found and are now being tested by surface trenching and by drilling, we cannot expect any indication of the economic potential of these areas for some time.

Apart from our investments in the mining industry, we are also interested in Rhodesian Iron and Steel Company Limited, and in the manufacture of ferrochrome by Rhodesian Alloys Limited. The world chrome market is at present oversupplied, and this is affecting adversely both the domestic primary producers and the ferro-alloy industry, but despite these setbacks I am confident of the long-term future of industry in the territory.

I believe that the solution of the problems of Africa depends largely on rapid economic development; capital to bring about such development is, therefore, not only necessary but essential. The people of all races in the Federation are in increasing numbers coming to realise that the greatest measure of hope and security for the future lies in the economic advantages to be gained from co-ordinated development.

If the country can find the money and the men with the technical knowledge and ability required to create a good life and freedom from want for all those who live there, it will have gone a long way towards solving the problems of race.

THE ROVER COMPANY LIMITED

MAJOR MODEL CHANGES

The sixty-third annual general meeting of The Rover Company Limited will be held on December 18th, in Birmingham.

The following is an extract from the circulated statement of the Chairman, Mr S. B. Wilks:

This has been a year when there has been considerable dislocation as a result of the major model changes with which we have been involved. Nevertheless our total sales of vehicles during the past year were greater than in the preceding year.

The announcement of a new range of Land-Rovers known as Series II was combined with the celebration of the tenth anniversary of the original Land-Rover. We have recently introduced a more powerful petrol engine for these vehicles, known as the 2¼-litre. As an alternative our Diesel engine, about which I told you last year, is available, and considerable technical improvements have been made to this engine recently. The Land-Rover holds a pre-eminent position among small four-wheel-drive vehicles and we are confident that the Series II Land-Rovers will maintain that position in spite of increased competition.

The 3-litre Rover car announced in September is an entirely new car and is larger and more powerful than our other models. The reception which it has been given by Press, Distributors and the public augurs well for its future. We are now able to offer a range of cars consisting of the 2-litre "60," "75," "90," the "105" and the new 3-litre model, which will cater for the demands of a large variety of motor-car users.

The Consolidated Profit and Loss Account shows Surplus on Trading and Management Fees together with Interest on Investments and Bank Interest amounting in total to £2,393,117. After various deductions the taxation is £1,781,715. The provision for Taxation amounts to £1,039,176. Your Directors recommend the payment of a dividend of 22½ per cent.

With our present range of vehicles we can face the future with confidence but there will be difficulties. At the present time trade is quiet in several of our important export markets, particularly Australia, New Zealand, South Africa and the Middle East. In common with the rest of the industry we are still concerned about rising costs, and their effect on our ability to compete successfully abroad.

RHOKANA CORPORATION LIMITED

(Incorporated in Northern Rhodesia)

EXTENSIVE IMPROVEMENTS TO SURFACE PLANT

MR H. F. OPPENHEIMER REVIEWS COURSE OF COPPERBELT STRIKE

The following are extracts from the statement by the Chairman, Mr H. F. Oppenheimer, which has been circulated with the Annual Report and Accounts for the year ended June 30, 1958:

The income of our Company, which is derived almost wholly from mining operations and from dividends on investments in other Northern Rhodesian copper producers, is directly related to the state of the base metal market. While fluctuations in prices are to be expected, copper has in recent years been subjected to wider price movements than most base metals and a comparison of the net profits after taxation in the last three years illustrates the effect of this on our profits.

PROFITS

The net profit after taxation in the financial year ended June 30, 1956, during which the London Metal Exchange price averaged £371 per ton, was £15.9 million as compared with £9.9 million in 1957, when the average price of copper was £265, and £4.3 million for the year ended June 30, 1958, when the average price was £186.

As some of the dividends we received arose from profits earned in the previous year, these figures do not reflect the full effect of price movements in any year. If revenue from the sale of cobalt and from other sources had not remained fairly constant and there had not been an increase in the price of copper after the low level of £160 to which it fell in February, 1958, our profits would have been even lower this year.

In order to obtain optimum efficiency we have had to undertake, over the past five years, a far-reaching programme involving expenditure of very considerable sums on the maintenance and renewal of existing plant and on the extension of surface and underground operations. We have, for example, recently completed underpinning the smelter foundations which had been endangered by subsidence. In addition, we have had to provide extensions to the smelter and ancillary plant to cater for increased production at the Nchanga Mine and the new production of Bancroft.

At the same time, the Company's own productive capacity has not only been increased but also brought on to a more balanced basis by providing greater flexibility in the mining programme. Thus the Mindola No. 2 shaft, which was primarily designed to provide the ventilation required for mining at greater depths, is also being equipped for hoisting ore.

The work on the Mindola No. 2 shaft and certain other capital works will continue for the next few years, but it is hoped that the rate of expenditure will be reduced after June 30, 1959.

This year we have decided to appropriate £1.4 million from profits for capital expenditure, which includes a provision of £0.35 million towards expenditure in 1958/59, and at the same time the Board was able to recommend a final dividend of 20s. (net) per £1 unit of stock, which together with the interim dividend of 5s. makes a total dividend distribution of 25s. (net) per unit for the year ended June 30, 1958.

PRODUCTION POLICY

Curtailment of production throughout the world has contributed greatly to the marked improvement in the price of copper in recent months. As far as our Company is concerned, we entered into an arrangement with Nchanga Consolidated Copper Mines Limited and Bancroft Mines Limited, to effect a reduction of about 10 per cent in the combined planned outputs of the three companies for one year from April 1, 1958.

It was agreed that Bancroft, a new mine experiencing difficulties and therefore the highest cost producer, should cease production on March 31st, but as this would have resulted in an overall reduction of more than 10 per cent, our Company and Nchanga increased their production slightly. In consideration for its part in this arrangement we agreed, together with Nchanga, to pay Bancroft a sum sufficient to finance certain underground development work and to cover the interest on its loans.

Apart from the obvious advantage of avoiding a cut in the rate of production we have a very large interest in Bancroft Mines Limited, and it was clearly to our advantage to assist that company to overcome its difficulties.

In February, together with Anglo American Corporation of South Africa Limited, Rhodesian Anglo American Limited and Nchanga Consolidated Copper Mines Limited, we agreed to participate in the scheme to provide Bancroft Mines Limited with capital of a permanent nature. Bancroft proposes to issue on April 1, 1959, 7,500,000 6½ per cent redeemable participating preference shares of £1 each at par to replace short-term loans totalling £7.5 million.

We will then convert our holding of £1.5 million 5 per cent Bancroft Notes, formerly redeemable between 1958 and 1961, into 1,500,000 of the new preference shares. In consideration of our agreeing to do so we have been granted the right to subscribe up to March 31, 1963, for 600,000 ordinary shares in Bancroft Mines Limited at a price of 20s. per share.

COPPERBELT STRIKE

In January this year our Company, together with the other producers of the Copperbelt, sought to obtain the Union's agreement to review some 106 jobs done by artisans which were deemed to be sufficiently simple to be performed by non-artisans or to be included in the normal duties of other classes of artisans.

In the course of the protracted discussions which ensued agreement was reached in respect of 84 of these jobs, but the talks broke down when the Union refused to discuss the remaining 22 jobs, which, from the companies' point of view, were among the more important. All efforts to bring about a resumption of the negotiations proved unsuccessful, and after a last minute conciliation meeting on September 12th, which again resulted in a deadlock, the Union called its members out on strike on that day.

At the time of writing, the mines on the Copperbelt had been closed for six weeks.* A six weeks' shut-down of the Copperbelt mines results in about 70,000 long tons of copper being withheld from the market. It is not likely that this loss can be made good except over a long period of uninterrupted operations on all the producing mines.

Prior to the strike the price of copper had been fairly steady at about £205 after a gradual rise over the preceding few months. However, at the end of September the realisation that the Northern Rhodesian copper mining companies had not, despite popular belief, large stocks of finished copper to fall back on, contributed to a sharp rise in the price to the highest level since May, 1957.

I am hopeful that by the time this review reaches members, the strike will be settled, and I trust that it will not be long before good labour relations on the mine are restored.

** The strike ended on November 4th, which was shortly after this statement had been printed.*

SMITH'S STAMPING WORKS (COVENTRY)

INCREASED OUTPUT

The sixty-third annual general meeting of Smith's Stamping Works (Coventry) Limited was held on November 24th at Birmingham, Mr S. Bramhall, MBE, chairman and managing director, presiding,

The following is an extract from his circulated statement for the year ended August 2, 1958:

Despite the fact that Group Output increased by 8 per cent compared with last year, I have to report a reduction in total profits. The reduction in demand at the end of our year's trading adversely affected the excellent progress made during the first half.

The profits for the Group for the past year's working are £517,345 before depreciation of £118,620 against £580,474 with depreciation £118,466. Taxation is £213,269 as against £252,719, leaving us with a net profit of £185,456 as against £209,289. Your Board recommend a Final Dividend of 7½ per cent, making 12½ per cent for the year.

At the time of writing there is less activity in our business than we would wish, but when there is a return to more stable conditions we are confident that we shall continue to receive a high proportion of the contracts sought, with consequent advantage to our results.

Order cover under present circumstances is very satisfactory; we are meeting increasing competition in many directions, but our organisation with its up-to-date equipment and manufacturing facilities should continue to expand its markets.

The report and accounts were adopted.

Mr H. M. H. Fox, Works Director at Lincoln, was re-elected a Director of the Company and appointed Production Director of the Group.

THE NATIONAL BANK OF AUSTRALASIA

(Inc. in Victoria)

PROUD MILESTONE IN BANK'S HISTORY

The Ordinary General Meeting of The National Bank of Australasia Limited was held on November 26th in Melbourne.

Mr H. D. Giddy, the chairman, presided and, in the course of his speech, said: On October 3rd last our Bank completed one hundred years of trading. We are all proud of this milestone, and your directors recommend the payment of a Centenary bonus to shareholders.

A rise of £A316,753 in gross earnings more than offset the increase of £A271,095 in operating costs and resulted in an improvement of £A45,515 in net profit.

Last year, I referred to a number of banking Bills presented to the Federal Parliament in October, 1957. The subsequent rejection of these measures by the Senate was unfortunate, as they were a commendable attempt by the Government to give Australia a true central bank and to ensure fair, competitive banking, with freedom of choice to the public. We are hopeful that the legislation will be resubmitted and will be passed by the new Parliament.

Commenting on world economic conditions and referring specifically to their effect on Australia's economy, Mr Giddy said: Last year I said that measures to stimulate spending may be necessary should the effects of drought or of low export prices threaten to reduce business and employment much below full activity. In fact, considerable monetary expansion has already been undertaken as an offset to the adverse influences. We are a developing nation with a growing population, and a sensible faith in our future is thoroughly justified.

In his review of short and long-term prospects, the chairman said: For the present, we should be able to maintain internal activity without any really embarrassing difficulties, but problems could easily emerge by 1959/60. On current indications, this could be a period when some of the economic and monetary policies that we have developed may come under real test, unless, of course, there is in the meantime a substantial improvement in world commodity prices and especially in wool prices.

Should world commodity prices prove to have become more or less stabilised around lower average levels than have ruled since the war, a basic problem would present itself. Even though we are working hard to expand the quantity and range of our exports, no quick improvement in export receipts could match, say, a 25/30 per cent rise in wool prices. The plain fact is that Australia must guard its international solvency by retaining adequate foreign exchange reserves. With the present outlook for export prices, I do not believe that we could contemplate permitting our reserves to continue to run down at the rate of £A100 million or more per annum.

We all hope, of course, that world prices will rise and enable us to avoid drastic changes in our current policies. But world prices may not rise as we hope, and consequently, in my view, it is vital that responsible people in Government and Industry should continue to be more than usually watchful to ensure that any necessary corrective measures are appropriately timed.

The report and accounts were adopted.

PETER BROTHERHOOD LIMITED

A HIGHLY SATISFACTORY RESULT

PROPOSED CAPITALISATION OF RESERVES

MR A. MARCUS NEAL ON THE OUTLOOK

The fifty-first annual general meeting of Peter Brotherhood Limited, was held on November 25th at Winchester House, Old Broad Street, London, E.C., Mr A. Marcus Neal, JP, ACGI, AMICE, chairman of the company, presiding.

The secretary (Mr Joseph Gerrard) having read the notice convening the meeting and the auditors' report,

The chairman said: Gentlemen, the balance sheet and accounts have been in your hands for some time and you will have noted that, except in the matter of degree, they follow very closely those of previous years, the main difference being the exceptional trading profit before taxation, which totals £532,758 for the year under review against £375,778 for the year ending March, 1957.

AN EXCEPTIONAL PROFIT

This increase in profit is only partly accounted for by the rise in turnover during the twelve months; it is, in fact, to a considerable extent, due to a factor which cannot always be expected to recur.

As I have pointed out previously, in a business of this type, manufacturing a large and varied range of engineering products, it is inevitable that although the tempo of activity may not vary greatly year by year, there may be considerable fluctuations in the amounts of work actually completed, invoiced and brought into account per year.

Further, although instalments of payment on account of work done are received in most cases from time to time, it sometimes happens, particularly with Service contracts where it has not been possible to agree a price, that a profit cannot be taken until the work has been completed and a price has been agreed.

It so happens that several large contracts have been completed during the year under review and that each of the above factors has influenced the profit attributed to the year.

It is for this reason that your Board in their report announce that the profit figure is exceptional and is therefore unlikely to be repeated next year.

But, apart from these circumstances, we have reason for satisfaction with our trading during the year in the fact that where business had, in the past, been found to be unprofitable we were, in most cases, able to negotiate increases in price or, alternatively, to replace it with more remunerative work.

INCREASED EFFICIENCY OF PRODUCTION

An increased efficiency of production has also undoubtedly taken place. Last year I informed you that Mr Wm. Thompson had been appointed Works Manager. I am glad to say that he has recently extended his Service Agreement with us for a further period of five years, for, in your Board's view, the efficiency of production in the works has never been higher than during this year under him and under Mr A. L. Busby, our Deputy Works Manager.

While on the subject of organisation I should let you know that on January 1st of this year I handed over the General Managership of the firm to Mr S. J. Bellamy, a member of the Board, who was my assistant for many years and had held the position of Assistant General Manager under agreement since early in 1951.

From my long experience of his abilities I am sure that he will exercise the duties of General Management with complete success and that the transfer of this important office to a younger man will be to the benefit of the firm and all concerned.

FIXED AND CURRENT ASSETS

To return to the balance sheet and accounts, as already stated they vary little from those of previous years but there are one or two points to which I think attention might, perhaps, be drawn.

On the Assets side of the balance sheet the value of the Fixed Assets has increased during the year by £19,025 to a figure of £707,640. You will remember that last year I informed you that it had been decided to spend £120,000 upon machine tools and equipment; £70,000 of this only is included in these accounts, the remainder having been expended since March 31st this year.

There is little doubt that the advantages of this expenditure upon machine tools and equipment will make themselves felt in the near future.

Under Current Assets it will be noted that there is an increase of £235,964 consisting, in the main, of an increase in the Debtors and Prepayments item and in Tax Reserve Certificates.

On the liability side the Current Liabilities amounted to £590,214 against Current Assets of £1,813,064, a surplus of Current Assets over Current Liabilities of £1,222,850.

Reverting to the results of our trading during the year, as already stated, the trading profit before taxation amounts to £532,758. Of this trading profit provision for taxation absorbs no less than £292,250—a somewhat grim reminder—leaving us with a net profit for the year, available for allocation, of £240,508.

DIVIDEND AND BONUS

The question of dividend has been considered by your Board who have decided, in view of the sum available, to recommend the payment of a final dividend of 18 per cent, making with the 6 per cent interim dividend already paid, a total dividend of 24 per cent for the year, all less tax, on the Ordinary shares of the company.

It is further recommended, in view of the healthy financial state of the business, to pay to ordinary shareholders on this occasion, a special bonus of 10 per cent, less tax, from the accumulated funds of the firm.

In addition to the payment of the above mentioned final dividend and of the special bonus and allowing for the preference and interim dividends already paid, we further recommend the allocation of £100,000 to General Reserve, increasing this Reserve to £400,000 and making a total for all Reserves and Carry Forward of £825,490.

PROPOSED SCRIP ISSUE

The question of these Reserves has been considered by the Board and we have decided, in order to bring the issued share capital more into line with the capital actually employed in the business, to ask the shareholders' permission to increase the authorised capital of the company, so that we may capitalise a portion of these reserves by the issue to existing Ordinary shareholders of one new Ordinary share for each two existing Ordinary shares held, and we propose to invite the shareholders to meet us again for this purpose in the early part of the New Year.

As to the immediate future, there is every indication at the moment that both turnover and profits for the year ending March 1959 will be satisfactory and comparable with the averages for the past few years.

REASONABLY SATISFACTORY ORDER BOOK

Looking further into the future I am pleased to report that, although the rate of receipt of orders has lessened recently, we still have a reasonably satisfactory order book and every confidence that this will be sustained, thus ensuring continuity of work for a considerable time.

In conclusion, I feel sure shareholders will agree that the result of the year's trading has been highly satisfactory, reflecting credit on all who have been concerned in carrying on the business of the company, not forgetting our Design Staff, who, headed by Mr E. Smyth, are, to a great extent, responsible for the versatility on which we pride ourselves.

May I be allowed, therefore, to thank, on your behalf and on behalf of myself and my colleagues on the Board, the whole of our staff and employees for their contribution towards the satisfactory result achieved.

The report and accounts were unanimously adopted; the proposed dividend and bonus were approved; the retiring director, Mr S. J. Bellamy, was re-elected; the remuneration of the auditors, Messrs Whinney, Smith and Whinney, was fixed and the proceedings terminated with a vote of thanks to the chairman, directors, staff and employees.

At a subsequent extraordinary general meeting new Articles of Association were adopted.

PICKFORD, HOLLAND & CO.

MR RONALD STEEL'S STATEMENT

The annual general meeting of Pickford, Holland & Co. Limited, was held on November 25th at Sheffield, Mr Ronald Steel (the chairman) presiding.

The following is his circulated statement:

I have always tried to keep before you the fact that the prosperity of your company is intimately bound up with the level of demand of our customers in the steel trade and coke oven industry. Up to March this year our sales and margin of profit compared favourably with the corresponding figures for the previous year but from then until the end of June there was a marked deterioration and, as you will see, last year's trading profit which showed an increase of more than £100,000 has not been maintained.

TRADING CONDITIONS

You will be well aware of the unexpected falling off in demand which the steel industry experienced in March this year; the official figures which are published show that in the first three months of 1958 steel production was approximately the same as for the first three months of the previous year; the second quarter on the other hand showed a fall of 10 per cent. This has not only reduced the requirements of our customers for current usage but it has also made it necessary for them to adjust their stocks down to this lower level of activity.

Another adverse factor during the year has been the drop in prices of imported chrome ore; it is always essential for us to ensure that the production of basic bricks for the steel trade shall suffer no interruption and consequently we have to hold large stocks of this raw material and with the very heavy demand for our products at the time of the Suez crisis it was inevitable that we should have to commit ourselves to forward deliveries at high prices. The trade recession in America reduced the demand for chrome ore and as is well known there was a marked fall in freight rates; during this year therefore we have had to use chrome ore at higher prices than were current and also at the end of the year it was necessary to write down our stocks to market price.

NEW WORKS

Our works at Blaenavon to which I referred last year started up in February and is working most satisfactorily and economically; this project is mainly responsible for the capital expenditure during the year of some £300,000 and this expenditure raises the provision for depreciation (by £25,000) and that for deferred taxation (by £19,000) and has caused the £10,000 increase in bank interest. The reduction in the provision for taxation on the current year's profits is due to the lower trading profit and the effect of the above items.

On the Balance Sheet the increase in creditors compared with the previous year is because the current costing and financial year ended on June 29th which is the day before the normal date upon which our cheques are paid. The large investment in capital assets and the increase in loose tools and in stocks, which are mainly attributable to the new works at Blaenavon, account for the increase in the bank overdraft.

After making the above mentioned increases in the provisions for depreciation and for deferred taxation we propose to transfer to General Reserve the sum of £50,000 and to pay the same dividend and bonus as last year.

THE OUTLOOK

In the third quarter of this year the steel production figures showed a further fall, being 16 per cent down on the corresponding quarter of 1957, so unless there is an improvement in activity it is most unlikely that our current year's trading profit will be maintained. However, our plant is modern and efficient and the quality of our product is giving satisfaction to our customers and I am sure our sales staff will at least maintain our share of the business available.

Our thanks are due to the managers, staff and workmen for their loyalty and hard work during the year.

The report and accounts were adopted and the total dividend distribution of 20 per cent was approved.

EASTWOODS LIMITED

SIR THOMAS MOORE ON THE CURRENT POSITION

The thirty-eighth Annual General Meeting of Eastwoods Limited was held on November 20th in London.

Lieutenant Colonel Sir Thomas C. R. Moore, Bart, CBE, MP, chairman of the company, in the course of his speech, said:

For the first time since the end of the war, the trading profit has fallen below that of the preceding twelve months. In the first place there has been a progressive intensification of the Government's disinflationary policy during the period under review which resulted in a noticeable reduction in demand, and furthermore, termination of the aerodrome programme especially affected disposal of cement in the Eastern Counties where two out of the Company's three cement works are located.

A major overhaul of one of the Company's rotary cement kilns was another exceptional factor which contributed to the fall in trading profits. The full cost of over £60,000 has been charged in last year's accounts and therefore paid for out of profits.

Profits before taxation were reduced by £124,000 to £522,000 and taxation takes no less than £339,000, leaving a Group net profit of £183,000.

Our main preoccupation last year was to concentrate on increasing the efficiency of existing plant and processes.

The turnover of the Group for the first half of the current financial year shows an increase of nearly 10 per cent over the figures for the comparable period in 1957. Given a reasonably good winter, therefore, our profits for the year to March, 1959, should show an improvement over last year but we cannot base absolutely firm conclusions on half-yearly figures, subject as we are to the wide seasonal fluctuations which are inseparable from the building industry.

In spite of the restrictions which have been in force until recently, Eastwoods have been operating until the present time at a relatively high level largely because of the increased Fletton brick outputs available from our Orton extensions, but there is some indication that the industry's order book for building work generally is now beginning to decline. Construction work for public authorities, notably road building, has increased recently, as has also repair and maintenance work, but this has been more than offset by a fall in the amount of work on housing, in addition to which the number of workers employed in the industry is less, and the volume of private industrial construction has been reduced.

Looking ahead, we are greatly heartened by the fact that the Government have been able to permit a resumption of an increase in the total capital available for investment in the public sector. A new impetus has also been given to private enterprise by reductions in the Bank rate, relaxation of the credit squeeze and the sweeping away of hire purchase restrictions.

In the forefront of their programme the Government are pledged to press on with the provision of new schools, hospitals and prisons. Money will be lent to building societies to aid the purchase of older and smaller houses and local authorities will be enabled to make loans up to 100 per cent on house property. Above all the roads programme will be pressed ahead with all possible speed.

The report and accounts were adopted.

THE FAIREY AVIATION COMPANY

A YEAR OF ACHIEVEMENT

The thirtieth annual general meeting of The Fairey Aviation Company Limited was held on November 20th in London.

Mr Geoffrey W. Hall, FRAeS, chairman and managing director, in the course of his speech said:

The Consolidated Group Trading Profit, amounting to £2,231,146, shows little variation as compared with the three preceding years, and in all the prevailing circumstances is a very satisfactory figure.

It is no secret that the aircraft industry is facing a very difficult situation, possibly the most difficult in its entire history, and our company is no exception to the general rule. The present Defence Policy has caused a lack of orders for Military aircraft and it has thus become essential, almost overnight, to find extensive work in the Civil aircraft market if our Engineering and Production potential is to be utilised.

Our financial resources are heavily committed for the next few years. Our recommendation to you, therefore, is that the dividend be maintained at last year's figure of 1s. 6d. per share.

CURRENT ACTIVITIES

I will now review some of the current activities of the Group. The Gannet Mark 3 prototype aircraft first flew last August and has continued flying successfully, and in the last few days has carried out initial Carrier Trials. This aircraft provides Early Warning Radar cover for the Fleet and we have a limited order for the Royal Navy.

During the year our Ultra-Light helicopter has given first-class performance on trials, operating from ships of the Royal Navy and on Army duties. Development has also continued for a Certificate of Airworthiness.

Last year I mentioned that we had a new Weapon project. I can now tell you that we have been entrusted with the design and development of the anti-tank weapon for the British Army and we are very pleased to be handling such an important weapon. Work on this is continuing steadily, but no more can be said at present. Our interests in the Atomic Energy field have widened in the year under review. We feel justified in claiming that our recent record of technical achievement is unsurpassed by any other aircraft company in the world.

THE ROTODYNE

Since December 31, 1957, we have been financing the Rotodyne project, whilst negotiations have proceeded with the Government to try to find a financial solution. Your Company is very proud of this achievement and we have the highest confidence in the project.

It is no surprise to us that considerable interest has been shown in the Rotodyne by the airline operators of the world and by the United States Armed Forces. We have made an agreement for the sale and manufacture of the Rotodyne in the United States of America with the Kaman Aircraft Corporation. Negotiations with the Ministry of Supply have been protracted and though they have expressed satisfaction with the technical performance and development of the aircraft they have not yet agreed to a Government contribution.

Summing up, I personally felt it was essential to give you a clear perspective of what we face as a company. Admittedly, the aircraft side in this country is gloomy. On the other hand, the work being carried out by our subsidiary companies is excellent and expanding. Also our efforts in the fields of diversification are showing encouraging signs.

The report and accounts were adopted.

THE PERAK RIVER HYDRO-ELECTRIC POWER COMPANY

OPERATIONS ADVERSELY AFFECTED BY TIN RESTRICTION SCHEME

The thirty-second annual general meeting of The Perak River Hydro-Electric Power Company Limited was held on November 20th in London, Mr Hugh G. Balfour (the Chairman) presiding.

The following is an extract from his circulated statement:

The financial year to July 31, 1958 witnessed severe restriction of tin exports from Malaya, and from most other tin producing countries, in consequence of the introduction by the International Tin Council of the Tin Control Regulations which came into force on December 15, 1957. The effect of the restriction scheme has been to reduce the average level of tin production in Malaya during the period up to December 31st next (which covers the first four tin quota periods), to approximately 44 per cent of the previous level of production as defined in the scheme.

COMPANY'S OPERATIONS

Since over 85 per cent of the Company's output of electricity is taken by the tin mining industry in the Kinta Valley, it will be understood that the tin restriction scheme has had, and continues to have, an adverse effect on the Company's operations. The result is that the Company's Gross Revenue from the sale of current and miscellaneous income for the financial year to July 31, 1958, was £1,456,268 as compared with the record figure of £1,683,155 for the previous year. Up to the introduction of the scheme on December 15, 1957, the Company's business continued to expand, the maximum demand on the system rising to a new peak of 72 mW in October, 1957. Until the end of January, 1958, the restriction on tin production did not seriously affect the Company, as mines on the whole continued normal output until their tin quota for that period had been filled; but thereafter a sharp decline set in. In July, 1958, the last month of the Company's financial year, the maximum demand fell to 45 mW, and in September it was 40.6 mW.

Total units generated by the Company during the year to July 31st last were 376,973,600, a decrease of 15 per cent on the previous year.

The first of the two new 12 mW generating sets which are being installed at Malim Nawar Power Station will be in commission by the end of the present calendar year and the second set is expected to be commissioned early in 1959. These two sets should make a considerable contribution to the generating efficiency of the undertaking, and, in conjunction with economies in operating expenses, should go some way to offset the probable fall in revenue during the current financial year.

The Kinta Electrical Distribution Company, Limited had a good year and continued to develop its business. The total number of consumers connected (excluding those in the 19 villages operated on behalf of the Government) was 27,249 compared with 25,400 at the end of the previous year. The total number of units sold was 18,812,624.

The present quota for Malayan tin exports under the International Tin Agreement expires on December 31st next, and any continuation of the present restricted rate of tin production in Malaya beyond that date would clearly result in some further diminution of the Company's profit as compared with the figures for the financial year covered by the Accounts now submitted. In the circumstances, it is probable that the Board will be unable to make any decision as to dividend on the Ordinary Share Capital of the Company until the results for the current financial year become available.

The report and accounts were adopted and the final Ordinary Dividend of 6 per cent approved, making a total of 10 per cent for the year.

UNITED WINE TRADERS

DIVIDEND MAINTAINED

SIR KENNETH MURRAY'S STATEMENT

The sixth annual general meeting of the United Wine Traders Limited, was held on November 24th at Suffolk House, 5 Laurence Pountney Hill, London, E.C., Sir Kenneth Murray, chairman of the company, presiding.

The secretary (Mr Geoffrey Butler) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended June 30, 1958:

The combined profits of the Group, after taxation, at £36,540 show a reduction of £6,642 compared with the Group's taxed profits of the preceding year.

While Home Trade was maintained at a satisfactory level, the Brandy Export Trade of one of the Operating Companies suffered substantial reduction in the Far East, as a direct result of the fall in commodity prices in those territories where a valuable Export Trade had been built up.

Conversely, the Whisky Export Trade to America, which I have referred to in previous years, continues to develop satisfactorily and seems likely to develop still further to the advantage of your Company.

As regards the future, the profits earned by the Operating Companies during the first three months of the current year are higher than those for the corresponding period last year, but it is too early yet to forecast the trend in the Far Eastern market to which I have already referred.

In addition to the Preference dividend for the year and an interim dividend of 7½ per cent on the Ordinary shares, which have already been paid, your Directors recommend payment of a final dividend of 17½ per cent on the Ordinary Shares, making a total distribution on these shares of 25 per cent, being the same rate as was paid last year and enabling a sum of £12,571 to be added to the Carry Forward.

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

The remuneration of the auditors, Messrs William S. Ogle & Co. and Messrs Gillespie Brothers & Co., was fixed.

NORTH KALGURLI (1912) LIMITED

LARGER PROFIT

The annual general meeting of this company was held on November 26th in London, Mr H. A. Kemlo, chairman, presiding.

The following is an extract from his circulated statement:

The year to March 18, 1958, followed fairly closely the pattern of the previous year. Our profit for the year, before tax, was £143,000 against £115,000, reflecting an increase in the grade of ore treated from 5.103 dwts per ton to 5.357 dwts per ton. Taxation took £1,967 against £35,042, £1,800 being Profits Tax in respect of the period to April 5, 1957, and the rest Income Tax on our non-mining income. Although this company, as an Overseas Trade Corporation, pays no tax on its mining income, it does have to pay the Income Tax attributable to dividends, so that the cost of any dividend to the company is now the gross amount instead of the net as formerly. A final dividend of 6d. a share is proposed, making a total for the year of 10½d. a share, taking £144,375 gross.

Work at the Mine is going ahead well in all departments. The actual sinking of the Main Shaft extension to 2,100 feet has been completed, and subsidiary work on timbering, loading station, and electrical and piping installations is proceeding. The addition of a post-cyanidation section to the Treatment Plant, which will give us better recoveries, is well under way, and should be completed by the early part of next year.

The report and accounts were adopted.

ALBION DROP FORGINGS

The fifty-sixth Annual General Meeting of Albion Drop Forgings Company Limited, will be held on December 22nd in Coventry.

The following is an extract from the statement of the Chairman, Mr J. L. Brockhouse, MA:

The profits have been maintained only by an increase in output, as during the year we have experienced severe competition in the Drop Forging Industry, and a consequent reduction in the ratio of profits to sales.

You will recollect that I drew your attention to the necessity of modernising certain sections of our plant two years ago, but since then we have experienced the credit squeeze and prohibitively high rates of interest on borrowed money. In order to finance the re-equipment programme your Directors have taken the first opportunity of raising funds by the issue of a First Debenture for One Hundred and Fifty Thousand Pounds at Six Per Cent, repayable as to part by a sinking fund and the rest to be extinguished by 1978/83. This method of raising capital appears to be the cheapest at the present time, and one which best protects the equity interest of the Shareholder. The Trust Deed provides for the raising of further loan capital if desired, provided a certain level of earnings and asset/liability ratio is maintained.

Modern drop forging equipment is expensive, but this debenture together with the amount which the Company can provide from its own resources should be sufficient to accomplish the first phase of re-equipment which will extend over two or three years.

J. BROCKHOUSE & COMPANY

WIDER MARKET FOR PRODUCTS

The sixty-first annual general meeting of J. Brockhouse & Company Limited will be held on December 19th at West Bromwich.

The following is an extract from the statement of the Chairman and Managing Director, Mr J. L. Brockhouse, M.A.:

Although the trading profit for the Group as a whole is slightly less than that for the previous year, there is some cause for satisfaction in that the period under review has been one of intense competition, and particularly as the results from our home companies show an increase over the previous year. The increase is due in the main to the fact that certain of our more recent products, which are the result of our own development, are now finding a wider market and showing a better yield on the capital and effort which has been invested in them.

Commenting on the sharp reduction in profit margins on the supply of semi-finished products for the Engineering Trade, the chairman said that they had been fortunate enough to keep most of their plant occupied. The one satisfaction to be derived from that was that it had proved the Company to be competitive in those fields, and in most of their factories they had been able to show an improvement in output.

The chairman concluded: I feel that your Company has never been in a stronger position to take advantage of any increased activity there may be in the General Engineering trade of the Country.

CORONATION SYNDICATE LIMITED

The fifty-third annual general meeting of Coronation Syndicate Limited, will be held on December 17th in Johannesburg.

The following is an extract from the circulated review of the Chairman, Mr S. F. Dench:

The Group net profit for the year earned after charging £28,528 for depreciation, was £183,061 in comparison with £159,949 for the previous year. The rise in profit is due partly to increases in mining profit, dividends received and interest earned.

An amount of £46,225 has been provided for taxation; £30,000 has been transferred to General Reserve; £2,500 has been transferred to Stores Reserve and £1,500 has been written off claims and shafts. Dividends, including a proposed Dividend No. 13 of 4d. per share, total £93,917. There remains an unappropriated balance carried forward of £18,402 as against £9,483 brought in from last year.

Muriel Mine: Working profit at the mine was £118,647 before charging depreciation. This compares with £134,455 for the previous year, the decrease being due to the decline in the copper price. Working costs increased from 59s. 3d. per ton crushed to 60s. 3d.

Arcturus Mine: The present rate of development is well in excess of that of last year.

The working profit at the mine was £108,967, before charging depreciation. This compares with £64,611 for the previous year. Working costs were reduced from 59s. 3d. per ton crushed to 49s. 8d.

IND COOPE

HIGHER TURNOVER

The forty-sixth annual general meeting of Ind Coope & Allsopp Limited will be held on December 18th in London.

In his circulated statement, Mr Edward Thompson, MBE, TD (the chairman) said that with the Industry barometer at Set Fair, as measured by the Stock Exchange, a word of caution seemed appropriate about the likely effect of the economic climate on beer drinking in the near future. It might be wise, he thought, to recognise that the pint, heavily taxed as it was, had been proving relatively less attractive to the working man in terms of the many other items competing for his pocket.

The chairman continued: For the year under review our turnover under all headings was £40,800,000, an increase of 1.7 per cent compared with last year's figure of £40,124,000.

On the Wholesale side sales of beer to licensed properties owned within the Group were down, while sales to other customers were again up, largely through increased sales of Long Life and Graham's Lager. In spite of a noticeable swing back into draught beer in some parts of the Country, Double Diamond has held its own. Turnover in wines and spirits is some 9 per cent up on last year. On the Retail side of our business, consisting mainly of Hotels, Managed Public Houses and Shops, turnover was up some 3 per cent.

After commenting on the completion of a capital reorganisation during the year the chairman said that it was now possible to reorganise the administration of the very considerable Group estate of which a proposal to change the name of the Group to Ind Coope Limited was a by-product.

In conclusion Mr Thompson said that export trade remained difficult though sales in can had increased sharply, somewhat at the expense of sales in bottle.

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COMPANY AFFAIRS

GILBEYS

ON all counts except one the rights issue of deferred ordinary shares by Gilbeys, the wine shippers and distillers, has strong merits. They are strong enough to make the issue stand on its own feet without being underwritten. It is intended to raise about £860,000 by an offer of three new 5s. deferred shares at 8s. each for every ten shares held by the holders of the deferred and management share. The issue price of 8s. compares with a market price for the deferred of 12s. 9d. and as the directors expect to be able to maintain the 13½ per cent dividend on the new capital the new units are offered on the basis of nearly 8 per cent. Dealings in the new shares (nil paid) have taken place at 3s. 10½d. premium.

The one demerit of the issue is that it perpetuates an anachronistic capital structure, and may therefore store up trouble for the future. Gilbeys is very much a family firm; this is its first cash issue during its 100 years history. The family controls the 6,000 management shares of 5s. which alone have the votes; the owners of the 7,194,000 deferred shares of 5s. and of the 720,000 preference shares of £1 have no vote except in such special circumstances as a winding-up or a reduction of capital. On the effective control of the company as a going concern, the deferred shareholders, who provide the bulk of its capital, have no say. The new issue simply leaves the number of management shares at 6,000 and raises the number of deferred shares to 9,354,000 without altering this situation one jot. It is true that the Gilbey family own a good number of the deferred units and through the new issue are therefore putting up part of the new money. But the outside shareholders are being asked to do so as well, and they, in fact, are in much the same position as the "B" shareholders in Carreras were, financially committed but powerless. The Carreras affair demonstrated that such a position can be far from enviable. What is control worth in Gilbeys? And if control ever changes hands, what can the deferred shareholders hope to get?

ROYAL DUTCH/SHELL

IN the third quarter this year, the Royal Dutch/Shell group was producing, processing and selling slightly more oil and oil products than in the two preceding quarters. Moreover, the accompanying table shows that it was selling at a slightly better margin of profit. These margins do not compare favourably with those earned by the group in the aftermath of the Suez crisis in 1957 when it reaped a premium benefit from its operations in Venezuela, but they do confirm the tentative conclusion drawn from the second quarter's results that the worst then seemed to be over.

But what can shareholders expect now? Net earnings in the third quarter amounted to about Fl. 3.58 on Royal Dutch ordinary and to about 3s. 5d. on "Shell" Transport units. Net earnings per share, in fact, are neither much better nor much worse than those recorded in the earlier months. The rate of capital expenditure continues to run at the same rate: in the third quarter about £93½ million was spent on capital account, compared with about £92 million in each of the two preceding quarters. But over the three months to September 30th the group's holdings of cash and short term securities improved from £446 million to nearly £466 million. This improvement may only be temporary, but the cash holdings are well above the £331 million reported on September 30, 1957. With equity earnings stable and with no let-up in the capital programme, cautious investors will still assume that the ordinary dividends—25 per cent for Royal Dutch and 18¾ per cent, tax free, for "Shell"—are likely to be repeated on the capital as swollen by the enormous "rights" issues at the beginning of the year. At £18 Royal Dutch yield 2¾ per cent, while "Shell" at 155s. yield 4.2 per cent on this assumption of unchanged rates.

SALES AND INCOME

(£ million)

	1957			1958		
Quarter	II	III	IV	I	II	III
Sales:						
Inc. duties	663·6	667·9	659·0	613·3	629·4	665·9
Ex. duties	527·4	516·0	519·0	483·4	477·9	501·3
Income:						
Gross	108·0	92·4	73·0	70·0	69·4	76·4
Net	58·8	56·9	45·3	38·7	36·4	38·4
*Income/sales:**						
Gross (%)	20·5	17·9	14·1	14·4	14·5	15·2
Net (%)	11·1	11·0	8·7	8·0	7·6	7·7

* After deducting sales taxes and excise duties from turnover.

BARCLAYS BANK DCO

BARCLAYS BANK DCO has followed the lead of its parent in liberalising its distribution policy. The final ordinary dividend for the year to September 30th has been raised by one per cent to 5 per cent, increasing the total dividend from 8 to 9 per cent. The results for the full year show an increase of £105,882 to £1,267,355 in profits after tax and transfers to inner reserves, and the ordinary dividend absorbs £669,244—a rise of £74,360 over last year's payment. The statement of profits for the first six months of the financial year—Barclays DCO is the only bank that publishes an interim profit—showed an increase of only £24,000 to £584,000, so that there has been a considerable acceleration in the growth of profits in the second half of the year. This year's improvement has restored profits to the peak level reached in 1955-56. The fall in profits last year was attributable more to rising operating expenses than to the loss of the Egyptian business, which though long established contributed only one-twentieth of the total business of the bank in 1955-56. On the 9 per cent dividend, Barclays DCO ordinary £1 shares yield 5¼ per cent at the current price of 34s. 6d.xd.

COMMERCIAL BANK OF THE NEAR EAST

THE Commercial Bank of the Near East reports a loss of £75,096 in its year to December 31st and it has passed its dividend. This follows a steady fall in profits in the past few years, during which the dividend has been maintained at 3 per cent. The bank is a subsidiary of the Commercial Bank of Greece; and when its two Egyptian offices were sequestered in 1956 it passed them on to its parent, which is now operating them. This has left the Commercial Bank of the Near East only its London office. Its business is now of a general merchant banking nature; the big loss is attributed to "the failure of certain customers," understood to be shipping firms. Moreover, further losses have been incurred by the bank in the current year due to the same cause: but "the reserves should be adequate to meet them." The balance sheet shows published reserves of £70,000, supporting a share capital of £200,000. The 1957 loss is "covered" from the small carry-forward and by crediting £70,000 due from the parent but awaiting permission of the Greek exchange control for transfer. Attention to this anticipated credit is drawn in the auditors' note.

ALLIED BAKERIES

THE low yield of 3.8 per cent on the "A" 5s. ordinary shares of Allied Bakeries, now standing at 39s. 6d., puts a big discount on growth. How far is it justified? This huge food and confectionery group, controlled by George Weston Holdings with Mr W. Garfield Weston at its head, is certainly building up its strength at a remarkable rate, acquiring many new subsidiaries as well as spending money on development. Total assets shown in the balance sheet at March 29th were £51.2 million, against £44.4 million a year earlier. And this total is shorn of goodwill: the acquisition of new subsidiaries and the development of existing subsidiaries brought £986,000 into the goodwill account during the year, but all of this sum was written off by appropriations from profits. At cost fixed assets have risen by £8.3 million to £49.1 million, and they stand in the books at a net figure of £34.7 million, against £29.3 million. Nor is this the end of the road; deposits on account of capital expenditure went up from £627,000 to £1,153,000 and further commitments—far from contracting—have actually risen by £750,000 to £3.4 million. But there is another side of the medal: despite big transfers to reserves from profits the group's short-term indebtedness has risen from £4.9 million to £6.8 million, while its liquid assets remain almost unchanged at just under £1½ million. Self-financed investment often has this price.

Expansion, however, is the source of the striking growth in profits. In the year to March 29th last gross profits rose by nearly £1 million to just over £6 million and net profits by £781,000 to £2,843,000, following an increase in sales from £92 million to £107 million. The company had no difficulty in meeting the directors' earlier promise to pay a total ordinary dividend of 30 per cent (including a special bonus of 3 per cent), as compared with the equivalent of 22½ per cent paid in 1956-57. In September *Allied Bakeries* made a successful bid for Peter Keevil and George Walker and the fruits of this acquisition and the expansion of its assets should be reflected in the current year's results. When the chairman makes his speech at the annual meeting, nearly nine months of the current year will have elapsed. He will no doubt be able to give a fairly accurate forecast of the prospective profit for the year, and possibly some indication of the dividend. He will make his comments, however, against a background of severe competition in the baking and confectionery trades, where other big groups have also been intent on expansion.

Brewery Profits

MUCH money has been sunk by the brewing groups in the modernisation of their licensed premises and production facilities. Much managerial skill has been sunk into the battle to reduce costs by rationalising production and distribution and by developing alternative outlets. In particular, both money and skill have been lavished, first, on bottled beers and now, to a lesser extent, on canned beers. Nevertheless, the year's results still bear the imprint of the weather and the economic climate. Beer production contracted by about 3 per cent in the "brewers' year" to September 30th. Apart from a small rise in March and an unseasonable recovery in September, production has run consistently below the level for the previous year. But recent brewery results are sprinkled with increased profits and better dividends. Shareholders can count themselves lucky: competition within the industry is no less intense and competition from other consumer goods and services has increased and seems likely to continue to do so.

Mr Edward Thompson, the chairman of **Ind Coope and Allsopp,** which had reported a fall of £72,963 to £4,375,011 in its trading profit, emphasises one disadvantage that the brewers have to put up with when they compete with other industries for the consumer's shilling. When tax has been reduced on 1 any other purchases, Mr Thompson asks, "is this not the time when men and women who enjoy their pint may justly ask to be relieved of what amounts to a purchase tax of 100 per cent?" In the year to June 30th expenditure on beer, as a percentage of total personal expenditure, fell by almost one-twentieth, and the abolition of hire purchase controls and the ready availability of consumer goods may reduce this proportion further.

The full accounts reveal Ind Coope's turnover for the first time: total sales rose by 1.7 per cent from £40.1 million to £40.8 million, but within this total the turnover in wines and spirits rose by 9 per cent to £7 million—a movement confirmed by the experience of Strong & Company. But within the beer trade the preference for bottled beers was not so marked as it has been in earlier years; indeed, some beer drinkers seem to have gone back to draught ales. That may not please the brewers, for the margins on bottled beers are better for them and their publicans.

Ind Coope's liquid resources fell by £1.3 million to £1.8 million over the year and CIC consent has been obtained for the issue of up to £2 million in a debenture stock. The issue will be easy to make now that the group's capital structure has been reorganised. The money is required for the development of the group's lager breweries and for the modernisation of its hotels and public houses. New licensed premises are required where the population is growing and the company's interest in hotels is a useful counterweight to the reduction of beer's share in personal consumption.

Strong and Company of Romsey has the rather unusual distinction among brewery shares of having its deferred ordinary dividend covered more than three times by earnings. The flat rate profits tax may therefore have been a major factor in encouraging the directors to make one of the biggest proportionate increases in dividend yet announced by brewing companies. The total payment on the deferred stock has been raised by 5 per cent to 30 per cent, and a one-for-one scrip issue will also be made as part of the process towards simplifying the company's complicated capital structure. On this announcement the £1 units gained 16s. 3d. to 106s. 3d. This company has clearly benefited from its links with Whitbread and Company and it bottles Mackeson stout for that group. Trading profits rose from £854,937 to £874,355 in the year, and the bigger dividend absorbs £69,000 out of a net profit of £270,706.

	Price, Nov. 18	Price, Nov. 26	Yield %
Ansells	56/3	57/–	5·61
Butler (W.)	56/10½	57/6	5·22
Cheltenham	37/6	42/6	6·59
Ind Coope	12/3	12/3	5·71
Joshua Tetley	35/–	34/–	6·18
Phipps N'hampton	90/–	100/–	5·65
Strong & Co.	101/3	106/3	5·66
Ushers Wiltshire	36/3	35/3	5·96

Joshua Tetley and Son is a northern group which publishes regular quarterly analyses of sales and profits. Trading profits at £1,138,790 for the full year differ from the 1956-57 results by only £940, the slight decline in profits shown at the end of nine months' trading being reversed in the last quarter of the financial year. The ordinary dividend has been raised from the equivalent of 10 to 10½ per cent; the new dividend absorbs £158,484 (against £150,937), but the increase is more than covered by the advance in net profits from £418,397 to £438,185.

Cheltenham Brewery Holdings has raised its total payment by 2 per cent to 14 per cent and its £1 ordinary units were immediately marked up by 4s. to 42s. 6d. After tax of £216,818 (against £200,249), net profits were £35,846 higher at £149,394.

P. Phipps and Company acquired Northampton Brewery in May, 1957, to form **Phipps Northampton Brewery.** The group therefore has had the advantage of any benefits it could derive from this merger for a full year and gross profits have risen from £882,921 to £908,667 and net profits from £370,682 to £399,358. That result warranted a small rise in dividend. One, indeed, was made, the payment going up from 27½ to 28¼ per cent. This seems to have taken the market by surprise, for the £1 ordinary units were marked up by 10s. 6d. to 100s.

Ushers Wiltshire Brewery has also raised its dividend—but only from the equivalent of 10 to 10½ per cent. Trading profits have risen by £31,785 to £630,112 and net profits by £10,661 to £139,683. Its properties are spread more widely than its name implies, stretching into the counties of Berkshire, Oxfordshire, Somerset, Gloucester and Worcester. **W. Butler and Company** serves Birmingham and the Black Country. Its gross profits advanced from £779,854 to £821,583 and its net profits from £316,259 to £335,851. Again, the ordinary dividend has been raised—from 14¼ to 15 per cent. **Ansells Brewery,** which also serves Birmingham, is, on the other hand, paying an effectively unchanged dividend of 16 per cent, for its gross profits have fallen from £2,524,606 to £2,500,767 and its net profits from £1,169,700 to £1,150,697.

Company Affairs *continued on p. 846.* **London and New York Stocks** *on next two pages.*

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Nov. 19, 1958	Price, Nov. 26, 1958	Net Yield, Nov. 26, 1958 § £ s. d.	Gross Yield, Nov. 26, 1958 £ s. d.
99 13/16	96 1/16	War Loan 3% 1955–59	99 21/32	99 11/16	1 18 1	3 7 2
96 11/16	90 3/8	Funding 2 1/2% 1956–61	96 1/2	96 1/2	2 18 4	4 1 2
99 13/16	96 13/16	Conversion 2½% 1958–59	99-15-3	99-16-2	0 3 3	3 7 6
97 15/16	93 3/16	Exchequer 2½% 1960	97 13/16	97 7/8	2 14 6	3 15 10
99 1/4	95 3/16	Exchequer 3% 1960	99 1/8	99 3/32	2 3 4	3 13 11
100 11/16	95 5/16	Conversion 4 1/2% 1962	100 11/32	100 15/32	2 5 1	4 6 8
94 19/32	89 7/16	Exchequer 3½% 1962–63	94 5/16	94 5/16	3 1 10	4 7 11
101 11/32	99 7/16	Conversion 4½% 1963	100 31/32	101 1/8	2 9 10	4 9 6
90 1/8	83 5/8	Savings Bonds 3% 1955–65	88 3/4	89 5/16	3 12 3	5 0 11
82 1/8	77 5/8	Funding 3% 1959–69	81 1/4	82	3 17 5	5 6 6
89 3/4	86 3/8	Funding 4% 1960–90	87 5/8	88 3/4	11 4 0 / 2 17 1	13 3 1e / 4 14 2
80	75	Savings Bonds 3% ... 1960–70	79 1/8	79 7/8	3 18 6	5 8 5
91 3/16	84 3/8	Exchequer 2½% 1963–64	90 7/16	90 3/4	3 6 4	4 9 0
82 1/8	78 5/8	Savings Bonds 2½% . 1964–67	82 1/4	83 1/8	3 16 4	5 0 2
74 3/4	69 3/8	Savings Bonds 3% ... 1965–75	73 5/8	74	3 17 11	5 9 5
103 7/16	99 1/2	Exchequer 5½% 1966	102 1/8	102 11/16	2 17 0	5 4 9
83 11/16	78 5/8	Funding 3% 1966–68	82 7/8	83 1/2	3 17 1	5 6 8
95 3/4	91 1/8	Victory 4% 1920–76	95	95 7/8	2 17 5	5 8 3
87	81 9/16	Conversion 3½% 1969	85 3/4	86 1/2	3 13 3	5 7 11
100 1/2	97 1/4	Conversion 5½% 1974	97 7/16*	97 11/16*	3 3 4	5 7 11
78 1/16	71 1/8	Treasury 3½% 1977–80	75 7/8*	75 7/8*	3 12 7	5 7 11
77 1/4	70 3/8	Treasury 3½% 1979–81	75 5/8	76 3/8	3 12 1	5 8 4
102 11/16	98 1/2	Funding 5½% 1982–84	101 7/8	102 11/16	3 1 6	5 9 0e
67 1/4	60	Redemption 3% 1986–96	65	65 5/8	3 6 11	5 1 8
74 1/2	64 3/8	Funding 3½% 1999–2004	71 9/16	72 1/2	3 3 10	5 2 10
76 5/8	69 7/16	Consols 4% ... after Feb. 1957	73 9/16	74 1/2	3 2 4	5 9 4
69 9/16	63 1/2	War Loan 3½% ... after 1952	65 5/16*	66*	3 1 0	5 6 0
68 7/8	62 3/8	Conv. 3½% ... after Apr. 1961	65 3/8	66 1/8	3 1 2	5 6 9
60	54 5/8	Treasury 3% after Apr. 1966	57	57 3/4	3 0 0	5 4 8
52 13/16	46 3/4	Consols 2½%	50 3/4	51 1/2	2 16 1	4 17 9
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	48 3/4	49 3/8	2 18 6	5 2 1
95 9/16	90 1/8	British Electric 4½% 1967–69	94	94 3/4	3 5 2	5 6 3
76 5/8	72 1/16	British Electric 3% .. 1968–73	75 5/8	76 1/2	3 18 1	5 8 7
73 3/4	68 5/8	British Electric 3% .. 1974–77	72 3/4	73 3/8	3 15 8	5 5 7
87 7/16	82 5/8	British Electric 4½% 1974–79	86 3/8	86 7/8	3 7 1	5 5 7
78 1/2	72 5/16	British Electric 3½% 1976–79	76 1/8	76 5/8	3 12 4	5 5 7
87 3/4	82 7/16	British Gas 4% 1969–72	86 7/8	87 5/8	3 10 2	5 8 4
84	79 1/4	British Gas 3½% 1969–71	82 15/16	83 3/8	3 13 6	5 7 5
67 5/8	60 7/16	British Gas 3% 1990–95	65 1/2	66 1/2	3 6 6	5 0 7
76 5/8	72 1/16	Brit. Transport 3% .. 1968–73	75 5/8	76 1/2	3 18 1	5 8 7
85 1/2	79 1/4	Brit. Transport 4% .. 1972–77	83*	83 1/2*	3 9 8	5 7 6
68 15/16	60 15/16	Brit. Transport 3% .. 1978–88	66 3/8	66*	3 11 10	5 5 3

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Nov. 19, 1958	Price, Nov. 26, 1958	Yield, Nov. 26, 1958 £ s. d.
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3 1/2% 1954–59	99 5/16	99 1/2	4 7 0
105 3/8	97 7/8	Australia 6% 1974–76	103 1/8	103 3/4	5 12 10
76 1/2	73 1/2	Ceylon 4% 1973–75	75 1/2	75 1/4	6 8 2
98 1/2	94 1/2	Jamaica 6% 1977–82	98 1/8	97	6 4 10
104 3/4	97 7/8	New Zealand 6% 1976–80	103 1/4	103 3/4	5 13 4
101 1/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	98	98 7/8	6 1 11
74 5/8	69	Southern Rhodesia 2 1/2% 1965–70	72 1/2	72 3/4	5 13 11
		CORPORATION AND PUBLIC BOARDS			
100 5/8	98 1/8	Agricultural Mortgage 5 1/2% 1980–85	100	100	5 10 01
105	98 7/8	Birmingham 5 3/4% 1974–76	104	104	5 7 3e
92 3/4	86	Bristol 3% 1958–63	91 1/4	92 1/2	4 14 01
95 1/2	91 1/2	Glasgow 4 3/4% 1966–68	94 1/2	95	5 8 01
100 1/4	96 1/2	Corporation of London 5 1/4% 1976–79	98 1/8	98 3/4	5 7 01
57 3/4	53	L.C.C. 3% ..... after 1920	53 3/4*	54 1/2	5 10 1
64	56	Met. Water Board 'B' 3% 1934–2003	60 3/4	61 1/2	5 4 81
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	100 1/4	99 1/4	...
180	154	German 5 1/2% 1930 (Enfaced 4 1/2%)	179 3/4	178 1/2	...
18	12 3/4	Greek 7% Refugee 1924	16 3/4	17 1/4	Nil
169	160	Japan 5% (Enfaced) 1907	162	162	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	117	116 1/2	...
53 1/2	48	Uruguay 3 1/2% Bonds (Assented)	53 1/4*	53 1/2	...

NEW YORK CLOSING PRICES

	Nov. 19 $	Nov. 26 $		Nov. 19 $	Nov. 26 $		Nov. 19 $	Nov. 26 $
Ath. Topeka...	27 1/4	27 7/8	Boeing	51 3/8	50	Inter. Nickel ..	88	86 1/8
Can. Pacific...	30 1/4	30 1/2	Celanese	25 1/8	27 1/8	Inter. Paper ...	116 1/2	113
Pennsylvania...	16 3/8	18 3/8	Chrysler	53	51 3/4	Kennecott.....	102 1/4	96 1/8*
Union Pacific ..	35 3/4	35 7/8	Col. Palmolive .	84 1/4	81 7/8	Monsanto	41	39 1/4
Amer. Electric .	51 3/8	50 1/4	Crown Zeller..	57 5/8	57 5/8	Nat. Distillers .	31	29 1/2
Am. Tel. & Tel..	199	195 1/2	Distillers Seag..	35	33 1/8	Pan-American..	22 7/8	22 3/8
Cons. Edison ..	58 5/8	58	Douglas	58 1/8	57 1/8	Procter Gamble	78	75 3/8
Int. Tel. & Tel..	56 1/8	53 5/8	Du Pont	2043/4*	1971/4	Radio Corpn..	41	39 3/4
Standard Gas ..	3 3/8	3 1/4	East. Kodak ...	135 3/4	131 3/4	Sears Roebuck .	37 1/8	36 3/8
United Corpn..	8 3/8	8 1/8	Ford Motor ...	48 1/8	47 7/8	Shell Oil	80 1/4	80 3/4
Western Union	30 1/8	29	Gen. Electric ..	70 1/2	68 7/8	Socony-Mobil ..	49 1/2	48 1/8
Alcoa	84 1/4	85 1/4	General Foods .	76 1/2	74 1/2	Stand. Oil Ind..	47 5/8	46 7/8
Aluminium	31 5/8	31 3/4	General Motors	49 1/8	48 1/8	Stand. Oil N.J.	59 7/8	58 1/2
Amer. Can.....	52 3/8	50	Goodyear	113 1/2	108 1/2	20th Cent. Fox.	38 1/4	40 1/2
Am. Smelting..	49 3/4	47 1/8	Gulf Oil.....	121 3/4	119 3/8	Union Carbide.	120 1/4	115 7/8
Am. Viscose ...	37 1/2	35 3/4	Heinz	65	64 1/2	U.S. Steel ...	90	84 1/2
Anaconda	59 3/4	58 1/8	Int. Bus. Mach..	442	438 1/4	West. Electric .	68 1/4	66 1/4
Beth. Steel	50 1/2	48 3/8	Int. Harvester .	40 7/8	41	Woolworth ...	50 3/4	50 3/4

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Nov. 19, 1958	Price, Nov. 26, 1958	Yield, Nov. 26, 1958
				STEEL AND ENGINEERING			
52/3	31/9	6 b	6 a	Colvilles £1	30/11 2	28/9	9·04
43/10 1/2	27/6	4 b	5 3/3 b	Dorman Long £1	25/11 1/2	24/3	8·25
81/9	57/6	9 b	9 a	Steel Co. of Wales £1	20/5 1/4	20/-	8·00**
84/6	59/3	9 b	9 a	Stewarts & Lloyds £1	24/7 1/2	24/-	9·17
53/9	36/-	6 1/4 b	5 a	John Summers £1	34/-	32/10 1/2	8·52
65/9	47/9	7 1/2 b	7 1/2 a	United Steel £1	25/6	24/-	9·58
30/6	21/4 1/2	5 a	7 1/2 b	John Brown £1	31/6	30/-	6·67
60/6	46/-	7 b	7 a	Cammell Laird 5/-	8/4 1/2	8/- 1/2	9·23
37/9	27/6	4 a	5 b	Swan Hunter £1	58/9	58/-	6·21
45/9	31/3	7 1/2 b	7 1/2 a	Vickers £1	45/6	45/6	6·59
£273/4	£20	$2·10c	$2·25c	Averys £1	64/3 b	5 a	5·84
£20 1/4	£14 15/16	$1·60c	$1·65c	Coventry Gauge 10/-	12 a	14 b	5·96
29 1/4	25 5/8	9 c	9 c	Alfred Herbert £1	16/7 1/2	9/3	5·64
31/6	28/-	5 b	4 a	Ransome & Marles 5/-	40/3	30/4 1/2	3	9 1/2 b	4·55
				Renold Chains £1	42/9	21/9	33 4 a	8 3/4 b	6·21
				Allied Ironfounders £1	55/6	41/10 1/2	63 4 b	6 a	6·71
				Babcock & Wilcox £1	62/9	36/9	8 b	4 a	5·05**
				British Aluminium £1	80/3	45/3	15 c	20 c	3·82
				Davy & United £1	56/11 2	34/7 1/2	7 1/2 b	4 a	5·06
				Guest Keen £1	64/11 2	41/-	4 a	7 b	3·54
				Metal Box £1	55/-	43/9	33 4 a	33 4 a	3·54
				C. A. Parsons £1	27/9	23/-	15 b	10 a	2·88
				John Thompson 5/-	78/6	48/6	7 1/2 a	10 b	5·00
				Tube Investments £1					4·55
				BUILDING, etc.			
				Associated Portland £1	50/3	31/-	6 b	3 a	3·87
				British Plaster Board . 10/-	20/9	12/7 1/2	5 a	5 a	6·21
				Richard Costain £1	68/9	27/11 2	5 c	8 3/4 c	2·83
				Crittall Manufacturing. 5/-	9/6	6/3	5 a	10 b	8·00
				London Brick £1	60/-	36/11 2	15 5/8 c	6 a	5·41
				Turner & Newall £1	73/4 1/2	52/11 2	12 1/2 b	5 a	4·17**
				Wall Paper Defd. £1	118/3	78/9	7 1/2 a	20 b	4·86
				CHEMICALS AND PAINT			
				Albright & Wilson 5/-					
20/-				Borax Defd. 5/-	20/4 1/2	14/4 1/2	56/6 b	2 11/12 d	4·00
				Brit. Ind. Plastics 2/-	7/7 1/2	4/10 1/2	12 1/2 b	7 1/2 a	2·89
				Fisons £1			5 a	10 b	5·82
				I.C.I. £1	64/3	42/10 1/2	5 a	7 1/2 a	4·92
				International Paints ... 4/-	14/-	8/7 1/2	35/4 1/2	18 c	6 a	35/3	4·54
				Monsanto 5/-	16/2 1/4	12/6	36/3	5 a	11 2/3 b	5/-	5·43
				Pinchin Johnson 10/-	22/-	15/3	20/9	20/6	8·13
				ELECTRICAL AND RADIO			
				A.E.I. £1	57/3	56/3*	5·33
				B.I.C.C. £1	51/6	50/3*	4·98
				Decca Record 4/-	35/6	33/9	5·19
				E.M.I. 10/-	57/6	56/11 2	4·75**
				English Electric £1	57/9	58/-	4·83
				General Electric £1	36/-	35/-	5·71
				Pye Defd. 5/-	16/3	15/10 1/2	3·94
				A. Reyrolle £1	88/-	87/3	4·01
				MOTORS AND AIRCRAFT			
				British Motor 5/-			
				Ford Motor £1	12/10 1/2	12/5 1/4	7·03**
				Leyland Motor £1	46/7 1/2	45/4 1/2	4·19
				Rootes Motors 4/-	46/-	44/11 2	5·67
				Standard Motor 5/-	6/3*	6/11 2	5·22
				Dunlop Rubber 10/-	8/3*	7/9	7·74
				Joseph Lucas £1	24/11 2	23/7 1/2	6·42
				Pressed Steel 5/-	43/-*	41/3	4·85**
				Triplex Holdings 10/-	21/3	20/3	5·31
				Bristol Aeroplane 10/-	45/-	44/10 1/2	6·13**
				De Havilland £1	10/7 1/2	10/-	10·00
				Dowty Group 10/-	17/3	17/-	8·82
				Hawker Siddeley £1	41/6 3/4	41/4 1/2	4·83
				Rolls-Royce £1	29/4 1/2	30/11 2	6·64
					100/7 1/2	100/7 1/2	3·98
				PAPER AND NEWSPAPERS			
				Bowater Paper £1	43/9	43/3	5·76*
				Albert E. Reed £1	47/6*	46/9	5·99
				Spicers £1	21/6	21/-	7·62
				Daily Mirror 'A' 5/-	22/10 1/2	22/3	4·38
				Odhams Press 10/-	26/3	25/3	6·93
				TEXTILES			
				J. & P. Coats £1	22/11 2	21/9*	8·05
				Fine Spinners £1	18/-	19/-	10·53
				Lancashire Cotton £1	36/9	36/-	9·72
				Patons & Baldwins £1	37/4 1/2	37/4 1/2	6·69
				Salts (Saltaire) 5/-	5/10 1/2	5/6	9·09**
				Woolcombers £1	46/10 1/2	47/3	6·35
				Bradford Dyers £1	15/-	14/10 1/2	...
				Calico Printers £1	35/3	35/9	12·59
				Courtaulds £1	32/-	31/-	5·16
				Jute Industries 10/-	10/-	10/11 2	...
				Tootal £1	17/7 1/2	18/-	8·33
				DRAPERY & STORES			
				Boots Pure Drug 5/-	20/3	19/10 1/2	3·62**
				Debenhams 10/-	51/-	53/-	5·66**
				G.U.S. 'A' 5/-	29/9	29/11 2	5·58
				Harrods £1	75/3	73/-	4·79
				House of Fraser 'A' 5/-	31/6	31/9	5·51
				Lewis's Investment 5/-	19/-	19/6	3·49
				Marks & Spencer 'A' .. 5/-	52/7 1/2	51/3	3·41
				United Drapery 5/-	33/11 2	32/7 1/2	4·98
				Woolworth 5/-	49/6	48/10 1/2	4·09

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Nov. 19, 1958	Price, Nov. 26, 1958	Yield, Nov. 26, 1958
				BANKING			
52/3	31/9	6 b	6 a	Barclays £1	52/-	50/3	4·77
43/10 1/2	27/6	4 b	5 3/3 b	Lloyds £1	43/6‖	42/6‖	4·71
81/9	57/6	9 b	9 a	Midland £1	81/6	80/3	4·49
84/6	59/3	9 b	9 a	National Provincial £1	84/3	83/-	4·34
53/9	36/-	6 1/4 b	5 a	Westminster 'B' £1	52/-	50/9	4·43
65/9	47/9	7 1/2 b	7 1/2 a	District £1	65/6	64/6	4·65
18/6	12/11 2	7 1/2 b	7 1/2 a	Martins 5/-	18/11 2	17/10 1/2	4·20
30/6	21/4 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/-	29/9	29/-*	4·31
60/6	46/-	7 b	7 a	Royal Bank of Scotland .£1	60/-	60/-	4·67
37/9	27/6	4 a	5 b	Barclays D.C.O. £1	37/9	34/6*	5·22
45/9	31/3	7 1/2 b	7 1/2 a	Chartered Bank £1	45/6	45/6	6·59
£273/4	£20	$2·10c	$2·25c	Royal Bank of Canada $10	£273/4*	£267/8*	3·08
£20 1/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal $10	£19 7/8*	£19 5/16	3·15
29 1/4	25 5/8	9 c	9 c	Bank of New S. Wales. £20	28 1/8‖	27 5/16	5·27g
31/6	28/-	5 b	4 a	Bank of Ldn. & S. Amer..£1	30/9	31/-	5·81
				FINANCIAL			
29/-	18/-	2 1/2 a	2 1/2 b	Alexanders £1	27/-	27/6	3·64
42/6	29/6	5 b	5 a	National Discount 'B' .£1	41/6	41/6	4·82
58/6	40/9	6 1/4 b	6 1/4 a	Union Discount £1	56/3	56/6	4·42
39/6	32/9	3 6 3/2 c	3 18 1/3 a	Commercial Union.... 5/-	38/9	38/3	4·79
35/-	102/6	12 1/2 a	15 b	Employers Liability £1	128/9	130/-	4·23
77/6	117/6	†16·2a	†16·2b	Equity & Law 8/6	171/3	166/3	2·88
67/6	113/9	60 b	40 a	Legal & Gen. 5/-	160/-	160/-*	3·13
18/-	86/3	†50 b	†20 a	Pearl 5/-	115/-	114/6	5·32
11/3	154/-	†132 1/2 c	†147 1/2 c	Prudential 'A' 4/-	205/-	200/-	5·15
80/6	63/9	8 b	8 a	Royal Exchange £1	79/6	78/6	4·08
34/10 1/2	16/-	13 1/8 b	10 a	Bowmaker 5/-	32/4 1/2	31/11 2	4·02**
21/4 1/2	16/10 1/2	7 1/2 b	7 1/2 a	Lombard Banking 5/-	19/3	18/9	4·00
13/-	73/3	16 b	4 a	U.D.T. £1	113/-	108/-	3·70
40/-	19/9	17 1/2 b	10 a	B.E.T. 'A' Defd. 5/-	39/6	37/-	3·72
13/11 2	7/11	10 c	10 c	Cable & Wireless 5/-	13/-*	12/6	4·00
20/-	7/10 1/2	2 1/2 b	2 a	Land Securities 10/-	19/3	19/9	3·04**
16/4 1/2	8/7 1/2	55 12c	2 1/2 12d	London & County ... 10/-	16/11 2	15/7 1/2	4·27**
				FOOD, DRINK AND TOBACCO			
40/9	27/-	22 1/2 c	30 c	Allied Bakeries 'A' ... 5/-	39/6	39/6	3·85
26/-	13/4 1/2	20 c	7 a	Beecham Group 5/-	25/3	23/6	4·26
11/6	6/5 1/4	7 a	7 a	International Tea £1	11/3	11/-	4·32
71/6	40/11 2	9 1/6 b	5 a	J. Lyons 'A' £1	70/6*	69/6	4·08
18/-	13/7 1/2	5 b	5 a	Ranks 10/-	17/4 1/2	16/10 1/2	5·93
15/9	7/9	2 1/2 a	2 1/2 a	Schweppes 5/-	15/4 1/2‖	15/6‖	4·84**
71/6	48/9	12 b	4 1/2 a	Tate & Lyle £1	71/-	70/6	4·68
58/-	47/4 1/2	5 a	10 b	United Dairies £1	57/6	57/-	5·26
43/6	31/-	36 b	10 a	Bass £1	43/-	43/9	5·26
32/6	19/7 1/2	11 b	6 a	Distillers 6/8	30/10 1/2	29/7 1/2	4·50
15/3	11/6	15 b	10 a	Flowers 5/-	14/6	15/11 2	5·62
51/-	37/-	15 b	10 a	Guinness 10/-	50/-	50/-	5·00
13/6	9/4 1/2	4 a	10 b	Ind Coope & Allsopp.. 5/-	12/-*	12/4 1/2	5·66
77/-	56/6	21 c	7 1/2 a	Watney Mann Defd. £1	75/9	76/3	5·51
03/6	75/6	17 b	8 a	Whitbread 'A' £1	101/6*	101/6	4·93
53/9	37/7 1/2	6 3/3 b	†10 a	Brit. Amer. Tobacco .10/-	52/4 1/2	52/6	5·52
35/7 1/2	20/6	15 b	5 a	Gallaher 10/-	34/11 2	34/3	5·84
50/4 1/2	37/-	11 1/2 b	8 1/2 a	Imperial Tobacco £1	49/3	48/10 1/2	8·18

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Nov. 19, 1958	Price, Nov. 26, 1958	Yield, Nov. 26 1958
				MISCELLANEOUS			
45/-	15/9	7 1/2 a	22 1/2 b	Assoc. Brit. Picture ...5/-	41/3	45/-	3·33
45/6	28/-	31 2 a	7 1/2 b	British Match £1	45/6	42/9	5·15
47/-	28/3	6 b	4 a	British Oxygen £1	45/-	43/3	4·62
8/9	6/9	13 b	4 a	British Ropes 2/6	8/9	8/9	4·86
59/3	31/6	6 1/4 a	11 1/4 b	Glaxo 10/-	59/-	51/-	3·43
53/-	31/3	40 b	10 a	Hoover 'A' 5/-	51/9	50/3	4·98
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	180/-	180/-	2·70
10/9	5/7 1/2	12 1/2 c	5 c	Rank Organisation 5/-	9/10 1/2	10/-	2·50
15/3 3/4	11/8 1/4	22 1/2 c	22 1/2 c	Sears 'A' 5/-	14/10 1/2	15/0 3/4	7·47
59/9	44/-	7 b	6 1/2 a	Thomas Tilling £1	58/-	57/-	4·65
103/9	70/6	10 1/2 a	10 b	Unilever £1	101/6	99/-	4·24
43/3	24/3	7 1/2 b	3 3/4 a	United Glass Bottle £1	41/6	40/-	5·63
36/-	26/-	†10 b	†4 1/2 a	United Molasses 10/-	35/-*	34/-	7·25
				OIL			
58/6	39/9	†5 b	†2 1/2 a	British Petroleum £1	55/-‖	54/-	4·83
87/3	59/11 2	†7 1/2 b	†5 a	Burmah Oil £1	81/3	78/9	5·70
£187/8	£137/8	17 1/2 b	7 1/2 a	Royal Dutch ..... 20 fl.	£183/4	£18	2·63
165/-	117/6	†13 3/4 b	†5 a	Shell Transport..... £1	161/10 1/2	155/-	4·21
95/6	41/6	...	...	Ultramar 10/-	91/6	87/-	... d
37/3	25/6	13 1/8 b	7 1/2 a	Wakefield C.C. 10/-	37/3	36/3	5·68
				SHIPPING			
43/6	27/7 1/2	13 1/2 b	6 1/2 a	Brit. & Com'wealth. .10/-	43/3	42/3	4·73
23/9	16/6	10 c	Nil	Cunard £1	19/6	18/3	...
35/6	27/3	10 4 c	10 c	Furness Withy £1	34/3	34/9	5·76
20/3	14/6	10 a	10 b	London & Overseas 5/-	20/-	19/6	5·13
37/6	22/-	8 b	3 a	P & O Defd. £1	36/6	34/9	6·33
17/9	12/-	5 c	Nil	Reardon Smith 10/-	16/6	16/6	...
25/6	19/3	7 1/2 c	9 c	Royal Mail £1	24/6	24/-	7·35
				MINES			
170/10 1/2	115/-	60 b	20 a	Anglo-American 10/-	169/4 1/2	166/3	4·81
105/-	73/9	10 a	15 b	General Mining £1	103/9	104/4 1/2	4·79
48/6	36/7 1/2	80 b	40 a	Union Corporation 2/6	48/6	47/6	6·32
33/11 2	23/10 1/2	55 b	50 a	Daggafontein 5/-	32/4 1/2	33/11 2	15·85
116/3	76/3	40 a	60 b	Free State Geduld 5/-	115/-	114/4 1/2	4·37
69/9	56/-	30 a	35 b	Hartebeestfontein 10/-	64/9	65/3	9·96
68/3	46/6	50 a	50 b	President Brand 5/-	66/11 2	66/3	7·55
118/11 2	84/4 1	60 a	80 b	Western Holdings 5/-	116/3	115/7 1/2	6·05
58/-	41/6	12 1/2 b	5 a	Consolidated Zinc £1	56/6	54/-*	6·48
121/3	80/7 1/2	120 b	80 a	De Beers Defd. Reg. ..5/-	120/7 1/2	118/11 2	8·47
$169	$132 3/4	$3·75c	$3·75c	International Nickel. n.p.v.	$157/4	$153*	4·37
8/6	6/4 1/

GREAT UNIVERSAL STORES

THE abolition of hire purchase restrictions should set Great Universal Stores along the road of expansion again. As the full accounts for the year to March 31st showed and the half-yearly report to September 30th now confirms, the group has rather been marking time for the last eighteen months or so. Turnover in the six months to September 30th was running at a record level and the group earned a gross profit of £11,248,580. But that profit includes £452,000 of earnings of subsidiaries acquired after September 30, 1957, and if this is excluded, the profit is effectively down on the £11,145,523 earned in the corresponding period of 1957.

The slackening of the earnings momentum in such a dynamically managed concern as the GUS multiple empire may only be temporary, but it has had its effect on dividend policy. For the year to March 31st the total ordinary dividend was effectively left unchanged at 32½ per cent and now the interim for 1958-59 is effectively unaltered at 7½ per cent. GUS benefits from the introduction of a flat rate profits tax and the latest six months' net profit of £4,128,123 compares with £3,909,804 in the same period last year. Unshaken, bulls of the 5s. "A" ordinary stock argue that an unchanged interim now gives no indication that the final will not be increased. They could be right, and dealers having marked the units down on this statement soon put them back again. This resilient stock now stands at 29s. 1½d. and on a dividend of 32½ per cent yields 5.6 per cent.

BRITISH PLASTER BOARD

IN the six months to September 30th British Plaster Board (Holdings) showed a gross profit of £1,403,168—an increase of about 6½ per cent over the profits for the same period last year, when they amounted to £1,215,936. This is a satisfactory result set against the background of declining activity in the building industry.

The directors are as cautious as ever about dividends, and are leaving the interim ordinary payment unchanged at 5 per cent. A total dividend of 12½ per cent has now been maintained for four years. It might be unwise to expect profits to go on advancing at the recent pace, for the directors warn shareholders that the outlook in this country remains "somewhat uncertain" and that the usual seasonal drop in earnings may be expected during the winter months. However, they consider prospects on the whole to be "satisfactory." The 10s. ordinary units yield 6.2 per cent at 20s. 1½d.

JOSHUA HOYLE

IMPORTS of foreign cloth were cited by the directors of Joshua Hoyle, the cotton and rayon spinners, weavers and finishers, as the principal reason for the reduction in profits early in the financial year and for the cut in the interim dividend from 4 to 2½ per cent last May. The total dividend had already been reduced from 12½ to 8 per cent in 1955-56 when profits fell disastrously, leaving the ordinary dividend short-earned. A dividend of 8 per cent was repeated in 1956-57 when profits recovered, but the preliminary statement for the year to September 30th last shows that gross profits have been more than halved, slumping from £542,056 to £201,912. The final dividend has also been scaled down from 4 to 2½ per cent, reducing the total payment from 8 per cent to 5 per cent. The 2s. units fell 2½d. on the news to 1s. 3½d., yielding 8 per cent.

NEW ISSUES

WHEN the stock market booms, investors snatch greedily at any morsels of small public issues they are offered in the absence of the staple diet of rights issues from the industrial giants. At the height of the boom, 80,808 applications for a total of over 46 million shares flooded in for the 800,000 ordinary 5s. shares in **John Harvey & Sons** offered at 11s. The applications went into the ballot box. The lucky 7,500 forms were allotted one hundred shares apiece, 50,000 shares being reserved for employees. Dealings began on Monday at 2s. 9d. premium. This was an extraordinary reception and is hardly likely to be repeated—certainly not in the new issues that followed.

On Wednesday an offer of 400,000 ordinary 5s. shares at a price of 9s. in **Needlers**, the chocolate and confectionery business, under the auspices of Capel-Cure Linton Clarke and Company, was over-subscribed almost sixteen times, even though a fall in profit is expected this year. In the first nine months of the year sales were substantially the same as those for 1957. In that year the profit before tax was £325,000, but the profits this year will be lower, coming to "not less than £285,000." But an ordinary dividend of 18 per cent is forecast, giving a yield of 10 per cent on the issue price.

Morgan Grenfell and Company is placing 525,000 £1 ordinary shares at 35s. and 750,000 £1 7 per cent cumulative redeemable preference shares at 20s. in **Peter Dixon,** papermakers in Sheffield and Grimsby. Profits are expected to be lower in the year to March 31, 1959, amounting to "not less than £900,000," compared with £991,100 in 1957-58. A dividend of 12½ per cent is forecast, giving a yield of 7.1 per cent on the placing price.

London and Yorkshire Trust is placing 200,000 of the 4s. shares in **Susan Small,** the ladies' fashion business, at 12s. 7½d. each. Profits before tax for 1958 are expected to amount to £155,000, against £84,700 in 1957 and an ordinary dividend of 31½ per cent. is projected, setting the yield of just under 10 per cent at the issue price.

Spicers : The ordinary dividend of 15 per cent paid by Spicers in 1955 was made on capital of £2 million. The capital was then raised by a three for four rights issue at 20s. per share to £3½ million and on that capital a dividend of 10 per cent was paid in 1956.

London Stock Exchange

FIRST DEALINGS:	Nov. 12	Nov. 26	Dec. 10
LAST DEALINGS:	Nov. 25	Dec. 9	Dec. 30
ACCOUNT DAY:	Dec. 2	Dec. 16	Jan. 6

FOLLOWING the reduction in Bank Rate a rally in gilt edged carried the *Financial Times* Government Securities index to 84.43 at Friday's close, compared with 83.48 last Wednesday. A sharp fall occurred on Tuesday, losses extending to ¾, but the subsequent recovery left the index 0.76 higher on balance at 84.24 by Wednesday's close. The "longs" rallied by as much as half a point on Wednesday, Funding 3½ per cent 1999-2004 rising that amount to 72½—a gain of ⅞ on the week. Short dated stocks gained a little immediately after the reduction in Bank Rate, but there were signs later that the banks were still selling.

The heavy fall on Wall Street coincided with the end of the account, and although jobbers lowered prices all round on Tuesday, selling was not entirely prevented. But when Wall Street rallied, so did the British industrial market. Nevertheless, *The Economist* Indicator dropped 5 points to 232.1. Unilever, after dropping 3s. 6d. regained all but 6d. at 99s., while British Aluminium rallied 3s. 9d. on substantial buying to reach a fresh peak of 62s. 9d. Aircraft shares were better, where changed, Hawker Siddeley closing strongly at 30s. 10½d. in front of the results due this week-end. "Emmies" ended 1s. 7½d. better at 56s. 1½d., while news of good radio and T.V. sales in September led to a gain of 2s. to 38s. 6d. in Birmingham Sound Reproducers, 1s. in Radio Rentals to 26s. 6d., and 6d. to 34s. 3d. in Rediffusion. Gains were widespread in stores, Harrods closing on Wednesday at 73s. In the entertainments section, Associated British Pictures rose by 2s. 6d. to 45s. In H.P. finance issues U.D.T. finished 4s. lower at 108s., but Wagon Finance rallied 1s. to 75s. Lloyds Bank were quoted ex the scrip issue at 42s. 3d. Among property shares, City Centre jumped 3s. 6d. to 44s. and Beaumont at 43s. 9d. gained 1s. 9d.

Oils fluctuated with Wall Street, Ultramar initially losing 4s. before recovering to 86s. 6d. Shell finally closed at 155s., a drop of 6s. 10½d. over the week and T.P.D. lost 6s. 3d. to 12s. 6d. Prices were marked down at first in the Kaffir market, though there was little actual selling and some Cape buying was still reported. In the O.F.S. group, Western Holdings were 1s. 9d. lower at 115s. 7½d. and among finance houses Selection Trust dropped 3s. 1½d. to 91s. 10½d. Diamond shares were weak, De Beers losing 2s. 6d. to 118s 1½d. Rubber shares eased, "Suas" losing 1s. 3d. to 60s. 9d.

US Dollar premium : ¼ per cent on $2.80⅛.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended November 22, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £25,695,000 compared with a surplus of £31,862,000 in the previous week and a surplus of £15,656,000 in the corresponding period of last year. There was a net receipt "below-line" of £5,844,000 leaving a total deficit of £558,852,000 compared with £639,366,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Nov. 23, 1957	April 1, 1958, to Nov. 22, 1958	Week ended Nov. 23, 1957	Week ended Nov. 22, 1958
Ord. Revenue					
Income Tax	2312,500	755,414	808,614	14,577	15,329
Surtax	163,000	44,900	46,700	1,200	1,200
Death Duties	163,500	112,900	113,500	2,800	4,500
Stamps	56,250	43,900	37,400	500	1,100
Profits Tax, EPT & EPL	275,000	175,000	197,200	8,200	6,200
Other Inland Rev. Duties	...	150	120	...	...
Total Inland Rev.	2970,250	1132,264	1203,534	27,277	28,329
Customs	1256,940	792,483	840,949	24,836	26,790
Excise	932,310	633,855	620,550	24,570	18,050
Total Customs and Excise	2189,250	1426,338	1461,499	49,406	44,840
Motor Duties	104,000	27,959	29,336	...	...
PO (Net Receipts)	2,000	5,600	4,800	5,600	4,450
Broadcast Licences	34,000	14,500	15,400	...	...
Sundry Loans	30,000	27,358	26,058	...	192
Miscellaneous	110,000	108,787	53,342	700	364
Total	5439,500	2742,806	2793,969	82,983	78,175
Ord. Expend.					
Debt Interest	695,000	437,509	401,896	6,277	2,600
Payments to N. Ireland Exchequer	73,000	39,356	42,785	...	...
ther Cons. Funds	10,000	5,304	4,817	...	...
pply Services	4292,859	2547,126	2597,890	60,650	100850
tal	5070,859	3029,294	3047,388	66,927	103450
king Funds	38,000	22,787	22,913	400	420
above-line" Surplus or Deficit	309,275	276,332	+15,656 Cr.	25,695 Cr.	
below-line" Net Expenditure*	330,091	282,520	16,040	5,844	
tal Surplus or Deficit.	639,966	558,852	31,696	19,851	
Receipts from:					
ax Reserve Certificates	151,481	188,120	−502	12,133	
avings Certificates	−8,100	85,100	−1300	900	
efence Bonds	−22,209	51,765	−897	1,167	
remium Savings Bonds	49,630	44,785	1,200	1,390	
tal	170,802	369,770	−1499	15,590	

* Including net receipts of the Civil Contingencies Fund £11 million in 1957 and £14 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
957					
v. 23	3,300·0	2,158·2	197·0	...	5,655·2
958					
23	3,270·0	1,630·9	164·0	...	5,064·9
30	3,260·0	1,636·1	174·9	...	5,071·0
6	3,270·0	1,644·6	175·1	1·3	5,090·9
13	3,270·0	1,657·9	178·3	...	5,106·2
20	3,270·0	1,704·4	167·5	...	5,141·9
30	5,016·4		202·4	...	5,218·8
4	3,290·0	1,736·2	179·4	...	5,205·6
11	3,310·0	1,773·4	183·1	...	5,266·5
18	3,320·0	1,756·1	214·2	...	5,290·3
25	3,330·0	1,771·8	180·8	...	5,282·7
v. 1	3,340·0	1,755·3	193·9	...	5,269·2
8	3,350·0	1,739·5	166·7	...	5,256·2
15	3,370·0	1,655·2	194·4	...	5,219·6
22	3,390·0	1,661·0	175·6	...	5,226·5

THE MONEY MARKET

FOLLOWING last week's reduction in Bank rate, the discount houses raised their common bid for the 91 day bills by 7d. to £99 2s. 10d. per cent, and the average rate of discount fell by just over ⅛ per cent to £3 8s. 4.68d. The banks' minimum rate for call loans to the market was reduced by only ⅛ per cent to 2⅛ per cent, and the average cost of bank loans to the discount market fell to about 2⅛ per cent. The discount rate for three months' bank bills was cut by ⅛ to 3⅛-3⅜ per cent; the rate for fine trade bills with a currency of 3 months was cut by ¼ to 4¼-5 per cent.

The market is currently earning a good margin on old and new bills, but credit was difficult over the week-end, with some heavy calling, and help from the authorities did not prevent very small marginal borrowing from the Bank at the new Bank rate. Bill maturities have since matched the taking up of fresh bills and funds have been ample; some money was unlent on Tuesday, and on Wednesday night money from clearing banks was given at the minimum rate while outside balances were available at rates down to 2 per cent.

The active note circulation rose by £13 million to £2,044 million in the week to Wednesday, marking the beginning of Christmas spending.

MONEY RATES: London

	%		
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.)		Bank bills:	%
Banks	2	60 days	3⅜-3⅝
Discount houses	2-2¼	3 months	3⅜-3⅝
		4 months	3⅜-3⅝
Money:		6 months	3⅜-3 11/16
Day-to-Day (min.)	2⅜	Fine trade bills:	
Treasury bills:		3 months	4¼ -5
2-3 months	3 7/16	4 months	4¼ -5
		6 months	4½ -5½

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	**Treasury bills:** Nov. 17	2·88
		„ 24	2·72

BANK OF ENGLAND RETURNS

(£ million)	Nov. 27, 1957	Nov. 19, 1958	Nov. 26 1958
*Issue Department**:			
Notes in circulation	2,001·4	2,031·0	2,044·2
Notes in banking dept.	48·9	19·4	56·1
Govt. debt and securities*	2,046·3	2,046·5	2,096·3
Other securities	0·7	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin.	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	10·1	11·2	12·1
Bankers	226·9	236·7	241·0
Others	76·4	68·9	69·5
Total	313·4	316·8	329·6
Securities:			
Government	236·4	289·5	255·7
Discounts and advances	19·8	3·8	6·6
Other	23·9	21·2	21·3
Total	280·1	314·5	283·6
Banking department reserve.	51·3	20·3	57·1
	%	%	%
"Proportion"	16·3	6·3	17·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,100 million November 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957	91 *day* 210·0 / 63 *day* 50·0	423·6	s. d. 129 5·71	% 47
1958	91 *day*			
Aug. 22	250·0	437·4	74 6·25	28
„ 29	270·0	424·1	74 11·48	53
Sept. 5	270·0	434·6	74 0·93	64
„ 12	270·0	423·7	73 6·81	51
„ 19	270·0	413·7	71 9·20	68
„ 26	260·0	381·4	72 6·10	55
Oct. 3	270·0†	424·8	74 1·39	44
„ 10	250·0	423·6	73 0·72	55
„ 17	250·0	435·7	72 3·08	45
„ 24	250·0	409·6	73 7·94	36
	91 *day* / 63 *day*			
„ 31	200·0 / 50·0	442·9	71 8·23	46
Nov. 7	270·0 / ...	433·7	71 7·04	45
„ 14	210·0 / 60·0	408·3	71 0·97	68
„ 21	210·0 / 60·0	408·5	68 4·68	42

* On November 21st tenders for 91 day bills at £99 2s. 10d. secured 68 per cent and for 63 day bills at £99 8s. 0d. 76 per cent, higher tenders being allotted in full. The offer this week was for £230 mn. of 91 day bills, and £50 mn of 63 day bills.
† Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: November 26	Market Rates: Spot: November 20	November 21	November 22	November 24	November 25	November 26
United States $	2·78-2·82	2·80 1/2-5/8	2·80 3/8-1/2	2·80 3/8-1/2	2·80 3/8-1/2	2·80 3/8-1/2	2·80 3/8-5/8
Canadian $	...	2·71 13/16-15/16	2·70 5/8-3/4	2·70 9/16-11/16	2·70 9/16-11/16	2·71 13/16-5/16	2·71 13/16-7/16
French Fr.	1167·18-1184·82	1179-79 1/4	1178 5/8-7/8	1178 3/4-77	1176 3/4-77	1177-77 1/4	1177-77 1/4
Swiss Fr.	12·15 3/16-12·33 9/16	12·24 1/8-3/8	12·23 5/8-24	12·23 5/8-7/8	12·23 5/8-24 1/8	12·23 1/4-24	12·23 1/4-24
Belgian Fr.	138·95-141·05	139·60-65	139·55-60	139·52 1/2-57 1/2	139·45-50	139·52 1/2-57 1/2	139·52 1/2-57 1/2
Dutch Gld.	10·56-10·72	10·59 1/8-3/8	10·58 1/4-1/2	10·58 1/4-1/2	10·57 1/4-1/2	10·57 3/4-58	10·57 5/8-7/8
W. Ger. D-Mk.	11·67 3/16-11·84 13/16	11·70 1/8-3/8	11·69 7/8-70 1/8	11·69 3/4-70	11·69 1/8-3/8	11·69 7/8-70 1/8	11·69 5/8-7/8
Portuguese Esc.	79·90-81·10	80·05-15	80·05-15	80·05-15	80·05-15	80·10-20	80·10-20
Italian Lire	1736 5/8-1762 7/8	1746-46 1/2	1744 3/4-45 1/4	1744 3/4-45	1744 1/2-45	1745 1/2-46	1745 1/4-3/4
Swedish Kr.	14·37 5/8-14·59 3/8	14·48 1/4-1/2	14·47 5/8-7/8	14·47 3/8-5/8	14·46 5/8-7/8	14·47-47 1/4	14·47-47 1/4
Danish Kr.	19·19 1/2-19·48 1/2	19·35 3/8-5/8	19·34 3/4-35	19·34 3/4-35	19·34 1/4-34	19·33 3/4-34	19·33 5/8-7/8
Norwegian Kr.	19·85-20·15	20·01-01 1/4	20·00 7/8-01 1/8	20·00 7/8-01 1/8	20·00 7/8-7/8	20·00 1/2-3/4	20·00 3/4-01
One Month Forward Rates							
United States $		3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm
Canadian $		3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm	3/16-1/16c. pm
French Fr.		12-17 dis	12-17 dis	15-20 dis	10-15 dis	8-12 dis	10-15 dis
Swiss Fr.		15/8-13/8c. pm	15/8-13/8c. pm	15/8-13/8c. pm	15/8-13/8c. pm	13/4-11/2c. pm	11/2-11/4c. pm
Belgian Fr.		1/8 pm-par	1/8 pm-par	1/8 pm-par	1/8 pm-par	1/8 pm-par	1/8 pm-par
Dutch Gld.		1 1/4-1c. pm	7/8-5/8c. pm	7/8-5/8c. pm	3/4-1/2c. pm	7/8-5/8c. pm	3/4-1/2c. pm
W. Ger. D-Mk.		1-3/4pf. pm	3/4-1/2pf. pm	3/4-1/2pf. pm	3/4-1/2pf. pm	3/4-1/2pf. pm	3/4-1/2pf. pm
Three Months Forward Rates							
United States $		1/2-3/8c. pm	7/16-1/4c. pm	7/16-1/4c. pm	7/16-1/4c. pm	7/16-1/4c. pm	7/16-1/4c. pm
Canadian $		1/2-3/8c. pm	7/16-1/4c. pm	7/16-1/4c. pm	7/16-1/4c. pm	7/16-1/4c. pm	7/16-1/4c. pm
Swiss Fr.		45/8-43/8c. pm	45/8-43/8c. pm	45/8-43/8c. pm	43/8-41/2c. pm	43/4-41/2c. pm	43/8-41/8c. pm
W. Ger. D-Mk.		23/8-21/8pf. pm	21/4-2pf. pm	21/4-2pf. pm	21/4-2pf. pm	2-1 3/4pf. pm	2-1 3/4pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/2 1/2	250/3	...	250/4	250/4 1/4	250/3 3/4	

Prices and Wages

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

World Trade ..... October 18th

BRITISH

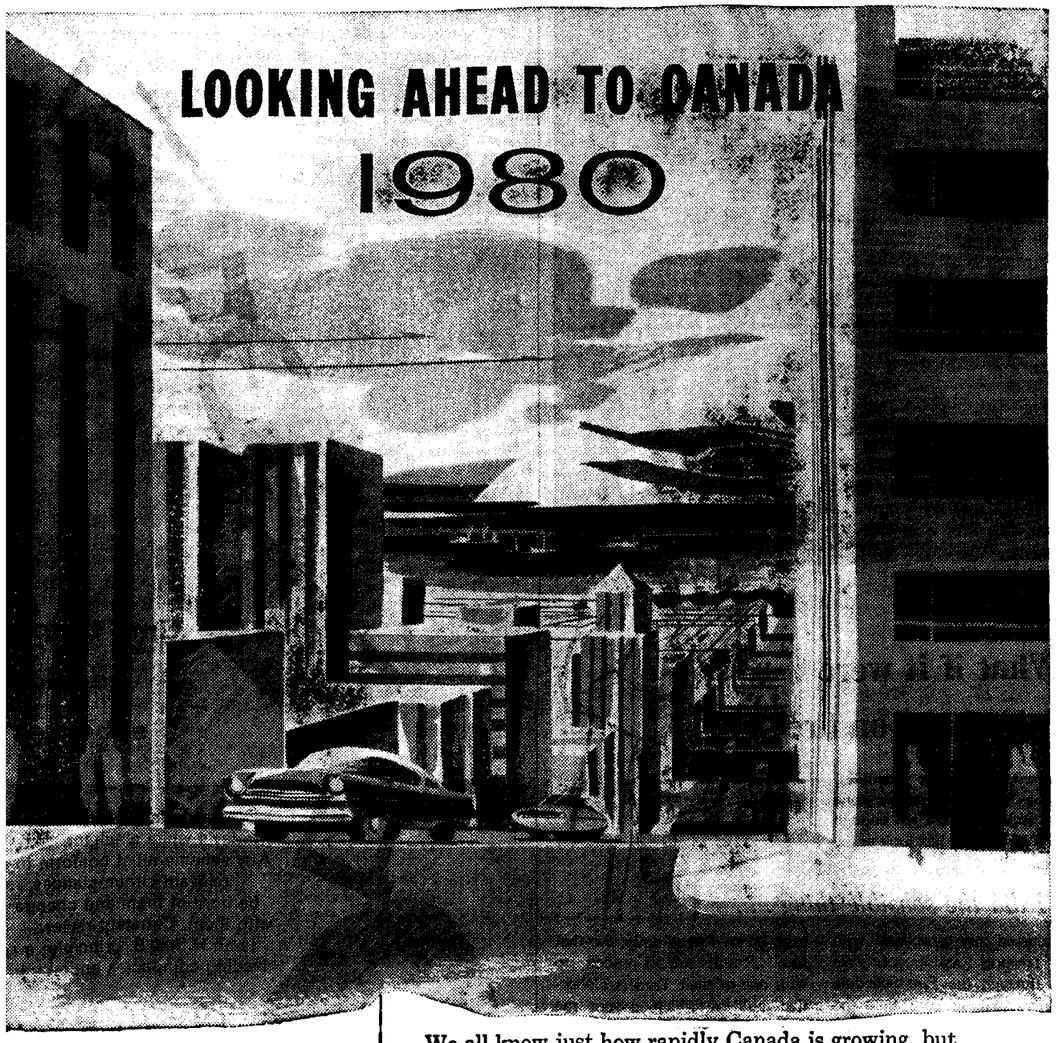
Prices and Wages..... This week
Manpower and Output ..... Nov. 15th
External Trade ..... Nov. 22nd
Industrial Profits..... Oct. 18th

OVERSEAS

Western Europe:
Production and Trade... Sept. 27th
Prices and Money Supply. Sept. 20th
British Commonwealth.... Oct. 11th
United States..... Nov. 8th

	Unit	1955	1956	1957	1957			1958 (5)			
		mid-June			Nov. 12	Nov. 19	Nov. 26	Nov. 4	Nov. 11	Nov. 18	Nov. 25
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	93	91	94	87	87	86	86	87	88	87
Food	,,	92·0	90·8	98·8	95·1	94·8	93·4	88·1	89·7	90·4	89·8
Fibres	,,	83·2	81·5	95·9	84·5	85·1	85·1	73·0	73·1	73·9	74·3
Metals	,,	95·7	95·6	79·7	73·2	71·9	70·8	78·6	79·6	78·1	76·1
Other items	,,	106·9	96·1	99·2	92·7	94·5	95·2	107·8	111·6	114·6	110·3
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	Aug.	Sept.	Oct.	July	Aug.	Sept.	Oct.
Materials used in:											
Non-food manufacturing (excluding fuel).	1954=100	105·9	108·4	106·5	106·1	103·8	102·1	93·3	93·4	92·5	93·1
Mechanical engineering	,,	110·2	116·5	121·9	123·9	124·3	124·3	123·3	123·5	123·5	124·2
Electrical machinery	,,	110·2	114·3	114·9	116·2	115·8	115·5	114·1	114·5	114·5	115·5
Building and civil engineering	,,	104·7	109·5	113·7	115·3	115·5	115·4	114·0	114·0	113·8	113·9
House building	,,	105·2	109·4	112·3	113·2	113·5	113·5	111·8	111·6	111·3	111·3
Products of:											
Non-food manufacturing (excluding fuel).	,,	103·1	107·5	111·5	112·1	112·5	113·2	112·9	112·8	112·8	112·8
Chemicals and allied trades	,,	99·4	103·4	106·8	106·8	106·9	106·7	105·0	105·0	104·9	105·2
Iron and steel	,,	104·7	112·8	125·2	129·9	130·2	130·8	129·6	129·6	129·6	129·5
Textile industry	,,	97·7	97·5	100·9	101·6	101·5	101·3	97·5	97·3	96·7	96·2
Food manufacturing	,,	102·1	105·8	107·1	104·3	104·8	102·9	105·2	105·1	105·3	105·4
Commodities:											
Cotton, raw	,,	95·9	95·1	90·7	89·3	88·0	86·9	77·3	76·4	75·5	75·1
Wool, raw	,,	89·1	90·6	101·1	104·5	99·3	93·2	71·8	72·0	67·6	64·7
Rubber, No. 1 RSS, one month future.	,,	166·6	143·4	131·6	135·3	126·6	125·5	117·0	119·1	120·1	126·7
Softwood, imported	,,	108·6	109·5	109·7	109·6	109·3	109·1	102·1	101·9	99·1	98·1
Copper, ex-warehouse	,,	141·5	132·4	88·3	83·9	78·0	75·1	80·4	82·8	84·2	95·1
UK RETAIL PRICES	Jan. 17, 1956=100										
All items(1)		...	102·0	105·8	106·4	106·1	107·1	108·5	108·3	108·4	109·4
Food	,,	...	102·2	104·9	106·9	104·8	104·7	106·0	105·2	105·6	108·1
All items	1938=100[2]	242	254	263	265	264	267	270	270	270	272
Food	,,	257	269	276	281	276	275	279	277	278	284
Housing	,,	138	145	155	155	156	161	173	174	174	175
Clothing	,,	256	263	267	267	268	269	268	268	268	268
Fuel and light	,,	228	251	268	268	271	273	275	275	275	275
Household durable goods	,,	288	308	308	307	307	309	305	305	305	305
Drink	,,	260	264	272	273	273	276	276	276	276	276
Tobacco	,,	389	411	421	418	428	428	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	39	37	36	36	36	36	35	36	36	35
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	103	105	107	105	104	103	98	99	98	98
Food, drink and tobacco	,,	101	101	101	100	100	98	98	97	97	98
Basic materials	,,	104	106	110	109	107	107	94	94	93	92
Fuels	,,	102	110	128	119	117	116	110	112	113	110
Manufactured goods	,,	109	110	104	105	102	101	100	102	101	102
Export prices:											
All items	,,	102	106	111	112	112	111	110	110	109	109
All manufactures	,,	102	106	109	111	111	111	111	112	110	111
Metals	,,	104	112	115	115	116	117	119	119	117	118
Engineering products	,,	103	107	112	114	114	113	115	116	114	116
Textiles (excluding clothing)	,,	100	99	101	102	102	104	102	101	100	98
Terms of trade:											
Ratio of import to export prices	,,	101	99	96	94	93	93	89	90	90	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	86·9	81·6	80·7	66·6	65·0	65·7	70·4
UK WAGES											
Weekly wage rates:	Jan. 31, 1956=100										
All workers(3)		...	104·7	110·0	111·5	111·5	111·8	113·7	114·1	114·4	115·6
Men	,,	...	104·8	110·0	111·5	111·5	111·8	113·6	113·9	114·2	115·5
Women	,,	...	104·2	109·7	111·0	111·1	111·4	114·0	114·7	114·9	115·7
Juveniles(7)	,,	...	105·5	111·3	112·6	112·7	113·2	115·6	116·0	116·1	117·4
All workers	Sept., 1939=100	252	272	286	290	290	291	296	297	297	300
Weekly earnings: (4)											
All workers	s. d.	187 2	200 8	212 5	...	...	212 5	214 2[6]	...	...	...
Men	,,	222 11	237 11	251 7	...	...	251 7	253 2[6]	...	...	...
Women	,,	115 5	123 2	129 6	...	...	129 6	131 3[6]	...	...	...
All workers	Oct., 1938=100	351	377	399	...	...	399	402[6]	...	...	...
Men	,,	323	345	365	...	...	365	367[6]	...	...	...
Women	,,	355	379	398	...	...	398	404[6]	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figures for October 28th were food 86·8 and fibres 73·5 (6) Figures relate to April survey. (7) In general males under 21 and females under 18 years of age.



Labour Force to Grow 80%

National Income to Triple

Per Capita Income May Double

We all know just how rapidly Canada is growing, but the Gordon Royal Commission was the first to make any studied forecasts of that development. The growth predicted by 1980 will mean constant changes in Canada's economy. Through our more than 500 branches of the Toronto-Dominion and by our close participation in that economy, we're right at the centre of all Canadian business activity . . . able to assist any manufacturer planning market expansion in prosperous Canada by supplying such information as:

- **market statistics** • **corporation procedure**
- **information on plant sites** • **advice on customs problems**
- **data on market distribution** • **incorporation procedure**

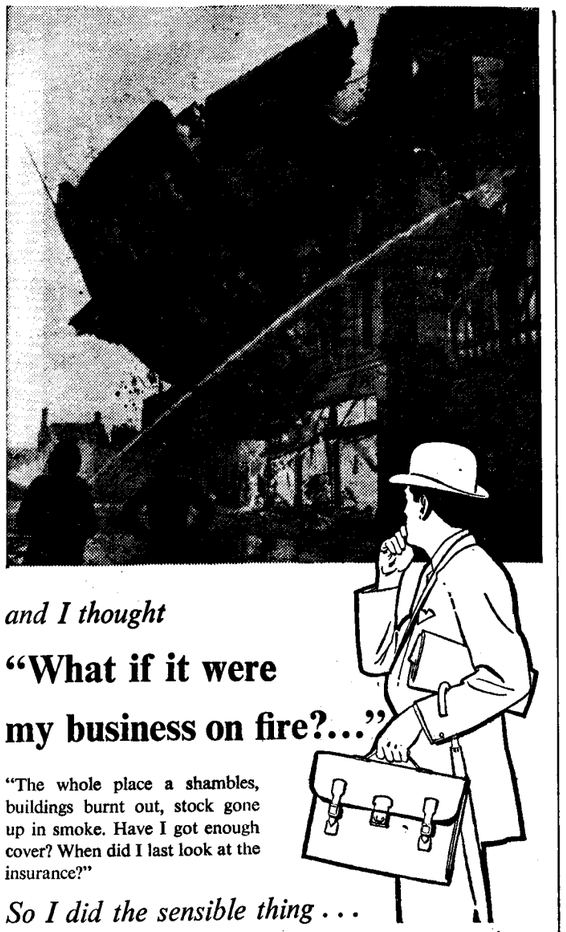
THE TORONTO-DOMINION BANK

THE BANK THAT LOOKS AHEAD

LONDON BRANCH: 3 KING WILLIAM ST., E.C.4.

HEAD OFFICE: TORONTO, CANADA
NEW YORK AGENCY: 28 BROADWAY
CHICAGO OFFICE: 30 WEST MONROE ST.

INCORPORATED IN CANADA WITH LIMITED LIABILITY TD 2 59



and I thought

"What if it were my business on fire?..."

"The whole place a shambles, buildings burnt out, stock gone up in smoke. Have I got enough cover? When did I last look at the insurance?"

So I did the sensible thing . . .

I discussed my problems with THE LONDON ASSURANCE. We went through the Fire Schedule together, making sure that the cover was in line with today's values. Then they said, "What about loss of profits?" And I said, "Yes, I need cover for that too." Result was, I ended up with one of their Traders Collective policies which covers me for fire, loss of profits and many other business risks as well.

I sleep a lot sounder at nights since . . .

I wrote to

THE LONDON ASSURANCE

Since 1720

Very good people to deal with

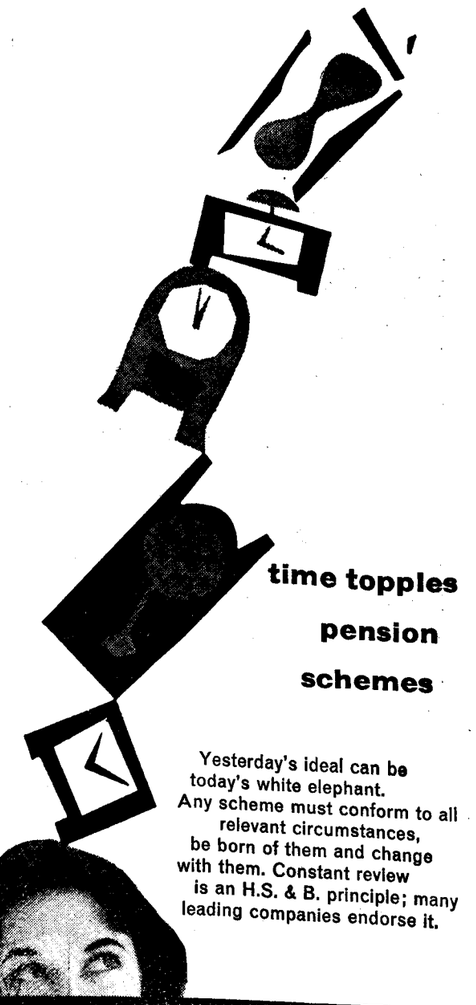
Head Office: 1 KING WILLIAM STREET, LONDON, E.C.4



To get fuller information about our FIRE and PROFITS POLICIES for business (and office) premises, simply write and ask for it. If you would also like information about Life or Accident Policies, just say so.

Address your letter to:

PERSONAL ADVICE BUREAU (Room 16)



time topples pension schemes

Yesterday's ideal can be today's white elephant. Any scheme must conform to all relevant circumstances, be born of them and change with them. Constant review is an H.S. & B. principle; many leading companies endorse it.

HOBBS SAVILL & BRADFORD

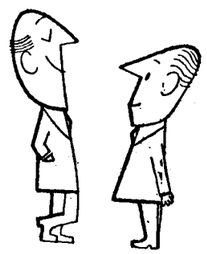
(PENSIONS) LTD.

Might we suggest writing for information Roger?

Or telephoning

29/30 St. James's St., London, S.W.1
Telephone: TRAfalgar 7151

Lancaster House, Newhall St., Birmingham, 3
Telephone: Central 4868/9



APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

COMPUTER PROGRAMMERS

RECKITT & SONS LIMITED are installing a National-Elliott 405 computer in March, 1959 and wish to increase their programming team. Preparations are being made to produce invoices and sales statistics and other work to be tackled will include stock control and the statistical analysis of market research surveys.

Applications are invited from programmers preferably with not less than three months practical experience. Knowledge of office methods or market research will be an advantage. The salary paid will be according to qualifications and experience. The Company has a contributory pension fund and good recreational and welfare facilities. Interviews may be arranged in London or Hull.

Applications will be treated in confidence and should be addressed in writing to the Personnel Director, Reckitt & Sons Limited, Dansom Lane, Hull, Yorkshire.

BRISTOL COUNCIL OF SOCIAL SERVICE (INC.). Applications are invited for the post of GENERAL SECRETARY which will become vacant shortly. *Candidates* should have sound administrative experience and a keen interest in social work. Starting *salary* not less than £750 per annum.

Further particulars from the Chairman, Bristol Council of Social Service, 4 Berkeley Square, Bristol 8, to whom applications should be sent within fourteen days of the publication of this *advertisement*.

COUNTY COUNCIL OF ESSEX

COUNTY PLANNING DEPARTMENT

Applications invited for the following posts :

(1) Assistant Area Planning Officer, Special *Grade* (£750-£1,030) at Braintree. Applicants must be Corporate Members of the Town Planning Institute or other comparable professional institute and have had a wide experience in development control. Applicants should also be experienced in the preparation of development plans for county towns and large villages, and be able to assume control of a small Area Office of eleven persons during the absence of the Area Officer.

(2) Senior Planning Assistant, Special Grade (£750-£1,030) at Wanstead. Applicants must have had practical experience in the preparation of development plans in urban areas and be able to take charge of a small section of staff. Experience in, and a flair for, statistical and research work related to planning regarding population, industry, employment, education, etc., will be an advantage. Applicants should be Corporate Members of the Town Planning Institute or other comparable professional institute, or possess a University Degree in Economics or Geography.

Five-day week ; *day release facilities* ; medical examinations ; superannuation.

Application forms from County Planning Adviser, Broomfield Place, *Broomfield, Chelmsford*, returnable by December 8, 1958.

OPERATIONAL RESEARCH. AIR MINISTRY.—SENIOR SCIENTIFIC and SCIENTIFIC OFFICERS required in Scientific Adviser's department. Qualifications : First or Second Class Honours Degree in mathematics, statistics, or a physical science such as Physics, Engineering. Honours Degree in a natural or social science acceptable provided candidate possesses at least mathematical knowledge at G.C.E. Advanced level. Appointments offer great scope and interest to versatile scientists capable of working well with Service officers and of adopting methods suited to Service environment. Work is mainly Operational Research in wide variety of subjects of concern to Royal Air Force including tactics, technical development and logistics, and offers S.S.O. and S.O. entrants valuable experience in principles of Operational Research. Salaries London : S.S.O. £1,190 to £1,410. S.O. £635 to £1,110. Outside London slightly lower. Salaries for women being raised by stages to men's rates.—Forms from M.L.N.S. Technical and Scientific Register (K), 26 King Street, London S.W.1 (quoting A 158/8A/PC).

UNIVERSITY COLLEGE OF RHODESIA AND NYASALAND

Applications are invited from University graduates for the post of ASSISTANT REGISTRAR and from professionally qualified persons for the post of ASSISTANT ACCOUNTANT. Salary scale : £1,400 x £50—£1,700 p.a. Superannuation Scheme. Passages to Salisbury paid for appointee, wife and dependent children, with allowance for transport of effects. Unfurnished accommodation at rent of up to 15 per cent. of salary.

Detailed applications (6 copies) naming 3 referees by December 31, 1958, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1., from whom further particulars may be obtained.

COUNTY BOROUGH OF BURNLEY

EDUCATION COMMITTEE

BURNLEY MUNICIPAL COLLEGE

Department of Arts, Commerce and Administration.

Applications are invited for January, 1959, or as soon as possible thereafter, for the post of :—

LECTURER IN ECONOMICS AND ECONOMIC HISTORY

Applicants should possess good academic qualifications and should be prepared to teach both subjects to final degree level.

Salary in accordance with the Burnham Scale, £1,200 x £30 to £1,350 per annum.

Application forms from the Director of Education, Education Office, Burnley, by whom completed forms must be received not later than 10 days after the issue of this advertisement.

C. V. THORNLEY,
Town Clerk.

RESEARCH ASSISTANT, full-time or half-time, for work in economic statistics. Degree or other appropriate qualification required. Some knowledge of statistics or mathematics desirable. Salary according to qualifications and experience in range (full-time) £375 to £600. Full particulars and names of two referees to Clerk to the Faculty of Commerce & Social Science, University, Birmingham 15, by 5th December.

THE POLYTECHNIC
309, Regent Street, W.1.

DEPARTMENT OF MANAGEMENT STUDIES

Applications are invited for the post of LECTURER in MANAGEMENT STUDIES, with special reference to Work Study and Factory Management or Organisation and Method.

The Lecturer in Work Study would be required to take charge of his section of the departmental work. His duties would include establishing contact with firms and he would be encouraged to undertake research work. Some consulting work may also be undertaken.

Candidates should have academic or professional qualifications and relevant industrial experience.

The salary scale commences at £1,200 per annum, rising by annual increments of £30 to £1,350 per annum. The commencing salary will depend upon qualifications and experience. In addition a London allowance of £36 or £48 is payable.

A form of application, which should be returned within seven days of the appearance of this advertisement, may be obtained by sending addressed foolscap envelope to the *undersigned*.

J. E. Richardson,
Director of Education.

MARKETING RESEARCH. Leading organisation in this field has vacancy for a STATISTICIAN for *research, rather than routine*. Ideally, he or she should be between 24 and 27, be a "mathematical" Statistician and interested in market research problems. Experience not essential. *Applications*, giving full details, education, qualifications, experience, to Box No. 1080.

ACTUARY with investment experience required by London Stockbrokers to take charge of small but expanding Gilt Edged department and to assist Market *Research department* in all classes of security : age 26-38, " Remuneration commensurate with experience. " Top " pension : Profit sharing scheme : good prospects of *advancement*. Write Box " L.B." c/o J. W. Vickers & Co. Ltd., 7/8 Great Winchester Street, London, E.C.2.

INDUSTRIAL TRAINING COUNCIL

British Employers' Confederation requires assistant for staff of Industrial Training Council. Main work will be preparation of *reports* on various aspects of training in industry. Ability to write clear readable summaries essential. University graduate with some experience in industry or young retired service officer preferred. Salary £1,000 per annum. Applications to Deputy Secretary, E.C.2., 36 Smith Square, London, S.W.1.

MARKET RESEARCH ASSISTANT, aged 25/30, required for interesting post. Economics Degree preferred but candidates must have knowledge of Market Research procedures and be used to interpreting statistics. Good commencing salary and future prospects. Full particulars (*Quoting* Reference No. 1443) and salary expected to Personnel Manager, Fisons Pest Control Limited, Harston, Cambridge.

CENTRAL OFFICE OF INFORMATION (Social Survey Division). Senior Research Officer required to take full responsibility for devising sample surveys conducted by interview or by post. The officer appointed will be expected to take active interest in development of survey techniques and/or application of statistical developments to survey work. Applicants must have had experience of research in social or economic problems, or in statistics, and should preferably be graduates in mathematics, statistics or one of the social sciences. Post graded Senior Information Officer (unestablished); Post graded Senior Information Officer (women), salary £1,350 to £1,605 (men), £1,275 to £1,509 (women). Write, stating age, qualifications and previous appointments to Manager, Ministry of Labour & National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4, quoting Reference PE.2237. Only *candidates* selected for interview will be advised.

THE Imperial Tobacco Company has a vacancy for a young woman *graduate*, with a good degree in Economics, in the Economic Section at the Company's Head Office.—Applications should be addressed to the Staff Secretary, The Imperial *Tobacco Co. Ltd.*, Bedminster, Bristol, 3.

BUSINESS AND PERSONAL

9/- a line.

ASSIGNMENTS LATIN AMERICA.—Free Lance Industrial Consultant recently returned from most successful survey with extremely valuable high level personal contacts Government channels, Oil refineries, Power plants, Municipalities, P.W.D., Harbour boards, Railways and amongst leaders of industry ; leaves late January for New York, Cuba, Venezuela, MEXICO, also barter trade investigations Colombia, Uruguay, Chile, Peru. From Commercial angle would consider exclusive assignment for Company or group. Investigations any desired angle but primarily to increase exports capital goods and complete plants. For selected products would if required thoroughly examine possibility participation in very active industrialisation taking place MEXICO where with right link-up scope exceptional and lucrative for local assembly and ultimate manufacture.—Write Box 1081.

OUR business is folding . . . boxes. Every year millions of sausages and suits, tomatoes and trowels, and 101 other products are packed, posted, flown, tailed and just plain carried in ingenious, economically designed boxes perfected by us . . . Filmers. If you have large quantities of goods to pack, write or 'phone : L. Parkin, R. H. Filmer *Limited*, 21 Union Wharf, Wenlock Road, London, N.1. Tel. : Clerkenwell 7666.

A CAMERA—the acceptable gift for any age or sex. Also Binoculars, Slide or Movie Projectors, Enlargers, etc. Wallace Heaton Ltd., 127 New Bond Street, W.1. *Mayfair* 7511.

STATISTICAL CONSULTANCY SERVICES offered : more particularly Trend Forecasting and Administrative Controls. Box 1013.

CHINA NEWS ANALYSIS, independent weekly news-*letter, now in its sixth year. Fully* documented, weekly essay-reviews of every aspect of communist China, political, economic, cultural, based on objective analysis of the vernacular *publications. For specimen copies* apply : C.N.A., P.O., Box 5517, Kowloon, Hong Kong.

DESPERATE of Kensington forced to move. New flat must contain good space for prized store of El Cid Sherry. Willing to move to any district. Put up with *any inconvenience. Pay any rent.*

THE CUNARD STEAM-SHIP COMPANY LIMITED

5% CUMULATIVE PREFERENCE STOCK
6% SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Books in respect of the above Stocks will be closed from 6th to 9th December, 1958, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending 31st December, 1958, to be paid on and after 1st January, 1959.

By Order of the Board,
J. C. TOMLINSON,
Secretary.

Offices : *Cunard Building*, Liverpool.
27th November, 1958.

THE COMMITTEE of LONDON CLEARING BANKERS.

Notice is hereby given that the MAXIMUM RATE of INTEREST allowed by the under-mentioned London Clearing Banks on deposits, which must be lodged for a minimum period of 7 days and be subject to a minimum notice of withdrawal of 7 days, will be TWO per CENT per annum until further notice.

BARCLAYS BANK LIMITED.
COUTTS & CO.
DISTRICT BANK LIMITED.
GLYN, MILLS & CO.
LLOYDS BANK LIMITED.
MARTINS BANK LIMITED.
MIDLAND BANK LIMITED.
THE NATIONAL BANK LIMITED.
NATIONAL PROVINCIAL BANK LIMITED.
WESTMINSTER BANK LIMITED.
WILLIAMS DEACON'S BANK LIMITED.

R. H. BARKSHIRE,
Secretary.

10 Lombard Street, London, E.C.3.
20th November, 1958.

WORK STUDY. Next full time course (6 weeks) starts January 5th. Syllabus from School of Time & Motion Study (*founded 1951*), 29 *Cork Street*, W.1.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARk 8392.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy Costing, Secretarial, Civil Service, Management, Export Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

AIR SUBSCRIPTION RATES

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	*Air Freight*
Australia	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.*	—
Iran, Iraq	£7 15s.	—
Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. & S.)	£9 0s.	—
S. Africa	£9 0s.	£7 10s.
S. America	£9 0s.	—
Sudan	£7 15s.	£6 15s.
USA	—	$25 or £9
West Indies	£9 0s.	—

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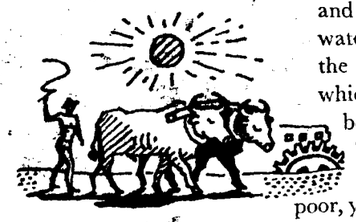
Muscle is the most costly power on earth

RITCHIE CALDER, the science writer describes how atomic power may help man's muscle-emancipation . . .

A TYPICAL SCENE in tropical countries is that of the bullock-team raising water from a well. To the chanting of the drivers, the bullocks trudge backwards and forwards, under the relentless sun, lowering the buckets into the well, hoisting the water and tipping it into the water-courses to irrigate the thirsty soil, from which both men and beasts get their food. Those peasants are poor, despairingly poor, yet they use the most expensive power in the world—muscle-power. Bullocks have to be bought, tended and fed, yet even with the meagre food and pitiful earnings of the men who drive them, the energy equivalent which they produce costs twenty times as much per unit as the energy output at Calder Hall atomic energy station.



MUSCLE POWER INEFFICIENT

A great many people in the world are poor because of necessity, they use calories in their most expensive form and energy in the most uneconomical way. Although we may glorify muscle-effort--and, indeed, laud it in the performances of athletes—it is deplorably inefficient. The advance from the steam-engine to atomic power, from the pulley-belt to automation, has represented the emancipation of man from muscle-slavery.

The paradox of power is that those who are power-deficient are power-extravagant. When we go around the house switching off lights to keep the electricity bill down, we might think of the Indian villager burning cow-dung to cook his food for his muscle-power. Because he burns that dung, instead of using it as manure, his soil is undernourished, his crops are undernourished, and he is undernourished.

This is the Misery-Go-Round of poverty; because the peasant is poor he is undernourished; because he is undernourished he under-produces; because he under-produces he is poor; and because, in 'muscle-power' countries, poverty prevails, their natural resources are underdeveloped. Such countries see in nuclear energy a break-through to industrial prosperity. The problem of how to find the money to pay for it and to train the people to handle it, is the answerable challenge of our times.



The power engineers know the answers; the mechanical engineers have created the machines. The muscle-slaves are waiting to be freed and the resources of their countries are waiting to be developed. The machine is the emancipator

MITCHELL ENGINEERING are designing and constructing Nuclear Power Plant to meet world needs in the New Atomic Age

MITCHELL

MITCHELL ENGINEERING LIMITED ONE BEDFORD SQUARE LONDON

AIR EDITION

The Economist

DECEMBER 6, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

UNDER SECRETARY TO THE PUBLIC DEPARTMENT

Next Move in Berlin

The intention behind the Russian move is uncertain; only with a policy of its own can the West find out what it is (page 863).

Secondaries on the High Road

The Government's plan to reform and rename the secondary modern schools declares war on Labour's plan for comprehensive schools; but it faces some practical difficulties (page 865).

Battle for British Aluminium

A play-by-play account of the biggest company fight for years, and some conclusions (page 913).

The Gaullist Face
The new mood in France is disconcerting (page 867). The election examined (page 905).

Computers or Clerks
(page 915)

The Boom in Horror Films
(page 868)

Possibles for the American Presidency
(page 891)

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 937
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1.
VOLUME CLXXXIX · NUMBER 6015

Chemicals basic to industry . . .

DOW

brings grass control to the world's farmers with

DOWPON



In sugar cane, sugar beets, cotton, citrus groves, vineyards, coffee plantations, irrigation and drainage ditches throughout the world, you'll find Dowpon* actively in use.

This remarkable Dow chemical is a grass killer capable of controlling a wider range of grass weeds than any other product available.

Farmers like it because it effectively kills all kinds of grasses—without the need for cultivating, chopping, oiling. Does away with these expensive—and only temporary—measures. Sprayed on leaves, it works its way inside tough weed grasses right into the roots, killing the entire plant.

Complete information on Dowpon—the systemic grass killer—is available through your local Dow representative, or contact the Dow branch office in your area.

*Trademark of The Dow Chemical Company, U.S.A.

R. W. Greeff & Co. Ltd., Garrard House, 31/45 Gresham St., London, E. C. 2, England

DOW CHEMICAL INTERNATIONAL LIMITED • Zurich, Switzerland • Tokyo, Japan • Midland, Michigan, U.S.A. • Cable: Dowintal
DOW CHEMICAL INTER-AMERICAN LIMITED • Buenos Aires, Argentina • Mexico, D. F. • Midland, Michigan, U.S.A. • Cable: Dowpanam

YOU CAN DEPEND ON DOW

The changing face of advertising

FEW PEOPLE THESE DAYS FALL FOR THE FOUR SUMMER MYTHS

There used to be a traditional prejudice against advertising in July and August. Like most prejudices, it doesn't stand up to rational examination. Here are the arguments to demolish the four summer myths once and for all.

The holiday-months myth. "*Everyone is on holiday in August.*" You are wrong, Sir; the estimated population percentage on holiday in any August week is 6 to 9%.

The August-weather myth. "*August is summer—the weather is wonderful.*" August is usually a wet month—only 11 days without rain this year—perfect TV-viewing weather.

The great-outdoors myth. "*Nobody stays indoors in summer.*" Even when the weather *is* fine people still watch a lot of television. Peak-time weekend ratings for August 1958 were only 7% down on March. From the cost point of view, this was more than offset by the increase in total audience and, of course, by ATV's special summer rates which gave a cost per thousand 15% *lower* than in March.

The no-business myth. "*Nobody buys anything in summer.*" Wrong again! The July-September quarter usually has the second highest retail sales of the whole year.

No, August is a month just like any other. People watch ATV programmes nearly as much, although the peak moves later in the evening, while on a cost-per-sale basis you get *better* value than usual in August.

The fact that most advertisers are realizing these things is part of the changing face of advertising. If your competitors haven't realized them yet, don't breathe a word; with a campaign on ATV next summer, you should clean up the market.

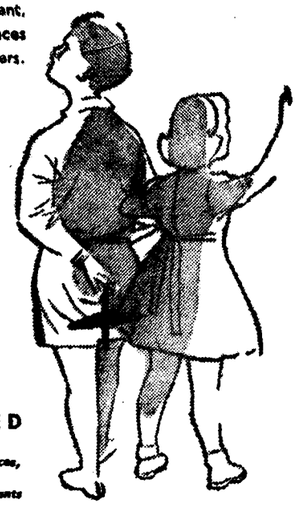


Associated TeleVision Limited
Programme company for the weekend in London and weekdays in the Midlands
LONDON: Television House, Kingsway, W.C.2 CHAncery 4488
MIDLANDS: Herbert House, 71 Cornwall Street, Birmingham 3. CENtral 5191

Birlec and the barrier

The embryo engineer or scientist, at the threshold of industry, will always find Birlec equipment and experience keeping pace with his expanding vision.

Gas turbine blades, gearing and ducting; airframe structural sections and sheets; undercarriage wheels, tyres and brakes; engine starting and flight control equipment; altitude test chambers and wind tunnels — all these depend, at some vital stage of production or development, on Birlec furnaces or adsorption driers.



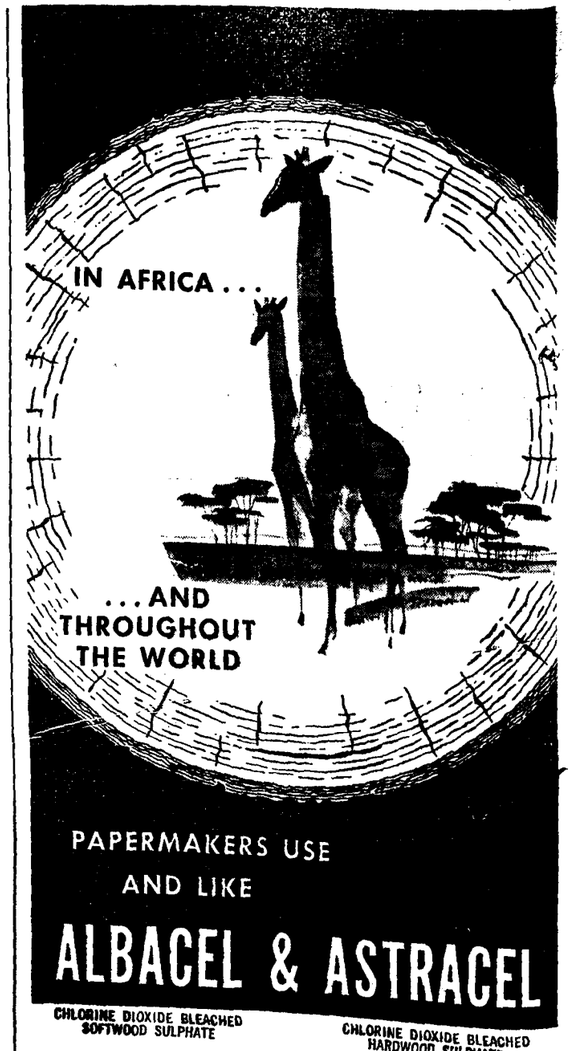
BIRLEC LIMITED

Heat treatment furnaces, gas plants and moisture adsorbers

BIRLEC An A.E.I. Company

BIRMINGHAM 24 and London, Sheffield, Glasgow Newcastle-upon-Tyne, Johannesburg

8M/1029-98



PAPERMAKERS USE AND LIKE

ALBACEL & ASTRACEL

CHLORINE DIOXIDE BLEACHED SOFTWOOD SULPHATE

CHLORINE DIOXIDE BLEACHED HARDWOOD SULPHATE

Balanced Paper-Grade Pulps Created by Papermakers for Papermakers

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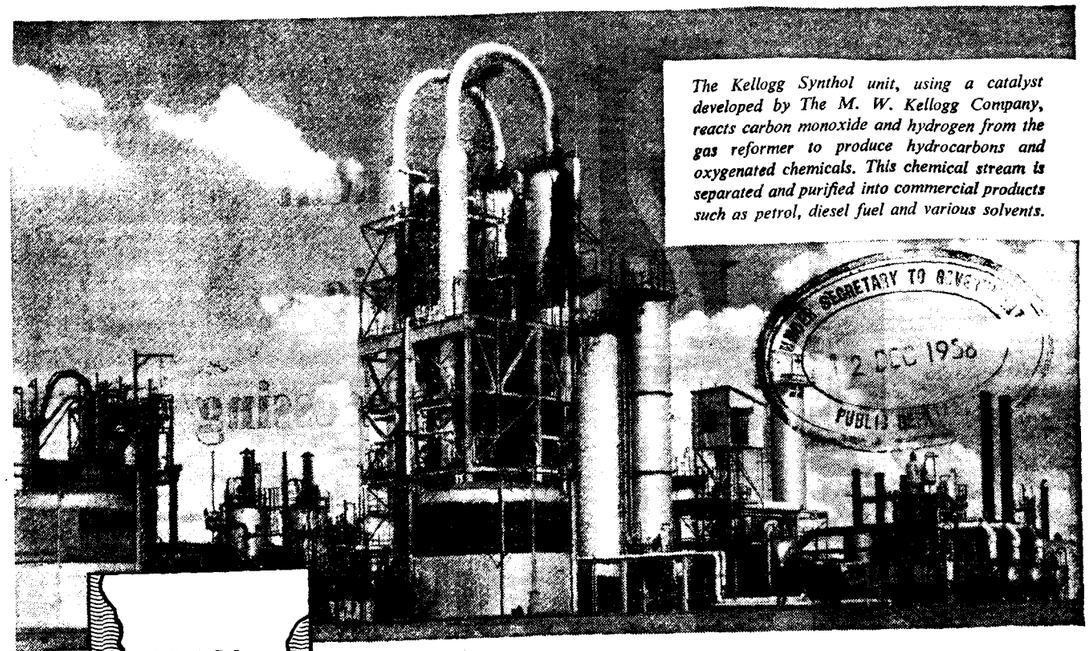

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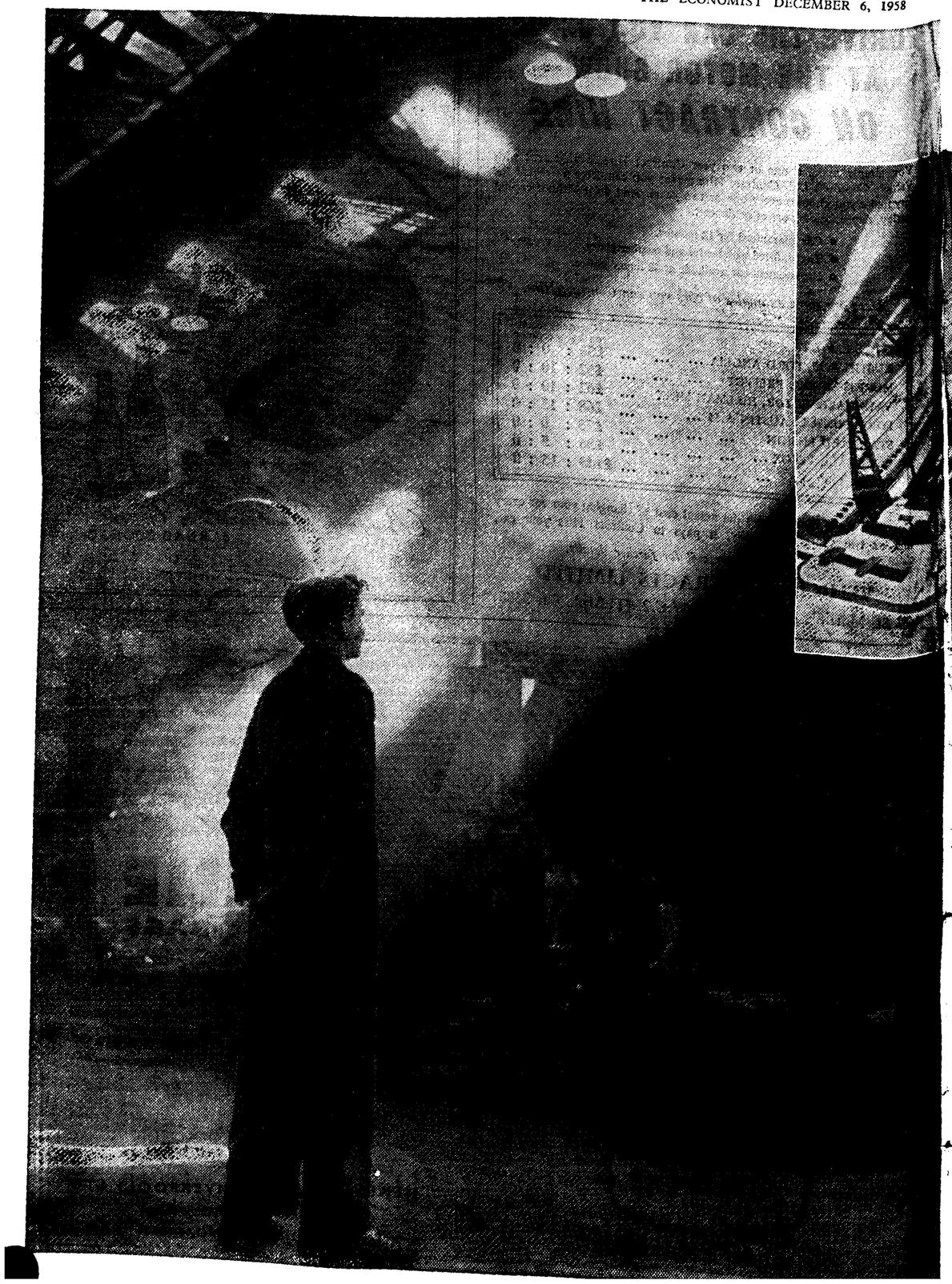



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The Economist

DECEMBER 6, 1958

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Next Move in Berlin

At the heart of the bouquet of argumentative eloquence that Moscow presented to the western powers on November 27th lay one tough nut of fact: the Soviet Union "regards as null and void" the three-power and four-power agreements of 1944 and 1945 on which the occupation of Berlin was based. It has always been a question why the Russians kept those agreements in being long after the alliance that produced them had fallen apart, through all the vicissitudes of estrangement and conflict from 1945 until last week. The Control Council and the Kommandatura broke up, the city's economy and its government were split in two and west Berlin blockaded, two hostile German governments were formed and were armed against each other. But the vestigial conventions and the underlying legal postulates of four-power rule in the German capital were preserved—and, with them, west Berlin's position as the western show-window inside Communist Europe.

Their preservation, mysterious as it was, suited the convenience of the western powers, who had always more to lose than the Russians had by scrapping them. With their east German protégés the Russians have established a special status of their own, which does not depend on any four-power agreements, and which the West cannot share; this would enable them to leave Berlin while maintaining their position in east Germany unimpaired. It is, perhaps, because of the particular mystique which Germany and Berlin possess in their minds that they have not chosen to do this before. But, like other people, they have to consider their allies; and Herr Ulbricht's contention that Berlin is the capital of the German Democratic Republic was not easy to square with Russian acquiescence in the continuing four-power regime. Mr Khrushchev, who has personally conducted the new Russian move in Berlin, has now decided to move into line with Herr Ulbricht and back him to the hilt—or almost.

The qualification is that Mr Khrushchev will not support an east German claim to all Berlin, yet; he proposes instead that west Berlin shall become a free city under international guarantee, and the east German regime is to be asked—as "a concession, a definite sacrifice" to accept this and join in the guarantee. People in the West will have their own idea of what such a guarantee is likely to be worth. The more real the freedom of the new free city, the more of a thorn it would be in the side of the east German regime, and the greater the temptation to forget the promises of non-interference. The promises are, however, offered, together with handsome assurances of export business, guaranteed supplies of food and raw materials, and free channels of contact and trade in all directions, in place of the single long artery that sustains west Berlin now.

The western powers cannot accept this offer. They cannot in cold blood retire and leave their tried friends in Berlin to sink or swim. Yet, in rejecting it, as they must, they must say something more. It is not enough

to deny the right of the Russians to withdraw—as if the western governments had not handed over power in their zones of occupation to a German government when it suited them to do so; as if a great power could somehow be obliged against its will to exercise authority over a foreign city. A mere refusal to deal in any way with the east Germans will be just as inadequate. By their commitments to Bonn the western powers have precluded themselves from recognising the east German regime even if they wished, which they do not; but they have carried their boycott to such lengths that, if Moscow carries out its threat to hand over its remaining reserved powers to Herr Ulbricht, they will simply not be able to keep up.

When the American, British and French foreign ministers concert their reply to Mr Khrushchev in Paris, they will need to agree on something of a positive nature that they can say. This is not merely because people in the uncommitted countries may not, for their part, see anything very unreasonable in what the Russians are proposing. It is not merely because the people of west Berlin themselves, desperately anxious as they must be that the Communists should be kept out, will still want to see some evidence of a western purpose that offers a hope that their isolation will not be interminable. The real reason is that if the western governments are to make their policy work, they need to be able to say what its purpose is. Nobody can recommend that the present status of Berlin shall go on for ever; nobody can expect that it will do so. The western refusal to change it must be accompanied by an "until" or an "unless." This should be put forward as a subject for talks with the Russians, who are suspending action for six months to give time for talks.

BERLIN'S proper function is to be the capital of all Germany; in permanence, it cannot satisfactorily be less. So long as that function is denied to it, the city is doomed to be divided between opposite sides in the cold war. Mr Khrushchev proposes that the three western sectors should be taken out of the cold war and "neutralised"; but it is absurd to suppose that the cold war can be kept up in one part of the city and not in the other. The western powers might logically riposte by offering to discuss a free and neutral status, if it could be guaranteed, not for west Berlin alone, but for all Berlin. This would call for a very "definite sacrifice" indeed from Herr Ulbricht—whose government is conducted from the government quarter of Imperial Germany, off Unter den Linden and the Wilhelmstrasse. The west Berliners, on their side, might reasonably object that they were being exposed to a risk. They would lose the protective local presence of allied troops. What would guarantees short of war itself, they might well ask, be worth? But, in the last resort, what guarantee short of war itself, have they got now; and for the added risk they would be offered something in return, the restoration of their city as a whole—with the immense relief that that would mean to the population of east Berlin.

But like Mr Khrushchev's own proposal, this possible western counter-proposal is not likely to be accepted even it were put forward. Both are open to the same objection: if the solution were acceptable, the problem would not have arisen. What can be said is that if a provisional "free city" solution for Berlin were possible, it would have to cover all Berlin, not a part of it. A durable solution would, in any event, require that the German question itself be solved. Mr Khrushchev paid the usual lip-service in his note to the need for uniting Germany "as a peace-loving and democratic state." This does not mean that he contemplates any solution of the German question at present. Moscow radio has already denounced as "tricks" and "camouflage" the suggestions that have been heard in the West that the proper answer to the Soviet note is a proposal to discuss the German question as a whole. It is, however, still the only proper answer.

Just as the four-power occupation of Berlin was required by the city's position as capital of all Germany—but for which, the British and Americans might have held on to Mecklenburg and Thuringia in 1945, to the great relief of the inhabitants of those provinces—so the tripartite occupation of west Berlin which is now contemplated implies a refusal to accept the division of Germany as permanent. But it is pointless for the three powers simply to refuse to accept the division unless they seek ways of ending it. There are no practicable ways that do not require Soviet agreement. The customary pious declarations are no more satisfactory from the three powers than they are from Mr Khrushchev; if their firm resolve not to be pushed or cajoled out of Berlin now is to be anything more than a reflex, they have to add to it their own proposals for a practicable agreement on German unity.

Any such proposals would have to make it perfectly clear that when the West talks about German unity it does not mean the recovery of the lost eastern provinces: it means the uniting of the territories which are German at present. To allow any German claim to the lost provinces to stand in the way of German unity would be against the general interest, as well as against the German interest, and if—as Dr Adenauer's reported remarks on Tuesday suggest—the Bonn government needs to be told this, it should be told so plainly. The West will still fight for Berlin, but it will not fight for Breslau. This is not the only way in which an approach to a reasonable German settlement would be likely to offend Bonn. Any suggestion of dealing with the east German government as an established (though transitional) authority, any suggestion of the disengagement of forces or of withholding nuclear weapons from the Bundeswehr, has that effect.

Yet if the western governments are not prepared to discuss any of these things—whether from reluctance to give offence to their friends or from a fear that any change in their own arrangements in Germany might have unpredictable effects—their position in Berlin becomes pointless. Mr Khrushchev has drawn a picture of them holding on to Berlin, out of obstinacy and pride. They have to make sure that his picture does not become true.

Mr Khrushchev's purpose in Berlin may, indeed, be to make the western position untenable, and nothing more. The Russians have been showing faint signs of movement in the disarmament talks at Geneva; they have let drop at least one remark there which connects the problem of surprise attack with the nuclear armament of Germany; they have expressed some temperate approval of Mr Rapacki's revised plan to stop the spread of nuclear arms in central Europe. Their gesture in Berlin is more dramatic than these faint signs, and catches all the attention; and indeed it may very well be that Mr Khrushchev is interested just now only in scoring off the West, and not in coming to terms. If that is so, there will not be much the West can do but continue to stand its ground and wait until Moscow can be interested in something better; but it must know, and make plain, why it is there.

Secondaries on the High Road

The Government's plans for improvements in secondary modern schools open a wide vista of educational reform

THE new white paper on the Government's educational programme is a downrightly militant political document as well as an exceedingly important national one. It embodies the Conservative tactic for grasping the political thistle of the eleven-plus: to level up educationally without seeking to stamp flat socially; to overbid the comprehensive school with the new-style secondary modern (renamed high school); to put the really big money behind a practical "parity of esteem" which will alone take the sting out of selection. Conservatives will see in the white paper's closing words an affirmation of the Tory approach to all social issues: "the keynote is opportunity. There must be opportunity for the individual boy or girl to go as far as his keenness and ability will take him."

The reforms go further than merely proposing to give the secondary moderns a new name, and promising to improve them. The Government serves blunt warning that it will not approve attempts by local authorities to "comprehensivise" schools if they would damage existing grammar schools. The greater responsibility to be given to local government under the block grant is plainly not to be interpreted as licence to make doctrinaire assaults on existing schools, such as were recently planned by Newcastle's education committee until the teachers' opposition halted them. Under Mr Geoffrey Lloyd's plans the local authorities will get the elbowroom to experiment with new forms of education and with new ways of eliminating the eleven-plus. This will include—as it should—approval for comprehensive schools wherever local facts and geography make them the most likely vehicles for secondary education for all; but the money is to go mainly into ensuring that "every secondary school, no matter what its description, is able to provide a full secondary education for each of its pupils in accordance with his ability and aptitude."

This is the proper objective. The operative word is "full." It means that while grammar schools will continue to take their pupils, *via* the General Certificate of Education at "O" and "A" levels, to the point of entry into all forms of higher education, the new secondary moderns will also take their various streams to the point at which they will qualify for the types of further education suited to their abilities. It means, above all, that because the A stream in the renamed secondary moderns will be increasingly (instead of merely occasionally) doing the same work as the B and C streams in the grammar schools, transfer at sixteen plus from high school to grammar school to do specialised sixth form work will be easy, instead of

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The 95 per cent of British children who are educated in state schools have hitherto been graded by examination at the age of eleven plus into :—

(1) **Grammar Schools,** which have taken the top 20 per cent of children and trained most of them up to taking the General Certificate of Education at Ordinary ("O") level, normally at age 16. A smaller proportion of grammar school children have gone on to take the GCE at Advanced ("A") level two years later. Normally, two passes at "A" level have been necessary to secure entrance to a university (to which only 8 per cent of all British children go); or

(2) **Secondary Technical Schools,** which are supposed to be broadly similar to grammar schools in status, but with a more scientific curriculum. (Only 5 per cent of children go to them); or

(3) **Secondary Modern Schools,** to which most of the 75 per cent of children who "fail the eleven-plus" have gone. Most secondary modern pupils leave immediately after their fifteenth birthday; only 12,000 stayed on for a fifth year in 1948, and 38,000 in 1958, which would enable them to sit the GCE at "O" level (or special examinations) at 16-plus. The main proposal in the new white paper is to improve these schools, and greatly to widen the opportunity for taking examinations in them; as they reach a certain standard of efficiency, they are to be renamed High schools.

A fourth form of state secondary schools in Britain are the **Comprehensive Schools,** which are the recipe favoured by the Labour Party. They contain "grammar streams," "technical streams" and "secondary modern streams" in large schools under one roof and one headmaster. So far only 1.6 per cent of children go to them, mainly in London (which has long had a Labour-controlled county council).

hard and rare. Theoretically, though in practice one suspects less frequently, grammar school pupils developing specialised talents or bents (such as art, music, craftsmanship or agriculture) will also be able to transfer without loss of status or education to the specialised sixths of the high schools.

This is the crux of the programme of reform. When entry to a high school is a foot on a sure road towards a range of opportunity extending from skilled apprenticeship to full university entrance (*via* O-level GCE and then, by transfer to grammar school, A-level GCE) high schools can look the grammar schools in the face. To get rid of their old name of secondary moderns as they approach this standard is good educational psychology ; Warwickshire has already preceded the minister in this. Some parents have understandably confused the words " secondary " and " second-rate " in districts where secondary moderns have been little more than renamed senior elementary schools, incapable of taking their pupils to any worthwhile qualification. But in the last few years a new crop of secondary moderns, with heads who are university graduates, with extended courses preparing boys and girls beyond the statutory leaving age for a variety of examinations, and with flexibility of approach and curriculum, have been blazing a new trail. The minister is right to follow it.

Selection remains, as it must. It is needed to pick out those capable of taking a grammar school course, and also to pick out those capable of profiting from a " secondary technical " course. " Comprehensivisation " does not end selection ; all the evidence shows that the grammar and non-grammar streams in comprehensive schools are and feel different. It is mythology to think that because Smith, with an IQ of 125, is a comprehensive schoolmate of Brown, with an IQ of 85, they will talk the same language outside the classroom.

On the other hand, when every school is good in its own way, when every average child is sure of just as good an education as any other average child whatever his school is called, selection is no deprivation. The grammar schools can be left to get on with their essential job of training the country's upper quartile of intelligence for the major academic and scientific skills.

THE recipe is the right one, on white paper. The test now will be how far it can in fact be fulfilled. The new programme, while promising the material needs and organisation of a system of varied but equal schools, does no more than provide the framework. The first essential will be to get enough teachers—of the right sort. Upon a pupil-teacher ratio which is compatible with good teaching in every type of school the whole plan will utterly depend. The minister has already made what he thinks is adequate provision in the crash training college scheme announced last August ; it is to be hoped that his confidence is not misplaced.

The next point is that little fruit will be gathered in terms of a better education, either from his teacher training scheme or building plans, for two or more years ; the bulge of immediate postwar babies has not yet fully passed through the schools, and the system has yet to take the strain imposed by adding a year to teacher-training. Immediate spending will do little more for the next year or two than make education in all schools no worse than it is now. The white paper pins its hopes to the " dip " years in the early sixties, when the present bulge has passed, and before numbers begin to rise again. Not only will the new teacher training colleges then be in full production, but the output of university graduates will also be rising sharply. All things should then begin to work together for good : smaller classes, better schools, more teachers, all in turn attracting more graduates into the profession and encouraging more pupils to stay on at school voluntarily after fifteen.

IF the minister has done the sum about teachers right, he may be able to claim one day that he carried the 1944 Education Act (which, it should not be forgotten, was an all-party measure) to fruition. It is a fine vision ; and it is all the better for a hard-headed determination to make the best of the system Britain has already got rather than to make a comprehensive omelette of the overstrained school structure. But this is the time again to urge him, since he has been given so much money, not to dally, if the sum does start coming out wrong, but to run up some more teacher training colleges straight away.

He is, however, due for congratulations for getting the money—though he should perhaps share these with the Labour party, whose educational bids earlier this year made an imaginative Conservative scheme an electoral necessity. Mr Lloyd has rightly committed the country to a great deal. The immediate building programme, of projects to be started within the five-year period, is £300 million. But the recurrent annual costs are rising sharply. This year, education in England and Wales will cost £608 million, in Scotland £80 million, and for the universities £35 million—a total of £713 million. The new plan, taking into account the additional teachers, higher pay, and the changes in school population, will add at least £200 million over the next five years to the annual bill for England and Wales, and £30 million for Scotland. When the rising university expenditure is added to this, it is possible to foresee an educational budget topping £1,000 million a year before the completion of the plan, or fully 5 per cent of the foreseeable national income. This is an educational programme for an expansionist society.

It is one thing to lay down policy in Whitehall ; it is another to carry it out when the spending and the administration are decentralised. Some delicate negotiations with the churches will have to start at once ; as the white paper admits, they will need help if the church schools are not glaringly to fall behind the standards set by the new state schools. They received such aid after the 1936 Act, but there is a danger of a much bigger gap between church and secular schools opening up now ; yet nobody will wish to walk into a row that disturbs the church settlement reached by Mr Butler in 1944. The programme will place a heavy strain on local authorities, too, and to some extent the fitness of local authorities to operate a modern educational service—contested by some—will be put to the test. If they lose the schools, as they have lost the hospitals, they will have themselves to blame.

Finally, the fact must be faced that this programme will compel another look, not only at what is taught—to see that the schooling is as up-to-date as the schools are going to be—but also at the whole structure of higher education. If the high schools are to widen their horizon, and the grammar schools are to be improved as well, opportunity to go on to a university must be commensurately increased. This is not Mr Lloyd's task ; but the Government must now get down to it. Education is central to all the country's prospects. Children are now going into high school who, before their working life is over, will be wrestling with the problems of the twenty-first century.

The Gaullist Face

France's new mood will not help General de Gaulle to settle the Algerian question, or anything else

IF there is any mitigation to the calamity of the new French Assembly, it must be sought in General de Gaulle himself and in what must now be counted his blessed constitution. There may, as M. Mendès-France has said, be doubts of the general's ability to govern his rampant supporters in both France and Algeria ; that he wants to do so, to be the leader of all France, both left and right, must be accepted. Yet it is incontestable that the general's own choice of electoral system has brought him exactly the unbalanced chamber he wished to avoid. In that respect, the worst has happened. The parliamentary opposition to gaullism is confined to ten communists ; if this looks like a victory now it could have terrible consequences one day. M. Mollet's socialist opposition-within-the-regime is an undistinguished rump. Men like M. Biaggi and M. Le Pen, whom the Algiers conspirators in May were too scrupulous to touch, are posing as moderate men of the right-centre. The friends of the Algerian settlers, besides some of the more unsavoury representatives of the settlers themselves, are in a commanding, if uncohesive, coalition. Such is the new French assembly. But under the general's constitution, it can sit for only five and a half months in the year.

Nothing in the election (which is examined in detail by our Paris correspondent on page 905) can comfort those who hoped that the French people, by their vote in September's referendum, were determined on change, at home, in Africa, in the world. If General de Gaulle is a liberal gaullist—as he probably wishes to be—it cannot comfort him either. The French people have not voted conspicuously for a change this time. Throwing out four hundred deputies does not, by itself, mean a change. Electing poujadists under the name of conservatives does not mean a change. Voting for gaullism, as M. Soustelle's *Union pour la Nouvelle République* exhorted its hearers to do, does not mean a change. The old guard is back, just the same ; all that is different is that the new men have harder faces. M. Poujade's followers have not been routed ; they have become respectable. Gaullism, as the French electorate has interpreted it, is the right-wing mixture as before. The big disaster in the election did not befall the communists ; they lost 135 seats, but they kept 20 per cent of the national vote. It befell the liberal gaullists, who won nothing at all.

WHAT is this popular gaullism ? It is, supposedly, intelligent conservatism (at least, M. Soustelle himself is intelligent). It is the party of government. It professes some liberal social and economic policies ; and probably this is more than window-dressing. It is nationalist. It is suspicious of such European ideas as the common market. It is against colonial surrender. It is for *Algérie Française*. And Algeria is the rub. Is this programme what the majority of French people really want ? Although the routed liberals have complained that France, through General de Gaulle's own equivocation, has never been faced with the choice between independence and integration in Algeria, the voters are not quite so foolish as that. They can be assumed to have known perfectly well what kind of men they were backing, just as they knew what kind of men they were putting into office in 1956 when they voted for MM. Mollet's and Mendès-France's Republican Front.

Of course the French people hope for peace in North Africa now. The trouble is that, like General de Gaulle himself, they would like to have it both ways. They want an Algeria that is half-integrated and half-independent, half-satisfied and half-satisfactory. How it will happen they have no idea. Perhaps, one day, something will turn up: the general is in North Africa now looking for it. But to be safe, and to be strong (to indulge in the sort of micawberish chest-beating that gaullism now encourages), France has voted for, among others

the bully-boys whose only policy for Algeria is the one that has been practised since 1954.

Perhaps it does not matter. Perhaps the new assembly will be kept in its constitutional place. Perhaps General de Gaulle will ignore it by appointing as his prime minister an old personal retainer like M. Debré or a superior civil servant like M. Couve de Murville. Perhaps the Algerian rebels are about to cave in. Perhaps the general himself is something other than mortal and unpredictable. If everything goes right for the next year (as France's allies must earnestly wish it will) the present fears of the new assembly may pass into limbo. But there is no earthly reason why France, or its allies, should be so lucky.

IF things go wrong the future can be ugly indeed. The communist leaders have been pushed aside. Very well. M. Duclos will not have to waste his time now in answering for the repression in Budapest; he can give his attention to industrial organisation (or disorganisation) and, when the hour arrives, to strikes and sedition. Can M. Mollet's socialist party, the self-styled "advance-guard of the Fifth Republic" elected with the UNR's support, be considered strong or acute enough to hold its own with the communists in an economic downturn? What sort of place in political life is left now for the slaughtered liberals? Three years or so in the wilderness under M. Soustelle's scourge may either drive them into the communists' arms or into deliberate and resigned silence. If the general ever needs to escape from his importunate friends, where can he turn?

The new gaullism is uneasy and querulous. Even although the general will keep his engagements, in form at least, France does not shape like being an easy partner for anyone. At present, perhaps born out of a reaction to last May's humiliations, there is a mood of nationalist suspicion and distrust towards the outside world. It is possible for Frenchmen to see, equally seriously, evidence of British spite in the Ghana-Guinea affair and in a London court's ruling that the Spaniards may call their sparkling wine "champagne." France is on the look-out for slights. It all seems part of the atmosphere of gaullism.

Once more, with the general's return to Algeria, the immediate test is in North Africa. The Algerian crisis, after all, brought General de Gaulle into power and the Fifth Republic itself into being. It has still to be resolved. The general has first to settle on the spot how valid and representative the new Algerian deputies really are; but M. Soustelle has already proclaimed the government's satisfaction at the outcome of the Algerian vote. Once more rumours of General Salan's approaching removal are current, and any restoration of a separate civilian authority in Algeria is to be welcomed. But the record, last May, of the suggested military successor to General Salan cannot inspire trust in republican hearts.

It seems increasingly clear that hopes of realism in French policy reside in General de Gaulle personally and alone. The electorate's faith is very plainly in him; but it has helped him neither to hold a political balance in the country nor to govern with a popular chamber at his back which reflects his own outlook on the world. When he takes President Coty's place later this month General de Gaulle will be more powerful, but even more solitary, than before. Under any other man the resurrection of a liberal French democracy would seem distant and remote indeed.



Lovers of Frankenstein

Are horror films such good business?

AMONG the flashing neon signs outside the cinema, a hideous vampire is highlighted, drooling blood over a prostrate girl. A poster for another film shows a naked man, pierced by arrows, hanging in what looks like a steam chamber. "You, too, could look like this," the advertisement for the film proclaims. And it really seems that people want to. For horror films are now doing a roaring business. In the rather ambiguous wording of one publicity blurb "they are putting new blood" into the depressed British film industry.

"Horror" is a generic term covering a wide range of films whose only common link is that they all contain a monster. The monster can, of course, be merely a maniac human killer, but this easy way out does not seem to satisfy the public any longer. More spectacular monsters are demanded, and eager entrepreneurs have

supplied them in three main types. First, there was emphasis on the oversized and misshappen human—with a face worked out on psychological principles to be as terrifying as possible. These noseless, palsied creations were judged to look very well on posters. But on the screen they proved to have several drawbacks. The engineering of the plastic and foam rubber required for these contraptions is clumsy, and, because of the lack of strength of the man inside, they have to be strictly limited in size. Moreover, the man-monsters tend to be so awkward that they can end up by arousing sympathy, not fear, in an audience.

This drawback was found to apply equally to the second genus of monsters—that of oversized animals and insects. Animals are particularly difficult to use because of the English love of pets; fur, which always arouses warm feelings, is taboo. Greater successes have been secured by enormous spiders, scorpions and ants; but these, although frightening, can be expensive to construct. The third and latest type of monster, which is increasing fast in popularity, is regarded as a triumph by the trade because it is really cheap as well as very nasty: the new emphasis is on the amorphous creature, the mushroom, the bladder, the caterpillar, and the octopoid globule.

Cheapness of production is an essential element in the horror films' financial success. There is little travelling for the cast to do: the enclosed atmosphere of an old castle, an atomic station, or a rocket is normally all that is required. The time for shooting can be cut to around half that taken for a normal film. Since one rocket or one castle is much the same as another, sets and interiors can be used again and again with only small and nerve-jarring differences. Given that a company has a good effects department to make the monsters, pools of blood, screams, skeletons, etc., there are very few further overhead expenses involved.

Hammer Films—the leading British producer for this grisly market—show this cost advantage over normal studios particularly clearly. "The Revenge of Frankenstein" cost the company approximately £80,000 in all, compared with an average of £130,000 for films assisted last year by the National Film Finance Corporation. It took only five weeks to shoot, and five months to make from start to finish; and it made £150,000 in the United Kingdom and about $1½ million in the rest of the world. Other films from this company, though most of them have been slightly more expensive to make, have so far made similarly staggering profits.

ON the whole, the films in which the monsters appear are lamentably bad. In many cases, the titles, such as "I was A Teenage Frankenstein," are the best things about them. But some have genuinely gruelling stories as well. The man into mushroom theme of "The Quatermass Experiment," the fangs through the throat in "Dracula," the whistling of the giant ants in "Them," the brutal tearing of head from body in "The Trollenberg Terror," the blood-filled atomic caterpillars in "Fiend Without A Face," and the activities of the mad boy in "I Was A Teenage Werewolf"—all these themes fully deserve the "X" certificate that they get from the Board of Censors. Indeed, some people will question whether the meaty enthusiasm of audiences for them is not a dreadful commentary on the decadence of postwar Britain; and whether the wise course would not be to refuse permission for them to be shown at all.

To blame "postwar decadence" is unjustified. This is not the first time that the craze for horror has come to the screen. Indeed most of the productions of the Hammer Company are remakes (glossed up and in colour) of films first shot in the 1930s. Since the 1930s the screen has been subject, about once in each decade, first to a wave of science fiction and then to a wave of horror. The first craze culminated in 1935, with films like King Kong and the Boris Karloff series. There was a revival in horror interest in the early forties, and the present wave began to gather momentum about five years ago. It is now worldwide. In Europe, in the United States, in Japan, the Philippines, and Latin America, teenagers are flocking to see monster and sex films; and Britain, either because of popular demand or because of the censors, actually consumes the weakest mixture.

When the Hammer Company makes a horror film, it makes three versions. The gentlest is for the British market; a tougher version goes to the United States; and for Japan and the East no holds are barred. This Eastern love of horror should surprise no one who has seen some of the films that the Japanese make themselves. But it does dispose of the argument that a love of horror is a disease of western over-civilisation and town life. It also qualifies the common arguments that horror is solely a gimmick of an industry in decline (though it certainly is that in part), or just a compensation for the wateriness of British television.

JUST how bad a thing is this craze for horror films? This is a rather harder question to answer than it sounds. The monster men themselves are self-righteous about it. Listen to Mr Herman Cohen (whose "Horrors of the Black Museum," with seven murders, waxworks, and hypnotism, should be out next spring):

> Teenagers who see those tough juvenile delinquent films can go out and buy themselves a bicycle chain. But no one can go out and make a monster.

But to assert, as Mr Cohen does, that he is therefore a protector of public welfare, sits rather oddly beside the moral which was widely drawn from his "I Was A Teenage Werewolf." This film, in which a teenager becomes manic and kills, not through his own fault but because of an inherited defect which is exacerbated by the activities of an unscrupulous psychiatrist, was an evident sop to law-breaking youths.

So much for one argument for not being too harsh on horror films. It is usually backed up by another: that people who watch horror films do nothing but giggle at them. In most people's experience, unless

the film is excruciatingly bad, this just is not true—except perhaps among a very small and noisy section of the audience. More people will have nightmares afterwards than will laugh, and if the subliminal suggestion that is being introduced into American horror films is allowed in this country (such as flashing for a fraction of a second words like "blood" and "murder" on the screen behind a screaming woman), many more undoubtedly will have them. This, and the whole empty, nauseating fantasy of horror films, surely cannot be otherwise than bad.

The real argument against getting too worried about them is that the craze, having over-reached itself, may fade as quickly as it did in the 1930's, on strict commercial grounds. For example, the Rank organisation, after showing "Dracula" successfully on its full circuit for a week, found that some regular customers had been scared away and that takings during the following month were well below average. The film industry lives by its regular customers and fails if it shows films that make them stay away. Just as making money is what spurs the horror producers on, so losing money may eventually make them, and the film industry at large, turn their attention to less unsavoury subjects.

NOTES OF THE WEEK

CYPRUS

Thermometer, not Thermostat

LAST year the United Nations Assembly passed no resolution on Cyprus. It might have passed one broadly favourable to Greece's case, but the Greeks turned down the conciliatory amendments offered to them, and their own text went too far to be accepted by the necessary majority of delegates. The temperature prevailing during the debate of the past two weeks has been, if anything, even more lukewarm. Most of the member governments have pleaded for moderation and compromise in one form or another. Seven alternative drafts confronted them by Wednesday: Greece's proposal that the island should become independent; recommendations for further negotiation, presented in varying forms by Britain, Turkey, Iran and Colombia; an Indian draft, backed by Ireland, the United Arab Republic, Ceylon, and others, urging that the aim of negotiation should be "self-government" and that partition should be ruled out; and a Belgian plea for an "amicable solution," linked with an appeal to all parties to halt terrorism. The one thing lacking in all these rival proposals has been any sign of enthusiasm for the taking over of responsibility for Cyprus by the United Nations as a body.

British arguments have not been very happily presented in New York this week. Commander Noble, the Minister of State, has somehow managed to say publicly that the Government is opposed to partition and, in almost the same breath, to add that any public statement that the Assembly was also opposed to it might touch off civil or even international war. Never, one supposes, can a British spokesman have begged so earnestly that the United Nations must at all costs refrain from supporting a British policy. Mr Noble's porpoise-like floundering invited a more intelligent riposte than the childish accusation made by Mr Averoff, the Greek foreign minister, that he was trying to intimidate the UN. The Assembly as a whole is visibly weary of that kind of talk; refreshingly little of it has been heard, except from communist speakers and from Mr Shukairy, the rather nomadic delegate who at present occupies the Saudi Arabian seat. But unfortunately the Assembly's debate, while revealing an encouraging preference for moderation among the community of nations, cannot be expected to have a moderating effect in Cyprus itself. One may feel relief at seeing the United Nations thermometer record a generally low temperature, and yet long for the UN to provide something more in the way of a thermostat that would help to keep local passions below boiling point.

WHILE the UN debate neared its end, a British coroner in Cyprus concluded the inquest on a Greek killed by the soldiers who combed Famagusta after the murder of Mrs Cutliffe, a sergeant's wife, on October 3rd. In summing up, after hearing much self-contradictory evidence which provided grist for unscrupulous Athenian inventors of atrocities, he observed:

> One can fully understand the horror, disgust and anger that filled the minds and hearts of everyone on that day, but nothing can justify the assaults on persons who had done nothing to warrant them.

Relief that a British court can show independence at such a moment and in such circumstances ought not to breed any complacency. The British in Cyprus are not guilty of anything like the amount of brutality with which Greek propagandists daily charge them; but they are men, not angels, and there is little doubt that the wretched position they now occupy in Cyprus is having a brutalising effect. That is one more urgent argument for extricating them from that position with all possible speed.

SUDAN

General Abboud's First Moves

SUDAN'S military rulers appear to be more independent than Egypt's and to be headed for a more promising future than Iraq's. The Sudanese leaders may be inexperienced themselves but in Iraq and Egypt they have before their eyes examples of what military dictatorship can and cannot accomplish.

General Abboud has not fallen into the trap of promising more than he can reasonably produce. By not wholly repudiating the actions of his predecessors he can hope to retain the loyalty of Sudan's small but valuable corps of trained public servants. By not encouraging mob action, he spares himself the necessity of satisfying the mob with stage-trials or extravagant statements. Nearly all the general's actions have inspired confidence at home and abroad. How much happier a place Baghdad would be today if its new government had managed to do the same. Instead, Iraqi business has come to a standstill, the development programme is grinding to a halt, and the bedouin are camped around Baghdad like vultures, waiting for a snatch and grab when the next round comes. In Khartoum the past is dismissed as of no importance. Eyes are on the future: what a contrast to Cairo, where recitals of former glory or past shame take up so much of press space and radio time.

The new government in Khartoum has not only said forthrightly that it will accept American aid, it has removed the restrictions imposed on such aid by the former parliament. The Sudanese made no apology for this decision, a brave one in a part of the world where only Russian arms and aid are regarded as compatible with Arab nationalism. The government simply said that it needed £120 million for development during the next five years, and that only a small portion could be raised at home, even with heavier taxes and a programme of austerity.

As if to show that it can get along with Asia and Africa, and that it is not merely following a blindly pro-western policy, the Sudanese government has recognised the Chinese People's Republic and assured Ethiopia of its good intentions. Sudan's most important foreign relations are with the United Arab Republic. It must be becoming more and more apparent to the Egyptians that future negotiations with the Sudanese on the Nile waters will be between equally self-confident equals, not between big brother and little.

GOVERNMENT CHANGES

By the Right

MR IAN HARVEY'S resignation has produced the translation of Baron Profumo (the title, of which he is fifth in line, is Sardinian) to one of the two Under-Secretaryships at the Foreign Office. His wife, Miss Valerie Hobson, will make a splendid diplomatic hostess. Mr Macmillan has taken the opportunity of the small chain reaction this has set off to advance two former outriders of the Right. Mr Julian Amery, the Prime Minister's son-in-law and the biographer of Joseph Chamberlain, has been moved from the War Office, where he assisted in the dwindling of the Army, to the baron's former job as Under-Secretary for the Colonies, where he will doubtless aid in the liquidation of the Empire. It is unlikely that he will be able to do much there to base Britain's trade on an extension of imperial preference, a cause which was formerly near to his heart.

Mr. Amery is replaced as Under-Secretary at the War Office by Mr Hugh Fraser, another member who has had the reputation of being a boy of the gunboat brigade. Mr Fraser's name has also recently been linked with Mr Head's subterranean rumblings against Mr Sandys's calculations of military manpower, which makes his surfacing in his new job rather surprising. Mr Macmillan's apparent policy of loading former rebels with junior ministerial responsibility is presumably intended to devitalise possible sources of trouble on his back benches. It is less likely that he is deliberately counterbalancing his two predecessors' long record of attention to Mr Butler's supporters in the Tory party's liberal wing.

BY-ELECTIONS

No Bells of Shoreditch

LESS than a quarter of the electorate bothered to vote at Shoreditch and Finsbury last week, in the smallest turnout at a parliamentary election for many years. Everybody is saying that this was a slap to Labour in the week when it was launching its major publicity campaign. The fact remains that there were proportionately even more abstentions from the Tories' tiny cohorts at Shoreditch than from Labour's massed ranks there: Labour secured 76 per cent of the much-reduced total vote compared with 73½ per cent in 1955. Four of the five by-elections this winter have now shown a swing away from the Conservatives greater than the 2 per cent swing which, if spread evenly across the country, would turn them out of office in any immediate general election. The exception was Chichester, which showed no swing either way. The more extreme stories of Conservative revival just are not being borne out in these by-elections.

PRE-ELECTION PILLORY—I

Mr Callaghan's Folly

IN the last few months before a general election a special pillory ought to be set up for any minister or shadow minister who makes the future conduct of government by his party more difficult, in order to do one of two things: either to try to win a few more votes or—in the case of Opposition frontbenchers—to win a few more cheers from behind in the insidious popularity stakes for which every Labour shadow minister is now so ardently running. *The Economist* intends to set up such a pillory, and the first politician to be thrust firmly into it is Mr James Callaghan, Labour's shadow colonial secretary. During the debate on central Africa last week, Mr Callaghan turned aside from what many will regard as a reasonable expression of liberal doubts about Rhodesia's present course, in order to do something quite unnecessary: to make a personal attack on the federal prime minister, Sir Roy Welensky, who was then on a visit to this country and who had come to listen to the debate from the gallery. Mr Callaghan remarked that he was bound to say, although he did not much relish doing so, that Sir Roy was in effect a hypocrite.

The preamble to these remarks was untrue. Mr Callaghan was not bound to say what he did. He quite obviously did relish saying it. And if he becomes Secretary of State for the Colonies, everybody who hopes for a liberal solution of Rhodesia's affairs will rue his speech. The danger of last week's personal fracas is obvious: in the Rhodesian constitutional discussions that are due in 1960, Sir Roy may well be humanly influenced against accepting from Mr Callaghan's hands terms that he might conceivably have accepted from somebody else, and he may react more bitterly than he otherwise would have done against any really firm safeguards for Africans put forward by a Labour government. The most probable consequence of any such unpleasantness would be that a Labour government's firm line would then be whittled down a little.

The folly of Mr Callaghan's relapse into personalities is not affected by the fact that some of Sir Roy's party colleagues have been rude about Mr Callaghan himself during

their recent election, nor by the fact that Sir Roy (who is potentially the most liberal prime minister the Rhodesias have got) is not as liberal as most Britons would like him to be. The test of statesmen's speeches should be their effect and their necessity, not the extent to which speakers have been needled. Mr Callaghan has now gone a long way towards disqualifying himself as a useful colonial secretary.

NUCLEAR WEAPONS

Atlas Changes the Map

ATLAS—the Atlas of mythology—shouldered the world. Can one say much the same of the American missile that has now been fired over 6,000 miles, from Florida to the waters around Ascension? When this greatest of deterrent weapons goes into service, the political as well as the strategic equation will be altered. Since last year, when Russia announced that it had tested an inter-continental rocket, the world's eyes have been focused on an evident disequilibrium: the fact that the new Soviet weapons could deliver hydrogen bombs on to American soil without inviting direct retaliation by the same means. The United States has thus become temporarily more dependent on those of its friends and allies from whose territory intermediate range bombers or missiles, like the Thors recently installed in Britain, could reach Russia. True, the Americans have continued to express confidence in the deterrent effectiveness of their inter-continental range bombers; but at the same time they have pressed on with their missile programme—and the result is, at last, Atlas.

America's relations with its European allies, with Japan, and with countries like Morocco, Libya and Saudi Arabia, will all be affected if it soon possesses rockets that can hit Russia from launching pads in the United States, and nuclear-powered submarines that can stay underwater in sea areas from which their nuclear missiles can reach the Soviet heartland. Although dispersal and ability to resist local attacks will both remain important parts of the deterrent equation, there seems bound to be a relative fall in the value of bases such as Okinawa, Dhahran, Torrejón, and East Anglia. In some areas, local friction over American bases may decline spectacularly—particularly if the United States, aware of its strengthened bargaining position, boldly intimates that continued sniping will lead it to pull out, and thereby stimulates the smaller nation concerned to think fast about the moral support and material benefits it has been deriving from having the bases on its soil. One may even envisage, in due time, a western readiness to let a general disarmament agreement include liquidation of overseas bases—a concession which would then deprive Russia of one of the main blocks it now uses to resist any such general agreement.

The Bounder

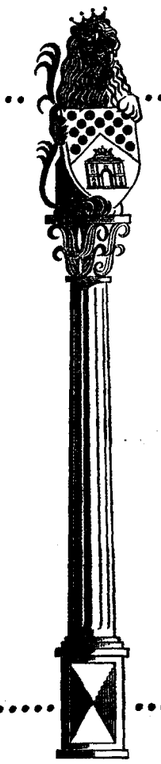
ON the same day that Atlas reached Ascension, reports were published about a Soviet nuclear-powered bomber—already nicknamed "The Bounder"—capable of girdling the globe repeatedly without refuelling. Although many sceptics regard these reports, which originated in an American journal, as somewhat coloured by the latest contest for funds among American defence services, it seems quite possible that the Russians have in fact got a prototype into the air. Inevitably there is once more a clamour in the United States for a "crash programme" to catch up with Russia. But can the questionable value of this aircraft outweigh the highly lethal risks involved? Non-nuclear bombers can already, if refuelled in the air, remain in flight for long periods and, if need be, circle the world. By contrast, an aircraft which is in effect an airborne nuclear reactor is a much more dangerous thing to have overhead than a "conventional" aircraft carrying atomic bombs, for the latter type can—indeed, on occasion, has been known to—crash without catastrophic results. Enthusiasts for this particular "crash programme" should be made to reflect on the ominous double meaning of the phrase.

COMMONWEALTH ECONOMICS

Montreal Revisited

THE picture of last September's Commonwealth Economic Conference painted by some MPs in Tuesday's debate bore only a coincidental resemblance to what actually happened at Montreal. It will be a pity if a glossy myth is allowed to grow up about this, because its real story of relative success snatched from original awkwardness was revealing. Towards the end of the first week a common cynical view at the Queen Elizabeth Hotel was that the Canadian government had called the conference largely as an internal political stunt, and now the United Kingdom government was expected to pay for it (by the relaxation of dollar import restrictions and the enlarged system of Commonwealth loans). But in the second week, after some polite diplomatic demarches (especially Sir David Eccles's famous "Dear Donald" letter to Mr Fleming), the United Kingdom got something back itself. Principally, the increasingly protectionist Diefenbaker government agreed not to increase its protectionism against British goods quite as quickly as it otherwise might have done. From this, other advantages flowed. One undoubted success of the conference was that Asian and African ministers and civil servants enjoyed the Commonwealth atmosphere enormously; they were duly impressed by this example of delicate negotiations carried through in a spirit of family urbanity without blustering remarks from anybody. Another achievement was that the Commonwealth settled on an "agreed view" to put forward at the subsequent International Monetary Fund meetings at Delhi, at the Gatt meetings at Geneva, and (a rather patched agreement here) at the discussions on commodity stabilisation schemes which all countries then felt ought to take place sometime somewhere.

Since Montreal the IMF discussions about increasing international liquidity have been a relative success, and the Gatt meeting aimed at securing freer trade in agricultural products has been a relative failure (for this, as a dispatch from our Geneva correspondent on page 803 of *The Economist* last week suggested, western Germany's extreme agricultural protectionism deserves a lot of the blame). Meanwhile the third initiative at Montreal—the idea of a series of discussions aimed at the stabilisation of commodity prices—has lost a little favour with the formerly eager producers, chiefly because some commodity prices have since then begun to go up. Possibly the most important long-term consequence of the conference will spring from a single sentence, which at the time was thrown into the discussions rather like a stray pebble into a pool.



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This was Sir David Eccles's brave reminder that the best way of aiding the industrialisation of poor countries is not necessarily always to lend them more money, but to stand ready and eager to import their cheap textiles and other industrial goods, even if this hurts high cost domestic producers; more countries are now inclined to be rather more willing to accept this principle than seemed likely to accept it before Montreal.

WALES

Welsh Huffs

WELSH frustration at having a Minister for Welsh Affairs and a Minister of State for Wales has burst into the open. The present round of trouble began with the resignation of Mr Huw Edwards, who as its first and only chairman had run the Advisory Council for Wales since 1948 very much as his personal instrument. On finding that there was no generally acceptable successor available among the council's twenty-eight members (four representing management, four the unions, twelve the local authorities, and eight appointed by the Prime Minister) and no obvious Welsh grand old man whose appointment from outside would have made everybody happy, Mr Macmillan bestowed the chairmanship on the Minister for Welsh Affairs—Mr Henry Brooke, otherwise known as the Minister of Housing and Local Government. At this point four other members of the council departed.

Before the council is reconstituted next September Mr Brooke has the uncomfortable task of arriving at some conclusion with the remaining members about what work it can usefully do. So far, instead of developing into an economic pressure group, as one might have expected and feared, it has concentrated, rather like unofficial members in a colonial legislature, on trying to engineer further structural change. Despite rebuffs it continues to refine its foredoomed case for a Secretary of State, on the grounds that while Scotland has a super-lobbyist in the Cabinet, Mr Brooke is at best only a spare-time agitator for Wales. This is remarkable evidence of its ignorance of how pressure groups in Whitehall work, and of how Cabinet meetings are conducted. A Welsh Secretary would not have full-time departmental responsibilities (such as the Scottish Secretary has, because of the need for separate Scottish bills arising mainly out of the separate system of Scots law); and he would not advance Welsh interests one iota merely by sounding the lilt of St David in the Cabinet room. He would be much more likely to get himself regarded, to Wales's disadvantage, as a confounded nuisance.

Lord Raglan and the Dragon

As it happens, Mr Brooke's case against transferring subjects such as education in Wales from the appropriate Ministry to the more parochial atmosphere of a Welsh Office, where there would be much more scope for nationalist pressures, could only have been strengthened by a debate in the House of Lords last week. It took place on a motion by Lord Raglan calling in question the practice of forcing children in Wales to learn Welsh even if their parents do not want them to.

Tempers during the debate were unlordly because of a previous article published by the mover. In it Lord Raglan (who besides being Lord Lieutenant of Monmouthshire, which is neither in England nor in Wales, is a past president of the Royal Anthropological Society and the author of a book on "The Hero") had the temerity to write off Welsh as the language of illiterate and semi-illiterate Welshmen, which is understood by only a quarter of the principality's own population. He also threw in for good measure the wounding observations that names like Jones, Williams and Thomas were in use in England long before the Welsh had surnames at all and that the Welsh were not really Celts.

This ensured a vitriolic reply by Lord Macdonald of Gwyaenysgor, a Welshman who lived fifty-five years of his life in Lancashire. But although the other speakers all deplored Lord Raglan, and some pointed out that without a knowledge of Welsh one cannot appreciate the glories of Dafydd of Gwilym, Ceidiog or Pantycelyn, which is true, most of them were obliged to endorse Lord Raglan's main point. There is no case for small-nation linguistic compulsion. Granted that it is an advantage for any child to be bilingual, it is difficult to think of any language which it is more useless (except for small bands of romanticists and scholars) to be bilingual in than Welsh. Unless it be Erse.

EUROPE

A Provisional Agreement

A PROVISIONAL agreement to cushion the shock of the imminent tariff and quota changes in the community of the Six has been brought nearer by the week's meetings in Brussels. The Six will extend the 10 per cent tariff cut to all Gatt countries. They are prepared to increase quotas to the countries of the Organisation for European Economic Co-operation by 20 per cent, but for this they require, as a *quid pro quo*, quota enlargements from the other OEEC countries. Further, the French still resist the extension to outside countries of a third provision in the Treaty of Rome—that each member country must extend quotas to the community equivalent to 3 per cent of its own output of every product. This qualification was discussed on page 769 of *The Economist* last week.

The request for reciprocal quota concessions is not unreasonable. In London it is held that it is for the Six to make the concessions, since they are starting the discrimination. But on the Continent many people assume that Britain will live up to its free trade professions by relaxing its quotas. At least an all-round enlargement of import quotas in Europe would be a start on the road to freer trade—a precedent for further moves throughout western Europe, if not a commitment. British concessions might possibly serve to persuade the French—who, with their payments difficulties, are reluctant to enlarge the total of their concession—to budge on the 3 per cent clause, perhaps by spreading their quota relaxations more thinly.

A 10 per cent tariff cut throughout Europe would be valuable too. It is open to the objection that it would be throwing away a bargaining counter in tariff negotiations with the United States. Two months ago, however, America proposed in the General Agreement on Tariffs and Trade that there should be general tariff negotiations aiming at a 20 per cent reduction in world tariffs in the next two years. Could the United States and Gatt be persuaded to accept any European moves as provisional steps, in return for which the United States would offer concessions later?

To Paris or Brussels?

MR MAUDLING has invited his weary men back to Paris. A new meeting of the free trade area committee of the Organisation for European Economic Co-operation, which he suggests, might, at this stage, serve the purpose of clinching a provisional agreement. But the Six are in no hurry to resume negotiations on a long-term agreement in the Maudling committee, and Dr Erhard on his flying visit to London no doubt made this clear to Mr Maudling. To put it bluntly, they are not going to waste artificial respiration on a corpse. They have entrusted the task of discussing a long-term agreement to Professor Hallstein as president of the European (common market) Commission, and have asked him to report by March 1st.

All this has understandably disconcerted London. Moving the negotiations from Paris to Brussels, and accepting another three months' delay, appears to weaken the British bargaining position. But it is not much use having a bargaining position and no bargaining. What is important is to keep alive the principle that any association between the Six and the rest must be a multilateral one, bringing in all the countries of OEEC. Direct talks between a representative of the Six and Mr Maudling (who might, perhaps, speak for the "other Six"—Britain, the Scandinavians, Switzerland, and Austria) may get more done than a revival of the farce in Paris. All this certainly looks like a French victory. The French have long thought of a new negotiating procedure in which France could not be isolated.

That concept was accepted by Dr Adenauer at Bad Kreuznach. But it would be as well not to be too preoccupied with the tactics. If the Six are really moving towards a common position with which Britain can negotiate, then that is all to the good. The fact has to be faced that, in the negotiations, this country has to find some way of practical association, not only with a continental customs union, but also with a live political community which daily gains in strength.

The drawback of changing the method of negotiation now is that it will mean delay. A pause might, however, be used for the formulation of proposals by the Six and for a quiet unobtrusive effort to patch up Anglo-French relations, now in a worse state than they have been for years. The common interests that exist have little chance to surface if the talks consist in exchanges of torpedoes rather than concessions. But it is no use having a pause if nothing happens at the end. What Britain wants from the Six is far-reaching proposals for association with their community. And if these proposals recognise the political realities of Europe more than the free trade area did, that will be to the good.

WEST AFRICA

Waiting Game

LITTLE light on the Ghana-Guinea betrothal was thrown by Guinea's itinerant ambassador, M. Diallo Telli, on his visit to London last week. M. Telli, a young but sufficiently adept diplomat, confined himself to the repetition of certain wise saws (chiefly on marriage) and curious instances (such as Canada's membership of the Commonwealth but not of the sterling area). He insisted on Guinea's continuing hopes of friendship with France, and attributed his own arrival in London solely to a desire to return the compliment of Britain's early diplomatic recognition.

The impression he left confirmed the growing belief that while the prime minister, M. Sekou Touré, may well be interested in an eventual West African federation with Dr Nkrumah, his prime purpose, besides the acquisition of £10 million from Ghana's reserves, has been to strengthen his own hand against General de Gaulle. There may yet be pickings for Guinea on the carcass of the new French community; at least, it is worth while waiting to see. Already the French have granted M. Sekou Touré continued membership of the franc zone, apparently on condition that he modifies the Accra agreement. Where this will eventually leave Dr Nkrumah himself remains to be seen. Dr Busia, leader of the Ghana dpposition, made it plain in London on Tuesday that he fears the worst. Not only, he thought, could Ghana ill afford to lend £10 million now; it stood precious little chance, in the present state of Guinea's economy, of ever seeing it again. He could be right.

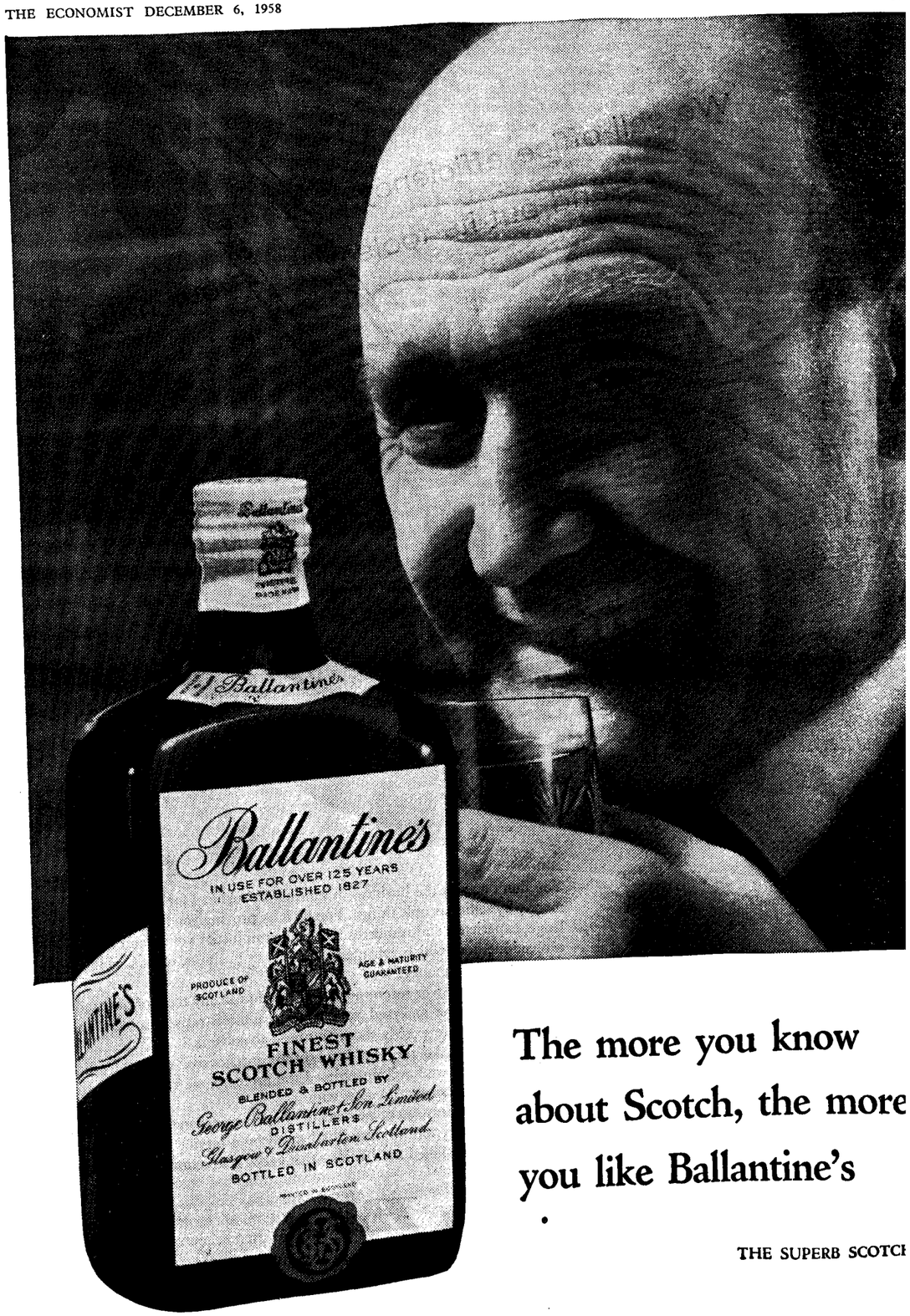
The formal declarations of membership in the new French community proceed apace in the west African colonies that voted *oui* last September, with French Sudan, Senegal, Chad (ever an early rallier) and Gabon in the lead. While this brought a warm glow to the hearts of the general and M. Houphouet-Boigny, the Ivory Coast leader who sits in his cabinet in Paris, a clear danger appears that the wholesale establishment of little states may soon prejudice the prospects of federation of the former French West and Equatorial Africa. Such, indeed, is M. Houphouet-Boigny's intention.

HOUSING

New Deal for Old Dwellings?

THE Government's House Purchase and Housing Bill goes beyond its already announced plan for advancing money to building societies to assist the purchase of old (pre-1919) houses valued at less than £2,500. In addition to providing £100 million for this purpose, it introduces a system of standard grants for improving the amenities of old houses. The grants are fixed at £25 for the provision of a fixed bath or shower, £40 for a water closet, £75 for a hot-water supply, £10 for satisfactory facilities for storing food—a maximum of £150, which represents about half the estimated cost of these improvements; but no money will be paid unless at the end the dwelling is equipped with all four facilities and is fit to live in for at least fifteen years. The broader existing scheme of improvement grants of up to £400 a dwelling will also be continued and made more attractive by freeing owners from all accompanying conditions after ten (instead of twenty) years and by allowing one owner-occupier to sell to another after three years' occupation. Local authorities will pay a quarter of the cost of both types of grant, but will not be able to refuse any valid application for the new standard grant.

It is easy to see what the Government is trying to do, much harder to feel sanguine about its prospects of success. The home purchase scheme will work, if it works at all, by finding buyers for the rather better old houses within the upper limit of £2,500 (although unfortunately and rather unfairly this limit will exclude a great deal of property in London that would qualify if it were in the provinces). On the other hand, as many as three to four million old substandard dwellings will qualify for the new grants. By concentrating on securing the barest decencies





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of modern living for the millions of houses which still lack them, the new standard grant may achieve more good than the old type of improvement grant, although both will continue. Inevitably, if the plan gets anywhere at all, the annual charge on the Exchequer (currently rising by £600,000 a year) will increase very considerably, while local authorities may feel some resentment at paying extra grants though losing their discretion. But it still seems very doubtful whether many owners of rent-controlled dwellings will respond to a plan which will only enable them to raise rents to the extent that the rateable values of their houses are improved ; and most substandard dwellings are still controlled.

The Government in fact is still tackling a very desirable objective by very costly methods. Might not a better solution be found by taking a leaf from the programmes of both political parties ? At one extreme there is a considerable block of old properties for which speedy decontrol of still frozen rents would offer the best and most economical way of getting improvements done. At the other extreme there are blocks of older houses—those which will figure in the next slum clearance drive—for which (but only for which) it would be sensible to adopt Labour's recipe: to encourage the local councils to buy them and systematically carry out a temporary renovation plan, on the lines of the scheme now operating in Birmingham.

KENYA

Bloodshed Ahead?

THE curse of Kenya politics is that everyone states his maximum demands and refuses to bargain, or else gets into positions from which extrication is impossible *without* unthinkable loss of face. The Colonial Secretary, it seems, is no exception. He has now absolutely turned down the demand by the African elected members, led by Mr Mboya, for reconsideration of the constitution which he imposed on Kenya over a year ago. Mr Mboya retorted this week that the Africans will never co-operate in working the Lennox-Boyd multiracial constitution. So nobody will deal with anybody ; but Mr Mboya thinks that the Asians will make good their threat to pull out of the Kenya government if negotiations are not reopened. In addition, he has gently deposited in Whitehall what looks like a ticking time-bomb: an affidavit from the principal crown witness at the Kenyatta trial that the evidence which he then gave was perjured and that he gave it because of considerations offered him by the Kenya government before the trial.

The net effect of all this is to give Mr Mboya a tactical advantage ; he is standing as the man who wants to talk, but who is stymied by the " extremist " Europeans, backed by Mr Lennox-Boyd, who will not budge from impossible conditions. But Mr Mboya, who has smouldering fires behind his personal charm and air of reasonableness, shows no sign of budging either ; in fact he keeps making impossible conditions. He now says that " tensions and conflicts " may arise from the European refusal to make concessions ; in the same breath he demands that the " state of emergency " be ended, and no longer used (as it certainly is used) to cut African political discussion to a bare minimum. He will promise nothing until his constitutional demands are met, but meanwhile he utters what looks dangerously like a covert threat of direct action. Unhappily this is exactly the way to make Whitehall eminences, as well as Kenya settlers, dig in their heels.

Meanwhile some Europeans seem to be almost jauntily resigned to a period of violence. They complacently fancy that it will be confined to the towns, and that they will be able to ride it out easily; in the rural areas they say that land reform is breeding a contentment which only a Kenyatta-like agitation could upset. But the neo-Mau Mau KKM society (condemned by Mr Mboya) is, as one feared it would be, proving deeper-rooted than first reassuring official statements suggested. The Europeans are now beginning to dream of some " Swiss canton " type of solution which will enable them to live cosily in a tribal reserve ; Mr Mboya is thundering that, after a transitional period, Kenya is irrevocably African. For the time being, however, it is an immovable lump in the lap of the Colonial Office.

SPAIN

The Hidden Opposition

THE wave of arrests reported from Spain is only the latest manifestation of the repressive policy that began early in 1956 after a period of cautious but perceptible liberalisation. Between 80 and 100 professional men, students and workers, have been arrested by anti-subversion squads of the *Brigada Politico-Social*, in widely scattered places—Madrid, Barcelona, San Sebastian, Bilbao, Saragossa, Valencia and Seville. The persons gaoled after the previous mass arrests last January were accused of attempting to reconstitute the banned Communist party ; those now arrested are apparently suspected of " social democratic activities."

Whether or not the right people have been caught, there is no need to suppose that these activities are imaginary ; the pity is that they should be labelled a crime. Both inside and outside Spain there have been persistent and largely successful efforts in the past two or three years to unite various clandestine groups of the non-communist opposition to the Franco regime. The trade union groups *Unión General de Trabajadores* and *Confederación Nacional del Trabajo* formed an alliance, both with each other and with recently created Christian workers' groups ; a parallel movement among university students resulted in the formation of a Democratic Union of Students, from which communists were excluded. The student demonstrations of February, 1956, were indeed the first serious signs of intellectual unrest after the deceptive calm of 1955. Since then, many academic and other professional people have joined either the clandestine Socialist party or the *Unión General de Trabajadores*.

Some of the men now arrested are prominent in their own right or belong to well-known families. They include Sr. Antonio Villar, legal adviser to the American embassy in Madrid and a professor at the Madrid university ; Professor Juan Raventós y Carner of Barcelona university, a grandson of a finance minister in the second republican government in 1931 ; Professors Rion and Buscarona of Barcelona ; the writer Edmón Valles, and the wealthy industrialist and lawyer Joaquín Pradera Machimbarrena, the uncle of an army officer gaoled January 1st.

It is on such men as these that Spain will have to lean if it is to take its proper place among modern nations when General Franco goes.

FINLAND

Exercise in Undermining

THE events of November 26th pushed the Finnish coalition government into a crisis from which it could not recover. The communists, who are not represented in Mr Fagerholm's government, questioned Ministers severely about unemployment and about trade with the Soviet Union; the party also announced that it was preparing mass demonstrations. On the same day the Soviet Embassy through its information bulletin accused the Finns of breaches of the trade treaty with Russia and of trying to switch their trade over to the West, and to west Germany in particular. The last attempt at reconciliation of the two socialist groups failed: every hope that Mr Simonen and his left-wing socialists could be persuaded to support Mr Fagerholm's government disappeared. A day later, the Agrarians asked their Ministers to resign; and the dissolution of Mr Fagerholm's government has followed.

The origins of the Helsinki crisis go back to the communist advance in the elections last summer, and to the subsequent formation of a majority government without communists or left-wing socialists; it revolves around Finland's relations with the Soviet Union. The Russians have conducted a violent campaign aganist Mr Fagerholm and his cabinet ever since they took office; at the beginning of last week, three large Finnish industrial enterprises, which sell most of their produce in the East, were informed that their deliveries to the Soviet Union would have to be postponed. This act of direct pressure brought the latent government crisis to a head. Finnish opinions about the composition of the future government on the whole agree that there will have to be some shift to the left, but that it remains desirable to keep the communists out.

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AUSTRIA

Vienna Revisited

FORTY years ago the much maligned Habsburg Empire fell apart; new republics were proclaimed; the Emperor departed. His son, Archduke Otto von Habsburg, is now exploring the possibility of returning to Austria. Although his father, the Emperor Charles, survived the monarchy by only a few years, Archduke Otto was given the education of an heir to the throne: he is an expert on the problems of nationality and federation in south-eastern Europe, and speaks the seven major languages of the former empire. An Austrian citizen, he lives in Bavaria; his passport carries the unusual endorsement "not valid for Austrian Federal Republic."

Last Saturday Herr Raab, the Chancellor, confirmed that he had received a letter from Archduke Otto, expressing the desire to return home. Herr Raab appears to have indicated in reply that Otto would have to recognise the "Habsburg law" of April 3, 1919; that is, he would have to renounce his claims to the succession and declare himself a loyal citizen of the Republic. The Austrian Chancellor pointed in the same letter to the difficult relations of his country with the people's democracies that are successor states of the Habsburg Empire, and the need for care. The Czechs have, indeed, started to grumble already. There is also the question of the Habsburg private property, which had been confiscated in 1918, partially restituted by the Schuschnigg government, and impounded again by the Nazis. The possibility of restoring some of this property to Otto is being mentioned in Vienna.

If the Habsburg heir decides to return, his repatriation is bound to become a controversial issue in both the government and the parliament. The Socialist party may remember its anti-Habsburg traditions. In Austrian monarchist circles, two groups have already emerged—one urging Otto's return at any price, the other maintaining, on rigid legitimist grounds, that he must not give up his claims. The People's party, on the other hand, hopes that Otto's return would take the wind out of the monarchists' sails, preventing them from putting up their own candidates at the forthcoming elections and from splitting the middle-class vote. In the meanwhile, Archduke Otto's case is in good hands. The negotiations on his behalf with the Austrian government are conducted by Dr Max von Hohenberg, an able lawyer and the eldest son of Archduke Franz Ferdinand, also a former heir-presumptive to the Habsburg throne, whose assassination at Sarajevo in 1914 caused so much trouble.

LONDON'S BUSES

Ealing at Finchley

THERE is a slightly Ealing-Studios-flavour about the enterprise of the seven Liberal councillors of Finchley who, in snook-cocking protest against the local shortcomings of London Transport's bus service, have launched a free

private service of their own, with their wives and themselves as conductors. Even the best of Ealing comedies, however, comes to an end; besides being exhausting, the snook-cocking posture is too expensive to be held indefinitely. Entertainment and publicity value apart, the real interest of the Finchley case lies in the prospects of the pirates' forthcoming application to the Transport Commission for a normal operating licence. London Transport is expected to oppose the application; and the arguments raised will serve as a precedent in any similar cases which may arise following on last week's service cuts.

The principle of the thing was closely examined in the report of the committee of inquiry into London Transport in 1955. Underlying London Transport's difficulties is the potentially incompatible set of duties imposed on it (via the British Transport Commission) by the Transport Act of 1947. It must provide a system which is "efficient, adequate, economical and properly integrated"—a duty which becomes hard to interpret when an economical service is regarded by the public as obviously inadequate and an adequate service is shown by the accounts to be obviously uneconomic. Theoretically, the obvious solution should be a discriminating increase of fares on at least some of the unremunerative routes. To the passengers this would often be much more attractive than doing without their bus service altogether. But the committee in 1955 firmly rejected this possibility; the mechanism of fare fixing is said to make discrimination between routes administratively impossible. The committee, however, recommended equally firmly that in such cases "London Transport should be ready to allow, and even to encourage, an independent operator to undertake a service"—if necessary at a higher fare. There is no question here of outsiders unfairly "creaming" a profitable route away from a complex public undertaking, whose responsibilities for providing some service on unremunerative routes they do not themselves share. On the contrary, it is a question of taking over what to London Transport is an unprofitable load. For once, not merely irresponsible sentiment but hard-headed economic calculus is on the side of the Titfield Thunderbolt.

WOLFENDEN REPORT

Vice Laws in Prospect

WHAT changes are likely in the law after last week's debate on the Wolfenden report? Although Parliament still thinks that homosexual acts between consenting adults in private should be listed as a crime, a majority of the House now probably believes that they should not be a crime punishable by imprisonment. Probably a majority could also be obtained for saying that the administration of the law in England should be brought into line with that in Scotland, where there are far fewer prosecutions, apparently because a discretion lies with the Procurator Fiscal to prosecute only when it seems in the public interest to do so. After the election (though not before it), the passage of a private member's bill incorporating a half-way house to the Wolfenden recommendation may be feasible.

On prostitution, by contrast, Mr Butler intends to go ahead this session with a bill that would make imprisonment the punishment for repeated offences. If a general election and a change of government intervene, there is some doubt whether a Labour government would proceed with it. In considering his bill Mr Butler seemed to be worried by three main problems. One is to avoid any danger of mistaken prosecutions of women waiting for innocent assignments. But presumably the police will enforce a law attended by stricter penalties through a system of cautions first and arrests for repetition of the offence; this should not make mistaken prosecutions more likely (even if the requirement to get outside evidence of "annoyance" is dropped), although the fact of higher penalties will open serious temptations for corruption of the police.

Mr Butler's second difficulty is that he is being pressed by the women's organisations to punish prostitutes' customers as sternly as the prostitutes. Morally there is a good case for this; and, practically, drunken customers on the prowl are often more of a nuisance to innocent passers-by than are the women. But the police have convinced Mr Butler that it will be much more difficult for them to clear the streets if they are obliged to try to prosecute both parties, instead of concentrating on the women; unfortunately, they are probably right.

As part-compensation to the embattled women's organisations, Mr Butler is going to accept the minority recommendation of the three women members of the Wolfenden committee that the maximum penalty for men who live off prostitutes' earnings should be raised to five years' imprisonment. As ponces are not popular figures with the electorate, this is a politically easy thing to do. But many prostitutes are fond of their kept men rather than feel exploited by them. The offence to which the new penalty will refer should be carefully defined, and restricted to the active organisers of the new forms that the vice rackets will certainly take as and if prostitution is edged off the streets.

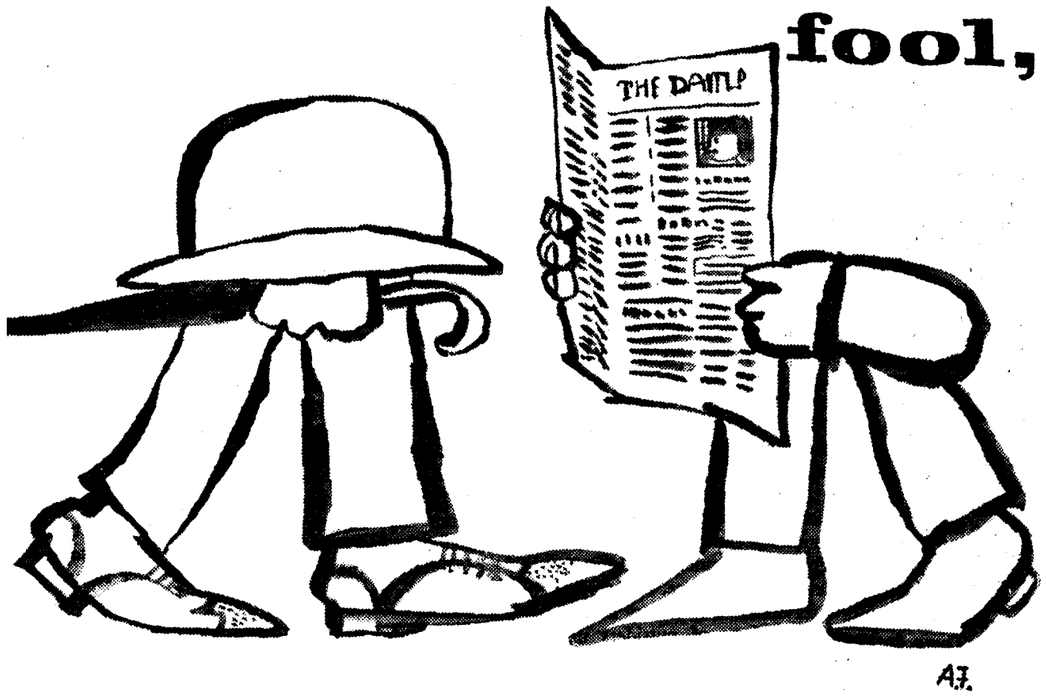
The Economist

DECEMBER 4, 1858

LIMITS OF EMPIRE

NOW certainly it never has been, and we trust never will be, the part of *The Economist* to plead for any needless expenditure of Imperial resources, or for the reckless multiplication of Imperial responsibilities—an error which we hold to be a worse and more fatal violation of the principles of true economy than even wasteful expenditure itself. There is a moral frugality which is at the root of all pecuniary frugality; and no nation which is lavish of pledges and promises which it may be unable to redeem, can have any grasp at all of the first principle of a true State economy. But while we are always anxious that every national obligation we incur should be carefully, and we may almost say suspiciously scanned, before it is incurred, we have no sympathy at all with that spirit of undiscriminating and superficial economy so apt to find favour with Mr Bright's school, which uniformly grudges every new national engagement, on the ground that the web of English influence abroad is already too complicated and too expensive—which will not endure to see a single fresh name added to the list of England's clients or allies—no matter whether it really bring with it important vantage ground for the solution of old difficulties, or whether it involve a completely new and isolated class of responsibilities. Yet it is, we believe, completely in this narrow spirit that Lord Derby expresses the strong inclination of the Government to reject Sir James Brooke's offer. Had England no relations already with the East . . . it might, no doubt, be a questionable policy to accept all the responsibilities of a new set of diplomatic relations with the East, for the sake of so small a settlement as that of Sarawak. But an English settlement in Borneo would be in no such position; it would be a new and most important link in a chain of Oriental possessions which bids fair to unite Asia and Europe by really living ties.

You meet fool,



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LETTERS

Labour Policy

SIR—Last week you stated "Labour used to stand for nationalisation. It does so no more." This belief that the Labour Party are quietly dropping nationalisation is one that certainly seems to be gaining currency. Is it true? The Labour Party's intention to renationalise the steel and road haulage industries is clear, but beyond this Labour policy on nationalisation is obscure, perhaps deliberately.

The texts, the section on public ownership in "The Future Labour Offers You" and "Industry and Society," will bear almost any construction: varying from the view you apparently adopt, that (apart from steel and road haulage) there is to be no further nationalisation, to the view, expressed by one of the Labour Party executive, Mr Mikardo, that the 600 largest firms in the country are to be transferred to public ownership immediately, and other firms or industries are, in addition, to be nationalised as funds become available or public policy requires. In these circumstances the temptation is obviously to adopt the interpretation that coincides most closely to one's own views. This appears to be what you and many others have done.

Let us, however, look at the policy statements which are summarised by "The Future Labour Offers You," Chapter 3 of "Industry and Society," for reasons which it describes, proposes that public ownership (without necessarily public control) should be extended *inter alia* as shares become available from death duties and as the proposed National Superannuation Scheme funds are invested. In this way something like four-fifths of all the equity shares quoted on the London Stock Exchange could be state-owned by 1980. This policy is not repeated in "The Future Labour Offers You." Is it repudiated?

On the other hand, the proposal in Chapter 4 of "Industry and Society" for public control (without necessarily public ownership) is clearly repeated in "The Future Labour Offers You." The Labour Party apparently propose to make the boards of the 600 largest firms responsible to the state rather than to their shareholders. As "The Future Labour Offers You" expresses it, "Labour believes the time has come when public control must be extended so as to ensure that the decisions of these boards which vitally affect our economy are in line with the nation's interests." From reading "Industry and Society" and "Plan for Progress" it would seem that the intention is to establish over each of the 600 firms a similar control to that exercised by the Government over the nationalised industries, that is to say, that the Government should have the power to take the strategic decisions while leaving the tactical decisions to the management of the company concerned.

This seems to me to be the key proposal in the whole Socialist economic policy. Clearly the Labour Party themselves regard their economic policy as summarised in the phrase "controlled expansion." This seems to mean expansion stimulated by an inflationary monetary policy and the use of controls to counteract the effects of the inflation. I refuse to believe that even the Labour Party can think that building licences and foreign exchange control, or even what you describe as "their private line to their trade union friends" would be sufficient for this purpose. I suggest that the word "controlled" here refers primarily to the public control of the 600 which in "The Future Labour Offers You" appears on the next page.

If this interpretation is correct, the Labour Party propose an advance along two lines:—of public ownership and of public control. This policy, in fact, adds up to a policy of nationalisation of the greater part of British industry. When industry is publicly owned and publicly controlled it is nationalised, and it makes little difference whether control and ownership are acquired separately or concurrently.

This is not only the most coherent interpretation of the Labour policy I can see, it is also in my view the most likely. It is, however, surely from every point of view highly unsatisfactory that the principal item in the Labour Party's economic policy should be so obscure as to require interpretation like the secret texts of some forgotten sect of the Dark Ages. I suggest that it would be of value alike to their supporters and their opponents and those as yet undecided if some responsible spokesman of the Labour Party could tell us whether your interpretation or mine is correct.—Yours faithfully, ROBERT RENWICK

London, W1

★

SIR—In your leading article last week about the Labour Party's policy document, you seem to approve Labour's foreign policy proposals in principle, but go on to criticise them "because the Russians, the Chinese and the Arabs will not play."

Two of Labour's main proposals—disengagement in Europe and putting our relations with the Arabs on a commercial basis—you have often advocated yourself. A third—a permanent ban on H-bomb tests—involves accepting a Russian offer. In the case of these three policies at least your criticism is unfounded or applies equally to your own.

Sometimes you give the impression of bias against the Labour Party even when your own views and the Labour Party's substantially agree.—Yours faithfully, D. TAVERNE

London, SW7

Common Market

SIR—Mr A. C. L. Day criticises you for saying that there are economic reasons why Great Britain should not join the common market. But it is hard to distinguish the political from the economic aspects of an economic merger designed to achieve a political federation.

It could of course be argued that France, who looks across the Channel as well as across the Rhine, or Federal Germany, who looks across the Rhine but also eastwards, or indeed the Benelux countries or Italy, may despite the Rome Treaty jib at federation; nevertheless Britain must eschew any commitments which would bind her more closely to her European neighbours than to her partners in the Commonwealth.

The unity of the Commonwealth is a European interest and European unity is a Commonwealth interest. The common aim of the Six is the unity of Europe, and they should therefore be able to work out with their other OEEC partners an agreement or agreements to lower tariffs reciprocally and together when they take their initial plunge in January. There would then be time to consider most urgently an alternative designed to avoid a further division of Europe or a division in the Commonwealth. This might be on the lines of the Strasbourg Plan or what the Prime Minister in 1949 described as "a low tariff area . . . in Western Europe to which such preferential systems as are enjoyed by the Commonwealth can be partially extended."—Yours faithfully,

JOHN BIGGS-DAVISON

House of Commons

Unit Trusts

SIR—Your Business Note last week criticised the scheme for buying units of the British Shareholders Trust by instalments through the United Dominions Trust. Some of your criticism is justified, but we felt when we were making these arrangements and we still feel that the advantages outweight the disadvantages.

The object of the trust is to encourage investment in first class British industrial shares, under expert guidance. For maximum success two things are necessary: the provision of an easy means of so doing, and encouragement to investors to save as much as possible for the purpose. The instalment scheme is designed for the second. Instalment purchase can be a help to saving in this case, because if a man contracts to pay a fixed sum each month for shares he has already acquired he is much more likely to end up the period having saved more than if he simply invests each month what is left after living expenses and luxuries. A mere voluntary resolution to save can so easily be set aside and the money "frittered away". This may be a sad commentary on human nature, but all observation supports it. Many families would not be enjoying their motor cars and television sets if they had to wait until they

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ALLEN & UNWIN

had accumulated the necessary capital before purchasing them. But whereas hire purchase of goods is a stimulant to spending, the purchase of shares in this way is a stimulant to saving and investing.

Your comments on the cost of buying units on hire purchase also seem somewhat unfair: the statement that the unit has to appreciate by about 7½ per cent in value to cover the interest charge alone overlooks the fact that the distributions on the units being purchased by instalments accrue to the purchaser and must be offset against the interest charge. The actual amount which the units would have to appreciate to cover the true interest cost is therefore approximately ¾ per cent per annum if tax is paid at the standard rate.

Moreover, if one takes into account the distributions on all units (that is, including those bought for cash by the down payment and the others bought on deferred payment), they would more than cover the interest charge.—Yours faithfully,

K. A. KEITH

Philip Hill, Higginson and Co. Ltd., London, EC2

Investment Clubs

SIR—Your article of November 22nd "Investment for All" gave a very misleading reference to the "averaging" principle utilised by many investment clubs.

You described one share being purchased at various prices over a period of time in order to average out the cost of the share. You said this was "hapless dabbling." This may or may not be an accurate description of such an operation, but it has little relation in any event to the "cost-averaging" adopted by investment clubs. This is the principle of purchasing a wide spread of securities over any period of time, whether markets are rising or falling, and thus achieving a general average of cost for the portfolio.—Yours faithfully,

DAVID W. MOATE

The National Association of Investment Clubs

Museums for All

SIR—The article "Arts on a Shoestring" in your issue of October 25th was welcome in that it drew attention to the plight not only of the national museums but particularly of the provincial museums and galleries in this country. Last week you supported the plea made by the trustees of the National Gallery in their report 1956-58 for an annual purchase grant of £150,000. Few would deny that the National Gallery justly deserves such a grant, but how much more is money needed in the provinces where many large centres of population have no art collections of any kind and, with a handful of exceptions, the annual purchase grant from the local authority is either nothing or at the most a few hundred pounds.

I believe that the solution to this problem lies in two directions. The provinces must do far more to help themselves and the work of the national museums in the provinces must be greatly extended.

Starting with self-help, we have the fine example in Holland of the municipality of Rotterdam, which has just purchased the entire Van Groeningen Collection for 18,000,000 guilders for its Boymans Museum. This money has been borrowed from several sources, including the government, and will be paid off over twenty years.

The Museums Association has realised that the 800 museums scattered throughout the United Kingdom could be far more effective if the local authorities, universities and societies that control them, and the professional bodies, can be banded together voluntarily in nine regional groups. Each group would have a museums board or council to examine the resources and deficiencies of collections in the region and to make the most effective use of such curatorial skills and financial assistance as is available in the building up of first class collections of artistic and scientific material. The south-west has already appointed a committee of enquiry to explore the possibilities of co-operation, and it is hoped that a permanent organisation will be established there early in the New Year. The nine regional councils would, of course, be useful channels for eventual government aid, whether in the form of money or in the form of pictures and other chattels received in lieu of death duties.

Turning now to aid from the national museums, the annual grant of £2,000 administered by the Victoria & Albert Museum for purchases by local museums should be greatly increased and every facility and encouragement given to the trustees of the National Gallery in carrying out the responsibility, cheerfully admitted by the director in the latest report, of seeing that "old masters" are represented in the provincial galleries. The greater the grant made available to the trustees surely the greater becomes this responsibility towards the provinces.

But as the national museums penetrate into the provinces the need grows for a central body to co-ordinate this work and the work of the proposed nine regional councils. Happily such a body may well be already in existence in the Treasury-appointed Standing Commission on Museums and Galleries. This commission has recently been reconstituted in such a way that it would be well fitted to perform such a task. Let us hope that all these forces, national, provincial, regional and charitable (for we must not forget the Carnegie United Kingdom Trust that has done so much for museums during the past thirty years and the Gulbenkian Foundation from which much is hoped for the future) will come together to create a museums service worthy of the nation.—Yours faithfully,

MICHAEL NIGHTINGALE

The Museums Association, W1

BOOKS

The New Unionists

The Blackcoated Worker

By David Lockwood.
Allen and Unwin. 224 pages. 21*s*.

STUDIES of the class structure of modern Britain are comparatively rare. Perhaps that is because the British are still so class conscious that they are unable to write objectively about themselves; it is a Pole, Ferdinand Zweig, who has written the best book yet about the British workman. The studies that do exist tend to concentrate (often rather tediously) more on the class institutions, such as individual firms or trade unions, than on the people in the classes themselves. Mr Lockwood's task was therefore an exacting but an exciting one: to illuminate that murky, but sociologically crucial, region between the middle and working classes which is occupied by the clerk.

His book cannot be said to live up to the highest expectations. It lacks the human warmth that an important social work must possess; it is too grudging with sympathy; and all too often rather dubious figures are substituted for what should have been grass-roots research. More than once one gets the suspicion that the book was written more to fill a gap in a series on sociology than for its own sake. But perhaps one should not carp too much. It takes a lot to warm to the troubles of the clerk, "that docile being indulging in middle-class pretensions on a working-class level of living." Within limits, Mr Lockwood has produced an original and very interesting book.

It is in dealing with the economic position of the blackcoated worker that he is at his best, and if the conclusions here will surprise no one, they at least provide solid backing for some widely held beliefs. For a start, Mr Lockwood has found that the proportion of clerks in the total labour force is over ten times greater today than it was a hundred years ago. (Curmudgeons will think of Parkinson.) These clerks work on the whole in small tightly knit groups and tend to be despised by ordinary workers. More important, the clerks' standard of living relative to that of manual workers has declined steadily over the years until today the average earnings of senior clerks are roughly equal to the average earnings of manual workers in industry. But the picture is not entirely a gloomy one. During the last three years the clerk has been doing better than the manual worker; and he still has advantages of security, of pension rights and of advancement that most other workers do not possess.

Sociologically, it is this question of advancement that is the most intriguing. For not only does the clerk occupy the position between the middle and working classes; his job is also the ladder, as the universities are higher up the scale, from one class to the other. And it will come as a surprise to those who believe in the extreme rigidity of the English class structure to find how much this ladder is used—both up and down. In a postwar survey of labour mobility, for instance, it was discovered that, among a random group of people who started out as clerks, over one-third finished up in managerial or professional jobs, only a third stayed on as clerks and the rest took up some sort of manual work. Mr Lockwood rightly warns us that this upward mobility may not be so great in the future now that the brightest boys are creamed off into the universities instead of having to start at the bottom. But this prediction of an imminent meritocracy in which only university graduates can prosper is easily overdone. The paternalism of many firms (especially of the myriad small ones) towards faithful employees is as great today as it ever was; the introduction of young university graduates into management is still widely suspect; and the reward for steady service such as the clerk gives is thus still high.

The other subject, and a much neglected one, that is discussed at length here is the position of black-coated unions. These can be divided roughly into two types; those which merely bargain on behalf of their members, such as the central organisations of the doctors, the farmers, the teachers or the civil servants; and those, like the railway clerks and the public employees, which show left-wing political consciousness as well. It is these last that are dealt with here, and a broad answer is given to the question why 80 per cent of local government and railway clerks are organised, 50 per cent of bank employees and fewer than 5 per cent of clerks in the offices of private industry. Several factors are at work. In the civil service, in local government and in nationalised industries such as the railways the employer is the government, which is bound politically to give much greater recognition to workers' associations than any private firm. In banking, in spite of its middle-class traditions, the firms are large enough to create mass grades with similar economic interests for bargaining purposes. Throughout clerkdom moreover—and Mr Lockwood makes this point well—the social origin of workers is increasingly working class, and this goes far to account for the recent rise in white collar unionism as a whole.

But for the leaders of black-coated unions, recruitment is still an uphill struggle. The highest paid workers are the easiest to organise. But lower down the scale, the men with their traditional codes of conduct and the women earning pin money are anything but an easy target. The unions are mostly divided amongst themselves on such basic questions as political allegiance and equal pay; employers' resistance to recognition is still high. But it is still true that the cutting edge of unionism over the next ten years should be among the black-coated workers and this is a field that the student of trade unionism ought—as Mr Lockwood has done—to watch.

Annals of Socialism

Communism and Social Democracy, 1914-1931

By G. D. H. Cole.
Macmillan. (In two parts). 939 pages in all. 70*s*.

ALREADY in the previous volume of Professor Cole's *magnum opus* it had become clear that he had chosen the wrong title. Its first two volumes were, genuinely, a "History of Socialist Thought"; first the ideas of the "forerunners," then the impact of Marxism and the subsequent developments and reactions. What followed, however, was quite as much a history of socialist party fortunes, of organisation, of tactics and strategy and personalities, as an analysis of the development of ideas. In this fourth volume, carrying on the story from the outbreak of the first world war to the great depression, ideas have shrunk almost completely into the background; what Professor Cole provides—with all the wealth of scholarship and super-competence of presentation to which his readers are accustomed—is a worldwide conspectus of revolution, counter-revolution, and party-political manœuvre. The shift of focus is very nearly complete. True, the ideological split between communists and social democrats gets due attention, and the actors in the political drama are placed according to their opinions and intellectual influence; but it is action that takes up most of the space, and more and more of the ideology itself is not, in the last analysis, specifically socialist. It is a conflicting set of maxims about the attainment of power; as irrelevant to the use of power once attained as Clausewitz's manual to the formulation of war aims.

To a non-socialist it is tempting to jump to the conclusion that socialism has been intellectually dead ever since it began, as a major political force, to become effective in the world of events. Mr Cole, in his preface, even lends some colour to this interpretation when, on the one hand, he finds the Stalinist development of communist ideology entirely implicit in the works of Lenin and, on the other, deplores the absence of "any major Social Democratic 'classic' of the war or postwar years," and dismisses the socialist record of the 1920s as "least inspiring of all in the realm of socialist thought." (No one would guess from Mr Cole, incidentally, that during the 1920s Harold Laski was at the height of his powers both as a teacher and as a

creative exponent of socialist thought; he is mentioned once, and once only, in passing, in connection with the relation between Russian and Western socialism. This is really very odd indeed.) The stagnation, such as it was, of the 1920s certainly gave way to a lively intellectual effervescence in the 1930s; and the rise of fascism, which did so much to provoke that effervescence, does cast its shadow before, duly noted by Mr Cole as he traces the varying reactions to the fascist threat of different shades of socialist opinion. But the development of opinion—not only the genesis of ideas, but also their spread and popularisation is a minor element, unconsciously difficult to trace, in what has become a chronicle of the Rise and Vicissitudes of Socialism.

Scientific Irregulars

Admiralty Brief

By Edward Terrell.
Harrap. 240 pages. 21s.

FUTURE students of the remarkable technical developments that took place during the last war may well have difficulty in arriving at a fair assessment of the contribution of the "irregular" scientists and technicians, who proliferated in all the service departments. In the case of the Admiralty it is made even more difficult by the fact that there were at least two loosely organised teams of them. Mr Terrell, a barrister by profession, served throughout the war under Commander (now Sir Charles) Goodeve, RNVR, who was the *de facto*, though not the titular, head of one of them; but Mr Churchill, on becoming First Lord, introduced his own team of scientific advisers under Professor Lindemann (later Lord Cherwell). Probably the "regular" service scientists would reply to the hypothetical student's question to the effect that, had they been given the staff and facilities, they could have accomplished all that the "irregulars" did—and with less friction; but this reviewer would not accept such a statement. It is hard to believe, for example, that the urgently needed Swiss Oerlikon gun would have been produced in this country and America anything like as fast as it was but for the efforts of two men—Commander Goodeve and Commander (now Sir Steuart) Mitchell. Moreover, the "irregulars" acted as a much-needed stimulant—as well as a healthy irritant—in the citadels of the Naval Staff and within the highly conservative supply departments.

Mr Terrell recounts the story of the Oerlikon gun fully and, to the best of belief, accurately. He also devotes a good deal of space to three other developments with which he was intimately concerned: "plastic armour" for the protection of exposed Merchant Navy crews against machine-gun attacks; the suppression of smoke from the funnels of merchant ships; and the rocket-assisted bomb designed to penetrate the roofs of the concrete U-boat shelters. In the case of the plastic armour, as the Royal Commission awarded him £10,000 for the invention, he would appear to substantiate his claim to its importance; but it is reasonable to state that many people felt, and still feel, that the award made to Mr Terrell was less than fair to the men who achieved vastly more important and durable developments, such as the application of radar to naval tactics and weapon control, or the new anti-submarine weapons.

Mr Terrell's highly individualistic account of his wartime service and experiences will be a vivid reminder of the hectic days of 1940-41, when Britain had to extemporise for so much that it did not possess. But his style is so egoistic, even arrogant, that he leaves the reader with a good deal of sympathy towards those who did not see eye to eye with him. It may be that the tolerance shown by the regular Navy and the civil servants towards him and his like was a bigger factor in furthering the common cause than he realised at the time—or would admit today.

Spotlight on Shortcomings

Essays on 'The Welfare State'

By Richard M. Titmuss.
Allen and Unwin. 232 pages. 20s.

PROFESSOR TITMUSS has done the welfare state some service. He has never been content that Britain should rest on the laurels it achieved through the great programme of social legislation carried through by the postwar Labour government. He has always been concerned to light up the deficiencies, to show where hardship—avoidable hardship—still exists, above all to dispel the myth that the finance of the welfare state has placed an intolerable burden on the middle classes.

In this collection of loosely connected lectures, the same process is at work. Inevitably, as they have been delivered over a period of seven years, some of them are dated. The one on pensions, for instance, has had its nose put out of joint by Mr Titmuss himself as one of the authors of the Labour party's pensions plan; and it is rather absurd for a book published in 1958 to contain a footnote saying that sickness benefit "is now 26s. a week." Some of Mr Titmuss's themes have, moreover, been more fully treated by his disciples since they were first uttered; the middle classes are getting used to being told (even if they do not accept the argument) that, so far from supporting the burden of the welfare state, they are in a privileged position within it.

But although all these "essays" do not have the novelty they had when first uttered, they are still penetrating and stimulating, and force the reader to reconsider his beliefs—if not to renounce them. In some cases, particularly an analysis of how "scientific management" deprives man at work of the middle-class ideals of freedom of choice and decision, and forethought for the future, that are still expected of him at home in his family, one wishes that Mr Titmuss had probed more deeply. It is fashionable nowadays to attribute the breakdown of family life and youthful delinquency to woman's insistence on the right to earn money for herself. In describing how the new industrialism reduces man to a cipher and takes away his natural authority, Mr Titmuss, one feels, has touched upon an equally important cause of family *malaise*.

But there are times when Professor Titmuss is less convincing, times when he seems to be shrimping around for facts (pounced upon rather naïvely) to support a preconceived theory, even if this means ignoring other facts that disprove it. One of these theories is that doctors, as a body, are doing very well out of the national health service (lectures on which make up nearly half of this book). It is a theory that accords with his general theme that the professional classes do very well out of the welfare state, and it is probably true. Unfortunately, he tries to prove it by an account of general practitioners' earnings that is not only inaccurate in detail, but is also one-sided. Thus he lists the ways in which family doctors can earn money over and above their capitation fees for the patients on their lists, without explaining that the higher their extra earnings in these ways, the smaller the sum set aside by the government to pay the capitation fees. Nor does he point out, in describing general practitioners' income tax privileges, which are—though he does not say so—those allowed to other self-employed professions, that they also have the disadvantages of the self-employed: no sick pay and no paid holidays. If income tax reliefs and so on are to be taken into account, as he suggests, in assessing the relative rewards of general practice, should not, one wants to retort, similar account be taken of the special scheme of children's allowances for university professors and of their extramural earnings?

It is not only over the question of pay that Mr Titmuss appears to have a prejudice against doctors. One could also, for instance, dispute his belief that frequent visiting by parents of their children in hospital did not arise from the medical profession, but was forced on it by public opinion outside. Such prejudices are unimportant in themselves, but cumulatively they are irritating and tend to detract from his justifiable criticisms. The microscope Mr Titmuss uses in support of his intuition can be wonderfully illuminating, but he sometimes forgets that its field is limited. Were he to stand back occasionally and take a synoptic view, the service he has rendered to the welfare state could be greater still.

Quebec and Ottawa

Evolving Canadian Federalism

By A. R. M. Lower and others.
Duke University Press: Cambridge University Press. 187 pages. 26s. net.

IN 1805 a Te Deum was sung in Notre Dame Cathedral, Montreal, to celebrate the victory of Trafalgar: the settlers in New France, conservatives from the north-east corner of Old France, were delighted to rejoice in the defeat of a revolutionary upstart. The people of Quebec, rather to the puzzled annoyance of their neighbours, have insisted on their own way of life ever since.

It is surprising how often they have been successful. For although the Confederation of 1867 was, in essence, as Professor A. R. M. Lower says in the brilliant short study that opens this otherwise unremarkable collection of essays, an undoing of the conquest, an admission by the British Government that henceforward there existed simply subjects of Her Majesty in a new Dominion, separatist tendencies persisted. For many years they received a surprising degree of support from the Judicial Committee of the Privy Council, which so interpreted the British North America Act of 1867 that it ceased to be the powerful instrument of centralisation intended by its framers. "The real contest was between Sir John Macdonald and Lord Watson," said Lord Haldane in the Snider Case in 1925, before delivering a judgment that cut down the powers of the Dominion to an unprecedented degree. Macdonald may have gone to the debates on Confederation with his assiduously annotated copy of "The Federalist" in his pocket, but the last word lay with the great Scots judge, sitting in Downing Street in a room "smelling of leather, English gentlemen, and old, old, dust." After 1930 Lord Sankey persuaded the Judicial Committee to interpret the Act so as to bestow the widest amplitude of power on the Dominion; but the last word on the amendment of the Act still lies with the Parliament at Westminster because Quebec will not trust Ottawa to do the right thing.

"For the Province of Quebec the only possible choice lies between a state-controlled socialist system of social security and one of Christian inspiration," said the authoritative Tremblay Report in 1956. Language of this kind is maddening to North American academics of progressive views, so it is not surprising that an occasional peevish turn of phrase mars the smooth surface of this useful work.

Combat Course for Economists

The Measurement of Utility

By Tapas Majumdar.
Macmillan. 149 pages. 13s. 6d.

THIS is exclusively and deliberately an economists' book, an expert's discussion of his fellow-experts' tools and techniques. It is a critical comparison, rigorous and minute, of the various contemporary schools of thought on the pure theory of demand. In what sense, if at all, can economic satisfactions be measured? Is the best that can be done to rank them in order, like examination candidates earning alphas and betas? Or can they be set in a measureable scale, like degrees of heat? Or—crossing the frontier between ordinalism and cardinalism—can they actually be added and subtracted? And if so, can

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THE WORLD'S SUGAR
V. P. TIMOSHENKO and **B. C. SWERLING** '... should be widely studied not only by students and economists ... but also by those who may be called upon to guard their country's interests while bringing to fruition future negotiations to stabilize this world-wide industry.' *World Crops* **Stanford University Press** 52s. net

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this process be applied only to the satisfaction of one individual, or can those of different individuals be compared and lumped together? Still more abstrusely, is it legitimate for economists to base their reasoning on a psychological hypothesis—of diminishing marginal utility or, for that matter, of indifference—which cannot itself be operationally checked, though its consequences can be? Or must they be pure "behaviourists," taking as their one datum the preferences revealed in the market? And if market behaviour is the sole admissible datum, how—given the presence of uncertainty, of the varying valuation set on two birds in the bush as against one in hand—can preferences be consistently determined at all?

With admirable clarity and penetration, Mr Majumdar reviews the contending schools: the introspective cardinalists, the introspective ordinalists, the behaviourist cardinalists, the behaviourist ordinalists—Marshall, Pigou and Robertson; Slutsky, Hicks and Allen; Morgenstern and Neumann; Samuelson; and many others. His own final position is a shade on the ordinalist side of Professor Hicks; but he evidently attaches less importance to this final position than to the process by which he has reached it.

The spectacle of a very good mind doing a very thorough job is always a satisfying and stimulating one; and in so far as the cardinalist position provides an essential intellectual underpinning for the most extreme collectivism (rather to the distress of such liberal-minded cardinalists as Sir Dennis Robertson) it is of some practical importance that its weaknesses be pointed out. But it is well to remember the judgment passed on all such controversies by Mr I. M. D. Little at the end of his "Critique of Welfare Economics," itself a display of virtuosity second to none: "Economic welfare is a subject in which rigour and refinement are probably worse than useless. Rough theory or good common sense is, in practice, what we require." The pure theory of consumer behaviour offers more of a combat course for tightening up logical fibres than a high-road from ignorance to enlightenment.

Russian Railways

Soviet Transportation Policy

By Holland Hunter.
Harvard University Press. London: *Oxford University Press.* 416 pages. 68s.

THIS study is the twenty-eighth in the series produced by the Russian Research Centre of Harvard University, and as such is intended for students of the Russian economy. As a case study it is, however, of much wider interest to anyone concerned with economic planning or with inland transport. In view of current discussion about investment in inland transport, and about the proper role of railways in the industrialised countries of Western Europe, the reasons for the almost complete reliance on railways for transport in Russia should certainly be looked for.

In Russia the utilisation of freight transport capacity is not regarded as being of secondary importance to the practices of industry and agriculture. It does not seem to be thought desirable to have large reserves of transport capacity available to meet peak demands of short duration; nor do the Russians believe that mistakes or difficulties in production or poor control of stocks should be offset by instantly available transport facilities. However, the study makes it clear that at one time in the past restrictions on investment in transport facilites went too far, with the result that total output was reduced because of delays in transport. Today the policy is to regard freight transport as a productive factor, worthy of receiving a share of scarce investment resources. Peaks in output are to be eliminated where possible, and stocks built up in other instances.

The study makes it clear that transport charges are used to a considerable extent to support the aims of planning. This use of the market mechanism seems to have grown with experience. A structure of railway freight charges unrelated to costs was altered substantially. This rate structure was introduced in 1931 to encourage heavy industry and to remove the disability of the newer industrial areas because of their remoteness. It involved charging rates 35 per cent below cost for the heavy industry traffics and traffics from remote parts and much heavier charges for the remaining traffics. It was found, however, that the subsidised traffics were growing fast and a uniform increase in charges of 20 per cent was required to bring aggregate costs and receipts into line.

Another experiment, which was tried out and found wanting, was to neglect investment in transport, particularly in railways, over a long period, and to use exhortations to work harder and to be more efficient as a substitute. The production difficulties that eventually arose brought about a better appreciation of the importance of adequate transport facilities. At first freight transport was regarded as being non-productive—passenger transport is still regarded in this light—but it was soon realised that a given volume of output could often be achieved at a lower cost in real resources by production in one place and transport to another rather than by eliminating transport and producing the goods in the second area.

A point of special interest to those concerned with railway accounting and the assessment of the profitability of individual sections of a railway system is that in 1938, after an apparent decline in the efficiency of the Russian railways, the management tackled the problem of minimising the costs of operation of individual lines.

The author points out that in America, because of competition with road carriers for short distance traffic, railway rates over short distances are relatively low, while competition with water carriers depresses the rates for really long distance hauls. In the Soviet Union, on the other hand, the railway rates are relatively high over short distances and over very long hauls, the intention being the deliberate encouragement of the use of road vehicles for short distance work and of the waterways for very long distance traffic.

Housing and Houses

Public Authority Housing

By A. W. Cleeve Barr. *Batsford.* 287 pages. £5 5s.

Houses and Bungalows

By June Park. *Batsford.* 191 pages. £2 5s.

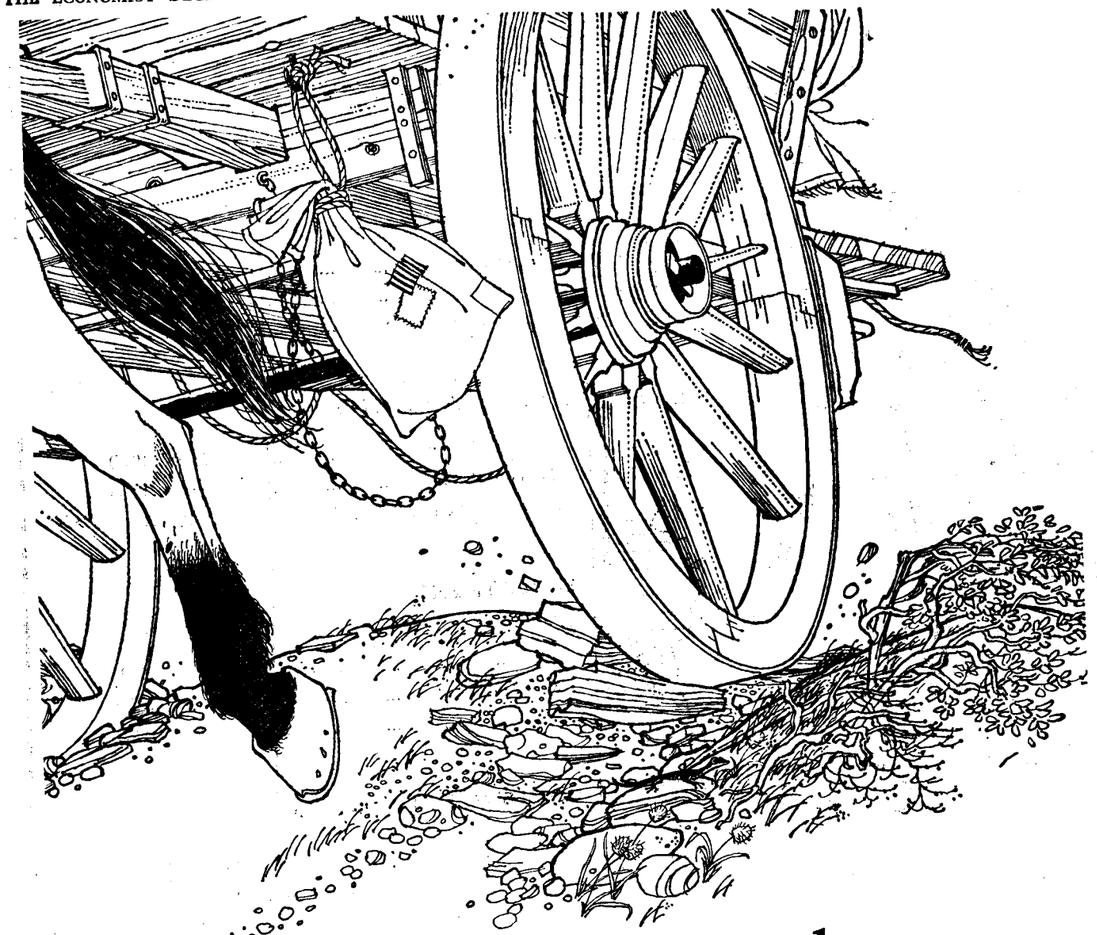
TEN years ago, responsibility on a large scale was falling for the first time upon that generation of architects which before the war had so vigorously fought for "modernity" in architecture, and now saw a future full of promise. Architecture, they believe, should respond intimately to the demands and opportunities of science and technology, of modern ways of living and modern planning and social problems. It was impossible, they argued, for traditional design, with all its established rules of expression, to do anything but hinder and stifle development.

They felt deeply, and they were confident; but it was not very easy in those days to carry out their theories. Public housing had priority, and official committees were responsible for it. They had to believe and understand the new approach before it could be established, and unfortunately in this country scarcely any examples existed to help them. The break-through really took place on the schools front, where early opportunities were matched by a brilliant combination of designers and administrators.

The author of the book on public housing began life in the world of finance and only came to architecture after the war, as one of the school designers. He later entered the housing department of the London County Council, where he had special responsibility for technical development. The book reflects all this. It has an excellent balance between design, technical and financial matters; it is written very readably and succinctly, and is everywhere well informed. Occasionally he puts a finger of criticism on some point of policy.

Half of the book is devoted to examples, and they contribute exceptionally to its value. All the schemes—there are 56—are good in some or many ways, and all are recent and from Britain. We have obviously made good the deficiency in examples of modern housing architecture that was at first so evident.

Miss Park's book has much the same inspiration, suitably adjusted for the private client. She too has a text that discusses planning, equipment, technology and cost as the growing points for good design, but she adds some information specially helpful for the individual who may never have had an architect before, and wonders how to go about the business and what it involves. There are several places where the technical side could be strengthened, but the intending client gets good advice here, and an excellent idea of the variety he may seek through an architect.



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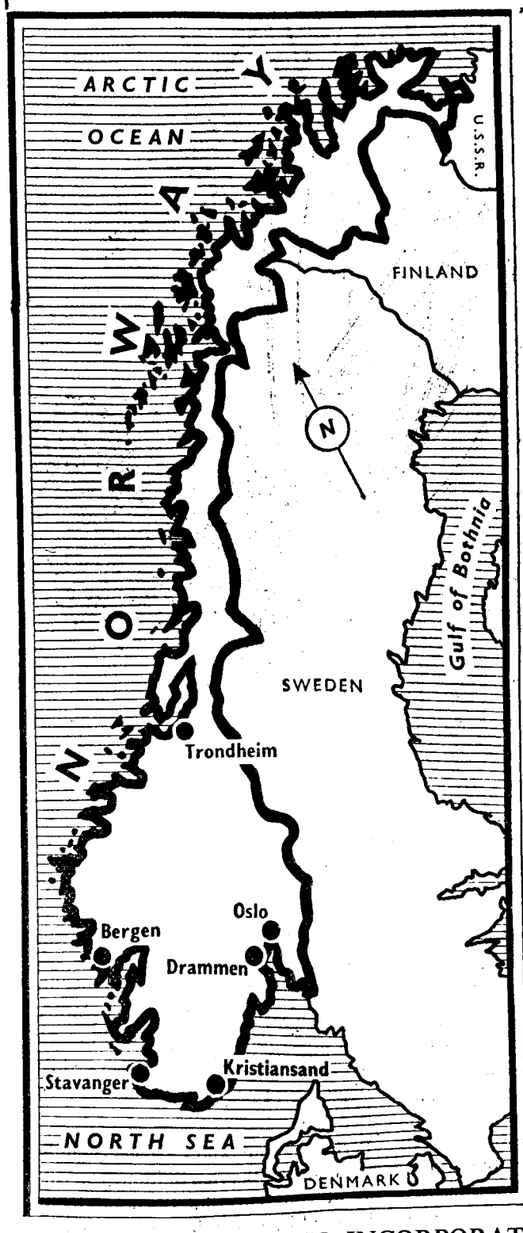

Area (square miles)	125,064	
Population	3,500,000	(1958)
Density per square mile	28	
NATIONAL INCOME		
Total (U.S. $ million)	3,261	(1957)
Per head (U.S. $)	931	(1957)
Money circulation (U.S. $ million) ...	460	(August, 1958)
EMPLOYMENT		
Working population (economically active)	1,388,000	(1950)
Male	1,060,000	(1950)
Female...	328,000	(1950)
DOMESTIC DATA		
Number of homes	963,552	(1950)
Homes wired for electricity	925,000	(1958)
Cars in use	232,500	(1956)
personal	133,800	(1956)
business	98,700	(1956)
Telephones	614,523	(1956)
Radios	1,000,000	(1958)
Television sets	1,000	(1958)
Refrigerators (electric)	270,000	(1958)
Electric cookers and ovens	700,000	(1958)
Washing machines (electric)	390,000	(1958)
Vacuum cleaners	400,000	(1958)
Sewing machines	550,000	(1958)

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Who's Where for 1960?

WASHINGTON, DC

To forecast which two men will be nominated for the Presidency in 1960 is about as scientific as placing a bet on the next Grand National but one. Every one knows roughly what horses are available, but not which of them is going to break a leg, bite his stable-mate, or get stuck in the mud on its training canter. Nevertheless, the Americans, with their characteristic refusal to be daunted by an equation composed entirely of variables, are now busily speculating about the candidates of the two parties. This is partly because last month's election provided an unusually full guide to form, and partly because it is tempting to inject a little drama into a political system which, by refusing to let the Administration and its opposition face each other across the floor of Congress, is noticeably empty of it in the lull between elections. But this guessing about candidates is also a necessary part of the business of creating them. In American politics a man ambitious for office must not only be a possibility; he also must be seen to be one.

Among the Democrats there are so many possibilities—about ten in all give or take a couple of hopefuls—that time is now beginning to run out for those who have been standing at the back of the queue for the last couple of years. Last month's Democratic triumph significantly improved the prospects of only two men, both Roman Catholics: Mr "Pat" Brown of California, who entered into glory by the door to one Governor's mansion, while Mr Harriman of New York was being carried out feet first from another; and Senator Kennedy of Massachusetts, who was re-elected by a majority vast enough to tickle the palates of party managers surfeited with mere victory. Three men's hopes have diminished, simply because they failed to shine brightly enough in the general incandescence. They are Governor Williams of Michigan, who suffered visibly from the effects of over-exposure in running for a sixth term; Governor Meyner of New Jersey, who has irritated both western audiences and the powerful Washington press corps by making speeches to them which would have been more suitable for high school students; and Senator Kefauver of Tennessee, long unpopular with his colleagues, who looks like finding it hard even to hold on to his present office.

At present the one reasonably safe forecast about the Democratic convention in 1960 is that Senator Kennedy, who has been shaking as many hands and treading on as few toes as possible, will get more votes on the first ballot than anyone else—perhaps a third of the total, or slightly more. But then the deals will begin, and the crystal ball fills with cigar smoke. There are, however, three factors that will help to shape the outcome.

The first is that it is no longer a major disadvantage, though it is still a minor one, to be a Senator or a Roman Catholic. A Senator still lacks the cornucopial resources of patronage by which a Governor is able to reward his followers and construct a political machine. But the growing interest in foreign affairs has turned the public's eye upon the Senate, which enjoys a special position and prestige in this field; and at the same time television, that great leveller, has drawn Governors into speaking their minds (and thus making enemies) on almost as wide a range of subjects as Senators. No doubt most Democrats have also taken note of the astonishing success of so many Roman Catholics in the November elections. But it may still be necessary to draw a distinction between the acceptability of Senators and Roman Catholics to the electorate and their acceptability to a convention. In a closely fought convention the ingrained mistrust of even a few delegates could prevent a nomination.

The second factor is the power of the trade unions, which was so convincingly demonstrated last month. In the last Democratic convention the important delegations from Michigan and Pennsylvania decided, largely under the influence of the unions, to swing their support to Mr Stevenson, and thus virtually won the day for him. Next time the union movement will wield even more authority and some of the most influential leaders in its liberal wing are markedly unenthusiastic about Senator Kennedy, less on account of his opinions than because they think he is still immature. After his first show of strength they are likely to throw their weight behind Mr Adlai Stevenson (who has again said that he proposes to refuse the poisoned chalice) or even Senator Symington of Missouri, unless they think they can get away with a thoroughbred liberal like Senator Humphrey of Minnesota.

The third factor is what happens in the South between now and the convention. Though Mr Lyndon Johnson, the Texan who leads the Democrats in the Senate, seems certain to be the most prominent Democratic personality in Washington during the next two years, he is unlikely to be chosen unless the conflict over racial issues abates even more than now seems probable. In addition he is handicapped by his health and, to progressives, by his association in the public mind with the oil interests of Texas and by his readiness to co-operate with the Administration. On the other hand, liberals like Senator Humphrey and Governor Williams stand a good chance of being picked only if the convention is willing to jettison the South, which at the moment it seems unwilling to do. Therefore attention is concentrated on the trio of Messrs Kennedy, Stevenson and Symington, with conceivably a glance at Mr Brown. It is not surprising that those who are concerned less with the election than with running the country afterwards should be casting a ruminative eye on Mr Stevenson once again.

After all this, it is relief to turn to the stark simplicities

of the Republican scene. The Gallup Poll taken among Republicans shortly after the election, which gave Mr Nixon a lead of almost five to three over Mr Rockefeller, has brought some of the colour back into the cheeks of the Vice-President's supporters. In spite of Mr Rockefeller's spectacular capture of the New York governorship last month, Mr Nixon must still be reckoned the favourite for the nomination. For one thing, an inquiry by the *Wall Street Journal* shows that he retains the support of the vast majority of local party officials, for whom he campaigned so energetically—if not successfully—in the autumn and who show no signs of blaming him for the general disaster; these men tend to value hard work above political philosophy, and their voices will be loud in the convention. In the second place, Mr Rockefeller has quite possibly reached the peak of his popularity. When he takes over the governorship he must decide whether or not to live up to his reputation as the most liberal Republican of them all, and whichever course he takes will offend somebody.

Above all, Mr Nixon, back from London trailing British testimonials to his statesmanship that have not been altogether lost on his fellow countrymen, has the tactical initiative. A study of his remarkably clever campaign speeches shows that he managed to leave behind an impression of partisan fervour while committing himself to very few demonstrably right-wing positions. What he has now to do is to manufacture an image of himself liberal enough to prevent Mr Rockefeller from capturing the old "Eisenhower vote" and yet distinct enough from his rival's to suggest that the Vice-President is a more experienced and practical politician than Mr Rockefeller. Perhaps the best tactics Mr Nixon could follow would be to try to restrain President Eisenhower's current enthusiasm for budget-cutting. This would reassure those who believe that in an expanding economy it is neither necessary nor proper to contract federal spending; and it would earn him the support of the department heads who can feel Mr Eisenhower's axe whistling about their ears.

It is always a dangerous business for a Vice-President to oppose his President. But Mr Nixon is certainly shrewd enough to have caught the point of last month's election: that the country has turned massively back to its old, pre-1952 Democratic majority, from which Mr Eisenhower temporarily lured it and from which it will not be lured again by a Republican advocating—at least from time to time—the beauties of a balanced budget. Mr Nixon has no need to woo the conservatives in his party; they have to stand by him *faute de mieux*. He clearly has comfortable room for manœuvre before 1960.

Headaches in the Air

MANY Americans planning to fly off for their long Thanksgiving Day weekends had to switch airlines hastily last week because a third of the country's civil aircraft were grounded by strikes. The ground crews of Trans World and Eastern Airlines had walked out because they considered that the wage increase of 41 cents an hour which had ended a similar thirty-seven day strike at Capital Airlines was not enough for them. In addition, Eastern Airlines' flight engineers struck because their employers accepted a presidential board of enquiry's recommendation that the "third man" in a jet airliner's cockpit should be a pilot as well as an engineer, while American Airlines' pilots are only being restrained from striking by a temporary court injunction because their employers have rejected the recommendation. Many Americans blame this mass grounding on the Railway Labour Act, which was amended to include airlines in 1936; it provides for a long cooling-off period and for mediation, arbitration and recommendations by a presidential board, but none of these is binding.

Trans World Airlines has now announced the resumption of full services next Monday after agreeing to give its mechanics 44 cents an hour extra. It was in no position to hold out for long. Practically all the airline companies are deeply worried about how they are going to find the last $500 million of the $4 billion needed to finance their hectic rush to convert to jets; this is on top of the long-term debt they have only recently piled up to instal the latest piston equipment. But Mr Howard Hughes's Trans World Airlines is in the most exposed position. His is the only major company to lose money this year and it is being widely rumoured that he will have to sell part or all of his huge industrial empire on the West Coast in order to meet his obligations.

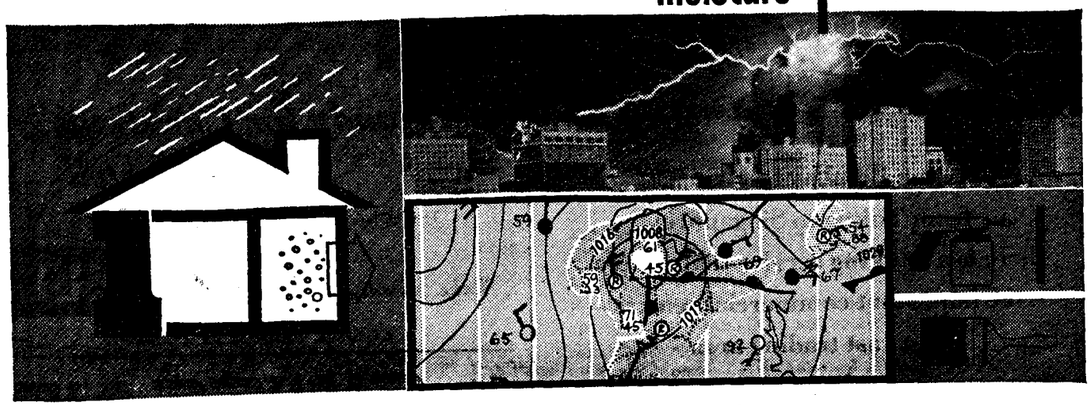
Senator Smathers of Florida, a most influential politician in the field of transportation, has called for a senatorial investigation to see if the airline companies are not getting recklessly over-extended in the effort to keep up with the jet-propelled Joneses. While the companies are asking the Civil Aeronautics Board, which controls fares, to allow a general fifteen per cent increase, all they have so far got is temporary permission to drop such standard discounts as round trip prices until July of next year. By that time they are expected to announce plans to make more economic use of existing equipment by, for example, offering reduced fares at off-peak hours.

Liberal Challenges

IN the feverish political activity that is preceding the first meeting of the new Congress in January there are signs that the main test of the power of the Democratic party's moderate congressional leaders to control their greatly strengthened northern liberal following will come at the very outset of the session. The battles will be over what appear on the surface to be procedural issues. In the Senate the liberals are certain to repeat earlier challenges to the rule governing closure, under which the Senate's unusual system of unlimited debate can only be modified by a two-thirds majority of the total membership. It is the extreme difficulty of invoking this rule successfully that has resulted in the practice of filibustering, by which a determined minority can hold up all other business by talking about a sore topic until it is dropped. The main beneficiaries of this system have been the Southerners, who use it to obstruct measures to safeguard the rights of Negroes.

Any challenge to the right of filibuster inevitably places Senator Johnson, the leader of the Democratic majority, in an extremely embarrassing position. He is such a skilled manipulator, with his computer-like mind constantly aware of every nuance of personality and conviction of each member of his political brood, that it would be rash to predict that he will not find some compromise solution. But the liberal Democrats, whose patience with their southern brethren has been sorely tried recently, are most unlikely

One way street for moisture



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to forgo the chance of changing the rules drastically at the opening of a new Congress, now that their numbers have been dramatically increased. Their proposal is to end debate at any time by a two-thirds vote of those present and voting, after a petition by sixteen Senators and by a simple majority after fifteen days' discussion.

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In the House of Representatives a somewhat similar battle may take place over the powers of the Rules Committee, which decides which Bills shall be debated on the floor of the House and under what rules. Hitherto the committee has been dominted by its ultra conservative chairman. The probable demand of the liberals will be a restoration of the twenty one day rule that prevailed for two years after Mr Truman's victory in 1948, under which any Bill which has been recommended by the appropriate specialist committee has a chance of debate in the House after twenty one days, even if the Rules Committee persists in refusing it a green light.

III—DOING GOOD ABROAD

Latin American Laboratory

FROM SPECIAL CORRESPONDENTS

To paraphrase that American eccentric, the late Gertrude Stein, "a continent is a continent is a continent," and there is no certainty that programmes of technical aid, public or private, which work well in Latin America will also do well in Africa. Take, for example, efforts to communicate new ways to people depending traditionally on old habits, a problem not entirely confined to the underdeveloped countries. Will the picture book which has been developed to teach illiterate Latin Americans how to grow better maize work as well in Ghana as it has in Venezuela? Or does the "intellectual malnutrition" of Africa take such different forms that this tool will not serve, even if the people pictured are painted black and reclothed in local dress? Are scientists right in saying that basic research can be transplanted, but that applied research must be adapted and tested on the ground? The project directors of some of the private American foundations working in Latin America intend to find out.

The problems of underdevelopment in Latin America are less clear cut than those in Africa, and more complex; to North Americans they are also more familiar. Colonised by Spain and Portugal almost a century before Englishmen gained a first foothold in what is now the United States, these Latin lands lagged behind the industrial revolution. Coming late to independence, they were alternately patronised, exploited, flattered and neglected by their northern neighbour. Meanwhile, their native populations and the European strains which ruled them were reinforced with spasmodic immigration from Africa and other parts of Europe in such a way as to produce considerable ethnic differences in the twenty countries, and to complicate the problem of finding a common pattern of technical aid.

Some twenty North American private agencies are now providing technical aid in South and Central America, including the Amazonia Foundation which conducts archæological studies there, the Hervey Foundation which establishes pilot plants for potential factory owners, and several units financed out of the Rockefeller oil fortune. Scientists supported by the oldest of these, the Rockefeller Foundation, are largely responsible for the fact that yellow fever and malaria, which made life in certain sectors so difficult before the first world war, is no longer a drain on human vitality. That great work was certainly exportable.

In its present Latin American projects the Rockefeller Foundation aims mainly to improve education in medicine, agriculture and allied fields. The seminal work on which most hope is placed of possible transfer to other areas is that being done under a group of agricultural programmes. This includes help for the famous bank of corn germ plasm, set up to preserve the original strains of all forms of maize native in the Americas; more general interest, however, attaches to efforts to improve and increase the present basic food crops, not only maize but also wheat and beans. Each of the six Central American states has now established local schemes for improving maize which use materials and methods taken from Rockefeller's Mexican and Colombian projects. The foundation lends them technical aid and advice when it is requested and has reported that after four years its experts could see measurable improvement.

With this experience behind it, the foundation made its first agricultural sortie into the Far East in 1957, with double-edged programmes, partly educational and partly research, looking toward the development of a central post-graduate school of agriculture and the setting up of research studies for the improvement of basic cereal crops in Asia. Meanwhile, one of the technical aid groups established by the younger Rockefeller brothers has joined with the Co-operative League of the United States in a programme to broaden the co-operative movement in rural India.

The work of these younger Rockefeller groups is independent of the foundation and, indeed, one sometimes detects among them a tinge of impatience with the stately reserve of the well heeled older giant. It is commonly

believed that their interest in Latin America springs from the work which Mr Nelson Rockefeller did as Roosevelt's Co-ordinator of Inter-American Affairs; but, when the record of the older generation and the obligations created by the family's substantial oil interests in the southern continent are remembered, this view seems superficial. This hierarchy does not publicly lose interest in the things that grandfather started; and through all its projects runs the family belief that the best help one man can give another is to teach him how to help himself.

For example, the Association of Credit and Rural Assistance has been working nearly eight years with Brazilian farm families to help them to improve their crops, their houses and their lives. The tools of this scheme are familiar enough in northern agricultural practice, and are the forerunners of those used in the Indian project: education in farming and home improvement, better health and sanitary practices, free seeds, insecticides and fertilisers, and supervised credit facilities. This last, applying an economic spur to make sure that the profferred education is used, is a novelty in Latin America and has aroused much interest.

The whole programme is administered with a minimum of staff and fuss; its experts prefer to go to the farm in a jeep instead of asking the farmer to come to their centre. They made their first dramatic appeal by finding a chemical that could control the mound-building termites and the leaf cutting *suava* ants which made farming in the state of Minas Geraes such a nightmare. This proof that these young scientists could heal old sores gave them a lasting prestige.

It is, however, in the International Basic Economy Corporation that the Rockefeller brothers show that curious combination of shrewdness and social conscience which distinguishes their foreign aid projects. Strictly speaking, IBEC is an investment corporation specialising in the use of risk capital, but it is cushioned by the Rockefeller fortunes, and it has provided Latin America with substantial technical benefits. These include the mass distribution of food at low prices through super-markets; the invention and marketing of a soluble coffee which relieved surplus crops and pleased customers; the introduction into Venezuela of milk which was pasteurised and hence safe to drink; the provision for Puerto Rico of pre-fabricated housing that is clean, cheap and quickly built, even if somewhat hard on the eye.

Against the background of this experience the younger Rockefellers are starting work on the other side of the South Atlantic, quietly and somewhat tentatively. Mr Nelson Rockefeller went to Africa in 1956 on a scouting trip, and returned with two dominant ideas; first, that people there needed to be taught how to make their cases and work out their applications for technical aid; and second, that something needed to be done about the shortage of trained experts and competent technicians. The Rockefeller Brothers Fund is setting up an office in Ghana and another in Nigeria—and perhaps later, one in Liberia—to deal with these problems experimentally over the next five years; during this time its promoters hope to develop better procedures for surveying what countries need, how they can best ask for it, and where they can find the men they need to help them. Such a programme might forestall a repetition of notorious disasters elsewhere.

Other private agencies are just beginning to work in Africa. The Ford Foundation sent an exploratory mission there in 1957 and another this year and the Near East Foundation, working under an American government contract, has at Ghana's invitation taken over a technical project started by the British. A small party, both Negro and white, went out in the spring; their first task was to replace a winding jungle road, fourteen miles long, between two villages with a new one half a mile long. For the present, at least, all these African efforts are concentrated on the emerging countries, with Ghana being used as an experimental model in the economic, as it is in the political, field.

The Rockefeller Foundation, founded in 1913, had spent $500 million by the end of last year; a third of this went outside the United States. It works chiefly through grants to other bodies but operates directly in the fields of public health, virology and agriculture. Its activities abroad have been mainly in Latin America but in recent years it has widened its field to include countries in Africa, Asia and the Middle East. It also finances fellowships and scholarships for foreign students.

The Rockefeller Brothers Fund, founded in 1940 by the five grandsons of the original John D. Rockefeller, contributes to a variety of projects that interest its founders, from the studies of defence and other governmental problems in the United States published this year to various Latin American schemes, such as:

The American Institute for Economic and Social Development (AIA) founded independently by the five brothers in 1946 to promote self-development and better standards of living throughout the world. It has received additional financial help from a number of private persons and organisations, including the American oil companies operating in Venezuela. It is responsible for **The Association for Credit and Rural Assistance.** AIA is now co-operating with the Organisation of American States in a new programme of popular information. Since 1957 the **IBEC Research Institute** which studied agricultural problems, particularly those of coffee, has been one of its divisions.

The International Basic Economy Corporation, also organised independently by the Rockefeller Brothers in 1947, with a capital of $16 million, was intended to finance paying propositions with profits being ploughed back. It has a large and constantly varying number of subsidiary companies, almost all in Latin America.

Converging Railways

No railway president can hold up his head today unless he has plans for an ambitious merger. In all, twenty of the major systems, chiefly in the East, are exploring the advantages of coming closer together in about six huge consolidations. Two things have revived the talk of mergers, which thirty years ago were a popular remedy for the railways' ills. One is the effect of the recession on finances which were already shaky. Most of the western railways are prospering as a result of the gigantic harvest and the housing boom. But the eastern railways had a deficit of $27 million in the first half of 1958, and although things are looking up, in the first eight months they earned only $35 million. In 1957 it was $174 million. The two largest—the Pennsylvania Railroad and the New York Central—were both in the red this year until August.

If these two giants should decide in the near future to

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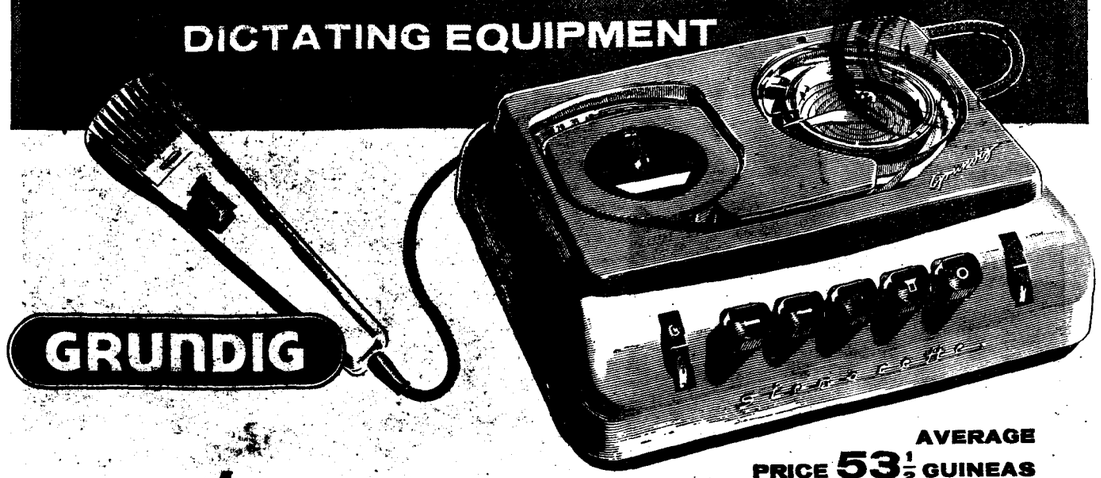

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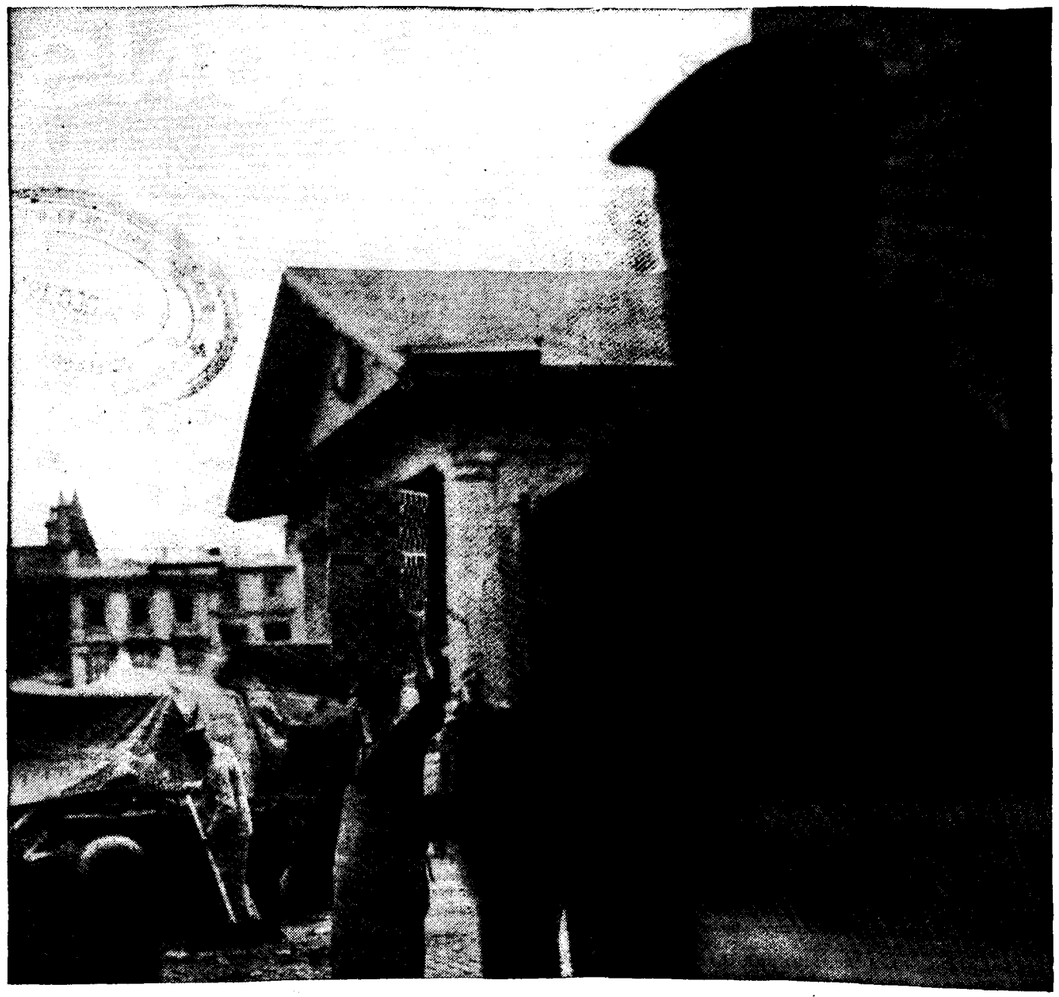


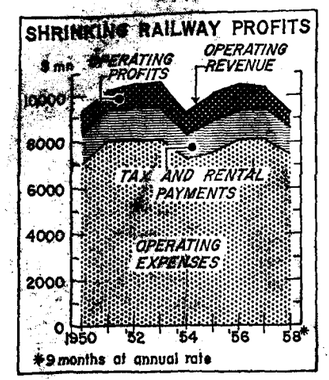
In 1954 some 100,000 packs of fresh fruit and vegetables were sold in Britain. Next year there will be 300,000,000.

Remarkable? Even more so is the change of buying habits that this fact represents. In Covent Garden, and in the High Street, a revolution is taking place. Everywhere the demand is for the convenient, clean, reliable pack. And greengrocery is only an example. The whole trend of retail selling is towards more, and better, packs. For this revolution the Bowater-Eburite group of companies are well organised. They have the skill and the capacity to profit from the demands of the times.

facts point to a buoyant future at Bowaters

THE BOWATER ORGANISATION
GREAT BRITAIN UNITED STATES OF AMERICA CANADA AUSTRALIA SOUTH AFRICA REPUBLIC OF IRELAND NORWAY SWEDEN

proceed with the merger which they have been considering for a year, other lines want to be ready with their plans for defensive action. One merger leads to another. An important reason why five New England railways are putting their heads together is their fear that if the Pennsylvania unites its fortunes with those of the Central, its dowry may be much of the traffic formerly routed over the New England lines. Although consolidation would be to almost everyone's benefit and probably will come in the long run, there is a good deal of scepticism about its imminence. The studies now going on will be worthwhile, however, if they uncover economies which can be practised without benefit of merger, such as the elimination of duplicated facilities.



Losses on passenger travel, which an official of the Interstate Commerce Commission recently put at about $700 million a year, are the worst nightmare of the eastern railways. But now that Congress has made it easier for railways to abandon unprofitable lines, they are in a strong position to demand that local communities shoulder some of the load. The new York, New Haven and Hartford has extracted a $900,000 subsidy from Boston and Massachusetts to run its Old Colony Line for another year, and it is asking for twice that from taxpayers in New York. In two other respects, however, last year's Transportation Act has fallen flat. Only two railways—one of them the pushful New Haven—have taken advantage of its offer of guaranteed loans. And, as interpreted by the ICC, the right to compete vigorously in terms of charges with the road transport industry, which the railways thought the Act gave them, has become far from clear.

At Your Service

NEW YORK

PERSONAL service, which has disappeared so conspicuously from the American scene, has retained at least one foothold, in the entrance halls of the towering apartment houses (or blocks of flats) which constitute home for most middle-class New Yorkers who choose to live in the centre of the city. Here, an apparent abundance of splendidly uniformed gentlemen maintains a leisurely and courteous twenty-four-hour-a-day service, and the homing flat dweller, flushed from the free-for-all battles of the city's transport systems, is instantly transformed into a fragile object of conciliatory attention.

In Manhattan there are about 7,500 of these custodians. Strictly speaking, they are divided into two groups: the doormen, clutching white gloves in clement weather and copious umbrellas in inclement, whose beats run exclusively from the entrance door to the curb; and the hallmen, who cater within to the more varied and personal requirements of tenants. While the occupation, as a whole, has proved remarkably resistant to the impact of electronic and other labour-saving devices, rising wage rates have brought some amalgamation. Increasingly the doorman, with some divestment of his splendid attire, has had to soil his white gloves by taking over more functional duties indoors. However, there have been signs recently of his re-emergence in his traditional, more decorative role; for the new apartment buildings springing up around the city his display of magnificent idleness provides an element of prestige with which to lure the somewhat elusive candidate for such high-cost living.

The full complement of an apartment house includes, as well as doormen and hallmen, liftmen, handymen, maintenance staff—and a superintendent. The coming of self-service lifts has brought some thinning of the ranks, but the average building is still likely to employ eight or more persons. Moreover, as the remaining pockets of terrace-housing give way to new development, the number of apartment houses continues to grow.

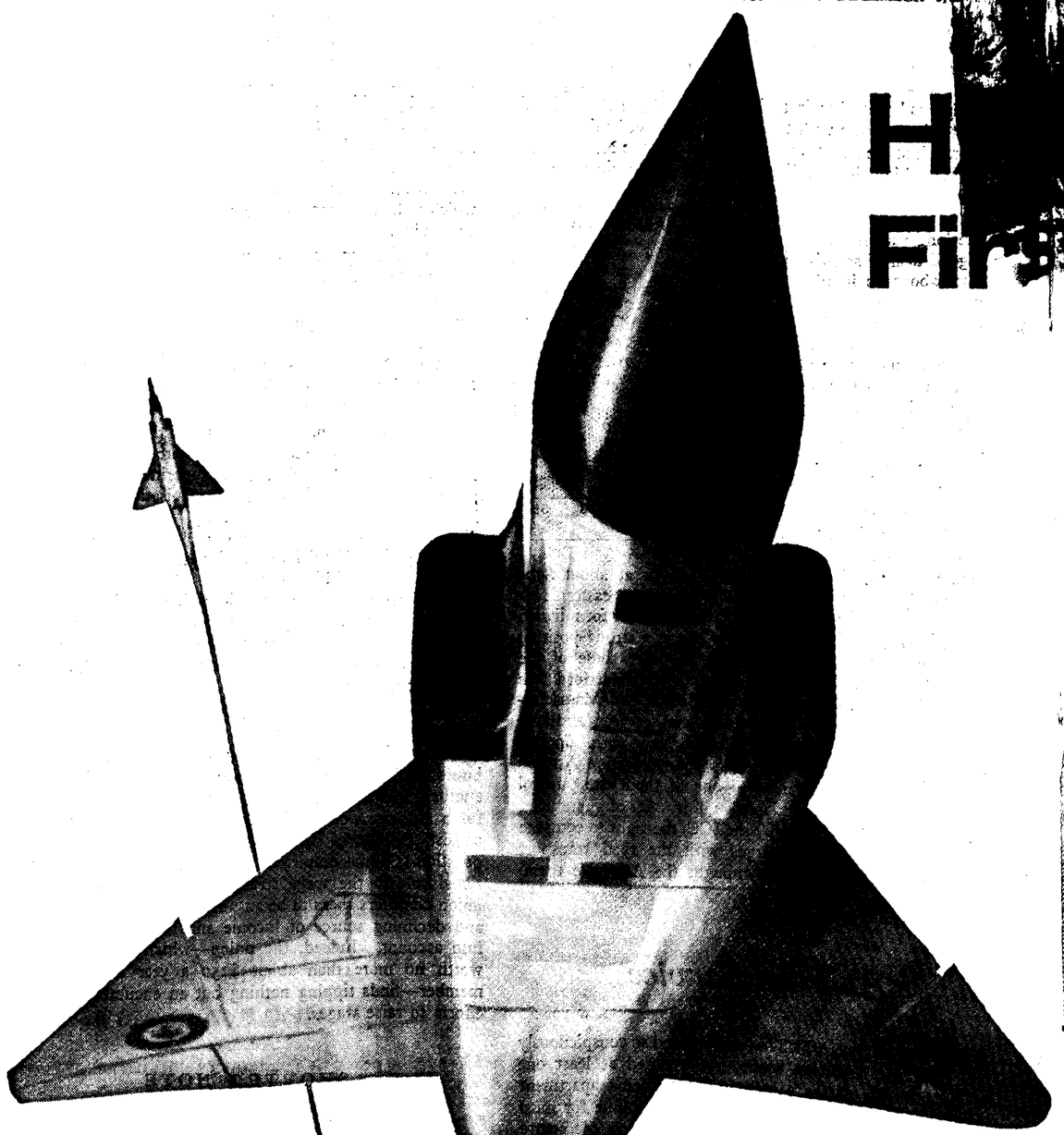
The respectful and restrained air of the lobby belies the fact that virtually all these employees are organised into one trade union; a few weeks ago the superintendents, who had previously maintained their own organisation, were merged into the larger, more effective body. In spite of the wide dispersal of both employers and employed, Local 32 B can, after 24 years in the field, speak for virtually all the building service workers within its territory. To establish and maintain this comprehensive grip, the union gets in touch with the owner of a new building as soon as the foundations go in; and if the relationship looks unpromising, the prospective employer is likely to find his building site picketed by its construction workers.

Wage agreements are negotiated centrally, with the Realty Advisory Board on Labour Relations representing the employers. Traditionally a low-paid trade with long hours and wide variation between one employer and another, minimum wages now range between $62 and $70 for a 40-hour week. Tips, which in an apartment house consist mainly of Christmas gratuities, are a delicate question. While employers like to emphasise their traditional role in the wage structure of service workers, the union considers them to be an unpredictable, discriminatory and declining source of income and refuses to take them into account. Indeed, the union—which claims they are worth no more than about $150 a year to its average member—finds tipping nothing but an encumbrance in its efforts to raise wages.

SHORTER NOTE

The Secretary of Agriculture, Mr Benson, who is blamed by many Republicans for the loss of farm seats in the recent election, staged his own vote last week among the growers of maize and won a 71 per cent endorsement for his policies. Many members of Congress disagree, however, with Mr Benson's view that the vote to scrap controls over the production of maize, and to accept lower price supports, is a mandate to the new Congress to offer more freedom and less cash to the still tightly controlled growers of tobacco and of wheat, which is the biggest headache among surplus commodities. The 25-year-old system of controls for maize had, to all intents and purposes, broken down and the alternative offered by the government made its abandonment financially attractive.

THE ECONOMIST DECEMBER 6, 1958



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From the nimble, stick and string biplanes of the First World War to the sleek, supersonic jets of today, fighters designed and built by Hawker Siddeley companies have an unbroken record of first-line service with the Royal Air Force.

They are guardians also of the Free World, for Hawker Hunters, Armstrong Whitworth Sea Hawks and Canadian CF-100s are in service with NATO and other Air Forces in Europe and elsewhere. The Hunter, in fact, is a "best seller"—a worthy descendant of the Hawker Hurricane, which played the major role in the Battle of Britain.

In the First World War, Sopwith and Fokker fought out their battles in the air over France; in the 1920s and 1930s Hawkers designed and built most of the RAF's fighters from the Woodcock to the Fury biplanes. Hawkers produced the first British operational fighters to fly at more than 200 mph—the Fury; the first over 300 mph—the Hurricane; and the first at over 400 mph—the Typhoon.

Gloster Aircraft, another outstanding name in British fighter aircraft, produced the Gladiator of Malta "Faith, Hope and Charity" fame; and the Meteor, the only Allied jet to operate in World War II. From the same "stable" stems the Javelin, the RAF's all-weather interceptor with the heaviest fighter armament yet.

A single Javelin, with twin Sapphire engines, produces as much power as a whole squadron of last war night fighters—such is the measure of fighter development.

And now, from Canada comes the Avro Arrow, Hawker Siddeley's new, delta-wing supersonic fighter which has already exceeded 1,000 mph in a climb and has been described as the biggest, most powerful and potentially the fastest fighter that the world has yet seen.

Looking even further ahead, Hawker Siddeley's Aviation Division is concerned with the development of short and vertical take-off techniques for the next generation of fighters that assuredly will still be needed to maintain the tough shield of British Air Power.

HAWKER SIDDELEY AVIATION DIVISION

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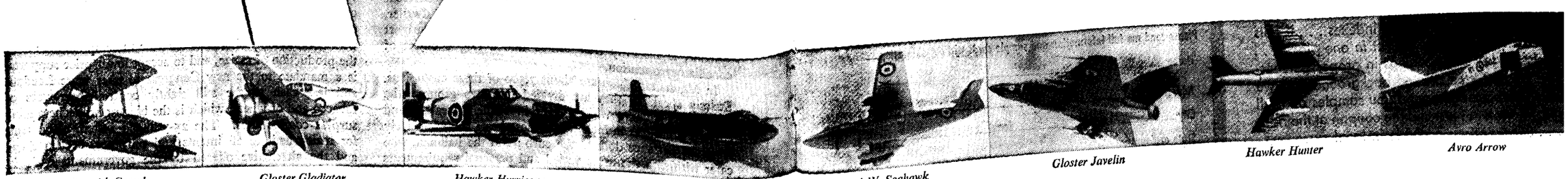

Sopwith Camel *Gloster Gladiator* *Hawker Hurricane* *Gloster Meteor* *A.W. Seahawk* *Gloster Javelin* *Hawker Hunter* *Avro Arrow*

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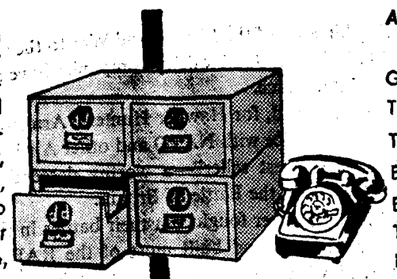

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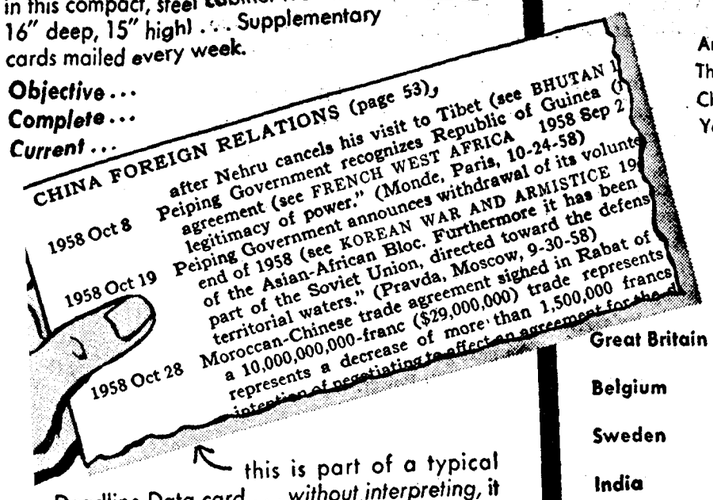

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THE WORLD OVERSEAS

Czechoslovakia in Slow Motion

FROM OUR SPECIAL CORRESPONDENT

ACCORDING to the official guide, Prague's Old Town Square has been the scene of many important national events. It was there that the Bohemian nobles were executed after their crushing defeat by the Habsburg emperor in 1620; and it was there that Klement Gottwald addressed the people of Prague after the Communist coup in February, 1948. This attempt to link 1620 with 1948 may lead some people to hope that the Czechs do not again have to wait 300 years to regain their freedom. But the intention of those responsible for the guide's words is presumably to try to give the Communist regime a respectable continuity with a past that all Czechs honour. They are trying in other ways too—by, for instance, restoring and redecorating the country's churches and national monuments. (This is also a useful investment in the tourist industry.) In Prague, the Bethlehem Chapel, where John Huss used to preach, has been completely reconstructed. In Bratislava, money which some local party members think might be better spent on housing is being spent on reconstructing the ruined royal palace that dominates the city from a hill above the Danube.

How much good all this will do the regime one cannot tell. But the Communists are squeezing the maximum advantage from a number of other, rather more obvious, assets. There is the Czech people's deep and abiding suspicion of the Germans and the Austrians. There is the disillusionment with the West created by Munich, and the lack of any traditional national hostility to the Russians. There is, too, the inability of the Catholic Church to provide, as it does in Poland, where it is virtually the only church, a strong rallying-point for national feeling. Archbishop Beran remains in captivity, but the Communists obviously want to keep the religious issue dormant; people are free to resist anti-religious propaganda if they can, and the churches are full.

But perhaps the Czech Communists' greatest advantage is that they took over an economy far more advanced than any other behind the iron curtain with the exception of east Germany. The effects of this on the standard of living have become increasingly apparent in the last year or so. For the casual visitor they are reflected today in shop windows in Prague and throughout the country that are well stocked with many of the amenities as well as the necessities of life; in crowds of warmly, if not very elegantly, clad people; in television aerials over blocks of flats as well as over village houses; in plenty of new building, especially in Slovakia.

Just how widely this increasing prosperity is spread is hard to say. Those, like the miners, whom the regime must pamper and encourage are clearly doing well. The champion miner, earning more than 4,000 crowns a month (£100 at the tourist exchange rate, £200 at the official rate) has a comfortable well-heated flat, perhaps even a car, and money to burn on a Saturday night in the night-club of the best hotel in Ostrava. But housing is short and prices are high; an overcoat or a suit will make a much bigger hole in the average wagepacket (which is officially put at 1,300 crowns monthly) than it would in Britain. There must be a good many people earning about, or less than, the average wage who still do not find it too easy to make ends meet; and it seems likely that the chief effect of the reorganisation of wage rates, which is now being discussed with official enthusiasm in factories throughout the country, will be to force most people to work harder to maintain their present wages.

All the same, the Czechs and the Slovaks are a good deal better off than, say, the Poles or the Russians. But one gets no assured answer to the question whether they would not be better off still if in 1948 they had accepted Marshall aid and not forced their economy into a rigid socialist mould. It is hard, too, to find out why, if the collectives and state farms which now farm over 70 per cent of the arable land are such a success, agricultural production as a whole has not risen above the prewar level. And, in industry, it is equally difficult to discover exactly what advantages socialisation has brought, that capitalism would not also have brought. The Czech Communists answer that socialism has given the workers better amenities and a greater share in controlling the enterprise in which they work. The amenities are equally common in most western capitalist countries—which the Communists persist in viewing through near-Dickensian spectacles; and the workers' control, so far as one can discover, appears to operate within very strict limits and mainly on matters of detail.

For one change, however, the regime can legitimately take the credit—the economic development of Slovakia, which under the First Republic was neglected and backward. The Communists are justifiably proud of the dams, houses and factories that have been built in Slovakia and of the six-fold increase in production there since the war. Curiously, however, among the Slovaks it is difficult to detect any great enthusiasm for the men in Prague.

The gradual economic improvement in most of Czechoslovakia is not accompanied by any noticeable loosening of the political straitjacket. Apologists for the regime talk a great deal about democracy but they end by agreeing that their idea of democracy is utterly different from the western conception. They make great play with the voters' right to reject the candidates put up for election to the national assembly, or to the national committees which at various levels are responsible for local government. But a candidate is accepted or rejected for personal reasons, not for the policy that he represents. The policy of all candidates is, in the words of one regional committeeman, to represent "the people's will to build up socialism in the country." And however much a committeeman or a deputy may criticise the details of any measure set before him, he has to abide by the basic assumption that the Com-

munist party is not merely the "leading party" (there are other straw parties allied with it) but the sole interpreter of the people's will. It is hardly necessary to say that there is no intention to test this assumption through free elections. But it is only fair to add that if free elections were held, the Czech (as distinct from the Slovak) Communists, who have quite sturdy prewar roots in the Czech lands, would probably make a fair showing.

Meanwhile the Communists in Czechoslovakia maintain their power through what seems to be an extremely efficient secret police, and protect it through the thorough exclusion of dangerous contacts and thoughts (with some odd exceptions like the Vienna television programmes that can be picked up in parts of the south). Contacts with westerners are heavily frowned upon by the police, and therefore the ordinary Czech is not anxious to make them. The writers, at any rate in the Czech lands, seem to have gained a certain very limited freedom, through not sticking their necks out too much; they say that they write what they want to write and leave definitions of socialist realism to the theoreticians. In the university library in Bratislava one can study the latest proceedings of the Royal Society, but no English newspaper except the *Daily Worker*. On the bookstalls, too, only the *Daily Worker* is on sale. The less frank Communists will say that the import of foreign newspapers is too heavy a drain on foreign currency reserves; the more frank will ask bluntly why they should spread around, or publish, material with which they do not agree.

In the circumstances it is perhaps not surprising that Czechoslovakia, exposed as it is to revisionist draughts from Poland and currents of free air from Austria, should apparently remain largely untouched by either. The men in power never allowed the post-Stalinist thaw to weaken their grip on either the party or the country. In what direction they propose to move now, if they propose to move at all, is wrapped in mystery; so are the ideas, forces, personalities and policies that are presumably contending—although not so violently as elsewhere—for supremacy within the inner councils of the party. One is shown the façade of government; one is allowed no glimpse of the forces that really make this government tick. The monstrous, slightly ridiculous, statue of Stalin still stands on the bank of the Vltava, towering over Prague; but Stalin's Czech heirs and successors rather ostentatiously do not draw attention to it. The statue, and this habit of ignoring it, provide a fair symbol of Czech communism today.

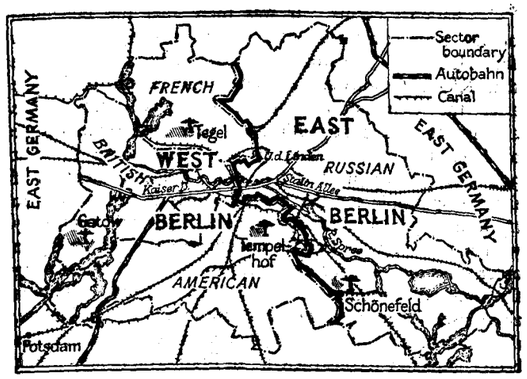
Berlin Expectant

FROM OUR SPECIAL CORRESPONDENT

BERLIN is the only place in Germany where the Communists and the democratic parties can still fight the same elections. Eighty Communists are seeking election on Sunday to the west Berlin city parliament which they would like to destroy. Still exposed to the vicissitudes of equality of treatment, their handbills, admonitory of atomic woe, litter the pavements in company with those of five other parties, and are trampled upon with a like indifference by the crowds.

Herr Matern, a veteran of the east German *Politbüro*, was the star turn at a communist rally held this week in the festival hall at the foot of the *Funkturm*. Such anomalies are to the good. In the coming set-to over the future of the divided city, no one is going to be able to argue justly that the west Berliners have been given no chance to hear about Mr Khrushchev's plans for liberating them from foreign occupation, or to say what they think about it. Just over 1.7 million west Berlin electors are now having this very opportunity.

Four years ago, when there were 65,000 fewer names on the electoral list, only 2.7 per cent voted communist. It will be surprising if the result of Sunday's poll is appreciably different. Obviously there are some west Berliners who could never be persuaded to vote for the Socialist Unity Party, as the Communists style themselves. There are the handful of politicians, policemen, and agents who have so implacably compromised themselves in fighting for the



western cause that an extension of communist rule to the western sectors would be disastrous for them personally. And there are the owners of property, especially of businesses, who are troubled by anxieties of a different kind. Their suspicion of their would-be liberators has scarcely been allayed by an interesting omission from the message on Berlin which Mr Khrushchev sent to the east German government. The significantly missing passage runs:

> Should the inhabitants of west Berlin wish to preserve the present way of life, based on capitalist ownership, it is up to them to do so. The USSR, on its part, will respect any choice the west Berliners may make.

The majority of west Berliners, being modest wage-earners and politically unvehement, can contemplate communist domination less apprehensively, and, in the wearying and unnatural circumstances of isolation, might even be considered promising material for proselytisation. Yet, having seen the system in practice at such remarkably close quarters for thirteen years, they know what it would mean and do not want it, for reasons of the soul as well as of the body. They can be counted upon to vote for one or another of the three genuinely democratic parties. Four years ago 44.6 per cent of their votes went to the Social Democrats, 30.4 per cent to the Christian Democrats, and 12.8 per cent to the Free Democrats. "Berlin needs Willy Brandt," the Social Democrat posters are now saying; and the party has such an asset in the young and capable chief burgomaster that it seems probable they will increase their representation. Unsuspected of leanings toward appeasement in the disreputable sense of the term, Herr Brandt is known none the less to be more exploratory than the Bonn government in his approach towards the communist-controlled third of Germany, and to be increasingly drawn towards the hope of a United Nations solution of the Berlin, if not of the German, problem.

He is trusted by western statesmen and diplomats. If he stays in office, one of his first engagements will be a visit to Washington to talk over the Berlin and German questions with President Eisenhower and Mr Dulles. But, whatever the result, Sunday's poll is expected to be high for the simple reason that it will at last give the powerless west Berliners something to do. It will give them the satisfaction, however subdued, of actively recording their objection to Mr Khrushchev's plan for turning the western sectors into a neutralised free city at the mercy of the communist tide around them. In effect, they will be giving two reserved cheers for Dr Adenauer and Mr Dulles, none for Herr Ulbricht and Mr Khrushchev. For the rest, they are reconciled to having to await the decisions and deeds of others.

What decisions and what deeds, and by whom? Such as are known have a bleak and inconclusive air. In Berlin the western garrisons are ready, if necessary, to make the forlorn stand that would mark the opening of a world war. There is no point in strengthening them; and in Berlin this week the commander-in-chief US forces in Europe, General Hodes, said that no reinforcements were planned. West Berlin is already stocked with a six months' supply of coal and staple foods, and this supply is to be energetically enlarged during the next five months. No individual hoarding has been noticed yet.

FROM western Germany and beyond have come placatory promises of increased long-term investment. One that has particularly caught the public eye is the project for a hospital at Steglitz—the first municipal hospital to be built in Berlin for fifty years—which will serve simultaneously as a research centre for the Free University. It will open with 600 beds and is to be extended later to 1,800. The Benjamin Franklin Foundation has undertaken to contribute $6.5 million, and western Germany will provide DM30 million. The big electrical firm of Siemens and Halske has announced plans for a DM36 million project that is expected to give work to 2,000. Interest on investment credits to west Berlin firms was cut from five to four per cent on December 1st. And the west German minister for federal property, Dr Lindrath, has made it known that in 1959 approximately DM400 million will be invested in various Berlin projects out of the counterpart funds of the European recovery programme, and that in addition DM15 million will be available in the form of a reserve fund. Even all this is not enough for Dr Karl Silex, the editor of the *Tagesspiegel*. Conceding that he will probably be accused of blackmail, Dr Silex has been urging Bonn to think in terms of an investment programme of DM5,000 million over the next four or five years; it should, he suggests, be announced at once and used mainly for the building of homes and schools and the provision of adequate pensions for Berlin's peculiarly large number of supernumeraries.

These plans and promises are all very fine; but they will not make Herr Ulbricht's gaze any less covetous, or stay his hand should he be permitted to stretch it out. Everybody knows that a more radical solution must be found. As the impression has gained ground here that the Berlin problem is at last being seriously considered as part of the wider German problem—which can be solved only when all concerned, including Dr Adenauer, are ready to forgo some of the things they would like to have and to do—it has been greeted with a widespread feeling of relief.

France's New Men

FROM OUR PARIS CORRESPONDENT

Too good to be true. The victorious leaders of the neo-gaullist UNR must have muttered something of the kind, after observing the French political scene through the magnifying and distorting lenses of the second ballot. Under this kind of electoral system the picture is always exaggerated. Nuances disappear as the unsuccessful candidates stand down, and the strong stand out stronger as alliances are made to beat an opponent. Success breeds success. Last Sunday the UNR, favoured by its good showing the previous week, swept up an additional million votes in the second poll. But this time the result was particularly distorted because the Right, allied if not united, was facing a completely divided Left. The neo-gaullists and the traditional conservatives, having gained strength, mustered about half of the total poll and won 322 seats (out of 465 in metropolitan France). The Communists and Socialists, in deadly hostility, polled 35 per cent of the votes and got 50 seats between them. The outcome is that France now has an assembly weighted more to the right than ever before in this century.

The first ballot confirmed the communist losses in September's referendum. The second shows both the extraordinary discipline of the remaining party following and its complete isolation. Communist voters went to the polls in numbers even in the most hopeless constituencies. They diligently obeyed orders and only very few gave in to the temptation to vote for a better-placed Socialist. On the other hand, in the exceptional cases where the communist candidate stood down in favour of an "anti-gaullist," they duly followed the party line. In most constituencies the communist poll was higher than the week before. The party recovered some abstainers', some dissidents' and a few socialist votes. But only a few. Where socialist candidates withdrew, the bulk of their electors looked to the Right or abstained; only a small minority voted communist. This is strikingly illustrated by the defeat of M. Duclos, whose UNR opponent in Montreuil pocketed all the votes of the "gaullist-socialist" M. Frenay. The "anti-bolshevik" deals worked almost everywhere. *L'Humanité* can now proclaim that each communist deputy is worth 380,000 votes; to elect a UNR deputy took either 20,000 or 25,000 votes, depending on which ballot is chosen.

M. MOLLET, however, is probably the man most shaken by the second round results. Gone are the dreams of a powerful parliamentary group which would have given the Socialists, if not a share of government, at least the undisputed leadership of an influential opposition. These hopes were based on two unsuccessful gambles. One was that communist voters would go to the rescue despite party orders. The other was that the conservatives would rally to bar the way to a Communist. And indeed, in the few constituencies where the Socialist was the only candidate with a chance, the Right rallied in full strength. But elsewhere, as the Right quickly grasped that the isolated Communist could be defeated without socialist aid, no mercy was shown for the potential ally. Most of the socialist leaders have fallen in the fray. Almost all of M. Mollet's ministers—M. Lacoste as well as MM. Pineau and Ramadier, M. Moch and even M. Defferre were defeated.

Socialist representation was halved in the Nord, its oldest stronghold.

In this situation there are bound to be Socialists who reflect on how much better they would have done in alliance with the Communists. But M. Mollet need not worry yet. The ghost of the popular front will not walk in this assembly. The danger for M. Mollet lies further ahead in the country, in local councils, factories and trade unions. Having linked his fate with that of the gaullist experiment, he must hope that the general and his new majority will devise economic and social measures which will not be unpopular with industrial workers.

The parliamentary answer to this question lies with the UNR. The victors last Sunday polled nearly as many votes as the Communists in 1956 and will have 189 seats in a smaller assembly. Together with reinforcements from Algeria, they will not be very far off an absolute majority. Who are these men who seem bound to dominate the next assembly? There are some well known parliamentary figures, like M. Soustelle and M. Chaban-Delmas. There are some gaullist deputies elected in 1951 and defeated

Parties	Seats		Votes, 1958			
			First Ballot		Second Ballot	
	1958	1956				
Communists...	10	145	3,741,384	20·7	3,882,204	18·9
Socialists.....	40	88	2,494,417	13·8	3,167,354	15·5
Radicals.....	13	56	362,784	2·0	983,201	4·8
Centre	22	18	1,035,625	5·7	1,364,788	6·7
MRP & Christian Democrats ..	57	71	1,365,064	7·5	2,378,788	11·6
UNR	189	16	4,769,052	26·4	3,603,958	17·6
Independents..	132	95	4,250,039	23·6	4,092,600	19·9
Other Right...	1	52	...	...	669,519	3·3

three years ago. There are men who hit the headlines last May, like MM. Delbecque and Neuwirth of Algerian fame. There are a few representatives of associations of Frenchmen from North Africa and a few specialists in rough tactics, like M. Biaggi. Finally, there is a host of local figures, or unknowns, who now get their reward for services rendered at the time of the Gaullist Rally.

M. Soustelle greeted victory with modesty and moderation. The Rubicon had been crossed successfully. The neo-gaullists cannot be expected to storm the Palais-Bourbon now that they are the biggest group inside it. But what will they do there? Their electoral programme is of little help; it is only now, after the triumph, to be elaborated. They are certainly extremely nationalist and committed to keeping Algeria French. But the regime has been changed. General de Gaulle is in power and they will accept from him more than they would from a politician of the Fourth Republic. As long as he keeps within the programme of his Constantine speech in October and avoids direct negotiations leading to independence, there should be no major parliamentary trouble on this score.

The neo-gaullist leaders are aware that their next obstacles will be economic. There are signs (including an interesting article in *Le Monde* by M. Chalandon, the treasurer of the UNR and director of a Paris bank) that they will outbid their conservative allies with suggestions for state interference and inflationary measures against recession. It remains to be seen how they will reconcile the Constantine programme, continued military outlay in Algeria, a popular social policy and defence expenditure to back a policy of national grandeur.

M. Pinay, leader of the conservative *Indépendants*, has apparently submitted to the general a very liberal treatment, based on sound finance, to cure French economic ills. The *Indépendants* seem somewhat perturbed by the success of their allies. And yet they themselves have returned in greater numbers. They will back the UNR on the Algerian question and will not clash with it as long as the vital interests of their own followers are not affected. As for the rest, the MRP, together with M. Bidault's Christian Democrats, has more deputies than the Socialists. The Radicals, once a power in French politics, are reduced to thirteen. The remnants of the centre will probably gravitate steadily to the Right.

The draftsmen of French electoral laws are usually accused of failing in their job. The latest have succeeded only too well. With the present swing to the Right, proportional representation would have given the result probably sought by General de Gaulle himself: a weak chamber, a coalition including the Socialists, and no threat of a popular front. The present law was apparently designed with the double objective of reducing communist representation while preserving the groups of the centre-left which had rallied to the general. But the neo-gaullist wave proved much stronger than local connections. The division of the Left did the rest. The result was a holocaust of outgoing deputies and an unprecedented swing to the Right. In Paris one hears the strange consolation that the new parliamentary masters will obey or be gagged; one hears liberals extolling the virtues of technocracy and the dangers of parliament. The new majority will show its mettle when faced with economic difficulties. For the moment it is flushed with victory and the future looks bright to it. But M. Soustelle and the general, watching for signs of gathering storm, will consult a more reliable barometer.

Japan's Imperial Family

FROM OUR CORRESPONDENT IN TOKYO

It may be too early to say what the long-term effects of the acceptance into the Japanese Imperial family of a commoner are going to be; but the first public reactions to Crown Prince Akihito's engagement are distinctly encouraging. Japanese of all classes and all shades of political opinion (excluding, of course, the Communists, but including the Socialists) seem to be unanimous in welcoming the betrothal, and have no hesitation in giving their reason as "another big step towards democracy." One Socialist leader, Mr Mitsu Kono, declared that "the Imperial family has proved itself a model of democratic practice"; Mr Mosaburo Suzuki, the party's often fiery chairman, agrees.

From the point of view of the Imperial family, all this must be highly gratifying and reassuring, for it is not so many years since young Akihito's ears burned to derisive shouts from street crowds of "Hirohito's brat!" Indeed, only this year, at Takarazuka, the Crown Prince was the only person present at a theatrical performance who stood to attention when the orchestra played the national anthem; his host for the occasion, the prefectural governor

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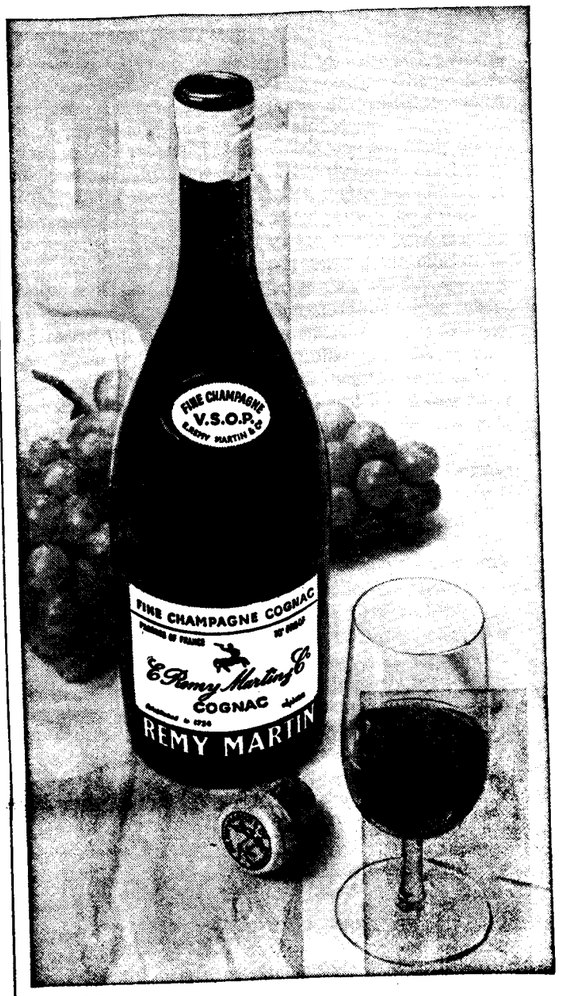



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disarmingly declared afterwards: "It did not occur to us to stand up." In Tokyo, the day the Prince's engagement was announced, at least one entire cinema audience not only stood when the anthem was played, but actually sang it.

It is, of course, the romantic aspect of the engagement that has set teenagers screaming in the streets after the Prince's fiancée in a way usually reserved for film stars or rock-and-roll singers. In no country do Crown Princes marry flour-mill presidents' daughters every day; and in Japan for a Crown Prince to marry a commoner is as dramatic a break with hoary tradition as could well be imagined. Technically speaking, of course, Miss Michiko Shoda is no more a commoner, and no less, than every other Japanese outside the Imperial family itself, for the entire peerage was abolished in 1947. Had it not been abolished, Miss Shoda could have claimed to be related to it, for her grandfather, who is still alive and well at the age of 88, was appointed to the House of Peers, by the Emperor, in 1946. But, in practice, the bride for the Crown Prince has always been chosen for him from a very restricted circle of five or at the most ten families, all of them very blue-blooded indeed, even if now without titles. It is because the Prince has obviously chosen his bride by himself, because he has done so simply because he happened to have fallen in love with her, and because he has fought most tenaciously to overcome her own scruples and doubts as well as successfully resisting the pressures of a strongly entrenched bureaucracy, that the Japanese people are so delighted; as a result the Imperial system has been given what can best be described as a powerful shot in the arm.

Yet the unostentatious but deliberate role played by the Emperor should not be overlooked. Since the war ended, many remarkable changes have occurred in the life of the one-time "living god," all of them approved, and most of them initiated, by Hirohito himself. The Emperor nowadays not only behaves like any other constitutional monarch, dutifully visiting hospitals and orphanages, fishing villages and typhoon-stricken areas, but he and his family live far more austere and inexpensive existences than many other monarchs do. The Imperial Palace, which was burned down in 1945, has never been rebuilt. The Emperor and the Empress live in a modest home, which was formerly their library, deep in the not very well-tended grounds of the former palace. Hirohito, a highly intelligent man of simple tastes, diligently pursues his serious studies in marine biology. Empress Nagako cultivates her rose-garden, and raises silkworms. Prince Mikasa, the Emperor's brother, teaches Oriental history at a Tokyo women's college, and the other members of the Imperial family lead equally useful and unobtrusive lives.

What remains of the old Imperial tradition has been preserved not so much by the Emperor and his family as by the officials of the Imperial household. Their number has been greatly reduced, from 10,000 to 1,000, but they are still powerful. They are not ambitious and certainly not wicked men, but they tend to be hidebound by a strong sense of duty, and to be out of touch with the times. Because their sense of public relations is quite lacking, they are disliked by their more forward-looking fellow bureaucrats in the other ministries, and are distrusted by the public. On the occasion of the announcement of the Crown Prince's engagement the large-circulation daily newspaper, the *Yomiuri*, tartly declared:

> A sinister influence has been at work, trying to maintain its privileged status by monopolising the Emperor, and stubbornly standing in the way of his own inclination to make warmer approaches to the people. The Prince's engagement may be the whiplash that was needed to compel those people to re-examine their attitude.

This may be rather hard on officials who were only doing what they thought was right. Nevertheless it can hardly be denied that most Japanese believed that the officials of the Imperial household would never permit the Prince to become betrothed to a commoner, and now believe that the Prince got his way only by firmly putting the officials in their place, for which act of courage they warmly applaud him. Akihito apparently encountered no opposition whatever from either his father or his mother, who have received Miss Shoda with all the warmth that any eldest son's parents might be expected to show towards their future daughter-in-law; and Prince Mikasa, who has always been the Imperial family's most outspoken member, declared that the match was "excellent," and added: "With Miss Shoda at his side, I am sure my nephew will be able to overcome all difficulties; I applaud his insistence on choosing his own bride."

The Japanese people have also noted that the strength of character the Prince has shown is not unconnected with the fact that immediately the war ended his father, the Emperor, insisted that Akihito should have an American lady as his teacher, and later chose as Akihito's special tutor and personal adviser Dr Shinzo Koizumi, the very liberal-minded Japanese economist who was formerly president of Keio University. Dr Koizumi is believed to have warmly approved the Prince's decision to become engaged to Miss Shoda. In short, if, as the *Japan Times* put it, "the Prince has put the seal on the democratisation of Japan," the Emperor of Japan deserves a good deal of the credit for it.

Go North, Young Canuck

FROM A CORRESPONDENT

The planned development of a part of Canada almost the size of the British Isles is about to get under way. The place is the Peace River-Rocky Mountain Trench region. The concessionaires are the Wenner Gren (British Columbia) Development Company, with a subsidiary of the British Thomson Houston Company as consulting engineers. The consultants' report has now been submitted, and a new company, the Peace River Power Company, has been formed combining the Swedish and British-Canadian firms concerned in the project.

When Dr Axel Wenner Gren, the Swedish financier, undertook to survey the resources of the region in November, 1956, Mr Bennett, the premier of British Columbia, was severely criticised for "selling his province down the river" to "foreign visionaries and exploiters." One year later, when the government gave the Wenner Gren interests a concession reserving to them the lands, timber and about 15 per cent of the minerals of the area, Mr Bennett prefaced the news by saying: "This is the most momentous announcement I have ever made," and waxed so lyrical that a hard core of sceptics concluded that the ministerial effusion concealed some sneaking doubts. The last has not been heard of this as a party issue.

The plan is based on the construction of a dam across the

Peace River, creating a lake about 265 miles long and 20 miles wide along part of the Rocky Mountain Trench, to generate anything from 4 million to 8 million horse-power of electrical energy. But with this goes the building of a railway—possibly a monorail—from Prince George, at the southern end of the flooded area, to the Yukon border, and of pulp mills of an annual capacity of about 100,000 tons each.

The Peace River and Rocky Mountain Trench area, like several other undeveloped parts of British Columbia, was always thought to have enormous possibilities, though none could have suspected more than a small fraction of what the development survey has reported in its latest submission. The country in the Peace River basin conceals more than 1,000 million tons of coal of high quality, much of it anthracite greatly superior to the South Wales kind, which would bring the total reserves of British Columbia up to about one eighth of the world's reserves. Another point which is of great significance to a province about 3 per cent of whose area is potential crop land—and of which only 13 per cent is actually in crop—is that a great mass of the unusued crop land is in the Peace River area, where the farmers who do grow wheat regularly win first prizes at Chicago and New York. It is also evident now that there is enough good pulpwood immediately contiguous to the Pacific Great Eastern Railway and its extension heading into and around the area to support as many as 16 pulp mills on a sustained-yield basis.



But even if the scheme is practicable and economic, which the sceptics doubt, why worry about the Peace River, 600 miles into the northern hinterland of unbearable winters, when the Fraser and the Columbia are more or less on Vancouver's back doorstep? Although the total undeveloped hydro-electrical potential of the Fraser and the Columbia (in Canada) combined is slightly more than will be developed from the Peace within the next decade, it is unlikely that anything will be begun there, with the possible exception of the Moran site for 1,636,000 h.p. on the Fraser. The Sockeye Salmon interests have so far blocked progress on the Fraser; and on the Columbia there is no sign of agreement between Ottawa and the Americans on the form and extent of payment for downstream benefits from Canadian water storage.

Supporters of the Peace River scheme hold that the Columbia-Fraser hold-up is providential in more ways than one. They argue that a major Columbia-Fraser development in the next decade would delay, at a most crucial time in British Columbian expansion, the movement of population from the south-west and the United States border. Get them away and up north, they say, and the whole world will want to follow. The winters are not unbearable. Families from Vancouver and Toronto who have settled in Prince George, 25 miles from the southern end of the proposed lake, are delighted with the change. Though the temperatures are very low at times, the air is dry and clear; the children prefer the winters, when they can enjoy all the winter sports, to the summers when their fathers are out for many hours each weekend fishing, hunting and sailing. It has even surprised many British Columbians that the Italians who work in the asbestos mines of Cassiar, near the Yukon border, where the mean January temperature is less than zero, have adapted themselves easily and happily. Canadians must get themselves out of the deep rut that runs along the United States frontier and develop wealth that is certainly no less than that which attracted the pioneer American to go west. As a geologist in Prince George put it: "The Trench is a rut that will keep them occupied for the next hundred years."

But even if all this is granted, say the sceptics, the vast amount of horse-power to be generated in the Peace River must primarily be consumed by the industrial south-west which will, in the next five years, need about three times the energy it consumes today, if not more. Who but insane engineers could seriously consider transmission lines stretching across 600 miles of the world's most rugged country? If it is structurally feasible, it is economically ludicrous. But the consultants are satisfied that the project is sound. New techniques in the transmission of power over long distances will increase efficiency as well as reduce costs. (The Russians have recently given details of a line that brings power 600 miles from Stalingrad to Moscow.) "The Fraser?" said one of the more enthusiastic Peace River planners recently; "the salmon needn't worry. Our show will give them twenty years' grace and by then we shall have found a way to harness the river without affecting the spawning grounds. The Columbia? When our show's finished Canada will be able to be generous to the States. If they still want the 2 million h.p. available down there, let them come and get it—for a reasonable consideration. We won't need it."

All seems set, bar the shouting, to go ahead. There is, however, one small matter. Wenner Gren will, before the first bulldozer starts work in the Peace River, have spent upwards of $6 million; the new company will need to find about $1,000 million for investment. The provincial government, if the project is approved, will be committed to seeing it through. Mr Einar Gunderson, financial adviser to the government, is looking hopefully to Britain, though aware from past experience that much of the money may have to come from the United States.

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Battle for British Aluminium

THE dust of battle over British Aluminium is thick indeed. On the one side is the Aluminum Company of America (Alcoa) supported by the British Aluminium board; on the other side are Reynolds Metals Company (also of America) and Tube Investments. Alcoa have agreed, say the directors of British Aluminium, to subscribe for that company's unissued shares, which would then give them a one-third interest of 4½ million £1 shares out of a total of £13½ million. TI and Reynolds have made an offer for the whole of BA's issued capital, for TI shares and cash. This ought to be a straight fight that shareholders can weigh on its merits. But there is a lot that they have yet to be told by the BA board, whose statement was still awaited as this issue went to press, a week after the argument broke out. Picking their way through an *ex parte* no man's land, the impressions they get are not of a kind that is likely to please them. The Government come into the argument on two points only: Treasury consent for a capital issue and approval by the exchange control. Answering on the two technical points last Tuesday, the Chancellor of the Exchequer implied that at least some relevant facts were not then in his hands.

It is certainly true that the facts, so far as they have incompletely emerged, have not been presented in a way that properly recognises the paramount interest of British Aluminium shareholders in the argument. The essence of this struggle, it is pretty safe to guess, is competition between Alcoa and Reynolds Metals to get a firm foothold in European and Commonwealth markets for aluminium, and to keep the other out. These are markets of great potential growth and British Aluminium's interest in them would be a tempting prize for either of the American giants. Through its Canadian plant, it is becoming a substantial and economical producer of aluminium ingots. On the fabricating side, its costs are generally lower than those in the United States. Any American buyer would gain a notably competitive entry into the European market, and the advantage of Imperial preference in Commonwealth markets.

British Aluminium itself is bent on expansion and for this it needs more capital. Earlier this year it began to look for it—not, apparently, in terms of what it might be able to raise from its shareholders, but as a direct investment by Alcoa with a significant degree, if not the legal fact, of control passing to that company. At the same time, there was a buyer of British Aluminium stock in the market, which some people have identified with Reynolds or TI. However that may be, these two companies must have got wind of the Alcoa negotiations. There was a meeting on November 3rd, followed two days later by a letter from Sir Ivan Stedeford, chairman of Tube Investments, to Lord Portal, chairman of British Aluminium, which began:

> Following our meeting on Monday last, Reynolds Metals and we have given consideration to the fact of which you informed us that you expect to leave shortly for North America to pursue certain discussions in progress there, the nature of which you did not disclose to us. In deference to your wishes, we did not proceed to put our proposals to you.
>
> In view, however, of the importance of these proposals to your shareholders, we have come to the conclusion that we are compelled to let you know now what the proposals are which it was our hope that we would have had the opportunity to discuss with you when we met.

It went on to say that Reynolds Metals and Tube Investments were prepared to make an offer, either in cash or shares or both, for the ordinary stock of British Aluminium on conditions which would be attractive "not least in terms of the market price" to stockholders. Sir Ivan, writing of a desire for "the most friendly co-operation" with the sitting board of directors, envisaged a merging of Reynolds T.I. Aluminium into British Aluminium "through its existing entity and management." He then added:

> The reason we have written to you just before your departure with Mr Cunliffe to Canada is that we do not believe it would be in the interests of your shareholders that you should enter into any commitments which might adversely affect the offer we would make to your shareholders.
>
> I may say that if finance is required by your company

and any of its subsidiary or associated companies, we are in a position to secure the provision of such finance.

On November 10th, it now appears, the directors of British Aluminium signed an agreement (which later they describe as a "contract") with Alcoa making arrangements, which the British Aluminium directors "had for some time sought to consummate," for Alcoa to subscribe for the entire unissued ordinary capital.

THE first news that shareholders had of this agreement was on November 28th. Between November 26th and November 28th, British Aluminium stock shot up from 59s. to 74s. There was substance in this, for on November 24th Reynolds Metals and Tube Investments submitted a firm bid for the ordinary stock of British Aluminium. A bare outline of the Alcoa plan and the terms of Reynolds Metals and Tube Investments bid were made public on the same day: November 28th.

The directors of British Aluminium have not yet said how or at what price Alcoa is to acquire a 33½ per cent interest in British Aluminium; it is said that Alcoa would subscribe for blocks of shares over three or four years, with the first block at a price close to 60s. a share. For this scheme, the directors of British Aluminium claim that the company will get the finance it needs over the next few years, that it will "leave undisturbed the present body of stockholders" and that it will "retain the British nature of the company." To which Alcoa has added that it will ask for not more than three directors in a board of fifteen, so as to leave "the management just as free as in the past."

Power to issue unissued shares is generally given to directors, as Mr Milner Holland pointed out in his report on the Savoy Hotel affair, "without any express restriction upon its exercise," and such shares have often been issued without consulting shareholders first or without offering these shares to them on rights terms. But the arrangements with Alcoa did require the consent of the Treasury and, while this consent was being sought, the bid from Reynolds Metals and Tube Investments dropped through British Aluminium's letter-box. The conditions of this bid, the directors of British Aluminium said, included *inter alia* a proviso that there had been "no material change in the issued share or loan capital and no contracts entered into other than in the ordinary course of business." Since they held themselves to be in contract with Alcoa, the directors of British Aluminium thought that these conditions were not fulfilled and that therefore they could not transmit the offer to stockholders.

What they declined to do, Tube Investments have since done by publishing the terms of their bid, which they are apparently prepared to put directly to British Aluminium stockholders. It is of one £1 ordinary share in Tube Investments plus 78s. in cash for every £2 of British Aluminium ordinary stock. Under this scheme Tube Investments would issue the shares, and Reynolds Metals would put up the cash. The £1 ordinary units of Tube Investments then stood at 78s. 3d., so the total worth of the bid was about £35 million, against a market value of about £27 million for BA ordinary before the excitement started. The BA shares so acquired would be vested in a holding company which would preserve the British element in the enterprise by Tube Investments owning 51 per cent and Reynolds Metals 49 per cent. The interests of Reynold TI Aluminium would be fused in this company with those of British Aluminium, whose board and management would be retained.

From a market point of view this bid is much more attractive than the Alcoa plan. It is a straightforward take-over designed to effect an industrial merger and it promises the new money required for development. Moreover, TI ordinary, standing at 77s. 9d., effectively underpin the present price of 68s. 3d. for British Aluminium stock. If the Alcoa deal goes through, it is hard to see how this price could be maintained whatever long term benefits might be expected from it.

But broader issues than financial advantage are raised by this rivalry. It is not clear whether the directors of British Aluminium were prepared to go through with the Alcoa scheme without consulting their stockholders if there had been no intervention by Reynolds Metals and Tube Investments. It must have been galling for them when the negotiations with Alcoa were disturbed.

That, however, is not the point. The fact is that the directors of British Aluminium have signed an agreement with Alcoa which tips the balance of control; they have done so without consulting stockholders and in the knowledge that a bid on advantageous terms to stockholders was in the offing. Why, in the first instance, did they negotiate with Alcoa for new capital? Was it not possible to raise new money by an issue on the market or to stockholders? In a case like this directors are not in a happy position; it is their duty to decide what is in the best interests of stockholders and to act in the light of that honest opinion, divorcing from their decisions so far as they can any elements of self interest and even abandoning, if necessary, courses on which they had justifiably started out. It may be that the board of British Aluminium has passed this test. It has not manifestly shown that it has. Now its intended deal with Alcoa can hardly be railroaded through now before stockholders have had a fair chance to consider its implications against the prospects of the Reynolds TI offer.

Background to Aluminium

Production and Prices

There is at present a surplus of aluminium capacity. American producers are operating at about 80 per cent of rated output. The United States stockpile has been buying surplus aluminium, but this programme ends early next year. Lower demand and competition from Russian aluminium have brought down the price of Canadian ingots this year by £17 to £180 a ton delivered UK.

The British Market

Neither **Alcoa** nor **Kaiser Aluminium** has, at the moment, an outlet in Britain. **Alcan** controls Northern Aluminium, which has just over one third of the capacity for fabricating (i.e. rolling and extruding) aluminium in this country—one-third of a total of about 240,000 tons a year.

Tube Investments' aluminium division accounts for about one tenth of British fabricating capacity; T.I. absorbs in its other industrial divisions part of its own fabricated output. It produces no aluminium metal in this country. In 1957, T.I.'s aluminium interests were brought into **Reynolds T. I. Aluminium** which is jointly owned, managed and operated by **T.I.** and **Reynolds Metals.** Reynolds is the second largest producer of aluminium ingots in the United States.

Group Interests and Ingot Capacity

		'000 long tons
Aluminum Co. of America (Alcoa)	—	700
Aluminium Ltd....	Aluminum Co. of Canada (Alcan)	690
	Northern Aluminium	
	Australian Aluminium (50 per cent)	
	D.N.N. Norway (50 per cent)	
Reynolds Metals	Reynolds T.I. Aluminium (50 per cent)	540
Kaiser Aluminium	—	480
British Aluminium	Canadian British Aluminium (60 per cent)	100
	D.N.N. Norway (50 per cent)	
	Australian Aluminium (50 per cent)	
Total Free World Capacity		**3,125**

British Aluminium is the sole producer of aluminium ingots in this country, with an output of about 30,000 tons a year. It is also the second biggest fabricator, with just under one third of British capacity and it is partially dependent on Canadian supplies of ingots. British Aluminium's most important interest abroad is a 60 per cent shareholding in **Canadian British Aluminium** (the other 40 per cent is owned by Quebec North Shore Paper, a subsidiary of the Chicago Tribune interests). Canadian British is already producing ingots at the rate of about 60,000 tons a year and its ultimate capacity will be 160,000 tons a year. Some of the virgin aluminium produced by the British Aluminium group is sold to independent fabricators (principally in Canada). Between 1959 and 1977 Canadian British Aluminium will deliver 20,000 long tons of ingots a year to Alcan in payment for alumina. In addition, British Aluminium is developing production in Australia and is interested in bauxite deposits in West Africa.

Computers or Clerks

THE electronic computer is ten years old, a teenager among industrial machinery with a teenager's problems of adjustment to society. During its first decade, when it was being used largely as a research tool for resolving equations beyond the capacity of mathematicians, the decision to buy a computer or not depended on the straightforward point whether a company or a Government research department had enough work of this kind to justify the investment of upwards of £150,000 in a single computer. There was no question of doing the work by other means. Such abstruse scientific, aerodynamic and even economic calculations were either done on a computer or not done at all. But now computers are being offered to a wider market as machines that will mechanise clerical work and control production processes, and they are being judged by different standards. Here a company does have a choice between two alternatives—it can choose between electronic computers and human clerks, or labourers.

The saving of labour by a computer can be exaggerated. The real gift it brings to management is the opportunity to cut through the red tape and the paper work that assumes alarming proportions once a company's operations reach a certain size. Much of this routine could now be transferred to computers, inside which it would be promptly assimilated, sorted, added to, substracted from, pigeonholed, filed for future reference, while a neat printed record appeared at the other end. But is this worth doing?

The answer varies from company to company, depending on how vital it is to the sound management of the business to have quick access to day-to-day information. Boots, which is making a big change-over to electronic accounting, obviously sets great store by prompt reports on the changing level of sales and stocks for the 60,000 different items sold by the company's retail shops. Bibby's, manufacturing animal feeding stuffs, uses a computer to keep watch on rapidly changing raw material prices, so that the feeding-stuff formula can be varied to make allowance for them—a job that requires an unexpectedly large number of weekly calculations. Tube Investments, selling products that vary from order to order, uses a computer to sort the orders, stipulate the most economical raw material, give manufacturing instructions and prepare cost figures, spending 30 seconds on planning and printing instructions about each order, against 35 minutes by ordinary methods. The Banco di Roma has just installed a computer to handle all the accounts of its 200-300 branches. Many other examples can be found among the 100-odd computers now in use in this country, where resort to a fast-thinking computer has probably improved a company's efficiency. But users are noticeably reluctant to quote any estimate of the amount of money saved by electronic accounting. Boots calculate that the company's change to electronic book-keeping will stop the annual 10 per cent rise in clerical staff that has gone on now for several years. But even this type of saving is difficult to assess.

COMPUTERS still have obvious limitations; skilful handling is needed to make them earn their keep. Initial cost is the biggest single factor. At the first exhibition in the world devoted entirely to electronic computers, which has been open in London during the past ten days, the price of the 27 different models on sale ranged all the way from £20,000 to £800,000,

the cheapest being made by Elliott and the dearest by IBM. A computer consists of two basic parts; one which does the arithmetic and is relatively cheap to make, and the other which acts as a "memory" and stores all the relevant data and instructions upon which the computer operates. There are several ways of building a "memory"; some of them are cheaper than others but unfortunately they are also slower-working. If the "memory" is slow, this tends to hold up the rate at which the computer works.

As a rough rule of thumb, the cheaper computers have small "memories"; the more expensive the machine, the bigger its memory and the faster it can get at the facts. In scientific calculations, calculating ability is frequently more important than capacious memory, so the small computers, many of which are only just on the market, are ideally suited for research purposes, providing the maximum computing ability for the minimum cost. For business accounting, however, a big "memory" is more important than calculating ability; the machine is required to hold data about stocks, or invoices, or temperature levels, or railway schedules, or insurance policies, and carry out one or two simple calculations on them when the need arises. The ideal computer for business accounting therefore tends to come in the £100,000 to £300,000 range.

It would be unfair, however, to blame the high cost of computers entirely on the electronics engineer. The computer itself frequently costs less than the mechanical equipment that goes with it. The second big limitation on the use of computers is in the design of this equipment. A computer cannot read—yet. Data have to be fed into it in a form it can understand, from punched cards, punched tape or magnetic tape, and fed out again in a form that the operator can understand. This requires tape readers, mechanical feeds and printing equipment, all of which operates at unnaturally high speeds. The purely mechanical difficulties created by these high speeds make all this ancillary equipment extremely expensive, considering the basic simplicity of its design. Some steps have been taken towards the development of electronic "readers" that could read type faces and transmit the results direct to the computer; the specification put out by the banks for a machine that would "read" magnetic characters printed on cheques has given a marked fillip to this type of research.

The first two "reading" machines of their kind were exhibited at the computer exhibition, one of them being Solartron's complex reader, which is now said to be able to decipher not only carbon copies but even hand-written characters. The cost is £25,000 for a machine "reading" three reasonably similar type faces; the much simpler apparatus developed by Electric and Musical Industries solely for "reading" a specially designed type printed in magnetic ink, and intended primarily for cheque sorting, might cost one-tenth of this amount when in production. These figures give some indication of the cost of the trimmings that go with a computer. Ferranti, the first company to make computers in this country, designing machines used mainly by laboratories for vast calculations, sells one basic computer for £50,000, but the full installation costs £160,000.

THE third big limitation on the use of computers lies with the customer rather than the machine. Production engineering must be fairly well understood in industry by now, but the application of the same technique to office work is not. In most cases, wholesale changes in routine are needed to fit the job to the computer and it is doubtful whether this is always appreciated by the buyer. Commercial computers have a vast appetite for work, but they are not the "thinking" machines that scientists were discussing at the National Physical Laboratory a week ago. They cannot plan the way a job ought to be done; they can act only on data and instructions fed to them by human operators and if the work is badly planned, the computer can do nothing to correct it.

SOME experts have a shrewd suspicion that managements have found it more difficult to adjust their methods to computers than they had expected, rather in the way of those housewives whose pressure cookers sit unused on the top shelf. Their evidence is the large number of commercial computers used—on the admission of the owners—mainly for calculating wage packets. To put a computer to this work is like taking a steam-roller to crack a nut—a useful way of filling odd moments but a sad under-employment of the machine's great capabilities. But wage calculation happens to be one of the easiest jobs to tailor for a computer—this is why manufacturers frequently use it for demonstration purposes—and it gives both computer operators and management a breathing space to learn how to use their new toy.

Although manufacturers can supply computers with a plan of work built into them, this is essentially a job that can be carried out only by men who know and have worked in the company buying the machine and who understand its business. The planning of work for a computer goes far beyond the mere mathematics of working out a code of instructions telling the machine how to do the job. It calls for a certain amount of imagination to grasp the computer's potentialities for helping the company, and although the manufacturer's staff can give advice on what is or is not technically possible they cannot be expected to understand how each business works or the best way that it should be run. Management must be prepared to spend some time learning to do the job itself. It may take months, or even years, to learn how to get maximum value from a computer. In some cases, it is still going to be cheaper and less troublesome to do the job with clerks.

BUSINESS NOTES

GILT-EDGED MARKET

Conversion Tonic Rejected

THE Treasury's announcement of its plan for dealing with the mid-January maturity followed, as expected, hard on the heels of the reduction of Bank rate, but its terms took the market by surprise. The authorities are not only abstaining from making any cash issue of stock but are also limiting their appeal for conversion to £250 million, or £342 million less than the amount of the 2 per cent Conversion Stock 1958-59 that is due for repayment on January 15. Moreover, they are offering holders of this stock another "short"—a new 4½ per cent Conversion Stock, 1964, exchangeable to successful applicants at par and affording a gross redemption yield of £4 9s. 4d. per cent (calculated on the price of the maturing stock just before the announcement). The stock is redeemable on May 14, 1964 (the same date as that of the £274 million of 2½ per cent Exchequer Stock, 1963-64) and thus has a somewhat longer life than the maximum for technical shorts; even so, the "assented" 1958-59 stock is being treated as such a short, quoted at a net price for dealings plus or minus accrued interest. The lists for conversion will be closed on or before Friday next.

This is believed to be the first time the Treasury has ever put a limit upon a conversion—a fact that underlines the change in tactics that this operation represents. The authorities appear to be saying that, so far from wishing to minimise the cash disbursement involved in the coming repayment, they are anxious to ensure that it does not fall below a certain point. Conversion applications from the public are not expected to be large; those banks that still hold the maturing stock will want to take cash for the sake of buttressing their now taut liquidity ratios, and that may also be true of the majority of industrial holders. The market is assuming, therefore, that most of the £250 million will represent conversion of official holdings—in which case the major purpose of the operation will prove to have been, not a refinancing of a maturity, but a replenishment of official portfolios of short bonds (following the completion of sales of 1966 stocks some weeks ago).

These restrained tactics seemed to be intended to reinforce the effects of the previous week's Bank rate reduction in reassuring the gilt-edged market, and in particular the banks, that the policy of stimulating demand for the purpose of gently reflating the economy would not be allowed to start a renewed rise in interest rates. But if that was indeed the aim, it has certainly not been attained. These good intentions did, indeed, induced a notable rise in gilt-edged immediately after the conversion announcement, and also on Monday. But these gains were mostly lost on the following day and the downward movement steepened on Wednesday, when the market took fright at the announcement of the applications—the mostly routine applications—to Parliament for increased borrowing powers for the nationalised industries, to cover capital programmes previously approved. It also seems that the authorities have not, after all, managed to allay the doubts of the banks. There have been reports this week of further bank sales, for liquidity purposes—and this time of medium dates as distinct from the near maturities that apparently bulked large in the sales disclosed by the latest make-up statements.

NATIONALISED INDUSTRIES

Cutting Coal Output

IT is not easy to say how much surplus capacity now exists in Britain's coal mines, because nobody knows how much capacity the industry really has. If one could measure it—or, practically, when one has to reduce output substantially below what the mines seem likely to produce because one cannot hope to sell it all—there comes the question of identifying where the margin of surplus really is, and how it can be shed most economically. Earlier this year the National Coal Board dropped Saturday working, purported to abolish all but juvenile recruitment at most mines, and ordered the closing of 15 high-cost pits (in addition to the 19 that would in any case have gone out through exhaustion). These cuts have not prevented stocks from continuing to rise: on November 22nd the board's unsold stocks stood at 18.9 million tons, which is about 16 million tons more than it would normally need in the pipeline at this time of year.

This week the NCB, which has had to come to Parliament for an increase in its annual borrowing limits to finance these extra stocks, announced its further plans to slash output: 36 extra pits are to go next year, and 3 million tons of the board's relatively profitable opencast output. This new list of 36 includes some of the 15 extra that it was planned to close already. Crudely, the board reckons that it may be able to sell some 200 million tons of coal next year and on its present basis can hardly produce less than 209 million tons: closing these pits will cut another 3 million tons (on which £4 million has been lost in the last 12 months), opencast cuts will do as much, and the board, with its bankers the Treasury, is prepared to take another 3 million tons into stock.

Mr Maudling in this week's debate held to his forecast that by 1965 Britain will be using the equivalent of 300 million tons of coal a year and exporting the equivalent of 10 million tons: he said, however, that the estimates of coal demand as 228 million tons in 1960 and 240 million tons in 1965 were unlikely to be fully realised, particularly in view of the growing competition of oil. He said that the board was already reviewing its plans of fixed investment on this assumption, and on the lines of "concentrating as much as it can on increasing the profitability of the mines, increasing efficiency and increasing output per manshift." It is becoming clear that the board faces an agonising reappraisal of its demand prospects: on the productive side, this may imply a new and more realistic assessment of capacity—and how much it need cost to be made effective.

Financing the Stocks

UNSOLD stocks of coal are now worth about £70 million. The increased borrowing powers for the Coal Board, which allow for 13 million tons of coal and 2 million tons of coke put into stock since April, and say 3 million tons more by the end of this financial year, will permit its peak borrowings in this financial year to exceed those in the last one by £130 million, not £75 million as laid down in the act setting its present borrowing powers. This annual limit was imposed as a result of back-bench pressure when that act was passed in 1956: its curious form and effect arises from the fact that coal, unlike other nationalised industries, draws advances from the Treasury for its working capital as well as for its long-term fixed investment. The board's working balances always fluctuate violently: hence the annual limit "from peak to peak," not as a limit on total advances in any year. But no provision was ever considered at that time against an accumulation of stocks of their current magnitude.

At the beginning of this year there were fears that the Coal Board might run into deficit, for one year, to the tune of £20-£30 million (after paying its interest charges). As a result of having over-provided against tax in earlier years, and also of some cuts in costs through this year's reductions of output and labour costs, the board now seems likely to show a deficit of little more than the £5 million it had last year. This is creditable as far as it goes: it should be borne in mind that the colliery—and opencast—profits on which it will be based assume that all the excess coal stocks will in fact be sold at the valuation now shown in the board's books (i.e. a "conservative" price, less an allowance for interest, rent, and picking up the coal the second time). This has at least enabled the board to emphasise that it is, so far, still formally escaping the unhappy financial plight of the Transport Commission—which is one scrap of cold comfort.

Footing the Railway Deficit

Two years ago the British Transport Commission was formally released from its statutory obligation to cover its costs and interest charges out of revenue "taking one year with another" for a seven-year period to the end of 1962, and given permission to borrow up to £250 million —to cover deficits in the meantime—from the Government. This week a bill was laid before Parliament to increase the amount it can borrow to £400 million: the Commission has borrowed about £170 million already, and is likely to have passed £200 million by the end of the year. The term of permitted deficiency was not extended: formally, the Government is apparently still committed to the opinion that by 1963 the railways will be out of the red again—as a result of its capital investment in modernisation, for the financing of which this new bill also extends the commission's long-term borrowing powers to £1,200 million (the present limit being £600 million, which will be fully drawn by early next year). That extension, like those of the borrowing powers of nationalised electricity and gas, is essentially a formal one: the Government, and Parliament, have already approved the investment programmes concerned in broad outline. For electricity and gas the proposals may raise the question of more self-financing: for transport, this is at present simply not on.

"What, in these circumstances, should a railway manager do?" said Sir Reginald Wilson, of the commission, at a conference last week. "I seem to hear you murmur: 'Resign quickly.'" He was talking, admittedly, not of the railways' present finances in particular, but of the whole complex of social and economic influences, constricted by traditional principles and customs of charging, that today press in upon the railways; and he was characteristically disinclined to be despondent. To Sir Reginald the railway is "potentially the cheapest mass producer of transport facilities"; technical trends in motive power, which for 50 years have favoured the small power unit, now increasingly favour the large; and he foresees "a greater dragooning" of road transport as inevitable unless traffic is to seize up, but inherently difficult by comparison with the automatic mechanical discipline latent in the railway. To translate these, to him, irresistible advantages into economic attractions, is another matter: Sir Reginald was concerned to argue the need for individual contracts suited to particular customers' business, selling transport service like electricity on a two-part tariff. To critics of expenditure on railway modernisation, he answered that this was in fact merely taking the opportunity of long overdue replacement to get a modern—and a somewhat smaller—railway system than before. "There is thus little question of growth, and in so far as there is an element of 'betterment' this element is only a fraction of the amounts that are being spent on the roads." This is fighting talk—even if the heavyweight is temporarily horizontal.

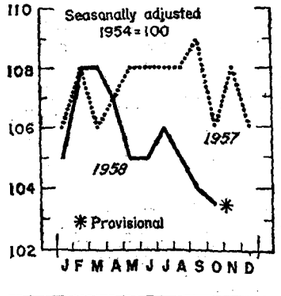
THE RESERVES

Gold Still Flows In

NOVEMBER registered the fourteenth consecutive monthly reinforcement of the central gold and dollar reserve, with a rise of $41 million to $3,215 million. This is the highest figure recorded since the end of the September quarter 1951 (when the totals were published quarterly and not monthly). In comparing these figures with those before the Suez episode, allowance should be made for the intervening borrowing of $250 million from the Ex-Im Bank, and $561 million withdrawn from the IMF, which will have to be repaid in a few years.

The $41 million gain in November was secured despite payments of $24½ million to the European Payments Union and of $2½ million to EPU creditors. The continued inflow of gold last month is distinctly satisfactory, for the period of seasonal buoyancy has not yet begun. The EPU deficit for November was £6 million, half the October figure; this again is satisfactory, since a certain amount of Continental

RECESSION IN PROFILE



Industrial production dipped a little more in October, though on a 12-months' comparison it looked rather better (2-3 per cent down) than September did.

Power to enrich the nations



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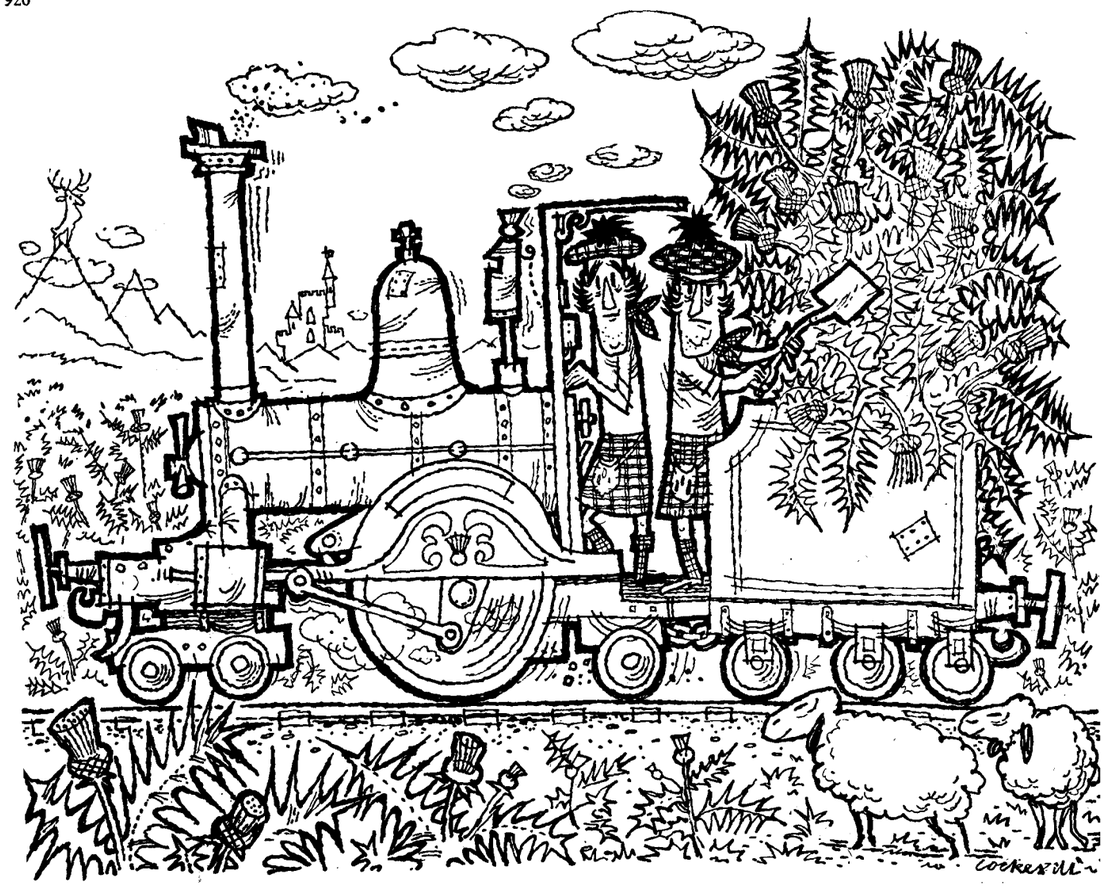

'SPIKED FUEL'

Every schoolboy knows that to spike a man's guns renders him (and the artillery) powerless. Tomorrow's schoolboys may be more familiar with a different spiking technique—and one which has the opposite effect, that of stimulating activity.

The efficient functioning of a nuclear reactor depends on the fuel "burning"—discharging neutrons—at the correct rate. If necessary, the neutron discharge can be stepped up by "spiking" the reactor with a special type of fuel element embodying a particularly active fuel, such as plutonium or highly enriched uranium.

The task of preparing and sheathing these special fuels is only one of many exacting demands which nuclear engineering has made upon the skill of the metallurgist.

Since producing Britain's first fabricated uranium fifteen years ago, I.C.I. Metals Division has made several notable contributions to nuclear metallurgy.

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ICI METALS DIVISION

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money is thought to have been withdrawn from London after the Bank rate reduction on November 20th.

This sequence of monthly increases is likely to be interrupted this month. It is virtually certain that the due instalments will be paid at the end of the year on the US and Canadian lines of credit. These, and some repayments of dollar aid, will require $181 million. The final instalment of $8 million on Canada's interest-free loan was paid on December 1st and the settlement of the November EPU deficit will require $12½ million. The December account, therefore, begins with payments made or due of more than $201 million and the normal gains of the Exchange Equalisation Account through its market operations are not likely to counter-balance such heavy outpayments.

THE FOURTEENTH GOLD GAIN

	$ million		
	True dollar balance in period*	Actual change in reserves	Reserves at end of period
1957 :—			
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039
June	+ 17	+ 37	3,076
July	+ 22	+ 8	3,084
August	+ 48	+ 5	3,089
September	+ 21	+ 31	3,120
October	+ 57	+ 54	3,174
November	+ 55	+ 41	3,215

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, 1957, for small receipts of US aid and for special payments.

THE DOLLAR

Some Shift in Attitude . . .

A CERTAIN measure of inverted nostalgic satisfaction could be derived from hearing Vice-President Nixon, in a press conference during his London visit, denying with almost Crippsian vigour that the dollar would be devalued. There is a gold reserve of $20.6 billion to back that denial, but is has fallen by $2.2 billion this year, which is a bigger loss than any suffered by the United States in any previous calendar year.

Most of this loss has been Western Europe's gain. The balance of payments on current and capital account has swung against the United States and in favour of Western Germany and the United Kingdom in particular. Their central banks have converted into gold certainly the bulk of the additional dollars they have acquired and perhaps even more. The December letter of the First National City Bank of New York recalls that in earlier post-war years central banks were prepared to accumulate and hold dollars and so have the advantage of an asset which earned interest and which was immediately available for international payments. It adds:

> Some shift in attitude towards the dollar has become faintly visible among foreign central bankers and finance ministers. Some were led to wonder if the United States had not embarked upon an inflationary course that might eventually bring about a devaluation of the dollar. It is the aspect of preference for gold over dollars that creates the potentially critical problem.

There has also been evidence of a modest domestic flight from the dollar. This must be done in devious ways, since no private citizen, whether a resident of the United States or not, is entitled to convert dollars into gold in that country. The flight has taken the form of buying gold shares and using the facilities now offered by stockbrokers in Toronto to acquire gold bars on terms that are sugared by deferred payment and margin facilities. The impact of this private "flight from the dollar" is as yet infinitesimal in relation to the external drain of gold, but it gives added point to the National City Bank's injunction to the United States Government "to repair policies that have hurt trust in the dollar."

PLASTICS

A Matter of Definition

If the four polymers . . . are not synthetic organic chemicals, what in Heaven's name are they?

THIS question was asked by Sir Miles Thomas, chairman of Monsanto Chemicals, after a tribunal appointed by the Board of Trade ruled last week that imports of polythene, polyvinyl chloride, polystyrene, and polymethyl methacrylate did not qualify as "synthetic organic chemicals" for key industry duty of 33⅓ per cent. He may well ask; while the tribunal heard testimony from several expert witnesses that the materials in question were synthetic, were organic, and were chemicals, it held that they were not synthetic organic chemicals within the meaning of the Safeguarding of Industries Act, and so were ineligible for tariff protection. This baffling bit of semantics followed an application by Bakelite, the Distillers Company, ICI and Monsanto Chemicals to have the four polymers placed on Key Industry List J; the decision means that tariffs on imports of these items will remain at their present level of ten per cent *ad valorem*. The Board of Trade contended that the materials are mixtures whose components are not chemically definable and have never had a separate existence; they could not be described as "ascertained compounds" having a specific formula. Regardless of the tribunal's path through this labyrinth of technical verbiage, what is at issue is a matter of economics rather than of semantics; and there is no reason why the Board's policy on economic questions should be bound by the language put into an Act in 1921. Unquestionably the four polymers are synthetic organic chemicals in any ordinary meaning of words; but that ordinary definition could make a wide range of things appear eligible for protection in this fashion, none of which were intended to be covered by this Act.

The peculiarity of this attempt to gain protection behind a form of words is that the economics of the industry's case were simply never discussed at all in the hearing. The manufacturers were seeking protection for an annual output of about 70,000 tons of polyvinyl chloride a year, the largest production being that of ICI, which also makes most of the 15,000 tons of polymethyl methacrylate produced at present; for about 28,000 tons of polystyrene a year, made by Distillers and Monsanto; and for about 65,000 tons of polythene a year, made by ICI, Distillers and

Bakelite. Competition from imports is most serious at present in the case of polyvinyl chloride ; foreign pvc is at present entering the country at a rate of about 12,000 tons a year. While West Germany and the Netherlands supply a large part of this, the most worrying competitor is Japan, which has increased its exports to Britain sharply in recent months, at prices as low as 1s. 2½d. a lb., against the basic UK price of 1s. 6½. Italy has also been able to undersell British makers of pvc, although its prices are higher than those of Japanese firms.

A Matter of Competition

My own company is currently making a very large investment in polymer manufacture in the United Kingdom, as have several other leading British manufacturers. The decision of the tribunal is a bitter blow.

THIS statement was made by Sir Miles Thomas in the same breath as his question quoted above. The British plastics industry now has capacity for something over 65,000 tons of polythene and 70,000 tons of pvc a year. Monsanto will have a new polythene plant of 10,000 tons capacity on stream early next year at Hythe, which will obtain ethylene from the Esso Chemicals plant opened nearby this week. British Hydrocarbon Chemicals—half of which is owned by Distillers Company—will open a plant at Grangemouth to make high-density polythene at about the same time. ICI will raise the capacity of its Wilton polythene plant by 35,000 tons during 1959 ; Shell Chemical Company has recently extended its polystyrene plant at Partington (and in addition is currently operating a pilot plant producing 1,000 tons of polythene a year). All in all, British capacity to produce polythene and pvc may very soon exceed 100,000 tons of each plastic a year.

Labour costs play little part in the manufacture of plastics. Japan's advantage seems to arise naturally from the advantage of cheap hydro-electric power for acetylene production —and for electrolytic production of chlorine. Moreover, demand for large quantities of caustic soda for use in the huge Japanese rayon textile industry means that the chlorine made as a joint product can be sold very cheaply for pvc production. Japan has capacity for about 200,000 tons of pvc a year, and is at present selling about 100,000 tons, about half of it as exports. Italy's plastics manufacturers benefit from cheap and plentiful supplies of natural gas: they make probably the cheapest pvc in Europe.

Some of Britain's plastics industry was built in the days when the products in question could not be bought from America ; had US imports been available, some of the existing plants might not have been built. Petroleum chemical manufacture here, too, is largely a corollary of the original decision to build oil refineries in the United Kingdom. But difficulties for these producers first began when dollar imports were liberalised last year ; the present cheap imports are merely aggravating the situation. Nor have the British manufacturers yet sought protection under the anti-dumping Act though ICI has in Australia. It is true that other countries—particularly America, Japan, Italy and France, all of whom have strong plastics industries —have much higher tariffs on these materials than Britain does. But our chemical industry is often proudly hailed as the most rapidly expanding, technologically progressive and efficient industry in the country ; petrochemicals, among which some of these plastics are important, are the chemical industry's fastest-growing sector. Are Britain's plastics manufacturers now arguing that their existing, and projected, plants cannot be competitive ?

STOCKS

Stockbuilding at an End?

MANUFACTURERS' stocks and work in progress fell in value by about £55 million or 1 per cent during the third quarter of the year, according to preliminary estimates of the Board of Trade. Again in value, stocks of finished goods, which had risen by 6 or 7 per cent in each of the two previous quarters, fell by 3 per cent in the latest three months, but stocks of materials and fuel fell by less than 1 per cent in contrast to larger decreases of 4 and 2 per cent in previous quarters ; these changes may be partly seasonal ones. Work in progress remained unchanged, after small increases earlier in the year. The price element cannot be allowed for accurately in these comparisons, but prices were, if anything, still going slightly downwards. It looks as if manufacturers may, therefore, just about have ceased to add to their stocks in the third quarter if not actually started to run them down. In value, stocks and work in progress, by the end of September, were just about back to the level of £4,690 million at the end of last year.

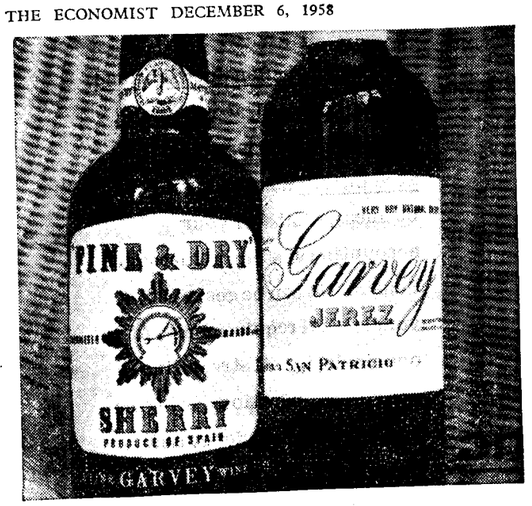
Outside manufacturing, stocks of industrial materials, other than foodstuffs and fuels, rose in the third quarter—by about 8 per cent in value and in volume. This followed a running down of these stocks earlier in the year, so that at the end of September they were a little less in volume and 12 per cent less in value than a year earlier.

SUEZ CANAL COMPANY

Is Compensation Taxable?

UNDER the Loi Raingeard passed early this year, French shareholders in the Suez Canal Company who receive any distributions from the compensation paid over by the United Arab Republic to the company will not pay tax. But, by a ruling of the Inland Revenue, British shareholders are now told that they have to pay tax upon them. The first distribution of the compensation moneys will be handed over early next year, amounting in all to about £5.4 million. Holders of the Suez Canal shares will get one share in *Société d'Investissements Mobiliers* (quoted on the Bourse at the equivalent of about £22 15s.) for every five Suez shares held and a cash sum of Fr.500 for every Suez share. This distribution is worth about £25 for every five shares.

The Inland Revenue seems to have based its ruling that this distribution is taxable in the hands of any shareholder resident in the United Kingdom on a judgment in 1949 in the *Commissioners of Inland Revenue v. the Trustees of Joseph Reid deceased.* In this case, the judge said that a distribution from a foreign company is income and therefore taxable and it is immaterial whether the profits distributed are capital profits or profits from trading so long as the corpus of the taxpayer's asset (that is his shareholding in the company) remains intact. How does this ruling extend to the Suez Canal distribution ? The first distribution is made from assets shown in the balance sheet of the company a year ago ; it is made up of the transit dues collected by the company but on which the Government of the United



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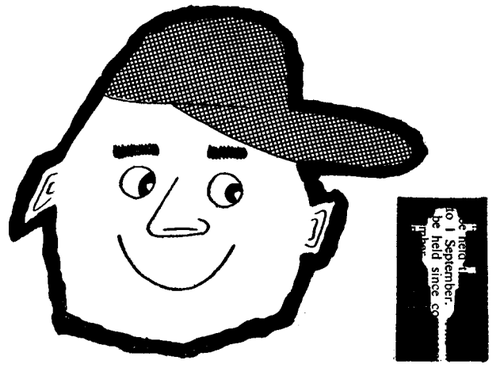

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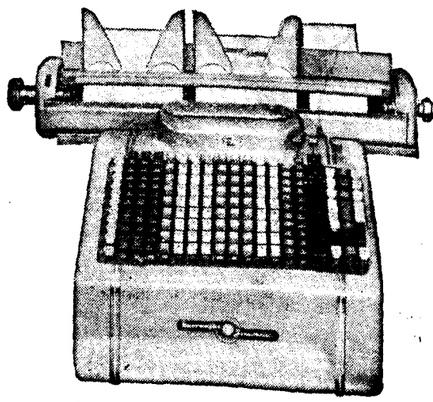

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BURROUGHS SENSIMATIC

Arab Republic in the Geneva agreement waived its claim and which is counted among the total of £29 million of compensation payable by that government. Is compensation a capital profit? Indeed, can a company that has written off over £30 million from its balance sheet be said to have made a distribution from profits? The case can clearly be argued and a British shareholder, with the money and pluck to do so, seems to have *prima facie* grounds for challenging in the Courts the Inland Revenue's ruling.

There are not many British shareholders—apart, that is, from the British Government which owns one third of the Suez Canal stock and does not have to worry about taxing itself. There are many French shareholders; that fact and the new French law may have swayed the directors in deciding what kind of distribution to make. Did they, for instance, reject the idea of making the distribution by way of a reduction in capital (which, as the Mexican Eagle precedent showed, would not have been taxable in this country)? Before deciding upon the course they have now taken, they did consult tax counsel in this country, and his opinion was that the distribution would not be taxable. It is now left to British shareholders to find the time and the money to fight their own battle, when a word in time from the British Government, which nominates three of the Suez Canal directors, might have settled the issue satisfactorily for them. The Suez Canal Company may not be the only concern abroad that will have to hand over compensation to British shareholders. Is it to be assumed shareholders mulcted by the process of nationalisation overseas are proper game for further mulcting by the British tax collector as well?

CREDIT REGULATION

What is Speculation?

THE Treasury must beware of getting itself a little tied up on the question of speculation, as so many ordinary mortals are doing. Officially it disapproves of borrowing for "speculation." But what is a speculative transaction? The directive to the Capital Issues Committee, which the banks are asked to follow, singles out for specific disapproval speculative buying or holding of shares, material, or real property. Until recently the banks took this to rule out lending for any purchase of securities—even fixed-value securities such as defence bonds or savings certificates—on the reasonable ground that people who borrow to buy securities judge, or speculate, that they would have less advantage if they waited and used their own money.

The strict interpretation of this directive is now unlikely to survive. In a written Parliamentary answer, Mr F. J. Erroll, the Economic Secretary to the Treasury, noted that a recent scheme for instalment buying of shares "includes a provision specifically designed to prevent the use of the facilities for speculative purposes." Mr Erroll was presumably referring to the provision in Bowmaker's scheme that shares so financed may not be sold within three months. Is the implication that only realised gains within this time would be speculative, and beyond it not? There would be no logic in any such definition, though if illogic leads in a liberal direction that need not be a matter for complaint. The banks may now feel themselves less hamstrung in lending for financial investment—even though in practice many requests for advances to finance purchases of securities would be ruled out on prudent banking grounds.

But this will not help towards distinguishing between "speculation" and "investment." There is no such general distinction and the search for one usually stems from shaky semantics—that investment is noble and upright whereas speculation is ignoble and shady. Any purchase of any securities helps, directly or indirectly, to finance investment, by improving the terms on which new money can be raised in the market and by releasing funds for it. Any purchase of securities can be made on a view, a speculative view, of future prices and terms. It may be that purchases of shares on margin are likely to include a relatively large portion of the latter ingredient. But payment in full and retention for *x* months or years do not in themselves set up the converse presumption of investment.

THE PRESS

Magnifying the Mirror

PURCHASE of the ordinary capital of the Amalgamated Press would give the Daily Mirror-Sunday Pictorial group control of the largest periodical publishing house in Britain, to add to a stable that already contains the largest national daily newspaper circulation and the second largest Sunday paper, plus two periodicals of its own, two newspapers in Glasgow, and a large holding in Associated Television. Amalgamated incidentally owns a third of Southern Television, one of the latest programme companies to begin taking advantage of what Mr Cecil King has called "a licence to print money": so that the prospective deal would give his newspaper group, which is not unaccustomed to licence, rather more of a good thing. It might, however, give the Independent Television Authority a headache: ITA has to secure "adequate competition" in the provision of programmes between contractors "independent of each other both as to finance and to control." Both publishing groups have large holdings in paper suppliers: the Mirror group group in Albert E. Reed and Anglo-Canadian Pulp & Paper Mills, and Amalgamated through its control of Imperial Paper Mills.

The Mirror's offer, in the form of an exchange of ordinary and non-voting ordinary shares, would be combined with the re-sale to it of the Mirror ordinary shares that the Berry family would acquire in exchange for their controlling interest in Amalgamated Press (the size of which has never been published). The Berry family would thus relinquish control of about 70 different publications—several women's magazines, about 30 trade papers (partly through Amalgamated's 75 per cent interest in Kelly's Directories and hence in Associated Iliffe Press), 12 children's comics, and a wide variety of children's annuals and other books. Quite a substantial slice of British periodical production would thus acquire a new master, and mastery in the Mirror group is most effectively concentrated in the hands of its directors: the Mirror owns most of the ordinary shares of the *Sunday Pictorial* and the *Sunday Pictorial* most of the *Mirror*. Like other publishers of periodicals and newspapers (though hardly the *Mirror*), Amalgamated has recently been under powerful pressure from the counter-attractions of television as an advertising medium: its most important general weekly, *Everybody's*, has suffered a big fall in circulation. In the woman's magazine field, it offers perhaps the widest range of any publisher, but Odhams and Newnes have this year been going ahead faster, to some extent at Amalgamated's expense, by introducing new mass-circulation weeklies. The success of the Mirror group's editorial policies

in raising its national daily and Sunday circulations was perhaps the outstanding development in British newspaper publishing during the forties: its impact upon the periodical press—during what may be a much more difficult period for all forms of publishing—opens intriguing possibilities.

SHIPPING BOYCOTT

Mixed Success

THE world-wide four-day boycott of ships flying flags of convenience called this week by the International Transport Workers' Federation ended officially as this issue of *The Economist* was going to press. Although a complete analysis is impossible at this point, it appears that this "token" measure—despite the union's claims to the contrary—has been moderately successful. The maximum number of ships actually declared "black" by dock workers throughout the world seems to have been about 50, out of a total of more than 1,200 ships now registered under the flags of Panama, Honduras, Liberia, and Costa Rica. Much of the Panhonlib tonnage is relatively new and hence probably not much of it is laid up at present; so much of it was bound to be at sea. In some it is probable that in ports, too, the union's orders were simply ignored.

The greatest success appears to have been achieved in America, where shipowners' requests for an injunction against the boycott were refused. At one time 75 ships were reported delayed in US ports, although not all of them seem to have been boycotted, and some ships were unloaded by men belonging to independent unions. In Britain, three ships flying the Panamanian flag were declared "black" on Merseyside; Hull ignored the boycott; and London only partly observed it, unloading one out of three vessels. Two vessels were affected in the Firth of Forth; two at Dublin. Elsewhere, German, Italian and French unions have largely ignored the boycott, and unions in Holland withdrew the ban after dockers failed to obey instructions not to unload Liberian ships. The ban was obeyed in Antwerp, ignored in Copenhagen and Singapore. One of the four windmills against which the union was tilting fell before the boycott began: Costa Rica withdrew its flag last week end, as President Echandi signed a bill passed unanimously in the legislature which revokes all shipping flag licences from December 31st. This bill had been drawn up for some time, and the government had suspended the issue of new licences on November 10th, pending its passage. At present 233 ships fly the Costa Rican flag; few, however, are tankers, and registrations under its flag are of little significance compared with those in Liberia and Panama.

SMALL INVESTORS

Wider Still, and Wider

APPLICATIONS flooded in for the 5 million units in British Shareholders Trust which Philip Hill, Higginson offered at 10s. net this week. When the lists closed applications for 8,342,920 units had been received and of these about 492,000 will be bought under the United Dominion Trust deferred payment scheme. New ways by which small investors can acquire a stake in industrial equities have been widely publicised, but many such investors are coming in quietly through the normal Stock Exchange door. Enquiries made of several companies suggest that new and small names are increasingly being registered on their share books. One large company reports that 2,000 new shareholdings of between 50 and 100 shares have been opened in the last six months, a figure that must owe something to the recent boom in share prices. In the registrar's department, as on the Stock Exchange, the small man may be regarded as something of a burden, as more Smiths, Browns and Joneses are added to the bulging share ledgers. But that is bound to be the price of wider share ownership. Registrars, as well as stock brokers, may have to do some new thinking about the methods of registration and transfer of title that will be needed if the small investor is to be encouraged to take a wider interest in British companies. Both still have a good deal to learn from the simpler and quicker American practice.

EASTERN BANKS

Hongkong-Mercantile

DISCUSSIONS are in progress on a possible share exchange to be made by the Hongkong and Shanghai Banking Corporation (whose head office is in Hongkong) for the Mercantile Bank (formerly styled the Mercantile Bank of India). This offer marks a further step in the consolidation of the eastern exchange banks; if the merger goes through, the combined bank would probably be the biggest of the three such institutions; the Chartered Bank, which recently absorbed the Eastern Bank would be a close second. The National Overseas and Grindlays Bank, formed by an amalgamation of the National Bank of India and Grindlays, is considerably smaller; its deposits last December were around half the £236 million of the combined deposits of the Hongkong and Shanghai and the Mercantile.

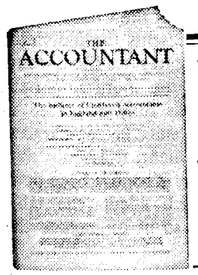
The Hongkong and Shanghai is to raise its final dividend, giving a payment of £3 for the full year, compared with the equivalent on the doubled capital of £2 12s. 6d. for 1957. The Mercantile Bank is maintaining its dividend unchanged, at 12½ per cent for the year.

ANTARCTIC WHALING

Sharing the Catch

WHEN the whaling fleets of five countries start hunting baleen whales in the Antarctic on January 7th, most owners will be praying that this is the last season of unrestricted competition for a limited catch. Whaling is always risky and in recent years it has become too competitive for some owners to stomach. That explains the sale of factory ships and catching vessels to Japan, which has the advantage of lower wages and a profitable home market for whale meat. This season twenty factory ships again take part, and the permissible catch has been raised by 500 to 15,000 blue whales, or the equivalent in oil. But it has long been known that Russia, which now has one factory ship only, intends to add several more, so that competition will become even more intense. European owners, led by the Norwegians, have argued for years that whaling will become increasingly uneconomic unless entry is restricted and the total catch is shared out. At last this view has prevailed.

When the London whaling conference ended last week delegations representing the five countries—Norway, Holland, Britain, Japan and Russia—agreed to recommend



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Data Sheet **No. 4**

Electrical Aids in Industry

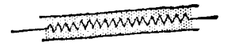
Resistance Heating—1

In this form of heating, the heat is produced by passing an electric current through a high resistance conductor which is termed the "heating element."

The heat is transferred from the heating element to the work by convection, radiation or conduction or by a combination of any, or all, of these. When it is a question of radiation or convection, the element can be a bare wire or strip of suitable material, provided it is adequately supported on electrical insulation capable of withstanding the temperature.



When there is to be contact between the work and the element, heat being transferred to the work by conduction, the wire or strip must be surrounded by suitable insulating material and enclosed in a protective sheath.

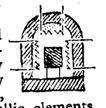


In the majority of cases, the wire or strip forming the heating element is made of a nickel-chromium alloy which has a high electrical resistance and can be safely used in air at temperatures of up to 1050°C., or in a suitable atmosphere, of up to 1150°C. Other element materials are available for use at higher temperatures.

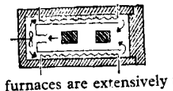
Electric resistance heating may profitably be put to many diverse uses; two of these are described briefly below, others will be listed in a subsequent data sheet.

Furnace Heating

Electric resistance furnaces can be divided into two main categories, batch type and continuous. In most cases, the heating elements are of nickel-chromium alloy, for furnace temperatures up to around 1050°C., but higher temperatures, up to nearly 3000°C., can be obtained by using other metals or alloys, or in some cases non-metallic elements. A protective atmosphere is desirable to prolong the life of some of these higher-temperature elements. For all temperatures electric resistance furnaces can be constructed so that the heating process takes place in a controlled atmosphere if this is dictated by the composition or heat requirements of the work charge. In some furnaces, fans are used to circulate the air or special atmosphere over the charge, thereby giving increased heating rates and a uniform temperature over the whole charge.



Automatic temperature control and programme control of the heating process are readily effected.

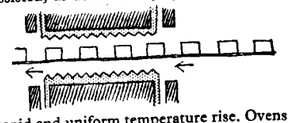


Electric furnaces are extensively used in industry, for example in the general heat treatment of metals, in the glass and ceramics industries, for grazing and sintering, and for many other applications requiring temperatures above 500°C.

Oven Heating

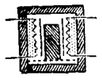
There are two basic forms of heat transfer used in electric resistance ovens; convection and radiation. The latter is dealt with in a separate data sheet under the heading "Infra-Red Heating".

Convection ovens may again be of the batch or continuous type. In either case, the charge is heated mainly by the movement of hot air, which is sometimes assisted, as in furnaces, by fans to give a



rapid and uniform temperature rise. Ovens are normally designed for temperatures of up to about 500°C., and the heating elements are invariably of nickel-chromium or nickel-chromium-iron alloy.

Ventilation, when required, can be provided and regulated entirely to suit the heating process. Temperatures and times are readily controlled. A vacuum can be maintained in suitably designed ovens to assist in the extraction of moisture and solvent.



Convection ovens are extensively used for drying, baking and stoving operations, and for a host of other processes requiring a low or medium temperature.

For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association, 2 Savoy Hill, W.C.2.

Excellent reference books on electricity and productivity (8/6 each or 9/- post free) are available — "Resistance Heating" is an example; "Induction and Dielectric Heating" is another.

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to their governments that the number of factory ships should be restricted, and that the total permissible catch should be allocated between the five countries. The second recommendation is the more significant, for Russia is to be allowed to add not more than three new factory ships to its fleet, while the other four undertake not to increase the total number of factory ships—though it seems that one of them could increase its own fleet at the expense of another. Russia, with a maximum of four factory ships out of a total of twenty three, is to be allocated one-fifth of the total catch, and thus comes out rather well. The distribution of the remaining four-fifths has yet to be settled. It is hoped that full agreement will be reached before June 1st, 1959, and take effect with the 1959-60 season. The agreement would last initially for seven years, and would lapse if an outside fleet should enter Antarctic whaling.

SOFTWOOD

Waiting for Russia

Russian competition has upset several commodities this year, notably tin, aluminium and platinum. But British importers of softwood are not expecting that Russia will upset their market. This view is based only on past experience, but it may well be right. Russia has been a competitive seller of softwood, but it has never undermined the market. The new season has barely begun, and until the first Russian offer is made importers will continue to show little interest in offers from Scandinavia. But a few sales have been made at prices that are slightly above the closing levels of last season; Swedish redwood fifths, for instance, have been sold for about £70 a ton cif UK.

Though buyers naturally resist talk of higher prices, most of them would not be surprised to see a firmer market in softwood. During last season prices fell by about seven per cent. Britain, the largest market for Scandinavian softwood, may show some increase in consumption, while the available supply should be about the same as last season. It is argued that easier credit and lower interest rates should encourage private house building and buying of furniture; for the same reasons importers may be encouraged to increase their stocks. This year, consumption of softwood in Britain has fallen slightly and imports have fallen sharply; arrivals in the first ten months, at one million standards, were about 190,000 standards less than a year ago. Meanwhile the Government disposed of its remaining stock, and commercial stocks by the end of October amounted to only 505,000 standards, having fallen by over 70,000 standards since the beginning of the year.

BETTER BANKING STATISTICS

Towards "True" Advances

The rise in bank advances in the five weeks to mid-November proves to have been even faster than appeared from the individual make-up statements of the eleven clearing banks, which were the basis of last week's note on the latest banking trends. An aggregation of the advances items from these eleven statements showed an increase of £50 million. It now appears that the "true" increase—or rather, the "truer" increase—was £57 million. This emerges from the subsequently published combined make-up statement compiled by the Committee of London Clearing Bankers, which re-presents the individual statements in standardised form and aggregates them—and, since October, gives subdivisions of the more important aggregates. This new information was fully described in *The Economist* of November 1st; but, since no comparative figures were given in the initial statement, it is only now that the first comparisons can be made. This has been done in the accompanying tabulation, which adapts the table regularly published in these columns so as to include the new data.

	November 19, 1958 £ million		Change on month	Change on year
			£ million	
Current Accounts	3,901		+22	+ 48
Deposit Accounts	2,887		+22	+232
Total Deposits	6,789	% of total	+44	+280
"Net" Deposits*	6,406	de-posits	+60	+259
Cash in hand	317	4·7	+19	+ 21
Balances at Bank of England	239	3·5	−12	
Money at Call in Money Market	389	5·7	+26	+ 30
Other Money at Call	53	0·8	− 2	
Treasury Bills	1,177	17·3	+ 4	−147
Other UK Bills Discounted	94	1·4	+12	− 22
Overseas Bills Discounted	18	0·3	− 1	
Gilt-edged Investments	2,046	30·2	−42	+114
Other Investments	105	1·5	+ 1	
Advances, less transit items	2,057		+57	n.a.
Advances, gross	2,146	31·6	+50	+258†
To State Boards	74		− 5	+ 16
Other	2,072		+55	+242
Acceptances and Confirmed Credits	85		+ 4	− 2
Other Engagements	425		+ 4	

* Total deposits, less balances in course of collection and internal items in transit not included in balances; change on year shows deposits, less balances only. † Adding back figures of Lloyds transit items to earlier total, to give same basis as new figures.

Welcome though the new facts are, they present some traps for the unwary. The most useful new information concerns bank advances, but it still does not provide a completely "clean" figure for these. The advances items in the individual statements include "other accounts"; in most but not all of the banks these "other accounts" include cheques, etc., in course of clearing within each bank (as distinct from the "collection" cheques on other banks, which enter the main inter-bank clearings). The new form of combined statement shows the amount of these distorting "transit items" included in the aggregate for "advances and other accounts" (and also the amount of them included in the aggregate of "collection" items). It does not, however, disclose the residual "other accounts." The computed figure for "truer" bank advances will therefore differ in several major respects from the quarterly figure obtainable from the classification of bank advances compiled by the British Bankers' Association and including all members of that association. This BBA total (and the clearing banks' portion of it shown separately on the quarterly return) is still the "truest" available; it excludes, necessarily, all "other accounts" than advances, and it is obtained from a broadly uniform definition of advances—notably on the important question of how far associated credit balances should be set off before "net" advances are struck. But this truest total has its own distinctive blemish: unlike the figures in the monthly statements (individual and combined), it relates only to advances within Great Britain.

In this statistical maze there is yet another source of bewilderment. One bank alone—Lloyds—segregates its intra-bank transit items in its monthly statement; but the combined statement now groups them with advances, with the result that the aggregate is not comparable with any of the aggregates published before October last. Comparative

aggregates for the preceding month and for the corresponding month of the previous year are given in the combined return; but in order to make any other comparison than these it is necessary to allow for Lloyds transit items—and this cannot be done without reference to the individual statement published by Lloyds. These oddities, one must hope, will not escape the attention of the Radcliffe Committee.

EDIBLE OILS

Copra Out of Line

In theory the price of one edible oil should not move far out of line with the others, because one can be substituted for another and even a soft oil like groundnut oil can be hardened at a price. In practice substitution takes time and wide disparities in price occur. For most of this year prices of soft oils have been drifting downwards, but copra and coconut oil have risen sharply, pulling palm kernels and palm kernel oil—another hard oil—up with them. Output of copra in the Philippines and other territories has suffered from dry weather; civil strife in Indonesia has interfered with exports; and other Asian countries are buying more oils at the expense of shipments to western markets.

From the beginning of July to the middle of November Philippines copra rose by $80 to about $270 a ton cif Europe, while between July and November Malayan coconut oil rose by £34 to about £139 a ton cif. The rise was accentuated by the fact that many buyers bought sparingly earlier in the year on the mistaken assumption that supplies of copra would improve. But substitution now seems to be having some effect. In recent weeks copra prices have sagged while groundnut oil, a popular substitute, has risen by £7 to about £98 a ton. As supplies of soft oils next year will be appreciably larger, there is plenty of scope for substitution at copra's expense.

SHORTER NOTES

For two months from December 5th, export of iron and steel scrap (except armaments scrap and scrap valued at more than £25 a ton) is to be free of licence. Exports under licence have been permitted since August, but applications covering "firm export orders" for 1,500,000 tons of scrap are alleged to have been shut out by the limits on the total export tonnages licensed. Mr Maudling, in announcing this experiment in decontrol this week, said specifically, "I am sure that we cannot abolish control in the long term," on the argument that all major steel producers control scrap exports and that there is no genuine international market in scrap: the experiment will be "to see how many of these orders can be realised in practice."

* * *

The World Bank is making two loans of $25 million each to South Africa and Austria. The Bank loan to South Africa is flanked by a $25 million public issue of external loan bonds, which is being underwritten by a syndicate headed by Dillon Read and Company. The money will help to finance the development programme of the South African Railways and Harbours Administration. The Bank loan to Austria is also flanked by a public issue of $25 million of external bonds, under the auspices of an investment banking group headed by Kuhn, Loeb and Company, and will be used to finance electric power developments.

* * *

The negotiated price of sugar sold to Britain in 1959 under the Commonwealth sugar agreement will be £45 2s. a ton, an increase of £1 5s. 4d. over this year's price. The quantity of raw sugar that can be exported under the agreement has been raised by 39,000 tons to about 1,590,000 tons.

* * *

Provisional figures released this week by the Ministry of Works reveal that the value of constructional work carried out in the third quarter of this year was £548 million, compared with £537 million in the third quarter of 1957. Roughly half of this increase is due to rising building costs and half to increased physical output; both rose less than one per cent in the year. The official index of production (1954 = 100) remained at 115, unchanged from the previous quarter or from the third quarter of 1957. Private housebuilding and new work excluding housing carried out for local authorities both increased during the third quarter; new housebuilding by local authorities and private industrial building both declined.

* * *

Eastern, the drapers and furnishers, has entered into a conditional agreement to acquire the whole of the preferred and deferred ordinary capital of the hire purchase business of Belmont Finance Corporation. A one for two scrip issue in "A" non-voting shares is proposed. Gross trading profits rose slightly from £163,913 to £179,036 and a deferred dividend of 10 per cent is repeated for the year to August 31st. The deferred ordinary shares fell 5½d. to 4s. 6½d.

* * *

J. Lyons and Co. has arranged through the Westminster Bank a loan of £2 million, secured on properties and repayable in equal instalments over twenty years. The operative word is "through" for the loan is not being made by the Westminster Bank itself and is not a banking transaction.

COMPANY AFFAIRS

Comments on pages 938, 939 and 942 on

Amalgamated Press	Consett Iron	Hawker Siddeley
BICC-Telcon	Tate & Lyle	Fisons
New Day	Canadian Bank of Commerce	West Wits
Woolwich Equitable	Hope & Anchor	Hammonds Utd.
John Smith's Tadcaster	Bullard & Sons	Stroud Brewery
	Flowers	Fremlins

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 940 and 941

LONDON STOCK EXCHANGE

The week's movements reported on page 942

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 943

COMPANY MEETINGS

THOS. W. WARD LIMITED

MR H. W. SECKER ON A SATISFACTORY YEAR

The Fifty-Fifth Annual General Meeting of Thos. W. Ward Limited was held on November 28th in Sheffield. Mr H. W. Secker, OBE (Chairman of the Company) presided, and in the course of his report, said:

Before proceeding to my review, it is with the greatest pleasure that I refer to the honour conferred on our President by Her Majesty in the New Year's Honours List this year. We, his colleagues on the Board, who have been very closely connected with him for so many years, are naturally very delighted by the recognition of the lifetime of service which he has given, not only to our Group, but also to the community at large.

Since my report was circulated the death occurred on November 14th of your deputy-chairman Mr Frank R. Stagg, MIStructE, after a short illness.

Mr Stagg joined the firm in 1895 as an office boy and by energy and determination rose to high office. His wise counsel will be greatly missed by all his colleagues, both in the parent company and in the subsidiary companies of which he was chairman, and I feel sure you will wish to join with me in recording our deep appreciation of his untiring efforts, and our sincere sympathy with his family.

SATISFACTORY PROFIT

Having regard to the marked weakening in demand both at home and abroad since the turn of the year, which has been evident with certain exceptions in those industries with which your Group is closely connected, I consider the Group profit, although slightly lower than the preceding year, to be highly satisfactory. With full knowledge of the difficulties that have arisen and the vigorous manner in which they have been tackled to overcome or minimise the effects on profits, I would like to express my thanks to all members of the Group for their contributions to the results achieved.

Group Trading Profit before depreciation at £2,988,665, compared with £3,006,383 in the previous year, is lower by £17,718, but the depreciation charge of £544,179, compared with £447,508, has increased by £96,671, so that the Trading Profit after depreciation has decreased by £114,389, against which, on balance, there is a net gain on other income less special charges of £11,922, bringing the Group profit down by £102,467 to a figure of £2,599,158 in comparison with the previous year of £2,701,625.

For the first six months of the financial year, Group profit and turnover were running at a similar level to the same period in the previous financial year, but in the turn of the year trading conditions commenced to deteriorate, particularly in the steel industry, with which your Group's fortunes are so closely allied, and this reduction in production has persisted during the succeeding months. In another field with which your Group is closely linked both as manufacturers and merchants, namely the machine tool industry, there has been recession in the order position, due to the world wide recession and the loss of much aircraft and ordnance work.

Although Group turnover of £48,648,000 appears to show little change from the preceding year's figure of £48,713,000, it is not strictly comparable, as it includes the turnover of The Railway and General Engineering Company Limited, and therefore I think the trend of turnover is more fairly represented by the parent company's figures, which show a decrease approximating £1½ million.

SCRAP IRON AND STEEL AND SHIPBREAKING

It has been my practice to give prominence in my review to the Scrap Iron and Steel and Shipbreaking sections of the parent company's business, for, together with manufacturing units of subsidiary companies engaged in the Iron and Steel Industry, they represent the source from which approximately 45 per cent of your Group's business is derived. In line with expanding steel production, I have in past years been able to report a steady growth in the business of these sections, particularly in the supply of scrap iron and steel to the blast furnaces, steel ingot makers and iron and steel foundries.

For the first six months of the financial year business continued at a very high level, but at the commencement of the second half of the year demand slackened and in the last three months the position deteriorated very rapidly. The reduction in steel output to which I have referred came at a time when the steelworks were holding the largest stocks of scrap on record, so that demand slumped, and for the first time in twenty years we were unable to find markets for the whole of the scrap iron and steel available, with inevitable repercussions on our turnover and profits.

In my review last year, I commented on the amount of tonnage at our shipbreaking works and expressed the view that the outlook for the shipbreaker was distinctly encouraging. Although there are more ships available for breaking, unfortunately, with the sudden drop in demand, operations have had to be somewhat curtailed because of the fall in demand for the resultant scrap.

On the other side of the picture, the heavy importations of scrap that have been necessary to maintain steel production since the end of the war have now ceased, and the Board of Trade are now permitting the export of a limited tonnage to relieve the congestion of stocks at merchants' yards. A recovery in steel production will strengthen the demand for scrap, which, at home price levels, is still an attractive proposition compared with basic pig iron.

DEVELOPMENT

During the year we have purchased approximately five acres of land with railway connection at Duchy Road, Salford, which we are developing to deal with scrap arising in the Lancashire area. We believe this will enable us to give better service to our many friends and at the same time effect substantial economies in transport costs.

Our Contractors' Plant Department has opened a new depôt on a four-acre site at Exhall near Coventry, on which have been erected workshops and offices. It will carry a large and varied stock of contractors' plant for sale and hire, consisting of mobile cranes, excavators, tractors, etc. to serve the whole of the Midlands area, as it is well sited to the large industrial areas of Birmingham, Coventry and Leicester. In addition, it will be the official service depôt for Smiths' Excavators and Fowler and Marshall tractors.

CEMENT AND QUARRIES

There was some falling off in demand for cement in the first part of the year, but subsequently the position recovered and the annual sales level of Ketton Portland Cement Company, Limited, was well maintained in comparison with the previous year, with slightly increased profits. During the year the company has introduced two new brands of cement for the production of plasticised mortars for plastering, rendering and bricklaying and for foundation work where sulphates may be present in the soil. With the reduction in the bank rate and the Government scheme for new road programmes, it is hoped that activity in the building and contracting industry will be stimulated and so increase the demand for building materials.

Our quarrying interests are stable profit earners. The Shap Granite Company Limited celebrated its Golden Jubilee this year, and has shown consistently good results since we acquired it in 1949. The Eldon Hill Quarries in Derbyshire are also showing very satisfactory results, and we are gradually introducing improvements in mechanisation at both quarries. The general level of business is being maintained, but increases in cost of wages and material tend to reduce profit margins.

In the related activity of road construction, I am pleased with the progress made by North Lonsdale Tarmacadam Limited during the year.

ENGINEERING (EXCAVATORS, CRANES, MACHINE TOOLS, ETC.)

Although order books for excavators and machine tools have declined, the companies in this group have achieved excellent results during the year. In particular, John Smith (Keighley) Limited has had its best year in the history of the firm, and the demand for overhead cranes has maintained a high level despite a seeming falling off early in 1958. The company has completed large contracts for shipbuilding works and other important customers. Competition is getting much keener, especially in the smaller crane range up to 10 tons, but the prospects are, that the level of production should be well maintained during the coming year.

Thomas Smith & Sons (Rodley) Limited have also had a very satisfactory year. The market for excavators has become more difficult because of the credit squeeze and import restrictions in overseas markets, but crane sales have been well maintained and the Crane Industry throughout the country appears to be well placed for orders. The management is making a keen drive for export

orders and total exports during the year represented 37½ per cent of the total turnover. It was particularly gratifying to secure orders from the Indian Railways for 27 cranes against very severe competition from Germany and Italy. The order book, however, is not as high as it might be, and the demand is unlikely to recover during the forthcoming winter months, unless further extensive road schemes are embarked upon and import control restrictions eased in many of the markets.

A sharp falling off in orders in the second half of the year was experienced by Frederick Town & Sons Limited, but there are indications that business in Canada is on the upward trend, and it is hoped that overseas orders will improve in the near future.

Although profits of Widnes Foundry & Engineering Company Limited were well maintained, conditions in the foundry trade are not good, but business has been maintained in work of a specialised nature which very few other firms can handle. During the year a considerable amount of capital expenditure has been undertaken to bring buildings and plant to a first-class standard.

In both companies concerned with the manufacture of rails and sidings, namely Darlington Railway Plant & Foundry Company Limited and The Railway & General Engineering Company Limited, order books remain at a very satisfactory level. During the year the capital of the Darlington company has been brought more into line with the assets it represents, by the capitalisation of reserves and the issue of bonus shares.

MANUFACTURING OF IRON AND STEEL AND NON-FERROUS METALS

The combined results of the companies engaged in this sphere compare favourably with the preceding year, but the order position shows a considerable decline, and it is becoming a struggle to counteract the incidence of reducing output on costs. The Wolverhampton and Birchley Rolling Mills Limited has achieved a remarkable result in maintaining profits, but in the absence of any marked improvement in the volume of orders being received, it is inevitable that profits will show a material fall during the present year.

Benefits have been obtained from the integration of the Low Moor Company with that of Midland Iron Company Limited, to which I referred last year, and the results have been satisfactory, particularly when it is considered that the future of the Iron Industry is far from encouraging.

Although trading conditions for John Williams (Wishaw) Limited have been somewhat difficult during the year, the prospects are reasonably good and work is proceeding on the electrification of the Sheet Rolling Mills.

Because of the variations in copper prices, it has again been a difficult year for Alexander Metal Company Limited. Prices have set rather a bewildering pattern, with the result that confidence is lacking and business offering is of a low and irregular volume at reduced profit margins. A balanced production programme is not possible until some measure of stability is achieved in market prices of non-ferrous metals.

MISCELLANEOUS

The first complete year of operations in the new factory at North Woolwich Road, London, has yielded excellent results for Dick's Asbestos & Insulating Company Limited, but the restriction of import licences in various countries and the opening of factories for local production has made overseas orders very difficult to obtain. More labour has become available for Thermal insulation contract work, but the volume of such contracts is decreasing, partly due to the reduction of work in the electric power generating field.

A welcome recovery in profits has been shown by The Deighton Motor Company Limited from the adverse influence experienced in the previous year from the Suez Canal crisis.

MERCHANTING

In the supply of Industrial and Domestic Fuel, Ward, Longbottom Limited have consolidated their position and good progress has been made by George Hassall Limited of Stoke and Frank Parker and Company Limited of London in the respective fields of merchanting Steel and Machinery and Contractors' Small Tools and Equipment.

PARENT COMPANY

In the light of conditions operating during the year, I think we must regard the results of all sections as reasonably satisfactory, for on balance it was inevitable that there would be some falling away from the high profit levels of the previous year, as I forecast in my review last year.

In certain of the sections, such as Cement and Building Materials, Shipbreaking, Railway Siding Construction, Wagon Building and Repairing, Works Dismantling, profits have been maintained at a very satisfactory level, and in view of the recession in the Machine Tool Industry, I consider that our Machinery Sections have done well to maintain the position as they have done. The reduction in Iron Castings production during the latter half of the financial year has affected the Foundry Supplies Section with pig iron and coke deliveries. Our Factory Planning and Installation Department has maintained a high level of activity throughout the year on contracts for the Atomic Energy Authority and other installation work.

RAIL CHARGES

Tonnage placed on Rail continues to increase, and payments made to the British Transport Commission for the current year were nearly £200,000 higher than in any previous year.

The transfer of traffic from road to rail has been the result of the goodwill and mutual co-operation existing between the Commission and this Company. Unfortunately, the 7½ per cent increase in carriage charges applied to many of the basic raw materials from October 13th could seriously affect present rail-borne traffics, coming as it does, at a particularly inopportune time for the Steel Industry.

OVERSEAS TRADE

In general, results from our overseas trade have been rather disappointing, as the barriers put up by some countries through the restrictions of imports seem to increase rather than diminish, whilst competition intensifies for the business that is available. There is no room for optimism but there are signs of some improvement in the Canadian and Australian markets, whilst possibilities should develop in the Middle East, Africa and South East Asia, and visits have been planned for directors and senior executives over the next few months to these areas. There is no doubt that such areas represent a vast future potential demand, but the difficulty lies in translating the potential into effective purchasing power. The measures in being to provide these undeveloped areas with the means to acquire the capital and other goods which they so urgently need, are bearing fruit, but the mutual interests of such areas and the Western Countries require that the scope and timing of investment should be greatly accelerated.

E. H. PICKFORD AND COMPANY LIMITED

Since these accounts, negotiations have been completed for the acquisition by us of the entire Share Capital of E. H. Pickford & Company Limited, Automobile Engineers and distributors of cars and commercial vehicles. The company has extensive premises and showrooms at Ecclesall Road, Sheffield, and Duffield Road, Derby, and holds main agencies for the Rootes Group for private vehicles in areas in South Yorkshire and Derbyshire and for commercial vehicles in Derbyshire. This acquisition should blend well with our existing interests in this field, particularly as the Deighton Motor Company Limited is the main agent for the Rootes Group for commercial vehicles in South Yorkshire.

PROFIT AND LOSS ACCOUNT AND APPROPRIATION

From the Group Profit of £2,599,158 taxation requires £1,425,448 or approximately 55 per cent of the profit, leaving a profit after taxation of £1,173,710, compared with the corresponding figure last year of £1,249,002, a reduction of £75,292.

To this profit of £1,173,710 is to be added £46,196 brought back from reserves, giving a total of £1,219,906, from which is deductible £149,024 representing the dividends paid and the amount retained in subsidiaries' accounts relating to Minority Interests, so that the Profit relating to the parent company is £1,070,882, of which £288,392 has been retained in subsidiaries' accounts, leaving £782,490 for allocation and appropriation in the accounts of the parent company.

With the balance brought forward from last year of £608,455, the total available profit is £1,390,945. Your Directors propose a final dividend of 10 per cent and a bonus of 5 per cent, both less tax, on the ordinary shares totalling, with dividends already paid, £308,650. The balance remaining is £1,082,295, of which it is proposed that £400,000 shall be placed to General Reserve and the balance of £682,295 carried forward to next year.

An amount of £249,894 has been credited to Capital Reserve, which is made up as to £181,834 profit to date on the realisation of our holdings in The Blaenavon Company Limited and £68,060 from a dividend received from Low Moor Best Yorkshire Iron Limited out of capital profits arising from the sale of the fixed assets to which I referred in my review last year. As regards the Blaenavon Company Limited which was put into liquidation on June 21, 1957, we have so far received repayment in full of the 53,489 £1 preference shares, together with a first distribution of 2s. 6d. per share, and a second distribution of 1s. 6d. per share, making a total of 4s. per share on the 1,300,697 ordinary shares of 5s. each. The indications from the liquidator's report are that we may expect to realise in the region of 4d. per share on the final distribution, equivalent to £20,000 on our holding.

TAXATION

The simplification of the Profits Tax and the increase in initial allowances given in the

1958 Finance Act are welcomed, but there seems to be no logical justification left in retaining a separate Profits Tax, whilst a more realistic appraisal of the depreciation rates allowable for taxation to bring them more into line with commercial experience is sorely needed. Quite apart from high precision machinery, for which some recognition is admittedly given in the rates, our experience is, that the modern heavy machinery such as large baling presses, etc., because of the more complicated construction and greater output, has a very much shorter term of working life than its counterpart of 20 or 30 years ago, yet the basic rates applied to such plant have remained unaltered. The initial allowances are, after all, only an advance allowance against current taxation and not an outright benefit. One of the penalties of high taxation is the effect it has upon the availability of investment capital, and although in the short term it may appear that capital investment has proceeded too fast in certain sectors of industry, there is no doubt that in the longer term it is essential that if this country is to survive and expand, more encouragement must be given to capital investment. With this object in view, I consider it vital that such encouragement be given by the all round uplifting of basic depreciation allowances for taxation, and the reintroduction of the investment allowances, which would also stimulate demand for the machine tool and engineering industries.

BALANCE SHEET

In the parent company's Balance Sheet, the total of Capital and Reserves has increased by £723,734, comprising the increase in undistributed profits of £473,840, together with the addition to capital profits of £249,894. The increase in Shares in Subsidiary Companies of £171,717 represents the cost of acquisition of the shares in The Railway and General Engineering Company Limited, less the book value of the shareholdings realised in The Blaenavon Company Limited. Stocks show an increase of £130,000, but the level of debtors shows a considerable reduction compared with the preceding year, and creditors are likewise at a much lower level. These features are, of course, a reflection of the drop in the volume of trade during the last part of the financial year, and have resulted in a higher degree of liquidity, as shown by the Bank Balances which are approximately £470,000 higher.

The Consolidated Balance Sheet follows a somewhat similar pattern, although the fall in the level of debtors is not so pronounced. The change in the excess of premiums over discounts on purchase of shares in Subsidiary Companies, reflects the premiums paid on the purchase of shares in The Railway and General Engineering Company Limited and the adjustment following the capitalisation of reserves and bonus share issue in Darlington Railway Plant & Foundry Company Limited. The figure for Shares in Subsidiary Companies not consolidated is reduced, following the realisation of holdings in The Blaenavon Company Limited.

Total net assets including the Reserve for future Income Tax are £12,447,000, so that, after deduction of the Preference Capital of £1,086,000, the net assets relating to the £2,200,000 Ordinary Capital of the parent company are £11,361,000, equivalent to £5 3s. approximately per £1 share.

FUTURE PROSPECTS

A large measure of informed opinion inclines to the view that the continued buoyancy in motors, heavy electrical equipment, and a few other capital goods industries may not be sufficient during the forthcoming months to offset the downward trend of demand of a much wider range of industries producing consumer and capital goods. In the second report in August, 1958, of the Council on Prices, Productivity and Income, the conclusion is reached on prospects for the future period of six to twelve months, "that the next few months are more likely to witness a decline of activity than an increase."

Proceeding from the general outlook to the particular prospects of your Group, the decline in demand experienced by those sections of the Group directly linked with the Iron and Steel Industry, has persisted since the end of the financial year. Thus, for the current three months to September 30th there has been a material decrease in the volume of business transacted, compared with the corresponding period last year. Although there are some signs that the downward curve is flattening out, it is unlikely that a real upward trend will develop for several months, and, at the earliest, not before the spring of next year.

In the engineering sections, orders are being completed quicker than new ones are being booked and recent increases in wages, transport and other costs cannot be recovered in higher prices in face of much keener competition both at home and abroad.

The emphasis in all sections has moved from production to selling. We are in a buyers' market and in a merchanting business this means lower margins.

I want, however, to keep the perspective in balance as I have reasonable confidence in the maintenance, at or near the last year's levels, of the trade in those sections dealing with cement, quarries, building materials, crane manufacture, railway siding construction, and certain other sections where order books are generally satisfactory. In a final assessment of the overall prospects for Group profits during the current year, however, I consider it improbable that any recovery that may take place in the latter part of the year will be sufficient to offset the falling away already experienced, and shareholders must therefore be prepared for a reduction in Group profits in the next financial Accounts.

The prediction for the short term does not imply any lack of confidence in the longer term prospects for your Group. We are favourably equipped with the organisation and the solid resources to continue along the road of progress which a recovery in world demand could so quickly open up to us.

The report and accounts were adopted and the dividends recommended declared. The retiring directors were re-elected and auditors re-appointed.

NETHERLANDS BANK OF SOUTH AFRICA LIMITED

A SATISFACTORY RESULT

The Eighth Ordinary General Meeting of Shareholders of Netherlands Bank of South Africa Limited was held on December 2, 1958, Mr J. P. Kakebeeke (the Chairman) presiding.

The following is an extract from his circularised statement:

The results for the financial year 1957/58 were satisfactory but affected to some extent by adverse developments in the general economic and financial scene.

POSITION OF THE BANK

Management: Your Board decided to appoint Mr H. Zeilinga, District Manager in Cape Town, to the post of General Manager as from March 1, 1958.

Mr H. J. de Graaff decided to retire as Assistant General Manager on March 31st of this year.

ACCOUNTS

The results of the past financial year were again satisfactory although the net profit could not be maintained at the level of the previous year.

Firstly, our profits were affected by the declining rate of economic activity in the Union, notably by the fall in the value of important export commodities and by the decrease in import financing, particularly in the last few months.

Secondly, the restrictive measures introduced by the Reserve Bank in connection with the supplementary reserves to be maintained by the commercial banks could not have failed to affect our earning power.

Thirdly, our income had to bear the burden of a continued increase in our expenses.

Despite the falling off in economic activity, especially in the import sector, the results of our London office still give reason for satisfaction.

It was possible to maintain the development of our Bank in the Federation of Rhodesia and Nyasaland at a reasonably favourable level, in spite of restrictive measures which were also applied in that country.

Our policy of writing off all additions to furniture, office equipment and stationery was maintained. Adequate provision has been made for taxation, possible bad and doubtful debts, depreciation of bank buildings and for the customary strengthening of the Staff Pension Fund.

NEW OFFICES

During this year the bank opened a representative's office in New York. Mr Charles W. Brugger was appointed our Representative there.

A new branch was opened at Estcourt, Natal, while the status of the Vanderbijlpark agency was raised to that of a full branch.

At Carletonville a sub-branch was established, while at other centres our services were placed at the disposal of clients by means of agencies.

In this connection I should like to mention the first Drive-in Bank in the Federation which we brought into operation on September 2nd at the Industrial Sites in Salisbury.

PARTICIPATION

During the year under review a company catering mainly for the insurance of export credit risks was established in the Union, under the name of the Credit Guarantee Insurance Corporation of Africa Ltd. The Bank participated in the capital of this new enterprise.

DIRECTORS' REPORT

In the Directors' report it is proposed to increase the Reserve by £100,000 to £1,250,000, a figure equalling 50 per cent of our issued capital. Your Directors again recommend a dividend of 8½ per cent or 1s. 9d. per share for the year under review.

The Report and Accounts were adopted.

BROOKE BOND & CO. LTD.

ANOTHER RECORD IN WORLD SALES

The sixty-sixth Annual General Meeting of Brooke Bond & Co. Ltd. was held in London on November 28th.

The following is an extract from the circulated statement of the Chairman, Mr John Brooke:

Group Net Profits after tax for the year to June 30, 1958, are £1,758,399 compared with £1,622,806 last year. Profits would have been much higher but for the £709,931 increase in Taxation. Trading Profits (before tax) were £980,055 up on last year.

Good profits have been earned in Great Britain. We have been helped by the relative stability of prices on the tea market. Profits from the plantation side of the business have been rather less this year, because costs will not stop rising.

World tea production appears to be increasing again in 1958, and it is to be hoped that consumption will keep pace. India, Pakistan, the Arab States, and perhaps Russia, are the principal areas where increased tea drinking may be expected to keep pace with the higher earnings of the people.

World sales of Brooke Bond packet teas set up another record. Most notable increases came from the UK and India, which together sold well over 12 million lb more packet tea than in the previous year.

In the UK our sales indicate that at least a quarter of a million more families regularly bought Brooke Bond tea last year.

Our five factories in India now pack over 21 million packets every week.

Once again India's profit contribution is remarkably modest in relation to its mighty turnover. Our policy is to stimulate increased consumption in India. This, we feel, is not only in your Company's best long term interests, but in the interest of the whole Indian tea industry.

In other parts of the world where the little red vans also go about their business—in Canada, USA, Pakistan Kenya, Uganda, Tanganyika, South Africa, the Rhodesias, Nigeria and Ghana progress was very satisfactory. Only Ceylon, beset by disastrous floods and political disturbances, suffered a setback. Thanks to sound management and a loyal sales staff, our business in Ceylon has now completely recovered from these serious disruptions.

Throughout the world, a field sales force of 3,848 men is now engaged in the sale of Brooke Bond Tea in packets—mostly for cash on delivery. These salesmen of many different nations are the very foundation of our business. Hats off to them.

PROPOSED CAPITALISATION OF RESERVES

You will have seen proposals in the Notice convening the forthcoming Annual General Meeting to increase the Authorised Capital of the Company to £12½ million by the creation of 560,000 new 'A' Ordinary Shares and 13,440,000 new 'B' Ordinary Shares of 5s. each.

It has been decided to recommend to shareholders that £1,875,000 of the Reserves of the Company at June 30th be capitalised in the form of an issue of 300,000 'A' Ordinary and 7,200,000 'B' Ordinary Shares of 5s. each, in the proportion of one new 'A' share for every four 'A' shares held, and one new 'B' share for every four 'B' shares held. Capitalisation in this form preserves the status quo of the voting rights between the 'A' Ordinary shareholders and the 'B' Ordinary shareholders.

The reason for this capitalisation of reserves is, as in the case of past issues, to bring the Issued Capital of the Company up nearer to the real value of the assets.

There is no intention to allot any of the unissued Ordinary Shares in the immediate future, but it is desirable to have a reserve of Ordinary Shares in hand.

We have thought it wise to carry out a revaluation in the UK, limited to Freehold and Leasehold Land and Buildings (valued by Messrs Richard Ellis & Sons). A gross surplus over the net book value of £1,064,457 is shown.

You will notice a substantial decline in stocks of £2,258,735. This was almost entirely due to the dock strike in May-June, 1958, which prevented us from making our usual purchases on the London Auctions and compelled us to use up nearly all our available tea stocks. So £2,291,316 was temporarily invested in Short Term Loans and Tax Reserve Certificates.

HEAVIER TAXATION IN THE EAST

Taxation in the East is becoming heavier and heavier. In the last few years, in addition to increases in rates of existing taxation, our businesses have become liable to new taxation in India—Wealth Tax, Agricultural Income Tax; Pakistan—Business Profits Tax; Ceylon—the proposed Dividend Tax. The effect is that profits distributed to us this year in the form of Dividends in these countries are now bearing or will bear taxation at the following rates:

India, 63 per cent (Income Tax, Super Tax and Wealth Tax).

Pakistan, 70 per cent (Income Tax, Super Tax and Business Profits Tax).

Ceylon, 70 per cent (if the proposed Budget is adopted).

Good crops have been harvested from the plantations. The South Indian estates had a bumper crop though yields from the Assam properties were much reduced by bad weather. The Ceylon Group, including Galaha, did better than last year. Yields from African estates are slightly down compared with last year, also due to unfavourable weather.

The Plantation Companies rang the bell when they passed the 30,000 acre mark for planted tea during the year. New planting in South India and in East Africa continues according to plan.

In July of this year we told you of the arrangements made to put up new capital for Bushells Pty. Ltd. of Australia. This investment (to be paid for in three equal instalments) gives us a 20 per cent interest in the increased share capital of Bushells Pty. Ltd.

The Report and Accounts were adopted.

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK

THE HONOURABLE DAVID BRAND ON ESSENTIAL EXPENDITURE

The sixty-sixth annual general meeting of The English, Scottish & Australian Bank Limited was held on December 3rd in London, The Honourable David F. Brand (the chairman) presiding.

The following is an extract from his circulated statement:

The economic and financial conditions which affected Australia during the year under review induced the Authorities to encourage some expansion of bank advances and to that end releases were made to the extent of £A65 million from the Special Accounts maintained by the Trading Banks with the Central Bank. This increase in disposable resources, offset to a minor degree by a fall of £A1.6 million in aggregate deposits, was used by the Trading Banks to support an increase of £A83 million in their advances to customers.

Our own Bank's deposits increased marginally over the period and advances rose by £3.2 million with a compensating fall of £4.3 million in Special Account.

The gross trading profit of the Bank rose by £179,000 to £5,347,000 and the dividend received from Esanda Limited at £191,235 (inclusive of Australian Income Tax) was also greater by nearly £64,000 than last year. However, expenses of management and taxation increased by approximately £278,000 so that the net profit for the year at £312,474 was about £35,000 less than last year.

FACTORS AFFECTING RESULTS

The principal causes of the reduction in the final profit result were firstly, a lower monetary turnover resulting from the fall in international commodity prices. Secondly, it is necessary now to provide for existing and accruing liabilities to meet gratuities eventually payable to members of the Australian staff on their retiring from the Bank's service. Thirdly, the Bank's revenue has to bear the continuing heavy cost of re-equipping existing bank offices and of establishing new points of representation. Your Board regards as essential expenditure on providing bank premises and service to the public on a scale appropriate to the times. The quickly developing industries of Australia, the increase and spread of its population have set the needs for more branches and greater efficiency of operation. To meet these needs substantial expenditure is involved, partly of a capital nature and partly to be met out of revenue.

In the expectation that the expenses of the Bank will continue to run at a high level and in the absence of any prospect of an early major improvement in the gross revenue, your Board decided to recommend the payment of a final dividend of 5 per cent less United Kingdom Income Tax at the standard rate. The distribution for the year will amount to 9 per cent less standard rate of United Kingdom Income Tax.

Fixed Unit Trusts: The increasing popularity in Australia of this form of investment encouraged the Bank to acquire through a subsidiary company a shareholding in Federa Trusts Limited, a Victorian trust management company, which is establishing an Australia-wide representation. The branches of the Bank will be available to receive applications for units in the Company's trust and thus provide a further service to the public generally.

The report and accounts were adopted.

CROMPTON PARKINSON LIMITED

ANOTHER SATISFACTORY YEAR

MR ALBERT PARKINSON'S REVIEW

The forty-fifth annual general meeting of Crompton Parkinson Limited was held on December 3rd, in London. Mr Albert Parkinson, MBE, the Chairman, presided. The following is an extract from his statement:

The Company's year opened with active conditions overshadowed by an inflationary financial crisis and within a short period we were confronted by the institution of severe credit restriction coupled with the raising of interest rates to an almost unprecedented level. It closed with business activity in the country at a generally reduced level, although with many signs of the freeing of money and credit to provide financial stimulation for investment and purchasing. Throughout the year there was a steady intensification of competition culminating in conditions which in many ways now closely resemble those of prewar years. Today the products of your Company are being sold in markets which for the time being are no longer expanding at the rate to which we have become accustomed since the last War.

The Consolidated Profit and Loss Account reveals that we have enjoyed another satisfactory year, as a result of which Consolidated Net Income at £1,112,429 is £53,182 greater than in the previous year. The Directors have decided to recommend a Final Dividend of 7 per cent which, when added to the Interim Dividend of 5 per cent will make a total distribution of 12 per cent (subject to Income Tax) for the year. In the last five financial years the dividend has been maintained at the equivalent of 10¾ per cent and they consider that the payment of this higher rate is justified by the steady progress which has been made by the Company.

OVERSEAS

In Australia our new and well-equipped Works at Campbelltown, NSW, is in operation and we look forward to the increasing contribution which it will make to the prosperity of our Australian Group of Factories.

During the year business in Australia has not expanded so rapidly as in past years, and the market for most of our products, and in particular for heavy electrical equipment, has become distinctly more competitive.

In India our jointly owned company, Crompton Parkinson (Works) Private Limited, has had another successful year and is now operating from two factories.

The large factory extensions at Chelmsford and Derby have been completed and are now in production, and at Derby we have also built and opened during the year a fine new canteen and social centre.

During the past year we have, at our Guiseley Works, completed the development of an improved range of industrial electric motors. These machines are now in production and set new standards of performance in their field.

At Chelmsford we have been particularly heavily engaged on the output of traction equipment and our capacity is being increased to meet our full order book.

Our order book has improved during the last year and is generally good, and I am confident of your Company's ability to succeed in the face of whatever challenge may be presented.

LEETHEMS (TWILFIT)

The 30th annual general meeting of Leethems (Twilfit) Limited was held on November 27th at Portsmouth, Mr A. E. Downing, FCA (the chairman), presiding.

The following is an extract from his circulated review:

This year the trading profits are disappointing in spite of the special efforts made to maintain our sales. The credit stringency imposed twelve months ago and the consequent reduced purchasing power of our customers, coupled with a tendency to divert some of the purchasing power away from our normal channels of distribution, prevented our attaining the sales target which we exceeded during the two previous years. In addition an increased wages award had to be met during the year and, whilst difficult trading conditions persisted, we were unable to recover such increased production cost by increasing our selling prices.

According to the reports we receive our experience has been shared throughout industry in this country; the contraction in orders placed and the lowering of sales values combined with increased production costs have reduced considerably the profit margins. Increasing quantities of imported cut price garments from Hong Kong and other overseas countries where cheap labour is employed have also increased our difficulties both in the home and export markets. Active steps have been and are being taken to secure other outlets for the Company's products but it will take time before we feel the full benefits therefrom.

Your Directors recommend a Final Dividend of 7 per cent—making 10 per cent for the year.

The report was adopted.

WPM

THE

WALL PAPER MANUFACTURERS LIMITED

ANNUAL GENERAL MEETING HELD 26th NOVEMBER, 1958

Extending a welcome to Stockholders at the Company's Annual General Meeting held on Wednesday, 26th November, 1958, at the Midland Hotel, Manchester, the Chairman, Mr. Alfred Whittle, stated that sales in all sections substantially rose during the past year, resulting in group profits of £4,032,148, an increase of £446,104. The net profit after making provision for taxation and minority interests was £1,659,214, compared with £1,550,843 the previous year. The Board has recommended a final dividend to the deferred stockholders of 20%, making 27½% for the year (against 20% and 5% bonus) and, in addition, the free issue of deferred shares to holders of deferred stock in the proportion of one share for every £2 deferred stock held.

Mr. Whittle, in reviewing the group's activities, stated that the Company's prosperity comes from the manufacture of paper, wallpaper, paint, furnishing fabrics and moulding powders for plastics. Many different skills and specialised forms of technical knowledge are needed for both the manufacture and the marketing of such a range of products. The policy of the Company is, in all its sections, to give better quality at each price range than its competitors. This policy is leading the public increasingly to ask for wallpapers in the higher range and this in part accounts for the greatly improved results from wallpaper manufacture. For the second year running, the Company has been honoured by having one of its papers, again from the Palladio range, included amongst the best industrial designs of the year selected by the Council of Industrial Design.

The Walpamur and Sanderson groups earned satisfactory profits from manufacture and distribution and both are steadily expanding at home and abroad. The high esteem in which they are held by the public is due to the name they have for quality and service. Slightly lower profits were recorded by the retailing subsidiaries. All the subsidiaries engaged in distribution have upheld the Company's high reputation for standard of display and publicity. Mr. Whittle then stated that the London Office is now at 19/21 Mortimer Street, London, W.1, where one showroom displaying the popular Crown ranges and giving advice on all questions of decorating will offer to London and the Home Counties the same service which Manchester and the North West have enjoyed for some years through the Manchester Wallpaper Design Centre. Another showroom for architects and their clients will also be available.

Before concluding his address, Mr. Whittle expressed the anxiety that business men feel because the lower prices of imported raw materials have not brought down the cost of living which would never be stabilised whilst wages continue to rise faster than production. Business managements are working hard to achieve the higher outputs from which real increases in wages and other income can be drawn.

On behalf of the stockholders, Mr. Whittle expressed thanks to the executives, staffs and workpeople.

The report and accounts were adopted and resolutions were passed increasing the capital of the Company and approving the bonus issue of deferred shares.

HOLDERS INVESTMENT TRUST

SHARP RECOVERY IN EARNINGS

MR LIONEL BARBER'S STATEMENT

The twenty-fifth annual general meeting of Holders Investment Trust Limited, was held on November 27th in London.

The following is the statement by Mr Lionel Barber, FCA (chairman), circulated with the report and accounts for the year ended July 31, 1958:

The net profit of the group before taxation for the year ended July 31, 1958, was £1,839,575, compared with a loss of £38,906 for the previous year. The result for the year under review confirms the expectation I expressed in my Statement last year of a satisfactory profit for the then current year.

SHARE CAPITAL

Last April my colleagues and I considered that steps should be taken to obtain the consent of the Capital Issues Committee to an increase in the issued share capital of the Trust by way of a bonus issue. Consent having been obtained, an extraordinary general meeting of the stockholders was convened on June 2, 1958, and an increase in the capital of the company to £2,275,000 (by the creation of 7,500,000 additional ordinary shares of 2s. each) and the capitalisation of £600,000 standing to the credit of the share premium account (by the issue of 6 million of the unissued ordinary shares of the company) were authorised. It is the intention of your board, as and when the circumstances arise, to increase the ordinary capital of the company by way of bonus issue so that the capital structure of the Trust is kept more in line with the capital employed.

As will be seen from the balance-sheet at July 31, 1958, there remains outstanding to the vendors of William Hill (Football), Ltd., the sum of £450,000 which is payable in annual instalments of £150,000. The Trust has financed the payments already made amounting to £600,000, and intends to finance the payments yet to be made, out of net profits earned. It follows therefore that the net profits so utilised cannot be distributed to the stockholders other than by way of a capital bonus issue.

NEW SUBSIDIARY

During the year your Trust acquired a further subsidiary company, the details of which are set out in the directors' report. Your board is of the opinion that this acquisition will prove a satisfactory investment. It is the forerunner of other investments which your directors hope to be in a position to make from time to time to strengthen and diversify the affairs of the Trust.

The consolidated balance sheet discloses net current assets amounting to £1,840,642, of which £700,000 has been earmarked towards payment of the income tax liabilities of the subsidiaries due on January 1, 1960.

I have referred in previous statements to the necessity, having regard to the type of business carried on by the subsidiaries, William Hill (Football), Ltd., and William Hill (Glasgow), Ltd., of retaining substantial cash resources within the group. It is considered that these are now adequate in relation to the volume of business transacted.

In conclusion, it is with pleasure that I thank on your behalf all employees in the group for their efficient and loyal service.

The report and accounts were adopted.

THE WALL PAPER MANUFACTURERS LIMITED

Est 1899

Directors:

ALFRED WHITTLE (Chairman)

Richard M. V. Busby, James W. Huntington, Norman Jepson, Osmund Smith, George H. Walmsley, Charles F. Carroll, Alfred Jackson, Hubert Kinder, Frank K. Sugden, John Watson, Eric A. Entwisle, Sidney H. Jackson, Ivan C. Sanderson, Harold Walker, Ernest F. West

Secretary and Registered Office:

C. F. Carroll, King's House, King Street West, Manchester 3

CAPITAL:

Authorised: £12,000,000 Issued: £8,158,620

5% Cumulative Preference Stock, £1,439,824

Ordinary Stock, £1,654,823 Deferred Stock, £5,063,973

Group Assets: £28,878,893

Trading Profit: £4,032,148 Net Profit after taxation: £1,659,214

Deferred dividend for year to June 30, 1958, 27½%

LEADING TRADE MARKS

WALLPAPER: Crown, Sanderson, Palladio, Hayward, Lancastria, Anaglypta, Lincrusta.

PAINT: Walpamur Water Paint, Duradio Enamel Paint, Muromatte Flat Oil Paint, Darwen Satin Finish, Peveril Emulsion Paint, Yeoman Varnishes, Marvo Oil Bound Distemper, Trojax Enamel Paint, Marvosheen Emulsion Paint.

PAPER: Darco.

FURNISHING FABRICS: Sanderson Fabrics.

POWDERED MICA: Micafine.

MOULDING POWDERS: Nestorite.

BRUSHES: Durability, Lancastrian, Foxline.

The Company owns about 100 subsidiaries, including:

ENGLAND: The Walpamur Co. Ltd., Arthur Sanderson & Sons Ltd., Wall Paper Stores Ltd., The Darwen Paper Mill Co. Ltd., James Ferguson & Sons, Ltd., Hollins Brush Co. Ltd., Crown Wallpapers Ltd., Micafine Ltd. SCOTLAND: The Scottish Walpamur Co. Ltd., Wall Paper Stores (Scotland) Ltd., Arthur Sanderson & Sons (Scotland) Ltd. EIRE: The Walpamur Co. (Ireland) Ltd. AUSTRALIA: The Walpamur Co. (Australia) Ltd., Arthur Sanderson & Sons (Australia) Pty. Ltd. CANADA: The Canadian Wallpaper Manufacturers Ltd., Dominion Colour Corporation Ltd., The Crown Diamond Paint Co. Ltd., Arthur Sanderson & Sons (Canada) Ltd., Empire Wallpaper & Paint Co. Ltd. NEW ZEALAND: Arthur Sanderson & Sons (N.Z.) Ltd. SOUTH AFRICA: The Walpamur Co. (Pty.) Ltd., Boston Wallpaper Co. (Pty.) Ltd., Arthur Sanderson & Sons (Africa) (Pty.) Ltd.

The fifty-ninth Annual General Meeting of The Wall Paper Manufacturers Limited was held in Manchester on 26th November, 1958.

The report and accounts for the year ended 30th June, 1958, were adopted.

BANK OF MONTREAL

SUBSTANTIAL GROWTH IN OPERATIONS

The One Hundred and Forty-first Annual General Meeting of the Bank of Montreal was held on December 1st in Montreal.

Mr Gordon R. Ball, the president, in the course of his speech, said: The business scene, both in retrospect and in prospect, shows some important changes from the conditions under which we last met. A year ago, demand was slackening on a broad front and there was scant evidence on which to base hopes of an early turn in the ebbing tide of business activity.

Now, looking back, it can be seen that a moderate revival of business was in the making by the early months of this year. And the generally stronger trends of production, employment, income and expenditure that have since prevailed seem likely to continue in the months ahead.

The value of goods and services produced in Canada is probably now running at an annual rate of around 33 billion dollars, compared with a rate of 31½ billion a year ago. And the volume of industrial output, which had contracted by over 6 per cent during 1957, has expanded by more than 2 per cent to latest report in 1958.

Expenditures of a capital nature continued at a high level, little different from last year in total amount. The other "prime mover" in the Canadian economy—our export trade—has also held up, in total, close to the record values attained last year.

There are, however, new developments afoot that will affect the pattern of international commerce and finance. There is reason to hope that new trade winds will soon be blowing in both the Commonwealth and international spheres. It is with this conviction and this vision that the Bank of Montreal and the Bank of London and South America Limited have this year joined hands in partnership to form the Bank of London and Montreal Limited.

With business activity in this country, and also in the United States, now clearly on the rise, the need for aggressive budgetary and monetary stimuli has diminished.

GENERAL MANAGER'S ADDRESS

In the course of his address, Mr G. Arnold Hart, the general manager, said: The one hundred and forty-first annual statement of the Bank records a year of substantial growth in our operations, with assets and revenues at new high levels. Noteworthy progress has been made in all departments of our business.

Our net profits after depreciation of premises and equipment and transfers to inner reserves, and after setting aside $12,533,000 for income taxes, amounted to $10,356,690. A provision of $8,904,564 out of these profits has been made for regular and extra dividends equivalent in total to $1.65 per share.

Our total assets at the end of the fiscal year amounted to $3,278m, an increase of over $400m during the year and a new high level for the Bank. This increase reflects the growth in deposits. At October 31st our total deposits stood at $3,038m, an increase of $406m since the end of the previous fiscal year.

Our liquid position has been well maintained.

STAVELEY COAL & IRON COMPANY LIMITED

RESTRICTION AFFECTS PROFITS

The ninety-fifth annual general meeting of this company was held on December 3rd in London, Mr John P. Hunt, chairman of the company, presiding.

The following is an extract from his circulated statement for the year to June 30, 1958.

It is a great disappointment to me to record at my first annual general meeting as chairman a decline in profits from £1,598,754 to £1,405,234. The machine tool industry, as a supplier of capital equipment, much of it of an elaborate and expensive nature, has been seriously affected by the restriction in the spending capacity of its customers which was imposed on them by the recent credit squeeze. This, and the general recession in industry in this country, America and Canada are the chief causes of the poorer results. Competition has been and continues to be intense both at home and abroad.

POSITION IN CANADA

The position in Canada, where industry is passing through a very difficult period, has given rise to many problems and anxieties and your companies there have again incurred substantial losses. Nevertheless, under the leadership of Mr John Gilchrist, who was appointed in October, 1957, and as a result of the reorganisation which has taken place, I hope that at the end of the present year I shall be able to report some improvement.

As it was apparent that profits for the year were likely to be less than the previous year, it was decided to reduce the interim dividend paid in March last from 4 per cent to 3 per cent. Your directors are recommending a final dividend of 7 per cent, making a total gross dividend for the year of 10 per cent as compared with 14½ per cent for the preceding year. Your Board considered this reduction necessary, firstly in view of the fall in profits and secondly because of the recent change in the rates of profits tax.

Capital and reserves of your Group have increased by £236,811 to £12,960,071. Net current assets of the Group at June 30, 1958, amount to £8,302,916, as compared with £8,127,273 last year.

THE OUTLOOK

At the time of writing this statement, I regret to say there is little indication of improvement in the level of business activity in the immediate future and the scarcity of orders for capital goods, of which your Group is a large supplier, continues. Nevertheless, I view the future with confidence. Much has been done to improve the efficiency of the companies in your Group. This continues to be your Board's policy and the companies are well placed to take advantage of the upswing in trade when it occurs.

A demand for the nationalisation of the highly skilled and diversified machine tool industry was made at the Trades Union Congress last year. Anyone, with a knowledge of the vital part this industry plays in the whole of engineering manufacture, will realise that to attempt to harness its inventiveness and individuality to some non-technical bureaucratic authority, merely to justify party politics, could only be to the detriment of the industry itself and the country's economy as a whole.

The report and accounts were adopted.

CITY OF LONDON BUILDING SOCIETY

DIVIDEND MAINTAINED

The ninety-sixth Annual General Meeting of the City of London Building Society was held on December 2nd in London. The Chairman of the Board (Mr G. R. Appleyard, FCA) in the course of his address said:

A total of £1,105,319—a considerable increase on last year—has been invested with the Society during the year, of which over £1 million was on share and personal deposit accounts. This has been a tough year for getting money.

We have sufficient confidence at this stage to inform you that our dividend will be maintained at 4 per cent up to March, 1959. In our view it would be unwise to commit ourselves on dividend policy beyond that point, but we shall review the matter again in the New Year.

We have this year departed in one important and original respect from the conventional form for the presentation of our Accounts. We define Liquid Assets as the market value of our Securities, Cash at the Bank and Tax Reserve Certificates. This ratio of 11.6 per cent compares very favourably with the Building Society Association minimum liquidity ratio of 7½ per cent.

The total of our Reserves and Carry-forward is now £341,595, which is 5.06 of our total assets.

The Society's income from mortgages increased by £17,000 as a direct result of the chargeable rates reflecting the lower prices of 2½ per cent Consols and 3½ per cent War Stock during the period.

The report and accounts were adopted.

W. & J. LAWLEY

REPUTATION FOR QUALITY AND SERVICE

The nineteenth annual general meeting of W. & J. Lawley Limited was held on December 3rd in Birmingham, Mr H. J. Gaunt (Chairman and Joint Managing Director) presiding. The following is an extract from his circulated address:

The Group Profit on Trading amounts to £108,285 compared with £112,036 in the previous year. Your Directors consider the results to be satisfactory seeing that the year has been an extremely difficult one with orders being very scarce and the order book being far short of capacity.

Out of a Net Profit of £87,426 Taxation requires £47,997, leaving a Profit after Taxation of £39,429.

The Directors propose that a Dividend of 25 per cent less tax be paid, which is at the same rate of Dividend as in the previous year.

The Consolidated Balance Sheet shows the financial strength of the Group. Revenue Reserves and Surplus total £165,877, an increase of £23,097 and greatly exceeds the Company's Issued Capital of £120,000. Current Assets exceed Current Liabilities by £147,332.

Being one of the oldest and largest Companies trading in our particular products, we have, over the years, built up a name which is synonymous with quality and service and I am confident therefore that whatever the state of the trade in our Industries, your Company will always get its full share.

The report was adopted.

THE CRITTALL MANUFACTURING COMPANY

EFFORTS TO COMBAT RISING COSTS

The thirty-fourth annual general meeting of The Crittall Manufacturing Company Limited was held on December 3rd in London, Lord Braintree (the chairman) presiding. The following is an extract from his circulated review:

You will recollect that in dealing with future prospects last year I referred to the difficult trading conditions ahead due to the Government policy relative to public expenditure and the restriction of credit. Not only did the falling off in house building become more serious, but in other directions —both in public and industrial expenditure— we were not able to maintain our volume of sales. Expressed as a reduction in working time, we lost a day a week for a four-month period, with a consequent drop in profits. Looking back over the period I am satisfied that the result we have obtained can be regarded as satisfactory. The group trading profit, including investment income but before taxation, is £628,835 compared with £813,242 for the previous year.

As anticipated last year, considerable increases in cost of wages, salaries and materials have been borne by the Company; further, during the year there have been awards to certain classes of labour, and National Insurance contributions have been increased on three occasions. There has, however, been a small decrease in the price of steel, and lower average prices for zinc. The steel decrease, however, makes little impression on the large increases which were imposed in the previous year.

We have recently concluded negotiations with our employees for increases in wages and salaries, which in a full year are anticipated to cost around £45,000.

We are constantly striving to mitigate the effect of such increases in costs by improving our manufacturing efficiency, although it is not always possible to avoid some increase in selling prices.

APPROPRIATIONS

After various adjustments there is an amount available of £610,319. Your Directors have transferred a further £100,000 to General Reserve, bringing that Reserve up to £1,100,000, and £25,000 to Provision for Pension Schemes. After providing for Preference Dividends, £43,844, and the interim dividend on the Ordinary Stock of five per cent, £35,937, there remains a balance of £405,538. Your Directors recommend that a final dividend of ten per cent, £71,875, be paid, making fifteen per cent (less income tax) for the year, leaving £333,663 to be carried forward.

I referred at the outset to the fact that we had been running a four-day week for four months of the period under review. I am glad to say that we were able to renew full-time working in the spring. It is early yet to say whether this can be fully maintained; there is still a considerable falling off in expenditure on industrial building and the rate of house construction is substantially lower. It is very necessary for us to introduce an extended range of products, and this we are doing to a large extent by marketing windows of improved types, designed to meet the changes which have taken place in architecture and building construction.

The report was adopted.

ANGLO-ASIAN RUBBER PLANTATIONS LIMITED

MR P. B. L. COGHLAN'S REVIEW

The annual general meeting will be held at Winchester House, Old Broad Street, London, E.C.2, on December 19th at 12 noon.

In his circulated Review, the Chairman (Mr P. B. L. Coghlan) comments on the Company's accounts for the year ended March 31, 1958. During that period the market price for Standard Sheet rubber had continued to decline, its average of 25.05d. per lb being nearly 2¼d. below that for the previous year. Unfortunately, there had also been a substantial falling off in the higher prices obtainable for the special products such as Sole Crepe and Centrifuged Latex, into which a major portion of the Company's crop had for some years been manufactured, and although the Company had been able to achieve an average price for *all* grades of 2d. per lb higher than the average Standard Sheet quotation, it was nearly 4d. per lb. less than that obtained for the 1956-57 crop. The effect that this had on the Company's revenue could be gauged from the fact that each 1d. per lb on the crop amounted to as much as £36,517.

Apart from the fall in price, another equally important factor reflected in the 1957-58 results was the diminishing economic value of the large area of old seedling rubber which had still to be relied upon as the major revenue producer until the replantings could more fully make their contribution to the Company's profits. Mr Coghlan remarks that this disadvantage had been greatly aggravated by the loss of the Company's Indonesian properties with the consequent total loss of any revenue from that source since the war. To redress the balance, the Company had carried out as much replanting in Malaya as its resources would allow. Considering the large proportion of profits hitherto taken by taxation, in addition to heavy expenditure on rehabilitation and security and on Debenture Service, the fact that the Company now possessed 7,485 acres of young rubber—most of which had been replanted since the war —was no mean achievement. However, the Company faced a most difficult position of having large areas of old seedling rubber still to be replaced but which—with rising wages and reducing yields—were making a diminishing contribution towards the cost of their own replacement. To overcome this impasse it was the Board's policy, as suitable opportunities and prices became available, to dispose of outlying areas of old seedling rubber and to use the proceeds to strengthen the Company's depleted resources which would help to accelerate the replanting and modernisation of its more centrally situated estates. This consolidation would enable the Company's operations to be concentrated into more efficient and compact units of production, well equipped to meet present day conditions. To date, 3,438 acres of old rubber had been sold in accordance with this policy and negotiations for further sales were now in progress. The policy of general consolidation was also helped by the facilities provided by the Group Central Factory for a full range of types of estate rubber manufacture.

Regarding prospects for the current year, Mr Coghlan refers to the recent rise in the price of rubber with the consequent likelihood of improved results for 1958-59. It would appear that the period of generally depressed trading conditions in some of the larger countries of the world had passed and that inflationary forces had been checked. Prices for primary commodities had risen which in turn was having a stimulating effect on the purchasing power of the countries where those commodities are produced—all leading to a general expansion of trade.

Mr Coghlan concluded his Review with a tribute to the success of Malaya's first year of independence. Malayan Government leaders were already making a name for themselves in the world's councils. Also, Malayan Ministers had shown their determination to maintain the economic strength of their country by doing all they could to attract foreign investment, on which the successful economic future of Malaya would surely depend.

SIR LINDSAY PARKINSON & CO. LTD.

INCREASED GROUP PROFIT

MR A. E. PARKINSON'S STATEMENT

The twenty-first annual ordinary general meeting of Sir Lindsay Parkinson & Co. Ltd. was held on December 4th at the Piccadilly Hotel, London, W.1.

The following is an extract from the circulated statement of Mr A. E. Parkinson, chairman:

ACCOUNTS

The Group Profit for 1957 applicable to the Members of the Parent Company before Taxation amounts to £218,428 as compared with £210,144 for 1956. Taxation, including a provision of £2,608 for earlier years, amounts to £121,798 against the charge of £89,527 for 1956. The charge for 1956 was reduced by a credit of £14,024 in respect of provision for earlier years no longer required. The Group Profit and Loss Account Balance carried forward amounts to £304,235 compared with £247,561 brought in. The Consolidated Balance Sheet shows a surplus of Current Assets over Current Liabilities and Provisions amounting to £325,851 compared with £472,058 last year.

CONTRACTS

Home: Our work again included a wide variety of Building and Civil Engineering contracts and our production of Opencast Coal continued at a high level.

Australia: As I indicated last year, the policy in relation to our activities in this country has received special attention. As a result it has been decided to curtail our operations there, for the time being.

Canada: Our Montreal Subsidiary continues to operate satisfactorily.

Cyprus: Work on the contracts in the Island has now been largely completed, and great credit is due to our staff and our subcontractors for all that has been achieved under the very difficult emergency conditions.

British Guiana: This contract has proceeded satisfactorily and will be completed early in 1959.

Ghana: Since my last statement considerable progress has been made on the Tema Harbour contract, which is being carried out by Parkinson Howard Limited. As you will have seen from the notes upon the Accounts, although interim figures show a loss your Directors consider that our investment in this associated Company should be worth not less than its par value, upon completion of the contract. On a contract of this magnitude it is difficult to assess the eventual financial outcome, although more than half the work has been completed. It now seems probable that the final value of the contract will be very considerably in excess of the original figure of some £8 million.

DIVIDENDS

The Board has decided to maintain last year's increased dividend on the Ordinary Stock, and a final dividend of 12½ per cent, less tax, making a total for the year of 15 per cent, less tax, is therefore recommended.

CONCLUSION

Although competition was keener our turnover last year did not suffer greatly from the credit restrictions, and I feel that any expansion in Government spending, to meet unemployment or otherwise, will increase the amount of work available to the Construction Industry. At the present time the value of the work in hand in the Group is of the order of £18 million. Once again it is my pleasure to express appreciation on behalf of myself and the Members to my colleagues on the Board and to all our employees throughout the Group for their loyal and efficient service during the past year.

The report and accounts were adopted.

EDUCATION
9/- a line.

SIBFORD SCHOOL, near Banbury, Oxon. is a co-educational boarding school of 220 children run by the Society of Friends (Quakers).
The School is expanding and applications from non-Quakers are welcomed and are now being considered for admission to the School for September 1959 and 1960.
A comprehensive curriculum is offered with a five year course from age 11 to G.C.E. "O" level. "Borderliners" specially considered. Good transfer facilities to other Friends' Schools or local grammar schools for those wishing to take advanced work. The School is noted for the wide education offered, and its tradition of Art, Crafts, and Music taken in G.C.E. with the usual academic subjects. Small classes.
The School is delightfully situated in quiet Cotswold country. *Boarding fee £249 p.a.*
Applications for 1959 should be made before December 31, 1958, to the Headmaster, from whom a prospectus can be obtained. Interviews and inspection of the new building plans invited.

LEIGHTON PARK SCHOOL
Five Scholarships up to £175 and one up to £279 will be awarded on the result of an examination held in February. Also Exhibitions for Music and Art and Sixth Form Exhibitions to enable boys from Day Schools to join the School in preparation for Universities.
Details from the Headmaster, Leighton Park School, Reading.

For other classified advertisements see page 947.

SUCCESSFUL TUITION FOR THE B.SC.ECON DEGREE
Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if Entrance is included). Moderate fees, instalments. 1,147 W. H. students passed Lond. Univ. B.Sc.Econ. exams, 1950-58. Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus from E. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARk 8392.

EXPERT POSTAL TUITION
for Examinations—University, Law, Accountancy Costing, Secretarial, Civil Service, Management, Export Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),
METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

AIR SUBSCRIPTION RATES

	Airmail	*Air Freight**
Australia, New Zealand	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 2s.	—
East Africa	£9 0s.	$7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£9 0s.	$6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	$8 15s.
India	£9 0s.	$7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 0s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	—
Nigeria	£9 0s.	$6 10s.
Pakistan	£9 0s.	—
Philippines	£10 0s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	$7 10s.
South America	£9 0s.	—
Sudan	£7 15s.	$6 15s.
USA	—	$25 or £9
West Indies	£9 0s.	—

* Approx. 24 hours slower than airmail.

COMPANY AFFAIRS

AMALGAMATED PRESS

ONCE the consent of the Treasury is obtained, there seems to be nothing that will—or should—stop the acquisition of Amalgamated Press, by Daily Mirror Newspapers. The *Daily Mirror*, wishing to expand into the periodical field, is a willing buyer. The Berry family which controls the voting stock of Amalgamated Press, is a willing seller. And the holders of the non-voting stock in Amalgamated Press will hardly grumble at a transfer from a conservative dividend policy to one that has every sign of being more liberal.

The terms of the proposed offer are in line with market prices and they set a value equivalent to about £16 million in cash on the deal. The Daily Mirror 5s. voting ordinary shares stand at 21s. 6d. and its 5s. "A" non-voting ordinary shares at 21s. while the Amalgamated Press 10s. voting ordinary units stand at 44s. 6d. and its 10s. "A" non-voting units at 40s. For every Amalgamated Press voting ordinary unit, the Daily Mirror is offering two of its voting ordinary shares and for every Amalgamated Press "A" non-voting ordinary unit two of its "A" non-voting ordinary shares. Thus, the voteless equity has not been left out in the cold. The Berry family interests do not intend to remain voting shareholders in the Daily Mirror—a situation which might sit oddly with their control of the *Daily Telegraph*. One of the conditions of the offer is that the family interests will sell the Daily Mirror ordinary shares they receive to the Sunday Pictorial (which has cross-holdings in the Daily Mirror) at something below the present market price.

The non-voting shareholders of either group have nothing to complain about. Even if the commercial television aspect of the take over is ignored, the *Daily Mirror's* interests will be more broadly based as a result of the purchase of the biggest of Britain's periodical publishers; moreover, the earnings of Amalgamated Press cover very handsomely the dividends it has been paying. On the other side, the non-voting shareholders in Amalgamated Press move from a regime in which an unchanged dividend of 22 per cent has been paid for the last four years to one that recently raised the interim dividend and seems likely to raise the final as well.

CONSETT IRON

LOWER profits from the steelmakers, apart possibly from those selling sheet to the motor industry, must be expected this year. But the first of the steel results, from Consett Iron for the year to September 27th, suggests that earnings may in some instances have fallen rather more steeply than had been expected. Gross profits of Consett Iron before tax and depreciation have tumbled by nearly 30 per cent, from £5,384,394 to £3,817,031 while net income from trading is down by nearly 39 per cent, from £1,965,613 to £1,205,077. The net profits are calculated before adding special non-recurring credits but also before the transfer to replacement reserves; this appropriation has been drastically reduced from £800,000 to £350,000. From these figures, it is clear that Consett Iron, which can hardly be put among the lowest cost producers in British steel, has been hit, first, by the slacker demand for steel billets from the re-rollers and, later, by the fall in orders for steel plate from the shipbuilders. The complete running off of the premium on exports of plate must have played some part too.

Inevitably, then, the ordinary dividend is left unchanged at 8¾ per cent. The big development programme, on which Consett Iron has just embarked, with the aid of the banks and FCI, will still require much support from earnings. That fact points, for a few years at least, to a conservative distribution policy. Something more than a political risk is implied in the yield of 8.6 per cent on the £1 ordinary units at their current price of 20s. 6d.

HAWKER SIDDELEY

THIS year the £1 ordinary units of Hawker Siddeley have been as low at 24s. 9d. and as high, in the quite recent past, as 34s. 9d. In fact, they shared in the Stock Exchange boom and now stand at 30s. 7½d. to yield 6.8 per cent on the maintained dividend of 10 per cent. Their price is dominated immediately not so much by the course of earnings as by the likelihood that the group will have to come to the market with a massive financing operation.

Hawker Siddeley needs permanent capital to fund the bank overdrafts of the Brush group, which it now wholly owns, and the much bigger sum involved in its purchase of a 76 per cent interest in Dominion Steel and Coal of Canada (Dosco). The sale of its interest in Algoma, apparently at a small profit, will bring about £4¾ million back into the coffers of Hawker Siddeley's Canadian subsidiary, A. V. Roe, but the company still has a lot more permanent capital to find. Dosco must have been affected by the North American recession; the Brush group must have had a difficult time to judge by the much lower profits reported by other manufacturers of diesel engines; and the company's traditional business in aircraft is running off. All this makes Hawker's financing problem difficult to solve. Nor can the company make a move on this until the 1957-58 full accounts, showing clearly what the new shape of the group is and just how much is owed to the banks, are in shareholders' hands.

They can, however, do a few sums on the preliminary statement. Those sums, set out in the accompanying table, will hardly fill them with joy. The latest figures for the British group include an unspecified amount for a full year's earnings of the Brush group. Earnings for the Canadian companies include ten months' figures for Dosco. Gross profits of the British group are slightly down but net profits are heavily down because of the big jump in "special development expenditure." Moreover, special credits relating to deliveries in earlier years have fallen. Thanks to the inclusion of the Dosco earnings, gross profits of the Canadian group are much higher—but so, and for the same reason, is the depreciation provision. Net earnings, despite Dosco's contribution, have fallen.

Years to July 31	1957 £	1958 £
British Group :		
Gross profit	11,798,260	11,751,880
Depreciation	3,114,370	3,177,476
Special development	1,645,019	2,886,203
Taxation	4,230,866	3,877,075
Minority interests	24,917	4,170
Net profit	*2,783,088*	*1,806,956*
Prior year's credits	1,917,586	1,414,150
Net balance	*4,700,674*	*3,221,106*
Canadian Group :*		
Gross profit	8,296,891	11,847,830
Depreciation	3,227,279	5,231,141
Taxation	2,342,461	2,986,101
Minority interests	457,297	1,733,093
Net profit	2,269,854	1,897,495
Prior year's credits	145,056	...
Net balance	2,414,910	1,897,495
Consol. Net Earnings :		
Net profit	*5,052,942*	*3,704,451*
Prior years' credits	2,062,642	1,414,150
Net balance	*7,115,584*	*5,118,601*
Ordinary dividends	1,492,781	1,492,781
Retained by subsidiaries	5,365,294	3,392,267
Retained by parent	68,343	73,531

* Includes ten months' earnings of Dosco in 1957-58.

The upshot is that, if special credits from earlier years are excluded, net profits of the Hawker group as a whole have fallen, and the cover on the maintained dividend is reduced from just over three times to about 2½ times. Diversification brought no immediate benefits in 1957-58 because Hawker Siddeley acquired new and diverse interests in economies and industries hit by recession.

BICC-TELCON

BRITISH INSULATED CALLENDER'S CABLES' bid for the ordinary and preference capital of Telegraph Construction and Maintenance marks a further step in the rationalisation of the cable-making industry, which has problems of over-capacity and low profit margins. In recommending the offer the directors

of Telcon have it in mind that trading profit in the second half of 1958 will be slightly lower than the £332,000 earned in the first six months. This profit compares with £827,000 for the whole of 1957 and the directors did not expect this year's profits would warrant more than an 8½ per cent ordinary dividend (against 10 per cent for 1957, including a "special additional cash bonus" of 1½ per cent). BICC with its wide-ranging interests earned profits in the six months to June 30th comparable with 1957, and its dividend is well covered. Hence the attraction of the offer to shareholders in Telcon. BICC offers three of its £1 ordinary shares currently valued at 50s. 3d. and for every four of Telcon's £1 ordinary shares which stood at 32s. before the bid. If the bid becomes unconditional Telcon will pay to its present shareholders a second interim dividend of 4¾ per cent for 1958. Holders of the 5 per cent redeemable preference shares in Telcon will receive an equal nominal value of BICC's 5½ per cent second cumulative preference shares. BICC has set out the benefits which it expects to achieve from the merger. The two groups have complementary interests in metals; research, development, production and sales can be co-ordinated and their separate overseas interests merged.

CANADIAN BANK OF COMMERCE

A FURTHER instance of the expansion of Canadian banking is found in the one for five rights issue of $10 shares being made by the Canadian Bank of Commerce at $32. There has been a steady flow of such issues in Canada in recent years, including one by the Canadian Bank of Commerce two years ago. Stockholders are now offered 900,000 new shares, raising the paid up capital by $9 million to $54 million, and the "rest account," which broadly speaking is equivalent to a capital reserve in this country, by $19,800,000 to $119,800,000. Subscribers to the issue can pay either in cash between January 2nd and March 17th next or in ten equal monthly instalments from March 17th, ranking for dividends in proportion to the sum paid. British stockholders, who own a small proportion of the stock, can apply; at the current premium of ¼ of one per cent the subscription price of $32 (Canadian) is equal to about £11⅞ net London, payable in security dollars. This offer is attractive, for the $10 capital stock cum rights is now quoted at about $59⅛ in Canada (£22 in London). Hence the rights are worth roughly $4.45 (£1⅝ London). The American holders, though they are free to sell the "rights," cannot subscribe, owing to SEC regulations.

TATE AND LYLE

THE directors of Tate and Lyle have stated that the margin between the prices of raw and refined sugar was held stable for eighteen months to the middle of last year. The margin was then widened to offset increased costs. Allied to careful buying this is reflected in a rise in profits in the year to September 30th, although sales of refined sugar actually fell. Deliveries to the home market declined by 8,217 tons to 1,451,167 tons, but exports fell more steeply by 113,306 tons to 584,433 tons. Nevertheless, gross profits before depreciation advanced from £5,953,724 to £6,195,253.

Years to September 30	1957 £	1958 £
Gross profit	5,953,724	6,195,253
Depreciation	1,531,485	1,617,150
Tax	2,392,788	2,485,463
Net profit	*1,828,245*	*1,895,662*
Ordinary dividend	830,156	830,156
Ordinary dividend (per cent)	*16½*	*16½*
To general reserve	900,000	950,000

Although the ordinary dividend of 16½ per cent serves a fourth year of office, £5¼ million is to be capitalised and distributed as a three-for-five scrip issue. A precedent was set in 1955 when a scrip issue was followed by an effective increase in the dividend, and the market obviously expects that will happen again. The cover for the 16½ per cent dividend, absorbing £830,156 net, is ample, net profits having risen from £1,828,145 to £1,895,662. Since this announcement Tate and Lyle's £1 ordinary shares have put on 2s. 6d. to 73s. and now yield 4½ per cent on the present dividend.

WEST WITWATERSRAND AREAS

WEST WITWATERSRAND AREAS was until recently solely concerned with mines in the Far West Rand, but it has now branched out into the Orange Free State through its acquisition of New Consolidated Free State Exploration. This gave West Wits substantial shareholdings in Harmony, which has already begun to pay dividends, and in Free State Saaiplaas, which is still developing and which needs further capital. The acquisition left West Wits short of cash. Moreover, it will have to put new money into Free State Saaiplaas early next year and, more immediately, it intends to take up itself its allotment of 1,062,346 "A" shares of £1 each offered at par by Western Deep Levels, the very deep mine being developed in the Far West Rand.

Hence, West Wits has to make an appeal for new money. It will raise its authorised capital by 815,008 new 2s. 6d. shares to 9,500,000 2s. 6d. shares and it hopes to raise about £1,700,000 by offering these new shares to shareholders early next year. The terms of the issue have not yet been announced but a rights issue of something over 40s. a share would bring in the sum needed. The existing units stand at 52s. 6d., to yield 6.2 per cent on the dividend of 3s. 3d. per share. That dividend absorbed £1,093,092 from a net income of £1,264,431 in 1957-58, and it looks as if the directors have to rely on bigger payments from Harmony and from its interests in the Far West Rand producers to maintain such a payment on the increased capital. But the chairman, Mr P. S. Hammond, is confident that the maturing of the company's investments will make it possible on the enlarged capital "to make further improvements in the rate of annual dividend distributions."

NEW DAY FURNISHING

MUCH of the business of New Day Furnishing is transacted on HP terms, a trend which the chairman, Mr Oliver Frost, expects to become more pronounced now that hire purchase brakes are off the furniture, television, radio, and domestic appliances which the group retails through its 140 branches. In the year to June 30th, trading profits dropped by nearly 44 per cent, from £640,142 to £359,919, and in net profits by 35 per cent, from £202,908 to £132,331. When the interim dividend was cut in April by 2d. to 3d. per 2s. share the directors pointed out that unemployment had risen in the North-Western area, where the company's trade is concentrated, and there was a sharp contraction in trade early this year. Mr Frost reveals that sales remained low for the rest of the year.

In 1956-57 a dividend of 1s. per share (or 50 per cent) was paid from earnings of 56 per cent. The fall in earnings to 35 per cent in 1957-58 made some dividend reduction hardly avoidable and the final dividend has been cut from 7d. to 3d. per share, making 6d. per share (or 25 per cent) for the full year. The group has practically no cash and the rise in the bank overdraft from £341,833 to £803,468 dictates prudence, especially as Mr Frost now says that demands on cash resources will intensify now that HP sales are recovering. However, the group's bankers have agreed to assist "for an interim period."

The removal of HP restrictions has already had "an electrifying effect" on sales, and though it is difficult to foresee the level at which they will stabilise, Mr Frost believes that turnover in the current year should be well in excess of that achieved in 1957-58. But the full effect of the new freedom will be felt gradually for profits are brought into the accounts only as HP debts are collected, and the chairman does not expect the group to be back "on an even keel" again before 1960. A special interim of 8½ per cent (2d. per share) has, however, been declared, in view of "all the circumstances, and in order to keep profits tax to the minimum." The 2s. shares stand at 11s. 10½d.; the yield on the 25 per cent dividend plus the special interim of 8½ per cent is 5.6 per cent.

FISONS

THE belief in Throgmorton Street that the directors of Fisons might soon loosen the purse strings has been strengthened by Sir Clavering Fison's announcement at the annual general meeting that a one for two scrip issue, capitalising £3,869,908 from the share premium account of £4,134,643, will be made early in the new year. He said that though the issue did not necessarily imply a bigger payment it "by no means precluded" one.

In 1957-58 the ordinary dividend of 15 per cent was paid from earnings of about 33 per cent. The £1 ordinary

Company Affairs *continued on p. 942.* **London and New York Stocks** *on next two pages.*

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Nov. 26, 1958	Price, Dec. 3, 1958	Net Yield, Dec. 3, 1958 § £ s. d.	Gross Yield, Dec. 3, 1958 £ s. d.
99 13/16	96 1/16	War Loan 3% 1955–59	99 11/16	99 25/32	1 15 5	3 5 11
96 11/16	90 5/8	Funding 2½% 1956–61	96 1/2	96 1/2	2 18 4	4 1 5
99 27/32	96 13/16	Conversion 2½% 1958–59	99-16-2	99-17-1	...	3 4 1
—	—	Conversion 2½% Assented ...	—	99-16-7½	2 10 5	4 9 6
98 1/16	93 3/16	Exchequer 2½% 1960	97 7/8	97 31/32	2 13 1	3 14 9
99 1/4	95 3/16	Exchequer 3½% 1960	99 3/32	99 1/8	2 3 7	3 14 8
100 11/16	95 5/16	Conversion 4½% 1962	100 13/32	100 1/2	2 4 7	4 6 5
94 19/32	88 5/8	Exchequer 3½% 1962–63	94 1/16	94 1/8	3 1 6	4 7 9
101 11/32	99 7/16	Conversion 4¾% 1963	101 1/8	101 1/16	2 9 11	4 9 10
90 1/8	83 5/8	Savings Bonds 3% 1955–65	89 5/16	89 5/16	3 12 6	5 1 3
82 5/8	77 3/8	Funding 3% 1959–69	82	82 1/4	3 16 11	5 6 0
89 3/4	86 3/8	Funding 4% 1960–90	88 3/4	89 1/8	11 0 9 / 2 16 9	13 0 3 / 4 13 9
80 1/8	75	Savings Bonds 3% 1960–70	79 7/8	79 3/4	3 18 11	5 9 0
91 3/16	84 3/8	Exchequer 2½% 1963–64	90 3/4	90 5/8	3 7 1	4 9 10
83 3/8	78 5/8	Savings Bonds 2½% 1964–67	83 1/2	83	3 16 10	5 0 10
74 3/4	69 5/8	Savings Bonds 3% 1965–75	74	74 1/8	3 17 9	5 9 4
103 1/2	99 1/2	Exchequer 5½% 1966	102 11/16	103 1/8	2 15 10	5 3 8
83 3/4	78 3/8	Funding 3% 1966–68	83 1/2	83 1/2	3 17 3	5 6 11
95 7/8	91 1/8	Victory 4% 1920–76	95 7/8	95 3/4	2 17 11	4 14 4
87	81 9/16	Conversion 3½% 1969	86 1/8	86 5/8	3 13 1	5 6 7
100 1/4	97 1/4	Conversion 5¼% 1974	98 1/16*	98 1/8*	3 3 4	5 8 4
78 3/16	71 1/8	Treasury 3½% 1977–80	75 7/8	75 7/8*	3 12 8	5 8 11
77 1/4	70 3/8	Treasury 3½% 1979–81	76 3/8	76 3/8	3 12 2	5 8 6
103	98 1/2	Funding 5½% 1982–84	102 11/16	102 3/4	3 1 5	5 9 0
67 1/4	60	Redemption 3% 1986–96	65 5/8	65 3/8	3 7 3	5 2 2
74 1/2	64 3/8	Funding 3½% 1999–2004	72 1/2	72 1/4	3 4 2	5 3 4
76 5/8	69 1/16	Consols 4% ..after Feb. 1957	74 1/2	74 1/8	3 2 9	5 10 0
69 1/16	63 1/8	War Loan 3½% ..after 1952	66*	65 3/8	3 1 1	5 6 9
68 7/8	62 3/8	Conv. 3½% ..after Apr. 1961	66 1/8	65 3/4	3 1 7	5 7 6
60	54 5/8	Treasury 3% after Apr. 1966	57 3/4	57 3/8	3 0 5	5 5 6
52 13/16	46 3/4	Consols 2½%	50 3/4*	50 3/4*	2 16 6	4 18 1
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	49 3/8	48 7/8	2 19 2	5 3 3
95 9/16	90 1/8	British Electric 4½% 1967–69	94 3/4	94 13/16	3 5 1	5 5 6
76 3/4	72 1/16	British Electric 3% .. 1968–73	76 1/2	76 3/8	3 18 6	5 9 0
73 3/4	68 5/8	British Electric 3% .. 1974–77	73 3/8	73 1/2	3 15 6	5 7 0
87 7/16	82 5/8	British Electric 4½% 1974–79	86 7/8	87	3 7 0	5 7 2
78 1/2	72 5/16	British Electric 3½% 1976–79	76 5/8	76 3/8	3 12 5	5 7 10
87 7/8	82 7/16	British Gas 4% 1969–72	87 5/8	87 5/8	3 10 4	5 8 6
84	79 1/4	British Gas 3½% 1969–71	83 3/8	83 3/4	3 13 4	5 7 4
67 7/8	60 7/16	British Gas 3% 1990–95	66 1/2	66 1/3	3 7 0	5 1 4
76 3/4	72 1/16	Brit. Transport 3% .. 1968–73	76 1/2	76 3/8	3 18 6	5 9 0
85 1/2	79 1/4	Brit. Transport 4% .. 1972–77	83 1/2*	83 1/2*	3 9 9	5 7 8
68 15/16	60 15/16	Brit. Transport 3% .. 1978–88	66*	65 3/4*	3 12 3	5 5 10

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Nov. 26, 1958	Price, Dec. 3, 1958	Yield, Dec. 3, 1958 £ s. d.
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	99 1/2	99 1/2	4 7 0
105 3/8	97 7/8	Australia 6% 1974–76	103 3/4	104	5 12 3
76 1/2	73 1/2	Ceylon 4% 1973–75	75 1/4	75 1/2	6 7 8
98 1/2	94 1/2	Jamaica 6% 1977–82	97	98 1/2	6 2 5
104 3/4	97 7/8	New Zealand 6% 1976–80	103 3/4	103 7/8	5 13 1
101 1/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	98 7/8	99 1/4	6 1 3
74 5/8	69	Southern Rhodesia 2½% 1965–70	72 3/4	72 3/4	5 13 11
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	100	102	5 6 11
105	98 7/8	Birmingham 5¾% 1974–76	104	102*	5 11 2
92 3/4	86	Bristol 3% 1958–63	92 1/2	92 1/2	4 14 0
95 1/2	91 1/2	Glasgow 4¾% 1966–68	95	95	5 8 0
100 1/4	96 1/2	Corporation of London 5¼% 1976–79	98 3/4	99	5 6 9
57 3/4	53	L.C.C. 3% ..... after 1920	54 1/2	54 1/2	5 10 1
64	56	Met. Water Board 'B' 3% 1934–2003	61 1/2	61 1/2	5 4 8
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	99 1/4	100	...
180	154	German 5¼% 1930 (Enfaced 4½%)	178 1/2	176 1/2*	Nil
18	12 3/4	Greek 7% Refugee 1924	17 1/4	17 1/4	...
169	160	Japan 5% (Enfaced) 1907	162	162	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	116 1/2	117 1/4	...
53 1/2	48	Uruguay 3½% Bonds (Assented)	53 1/2	54	...

NEW YORK CLOSING PRICES

	Nov. 26 $	Dec. 3 $		Nov. 26 $	Dec. 3 $		Nov. 26 $	Dec. 3 $
Ath. Topeka	27 7/8	26 7/8	Boeing	50	49 1/4	Inter. Nickel	86 1/8	85 3/4
Can. Pacific	30 1/2	29 1/2	Celanese	51 3/8	50 3/4	Inter. Paper	113	111 1/2
Pennsylvania	18 3/8	17 3/4	Chrysler	51 3/4	50 3/4	Kennecott	96 1/8*	95 1/2
Union Pacific	35 3/8	34 7/8*	Col. Palmolive	8 1/8	8 1/2	Monsanto	39 1/4	38 1/2
Amer. Electric	50 1/4	50 3/4	Crown Zeller	57 5/8	57 5/8	Nat. Distillers	29 1/2	29 3/4
Am. Tel. & Tel.	195 1/2	200	Distillers Seag.	33 1/8	33 1/4	Pan-American	22 3/8	21 7/8
Cons. Edison	58	58 1/8	Douglas	57 1/8	57	Procter Gamble	75 3/8	75 3/8
Int. Tel. & Tel.	53 5/8	54 1/8	Du Pont	197 1/4	199	Radio Corpn.	39 3/4	45 3/8
Standard Gas	3 1/4	3 1/4	East. Kodak	131 3/4	134 3/4	Sears Roebuck	36 3/8	36 1/2
United Corpn.	8	8	Ford Motor	47 7/8	46 5/8	Shell Oil	80 3/4	79 1/2
Western Union	29	30 1/4	Gen. Electric	68 7/8	70 3/8	Socony-Mobil	48 1/8	48 1/8
Alcoa	85 1/4	87	General Foods	74 1/2	77 5/8	Stand. Oil Ind.	46 7/8	46 3/4
Aluminium	31 3/4	30 7/8	General Motors	48 1/8	47 7/8	Stand. Oil N.J.	58 1/2	58 5/8
Amer. Can	50	50 1/8	Goodyear	108 1/2	113 3/4	20th Cent. Fox	40 1/2	38 7/8
Am. Smelting	47 1/8	46 3/4	Gulf Oil	119 3/4	118 1/2	Union Carbide	115 7/8	120
Am. Viscose	35 3/4	36 3/8	Heinz	64 1/2	65	U.S. Steel	84 1/2	85 1/2
Anaconda	58 1/8	57 1/2	Int. Bus. Mach.	438 1/4	450	West. Electric	66 1/2	69
Beth. Steel	48 3/8	49 1/4	Int. Harvester	41	41 7/8	Woolworth	50 3/4	51 3/8

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Nov. 26, 1958	Price, Dec. 3, 1958	Yield, Dec. 3, 1958
			STEEL AND ENGINEERING			
31/6	24/11½	% %	Colvilles £1	28/9	28/4½	9·16
28/–	21/7½	8 b 5 a	Dorman Long £1	24/3	24/4½	8·21
20/7½	15/6	6 c 3 a	Steel Co. of Wales £1	20/–	20/3¾	7·88**
27/6	20/–	8 b 3 a	Stewarts & Lloyds £1	24/–	23/9	9·26
35/3	22/3	14 c 6 a	John Summers £1	32/10½	33/3	8·42
26/3	17/9	7½ b 4 a	United Steel £1	24/–	24/6	9·39
34/–	23/–	4 a 6 a	John Brown £1	30/–	29/9	6·72
9/4½	6/9	11 b 4 a	Cammell Laird 5/–	8/1½	8/1½	9·23
64/–	48/–	13 b 5 a	Swan Hunter £1	58/–	58/9	6·13
36/–	28/6	7½ b 2½ a	Vickers £1	34/3	34/4½	5·82
64/9	43/3	62½ b 5 a	Averys £1	60/6	60/3	2·87
18/7½	12/9	†43/8 b †17/8 a	Coventry Gauge 10/–	18/3	18/–	6·04
38/7½	28/3	†2 a †4 b	Alfred Herbert £1	37/–	36/–	5·49
16/7½	9/3	5 a 10 b	Ransome & Marles 5/–	16/6	16/6	4·55
40/9	30/4½	3 a 9½ b	Ranold Chains £1	40/3	40/3	6·21
42/9	21/9	83/4 b 33/4 a	Allied Ironfounders £1	37/3	36/6	6·85
55/6	41/10½	63/4 b 6 a	Babcock & Wilcox £1	51/6	51/–	5·10**
77/6	36/9	8 b 4 a	British Aluminium £1	62/9	66/9	3·60
82/–	45/3	15 c 20 c	Davy & United £1	79/–	81/–	4·94
56/11½	34/7½	7½ b 4 a	Guest Keen £1	54/3	54/10½	4·19
64/11½	41/–	4 a 7 b	Metal Box £1	62/11½	64/4½	3·42
55/–	43/9	33/4 a 33/4 a	C. A. Parsons £1	52/–	52/–	2·88
27/9	23/–	15 b 10 a	John Thompson 5/–	25/–	24/9	5·05
78/6	48/6	71/2 a 10 b	Tube Investments £1	77/–	77/9	4·50
			BUILDING, etc.			
50/3	31/–	6 b 3 a	Associated Portland £1	46/6	48/9	3·69
20/9	12/7½	7½ b 5 a	British Plaster Board 10/–	20/11½*	20/9*	6·02
68/9	27/11½	5 c 83/4 c	Richard Costain £1	61/10½	61/3	2·86
9/6	6/3	5 a 10 b	Crittall Manufacturing 5/–	9/4½	9/11½	8·22
60/–	36/11½	158/8 c 6 a	London Brick £1	57/9	58/6	5·34
73/10½	52/11½	121/2 b 5 a	Turner & Newall £1	71/10½	72/3	4·15**
80/–	52/6	5 a 131/3 b	Wall Paper Defd. £1	75/5‖	77/3‖	4·75
			CHEMICALS AND PAINT			
20/3	13/4½	16 c 4 a	Albright & Wilson 5/–	20/–	20/–	4·00
20/4½	14/4½	56/8 b 211/2 d	Borax Defd. 5/–	15/11½	16/6	2·65
7/7½	4/10½	12½ b 7½ a	Brit. Ind. Plastics 2/–	6/10½	6/10½	5·82
65/9	42/10½	5 a 10 b	Fisons £1	61/–*	65/3*	4·60
36/6	24/3	51/3 b 22/3 a	I.C.I. £1	35/3	35/6	4·51
14/–	8/7½	18 c 6 a	International Paints 4/–	13/3	13/7½	5·28
16/2¼	12/6	5 a 8½ b	Monsanto 5/–	15/11½	15/6	4·35
22/–	15/3	5 a 11/3 b	Pinchin Johnson 10/–	20/6	19/6	8·55
			ELECTRICAL AND RADIO			5‖
58/3	47/–	7½ b 7½ a	A.E.I. £1	56/3*	57/3	5·24
52/–	39/3	8½ b 4 a	B.I.C.C. £1	50/3*	49/–*	5·10
35/6	24/7½	433/4 c 147/12d	Decca Record 4/–	33/9	33/–	5·30
58/–	28/–	15 c 15 c	E.M.I. 10/–	56/11½	55/7½	4·79**
60/3	44/6	10 b 4 a	English Electric £1	58/–	58/3	4·81
40/3	29/9	31/2 a 6½ b	General Electric £1	35/–	35/6	5·63
17/–	10/3	12½ c 12½ c	Pye Defd. 5/–	15/10½	15/7½	4·00
89/3	74/6	11 b 6½ a	A. Reyrolle £1	87/3	87/6	4·29
			MOTORS AND AIRCRAFT			
13/9	6/7½	12½ c 5 a	British Motor 5/–	12/5¼	13/–	6·73**
47/–	31/9	6 b 3½ a	Ford Motor £1	45/4½	46/10½	4·05
48/9	39/–	12½ c 12½ c	Leyland Motor £1	44/11½	44/9	5·59
7/3	4/11½	8 c 4 a	Rootes Motors 4/–	6/11½	6/3	5·12
8/9	6/7½	8 c 12 c	Standard Motors 5/–	7/9	7/10½	7·62
26/6	14/4½	11 b 4½ a	Dunlop Rubber 10/–	23/7½	22/10½	6·63
45/6	28/–	2½ a 5 b	Joseph Lucas 5/–	41/3	42/3	4·73**
23/9	12/5¼	14 b 7½ a	Pressed Steel £1	20/3	20/11¼	5·13
46/4½	32/9	20 c 7½ a	Triplex Holdings 10/–	44/10½	44/9¾	6·14**
14/4½	8/7½	6½ b 3½ a	Bristol Aeroplane 10/–	10/–	9/6	10·53
21/4½	14/3	7½ c 7½ c	De Havilland £1	17/–	16/7½	9·02
42/3	29/3	15 a †6½ b	Dowty Group 10/–	41/4½	42/–	4·76
34/9	24/9	3 a 7 b	Hawker Siddeley £1	30/11½	28/4½	7·05
103/–	82/9	15 b 5 a	Rolls-Royce £1	100/7½	101/6	3·94
			PAPER AND NEWSPAPERS			
44/9	26/6	8 b 4½ a	Bowater Paper £1	43/3	43/–	5·81
48/6	27/9	9 b 5 a	Albert E. Reed £1	46/9	46/6	6·02
24/9	16/–	5 b 3 a	Spicers £1	21/–	20/9	7·71
23/6	8/9	7½ a 12 b	Daily Mirror 'A' 5/–	22/3	21/4½	4·56
29/–	18/6	5 a 12½ b	Odhams Press 10/–	25/3	25/–	7·00
			TEXTILES			
24/11½	19/6	6¼ b 2½ a	J. & P. Coats £1	21/9*	22/11½*	7·91
20/11½	12/10½	5 a 5 b	Fine Spinners £1	19/–	18/9	10·67
39/3	29/10½	12½ b 5 a	Lancashire Cotton £1	36/–	36/6	9·59
37/9	30/–	12½ c 7½ a	Patons & Baldwins £1	37/4½	37/6	6·67
6/8¼	4/10½	6 c 4 a	Salts (Saltaire) 5/–	5/6	5/4½	9·30**
48/7½	38/4½	10 b 5 a	Woolcombers £1	47/3	47/6	6·32
16/3	10/11½	6 c Nil	Bradford Dyers £1	14/10½	14/9	—
48/4½	33/11½	22½ c 3 a	Calico Printers £1	35/9	36/9	12·24
33/6	19/7½	5 b 3 a	Courtaulds £1	31/–	31/4½	5·10
13/7½	8/10½	15 b 3 a	Jute Industries 10/–	10/11½	10/3	—
19/3	15/3	7½ c 7½ c	Tootal £1	18/–	19/3	7·79
			DRAPERY & STORES			
20/4½	14/9¾	18 c 3 a	Boots Pure Drug 5/–	19/10½	20/11½	3·58**
54/–	33/6	7½ b 20 a	Debenhams 10/–	53/–	54/–	5·56**
30/–	17/3	25 b 7½ a	G.U.S. 'A' £1	29/11½	29/–	5·60
80/–	55/6	12½ a 5 b	Harrods £1	73/–	72/9	4·81
33/–	20/3	25 b 10 a	House of Fraser 'A' 5/–	31/9	32/–	5·47
16/–	10/6	13·6c 6 a	Lewis's Investment 4/–	15/7½‖	15/6‖	3·51
53/11½	37/3	22½ b 12½ a	Marks & Spencer 'A' 5/–	51/3	51/9	3·38
33/9	21/–	20 b 12½ a	United Drapery 5/–	32/7½	32/9	4·96
50/–	34/7½	26½ b 13½ a	Woolworth 5/–	48/10½	48/4½	4·13

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Nov. 26, 1958	Price, Dec. 3, 1958	Yield, Dec. 3, 1958
			BANKING			
52/3	31/9	% % 6 b 6 a	Barclays £1	50/3	50/6	4·75
44/6	27/6	4½ a 5½ b	Lloyds £1	42/6‖	44/3‖	4·52
81/9	57/6	9 b 9 a	Midland £1	80/3	79/9	4·51
84/6	59/3	9 b 9 a	National Provincial £1	83/–	83/–	4·34
53/9	36/–	6¼ b 5 a	Westminster 'B' £1	50/9	49/9	4·52
65/9	47/9	7½ b 7½ a	District 5/–	64/6	65/3	4·60
18/6	12/11½	7½ b 7½ a	Martins 5/–	17/10½	18/–	4·17
30/6	21/4½	5 a 7½ b	Com. Bk. of Scot. 'A' 10/–	29/–*	30/–*	4·17
61/3	46/–	7 b 7 a	Royal Bank of Scotland ..£1	60/–	61/3	4·57
37/9	27/6	4 a 5 b	Barclays D.C.O. £1	34/6*	36/6*	4·93
45/9	31/3	7½ b 7½ a	Chartered Bank £1	45/6	46/–	6·52
£273/4	£20	$2·10c $2·25c	Royal Bank of Canada. $10	£267/8*	£273/4*	2·99
£20 1/4	£14 15/16	$1·60c $1·65c	Bank of Montreal $10	£195/16	£20	3·05
29 1/4	25 5/8	9 c 9 c	Bank of New S. Wales. £20	27 5/16	28 3/8	5·07
33/–	28/–	5 b 4 a	Bank of Ldn. & S. Amer. £1	31/–	33/–	5·45
			FINANCIAL			
29/–	18/–	2½ a 2½ b	Alexanders £1	27/6	27/6	3·64
45/–	29/6	5 b 5 a	National Discount 'B' ..£1	41/6	45/–	4·44
58/6	40/9	6¼ b 6¼ a	Union Discount £1	56/6	57/6	4·35
39/6	32/9	36⅔ c 18½ a	Commercial Union 5/–	38/3	39/–	4·70
135/–	102/6	12½ a 15 b	Employers Liability £1	130/–	127/6	4·31
177/6	117/6	†16·2a †16·2b	Equity & Law 8/6	166/3	166/3	2·88
176/10½	113/9	60 b 40 a	Legal & General 5/–	160/–*	165/–*	3·03
118/–	86/3	†50 b †20 a	Pearl 5/–	114/6	114/6	5·32
211/3	154/–	†132½ c †147½ c	Prudential 'A' 4/–	200/–	200/–	5·15
80/6	63/9	8 b 8 a	Royal Exchange £1	78/6	78/–	4·10
34/10½	16/–	13⅛ b 10 a	Bowmaker 5/–	31/11½	31/7½	3·95**
21/4½	16/10½	7½ b 7½ a	Lombard Banking 5/–	18/9	19/9	3·80
113/–	73/3	16 b 4 a	U.D.T. £1	108/–	110/–*	3·64
40/–	19/9	7½ b 10 a	B.E.T. 'A' Defd. 5/–	37/–	37/9	3·64
13/11½	7/11	10 c 10 c	Cable & Wireless 5/–	12/6	12/6	4·00
20/–	7/10½	2½ b 2 a	Land Securities 10/–	19/9	19/9	3·04**
16/4½	8/7½	5 5/12c 2 1/12a	London & County 10/–	15/7½	16/4½	4·07**
			FOOD, DRINK AND TOBACCO			
40/9	27/–	30 c 10 a	Allied Bakeries 'A' 5/–	39/6	40/3	3·73
26/–	13/4½	20 c 7 a	Beecham Group 5/–	23/6	24/9	4·04
11/6	6/5¼	2½ a 7 b	International Tea 5/–	11/–	11/6	4·13
71/9	40/11½	9½ b 5 a	J. Lyons 'A' £1	69/6	71/9	3·95
18/–	13/7½	5 b 5 a	Ranks 5/–	16/10½	17/9	5·63
16/3	7/9	7½ b 2½ a	Schweppes 5/–	15/6‖	15/10½‖	4·72**
74/6	48/9	5 a 12 b	Tate & Lyle £1	70/6	73/3	4·51
58/–	47/4½	5 a 10 b	United Dairies £1	57/–	56/6	5·31
45/3	31/–	36 b 10 a	Bass £1	29/7½	30/11½	5·08
32/6	19/7½	7½ a 12½ b	Distillers 6/8	15/11½	14/9	4·42
15/3	11/6	6 a 11 b	Flowers 5/–	13/–	13/6	5·76
71/9	40/11½	9½ b 5 a	Guinness 10/–	50/–	49/6	5·05
51/–	37/–	15 b 10 a	Ind Coope & Allsopp. 5/–	12/4½	12/63/4	5·57
13/6	9/4½	4 a 10 b	Watney Mann Defd. £1	76/3	77/9	5·40
77/9	56/6	21 c 7½ a	Whitbread 'A' £1	101/6	103/9	4·82
103/9	75/6	17 b 8 a	Brit. Amer. Tobacco .. 10/–	52/6	53/6	5·42
54/–	37/7½	†62⅜ b †10 a	Gallaher 10/–	34/3	34/4½	5·82
35/7½	20/6	15 b 5 a	Imperial Tobacco £1	48/10½	50/–	8·00
$0/4½	37/–	111½ b 8½ a				

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	MISCELLANEOUS	Price, Nov. 26, 1958	Price, Dec. 3, 1958	Yield, Dec. 3, 1958
			MISCELLANEOUS			
48/–	15/9	% % 7½ a 22½ b	Assoc. Brit. Picture ... 5/–	45/–	45/9	3·28
45/6	28/–	3½ a 7½ b	British Match £1	42/9	42/6	5·18
47/–	28/3	6 b 4 a	British Oxygen £1	43/3	43/–	4·65
8/9	6/9	13 b 4 a	British Ropes 2/6	8/9	8/6	5·00
59/3	31/6	6¼ a 11¼ b	Glaxo 10/–	51/–	50/–	3·50
53/–	31/3	10 a 10 a	Hoover 'A' 5/–	50/3	51/–	4·90
195/–	133/9	18·17b 6·17a	Hudson's Bay £1	180/–	176/3	2·76
10/9	5/7½	12½ c 5 c	Rank Organisation 5/–	10/–	9/9	2·56
14/6	11/8¼	22½ c 22½ c	Sears 'A' 5/–	15/03/4	15/11½	7·44
59/9	44/–	7 b 6½ a	Thomas Tilling £1	57/–	57/6	4·61
103/9	70/6	10½ a 10 b	Unilever £1	99/–	100/3	4·19
45/6	24/3	7½ b 33/4 a	United Glass Bottle £1	40/–	45/6	4·95
36/–	26/–	†10 b †14½ a	United Molasses 10/–	34/–	34/9	7·09
			OIL			
58/6	39/9	†5 b †21½ a	British Petroleum £1	54/–	53/6	4·88
87/3	59/11½	†7½ b †5 a	Burmah Oil £1	78/9	81/6	5·51
£187/8	£137/8	17½ b 7½ a	Royal Dutch ..... 20 fl.	£18	£17¾	2·66
165/–	117/6	†133/4 b †5 a	Shell Transport £1	155/–	154/4½	4·22
95/6	41/6	... ...	Ultramar 10/–	87/–	86/–	... d
37/3	25/6	13⅛ b 7½ a	Wakefield C.C. 10/–	36/3	36/6	5·64
			SHIPPING			
43/6	27/7½	13½ b 6½ a	Brit. & Com'wealth. .10/–	42/3	42/–	4·76
23/9	16/6	10 c Nil	Cunard £1	18/3	18/3	...
35/6	27/3	10½ c 10 e	Furness Withy £1	34/9	35/6	5·63
20/3	14/6	10 a 10 b	London & Overseas 5/–	19/6	19/6	5·19
37/6	22/–	8 b 3 a	P & O Defd. £1	34/9	35/3	6·24
25/6	19/3	7½ c 9 c	Reardon Smith 10/–	16/6	16/6	...
			Royal Mail £1	24/–	24/3	7·42
			MINES			
170/10½	115/–	60 b 20 a	Anglo-American 10/–	166/3	168/9	4·74
110/–	73/9	10 a 15 b	General Mining £1	104/4½	110/–	4·55
48/6	36/7½	80 b 40 a	Union Corporation ...2/6	47/6	48/6	6·19
55/–	23/10½	55 b 50 a	Daggafontein 5/–	33/1½	33/1½	15·85
116/10½	76/3	40 a 60 b	Free State Geduld 5/–	114/4½	116/10½	4·28

units have enjoyed a strong market since the full accounts were published and on the news of the scrip issue they put on a further 4s. to stand at 65s. 3d. and to yield on the 15 per cent dividend 4.6 per cent.

WOOLWICH EQUITABLE

MORE people came to the branches of the Woolwich Equitable Building Society for mortgage advances in the year to September 30th; fewer came to invest in the society's shares and deposits but more came to draw their money out. The society turned away as few of the would-be borrowers as prudence would allow, and drew upon its accumulated resources in advancing £1.28 million more than in 1956-57 on mortgages. It realised at book values £1,692,000 of its gilt edged securities. It now holds £15,734,000 of investments with a market value of £13,860,000, the recovery in gilt-edged prices having reduced the depreciation on the portfolio by £948,000. These sales have contributed to a reduction in the liquidity ratio, based on market values, from 13.9 per cent to 12.1 per cent.

The Woolwich will easily qualify for trustee status and participation in the Government's housing loan scheme. Its reserve ratio has risen from 4.08 per cent to 4.34 per cent, before allowing for investment depreciation. After adjustment for depreciation the ratio still stands at twice the level of 1½ per cent which it is proposed that building societies must attain this year to achieve the accolade of trustee status, and comfortably in excess of the 2½ per cent to which this minimum requirement will be raised by 1960.

MORE BREWING RESULTS

"INTEGRATION is taking place in the brewing industry at as great or even greater rate than in other trades," say the directors of **Hope and Anchor Breweries** in introducing their proposals for closer links with Hope and Anchor's Transatlantic trade colleague, Canadian Breweries, to shareholders. Any handful of brewers' balance sheets chosen at random would testify to the wholesale changes taking place within the industry. The commonest form of association has been by outright amalgamation, but recently published statements provide examples of many other ways, down to the interchange of advice and the exchange of beers.

Under the scheme put forward by Hope and Anchor, Canadian Breweries will take over the production and sale of the British company's Jubilee Stout in Canada, paying a royalty on sales and a substantial part of the sum already spent on development. Hope and Anchor, "for a nominal consideration," will acquire Carling's Brewery of Canada, Canadian Brewers' English subsidiary, and will produce and sell under licence Carling's Black Label Lager in the United Kingdom and Europe. The agreement will be cemented by an exchange of shares and the cross-nomination of two directors. The Canadian company will receive 324,556 £1 ordinary shares credited as fully paid and will become the largest shareholder in Hope and Anchor; but it has agreed not to extend its total equity shareholding beyond 30 per cent without the consent of the directors of the British company. By its acquisition of 38,724 common shares, Hope and Anchor will become the second largest holder of the common stock of Canadian Brewers. Hope and Anchor's gross profit for the six months to September 30th rose from £240,842 to £285,126, but net profits rose by only £4,398 to £69,190.

Hammonds United Breweries has followed a vigorous policy of expansion by takeover bids, but gross profits rose only slightly this year from £776,537 to £793,599 and the ordinary dividend was left at 14 per cent.

John Smith's Tadcaster Brewery acquired Whitworth, Son and Nephew during the year. Its net profits declined from £499,589 to £486,289 but the ordinary dividend has been raised from the equivalent of 10 per cent to 10½ per cent.

Bullard and Sons put its subsidiary company, Youngs, Crawshay & Youngs, into voluntary liquidation on October 1st and now conducts all its trading activities from Bullard and Sons Anchor Brewery. The fall in its profits was mainly due to expenditure on improvements and repairs to licensed properties and a slight recession in sales.

The Stroud Brewery has links with Whitbread through an arrangement to bottle Mackeson Stout. It also acquired the capital of Frome and Lamb jointly with Ushers Wiltshire Brewery and is now combining with Cheltenham Brewery Holdings to build new premises. It has raised its ordinary distribution from 20 to 22½ per cent, including a bonus of 5 per cent. Among the other brewers, whose results are shown in the accompanying table, **Flowers Breweries** entered into an agreement last month with H. and G. Simonds by which certain of their beers will be made available to the other and **Fremlins** has entered into a similar agreement with Whitbread whereby there will be an exchange of beers between Fremlins and some of Whitbread's properties in Kent.

Brewing Profits and Dividends
(£'000s)

Years to end-Sept.	John Smith's Tadcaster		Flowers		Hammonds		Stroud		Bullard & Sons	
	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958
Gross profits	1,350	1,339	737	765	777	794	...	...	473	413
Net profits	500	486	282	316	276	309	144	160	176	172
Ordinary dividend	190	214	175	175	125	125	...	...	69	69
Ordinary div. (per cent)	*15*	*10·15‡*	*17*	*17*	*14*	*14*	*20*	*22½*	*15*	*15*
Price	35/–xd		14/10½		11/3		18/11½		56/3	
Yield	6·00		5·55		6·09		6·25†		6·04*	

* Including special interim payment of 2 per cent for 1958-59. † Including 5 per cent bonus.
‡ Adjusted for scrip issues.

London Stock Exchange

FIRST DEALINGS:	Nov. 26	Dec. 10	Dec. 31
LAST DEALINGS:	Dec. 9	Dec. 30	Jan. 13
ACCOUNT DAY:	Dec. 16	Jan. 6	Jan. 20

DETAILS of the Government's conversion offer for the 2 per cent Conversion Stock 1958-59 and the sharp decline in the Treasury bill rate last Friday, brought renewed support for gilt-edged stocks up to Monday's close. But the nationalised industries borrowing requirements and other Government commitments caused a reaction on Tuesday and further losses on Wednesday. The latest gold and dollar reserve figures did not check the fall. Losses outweighed earlier gains, the *Financial Times* index of Government securities declining from 84.24 to 84.02 over the week to Wednesday's close.

Barclays Bank DCO recovered 2s. to 36s. 6d. xd following a fall on the announcement of the results. Other banks showed little change, but discount houses rose, National Discount "B" gaining 3s. 6d. to 45s. Legal and General Assurance rose to 176s. 10½d. on the decision to make triennial valuations but subsequently eased to 165s. xd. There were several losses among brewery shares, but small gains predominated; Vaux rose 2s. to 69s. and Whitbread "A" gained 2s. 3d. to 103s. 9d. before being quoted ex capitalisation at 94s. on Thursday.

Although prices were reduced by a steady trickle of sales this week, industrial stocks were mainly higher on balance over the week to Wednesday's close, *The Economist* indicator rising 3 points to 235.1 Chemical shares showed few changes, but Borax recovered sharply from 15s. 1½d. to 16s. 6d., helped by American support. Motor shares were prominent in the earlier advance; BMC and Ford rose to 13s. and 46s. 10½d. respectively and Dennis Brothers jumped 2s. 9d. to 14s. 9d. Automotive Products gained 2s. 1½d. to 50s. Blackburn Aircraft rose to a peak for the year of 20s. and Fairy recovered 1s. 6d. to 17s. 6d., but de Havilland eased 4½d. to 16s. 7½d. Gains predominated among cotton shares, Horrockses rising 1s. 7½d. to 29s. 4½d. xd. Courtaulds improved slightly to 31s. 4½d. and Calico Printers gained 1s. to 36s. 9d.

Burmah advanced 2s. 9d. to 81s. 6d., but other oil stocks were quiet and slightly down on balance; Shell lost 7½d. to 154s. 4½d. and British Petroleum 6d. to 53s. 6d. Among gold mines finance houses displayed great strength, General Mining advancing 5s. 7½d. to 110s., Anglo American Corporation 2s. 6d. to 168s. 9d. and Central Mining 2s. to 70s. 6d. OFSIT gained 2s. 3d. to 81s. 6d. and Loraine 3s. 4½d. to 24s. 1½d. Coppers turned easier after a good rise, Bancroft rising 2s. 1½d. to a peak of 27s. 4½d. before easing to 26s. 3d.

US Dollar premium: ¼ per cent on $2.80½.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended November 29, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £17,777,000 compared with a deficit of £25,695,000 in the previous week and a deficit of £15,827,000 in the corresponding period of last year. There was a net expenditure "below-line" of £20,976,000, leaving a total deficit of £597,605,000 compared with £665,470,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Nov. 30, 1957	April 1 1958, to Nov. 29, 1958	Week ended Nov. 30, 1957	Week ended Nov. 29, 1958
Ord. Revenue					
Income Tax	2312,500	781,821	839,306	26,407	30,692
Surtax	163,000	46,200	48,000	1,300	1,300
Death Duties	163,500	115,900	118,400	3,000	4,900
Stamps	56,250	45,600	38,700	1,700	1,300
Profits Tax, EPT & EPL	275,000	180,400	206,300	5,400	9,100
Other Inland Rev. Duties	...	150	120	...	...
Total Inland Rev.	2970,250	1170,071	1250,826	37,807	47,292
Customs	1256,940	816,299	867,368	23,816	26,419
Excise	932,310	651,120	639,065	17,265	18,515
Total Customs and Excise	2189,250	1467,419	1506,433	41,081	44,934
Motor Duties	104,000	27,959	29,594	...	258
PO (Net Receipts)	2,000	4,600	4,100	*Dr. 1,000*	*Dr. 700*
Broadcast Licences	34,000	18,000	19,400	3,500	4,000
Sundry Loans	30,000	27,358	26,058	...	...
Miscellaneous	110,000	110,406	54,222	1,619	880
Total	5439,500	2825,813	2890,633	83,007	96,664
Ord. Expend.					
Debt Interest	695,000	439,035	406,318	1,526	4,422
Payments to N. Ireland Exchequer	73,000	42,183	45,848	2,827	3,063
Other Cons. Funds	10,000	5,333	4,872	29	55
Supply Services	4292,859	2641,498	2704,481	94,372	106591
Total	5070,859	3128,048	3161,519	98,754	114131
Sinking Funds	38,000	22,867	23,223	80	310
"Above-line" Surplus or Deficit	325,102	294,109	15,827	17,777	
"Below-line" Net Expenditure*	340,368	303,496	10,277	20,976	
Total Surplus or Deficit	665,470	597,605	26,104	38,753	
Net Receipts from:					
Tax Reserve Certificates	155,834	202,800	4,353	14,680	
Savings Certificates	–8,300	87,300	–200	2,200	
Defence Bonds	–23,449	56,066	–1240	4,301	
Premium Savings Bonds	50,890	46,405	1,260	1,620	
Total	174,975	392,571	4,173	22,801	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and £12 million in 1958.

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Nov. 30	3,340·0	2,148·6	182·5	4·8	5,675·9
1958 Aug. 30	3,260·0	1,636·1	174·9	...	5,071·0
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
" 13	3,270·0	1,657·9	178·3	...	5,106·2
" 20	3,270·0	1,704·4	167·5	...	5,141·9
" 30		5,016·4	202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	183·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3
" 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
" 8	3,350·0	1,739·5	166·7	...	5,256·2
" 15	3,370·0	1,655·2	194·4	...	5,219·6
" 22	3,390·0	1,661·0	175·6	...	5,226·5
" 29	3,410·0	1,659·2	173·3	...	5,242·5

THE MONEY MARKET

THE bill market last week made another sharp adjustment in its tender price for Treasury bills. Immediately after the Bank rate reduction it had raised its common price by only 7d. per cent—but had secured only the moderate allotment of 42 per cent of its tender at that price. On November 28th, therefore, the bid for 91-day bills was raised by a further 8d., to £99 3s. 6d. per cent; this took outside tenderers by surprise, and the market's proportion jumped to 79 per cent. Before the tender February bills and "hots" had been changing hands at 3⅜ per cent, but thereafter the rate quickly became 3¼ per cent—shaded later in the week to 3⅛ per cent.

On Friday, Saturday and Monday short loan conditions were sufficiently taut to invite some official aid, but this was duly given. In this phase rates for new money ranged up to 3⅜ or even 3½ per cent. On Tuesday and Wednesday the availability of the War Loan dividend, the health disbursements and, apparently, also the proceeds of official purchases of the maturing 1958-59 bonds produced an increasing ease, but no effort was made to mop up the surplus. At one time new "outside" money was available at rates down to 1½ per cent. The active note circulation expanded by a further £34 million.

MONEY RATES: London

Bank rate (from 4½%, 20/11/58)	4%	Discount rates: Bank bills:	%
Deposit rates (max.):		60 days	3 7/16–3 1/2
Banks	2	3 months	3 7/16–3 1/2
Discount houses	2–2 1/4	4 months	3 7/16–3 1/2
		6 months	3 7/16–3 9/16
Money:		Fine trade bills:	
Day-to-Day (min.)	1 1/2–3	3 months	4 1/4 –5
Treasury bills:		4 months	4 1/4 –5
2–3 months	3 5/16	6 months	4 1/2 –5 1/4

New York

Official discount rate: (from 2%, 23/10/58)	% 2 1/2	Treasury bills:	%
		Nov. 24	2·72
		Dec. 1	2·80

BANK OF ENGLAND RETURNS

(£ million)	Dec. 4, 1957	Nov. 26, 1958	Dec. 3, 1958
Issue Department:			
Notes in circulation	2,034·0	2,044·2	2,078·5
Notes in banking dept.	16·3	56·1	21·8
Govt. debt and securities*	2,046·3	2,096·5	2,096·5
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	10·6	12·1	13·8
Bankers	208·2	241·0	215·4
Others	73·6	69·5	71·2
Total	292·4	322·6	300·4
Securities:			
Government	247·0	255·7	264·0
Discounts and advances	21·2	5·6	10·5
Other	23·4	21·3	21·1
Total	291·6	283·6	295·6
Banking department reserve	18·7	57·1	22·8
"Proportion"	% 6·4	% 17·6	% 7·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,100 million November 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 Nov. 29	91 day 230·0, 63 day 50·0	390·2	s. d. 129 2·27	% 61
1958 Aug. 29	91 day 270·0	424·1	74 11·48	53
Sept. 5	270·0	434·6	74 0·93	64
" 12	270·0	423·7	73 6·81	51
" 19	270·0	413·7	71 9·20	68
" 26	260·0	381·4	72 6·10	55
Oct. 3	270·0†	424·8	74 1·39	44
" 10	250·0	423·6	73 0·72	55
" 17	250·0	435·7	72 3·08	45
" 24	250·0	409·6	73 7·94	36
	91 day 200·0, 63 day 50·0			
" 31		442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45
" 14	210·0 60·0	408·3	71 0·97	68
" 21	210·0 60·0	408·5	68 4·68	42
" 28	230·0 50·0	418·9	66 1·20	79

* On November 28th tenders for 91 day bills at £99 3s. 6 secured 79 per cent and for 63 day bills at £99 8s. 4d. 80 p cent, higher tenders being allotted in full. The offer this wee was for £260 mn. of 91 day bills, and £30 mn. of 63 day bil
† Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: December 3	Market Rates: Spot: November 27	November 28	November 29	December 1	December 2	December
United States $	2·78–2·82	2·80 3/8–1/2	2·80 3/8–1/2	2·80 7/16–9/16	2·80 7/16–9/16	2·80 5/16–7/16	2·80 3/16–7/1
Canadian $	...	2·71 11/16–5/16	2·70 15/16–71/16	2·70 11/16–13/16	2·71–71/8	2·70 7/16–11/16	2·70 7/8–71
French Fr.	1167·18–1184·82	11773/4–78	11773/4–78	11773/4–78	1177–77 1/4	1177 1/4–78 1/8	1178 1/4–1
Swiss Fr.	12·15 3/16–12·33 9/16	12·23 3/8–7/8	12·23 1/2–3/4	12·23 5/8–7/8	12·23 5/8–7/8	12·23 3/4–24	12·23 5/8–7
Belgian Fr.	138·95–141·05	139·50–55	139·45–50	139·45–50	139·45–50	139·45–50	139·45–
Dutch Gld.	10·56–10·72	10·57 3/8–7/8	10·57 5/8–7/8	10·57 5/8–7/8	10·57 5/8–7/8	10·58–58 1/4	10·58 1/8–3
W. Ger. D-Mk.	11·67 3/16–11·84 13/16	11·69 5/8–7/8	11·69 1/2–3/4	11·69 1/2–3/4	11·69 5/8–7/8	11·69 3/4–70	11·69 5/8–7
Portuguese Esc.	79·90–81·10	80·05–20	80·05–20	80·05–20	80·05–15	80·05–15	80·05–15
Italian Lire	17365/8–17627/8	17451/4–3/4	17451/4–3/4	17451/4–46	17451/2–46	1746–461/2	1746–461/
Swedish Kr.	14·37 5/8–14·59 3/8	14·46 7/8–47 1/8	14·46 7/8–47 1/8	14·47 1/8–3/8	14·47 1/8–3/8	14·48–48 1/4	14·48 1/4–1
Danish Kr.	19·19 1/2–19·48 1/2	19·33 1/2–3/4	19·33 1/4–34	19·33 3/4–34 1/8	19·33 7/8–34 1/8	19·33 7/8–34 1/8	19·33 3/4–3
Norwegian Kr.	19·85–20·15	20·00 3/4–01	20·00 3/4–01	20·00 3/4–01	20·00 3/4–01	20·00 7/8–01 1/8	20·00 7/8–01
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	1/8c. pm–par	1/8c. pm–par	1/8c. pm–p
Canadian $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	1/8c. pm–par	1/8c. pm–par	1/8c. pm–p
French Fr.		8–13 dis	8–13 dis	10–15 dis	10–15 dis	8–12 dis	7–11 dis
Swiss Fr.		1 3/8–1 1/8c. pm	1/4–1c. pm	1/4–1c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1–3/4c. pr
Belgian Fr.		1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–pa
Dutch Gld.		5/8–3/8c. pm	1/2–1/4c. pm	1/2–1/4c. pm	1/2–1/4c. pm	1/2–1/4c. pm	5/8–3/8c. p
W. Ger. D-Mk.		5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. p
Three Months Forward Rates							
United States $		7/16–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. p
Canadian $		1–3/4c. pm	7/8–5/8c. pm	7/8–5/8c. pm	5/8–3/8c. pm	5/8–3/8c. pm	5/8–3/8c. p
Swiss Fr.		1 1/4–1c. pm	1–3/4c. pm	1–3/4c. pm	7/8–3/8c. pm	3/4–3/8c. pm	3/4–3/8c. p
W. Ger. D-Mk.		1 3/4–1 1/2pf. pm	1 5/8–1 3/8pf. pm	1 5/8–1 3/8pf. pm	1 3/8–1 1/4pf. pm	1 1/2–1 1/4pf. pm	1 3/8–1 1/8pf. p
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/4	250/3 3/4	...	250/3 1/4	250/4 3/4	250/5

Western Europe

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

World Trade ..... October 18th

BRITISH		OVERSEAS	
Prices and Wages	Nov. 29th	Western Europe	This week
Manpower	Nov. 15th	British Commonwealth	Oct. 11th
External Trade	Nov. 22nd	United States	Nov. 8th
Industrial Profits	Oct. 18th		

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
INDUSTRIAL PRODUCTION (1) (1953 = 100)													
1948	54	87	82	79	...	52	70	62	70	70	90	69	83
1956	138	122	114	133	139	134	105	128	123	122	115	128	112
1957	146	123	117	145	147	145	102	138	126	126	118	139	114
1958, May	146	114	119	166	151	157	107[3]	144	128	115	125	...	113
,, June	152	112	120	161	153	158		140	130	131	125	...	114
,, July	153	100	79	147	144	166	...	149	126	84	61	...	104
,, August	...	...	118	102	143	...	...	...	122	121	118	...	96[3]
VALUE OF EXTERNAL TRADE (2)													
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[4]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
Imports (c. i. f.)													
1948	243	7,249	285	56·08	264[6]	152[5]	11·36	70·36	414	310	413	64·2	168·0
1956	2,110	13,635	755	162·12	2,315	1,159	15·24	165·34	1,180	721	953	95·1	311·6
1957	2,445	14,302	782	187·16	2,624	1,311	15·40	188·88	1,300	759	1,047	92·7	328·5
1958, May	2,213	12,388	670	218·58	2,379	1,765	17·43	167·89	1 152	914	1,043	106·3	293·8
,, June	2,253	11,998	678	207·77	2,445	1,167	16·37	171·41	1,124	696	883	87·7	291·8
,, July	2,421	12,571	803	194·94	2,662	...	16·20	165·94	1,114	768	852	81·5	325·6
,, August	2,759	11,412	736	161·87	2,383	...	...	141·29	1,063	661	888	...	291·2[14]
Exports (f. o. b.)													
1948	165	6,171	228	36·18	151[6]	39[5]	4·11	47·99	226	172	332	45·9	131·6
1956	1,840	13,177	640	132·45	2,571	475	9·01	111·74	906	460	839	71·2	264·3
1957	2,120	13,275	676	155·73	2,996	549	10·94	132·30	981	489	922	80·6	277·1
1958, May	1,933	12,089	718	159·91	3,011	333	11·51	130·58	1,015	423	978	63·4	287·3
,, June	1,976	11,238	679	181·07	2,949	354	11·75	133·19	975	400	990	29·0	223·7
,, July	2,045	12,662	704	180·13	3,172	...	12·15	146·97	968	401	852	44·7	285·8
,, August	2,045	10,304[7]	666	146·73	2,938	...	...	116·15	950	393	781	...	257·8[15]
COST OF LIVING (8) (1953 = 100)													
1948	50[10]	95	81	60	93	63	79	86	78[9]	74	77	89	77
1956	108	104	113	103	105	126	107	109	108	109	109	136	112
1957	112	107	116	106	106	129	112	110	114	112	113	152	116
1958, June	115	109	...	122	110	131	...	114	118	118	119	...	121
,, July	115	108	117	122	111	131	...	114	...	119	119	...	119
,, August	114	108	...	123	110	131	117	...	...	119	119	...	119
,, September	115	108	...	123	...	...	...	...	...	...	...	...	119[16]
EXPORT PRICES (11) (1953 = 100)													
1948	42	95	91	68	...	...	78	103	97	84	76	91	77
1956	105	103	104	99	101	143	96	102	102	115	103	...	105
1957	105	106	102	106	103	140	98	102	105	119	105	...	110
1958, May	105	98	...	118[3]	102	139	99	107	104	112	103[3]	...	109
,, June	103	98	...		102	138	100	107	102	113		...	109
,, July	104	...	...	...	102	...	101	...	100	102	...	...	109
,, August	99	...	...	...	104	...	...	...	101	...	...	...	109[17]
GOLD AND FOREIGN EXCHANGE HOLDINGS (12) (mn. US Dollars)													
1949	62	938	84·6	...	295	...	209	539	343	140·6	233	192	1,856
1956	406	1,143	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230	2,133
1957	510	1,131	171·9	775	5,643	196·4	258	1,532	1,056	184·2	456	316	2,273
1958, June	524	1,355	184·6	...	5,830	...	248	1,714	1,295	190·5	448	262	3,076
,, July	556	1,381	191·6	...	5,979	...	254	...	1,287	198·3	459	253	3,084
,, August	603	1,406	206·4	...	6,063	...	248	...	1,312	191·6	468	275	3,089
,, September	620	1,425	222·9	...	6,098	...	249	...	1,339	206·1	474	275	3,120[18]

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions : Denmark excludes mining ; Greece, mining and manufactured gas ; Ireland and Sweden, electricity and manufactured gas ; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. Italy includes Trieste. (3) Average for second quarter. (4) New drachma introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (5) Thousand million drachmas. (6) Bizonal area. (7) September, 13,030. (8) In capital cities only for Austria, France, Greece and Turkey ; Austria and Belgium exclude rent ; Denmark includes direct taxes ; Ireland based on August, 1953=100. (9) Including direct taxes. (10) July–December. (11) Index numbers of unit value which compare the current average value of trade with its value in 1953 ; they are influenced by changes in the composition of trade as well as price movements. Figures for Ireland are adjusted for seasonal variation. (12) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings ; Norway and Sweden include foreign investments ; Ireland includes some long-term securities. (13) Sept., 113 ; Oct., 116. (14) Sept., 300·3 ; Oct., 315·8. (15) Sept., 240·4 ; Oct., 266·8. (16) Oct., 120. (17) Sept., 108 ; Oct., 108. (18) Oct., 3,174; Nov., 3,215.

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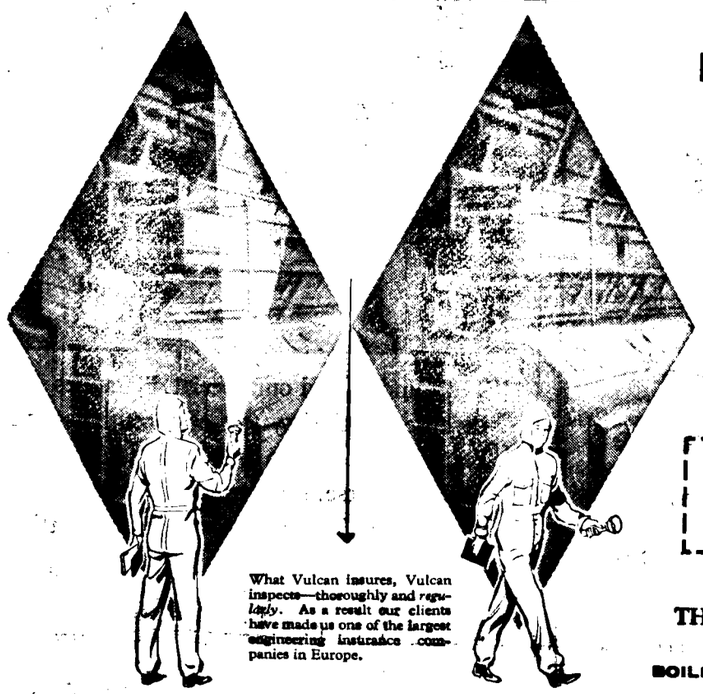

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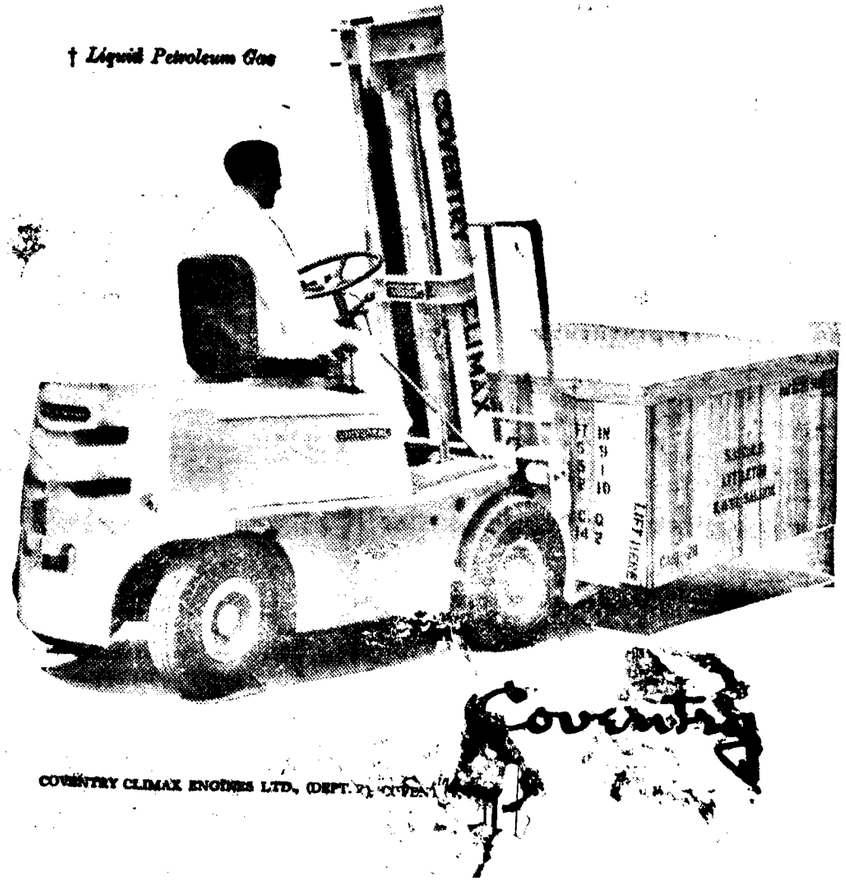

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Shapeless in Nato

The Atlantic alliance has greatly changed in its first ten years. What of the next ten? (page 962).

Abolish the LCC? (page 964)

The Ins and Outs

Both Mr Macmillan and Mr Gaitskell are engaged in jujitsu with their parties (page 961).



Britain and Israel
(page 965)

Berlin's Testimony (page 997).

Germany's Capital Market
What progress is Germany making to live up to its creditor status? (page 1007).

Guns or Budgets
In missile development the Americans are fast catching up with the Russians, but preparation for limited wars is on a dangerously small scale (page 985).

THE AFRICAN REVOLUTION

A survey of the political economy of Africa South of the Sahara (after page 996).

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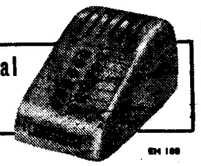

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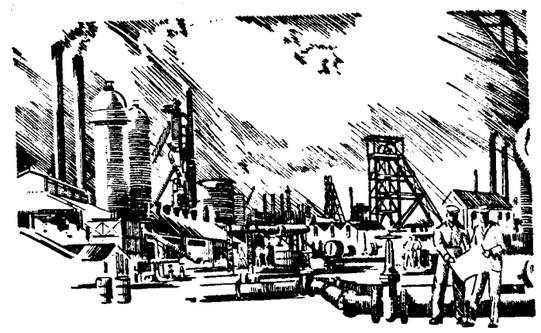

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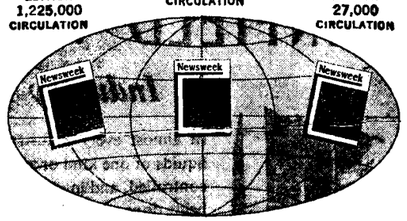

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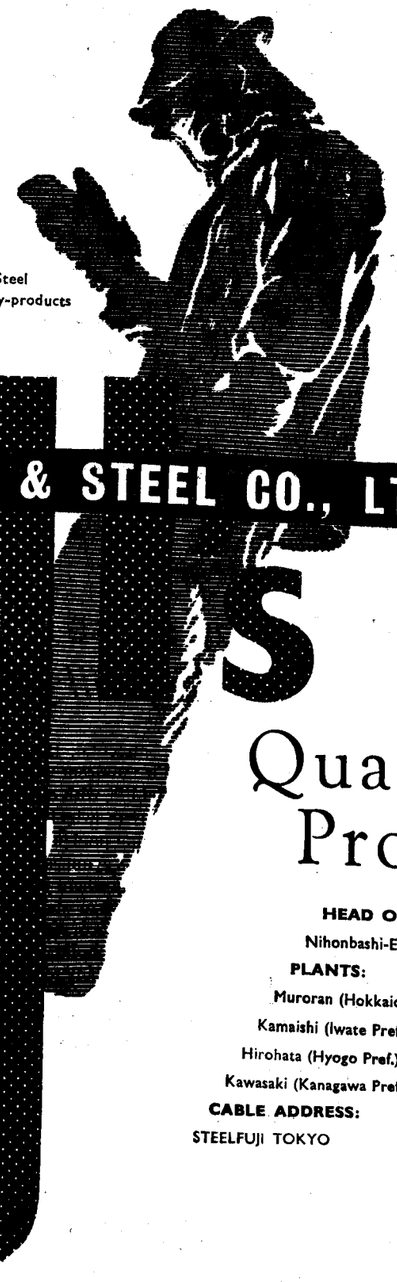

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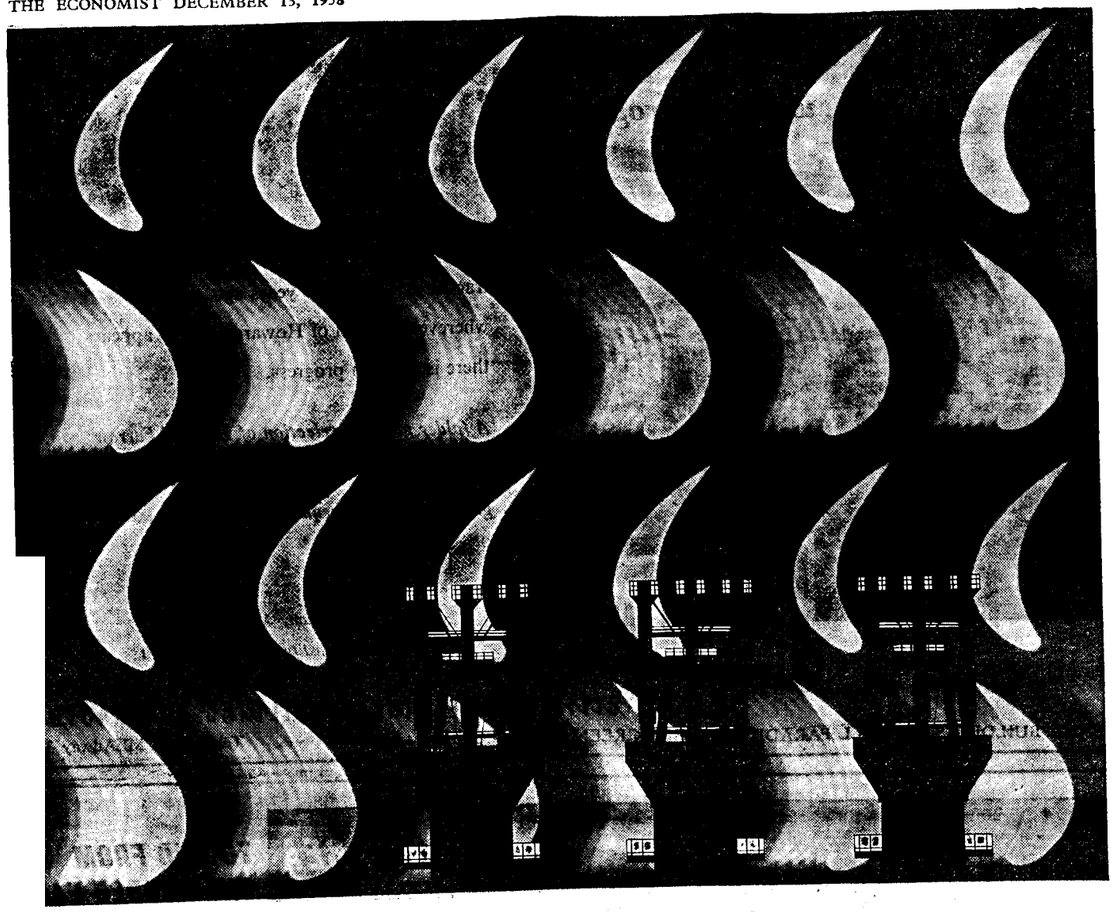

R W G

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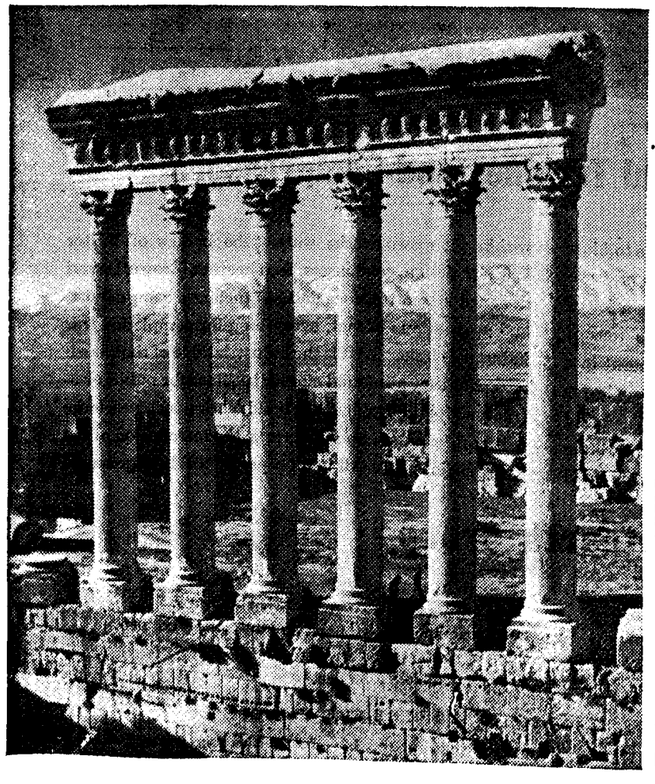

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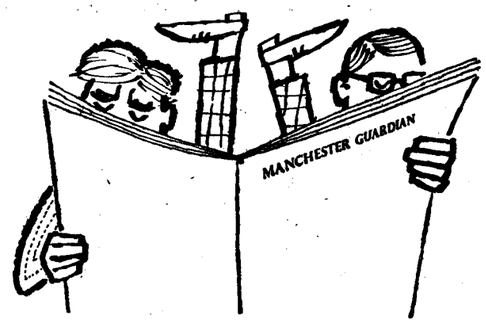
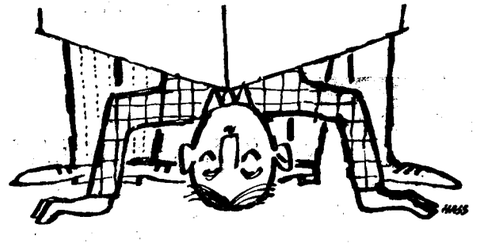


The man on the left is a very famous person indeed. Far too famous, unfortunately, to have his name bandied about in advertisements. An eagle-eyed expert could, however, recognise him by the pattern of his tie or the colour of his socks. It seems a pity that his tie is hidden and his socks are printed in black and white.

The man in the centre, as our illustration clearly shows, is standing on his head. Perhaps he is registering disapproval of the *Manchester Guardian*. Perhaps he is a homesick Australian. Perhaps he is standing on his head for health reasons. Whatever his motive, it is quite pleasant to have him there, a living symbol of the *Manchester Guardian's* tolerance, respect for minority opinion, and twenty or thirty other shining virtues.

The man on the right, however, is standing firmly on his feet. He is doing this because he is forthright, outright, upright, and downright, and also because it brings his head into line with the *Manchester Guardian*, which he is reading. The *Manchester Guardian* (as he can see clearly from where he is standing) is also forth-, out-, up-, and downright. It's rather entertaining, too, and he reads it regularly, a pleasure which costs him threepence a day. *Threepence!* They'll be giving away steam-yachts next.



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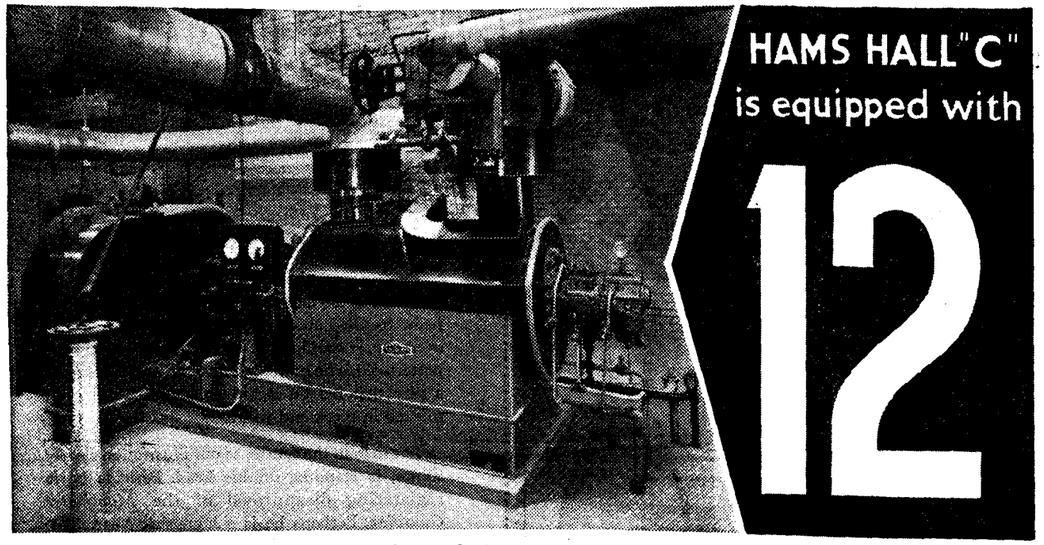

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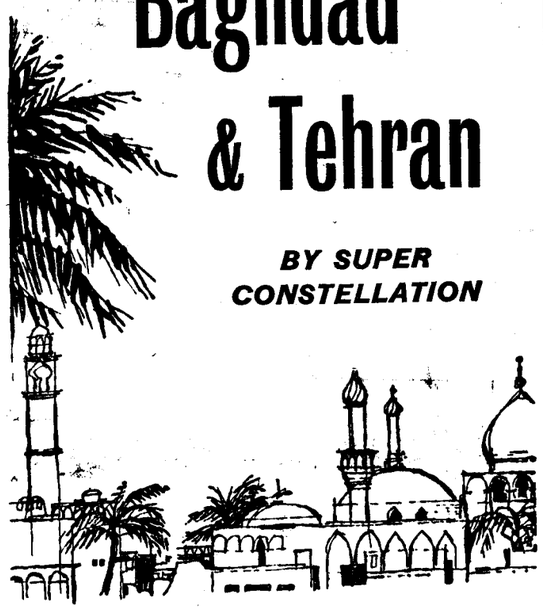

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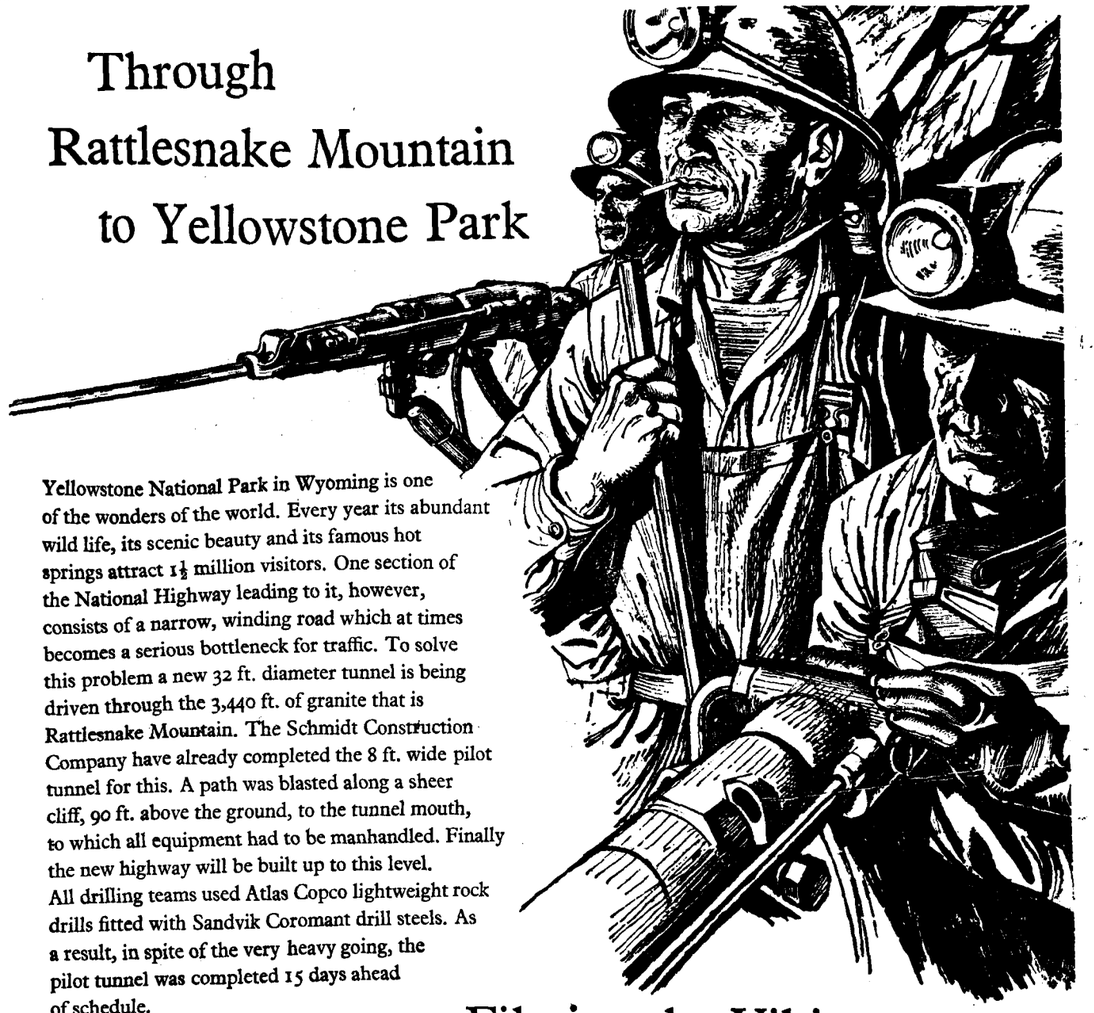
Through Rattlesnake Mountain to Yellowstone Park



Yellowstone National Park in Wyoming is one of the wonders of the world. Every year its abundant wild life, its scenic beauty and its famous hot springs attract 1½ million visitors. One section of the National Highway leading to it, however, consists of a narrow, winding road which at times becomes a serious bottleneck for traffic. To solve this problem a new 32 ft. diameter tunnel is being driven through the 3,440 ft. of granite that is Rattlesnake Mountain. The Schmidt Construction Company have already completed the 8 ft. wide pilot tunnel for this. A path was blasted along a sheer cliff, 90 ft. above the ground, to the tunnel mouth, to which all equipment had to be manhandled. Finally the new highway will be built up to this level.
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The Economist

DECEMBER 13, 1958

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The Ins and Outs

FOR the past two years those very dissimilar men, Mr Macmillan and Mr Gaitskell, have been engaged in very similar tasks. The Prime Minister, though he could never say so, has been trying to liquidate and live down the false attitudes and miscalculations in his party which lay behind the Suez affair. And Mr Gaitskell, though he could certainly never say so, has been trying to liquidate and live down his party's old dogmatic socialism. Both these subtle endeavours are wholly to the national advantage; and, in the circumstances, the two men have done pretty well. But, as party leaders, they can neither of them accept praise for what they have in fact been doing. They must do their good by stealth.

This difficulty has been very apparent during the past week or so. Mr Macmillan, with his predecessor under Mr Randolph Churchill's fire, has been obliged to stand up for the Suez policy, for which indeed he shared the responsibility; and the Labour leaders, whether commended for making a sensible advance from socialism in the new and simplified statement of party policy, or accused of merely masking the old confiscatory intent with smoother words, have no choice but to repeat that they are all socialists still. There is, of course, an important difference between these two dilemmas. Governments are judged by what they do, or do not do; Oppositions by what they say. How far Mr Macmillan has escaped from being a man of Suez can be read in the record, especially of Anglo-American relations. Whether a Labour Government would be wise or foolish, provident or improvident, a good or a bad defender of the realm or the pound, can be deduced only from the script—and from the men who would be ministers.

It is, for instance, a Labour grievance that, though its spokesmen propound an alternative foreign policy, as the Opposition should, critics (including *The Economist*) do not find it convincing, even when the Labour alternative is aimed, as it ought to be, at breaking out from the present rigidity of the cold war. There is, of course, one more occupational difference here between Government and Opposition. Broadly, any Government has a tendency to regard fresh initiatives in policy as too difficult and too dangerous to make, and to fall back, as Mr Bonham Carter put it in last week's foreign affairs debate, upon "frozen immobility"; while any Opposition, divorced from daily diplomacy, tends to see them as too easy and too promising. Specifically, the words of many, though not all, of the present Labour Opposition give two causes for scepticism about its likely performance in the foreign field. One is a frequent quality of wishfulness: the implied assumption that, if only the right proposals for a settlement were made, a settlement would then follow. Another is the connected assumption that the chief obstacle to settlements is not the Russians but the Americans; the refusal to see that, hard and frank though our dealings may sometimes have to be

with the Americans, the real bargaining must be with the Russians. Their threat is the reason both for being strong and for seeking settlements, which can only be made at all if the Americans are in them and back them.

There are, indeed, Labour leaders who see that the basis of British policy must be, not some over-simple formula, but the best interests of ourselves and our friends; and that any possible settlements will be reached, not simply by stretching hands across the iron curtain, but by a balancing of interests and power between our allies and our enemies. And it cannot fairly be said that the last Labour Opposition which came to power, whatever it may have said beforehand, forgot these facts. No doubt Mr Gaitskell's exercise in ju-jitsu with his party extends not only to the advance from socialism but also to the retreat from utopianism in foreign affairs. But it is this widespread wishfulness that diminishes confidence in the party—and in some of its highest leaders. Nowhere is the task which Mr Macmillan and Mr Gaitskell have set themselves, to rid their parties of the incubus of old errors and illusions, more important than in foreign policy.

Shapeless in Nato

In Paris next week the allied ministers sit down to a table groaning under assorted problems. But the central question remains the future of the Atlantic alliance itself

A HECTIC but rather shapeless week lies before the ministers who are converging on Paris. Before the Atlantic council itself meets on Tuesday, two of the most compelling problems it faces will already have been broached in separate conclaves. Tomorrow, the foreign ministers of Britain, France, the United States and west Germany are to discuss Berlin. On Monday there is to be an attempt to stave off the threat of an economic division of Europe a bare fortnight before the six-nation common market takes its first tariff and quota steps on New Year's Day. After that, the Atlantic Council will presumably be presented with, and asked to endorse, the findings of the four-power meeting on Berlin; it cannot ignore the political implications of the showdown over tariffs and trade; and its plate is piled high with other, equally indigestible, stuff too—Cyprus, the Danish-German argument over Baltic defence commands, M. Spaak's ideas about global economic strategy, the soldiers' anxieties about the growth of Soviet missile power, and General de Gaulle's claim to a stronger French position in the machinery of allied consultation. This adds up to a virtually impossible agenda for one short week.

Yet it is not all. The ministers have also to give part of their attention to the state of the alliance itself, for Nato is nearing the end of its first decade. This is their last regular annual meeting before the tenth anniversary of the signing of the North Atlantic Treaty, which falls in April. The treaty itself provides that after ten years it may be reviewed in the light of new developments. The ministers already have to try to look ahead at Nato's second decade, and to ponder how the organisation can be made to meet its challenge.

The way it is taken for granted that the alliance must and will endure into a second decade is illuminating in itself. Peacetime alliances are not always so durable; and this is a time of swift change. Since Nato was created, a dozen new states have appeared on the map, and China has become a new force in the world. Korea, Indo-China, and Suez have successively filled the headlines and emptied the treasuries; Stalin has died, and east Germany, Poland, Hungary and Jugoslavia have each in a different way revealed the restiveness of communist Europe. France has been sucked into the Algerian quagmire, nearly losing its liberty and its reason in the process. The unrest of Cyprus has come to bedevil the alliance, to which Greece and Turkey were admitted before the storm broke fully over the disputed island. First the H-bomb, and then the long-range missile, have transformed military strategy. Nato has been pulled this way and that, subjected to suctions and pressures from different angles like an engineer's model in a test chamber, but it is still there.

To think back to its beginnings is, moreover, to be rather disturbingly reminded of some all too familiar things. Nato was born against a background of Russian pressure on Berlin, Finland and Jugoslavia (communists, it may be noted, are keen commemorators). Its birth reflected the fact that the nations of western Europe, unwilling or unable to pool their own strength in a genuine unity, were basically united on just one proposition: that they could not do without American support. Then—before the Korean war—as now, the general assumption was that the communist leaders would pursue their aims without resorting to open military attack (but making skilful political use of the threat of attack). Even a form of disengagement—an unsatisfactory form—prevailed up to 1949, for there were pitifully few western troops in Germany, no west German forces and no tactical nuclear weapons.

One would scarcely suggest, however, that Nato will enter its second decade bearing a close resemblance to its appearance in infancy. The balance of elements both within it and without has greatly changed. France has failed—primarily because of the Algerian war—to fill the military role allotted to it. The Supreme Allied Commander in Europe probably now counts on nearly 20 divisions; before General de Gaulle came to power, the French contribution could barely be reckoned at one division, and the scale of its increase since then is very dubious. France's goal of becoming a nuclear power is unlikely, even if nothing intervenes, to be achieved before the 1960s. Its allies may fairly argue that France has in effect left them to hold the ring in Europe while it turned away into Africa. General de Gaulle's claim to a place in the Atlantic sun would be severely compromised by this visible weakness, even if it were not already clear that the majority of Nato's members distrust any suggestion of an inner council.

The resurgence of Germany, as both a power and a problem, has had an even more dramatic impact. If there is a common denominator linking most of the various items on next week's agenda, it is Germany. Germany's economic strength gives it a key position in the argument over the common market and the free trade area; its newborn military strength enables it simultaneously to lead the opposition to General de Gaulle's claims and to make out its own case for a commanding position in Baltic defence. But the political leverage now in Bonn's hands is partly derived from the continuing division of Germany—from what at first sight might be taken for a source of weakness, not strength. Thus, it is surely only the argument that "our" Germans must at all costs be sustained against "theirs" that keeps the allies from publicly dissociating themselves from the frequent indications of German ambitions beyond the Oder-Neisse frontier. The upshot is that allied policy towards central Europe too often appears to be dictated from Bonn. If, as now seems probable, the western governments content themselves next week with formally rejecting Mr Khrushchev's Berlin plan without making simultaneous counter-proposals on a broader plane, that will be only one example of this general trend.

Two other major developments during Nato's lifetime have extended beyond the boundaries of Europe. One is the missile revolution. Appropriately, this has been a multi-stage affair. The earlier stages reached their climax in 1957, when Russia developed an intercontinental missile. The slogan of "inter-dependence," under which the Nato "summit" meeting of a year ago was held, reflected the United States' realisation that its domestic territory was no longer a relatively safe rear area, and its allies' appreciation of their enhanced importance as possessors of the sites from which American intermediate-range missiles could still contribute to the great deterrent. But now Atlas may soon be shouldering the greater part of the load, and although Thor is not confronted with a *Götterdämmerung*—it will represent a formidable part of the deterrent for a long time to come—America's present degree of dependence on overseas bases will be gradually reduced if its ICBM programme proceeds successfully. At the same time, the whole controversy about keeping two fingers on the trigger, and about the risks involved in providing bases for America, will be transformed.

"INTER-DEPENDENCE" remains, however, a potent slogan in another sense. The second big global political change since 1949 has been the advance of the Asian and African world to a wholly new prominence at an unexpectedly rapid pace. In Paris next week the ministers' ears will be catching echoes from Accra and Cairo as well as from Berlin and Cyprus. They will be mindful of the case for more economic help for under-developed countries made out at the recent financial conference in Delhi and the Commonwealth conference in Montreal. And they will have, more immediately under their eyes, both the suggestions of their Secretary-General, M. Spaak, for co-ordinating the Nato countries' economic policies outside Europe, and General de Gaulle's proposals—already worked over by Lord Hood, M. Alphand, and Mr Murphy in Washington—for an even fuller, but three-power, alignment of policy towards Africa and Asia.

Great dangers lurk here. Nato could be imperilled if it appeared to sponsor French policy in Africa (or British policy in Cyprus, or American policy in Formosa) as surely as if it cast its ægis over German territorial claims on Poland. Its own membership would not hold together under such a strain; and it would incur fresh odium among the Asian and African peoples whose complete alienation from the West is now Mr Khrushchev's dearest ambition. Nor is a defensive military alliance a suitable mechanism for handling economic relations with countries that already have doubts about its activities. Better that this aspect of Nato should retain its present shapeless appearance, than that it should crystallise into something repellent to the non-European peoples whose present hunger for freedom is, in the last analysis, a vital factor on freedom's side.

The alliance thus goes forward into its second decade with its edges somewhat fuzzy in places, with unhealed scars across its very heart, and without any prospect of adding to its scope or stature. It is highly unlikely that next week's confabulations will leave it looking tidier, smoother, or more dynamic. But it is equally unlikely that entry into its second decade will involve decadence. Nato has inevitably lost the fresh bloom of infancy, for it is approaching its teens; and teenagers are usually fated to go through a phase of uncertainty and self-questioning. That phase, however, may serve to rid it of childish illusions, of impossible ambitions, and of the naïve assumption that adult life is easy going. When the members of the alliance clearly recognise its limitations, the constraints it must set on their individual ambitions, and the necessity for many more years of patience and hard slogging—then Nato will finally have grown up.

Abolish the L C C?

The system of local government in London is completely outdated

THE Royal Commission now delving into the mysteries of London government has quickly discovered that the kernel of its problem is the position of that curious body, the London County Council. London county is now only a part of the Greater London "conurbation" with which the royal commission is concerned. It covers less than a seventh of the total area, contains 3¼ million of the conurbation's 8¾ million people, and possesses half of its total rateable value. There are 107 other local councils operating in the conurbation, 29 of them within London county itself. Yet the LCC still governs the central core of London. It is the dominant authority within its own territory. And it is much the largest, strongest, most active, and most controversial local authority in the whole United Kingdom.

Central to the royal commission's deliberations is an awkward dilemma. Really there are only two things that can sensibly be done about the LCC. One is to leave it more or less as it is and the other is to abolish it completely. The latter course would raise an uproar of protest from the Left in British politics. They would stigmatise it as a cynical act motivated by Tory jealousy of the long-established hegemony of Labour in London local government. But there are strong practical grounds for looking favourably at the case for abolition.

At its inception seventy years ago, the scheme of government for the County of London was a brilliant innovation. It is still praised in modern transatlantic textbooks as the "borough plan." Under this plan, one large authority (the LCC) deals with certain key services for the whole urbanised area, while a second tier of 28 metropolitan boroughs, plus the ancient City, cope with more intricate local services. Unfortunately, time has dealt harshly with the scheme's merits. As London has spread far beyond the LCC's Victorian boundaries, it has completely outgrown the capacity of the LCC to provide key services for its entire area; in consequence, the needs of metropolitan-wide services are now met either by special authorities that are independent of any democratically elected council (such as London Transport and the Metropolitan Water Board) or else are not met properly at all (as with town planning and highways). Meanwhile, the LCC has absorbed the lion's share of the "intimate" social services within its restricted boundaries—a process that has condemned the 28 metropolitan boroughs, as well as the proud City, to increasing ineffectiveness. The LCC in fact is much too small for some functions and much too big for others. As an organism it is a good deal more anomalous than the House of Lords.

The most logical new scheme for London's government would be a three-pronged plan of reform, involving essentially a modernisation of the "borough plan." The recipe could run as follows. First, abolish the LCC and re-organise the surrounding counties. In this re-organisation Middlesex County Council would also necessarily disappear completely, while Essex, Kent and the others would have their corners of London taken away from them. Secondly, abolish the 100 other local councils operating within Greater London, and replace them by 30 to 50 borough councils, of roughly 150-300,000 population each; these new borough councils would then be fully capable of taking over the main local services of education, health and welfare (which are at present operated by the LCC, Middlesex and other county councils). Thirdly, let a new council be elected from the whole Greater London area; this new Greater London council would concern itself only with certain key services (such as highways, main drainage and fire prevention) that need to be co-ordinated over a wide area. What are the objections to this plan?

THE first usual defence of the LCC is that "at any rate it works." There is an element of truth in this. The LCC's range and resources attract a quality of staff which few other local authorities can command and which make it an interesting body to sit on. Since, mainly, only Labour party intellectuals, with plenty of time to spare, can manage to do so, the LCC has become an energetic progenitor of controversial policies. It has pursued its plan for comprehensive schools in the face of ministerial and parental opposition. It has laboured hard at the unusual task of exporting industries and citizens to towns fifty miles distant. Its housing schemes have greater originality than those of any other large city in the world. Whether these, and its other policies, are liked or deplored, they do represent the kind of local initiative and experimentation which has always been a theoretical virtue of local government, and which, perhaps ironically, the present Government says it wants.

The second common objection to reform is the political one: that it would be unfair to Labour. As more and more of the middle classes have moved out to remoter suburbia, in Surrey and elsewhere, the older area within the LCC's boundaries has inevitably been left with a large Labour majority. Since 1934 the LCC and 15 of the 28 metropolitan boroughs have been continuously held by the Labour party; seven of the metropolitan borough councils are at present Labour monopolies with no Tory Opposition councillors at all. Labour areas would, of course, still have the socialist educational and other local policies they have voted for if their new borough councils took over operations from the LCC. Moreover, as areas adjacent to London County also have a largely Labour political bias, the new Greater London Council, with its limited functions, would probably be more usually Labour than Tory-controlled. But the abolition of the LCC would extinguish an energetic authority which many Labour men regard as their greatest administrative showpiece, and would delegate powers to other Labour councils (some, perhaps, resembling that at St Pancras?) which no socialist in his senses could ever regard as showpieces at all.

This political argument, however, can equally fairly be stood on its head. A Conservative critic of the LCC might reasonably contend that its experimentation would be all very well if somebody other than Labour sometimes had an innings. It is rather hard on the few Conservative strongholds within London County (such as Westminster, Chelsea, Kensington, Marylebone, and Hampstead) that their educational and other local government policies should be condemned for ever to be run by a party with whose political philosophy they overwhelmingly disagree.

The third common argument in defence of the LCC is to impugn the practicability or desirability of any alternative plan for London government. Some of the contentions put forward in support of this criticism seem wide of the mark. For example, it is said that the election of a Greater London Council would make local government more remote. But remoteness would matter much less for the type of service which it would operate (such as highways, main drainage, fire prevention) than for the services which this reform would take away from the giant LCC (and from such distant county authorities as Essex) to give to the new boroughs.

Again, it is sometimes said that Parliament could not tolerate the existence of so powerful a rival to itself as the Greater London Council. But the new authority would possess a much smaller battery of powers than the LCC does now—even though in some matters its control would, and should, be broader and stronger. A much better argument is that for some matters (such as town and country planning, water, and highways again), the most suitable unit has become not even built-up London, but the broader London region of 40-50 miles radius. London's potential enormous future growth might quickly make a Greater London Council outdated just as the LCC has become outdated now.

These, essentially, are matters for the commission to investigate. They will have alternative plans to consider—such as that of dividing Greater London into six or so self-contained counties or miniature LCCs. But none of these plans seems as desirable as the "modernised borough plan" suggested above. The case for some basic reform is extremely strong. The smaller local authorities are in a sorry and wasteful state of decay, while London, Middlesex, and the other counties concerned manage to be big or unwieldy without giving London that single eye for which there is so much to be said. In these circumstances it is silly of the LCC and the other county councils to tell the commission that all is well. The LCC may have special assets to compensate for its defects. It may provide—for all its political contentiousness—an interesting variant on the general, duller themes of local government. But these are not reasons enough for letting its continued existence as it is block an otherwise desirable reform.

Britain and Israel

The British Government has evidently been thinking again about the dangers of leaving Israel in a state of friendless isolation. But its policy is still short-term

ISRAELI commentators are being discreetly jubilant over a discernible change in the official British attitude towards Israel. The sale in October of two 13 year-old submarines to the Israeli navy, and Mr Macmillan's friendly speech on November 5th at a banquet given by British Jews in honour of Mr Elath, the Israeli ambassador, are greeted as evidence that Britain is thinking again—and more benignly—about Israel's place in Middle East policy.

The delivery of the two submarines is significant because for several years the Government had refused any substantial arms to Israel. By the 1950 Tripartite Declaration, Britain, together with France and the United States, recognised the need to maintain a military balance between Jews and Arabs. But this arrangement has been allowed to go by the board. Although in an interview last month General Dayan, the former chief of staff, mildly denied that he had any complaint against Britain, and pointed out that "our first tanks, our first jet aircraft, most of our artillery, our destroyers, and now our submarines have all been supplied by Britain," there was a long interruption in deliveries. After the sale of two destroyers in 1955, the Government restricted supplies to spare parts and minor equipment, although Russian tanks, aircraft and submarines were being delivered to Egypt and Syria, and western arms were piling up in Jordan and Iraq. Only France, renouncing the hope of Arab goodwill, came to Israel's aid with supplies of military aircraft.

In his after-dinner speech, the Prime Minister put into words the change of heart that led to the sale of the submarines. At times during the last few years, Israeli diplomats, in their trips to the Foreign Office, have been reminded of Jan Masaryk going there "to persuade them that Czechoslovakia is a country and not a disease." They could only conclude from the reception they got that their country's interests did not rank high in British policy calculations; that in a showdown Israel could not rely on British sympathy; and that in the absence of a retraction of Sir Anthony Eden's Guildhall speech in 1955, Britain was backing Arab demands for substantial frontier revision.

But now at least the climate has changed, so that Mr Macmillan could talk of "a better understanding and a better perception of each other's problems than there has ever been at any day." He spoke of past "misunderstandings"; this is diplomatic understatement for a basic difference of interest. Policy-makers in Britain have more often than not found the existence of Israel an embarrassment. On the British side, this has made for equivocation, inconsistency, and even resentment. The Government has a sense of responsibility towards Israel and towards the Jews, but since Israel can offer no oil and will offer no bases, and is moreover in no danger of coming under communist influence, the Arabs have usually come first. And the refusal of the Arabs to accept as permanent the existence of a Jewish state in their midst has squeezed British diplomatic resources to the edge of double-think.

ALTHOUGH there has never been any backsliding from the basic premise that Israel is there to stay, there has been a disposition to forget that it is there at all. Britons find themselves in conversations with Arabs in the dishonourable position of apologising for their Israeli connections. In the case of friendly—but insecure—Arab regimes, the British position was particularly awkward, since the friendly Arab rulers were already weakened at home by the reputation of being pro-British, and any boldness in London in defence of Israel's rights would have made their position worse.

In the event, equivocation did not avail. Nuri es-Said was anyhow accused of hobnobbing with pro-Zionist imperialists, and this became yet another nail in his coffin. With less friendly Arabs, British circumspection never cut much ice. Nothing could efface the image that had been created of Britain as progenitor of the Jewish state, and any support given to Israel has been vastly magnified in the debit account of Anglo-Arab relations. The Israelis, for their part, bore British ambivalence with fair grace, reflecting that reticence pays better than indignation. But their sense of isolation was enhanced. Oppressed by hostility and lack of interest, they have never succeeded in shaking off the claustrophobia that has in the past found release in military outbreaks.

Rather late in the day, the Foreign Office has recognised the danger of trying Israeli nerves too far. The situation on Israel's borders is again unquiet: in the north, Syrian shellfire has driven the Israeli government to turn to the Security Council; the frontier with Jordan is no more settled than it was two years ago when King Hussein considered accepting the services of Iraqi troops. Nowadays the risk is that the King might be toppled by a pro-Egyptian coup. Then as now, the Israeli prime-minister, Mr Ben-Gurion, reserved the right to act as he thinks fit if Jordan's status changes. But the British position has changed materially. Two years ago the Anglo-Jordan treaty was still in force, and Britain—even while it prepared action against Egypt—was also preparing to support Jordan against Israeli attack. The British refusal to restore the arms balance after the Czech deal with Egypt was still raw in Israeli minds, and wilder members of the Knesset were urging Mr Ben-Gurion to take on the British as well as the Arab forces if need be. Today, the British Government is still concerned to prevent Israeli action against Jordan, but the chosen means are different. No treaty obligation to Jordan remains, and London is trying to lower Israel's siege temperature by friendship rather than threats.

Israelis interpret Britain's change of mood rather differently. They pin it to the Iraqi revolution, calculating that Britain, having lost its Arab friends, has gained a freer hand in its dealings with Israel. They also discern a basic identity of interest in the need to contain President Nasser's ambition. In this context, they are thinking less of the Conservative ministers who have been patently anti-Nasser for some years now, but rather of diplomats and officials. They suspect the Foreign Office of coming round to their own view that it is impossible to live with President Nasser. In this, they probably tend to exaggerate the extent to which British thinking is swinging into line with Israel's point of view. The British interest is to damp down the Arab-Jewish quarrel, not to make it worse by changing sides.

However British attitudes may be rationalised, the essence of Government policy is to prevent things getting worse, and to stave off any crisis. This is sound as far as it goes. But it implies either an unwillingness to look to the future, or a disbelief in Britain's ability to influence it. The British role is therefore limited to blanketing the embers on the principle that he who has burnt his fingers more than once is not called upon to burn them again.

YET it is not necessary to look very far ahead to recognise the continuing danger of the unresolved Palestine war. British policy stops short before two questions: what should be done if fighting broke out again, and what can be done to remove (not merely postpone) the danger inherent in the disputed frontiers? The Government prefers, reasonably enough, not to speculate in public on the first hypothesis; as things stand at present, the British change of heart is unlikely to go to the lengths of giving diplomatic support should the Israeli army again break out across one frontier or the other. It is the official reticence on the second question that is depressing.

Although the Government now recognises the dangers of an isolated and claustrophobic Israel, it is shy of embarking on any active attempt to eradicate the root causes of instability. Admittedly, a radical cure of the Palestine question can come only from inside. The hostility of Arabs and Israelis is something that they alone can allay, and since the Arabs see themselves not only as the injured party but also as the ultimate victors, the first move must come from Israel or not at all. Outsiders can contribute by doing all they can to create a climate in which this first step would be possible, and by being alert to put all their strength behind it when and if it comes.

NOTES OF THE WEEK

LONDON AIRPORT

Stewards in Decline?

THE report of the court of inquiry into the recent unofficial strike at London Airport has managed to be both turgid in its phraseology and dramatic in its impact. The court is certainly right in its main conclusion that both employers and unions are to blame for the dogfight that at present passes for industrial relations at BOAC. Long before this autumn's shop steward troubles, which were the last of a long series, both sides had quite lost faith in the industry's official body for settling disputes. This unfortunate situation had arisen in several ways. On the one hand, the employers, by their weak stand against the airport's local union bosses, had undermined both their own position and that of the union officials on the Joint National Council. On the other, the unions' side of the council was ineffective. Four years ago theirs was an illustrious team (both Mr Cousins and Mr Carron were members of it); now the unions' side is composed of men who are completely divided against themselves. This disarray is shown clearly in the report. At one extreme was Mr Mikardo, that unusual trade unionist who thought that his duties as chairman of the trade union side would best be fulfilled by implying that the stewards' unofficial strike was justified. (Mr Mikardo's evidence, described as "mischievous" by the court, will do him no good in the Labour political circles which are his more normal habitat.) At the other extreme was Mr Matthews, who came out strongly in favour of curbing the local stewards and restoring the authority of the council. In the middle were the representatives of the TGWU and AEU, who coyly decided to make no statement to the court at all.

To curb the stewards is the course on which BOAC, with the court's approval, is now plainly bent. It has at last recognised, as BEA did four years ago, that it is impossible to run an airport properly while an aggressive shop steward movement can always take the law into its own hands. Its challenge will probably receive at least the tacit support of most union officials on the joint council; but the stewards, with their tough communist minority, can be expected to hit back. Their autumn strike was a complete failure. But a major source of possible trouble lies ahead. As BOAC sloughs off some of the vast army of unnecessary inspectors and engineers which it has accumulated in its too profligate past, redundancy will become a heated issue. The court was right to state the need for a clear agreement to meet this redundancy when it comes.

The report has thrown light on yet another dark corner of British industry where shop stewards had gained the upper hand of management. Other recent instances have been at the South Bank, Smithfield, Pressed Steel, the British Motor Corporation and Briggs. This situation is perhaps more damaging than widespread; it exists mainly in parts of the engineering, building, food distribution and transport industries, where stoppages are thought to be particularly costly because of heavy investment or a perishable product. But where rule by stewards does exist it is a complete barrier to economic progress. To get rid of it is worth almost any number of strikes.

MUNICIPALISATION

A Plan in Wonderland

WHEN Labour's election manifesto two weeks ago turned its back on the party's previous extraordinary scheme for the compulsory municipalisation of virtually all rented houses, Conservative propagandists growled angrily like a dog that was being deprived of a bone. Last week Mr Anthony Greenwood, implying that he was speaking for the Labour executive, waded into the correspondence columns of *The Times* and obligingly tossed it back to them. The plan for wholesale municipalisation, he declared, had not been changed at all. The background to this letter can probably best be understood by recalling that Mr Greenwood has shattered Mr Gaitskell's eardrums on this issue before. As a matter of historical record, the municipalisation plan has risen and fallen in four main stages:

(1) Labour's original municipalisation brochure, called "Homes of the Future," was drawn up by a study group of which Mr Greenwood was chairman. It was a pretty extreme document, but at that time it had certain smoothed edges edited into it by Mr Gaitskell and others.

(2) It was when this document was debated and accepted by the Labour party conference of 1956 that bonnets were really thrown over the windmill. It was then that Mr Greenwood, speaking for the executive, presented the municipalisation plan as "a full-blooded socialist policy statement which will involve what is probably the biggest socialisation project that has yet been attempted in the democratic world"; he added specifically that it "will involve the taking over of something between 5 million and 6 million houses." It was also this conference that unanimously accepted a motion supported by a speech from Mr Bevan, which could only be interpreted as meaning that all these houses should pass into public ownership on a single vesting day.

(3) Later a document from Transport House, called "Labour's Housing Policy" and purporting to explain "Homes of the Future," advertised a figure for prospective take-overs much smaller than Mr Greenwood's; it also envisaged that there would be no single take-over date. Not everybody realised that the officials who edited this document had the power to reverse a decision of the Labour party conference; nor, perhaps, did the Labour party conference itself. But when a publicity campaign was mounted against municipalisation this autumn, Mr Morgan Phillips wrote to *The Times* in September and said that the idea of a single take-over date was not part of Labour's policy. This was the first stage of this year's retreat.

(4) Last month's election manifesto carried this retreat further, with a still more important change. It dropped all talk of compelling local councils to take over virtually every rented house in the country. It spoke merely of "empowering" local authorities to buy those houses which private landlords had refused to improve even when encouraged to do so. It thus adumbrated quite a sensible

measure. Although, in general, local authorities are "empowered" to buy these houses already, it is arguable that present procedures for exercising these powers could be made less clumsy by a minor piece of new legislation.

Mr Greenwood's Maternal Instinct

THEN, last Friday, Mr Greenwood's letter appeared in *The Times*, with the quite baffling statement that Labour's policy remains that contained in "Homes of the Future" *and* in "Labour's Housing Policy" *and* as "approved by the annual conference of the party." The difficulty about this letter is not merely that it is in flat contradiction of the policy enunciated in last month's election manifesto. The difficulty is that it claims that Labour's housing policy can be interpreted by looking at three signposts which themselves say three quite different things.

Tory spokesmen are now having a high old time saying that this letter shows that Labour's recent manifesto assumed a spurious appearance of moderation which belies the party's real intentions. The truth is almost certainly precisely the reverse. Mr Greenwood is assuming a spurious appearance of militancy which belies what a Labour government would in fact do ; he has been stung into this by his maternal instinct for municipalisation and by his consciousness of his accession to Mr Bevan's old place at the head of the militant constituency parties' annual popularity poll for the national executive. But Mr Gaitskell, one suspects, is now in a cleft stick about whether to say so, and how. A likely middle course might be to say that local authorities will be asked to draw up programmes for the take-over of sub-standard houses, and that reserve powers will be taken (though not necessarily used) by which a Labour government could force the hand of any big urban authorities which otherwise would not buy and improve any houses at all.

FOREIGN POLICY DEBATE

Disengaging Shots

IF the House of Commons wishes to hold the attention of the country, more of its members will have to turn up for its big set debates than did so for last week's discussion on foreign affairs. Presumably because it was held on a Thursday and there was to be no division at the end, the ranks were looking thin even when Mr Selwyn Lloyd and Mr Bevan delivered their initial rather dispirited exchange. There were only eighteen members per side when Mr Healey and Mr Sandys came to wind up four hours later.

In between, by far the best speeches had come from Mr Bonham Carter, who is obviously going to be a great asset to the Liberals, and Mr Geoffrey Rippon, a surprisingly fiery Tory backbencher. Both roundly chastised this Government, its predecessor and, in Mr Rippon's case, Foreign Office and Treasury officials (who struck him as looking "supercilious and bored") for their dilettantish and ungracious attitude towards successive movements for European political unity.

But although the Foreign Secretary's opening speech piled on the agony about the disasters that will befall western Europe when January 1st passes without ringing in a Free Trade Area, this was strictly a sub-plot in the debate. The main theme was the prospects of disengagement in Central Europe. Curiously enough it was the ministers who wanted to debate the Labour party's programme because they thought they could puncture it, while Mr Bevan and Mr Healey preferred to concentrate on the second Rapacki plan because they sensed that its surprising moderation was an embarrassment to the Government.

Each side is entitled to chalk up one debating point. After Mr Bevan had been driven by the Foreign Secretary's challenge to concede that western Europe could not afford to be without American troops, Mr Sandys triumphantly produced Vice-President Nixon's statement that any plan of disengagement might produce a public demand in the United States for a switch to a policy of "fortress America." On the other hand Mr Healey was able to point a logical inconsistency between the Minister of Defence's argument that any military disengagement was dangerous (because the Russians or their satellites might swiftly occupy neutralised ground and present the West with the dilemma of whether to risk a nuclear war to push them out) and the Foreign Secretary's repetition of the Western pledge that if a reunified Germany joined Nato the former eastern zone would be kept demilitarised.

CYPRUS

Back to Nato

THE debate on Cyprus at the United Nations flickered out with the adoption of a resolution which was so much of a bromide that the Assembly managed to vote for it unanimously. This expressed confidence that continued efforts would be made to reach a "peaceful, democratic and just solution." It was concocted by the Mexicans when it became clear that the Persian resolution, adopted by the political committee by a simple majority, would not win the necessary two-thirds majority in the General Assembly. Supported by Britain and Turkey and opposed by Greece, the Persian resolution considered that "self-government and free institutions" should be developed in Cyprus, and urged that a conference should be convened of the three governments concerned and Cypriot representatives.

Thus, in the event, the UN debate on Cyprus turned out much more favourably for Britain than for Greece, which had been building such high hopes on it. The British desire for further tripartite negotiations was endorsed ; the Greek desire that the UN should come out in favour of guaranteed independence for the island was not. The Greeks, seeking scapegoats for their misfortunes in New York, have lit on the Americans, without whose support, it is maintained, the Persian resolution would not have got even a simple majority. It is much to be hoped that by next week the Greek government will have overcome its chagrin sufficiently to play a constructive part in the confidential talks on Cyprus which, according to Mr Macmillan's statement to the Commons on Wednesday, he hopes will take place during the Nato meeting in Paris.

The Greek government announced last weekend that an attempt by the banned Greek Communist party to reorganise its underground network in Greece had been nipped in the bud ; it also alleged that EDA, the pro-Communist chief opposition party, regularly received instructions from exiled Greek Communist leaders—themselves the tools of a foreign power. EDA's tie-up with the Communists has in fact long been recognised, and this particular announcement is, no doubt, timed to distract

people's attention from the Cyprus disappointment. Feelings are probably too bitter for it to have much effect as an antidote to Greek disillusionment with Nato, the Americans, and the West generally.

DISARMAMENT

Grace Before Meat

SOVIET and western commentators alike, no doubt for different reasons, seemed this week to have lost sight of the essentials of the Geneva negotiations on halting nuclear tests. Excited headlines in the press last weekend gave the impression of a dramatic break-through after five weeks of disagreement. There was a second burst of applause after Monday's meeting. True, the detailed reports that appeared beneath the headlines were substantially accurate. One had to turn to the Russians for evidence of confusion and disarray ; on Sunday Moscow radio was telling its domestic audience that "there are no signs of real progress," while Tass, the official Soviet news agency, was reporting "the first considerable progress at the conference. The main problem . . . has been virtually solved," and claiming that American and British attempts at "obstruction" had been doomed ever since Moscow had breached the privacy of the talks by publishing selected texts several days earlier. But all that really emerged was that the wording of two draft articles had been agreed. These articles would commit the three powers to halting tests and to co-operating with a control organisation, two points which had been agreed in principle long before the conference met.

They still seem to be agreed only in principle. As to the key question of the controlling body's capabilities, nothing is yet settled. The first taste of real meat in the week's news came when it was revealed that the Russians had offered their first detailed proposals about the control organisation. This is what the West has really been waiting for ; it has been a long time coming, and it does not seem, from first reports, to be very encouraging. The Russians oppose any idea that mobile teams should be kept standing by to investigate suspicious phenomena. In contrast to the findings of the scientists' conference in July and August, they would confine the monitoring posts, for some time at least, to the territories of the three nuclear powers, and would form the inspectorate from their nationals only. Just in case the control system should manage to show results in spite of these and other limitations, they ask for a power of veto over any decisions it might take. Mr Tsarapkin is evidently going into winter quarters in Geneva ; the talks are likely to have run well into 1959 before there is any real meeting of minds. However, these negotiations are at least keeping afloat better than the simultaneous talks on warding off surprise attack, which, after over a month of exchanges, seem perilously near the rocks.

GERMANY

Bonn Stonewalls

DR ADENAUER'S standing as a statesman has not been enhanced by the diplomatic and political events of the past ten days. Last week he visited Berlin on the eve of the city's municipal elections and made it very plain that he had come not to demonstrate Bonn's solidarity with the old German capital but for electioneering purposes. He avoided a private meeting with Herr Brandt, the Social Democratic mayor ; instead he castigated the Social Democrats in election speeches as if nothing had been at stake in Berlin but west German party politics. No doubt he had been advised that if he did not intervene the Social Democrats would benefit from Herr Brandt's position as the civic leader at a time of crisis. But the Chancellor's intervention does not appear to have swung many votes. The Christian Democratic candidate for the post of mayor—Herr Lemmer, the federal minister for all-German questions—was a good candidate ; but the Social Democrats won 52.6 per cent of the votes compared to 44.6 in 1954. The Christian Democrats raised their share from 30.4 per cent to 37.7. Thus the pattern of expansion by the big parties at the expense of the small persists. None of the smaller parties got enough votes to give it representatives in the city parliament.

The new votes for the Social Democrats were not necessarily cast against Dr Adenauer's policies. They were votes for Herr Brandt, a determined upholder of the city's freedom and a figure to watch in German politics. Herr Brandt, though he was moved to protest against the Chancellor's untimely electioneering, continues to behave with great moderation. He has always made it clear that Berlin can have no foreign policy separate from that of Bonn. And the Social Democrats do not propose to establish a one-party government ; the coalition with the Christian Democrats will be continued.

Herr Brandt's discretion, however, cannot disguise the difference between his attitude and Dr Adenauer's. Herr Brandt's reaction to Mr Khrushchev's proposals on Berlin has been to reject them as unacceptable and to suggest a broader discussion of the German question instead—the only context in which Berlin's problems can be solved. There was the same natural and sensible reaction in many western capitals. Dr Adenauer appears to have set his face against making any counter-proposals at all. Indeed, it is supposed that it was in pursuit of this negative purpose that he proposed to visit Mr Macmillan ; a severe cold has unfortunately stopped him from coming. The visit will probably prove unnecessary from Dr Adenauer's point of view. West Germany's allies seem to be moving into line with him. The commanding position of the Bonn government in any discussions on the German question—or indeed on the related questions of disengagement and disarmament—could not have been more clearly demonstrated.

ROCKET DEMONSTRATORS

Face of Violence

JUST how much unnecessary force was used on the anti-H-bomb demonstrators at the Swaffham rocket site last week, and by whom, are questions which were briefly ventilated in Parliament on Monday ; and Mr Silverman has said that he will raise them again on the adjournment. A word of warning is in order to Conservative MPs about this. Many demonstrators on occasions such as that at Swaffham would be sorely disappointed if they were gently prised loose, treated with Chesterfieldian politeness, and subsequently charged, in the dullest and least newsworthy way, with trespass. But to say this is only to add a strong argument from expediency to the moral case against strong-arm tactics and in favour of legal ones.

Tempting though it may be to the man on the spot to

dunk irritating intruders in cold water, sticky mud, wet concrete, or (heaven-sent combination) all three simultaneously, it is a great mistake to condone any yielding to that temptation, however considerable the provocation. Violence is usually kept down in Britain by a well-established, generally respected sense of what is Not Done. Every breach of this traditional restraint weakens it and is a de-civilising factor, whether the offenders are strike pickets exercising what they regard as their moral right to bash the blackleg or the forces of law and order taking a leaf from the Blackshirts' book. This is the irreducible moral case against a short muddy way with trespassers, even such as almost literally ask for it.

Political realism, however, powerfully reinforces morality. The Conservative party did itself a lot of damage at Blackpool, directly, unmistakably, and under the eye of journalists who had gone there on political business. At Swaffham (where a different corps of journalists had assembled in the hope of writing up a row) there is more doubt about the facts of the case; and the Tories themselves were only extremely remotely concerned—as the party in power, the party, therefore, whose ethics can be supposed to filter down to all the points where power is exercised. But degrees of remoteness or direct responsibility are not always closely distinguished by the man in the street. This, he is apt to conclude, is how the Powers-that-Be behave under the present regime; against such behaviour it is some people on the Left who provide protection.

Every time, therefore, that Tory backbenchers greet any protests about alleged violence with hilarious cheers, every time the Government's reaction seems stonewalling, evasive, or one of ill-concealed sympathy with the mudbath technique, the moral image of Conservatism grows several degrees more unattractive.

EDUCATION

Defending the Grammar

Now that the white paper on secondary education has set out the Government's policy for taking the sting out of selection at eleven plus by pumping money and resources into the secondary moderns, the minister will have to look again at those Labour local authorities which have already announced plans to use the steamroller of comprehensivisation. Mr Lloyd has said that he will stand no tampering with grammar schools. Somebody ought, therefore, to put this list (which may be incomplete) on his desk:

(1) In *Darlington,* the local authority has announced that it will "zone" the area for two large comprehensives and has already published formal notice of this under section 13 of the 1944 Education Act. Its plan involves the degrading of Darlington Grammar School.

(2) In *Willesden,* as part of Middlesex County Council's innocuous-sounding plans to "abolish the eleven plus," a plan is being aired to turn the grammar school into a comprehensive.

(3) In the *West Riding of Yorkshire,* the authority proposes to turn Ecclesfield Grammar School into a comprehensive.

(4) In *Derbyshire,* the authority announced similar plans for Swanwick Hall grammar school (and Alfreton Secondary Modern School) without even consulting the headmasters.

(5) In *Newcastle,* the announcement of the council's intention to comprehensivise the schools, by some form of grouping, produced the resignation of the two university educationists from the education committee, which the council gaily accepted. Then came massive protests from the teachers, led by the local branch secretary of the National Union of Teachers (but opposed by the NUT's regional officer), about which the council is less gay.

It is important to note that only when these schemes reach the stage of being notified under section 13 of the Act is the minister in a position to intervene. He may then receive "statutory objections"; he has had some from Darlington already. But Whitehall is naturally not eager to clash publicly with the local authorities on whom it depends to operate the educational system. Efforts have therefore been made behind the scenes to get local authorities to draw back before that point is reached. Under suasion, Newport has revised its drastic comprehensivisation plans down to a single comprehensive school in a new housing area. Middlesex is also showing some circumspection. But other Labour local authorities are in no mood to listen to advice—whether from Whitehall, parents, university professors or teachers. Councillor Spence of Darlington, for example, is reported to have warned grammar school masters that it was for the elected representatives of ratepayers to decide what sort of educational system was to be used, and declared that their approach to their local Conservative MP was "political prostitution within the teachers' association." In Bristol only the elected members on the education committee were allowed to vote on education policy.

How Parents Can Make a Row

In view of these troubles, present and pending, it is worth making two points very clear. One is that after an authority has formally notified a scheme under section 13, statutory objections can be made by any twelve persons in the area affected; the minister will naturally feel more inclined to put his foot down when he is assured of strong support from parents and teachers against the local council. The second point is that, where there is more than one school in a locality, it is almost certain that the authority has no right to force a parent to send a child to any particular school against his choice—though many authorities wrongly think they have, basing themselves on the case of *Watts v. Kesteven* (1930). It seems implicit in section 76 of the Education Act that a child who has "passed the eleven plus" can choose to go either to a grammar or a comprehensive school in his area; this choice is in fact effectively exercised in (of all areas) the LCC area.

At this stage in the educational programme there seems to be every reason to encourage limited experiments—with comprehensive schools, with sensible schemes for "getting rid of the eleven plus" (like the association of a number of secondary moderns with a grammar school to make transfer easier, now being tried in Leicestershire), and even with making small grammar schools in rural areas "bilateral." But those who consider that all these experiments (on school children) are still *experiments,* and not final revealed dogma, should join hands with those who think that competition between types of school for parental approval does as much good as competition in other walks of life. They should get together to put the fanatics on local education committees and the more autocratic directors of education very firmly in their place.

The Outer Tariff of a European Trading Area

Major political issues are at stake in the search for some sort of economic association to link all the countries of western Europe with the community of six at its heart, and major political decisions may have to be taken to bring the association about. But there are also conflicts of commercial interest to be resolved. These centre on the issue of the outer tariff of the European trading area.

The General Agreement on Tariffs and Trade makes provision for two different sorts of free trading areas. One is a customs union where the member countries replace their national tariffs by a common tariff wall against the outside world. The other is a free trade area whose members would maintain separate national tariffs against outsiders. The six countries of the common market first considered the possibility of forming a free trade area, and rejected it. They asked themselves whether the new single market would work, if, say, the Benelux states retained their low tariffs and France its high ones. A Belgian importer would import cars and sell them to France, making the French tariff meaningless (**"the problem of origin"**). The machinery manufacturer in the Netherlands would import cheap parts from Britain and thus be enabled to undercut his competitor in France (**"deflections of trade"**). The Six, in whose ranks France and Italy—high-tariff countries—were influential, rejected a free trade area, and chose a customs union instead.

Faced with the prospect of the common market, Britain, on the other hand, proposed a European free trade area. £739 million of British imports from the Commonwealth in 1956 were agricultural products, which will have to be dealt with under special arrangements in a European scheme. But Britain also gives free entry to most Commonwealth manufactures (£102 million in 1956) and raw materials (£754 million) in return for the preferences the Commonwealth gives Britain. The free trade area principle would enable Britain to maintain these low tariff arrangements which benefit the Commonwealth. The concept also appeals to people with low tariffs like the Scandinavians, who do not want to raise their tariffs in a customs union even if the tariffs of the other partners are brought down to meet them. Britain believed that the "problem of origin" could be solved by a system of certificates of origin to exclude from the free trade arrangements within Europe manufactures deriving more than half their value from imported material. It pointed out that if Europe agreed on low raw material tariffs, there would be no significant discrepancy in industrial costs. In time economic forces would tend to press down other tariffs to the level of the lowest.

Some free traders on the Continent sympathised with this liberal concept, but the French and many others dislike it on four grounds. The French want to protect some of their own raw material production and do not want Britain to benefit from cheaper raw material costs than they. They point out that price levels could be distorted not only by discrepancies in tariffs on raw materials but by those on semi-manufactures. They do not see why they should open their protected market to British industry when Britain only offers a market that is open to Commonwealth competition. They doubt the efficacy of certificates of origin, and demand more restrictive formulæ to prevent free trade within Europe in goods imported from outside.

This fundamental difference of approach—customs union versus free trade area—has persisted throughout the talks. But detailed study has shown that the areas where there is a real conflict of interest are small. In raw materials there are only a few commodities where the tariffs of Britain and the Six are likely to differ. On wool, cotton, jute, nickel and tin, crude rubber and copper, both have zero tariffs. Together these commodities accounted for £338 million of Britain's imports of raw materials. On some others ("List G") the Six have not yet agreed. Here the principal commodities on which the Six are likely to levy a higher tariff than Britain are aluminium, lead and zinc. Imports of these from the Commonwealth were worth some £50 million in 1956.

Differences in costs of aluminium could affect some manufacturing costs, say of durable consumer goods. But on the whole there is little conflict of interest in the whole field of finished metal manufactures. Britain's imports of durable consumer goods and machinery from the Commonwealth are minute. So the argument whether the British tariff for these imports from the Commonwealth should be low or high seems rather academic.

In consumer goods the only major conflict of interest arises in the field of textiles and the products of certain other craft industries, where Britain gives free entry to cheap goods from Hongkong and India. In textiles the principal Continental worry is that the British industry would benefit from reprocessing cheap grey cloth; it wants free trade in Europe to be restricted to goods spun, woven and finished in Europe. Lancashire would agree to this, but the Board of Trade has to stick up for Hongkong. British imports of textile yarns and manufactures from the Commonwealth were worth £38 million in 1956.

In certain semi-manufactures there is also a conflict of interest. In the chemical industry, for example, oil refineries and some chemical plants in Canada export intermediate products to Britain duty-free; the Europeans, who are building up their own refining industries, want the protection of a harmonised tariff. Canada's political importance in the Commonwealth makes it difficult for Britain to accept the request; but Britain's total imports of chemicals from the Commonwealth were worth only £17 million in 1956, not much more than the imports from France alone. In engineering, too, there are strong grounds for a harmonisation of tariffs on parts of machines, to create equal competitive conditions. This is a condition which Britain could accept with relative ease.

The negotiation has shown that the areas where there is a real conflict of economic interests are small and eminently negotiable. Europe, like Britain, wants to import cheap raw materials; Britain, like the rest of Europe, is unlikely to want to import industrial products from the Commonwealth on a big scale. A free trade area could be made to work.

Because the areas of conflict are small it can also be argued that a customs union could be made to work provided that exceptions could be negotiated. Low tariff countries are right to look askance at any move which would increase their tariffs. But the entry of another low-tariff group into a customs union would tend to lower the average common external tariff. A difference of principle remains. The demand for a harmonised tariff is a demand for a political commitment to Europe, implying that British economic policies should put Europe first. The free trade area proposals imply that Britain would remain free to fix its trade barriers to the Commonwealth, and to the rest of the world, as low or as high as it pleases.

FRANCE

Shaking Down

THE National Assembly of the Fifth Republic met in Paris on Tuesday. At least it had kept the same name. But the signs of change were clear enough, particularly to the 150 surviving Fourth Republicans who managed to make their way back to the Palais Bourbon. General de Gaulle and his colleagues were there on the ministerial benches ; for once, it was the government, not the assembled deputies, that looked permanent. Even M. Mollet, now surely nearing the point of departure into what he calls "constructive opposition," was still at the general's side.

In the only important business of the day M. Soustelle's UNR flexed its muscles, and those of its 70 Algerian bearers, in hoisting M. Chaban-Delmas to the Speaker's chair. It actually came within a dozen votes of electing him on the first ballot: a plain indication where the balance of parliamentary power rests now. To improve its internal cohesion the UNR has asked its deputies to sign a statement pledging support for "General de Gaulle's actions." The possibility that the general and M. Soustelle could ever disagree on the meaning of gaullism is not, apparently, envisaged. Even so, there must still be doubts on how stable the present UNR majority will prove to be when the assembly begins its normal constitutional session on the last Tuesday in April.

General de Gaulle will be elected President of the Republic on December 21st. His candidature became virtually certain when M. Coty announced that he would not stand again. The electoral body itself, principally made up of rural local councillors, came into being last Sunday. The only opposition to the general is from the communist mayor of Ivry, M. Marrane, whose years of selfless devotion to his party are now rewarded by this arduous prominence.

The general is not expected to allow cabinet changes until after he is formally elected. But one minister who had been strongly tipped to go, M. Pinay, now looks more likely to hang on. He is understood to have won the general's backing for his budget (which may be announced in the next week or so). The general's eventual choice of prime minister is still as open as ever : there seems to be nothing in the constitution that would prevent him picking himself if he wanted to.

NORTH AFRICA

All Change?

FIGHTING flared up again in Algeria this week as the political committee of the United Nations General Assembly began its debate on the rebels' claim for independence. This was the rebel army's denial of General de Gaulle's latest assertion that the country was turning over a new leaf from war to peace. The general's post-election tour brought no immediate changes in its wake, although the replacement of General Salan and the division of his authority between a civil servant, M. Delouvrier, and a soldier, General Challe, are now taken for granted in Algiers. M. Delouvrier is at present with the Coal and Steel Community ; General Challe was removed from his staff post by the Pflimlin government at the height of the crisis last May. Another rumour, that General Massu will be sent to command in Madagascar, seems to have less substance in it.

It would not be unexpected if General de Gaulle chose the moment of M. Delouvrier's appointment to restore civilian prefects to the more peaceable districts. The general's own statements during his tour raised integrationist hopes by emphasising the importance of Saharan oil and insisting that France would not leave North Africa. The French delegation in New York walked out of the General Assembly's political committee on Monday to prove the integrationist point under the eyes of the rebel government's envoys. What General de Gaulle thought of the political representatives of integration when he met the new deputies in Algiers is not known. He has certainly been slow to pronounce them *interlocuteurs valables*.

Although sorely tested, France's new ties with its North African neighbours weakened only slightly in the past week. The United Nations debate on Algeria was opened by the Tunisian delegate, M. Slim ; this was probably a diplomatic duty that President Bourguiba's government could not well avoid. M. Bourguiba's own announcement that French farms in Tunisia would be bought out has even been greeted by some farmers with actual relief. In Morocco the lynching of a French officer in Casablanca was followed by immediate reassurances to the French population. King Mohammed was reported to be personally anxious to clamp down on all Algerian rebel activities inside Morocco. Now

The Economist

DECEMBER 11, 1858

PLANTING FREE INSTITUTIONS

England is engaged in the honourable task of planting free institutions, after the model of her own, all over the world. It has been a happy conception and a wise policy that has induced the English Government of late years to withdraw the tutelage of Downing Street from our colonies one after another, as they became fitted to exercise self-government under free representative institutions. It was the only humane and statesmanlike solution to the great difficulty which so long presented itself in regard to the future of our colonial empire. But the experiment, though in the main eminently successful, has not been without its dangers and difficulties. In the working of representative institutions, our colonies have had difficulties to contend with wholly unknown at home. In England, our free institutions, our representative legislature, and our government by a responsible ministry, have been a growth of long time, and the result of many struggles. Whenever an advantage was gained, there were always ready, not only the individuals, but an entire class, prepared to use it for the public good. With our popular rights there arose, side by side, a governing class which had the confidence of the public—a class which had leisure, independence, ambition, and the necessary knowledge to turn them to practical good ;—and they, in their turn, had an old settled population, accustomed to local self-government, to support them by a well-organised public opinion. It is no disparagement to the colonies, nor to the experiment which is being made, that they have not these advantages—that the population is necessarily more fluctuating . . . that those who are called upon to govern are necessarily new to the task. . . . These are the necessary drawbacks to a system otherwise invaluable. When constitutional government is given to a colony, it should be given freely and without grudging, however certain it may be to lead to some abuses. Nevertheless, much may be done by a Governor *on the spot, and by the Colonial Minister at home, without* undue interference with the action of free institutions, but by timely advice and warning, greatly to modify, if not entirely to prevent, some of the greatest practical mischiefs, from the causes to which we have referred.

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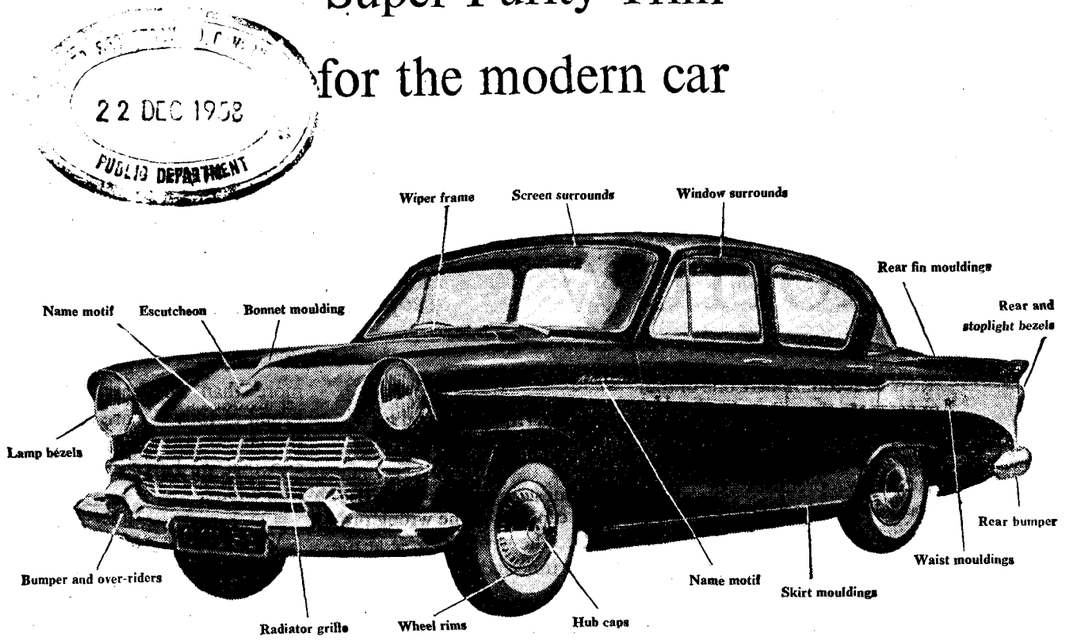

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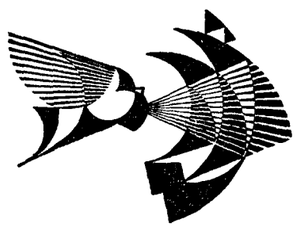
BRAINS AND ABILITY

OUR strength lies in the brains and ability of those who work here. It is on tough, inquiring and constructive minds that the successful working of a progressive advertising agency depends.



WHO?
WHEN? WHERE?
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INCESSANT research guides our thinking. The words 'WHO? WHEN? WHERE?' are constantly heard and still more often the word, 'NO!' as some promising notion is discarded for another more accurately directed.

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IN the past we have not sought for new accounts. An agency's powers should always exceed its commitments. Of our increased business over the past three years, over 75 per cent has come from clients who have known us for more than 20 years. We are proud of this. We are proud of the clients for whom we work and that we have served them for so long.

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that the Tunisian border is increasingly risky to cross, the Algerians are more anxious than ever to start a second front in the west. It seems unlikely that this desire will get a response from the Moroccans, particularly while their own internal crisis is still unresolved.

FREE TRADE AREA

The Negotiation Game

EVEN a seasoned spectator of the free trade area talks may be excused if at this stage he turns from Britain's diplomatic reverses in Europe to contemplate its defeat in the Test Match. After two years of desultory talk, discussion of the subject-matter of the free trade area has given place to negotiation about how to negotiate. On November 15th Mr Maudling broke off the talks in the committee of the Organisation for European Economic Co-operation which was originally set up to negotiate the free trade area. A fortnight later Dr Adenauer and General de Gaulle agreed that Professor Hallstein, as president of the European Commission (the executive of the common market), should take charge of the next stage of exploration. Disquieted, the British Government proposed on December 2nd that Mr Maudling's committee should meet again after all. The six common market governments, meeting in Brussels, turned this down and confirmed Professor Hallstein's assignment ; but they have now agreed to a rather different meeting in OEEC as well. The Maudling Committee itself will not reassemble ; instead the supreme body of OEEC, the Council of Ministers, will meet on Monday and discuss proposals for a provisional agreement.

Procedures are interesting because, it is supposed, they may affect the shape of whatever agreement is eventually reached. Britain's free trade area proposals were designed to preserve and expand the OEEC ; it is natural that the British should prefer to keep the talks in the OEEC framework. The architects of the common market, on the other hand, want to strengthen its institutions and increase the unity of its members. They want any agreement for "big Europe" to recognise the political existence of the community of six and group the others round it. As they see it, a negotiation in which the commission of the community played a leading part would tend to further these ends.

COMMON sense suggests that what matters is to reach an agreement, not how it is reached. In London it is felt that the differences go so deep that they can only be resolved by a meeting of heads of government. Mr Macmillan would no doubt have tried to make a start with Dr Adenauer this week, if illness had not obliged the Chancellor to put off his visit almost as soon as he had proposed it. In any case General de Gaulle had beaten Mr Macmillan to Dr Adenauer's ear by a fortnight. The free traders in Germany have been strengthened by Tuesday's unanimous resolution of the Bundestag which called on the federal government to approach other European governments to expedite a free trade area agreement. Whether this worthy motion will have any effect is open to doubt. Any agreement must have the support of General de Gaulle ; and no German pressure will have any effect if Dr Adenauer, putting the relationship with France above all else, holds himself aloof.

SOVIET UNION

Off the Beat

WHEN General Ivan Serov came to Britain in 1956 to make security arrangements for the visit of B and K, his arrival was greeted with a unanimous repugnance. In the course of his rise to the top of the Soviet security organisation he had supervised, among other operations, the mass deportations from eastern Poland and the Baltic states in 1939 and 1940. The reputation he had made for himself was such that he was politely informed that his presence was not desired in London. No tears will be shed here at this week's brief announcement from Moscow that General Serov has been removed from his post of chairman of the Committee of State Security. He creates a precedent by leaving the top security post without being murdered or even sent to prison.

But the removal has a political significance. The Committee of State Security was set up in April, 1954. After Beria's downfall it had been decided to deprive the Minister of the Interior of control over the security forces, and the new committee was placed under the direct supervision of the council of ministers. Though the first chairman of the committee, General Serov, was simultaneously appointed deputy prime minister, it was clear that the powers of the security police were being cut down from the extraordinary level they had reached in Stalin's time. Is the new dismissal yet another step on the road away from the police state ?

Among his many duties, General Serov was also apparently in charge of major security questions throughout eastern Europe. Thus it was he who flew to Mr Kadar's rescue after the Hungarian insurrection. People in the satellite countries of eastern Europe will certainly rejoice should his departure reduce Soviet interference in their lives. In Russia itself, they will probably be more interested in the future extent of police prerogatives than in the name of the chief policeman. A successor has not yet been announced. Serov's departure has, however, a fairly clear bearing on Soviet domestic politics. Serov was a professional, who had been highly placed in the Soviet security organisation longer than any other. In so far as he had political associations, they were not with Mr Khrushchev but with Mr Malenkov —who was prime minister when he was appointed to the chairmanship—and possibly with Mr Bulganin. He managed to hold his job for quite a long time under Mr Khrushchev, but he did not outlast Mr Bulganin for long. Mr Khrushchev seems to be extending his grip of the machine.

LOCAL GOVERNMENT

Half Way to Reform

TWO debates in the Commons this week—one on the Government's new block grant to local authorities, the other on its directions to the new Boundaries Commission—suggest that the main danger about present Tory schemes for local government reform is that they are all too likely to stop half-way. So far as finance is concerned, the trouble is not, as the Opposition claimed, that the new block grant is itself "stingy." What is true is that local councils, each of which will now receive a fixed amount of central aid, are being given a strong incentive to economise at the margin ; the apprehension is that this might cause some of them to drag their feet over the development of education

and other essential local services, especially while their only opportunity of raising additional money is to put up rate poundages. One obvious way of mitigating this danger is for the Government to get on with a fuller overhaul of the rating system, without blanching at the thought of shopkeepers' revolts and other sectional moves. But of this sort of courage there is little sign.

Secondly, the review of areas and boundaries needs to be radical. Unfortunately, Mr Brooke's directions to this boundary commission look like being as short-sighted as were Mr Bevan's to the previous one. His language is a lot vaguer, but he seems to expect the commission to spend five years upon the kind of niggling arbitration between counties and county boroughs which the last commission declared to be fruitless. On this basis nothing much will be done for the many middle-sized towns and urban areas which ought not, these days, to be county boroughs but which could run most of their own services. The blunt truth is that the nineteenth-century categories of county, county borough, and so on no longer make much sense, so that to play around with areas apart from functions becomes a wasteful business.

PARLIAMENTARY PRIVILEGE

The End of the Strauss Affair

WHEN the House of Commons, by a small majority, refused earlier this year to accord absolute privilege to certain letters written by Mr G. R. Strauss about the London Electricity Board, the board nevertheless magnanimously withdrew its threatened libel action against him and welcomed an inquiry into its methods of scrap disposal. The report of this inquiry, by an eminent accountant, was published as Cmnd 605 this week. Although it has some criticisms, or suggestions, to make to both sides in this commercial dispute, its main conclusions are twofold. First, it says that the board's present method of scrap disposal (which Mr Strauss had described as a "scandal" which "must cost the board, and of course the public, substantial sums which may amount to many tens of thousands of pounds a year") is a method which the board has been justified in adopting. Secondly, none of the board's decisions has ever been influenced by any ulterior or improper motive on the part of any of its officials. Mr Strauss's solicitors had already withdrawn any imputations of improper conduct; but they had added—in language not uncharacteristic of Mr Strauss's tone throughout this affair—that their client was "happy to have been afforded the opportunity of satisfying himself that the practice in question is the result of obstinacy and folly and nothing more." This could hardly be called an *amende honorable.*

In general, therefore, this affair emerges as having been a business controversy between the board and some (but not all) of the scrap metal merchants operating in London; Mr Strauss, who from the beginning declared his own "indirect personal financial interest" in one particular metal merchanting firm, was allied to what was broadly the mistaken side in this controversy and he became far too excitable in his championship of it. The board's former chairman has expressed surprise that Mr Strauss has not apologised following the publication of the report. What seems more surprising is that so substantial a minority of MPs should ever have thought it to be desirable that a cloak of parliamentary privilege should be cast over action of this sort in a commercial dispute. Let them read again the letters in Appendix A of Cmnd 605.

VENEZUELA

An Admiral's Turbulent Fans

VENEZUELA voted last weekend for a president and congress in its first free elections since 1947. Unofficial returns give Dr Romulo Betancourt, the leader of the left-wing Acción Democrática, an adequate lead over Admiral Larrazábal, the former head of the provisional junta and the candidate of the new middle-of-the-road party Unión Republicana Democrática.

The provinces, with some exceptions, have supported Dr Betancourt, but in Caracas the vote has gone to Admiral Larrazábal. Despite their dislike of government by the military, people in the capital have been won over to the Admiral's side after seeing him in action as temporary head of state. They co-operated with him in the suppression of three attempted coups by dissident army pressure groups, and have now been extravagantly showing their loyalty by rioting in protest against his expected defeat.

The danger is that these manifestations may be taken by the army as an excuse to prolong military rule. In a country more accustomed to authoritarian than to representative government, the Admiral took a risk in allowing the full revival of party politics. (The constitution under which these elections were held was itself introduced by Pérez Jiménez as head of the late military junta; but he never felt able to permit it to be put into force.) In neighbouring

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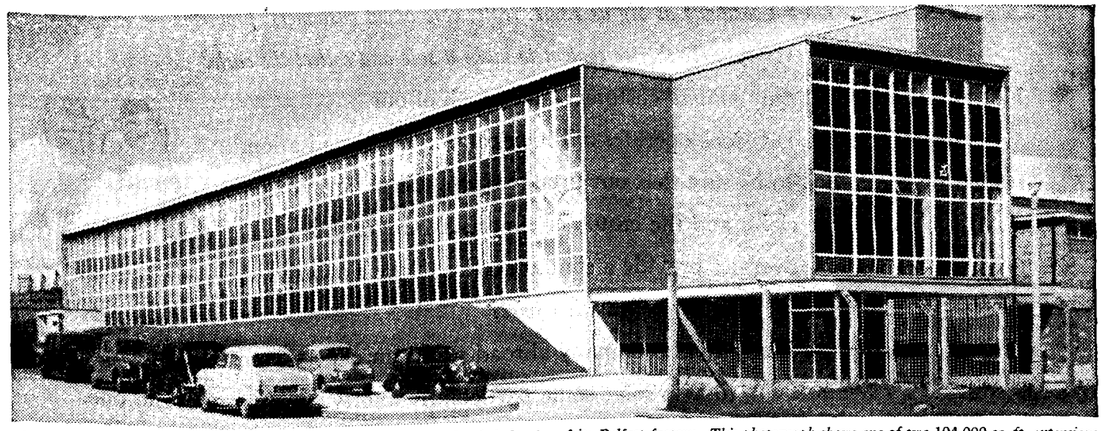
UNDENIABLE ECONOMIC ADVANTAGES

The Government of Northern Ireland can also offer 25% capital grants for new machinery, grants towards the cost of transferring equipment to the new factory, grants towards the cost of training and of building houses for key executives. There is plenty of adaptable labour and many firms work three shifts; labour turnover and absenteeism are low.



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the things they say!



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Roughly one and a half million pounds a year. But look at the results! By keeping the highest quality standards and backing our products with this sort of Technical Service, we've built up not only a huge trade in the home market but export business worth over £76,000,000 a year.

ICI

Colombia the two main parties—traditionally at odds with one another—decided after last year's revolution that the only way to avoid further strife was to unite behind a single candidate—a device that has the drawback of rendering elections pointless; it will be a pity if Venezuela's bolder course goes wrong.

The hopeful aspect of the situation is that the principal contestants do appear concerned to put the country's interests before personal ambitions. On the eve of the elections, the three candidates signed a "declaration of principles" and promised a coalition administration. There have been suggestions that Dr Betancourt will invite Admiral Larrazábal into his cabinet. If the Admiral accepts, the rioters will presumably have no reason to go on rioting.

ASIA AND AFRICA

Africa's Conference Week

THE meetings of Asians and Africans in Cairo and Accra this week cannot be dismissed merely as part of a popularity contest between President Nasser and Mr Nkrumah. In Cairo the delegates of the Afro-Asian chambers of commerce are discussing economic affairs. Western-sponsored plans for military pacts have not gone down well with their countries. The communists have been able to exploit these pacts as wicked imperialist tricks, promoting interference in the internal affairs of new nations, and exposing those who join to annihilation in war. The proposals being studied this week in Cairo are for a different kind of co-operation. The Afro-Asian chambers of commerce are being asked to assess the impact a European common market would have on their trade relations; to find ways of resolving difficulties over tariffs and payments; to encourage economic, technical and financial co-operation; and to formulate a programme on these lines for the governments. The objectives are admirable, but it is easier—especially in the East—for businessmen to recommend than for the machines of government to grind out the treaties, agreements and plans that co-operation requires.

In Accra the subject is African politics. The conference was called by the Ghanian Convention People's Party, of which Dr Nkrumah is the leader, to discuss the African problems of colonialism, racism and tribalism. Though the agenda called for plans for an African non-violent revolution against colonialism, an Algerian delegate on Tuesday told the conference that there were times when only violence would do the trick. The meetings in Accra can do little to affect the course of the struggle for Algeria; but the Algerian exhortation has not been lost on the African leaders from countries where the presence of European and Asian settlers slows down the pace of African self-government.

It is true that the conference is dealing with the wider questions of tribalism and forms of federal union throughout Africa, but it may be suspected that the hard core of the discussion will be how to bring pressure on the colonial governments in East Africa, the Belgian Congo, Central Africa and elsewhere. The question is whether violence will be used. Mr Tom Mboya, leader of the elected African members in Kenya, who was elected chairman, is himself clearly faced with a choice between non-violent and violent methods at this moment. Dr Nkrumah's influence on the conference is being soft-pedalled in public, but it is clearly part of his effort to hold the lead among African statesmen. The Arab world may keep President Nasser busy in Asia; but there are others in Africa who may yet challenge Dr Nkrumah's position.

LETTERS

Labour Policy

SIR—In your issue of December 6th Sir Robert Renwick not incorrectly says, "the Labour Party themselves regard their economic policy as summarised in the phrase 'controlled expansion'" and goes on to ask whether your or his interpretation of this phrase is the more correct. The answer is yours.

The high cost of industrial stagnation and retardation can hardly now be in dispute, nor can there be many illusions about their ineffectiveness as a means of stabilising prices or stimulating exports. That is why we have consistently favoured expansion. But when we insist that it must be "controlled" expansion the purpose of the qualification is not to conjure up all the bogeys and fantasies of Sir Robert's letter. It is to emphasise that a free-for-all uncontrolled expansion à la Butler would merely lead to a repetition of a situation which, to quote the imperishable words of the Prime Minister's epitaph on Mr Butler's chancellorian record, "held back our exports, swelled our imports, forced us into balance of payments deficit, helped to reduce our reserves by a quarter, and drove up our domestic price-level."

The expansion must therefore be controlled and purposive: controlled to prevent an excess of investment, particularly in those fields which contribute little or nothing to exports or the strength of the economy, purposive to ensure that, for example, the producer-goods industries are encouraged to expand more rapidly than the consumer industries. Had that been done in 1954-56, and since, we should not have lagged behind the other industrial countries in production, exports and investment, and there would be no need today for the Government to be introducing panic inflationary measures, such as the hire-purchase spree, to prevent an industrial recession from getting out of hand.—Yours faithfully,

HAROLD WILSON
House of Commons

Central Africa

SIR—May I explain why I think it important that the British people should know that Sir Roy Welensky presents a very different picture in front of the television cameras in Britain from what he does to his supporters in Central Africa? Tension in Nyasaland and Northern Rhodesia is growing as the 1960 Conference approaches, especially since Sir Roy Welensky's supporters have been told that its main purpose is to find ways of achieving dominion status. But Sir Roy Welensky knows that the Africans are hotly opposed to his Government taking over Britain's responsibilities for their advancement and that they would regard such a transfer of power as a flagrant breach of past declarations by Britain. So the Federal Government rides two horses; in Rhodesia they talk the tough language their supporters want to hear but in this country they talk like "liberals" and hope that by doing so they can dispel any qualms of conscience we may have. They are set in their purpose to secure control over African policy in Nyasaland and Northern Rhodesia (even though Britain retains nominal responsibility). I am absolutely convinced that in the present state of European and African opinion, such a course would be morally wrong and politically disastrous. I hope, Sir, you think the same.

What then should be our tactics? You want to go on "pussy-footing" because Sir Roy Welensky is the best prime minister Rhodesia has got. I now think the time for that is past. The British

people must know the background to the fateful decisions that will be taken in their name in 1960 and that television appearances by "liberal" members of the Federal Government are part of a process to soften them up.

And when the British people know what breaches of past understandings with the Africans Sir Roy Welensky is asking them to connive at, it will not much matter who handles the negotiations in 1960.—Yours faithfully,
House of Commons JAMES CALLAGHAN

Berlin

SIR—For a decade *The Economist* has supported Dr Adenauer's West German State. In spite of West Berlin's special legal status both you and the government of the *Bundesrepublik* have consistently treated free Berlin as an essential part of free Germany and free Europe. Now, in face of some still obscure Muscovite threats, you begin to speak of free West Berlin no longer as an end in itself but as something temporary which must be justified by new proposals and concessions. We are told that, whatever the offence to Bonn (or, presumably, to West Berlin), the allies should be ready to negotiate with Moscow the "uniting of the territories which are German at present," of which one would continue to be ruled by Ulbricht, whom you describe as "an established (though transitional) authority." Otherwise "the allies' position in Berlin becomes pointless." If there is discoverable meaning in your sequence of subtly oscillating arguments, it is surely that.

Herr Ulbricht has already told us that "the whole of Berlin belongs to the area of sovereignty of the East German Republic." To "confederate" the Germanies is therefore indisputably to give him all Berlin, wherever the opposed foreign forces withdrew to. What advantage could free Europe conceivably derive from such an event? How would the "established" Ulbricht then be "transitional"?

Doubtless you are right to propose a conference with the Russians. But why all this preliminary talk about the "pointlessness" of the western position in Berlin? It is only pointless if we do not intend to maintain it until we get something better.—Yours faithfully,
London, S.W.3 CHARLES JANSON

Tariffs

SIR—In your issue of December 6th you state that "two months ago America proposed in the General Agreement on Tariffs and Trade that there should be general tariff negotiations aiming at a 20 per cent reduction in world tariffs in the next two years." What the Americans said was that they were prepared to take part in tariff negotiations under the authority of the new extension of the Trade Agreements legislation, which allows them to reduce tariff rates up to 20 per cent. They made no proposal for a general 20 per cent reduction. The following is a quotation from the statement made by Mr Douglas Dillon on October 16th:

> As a result of the approval by the United States Congress of the Reciprocal Trade-Agreements Extension Act of 1958, my Government is now prepared to participate in tariff negotiations with the members of the European Economic Community and with other countries, to the end that mutually beneficial tariff concessions may be agreed upon. The trade-agreements extension approved by our Congress—for a period of four years from July 1, 1958—is the longest in the history of our trade-agreements legislation. Also, the extent to the basic authority granted to our President—to reduce tariffs up to 20 per cent of existing rates—is the greatest since the immediate postwar period. It is our hope that the Community of Six, and other contracting parties, will agree at this session to a timetable of tariff negotiations looking toward their completion prior to the expiration of our negotiations authority on July 1, 1962.

—Yours faithfully, RICHARD R. FORD
General Agreement on Tariffs and Trade Geneva

The British Overseas

SIR—The British business communities in various parts of Asia are probably guilty of many sins of omission and commission, but if they were really as offensive and barbarous as Mr Deakin suggests in his letter to you on November 28th, I doubt if they would be as welcome today as Asian leaders say they are. In fact, the "unscrupulous commercial adventurers" and snobbish "wives of civil servants" seem to have done reasonably well by their descendants and the countries in which they lived. Furthermore, the packed lectures and reading rooms of every British Council establishment in South Asia seem very reasonable testimony to the work of those "woolly minded, ineffectual and eccentric emissaries" which that organisation sends overseas.

Innumerable stories are told of Indian judges being thrown out of railway carriages by junior and non-commissioned British officers—preferably in the middle of the night at some inhospitable junction such as Moghalserai. Of the score or more extant, possibly three such are founded on fact. It may be that Mr Deakin's eye-witness account is one of them; but having heard so many I would require much more proof than he is able to give. Presumably Mr Deakin's sad experiences are based on military service in India during the last war, when the overwhelming reaction of the temporary British soldier was one of patient but utter boredom, rather than bad manners. They had few chances of making the many abiding friendships with Indians which every member of the British business community can look back upon, despite that "cold standoffishness" and "general lack of culture" which Mr Deakin so deplores. Most people who have lived and worked in Asia for any length of time know that Asians prefer you to be your natural self and are immensely embarrassed by Englishmen who are constantly apologising for the past and highly suspicious of American diplomats who cycle to office when they have three Cadillacs standing idle in the embassy compound.—Yours faithfully,
London, W2 GEOFFREY TYSON

Teachers' Pay

SIR—You dismiss our use of price indices to argue our salary claim. But you yourself regularly publish such figures, and are presumably interested in their accuracy. If the difference between 5 per cent and 6½ per cent is pettifogging who is being small minded about it, the teachers who ask for it, or the authorities who reject it?

You say that the demand for an increased basic is nonsense, and you want greater differentials. Most of us realise the need for differentials, but the basic salaries of all teachers, graduate and non-graduate, have declined in real value since 1938. Our concern with the basic salary, therefore, has nothing to do with sex, or the age of our pupils.

In the same issue you reviewed the "Young Devils." A book about the secondary modern school in which I work would never find a publisher. There is alas! less vice and no more indiscipline than there was at my very respectable public school. Of course there is another side to the picture, but it is the politicians not the teachers who are interested in concealment. The more the public knows of the facts, good and bad, the happier we shall be.—Yours faithfully, GEORGE PATTISON
Chingford National Union of Teachers

Coloured Workers

SIR—Your article on coloured immigration mentions the fact that some coloured immigrants stay unemployed for a much longer time than does the average white unemployed man.

Might I suggest, from my own experience of interviewing coloured applicants for employment, that poor command of the English language is a major cause of this. Employers will naturally hesitate to take on men who are slow to comprehend instructions, especially where the job involves working with machinery. I have myself had an apprehensive moment when an immigrant, in this case a Pole, misunderstood an order and increased the speed of a machine instead of stopping it. My comment may apply more to Indians and Pakistanis than to West Indians. But I would urge that any special training course for immigrants should include instruction in the English language for those who need it.

Incidentally, lest I be suspected of colour prejudice, may I add that the firm of which I work employs and has employed coloured workers for a number of years. They have proved to be a very useful addition to the labour force.—Yours faithfully, JOHN G. WALKER
Gomersal, Nr. Leeds

BOOKS

The Eve of the Atomic Age

A History of Technology, Volume V: *The Late Nineteenth Century 1850-1900*

Edited by Charles Singer, E. J. Holmyard and others.
Oxford University Press. 932 pages. 168s.

THIS is the final volume of a series that covers the history of technology from prehistoric times to the eve of the atomic age, from the dinosaurs to the dynamos. The first volume appeared as recently as 1954, and the promptness with which the work has been completed is in itself a remarkable achievement. So many grandiose works of collaboration stagger on through the decades, and appear belatedly and incomplete, that the efficiency with which this project has been organised deserves the highest praise.

The editors must be men of exceptional resolution to have mastered the logistic problems involved in marshalling and deploying so large an army of contributors over so wide and intractable a terrain. But they have been lucky with their army; they have been able, especially in recent volumes, to draw on the services of practising technicians interested in the antecedents of the tools and machines they themselves make or employ. There are few occupations so satisfying as to listen to a genuine expert explaining how a mechanical contraption works, and among the outstanding chapters in the present volume are those on electricity by Mr Mackechnie Jarvis, and on aeronautics by the technical assistant to the chairman of British European Airways. But, indeed, all the technical chapters are excellent and only a modern Leonardo da Vinci could discriminate between them. In this period the experts have had a difficult task, for the internal combustion engine and the new chemistry impose a much greater strain upon their powers of exposition than the spinning jenny and the blast furnace; but they handle their material with economy and skill and justify the publishers' boast that the work can be understood by those with a minimum of technical or scientific training. It is not until physics begins to dominate technology that the subject soars above the heads of laymen and, very wisely, the editors decided to bring this volume to an end in 1900.

As an encyclopædia of techniques this work is entirely successful, and the editors need have felt no compulsion to surround this group of well-tooled chapters by a penumbra of speculation about the consequences of technological development. They have, however, stepped beyond the limits of previous volumes and included one chapter by Mr Charles Wilson on the effects of technology on industrial organisation and another by Sir Alexander Fleck on its wider social consequences; and these do not rise to the standard set by the rest of the volume. Mr Wilson provides a well-conducted but rapid Cook's tour of English industrial history; the fresh and vigorous chapter by the chairman of Imperial Chemical Industries in which he ranges over the social history of a hundred and fifty years, is a remarkable *tour de force* from a scientist and the head of a great corporation, but it is too idiosyncratic and personal to be a satisfactory coda to the history.

Since the volume has strayed so far as to consider the consequences of technological development, it is disappointing that it has so little to say about the causes. During the period it covers, the technical initiative passed from the United Kingdom to Germany and the United States. One would like to have the views of the technologists on why this happened. Was it the result of deep-seated forces in English society, or of defects that were peculiar to the closing decades of the nineteenth century? There are some suggestive *obiter dicta* on the subject. A large share of the responsibility, the editors suggest, must be ascribed to those who failed to see the basic importance of technical education, and Sir Eric Ashby's illuminating chapter on "Education for an Age of Technology" is designed to elaborate this moral. Sir Alexander Fleck suggests that it had something to do with the lack of drive of second and third generations in manufacturing families. It is beyond dispute that lack of attention to technical education was in the nineteenth century—and, to a large extent, still is—a major drawback to England's equipment as an industrial power; and second generation business leaders may have characteristic defects (though no one takes this line about second generation scientists).

But the plain fact about British industry in the last three decades of the nineteenth century was that it had far fewer opportunities than German or American industry to experiment with new equipment. For reasons that initially had nothing to do with technology, British output was expanding less rapidly, and therefore British manufacturers, of whatever generation and whatever their education, had fewer chances of putting new ideas to the practical test. To take a specific example, the main cause of the backwardness in the English electrical industry, which had widespread repercussions in other industries, was that urban population was growing less rapidly in Britain than in Germany or America, and that the British industry had to face the competition of an effective and well-established gas industry.

It is, however, unreasonable to ask for interpretation and synthesis at this stage in the history of technology. In the first phase of any subject the emphasis must be on the collection and presentation of a body of trustworthy facts, and this task the present history has performed with remarkable success. When it started, although the literature on the subject was extensive, large tracts of the field had never been systematically explored, or explored only by limited forays in inaccessible scientific journals and in impenetrably technical language. Through the morass of specialist monographs the "History of Technology" has driven a system of magnificent Roman roads, along which those who want to inquire into the springs of technical progress can proceed with confidence.

Japan Since the Occupation

Japanese Politics: *An Introductory Survey*

By Nobutaka Ike. *Eyre and Spottiswoode.* 300 pages. 25s.

THE author of this book was born in Seattle of Japanese parents; he is one of those who approach the land of his forefathers with the mental background of an American and citizenship of the country that was victorious over Japan in the Pacific war. An Associate Professor in Stanford University, he carried out studies for the present work as a Ford Foundation Fellow in Japan in 1954-55, and he provides a picture of the political life of postwar Japan as it has developed through the combined effects of the efforts of the American occupation authority, the consciousness of national defeat and new forces emerging from within.

Professor Ike does not try to conceal the fact that the legal structure of the present Japanese state "is not the outgrowth of normal historical evolution, but rather the product of Occupation-sponsored reforms." It is well known in Japan that although the preamble to the new Constitution of 1947 declares that "we, the Japanese people . . . . . do ordain and establish this Constitution," it was in reality drafted at General MacArthur's headquarters. It is thus an inherently fragile political system, always open to the charge that it is an alien device forced on the nation contrary to its own habits and traditions. It has, nevertheless, since the end of the occupation, worked much better than might have been expected; with the virtual elimination from the Diet of all rivals to the two major parties, Japanese parliamentary politics have assumed a shape curiously similar to the British pattern, even though the frequent outbursts of fighting among the deputies indicate a degree of turbulence excluded by the custom of Westminster. Broadly speaking, it may be said that political democracy has achieved strength in Japan since 1945 positively through the land reform and negatively through the disbandment of the old armed forces, which were the mainstay of authoritarian rule. Communism has made remarkably

little headway, though neutralism and vaguely anti-western sentiments are widespread.

Mr Ike endeavours to apply American methods of sociological enquiry to the Japanese scene and makes considerable use of public opinion polls and questionnaires, which have been the rage in Japan over the past decade. As he admits, it is particularly difficult in Japan to obtain satisfactory results by such means because "the tradition of thought control makes many people reluctant to reveal their real thoughts," and there is a frequent suspicion that strangers making enquiries about what seems none of their business must be agents of the police or the revenue authorities. Much more informative are Mr Ike's analyses of the voting strength of the various parties in successive elections and the distribution of votes in various parts of the country. With over forty per cent of the population still living by agriculture, the predominantly rural areas remain (except in the Hokkaido, which is in so many ways different from the rest of Japan) strongholds of conservatism, while the prefectures in which the Socialists polled 35 per cent or more of the total vote in the 1955 elections are found to correspond almost exactly to the areas of highest industrialisation.

The author gives a good account of the peculiar features of local political life in Japan, particularly the ways in which personal influence is exercised. Sometimes, however, he appears to regard as special to the Japanese characteristics that have a much wider geographical range; for example, he tells us that "for some reason Japanese voters do not like to 'waste' their votes" and therefore will not vote for a candidate who seems to have no chance of winning. This is surely a trait which we come across nearer home than in Japan.

Profile of the Party

The British Communist Party

By Henry Pelling.
A. and C. Black. 204 pages. 18s.

It is surprising that no professional historian has hitherto attempted a sustained and detailed narrative and analysis of the origins and development of the British Communist party. Fortunately Mr Pelling, with a reputation already established as an enlightening and careful historian of British democratic socialism and the beginnings of the Labour party, has attempted, not the whole task, but what he more modestly describes as an "historical profile."

His story opens with a brief account of the immediate forerunners—the early (pre-1914) industrial syndicalists in Scotland and South Wales; and the Clydeside Workers' Committee and the Shop Stewards' Movement of the early days of the first world war. This is followed by a description of the early squabbles that surrounded the founding of the Party—the sectarian purists unwillingly accepting from Lenin the case for affiliation with the Labour party. From then on there was no turning aside by the British Communist party. In the early 1920s a few rebels left or were ejected; the remainder accepted fully all the implications of the Leninist "Bolshevisation" theory, and over the subsequent thirty-five years the British comrades were outstanding among the world's communist parties in swallowing servilely, eagerly and cynically every twist and reversal in Moscow policies. As early as 1922 the effective control of the British party was handed over to Mr Palme Dutt and Mr Harry Pollitt; they consolidated their authority and their doctrines of subservience to Moscow by 1924 and they have remained in power ever since.

In other countries the switches from one policy to another, the denunciations of former friends, the executions of admired leaders, and sacrifice of workers' interests, the praise of scientific nonsense, the extravagances of Russian anti-semitism, the support of Nazis and Fascists have provoked resignations by party leaders. But not in Britain. Mr Palme Dutt was able to treat with levity the Khrushchev revelations of Stalin's monstrous crimes and was met with little more than a subdued whimper of anguish from the party's university intellectuals. Similarly, the party executive, by arguing that readiness to accept the Soviet destruction of a workers' revolt was the true test of a good Leninist, were able to reject all challenge to their authority after the Hungarian counter-revolution.

But if British communists are unique, even among communists, in their submissiveness, they are, when matched against overseas comrades, no more and no less than average in their appetite for aggression. Their opportunities for betrayal and for the casual destruction of enemies and useless friends have been fewer; but, as Mr Pelling points out, their behaviour during the Spanish Civil War showed that it is lack of opportunity and not disinclination that accounts for their relatively unspotted history.

The events of the past two or three years have not left the party unscarred Apart from the heavy loss of rank and file members, they have once more forced the party leaders to face their historical dilemma. They can follow the basic and long-standing directive to infiltrate democratic bodies and to set up front organisations to ensnare liberals. On the other hand they can return to their original sectarianism. The latter course leads them directly to almost complete isolation from the political life of this country, but to follow the former course means that they are threatened by the loss of their identity as the true revolutionary party. The recent revival of extreme left-wing groups by comparatively young ex-members of the party probably troubles its leaders much more than it does either the Labour party or the trade union movement.

In dealing with the history of people who have, to the best of their ability, dabbled in subversion and espionage, Mr Pelling is inevitably hampered by the absence of published documents. It is unlikely that these gaps will be filled by the party's committee of historians, who some years ago were entrusted with the task of writing its history. It is equally unlikely that even if the relevant documents were made available, they would materially affect the main features of his history. As with his earlier books, students of the history of the British Left are deeply indebted to Mr Pelling.

Standards for Farm Policy

Economics and Agriculture

By Anne Martin.
Routledge and Kegan Paul. 166 pages. 21s.

This highly intelligent and useful book does not attempt to duplicate Miss Ruth Cohen's contribution to the Cambridge Economic Handbooks series. It is addressed to a special public of agricultural students, who are assumed to know a certain amount about agriculture already but no economics at all; a public whose needs Miss Martin's experience at the Agricultural Research Institute at Oxford has no doubt helped her to appreciate. It should also, however, interest other readers who, equally untrained in economics, are yet sufficiently interested in agricultural policy to want to understand its economic conditions, limitations and effects.

The economic theory, which takes up Miss Martin's first chapters, is in the best sense elementary. This is bedrock stuff, simply presented but without concessions to woolliness; a limited but well-tempered tool-kit. The reader who has mastered it is well placed to understand both what is universal and what is to some degree peculiar about the working of economic forces in the agricultural world. He is also—and this is perhaps Miss Martin's greatest strength—equipped to distinguish between these economic peculiarities of agriculture and the social elements that bulk so large—but often in economic disguise—in the motives and devices of policy-makers.

It is policy that provides the substance of Miss Martin's later chapters, and no better up-to-date critical synopsis exists of the various forms of state intervention, by way of support prices, grants, statutory backing for marketing monopolies, quotas, protection, and rent control. But it is not only with British, or with western, agriculture that the study is concerned. Equal emphasis is given to the problems confronted, and the policies followed, in the underdeveloped areas where agriculture is still by far the largest economic element; and the reader benefits from a wide acquaintance with development problems, land tenure systems, price stabilising schemes, and fiscal provisions, on both sides of the iron or bamboo curtains. A great deal of scholarship has, in fact, gone into this elementary volume; which is as it should be. But Martin might do when writing for her peers.

No Unity

Commonwealth Perspectives

By Nicholas Mansergh and others.
Cambridge University Press, for *Duke University Press.* 214 pages. 34s.

"Commonwealth studies" is an ambiguous term. It can mean the study of the Commonwealth as an entity, or the study of the domestic affairs of individual Commonwealth countries. Each sort of material can provide a starting-point for a satisfactorily unified study. Up to now, the Commonwealth Studies Centre of Duke University has wisely done either one thing or the other in its publications; now it has unwisely mixed the two, and so sacrificed any unity of conception. "Commercial Perspectives" is a collection of papers, some good, some commonplace, with no organic link except that all can be brought into one or other of the categories mentioned.

The papers begin well with two by Professor Mansergh, urbanely and perceptively describing the changing character of Commonwealth membership and the foreign policies of member countries since the war. The points made by Professor Mansergh could well have been developed in detail, or at least referred to, by the other writers. Instead, each goes his own way. There is an inconclusive, highly legalistic account of "The Commonwealth and the Law of Nations" by Robert R. Wilson, and a stimulating piece on the implications of Commonwealth demography by Joseph J. Spengler, who gives more direct political influence to population change than most students of politics would concede to it. There is also a stout defence of the sterling area by Brinley Thomas. All of these papers on general aspects of the Commonwealth would have benefited from reference to one another, and revision in the light of the reference; none shows any sign of this process. The volume is completed by an unremarkable piece on the emergence of Ghana and a description of changing social services in Australia.

Growing Up in Montenegro

Land Without Justice

By Milovan Djilas.
Methuen. 314 pages. 25s.

Uncle Teofil was a Montenegrin officer who fought the Austrians in the first world war with the greatest heroism before he was eventually taken prisoner. After the war he returned to his native country, with his dreams of an independent Montenegro destroyed, his home razed to the ground, his wife and family dead. The authorities regarded him with suspicion; he was summoned to the local police station, beaten up and insulted. His brother, Milovan Djilas's father, begged him to join the guerillas in the woods and avenge his wounded honour. But Uncle Teofil proved to be different from most Montenegrins of his time; after an agonised mental conflict he eventually decided to subordinate his desire for revenge to his greater desire to rebuild his home and recreate his life.

The story of Uncle Teofil is typical of the society in which Milovan Djilas was brought up. It was a society in which violence and sudden death, often in the most horrible forms, were almost an everyday occurrence, either as a result of war or of the vindictive personal vendettas in which the Montenegrins indulged. It was also a society in which most people, particularly the peasants, lived in the most grinding poverty with starvation just round the corner. Towards the end of this extremely interesting account of his early life, Mr Djilas remarks that it was classical and humanistic literature that indirectly drew him towards communism because it advocated a humane and just life which he felt that the society of his day, and particularly the political movements within it, could not even promise. His attitude may now seem naïve, but after reading this book one easily understand his despair of the society in which he had grown up.

This is, however, only incidentally a political book. And in spite of all the violence and suffering it is not really a depressing one, since it is written by a man with a deep sympathy for his fellow-men. Its pages are filled with a fascinating and vivid procession of friends and relations, of peasants and soldiers, of chieftains and schoolteachers. One can only hope that Mr Djilas will find the time, inclination and opportunity (preferably outside his present prison-cell) to write a further instalment of his autobiography.

Knowing Themselves

Every Man a Phoenix

By Margaret Bottrall.
Murray. 174 pages. 18s.

> For every man alone thinkes he hath got
> To be a Phoenix, and that there can bee
> None of that kind, of which he is, but hee.

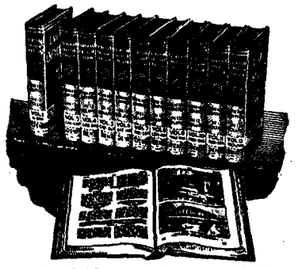
So wrote John Donne. It is a persuasion calculated to further autobiographical writing, the development of which in the seventeenth century is the subject of Mrs Bottrall's book. Donne himself goes some way in the kind. However large the dramatic and personative element in his poetry, he has left in it the record of a unique and fascinating individual; and the same quality marks his work of penitential self-revelation, "Devotions upon Emergent Occasions." Introspection, whether prompted as in Bunyan's "Grace Abounding" and Richard Baxter's "Memoirs" by religious motives, or as in Montaigne's "Essays" by sheer intellectual curiosity, is a grand characteristic of the age.

> My selfe am Center of my circling thought,
> Onely my selfe I studie, learne, and knowe

wrote Donne's contemporary, Sir John Davies, in the poem he entitled "Nosce Teipsum." And although Davies's is designed principally as an inquiry into the general human condition, the lines might stand as epigraph to an important body of writing, not all of it by any means well known. Perhaps because—as Mrs Bottrall conjectures—the autobiographical impulse is favoured by disturbed social conditions, such writing flourished during the period of the Civil War. And it had behind it by then that "interest in individual psychology more meditative and inquiring than ever before," which had distinguished the first quarter of the century.

As readers of her earlier book on George Herbert will expect, Mrs Bottrall provides an informal but informed and sensitively responsive discussion on her subject—a discussion ranging from the august elaborations of "Religio Medici," through the vanities and absurdities of Lord Herbert of Cherbury ("It is well known to those that wait in my chamber, that the shirts, waistcoats and other garments that I were next my body, are sweet, beyond what either easily can be believed, or hath been observed in any else"), to the obscure Adam Martindale, a Nonconformist minister of Lancashire yeoman stock who was somewhat unaccountably prompted to leave behind him a familiar and domestic chronicle, and finally to the lively, distinguished and acute Anne Murray, later Lady Halkett. The "Autobiography" of this little-known writer, innocent alike of confessional-didactic motive and of historical sense (although she was in fact involved in some exciting Royalist intrigues), displays something like the powers of a novelist who never came to her vocation.

EVERYMAN'S ENCYCLOPAEDIA



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AMERICAN SURVEY

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

Guns or Budgets

WASHINGTON, DC

THIS is the time of the year when Mr Eisenhower plays Procrustes with the various parts of next year's Budget. Of all the chiefs of departments stretched out before him, none has felt his toes tingling more apprehensively than Mr McElroy, the Secretary of Defence. It is calculated that in the present fiscal year, which ends next June, defence is likely to cost nearly $41 billion, a billion dollars more than the President estimated last January. Since defence has accounted for more than half of the Budget ever since the Korean War, and since the one belief in which generals, admirals and Air Force commanders are united is that they are still as poor as church mice, Mr Eisenhower's ambition to lop two or three billion off the Administration's spending was bound to cause anguish in the Department of Defence. Mr McElroy is that unenviable figure, the man caught at the point of the impact when an irresistible urge to keep down the deficit meets an immovable determination to keep up with the Russians. It now seems probable that he has escaped the worst kinds of injury, perhaps as a result of his pleadings when he visited the holiday-making President in Georgia a fortnight ago. Agreement was reached last weekend on the total amount that the armed services will request for the next fiscal year; and, although the figure will not be made public until the President sends his Budget Message to Congress in the new year, the expert guessers who haunt the labyrinths of the Pentagon, the Defence Department's fortress, believe that it is between $41.5 and $42 billion. But this increase over the current year's expenditure is more apparent than real. The rise in the cost of the things the Defence Department buys, which is unlikely to be less than two per cent, will absorb a good deal of it. Moreover, weapons grow yearly more complex; thus a given amount of money will buy fewer missiles, for example, even though they will be more accurate and efficient ones.

As a result, a number of cuts can be foretold. The one category of weapons on which it is certain that more money will be spent next year is missiles—for which $5.3 billion was allocated this year—and even here the extra funds will be spread over a narrower range. At long last the ancient quarrel between two intermediate range missiles, the Thor and the Jupiter, will come to judgment; but the victor is likely to have a short life, simply because so few countries are both suitable and willing to give it a home. Where there are two or three "generations" of missiles designed to perform the same function, an earlier one may be eliminated in order to speed up the development of the latest model. Among air-launched missiles, for instance, the Rascal is being dropped in favour of the Hound Dog, which is now going into production. In the category of ground-to-ground tactical weapons the Sergeant, successor to the Corporal and predecessor of the Pershing, may possibly be abandoned. But it would be unsafe to assume that the process will extend to the intercontinental missiles; work is likely to continue on the Titan as a reinforcement for the Atlas—which has just completed its first successful full-range test—until the solid-fuelled Minuteman is ready some years hence.

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There has also been a good deal of speculation about the future of some of the latest manned aircraft, such as the Hustler bomber, which one school of thought claims that missiles have already made obsolete. It is doubtful whether Mr McElroy will be so impoverished that he will be forced to take a decision on this issue next year. There is more likely to be a reduction in the number of the Air Force's tactical wings, which has already been cut by a quarter since 1956. The greatest cry of indignation may well arise over what happens to the conventional forces of the other two services. The Navy will probably have to forgo once again its hopes of a second nuclear-powered aircraft carrier, which it failed to get past the suspicious eye of Congress in the last session. The Army, which is at present gloomily watching its fifteen divisions being cut down to fourteen, may see them further whittled down to thirteen; and not even the *douceur* of a substantial increase in its allowance for weapons

(which will still fall far short of what its Chief of Staff says he needs to modernise the Army properly) will overcome its feeling that this is a very unpropitious number.

All this reveals the two major premises of American strategy. In the first place, it reflects the President's optimism about the narrowness of the so-called "missile-gap"—the lead which the Russians enjoy in the development of ballistic weapons. The gloomiest prophets, of whom none sees life more darkly than Mr Joseph Alsop, have talked as if the United States would be naked to its enemies for two or three years. In fact, the Americans' first squadron of intercontinental missiles is expected to be in operation on the west coast before the end of 1959; and though the Russians may still have more of them, this disadvantage will soon be cancelled by the Americans' ability to launch nuclear missiles from aircraft and submarines patrolling the perimeter of the Soviet Union. Indeed, there may never be any "gap" at all in the sense of a period in which the Russians could devastate America and be confident that they would not suffer unacceptable losses in return.

It is worth recording that, since the first sputnik went up a little more than a year ago, the Americans have solved the problem of missile re-entry; intermediate-range rockets are being mounted in Britain and may be installed in Italy after this month's Nato conference; and it looks as if the intercontinental weapon will be ready for service a good deal earlier than was expected in those dark days. All this has been done in the first post-sputnik year with an increase in expenditure on missiles rather smaller than that of the previous year. No doubt Mr McElroy's appointment to the Department of Defence has helped. He has weeded out the thicket of civilian assistant secretaries who had proliferated there under his predecessor, Mr Wilson; and he is said to have speeded the agonisingly slow passage of decisions along the internal channels of the department. But the transformation has been achieved without resorting to panic measures; for once, Mr Eisenhower's upper lip seems to have been justifiably rigid.

THE second implication is less cheerful. It is increasingly plain that the range of limited wars—as distinct from nuclear last trumps—for which the Administration sees fit to prepare itself is a very narrow one. Any further reduction in the strength of the Army, which already has eight of its fourteen divisions overseas, will make it very difficult to get the home-based Strategic Army Corps ready for action. It is supposed to be prepared for instant movement overseas. Any further reduction in the number of the Air Force's wings will dim the hopes of one day being able to transport more than a single division by air. Clearly the sort of limited war which the Administration foresees is one in which the Americans' role will be confined to naval and air support, supply operations and—where their ground forces are involved at all—interventions by small numbers of troops against modest opposition. It so happens that the three crises of 1958—in Lebanon, the Chinese islands and now Berlin—seem to fit this picture. But it is risky to assume that the threat of massive retaliation is still enough to keep any future calls for American assistance on a sub-Korean level.

The final allocation of the Budget's funds within the various services will not be completed until later this month. The President then has to expose his proposals to the vast Democratic majorities in Congress. The Democrats, who are already committed to an expensive programme of domestic legislation, will be warier of adding to the defence budget than they were last year; there are limits to the deficit which even a triumphant Democrat can view with equanimity. But the strategists of limited war are certain to give voice again next session, and the President must expect a hard fight if his proposals threaten either the air-lift or the size of the Army.

State of Democratic Union

THOSE Democrats who want to use their congressional victory to seize the initiative from the President and to promote wide social reforms had things all their own way when the party's National Committee met in Washington to celebrate its successes and to make hopeful arrangements for the presidential election of 1960. The "State of the Union" message issued by the Democratic Advisory Council, a month before Mr Eisenhower will send his own legislative proposals to Congress, reflects long-standing demands by northern and western Democrats for a more militant liberal programme. The council was, indeed, created by the National Committee out of dissatisfaction with the conservatism of the party's moderate southern leaders, Senator Johnson and Mr Rayburn, and a strong feeling that the party should have some spokesman for its liberal aims when it lacks one in the White House. The council, which counts among its members Mr Stevenson, Mr Truman, Governor Harriman and Governor Williams, speaks with greater authority than it did before so many northern and western Democrats captured seats in Congress.

Its long list of legislation, covering social security, federal aid for schools, a higher minimum wage, housing, amendment of the Taft-Hartley Act and many other points, goes far beyond anything that Mr Johnson and Mr Rayburn are prepared to accept. What is most ominous, however, for those who wish to hold the party together as the one fully national political institution is the determination of many Democrats from northern and western cities to throw off the political and moral embarrassment of compromises with the South over Negro rights. The Democratic Advisory Council demanded federal help for communities anxious to reopen the schools which southern states have closed rather than accept Negro students, and controversial legislation to empower the Department of Justice to seek injunctions whenever civil rights are denied, in the schools as well as in the polling booths.

The National Committee itself had already dealt roughly with the South in its own proceedings. By an overwhelming vote—91 to 15—it decided not to allow Louisiana to replace its national committeeman, Mr Gravel, who had offended his state organisation by declaring that racial segregation was morally wrong. This was not as unexpected as the big vote to commend Mr Paul Butler, the chairman of the committee, for his uncompromising stand for Negro rights and to support enforcement of the Supreme Court's decisions on racial issues. This is a long step from the carefully worded phrases adopted at the Democratic convention in 1956; it will make Senator Johnson's task of conciliation difficult. If he fails, and the Democrats spend much of the next congressional session fighting each other, some Republicans will feel that their defeat had a silver lining. Others, knowing that elections are more than ever won outside the South, will be less hopeful.



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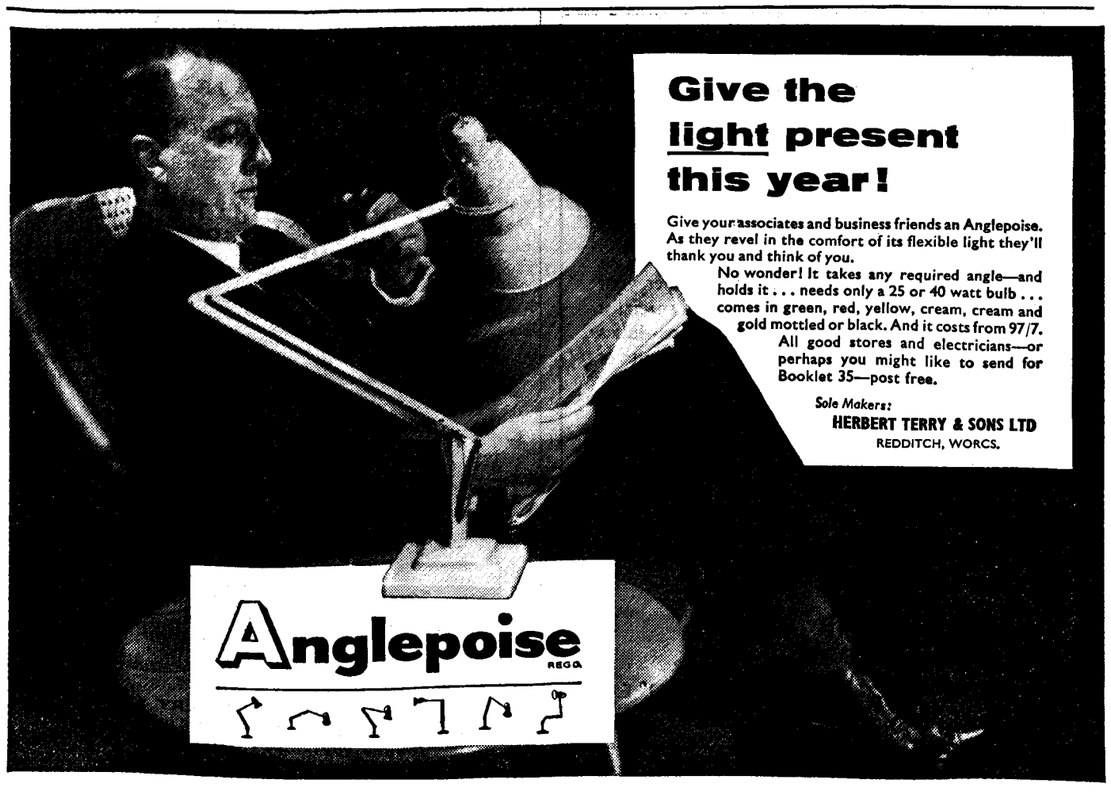

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To Tame the Gerrymander

THE Democratic party's victories in the elections to the State Legislatures on November 4th, which were no less striking than their triumphs in the congressional elections on the same day, seem certain to lead in a number of northern and western states to concerted efforts to remove a heavy bias in the electoral system which normally works in favour of the Republicans. This arises from the fact that, with certain exceptions, it is the State Legislatures which draw up the election laws, even those affecting federal contests. Most important of all, party politicians in the legislatures have the tempting task of drawing the constituency boundaries for the House of Representatives in Washington.

These are liable to need changing after every decennial census, when the fixed total of 435 seats in the House is automatically redistributed among the states according to the relative shifts in their population. Since the population has moved greatly in the current decade—out of the South and towards the West—it is known that, in many of the most politically important states, the party with the majority in the State Legislature that meets in January 1961 will have a rather free hand with the political geography after the 1960 census-takers have given their verdicts. It is estimated, for example, that California, which now sends 30 Representatives to Washington, will be able to divide up its political territory into 37 portions, while New York, while remaining the biggest state, will have only 40 seats instead of 43.

Boundary-drawers have almost invariably shown themselves to be ingenious heirs of Governor Gerry, of Massachusetts, under whom were drawn up constituencies of such peculiar shapes, one of them resembling a salamander, that his name is commemorated in the term "gerrymander." This describes the system by which the minority party's traditional supporters are cooped up in the smallest possible number of seats while small islands of the majority party's supporters are linked together, sometimes by the narrowest of corridors, so that none of their votes may be wasted. The "majority party" is the one in the majority in the State Legislature at the time the redistribution is made. But this is the rub: the State Legislature may not be, and in most states usually is not, a fair reflection of the balance of opinion in the state.

Frequently it is heavily weighted in favour of the rural areas, which are losing their residents, and against the urban and metropolitan areas in which the bulk of the population now lives and from which the main demand for fresh social services arises. For example, in the Californian Senate, one Senator represents the 14 million people of Los Angeles while another represents a constituency of 14,000. This inequity is by no means righted in California's lower house, where at opposite extremes there is one constituency of 201,000 and another of 63,000. Similar examples could be chosen right across the country; in Vermont there is one man sitting for a town of forty-nine souls—surely the rottenest borough in the United States.

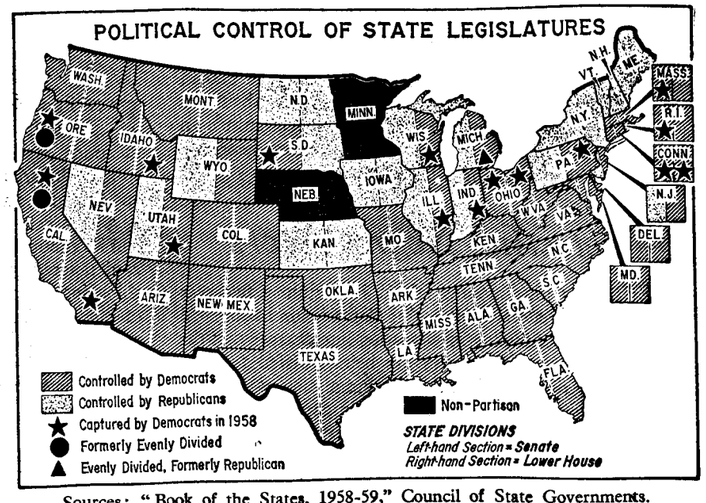
THE effect of this persistent discrimination against the cities has been to lead urban pressure groups to by-pass the state capitals and take their troubles to Washington. Paradoxically, when they get there, they often find more sympathy for their case in the Senate, where the representation is based on area, than in the House, where it is theoretically based on population. This is because the House reflects at one remove the rural bias of the State Legislatures, while nearly every Senator, however small his state, has to remember that city dwellers and suburbanites are forming an increasingly large proportion of his electorate. Outside the South the distortions in the elections to the State Legislatures usually, though not invariably, favour the Republicans since their basic strength is in the small country towns.

In some states, the Constitution is partly responsible for this rural preponderance. In sixteen of them the two chambers are more or less modelled after those in Washington, the Senate representing counties or other fixed geographical areas and the lower houses supposed to be chosen according to population. In Connecticut, Florida, Nevada and Vermont the Senates are, oddly enough, the more popular of the two chambers. But in twenty-six states both houses are theoretically founded on the distribution of population.

However, there are two further obstacles to majority rule. Frequently there is a constitutional provision that even in the popular chamber or chambers there must be at least one member for each county or each township. Secondly, and most important of all, in most cases the state Constitutions provide no machinery to force redistribution every ten years after the census. As a result twenty-three states did not bring democracy up to date after the 1950 census, and of these thirteen had not done so after the 1940 census either.

Taxpayers have brought suits to have acts of unreformed legislatures declared void (and in one test case in Illinois the plaintiff became so overwrought that he shot the opposing lawyer in the court-room). But state courts have always rejected such cases as being political in nature and hence not justiciable.

The Democrats will have the strongest partisan motives during next year's sessions for reforming those legislatures of which, against all these artificial obstacles, they have now, for once, seized control. The most critical battles are likely to take place in California, Colorado, Connecticut, Iowa, Massachusetts and Minnesota. Although some rural Democrats share their neighbours' suspicions of the big city voter's hankering for large spending programmes, the party's legislators know that anything they can do to ensure that they win the elections for the State Legislature in 1960 will contribute to their being able to arrange the congressional boundaries to their taste in 1961.



Sources: "Book of the States, 1958-59," Council of State Governments. George B. Merry in the *Christian Science Monitor*.

Latin Sorrows

LATIN American delegates, buoyed up by signs that the brickbats thrown at Vice President Nixon might come back to them as gorgeous bouquets of economic aid, received a dampening welcome from Mr Douglas Dillon, the Under-Secretary of State for Economic Affairs, when they assembled in Washington recently as the "Committee of Twenty One" (Republics). In spite of Mr Dillon's general reputation as this Administration's most constructive personality in the field of foreign aid, his audience was soon complaining volubly that he sounded as disparaging as any of his predecessors of the Latin Americans' bold ideas for spending the American taxpayer's money.

Dr Augusto Schmidt, the Brazilian delegate, whose country is still losing valuable foreign exchange by importing oil which could be extracted from its own soil if it would allow the foreign investor in, was caustically critical of the State Department's failure to appreciate his long-range plan for raising the income of the Latin American region from its present annual average of $312 a head to $480 (the present standard in Venezuela) by 1980. Mr Dillon made it abundantly clear that the State Department was sticking to its traditional project-by-project approach and would not indulge in five- or ten-year planning. He also let it be known that the large contribution expected from the United States to the new Latin American regional bank would be a substitute for, rather than an addition to, Latin America's share in the bounty of the Development Loan Fund, through which most America aid to underdeveloped countries will in future be extended.

On the positive side Mr Dillon did have two boons to offer—American technical assistance to help the Latin countries prepare their applications to the new regional bank and American willingness to negotiate special tax treaties with any underdeveloped country that wants to lure American private investment by special tax concessions. Under the present law all American businesses have to pay the 52 per cent tax on profits, except that companies operating abroad are credited with the tax that they have to pay locally. The Administration is now willing to agree by treaty (which would have to be ratified in each instance by a two-thirds vote of the Senate) that when a foreign country waives part of its own tax as an incentive to American investment the American tax collector will not promptly increase his demand by the same amount. But the budget deficit makes the Treasury coldly non-committal about the wish of Mr Boggs, chairman of the House Subcommittee on Foreign Trade Policy, to make this concession generally available without requiring a treaty in each case.

Protecting Negro Voters

WITH only nine months left of its statutory two-year life, the Federal Civil Rights Commission has opened its first public fact-finding investigation into charges that the voting laws of southern states are being twisted to deny Negroes their rights. When the six commissioners, three of them white southerners, convened at Montgomery, Alabama, the scene of the remarkable non-violent protest movement against segregated seating on buses led by the Reverend Martin Luther King, they in their turn encountered passive resistance from the segregationist public authorities—and from the local hotels, which refused to put them up together because one is a Negro.

American states are entitled to place such qualifications on the franchise, even for federal elections, as literacy and an understanding of the elementary requirements of good citizenship, but not to discriminate in their application on grounds of race, colour or sex. Macon County, near Montgomery, which headed the commission's agenda, is the best possible test case, because it is overwhelmingly Negro in population (25,600 Negroes out of a total of 30,500), because the present of Tuskegee Institute has turned it into a Negro intellectual centre and because only 1,110 Negroes have succeeded in registering as voters, compared with double that number of whites. The commission has heard a succession of Negro professors, teachers and graduates testify to being failed in their reading tests because, for example, they had slurred a single word (by which standard Mr Dulles, who regularly slurs certain words, would never have been allowed to vote).

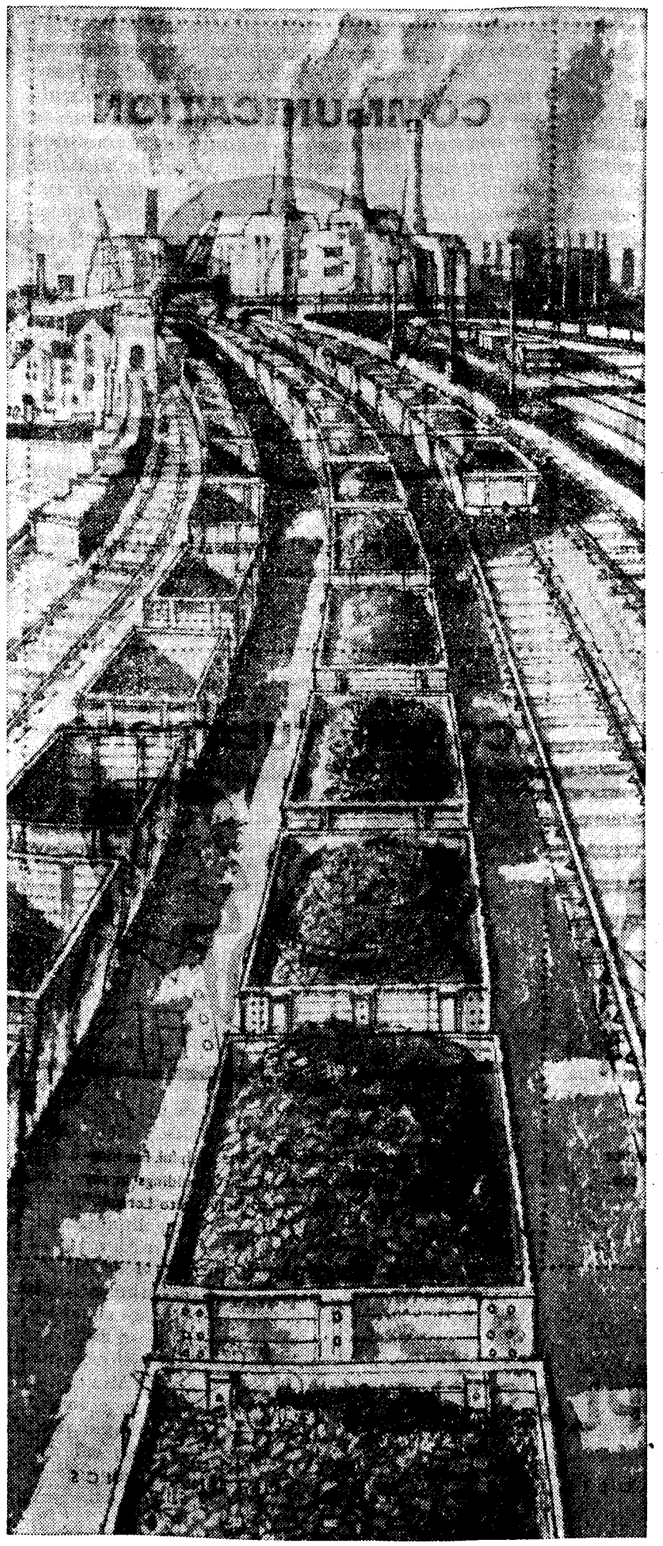
On the advice of the Attorney General of Alabama, Mr Patterson, who has recently been elected Governor, each registrar who had been summoned before the commission by subpoena refused to take the oath "because I am a judicial officer of Alabama and my duties cannot be inquired into." But to the Attorney General's discomfiture the Probate Judge of Macon County finally broke ranks and surrendered its voting list. Mr Patterson has also ruled that the registrars' files are private documents which need not be produced.

Not to be outdone Judge Wallace, Mr Patterson's unsuccessful rival for the Governorship, has impounded the voting books for Barbour and Bullock counties, in which the commission is also interested, on the grounds that he has instructed a grand jury to inquire into fraudulent attempts to get on to the rolls. He has extended to the subpoena-servers of the commission his previous threats to throw agents of the Federal Bureau of Investigation in gaol for contempt of his state court. Evidently fresh vistas are opening up of legal struggle between federal and state authorities that will parallel the manœuvres over the ending of segregation in the schools.

Greetings!

NEW YORK

FOR its annual orgy of seasonal greeting, the American public is hard at work spending $275 million—or so the trade expects—on the 2½ billion Christmas cards that will file laboriously through postal channels between now and December 25th. The purchaser can pay anything from 2, 3 or 5 cents to over $1 a card; the average price paid will be about 11 cents. Of great popularity is the Christmas card tailored to fit every possible permutation of relationships, including such vague designations as "To the Mother of Someone I Love." Moreover, special cards can now be chosen for all the main characters in life's daily round: The Boss, The Doctor, The Milkman, The Baby-Sitter—and there is even a card to convey a "Merry Christmas From Our Dog to Yours." To keep track of the changing fashions, the Greeting Card Association conducts an annual popularity poll. "Floral" symbols—poinsettias, holly and other Christmas greenery—have had an eight-year run with only one interruption: in 1957 "Santa Claus" sprang unaccount-



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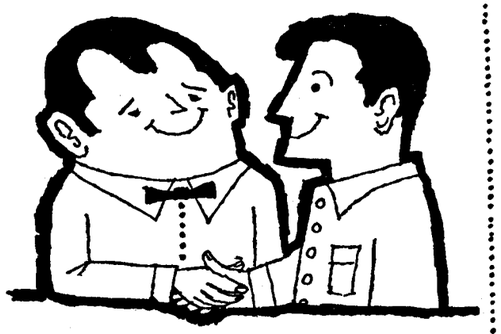

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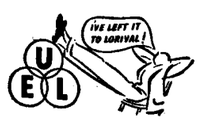

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ably from sixth to first place, only to fall again this year behind the hardier floral perennial. In tone, 1958 strikes a conventional note ; Christmas trees can dare to be green, and there is a substantial revival in religious designs.

Imported Christmas cards find their way into the stores but statistically they make little impact. More irritating to the industry is the intrusion into their field of business of the various charitable bodies which enjoy tax exemption and other substantial advantages. In particular, the United Nations Children's Fund, which last year sold 4 million cards inside the United States and another 4 million elsewhere, provokes an annual round of fruitless protest against what the industry considers to be an unwarranted encroachment on American private enterprise.

Christmas cards represent only half the total business of the greeting card industry which in 1957 sold in all nearly five billion cards at a retail value of $520 million. The volume of sales is now double the prewar figure ; one firm alone—Hallmark Cards Incorporated—turns out over a billion cards a year. With such national institutions as Mother's Day and Father's Day, the calendar is well stocked with card-giving occasions. St. Valentine's Day, which passes largely unnoticed by the adult world, is a major annual event for the industry ; nearly half a billion pierced hearts circulate on February 14th.

The most important postwar development has been the enormous popularity of the " off-beat " greeting card, which was first introduced seven or eight years ago, and now accounts for from 5 to 15 per cent of all sales. It appeals mainly to a new group of card-senders who felt in the past no urge to send " Sincerest Wishes," but who find the transmission of such sentiments as " Enjoy your birthday. It may be your last " or " When I heard you were 29 I nearly died laughing " quite irresistible. Although these novelties are not invariably gruesome, a particularly rewarding card for its promoter is the " Do-It-Yourself-Drop-Dead Kit " which suggests, over a several page spread, fifteen ways to commit suicide. Only Mother's Day has so far proved inviolate to this mordant wit.

Too Big to be Good?

FROM A SPECIAL CORRESPONDENT

THE second half of Mr Charles Wilson's most famous saying—" What's good for the country is good for General Motors—and vice versa " is sharply disputed in a report, issued just after the election, by the Senate anti-trust and monopoly subcommittee, under the chairmanship of Senator Kefauver. Instead, the report implies that the continued existence of the General Motors Corporation—the largest industrial company in the world—may be incompatible with the public interest and that of people who buy cars in particular. It concludes by suggesting that the anti-trust division of the Department of Justice should conduct further investigations to see whether there are grounds for legal action against GM under the section of the anti-trust laws which has been invoked to break up companies in the aluminium and film industries and to dissolve the bonds between GM and the Du Pont Chemical Company.

In its opinions in such cases the Supreme Court has reinterpreted the 70-year-old Sherman Anti-trust Act to make the power to control a market, rather than the improper exercise of that power, the test of illegal monopolising. But any judicial action must be initiated by the Department of Justice, which will remain, for at least the next two years, under a management somewhat less unsympathetic than a Democratic Congress to existing patterns of business organisation. The anti-trust division has been vigilant to resist new moves to eliminate competition between major producers, as in the Bethlehem Steel merger, but it has shown a willingness to settle cases of monopolistic practices without insisting on any change in the business structure from which the practices resulted.

Although the subcommittee has an able and hard-working staff, its labours went largely unregarded during the last Congress ; neither party takes Senator Kefauver or Senator Langer, the senior Republican member of the subcommittee, very seriously. In the new liberal Congress, the report may not fall on such stony ground, even though it makes no specific proposals for legislation—a point gleefully emphasized by Senator Dirkson, the sub-committee's orthodox Republican, in dismissing it as " so handicapped by errors, both as to facts and conclusions, as to imperil its credibility and eliminate its usefulness."

The report begins by tracing the increase in General Motors' share of the market for new cars, which has risen from 20 to 50 per cent over the last third of a century, and the parallel phenomenon of the disappearance of independent producers. By 1954 there were only six firms left in the industry (including Willys Motors, which produces only the homely jeep for domestic sale). GM's strength is attributed not only to its organisation of its dealers but also to its diversified operations, which range from refrigeration to earth-moving equipment. Testimony at the hearings last spring and at earlier ones conducted by the subcommittee in 1955 is invoked to show that the growth of General Motors has taken it well past the point of maximum efficiency in production, and that its record of innovation is not outstanding, compared with that of the independent producers.

Perhaps the most significant portion of the report deals with the pricing policies of General Motors and the existence, in the industry as a whole, of " administered prices "—that is, prices set without much regard for demand and supply—such as have been alleged by the subcommittee, in another report, to characterise the steel industry. The subcommittee found a substantial identity of prices for comparable models among the " big three " of the industry, General Motors, the Ford Company and the Chrysler Corporation, with acknowledged price leadership by GM. Even minor differences tend to disappear when the prices of standard accessories, such as heaters and radios, are added to the suggested prices of the " stripped-down " models.

Although the subcommittee noted little significant competition in prices, it reports that there has been an enormous and costly increase in other forms of competition. Between 1950 and 1957 expenditure by the big three for advertising space and radio and television time (excluding the cost of producing radio and television programmes) rose from $61.5 million to $195.7 million a year. It is even more striking that the increasing frequency of model changes raised the annual amortisation charges of the " big three " for special tools from $182.3 million to $762 million over the same period. The report argues that there is considerable elasticity of demand for automobiles, and that sales are likely to drop off sharply because it is no longer possible, as it has been in the past, to conceal price increases by giving buyers longer to pay. Moreover, fixed costs are so large a proportion of the total that, as sales decline, costs

and prices will rise even further, prolonging the trouble. The next few months of automobile sales should show whether the committee and its staff are reliable prophets.

If General Motors is the villain of the report, it has its hero too, in the person of Mr Romney, the president of the American Motors Corporation, whose company was the first to introduce small, low-priced domestic cars into the American market. Condemning the big producers as "musclebound," Mr Romney summed up his views in the remark that it is "utterly ridiculous to use a $4,000 car for the wife to go down to the grocery store and get a loaf of bread." Paradoxically, if the subcommittee's recommendations come to anything, Mr Romney is likely to find competition a good deal stiffer in his own market.

Atomic Truce in Washington?

MR MCCONE, the new chairman of the Atomic Energy Commission, has been making strenuous efforts to avoid a repetition of the bitter personal feud which poisoned relations between his predecessor, Mr Strauss, and the Democratic majority on the Joint Atomic Energy Committee of Congress. He has stuck strictly to the astonishingly specific schedule which Congress, as an extreme gesture of distrust in the commission, laid down for the launching of work on a gas-cooled reactor; and he has invited one of the joint committee's favourite experts, Dr Henry DeWolf Smith, to help him draw up the next long-range plan for developing industrial atomic energy.

Until recently the gas-cooled project had been a major point at issue between the commission and the committee, the former holding that it was pointless to duplicate Britain's experiments and that anyway one or more of the variety of other types on which the Americans have been doing research was bound to prove superior; the latter fretting that, without a gas-cooled reactor to offer foreign customers, the United States was being left behind. Under the law passed at the last session of Congress private enterprise was given exactly ninety days to submit offers to build a gas-cooled plant. The commission was given ninety days in which to consider them. If none was acceptable the government would have to build and operate the reactor itself.

Just short of the deadline, the sole offer has come from the Philadelphia Electric Corporation, allied with a non-profit-making combine of forty-five private electricity companies calling themselves High Temperature Reactor Development Associates Inc. Their reactor, which they hope to have ready by the beginning of 1963, would use both thorium and slightly enriched uranium; it would be gas-cooled and graphite moderated and by 1966 would be capable of generating 40,000 kilowatts of electricity. The chances of peaceful co-existence between the commission and the joint committee will partly depend on whether their reactions tally to the details of this offer.

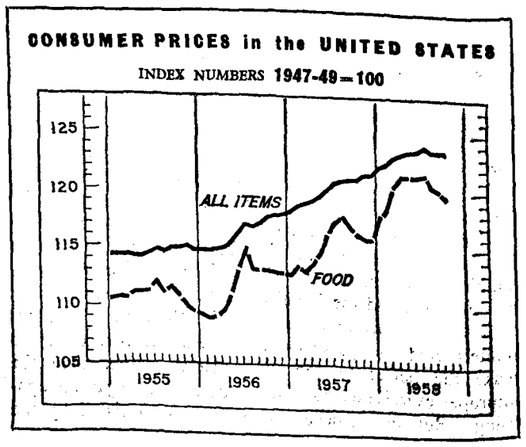
In the meantime two of the giants of the electrical industry, put on their mettle to show that private firms can be enterprising, have publicly committed themselves to almost precisely opposite routes to the goal of economically competitive atomic energy. The Westinghouse Corporation, quoting Confucius for the view that "A man is a fool or very hungry who hunts bear with a single arrow in his quiver," proposes to back six different types of reactor. The General Electric Company, on the other hand, plans to plump for the boiling water type. It says it will mass produce twenty-five baby versions which it hopes to sell to private companies for them to gain operating experience and to use as samples. Then it plans to instal larger reactors in successive stages so that by 1970 it will have three whose costs will be competitive with those of at least a quarter of the conventional American plants then installed.

No Consuming Passion

THE consumer, buying steadily through good economic weather and bad, was the hero of the recession, according to Dr Arthur Burns, the former chairman of the President's Council of Economic Advisers. But the increases in his spending have gone on services and necessities, not on big purchases of household appliances or motor cars. Those who would like to know whether the consumer is going to be the hero of further recovery have had a qualified answer from the Survey Research Centre of the University of Michigan, which in October went to the consumer to find out. Its surveys, which started in 1951, have a good reputation for forecasting consumer demand. The interviewers found their consumers in a better frame of mind than in June; more families felt that they were better off and that their futures looked rosy. But although the official figures show that disposable personal income in the third quarter was running at an annual rate of $314 billion, compared with $308 billion in the third quarter of 1957, there was only a slight increase in the number of those who thought that this was a good time to buy or who meant to do so. No spending spree seems to be in sight.

One reason for caution was that a fifth of those questioned still were worried about their economic security. But the chief grievance of consumers is that prices, which they expected to fall during a recession, have failed to do so. Of those questioned in October, 43 per cent thought that prices would rise in the future, compared with only 28 per cent who thought so in June. Some consumers feel that rising prices are healthy, but most of them argued that if prices went up, they would have to spend more of their income on necessities.

In fact, in October the consumers' price index had been steady for three months, after climbing for two and a half years. But this was only because a fall—largely a seasonal one—in farm prices offset other increases, such as the higher price of the new model cars.





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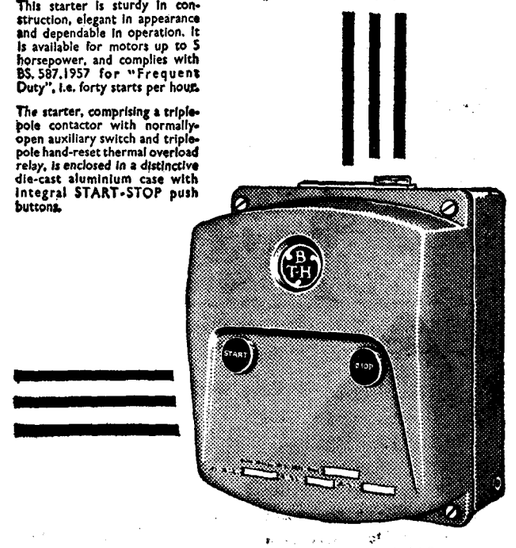

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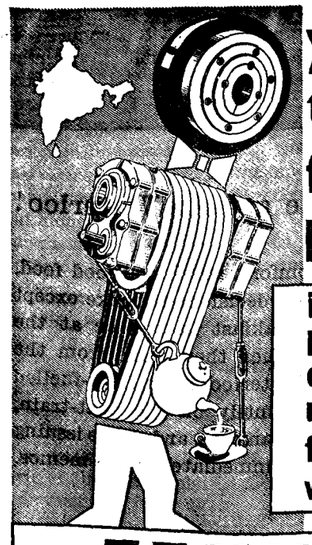

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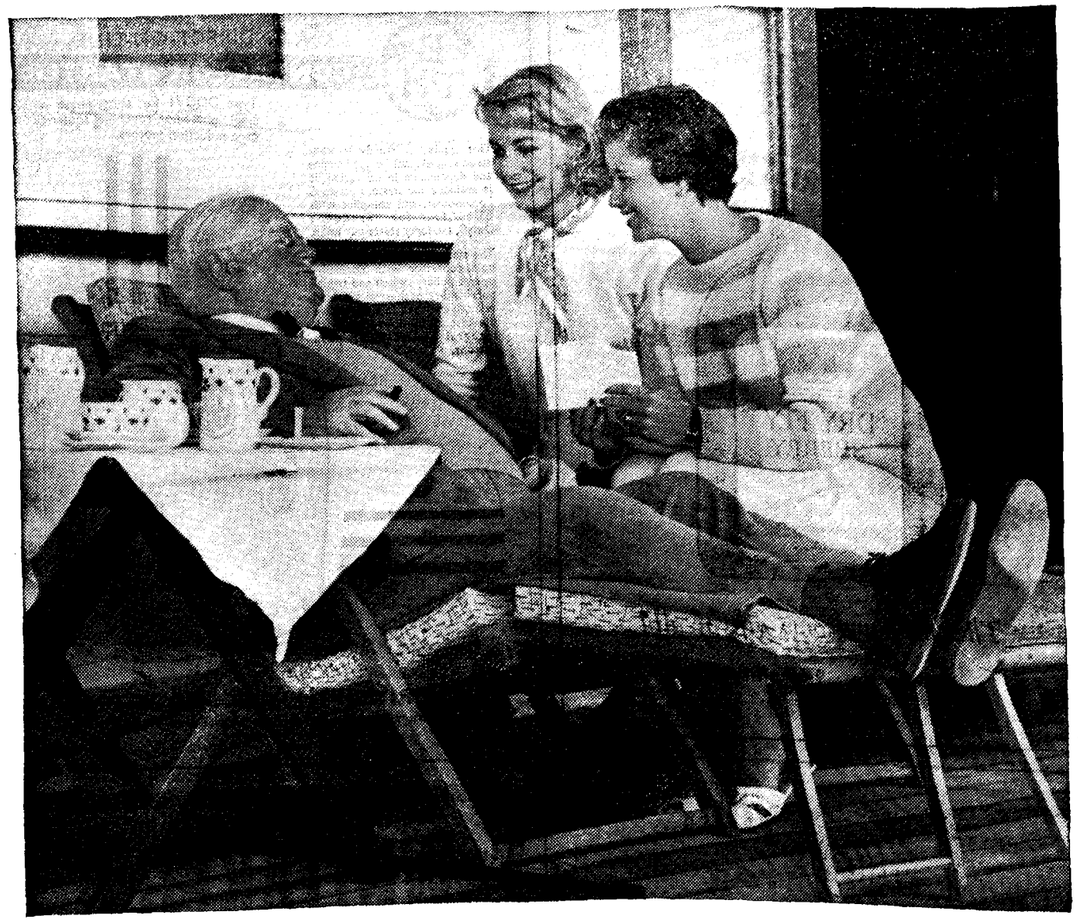

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THE WORLD OVERSEAS

Berlin's Testimony

FROM OUR SPECIAL CORRESPONDENT

THE west Berliners know quite well that, by voting as they did last Sunday, they are now an even greater irritant than they were before to the communist world around them. Most of them know, too, that by so markedly manifesting their preference for the Social Democratic approach to the solution of their problem, they have become rather more of an irritant also to Dr Adenauer. But as they themselves sometimes like to put it: "Only the biggest sheep choose their own butcher."

Naturally enough, the east German management has always detested west Berlin for its unflurried witness to democratic government, for its invidious if largely artificial prosperity, and for the sanctuary it provides for refugees and militant anti-communists. Now the western sectors have been the scene of what in the circumstances is a thunderous rejection of the communist gospel both for Berlin and for Germany as a whole. Not only did the Socialist Unity Party's share of the votes fall from 2.7 per cent to 1.9: the unspeakable Social Democrats increased their share from 44.6 to 52.6 per cent, and could now, if they wished to, govern west Berlin with an absolute majority. It was a quietly fervent turn-out by young and old; one of the grimmer aspects was the unusually large number of maimed men in early middle age to be seen abroad soon after breakfast, hobbling intently to cast their votes in response to the call, alike from east and west, to do their political duty by the mutilated city. The numbed consciences of all the governments responsible for Berlin, including Herr Ulbricht's and Dr Adenauer's, have been given an up-to-date briefing on the state of mind of the people concerned, and maybe even a sharp prod.

There should be no complacent supposition that, confronted with Berlin's unequivocal No, the Communists will alter their proclaimed course. Only a few hours after the result of the election was known the east German prime minister, Herr Grotewohl, was assuring the newly nominated Volkskammer in east Berlin that there would be no change: the west Berliners, he speciously argued, had given the war-mongering imperialist Dr Adenauer one in the eye. Or as the party publicist Gerhard Eisler has put it more succinctly in *Junge Welt*:

> Whether the western powers like it or not, we, the German Democratic Republic, will exercise all rights of control after June 1, 1959. And in spite of the opposition of the western powers west Berlin will be demilitarised, if not today then tomorrow. For this proposal is in the interest both of the Germans and of all people who do not want west Berlin to develop into a provocation that could spur Germany and Europe to war.

The Democratic Republic's objections to west Berlin are, in the nature of things, rabid. To the familiar catalogue of grievances Herr Hermann Matern, of the *Politbüro*, added another when he came over to address a much-publicised communist rally in Charlottenburg on the eve of the election. Herr Matern complained of the western monopoly of commercial flying over the Democratic Republic to west Berlin, which deprived east Germany's struggling Lufthansa of its rightful share of a profitable traffic.

Expectation that communist pressure is more likely to intensify than to relax dims for west Berliners the glow of the many promises they have received of increased economic help. Dr Adenauer brought some new ones when he swept in and out of Berlin last week, electioneering so unimaginatively that he had little time to give to the sensitive Senate and, even today, appreciate, is a person of greater consequence than he supposed. Dr Adenauer assured the important processing industries that their supply of materials would not be left entirely at the mercy of east German controls (some of these materials, and the finished products, have been flown in and out of Berlin ever since the blockade); he announced orders worth 30 million marks for Borsig, mostly for boilers, from the Federal-owned steel works at Salzgitter; and he held out the prospect that steadier employment would emerge from a meeting at Hagen some time before Christmas of representatives of west Berlin and west German industry.

The exposed and isolated west Berliners would dearly like to hear something more hopeful than the everlasting adjuration to stand fast. The increased vote of confidence in Herr Brandt probably indicates that more of them are coming to believe that the way out of the debilitating and dangerous impasse in which their city is placed is likely to be discovered through the political exploration which Herr Brandt advocates. The exigencies first of the election campaign, and now of the high-level talks in which he is about to play at least an advisory part, have lately constrained him. But it is no secret that, along with his west German party colleagues Professor Carlo Schmid and Herr Fritz Erler, Herr Brandt sees one ray of hope for a German settlement in the cultivation of better relations with Poland. Achieving better relations with Poland would mean taking a much closer and more realistic look at the problem of the eastern frontiers, at "disengagement," and at the future course of German rearmament. At the moment the western powers seem to be arguing hotly among themselves whether they should simply reject Mr Khrushchev's Berlin proposals out of hand, or use them to broach the possibility of moving towards the German settlement without which there can be no security in Europe. With west Berlin's majority vote behind him, Herr Brandt may now be listened to with closer attention.

Gaullist Foreign Policy

FROM OUR PARIS CORRESPONDENT

As the Nato allies gather for their ministerial meeting on Sunday it is the French delegation that is arousing most curiosity. France's change of regime certainly does not involve a break in foreign policy comparable to the complete overhaul at home. On the morrow of General de Gaulle's return to power, Mr Macmillan and Mr Dulles hastened to Paris to check whether the proud and nationally-minded general did not intend to shake the Atlantic alliance. They left apparently reassured. Since then attention has mainly been centred on the reshaping of French institutions and the attempts to define a policy for Algeria. Only two, seemingly contradictory, events gave some idea of what "gaullist" foreign policy might be.

One was the general's "secret" letter to Mr Macmillan and President Eisenhower. What leaked out about it through the German and Italian press seemed in keeping with his character. The general was apparently claiming recognition for France as one of the really big powers and asking for the creation of a political triumvirate (the United States, France and Britain) within Nato that would deal with all —the general's visit to the Elysée ones. The other event prise. At Bad Kreuznach at the end of last month, the general, once a champion of national sovereignty and an arch-enemy of the European Defence Community, spoke and behaved as if he had been converted to the European ideas of M. Monnet. But the two events were not really as contradictory as they looked.

French complaints about diplomatic slights and lack of consultation are not new. The resentment, justified or not, at the American landings in Lebanon without even token French participation was only the latest of many breakdowns in allied trust and confidence. The French case for more consultation rests on the changes brought about by the appearance of nuclear weapons and missiles. All world events, the argument goes, are now interdependent. The current attempts of M. Spaak to make the consultative machinery of Nato run more smoothly do not quite satisfy the French. They do not want merely the right to be consulted. They want the United States to be obliged to discuss with them not only its policy for Europe, but for the Middle East and Formosa as well. Hence the idea of a political directorate of Nato, with France as one of the big three of the western world.

The United States shows a natural reluctance to share control of its nuclear deterrent. It is most reluctant to submit its Asian and Middle Eastern policies to the veto of European allies. Finally, it seems to think that French ambitions may exceed French means. But in fact the strongest protests against General de Gaulle's ideas came from the other European countries. Dr Adenauer, after a friendly visit to Colombey-les-deux-Eglises on September 14th, wrote to the general expressing his "grave concern." General de Gaulle's reply led to the Bad Kreuznach meeting on November 26th, when he reassured the Germans that he had no intention of flirting with the Kremlin. His backing for the maintenance of the status quo in Berlin was so emphatic that Mr Dulles sounded by comparison a wavering crypto-neutralist. The general also praised Dr Adenauer as a "great European" and insisted that Franco-German co-operation had become "essential for the two countries and the world."

What the general and the chancellor told one another in private remains a secret. Most of the communiqué was taken up with the other issue that precipitated the meeting: the Franco-British conflict over the free trade area. When General de Gaulle inherited the common market from his predecessors, he promised that he would respect France's signature to the treaty. In opposing the free trade area, however, he had the support at home of a strange coalition of "Europeans"—thinking in terms of an eventual European political federation—and of the industrial interests that are resigned to the common market but basically hostile to any freeing of trade.

General de Gaulle may have been attracted to the European idea for the strictly national purpose of calling in the old world to redress the balance of the new. Politely rebuffed by the Anglo-Saxons, he may see in the leadership of the Six an opportunity to carry more weight within the Atlantic alliance. Moreover, German economic aid might also help to build the French-African community which is the general's other possible road to grandeur. France and Germany may march together for a time, even if their long-term aims are different. Dr Adenauer is convinced that the industrial power of the Ruhr will always give Germany the leadership of continental western Europe.

* * *

France is in a dubious position to claim a greater say in the Atlantic alliance. General de Gaulle, although convinced that the atom bomb is the white elephant of twentieth-century military power, is still determined to join the nuclear club. Sooner or later, France will have its bomb, unless the others decide to destroy their stockpiles. On the other hand, with the bulk of French troops bogged down in Algeria, France has hardly a case for greater control over Nato's strategy. Furthermore, the simultaneous pursuit of war and economic development in Algeria will require foreign aid. And borrowers are seldom in a strong position to dictate policy.

In what way has the general better ground for his claims than his predecessors? He has in his favour his own prestige and the prospect of continuity in government —qualified by the unpredictable character of the new Assembly. Under the new constitution "the President negotiates international treaties" and President de Gaulle is expected to interpret this clause very widely. (Nevertheless, the everyday conduct of affairs will still matter, and the "Europeans" are very worried at the thought that M. Debré is generally tipped as the next prime minister.) But stability is not enough. General de Gaulle's other, unmentioned (and unmentionable), trump used to be that he might revive the Franco-Russian alliance. The fears of this have now died down, particularly since the reconciliation with Germany. One cannot play both the Adenauer card and the Khrushchev card. The British and French ambassadors in Washington are now discussing with Mr Murphy ways and means of improving contacts. Nato's ministerial meeting may endorse M. Spaak's suggestions for smoother and ampler consultations. Everything will be done to spare French susceptibilities in the future. General de Gaulle, however, is enough of a realist to know that this is not the best moment to bid for a Nato triumvirate including France. He may bide his time, before rocking the boat so obviously.



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Fanfani Scrapes Through

FROM OUR CORRESPONDENT IN ROME

THE vote of confidence last Saturday leaves Signor Fanfani's government alive but very weak. The figures —295 votes to 286—are almost identical with those he obtained at his investiture, but his prospects have changed for the worse. The vote conceals but does not heal the breach in the Christian Democrat party, while the premise on which Signor Fanfani based his experiment in government, the prospect of obtaining the good will of the Nenni Socialists, has collapsed.

The prime minister asked for a vote of confidence because in the space of three weeks the Chamber has thrown out two government tax bills—one for a tax on gas-propelled cars, the other to maintain the "Suez" tax on petrol—and on both occasions some thirty Christian Democrats sided with the Opposition. All the Christian Democrats were present on Saturday and voted for the government, but eighteen of them did so after declaring to the parliamentary party that their vote was an act of party discipline and that they thoroughly disapproved of both the government's programme and the formula of its two-party coalition with the Social Democrats. The rebels include two former premiers, Signor Pella and Signor Scelba, and five heads of parliamentary groups; all they all favour some form of alliance with the right-wing parties [illegible] to the Monarchists and perhaps even the MSI (neo-fascists).

This is the first time that the leaders of the *fronde* have come into the open. That is no advantage to Signor Fanfani and simply means that the quarrel inside the Christian Democrat party is coming to a head. The rebels mean to paralyse the government—perhaps even to provoke an intervention by the President of the Republic—by voting against it in the secret ballots. Their aim is to discredit Signor Fanfani as prime minister in order to weaken him as secretary of the party. By opening hostilities three months before a party congress they have engaged a fight to the death, for if Signor Fanfani consolidates his control of the party organisation, their chances of being re-elected are slight. Signor Fanfani has given the Christian Democrat party a centralised bureaucratic structure similar to that of the Communist party. Should the rebels fail to break down this structure they will have no choice but to split the party.

While Signor Fanfani is fighting hard on his right flank his left flank has been turned. The Christian Democrat rebels in Sicily, who were expelled from the party last month for forming a regional government supported by the Communists and Socialists (as well as by the Right), have officially set up a movement of their own. The Sicilian Christian-Social movement claims to be the true incarnation of the old Popular party whose founder, Luigi Sturzo, is a Sicilian. The Popular party, from which the Christian Democrat party grew, was reconstituted after the war in Don Sturzo's home town of Caltagirone which happens also to be the home of the new leader, Silvio Milazzo. Signor Milazzo's hand has been strengthened this week by the announcement that the United States Sixth Fleet will be based on Catania, since this is interpreted locally as an attempt to put pressure on the Sicilians. The new movement will certainly become a rallying point for Signor Fanfani's left-wing adversaries in the Catholic camp on the mainland.

With such a breach in his left flank the prime minister has lost all hope of obtaining the good will of the Nenni Socialists. No one opposed the government more bitterly than Signor Nenni in the recent debate. The Socialist leader practically accused Signor Fanfani of wishing to set up a Salazar régime and likened him to Dollfuss. Signor Nenni's unexpectedly demagogic onslaught seems in part to have been provoked by the victory of the extreme Right in France, which strengthens the argument here in favour of close collaboration between Communists and Socialists. This means that Signor Nenni will have a tough fight next month to persuade the Socialist party congress to accept his programme of a complete break with the Communists. His speech on Friday was virtually an appeal for help to the Labour party. He attacked Signor Fanfani's foreign policy by contrasting it with Mr Bevan's efforts to revive the Rapacki Plan.

With the Socialists in this state of mind there is no chance of getting them to help Signor Fanfani's government as they probably meant to do when it first came to power. It will be equally impossible for Signor Nenni to invite the party congress in January to envisage a future alliance with a Catholic party led by Signor Fanfani. In five short months the prime minister has wrecked his chance of bringing off the famous "opening to the Left", and has brought his own party near to a split.

Operation Treading on Eggs

FROM AN AMERICAN in SPAIN

WITH 866 housing units for married Air Force officers and enlisted men nearing completion on the outskirts of Madrid, a new white village welcoming Air Force families near Seville, and a housing shortage looming near Cadiz, the American "guests of the Spanish government" are settling in. The process entails a degree of diplomacy that is seldom demanded of the individual citizen, even on a visit. Some 17,000 Americans, people more inclined to bounce than to tiptoe, have been shoe-horned into a country traditionally sensitive and suspicious of foreigners. Here they expect to stay, as a corps if not as individuals, for ten years or more, barring accidents too dire to be contemplated by anyone other than a billeting officer facing a delegation of indignant housewives.

The figure of 17,000 is a symbol rather than a statistic. Given with reserve, it does not include the expansion in force now going on near Cadiz, nor does it include either the large Embassy staff or the swarm of unofficial visitors —businessmen, friends, relatives, and so on—who crowd the best Madrid hotels. The American population in Spain is understandably fluid.

The problems it creates, for Spain and for itself, are no trifle, but still the worrying that is done about it looks out of proportion. This may be partly because the American government has been trying so hard to prove that a force of six-foot flyers equipped with wives, electric refrigerators, blonde children and baby-blue automobiles could be inserted into Spain without disturbing the Spanish economy or upsetting the conservative Spanish sense of how life is lived. The technique chosen to work this miracle is separate living, buying and schooling. For some time the Air Force has had a hotel on lease in Madrid where incoming service families were lodged on arrival; next, the families had to find living quarters in the town, and this

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increased the city's acute housing problem. Now that the new American suburb near the Torrejón base, called Royal Oaks, is nearly finished, families are assigned living quarters there, built to American standards. Food and clothing are to be had at a commissary and a post exchange where Air Force wives can buy the tinned goods, packaged groceries and frozen foods that they buy back home. Bread is baked to Air Force specifications, though not always with success; Spanish bakers find it hard to understand why they should substitute foam for their own firm loaf.

The theory is that all this procedure operates without putting pressure on the Spanish economy, that it takes nothing out of it, and avoids the inflationary effect of competitive buying in local markets on the part of housewives equipped with fatter purses than most Spanish women have. It is also supposed to keep the American wife healthy and happy by providing her with approved and familiar goods. It may also please American suppliers, and soothe Congressmen.

But behind this somewhat ostrich-like procedure lie other and deeper problems less easily handled. The whole business of building American air bases and housing airmen in another land is difficult, as the British well know, but for reasons of history on both sides of the Atlantic the Spanish affair has been handled with kid gloves piled on velvet. So tricky did it seem at first that all airmen sent to Spain were hand-picked as Catholic, married and Spanish-speaking. To cushion Spanish sensibilities still further, they could not wear uniforms off the base. [illegible] are finished, and the first idea of a huge supply centre near Seville has given way to the concept of a small body of Strategic Air Command flyers changing frequently in line with the demands of Operation Reflex (described in *The Economist* on July 26th) most of these precautions have lapsed. Airmen must still wear civilian dress (and their wives may not wear slacks in public) but some of them are bachelors, and some are even Protestants.

THE Americans have provided nearly a billion dollars for use in Spain, and the horn of plenty is still open-ended. What it has bought them, apart from such tangible things as miles of concrete air strip and hundreds of buildings on base and in housing units—buildings that will revert to Spain when and if the forces are withdrawn—is, first, an official permission to practise military activities which (as both sides miss no occasion to declare) are as important to Spain as to the United States. Second, it has bought them an almost embarrassing popularity among the people of Spain, a popularity which is recognised as fragile, and certainly reversible, should there be any falling out between the two governments. New as it all is to the Americans, some of them have heard that it is only four years since Spanish mobs crying "Gibraltar for Spain!" marched on the British Embassy in Madrid with the clear intention of burning it down. Balked by the police, they smashed every window that gave on the street. If someone were to put it into those same heads to cry "Torrejón for Spain!" the vast expanse of new glass in the American Embassy building would be equally vulnerable.

What the Spaniards have got out of the billion that has been spent is less stressed, and this concession to delicacy may be a mistake. The Spanish government maintains firmly that American spending has done almost nothing for them, that far too little has been given, and that much more is needed. The American officials maintain with equal stoutness, but less repetition, that they have done a great deal—cushioned bad crop years, financed imports, helped railway rehabilitation and road building; at the same time they insist that their spending, like their presence, has had no harmful effect on the Spanish economy and is in no way responsible for the current inflation.

In private conversation, the benefits to Spain tend to be played down and the problems emphasised. This may be the effect of a short and exacting experience, but the Americans talk like men still uneasy in Spain, who need to reassure themselves as well as the visitor that everything is going well. The one word that must not be used under any circumstances is "occupation." These forces are "guests of the Spanish government," and there during good behaviour only. The sole hope of staving off a request to go is by walking so softly as to cause no alarm.

But exemplary behaviour—and that is what one sees —can only go so far. What of accidents, such as a highway tragedy involving an American car travelling at high speed? What of an angry scandal, a public quarrel such as the one which flared up between a Seville boot-black and a young American, and was on its way to the riot stage when a respected Spaniard intervened? What of an explosion in the pipe-line? What of a change in ambassadors if the Republicans lose in 1960? And what of General Franco's not eternally postponable end?

These are some of the nightmares that haunt [illegible] officials. Ar[illegible] eggs on which Americans walk so warily. Yet the obvious concern makes one wonder whether the obligations inherent in the guest status have not been over-played until they, too, constitute a danger point. If this operation of bases and pipeline is as truly important to Spain as to the United States, is not the same thing true of the responsibilities of adjustment to each other's ways? Is there no manner in which the Americans, in this second phase, can convince the Spanish government that the risks have to be borne jointly? If not, when the honeymoon is over and the base operation becomes routine they may find the long-feared incident upon them, and not by chance.

Japan's New Frontier

FROM OUR CORRESPONDENT IN TOKYO

THE Japanese four-funnel ferry-boats that sail from Aomori in northern Honshu to Hakodate in Hokkaido bang farewell gongs and pipe "Auld Lang Syne" as they start on their trips. Appropriately: for though Hokkaido is only a five-hour ferry-ride across the Tsugaru strait and is a part of Japan, to most Japanese it is still an unexplored world. The Japanese first penetrated Hokkaido in the sixteenth century and for the next three hundred years they fought the island's hairy Ainu, or traded *sake* for the Ainu's bearskins and eagle-feathers. Even today, though Hokkaido receives some 300,000 Japanese tourists each year, intent on visiting the island's numerous and deservedly famous hot-spring resorts and its enormous national parks, the majority of Japanese still think of Hokkaido as mostly a desolate place subject to heavy snowfalls and chiefly noted for its abundance of codfish and wild bears.

The reality is somewhat different. From Hakodate, whose yards briskly turn out ships that are destined to sail the oceans flying the Liberian flag, the train puffs along the scenic curve of Volcano Bay towards Lake Toya, where

visitors to take their choice between admiring the beauties of the lake or watching television in the hotel lounge. But more interesting and significant is Muroran, nearby, which gets relatively few tourists, but has steel-mills that turn out 900,000 tons of steel a year, and has also a big cement works and a brand-new oil refinery. The Fuji Iron and Steel Company at Muroran has a 300-bed hospital for its workers. The workers earn about nine pounds a week. This is good pay in Japan, and it is a fact that *per capita* income in Hokkaido is higher than in the rest of Japan and that in the past ten years, real wages have risen some 52 per cent.

Before the war, only 15 per cent of Hokkaido's exports were classified as "industrial." The figure today is 50 per cent. Hokkaido has 100,000 coal-miners who mine 16 million tons of coal a year, or one-third of Japan's total coal output. In addition Hokkaido produces one-third of Japan's timber and pulp, a third of Japan's huge fish-catch, half the country's milk, butter and cheese, and 99 per cent of its flax, as well as enormous quantities of plywood and fibreboard. All this is achieved with a population of only 5 million, compared with 67 million people in Honshu. It is, perhaps, little wonder that the Japanese government is showing an increasingly lively interest in the future of Hokkaido—and tends to be close. Since 1952, the Japanese government has spent almost £100 million on improving roads and farmland and building dams and hydro-electric projects in Hokkaido. It also keeps a quarter of Japan's army stationed there.



Sapporo, the capital of Hokkaido, has a population of almost half a million; a daily newspaper with a circulation of 700,000; a university with ten faculties and 6,000 students; and such amenities as a television tower, 130 metres tall, with a glassed-in restaurant built high above the ground. The oldest extant building in Sapporo is only seventy years old, but is now being torn down to make way for a modern department-store. The Governor of Hokkaido, who is a Socialist, has his office in a red-brick, late-Victorian building, but the real centres of power appear to be the Development Bank and the Planning Bureau, where schemes are being energetically put in hand for reclaiming vast tracks of peatbog, multiplying the island's sheep and cattle, growing beet-sugar and developing the ports. The planners claim that in the next five years they can, among other things, double the production of steel, pulp and fertiliser, and increase coal production to over 21 million tons. But much will depend on whether Tokyo carries out its promise to spend a further £250 million on Hokkaido development in the five-year period. Meanwhile, the progress already achieved is impressive, especially considering that 68 per cent of the island's land area is covered with thick forest, and that there are only 150 frost-free days a year, while during the long winter the temperature is capable of dropping to forty below.

Industrial development has produced growing pains. The steel-workers and the coal-miners have extremely strong unions, and strikes are frequent. The pulp and paper workers are even more militant. The Hokkaido planners pin many of their hopes on the development of Tomakomai, the island's main pulp and paper centre. It is proposed to expand Tomakomai port so as to berth 40,000-ton ships, and also to create a large new industrial area there. But ever since February, the town's big paper plant has been almost at a standstill, with striking paper-workers and their wives involved in bitter clashes with the police almost daily. At the end of September, the strikers virtually took over the entire town, setting up red-flagged sentry-posts at every street-corner, and issuing "passes" only to those citizens who supported the strike.

The leading lights in this little reign of terror are known to be communists, of whom there are said to be as many as 40,000 in Hokkaido. The coalminers are also reported to be heavily infiltrated with communists. About a third of the paper-workers who objected to the communist leadership have been beaten up and subjected to other pressures; the strikers have managed to enlist the support of most of the schoolteachers, postal and telegraph workers, and railway workers, as well as of the coalminers' union. The Japanese government's alarm over those developments is all the greater because of previous communist tactics. At the end of the war, Stalin asked Mr Truman to let Russia occupy the eastern portion of Hokkaido. This would have given the Russians much of the island's timber, most of its pasture and an estimated two billion tons of coal deposits, as well as valuable fishing grounds that the Russians subsequently seized anyway. Mr Truman refused; but the communists in Hokkaido then attempted to set up an "independent socialist republic," a move that was probably frustrated only by the presence of American occupation forces.

BEFORE the war, the politicians in Tokyo talked sporadically about using Hokkaido as a dumping-ground for Honshu's surplus population, but in practice did very little and seemed content to leave the island to a few hardy Japanese pioneering farmers, the bears, and the surviving Ainu. Japan was obsessed with maintaining and expanding its overseas empire, and had little time for its northernmost island. The loss of Japan's overseas possessions has induced a different frame of mind. Some Japanese now talk proudly of Hokkaido as their "Canada" or "Texas." The people of Hokkaido, many of whom come from tough pioneering stock, generally speaking are sturdily confident about the island's future. Unlike the rest of the Japanese, they do not suffer from pressure of population, for the density per square mile is only 50, compared with over 250 elsewhere in Japan. They do tend to talk, and act, like Canadians—or Texans. Conscious of being close to Siberia and Manchuria, they are also very aware that they are opening up a new frontier for Japan.

Correction. By an error in the table on the French election results on page 906 of *The Economist* of December 6th, the headings "first ballot" and "second ballot" were transposed.

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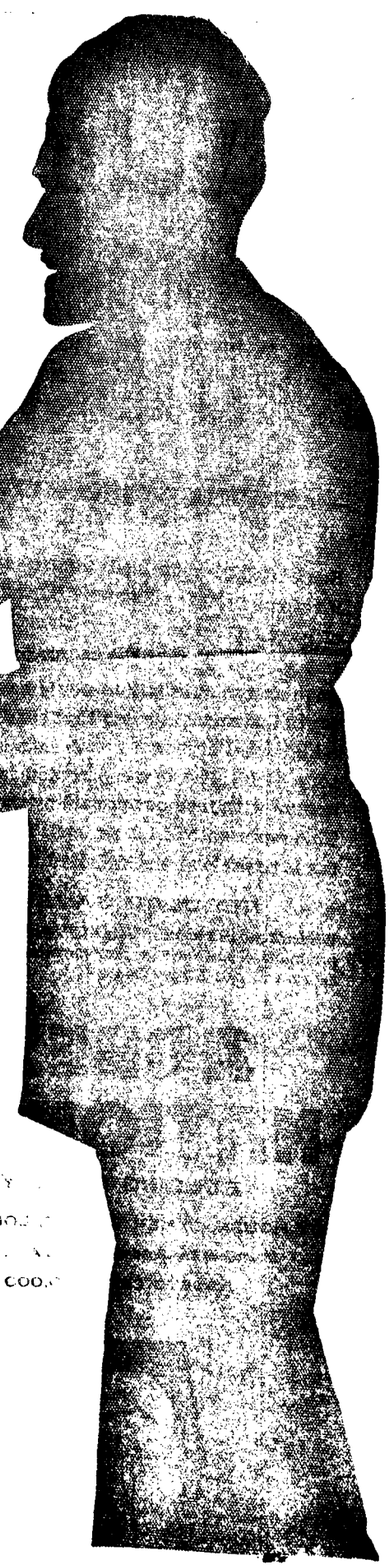

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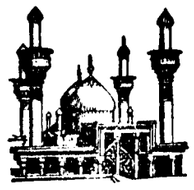

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THE BUSINESS WORLD

Choice in British Aluminium

BRITISH ALUMINIUM'S destiny now lies where it should—with the ordinary stockholders. Tube Investments and Reynolds Metals are making their offer of one £1 ordinary share in Tube Investments plus 78s. in cash for every £2 of British Aluminium ordinary stock directly to the stockholders. They have to weigh its merits against the scheme put forward by the board of British Aluminium. In this plan the Aluminum Company of America (Alcoa) has agreed to put £13½ million into British Aluminium by taking up the unissued capital of 4½ million £1 shares at 60s. a share in the next three years. Both the TI Reynolds bid and the Alcoa agreement require Treasury consent, but the Government is rightly staying out of the ring and leaving the decision to stockholders.

The first big buyer of British Aluminium through the market was American Metal Climax; it began to buy the stock as an investment in 1957 and it now holds 650,000 units, or about 7½ per cent of the issued capital. Soon afterwards, Reynolds Metals began to buy, and on such a scale that Reynolds and TI now hold about a million units. Their buying was a well guarded secret and as late as last spring the directors of British Aluminium could not identify the buyer. They had been aware of the need for new money for their development plans and their thoughts turned to Alcoa, with whom they had been "on the closest terms of mutual trust and friendship for many years." Negotiations began in June, not at first for a partnership arrangement, but by early October that idea had taken root and led to the contract in the middle of November.

Reynolds and TI got wind of these negotiations and early in November they told the board of British Aluminium of their intention to make a bid on terms favourable to stockholders. Events then followed swiftly: the agreement with Alcoa was signed; Reynolds and TI publicly announced the terms of their offer; and British Aluminium countered by disclosing the agreement with Alcoa, though without specifying its terms. These were not published until December 5th, after Reynolds and TI had announced that they would make a direct offer to stockholders of British Aluminium, which they are doing this weekend.

The rival plans [illegible] decision; each is meritorious, but in a very different way from the other. There is no point in moral indignation now. British Aluminium have been ham-fisted; Reynolds and TI have been very pushful. But if Reynolds and TI have as much right to buy British Aluminium stock in the market as anybody else, then equally the directors of British Aluminium have the legal right to issue unissued shares to Alcoa, and their agreement to do so was reached in the honest opinion that it was in the best interests of the company and its stockholders. They have a good answer to the criticisms that they should have consulted stockholders first:

> Those familiar with negotiations between great companies will realise that such a course would have been impracticable. We could not have asked Alcoa to enter into a binding agreement knowing that the agreement must receive full publicity before it could be fulfilled and yet being unable to give them any assurance that it would be binding upon us; knowing also that the issue might be beclouded by the prospect of a take-over bid. If Alcoa had not undertaken that they would neither attempt to exercise control nor disturb the existing body of stockholders different considerations might well have arisen.

Stockholders must judge the issues quite coldly. If they choose to accept the Reynolds TI bid, they gain an immediate advantage in market terms. They get cash plus TI stock which they can hold or reinvest elsewhere—if they like, directly in aluminium. If they choose to hold it, they gain a direct stake in an expanding and well managed engineering and metals group whose interests are not primarily in aluminium, with a diluted and indirect stake in a new aluminium grouping formed round British Aluminium. TI would have a 51

per cent interest in the merged concern but clearly much of the drive in the aluminium group would come from Reynolds Metals—which puts the potential development of British Aluminium as being worth 78s. a share now. Reynolds would presumably furnish its share of the money need for future developments—especially in Canada where at Baie Comeau the way is clear for a doubling of capacity.

Whoever holds the reins, expansion cannot come quickly and if it comes stockholders who retain the TI stock would taste its fruit only at second hand. There would be a difficult transitional period if the Reynolds TI bid succeeded; would the present management of British Aluminium stay on? If they accept the TI bid, the directors of British Aluminium say, stockholders will abdicate from "a powerful empire for the price of a small kingdom." If they refuse it, the Alcoa deal will certainly go through and a more powerful empire will be formed, with the entity of British Aluminium remaining intact. Its top management will stay on with the addition of three Alcoa representatives on the board. The Alcoa one-third interest will provide money for the developments that the board of British Aluminium are keen on, including those in Australia (where they are associated with Consolidated Zinc in the exploitation of big bauxite deposits), in West Africa and in fabricating plant in this country as well as those at Baie Comeau. Stockholders will have a direct stake, if this drive succeeds, in an expanded, better balanced and more closely integrated concern backed by the biggest aluminium producer in the free world.

Development plans on this scale, as the directors of British Aluminium admit, will take several years to mature. What, then, could stockholders expect in the meantime? At present, about £10 million of British Aluminium assets (out of a book total of £37 million) are unremunerative. Most of this is invested in the Baie Comeau project and with the demand for aluminium picking up, earnings from this investment cannot be far distant. But if the Reynolds and TI bid does fail, what action can the British Aluminium directors take to placate their stockholders for turning down an immediate price of 78s? They have pursued a conservative dividend policy in the past—12 per cent last year about twice covered—and there would be some room, if they so wished, to take a chance in anticipating the future by a more liberal one now. But it would not be easy to fortify the confidence of stockholders in that way. After all, it was the buying by Reynolds and TI that underpinned the market price in the past and if their bid fails they will stop buying and may start selling. In this period of development, and beyond it, Alcoa would be the biggest shareholder and would be bound to become the dominant force in financial policy. Alcoa's own dividend record has not been excessively generous. Would it necessarily press for liberal dividends from British Aluminium when the planned developments came to fruition? Even granted that the directors of British Aluminium can show in the facts of earnings and dividends and hence in stock market prices that this is indeed the moment "when a successful take over bid would be of the maximum advantage to any group acquiring the stock," can they logically reconcile this with their sale of one-third of the ordinary capital at 60s. per share—the "price of partnership"—to Alcoa? Unless these visions of the future are dreams, it does seem that Alcoa has been let in quite cheaply.

No stockholder in British Aluminium will find it easy to strike the balance of advantage. One side asks him to continue his support of a board that gave him only bread yesterday but promises him jam tomorrow—except that the jam will have to be spread more thinly. The other side asks him to sell out to a group which thinks there will indeed be jam tomorrow but offers him a diluted and indirect share in it, with a new interest in something quite different. If the investor for the short term is tempted to take his profit by accepting the Reynolds and TI offer, the investor for the long pull may believe it is worth while going along with British Aluminium and Alcoa to see what the future holds in store. If holders of a little more than 3½ million of the British Aluminium accept the bid, Reynolds and TI will win the day. The votes that may finally sway the issue are those of the institutional investors, who own at least a third of the stock, and whose representatives have heard the arguments from both contenders at first hand. They are used to taking the longer view and that may dispose some of them to British Aluminium's side.

Alcoa and Reynolds Metals

Statistics comparing Alcoa and Reynolds Metals are set out in the accompanying tables. From these, it is clear that while Alcoa has been growing quickly, Reynolds has been bustling along even faster. There are reasons for this. First, Alcoa was the established giant whose growth was hampered by anti-trust policies in the United States, which deliberately fostered the growth of competitors such as Reynolds. That company, for instance, was able at the end of the war to purchase smelter plant from the Government at an attractive price. Secondly, Reynolds has been most successful in exploiting mass consumption markets.

Production by both Alcoa and Reynolds Metals in the United States is now beginning to pick up and both are installing new capacity. In each case this is putting some strain on their liquidity. Over the first nine months of this year, however, Reynolds' earnings make the better showing.

The common stocks of both companies have shared in the Wall Street boom, but Reynolds has climbed the faster. Both companies seem likely to leave their 1957 dividends unchanged this year. They were 65 cents for Reynolds and $1.20 for Alcoa, but Reynolds, whose payment includes 15 cents bonus, has recently made a 2 per cent stock dividend. The dividend yield on Alcoa at $88¼ is 1.4 per cent and on Reynolds at $68⅞ it is 0.9 per cent.

ASSETS AND LIABILITIES

($ million)

	ALCOA 1956	ALCOA 1957	REYNOLDS METALS 1956	REYNOLDS METALS 1957
Fixed assets at cost	1,230·4	1,318·6	403·2	478·4
Depreciation, etc.	565·5	615·3	129·9	147·9
Net fixed assets	664·9	703·3	273·3	330·5
Construction in progress	78·3	179·4	52·1	89·9
Inventories	224·9	231·7	94·6	103·1
Liquid assets	49·9	40·0	46·1	36·4
Short term debts*	38·0	57·4	22·7	38·2
Accounts receivable	96·3	104·0	50·3	92·5
Accounts payable	42·8	44·6	25·9	25·6
Net current assets	189·6	187·8	126·4	134·5
Long term debt	273·3	358·9	261·7	268·3
Capital surplus	33·4	34·5	1·2	1·3
Retained earnings	501·1	549·5	137·5	166·4
Preferred stock	66·0	66·0	39·2	38·3
Common stock	20·6	20·6	48·8	86·7

* Includes bank loans and long term debt maturing within a year.

SALES AND EARNINGS

($ million)

9 months ended September 30	ALCOA 1957	ALCOA 1958	REYNOLDS METALS 1957	REYNOLDS METALS 1958
Net sales	656·0	570·7	331·8	333·0
Net earnings	59·6	32·7	27·9	28·0
Earnings per common stock	$2·80	$1·50	$2·35	$2·39

INGOT PRODUCTION

(short tons)

	ALCOA	REYNOLDS METALS
1953	611,000	333,000
1954	666,000	401,000
1955	702,000	429,000
1956	756,000	427,000
1957	712,000	466,000
Increase 1953-57	*16·5%*	*39·9%*

SALES, PROFITS AND ASSETS

($ million)

	ALUMINUM COMPANY OF AMERICA 1953	1955	1956	1957	Per cent increase 1953-7	REYNOLDS METALS 1953	1955	1956	1957	Per cent increase 1953-7
Gross revenues	711·1	848·7	869·8	875·5	+23·1	289·3	386·5	409·2	451·7	+56·1
Depreciation, etc.	34·0	45·1	50·8	57·7	...	14·1	18·1	19·4	20·9	...
Working costs	540·6	615·3	631·6	659·2	...	240·0	298·4	306·0	357·4	...
Gross income	136·5	188·3	187·4	158·6	+16·2	35·2	70·0	83·8	73·4	+108·5
Tax	76·0	100·7	97·8	83·0	...	18·5	35·7	42·5	35·6	...
Net income	60·5	87·6	89·6	75·6	+25·0	16·7	34·3	41·3	37·8	+126·3
*Earnings per com. stk.**	$2·95	$4·18	$4·24	$3·55	...	$1·51	$3·12	$3·60	$3·28	...
*Dividends per com. stk.**	$0·80	$1·05	$1·20	$1·20	...	$0·24	$0·45	$0·59	$0·65	...
Property, plant, etc.	621·1	665·0	744·7	884·2	+42·4	‡277·3	‡274·0	‡386·7	‡458·3	+65·3
Long-term debt	294·7	308·4	273·3	358·9	+21·8	257·7	226·0	261·7	268·2	+4·1
Stockholders' equity	435·3	555·1	621·1	670·5	+54·0	109·1	156·2	226·7	292·8	+168·4
Capital expenditures	119·4	79·5	139·3	207·5	...	NS	NS	NS	NS	...
No. of employees	58,376	56,774	58,486	54,640	...	23,000	26,000	26,000	27,000	...
No. of stockholders	15,262	20,257	24,592	27,305	...	5,950	11,052	19,175	21,972	...
Net worth per share of com. stk.	$18·76	$24·00	$27·01	$29·34	...	$9·94	$14·23	$16·91	$23·02	...

* Adjusted for stock splits and calculated on capital in issue on December 31, 1957. † Includes preferred and common stockholders. ‡ Includes funds for plant expansion programme.

Germany's Capital Market

Our special correspondent reports on Germany's efforts to mobilise its huge external surplus for foreign lending

Germany, they tell you in the ministries of *Bundeshauptdorf* Bonn, is not a rich country but a poor one. The refrain is heard less often in bankers' Frankfurt, where after filling up the acres of rubble with luxurious offices and shops and with houses, the builders are now busy on a multi-storey garage to ease the town's parking headache. But only the most superficial view can obscure the hard facts about living standards; statistics confirm that Germany still has fewer cars per head than France, and only a small fraction as many television sets as Britain. Moreover—and this statistics cannot show—while the ravages of two defeats and of two collapses of the currency may have been largely made good in material terms, their psychological impact is still a real force in the economy. An essential part of prosperity is a feeling of security, and this the Germans manifestly do not have. Their striving after it, their determination individually and as a nation to restore the nest-egg, has been one of the major elements in German recovery, with its accent on saving and surplus rather than good living. That accent has caused severe financial strains on Germany's European partners.

As the economy develops maturity, those strains are being lessened. It is true that Germany's current surplus has reached a new peak this year, at a rate of over £650 million; and the German authorities have shed none of their antipathy to curtailing it by revaluing the mark (which would depress the export industries) or by stimulating consumption through deficit financing (which would revive the latent fears of inflation). Yet Germany's net intake of gold and dollars in the past year has been the smallest since the surpluses first became marked in 1952; and the reason is that at last Germany is beginning to match its external surpluses with significant exports of capital and short-term money.

Special measures have for some time been taken to put back part of the proceeds of the German surplus into international circulation. Advance deposits have been made in London; short term loans have been made to the World Bank; and a big share has been taken in international rescue operations such as this year's credits to India, France and Turkey. In addition, some $1,000 million has been advanced through the ordinary operations of the European Payments Union; substantial payments are being made to Israel and to private individuals in restitution of Nazi seizures; and there has been a certain amount of direct investment in overseas subsidiaries by German firms. But these special contributions could not by themselves cure the surplus; as long as German interest rates remained high above those in any other advanced country, the scope for sustained exports of capital was bound to be bleak. So the German financial authorities, and above all Herr Blessing at the Bundesbank, have tried hard to bring interest rates down, and in the past year or so they have had an astonishing success. Yields on public authority and industrial bonds have plummeted from 8 to 5½ per cent,

and yields on high grade equities from around 5½ to 3-3½ per cent. (The relative favour in which equities are still held seems strange to the outside observer, considering Germany's recent record of honest money.) The financing of German trade through documentary credits has largely been switched from external to internal sources. With their own Bank rate down to 3 per cent, and confidence in sterling strong, German banks have placed substantial lines of money in London. A real international money market is developing, and funds move in and out of Frankfurt in response to quite small interest margins as well as to seasonal needs. Suddenly, German investors have found that they can sometimes secure better yields abroad.

This achievement was first highlighted in September when Herr Abs, head of the Deutsche Bank, announced a loan of Dm 50 million, in bonds convertible into equities, to Anglo American Corporation of South Africa. This was the first international loan to be raised on the German market since 1914. Last week Herr Abs announced a second venture, of no less interest. His bank is leading a German consortium that is taking $10 million of the $25 million in bonds being [illegible] Loeb & Company of New York for Austria, in conjunction with a [illegible] million being provided by the World Bank. A coupon of 5½ per cent on the market loan and a price of 96 offer a yield through the fifteen year life of 5.9 per cent, and an intriguing currency clause gives bondholders the option to demand repayment of principal and interest as they choose in US dollars, in pounds sterling, in D-marks or in Austrian schillings, in each case at the present parity. Thus the lender in every country is given a hedge against devaluation of any of the currencies (including his own) in relation to the other currencies. Not all borrowers would be prepared to accept such an obligation. But Frankfurt bankers point to the significant fact that the yield basis there is down to the level permitting a joint operation with other financial centres.

BY the new year it is hoped to get interest rates lower still. For the time being, progress has been disrupted by the political troubles in Berlin, which have cast quite a shadow over German financial markets. Nervousness has been particularly apparent among foreign investors, notably the Swiss; but while Zurich has unloaded shares and bonds, the proceeds have not been withdrawn from Germany. Presumably, any doubts about the D-mark are quelled by the Bundesbank's massive gold reserves. Share prices had risen by an average of almost 50 per cent since the beginning of the year, and speculators may have thought the time due for a technical correction in any case. But if the Berlin cloud lifts, economic forces are expected to bring a resumption of the fall in yields. The capital market has recently become much broader, thanks partly to administrative measures, including a profits tax discriminating heavily in favour of distributed profits (now taxed at only 15 per cent), and partly to an easing in the intensity of demand for capital, which previously kept nearly all surplus funds off the market. At the same time, investment is falling off in some sectors; and equities in particular are scarce.

No general recession exists in the German economy. Total output is still growing, and unemployment is low. But there are certain weak spots, not unfamiliar in Britain, in coal, steel and textiles. These and the pressure of increased capacity have combined to reverse the previous rise in retail prices (which itself was more modest than elsewhere). The central bank sees no early danger of a boom, and is therefore not contemplating for the time being any reversal of its efforts to reduce interest rates. It expects to see more foreign borrowing early in 1959—another loan to Austria, and possibly (if the German market can then take a loan at 5 per cent) a longer loan to the World Bank.

Loans on the capital market are possible only for credit-worthy borrowers. By no means all the recipients of the £200 million or so of private capital that has gone out of Germany in direct investment since 1952 could be so described. Now Dr Erhard, fresh from his Far Eastern travels, is anxious for Germany to make a bigger contribution in these areas. Accordingly, the Government is now proposing that in the next fiscal year a fund of Dm 1 billion will be provided to cover German investors' risks on their capital overseas and to provide guarantees for export credits on terms outside commercial practice that can be justified on political or broad economic grounds (comparable with the section II business of the Exports Credits Guarantee Department).

Frankfurt seems a little less excited than Bonn about

LENDING GERMANY'S SURPLUS
(DM million)

	1956	1957	1958 Jan. to Sept.	Total 1952 to Sept. 1958
Service on London Debt Agreement	452	529	439	2,914
Direct investment of private capital	422	865	589	2,394
Grants, donations and restitution payments	1,107	1,650	1,329	5,342
IMF, World Bank and IFC	85	99	309	922
European Investment Bank	...	...	126	126
Other Credits and Repayments	175	220	281	1,320
Less :—				
Private investment in Germany (less liquidations)	— 394	— 650	— 328	— 1,879
Other capital imports	— 183	— 333	— 297	— 1,673
Net long term capital exports	1,664	2,380	2,448	9,766
Short term capital (net) :				
Deposits for arms purchases	236	1,929	643	2,808
Documentary credits (*minus* [illegible] credits received)	— 394	— 112	+ 378	— 354
External assets of business firms	19	32	50	128
Other (excluding export credits)	[illegible]	— 527	— 37	— 603
Total short term capital exports	— 178	1,822	1,034	1,979
All capital exports (net)	1,486	4,202	3,482	11,748
Surplus on Current Account	5,499	7,701	6,356	32,951
Change in Gold and $ Reserves :				
DM million	+4,211	+2,418	+1,696	+16,749
$ million	+1,000	+ 575	+ 405	+ 3,990

the effect of the capital guarantees; though there is no doubt that Germans, after their recent experiences, are sensitive to the risk of expropriation abroad. Herr Abs has played a prominent part in efforts to secure an international code for treatment of foreign investors—but the German government this year did ill service to this cause by granting a credit to Greece, which is in default on its prewar debts. Such "political" credits—those to India and Jugoslavia are more respectable examples—are the only ones financed by public agencies.

Quantitatively, Germany's capital exports now have real weight in the international market and in Germany's balance of payments. The items listed in the table—which exclude most export credits, credits granted to EPU and short term loans to the World Bank—show a grand total of Dm 11.7 billion (£1,000 million) since 1952; some two thirds of this outflow has taken place since the beginning of last year. It is still not quite sufficient to cover the export surplus—and Herr Blessing makes no secret of his desire to see his monetary reserves go down rather than up. This year's increase in the surplus arises from the big improvement in the terms of trade; the volume of imports, and of travel and some other invisible payments, show a strong upward tendency—though exports, somewhat mysteriously, have continued to rise [illegible] for many months past in export orders.

The big hope for greater German capital exports is that as the German postwar economy develops more self assurance, the institutional and psychological barriers that in past years have kept Germany's net savings in monetary reserves in preference to profitable external assets will continue to diminish. Internally and externally, saving should increasingly find its way into the capital market; and, as Germans get used to living with sound money, public capital expenditures may be financed in a modest way by loans raised in the market rather than from taxation. At present, there is virtually no internal national debt (though more than half the inter-war external state bonds are now owned inside Germany); the budget has never been in cash deficit, and the thought of public loans to finance public capital works is still dubbed in many circles as inflationary. The central bank is trying to counter this attitude, though while the attitude persists it is naturally anxious that the government does not upset the market. A budget deficit is forecast for 1959-60; if it materialises (hitherto defence expenditure has persistently lagged behind schedule) and the market absorbs some long term government loans without catastrophe, the way might be open for a more flexible budgetary policy, which could remove some present restraints on consumption.

Few people would expect the German authorities to take any risks with their people's confidence in the mark. The German economy [illegible] worries [illegible] to enough uncertainties without the revival of fears of monetary instability. The unbending rigour of German financial policy since 1948 has achieved its aims, though it also involved some severe frictions in Germany's external economic relations. With growing confidence, Germany the hoarder is becoming Germany the investor.

BUSINESS NOTES

IN THE MARKETS

New Year Hopes

THE gilt-edged market has not yet staged a general recovery from its depression since mid-October; but there have been some hopeful signs this week. Further selling of stock, including medium dates, has been made by banks, and while much of this selling by-passes the market, that is not always true of sales by smaller banks. Small investors have continued their trickle of sales of irredeemables; but the short end of the market has been firm. To some extent, the bond market is underpinned by the still falling Treasury bill rate (which went below 3¼ per cent at last week's tender). Among others, the newly formed unit trust, British Shareholders Trust, seems to have been buying short bonds.

Some people now feel that by the new year the gilt-edged market may shake off its somewhat irrational fears of the past month or two. It is significant that those fears have not been evident in other markets: sterling has remained generally firm, and this week the London premium on dollar stocks has run off completely—for the first time since late 1955. This occurred at a moment when Wall Street was booming again, but also when investors were still bulls of British industrial equities—so much so indeed that dealings on the first day of the long New Year account in a market short of stock helped to carry *The Economist* indicator to a new peak of 240.6. The monetary authorities are now widely expected to relax the pressure of funding sales—that surely was the meaning of the limited conversion operation. Recently however the government broker may easily have been taking in as much stock as he has sold, and gilt-edged have been restrained not so much by official tactics as by public apprehensions. Yet, in present circumstances, the expectation of a shift in official tactics undoubtedly helps to counter those apprehensions.

Another side of the market in fixed interest stocks has passed its test, with flying colours. The break with the 6 per cent coupon on first-class industrial debentures was made when Helbert, Wagg & Company Ltd sponsored the £1 million issue of a 5¾ per cent debenture (1979-84) at 99½ by Scottish Brewers. That issue was over-subscribed more

than eight times and dealings began this week at 1¼ premium. Hard on its heels came a 5½ per cent coupon debenture with the same dates but at a big discount. This £2 million issue by another brewer, Ind Coope and Allsopp, was placed by Baring Brothers at 96½ (to offer a yield to the latest date of £5 15s. 3d.); some of the stock was put through the market at 97 and dealings began at an offered price of 98½. Some institutions still fought shy of a 5½ per cent coupon, but the discount was attractive to taxed funds.

Earlier in the year, when the market was still suffering from a surfeit of 6 per cent stocks, top-class debentures did not follow gilt edged stocks in their advance. More recently, however, the market has been starved of debentures and prices have moved up. One reason for this strength, which has given the issuing houses the chance to bring the interest rate down, is that the yields on debentures as well as on equities would be more attractive to the funds taxed on their investment income alone if the standard rate of tax were to be reduced. And both sides of the market have begun to discount that possibility.

THE ECONOMY

Exports Almost a Record

THE revival in British exports quickened dramatically last month, when shipments leapt up by £24.2 million to £291 million fob, the highest figure reached since May last year, when exports topped £300 million. The extent of the revival is shown by the fact that between June and August exports were running seven per cent below the level of a year ago, whereas between September and November the decline narrowed sharply to one per cent. The true turn-round has not been quite as sharp as that, for exports stopped growing in the fourth quarter of last year. In November alone exports were 1½ per cent, or £4 million, above the corresponding total for last year.

Imports in November tend to be low, and last month they dropped by £14.9 million to £313.1 million cif. Taking

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Visible deficit	Exports to North America
Year 1957	339·6	277·1	11·1	51·4	36·6
1957 1st quarter...	352·7	278·8	13·0	61·0	33·9
2nd " ...	346·9	283·8	10·2	52·9	39·3
3rd " ...	332·1	265·6	9·8	56·6	37·5
4th " ...	326·9	280·1	11·5	35·2	35·8
1st quarter...	311·2	273·7	13·7	23·9	34·6
2nd " ...	329·8	282·8	11·6	33·5	39·2
3rd " ...	314·9	281·3	12·0	41·4	37·2
September ...	311·2	240·4	10·9	59·9	35·1
October	328·0	266·8	12·2	49·0	42·3
November* ..	313·1	291·0	12·9	9·2	43·1

* Provisional.

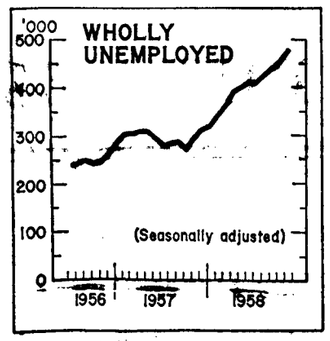
October and November together imports were 4½ per cent less than a year ago but three per cent above the average for the first nine months of this year. With re-exports £700,000 higher at £12.9 million, the gross visible deficit shrank by nearly £40 million to only £9.2 million.

Shipments to the United States last month just managed to set a new record at £26.4 million, £200,000 higher than in October, and shipments to Canada rose by £600,000 to £16.7 million. Taking October and November together shipments to the United States were 29 per cent higher than a year ago, shipments to Canada showed no change, and total shipments to North America were 16 per cent up.

Hidden Unemployment

THE count on November 17th of 536,000 people registered at the labour exchanges showed that unemployment had again increased more than seasonally. The number wholly unemployed, 483,000, had risen by 32,000 since mid-October, of which perhaps 12,000 would have been expected from seasonal influences; this implies much the same rate of "real" increase as occurred in the previous month. On the other hand, the 53,000 temporarily stopped from work were 10,000 fewer, so that the rate of unemployment in Great Britain was lifted by only 0.1 per cent to 2.4 per cent. After Northern Ireland, Scotland has now the worst regional record of 4.4 per cent unemployed with black patches of 8.6 per cent in North Lanarkshire and 8.4 per cent in Greenock/Port Glasgow. London and the South-East remains the least affected area with only 1.5 per cent unemployed.

Some hopeful trends might be seized on among the latest manpower figures: the fall between October and November in the numbers temporarily stopped, coupled, it might seem, after making a very hazardous and shaky allowance for seasonal factors, with a small increase in the number of vacancies remaining unfilled. Moreover, the number of people working short-time at the end of October in manufacturing industries, 165,000, was 5,000 less than in September. But this latter improvement may be due simply to a shift to the unemployment registers; counting of the two categories may involve overlapping. The rise in short-time working in manufacturing and the reduction in overtime since last year is equivalent to an increase in full-time unemployment of some 100,000 people. But not all of this is additional to the ordinary reckoning of unemployment.



A more realistic measure of the full decline in employment should be obtainable from the statistics of jobs occupied. Unfortunately the month to month changes in these are by no means firm figures and will almost certainly be revised next February when the annual May count of the insurance cards becomes available. However, if they can be accepted as a guide it appears that between October, 1957, and October, 1958, total civil and defence employment (including people temporarily stopped) fell by some 316,000. But there was a rise of only 182,000 in the numbers wholly unemployed. The working population, therefore, is believed to have declined by 134,000 in a period in which natural growth might have been expected to contribute an extra 100,000 or so. If these figures are correct, there has been an appreciable skimming off from the labour force of old people, married women and others who, for one reason or another, cannot, or do not, claim unemployment benefit and therefore do not register.

STEEL

Plenty Left in Stock

STOCKS of finished steel held by British customers came down by 260,000 tons in the third quarter of this year, which made a fall of about 350,000 tons since March: but they still had 3,870,000 tons in stock, and merchants another 420,000 tons, at the end of September. It is still not easy to gain much comfort from the involved arithmetic one can do with these figures and estimates of consumption and "normal stocks." At the end of September consumers' stocks alone represented about 15½ weeks' (seasonally corrected) consumption, which was indeed a few days' worth lower than at the end of March or June, but actually higher in terms of consumption than at the same time in 1956 or 1957. In October and November customers were probably running down their stocks rather more sharply than before, if total output of crude steel, which was down by about 17 per cent, is a fair guide. But there are many thousands of tons to go before customers as a whole are down to the 12-13 weeks' supplies that the steel industry would like to reckon as "normal." In the first eleven months of the year, crude steel output was at the rate of 19¼ million ingot tons a year: for 1958 as a whole, the final total may turn out to be about 19¼ million tons, 11-12 per cent below 1957.

For consumption has gone down as well as stocks. The Iron and Steel Board recorded this week that in the third quarter consumption was nearly 7 per cent down, against its preliminary estimate of a drop of 5 per cent. The shipbuilders, building and constructional engineers, and railway rolling stock makers had cut their stocks, in that quarter, by 10-15 per cent: consumption in the shipyards was down by 7 per cent, for the engineering and constructional industries by about 15 per cent, and for the rolling stock builders by 35 per cent. Even in the motor industry, where car output has been booming and steel stocks are up, consumption in the third quarter appears to have been down 7 per cent. The nationalised industries were using about 9 per cent less steel: it may be recorded on the side of stocks that an economy drive on the railways this summer seems to have been turning up tonnages that nobody seems to have known about (bringing railway holdings of one isolated but not insignificant item, it is said, up to no less than 90 weeks' supplies). One has to go to the metal furniture and hollow-ware industries to find customers who were actually using more steel in the third quarter than a year before (even before the removal of restrictions on hire purchase).

BRITISH RAILWAYS

A New Look at Modernisation

FRIENDLY sceptics about modernisation of the railways will certainly accept the need for the new look at the plan that the Minister of Transport, Mr Harold Watkinson, announced on Thursday. More than any other bold pieces of planning, the railway's scheme of 1956 rested on general and, as it now appears, optimistic estimates of future demand. But a plan based on 240 million tons of coal a year is not likely to be a good investment for an economy that finds that it needs 200 million tons; and whatever cheerful projections are made about the expansion of the British economy over the next decade, the ugly facts of the past few months have shown how vulnerable the railways are to a recession of no extreme character. So the Transport Commission is to reassess the plan, in the light of future traffic requirements, with help from its biggest customers in coal and steel, and with the FBI and other bodies in industry and trade. This, Mr Watkinson observed, should give realism to the shaping of services, particularly on the freight side, so that business can be won back and held.

The new borrowing powers that the Minister was asking the House to approve are permissive. It is obvious that the rate of spending on improvement up to the new doubled limit of £1,200 million will be governed by the Government's view of the report, which is expected by next spring. Next year, as it happens, the railways will be spending £178 million, which is £33 million more than they have invested this year, and probably marks the limit of what they could spend on equipment for delivery within 1959.

SALES ON HIRE PURCHASE

Stimulus and Response

SALES of motor vehicles on hire purchase in November, the first full month since Government controls on HP sales were removed, reached the highest total for any month ever recorded. Figures compiled by Hire Purchase Information show that credit sales of new cars, at 13,399, were 92 per cent higher than in October and 58 per cent higher than in November of last year; used car sales totalled 71,718 during November, an increase of 34 per cent over the previous month and 80 per cent over the same month a year before. Credit sales of both new and used commercial vehicles also increased over the previous month and November, 1957; sales of all types of vehicles were above their levels of the previous year, although some were lower than October. The total number of vehicles sold on hire purchase—131,241—was 70 per cent higher than a year before.

Thus hopes that the removal of restrictions would bring a reversal of the usual seasonal decline in sales of motor vehicles have so far been borne out; whether the present boom will carry through until the spring is less certain. Sales of motor cycles, on which restrictions were removed in mid-September, increased sharply during October, but fell again last month in accordance with their established seasonal pattern; but prospective buyers of motor cycles are probably more strongly influenced by winter weather than buyers of motor cars. Whether dealers and finance houses can offer even easier terms if car sales should slacken again is questionable; but it would be possible, since many of the low deposits and rates of interest being advertised appear to represent minimums in the dealers' eyes, and are the exception rather than the rule.

Retail trade has also benefited from the removal of hire purchase controls; the Board of Trade's index of total retail sales (1950=100) reached 162 in October, an increase of five per cent over October, 1957. The largest increase was reported by household goods shops, whose sales rose by 13 per cent compared with last year; a large part of this

gain is due to higher sales of furniture, on which hire purchase controls were removed in September. Since the complete removal of hire purchase controls did not take place until October 29, its full impact on sales has still to be reflected by the Board of Trade's figures.

LLOYD'S

A Syndicate in Trouble

IT has been generally known for more than a year that a large syndicate at Lloyd's had run into difficulties and that the Committee of Lloyd's had had to make special arrangements for its management. The syndicate was started about forty years ago by Colonel Roylance—a much respected member of Lloyd's and in the days of his active control its results were always good. It grew in numbers and reached a total of over 100 names, of whom a considerable proportion were men working in various capacities in the Lloyd's market. It did no marine underwriting and specialised in third-party business; but for many years it kept clear of American risks—a rule laid down by Colonel Roylance as a matter of policy, which (if it had been adhered to) would presumably have prevented the present trouble.

But Colonel Roylance had as his deputy an ambitious young man named Braiby, who chafed at the restraint and kept pleading with his employer to let him launch out in the American market. Colonel Roylance, who is now a septuagenarian, began to leave more of the underwriting to Mr Braiby. At last he gave way and the syndicate started writing American risks. If the change of policy had been made at the height of Colonel Roylance's business activity, probably no harm would have been done. He would have seen to it that things were done in the right way, with adequate carry forwards for unsettled losses. But Mr Braiby was more optimistic in his valuation of outstandings and (as now appears) the sums he set aside to meet them were for some years inadequate. This inadequacy was discovered when the 1955 underwriting year was being wound up twelve months ago. It was found that up to the underwriting year 1954 the distribution of profits had exceeded the profits earned and an unrecognised debit balance had been built up in the accounts. The extent of that balance can only be estimated, but it is not small though fortunately, the syndicate being a big one, the loss is shared by a large number of names.

There is, of course, no possibility of a single policy holder suffering any loss. It goes without saying that all claims will be paid. But the incident has emphasised the danger in an underwriting account of underestimated outstanding losses. The Committee of Lloyd's, it is understood, has (as a result of the disclosures) already made some drastic changes in the audit instruction; but it might be suggested to them again that someone with the same kind of authority as the Comptroller and Auditor-General might with advantage be brought into the machinery of the audit. It is difficult to believe that an accountant with power to make a second inspection of the Roylance books would have overlooked these mistakes in forecasting or allowed a large adverse balance to accrue. The matter is of the utmost importance; and no one, whether he be underwriting agent or auditor, need resent the assistance of another check on the accounts or question the extra security that it would provide.

SUEZ CANAL

Should Compensation be Taxed?

RIGHTLY the City is critical of the ruling that the first compensation to be paid over by the Suez Canal Company is taxable in the hands of stockholders in this country. Criticism is not aimed at the Inland Revenue, whose duty it is to administer the law as it finds it. Nor is it being fired at the directors of the company. In coming to their decision to make the distribution in stock and cash and not by reducing the capital of the company, the directors had several factors to weigh. First, the promised compensation moneys total in all £29 million, representing about three-quarters of the current market value of the Suez Canal stock, and a reduction in capital would not have been an easy operation to carry out. Secondly, the Loi Raingeard, under which the distribution in its proposed form is tax free to French residents, may not have applied if the capital had been reduced. Thirdly, there were stockholders in Switzerland, Belgium, Holland and the United States to be considered as well as the British ones. Clearly, the directors, having taken the opinion of tax counsel, were hoping that the Inland Revenue would make a favourable ruling.

The Inland Revenue made an unfavourable ruling and now the critical pressure is centred at the Government. Dealers in Suez Canal stock have already met and have made representations to the Stock Exchange Council in the hope that it may be possible to reverse the tax ruling. The prospects of this were hardly encouraged by Mr J. E. S. Simon, the Financial Secretary to the Treasury, in answer to a question in the House of Commons; it was, he said, merely a matter of the interpretation of the tax law, though he added that any stockholder is entitled to appeal against any assessment made upon him. That is too casuistic to pass. The stockholder would be put to time, trouble and expense to fight his claim with no guarantee that it would be settled in his favour. Even if it were, the courts could rule only on the specific facts of the Suez Canal case and not on the more general point whether or not compensation received from a foreign company is taxable. Similarly, an enabling bill passed by Parliament—which is what some of the critics of the ruling want—could settle the problem satisfactorily for British stockholders in Suez Canal. But, as other foreign companies may be nationalised and compensation handed over by them to British stockholders, the reasonable principle that such compensation should not be taxable could still be established only by legislation.

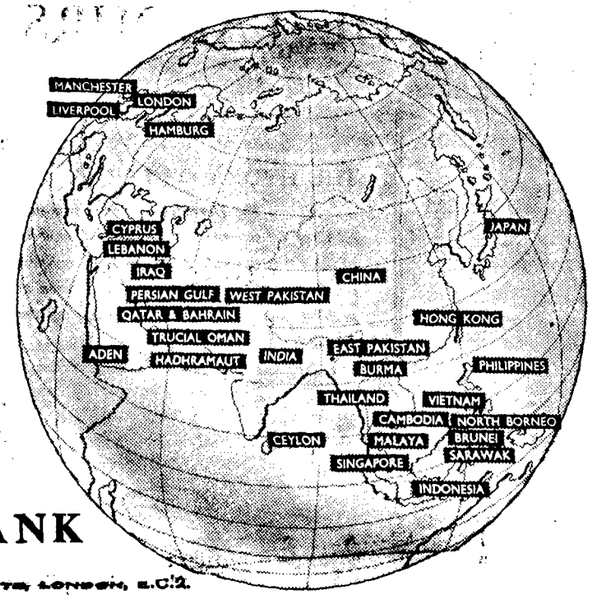
INTERNATIONAL INVESTMENT

A Code for Foreign Capital?

A SMALL group of bankers, businessmen and lawyers from western countries met in Geneva this week to discuss measures that could help take the political risk out of international investment. The search for a code of international behaviour towards foreign investors is an old one, and a good number of drafts have been prepared recently—by the International Chamber of Commerce, by Herr Abs of the Deutsche Bank, and by the Swiss Government. Some of these are being considered by the Organisation for European Economic Co-operation.

Continued on page 1016

British Banking in Asia



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Streamlined Tendering

A SURVEY of 311 industrial building contracts recently conducted by the Royal Institute of British Architects showed that out of an average of 38 months from the time that the architect first received instructions to completion, 20 months were spent in planning, preparing drawings and bills of quantities, and in tendering; only 18 months were spent in the actual building. In many cases, both the planning and the building take too long. It is possible to increase productivity in actual building by improved technology; and Britain still lags far behind the United States in the use of prefabricated forms, partly because comparative labour and capital costs make some of the more advanced techniques that Americans use to offset high wages there uneconomic over here.

But delays arising from the contracting and planning stages of building ought not to be subject to the same pressures from factor costs; and a number of British firms are nowadays by-passing ordinary forms of contracting in an attempt to minimise these preliminary delays. Two of them are Bovis, Ltd., and CAS (Industrial Developments) Ltd.; while their systems differ in detail, both firms have devised a specialised form of contract which they seek to negotiate directly with the building owner, without waiting to tender or to be appointed by an architect. A few other large firms also offer specialised contracts or "plans" if they suit the client or the job, but these also do a good deal of business by conventional tendering; both Bovis and CAS have abandoned tendering entirely, and work only to their own forms of contract.

WHATEVER its competitive advantages on price, open tendering is time consuming; the preparation in advance of a complete bill of quantities is not only time-consuming but if "prime-cost" and "provision sum" items play a large part in the contract—often inexact. Decisions are often deferred, by contractor, architect and owner, which should be made before work is begun.

Under Bovis's system, the building owner's architect prepares sketch plans and outline specifications as in a normal contract; from these, Bovis—who are nominated by the owner in the same way as the architect—and the quantity surveyor derive approximate quantities and prices. At a planning session between Bovis, the owner, the architect, and the quantity surveyor, details of methods and materials, plant, sub-contractors are decided, and the decision to proceed is made. The architect then prepares working drawings and work is begun on the basis of the estimated cost. The normal periods of tendering and preparation of bills of quantities are eliminated, and Bovis's planning for the work is well under way when the final decision is made.

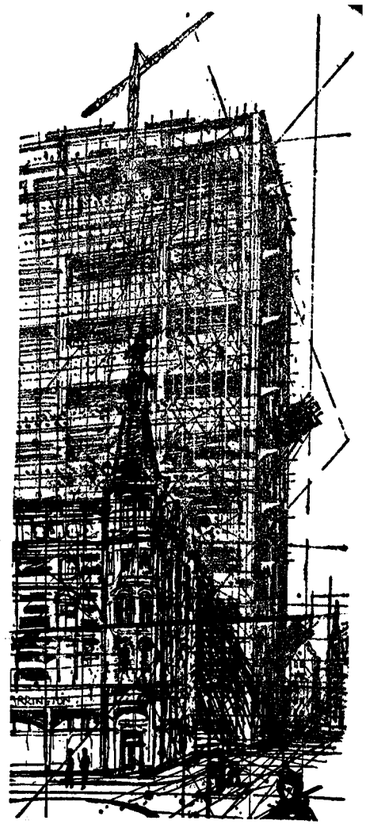
The quantity surveyor prepares a bill of quantities while work is in progress, and constantly audits Bovis's books on the owner's behalf; at the end of the job he produces a final valuation on which Bovis's fee for building is based. The final cost is computed from Bovis's books after completion, and this plus the fee is the cost to the owner.

ONE of the most important aspects of this system is that, since the builder is nominated by the owner and not the architect, he is able to appraise the initial plans from the standpoint of technique and to point out possible savings in either cost or speed (or increases in utility) which may be gained by varying the design to suit the methods and conditions available. This method also tends to discourage variation orders and changes in plans by either architect or owner once building is begun, and delays due to shortages of materials or labour which often occur can usually be foreseen more easily by builders than by architects. In addition, "prime-cost" items may be more accurately estimated and "provisional sums" done away with.

CAS (Industrial Developments) Ltd. carry the role of the builder in pre-planning even further; they have gathered together a team which includes a Quantity Surveyor, a subsidiary building organisation, CAS (Contractors) Ltd., consulting engineers, architects (Llewellyn Smith & Waters), and principal sub-contractors, whom they employ on every one of their contracts. (If the building owner wishes to nominate his own architect, CAS will use him in an advisory capacity.)

Under this arrangement the technical knowledge of the builder can be interrelated with that of the architect from the design stage forward. By virtue of being "in on the job" at an early stage, the builders are also able to complete their job programming early and place orders for materials that may be difficult to obtain. Costs are checked during building by the quantity surveyors, who draw up a bill of quantities from the architect's final drawings; the final cost is computed from this. On completion of the building it is leased to the owner, usually on a 99-year lease.

Contracts negotiated directly in this way necessarily involve a change in the relative status of builder and architect. The practice of employing architects on



the salaried staff of contractors was recently investigated by a sub-committee of the RIBA, and special attention was given to "all-in" services. In refusing to modify the RIBA Code of Professional Conduct to prevent the practice, the sub-committee noted both the advantages to be gained by a closer liaison between architect and builder on matters of technology and technique, and the present shortcomings of some architects in adhering to a precise time-schedule, and in precise and efficient project management generally. It added that "it might be that for certain kinds of building the close collaboration of design, specialist and contracting elements right from the start . . . represents a natural and even essential development, pointing the way to a future pattern in the design and construction of major buildings."

Specially negotiated contracts such as these will never be used universally; they will probably be limited to the larger contractor and larger industrial and commercial buildings, and it is difficult to see them replacing competitive tendering in the public sector. But their use is likely to increase; and the present form of tendering, so often inefficient in practice, may well suffer by wider comparison with it.

Continued from page 1012

The aim is admirable, yet some scepticism is to be heard in official circles in London about the chances of real progress. If all creditor countries, and above all the United States, were to declare themselves willing to refuse aid or loans to any country that flouted the agreed international code, that code would certainly be made effective. But all history shows how poor are the chances of getting such unison. Are they any better now, when loans have become even more directly than they were instruments of international politics? No one supposes that the United States would necessarily cut off aid from a Latin American country because it went in default on loans to someone else. Germany, for all its aspirations in this sphere, recently made a "political" loan to Greece, which is in default on its prewar debts; and an international operation has been mobilised to provide help for Turkey, whose debt service is in an unfortunate tangle. The World Bank sticks to its principle of not lending to any country in default on external debt, and that principle has not only saved it from suffering default itself but has deterred would be borrowers from breaking their commitments to past providers. The first step in any international code is to follow the principle of the World Bank.

One way of reducing the risks to the private investor of foreign investment is for the lending government to provide insurance against the "political" risks, such as confiscation or inconvertibility. The United States provides such guarantees, and Germany is now considering them. Britain should think twice before it takes this particular plunge. No one can eliminate the risk of leaving money in countries that have no intention of allowing it reasonable freedom; if a government brings the risk on to itself, the result may well be that more money is induced to go to the wrong places. A scheme of this kind may possibly be needed to meet the established conservatism of the German in foreign investment; if it is adopted, it should certainly embody realistic premiums.

EXCHANGE MARKET

The Pound in Europe

STERLING weakened a little in the spot market against the D-mark and the Swiss franc early this week, though the forward discounts against both the dollar and Continental currencies have narrowed further, as the London Treasury bill rate continues its decline. The slight weakening against Continental currencies is attributable largely to two technical factors in the money market. In the first place, German banks have been withdrawing money from London in response not only to the fall in rates here but also to a seasonal tightening in Germany; German bankers expect to bring funds back to London when their own market eases in the new year. Secondly, the Swiss have sold some sterling in order to cover short-term speculative positions taken up against the D-mark when the Berlin danger first appeared.

There are no signs that general confidence in sterling is weakening; apparently foreign circles still do not share the doubts of some domestic investors in the gilt-edged market. Foreign observers are impressed with the big rise in the reserves achieved since the crisis, and they feel that the economy is much healthier financially and that the trade unions are in a more reasonable mood. Some of them express fears of the effect of a Labour victory at a general election, or of a marked swing to the left in the Gallup poll; but these fears are by no means shared in all well-informed circles. What everyone abroad would like to see is convertibility through a merging of transferable and American accounts; this, it is felt, would give a commitment that the present practical degree of freedom will be held.

FUEL OIL

The Balance of Supplies

IN October, for the first time, Britain bought more than a million tons of fuel oil in a month. This was about a third as much again as in October, 1957, 70 per cent more than in October 1956, probably twice as much as in October, 1955: for several years inland deliveries of fuel oil have been rising by 25-30 per cent a year. It is true that consumers in general may have been ready to build stocks in 1957-58 as the repercussions of the Suez incident subsided: and in an industry where so much of expansion has been the making of new customers, there is no doubt constantly an element of "stockbuilding" as new consumers—from power stations to householders—fill up whatever storage capacity they have put in. The power stations, certainly, have played a very big part in this year's increase. Nevertheless, the growth of the fuel oil market remains impressive—achieved as it has been at a time when total fuel consumption was probably dropping somewhat, and thus in a sense doubly at the expense of coal.

This is the pacemaker of oil sales, in quantity as well as in rate of growth of sales: though deliveries of gas and diesel oils have increased as much over the ten months of the year, their sales on the general market in October were up by only about 5 per cent since October, 1957, and by about 11 per cent to diesel-engined motor vehicles. Deliveries of aviation fuels, industrial spirits, general kerosenes, bitumen and chemical feedstocks in October were indeed lower than a year before. Deliveries of motor spirit were about 7 per cent higher than in October, 1956: there has been a comparatively slow growth in demand for this product, traditionally the refiner's most lucrative fraction, in recent years.

	Refinery output*	Inland deliveries	Imports	Exports and re-exports	Net exports (+) or net imports (b)	Bunkers (All types of oil)
			(000 tons)			
Year						
1953	11,117	3,815	964	4,316	+3,352	3,619
1954	11,939	4,416	1,648	4,205	+2,557	3,851
1955	10,776	5,384	2,405	2,943	+ 538	4,074
1956	10,395†	6 471	3,161	3,320	+ 159	4,434
1957	10,443†	6,931	3,941	2,803	−1,138	3,478

* Includes refinery fuel, changes in stocks, etc.
† From 1956 excludes operations at distillation plants.

The refineries' balance of finished products in Britain has been somewhat adjusted in recent years to moderate the proportion of motor spirit in the total output, but there has been no significant increase in the proportion of fuel oil, which at about 36-38 per cent of a (much larger) whole is indeed lower than it was at the beginning of the fifties. So actual output of fuel oil has not changed much. What has happened is that from being a largish net exporter of fuel oil over and above its supplies to ships' bunkers, as it was five years ago, the British oil industry has swung over to

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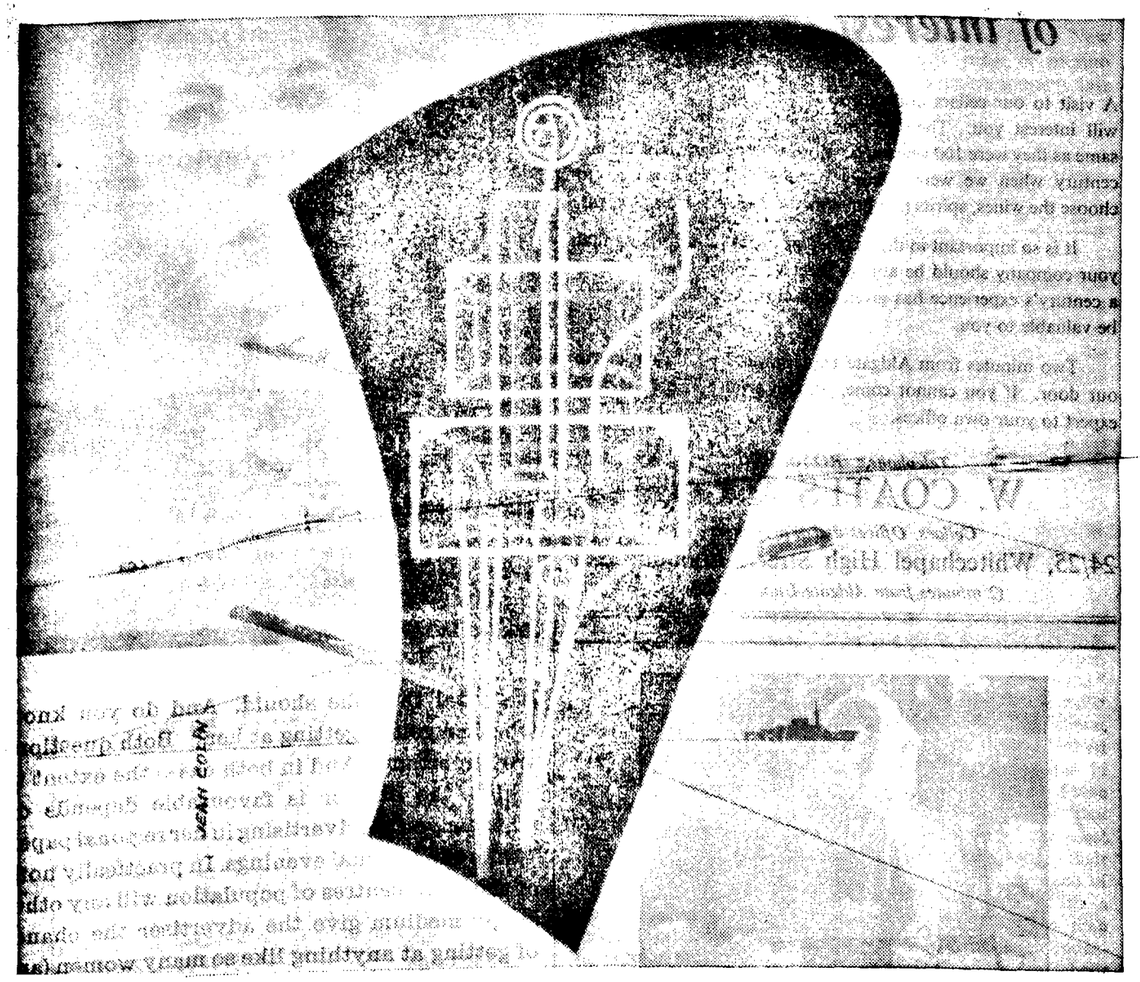

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being a substantial "net importer" apart from bunkering. The shift occurred in 1956-57, when trade was upset by the aftermath of Suez. When bunker supplies are counted in, however, there is still much more fuel oil going out than comes in: in 1957, for example, probably 3 million tons of the 3½ million tons of "oil fuels supplied for bunkers" consisted of fuel oil. The rapid growth of inland demand is now steadily reducing even this margin.

RAW WOOL

Consumption on the Turn?

As the first half of the wool selling season draws to its close there are signs that world consumption of wool may have stopped falling. Estimates published by the Commonwealth Economic Committee show that in the third quarter, thanks to a sharp recovery in the United States and Germany, the rate of consumption of new wool in the major consuming countries was slightly higher than in the previous quarter, and nine per cent lower than in the third quarter of last year. In the first half of this year total consumption in these countries was running 16 per cent below the level of a year ago. Later figures for the British industry show that in October the rate of consumption of raw wool was one per cent higher than in September and one per cent higher than in October last year, the woollen section accounting for the whole of the improvement.

Raw wool prices have not exactly settled down, but the recent movements have been small. According to the New Zealand Wool Commission, the average price of merino 64's wool in the Commonwealth and London markets last week was 74d. a lb (clean weight, cif UK), a penny less than in the previous week, and crossbred 56's, at 66d. a lb, were unchanged. There were a few signs of easiness in the Commonwealth markets this week, and business in the Bradford tops market is not brisk. The wool commissions in South Africa and New Zealand have both been obliged to support the market, the South African commission buying

THE DECLINE IN WOOL PRICES
Monthly average in pence per lb clean weight, cif UK.

	Jan. 58	June 96	July 90	Sept. 83	Oct. 77	Nov. 74
Merino 64's.....						
Crossbred 56's.....	80	71	71	68	67	66

Source: *New Zealand Wool Commission*

The Structure for the Job

Is there one best way of organising a business? Management theory has often assumed that there is: that general principles of organisation are applicable to all businesses. This assumption is challenged in a recently published report of research by Miss Joan Woodward,* which was sponsored by the Department of Scientific and Industrial Research with counterpart funds derived from American aid.

Miss Woodward, with a team of three, studied the management and supervisory structure of a hundred manufacturing firms in south-east Essex, ranging in size from 100 employees to over 8,000. The team was struck by considerable variations in the pattern of organisation which could not be related to the size of firm, the type of industry or success of the business. What they did find was that if the companies were grouped according to their techniques of production—small batch and unit production; large batch and mass production; or process production—three different patterns of organisation seemed to emerge. And it was only the second group, the large batch and mass production firms, which tended to conform to the theoretical principles of organisation.

Each of the three main production systems, they conclude, is associated with a characteristic pattern of organisation, to which the most successful firms in each tend to conform. In some ways, the factories producing one-off units to customers' specifications resembled those in process industry more than either did mass-production: for example, a first line supervisor controlled 21-30 people in unit production, 11-20 in process industry, but 41-50 in mass production.

The "unit production" factories tended to have comparatively few levels of management, smallish working groups, the highest labour costs, a smaller proportion of white-collared workers in their labour forces, and fewer graduates and technicians on production (though more on research than either of the other two types of factory). Their organisation was flexible, without too much definition of responsibilities; a good deal of communication was verbal: few managers were specialists, and managers on production were expected to have technical knowledge. Labour relations seemed easier than in mass-production factories.

The mass production companies fitted in best with the "established rules" of the management theorists, generally conforming to the "line and staff" pattern in which specialists play a consultant role to the "line" manager directly concerned with production. Organisation was more formally defined, with a high proportion of written communication. The administration of production—methods engineering, work study, and the like—tended to be separated from the job of getting it done. Pressure on people at all levels was stronger than in the other kinds of production: and labour relations more difficult.

In the process industries the researchers found that the "line and staff" principle broke down in practice, though it sometimes existed on paper. Companies either used a "functional" system with each type of specialist reporting to similar specialists above, or did without specialists and relied on scientific and technical knowledge in the direct executive hierarchy. These industries had the most managers and white-collar supervisors and the most levels of management; yet their organisation was flexible and much of the communication verbal. With a much lower level of labour costs than in the unit or mass-production industries, they could afford easier labour relations.

The attitudes and behaviour of management and supervisory staff and the tone of industrial relations in the firms were found to be closely related to their technology. The following reasons were suggested for the better human relations which tended to exist in both unit and process production than in large batch and mass production:

Pressure on people at all levels seemed to be less than in assembly line production.

The ratio of supervisors to operators was higher; and pressure to reduce the number of operatives was not so strong.

Decision-making in the process industries seemed to be more rational. This made it easier to reach joint policy decisions at board level.

* "Management and Technology," by Joan Woodward. DSIR. HMSO. 40 pages. 2s. 6d.

more than the New Zealand. Prices of fine crossbred wools in New Zealand are resting on the commission's floor price, but the coarser wools are several pence above it. The producing countries will hope fervently that the second half of the season will bring them better prices than the first. Comparing the first four months—July to October—of this marketing season with the same period of last year, the quantity sold in Australia fell by 18 million lb to 363 million lb while receipts fell by as much as £35 million to £56 million; New Zealand sold 58 million lb, over 10 million lb more than last year, but its receipts fell by £2.3 million to £7.7 million.

OIL IN ARGENTINA

Liquidity Preference

ARGENTINA'S desire for self-sufficiency in oil, and its almost simultaneous admission that this nationalistically desirable status cannot be obtained without the aid of foreign companies, have now resulted in the signing of new contracts for exploration and production with subsidiaries of the Royal Dutch-Shell Group and Standard Oil of New Jersey. The agreement with Shell, which already has producing interests in Argentina, calls for exploration, development and production in an area of about 11,500 square miles located near the port of Bahia Blanca, about 500 miles southwest of Buenos Aires. This land—like all oil lands in Argentina—is owned by the State company, Yacimentos Petroliferos Fiscales; unlike most of the other lands involved in the Government's planned $1,000 million drive for increased production, this area still has to be fully explored. The agreement, expected to be ratified in the near future, calls for a minimum expenditure of £10 million over ten years; the area is to be progressively reduced over an undisclosed period to 10 per cent of the original acreage. Shell is taking the entire burden of risk in exchange for being granted so large an area; exploration expenses will not be repaid until oil is produced. Payment will then be made in oil to Shell's refining and marketing companies, and after expenses have been met output will be divided 50-50 between YPF and Shell.

The contract with Esso covers 1,850 square miles in the province of Neuquen, where production is at present running at about 12,000 barrels a day. Esso Argentina, a newly-formed exploration and producing subsidiary, has undertaken to spend a minimum of $10 million during the first three years of the thirty year contract, and $13 million during the second three years, should operations be continued. During the next four years the area must be reduced by half and further sums, according to a formula based on proven reserves, must be spent, investment of $24 million being due if reserves capable of supporting output of 25,000 barrels a day are found. In the final twenty years of the contract the area will be further reduced by half. Esso Argentina has also agreed to build a pipeline costing $23 million from the Neuquen field to Bahia Blanca; the cost of this is to be repaid in dollars by YPF over 30 years, with interest of five per cent. Under the contract with Esso, YPF will retain title to the oil, paying Esso Argentina a fee in pesos based on the average US dollar prices at Venezuela, the Persian Gulf and the US Gulf Coast. The fee will vary with output, and initially will be the peso equivalent of $11.50 per cubic metre (6.3 barrels) up to 12,500 barrels a day. The pesos that Esso does not need for its local operations will be remittable in dollars. Comparisons between the contracts are difficult, owing to the different areas involved; regarding the methods of payment, however, oil would certainly seem preferable to the peso, over a period of thirty years.

BIG BUSINESS

Evolution in a Market

WHEN Britain was consuming only 5-10 million tons of petroleum products a year, as it did during the decade 1928-1938, Shell-Mex and BP handled its marketing with a rather highly centralised organisation, which had grown in a "Topsy" fashion. The bulk of the selling was done by general salesmen in the field, who sold all kinds of products inside a given geographical area, reporting back to 20 marketing divisions—and incidentally normally looking after one of the group's nearly 400 supply depots. Some products were considered too specialised for divisions and some storage depots too big: the large head office took direct responsibility for these products and depots, as well as exercising fairly detailed control over divisions. The organisation worked pretty well, though in the late thirties it was under some strain at the seams.

Continued growth of oil sales during the war — when marketing was pooled under a Petroleum Board—followed by the establishment of a large-scale refining industry in Britain, required radical changes in this outgrown organisation. Physically, the much larger volumes of oil products in demand—and Shell-Mex and BP accounts for about half the British market—required a new pattern of bulk movement, storage and handling: administratively, the old organisation was getting clogged with paperwork. In a paper he read before the Royal Society of Arts this week, Mr Christopher Brunner, Shell-Mex and BP's director of marketing, outlined the transformation that has taken place since 1950, into a structure that is now handling twice the volume of sales of 1948, and which he believes "could efficiently cope with a much larger volume"

The change has been one of decentralisation, accompanied by specialisation. The divisions, reduced to nine in number and correspondingly made more important, have become the main units of administrative management: head office concerns itself with directing policy and offering advice, based

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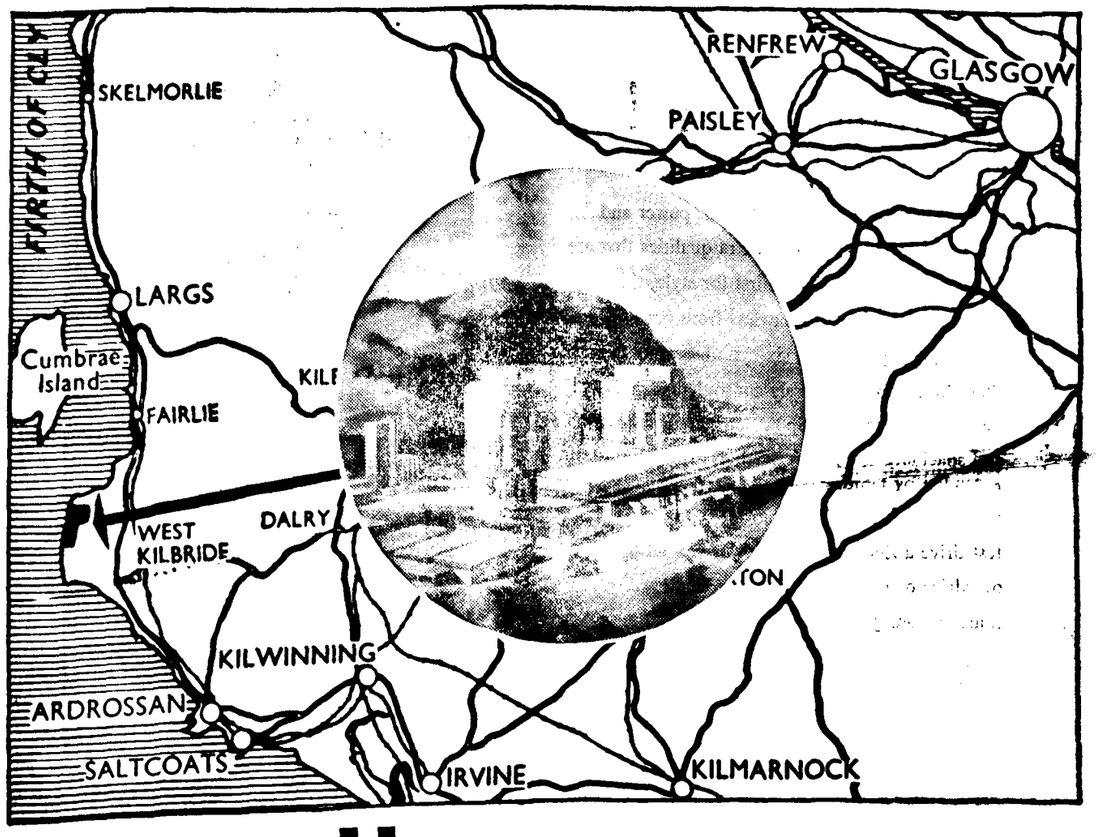

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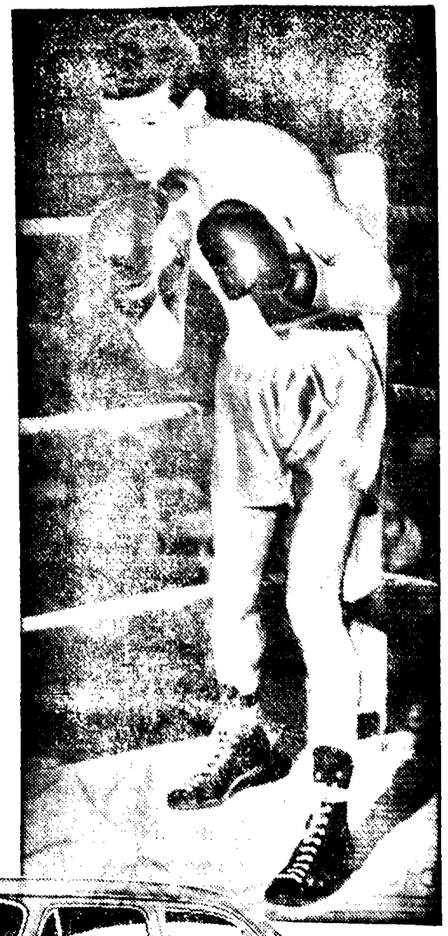

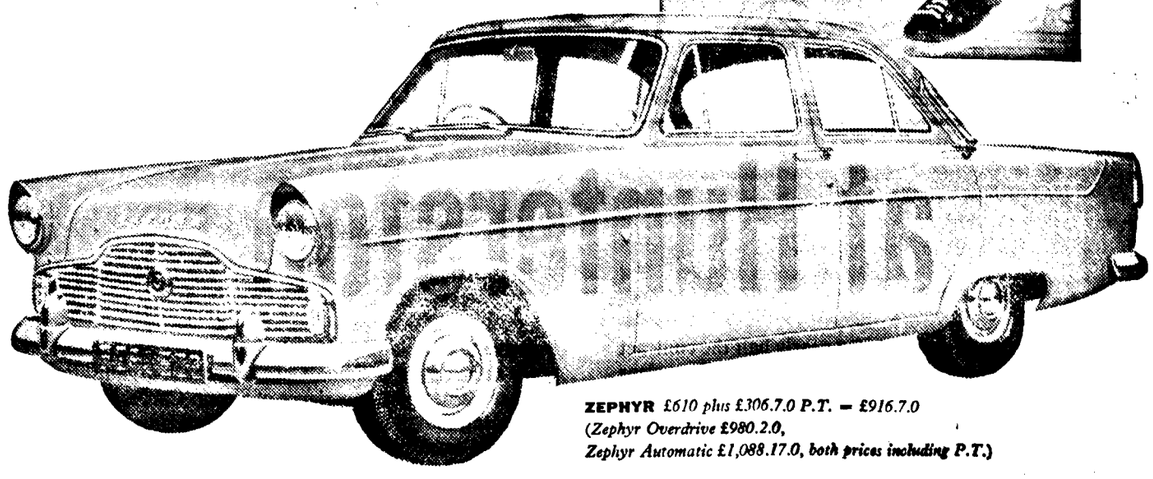

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upon top managers' constant touring in the field. New appointments to the strengthened divisional staffs include "marketing service managers" to handle the paperwork for specialists whose real usefulness is once again in the field. Below the divisions a new level of some 44 "branches" has been set up as "tactical units" of 20-25 salesmen. And the salesmen, wholly relieved of any responsibility for supply depots, have become specialists on particular products (though one salesman responsible for the principal product bought normally handles all the purchases of each customer). The depot supply staff have become simply transporters and deliverers, not concerned with selling. A special effort has been made to cut paperwork for branches and their salesmen. "The principle behind everything that has been done," said Mr Brunner, "is that the really important people are on the one hand the small group at head office that initiates policy and on the other the salesman in the field who gets the business, and the operational people who make the deliveries."

RUBBER MARKET

Russia Provides a Prop

NATURAL rubber growers will remember 1958 as the year in which the brunt of the American recession was neatly cushioned by a big increase in demand from Russia and other communist countries. World consumption of natural rubber this year seems to have risen by about 60,000 tons to 1,950,000 tons, closely balancing world production. Consumption of natural and synthetic rubber in the United States each fell by roughly 60,000 tons, while consumption of natural in the rest of the free world appears to have been about 1,070,000 tons, as last year. But imports into the communist countries have increased by about 120,000 tons to 400,000 tons. It was the sharp increase in Russian buying, even more than the recovery in American demand, which strengthened rubber prices in the second half of the year. Though prices have recently dropped by about 2d. to 2¼d. a lb since this buying abated, the average cif London price for the top grade of sheet rubber so far this year is only 2½d. below the 1957 average of 26d. a lb.

THE RUBBER PICTURE
(thousand tons)

	1957		1958†	
	Natural	Synthetic*	Natural	Synthetic*
World production	1,930	1,262	1,940	1,265
World consumption	1,890	1,257	1,950	1,215
Of which :—				
United States	539	926	480	860
Communist countries	280‡	...	400‡	...
Rest	1,070	330	1,070	355

† Estimated. * Excluding communist countries. ‡ Imports.

But investors are more concerned with the prospect for next year. Consumption of natural rubber in 1959 could be at least as high as in 1958, while production may not show much change. Even if western Europe suffers a mild recession the effects on consumption of natural rubber could well be offset by an increase in the United States and other countries in the free world. The leading consumers in western Europe may increase their usage of synthetic rubber, relative to natural, but the scope for further substitution does not seem great at present. In Britain, Germany and France, the share of synthetic rubber to total consumption has recently levelled off at between 26 and 28 per cent, apparently for technical reasons. So the key to the outlook for next year may again turn primarily on demand from the communist countries. No one in the West knows whether Russia and its partners are consuming all they buy, or tucking away some rubber into stock. But it should not necessarily be assumed that their imports will fall. They are bent on industrial expansion, and may need all the synthetic rubber produced in Russia and a growing volume of natural rubber as well.

DEFENCE TECHNOLOGY

Those Other Telescopes

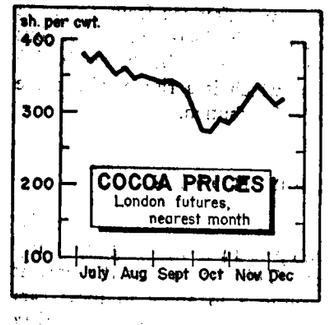
THE two radio telescopes that the Ministry of Supply is buying in Holland are in a different class from the massive installation at Jodrell Bank. The 250-foot diameter Jodrell Bank telescope was built to study the outer galaxies of stars millions of miles beyond the solar system. When the staff momentarily desert this work to track satellites and lunar probes, they are using the telescope much as a man might try to focus a fly on the end of his nose.

The telescopes that the Ministry of Supply plans to instal at the Royal Radar Establishment at Malvern are intended for relatively short-range studies of the upper atmosphere, the region in which ballistic missiles fly. They are versions of a standard 80 foot radio telescope already developed in Holland. The Russian sputniks have already torn great holes in earlier theories about the composition of the atmosphere. These have a bearing on the design and performance of ballistic missiles and their warheads, and so the upper atmosphere extending 1,000 miles or so above the earth becomes a necessary field of research for the Ministry in its role of co-ordinator of defence research. But the Ministry's quickening interest in radio telescopes—it has one working now at Malvern—also stems from their use in detecting the approach of enemy missiles and so forming the first chain of defence against missiles.

RAW COCOA

Two Single Sellers

OVER half the world's cocoa is now sold by two government-controlled agencies. While both naturally try to get the best possible price they have rather different methods of approach. The long-established marketing board for Ghana (the largest producer) and Nigeria operates from London. It follows the cautious policy of neither selling too far forward nor holding off the market too long. The other is the cocoa marketing department of the Bank of Brazil, which was established two seasons ago. This agency, which has representatives in New York and London, follows a more adventurous course. It will hold back longer, as it will sell more vigorously, when it thinks the time is ripe. In theory it has a minimum price of 44 cents



a lb or 352s. a cwt fob (equal to about 370s. a cwt. cif Europe), but it ignores this minimum when it pleases.

In recent weeks Brazil has sold substantial quantities of cocoa in the New York and London markets. No private source knows exactly how much was sold, and at what prices. But it is clear that these sales relieved the tightness in prompt supplies of Brazilian cocoa, and that buyers generally paid much less than the minimum. As these sales became known market prices dropped quite sharply; from mid-November to last week the current delivery month on the London futures market fell by 44s. to 312s. a cwt. Lower prices attracted demand from consumers for Brazilian and West African cocoa, and prices have since risen to 317s. a cwt. It now looks as if world production in 1958-59 will not be much above the study group's revised estimate of 780,000 metric tons for 1957-58, which was a poor year. As consumers generally have been running down their stocks they can only resist any increase in prices by economising in usage of cocoa.

SOUTHERN AFRICA

Standard Bank in HP

THE Standard Bank of South Africa, which has its head office in London and operates in the Union, the Rhodesias and East Africa, is following the example of English clearing banks and is taking an interest in hire purchase. It is acquiring, at a cost of £500,000, new shares giving it a 40 per cent interest in the South African subsidiary of the Mercantile Credit company, National Industrial Credit Corporation, to which Mercantile is now transferring its subsidiary in Rhodesia. Hire purchase in Southern Africa has recently attracted a number of ventures from Britain; Lombard Banking recently acquired a company in Rhodesia (but does nothing in South Africa) and United Dominions Trust and the Commercial Bank of Scotland group have companies in both areas. Doubtless more competition will be as salutary for hire purchase in these countries as it has been in Britain; and in South Africa bank offices might be used, as they have been in Australia, for handling hire purchase documents in towns where the affiliated HP company has no office.

Mercantile Credit, in which the Westminster and Martins banks are to acquire interests of 20 per cent each, has this week reported a rise in the group profit before tax from £731,724 to £961,801, and after tax from £329,164 to £449,866. The dividend on the increased capital (but before the first subscription of new shares by the two banks) is 16 per cent for the year, which is a rise of about one sixth on the previous year's distribution.

SHORTER NOTES

Silver City Airways is cutting its cross-Channel fares for all small and medium cars, up to 14 ft 6 in long, by nearly 28 per cent next summer. This means that the present cheap winter fares will continue to apply to these cars throughout the year, instead of ending on June 1st as they do for larger models. The single summer fare for a Morris Minor will now be £5 as against £6 10s. last year. Since 1948, when it first opened the car ferry service, Silver City has brought down the cost of ferrying a small car and four passengers across the Channel from £27 to £16, and has reduced fares in every year but one. It is a record which other airlines might ponder.

* * *

Pakistan has arranged its first drawing on the International Monetary Fund. It will draw the equivalent of $25 million in the next twelve months.

* * *

Dunlop is making a bid for the whole of the ordinary capital of Slazengers, the sports goods manufacturers. Six Dunlop 10s. shares are offered for every ten 5s. shares in Slazengers. Slazengers' shares rose from 5s. earlier this year to over 15s. before the announcement, but fell back to 13s. 1½d. on the news. The bid is conditional on 90 per cent acceptance. Shareholders were advised of the negotiations with Dunlop last month.

* * *

The Port of London Authority this week announced increases in certain of its charges, effective January 1st. The increases will come in the form of higher surcharges on the dues, rents and rates charged by the Authority; these surcharges are raised or lowered by the Authority in keeping with changes in its costs. The surcharge on dues and rent on vessels using the Authority's docks will increase from 20 per cent to 22½ per cent; the surcharge on rates for hire and use of plant (other than tugs) will rise from 25 to 30 per cent.

* * *

A new UK customs and excise tariff, based on the internationally agreed classification, the "Brussels Nomenclature," comes into operation on January 1st. Copies will be available at the Stationery Office (at 12s. 6d.) from next Monday. HM Customs points out that importers may have difficulty in obtaining their goods if the documents do not conform to the new classification.

* * *

Britain has accepted an invitation from the government of Ghana to send out a trade and industrial mission in the second half of March.

COMPANY AFFAIRS

Comments on pages 1033, 1034 and 1035 on

United Steel	Barclays DCO	Mitchells & Butler
South Durham	Metal Box	H. & G. Simonds
Firth & John Brown	Watney Mann	Courtaulds
Turner & Newall	Bass	Kaffir Dividends
Raleigh Industries	Guinness	M. & G. Unit Trust

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 1036 and 1037

LONDON STOCK EXCHANGE

The week's movements reported on page 1035

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1038

COMPANY MEETINGS

RALEIGH INDUSTRIES LIMITED

A MOST DIFFICULT YEAR

MR GEORGE WILSON'S REVIEW

In his statement to the shareholders, the Chairman, Mr George Wilson, says:

REVIEW OF ACCOUNTS

As shown in the Directors' Report, trading profits fell from £1,576,220 (after deducting exceptional net losses) to £822,665, for reasons which are dealt with later in this statement. This has resulted in a reduced distribution to the Ordinary shareholders and the amount added to the profits retained in the business has also been reduced from £426,043 to £125,112. The charge for depreciation of fixed assets, however, amounts to £411,097 (an increase over last year of £92,948), and brings the total retention in the business during the year to £536,209, compared with an expenditure during the year on new buildings and plant amounting to £1,469,648.

During the year our cash position has been strengthened by the issue of £3,000,000 6 per cent Debenture Stock which is repayable in 1978-83 and our net current assets have increased by £2,500,000.

In my view there are three fundamental reasons for the decline in the profits which I have to record.

RECESSION IN TRADE

This to my mind is the dominating reason: for the first time in my experience we have faced during one year a sharp and unforeseeable recession both in our home and export markets. This necessitated the reintroduction of a four day week in our Nottingham factories in the spring with all the attendant human and economic problems that this brings with it.

Our turnover has dropped by some 5 per cent and would have dropped much more severely but for the contribution which has been made by the BSA cycle interests, which as you recall, we purchased last year.

Our Sturmey-Archer business inevitably follows very closely the pattern set by the cycle trade and I have to report that here too we have experienced very difficult trading conditions. Both at home and overseas our sales have sharply declined in sympathy with the decline in the cycle industry which has by no means been confined to this country.

The trading results of our overseas companies are down compared with last year and are more fully referred to in the Directors' Report.

EXPANSION PROGRAMME

The second contributory factor is that this trade recession has coincided with the completion of our very considerable programme of factory expansion, planned four years ago, with the result that we find ourselves, temporarily at least, burdened with surplus productive capacity, which for the time being is doing nothing to earn its keep. The running costs of this surplus capacity are of course continuing charges and fall to be borne by a volume of business which has already sharply decreased for the reasons I have referred to above.

INCREASING COSTS

The third factor which has contributed to the reduction in our profits is the rising tide of increased costs of the last few years. You will recall that I have consistently in the past expressed the doubt whether our industry could continue to withstand the pressure of rising costs under circumstances which made it possible for only a fraction of these to be passed on to the consumer. You will be familiar with the pattern that has emerged wherein year by year we have absorbed in whole or in part the additional costs arising out of a continuous procession of labour awards and increases in prices of raw materials.

That this policy, disastrous as it has been to profit margins, was wise, must be evident from the fact that throughout this difficult period we have more than held our own in a declining market. This picture must be set against the background of ever increasing competition from European and Far Eastern countries. There are now signs that we may soon be experiencing new competition from both China and Russia. At the Brussels Exhibition the Russians were showing a British type lightweight bicycle, but quoting no prices. Whilst we have recently increased our home prices, we find that in many of our main export markets it is not possible to do so. The USA is an outstanding example where we have lost ground to foreign competition emanating from Europe and from behind the Iron Curtain. In many cases the selling prices quoted are well below the United Kingdom cost of production. In Canada where we have in recent years made substantial progress, competition has forced us again to reduce prices in order to hold our business.

TRADING PROSPECTS

I have endeavoured as clearly as I can to place before you what to my mind are the main causes for the decline in the Company's profits over the past two years, and I will now endeavour to set out to you the lines upon which I feel confident the solution must lie.

Taking the problems in the order which I have posed them above, it is necessary first to consider the degree of permanency to be attached to the present recession in the bicycle trade.

In my view, the answer which applies in the case of the home market differs from that which applies in our export markets. In the home market it is the fact that never since the war, and in spite of the enormous unsatisfied demand of the war years, has the sale of pedal cycles in this country attained prewar levels. There are many factors to which this development can be traced: foremost among them is the improved standard of living of the population which has given rise to an enormous increase of motorised transport on the roads of this country. You only have to be outside the gates of any large factory at closing time to have ample evidence of the degree to which motorisation has affected the lives of the great majority of people in this country. The congestion on our roads and in our cities which follows from this development, the incidence of purchase tax and the restrictions on hire purchase, only recently removed, and the competition the bicycle is facing from the recent introduction of so many forms of heavily advertised domestic appliances, are all further factors. For these reasons therefore I do not expect to see the demand for pedal cycles in this country again equal the prewar level, or show any substantial increase until purchase tax is removed. The easing of hire purchase regulations was welcome, but has been quite inadequate to give the cycle trade the necessary stimulus.

In the case of our export markets, however, I see the position very differently. In many of our large overseas markets, a gradual rise in the standard of living is taking place no less surely than in this country, introducing into the range of potential bicycle purchasers many thousands of people who have yet to acquire their first form of personal transport, and it is a fact that in the large native territories a bicycle is one of the most sought after and prized possessions.

Many of our principal markets are of course primary producers, and as such, very dependent on the level of commodity prices. These prices have fallen over a wide field during the past year or two with the inevitable effect on the purchasing power of every individual concerned.

It should also be remembered that the credit squeeze has been operating in many overseas territories, no less than in this country, resulting in the inevitable contraction of business. I see no reason, however, why these factors should persist and look forward with confidence to the return of better days in these markets.

OVERSEAS MANUFACTURE

There is one factor, to which I have referred in a previous statement, which compels caution in anticipating further expansion in export markets. I refer to the political and economic pressure we are continually facing to extend our manufacture to those very markets which have in the past been our best customers.

It is not easy to see what pattern will emerge over the next decade, but I can see no reason why this postwar development which has already led us to set up bicycle manufacturing units in India, South Africa and Eire should not continue.

In the export field we are confident that we are most favourably placed to take advantage of any upsurge in demand, due to the fact that over a period in which British bicycle exports have been declining we have more than fully maintained our own share of this total, albeit in certain markets by accepting business at unremunerative prices. Throughout the last two most difficult years

our stake in the export markets of the world has in fact increased, so that we should particularly benefit from a return of more normal trading conditions. We continue to export approximately 70 per cent of our production.

MOPED

A new and important element in helping us to restore our turnover has been the introduction since the end of the financial year of our new moped. I mentioned in my statement last year that our design and research department had produced prototypes of a utility moped, and that these had been subjected to prolonged tests. These tests were very successful, culminating in the Official Observed ACU Test at Goodwood, where three mopeds ran for twenty-four hours covering 1,893.3 miles at an average speed of 26.3 miles per hour, with a petrol consumption of 173.3 miles to the gallon, without any mechanical trouble of any nature.

We launched the moped to the trade and the public in October of this year, and I am happy to report that our new venture has met with very satisfactory support. We feel certain that the moped has a bright future provided the existing regulations on licences and driving tests are eased. On the continent, where the moped has achieved such very great success, there are no such regulations, and this has in no small measure contributed to the outstanding advance which the moped has made in these countries.

We now regard the production of the moped no less an essential part of our economy than the production of the pedal cycle, and we have plans for developing it still further. If we receive the necessary support from the Government on the lines I have indicated, I believe that moped manufacture can develop into a new and important industry in this country.

REVIEW OF PRODUCTIVE CAPACITY

One of the problems to which I referred earlier was the fact that our considerable expansion programme coincided with a trade recession. In the light of conditions to which I have already referred and of the foreseeable prospects for our industry, we are conducting a realistic reappraisal of our existing manufacturing resources with a view to effecting their maximum concentration in the most economic and efficient units. Any surplus capacity which may be thrown up as a result, will be reviewed from all aspects including the desirability of broadening the base of our manufacture.

INCREASED EFFICIENCY

I referred earlier in my remarks to rising costs and shrinking profit margins. It is, however, gratifying to see that the tempo of wage awards appears to have eased of late. An engineering award amounting to approximately 4 per cent was made last October and this shows some reduction on the scale of awards which have been such a regular feature of our industry for so many years past.

There is also a sign of some stability in the price of materials which we purchase, though it is to be expected that this latest wage award may start off another round of material price increases, albeit on a reduced scale.

Apart from these favourable external factors we are doing everything in our power by the introduction of new blood in our technical management, by the extensive application of work study and by the introduction of improved and more economic methods of manufacture, to insure that our organisation remains as efficient as any in our industry. For some months we have been employing engineering consultants in our factories and we have found their advice and help quite invaluable.

CONCLUSION

So much for the long term picture, which in my view and for reasons I have endeavoured to outline, is not one to cause us undue dismay. On the short term, however, apart from the very favourable reception of our moped, I am unable to report any improvement in trade generally, nor do I see any indication that this is imminent. The increase in our home market prices barely covers our increased costs and it is not possible to advance export prices except in a minor degree, and then only in certain markets. On the credit side, I can report that at no time has our goodwill or the quality of our cycles stood higher than today. At this early stage in our current financial year, I cannot predict that our results will be any better than those of last year.

THANKS TO STAFF AND WORKPEOPLE

After what has been the most difficult year in my memory, I would like to extend my warm thanks to my colleagues on the Boards of our Companies and to our staff, at home and overseas, for their continued loyalty and support, and to our workpeople who have borne with cheerfulness the problems created for them by the short working week. Let us hope that before long we may return to better days.

The meaning of SMITHS...

[redacted]...In Money

	1957/58	1956/57
TOTAL NET ASSETS	£15,265,000	£13,601,000
NET PROFIT BEFORE TAX:	£3,382,000	£2,847,000
% TO CAPITAL EMPLOYED:	[redacted]	20.6%
NET PROFIT AFTER TAX:	£1,631,000	£1,278,000

[redacted]...In Manufacturing

FOR ROAD VEHICLES Dash-board instruments and gauges; car, coach, and truck heating and ventilating equipment; automatic and semi-automatic transmission systems for vehicles; K.L.G. sparking plugs; Bluecol anti-freeze; Radiomobile car radio; car radio aerials; flexible drives; flexible pipes and hoses; car batteries; car clocks; hydraulic hood-operating mechanisms. **FOR AGRICULTURE** Tractor instruments; hydraulic devices for tractors and farm machinery; time switches; machinery gauges; space heaters. **FOR RAILWAYS** Speed and distance indicators; temperature and pressure gauges; revolution indicators; combustion heating equipment for diesel coaches; automatic protection devices; transmission-control equipment. **FOR CIVIL AND MILITARY AIRCRAFT** Automatic pilots; flight systems; navigational instruments; engine instrumentation; fuel-content systems; flight instruments; warning instruments and safety devices. **FOR SHIPPING AND ALL MARINE USES** Navigational and harbour radar; echo depth sounders; echo fish and whale finders; navigational instruments; survey instruments; stress and stability instruments; optical instruments; tank measuring instruments. **FOR INDUSTRY** Counting, measuring, and recording instruments; fast-response control systems; flame-proof remote indicators; ultrasonic inspection equipment; time switches, process timers, and time recorders; Hylumina ceramic insulator seals and thread guides; master clock systems; control and safety devices; small synchronous motors; magnetic couplings; combustion control equipment; process control equipment. **FOR GUIDED PROJECTILES AND SPACE-EXPLORATION VEHICLES** Guidance control systems; sensing instruments; data-recording instruments. **FOR THE HOME** Sectric wall and mantel clocks; hand-wound wall and mantel clocks; striking and chiming clocks; Sectric and hand-wound alarms; kitchen timers; automatic control units for cookers; radio and television clocks; time switches for domestic appliances. **FOR YOU PERSONALLY** Travelling clocks; pocket watches; popular wrist watches at prices from 50/-; high-grade wrist watches at prices up to £80; solid gold presentation watches; stop watches for sportsmen; cine projection and recording equipment.

SMITHS a name with a world of meaning

S. SMITH & SONS (ENGLAND) LIMITED

CRICKLEWOOD WORKS, LONDON, N.W.2

LEEDS PERMANENT BUILDING SOCIETY

Great Financial Strength—Assets Exceed £116 Millions

The one hundred and tenth Annual Meeting of the Leeds Permanent Building Society was held on December 8th at Leeds. Mr Douglas Crockatt, JP, the President, in the course of his speech, said: Ladies and Gentlemen:

The loss, by death, of Sir Charles Davies since the preparation and printing of the Annual Report is a grievous blow to the Society and to his colleagues. His services as General Manager of the Society and as Chairman of the Building Societies Association were outstanding. They will long stir the memory and inspire the effort of those who worked with him.

The Society's year began within a fortnight of the startling announcement of the 7 per cent Bank Rate. The resultant "credit squeeze" compelled many members to utilise their savings for business reasons and withdrawals have been at a higher rate than is usual. The net inflow of new investment money has been restricted by the widespread competition for savings, often at higher rates than ever seen before. The demand upon us for mortgage loans has, therefore, exceeded the funds available.

Despite these altogether exceptional difficulties, we can again record a satisfactory year's results. Shareholders entrusted us with new investment money amounting to over £17,500,000, compared with just under £18 million in the previous year. Withdrawals, exceeding £15 million, showed an increase of £2 million. Mortgage loans totalled £13,500,000.

The following summarised figures indicate a position of exceptional strength:

LIABILITIES	£	ASSETS	£
Shareholders	102,651,419	First Mortgages	96,187,152
Depositors	5,676,986	Government and Trustee Securities	16,386,154
Provision for Tax	1,682,178	Sundry Debtors	16,418
Creditors and Credit Balances	33,658	Office Premises ...	1,142,618
Reserves	6,083,559	Cash at Bank and in hand	2,394,558
	£116,126,900		£116,126,900

At this moment there is a marked improvement in the inflow of money, and if the present trend continues, (and of that we are hopeful) there will be much more encouragement and satisfaction for borrowers during the coming year.

INTEREST RATES

The maintenance of interest rates unchanged, despite the rise in Bank Rate to 7 per cent, has been fully justified by the subsequent course of events. The movement has, with restraint and moderation, weathered the storm very well indeed. Nevertheless, if the Government continues its interest rates in the small savings movement at their present high level, it will be far from easy to bring the interest rates structure of Building Societies to a lower level.

GOVERNMENT HOUSE PURCHASE SCHEME

The proposals have two important features; first, Government funds are to be loaned to Building Societies to enable them to lend more money than has been possible in recent years upon the older types of property, and secondly, deposits in certain Building Societies are to be granted trustee status.

The Treasury is to specify certain standards of financial stability before a Society's deposits can be accorded trustee status. They are concerned with security, as measured by Reserves and Liquidity. The Leeds Permanent's Balance Sheet shows a level of security of more than double the standards required by the Government, if the present proposals become law.

We shall co-operate in the judicious operation of the plans laid down for increased mortgage lending on older property, insofar as it seems wise and prudent in regard to our own lending capacity when the proposals materialise.

Building Societies must continue to discharge those two important duties which have been stressed in the past by Presidents of this Society:

(1) The property submitted for a loan must be sound and form a proper mortgage security. By no means all property built prior to 1914, i.e. upwards of 45 years ago, is in this category and it cannot be expected that Societies will relax those standards which long experience has shown to be necessary.

(2) An applicant for a loan must be financially capable of undertaking the responsibilities involved. The Government recognises the importance of both these safeguards.

RESULTS FOR THE YEAR

The operations of the Society resulted in a surplus of £401,000, compared with £318,000 in the previous year. With the amount brought forward from last year, and other income, the total transferable surplus amounted to over £604,000. £400,000 has been appropriated to General Reserve, £25,000 to Investment Reserve and the sum of £179,000 has been carried forward.

AMPLE LIQUIDITY

At September 30, 1958, of the Society's liquid funds of £18,780,000, no less than £7,982,000 could be realised at once or within one month without any capital loss. A further £2,310,000, is repayable to the Society during the current financial year and £7,461,000 is repayable after one year but within five years. If our present standard of liquidity (at 16.17 per cent) is unusually high, then this Society is all the safer when difficult financial conditions prevail.

RESERVES EXCEPTIONALLY STRONG

The total of our reserve funds stands at £6,083,000. The ratio of reserves to total assets has increased from 5.1 per cent to 5.24 per cent. This percentage considerably exceeds the average percentage of all Building Societies in Great Britain. Our powerful reserve position affords a high degree of security to our members and to the investing public.

MANAGEMENT EXPENSES

The last published average cost of Management Expenses for all societies was 11s. 8d. per £100 of assets. Our own cost in the past year was 9s. 1d., which showed an increase of 2d. only over the figure shown in the last accounts.

TAXATION

Income Tax (provided in full for the year to April 5, 1959) absorbs £1,745,000 and Profits Tax (for the year ended September 30th) takes £102,000. Whilst the minor concession granted to societies by the Chancellor in respect of Profits Tax was appreciated, there is a serious injustice in imposing the full rate of Profits Tax on non profit making institutions.

MORTGAGE LOSSES

The total actual loss on realisation of properties in possession amounted to £1,404, compared with £4,013 in 1957. The figure is trifling in relation to the total Mortgage Assets of £96,000,000. The proportionate average losses for all societies for 1957 were no less than six times as great.

PERMANENT HOUSE

The large extension to the Head Office was completed and opened during the year. It provides greatly improved facilities for members and for the public in the banking hall, and will contribute to efficiency and expedition in the conduct of business.

BRANCH OFFICES

New premises have been opened since the last Annual Meeting in Southampton, Middlesbrough and Keighley. New buildings are nearing completion at Belfast, Doncaster and Wakefield. Branch Offices reconstructed and modernised during the year include Manchester, Blackpool, and Harehills, Leeds. Premises have been acquired for future development at Cardiff, Newcastle-on-Tyne, Maidstone and Reading.

APPOINTMENTS

Arising out of the retirement from management on September 30th last of the late Sir Charles Davies, Mr Ronald Cowling, FCII, Director and Deputy General Manager, was appointed to succeed him as General Manager. Mr A. Lancaster was appointed to hold the position of Deputy General Manager, in addition to the Secretaryship. Mr A. Schofield was appointed Assistant Manager and Mr C. P. Gates, Chief Accountant.

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY LIMITED

CHAIRMAN'S REVIEW—GROWTH OF GROUP SURVEYED

The Twenty-fifth Annual General Meeting of the Anglo-Transvaal Consolidated Investment Company Limited, was held on December 5th in Johannesburg.

Mr S. G. Menell, the Chairman of the Company, presided, and in the course of his address to members said: I welcome you to the Twenty-fifth Annual General Meeting of our Company and the first to be held in the new administrative building of the Anglovaal Group of Companies.

The financial results for the past year and a review of the activities of the principal companies of the Group are dealt with comprehensively in the Report before you, and I, therefore, do not propose dealing with them in any great detail now. From the Balance Sheet you will notice that in addition to our revenue reserves amounting to £3,890,000, the market value of our principal asset, namely our quoted share portfolio, last June exceeded the book value by some £2,500,000, and this figure is now £3,600,000. The year's results were again satisfactory, the profit before taxation being slightly in excess of the comparable figure for last year. However, the most significant feature of our revenue is the dividend income, which was £687,000 for the year. This source of income from our investment portfolio has increased progressively and it is interesting to note that dividends as a percentage of our revenue have increased from 10 per cent in 1948 to 61 per cent for 1958.

FIVE NEW MINES IN TEN YEARS

During the year under review, your Company embarked upon several new enterprises. Recently we launched the Zandpan Gold Mining Company, which adjoins the Hartebeestfontein Mine in the Klerksdorp area. It is the fifth new gold mine launched by our Group during the past ten years. Later in this address I shall refer to the growing power of South Africa to generate some of its own capital requirements. In this connection I am happy to say that we have been instrumental in directing some of this resurgent economic power into a new gold mine. The Federale Mynbou, which is associated with the Sanlam group of institutions in Cape Town, has recently agreed to provide a sum of £1¼ million towards the initial development of the Zandpan Mine, thereby becoming linked in this new mine with the Anglo American Corporation, General Mining Corporation and ourselves. This blending of the Federale Mynbou, the newest mining house, with the older groups is a happy augury in the development of our country's natural resources.

In association with the Anglo American Corporation and General Mining Groups we completed the successful merger of the Riebeeck and Loraine Gold Mines. The amalgamated property has come under the technical control of your Company.

The recent formation of the American South African Investment Company was a significant financial development in which we and our associated companies co-operated by making available for sale to that Company certain blocks of shares.

TWENTY-FIVE YEAR ACHIEVEMENT

As this is the Twenty-fifth Annual General Meeting, it is appropriate for me to refer to the growth of our Company over the period of its existence. When your Company started operations a quarter of a century ago it was characterised by what was common to the founding of so many of our large corporations. It had limited capital, few assets and prospects, but it did have unlimited enterprise. Today our Group gives direct employment to nearly 54,000 people, of whom over 8,000 are Europeans.

The Group's aggregate dividend payments now amount to over £6 million per annum.

The market value of the issued capital of all the quoted companies in the Group amounts to over £100 million.

A brochure covering the activities of the Group over the past 25 years is being prepared, and will be circularised to shareholders in due course.

The growth of your Company is interwoven with the development of South Africa itself. Many of you have seen our country grow from an exporter of gold and raw materials into a young, but rapidly maturing industrial complex, and, in many respects, well on the road to attaining a substantial measure of industrial self-sufficiency. Today the country stands on the threshold of even greater development. Our mineral resources are extensive and as yet by no means fully exploited. Coal reserves are vast and we have plentiful supplies of iron ore, manganese and chrome. In addition to these, we are one of the world's largest producers of uranium, in itself the most valuable source of energy the world has ever known. We have also agricultural, pastoral and timber resources still awaiting to be exploited to the full. While there are obvious long-term potentialities in our undeveloped natural resources, these, in themselves, do not postulate that this country should go from strength to strength economically. For the turning to the fullest account of the natural resources with which this country is so generously endowed, there are the limiting factors of capital and manpower.

OVERSEAS CAPITAL VITAL

Like all countries of great potential, South Africa's demands for capital are prodigious, the flow of which is a vital factor which will determine our rate of future expansion. Today there is a world-wide scarcity of capital, and since many countries require this for their own expansion, we have to compete in an international market for new capital. In the past there have been several factors which have militated against South Africa obtaining her full capital requirements from sources outside her borders. The most important of these, to my mind, is lack of knowledge of the opportunities which exist here and which will undoubtedly still further increase. This lack of knowledge may in large part be due to our own rapid growth, which has often left even South Africans themselves far behind in their knowledge of current South African developments. In 1932 the National Income was £200 million and in 1957 it had risen to almost £2,000 million. The degree of evolution which has occurred in our economy may be best illustrated by the increasing ability of South Africa to generate some of its own capital requirements. The South African Reserve Bank for 1932-33 gave the Union's capital formation factor as £40 million. In 1957 this figure had risen to £500 million. A further pointer is to be found in the change of domicile of the public debt. In 1932 the gross public debt of the Union was over £260 million, of which 40 per cent was internal. By 1958 the gross public debt had increased to more than £1,150 million, of which 92 per cent was internal. While these figures provide a clear demonstration of South Africa's ability and willingness to finance an increasing proportion of its own development out of its own resources, there is naturally a limit to the expansion which we can achieve alone.

It is, therefore, imperative to attract overseas capital and this can only be done in an atmosphere of free enterprise, and not in an atmosphere circumscribed by consideration of control of capital or of manpower.

We believe firmly in private enterprise and we believe it is only through private enterprise that we will attract the required capital, know-how and skilled manpower.

USE OF MANPOWER

This brings me to the question of manpower, which I regard as the other serious limiting factor to any real expansion in this country. We place a discount on the services of a very large proportion of our population by confining them to certain limited spheres of labour and production, and we are not attracting to our shores, in anything like sufficient numbers, the skilled brain-power and initiative of the Western world. While I fully appreciate that State policies must inevitably impinge to some extent on private enterprise and on freedom of utilisation of capital and manpower, there is a tendency nowadays towards something suggestive of planned economy, which, to my mind, is detrimental to the expansion of a free economy, and which can only lead to artificial barriers to normal expansion. These theoretical concepts, if applied may ultimately restrict the normal enterprise and initiative of our population.

Planned economy imposed by the State is the last resort in any country which is in danger of becoming financially and politically bankrupt, but has no place in a thriving economy where the fundamental laws of supply and demand apply at all times. Fundamental economic laws must be tempered by restraints imposed by the State so as to guard against the exploitation of labour or of the consumer, but if such restraints are allowed to become the happy hunting ground of bureaucracy, which in countries overseas seems to invade every sphere of national life, then we cannot expect to expand our economy in a healthy way. The power of controlling the economy is dear to the heart of every bureaucrat, and to many politicians as well, and they can always adduce many plausible reasons for this. Private enterprise, however, is still the only key to real progress, and this has been the primary force behind the growth which this Company has shown.

HIGHER GOLD PRODUCTION

One of the most important changes which have taken place over the last 25 years in the economy of the country is the diversification, which has occurred as a result of the growth of secondary industry. However, our economy is still based largely on the prosperity of the gold mining industry, which it is estimated will this year produce gold and uranium of a value of about £265 million. It is this contribution made by the gold mining industry which enables our country's balance of payments to be kept under control. Nevertheless, it is pleasing to see that such strenuous efforts have been made over the last 25 years by secondary industry to lessen the country's economic dependence on gold. Some will say that there was bound to be a conflict between the gold mining industry with a fixed price for its product, and, therefore, striving to maintain a low cost of production, and secondary industry, which is able, to a large extent, to pass its increased costs on to the consumer. However, secondary industry is realising more and more that its real hope of survival is in mass production and in a higher standard of efficiency with the requisite quality to enable it to compete in world markets. There is, in fact, a great deal of common ground for all types of industry and all—whether primary or secondary, mining or manufacturing—should stand together for certain basic principles. The first of these is a standard of efficiency or logical advancement towards proficiency which will give low unit costs of production. Therefore, whether it be in mining or in manufacturing, it is the greater and more efficient use of our labour force, as well as our raw materials, which will assure us our future prosperity. Labour is cheap only in relation to its productivity, and the true measure of cheapness is not the wage rate per shift, or per week, but the rate paid for a unit of output.

EXPANDING MARKET

Perhaps one of the most dramatic of the changing patterns which has occurred in our generation has been the absorption of the non-White people into the economy of the country as a whole. The more effective utilisation of non-Whites has been progressively increasing, and at the same time their literacy has advanced rapidly. It is estimated that whereas 10 years ago only 21 per cent of the non-White population could read and write, today that figure stands at 35 per cent. At the present time over 50 per cent of the non-White children attend schools and it is estimated that within 20 years, illiteracy will be virtually eliminated in South Africa. With a greater degree of literacy, increased productivity would follow naturally and this would lead to higher earnings which then become economically possible. Higher earnings in turn would make for greater purchasing power of all sections of the population with an enhanced demand for goods, to the ultimate benefit of all. Today it is estimated that 37 per cent of all the sales of consumer products are made to non-Whites, and their increased earning power indicates clearly where the potential for an increased market for consumer goods lies in this country. The proper utilisation of the labour and services of this section of our population thus provides the greatest challenge for the future.

During the last 35 years the population increase in the Union of South Africa has been about 7 million. During the next 35 years it is expected that the population increase will be about 14 million. This factor, coupled with a progressively improving standard of living of our entire population, may well create a period of unprecedented prosperity, which of course will be accelerated when a less rigid attitude is adopted towards raising the price of gold.

Like any similar Group in the mining and industrial fields, we have had our ups and downs; but on the whole there has been steady growth, consolidation and an enterprising pursuit of new business at all stages, which has brought us to our present position, and this spirit will animate us for the next 25 years.

Just as we can look back upon your Company's last 25 years with gratification, we now look forward to the future with great confidence as we take our place in the era of industrial revolution—continuing to build up the material prosperity of South Africa and with it the living standards of all its inhabitants.

CONCLUSION

In conclusion, I wish to express my sincere thanks to my co-Managing Director, Mr B. L. Bernstein, and to my other colleagues on the Board. Furthermore, on your behalf, I thank all employees, both at the Head and London offices of this organisation and all employees of the mines and factories associated with this Group for the loyalty they have shown and the efforts they have made during the past year.

The Report and Accounts for the year ended June 30, 1958, were then adopted, and the retiring Directors, Messrs M. G. Deacon, Anton Gray, L. P. Kent and A. A. von Maltitz, were re-elected.

The joint Auditors' remuneration for the year was fixed.

FERTILIZERS & CHEMICALS LIMITED

Haifa, Israel

ISRAEL'S LARGEST SINGLE INDUSTRY

The Annual General Meeting of Fertilizers & Chemicals Limited was held in Haifa on October 19th, and the following are details of the Report presented by the Board:

The Company was founded in 1946 by a group of private and public organisations partly from Israel, partly from America and South Africa. The Government of Israel has been participating as an active partner in the enterprise since 1950.

Fertilizers and Chemicals Limited have rapidly developed into Israel's largest single industry and today produce Nitrogenous (N), Phosphatic (P) and Potassic (K) fertilisers on internationally accepted standards, as well as compound fertilisers. The Company's works cover some 150 acres and its labour force numbers 1,100.

In nearly every division production rose by an average of 60 per cent above designed capacity. This advance was due to improvements in exact planning and engineering, preventive maintenance and decentralisation. The Company's total production covered a wide range of products for agricultural and industrial requirements, reaching a volume of approximately 300,000 tons and it is intended to expand production in industrial chemicals. Labour input per ton of product was reduced by 39 per cent.

Sales rose by nearly 50 per cent over the previous year, and turnover went up from IL 13 million in 1956/57 to more than IL 20 million during the year under review. Exports accounted for 12 per cent of the Company's annual sales, and represented the margin left over after the steadily growing domestic demand had been met.

The year 1957/58 saw the start of the successful production and introduction on the local market of Liquid Nitrogenous Fertilisers, of Enriched Superphosphate (22-24 per cent P_2O_5) and of Triple Superphosphate (42-46 per cent P_2O_5).

ENGINEERING AND DEVELOPMENT

The Nitric Acid Plant was completed as planned and is now being commissioned. Additional investments are being carried out to meet increased local consumption, mainly of Nitrogenous Fertilisers, and equipment has been ordered for Granulated Fertilisers and auxiliary installations. Furthermore, a dry ice production unit has been ordered which will be of the utmost importance in helping to meet the requirements of the Israeli food market. Total investments in these projects amounts to IL 12 million.

The services of the Engineering Division have also been used for several outside projects, such as the expansion of the Dead Sea Potash production facilities, the Dead Sea Bromine plant, and helped to develop other smaller chemical plants in Israel. The Engineering Division also offered its services in other countries, and is at present assisting several companies abroad with chemical installations.

FINANCE

An Agreement was concluded with the Israeli Government for the conversion and consolidation of loans and resulted in the strengthening of the Company's capital structure. This Agreement provides for the conversion of long-term Government loans up to the amount of IL 8 million into 5 per cent Non-cumulative Participating Preference Shares, to be allotted to the Government once the Company has effected the necessary increase in its authorised share capital.

Foreign and local insurance companies extended a long-term loan for IL 1 million to the Company during the year.

With regular production in the plants, increased productivity and a sound financial basis, it was possible to increase net profits, after full depreciation, by 60 per cent as compared with the previous year. On the other hand the increase in turnover and the extended credit terms demanded by the agricultural consumers in Israel tended to strain the Company's liquidity.

All efforts are being made to improve the Company's liquidity position by a revised sales policy and by developing new credit lines for working capital with local and foreign banks.

Net profit amounted to IL 925,520 which, added to the balance of IL 16,777 brought forward from the previous year, provided a total of IL 942,297 available for distribution. It is accordingly proposed to distribute the following dividends:

6 per cent on Approved Investment, Ordinary and "A" Ordinary Shares	IL 230,417
5½ per cent on Cumulative Participating Preference Shares ...	IL 28,002
5½ per cent on 5 per cent Participating Non-Cumulative Preference Shares about to be allotted to the Government and participating in dividends as from April 1, 1957	IL 631,767
	IL 899,186

and to appropriate IL 2,890 for adjustment in respect of the dividend distribution for 1956/57, the balance of IL 40,221 to be carried forward.

The report was adopted.

BOARD OF DIRECTORS

The Board of Directors was re-elected with certain changes: Gen. Y. Dori, Chairman of the Board; M. Bader (Director General of the Ministry of Development), Chairman of the Executive Committee; A. Goldberg, Managing Director.

BARCLAYS BANK DCO

LARGER EARNINGS & DIVIDEND

The thirty-third ordinary general meeting of Barclays Bank DCO will be held on January 2nd in London.

The following are extracts from the circulated statement by the chairman, Mr J. S. Crossley, circulated with the report and accounts for the year to September 30, 1958:

If the dominant characteristic of the year ending last September had to be summed up in one word that word would inevitably by "uncertainty" Troughs of low pressure spreading from the West, or the fear of them, are inclined to spread alarm and despondency in business as in meteorological circles. These fears have persisted throughout the whole period covered by our accounts. Although the portents now seem less alarming it is nevertheless true that "the further outlook remains unsettled."

It is barely a year ago since sterling appeared to be facing its most serious crisis since 1949. In September 1957 drastic action was taken to protect the pound from what appeared to be a danger of imminent devaluation. There are probably few people to-day who could now say in all honesty that they confidently expected that the measures then taken would yield results which would become so quickly apparent and so striking in effect. The sterling reserves have increased month by month throughout the whole succeeding period, and the improvement has been so marked as to permit of five successive reductions in the bank rate. Those who were sceptical about the effectiveness of monetary measures and insisted that only a return to the full paraphernalia of import controls and other restrictions offered a solution for these troubles, will do well to ponder this result. While neither restriction of credit nor physical controls can, together or singly, ensure a stable economy, it remains true that monetary policy is a potent weapon in the hands of a government prepared to face unpopular measures.

NEED TO PROTECT THE POUND

It is a matter of opinion whether this result has been mainly due to the sharp rise in bank rate or to the repeatedly expressed determination of the authorities to make money scarce, for these were the means by which the necessary psychological change was induced. What is certain is that a change was justified by the overriding necessity to protect the pound. It is, in truth, one of the primary duties of a government, though perhaps among the least palatable and consequently most neglected duties, to protect the value of its currency. In the case of sterling, a currency on which so much of the world's trade is based, the duty is compelling.

Our year began with sterling under heavy pressure, necessitating the adoption of the most stringent measures in the United Kingdom. It is regrettable that the nettle was not grasped sooner so that the need for such a drastic rise in money rates might have been obviated, with a consequent lessening of the strains on other members of the sterling area. These strains have had serious consequences due to the pull exerted by the abnormally high yield offered on treasury bills in London. Such rewarding opportunities for the employment of liquid resources proved an almost irresistible attraction to those able to remit money from overseas, particularly from Southern Africa. Moreover, the fall in income resulting from lower prices for their exports made it virtually impossible for the countries affected to attract outside capital to offset the drain on their liquid resources. Many of them were obliged to draw on their reserves.

In these circumstances it is not surprising that, in the succeeding months, it became necessary to introduce measures of credit restriction. Although in London our year ended on a note of relaxation it was therefore, quite otherwise in many of the overseas territories served by this Bank.

INCREASE IN LENDINGS

It is against this background that the Bank's results for the year which ended September 30th must be viewed. There would have been a fall in our deposits had it not been for some substantial items of a special character which remained with us over the balance sheet date. There has been a reduction in the item acceptances, credits, &c., reflecting the lower level of commodity prices and some falling off in trade with a number of our territories. The principal feature of the balance sheet has been a further considerable increase in our lendings, due to the greater demand induced by the conditions to which I have referred. The depletion of liquid resources in overseas territories created additional pressure from the Bank's customers to meet their normal requirements. This factor, as you may have expected, was more in evidence in the interim statement as at March 31st, than in the final figures for the year. The demand for banking accommodation has been so persistent that we felt it desirable to sell some of our short-dated bonds. This has resulted in the figure for investments showing a substantial fall when compared with the previous year.

One point which does not emerge from our figures but which is not without significance for us is the fact that there has been a marked—and very welcome—improvement in the value of our investments during the past twelve months.

RISING COSTS

You will realise from the foregoing that our resources have been more than usually fully employed during the period and this has resulted in somewhat higher earnings which have enabled us to absorb the constantly rising costs of running the business, to which I referred last year. While this is satisfactory as far as it goes, there is certainly no room for complacency; the trend towards mounting expenses is still very much in evidence.

In recommending a final dividend at the rate of 5 per cent the Board is proposing to raise the distribution for the year from 8 per cent to 9 per cent. The net cost of this modest increase amounts to £74,360 in this year's accounts. In these uncertain times it is easy enough to argue against any change. Nevertheless, and however unfashionable this view may be, we feel that consideration of any ordinary dividend should be governed more by the earnings of the year under review than by estimates of future earnings which are, to a large extent, unpredictable.

An essential foundation for genuine progress is a sound currency. This is the role which sterling, the currency in which the vast bulk of Commonwealth trade is carried on, must fill. For this reason alone the improvement in sterling that has taken place during the current year is particularly welcome and is the best portent for the future.

BIRMID INDUSTRIES

EARNINGS MAINTAINED

The annual general meeting of Birmid Industries Limited was held on December 9th, at Birmingham. The Most Honourable The Marquess of Exeter, KCMG, chairman, presiding.

The following is an extract from his circulated statement for the year to July 31, 1958:

Earnings for the year are much about the same as for the previous financial year. The results would have been appreciably better but that our Light Alloy Foundries have been adversely affected by drastic cancellations from the Aircraft and Aero Engine Manufacturers consequent upon the changed Defence Policy announced by Her Majesty's Government about eight months ago.

Furthermore, while the motor trade, upon which we largely depend, has maintained a high degree of activity, in that field and, indeed, in all others, competition today is much keener than it has been since the War. In many cases this competition is of a nature which does not seem to be based upon any logical costing system.

MODERNISATION SCHEMES

Our modernisation schemes are still not fully effective, so that we are as yet not getting the full advantages for which we planned. Although we have had more "teething troubles" than anticipated, the standard of efficiency in new installations is now improving, and I am sure that ultimately our enterprise will be well justified.

Your Directors have had all these factors very much in mind in recommending a distribution this year on the same basis as in the two previous years, namely: 10 per cent dividend plus 7½ per cent bonus.

Although sales were higher in value than for the previous year, the profit margins, largely due to intensified competition, are lower. This trend gives emphasis to the wisdom of investing in thoroughly modern equipment as far as we are able to do. Only by such means can we make those economies in costs and improvements in quality as would enable us to hold our place in the various branches of engineering for which we cater.

In common with most other branches of engineering, our overall costs have again risen.

Possibly the growing tendency to unofficial strikes is the greatest single menace to the interests of employees and employers alike in the Engineering Industry. Only the utmost firmness on the part of employers and Trade Unions in insisting, at whatever costs, that agreements must be honoured, can bring about that stability in our industry which is a vital necessity for existence and progress.

THE OUTLOOK

I am sure you will not wish me to commit myself to any very definite statement as regards the outlook. At the present moment we have a reasonable prospect of sustaining output on behalf of the motor industry. There has been some improvement in the demand from the aircraft industry consequent upon the coming into production of new civil aircraft types. The demand for military aircraft components is still very much reduced and we have some short-time working in certain of our establishments.

Group order books are currently at a reasonably high level.

The report and accounts were adopted.

COMPAGNIE D'OUTREMER POUR L'INDUSTRIE ET LA FINANCE

The annual meeting of Compagnie d'Outremer pour l'Industrie et la Finance, holding company controlled by the Lambert group, was held in Brussels on November 27th, under the chairmanship of Count Moens de Fernig.

The following is a brief account of the report submitted by the Board of Directors:

In July, 1958, the Company entered into partnership with important financial institutions of the Common Market nations in order to form a "SYNDICAT EUROPEEN D'ETUDES ET DE FINANCEMENT," which will enable periodical consultations to be held with a view to common action within the framework of European integration. Besides Banque Lambert of Brussels and Compagnie d'Outremer, this Syndicate includes; Berliner Handelsgesellschaft of Frankfurt, Crédit Commercial de France, Messrs de Rothschild Frères and Compagnie Financière of Paris. Banca di Credito Finanziario "Mediobanca" of Milan, and Messrs Pierson Heldring & Pierson of Amsterdam.

The assets of Compagnie d'Outremer, valued at more than Bfrs1,500m (over £10m, of which £8.7m are represented by securities) are widely spread. Their geographical distribution on September 30, 1958, was as follows:

Europe	22.10%
America	44.50%
Africa	30.80%
Miscellaneous ...	2.60%

The distribution by industry was the following:

Real Estate	6.2%
Banks, Insurance, Financial Enterprises	8.4%
Oil and Natural Gas	31.5%
Public Utilities	14.4%
Mining Metals	15.3%
Pulp and Paper	2.6%
Food, Agriculture, Commerce ...	13.3%
Building	3.0%
Transport	0.6%
Net Current Assets	4.7%

In the field of banking and financial enterprises, Compagnie d'Outremer holds 36 per cent of the capital of Société Congolaise de Banque "SOCOBANQUE," which in 1957 acquired a participation in the Merchant Bank of Central Africa. Furthermore, it has interests in the Amsterdam Overseas Corporation of New York, the growth of which was not checked by the recession in the United States.

In 1958 it acquired a participation in Berliner Handelsgesellschaft, one of the most important German investment banks, and in the Development Finance Corporation, an Australian investment bank. Compagnie d'Outremer also participates, through specialised subsidiaries, in the issue of bearer certificates representing registered shares of South African, Rhodesian, American and Canadian companies, which are quoted on Belgian bourses. The market value of the issued certificates amounts to about Bfrs4,000m.

The oil industry occupies first place in the holdings of Compagnie d'Outremer, the main items being important interests in the Belgian PETROFINA Group. Besides a strong participation in Petrofina itself, Compagnie d'Outremer has interests in American Petrofina and Canadian Petrofina. It also has a participation in Compagnie d'Anvers, which holds 9.5 per cent of the capital of Petrofina. The investment of the Petrofina Group amounted to Bfrs4,500m (£32m) in 1957, and a budget of more than Bfrs5,000m (£36m) was foreseen for 1958. Compared with 1953 sales of refined products of the Petrofina Group and its refining capacity show an increase of 107 per cent and 400 per cent respectively, whilst the net profits of the Parent Company have increased by 118 per cent.

Compagnie d'Outremer also has various interests in oil exploration and development companies through Petrobelge (Venezuela and Belgian Congo), Francarep (Sahara), Triad Oil and Great Plains Development Company (Canada).

The participation of Compagnie d'Outremer in SOFINA is one of its most important assets. Sofina's portfolio, invested to the extent of about 70 per cent in public utilities and 40 per cent in North American securities, was valued at Bfrs4,150m (£30m) at the end of 1957. However, as a result of the rise on the New York Stock Exchange during recent months, the value of the portfolio has probably increased materially since then. In 1958 the Sofina Group participated in the establishment of the "CENTRE ET SUD" Company, with the object of studying the scheme for the erection of a nuclear power station. Sofina's net profit for 1957 amounted to Bfrs155m, as against Bfrs140m in 1956.

For the current year it seems that a slight increase in the income of the portfolio may be expected, whilst the income from the technical departments will probably be much the same as that of the preceding year.

In the mining industry the holdings of Compagnie d'Outremer include, among others, 100,000 Tanganyika Concessions Limited, 30,000 Rhodesian Anglo American, 100,000 Rhodesian Selection Trust, 15,000 De Beers Consolidated Mines, as also participations in the Rio Tinto Group, in Aluminium Limited, in Newmont Mining, and in various new gold mines in South Africa.

The investments of Compagnie d'Outremer in the fields of food, agriculture and commerce are situated principally in the Belgian Congo. Brasseries, Limonaderies et Malteries Africaines "BRALIMA," the largest chain of breweries in the Belgian Congo, put a fifth plant into service in January, 1958, and contemplates the opening of two more in the coming months, which will increase its yearly capacity to 20.9m gallons. A dividend of Bfrs120 was distributed in 1958 as against Bfrs110 in 1957. The Compagnie d'Elevage et d'Alimentation du Katanga "ELAKAT" continued in 1957 the development of the cold storage chain which it is operating in the Southern and Eastern parts of the Belgian Congo. Its dividend was increased to Bfrs110 as against Bfrs100 for the preceding year. BELGIKA, a company which owns palm tree, rubber and coffee plantations, plants for cotton ginning, a chain of stores, as well as a portfolio of Congolese securities after an interruption of two years has distributed a dividend this year.

PROFIT AND LOSS ACCOUNT

Net profit for the year ended September 30, 1958, amounted to Bfrs61,750,743 (£441,000) which, added to the balance brought forward of Bfrs818,662, brought the distributable profit to Bfrs62,569,405 (£447,000). After deduction of Bfrs3,087,500 for the legal reserve, it has been decided to distribute Bfrs58,500,000, i.e., Bfrs45 net for each of the 1,300,000 shares, and to bring forward the resulting balance of Bfrs981,905.

SAMUEL OSBORN & CO. LIMITED

GROUP TURNOVER A RECORD

MR FRANK A. HURST ON GROWING MENACE OF DUTY FREE IMPORTS

The fifty-third annual general meeting of Samuel Osborn & Co., Limited was held on December 9th at Sheffield.

Mr Frank A. Hurst (chairman and managing director) presided and, in the course of his speech, said:

The Manufacturing and Trading Profit for the year ended July 31, 1958 amounted to £1,229,405 which is slightly less than the corresponding figure in the preceding year, but, having regard to the conditions prevailing during the later months of the financial year, I consider the result to be very satisfactory.

I have previously drawn attention to the heavy weight of taxation, and in the year ended last July we have had to provide £655,046, which, you will realise, is a huge sum—over 50 per cent of our trading profit.

Though the turnover of the Group during the financial year was the highest in its history, it will be seen that the profit is reduced. This is due to the fact that we have absorbed much of the increased costs instead of having passed them on to the customer. It was considered that this was a contribution on our part towards defeating inflation, and also essential to meet extreme competition in overseas markets. I must point out however, that the achievement of a record value was assisted by sales of products of other manufacturers whose agencies are held by our overseas subsidiaries.

The year saw a heavy drop in the volume of our export trade and the same trend continues. This is occasioned partly by restrictions imposed upon imports by various countries. A more serious development which has arisen is undercutting by Continental competitors selling the finished product at prices which are at times little above our raw material cost.

DUTY FREE IMPORTS

The fine steel trade, in general, is concerned with the growing menace of its type of finished product coming into the United Kingdom free of duties and at prices much below the fair market value in the country of origin, where our exports have to face tariffs and other protective measures. The Customs Duties (Dumping and Subsidies) Act, 1957, was, apparently, designed to allow of the imposition of corrective duties when dumping occurred, but the Act was born in its shroud, because, whereas we have, for some destinations, to state our home consumption value on invoices we send abroad, the Board of Trade refuses to impose such a condition as regards invoices into this Country, and states that it is up to the home manufacturers to make out a prima facie case that material injury to an established industry is being caused or threatened. What the interpretation of "material injury" is, nobody appears to know. There is a danger that "material injury" will not be recognised by the Departmental observers until an industry is already in its death-throes, and one can only conjecture, in face of this, how zealous in the defence of British Industry are some departments of the Board of Trade. The dumping of goods which can be manufactured here results in short-time working and redundancy.

Some of our subsidiaries have shown much

improved results. Where results are less than we consider satisfactory we are devoting intensified attention.

RE-NATIONALISATION

The Country knows from official facts and figures that the steel industry is and has been highly efficient, and not even the threat of re-nationalisation is preventing it from pressing on with still further plans for expansion, involving the expenditure of vast sums of shareholders' funds. Too often it is overlooked that countless workers are themselves indirect shareholders through the investments of Building Societies, Insurance Companies, Pension Funds and the like, all of which have large holdings in the industry. There is no valid justification for the nationalisation of the steel industry, over which there is already adequate control, and those who seek to do this for political aims perform a great disservice to the Nation. There are those who prefer to bury their heads in the sand and ignore the threat to our way of life, but there is no mistaking the pattern and it is an inescapable fact that there are some in our midst who seek by all means to bring this Country down so that they may rise from the ashes.

The report and accounts were adopted and a final dividend of 12½ per cent, making 20 per cent for the year, was approved.

DICTOGRAPH TELEPHONES

The twenty-second annual general meeting of Dictograph Telephones Limited was held on December 11th, in London, Mr Philip V. Summer (the chairman) presiding.

The following is an extract from his circulated statement:

The year under review has not been without its difficulties, but I think the results are not unsatisfactory. Your Sales Department at home made a considerable advance in the volume of sales during the year. Export trade has been variable. Last autumn your Managing Director visited Canada and as a result of that visit we now have a modest, but growing, trade in Canada.

The Consolidated Profits of the Group before Taxation amount to £214,103 against £214,306 last year. A Final Dividend of 10 per cent, less Income Tax, is proposed, making a total distribution for the year of 20 per cent, less Income Tax.

Although the Reserves have been reduced twice in the last few years by way of capitalisation and distribution of shares to Shareholders, the General Reserve now stands at £225,000, the highest total in the Company's history.

I trust that all share owners are well acquainted with the wide range of communication and other electrical equipment supplied by Dictograph Telephones Limited and our subsidiary Company, Grampian Reproducers Limited. Loudspeaking Telephone Systems, Automatic Switchboard Installations, Staff Location Systems, Time-keeping Systems, and Grampian's wide range of electronic equipment—all these continue to be bought and rented. The report was adopted.

BUSINESS AND PERSONAL

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IT'S AN OLD SPANISH CUSTOM (and an English one, too) to drink and serve Amontillado sherry. Perfect choice is El Cid. That's the Amontillado with the authentic Spanish flavour the English like.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—DIVIDEND NOTICE: ORDINARY CAPITAL STOCK. At a Meeting of the Board of Directors held today, a final dividend of Seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1958 payable in Canadian Funds on February 27, 1959, to shareholders of record, at 3.30 p.m. on January 5, 1959.—By Order of the Board. T. F. TURNER, Secretary. Montreal, December 8, 1958.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—DIVIDEND NOTICE: PREFERENCE STOCK. At a Meeting of the Board of Directors held today a final dividend of Two per cent. on the Preference Stock was declared in respect of the year 1958 payable on February 2, 1959, to stockholders of record, at 3.30 p.m. on December 31, 1958.—By Order of the Board. T. F. TURNER, Secretary. Montreal, December 8, 1958.

APPOINTMENTS REQUIRED

LATIN AMERICA.—Young, single, Englishman with excellent experience of commerce, industry and agriculture in Britain and Latin America, fluent Spanish, good contacts, seeks first-class position with company or individual employer. Available early 1959.—Box 1089.

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APPOINTMENTS

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Applications are invited for the post of RESEARCH OFFICER to undertake research into aspects of Administration. Candidates should be not less than 32 years of age. Salary will be in the range of £1,200-£1,600 with F.S.S.U., according to experience and ability. Secondment would be considered in appropriate circumstances.—For further particulars apply to the Director of Research, The Administrative Staff College, Greenlands, Henley-on-Thames.

BROWN & POLSON GROUP require for their Finance and Administration Division, a young man 23-28 with an Accountancy or Cost and Works Accounting Qualification. Experience in an industrial concern would be an advantage but applicants with solely commercial or auditing experience should not hesitate to apply. Experience within the Company will not be confined to its London headquarters but will include periods at the Manchester and Paisley Works. Salary, Profit Payment, Life Assurance and Pension Schemes are good and the Company is progressive in outlook and expanding.—Replies to Group Personnel Manager, Brown & Polson Ltd., 125/130 Strand, London, W.C.2.

NATIONAL INSTITUTE OF AGRICULTURAL BOTANY.—Applications invited from Graduates for appointment as STATISTICIAN on the SENIOR SCIENTIFIC OFFICER SCALE of £1,130 (men) or £1,084 (women) to £1,330 p.a. Superannuation under F.S.S.U. Suitable qualifications and experience preferably including field trials, required.—Application forms and particulars from the Secretary, N.I.A.B., Huntingdon Road, Cambridge.

For other appointments see page 1043

THE UNITED NATIONS ASSOCIATION invites applications for MEETINGS SECRETARY to the Council for Education in World Citizenship. The work includes obtaining suitable speakers on international affairs for meetings in schools, and the organisation of conferences for school children. Candidates should have a knowledge of international affairs and be able to type own correspondence. Public speaking experience and knowledge of committee procedure would be an advantage. Salary: £400 per annum rising by annual increments of £25 to £500.—Application form, to be returned not later than January 10, 1959, from the Secretary, C.E.W.C., 25 Charles Street, London, W.1. Please enclose a stamped addressed envelope.

UNIVERSITY OF LONDON

LEON FELLOWSHIP

Applications are invited for the Leon Fellowship for Research (preferably in the fields of Economics or Education) for the Session 1959-60. The Fellowship is of the value of not less than £800 a year, and is tenable in the first instance for one year. It is not essential that candidates should be members of a University, but they are expected to put forward a programme of research of an advanced character and to produce evidence that they can carry it out. Selected candidates will be required to attend for interview. Further particulars should be obtained from the Deputy Academic Registrar, University of London, Senate House, London, W.C.1, and applications for the Fellowship must be received not later than February 2, 1959.

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COMPANY AFFAIRS

PROFITS FROM STEEL

ALL the steel companies draw up their accounts at the end of September. The preliminary profit and dividend statements now appearing are not sufficient as yet to judge the trends in profits for the industry as a whole. Indeed, a full comparison of trading results is not possible until their final accounts are published, for each company has its own idiosyncrasies—for example in the treatment of replacement reserves—in setting out its preliminary profits. So far, apart from Consett Iron, the surprises have been occasioned by the news that profits have held up rather better than had been expected. Certainly, in the first months of the financial year the steel industry was working at capacity and earning handsome profits and this seems to have offset to some extent the drop in orders and production that occurred later in the year. Now the industry, with the possible exception of some sectors serving the motor industry, is working at less than full capacity. But the earnings cover on the ordinary dividends is extraordinarily high—as it must be in an industry committed as heavily as the steel industry is to development—and the maintained or slightly increased dividends declared by the individual companies are not in any kind of danger. The market's reaction has been far from spectacular but that is because steel shares are still judged more on political than on economic grounds.

United Steel supplies a large range of iron and steel products, including plates, heavy sections, alloy steel, and medium strip so its profits may help to indicate the trading experience of the industry as a whole. This year, its profits are neither far worse than the market expected or far better than any optimist would forecast. They are, in fact, practically unchanged; before depreciation the gross trading profit rose by a mere £40,000 to £20,511,000. The figures in the preliminary statement suggest that net profits rose from £7.7 million to £8.1 million, but these figures are shown after a credit for £816,000 in respect of non-recurring items in 1957-58, compared with a debit of £289,000 for these items in 1956-57. The directors say that the "balance available for appropriation" is £7,139,000, compared with £4,715,000. But the jump in these figures seems to result from crediting £450,000 written back from stock reserves this year, as compared with a transfer of £1,100,000 to that reserve in 1956-57. The ordinary dividend has been raised from 11½ to 12½ per cent; it absorbs £2,157,000 net (against £1,984,000) and £4,750,000 (against £2,450,000) has been appropriated to general reserve. At 26s. 6d. United Steel's £1 units yield 9.4 per cent.

South Durham produces plates and, of recent years, large diameter pipes for the oil industry and it has again surprised the market with an unexpectedly big increase in its profits. Gross profits advanced from £3,222,817 to £5,117,815 in 1956-57 and in the year to September 27th last they again rose sharply to £7,092,696. Depreciation absorbs £1,350,000 (against £1,000,000) but tax is up by £1,050,000 to £2,250,000, leaving a net profit of £2,891,117 (against £2,560,360). The final ordinary dividend has been raised by 2 per cent to 8 per cent increasing the total payment from 10 to 12 per cent. The company has in the past secured substantial contracts for big diameter pipes and these are the contracts that may well have kept it busy this year; deliveries under the contract with Trans-Canada Pipe Lines is not due to be completed before June 1959. But orders for pipes are now falling and so are orders from the shipbuilders for plate.

South Durham came to the market with a £8 million 6 per cent convertible debenture in March. A far larger part of its capital needs will be met by advances from FCI of up to £22½ million and by loans from Barclays Bank of up to £10 million. But the group has to make its own contribution—in the form of retentions from profits and this year it ploughed back £2.3 million (against £2.1 million in 1956-57). South Durham's £1 ordinary units gained only 7½d. on the bigger dividend and at 26s. 10½d. they now yield 8.0 per cent.

Thomas Firth & John Brown has also reported a jump in its gross profits They have advanced from £4,520,678 to £5,407,733 while the group's net income has gone up from £1,423,624 to £1,849,570. This profit is struck after charging tax of £2,611,723 (against £2,113,392) and after transferring £599,000 (against £601,000) to replacement reserves. These figures were in line with market expectations as the group supplies alloy steel and rolled steel bars for the motor industry as well as special forgings for the shipbuilding and heavy engineering industries. A 10 per cent dividend covered five and a half times by earnings is to be paid on the ordinary capital raised to £7.7 million by the 2 for 5 rights issue of April, 1957. The decision is not really surprising, for the directors explain that the value of orders was falling away even before the end of the financial year and that capacity is not now being fully employed. Unless the trend is reversed, they add, gross profits in the current year will be "substantially" less than those achieved in 1957-58. The £1 shares eased slightly on this news to 24s. 1½d. and they now yield 8½ per cent.

TURNER AND NEWALL

WHEN the interim ordinary dividend of Turner and Newall was doubled to 5 per cent in May the directors foreshadowed an unchanged total payment of 15 per cent for the year to September 30th and even that was subject to a proviso that trading conditions would not "deteriorate further." This warning left little room for disappointment when the directors of this asbestos combine, having for six years running raised the dividend, declared a final of 10 per cent. Investors were also prepared for a fall in the group's profits by the report of "less satisfactory" trading results in the first six months of the year. In fact, over the year, gross trading profits fell by £1,255,342 to £15,093,895, a steeper decline than was recorded in 1957-58. The £1 ordinary shares reacted a little nervously to this news, but they then settled down at 72s. 7½d., close to the peak for the year. At that price the yield, which has for many years been low, is 4.1 per cent. Clearly investors still perceive growth and believe that profits will turn up again before long.

Years to Sept. 30	1957	1958
	£	£
Gross profit	16,349,237	15,093,895
Depreciation	2,752,728	2,715,252
Development	620,109	487,472
Tax	7,599,676	7,214,187
Net profit	5,857,229	5,973,524
Replacement	1,500,000	1,000,000
Ordinary dividend	1,887,964	1,887,964
Ordinary dividend (per cent)	15*	15
Retained by subsidiaries	455,387	501,317
Retained by parent	2,695,504	2,449,892

* Equivalent rate on capital of £21,889,436.

The fall in trading profits is not reflected in net profits. These are slightly higher at £5,973,524 (against £5,857,229). But there are straightforward accounting reasons for this. First, the charge for developing mining properties has been reduced from £620,109 to £487,472. Secondly, a profit of £252,381 has been realised on the sale of Government securities. Thirdly, the 1957-58 accounts have not had to bear the special charges to which they were subject in the previous year when £131,121 was written off quoted investments and when stamp duties and incidental expenses arising from the 100 per cent scrip issue amounted to £175,467. This year there is only an appropriation, made out of net profits, of £115,000 to write down the value of investments in subsidiaries. The net ordinary dividend again absorbs £1,887,964, and the total sum ploughed back in free reserves and replacement reserves has fallen from £4,650,891 to £3,951,209. Caution is still the order of the day in Asbestos House—but this year with particular justification.

RALEIGH INDUSTRIES

ORDINARY shareholders of Raleigh, whose dividend was cut from 13½ to 8 per cent after earnings had plunged from 48 to 14 per cent in the year to July 31st last, will find little comfort in the statement by the chairman, Mr George Wilson, that accompanies the full accounts. The outlines of the story are familiar enough: secession both at home and abroad hit Raleigh Industries just at the time when the group's ambitious development programme was nearing completion. It is true that turnover fell by only 5 per cent but this was due simply to the inclusion of the BSA cycle interests (purchased by Raleigh in June, 1957) and the group has more than maintained its share of the market only at the expense of a "disastrous" fall in profits margins. Though Mr Wilson characterises the recession as "sharp and unforeseeable" he does not expect "any substantial increase" in the sales of pedal cycles in the home market "until purchase tax is removed." He describes the easing of hire purchase restrictions as "welcome" but "quite inadequate to give the cycle trade the necessary stimulus." But he considers markets overseas to be more promising in view of the improving standards of living and despite the current fall in income of primary producing countries and the fact that the British industry has more and more to meet the competitive threat of foreign manufacturers. Raleigh has tried to enjoy the cost advantages that these manufacturers enjoy by establishing its own factories overseas and Mr Wilson sees no reason why this development should not be continued.

Nevertheless, Raleigh has to look for the prospect of recovery and expansion in other directions as well. The first step was taken when Raleigh introduced its "Moped" in October. Mr Wilson says the "Moped" has received "very satisfactory support" and provided that licence and driving test regulations are eased he anticipates "a bright future" for it. But the possibility of far more ambitious schemes than this are suggested by Mr Wilson's statement that any surplus capacity in the group's factories "will be reviewed from all aspects including the desirability of broadening the base." But whatever policies the directors opt for, shareholders will not fail to note that the expansion programme has left the group short of cash; at the end of July over £2,675,000 was still owing to the banks. After the full accounts were published the £1 ordinary units fell another 2s. 7½d. to 26s. xd. At that price they yield 6.1 per cent.

BARCLAYS BANK DCO

THE rise from £1.16 million to £1.27 million in the disclosed profit of Barclays DCO and the increase from 8 to 9 per cent in its dividend was achieved in a difficult year: the bank's accounts just span the twelve months following the rise in Bank rate to 7 per cent. The high money rates obtaining in London, and the difficulties of overseas primary producing countries, caused a strain on the bank's deposits, which rose by less than £3 million to £539.7 million. Mr Julian Crossley, the chairman, states that without some substantial special items deposits would have fallen, whereas in the previous year they rose despite the loss of £36 million of Egyptian business. At the same time, demand for advances has been very strong in the past year, and to meet a rise of £17

£ mn. Years to September 30th	1957	1958
Deposits	536·8	539·7
Cash	67·7	71·2
Call money	29·0	25·2
Treasury bills	55·7	63·8
Other bills	33·2	28·8
Securities of UK and Colonial Governments:		
Quoted in London	77·2	58·8
Other	43·4	41·8
Other investments	6·0	6·2
Advances	215·0	232·3
Acceptances	44·5	39·6

million, to £232.3 million, the bank sold a good deal of short dated bonds. The figures show a reduction in the gilt-edged portfolio, from £77.2 million to £58.8 million, but this is not a close guide to the sales since there has been a "marked" improvement in the value of investments in the twelve months. The decline in commodity prices also reduced the bank's acceptance business, the total falling from £44.5 million to £39.6 million. The bank's subsidiary, Barclays Overseas Development Corporation, had another successful year, raising its profit from £190,630 to £207,925, and its total loans and investments from £7.9 to £8.2 million.

METAL BOX

THE confidence expressed by Sir Robert Barlow, the chairman of Metal Box, at the annual general meeting in the summer when thoughts of recession were in the air is now shown by the interim report for the six months ended September 30th last to have been fully justified. In that period sales worth £38,035,000 were made, compared with £35,428,000 for the same period last year. This represents an advance of 7½ per cent and it reflects, the directors say, "a real increase in the volume of sales," especially it seems in the home market. Gross profits have risen by more than 36 per cent, from £3,064,000 to £4,161,000, so that profit margins have jumped from 8.6 per cent to 10.9 per cent; for the whole of the 1957-58 financial year that margin was 9.2 per cent. The decision to cut prices —a policy which will be carried a stage further as "opportunities arise"—seems to have paid off handsomely. But the directors specifically attribute the improvement in trading results to improved techniques, to a greater use of better quality tinplate (following the closing of the old hand mills), to a "fuller return" on the capital invested in food canning factories and to the "encouraging development" of the plastics group.

Although the directors expect that the overall return on sales will be lower in the second half of the current financial year they forecast an improvement in total profits. In 1957-58 the directors kept the ordinary dividend at 11 per cent and they have now raised the interim payment from 4 to 5 per cent. On a 12 per cent. dividend, the £1 shares at 67s. 4½d. xd yield only 3.6 per cent. The price clearly discounts a higher payment.

BREWERY RESULTS

MANN, CROSSMAN AND PAULIN'S £9 million of net assets were merged with Watney Combe Reid and Company's £28 million of net assets during the year to form one of the largest brewing groups in the country, which was thereupon renamed **Watney Mann**. Amalgamation is almost a cliché in the brewing industry, but the immediate reason for this merger was more pressing than usual. Plans for redevelopment of Watney's valuable Stag Brewery site in Pimlico had reached an advanced stage and Watneys had to find some way of making good the loss of capacity once the Stag Brewery was sold. The solution was found in the merger with Mann Crossman, so that production could be shared between Watney's Mortlake Brewery (whose site does not permit of much further development) and Mann's Whitechapel Brewery. No immediate benefits were expected from the merger and none are evident in the combined results of the two groups in the year to September 30th. The joint trading profit before tax fell from £3,595,650 to £3,373,743, but investment income rose from £738,189 to £773,632. Higher charges for depreciation and debenture service partly offset a reduction of £180,369 to £1,632,911 in tax and net profits declined from £1,402,726 to £1,329,258. As forecast last March, the total deferred ordinary dividend is left unchanged at 21 per cent, including a bonus dividend of 6 per cent.

The sale of the Stag Brewery will eventually release money to help to cover the cost of expanding the productive capacity of the other breweries within the group, but repairs and alterations are already something of a burden on resources—so much so, indeed, that cash balances fell by £469,443 to £934,550 over the year. At the current price of 76s. xd the deferred ordinary £1 shares yield 5½ per cent.

Last August, Watney Mann entered into a trading agreement with **Bass, Ratcliff and Gretton,** which controls a big network of public houses as well as selling its bottled beers on a national scale. Each group will put its chairman and one other director on the other's board. Bass spent £1½ million on capital improvements in 1956-57 and it was committed to further expenditure of about the same order in 1957-58. Development programmes of this order help the brewers to hold their markets, but they do not necessarily help to expand them. Thus, the Bass group's gross profits have not risen sharply. They have gone up from £2,861,171 to £2,938,551, while net profits are only slightly higher at £1,286,751 (against £1,241,039). Shareholders were given an increase of 3 per cent in the ordinary dividend for 1956-57 after five years at 43 per cent, but this year the dividend is left unchanged at 46 per cent. The 5s. units at 43s. 9d. yield 5¼ per cent.

Arthur Guinness has nation-wide outlets for its bottled stout without a nation-wide network of licensed properties. Like Bass, it is expert at tapping the market for bottled beers and its profits have advanced consistently over the years, but since the rise of 7 per cent in the course of two years which carried the ordinary dividend up to 25 per cent in 1955, the ordinary dividend has lagged behind earnings. Gross profits rose a further £693,000 to £8,154,000 in the year to September 30th. This has been enough to persuade the directors to loosen the purse strings once more and the ordinary dividend has been raised from 25 to 28 per cent, absorbing £2,012,000 from a net profit of £3,982,000 this year, compared with £1,797,000 from a net profit of £3,494,000 in 1956-57. Guinness' 10s. units stood at 50s. before the announcement, but gained 2s. 6d. to 52s. 6d. on Wednesday, and now yield 5.3 per cent.

Mitchells and Butlers has left its ordinary dividend unchanged at 13½ per cent, but there is to be a tax free capital distribution of 1½ per cent as well. The gross profits of this brewery, which trades in the Midlands and South Wales, have risen only fractionally, from £2,145,519 to £2,164,496. But the fall in tax has been followed by some improvement in net profits from £900,242 to £995,162. A year ago Mr R. H. Butler said that the company had formed a joint subsidiary with Ansells, another leading Midlands brewery, to co-ordinate some of their rebuilding programmes, but he added that this did not imply a reopening of merger negotiations between the two companies. Mitchells and Butlers' £1 ordinary shares yield 5½ per cent at 49s. on a dividend of 13½ per cent.

H. and G. Simonds doubled its interim payment from 2 to 4 per cent last May, but though profits before tax have risen from £828,001 to £850,799, the directors have cut the final payment by 2 per cent to 8 per cent, leaving the total ordinary net dividend unchanged at 12 per cent. The ordinary dividend absorbs £150,075 from a net profit which is up by £33,580 at £384,818. The 5s. ordinary units stand at 10s. 7½d. xd., to yield 5½ per cent.

COURTAULDS

HARD on the heels of Courtauld's successful offer for Betts, the metallic capsule manufacturers, comes the news of two more moves in the direction of diversification. A subsidiary, Group Developments, has been set up as the technical instrument of this policy and this company has now made a bid in cash, through Baring Brothers, for all the 1,361,600 5s. ordinary shares of Reads Ltd. at 21s. per share. It has also made an offer at 2s. 2d. per share for the 1,869,003 shares of 1s. each of a small private company, Pearlite Ltd., which manufactures wax impregnated boxes and cartons. Both offers are generous and the directors of both companies recommend shareholders to accept them. Reads' shares, before holders were warned of an impending offer two months ago, had never risen above 9s. 3d. in six years. Thus Courtaulds are clearly willing to pay a high price for the benefit of Reads' technical agreement with American Can; aided by this agreement Reads has already begun to produce open top beer cans, thus competing with Metal Box. Courtaulds, it seems, is intent on strengthening its interests in the packaging industry as a whole, in which it is already represented through British Cellophane and Betts.

KAFFIR DIVIDENDS

NO batch of Kaffir dividends is ever announced without a few minor surprises. This year, the payments from Buffelsfontein and other producers in the Klerksdorp area can be judged as a little disappointing, while those from producers in the Far West Rand were a little better than had been expected. In both these areas new mines are being developed, but it is, of course, upon the new producers in the Orange Free State that the buying of shares has been largely concentrated this year. But Kaffir shares, having climbed to a peak in November, have in the last fortnight or so turned a little dull. In such a market the news that Sub Nigel was to make a capital repayment of 1s. 6d. per share, a tax free distribution thus replacing the taxable trading dividend of 1s. 6d. declared last June, was a matter of moment and, against the market trend, its 10s. shares made a small gain.

	June, 1957	Dec., 1957	June, 1958	Dec., 1958
Anglo-American Group:				
Brakpan (5/-)	-/4½	-/4½	-/4½	-/6
Daggafontein (5/-)	2/6	2/9	2/6	2/6
E. Dagga (10/-)	-/9	-/9	-/7½	-/7½
S. A. Lands (3/6)	1/6	1/6	1/6	1/6
Springs (5/-)	...	-/4½	...	-/4½
Vaal Reefs (5/-)	1/3	2/3	1/6	2/-
W. Reefs (5/-)	1/3	1/3	1/3	1/3
General Mining Group:				
Buffelsfontein (10/-)	...	1/6	1/6	1/6
E. Rand Ext. (5/-)	...	1/3	-/9	1/-
S. Roodepoort (10/-)	1/11½	1/11½	1/11½	1/11½
Stbn. van Ryn (2/-)	...	-/5	...	-/7
Stilfontein (5/-)	1/-	1/10½	1/10½	1/10½
W. Rand Cons. (10/-)	2/-	2/3	2/-	2/3
Gold Fields Group:				
Doornfontein (10/-)	-/6	1/-	1/-	1/6
Libanon (10/-)	-/3½	-/3½	-/3½	-/3½
Luipaards Vlei (2/-)	1/-	1/1	1/1	1/-
Rietfont. Cons. (4/-)	1/1	1/1	1/-*	-/10*
Rob. Deep, 'B' (6/-)	-/6	-/9	1/6*	-/6*
Simmer and Jack (2/-)	-/5	-/5	-/6*	-/6*
Sub Nigel (10/-)	1/9	1/6	1/6	1/6*
Venterspost (10/-)	-/10½	10½	-/10½	-/10½
Vlakfontein (10/-)	-/10	-/11	-/11	1/-
Vogelstruisbult (10/-)	1/4	1/2	1/-	1/-
W. Driefontein (10/-)	3/3	3/6	3/9	4/-
West. Wit. (2/6)	1/6	1/7½	1/7½	1/9

* Capital repayments.

M AND G UNIT TRUST

MUNICIPAL AND GENERAL SECURITIES, a cash fund type of unit trust, has formed a "working association" with the merchant bankers, Robert Benson, Lonsdale. From this association a new unit trust may eventually emerge. This is the first time that a merchant bank has linked itself with an existing unit trust management, but the National group is also believed to be working with N. M. Rothschild on the formation of a new unit trust.

London Stock Exchange

FIRST DEALINGS:	Nov. 26	Dec. 10	Dec. 31
LAST DEALINGS:	Dec. 9	Dec. 30	Jan. 13
ACCOUNT DAY:	Dec. 16	Jan. 6	Jan. 20

DESPITE the fall in the Treasury bill rate at last Friday's tender, irredeemable government stocks drifted lower until the announcement of the reduced trade gap for November. Gains of up to ¼ were made on Thursday morning. Old Consols fell only ⅛ to 50⅜ xd to Wednesday's close, but the other irredeemables fell by about ¼, 3½ per cent War Loan losing that amount to 65⅜. Long-dated stocks were mainly lower, but some good gains occurred among medium-dated stocks; 3 per cent Savings 1955-65 rose ⅞ to 89¾ and 3 per cent Funding 1966-68 gained ⅜ to 83⅞. Short-dated issues improved, 3 per cent War Loan 1955-59 rising ⅜ to 99⅞.

Persistent gains were made by industrial stocks. *The Economist* indicator rose 5.5 to a new peak of 240.6 and the market was very firm again on Thursday. Insurance shares were active and several stocks rose to their peak levels for the year; Sun Insurance gained 3s. 9d. to 170s., Commercial Union rose to 40s., and General Accident rose to 39s. After being quoted at 94s., ex capitalisation, Whitbread "A" rose a further 7s. to 101s. Henekey's gained 3s. 6d. to 19s. 4½d. Borax rose 1s. 9d. to 18s. 3d. and Reichhold Chemicals jumped 3s. 1½d. to 19s. 1½d. On the fall in profits, Mitchell Cotts declined 1s. 4½d. to 16s. 3d. xd. Among department stores, Maple advanced 4s. 3d. to 40s. 9d. and Debenhams 20s. 3d. to 56s. 3d. Beautility Furniture rose 3s. 9d. to 24s. 3d. Ford Motor improved 1s. 7½d. to 48s. 6d., Automotive Products gained 3s. 9d. to 53s. 9d. and Stewart and Ardern after dipping to 12s. 10½d. rose to 14s. on Wednesday. Halford Cycle jumped 12s. 6d. to 82s. 6d. xd on the increased dividend and profits. Amalgamated Press rose 3s. 6d. to 45s. 3d., and other periodical stocks were strong. George Newnes gained 7s. to 78s. 9d. and Hulton Press 6d. to 3s. 6d.

Oil shares drifted lower in the course of the week, but American buying led to a rise of 3s. 9d. in Shell on Wednesday, leaving a gain of 2s. 6d. to 156s. 10½d. on balance over the week. The latest batch of Kaffir dividends failed to revive interest in gold mines, but New Pioneer rose 1s. 9d. to 44s. 6d. Doornfontein fell 1s. 3d. to 32s. 6d. and OFSIT relapsed by 1s. 6d. to 80s. Among diamond mines, De Beers deferred rose 5s. to a peak of 121s. 3d., but CAST was depressed by Camp Bird subsidiary's proposals to the Ghana Government and declined by 10½d. to 15s. 6d. over the week. Ashanti Goldfields fell 1s. 1½d. to 15s. 4½d. Beralt Tin fell by 2s. before the passing of its interim dividend and dropped a further 1s. 4½d. to 28s. 1½d. after the announcement.

US Dollar premium: NIL on $2.80½.

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 3, 1958	Price, Dec. 10, 1958	Net Yield, Dec. 10, 1958 § £ s. d.	Gross Yield, Dec. 10, 1958 £ s. d.
97 8	96 16/32	War Loan 3% 1955–59	99 25/32	99 7/8	1 12 7	3 2 11
61 16/32	90 5/8	Funding 2½% 1956–61	96 1/2	96 15/32	2 18 8	4 1 11
92 9/32	96 1/32	Conversion 2½% 1958–59	99-17-1	99-18-0	3 1 8	3 1 8
—	—	Conversion 2½% Assented	99-16-7½	99 7/8	2 12 1	4 9 7
98 32/32	93 1/16	Exchequer 2½% 1960	97 31/32	98 1/16	2 11 8	3 13 8
99 1/4	95 1/16	Exchequer 3% 1960	99 1/4	99 5/32	2 2 10	3 14 4
101 16/32	95 1/16	Conversion 4½% 1962	100 1/2	100 7/16	2 4 8	4 6 10
94 17/32	88 5/8	Exchequer 3% 1962–63	94 3/8	94 13/32	3 1 4	4 7 8
101 11/32	99 7/16	Conversion 4¾% 1963	101 1/16	101 13/32	2 9 7	4 9 7
80 1/8	83 5/8	Savings Bonds 3% 1955–65	85 9/16	85 3/4	3 11 2	4 19 11
82 5/8	77 5/8	Funding 3% 1959–69	82 1/4	82 1/2	3 16 5	5 5 7
89 3/4	86 3/8	Funding 4% 1960–90	89 1/8	89 1/4	2 16 8	4 13 9
80 1/8	75	Savings Bonds 3% 1960–70	79 3/4	79 5/8	3 19 4	5 9 7
91 3/16	84 3/8	Exchequer 2½% 1963–64	90 5/8	90 13/16	3 6 7	4 9 5
83 3/8	78 5/8	Savings Bonds 2½% 1964–67	83	82 15/16	3 18 3	5 1 4
74 3/4	69 5/8	Savings Bonds 3% 1965–75	74 1/8	73 15/16	3 18 3	5 9 11
103 1/16	99 1/2	Exchequer 3½% 1966	103 1/8	103 1/2	2 14 11	5 2 9
83 7/8	78 5/8	Funding 3% 1966–68	83 1/4	83 7/8	3 16 4	5 6 01
95 7/8	91 1/8	Victory 4% 1920–76	95 3/4	95 7/8	2 17 9	4 14 2½
87	81 9/16	Conversion 3½% 1969	86 5/8	86 3/4	3 12 11	5 5 6
100 1/4	97 1/4	Conversion 5¼% 1974	98 1/8	98 1/8*	3 3 7	5 8 4
78 3/16	71 1/8	Treasury 3½% 1977–80	77 5/8*	75 1/16*	3 13 1	5 8 7
77 1/4	70 3/8	Treasury 3½% 1979–81	76 3/8	76 1/4	3 12 5	5 8 11
103 1/8	98 1/4	Funding 5½% 1982–84	102 3/4	100 1/4*	3 2 7	5 8 11
67 1/8	60	Redemption 3% 1986–96	65 3/8	65 1/8	3 7 8	5 2 8
74 1/2	64 3/8	Funding 3½% 1999–2004	72 1/4	70 1/2*	3 5 0	5 3 6
76 3/8	69 9/16	Consols 4% after Feb. 1957	74 1/8	73 13/16	3 3 0	5 10 7
69 9/16	63 1/8	War Loan 3½% after 1952	65 5/8	65 3/8	3 1 7	5 7 3
68 7/8	62 3/8	Conv. 3½% after Apr. 1961	65 3/4	65 1/2	3 1 10	5 8 0
60	54 3/8	Treasury 3% after Apr. 1966	57 1/8	57 3/8	3 0 9	5 6 1
52 13/16	46 3/4	Consols 2½%	50 3/4*	50 5/8*	2 16 8	4 18 5
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	48 7/8	48 1/2	2 19 8	5 4 2
90 1/2	90 1/8	British Electric 4½% 1967–69	94 13/16	94 13/16	3 5 3	5 6 7
76 3/4	72 1/16	British Electric 3% 1968–73	76 3/8	76 3/8	3 18 8	5 9 3
73 3/4	68 5/8	British Electric 3% 1974–77	73 1/2	73 3/8	3 15 10	5 7 5
87 7/16	82 5/8	British Electric 4½% 1974–79	87	86 15/16	3 12 7	5 7 6
78 1/2	72 3/16	British Electric 3½% 1976–79	76 5/8	76 5/16	3 11 12	5 5 11
87 7/8	82 7/16	British Gas 4% 1969–72	87 5/8	87 5/8	3 10 5	5 8 9
84	79 1/4	British Gas 3½% 1969–71	83 3/4	83 3/4	3 13 5	5 7 6
67 7/8	60 7/16	British Gas 3% 1990–95	66 5/8	66	3 7 3	5 5 7
76 3/4	72 1/16	Brit. Transport 3% 1968–73	76 1/8	76 3/8	3 18 8	5 9 3
85 1/2	79 1/4	Brit. Transport 4% 1972–77	83 1/4*	83 3/8*	3 10 0	5 8 11
68 15/16	60 15/16	Brit. Transport 3% 1978–88	65 3/4*	65 9/16*	3 12 7	5 6 3

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Dec. 3, 1958	Price, Dec. 10, 1958	Yield, Dec. 10, 1958 £ s. d.
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	99 1/2	99 5/8	4 3 0
105 3/8	97 7/8	Australia 6% 1974–76	104	104	5 12 3
76 1/2	73 1/2	Ceylon 4% 1973–75	75 1/2	75 1/2	6 7 8
98 1/2	94 1/2	Jamaica 6% 1977–82	98 1/2	98 1/2	6 2 5
104 3/4	97 1/8	New Zealand 6% 1976–80	103 7/8	104	5 13 0
101 1/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	99 1/4	99 7/8	6 0 3
74 5/8	69	Southern Rhodesia 2½% 1965–70	72 3/4	72 1/2	5 13 11
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	102	102 1/2	5 6 2
105	98 7/8	Birmingham 5¾% 1974–76	103*	102	5 11 2
92 3/4	86	Bristol 3% 1958–63	92 1/2	92 1/2	4 14 0
95 1/2	91 1/2	Glasgow 4¾% 1976–79	95	95	5 8 0
100 1/4	96 1/2	Corporation of Lon. on 5¼% after 1920	99	99	5 6 9
57 3/4	53	L.C.C. 3% 1934–2003	54 1/2	54 3/8	5 9 7
64	56	Met. Water Board 'B' 3% 1934–2003	61 1/2	61 1/4	5 5 1
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	100	100	...
180	154	German 5½% 1930 (Enfaced 4½%)	176 1/2*	176*	...
18	12 3/4	Greek 7% Refugee 1924	17 1/4	17 1/2	Nil
169	160	Japan 5% (Enfaced) 1907	162	162	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	117 1/4	117 1/4	...
53 1/2	48	Uruguay 3½% Bonds (Assented)	54	54	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Dec. 3, 1958	Price, Dec. 10, 1958	Yield, Dec. 10, 1958
				STEEL AND ENGINEERING			
31/6	24/11½	8 b	5 a	Colvilles £1	28/4½	28/7½	9·08
28/–	21/7½	6 b	4 a	Dorman Long £1	24/4½	25/–	8·00
21/4½	15/6	6 c	3 a	Steel Co. of Wales £1	20/3¾	21/4½	7·49**
27/6	20/–	8 b	3 a	Stewarts & Lloyds £1	23/9	25/9	8·54
35/3	22/3	14 c	6 a	John Summers £1	33/3	35/1½	7·97
26/7½	17/9	4 a	8½ b	United Steel £1	24/6	26/7½	9·39
34/–	23/–	4 a	6 b	John Brown £1	29/9	30/9	6·50
9/4½	6/9	11 b	4 a	Cammell Laird 5/–	8/1½	8/9	9·57
64/–	48/–	13 b	5 a	Swan Hunter £1	58/9	58/3	6·18
36/–	28/6	7½ b	2½ a	Vickers £1	34/4½	34/4½	5·82
64/9	43/3	6¾ b	5 a	Averys £1	60/3	61/6	3·79
18/7½	12/9	†17⅛ a	†4⅜ b	Coventry Gauge 10/–	18/–	17/9	6·12
38/7½	28/3	†2 a	†4 b	Alfred Herbert £1	38/–	38/–	5·49
16/7½	9/3	5 a	10 b	Ransome & Marles 5/–	16/6	16/6	4·55
40/9	30/4½	9½ b	3 a	Renold Chains £1	40/3	40/4½*	6·19
42/9	21/9	8¾ b	3¾ a	Allied Ironfounders £1	36/6	40/–*	6·25
55/6	41/10½	6¾ b	6 a	Babcock & Wilcox £1	51/–	52/–	5·00**
77/6	36/9	8 b	4 a	British Aluminium £1	66/9	71/10½	3·34
82/3	45/3	15 c	20 c	Davy & United £1	81/–	81/9	4·89
56/9	34/7½	7½ b	4 a	Guest Keen £1	54/10½	55/10½	4·12
68/–	41/–	7 b	5 a	Metal Box £1	64/4½	67/4½*	3·56
55/–	43/9	3¾ b	3¾ a	C. A. Parsons £1	52/–	52/9	5·00
27/9	23/–	15 b	10 a	John Thompson 5/–	24/9	25/7½	4·49
78/6	48/6	7½ a	10 b	Tube Investments £1	77/9	78/–	
				BUILDING, etc.			
50/3	31/–	6 b	3 a	Associated Portland £1	48/9	49/9	3·62
21/3	12/7½	7½ b	5 a	British Plaster Board 10/–	20/9*	21/3	5·88
61/9	27/11½	5 c	8¾ c	Richard Costain £1	61/3	61/10½	2·83
9/6	6/3	5 a	10 b	Crittall Manufacturing 5/–	9/11½	9/4½	8·00
60/6	36/11½	15⅝ c	6 a	London Brick £1	58/6	60/6	5·17
73/10½	52/11½	5 a	10 b	Turner & Newall £1	72/3	71/7½*	4·19
80/–	52/6	5 a	13½ b	Wall Paper Deld. £1	77/3‖	77/9‖	4·72
				CHEMICALS AND PAINT			
20/3	13/4½	16 c	4 a	Albright & Wilson 5/–	20/–	20/–	4·00
20/4½	14/4½	5⅝ b	2½ a	Borax Defd. 5/–	16/6	18/3	24·0
7/7½	4/10½	12½ b	7½ a	Brit. Ind. Plastics 2/–	6/10½	6/9	5·93
67/3	42/10½	5 a	10 b	Fisons £1	65/3*	67/3	4·46
36/6	24/3	5½ b	2⅔ a	I.C.I. £1	35/6	36/3	4·41
14/–	8/7½	18 c	6 a	International Paints 4/–	13/7½	13/11½*	5·49
16/2¼	12/6	5 a	8½ b	Monsanto 5/–	15/6	15/6	4·35
22/–	15/3	5 a	11⅔ b	Pinchin Johnson 10/–	19/6	19/9	8·44
				ELECTRICAL AND RADIO			
58/3	47/–	7½ b	7½ a	A.E.I. £1	57/3	57/9	5·19
52/–	39/3	8½ b	4 a	B.I.C.C. £1	50/–*	50/–	5·00
35/6	24/7½	43¾ c	14⅞ d	Decca Record 4/–	33/3	34/9	5·04
62/–	28/–	15 c	5 c	E.M.I. 10/–	55/7½	62/–	4·30**
60/3	44/6	10 b	4 a	English Electric £1	58/3	58/9	4·77
40/3	29/9	3½ a	6½ b	General Electric £1	35/6	39/–	5·13
17/–	10/3	12½ c	12½ c	Pye Deld. 5/–	15/7½	15/3	4·10
91/–	74/6	11 b	6½ a	A. Reyrolle £1	87/6	91/–	3·85
				MOTORS AND AIRCRAFT			
13/9	6/7½	12½ c	5 a	British Motor 5/–	13/–	13/11½	6·67**
48/7½	31/9	6 b	3½ a	Ford Motor £1	46/10½	48/6	3·92
48/9	39/–	12½ c	12½ c	Leyland Motor £1	44/9	44/6	5·62
7/3	4/11½	8 c	4 a	Rootes Motors 4/–	6/3	6/3	5·12
8/9	6/7½	8 c	12 c	Standard Motors 5/–	7/10½	7/9	7·74
26/6	14/4½	11 b	4½ a	Dunlop Rubber 10/–	22/10½	23/9	6·39
45/6	28/–	2½ a	5 b	Joseph Lucas £1	42/3	43/–	4·65**
23/9	12/5¼	14 b	7½ a	Pressed Steel 5/–	20/11¼	21/9	4·94
46/4½	32/9	20 c	7½ a	Triplex Holdings 10/–	44/9¾	44/9	6·15**
14/4½	8/7½	6½ b	3½ a	Bristol Aeroplane 10/–	9/6	9/3	10·81
21/4½	14/3	7½ c	7½ c	De Havilland £1	16/7½	16/9	8·96
44/–	29/3	†5 a	†6½ b	Dowty Group 10/–	42/–	44/–	4·55
34/9	24/9	3 a	7 b	Hawker Siddeley £1	28/4½	28/–*	7·14
103/–	82/9	15 b	5 a	Rolls-Royce £1	101/6	102/6	3·90
				PAPER AND NEWSPAPERS			
44/9	26/6	8 b	4½ a	Bowater Paper £1	43/–	43/9	5·71
48/6	27/9	9 b	5 a	Albert E. Reed £1	46/6	46/3	6·05
24/9	16/–	5 b	3 a	Spicers £1	20/9	20/9	7·71
23/6	8/9	7½ a	12 b	Daily Mirror 'A' 5/–	21/4½	22/6	4·33
29/–	18/6	5 a	12½ b	Odhams Press 10/–	25/–	25/6	6·86
				TEXTILES			
24/11½	19/6	6¼ b	2½ a	J. & P. Coats £1	22/11½*	22/3	7·87
20/11½	12/10½	5 a	5 b	Fine Spinners £1	18/9	19/–	10·53
39/3	29/10½	12½ b	5 a	Lancashire Cotton £1	36/6	36/6	9·59
38/4½	30/–	12½ c	7½ a	Patons & Baldwins 1/–	37/6	38/4½	6·51
6/8¼	4/10½	6 c	4 a	Salts (Saltaire) 5/–	5/4½	5/3	9·52**
48/7½	38/4½	10 b	5 a	Woolcombers £1	47/6	48/3	6·22
16/3	10/11½	6 c	Nil	Bradford Dyers £1	14/9	14/7½	...
48/4½	33/11½	22½ c	22½ c	Calico Printers £1	36/9	36/–	12·50
83/6	19/7½	5 b	3 a	Courtaulds £1	31/4½	31/7½	5·06
13/7½	8/10½	15 b	3 a	Jute Industries 10/–	10/3	10/4½	...
20/6	15/3	7½ c	7½ c	Tootal £1	19/3	20/6	7·32
				DRAPERY & STORES			
20/6	14/9¾	18 c	3 a	Boots Pure Drug 5/–	20/11½	20/6	3·51**
56/3	33/6	7½ b	20 a	Debenhams 10/–	54/–	56/3	5·33**
30/–	17/3	25 b	7½ a	G.U.S. 'A' 5/–	29/–	29/7½	5·49
80/–	55/6	12½ a	5 b	Harrods £1	72/9	73/3	4·78
33/–	20/3	25 b	10 a	House of Fraser 'A' 5/–	32/–	31/6	5·56
16/–	10/6	13·6c	6 a	Lewis's Investment 4/–	15/6‖	15/6‖	3·51
53/11½	37/3	22½ b	12½ a	Marks & Spencer 'A' 5/–	51/9	52/7½	3·33
33/9	21/–	20 b	12½ a	United Drapery 5/–	32/9	32/10½	4·94
50/–	34/7½	26⅔ b	13½ a	Woolworth 5/–	48/4½	48/7½	4·11

NEW YORK CLOSING PRICES

	Dec. 3 $	Dec. 10 $		Dec. 3 $	Dec. 10 $		Dec. 3 $	Dec. 10 $
Ath. Topeka	26⅞	27⅛	Boeing	49¼	49½	Inter. Nickel	85¾	87⅞
Can. Pacific	29½	29¾	Celanese	27½*	29⅞	Inter. Paper	114½	115⅜
Pennsylvania	17¾	17⅞	Chrysler	50¾	50⅜	Kennecott	95½	96¼
Union Pacific	34⅞*	35⅜	Col. Palmolive	84½	88*	Monsanto	38⅛	38¾
Amer. Electric	50¾	53⅜	Crown Zeller	57⅝	56⅞	Nat. Distillers	29¾	31
Am. Tel. & Tel.	200	199¾	Distillers Seag.	33¼	33¼	Pan-American	21⅞	21⅜
Cons. Edison	58⅛	58⅝	Douglas	57	57	Procter Gamble	75⅜	75½
Int. Tel. & Tel.	54⅛	55½	Du Pont	199	199½	Radio Corpn.	45⅜	46½
Standard Gas	3¼	3⅛	East. Kodak	134¾	137	Sears Roebuck	36½	38⅛
United Corpn.	8	8	Ford Motor	46⅝	46⅜	Shell Oil	79½	80
Western Union	30¼	31¾	Gen. Electric	70⅜	70⅝	Socony-Mobil	48⅛	48
Alcoa	87	88¼	General Foods	77⅝	78⅜	Stand. Oil Ind.	46¾	46⅞
Aluminium	30⅞	31¼	General Motors	47⅞	48	Stand. Oil N.J.	58⅜	58¼
Amer. Can	50½	50¼	Goodyear	113¾	118	20th Cent. Fox	36⅞	39¼
Am. Smelting	46¾	46¾	Gulf Oil	118½	124⅞	Union Carbide	120	120½
Am. Viscose	36⅜	37¼	Heinz	65	64	U.S. Steel	85½	89⅜
Anaconda	57½	58⅞	Int. Bus. Mach.	450	491	West. Electric	69	71
Beth. Steel	49¼	49¼	Int. Harvester	41⅞	42⅝*	Woolworth	51⅜	51¾

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Dec. 3, 1958	Price, Dec. 10, 1958	Yield, Dec. 10, 1958
				BANKING			
52/3	31/9	6 b	6 a	Barclays £1	50/6	50/9	4·73
44/6	27/6	4¾ a	5⅔ b	Lloyds £1	44/3‖	44/3	4·52
81/9	57/6	9 b	9 a	Midland £1	79/9	80/–	4·50
84/6	59/3	9 b	9 a	National Provincial £1	83/–	83/–	4·34
53/9	36/–	6¼ b	5 a	Westminster 'B' £1	49/9	49/3	4·57
65/9	47/9	7½ b	7½ a	District £1	65/3	64/9	4·63
18/6	12/11½	7½ b	7½ a	Martins 5/–	18/–	18/–	4·17
30/6	21/4½	5 a	7½ b	Com. Bk. of Scot. 'A' 10/–	30/–*	30/–	4·17
61/9	46/–	7 b	7 a	Royal Bank of Scotland £1	61/3	61/9	4·53
37/9	27/6	4 a	5 b	Barclays D.C.O. £1	36/6*	35/9	5·03
46/–	31/3	7½ b	7½ a	Chartered Bank £1	46/–	45/9	6·56
£28 3/16	£20	$2·10c	$2·25c	Royal Bank of Canada $10	£27 3/4*	£28 3/16	2·95
£20 1/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal $10	£20	£19 3/4	3·09
29 3/8	25 5/8	9 c	9 c	Bank of New S. Wales £20	28 3/8	29 3/8	4·90g
33/–	28/–	5 b	4 a	Bank of Ldn. & S. Amer. £1	33/–	32/11½	5·60
				FINANCIAL			
29/–	18/–	2½ a	2½ b	Alexanders £1	27/6	27/6	3·64
45/–	29/6	5 b	5 a	National Discount 'B' £1	45/–	45/–	4·44
58/6	40/9	6¼ b	6¼ a	Union Discount £1	57/6	56/6	4·42
40/–	32/9	3⅔ c	18½ a	Commercial Union 5/–	39/–	40/–	4·58
135/–	102/6	12½ a	15 b	Employers Liability £1	127/6	130/–	4·23
177/6	117/6	†16·2a	†16·2b	Equity & Law 8/6	166/3	168/9	2·84
176/10½	113/9	60 b	40 a	Legal & General 5/–	165/–*	172/6	2·90
118/–	86/3	†50 b	†20 a	Pearl 5/–	114/6	114/6	5·32
211/3	154/–	†132½ c	†147½ c	Prudential 'A' 4/–	200/–	200/–	5·15
80/6	63/9	8 b	8 a	Royal Exchange £1	78/–	78/6	4·08
34/10½	16/–	13⅜ b	10 a	Bowmaker 5/–	31/7½	31/10½	3·92**
21/4½	16/10½	7½ b	7½ a	Lombard Banking 5/–	19/9	19/9	3·80
113/–	73/3	16 b	4 a	U.D.T. £1	110/–*	109/3	3·66
40/–	19/9	7½ b	10 a	B.E.T. 'A' Defd. 5/–	37/9	37/9	3·64
13/11½	7/11	10 c	10 c	Cable & Wireless 5/–	12/6	12/3	4·08
20/11½	7/10½	2½ b	2 a	Land Securities 10/–	19/9	20/11½*	2·98**
16 4/8	8/7½	5⅝ c	2½ a	London & County 10/–	16/4½	16/4½	4·07**
				FOOD, DRINK AND TOBACCO			
43/6	27/–	30 c	10 a	Allied Bakeries 'A' 5/–	40/3	43/6*	3·45
26/–	13/4½	20 c	7½ a	Beecham Group 5/–	24/9	25/3	3·96
11/7½	6/5¼	2½ a	5 a	International Tea 5/–	11/6	11/7½	4·09
21/–	14/10½	9½ b	5 a	J. Lyons 'A' 1/–	71/9	73/–	3·88
19/7½	13/7½	5 b	5 a	Ranks 10/–	17/9	18/7½	5·37
17/6	7/9	7½ b	2½ a	Schweppes 5/–	15/10½‖	17/6	4·29**
74/6	48/9	4½ a	12 b	Tate & Lyle £1	73/3	72/6*	4·55
58/–	47/4½	5 a	10 b	United Dairies £1	56/6	57/3	5·24
46/–	31/–	10 a	36 b	Bass £1	45/3	43/9	5·26
32/6	19/7½	7½ a	12½ b	Distillers 6/8	30/11½	31/6	4·23
15/3	11/6	6 a	11 b	Flowers 5/–	14/9	14/9*	5·76
52/6	37/–	10 a	18 b	Guinness 10/–	49/6	52/6	5·33
13/6	9/4½	4 a	10 b	Ind Coope & Allsopp 5/–	12/6¾	13/–	5·38
78/3	56/6	7½ a	13½ b	Watney Mann Defd. £1	77/9	76/–*	5·53
101/–	65/6	17 b	8 a	Whitbread 'A' £1	93/9‖	101/–‖	4·95
54/–	37/7½	†62⅜ b	†10 a	Brit. Amer. Tobacco 10/–	53/6	53/9	5·39
35/7½	20/6	15 b	5 a	Gallaher 10/–	34/4½	34/6	5·80
50/4½	37/–	11½ b	8½ a	Imperial Tobacco £1	50/–	50/1½	7·98

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Dec. 3, 1958	Price, Dec. 10, 1958	Yield, Dec. 10, 1958
				MISCELLANEOUS			
48/–	15/9	7½ a	22½ b	Assoc. Brit. Picture 5/–	45/9	46/9	3·21
45/6	28/–	3½ a	7½ b	British Match £1	42/6	42/–	5·24
47/–	28/3	6 b	4 a	British Oxygen £1	43/–	43/9	4·57
8/9	6/9	13 b	4 a	British Ropes 2/6	8/6	8/6	5·00
59/3	31/6	6¼ a	11¼ b	Glaxo 10/–	50/–	52/6	3·33
53/–	31/3	40 b	10 a	Hoover 'A' 5/–	51/–	51/9	4·83
195/–	133/9	18·17b	6·17a	Hudson's Bay £1	176/3	173/9	2·80
10/9	5/7½	12½ c	5 c	Rank Organisation 5/–	9/9	10/–	2·50
15/5¼	11/8¼	22½ c	22½ c	Sears 'A' 5/–	15/11½	15/5¼	7·29
59/9	44/–	7 b	6½ a	Thomas Tilling £1	57/6	58/–	4·57
105/3	70/6	10½ b	10½ a	Unilever £1	100/3	106/9*	3·31
45/6	24/3	7½ b	3¾ a	United Glass Bottle £1	45/6	45/6	4·95
36/–	26/–	†10 b	†4½ a	United Molasses 10/–	34/9	35/–	7·04
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum £1	53/6	54/–	4·83
87/3	59/11½	†7½ b	†5 a	Burmah Oil 10/–	81/6	81/3	5·53
£187/8	£137/8	171½ b	7½ a	Royal Dutch 20 fl.	£173/4	£181/8	2·61
165/–	117/6	†134/6 b	†5 a	Shell Transport £1	154/4½	156/10½	4·16
95/6	41/6	...	...	Ultramar 10/–	86/–	84/9	...
37/3	25/6	13⅛ b	7½ a	Wakefield C.C. 10/–	36/6	35/3	5·84
				SHIPPING			
43/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. 10/–	42/–	41/9	4·79
23/9	16/6	10 c	Nil	Cunard £1	18/3	18/6	...
35/6	27/3	10¾ c	10 c	Furness Withy 10/–	35/6	35/6	5·63
20/3	14/6	10 a	10 b	London & Overseas 5/–	19/3	19/–	5·26
37/6	22/–	8 b	3 a	P & O Defd. £1	35/3	36/9	5·99
17/9	12/–	5 c	Nil	Reardon Smith 10/–	16/6	16/3	...
25/6	19/3	7½ c	9 c	Royal Mail £1	24/3	24/6	7·35
				MINES			
170/10½	115/–	60 b	20 a	Anglo-American 10/–	168/9	169/4½	4·72
115/–	73/9	10 a	15 b	General Mining £1	110/–	115/–	4·35
48/6	36/7½	80 b	40 a	Union Corporation 2/6	48/6	47/6	6·32
40/–	23/10½	50 a	50 b	Daggafontein 5/–	33/7½	33/11½	15·85
118/9	76/3	40 a	60 b	Free State Geduld 5/–	116/10½	115/7½	4·32
69/9	56/–	30 a	33 b	Hartebeestfontein 10/–	67/–	66/–	9·85
68/3	46/6	50 a	50 b	President Brand 5/–	66/9	64/4½	7·77
118/11½	84/4½	60 a	80 b	Western Holdings 5/–	117/6	116/3	6·02
58/9	41/6	12½ b	5 a	Consolidated Zinc £1	56/9	55/–	6·36
121/3	80/7½	120 b	80 a	De Beers Defd. Reg. 5/–	116/3	121/3	8·25
$169	$132 3/4	$3·75c	$3·75c	International Nickel n.p.v.	$153 3/4	$156 1/4	4·28
8/4½	8/–	8 b	8 a	London Tin	8/4½	8/–	12·50
83/11½	50/7½	10 a	30 b	Rhod. Anglo-Amer. 10/–	76/3	76/10½	5·20h
19/9	12/10½	10 a	10 a	Rhod. Selection Tst. 5/–	17/11½	16/10½	2·16h
32/6	19/–	26 c	26 c	Rio Tinto Reg. 10/–	52/6	51/3	5·07
62/4½	45/7½	†15 c	4⅛ b	Ro

Money and Exchanges

EXCHEQUER RETURNS

For the week ended December 6, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £32,477,000 compared with a deficit of £17,777,000 in the previous week and a deficit of £18,224,000 in the corresponding period of last year. There was a net expenditure "below-line" of £17,943,000 leaving a total deficit of £648,025,000 compared with £703,657,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Dec. 7, 1957	April 1, 1958, to Dec. 6, 1958	Week ended Dec. 7, 1957	Week ended Dec. 6, 1958
Ord. Revenue					
Income Tax	2312,500	797,188	858,775	15,367	19,469
Surtax	163,000	47,600	49,600	1,400	1,600
Death Duties	163,500	118,100	124,000	2,200	5,600
Stamps	56,250	46,600	39,900	1,000	1,200
Profits Tax, EPT & EPL	275,000	185,300	212,200	4,900	5,900
Other Inland Rev. Duties	...	150	150	...	30
Total Inland Rev.	2970,250	1194,938	1284,625	24,867	33,799
Customs	1256,940	843,193	892,432	26,894	25,064
Excise	932,310	669,805	658,210	18,685	19,145
Total Customs and Excise	2189,250	1512,998	1550,642	45,579	44,209
Motor Duties	104,000	28,592	30,006	633	412
Broadcast Licences (less Receipts)	2,000	7,850	6,150	3,250	2,050
Sundry Loans	30,000	18,000	19,400	...	...
Miscellaneous	110,000	27,430 110,932	29,132 60,684	80 526	68 6,462
Total	5439,500	2980,748	2977,633	74,935	87,000
Ord. Expend.					
Debt Interest	695,000	466,062	442,701	27,027	36,383
Payments to N. Ireland Exchequer	73,000	44,625	48,479	2,442	2,631
Other Cons. Funds	10,000	5,573	4,875	240	3
Supply Services	4292,859	2703,598	2783,481	62,100	79,000
Total	5070,859	3219,858	3279,536	91,809	118017
Sinking Funds	38,000	24,217	24,683	1,350	1,460
"Above-line" Surplus or Deficit	343,327	326,586	18,224	32,477	
"Below-line" Net Expenditure*	360,330	321,439	19,962	17,943	
Total Surplus or Deficit.	703,657	648,025	38,186	50,420	
Net Receipts from:					
Tax Reserve Certificates	159,644	215,338	3,810	2,538	
Savings Certificates	−8,700	92,300	−400	5,000	
Defence Bonds	−24,345	60,303	−896	4,237	
Premium Savings Bonds	53,110	47,915	2,220	1,510	
Total	179,709	405,856	4,734	13,285	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and £12 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
1958					
Sept. 6	3,270·0	1,644·6	175·1	1·3	5,090·9
„ 13	3,270·0	1,657·9	178·3	...	5,106·2
„ 20	3,270·0	1,704·4	167·5	...	5,141·9
„ 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
„ 11	3,310·0	1,773·4	183·1	...	5,266·5
„ 18	3,320·0	1,756·1	214·2	...	5,290·3
„ 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
„ 8	3,350·0	1,739·5	166·7	...	5,256·2
„ 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9

THE MONEY MARKET

THE Treasury bill rate fell below 3½ per cent at the tender on Friday of last week. Total applications rose by £70 million to a new peak of £489 million; the allotment of 91-day bills was increased by £30 million, to £260 million, but that of 63-day bills was cut from £50 million to £30 million. Outside tenderers made sharp increases in their bids following their uncompetitive tenders the week before, so that although the discount houses raised their common bid for the 91-day bills by 4d. to £99 3s. 10d. per cent, their allotment rate fell from 79 to 40 per cent. The average rate of allotment on the three months' maturities fell by 1s. 7½d. to £3 4s. 5¾d. per cent; that on the two months' bills was just over 1s. higher.

Credit conditions in Lombard Street have remained generally comfortable this week; on Tuesday the Bank had to step in and sell bills to mop up a surplus of funds. February maturities have changed hands at 3⅛ per cent and "hot" bills at 3⅜ per cent.

The Christmas outflow of notes quickened in the week to Wednesday to £43 million (compared with £47 million a year before), necessitating an increase in the fiduciary issue of £50 million to £2,150 million.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3 3/8–3 7/16
Discount houses	2–2¼	3 months	3 3/8–3 7/16
		4 months	3 3/8–3 7/16
Money:		6 months	3 3/8–3 1/2
Day-to-Day (min.)	2¼–3	Fine trade bills:	
Treasury bills:		3 months	4¼–5
2-3 months	3¼	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2½, 23/10/58)	2½	**Treasury bills:** Dec. 1	2·81
		Dec. 8	2·81

BANK OF ENGLAND RETURNS

(£ million)	Dec. 11, 1957	Dec. 3, 1958	Dec. 10, 1958
*Issue Department**:			
Notes in circulation	2,080·9	2,078·5	2,121·6
Notes in banking dept.	19·5	21·8	28·8
Govt. debt and securities*	2,096·2	2,096·5	2,146·5
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	16·0	13·8	12·7
Bankers	199·2	215·4	207·0
Others	76·0	71·2	69·4
Total	291·2	300·4	289·6
Securities:			
Government	242·4	264·0	245·5
Discounts and advances	21·9	10·5	9·6
Other	23·0	21·1	21·8
Total	287·3	295·6	276·9
Banking department reserve	21·9	22·8	29·7
	%	%	%
"Proportion"	7·5	7·5	10·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,150 million December 10, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
	91 day / 63 day		s. d.	%
1957 Dec. 6	240·0† / 50·0	430·7	129 1·45	59
1958	91 day			
Sept. 5	270·0	434·6	74 0·93	64
„ 12	270·0	425·7	73 6·81	51
„ 19	270·0	413·7	71 9·20	68
„ 26	260·0	381·4	72 6·10	53
Oct. 3	270·0†	424·8	74 1·39	44
„ 10	250·0	423·6	73 0·72	55
„ 17	250·0	435·7	72 3·08	45
„ 24	250·0	409·6	73 7·94	36
	91 day / 63 day			
„ 31	200·0 / 50·0	442·9	71 8·23	46
Nov. 7	270·0	433·7	71 7·04	45
„ 14	210·0 / ...	408·3	71 0·97	68
„ 21	210·0 / 60·0	408·5	68 4·68	42
„ 28	230·0 / 50·0	418·9	66 1·20	79
Dec. 5	260·0 / 30·0	489·2	64 5·75	40

* On December 5th tenders for 91 day bills at £99 3s. 10d. secured 40 per cent and for 63 day bills at £99 8s. 8d. 79 per cent, higher tenders being allotted in full. The offer this week was for £240 mn. of 91 day bills, and £50 mn. of 63 day bills.
† Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: December 10	Market Rates: Spot: December 4	December 5	December 6	December 8	December 9	December 10
United States $	2·78–2·82	2·80 5/16–7/16	2·80 1/4–3/8	2·80 1/4–3/8	2·80 3/16–5/16	2·80 1/4–3/8	2·80 7/16–5/8
Canadian $	...	2·70 13/16–15/16	2·70 11/16–13/16	2·70 1/2–5/8	2·70 1/4–3/8	2·69 15/16–70 1/16	2·70 9/16–11/16
French Fr.	1167·18–1184·82	11781/4–1/2	11775/8–7/8	11771/2–3/4	1177 3/8–5/8	11771/4–1/2	1177 1/2–3/4
Swiss Fr.	12·15 3/16–12·33 9/16	12·23 3/8–5/8	12·22 3/8–5/8	12·21 3/4–22	12·22 1/2–3/4	12·22 5/8–7/8	12·22 5/8–7/8
Belgian Fr.	138·95–141·05	139·42 1/2–47 1/2	139·32 1/2–37 1/2	139·32 1/2–37 1/2	139·40–45	139·37 1/2–42 1/2	139·40–45
Dutch Gld.	10·56–10·72	10·58 1/8–3/8	10·57 5/8–7/8	10·57–57 1/2	10·57 3/8–3/8	10·57 3/8–7/8	10·57 3/8–5/8
W. Ger. D-Mk.	11·67 3/16–11·84 3/16	11·69 1/2–3/4	11·69 3/8–69 1/8	11·68 1/2–3/4	11·68 7/8–69 1/8	11·68 7/8–69 1/8	11·69 1/8–3/8
Portuguese Esc.	79·90–81·10	80·05–15	80·05–15	80·05–15	80·05–15	80·05–15	80·05–15
Italian Lire	173 65/8–176 7/8	174 43/4–45 1/4	174 41/4–45 1/4	1744 1/4–45	1745–45 1/2	1745 1/2–3/4	1745 3/4–1/4
Swedish Kr.	14·37 5/8–14·59 3/8	14·48–48 1/4	14·47 3/8–7/8	14·47 3/8–7/8	14·48–48 1/4	14·48 3/8–5/8	14·48 3/4–7/8
Danish Kr.	19·19 1/2–19·48 1/2	19·33 5/8–7/8	19·33 3/8–5/8	19·33 1/8–3/8	19·33 1/8–3/8	19·33 1/2–3/4	19·33 3/4–34
Norwegian Kr.	19·85–20·15	20·00 7/8–01 1/8	20·00 3/4–01	20·00 3/8–3/8	20·00 1/2–3/4	20·00 1/2–3/4	20·00 5/8–7/8
One Month Forward Rates							
United States $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
Canadian $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
French Fr.		8–12 dis	8–12 dis	8–12 dis	10–15 dis	10–15 dis	12–17 dis
Swiss Fr.		5/8–3/8c. pm	5/8–3/8c. pm	5/8–3/8c. pm	1–1/4c. pm	7/8–5/8c. pm	3/4–1/2c. pm
Belgian Fr.		1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par	1/8 pm–par
Dutch Gld.		5/8–3/8c. pm	5/8–3/8c. pm	5/8–3/8c. pm	1/2–1/4c. pm	1/2–1/4c. pm	1/2–1/4c. pm
W. Ger. D-Mk.		1/8–1spf. pm	1/2–1/4pf. pm	1/2–1/4pf. pm	1/2–1/4pf. pm	1/2–1/4pf. pm	1/2–1/4pf. pm
Three Months Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–1/8c. pm	5/16–1/8c. pm
Canadian $		5/16–3/16c. pm	5/16–1/8c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–1/8c. pm	5/16–1/8c. pm
Swiss Fr.		2 1/2–2 1/4c. pm	2 1/4–2c. pm	2 1/4–2c. pm	2 5/8–2 3/8c. pm	2 3/8–2 1/8c. pm	2 1/4–2c. pm
W. Ger. D-Mk.		1–3/4pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	240/41 1/2	250/43 1/4	...	250/51 1/4	250/53 1/4	250/53 1/4	

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH		OVERSEAS	
World Trade	October 18th		
Prices and Wages	Nov. 29th	Western Europe Statistics	Dec. 6th
Manpower and Output	This week	British Commonwealth	Oct. 11th
External Trade	Nov. 22nd	United States	Nov. 8th
Industrial Profits	Oct. 18th		

	Unit	Mid-year or averages: 1955	1956	1957	1957: Sept.	Oct.	Nov.	1958: Aug.	Sept.	Oct.	Nov.
TOTAL MANPOWER		June figures									
Working population:											
Total	'000s	23,912	24,107	24,188	24,279	24,281	24,264	24,158	24,134	24,147	...
Men	„	16,084	16,188	16,225	16,259	16,254	16,238	16 207	16,190	16,192	...
Women	„	7,828	7,919	7,963	8,020	8,027	8,026	7,951	7,944	7,955	...
Armed Forces	„	803	761	702	674	665	656	603	599	598	...
Civil employment:											
Total	„	22,933	23,149	23,245	23,334	23,325	23,287	23,129	23,097	23,076	...
Manufacturing industries	„	9,206	9,269	9,271	9,351	9,371	9,355	9,109	9,108	9,104	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955:											
Employees in engineering(1)	„	...	+ 53	+ 48	+ 99	+ 109	+ 113	+ 21	+ 22	...	...
„ „ consumer goods industries(2)	„	...	− 9	+ 2	+ 17	+ 21	+ 6	− 86	− 86	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	„	232·2	257·0	312·5	267·4	275·2	316·5	445·6	476·0	513·8	536·0
Temporary or under 2 weeks	„	88·2	98·2	95·7	85·0	85·7	101·9	136·7	164·7	173·2	154·0
Over 8 weeks	„	94·2	93·1	129·3	108·2	111·0	119·3	195·3	193·0	211·6	237·7
By regions (3):											
Great Britain	„	1·1	1·2	1·4	1·2	1·3	1·5	2·0	2·2	2·3	2·5
London and South Eastern	„	0·7	0·8	1·0	0·8	0·9	1·0	1·2	1·4	1·6	1·7
Eastern	„	0·9	1·0	1·3	1·0	1·1	1·3	1·4	1·5	1·8	1·8
Southern(4)	„	0·9	1·0	1·3	1·1	1·2	1·4	1·4	1·5	1·8	1·8
South Western(4)	„	1·2	1·2	1·8	1·5	1·7	2·0	2·0	2·1	2·5	2·6
Midland	„	0·5	1·1	1·3	1·0	1·0	1·0	1·7	1·9	1·9	1·9
North Midland	„	0·5	0·6	1·0	0·8	0·8	0·9	1·3	1·7	1·7	1·7
East and West Ridings	„	0·7	0·8	0·9	0·8	0·8	1·0	1·9	2·4	2·5	2·4
North Western	„	1·4	1·3	1·6	1·5	1·4	1·6	2·9	3·1	3·2	3·2
Northern	„	1·8	1·6	1·7	1·4	1·4	1·7	2·4	2·5	2·8	3·1
Scotland	„	2·4	2·4	2·6	2·3	2·2	2·6	3·7	3·7	4·0	4·4
Wales	„	1·8	2·0	2·6	2·3	2·5	2·9	3·7	3·7	4·1	4·1
VACANCIES											
Unfilled vacancies notified to Employment Exchanges: Total	„	444	390	276	284	274	252	203	179	167	159
INDUSTRIAL PRODUCTION											
Index:											
All industries	1954=100	105	106	107	111	112	115	90	106	108–109[6]	...
seasonally adjusted	„	...	...	...	*109*	*106*	*108*	*105*	*104*	*103–104[6]*	...
Mining and quarrying	„	99	99	99	95	100	105	67	93	...	...
Construction	„	100	106	106	...	106[9]	...	...	105[8]	...	...
Gas, electricity and water	„	105	110	112	105	114	126	92	104	...	...
Manufacturing, total	„	106	106	108	114	113	116	90	108	...	...
seasonally adjusted	„	...	...	...	*110*	*107*	*109*	*106*	*105*	...	...
Engineering and electrical goods	„	107	107	111	116	116	121	94	...	...	...
Shipbuilding	„	108	117	108	109	111	113	107	...	...	...
Vehicles	„	115	107	115	121	116	126	84	...	...	...
Chemical trades	„	106	111	115	119	120	119	...	...	...	...
Textiles, leather and clothing	„	99	99	99	105	103	103	74	...	...	...
BASIC MATERIALS		M/W averages									
Production of:											
Coal (5) (7)	W	'000 tons	4,250	4,269	4,301	4,143	4,363	4,610	2,938	4,116	4,331	4,454
Pig iron	W	„	240	253	275	283	286	282	221	231	242	234
Steel, ingots and castings	W	„	381	397	417	438	438	429	299	369	364	352
Sulphuric acid	M	„	174·6	187·2	194·7	188·0	199·7	191·0	162·4	180·1	...	...
Newsprint	W	„	11·91	12·36	12·55	12·80	12·90	12·26	11·74	12·28	...	...
Electricity (5)	M	mn. kwh	6,679	7,263	7,581	7,064	8,089	8,812	6,395	7,250	8,565	...
MANUFACTURING											
Textile production:											
Cotton yarns, single	W	mn. lb.	16·91	16·33	16·85	16·39	17·61	18·31	11·68	14·30	15·25	...
Worsted yarn	M	„	18·48	19·38	19·48	19·14	21·94	20·11	11·44	17·90	20·50	...
Rayon and synthetic fibres	M	„	39·32	40·21	41·32	39·11	41·94	39·94	24·81	31·97	35·84	...
Cotton cloth, woven	W	mn. yds.	34·3	31·0	31·4	29·3	32·8	34·3	25·2	24·8	...	...
Wool fabrics, woven	M	mn. sq. yds	34·2	33·1	32·8	32·8	35·0	33·6	20·6	30·5	33·7	...
Engineering production:											
Passenger cars and chassis	W	'000s	17·26	13·61	16·36	19·35	19·85	20·99	11·15	20·45	19·87	...
Commercial vehicles and chassis	W	„	6·53	5·71	5·44	6·12	6·34	6·74	2·97	5·86	5·91	...
Metal-working machine tools	M	'000 tons	12·82	12·90	14·10	...	14·20[9]	...	...	11·72[8]	...	...
Internal combustion engines	M	'000 BHP	408	411	406	451	411	386	320	...	...	...
BUILDING ACTIVITY (8)											
Permanent houses completed:											
Total	M	'000s	26·42	25·02	25·09	24·13	26·40	26·48	20·66	24·26	25·33	...
By private builders	M	„	9·46	10·35	10·84	10·97	11·70	11·23	10·22	12·48	12·36	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estimated number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Britain. (6) Provisional estimate. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for third quarter. (9) Average for fourth quarter.

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103rd Annual Statement
Comparative and Condensed
AS AT OCTOBER 31

	1958	*1957*
Assets		
Cash Resources	$ 278,806,381	$ 254,137,863
Securities	556,968,137	375,265,156
Call Loans	177,103,240	91,487,933
Total Quick Assets	$1,012,877,758	720,890,952
Current Loans	626,637,247	586,082,243
N.H.A. Mortgage Loans	66,540,437	40,570,238
Bank Premises	22,415,037	20,381,955
Acceptances and Letters of Credit	14,506,213	14,462,061
Sundry Assets	672,694	184,883
	$1,743,649,386	1,382,572,332
Liabilities		
Deposits	$1,653,957,844	1,295,755,034
Other Liabilities	6,222,438	5,352,435
Total Liabilities to the Public	1,660,180,282	1,301,107,469
Acceptances and Letters of Credit	14,506,213	14,462,061
Capital Paid Up	20,121,688	20,000,000
Rest Account	48,292,050	46,000,000
Undivided Profits	549,153	1,002,802
	1,743,649,386	1,382,572,332

Statement of Undivided Profits
Fiscal Years Ended October 31

	1958	*1957*
Profits after depreciation and after making transfers to Contingency Reserves	$ 9,796,351	8,181,934
Less: Income Taxes	5,050,000	4,100,000
Net Profit	4,746,351	4,081,934
Less: Dividends	2,800,000	2,596,909
Extra Distribution	400,000	400,000
Undivided Profits	1,546,351	1,085,025
Undivided Profits Brought Forward	1,002,802	1,917,777
	2,549,153	3,002,802
Transferred to Rest Account	2,000,000	2,000,000
Balance of Undivided Profits	549,153	1,002,802

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reserves **2,607,576**

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[illegible] salary according to age and experience. [illegible]y Pension Scheme.

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PHILIP B. DINGLE,
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JOINT HONORARY SECRETARIES.

[illegible]nchester,
[illegible]December, 1958.

further appointments and other classified advertisements see page 1032

SALES MANAGER required for expanding business. Age 35-45. Qualifications: good educational background; sound business training; outstanding salesmanship ability; not less than ten years' active business experience; knowledge of cost accountancy an advantage; must have held senior management post controlling sales representatives and distributor network, import and export departments, and stores; knowledge of building and allied trades. Starting salary: £1,500 per annum plus car allowance and bonus based on results. Excellent prospects. —Box 1091.

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Further particulars may be obtained from the Secretary of the Appointments Committee of the Faculty of Economics and Politics, The Marshall Library, Downing Street, Cambridge, to whom applications should be sent so as to reach him not later than January 31, 1959. Candidates should state whether they wish to be considered for a University Lectureship, a University Assistant Lectureship, or for either of these appointments. Eight copies of each application should be sent and, if so desired, one or more copies of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

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Mosquitoes Traced by Radioactive Nectar

RITCHIE CALDER, the science writer, explains how atomic power is helping to open up the frozen wastes of the Arctic...

PEOPLE do not usually associate mosquitoes with the Frozen North, but Arctic Old Hands will tell a tenderfoot: 'Mosquitoes! They are so big we skewer them on spigots and roast them!'

That is an exaggeration, but they are certainly man-eaters. Fortunately they do not, like the anopheles of the tropics, transmit malaria; but when the icebound swamps unfreeze in the Arctic summer they swarm in such vast numbers, and bite with such blood-thirsty persistence, that the settlers' lives become unbearable. Indeed, it can be said that the mosquitoes are a bigger obstacle to settlement and development of Arctic regions than the cold or the six-month long night.



RADIOACTIVE ISOTOPES

Something will have to be done about these hostile and voracious insects. Already scientists are hard at work studying their habits. Ingenious methods are being devised to keep track of the swarms, not the least of which enlists the help of nuclear energy.

It is known that the mosquitoes drink the nectar of the Arctic poppies (again, people do not usually associate flowers with the Frozen North) and the experts are feeding the poppies with an artificial fertiliser containing radioactive isotopes, which are, of course, by-products of the release of atomic energy.

In the Arctic poppy then, this radioactive fertiliser finds its way into the nectar. The mosquitoes sipping the nectar, pick up the radioactive elements. And from there on, they are marked. They carry in their bodies a 'radio transmitter' and the scientists can follow them wherever they go and so find out vital information concerning their habits — information that will lead to their effective control.

The end result of using this by-product of nuclear energy to plot the mosquitoes' activities will help to make the Frozen North a more comfortable place in which to live and work. And this, in turn, is an important factor in preparing the way for the time when atomic power itself releases the immense industrial resources of the Far North.



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Inflation Inflated ?

Although the American recovery is not booming, Washington is worried about financial pressures (page 1078).

Refugees and Others

Two movements in Europe, of refugees and of ordinary migrants, are mixed together (page 1057).

The Business of Christmas page 1056

Sense in the Wheat Scheme?

Will the world wheat conference next January face up to the problem of glut ? (page 1097).

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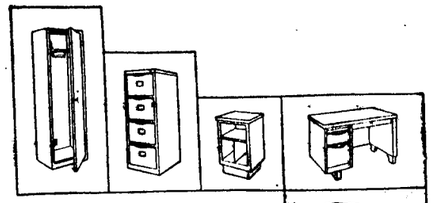

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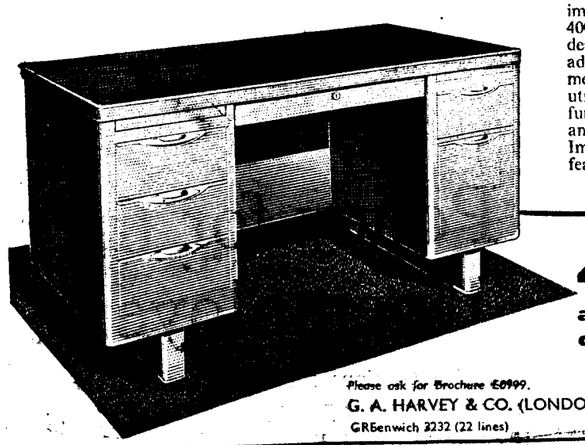

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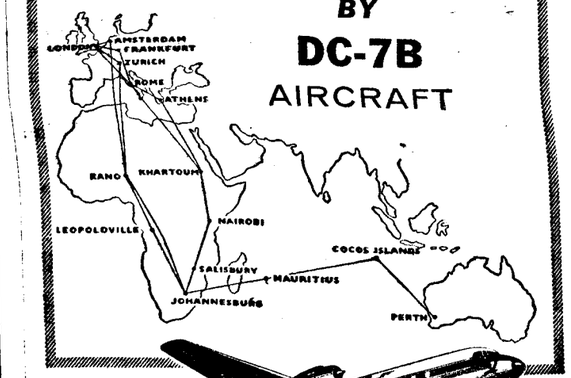

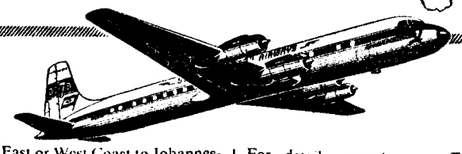

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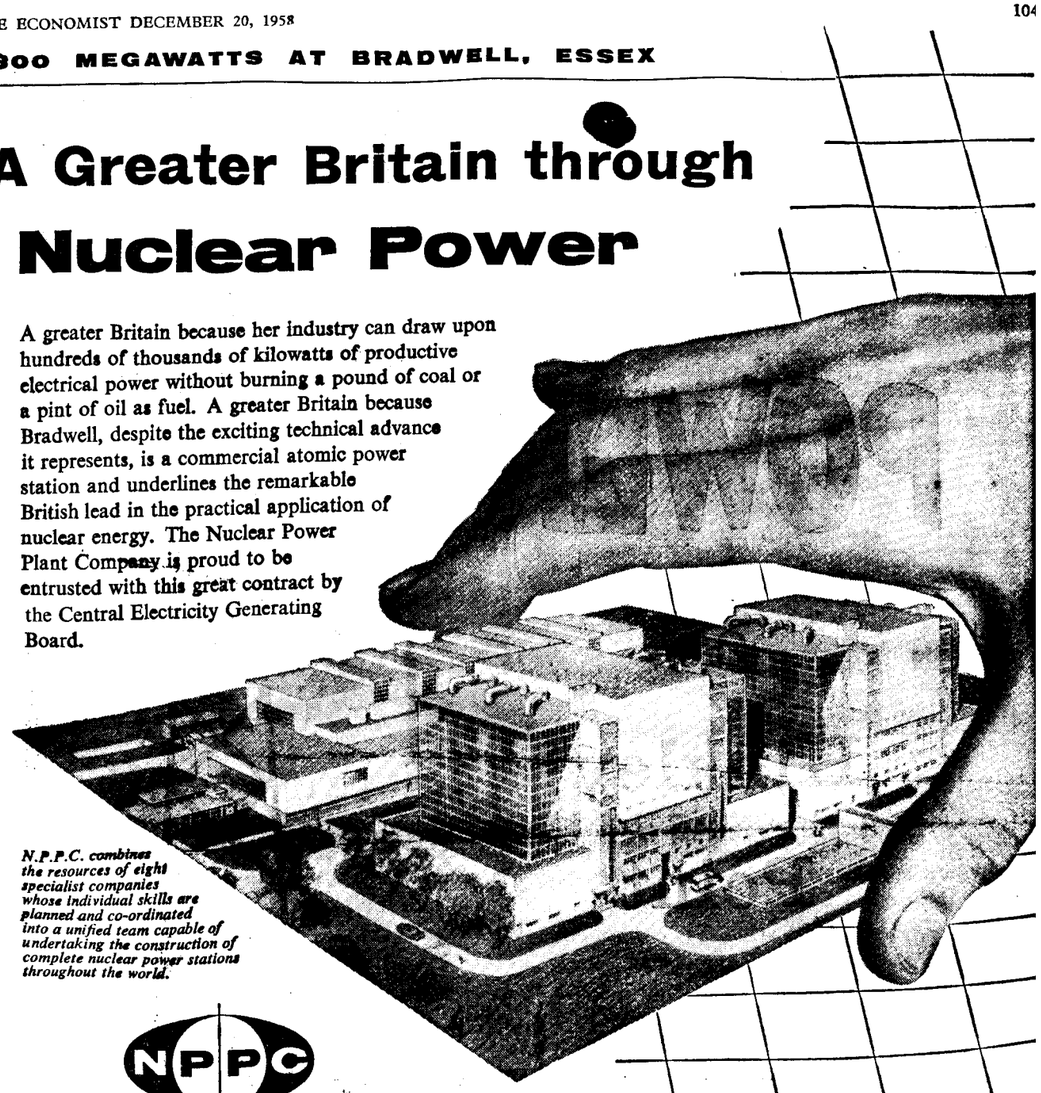

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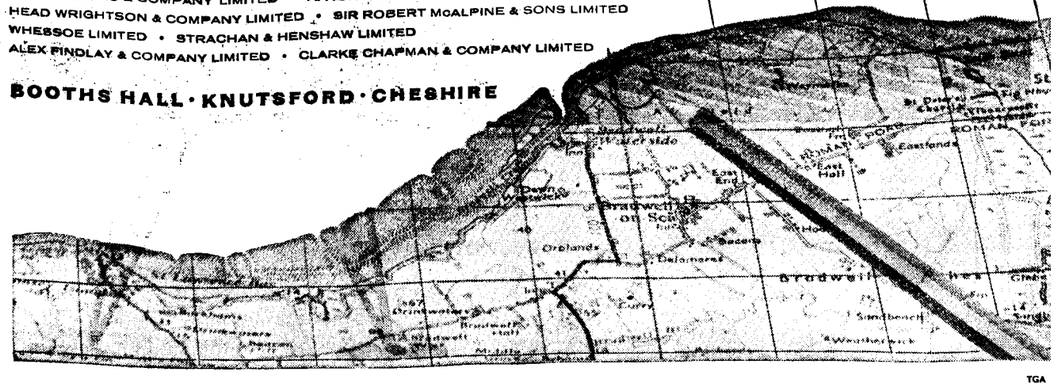
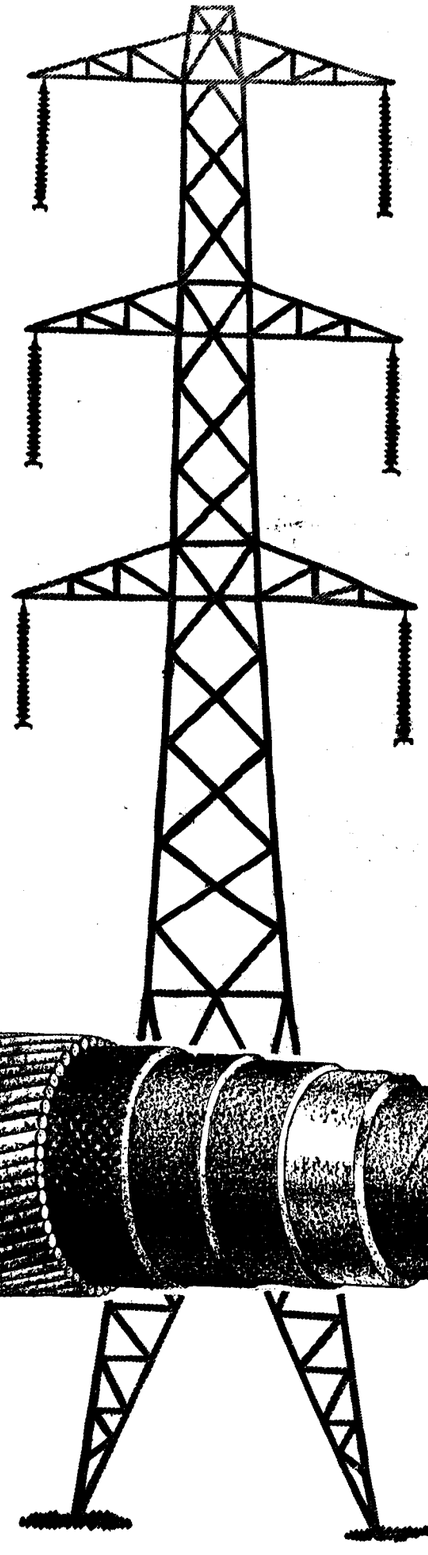
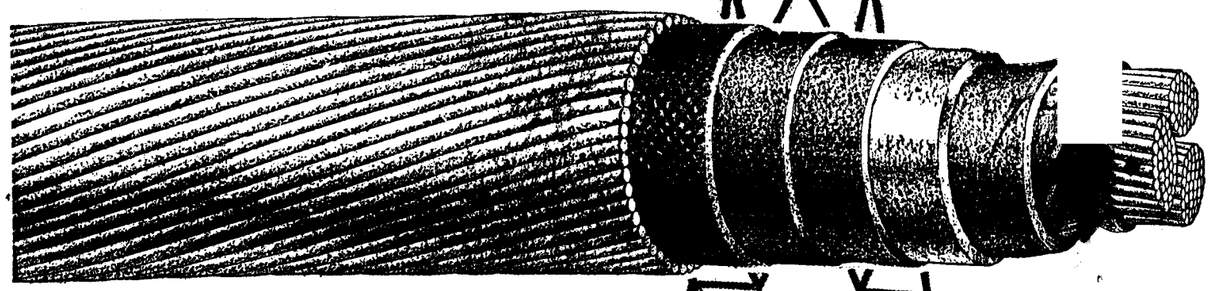


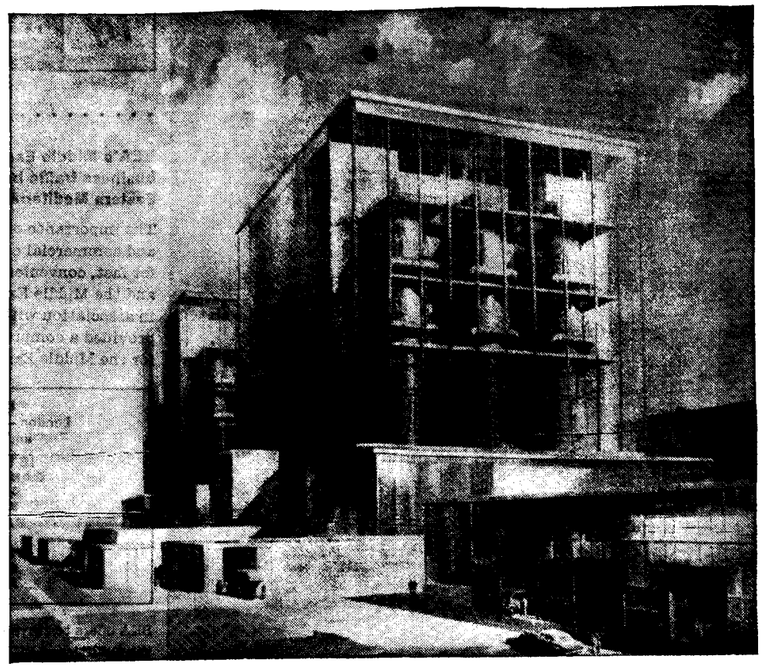
TGA

THE ECONOMIST DECEMBER 20, 1958

POWER at Hinkley Point







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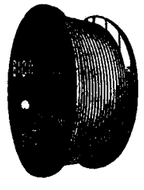

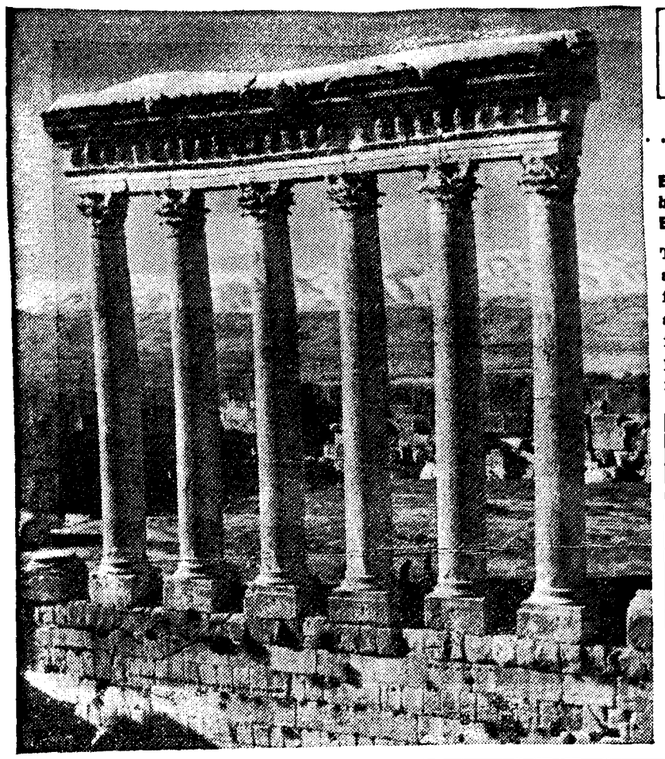

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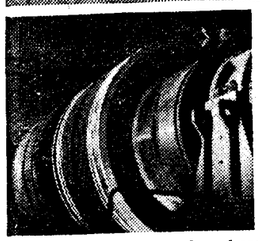

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The Economist

DECEMBER 20, 1958

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Partition of Europe?

A LONG trail of stubborn illusions, leading back to the exchange of uncomprehending letters between the late Ernest Bevin and M. Robert Schuman when the European coal and steel community was projected in the summer of 1950, ended on Monday in the head-on collision of two sides in the council of ministers of the Organisation for European Economic Co-operation. The angry division at this meeting stands out against the background of the other western conclaves that Paris has seen this week, in which the ministers of Nato and the other western bodies have been struggling to hold the defence programme together and to concert a united response to Mr Khrushchev's threat to Berlin. (Articles on pages 1088 and 1089 explain more fully what happened at these meetings.)

What is serious is not, of course, that such divisions in the western world, and such encouragement to the communists, should be advertised, but that they should exist—and that the effort to close them should be so misdirected that, instead, they open wider. Sir David Eccles went to the Paris meeting with a reasonable and helpful British offer: that if the six common market countries would extend their first mutual trade concessions to the whole area of OEEC, Britain would do the same. The French should have taken the offer up. But when they did not, Sir David Eccles began to talk of reprisals in a way that gave M. Couve de Murville, a quiet man, the occasion for a display of national resentment.

Whether these British tactics were intentional or inadvertent, they were mistaken. They have not succeeded in dividing France from its five partners in the common market, but only in rallying the Six to each other in what they firmly believe to be a cause important to them all. This is the central point about the common market, which the majorities in both parties in Britain have always missed. As its outlines are drawn now, it is much less dynamic and more of a closed shop than many Europeans hoped it would be, but it is still an attempt at a union of European nations. The people who have brought the common market about believe themselves to be engaged in an act of political creation, and they believe the British to be exclusively concerned to protect their commercial interests. They will not allow themselves to be divided by anything Britain, or the other outsiders, may do in pursuit of economic claims, however just.

There is no shame for a British government in the necessary pursuit of British interests. But, in the circumstances, it is not much use for the Government to complain (as it most certainly can) that it has been misled and disappointed by the French. What matters is to avert the division within free Europe, and the mutually harmful course of economic reprisal and counter-reprisal, that has come in sight. During the next, possibly prolonged, stage of these negotiations, in which a compromise has to be sought, Britain should engage in no retaliation and should talk of none. There is no shame, either, in the appeasement of one's friends.

Policy for the Unemployed

Britain's half a million jobless are performing a service for the economy, and they deserve to be paid more for it

THERE is need for a debate on British unemployment this Christmas-time—not the sort of debate that took place in the Commons on Wednesday, which was replete with the election-conscious things that modern politicians find it natural to say, but one that is concerned with positive suggestions and with genuinely radical sympathy for those who really are being given a raw deal.

It will be wise to begin by voicing a suspicion: part of Britain's recent relapse from one per cent unemployment to 2½ per cent unemployment may be a longer-lasting development than Government spokesmen like to believe. Even when demand picks up again, production may well rise more quickly than unemployment will fall off. That is what has happened in the United States as it has recovered from its recession of 1958. Experience there has suggested that the introduction of labour-saving machinery was not usually allowed to save its full measure of labour during the long postwar boom, and that by a slower rate of re-engagements after recession some of the long-heralded "automation unemployment" has now at last begun to appear. There are *prima facie* reasons why something of the same sort might be expected to happen here.

Britain's present rate of just under 2½ per cent registered unemployed would not, by any international standard, be a high one even for a country that was re-expanding output. During the boom British industrialists were almost certainly even more ready than American industrialists to pad their payrolls with unnecessary labour—not just with highly skilled or adaptable labour (which any firm that expects to expand may very well find it economic to hoard in this age of shortage of technologists), but right down among those strata of less skilled labour which only Britain's peculiarly overfull employment had made to seem scarce also. There are signs now that the British recession of 1958 may have made British industry less inclined to hoard labour, just as the recession of 1952 was said to have made some parts of industry less inclined to hoard unnecessary raw material stocks. The British motor car industry, which led the rest of the economy both into and out of this latest recession, laid off more workers in its setback of 1956-57 than it took back as production rebounded to and beyond its former level. If its pattern of re-engagements proves typical, British unemployment rates down nearly as low as one per cent may prove to be a thing of the past.

Moreover, there are some wider national considerations which might work the same way. Until this year it had been widely assumed that it was political suicide for any Government to let unemployment rise at all; some Tories still fear, and many Labour members still hope, that it is. But other politicians have now begun to be a little more doubtful about the invariable popularity of schemes of work-spreading; some Tory agents have reported that it is more difficult to save votes for the Government in areas where whole factories are on short time—and where everybody fears vaguely that he might be threatened next with the sack—than in areas where the unfortunate three per cent have been laid off and the other 97 per cent feel that their jobs are now safer and that some prospect of overtime earning is beginning to re-appear.

Economically, there have always been those who have argued that a little more transient unemployment would be good for Britain; there may now be a little wider general tendency to agree that they may have been right. Whitehall must have been agreeably surprised by the flexibility with which British industry has seized its reduced opportunities for export trade during these last few months of slightly increased unemployment, and it may lay some of the credit for this year's slight check to wage inflation on the same factor. (Indeed, it may lay too much on that, and too little on Mr Macleod's historic decision last January not to remit the London bus dispute to a "committee of investigation" and prepared surrender.) Socially, too, there has been a slight move away from the previous invariable association of every increase in unemployment with a mental picture of lean and hungry men, in hangover from the grim thirties. Admittedly, whenever new redundancies are announced, journalists hurry down to the afflicted area and paint a picture of great social misery to come. But people are beginning to notice how rarely follow-ups are found to be necessary to such stories. Experience has shown that younger men who are dismissed are usually re-absorbed fairly quickly in other work, even in a period when production is by no means buoyant. The real (though often disguised) tragedy falls upon the older men, who are being obliged to fade away before their time into the grey and purse-pinched retirement which still awaits too many Britons in this mid-twentieth century.

IT would be a great mistake to pretend that these small discernible changes in industrial and social attitudes yet add up to a tidal wave of changed public opinion about unemployment. All that can be said is that certain things have happened which might make a slightly higher rate (say two per cent rather than one per cent) the normal figure even for a fully employed Britain, and which might make general opinion more

ready to accept it. But few people have yet begun to discuss the progressive changes in social policies which should be devised to meet this.

Critics of Britain's extreme definition of full employment since the war have often argued that nobody would suggest that the market for, say, shirts would be likely to function properly if 99 per cent of the shirts in the country were always kept in active circulation on people's backs, and only one per cent were kept in reserve stock in the shops or at wholesalers. There is no reason to suppose that the market for labour will work properly under those conditions either, and in fact the whole history of price rises since the war shows that it does not. The usual, and natural, indignant retort is that the unemployed must not be discussed as if they were shirts, because they are men and women and their families. But that is not a good argument for saying that the labour market must therefore be forced to make-do with an insufficient reserve stock that twists the whole economy into a state of perpetual inflation. It is an argument for two other things instead.

It is an argument, first, for treating the unemployed much more generously; they also serve the nation while they only stand and wait in stock, and they should be paid accordingly. Now is the time to repeat a suggestion that *The Economist* has made before—that the Government should raise unemployment pay, at any rate during the first month of searching for a new job, to a figure much nearer the average industrial wage; indeed, there is surely now an increasingly good case for making unemployment contributions and rates proportional to each individual's own previous wage, as is to be done with pensions. If neither a Conservative nor a Labour Government will do this, then the Treasury should at least consider tax concessions in the next budget designed to encourage employers to make generous redundancy agreements with their men; at the moment some parts of the tax law actively discourage these. One suspects that one thing that might deter the Government is fear of an Opposition gibe that it was deliberately planning for mass unemployment; that is the sort of silly gibe which should always be outfaced.

SECONDLY, the needed reserve pool of labour can best be kept small by seeing that it is efficient for its purpose—which is to feed people out of industries faced by lower demand into expanding firms after very short periods of unemployment. The Government's present policy is to try to guide work towards the workers in all areas with above-average unemployment. That can be criticised as taking away some of the flexibility which a slightly greater pool of unemployed should bring; it would be better to design more measures to increase the mobility of the worker instead. (Some will say that this calls into question the Conservative policy of spending public money to encourage people to become house-owners instead of tenants.)

But the main folly of present trends in unemployment surely lies in the large number of older people who are being dismissed at an age when their transfer to the reserve pool is sheer waste because no new employer is ever likely to take them on. So far as can be judged from inadequate statistics, the increase of 182,000 in registered unemployed compared with a year ago may well have been accompanied by the disappearance from the labour force of a nearly equal number of older people who have been forced into retirement before they wanted to be. In pursuance of this policy, some of the nationalised industries have actively boasted that they have been "softening" their dismissals by persuading their older servants to go into retirement earlier; and the Ministry of Labour has only this month wound up a committee which was engaged in examining ways to get older people to stay longer at work.

This policy of guiding unemployment towards those who are least easily re-employable must be wrong. It is wrong in principle, because it throws away the long-term advantage which medical science is giving us—those five years or so of extra work which many older people now could and would like to do—in order to meet the short term vicissitudes of a very small dip in the trade cycle. It is wrong in economics, because older people who are sacked and cannot expect to get jobs elsewhere are a sheer loss to the economy. It is wrong in morality, because most of these older people thrust into premature retirement will suffer much greater hardship than would a young man who could normally find another job within about three weeks. Its only advantage from the Government's point of view is that although these people go on public funds they do not swell the published unemployment figures, which are regarded as politically emotive; its advantage from Labour's point of view is that most trade union members (being under 65) vote for the bullet being handed to older workers in this way.

Many of the sackings of existing sexagenarians have been made to seem more tempting by a feature of national insurance policy: by the rule whereby a man between 65 and 70 can draw his pension only when he retires from earning. In boomtime this retirement rule, together with the restriction on pensioners' part-time earnings, was a force which encouraged withdrawals from the labour force by people whose work was still needed. The argument then was that the rule could not be withdrawn because it is one of those awkward measures that would create a large addition to old people's spending power in the first year of its remission (when all existing male workers of between 65 and 70 would be able to claim the pension), even though it would involve only a relatively small additional sum each year thereafter. This year the initial release of purchasing power could probably be afforded, and a strong case therefore emerges for re-considering both the retirement and earnings rules. During the recession they have become a salve for the conscience of employers, who can throw on to public funds the older workers whose release is of least advantage in restoring flexibility to the economy. But no MP in Wednesday's debate even mentioned this.

Some Christmas statistics, to compare your family's spending with the average

The Business of Christmas



Give all thou canst ; high Heaven rejects the lore
Of nicely-calculated less or more.

So might the shopkeepers cry as they entice the throngs of harassed Christmas shoppers with decorations brighter than ever before, and with hopes brighter than ever also. Easier credit has encouraged the buying bug and this Christmas again promises to be a record spending one. The big department stores seem confident that sales will outstrip last year's. What does the blessedness of Christmas mean for trade ?

The Christmas spending spree in modern Britain gets under way in November. On the experience of the last two years, shop sales in that month are 6 per cent above the average ; they then rise to 26 per cent above in December even though this figure is averaged out over a five-week trading period. Since retailers' annual turnover is in the region of £7,500 million, above-average spending in the shops in these two months amounts to £220 million. Outside the shops, Christmas also brings more custom to the pubs, the post office and personal services like hairdressing and dry-cleaning. But this stimulation is balanced by a quietness in these winter months in other service trades. Altogether, then, in these two months, the additional sum coming out of people's pockets—or entered on credit—is £220 million above average spending in the whole of the year.

But "average spending in the whole of the year" is itself distorted by the Christmas trade which is necessarily included in it. A better measure of Christmas's stimulation can be got by looking at seasonal trends. Personal expenditure in this country has settled down to well-defined ups and downs. In the first six months of the year it is below average—6¼ per cent down in the first quarter and ½ per cent down in the second. Then comes the buoyancy—1½ per cent up in the third quarter and 5½ per cent in the last one. Between the last quarter of the old year and the first of the new, spending falls with a wallop—by about £400 million. Not all of this difference can be attributed to Christmas ; some forms of expenditure would be higher anyway in the last three months of the year. But after making allowance for this, it looks as if Christmas spending, on the broadest definition and if apportioned among the 16 million households in this country, may amount to nearly £18 for the "average household." Without claiming any statistical precision, Table I shows how it seems to be spent. It should be emphasised that the table shows extra, not total, spending at Christmas. The family's Christmas food is not bought for £3—this is the extra cost of a turkey (eaten, in fact, in only one home out of five) instead of roast beef, of the almond-pasted cake instead of the plain sponge, and so on. The "average household" is necessarily a hypothetical one, since it contains 3.2 persons.

Table I
THE AVERAGE HOUSEHOLD'S CHRISTMAS BUDGET

	£	s.	d.
Food	3	0	0
Beer and cider	1	0	0
Wines and spirits	3	5	0
Tobacco		10	0
Household goods	1	0	0
Clothing and footwear	4	10	0
Toys	1	0	0
Christmas cards		10	0
Books		10	0
Other fancy goods (jewellery, stationery, leather goods, cosmetics, etc.)	1	10	0
Postage		5	0
Entertainments and travel		5	0
Total	17	15	0

The extent to which Christmas distends some branches of the retail trade, and positively creates others, is a matter of commonsense as well as of statistical observation. Surely it is only the desperate gift-seekers who clear stores' shelves of those fancy goods whose chief aim is apparently to be disguised as something else—the chianti bottles that turn out to be for pepper and salt, the pencils masquerading as miniature umbrellas, the bottle-openers that look like outsize spanners. Left to ourselves, one suspects (and so do the shopkeepers), most of us would echo with Ogden Nash "I do not want a lamp made out of an umbrella stand, or a coffee-table made out of an old wagon-wheel, or a fire-screen made out of a left-over piece of trellis."

A rough guide to Britain's Christmas gift habits can be deduced from study of the household budgets collected at different periods of the year by the Ministry of Labour in 1953-54. If spending were spread evenly throughout the year, about 7¾ per cent of the purchases of any one item would be made in each four-week period. But Table II shows that two-fifths of the toy trade in 1953-54 was done in the four weeks before Christmas day (even excluding the last few hectic shopping days)—together with more than a quarter of the sales of wines and spirits, of stationery, and of jewellery, watches and silverware. Perhaps rather surprisingly the Christmas trade in men's underwear and socks is just as brisk as that in women's frilly lingerie and nylons ; but whereas women also get some extra outerwear at Christmas-time, men do not.

Table II
THE CHRISTMAS SHARE OF TRADE
Expenditure between November 23 and December 20, 1953 as per cent of annual expenditure

Toys and indoor games	42	Gloves, haberdashery	16
Poultry	36	China and glassware	14
Wines and spirits	30	Cosmetics and toilet requisites	14
Stationery	29	Records and music	13
Jewellery, watches, silverware	27	Men's hosiery	12
Umbrellas and other personal fancy goods	21	Women's hosiery	12
Books	19	Women's outerwear	12
Leather and travel goods	17	Women's underwear	11
		Men's underwear	11
		Men's outerwear	8

Yet, in spite of the enormous sums spent during this time, these four weeks do not embrace the whole period of Christmas shopping. This now starts earlier than it did twenty years ago. In 1938, the sales of large shops (no figures were available for the whole retail trade) rose above the average by 2 per cent in November and 30 per cent in December ; today large retailers return corresponding increases of about 8 per cent and 30 per cent, with department stores taking nearly a quarter of their annual turnover in these months. So it looks as if Christmas spending has risen even more since before the war than has the general level of consumption.

Trade benefits not only from the necessity of keeping up with the Joneses at Christmas-time, but also from the necessity of keeping up with Messrs Jones and Co. Firms dispense goodwill with a considerable show of cards, calendars, diaries, and even hampers. Nowhere is this growing pressure of Christmas more manifest than in the greetings card trade which is twice as active as before the war. Of the 550 million Christmas cards expected to be sent out this year, probably close on 200 million will be business ones ; the average family sends out between 20 and 25 cards.

The astonishing thing about the sudden Christmas rush is how easily the trade appears to cope with it—if one overlooks the tired feet and frayed tempers of the shop assistants. The wholesale and retail trades normally provide jobs for close on 3 million people in Britain ; in October they take on an extra 15,000 and in November a further 40,000, nearly all women and girls who may be debutantes, students between school and college, housewives, or pensioners (to all of whom one of the attractions doubtless is the discount they are likely to be offered for their own and the family's Christmas shopping). Many stores take on a further batch of additional workers in December, but then dismiss most of them and the other casuals on Christmas Eve ; by the end of December the greater part of the temporary labour force has disappeared from the payrolls, and it vanishes entirely by the end of the January sales. This is a lot of casual labour suddenly to find and then to cause to fade away almost overnight. Even so, it increases employment by only 2 or 3 per cent in either branch of the distributive trade. The luxury trades seem to be luxuriously staffed for most of the year.

It remains to be seen what sales records will be broken this Christmas. Will all those 3½ million turkeys be sold, all those 100 millions of crackers ? Some of the statistics are very hard to digest. One big department store, for instance, alone expects to sell 27 tons of Christmas puddings. It, at any rate, is convinced that there will be no diminution this year in the weight of trade in the most important commercial festival of Christendom.

Refugees and Others

A look at the refugees in Central Europe shows that migration policies, as well as the refugee machinery, need overhaul

There are two stock ways of evading the refugee question: to forget all about it, or to accept it as hopeless. Most people are surprised to learn that there are still refugees in Europe. Those who know already, slip easily into the belief that refugees will be always with us, like the poor ; and that is that. This complacency is natural but rests on upside-down logic ; if a problem is continuing and unresolved, all the more reason for taking a long look at what is going on. The United Nations has decreed a "world refugee year" to start next June. The idea could easily prove little more than a sanctioned evasion of practical responsibility. It is, however, just possible that serious publicity for the refugees might not only help to swell the miserably inadequate flow of international money, but also—and perhaps more important—to stimulate thinking on such fundamental questions as who the refugees are, why they leave, and what happens to them.

The High Commissioner for Refugees has under his charge in Europe some 150,000 displaced persons who have failed to find their feet in new lands. Most of these were uprooted from eastern Europe during or after the war ; many of them trekked to Germany or Austria and were stranded there. The majority had at one time hoped to emigrate overseas, but as one immigration selection board after another passed them over, it became more evident that the only solution for them

and their children was to be "integrated" into the economic and social life of the country that was already offering them temporary hospitality.

In addition to these "old" refugees, there are some 6,000 Hungarians who are trying to move on from their Austrian asylum, and several thousand Jugoslavs who each year filter out illegally into Austria, Italy, and (at one remove) Germany. Outside Europe, the High Commissioner is responsible for several pockets of refugees, including the group of white Russians in China whose prospects at the moment are particularly dismal. Not under his mandate are the east Germans who stream into west Germany through the floodgate of Berlin or the million Arab refugees who come under the care of a separate United Nations agency.

THE confused picture is made harder to see clearly by the fact that it never keeps still. The High Commissioner's job is not only to look after the people who have moved but also the flow of people still on the move. And here the problem has spread beyond the bounds originally envisaged in the High Commissioner's mandate, which defines a refugee as a person outside his national country because of "well-founded fear of political persecution." In a world where national divisions are hardened by the cold war, migration across frontiers is often so difficult that people with good economic or social reasons for moving find that they cannot move unless they plead political persecution. If their plea is accepted, and they are granted asylum, they come under the High Commissioner's protection and are automatically qualified for resettlement schemes. The cumulative effect of this is not only to swamp the rather feeble mechanism for handling political refugees but also to magnify, and even in some cases to distort, the sweep of political persecution.

Nearly all the United Nations refugees now asking for asylum in Central Europe are Jugoslavs. Most of them are single men or women in their twenties who come to Germany to look for jobs, or to Austria as an easy stepping stone for Canada, the United States or Australia. Like other emigrants, they want to seek their fortunes in countries richer than their own ; and they are young, independent and adaptable. But before the German or Austrian authorities will allow them sanctuary, they are expected to prove their "well-founded fear of political persecution."

In Germany the screening process is thorough and may drag on for a couple of years ; in Austria it is arbitrary and seldom lasts more than two weeks. In form the German method is the same for non-German refugees as for east Germans : that is, refugees of either group have to persuade an examining board that they have suffered from political persecution. If he is rejected, he has three possible stages of appeal ; while this is going on he has usually to stay in or around a notoriously squalid camp near Nuremberg. At the end of it all, he is nearly always allowed to stay in Germany —a more generous decision than in any other western country—but he may or may not have the status, and the consequent advantages, of a refugee under the High Commissioner's mandate.

Jugoslavs arriving in Austria are examined by the security police, the decision is taken quickly, and in practice there is no appeal. About two-thirds are rejected and sent straight back to the Jugoslav frontier. A United Nations official has the authority to ask the Austrian police to reconsider the rejected cases ; the concession would mean more if he did not rely mainly on the police dossiers. The man who gets in is usually the man with the wits to think out the best story.

This laborious, and indeed misleading, procedure might be unavoidable if the Jugoslav government were really resolved not to permit legal emigration. But the Belgrade newspaper, *Borba*, which is often the government's mouthpiece, has emphasised from time to time (most forcibly on August 27, 1957) that the flood of people claiming to be political refugees is creating a false picture ; that many are in fact leaving for economic reasons ; and that if other countries would accept immigrants from Jugoslavia these would be allowed to leave with passports and visas and without the pretence of persecution. If this was kite-flying, the kite has been allowed to drop to the ground with a thud. None of the countries that have been accepting Jugoslavs by way of Austria has taken up the suggestion ; the inference is that while a Jugoslav refugee is acceptable, the same man as an immigrant is not. This is a kind of logic that can only be ascribed to cold war habits of thought.

The mingling of migrant and refugee streams confuses the comparatively manageable problem of settling those refugees who have been waiting for ten years or more in camps, or in penury outside them. The force of the continuing flow deflects the effort that might otherwise be made on behalf of those whose claim came first but whose hopes are now fading. When the International Refugee Organisation was closed down in 1950, it had settled a million refugees overseas, but had failed to settle more than half a million others.

PEOPLE were already weary of refugees. The General Assembly, closing its eyes to the unfinished state of its work, congratulated the IRO and transferred responsibility for the care and maintenance of refugees to the governments where they were living. The office of the High Commissioner for Refugees was established, but as a "non-operational" office, with a brief so circumscribed that it has from the start shackled the work of both the late Dr van Heuven Goedhart and his successor, Dr Auguste Lindt.

The mandate was at first only for three years ; but it has been twice prolonged and now stretches to the end of 1963. The High Commissioner was made responsible for "the promotion of permanent solutions" for the refugees, but he was allowed no money except for administrative purposes. The Assembly's only concession was to initiate an emergency fund (Unref) and to authorise the High Commissioner to appeal for voluntary subscriptions for special projects. The IRO was able to plan and to carry out its plans, most of its money being provided by its members on the basis of a scale of assessment. The High Commissioner's financial uncertainty leaves a mess of unfinished or abandoned projects.

Dr Lindt, who took the job of High Commissioner two years ago, has never appealed for as much money as he needs, nor has he ever got as much as he appealed for. He is now trying to build flats for the 30,000 "old" refugees (a quarter of whom are children) who are living in disused barracks and prisoner-of-war camps in Germany and Austria. This project, which ignores the 100,000 or so refugees living wretchedly outside the camps, only touches the fringe. The $6 million he has asked for will not even be enough to clear all the camps ; even so, only $3 million has been pledged.

The difficulty of planning in advance discourages the countries where the building is supposed to take place. Germany has embarked on a colossal housing programme, but the High Commissioner, with his hands tied behind his back by lack of money and his own "non-operational" mandate, can only buy a fraction of a share in the project. With the housing demand intensified by the inundation of some 3 million east Germans, the German authorities find it politically unwise to set aside housing for non-Germans (particularly since a high proportion of the "old" refugees would have to have their rents paid for them by public assistance) unless they can point to a matching share of international money that would be lost unless used for refugee housing. In Austria, the Unref officials, quietly getting round the terms of the mandate, are much more influential in planning the type of house they want and provide a larger share of the cost. But here again they are hamstrung by lack of regular funds.

Eight years ago the United Nations shrugged off the refugee question, but tried to make this abdication of responsibility look respectable by appointing a High Commissioner with an inadequate mandate and next to no money. The decisive and tragic mistake was made when it was agreed to act as though the refugee problem was a finite one approaching its conclusion, whereas in fact not only was the old problem far from solved, but new ones were already treading on its heels. The procedure which obliges Dr Lindt to beg for money, when he has been given a job to do and should be assured of the money to do it, is grotesque. It would surely be more logical if he were to explain his full requirements to the General Assembly, and the Assembly—if it endorsed his proposals—were then to provide the money by levying subscriptions according to the accepted UN scale. The governments that have been most enthusiastic about the idea of a refugee year might well take the lead in promoting reforms.

These should include a more flexible mandate and an assured budget for the UN High Commissioner. To be fully effective, the reforms would have to stretch beyond these obvious necessities and include more rational emigration and immigration policies. Nothing less will permit the channels of refugees and of ordinary migrants to be kept reasonably separate.

NOTES OF THE WEEK

PARLIAMENT

Forgotten Fiasco

TUESDAY'S short debate on whether there should be a select committee to investigate the expedition to Suez gave Labour backbenchers their chance to put on display a sample of the offensive spirit which they accuse their own front bench of lacking. When that outsider Mr Randolph Churchill had broken the conspiracy of silence about the unmentionable disaster, Mr Gaitskell and his colleagues had contrived to give the impression of being more embarrassed than the Government. Having walked on tiptoe since they were so unfairly accused at the actual time of the expedition of being anti-British, they were now confronted with the choice of running away from a well-publicised fight or giving the impression of trailing along ingloriously in the wake of Mr Churchill.

In the end they compromised by acquiescing in arrangements which surrendered the effective leadership of the Opposition in a major debate to their backbenches (from which it was very effectively conducted by a mild Mr Wigg and a bitter Mr Crossman), and then trying to smuggle in a short speech by Mr Bevan at the end. After a great deal of confusion involving the authority of the chair, Mr Bevan managed to have the last word with a two-minute speech which was more incisive and effective than anything else he has said this session. But much the most interesting episode was Mr Head's graphic description of the way in which the military planning had to be done within a straitjacket of the six days needed to sail from Malta to Suez—a speech made without its author apparently realising that he was simply adding one more authoritative witness to the folly of attempting the enterprise at all.

In view of all that happened at Suez and since, the Labour backbenchers' demand for a select committee was a respectable one backed by precedent. But the Government was right to reject it. Apart from Sir Anthony Eden's physical inability to be exposed to cross-examination, ministers might have been obliged to answer questions in a way that could only be damaging to Anglo-French relations, which are bad enough already, and to Anglo-American relations, which have been mercifully repaired. But Mr Macmillan cannot for ever be allowed to get away with the pretence that nothing untoward or unusual in the processes of British government happened two years ago, and the public has obviously got some right to know exactly what did possess its rulers. The case for raising the

veils is strengthened by the official help given to Sir Anthony Eden to publish his own version. The best compromise, although it would not produce the information in time for the Labour party's electoral purposes, was actually suggested in the debate by Mr Emrys Hughes. The Government could appoint an official historian.

IRAQ

Who's in Charge Here?

FOR the first time in centuries, what happens in Iraq may determine the future of the whole Arab world. When the regime of Nuri es-Said came to an abrupt end in July, the revolutionary forces which upset it seemed to be moving in a direction that was easy to recognise. The Iraqi revolution then looked to be another triumph for President Nasser's kind of Arab nationalism. It was treated as such by the western powers, and warmly endorsed by Nasser himself. Now the picture is not so clear. What everybody in the West wants to know is the extent of communist influence in the Iraqi government. For once, the West and President Nasser have reason to be concerned about the same thing.

In Egypt, President Nasser has managed his courtship of Russia with considerable skill. He accepted aid and arms from the communist governments but he denied to communists in the United Arab Republic the freedom to gain power under their own flag—and, from time to time, he throws some of them in jail. In Iraq, Prime Minister Qasim has had less success. Instead of becoming a counter-attraction to the Arab nationalism of Cairo he has allowed Baghdad to become the centre of communist ambitions in the Middle East. The communists, having been content elsewhere to use Arab nationalism as a weapon against the West, have taken a bolder stand in Iraq. Whether they can consolidate their gains or not depends largely on what Brigadier Qasim chooses to do—if the choice is still his.

This week Mr William Rountree, the assistant secretary in charge of Near Eastern and South Asian affairs in the State Department, paid a highly publicised visit to Baghdad only a few days after the retiring American ambassador, Mr Gallman, had quietly slipped away. The city was plastered with "Rountree Go Home" posters for his arrival, and there were demonstrations at the airport and in the streets. Iraqis had been told he was plotting against their independence, just as they had been told at the stage trials of former officials that Mr Loy Henderson had plotted against it. The Iraqi government permitted this campaign against its own guest, and allowed its press and radio to keep it going until after Brigadier Qasim had talked to Mr Rountree. The State Department has absolved the prime minister of blame for the attacks on Mr Rountree, thus implying that it thinks Qasim a good fellow. But this leaves a key question open: if it was not he who set off the mobs, the press and the government radio, who was it?

GHANA

After Accra

IT is now for Dr Nkrumah to take stock of what he has achieved, for himself and for Africa by the all-African peoples' conference at Accra. He planned this meeting of African nationalists struggling against the "imperialist" yoke in the first days of Ghana's independence. But it is a measure of the speed at which Africa is changing that by the time the peoples' conference met, the scene was quite different from that in which it was planned. Throughout West Africa the imperialists have dwindled to a few British and French officials toiling to bring about the independence or autonomy of a score of new states, a few governors and governors-general with retirement in sight, and of course the Portuguese in full fifteenth-century panoply. In West Africa Dr Nkrumah has now quite new anxieties. Can he somehow federate and dominate, or at least lead, the new states coming into existence? Above all, what is he to do about Ghana's real emergent rival, Nigeria? It is true that the two Nigerian southern parties came to Accra, but one of them came for the unkind purpose of drawing attention to the crushed aspect of Ghana's parliamentary opposition. The Northern People's Congress party, which is quite likely to rule Nigeria when it becomes independent in 1960, did not attend, nor did the major French West and Equatorial African party, the *Rassemblement Démocratique Africain*, apart from its dissident Guinean component, which is now the ruling party in Guinea. Dr Nkrumah could point to the Ghana-Guinea union as a prototype of the future United States of Africa. But it is more an alliance than a union, though perhaps, if more states in French Africa opt for independence, confederation will become possible. Clearly, however, Dr Nkrumah's diplomacy is going to be kept busy in West Africa for the next two years, if Ghana is not to end up as one of a miscellany of balkanised West African states overshadowed by a Nigeria which may become the nucleus of a wider union.

The new permanent secretariat in Accra, however, looks southwards, and offers Ghana's championship to the masses in the still-colonial British, Belgian and Portuguese territories of Middle Africa. It also specifically challenges Egypt's bid for African leadership—and perhaps Russia's. The conference is likely to inspire the nationalist leaders in these colonial areas to new efforts to achieve "the political kingdom," as Dr Nkrumah advised; but this is also likely to embitter relations with the local white settlers who stand in the way of a quick "Gold Coast solution." It may also embroil Dr Nkrumah with the very countries from which he most needs help if his leadership in Africa is to rest on a firm economic foundation. At Accra he has thrown a lot of balls in the air: now he has to keep them up.

TEACHERS' SALARIES

Asking a Lot

LAST week the National Union of Teachers formally rejected the provisional recommendation of the Burnham main committee for a 5 per cent increase in salaries coupled with negotiations for new salary adjustments by April 1, 1960. It now finds itself in the difficulty that there is no machinery for carrying its claims further. Lacking any provision for arbitration, it has made an appeal to the minister; but it is difficult to see what he is supposed to do. He can hardly make a unilateral decision which would be tantamount to declaring that the Burnham main committee was incompetent to reach fair conclusions. Moreover, he seems bound to point out that the NUT's present attitude was endorsed by its own membership by only 112,893 to 100,596 on a card vote, while the Associations of Headmasters and Headmistresses (with 40,000 members) and the Association of Technical Teachers (with 25,000) voted for accepting the committee's recommendations.

It is fair to say, however, that a large proportion, if not a majority, of the state teachers are in a militant mood. They feel that the moment has now arrived to break out from negotiations merely about cost of living changes since their last award, and to bid for what they call "a professional salary structure." By this they mean a basic scale for all teachers of £600 to £1,200, rising to the maximum more quickly, and sugared with a larger number of "graded posts" for special responsibilities (which, in the view of the infant-school and primary teachers—largely women—should be more generously distributed at their end of the educational process). This demand (of course, it is an opening bid) would cost £58 million a year, and represent an average increase of more than 25 per cent. It would put the teachers as a profession still further above medical auxiliaries and local government employees, and probably above most executive grade civil servants. This rise would follow the 15 per cent increase given in 1956, then widely hailed as giving teachers a fair deal, which cost nearly £35 million a year.

The teachers bitterly resent the slightest suggestion that their work, their training and their capabilities cannot be valued at this level. But they ought to ask themselves if it is realistic to open their mouths so wide. On present salaries, inducements, and prospects of a steady but slower advance in teaching emoluments, adequate numbers of average teachers are coming forward for training as fast as places are made available. The only real shortage is of teachers—mainly men—with scientific and special qualifications. These are the hard facts of the supply and demand situation. They hardly square with a 25 per cent rise within the year, or suggest that there would be much public sympathy for forceful action to get it.

FURNITURE AND FITTINGS BILL

Tenancies at a Premium . .

IT had previously been supposed that Mr Mawby's Furniture and Fittings Bill was a strictly private enterprise venture by this lone Conservative trade unionist MP in the House. Now it appears that the Government sponsors it, for the Parliamentary Secretary to the Minister of Housing has declared that Mr Brooke regards it as a "worthwhile measure." It is difficult to see why.

The root of the matter is the understandable indignation of many would-be tenants when landlords try to charge large hidden premiums for new tenancies in the shape of exorbitant prices for a few old pieces of linoleum left in a flat, and their frequent complaint that "there ought to be a law against this." But, as a matter of fact, there is a law against it; there has been ever since 1920, but—because interferences with market prices of this sort rarely do succeed (they can nearly always be circumvented by contracts between willing parties or arguments about exactly what was offered)—successive twists in that law have never enabled it to work. The draftsmen of Mr Mawby's bill have decided, against the evidence, that new and sterner provisions will make it work this time. In particular, they seek to make it an offence to ask for such premiums, whereas hitherto it has merely been forbidden to get them. They want those who make the bovine mistake of transgressing against the narrow wording of their bill (instead of merely cunningly dodging round it) to be subject to criminal prosecution by the local authorities (who are quite the wrong people to start criminal prosecutions, which should be left to the police). And they want to give those local authorities fearsome powers of entry to property without warrant in order to secure evidence. But the really odd thing about all this is that the new bill is being proposed just after current rents for all new tenancies coming on to the market have been decontrolled by the 1957 Rent Act.

. . . and Premiums on the Way Out

IN the circumstances created by the 1957 Rent Act, the hidden premiums still being asked for many tenancies are of two main sorts. It is not clear which of them supporters of the Mawby bill think they are gunning for—and how. First, many landlords still prefer to get part of their payment from new tenants in the form of lump sums at the beginning of occupancy; if that is a convenient way of pricing their wares, and a way which the market will bear, not everybody will see why they should not do so. But if one says that they should not—and the fiction of calling the lump sum a payment for fittings understandably arouses ire—and even if one assumes that the bill will somehow effectively stop this system, landlords will, of course, invariably be able to compensate for this by increasing the current rent. Nor is there really much weight in the (at first sight) plausible argument that the new bill is a strengthened protection against outright swindles. When the lump sum is a largely fictional payment for fittings and does not confer a right to a reasonable length of lease, it is said, landlords might take the lump sum and turn the tenant out in the streets the following month. But in those sorts of cases tenants could and would get their money back under present law.

Secondly, some of the hidden premiums now being demanded arise not from the original Rent Act, but from Mr Brooke's last-minute scuttle away from one of its principles, when he allowed existing tenants of decontrolled tenancies to badger three-year leases out of landlords under pressure on favourable terms. Some of these tenants are now trying to assign these favourable leases to other people, valuing furniture at an excessive price. There is a stronger case for saying that this practice ought to be stopped (even though the tenants concerned often point out indignantly that they had to pay hidden premiums themselves when they first took up their tenancies); but by the time the Mawby bill becomes law most leases of this sort—and the problem attached to them—will have only a short period to run.

None of the arguments for this measure outweighs the real objection to the Government's action last Friday. By sponsoring this bill, Mr Brooke is leading simple people to suppose that he may somehow repeal the laws of supply and demand and make tenancies cheaper for them. And he must know perfectly well that he won't.

VENEZUELA

Water on Troubled Oils

ALTHOUGH full results of the Venezuelan elections are still not available, Dr Romulo Betancourt's comfortable victory has now been acknowledged by his rivals. The latest returns give him 1.2 million votes, against 900,000 for Admiral Larrazábal. Even in the capital, where the admiral

won a 4 to 1 lead, people have been forced to accept the country's decision. Dr Betancourt has promised to form a coalition government of the main parties (but not the communists), and is expected to take office on January 23rd, exactly a year after the downfall of Pérez Jiménez.

As president-elect he has flustered the oil world by quietly stating that the terms under which foreign oil companies operate in Venezuela will have to be looked at again. But he has made it plain that any revision is to be effected by talks between his administration and the companies, and not by government decree. The two main points in his still very tentative suggestions are that his government will press for a larger share in the profits of established companies (instead of the present 50-50 formula) and that future agreements will be concluded on a new basis. Instead of granting any more outright concessions, his plan is to create a national oil company which will employ outside firms under contract. None of this seems very alarming (there has been no hint of nationalisation), but until he takes over the government it is impossible to tell how far or how fast he intends to move.

More is in doubt than Dr Betancourt's oil policy. The important question in the next few months will be whether the new president can prevent the kind of disorder that could once again give the army diehards a pretext for taking control. Since much of the administration was swept out with Pérez Jiménez, he will have to depend partly on untried men—though some of his own associates can draw on their experience during the 1945-48 period of civilian government. However broad his coalition, it is unlikely to include the extreme Right which looks to the army for leadership. His mistakes will be swooped upon; even before the elections the Right was insisting that Venezuela needed a longer training period before being turned over to civilian rule.

POLAND AND EAST GERMANY

Forced Friendship

WHILE the western ministers in Paris were declaring their rejection of Mr Khrushchev's plan for Berlin, the east German leaders, Herren Ulbricht, Bolz and Matern, were leaving Poland after a visit consisting mainly of meetings with party bosses. Since the Polish people's hostility to the visitors was evident, and some unpleasantness was liable to occur, their appearances in public were kept to the minimum. However, the official declarations of mutual friendship reached their culmination at a meeting attended by party functionaries from Warsaw factories at the Palace of Culture last Saturday.

Mr Gomulka, who spoke first, said that he stood behind everything Mr Khrushchev had said on the German problem, and added:

> The German Democratic Republic represents the true interests of the German nation, it is our ally and friend, which makes its contribution to the cause of socialism by word and deed.

He accused the West of entertaining false hopes of undermining the alliance between Poland and East Germany. Replying, Herr Ulbricht claimed to be able to quote a Polish worker as saying that "the Oder-Neisse frontier has to be defended on the Elbe and on the Werra" (the two rivers whose names form the accepted cliché for the border between east and west Germany). As to the future status of West Berlin and the right of east Germans to control its lines of communication, Herr Ulbricht said consultations on these problems would take place soon between his government and the Soviet Union. He added the obvious point that, since every train has to run to somebody's timetable, the western powers—as long as they want to use the trains to Berlin—will have to enter into agreements with the east German government.

The visit of Herr Ulbricht's delegation to Poland was a demonstration of unity, contrived and superficial but timely, between the two states' attitudes towards their vital political problems. Mr Khrushchev had evidently been successful in showing the Polish communist leaders, during their recent visit to Moscow, where their interests lay and who are their only protectors.

UNITED NATIONS

The Brisbane Manner

EVEN England's batsmen in their worst Brisbane form cannot beat the UN Assembly at passing the time without showing results. A truly timeless Test could be arranged between the MCC and a team from Turtle Bay. And the assembly itself might improve its performance if it had to give it before a crowd of loudly impatient Australians.

It is not the quietness of the 1958 assembly that calls for complaint; the quietness itself has been heartening. One forecast made in *The Economist* has held good; although the spokesmen of the "new" nations admitted since 1955 were once expected to be loquacious and intransigent, the trend towards realism and compromise remains strong. The growing allergy to protracted vituperation is a symptom of maturity, and has helped an 82-member body to get through its agenda in no more time than the original assembly of only fifty-odd delegations used to need.

Yet one should not get too complacent when the debates on Cyprus and Algeria end with whimpers instead of bangs, when Indonesia does not raise the New Guinea issue at all, when the assembly conducts a hushed burial service over the remains of the summer's Middle Eastern crisis and refuses to get worked up about Quemoy. The decline in polemics has not been followed by any fresh zeal for action. The UN has left the cauldron of territorial water disputes to bubble on until 1960. It has refused to solve the South-West Africa problem by partition, but has turned up no better idea. Disarmament has been relegated in despair to a "committee of the whole." The new special development fund has been launched, but only $18 million has been pledged as yet; the communist governments and other loud champions of development aid are conspicuous among the laggards. Having got into a fine tangle over UN publicity, the assembly has extricated itself by telling Mr Hammarskjöld, in effect, to do what he thinks best. And it has only too readily dropped the hot-potato question of future UN forces. Nobody in authority has yet made the obvious point that such a force might one day have a part to play in Germany.

Three months of costly activity have, in fact, achieved precious little. Those delegates who want the UN to thrive should now at least be thinking how to use any future "quiet" assemblies to press reforms of the organisation's own mechanisms. One worthwhile first step would be to end the absurd system of 82 delegations in committee adopting, by simple majority, resolutions which the same 82 often

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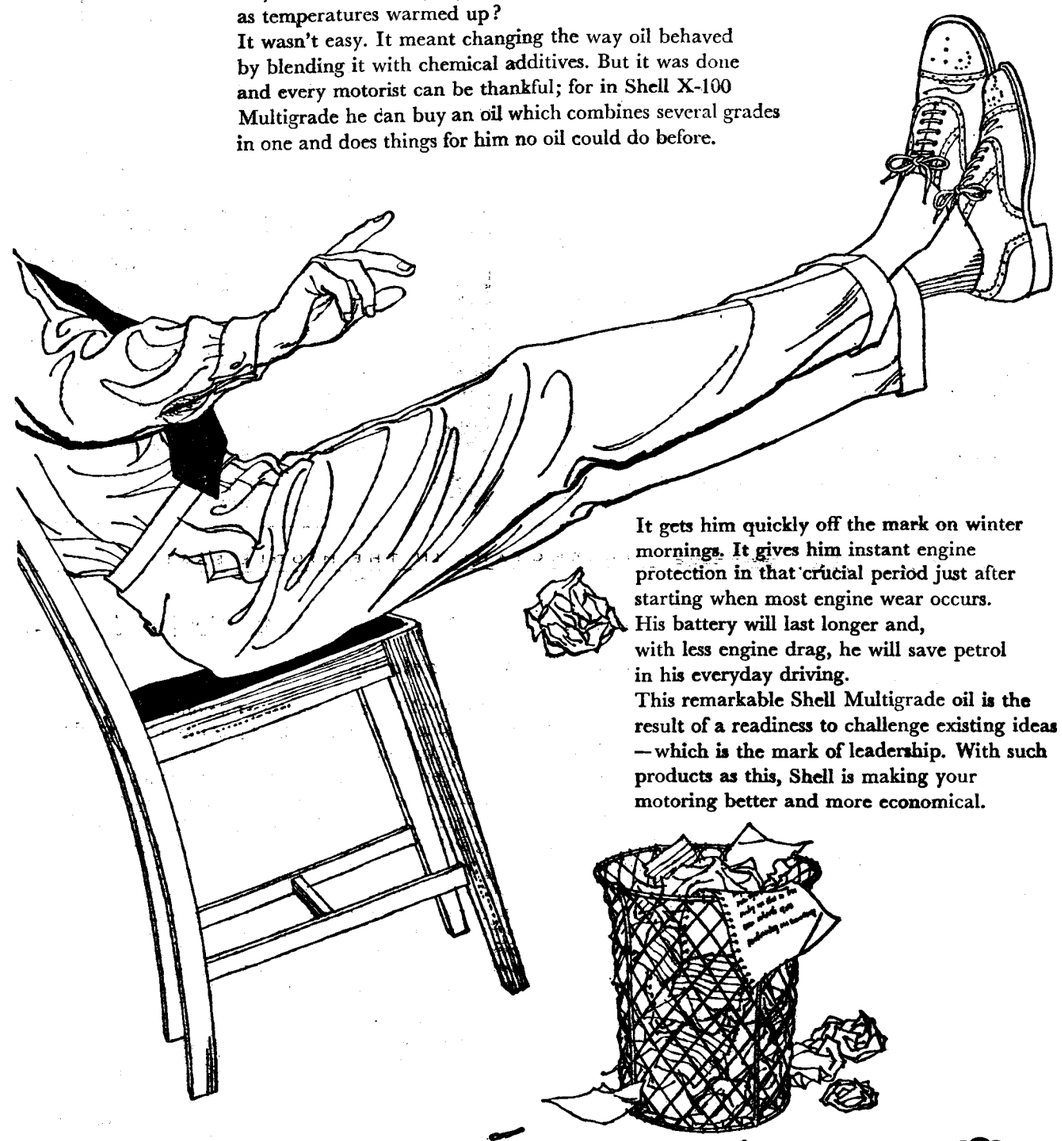

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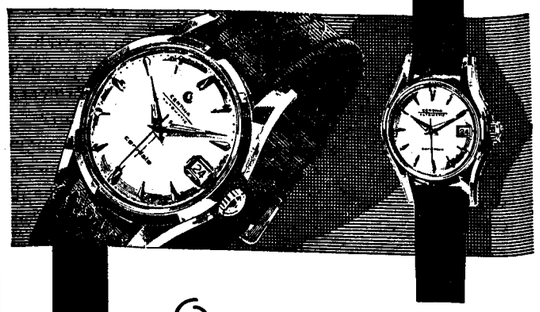

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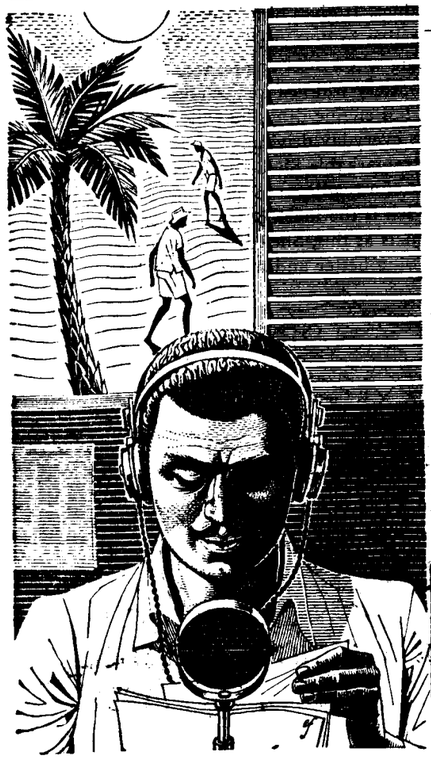

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fail to pass by the necessary two-thirds majority in plenary session. This merely confuses the public and makes the assembly look silly—which it can ill afford to do.

OBSCENITY

How Obscene Can Art Get?

WHETHER prodded by Sir Alan Herbert's electoral freebooting or by his own cultural conscience as President of the Royal Society of Literature, Mr Butler managed to sound conciliatory toward the Society of Authors during Tuesday's debate on obscene publications, while enjoying some quiet fun at the expense of Mr T. S. Eliot. Broadly, the Home Secretary agrees with the Select Committee of the House of Commons that Mr Justice Stable's masterly charge to the jury in the case of "The Philanderer" ought to be the law. But it is apparently beyond the wit of parliamentary draftsmanship to say so in legally convincing language. What Mr Roy Jenkins and his co-sponsors will have to decide is whether Mr Butler's subtle overtures are worth meeting rather than having no bill at all.

Mr Butler's suggested modifications in the select committee's new definition of obscenity should not, at a first layman's glance, present much difficulty. But the main conflict is over whether, as the committee wishes, a successful defence of a book's artistic or literary merit, backed by expert witnesses, should of itself carry the day, or whether, as the Home Secretary offers in its place, there should only be a general defence that publication is in the public interest, with the advancement of art and literature being explicitly included as one of the factors to be weighed. Whether it will be worth the authors accepting this change will depend rather on details which the Home Secretary did not fill in—such as where exactly the onus of proof would lie in deciding how the public good would best be served and under what conditions experts could be called.

If the Society of Authors meets Mr Butler on this point too, surely he can then afford to be more forthcoming on two other points. These are the right of an author affected by a prosecution for obscenity to be heard in defence of his reputation (on which Mr Butler was completely noncommittal) and the sensible recommendation that the Director of Public Prosecutions should always have to agree to the starting of an obscenity case.

Although there was none of the passion of the Wolfenden debate on Tuesday, it again seemed impossible for anyone to discuss the subject without sounding faintly ridiculous. The Home Secretary pictured the pulp mills turning on a tap of brilliantly written pornography once a defence of artistic merit were allowed; a Liberal publisher so forgot his party leader's aversion to "the establishment" as to assure the House solemnly that there was a well-recognised literary circle whose word on cultural matters could be properly sanctified by law; and Mr Nigel Nicolson, whose partner insists on publishing *Lolita* (which being a well-written account of a peculiarly unpalatable perversion, will shortly put everyone's principles to the test) asked for cover behind a literary censorship—a course which Mr Butler has rightly spurned. In the same spirit it may be urged that whatever compromise is reached the expert witnesses should be retained, since the exchange of aphorisms between literary and judicial lions, while not invariably helpful to the defence, will unquestionably make for more entertaining cases.

ELECTRICAL TRADES UNION

Actions for Libel?

THE slow battle of nerves between the Trades Union Congress and the Electrical Trades Union has now taken another—and just possibly more decisive—turn. It is about time too. The TUC has been worried for years about the election methods of the communist-dominated ETU; but, even by union standards, it has been exceptionally slow to do anything about them. Even now it has decided rather feebly against making any formal investigation under rule 13, which allows the TUC to look into activities "contrary to the declared principles of Congress." Instead, it is asking the ETU to defend itself, if necessary in the courts, against allegations of rigged balloting that have appeared against the union in the press.

It is difficult to judge how this timid start will develop. If the ETU does take action against these statements—and there are plenty of them—it will, in its position of plaintiff, have to prove its case by taking the lid well and truly off its election methods. That is one reason why it may be loth to move unless it feels that the alternative might be an investigation under rule 13. But if it thinks that such an investigation is likely, if it feels that a battle somewhere must come, it might well prefer to be on the offensive in the courts, where it could pick out the particular allegations which it felt it could most easily refute. It has thus so far pretended unconcern, and even hinted, through the columns of the *Daily Worker*, that it would have made an attack against these allegations before had it been sure of the TUC's backing. Of course, the TUC's opinion on the matter was never asked; but, by asking for their support, the ETU communists may hope to frighten the more hesitant members of the General Council into not taking any action at all.

The General Council should not be deterred by this. If the ETU is prepared to say, even for reasons of strategy, that it will expose its election methods to public scrutiny, then the TUC should back to the hilt its decision to go to law. After all, this is what the TUC should want. If the ETU takes no action, then the TUC should proceed to an investigation under rule 13. Many individual unions are unwilling to see this precedent set, both because of their tradition of autonomy and because there are other organisations besides the ETU whose election records might not in all cases look snow white under public inquiry. But the damage done to the unions' prestige by this precedent would be tiny compared to the damage already done by the so far unrefuted allegations against the ETU. Moreover, the unions are uneasily aware that, thanks to the inaction of the ETU, many newspapers are now feeling emboldened to thrust their inquiries into alleged union scandals much further than their cautious apprehension of Britain's stringent libel laws has hitherto allowed.

WAGES LEGISLATION

Raising Issues

WHEN the Government decided two months ago to kill off the Industrial Disputes Tribunal, it removed from the British economic scene not only a powerful engine of inflation through compulsory arbitration, from which not

a few of our postwar economic troubles had stemmed, but also a body which had performed a second and less generally important function: that of deciding on so-called "issues disputes." These arise when an employer is found to be paying less than the wage rates agreed for his industry by the appropriate central associations of employers and trade unions. The recalcitrant individual who refused to pay these "fair wages" could be hauled before the tribunal and made to toe the central line; this has happened on 41 occasions this year.

By agreement between the unions and the big employers' associations, Mr Macleod has now announced, the issues procedure is likely to be raised from the dead. The exact machinery for raising it has not been finally decided, but one clue is provided by the fact that legislative powers are expected to be taken by the insertion of a new clause in the Wages Council Bill which is now before Parliament (and which was designed, originally, to deal only with the catering trade). The argument for this clause will be that the phrase "fair wages" means an emotional lot to the unions, that it can make a recalcitrant employer toe the line, and that proceedings under the old "issues system" were not really very extensive in practice. The argument against it is that, as one should always suspect when big employers and big unions are agreed, it will tend to lessen competition. To force all employers to pay wages agreed by the most prosperous firms in an industry can squeeze out the employer of sub-standard labour or labour which would otherwise be unemployed. There was a prime example of this restrictionism earlier this week, when employers and building unions in the north together condemned the excellent practice whereby some building workers have entered into voluntary contracts to build some additional houses in certain developing areas after hours. It is easy to see something of the same restrictive spirit in industry's support of the issues machinery. When the new clause comes to be debated, this largely two-party Parliament —which is not supposed to represent big trade unions and big employers' associations only—should certainly not allow it to pass merely on the nod.

ICELAND

Coalition Adrift

ICELAND is still without a government. Its economic woes, which played their part in prompting this summer's claim for a twelve-mile fishing limit, brought down Mr Jonasson's coalition a fortnight ago. Mr Jonasson had been in office since 1956, sustained by a somewhat uneasy alliance between his own Progressive party and the Social Democrats and communists. Last May, when the government made a resolute effort to set its house in order, it imposed an import tax that put up the cost of living by almost ten per cent. Mr Jonasson then resisted trade union pressure for wage increases that would bring further inflation, but in his latest plans for restraint—which the unions rejected—he lost the support of the Social Democrats and communists in his cabinet. Mr Thors, leader of the conservative Independence party, is at present trying to form a coalition government.

The United Nations General Assembly has now recommended that no further conference on the law of the sea should be held before 1960. This makes it all the more important that the British Government's suggestion of an interim agreement on Icelandic waters, pending the outcome of the general conference, should be taken up in Reykjavik. Mr Selwyn Lloyd offered the Icelanders a naval demarcation line along the six-mile limit during the Nato talks in Paris on Thursday. Unless new talks are begun it may be too much to hope that the cod war will remain as uneventful, or as jocular, this winter as it has been so far.

HOLLAND

No Dutch Macdonald

DISCLAIMING any wish to be a "Dutch Ramsay Macdonald," Dr Willem Drees, the Dutch prime minister and leader of the Labour party, resigned on December 11th, together with four other socialist ministers, after his right-wing coalition allies had helped to defeat a tax measure introduced by the socialist finance minister, Dr Hofstra. The socialists interpreted this defeat as an attempt to give the employers priority over the workers in obtaining relief from the anti-inflationary measures enforced last year. The rest of the cabinet placed their portfolios at Queen Juliana's disposal; the outcome of the crisis, however, may be not a new cabinet but the general election which, in the normal course of events, would not be due until 1960.

The crisis did not take the Dutch public by surprise. Ever since the defeat of the Labour party in the provincial and communal elections early this year, discord has been growing between the socialists and their coalition partners, of which the Catholic party is the chief. The socialists have found it more and more difficult to carry out the essential parts of their party programme, and their coalition colleagues have been emboldened by the increasingly anti-socialist mood of the electorate.

If a general election is held, it will not be dominated by any great controversial issue. New Guinea arouses very little popular interest, and the Labour party is itself divided over what should be done about it. Domestic campaign issues, with the possible exception of rents, are likely to be unexciting. The consequences of last year's inflation have been overcome. The balance of payments shows a comfortable surplus week after week; prices are stable; unemployment is very low; private investments are increasing; and confidence in the guilder is high. In this atmosphere, it will not be easy for the Labour party, which has been so influential in Dutch political life since the war, to restore its dwindling popularity.

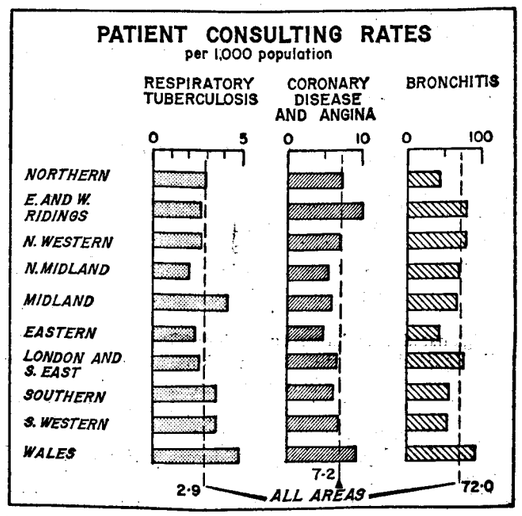
MORBIDITY SURVEY

Diseases at Large

THE results of the first of three surveys of diseases seen in general practice in England and Wales have just been published by the General Register Office. The survey analyses two separate things: first, the number of times the 170 doctors in the sample were consulted; and, secondly, the prevalence of particular diseases about which they were consulted. The first gives some idea of the load the general practitioners carry; it works out at 3.8 consultations a year per person on their lists (consultation being taken to exclude non-medical items of service and requests for advice over the telephone or through a third party). The second shows the number of patients suffering from a disease irrespective of the number of consultations.

From the first analysis, it appears that about a third of the people covered by the survey did not consult their doctors at all during the year; among the two-thirds who did, there were more women than men, and about half of all those consulting their doctors did so four or more times. According to the second analysis, out of every 1,000 patients (consulting and not consulting) on the doctors' lists, 81 were diagnosed as suffering from the common cold, 65 from arthritis and rheumatism, 62 from bronchitis, 46 from psychoneurotic disorders, and 38 from influenza. But it was the bronchitis patients who needed the most medical attention (roughly four consultations a year), their consultation rate being 261 per thousand, compared with 163 for the common cold.

The survey also analyses the rates by regions and by type of practice—urban, semi-urban and rural. Some examples of the regional variations are given in the accompanying diagram. It will be seen that in the east and west ridings of Yorkshire coronary disease and angina are noticeably more prevalent than in, say, the eastern region, which seems to be the healthiest area to live in all round—though it does have a hay fever rate rather higher than the average. The survey's statistics, it should be noted, are not weighted for the numbers of the population in each age group, and the east and west ridings may contain an excess of people at the susceptible ages for coronary disease. Or perhaps the stress and strain of a Yorkshire business man's life increases his liability to heart attacks—a question on which the second survey, analysing sickness by the patients' occupations, should throw some light.



CHINA

The Future of Mao

ON Tuesday Marshal Chen Yi, the Chinese foreign minister, informed a number of diplomats in Peking that the central committee of the Communist party had approved Mao Tse-tung's decision to give up his position as chairman of the republic. The committee's announcement explained that this would enable Mr Mao to "concentrate his energies on dealing with questions of the direction of policy" and also to "set aside more time for Marxist-Leninist theoretical work, without this affecting his continued leading role in the work of the state." He will retain his decisive position as leader of the party. Marshal Chen and the committee conceded that the change will have to be explained carefully inside and outside the party to prevent "any misunderstanding." Up to Wednesday, the Chinese people themselves had learnt nothing of the news from their press or radio.



The decision of the 65-year-old Mao to give up a largely ceremonial and time consuming job—while remaining at the centre of real power—has been interpreted, both in Chinese nationalist circles and in Belgrade, as the result of differences between him and Mr Khrushchev. There seems little basis for these speculations; the official explanation is plausible enough. Mao Tse-tung has never shown great interest in the trappings of power; and he has personally done much to develop Marxist-Leninist dogma. Before the Communists won power in China, he had already written a large number of works on this subject; his literary output has declined since. He may regard it as his duty to round off his life's work with an opus that would bring theoretical Marxism closer to Chinese, and Asian, realities. Marx had based his theory on conditions in highly industrialised societies; Lenin had to do a lot of juggling to adapt it to Russia, where only a small industrial proletariat existed in 1917. Mao presumably wants to transform Marxism-Leninism into a doctrine fully applicable to societies that are still virtually unaffected by any industrial revolution. He may also be drawn into the field of ideology because Mr Khrushchev, and most of the Soviet leaders, are keeping clear of it. But he is evidently not going into retirement. And the tortuous way in which his colleagues have handled this week's news (the Nationalists had already got wind of it, which presumably forced Peking into a premature disclosure) reveals their fear of "any misunderstanding" among the masses to whom Mr Mao has been so long presented as a godlike father-figure.

SOVIET UNION

The Schools Debate

THE Supreme Soviet, which has been summoned for December 22nd, may prove a curtain-raiser to the party congress in January. It is likely to endorse the budget for next year, a process that should show whether or not the new economic plan involves any important financial changes. In particular, it will be interesting to see whether additional expenditure on housing and on raising minimum wages will be accompanied by any cuts in defence spending.

The budget will, as usual, be approved without opposition and without any real alterations. A more lively debate may be prompted by the educational reforms discussed on page

152 of *The Economist* of October 11th. The schools discussion, which has been going on in the Soviet press and on the radio ever since the publication of Mr Khrushchev's new programme, shows that his theses are by no means to everybody's liking. Many teachers, while agreeing that change is needed, regret that it should mean the reduction of compulsory schooling from ten years to seven or eight. Many professors, in turn, deplore the fact that the bulk of university education is to be shifted to evening classes. Naturally, this opposition is expressed very mildly. But will it find an echo in parliament and affect the final shape of the bill?

Sessions of the Supreme Soviet are also always the stage for a major speech on foreign policy. Mr Gromyko, or Mr Khrushchev himself, is likely to close the session with an international *tour d'horizon,* in which Germany is bound to be the focal point.

K the Breadwinner

THE central committee of the Soviet Communist party has met again this week to talk about agriculture. Mr Khrushchev's lengthy progress report on the achievements of the last five years was published in *Pravda* without waiting for the meeting to end. For the first time since 1953 (when Mr Malenkov confirmed that Soviet grain statistics, calculated on the basis of the standing crop, were highly inflated) it contains an absolute figure for Soviet grain production. This year's grain harvest is estimated at 137 million tons. It may seem little when one remembers that 180 million tons was the target set for 1955. Nevertheless, it is claimed as the best crop ever gathered in the Soviet Union.

Mr Khrushchev claims greater achievements in other branches of agriculture. Indeed, his report is a plea *pro domo sua.* Important progress has been made in the last five years since he took control of agricultural policy. Things had been very bad before that. And the men responsible for past setbacks had been trying to sabotage his policy. His report contains violent passages against the "anti-party group" (MM. Molotov, Kaganovich, Malenkov, Bulganin and Shepilov). They are accused of having obstructed Mr Khrushchev's managerial reform and his drive to reclaim virgin land, as well as of opposition to his plan for replacing compulsory deliveries by purchase on the market. The terms are strong, but it is as yet impossible to tell whether the indictment is a warning to potential offenders, a defensive move against a strong, continuing opposition, or the announcement of a new purge.

PROVINCIAL POLICE

The Case for Inquiry

IN the Lords last week Earl Winterton called for an inquiry into whether the statutory control of certain local authorities over provincial police forces is being properly exercised, whether the powers of the Home Office's inspectorate of constabulary need to be strengthened, and whether some of the smaller provincial police forces should be amalgamated with larger ones. The Government successfully resisted this call. But motions which are politely withdrawn in the Lords have a habit of preparing the way for action later, and this is certainly a matter which should be pressed on the Home Office again.

The size of provincial police forces varies widely and anomalously, according to geographical and historical accident; at a time when the whole structure of British local government is being re-examined, a re-examination of the best size of authority to handle this important local government service could only be beneficial. There is a similar variation in efficiency (the mobility of top criminals in the motor car age has made this nationally embarrassing), in the powers of watch committees (sometimes they make the main appointments in their force, sometimes chief constables do), and allegedly also in political pressures on the police; it is widely believed that police attitudes to strike pickets sometimes vary according to which political party is in power on the council. London's police are the only force whose activities can be subjected to scrutiny at parliamentary question time, so that individuals who think that something is wrong in their area have widely differing opportunities of seeking publicity and redress. That was one lesson of the long-festering Brighton affair, and another was that there are real difficulties in educating watch committees to oversee matters that are often right outside the average councillor-committeeman's philosophy.

The Home Office's central inspectorate of constabulary, the only co-ordinating authority, now consists of five inspectors (plus another for Scotland and one woman inspector); their main visits to local forces are made at a pre-communicated time and date, like kit inspections in

The Economist

DECEMBER 18, 1858

GOVERNMENT AID TO ENTERPRISE

When great schemes for objects of public utility are brought before the country, it is most natural that a general opinion should prevail, that Government, that is, the country in its collective capacity, should extend its aid to such enterprises. There are undertakings so novel in their character, as to involve an uncertainty which the timid capitalist shuns, and yet so important in their results, if they can be accomplished, that the State may be excused, even according to the strictest interpretation of the doctrines of private enterprise, if it extends its aid to them. But after all the experience which we have had, the real difficulty which still remains to be solved is this:—in what can the State, if ever so willing, extend efficient aid to mercantile undertakings—bearing always in mind that it is the undertakings only which it is intended to encourage, and not the interests of the capitalist that it is intended to protect? A Government ever so desirous to carry out some great work of public utility, finds itself beset with numerous difficulties not easily seen at first sight. . . . The drawbacks incident to Government undertakings have been nowhere more strongly illustrated than in India. The time that is lost, the expense that is incurred, the frequent changes of plans and policy with a change of the controlling power, all fatally interfere with efficiency. And we feel certain that no plan would have been more justly objected to in reference to the construction of submarine telegraphs, whether to India or across the Atlantic, than the direct agency of the Government in laying them down and working them. . . . The only plan which has yet been devised . . . by which we can secure the advantages of Government assistance, without weakening the value of private skill and assiduity, is by practically dividing the risk—by giving the greatest possible motive for the accomplishment of the undertaking itself, in the shape of a high and certain prize in the event of success—by throwing the risk of the actual accomplishment of the *work* upon those who undertake it, while the Government guarantee such an annual income as shall leave no risk as to the scheme being, when once completed, profitable.



LIVERPUDLIANA No. II

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Extracts from the Liverpool precedents (Municipal Records) circa 1580.

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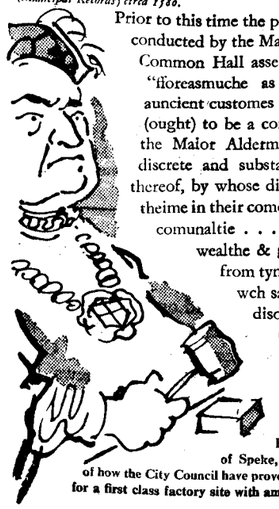

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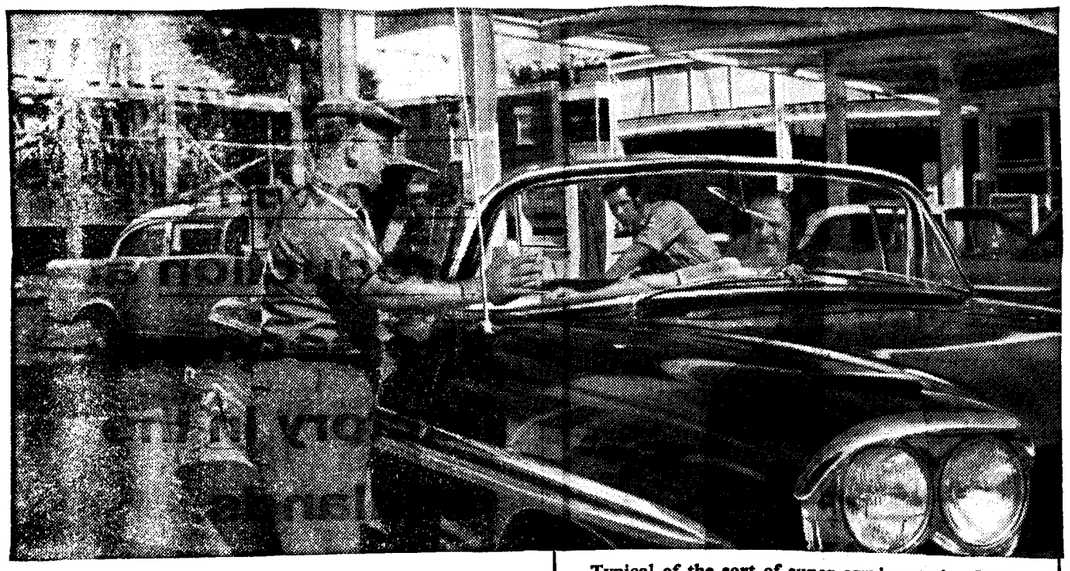


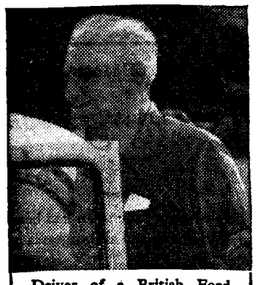
Typical of the sort of super service station BP is building across the two provinces, this BP garage stands at the corner of Ontario and Leclaire Streets in down-town Montreal. Says 42-year-old owner WILLY SWEET (cleaning windscreen) – "It's a darn nice outfit, BP. Sales? I was up 4,000 gallons first month I took over."

CANDID CANADA SPEAKS ITS MIND

It was only in April last year that the first gallon of BP gasoline was sold in Canada.

Today BP Canada Limited (an affiliate of the international British Petroleum Company Limited) operates a chain of over 350 garages, spanning across the provinces of Ontario and Quebec. By this time next year, BP will have around 700 garages. And by 1960, a great new BP Refinery will be in operation at Ville d'Anjou. Recently a special reporter was sent from London to find out what Canadians think of BP's great new development.

What the motorists think, you can read on this page. They think BP's good. But what of the men who sell it? For this, come to the BP Don Mills service station, Toronto City. Here works expatriate Britisher Mr. W. R. Matthews. He used to sell BP in England. Now he sells it in Canada. And what does he think? "Sir," he said to the BP reporter, "the future of BP in Canada? The answer is WOW!"



Driver of a British Ford Anglia, 74-year-old SAM DIAMOND of Ottawa. "I find BP 100%. Been using it for about a month now and yes sir, I find everything about BP just fine."



Out for a weekend trip with his wife and 7-year-old daughter Marilyn, DONALD MORRISON of 28 Greenland Road, Don Mills. "I always use BP, it sure is OK by me."



28-year-old VIC ORTIZ of 4 Hollywell Drive, Toronto City, drives Ford Fairlane 235-774, is himself in the automobile business: "It's real fine gas is BP. As for service, I reckon they give the best you'll find in the city."



Pipe Line Spread Boss, 37-year-old WILLIAM BERNARD of 74 Jackman Avenue, Toronto. "I always use BP and I find it works real good. I reckon British goods are just fine."

THE BRITISH PETROLEUM COMPANY LIMITED BP

the armed forces. It is impossible to believe that this patchwork quilt of organisation is perfect in every respect. The main obstacle to an inquiry is presumably the apprehension of high police officers lest any investigation might degenerate into a witch hunt. That is a quite unnecessary bogey. What sort of people do the police think that royal commissioners usually are?

CAMBODIA

Storm in a Buddhist Teacup

SINCE it broke off diplomatic relations with Siam last month, Cambodia has announced the suspension of air services between Phnom Penh and Bangkok, restrictions on the movements of foreigners inside Cambodia and steps to recruit parachutists. The Siamese say they are willing to resume relations on condition that Cambodia releases 32 Siamese citizens allegedly "held by force." In that event, Siam would consider lifting security measures.

There is more in this unfortunate situation than meets the ear of the listener to rival broadcasts. Some of Cambodia's neighbours describe the Cambodians as touchy and stubborn (a border dispute with Vietnam was in the news in June), but the history of the Indo-Chinese peninsula can be made to serve either side in these border disputes.

A Cambodian delegation went to Bangkok in August to negotiate a settlement of minor differences. These concerned the frontier (the Khmer temple of Préah Vihéar, in the disputed region, was "stolen" by the Siamese three years ago, according to the Cambodians) and the transit of goods by railway between the two countries. Prince Wan, the Siamese foreign minister, took a conciliatory attitude, but the minister of the interior in the then government, General Prapart, did not. After a "popular demonstration" against Cambodia in the streets of Bangkok, the talks broke down; three weeks later, the Siamese government was overthrown by the army leader, Marshal Sarit.

In recent weeks, the Cambodian leader, Prince Sihanouk, has been attacked in the Siamese press for recognising communist China. Indeed Prince Sihanouk was in China about the time his delegation arrived in Bangkok (for that matter, he has since been to the United States). The attacks on the Prince were unjustified and seem to have been an added irritant in Phnom Penh. But did they really justify a diplomatic break? Between these Buddhist neighbours, mildness and common sense would be more in character.

SOUTH AFRICA

Dr Verwoerd Seeks Allies

THOSE who have always believed that in the end even the most messianic of Afrikaner nationalists would weaken, in face of the world's disapproval and the rise of black nationalism throughout Africa, will be rubbing their hands over Dr Verwoerd's recent press interview. Although he once more insisted that everyone was out of step except his National party, his statements can also be read as an uneasy man's appeal for allies and for sympathy. He assured the West that in the Union it had its only reliable friend, its last toehold in Africa:

> Our friendship must remain even in spite of misunderstandings. If we are left in the lurch for friendship in the present cold war, and the whites lose out in this country, then even this bastion is lost to the western world.

It is remarkable that Dr Verwoerd can publicly speak of the Afrikaner nation losing out. This certainly strengthens the impression that he is asking for love. But of course his plea is really that the West should see everything from his angle: African nationalism is communism, or the spearhead of communism; therefore the Union's firm stand against communism, which happens also to be a firm stand against African nationalism, is profoundly in the West's interest, indeed the only possible policy for keeping Africa in the western camp. His argument then brightly brought in apartheid as the only way to fulfil the legitimate aspirations of Africans for states of their own, and for (gradual) advance to civilised standards. At which point, of course, it becomes clear that the appointment of Bantu "ambassadors" to Goli and other "white areas" is a perfect *quid pro quo* for the removal of the white MPs who represent the Africans and Coloureds in the Cape Town parliament.

In short the appeal is: Love me, love my apartheid, my "suppression of communism" legislation, my treason trial (curtain just going up for Act II). It is certainly true that South Africa has strategic importance, though this is not now backed by any significant military contribution to the West. This seems little enough to set against the many political embarrassments which South African policies bring upon the West. Dr Verwoerd warns the West that western civilisation is at stake in South Africa. So it is, but not in the way he appears to think. The West is primarily concerned to preserve its civilisation in the West itself, and the only way Dr Verwoerd can help in that effort is to put his mind into reverse. But this new sensitivity in Afrikanerdom could still lead to new thinking, and that should be welcomed.

The Economist Diary

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LETTERS

A Syndicate in Trouble

SIR—The attention of the committee of Lloyd's has been called to an article which appeared in the issue of your journal for December 13, 1958, under the heading of "Lloyd's—A Syndicate in Trouble."

The committee are much concerned by certain of the wholly inaccurate statements relating to the affairs of the syndicate (known as the "Roylance Syndicate") which are made in the article and the committee wish to take the earliest opportunity to contradict the more serious of those misstatements as follows:—

(1) That it has been generally known for more than a year that the syndicate had run into difficulties and that the committee of Lloyd's have had to make special arrangements for its management.

(2) That it has been found that up to the underwriting year 1954 the distribution of profits had exceeded the profits earned and an unrecognised debit balance had been built up in the accounts.

(3) That as a result of the disclosures in connection with the affairs of the syndicate the committee of Lloyd's have already made some drastic alterations in the audit instructions.

The committee also wish to refute the implications of the last paragraph of the article that the accountants dealing with the audit of the books of the Roylance Syndicate had made mistakes in the matter of the assessment of outstanding losses.

The committee of Lloyd's are in course of conducting a full investigation of the affairs of the Roylance Syndicate and whatever may be the outcome of that investigation, it in no way affects the insuring public. As stated in your article and in previous statements issued by me to the press, all valid claims against the Roylance Syndicate are being, and will continue to be, paid in full.—Yours faithfully, WALTER BARRIE
*London, E.C.*3 Chairman of Lloyd's

Ins and Outs

SIR—Assiduous readers of *The Economist* will have recognised that for some time it has become one of the most effective and flexible of the defenders of the present Government. To the Conservative party, which can count on the invaluable support of almost the whole local press and the majority of the national press, whatever its policies and whoever its leader, this reinforcement from a paper which is nominally independent is surely welcome.

Your leader entitled "The Ins and the Outs" must be counted a most ingenious effort in this direction. In it you write that the Prime Minister's attempt "to liquidate and live down the false attitudes and miscalculations . . . which lay behind the Suez affair" is "wholly to the national advantage." And you go on to compare it to Mr Gaitskell's attempt "to live down his party's old dogmatic socialism." The comparison is specious. Though Mr Gaitskell may be embarrassed by your disclosure, and though his efforts may well prove unsuccessful, it would appear he is trying to educate his party.

No one can accuse Mr Macmillan of attempting anything so unrealistic. Far from it, on every occasion that offers itself he defends and bolsters up "the false attitudes and miscalculations in his party which lay behind the Suez affair." This very summer in America he described it as "wise, honourable and justified." Only the other day he promoted two of the least educable members of his party, both of whom remain fanatical supporters of the Suez affair, Mr Julian Amery and Mr Hugh Fraser. This is not "doing good by stealth." It is openly encouraging crime.—Yours faithfully, MARK BONHAM CARTER
House of Commons

Labour Policy

SIR—Mr Harold Wilson's letter is certainly valuable. It is most useful to have it on record that he agrees with your interpretation that Labour policy implies no further nationalisation.

The rest of his letter is less satisfactory. We should like to know what Labour policy is as well as what Labour policy is not.

"Controlled expansion," in a broad sense, is the aim which has been pursued under a variety of names by every Chancellor of the Exchequer since the war. A pæan in praise of the Promised Land and an attack on the Government is no substitute for any indication of how the Labour party intends to get there.

If "controlled expansion" is to be regarded as a policy and not a catch phrase, two questions must be answered: "How controlled?" and "How expanded?" In my previous letter I endeavoured to set out what I understood to be the answers to these two questions given by the authors of "Industry and Society" and "Plan for Progress." Mr Wilson, however, says that these are all "bogeys and fantasies." I did at least pay the Labour party the compliment of believing that they had a policy. If I have misunderstood it (and its obscurity makes this quite possible) would Mr Wilson tell us what is the correct interpretation, not of the ends, about which there is relatively little dispute, but of the means, which are what industry wants to know of a party which might be called upon to form a government?—Yours faithfully, ROBERT RENWICK
*London, E.C.*3

Wales

SIR—Your paper's comment on Wales in the issue of December 6th had a sneering and flippant quality which one does not expect to encounter in your columns.

You say that Mr Huw Edwards ". . . had run the Advisory Council for Wales since 1948 very much as his personal instrument." Not one of those who oppose Mr Edwards has ever questioned his motives. You have made an unworthy personal insinuation without offering a shred of evidence. If you cannot justify this accusation, you should withdraw it.

In referring to the appointment of Mr Henry Brooke as Chairman of the Council, you omit a crucial fact. It was the Prime Minister himself who said that he wished to receive from the council independent and unfettered views. With a cabinet minister in the chair, the whole *raison d'être* of the council has been destroyed; what we now have is an administrative muddle presided over by a peripatetic Minister of State.

It is misleading to imply that, because there is no separate system of Welsh law, a Welsh Secretary of State would not have a full-time job. The degree of devolution which Scotland now has could easily be granted to Wales; the difficulties are largely manufactured by politicians and by high civil servants in Whitehall who are determined not to yield.

One expects a paper of the standing of *The Economist* to discuss the urgent need for devolution seriously instead of dismissing it with a few feeble quips.

On the subject of education you adopt the tone of a nineteenth century Colonial Office spokesman; you cannot stand the transference of responsibility ". . . from the appropriate ministry to the more parochial atmosphere of a Welsh Office, where there would be much more scope for nationalist pressures. . . ." But, surely, in a country where 28 per cent of the people are Welsh-speaking there are important problems of education which do not arise in England; the local authorities which are tackling them in a way which you dislike are responsible to the people who elected them, and for you to denounce all this as "parochial" or "nationalist pressures" is just name-calling.

In laying down the law on bilingualism you might at least have found out how to spell the names which you were writing about, instead of perpetrating "Gywaenysgor," "Dafydd of Gwilym" and "Ceidiog" on your readers. But perhaps this was in keeping with the contemptuous spirit which pervaded the whole comment.—Yours faithfully, BRINLEY THOMAS
University College of South Wales and Monmouthshire

[Several other angry letters from Wales have been received.]

BOOKS

A Concert of Convenience

The Commonwealth in the World

By J. D. B. Miller.
Duckworth. 308 pages. 25s.

IT it not clear why, as the publishers of this book assert, an Australian should view the Commonwealth "with the necessary detachment" for, as Professor Miller abundantly illustrates in an excellent Australian chapter, Australians are emotionally and otherwise as much a part of the Commonwealth as are citizens of the United Kingdom. Mr Miller, however, an Australian, now Professor of Politics at the University of Leicester, certainly succeeds in so doing even if one suspects that this is less by virtue of his being an Australian than by virtue of his being an Australian residing outside Australia. At any rate the chief quality of a book that has many merits is that of cool appraisal and dispassionate analysis of the factors determining the foreign and Commonwealth policies of its independent members at the present time.

Professor Miller's book is concerned throughout not with forms but with the probing of political realities. The hard core of the book is a highly topical exposition of the interests and policies of those who are or who are about to become Commonwealth members. In this category, including, as the author does, Nigeria, the West Indies and the Federation of Rhodesia and Nyasaland, there are now twelve; and it required skill and some sleight of hand to group them in seven chapters. Inevitably the treatment is uneven, in some instances sketchy and necessarily speculative—after all there is not much yet that can be said of the external policies of Nigeria, Malaya or even Ghana, even by Mr Miller, who is bold enough to assert at one stage what some of them will be thinking in the sixties. Elsewhere the treatment may be questioned, notably in the case of India where the variety of domestic forces, problems and emotions shaping its future seem to be simplified almost out of existence in a commentary that at some points comes near to being a textual analysis of Pandit Nehru's speeches. But even here the quality of the exposition rarely flags, largely because Mr Miller keeps firmly before his own mind and that of his readers the questions that really matter to a student of contemporary politics. Why do Asian countries remain within the Commonwealth, and what interests of theirs can membership be said to serve or advance? Why do Canadians, despite the reassurance of neighbouring United States power, see increasing virtue in a continuing Commonwealth tie? In what perspectives are Australia's older sentimental ties with Britain juxtaposed with their newer Asian associations in the post-Anzus Treaty period? And perhaps most important of all, because so often neglected, what is the importance of the Commonwealth to Britain herself as reassessed in the aftermath of the Suez aberration?

Professor Miller also considers the relationship of the Commonwealth to the sterling area, membership of which he describes as "a mixed blessing for all concerned." But he insists that the Commonwealth itself is "a going concern," its mainsprings in action being "economic co-operation, negative agreement on certain issues of world politics and the active encouragement of the Commonwealth association by Britain." He concludes that the Commonwealth is now best regarded as a "concert of convenience," a description which may distress surviving transcendentalists of an earlier and more aspiring epoch. But he is too shrewd a judge of political realities to discount the advantages and attractions, even if not equally compelling, of such a concert, to all the existing self-governing members, whether by historical origins they be colonies of settlement or what he illuminatingly terms colonies of administration. "'Concert,'" he writes in justification of his description, "conveys the idea of agreement, but not of any more unity of approach than the notion of negative agreement will stand. Convenience is essentially what holds the Commonwealth nations together. . . . They need consult nothing but their own convenience. . . . It is convenient to be in: it is not convenient to be out." To the champions of the expanding Commonwealth he has some very sobering reflections to offer. Even if it may be thought that there is something more to it than is suggested here, anyone who wants an up-to-date, lively, cogently presented argument of Commonwealth could not do better than read this book.

'Teddy' and Taft

The Era of Theodore Roosevelt

By George E. Mowry.
Hamish Hamilton. 330 pages. 35s.

WITH "The Era of Theodore Roosevelt" the New American Nation Series has reached its ninth volume. Sooner or later a crack was bound to appear in the high level of performance which the series maintained. It has happened here. Professor Mowry's book, though sound and meritorious, does not in the main capture the excitement and brio of its subject. Perhaps the particularly stimulating quality of most recent writing on Roosevelt and on the Progressives led one to hope for too much; perhaps most of what was waiting to be said has in fact been said elsewhere. Certainly on these two central themes of his period Mr Mowry has little new to say. Nor does he make up for this by saying it very well. Indeed at several points his syntax comes unbuttoned to an embarrassing degree. (What were his editors doing to let him talk about "a rather strong inflexibility," and use "scarcely" for "almost" and "until" for "before"?) Fortunately his judgments, if unoriginal and pedestrian, are sensible and fair; the reader who first makes acquaintance with the period through Mr Mowry's book will certainly come to no harm, but equally certainly he will get little idea of the riches and pleasures it offers at other hands.

Fortunately the mediocre Taft strikes a more responsive chord in the author than the remarkable Roosevelt, and thus the last hundred pages of the book acquire an interest which the bulk of it lacks. Here the evident determination to be fair and understanding benefits a figure who has had, at the hands both of contemporaries and historians, too little of both. Not that Taft emerges as a better President than one had known him, but the reasons (and the often valid excuses) for his inadequacy are made plain. By the end one becomes sorry for this anti-climactic figure, who eats too much, plays too much golf, takes too long vacations, listens too readily to Eastern industrialists, has his worst ideas checked by Congress and his best ones thwarted, and finally intervenes in the mid-term elections and sustains a resounding defeat. How seriously ought the contemporary reader to heed the consequences—the split in the Republican party and the loss of the Presidency to a crusading Democratic State Governor?

Prudent Saints

The Quakers

By John Sykes.
Wingate. 280 pages. 21s.

A Quaker Business Man: The Life of Joseph Rowntree

By Anne Vernon. *Allen and Unwin.* 207 pages. 21s.

"INDULGED the flesh too much this morning by lying in bed till eight o'clock." The goad of a Puritan conscience, coupled with a deserved reputation for integrity, brought unworldly Quakers a degree of material success quite disproportionate to their numbers. Even today there are only 22,000 of them in Britain. In view of their extraordinary record in business what, it may be asked, have the Rowntrees of this century to do with fanatics like George Fox? The answer is, perhaps, a continuing sense of charity towards all men and an enduring faith in a particular way of living. For the rest, reformism has replaced revolution, as the levelling tendencies of the founders have been superseded by a wise paternalism.

Mr Sykes has written a precise and

sober book on the attitude of the Quakers towards God and Man, now and in the past; but he does not sufficiently emphasise how the early nonconformists were pushed out of society, rather than voluntarily withdrew from it. The century and a half of "retreat," when the spiritual fires were damped and modest fortunes were made, was due not so much to persecution as to the protective barriers, in the form of tests, guild restrictions and the like, which were raised up against these enemies of the Establishment. He dates the revival of the true faith to the persecutions endured in the first world war by those who suffered for the Peace Testimony. For more detailed accounts of their economic activities one must turn to the books of Dr Raistrick and others; but for an introduction to the religious technique offered by meeting for worship and meeting for sufferings, and for an account of how "concerns" are translated into action, this book is highly recommended.

Miss Vernon's book is as much the biography of a great firm as that of the man who made it. During his working life of seventy years Joseph Rowntree expanded the York cocoa factory from a shop of twelve men to a large-scale industry employing over 7,000. It is a study of the development of a managerial organisation that never lost the personal and paternal character of its founder. Rowntree's own imagination and faith were responsible for such early experiments in industrial organisation as pensions, housing, profit sharing, and not the least of his gifts to the welfare state was the statistical interest in the problem of poverty that he bequeathed to his son Seebohm.

The reason that the Society of Friends has never been so highly esteemed as it is today is not only their way of seeking God, but also their happy combination of faith with works. It was Bright's father who, on meeting a crowd commiserating with a man who had lost his horse, made the typical Quaker remark as he took the hat round: "I'm sorry five pounds—how sorry art thou?"

His Own Executioner

Marshal Ney

By J. B. Morton.
Arthur Barker. 192 pages. 16s.

NAPOLEON, who said that it was impossible for Ney not to be physically brave, seems sometimes to have wondered why he had made him a marshal—for he added that no one had less brains. But Ney embodied the fighting spirit of the *Marseillaise*, and fired his men with it. Mr Morton gives full credit to his virtues—the saga of his heroism in the retreat from Moscow can seldom have been better sung.

Approximately two-thirds of the narrative are devoted to the Russian epic, its military consequences, Ney's disastrous miscalculations, and his subsequent imprisonment, trial and execution. The foreword says that "it is not till 1814 that his character is thrown into relief by the events which led to his death." But can the personality of such an outwardly simple, inwardly complex, fighting animal be explained without closer reference to the long military career in which it developed? Between 1794, when he was only a rung or two below Bonaparte, and 1799, he refused three promotions. Did he think ambition a dangerous advertisement before Brumaire made the Revolution safe for soldiers? Soon after Hohenlinden he was sent to Switzerland to superintend the transformation of the quarrelsome cantons into a useful satellite state. Mr Morton says that success was unlikely. It was more than unlikely—if the diplomatic negotiations were left to Ney; but in fact they were handled by Napoleon. Ney was his efficient military policeman.

His reward was the command of the VIth Corps at Boulogne, where the efficiency of his training programme, in which he was helped by the theorist Jomini, was proved on the march to the Danube and in the fighting at Ulm. Ney himself learned little from Jomini: "I make my plans in the presence of the enemy" he said and, ignoring the Emperor's, won a spectacular victory at Elchingen. But his determination "to share Glory with no one" complicated the Jena campaign by turning an advance-guard action into a major battle. In East Prussia his unauthorised move on Koenigsberg left a dangerous gap. His heroism at Friedland is justly praised—but victory was due to Napoleon's use of an unprecedented artillery barrage. In the Waterloo campaign poor staff work by Napoleon and Soult encouraged him to make mistakes; but they had been foreshadowed in 1813 when his blunders contributed substantially to the ruin of strategic conceptions that could have brought final victory two years before Waterloo.

The frontal-attack strategy of 1914 would have suited Ney. But it was his misfortune to be subject to psychological stresses like those which bedevilled French loyalties in 1940. His primitive courage was uncontrolled by reason, or even by political instinct; hence his feverish follies in the confusion that preceded and followed the "Hundred Days." Mr Morton describes the last act and final curtain with moving sympathy, but his discussion of Wellington's alleged callousness is almost irrelevant; Ney's tragedy was one of heroic qualities warped by inherent weaknesses; in that sense he was his own executioner.

The Stone Tombs

The Megalith Builders of Western Europe

By Glyn Daniel.
Hutchinson. 142 pages. 18s.

MOST English people have at some time seen at least one megalithic monument, either in Britain or on the continent, or perhaps even farther afield. Whether it was a famous one like Stonehenge, of some lesser stone circle, or one of the great stone tombs that are found scattered over various parts of these islands and most of the countries of western Europe, they have probably felt a certain curiosity to learn something more about these very material reminders of the remote past. Unfortunately, reliable and up-to-date information of a general nature is hard to come by. As Dr Daniel points out, only two books have previously been published in English, devoted expressly to the general problems of megaliths—and the most recent of these is now forty-six years old.

On the other hand, megaliths seem to exercise a fatal fascination on the imagination of those who haunt what is often referred to as the "lunatic fringe" of archæology. For the two serious works mentioned above there must have been hundreds of books published advocating some more or less insane theory about megalithic monuments, or in which these figure more or less prominently. The great size and impressiveness of many megaliths, the enormous size of the stones used in some cases, and on the other hand the little that is known about them and their builders, are equally an invitation to imaginative and unscientific minds to incorporate them in some wild and all-embracing hypothesis.

For both these reasons Dr Daniel's little book is more than welcome. In the small space of 40,000 words he has contrived to distil the essence of what is at present known and thought about the megalithic tombs of western Europe and the people who made them. With other types of megalithic monument he is only indirectly concerned. (Those who want information about Stonehenge are advised to seek it in Professor R. J. C. Atkinson's excellent popular account of this monument in the light of recent excavations.) The task, even so, was a formidable one, for during the later nineteenth century and the present one the labours of a small army of scholars have been devoted to this field (or parts of it), and their results, published in large monographs and scattered articles in learned journals, are of forbidding bulk. Worse still, students have often arrived at widely differing conclusions, and the whole subject is still extremely controversial, despite the progress of recent years. Specialists would, therefore, inevitably differ from Dr Daniel on many points, but there can be no doubt that he has accomplished his present task with great skill and fairness to as many points of view as possible.

The tyro can be safely recommended to confide himself to Dr Daniel to be led safely through the mazes of megalithic controversy, and shown how to avoid the Scylla of one heresy without falling into the Charybdis of another. If he is left at times slightly bewildered, and wondering if, in his concluding chapter, even Dr Daniel himself does not occasionally stray perilously close to some of the pitfalls which he himself has indicated to us, that is perhaps all to the good. The sort of information that archæology can give is severely limited, and with the best will in the world some ambiguity is bound to remain.

Word and Idea

Aspects of Translation

Contributed to the Communications Research Centre, University College, London.
Secker and Warburg. 145 pages. 25s.

TRANSLATION is at once a necessary bread-and-butter technique, like the use of conversion tables for weights and measures; a fine art; and a specialised approach to the problem of meaning, the relation between word and thing or idea. The study of translation is thus both the study of how one particular set of obstacles to communication can be overcome—those which arise when the persons communicating speak different languages—and the study of communication itself. It is important not only to those having occasion, for business or pleasure, to translate foreign texts, but also to all who have a concern with the effective use of words.

"Aspects of Translation" opens with a general introduction, by Professor Leonard Forster of the German Department of the University of London, which as a statement of the problems confronting the translator, and of the general principles by which he may be guided, can hardly have been bettered. Dr. L. W. Tancock, dealing with problems of style in translation from the French, goes behind linguistics to explore the national character and tradition embodied in language. The contributions of Mr Furley and Dr Needham are more—indeed extremely—esoteric; the first concerns translation from Greek philosophy, the second with the clues provided, by the development of Chinese ideograms, to the millennial history of science and technology in China.

Mr Booth's account of the problems of mechanical translation (by computers supplied with increasingly ingenious "dictionaries"), is esoteric in another way; the trouble with this fascinating essay is that the reader without electronic expertise, while appreciating the ingenuity applied to the problems of search, of word-order, of idiom and ambiguity, has no idea of the boundaries of technical possibility within which that ingenuity has to be exerted. M. Glemet's account of the ardours and endurances of conference interpreting is, by contrast, blessedly untechnical, highly human, dramatic and entertaining.

Professor Ratin's paper on "The Linguistics of Translation" returns to the central core of the subject, the relation between symbol and concept; implicit in his closely packed, learned, and almost algebraic account of the relation between different symbol-and-concept systems—an account that draws on English, French, German, Italian, Turkish, Arabic and Hebrew—is a whole system of ideas about the mutual relationship of cultures; ideas applicable not only to communication between, say, Russians and French, but also between the different English-speaking peoples or between different classes within the same people. This erudite discourse, it should be added, is agreeably punctuated with humour. Readers with a smattering of German, and a dictionary handy, may enlarge their understanding of the problem of homonyms by discovering just what the German lodger was trying to tell his English landlady in a note running: *A train runs through my room, and unless you give me one more ceiling, I must undress.*

Rout in the Wilderness

Ill Starred General: *Braddock of the Coldstream Guards*

By Lee McCardell.
Oxford University Press. 335 pages. 48s.

MANY of Britain's small wars have begun with a disaster: one of the prices paid for an empire acquired so haphazardly. The British army was not an especially efficient instrument of imperial policy, largely because the policy itself was bred out of expediency. Braddock was but one of the first to bear the blame for a failure that was due only in part to personal stupidity. He was not a likeable man, let alone a clever one. Yet can pity be withheld from a man trying, however ineffectually or blindly, to reimpose authority over a panic-stricken rabble? Braddock died, making that useless attempt. His troops were demoralised by the alien, savage environment of the green wilderness of leaves long before the cruel shrieks of the Indian braves sounded through the forests along the banks of the Monongahela: George Washington kept his nerve, but Daniel Boone was among the first to flee.

The truth of this episode was captured imaginatively in the novel. "Oh Beulah Land," by Mary Lee Settle, a couple of years or so ago. The biographer's is a different task from the novelist's, and Mr Lee McCardell, turning from journalism to historical research, has been content to set down in faithful detail the facts of Braddock's life. His narrative, based on a careful study and use of original sources, is distinguished, once Braddock has landed in America, by its accuracy and clarity. But it is not faultless. Little is known of Braddock's early life and at the beginning of the book Mr McCardell attempts to create an image of the society in which Braddock lived. If, as presumably he intended, the intention is to suggest that the society created the man, then there is too much background and too little of the man. Moreover, Mr McCardell has become the victim of his own objectivity. In refusing to take sides and in presenting the difficulties, both human and physical, that faced the expedition, Mr McCardell seems to have tried to enlist the reader's sympathy for Braddock. But, in doing so, he confronts the reader with a wilderness of trees and not a blazed trail. Braddock, despite Mr McCardell's efforts, will remain simply a suburb of Pittsburg, dominated by steel mills and blast furnaces and the memory of Andrew Carnegie.

Plot and Counterplot

The Cat and the Mice

By Leonard Mosley.
Arthur Barker. 160 pages. 13s. 6d.

ALTHOUGH truth may be stranger than fiction, it can with a good spy story be every bit as exciting. Leonard Mosley's readable, if facile, account of the exploits and capture of John Eppler, German by birth, Egyptian by adoption, who was infiltrated behind the British lines during the crucial days preceding El Alamein, lacks the fantasy of John Buchan or E. Phillips Oppenheim; but it abounds in plot and counterplot and conveys a colourful picture of wartime Cairo.

Perhaps it is of the nature of a top-grade agent for his activities not to be narrowly specialised and for his experiences to cast light indirectly on important development in the political field; here, Arab nationalism is a case in point. In addition to an appearance as interpreter at a semi-farcical *tête-à-tête* between the Grand Mufti of Jerusalem and Adolf Hitler, Eppler was a principal in the escape to Germany of Rashid Ali, the deposed Iraqi Prime Minister; he was subsequently in close touch with a group of anti-British Egyptian officers, notably with Lieutenant (now Colonel) Sadaat, today a prominent henchman of Colonel Nasser. Again, the decisive role played by a Jewish agent in Eppler's unmasking bears witness to Britain's already delicate relations with the Zionist movement, while the Germans' success in breaking the code of an American military attaché in Cairo sheds interesting light on a lack of frankness between the two Western allies.

Eppler and Monkaster, his wireless operator, who lay in an alcoholic stupor in the very houseboat that the British security forces, awaiting their return, had cordoned off, seems to have lacked the single-mindedness of really successful spies. Thus the book, while it conveys an interesting impression of the methodology of intelligence services, may also legitimately provoke the question: was it really worth it? On the German side, the investment was extensive and the mission abortive. From Britain's standpoint, there is the claim that through Eppler's capture, it effected a major radio-deception of the enemy, which led directly to decisive blunders in the field. This may be so; but only a detailed and dispassionate study of military history, which "The Cat and the Mice" never purports to be, can answer the question.

Youth in Russia

A Room in Moscow

By Sally Belfrage.
André Deutsch. 190 pages. 15s.

THIS twenty-one-year-old's book about Russia is an excellent piece of reporting, which throws light on Moscow's youth in a manner denied to senior sovieticians. Miss Belfrage was able during her five months in the Soviet capital to get around among the student class and to meet a number of foreign

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Communists who had been released from concentration camps. Willing to pose as Russian, Communist-foreign or just plain American (in fact she is *Volksbritisch*) on the instructions of her Soviet accomplices, the author could dodge the Komsomol police at evening parties. The descriptions of the aftermath of the Moscow Youth festival and its effect on Soviet teddyboys or style-chasers is revealing: their snobbery is definitely Anglo-American, which promises very well for Mr Mayhew's committee.

But Miss Belfrage met other types of young person than the bright young men: Kolya, who believed that education would bring freedom to Russia; Shura, who saw no end for the unrespected "Nikita the peasant" but a Stalinesque drive for power; Misha, proud of the defence of Leningrad—"you see how many things there are that others could never understand, the Americans, for instance, about suffering and real heroism. I am not blaming you, of course; America did a good job, and America was lucky, but you don't understand really even that." The author has an unusual gift for dialogue: her anecdotes ring true. They build up in the main a picture of a Russian patriotism that consists (dangerously for us) in a blind belief that Russia will come out on top. Beside this conviction there is no compelling need for citizenly criticism of policies and leaders. "A boss" remarks a resident foreign communist, "can yell at a worker for any reason or no reason, just to vent his spleen, but not a soul will come to the worker's defence." Such is the inertia of pride.

Miss Belfrage likes Russia and has a flair for it that experts on the Soviet Union often lack. It is to be hoped that she will have the opportunity to learn Russian and write larger books on this all-important subject.

Shell Swept Slopes

The Siege of Plevna.

By Rupert Furneaux.
Anthony Blond. 240 pages. 25s.

BETWEEN the telegraph and the censor came the great age of the war correspondents and illustrators. Battles in the late nineteenth century were still confined enough in space and time to be visible and comprehensible to a reporter or a small team of them. Russell, Forbes, Steevens and later Winston Churchill served war piping hot on to the Victorian breakfast table. They had the status of independent military critics rather than reporters, and the generals had no other choice but either to keep them well out of their way or to take them into their confidence. Untouched by conscription, their English reading public could thrill at the exploits of its own tiny army on its imperialist adventures or blithely wonder at the blunders of the continental armies. They seemed to have gained a smug, vicarious satisfaction from their reading.

The correspondents and their editors pandered to their taste, writing a full-blown, theatrical prose. So heightened was the style of reporting, so crammed full of adjectives of terror, horror and misery that a sense of reality was lost. War appeared as through the proscenium arch. Glory reigned over death. For instance, the alliteration of "shell swept slopes"—a common enough phrase—destroys the essential reality of the carnage.

The seige of Plevna in 1877 during the Russo-Turkish War was a wonderful subject for the war correspondents. And because of the Liberal-Conservative dispute over this phase of the Eastern Question it was red hot news: the correspondents descended in swarms. The siege is now forgotten. Mr Rupert Furneaux has tried to re-create the battle, as seen by the correspondents of the time. There is little historical scholarship in the book and really all that Mr Furneaux has done, using the reporters' own ripe prose, is to patch together a consecutive account of the siege from the correspondence published either at the time in the daily newspapers or later in the reporters' own collected reminiscences. The story is an exciting one. But was it really worth re-telling in this fustian manner?

Caribbean Small Talk

The Sugar Islands

By Alec Waugh.
Cassell. 319 pages. 21s.

FOR some reason known only to himself and his publishers, Mr Waugh has seen fit to collect, and his publishers to publish in a single volume, a miscellany of papers and excerpts written between 1928 and 1953. The only unifying thread is that they all have something to do with the West Indies. Some of them are travel pieces, some potted and popularised history, some attempts to capture colour, but between them all there is not enough to give the reader more than the slightest impression of what the islands are like—and the impression will not even be particularly accurate.

Mr Waugh as historian sees the Spaniards as the real villains of Caribbean history, the French a little less bad, the English on the whole virtuous even at the height of their slave trading days. Historical passion clouds what is almost an interesting account of the bloodstained early days of Haiti, and his round condemnations of everyone concerned—Toussaint, Christophe, Dessalines, even the ineffective Pétion—would make better sense if there was more effort to understand why they behaved as they did, why each of them had his short hour of success, and why all four of them are still commemorated in the Haiti of today. But why publish in 1958 a chapter on Haitian history written in 1929, when the Americans were in occupation, and leave it as though nothing had happened since then?

Some of the travel and colour passages get a little nearer the truth, but not much. Whether in Martinique in his villa, or in Trinidad complaining of the inadequacy of the hotels, or drinking martinis in the American Virgin Islands, Mr Waugh is very much the dilettante European visitor making only the lightest of contacts with the people around him, the eternal writer, as it were, of little essays on the court page of *The Times*. He has an eye for natural beauty and can occasionally describe it well, as he can also describe, in remarkably few words, the ghostly ruins of St Pierre. But what is one to make of a traveller who thinks that Port au Prince is one of the loveliest towns in the New World? Such extraordinary judgments cast doubt on the validity of the rest, and make the whole collection a poor guide for anyone who really wants to know about the West Indies.

Parade of Printers

Pioneers in Printing

By Seán Jennett.
Routledge. 208 pages. 25s.

THIS book brings together what little is known of the lives of a few of the best-known inventors in printing, as these are interwoven with their inventions. One of the greatest mysteries in the history of technology is the original invention of movable types. As Mr Jennett makes admirably clear, it was an astonishingly complex and difficult invention to make, even when the need for movable and interchangeable letters, and the possibility of them, had been grasped by someone who understood the craft of producing woodcut books—a forerunner that goes back to China in the thirteenth century or earlier. The making of metal types, from which alone forms could be composed and printed off, was not, however, an invention that could be gradually evolved; and, from the very first, type had to be cast with an accuracy of a thousandth of an inch in height and shape. This account of how Gutenberg arrived at the idea of the adjustable mould and matrix is persuasive; it also shows how advanced in precision work European craftsmen, and especially jewellers, had become by the early fifteenth century.

The three English printers described by Mr Jennett were very different. Caxton was relatively uninterested in printing except as a means of mass-producing cheap books; his technique was much inferior to his continental contemporaries. But he was a brilliant publisher, and he contributed notably to making Chaucer the foundation of English literature and a determinant of the development of the English language. Caslon was the first English craftsman to bring England into the forefront of typographical and book design; and he sets a psychological problem—the robust and honest artist, universally respected for his work and æsthetic sensibility in eighteenth century London, who nevertheless used every subterfuge, successfully, to stifle the invention of stereotyping, which would otherwise have cheapened books and newspapers, with incalculable results, a century before it actually did so. Baskerville, on the other hand, was the supreme artist, a quality that, in printing, runs to a perseverating perfectionism that can be a man's ruin. It would have been Baskerville's ruin had he not been, besides a printer, a wealthy Birmingham japanner and business man, when that city was a centre of art, learning, science and civilisation. The story told here is the familiar one of a technique that so astonished his contemporaries that they complained that his new type and superb presswork actually injured the eyes of the reader; and the equally familiar tale of the leaden coffin reopened after Baskerville's death and the cadaver exhibited for cash in nineteenth-century Birmingham. But Mr Jennett also resuscitates, more revealingly, the discreditable episodes in which Baskerville, pushed for cash, actually printed cheap books badly and treated rivals with little scruple.

The later part of the book is dominated by the invention of the rotary printing machine by Koenig, and the fascinating story of the evolution of the typesetting machine by a score of inventors before Merganthaler, and then Lanston, solved the problem with typecasters. To some people the fascination of printing ends at this point; and certainly the lives of these inventors run truer to the dull if ingenious American mould of men who bring new machines and processes into the world, but, somehow, engender little warmth by their personalities or eccentricities. At this point in Mr Jennett's book, symbolically one feels, the whole interest becomes centred on the evolving machine, and little or none on the fortunes of the inventor.

The Great Bear

Britain's Discovery of Russia 1553-1815

By M. S. Anderson.
Macmillan. 245 pages. 30s.

IN this scholarly, widely documented survey, Dr Anderson has set himself the task of describing and analysing "the growth in Britain of knowledge of and ideas about Russia in the period from the voyage of Willoughby and Chancellor to the end of the Napoleonic war." Relations between Britain and Russia throughout some two hundred and fifty years hinged mainly on trade. Russia was a market for British cloth, and a supplier of all kinds of raw materials, notably the increasingly important naval stores. In the sixteenth century British travellers saw Russia at its very worst: a nation of slaves ruled by a despot, riddled with drunkenness, suspicion, thieving, bribery, dirt, cruelty, treachery, deceit, sodomy and sorcery. Prejudice against the people was only equalled by ignorance of the institutions. Indeed the picture of Russia which the English received in the sixteenth century suffered from the fact that the first contacts were made in the reign of Ivan the Terrible, and the impression he created left its mark on subsequent opinion.

The first light was shed on this gloomy scene by the visit of the young Peter I to England. But even his reign did not change English opinion of Russians much, though it taught Englishmen to respect and even admire the Russian emperor, and gave them a first taste of the impact of Russia on the policy of Western Europe. When he reaches the late eighteenth century, Dr Anderson changes somewhat his subject and his method, and concerns himself primarily with the impact of Russia on British public opinion in relation to foreign policy. He shows how, gradually, the eighteenth century concept of Russia as the "naturally ally" of Great Britain wore thin under the blows inflicted by the Armed Neutrality, the Ochakov crisis and the partitions of Poland. The idea of the "natural ally" received its death blow during the revolutionary and Napoleonic wars. At that time British public opinion oscillated wildly between contempt for a people without freedom and public spirit, who could not be expected to stand up to Napoleon, and extravagant admiration for the courage and patriotism of the Russian people (rooted in their "amiable superstition") and for Christian virtues of Alexander I. But underneath the surface, fear of the colossus and Radical hatred of autocracy were doing their work, and by 1815 British policy to Russia had shed its eighteenth century illusions.

In spite of the comprehensiveness of Dr Anderson's survey, and through no fault of his, one puts his book down with a certain sense of dissatisfaction, for there is very little in it about Russia—the real Russia was indeed never discovered. Having examined the country through a distorting mirror for 235 pages, one longs to stretch out a hand and pluck "Russia's Discovery of Britain, 1553-1815" by M. S. Andreev from the shelves, but, alas, it is not there. Perhaps Dr Anderson will be encouraged to supply the deficiency?

Pre-Victorian

English Country Houses:
Late Georgian 1800-1840

By Christopher Hussey.
Country Life. 255 pages. 6 gns.

THE title of this book will come as something of a surprise to those who have thought—or maybe have not bothered to think—that the Georgian period in architecture ended with the Regency and that the Regency was followed immediately by the Victorian era. But it does in fact describe houses, some of the most beautiful and unusual in England, which serve as a link between the classicism of the pure Georgian and the elaboration of the Victorian, and the reader can appreciate from it why the buildings of a century ago, once so scorned, are now creeping back into fashion. It goes without saying that the volume and its photographs are authoritative and finely produced; it deals only with mansions which are lived in today although, unlike many of their earlier, and smaller, Georgian predecessors, they can hardly be easy to live in.

AMERICAN SURVEY

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

Inflation Inflated?

WASHINGTON, DC

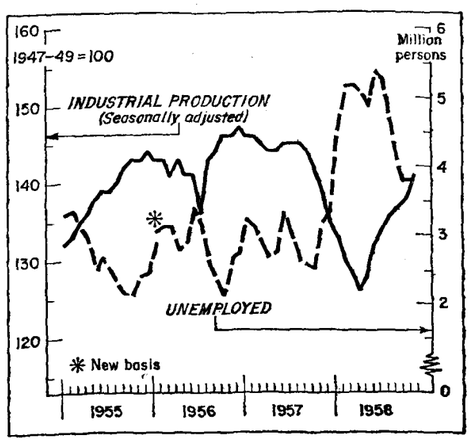
EVEN though some ingenious, and at least temporarily successful, devices have recently been used to finance the government's large deficit from outside the banking system, the past few months have hardly diminished Washington's concern at the prospect of more inflation. Officials at the Federal Reserve Board and the Treasury seldom express any doubts that the economy will continue to recover, but they never forget to insist that the national finances must also be got under control. Indeed, according to a Senator who visited him, the President has been expressing alarm about the effects of American inflation on the country's foreign relations; presumably he suspects that the United States is both losing its power to set an example and arousing fears that further inflation may lead to another slump.

Though the American balance of payments apparently explains the huge outflow of $2.2 billion worth of gold this year, and though there has been no significant shift in the proportions of foreign holdings that are in dollars or gold, there is a deep sense of distress in Washington that the thought of a "weak" dollar should even have arisen. Officials constantly emphasise—and they genuinely mean it—that the loss of gold has been normal and even salutary, but they are not indifferent to the eyebrows which are being raised in financial circles abroad.

This official obsession with inflation comes, oddly enough, at a time when the economy is still far from booming, when nearly 4 million people are still unemployed, and when a fairly large body of forecasters expects the rate of recovery from the recession to slow down markedly next year. True, hardly anyone looks for an actual dip in activity during 1959: the fact that manufacturers are no longer liquidating their stocks of supplies, but seem ready to build them up again, and the effect which this will have on earnings, and thus on personal consumption, almost guarantee that the recovery will continue for at least a year; the patterns of earlier business cycles certainly bear out this expectation.

But to those whose main concern is with the unemployed what matters most is the speed of the upward movement. It now appears that business investment in capital equipment will rise very little in 1959; the impact of the big surge of government spending has largely been felt already, apart from that of the highway building programme, and, indeed, every effort is being made by the Administration to keep total spending in the fiscal year which begins next July lower than in the present one; finally, in the latter part of 1959, housing activity may well reflect the recent tightening in the availability of mortgage money. Thus, while personal consumption should continue to increase enough to ensure a steady expansion in economic activity, there may not be the extra impetus from government spending and business investment which would be needed to achieve a rate of growth fast enough to absorb both the unemployed and the new job seekers.

The liberal intellectuals who dominate the Democratic party's advisory council have had no difficulty in reconciling their desire for more public services, more defence spending and more foreign aid with this picture of the economy. Led by Mr Leon Keyserling, who was President Truman's chief economic adviser, they have accepted the same thesis as has the Labour party in Britain—that the best cure for the sort of inflation the United States has recently been experiencing is to expand some more. A faster rate of growth, it is argued, will cut fixed costs in relation to output and probably result in higher productivity as well—and it seems clear that for some time costs rather than demand have been the basic difficulty. Thus, according to this argument, still more government spending—and still more deficits—are warranted. Needless to say, the men actually in charge of government policy completely reject this contention. Why, then, are they so worried about a resumption of inflation? Mainly, it is because they approach economic questions from the angle of finance, rather than from that of the gross national product, and the financial outlook does not look good to them.



There is, at the outset, the deficit of $12 billion in the current fiscal year. The Treasury has managed to raise over $11 billion of new money in the past six months almost without resort to the banking system, largely by the use of short-term bills to tap the rising flow of cash to corporations. But this has created a most difficult financing problem for next year, when all these securities become due. If a big increase in the floating debt is potentially inflationary, then the government has managed its debt operations in late 1958 in an inflationary way—though in the disturbed state of the money markets no other course appeared possible.

Then, too, before the central bank switched during the late summer to a policy of neutrality from one of easing credit, the period of cheap money had brought a rise of some $10 billion in total bank assets. Although to begin with this was converted into time deposits, the potential spending power is there. The supply of active money appears to have risen in October and November, despite the non-bank financing of the Treasury deficit, and this has caught the eye, and roused the concern, of the authorities in the central bank. More specifically, there has been an almost unnoticed upward creep of 1.2 per cent in the industrial sector of the wholesale price index over the past five months; this has been disguised in the total average by a decline in agricultural prices.

In short, financial developments of the kind that have happened in 1958 spell inflation—or the threat of inflation—to the Treasury and to the Federal Reserve Board, and obviously to Wall Street as well, even though there are 3,800,000 people out of work. Hence the squeeze on the 1960 budget which is to be presented in January and in which spending will in any case be estimated at a lower figure than in the present one, largely because of the termination of anti-recession programmes. Hence the probable readiness of the central bank to stand aside if there should be some tightening in the money market over the next few months as a result of forces deriving essentially from the demand for credit. Hence the possibility that another long-term Treasury bond will be issued in January, to break the exclusive pattern of short-term financing. Hence the official concern over the continued exuberance of the stock market—and the lack of concern over the restrained rate of economic recovery which is forecast for the months ahead.

Humphrey's Eight Hour Start

THE eight-hour interview which Senator Humphrey had with Mr Khrushchev may not have shaken the world. But it has deftly lifted him out of the pack of aspirants for the Democratic presidential nomination in 1960 as a man who can talk on equal terms with the most awesome foreign potentate. Campaigns for the Presidency are not normally set rolling in the Kremlin. But times have changed and a candidate needs to demonstrate that he can keep America's end up abroad. At least, this seems to have been the calculation of Mr Nixon who, on the morrow of the Republican defeat, set out to retrieve his fortunes overseas. The Vice President played his cards well in London, but it looks as though Senator Humphrey may have trumped them.

Mr Khrushchev evidently found the Senator an attentive listener or—as seems more likely even through interpreters—a stimulating talker. And if he hoped to use Mr Humphrey for propaganda purposes, the Russian leader met his match. By keeping the press agog to know what "secrets" Mr Khrushchev had entrusted to him, Senator Humphrey managed to retain headline billing for a week; by revealing that he had warned Mr Khrushchev that it would not be the Americans "who would be driven out of the ball park," Senator Humphrey painted himself as a tough defender of American interests. As an outstanding member of the Foreign Relations Committee and chairman of its subcommittee on disarmament, he knows what he is talking about.

Mrs Roosevelt, who retains great influence with the liberal wing of the Democratic party, welcomed Mr Humphrey back with what amounted to her personal endorsement: the statement that, of all the potential Democratic candidates, he came closest to having the "spark of greatness" which the next President would need. Senator Humphrey has always been identified with the progressive Democrats who scored so heavily last month; and the elections in his home state of Minnesota improved his political standing, while those in Michigan and New York were diminishing those of his two closest rivals on the left, Governor Williams and Governor Harriman. But Mr Humphrey has also shown, in the ten years he has spent in the Senate, that there is more to him than first appeared in 1948, when he seemed to be a fire-eating left-winger, ready to tear the party apart for the principle of Negro rights. He has worked hard and, against the odds, won the respect even of Southerners. Much can happen before 1960, but it will be worth watching how Mr Humphrey uses the limelight which he has so skilfully captured.

New York without News

WHILE Wall Street still has its local journal and those who can read foreign languages their special publications, the average New Yorker has been without a newspaper for well over a week as a result of a strike by the men who distribute the papers. He is still probably wondering what has happened, in spite of the extra efforts made by the broadcasting stations to keep him informed—and to collect some of the advertising revenues being lost by the nine newspapers, with a combined daily circulation of 5½ million, which have not appeared since last Thursday morning. For two days before that copies had been obtainable only at the place of publication and the newspaper owners were undoubtedly relieved when they were given an excuse for shutting down altogether, and for laying off most of their 20,000 workers without pay, by the refusal of the typographers at the *Daily News* to follow their leader's advice and cross the picket lines manned by the delivery men.

The nine newspapers, it is estimated, are losing about $1,500,000 a weekday in earnings from sales and advertising, and over twice that on Sundays. News stand proprietors have also suffered severely, even though sales of magazines have shot up. Retail trade, however, may not be seriously affected as a whole even though newspapers normally carry the heaviest advertising of the year on the Sundays before Christmas. Businessmen, perhaps to keep their spirits up, contend that people are in a mood for spontaneous buying and that it is not advertising but the imminence of December 25th which brings them into the shops for last-minute gifts.

The strike started when the members of the deliverers' union rejected a settlement negotiated on their behalf along the lines of one agreed earlier with the Newspaper Guild, the editorial workers' union. The suggested contract provided for an increase of $7 a week in wages over the next two years and for a reduction to 50 from 53 pounds in the weight of the bundles which the men have to handle. The union had wanted a rise of $10, which would have brought earnings to about $114 a week, even lighter bundles, various other benefits, such as extra holidays, and a work week of 35 instead of 40 hours. As a result of the strike both sides became more intransigent than they were before: the pub-

lishers refused to better their original offer—in fact they modified it slightly—and the members of the union, in spite of the urging of their representatives, refused even to vote on any contract which did not contain additional concessions. However, it now looks as if the mediator sent from Washington by the federal government may have succeeded in breaking the deadlock.

Whip-Hand over Teamsters

ALMOST a year ago a federal court appointed three brave men as "monitors" to guide the mud-spattered teamsters' trade union—the largest of all, which now counts many who are not lorry-drivers among its 1.6 million members—into paths of democracy and righteousness. This was the condition under which Mr Hoffa, the teamsters' unquestioned leader, was allowed to succeed the corrupt Mr Beck as president. A handful of rank-and-file members had brought a suit to have Mr Hoffa's election set aside on the ground that is was rigged, and the monitors' task was to make sure that reform had gone far enough to allow an honest and democratic vote to be held.

To no one's surprise, the headstrong leader of the teamsters has gone his own way, disregarding the monitors' demands for better records of expenditures, more democratic practices and the exclusion of wrongdoers from office. Insisting that the monitors' powers are purely advisory, Mr Hoffa has also called a special convention for March, to conduct a new election, a necessary preliminary to getting rid of the monitors altogether. Judge Letts, who issued the original order, has now pulled the teamsters up sharply. He has ruled that the convention must not take place in March nor until the monitors feel that it should ; that their powers, far from being advisory, are those of officers of his court ; and he has clearly hinted that the union will be charged with contempt of court if it does not obey them.

Nevertheless, this firm order is very welcome, particularly to the American Federation of Labour and Congress of Industrial Organisations, whose own efforts to discipline the teamsters have been so unsuccessful. Expelled from the federation, the teamsters have flourished like the green bay tree: now they are challenging the AFL-CIO in breweries in Florida, they have just announced a great drive to make up for the "laxity" of the federation in organising municipal and state employees—including policemen and firemen—and they have created an industrial division to enlist workers in any firm which runs its own lorries. At every point they are trying to drive a wedge into the crack between craft and industry-wide unions which is so dangerous to the AFL-CIO. If the carpenters—the largest of the craft unions—should walk out of the federation, as they have threatened, Mr Hoffa would be waiting on the doormat with a warm welcome.

Negroes Under Pressure

FROM A CORRESPONDENT IN VIRGINIA

TODAY'S fierce struggles in the schools overshadow other accompanying changes in the position of the southern Negro which will affect the relations of the races in the South when the advocates of "white supremacy" have fallen silent. For example, whether a man is white or Negro (and if white, whether he has anything to do with Negroes) has become more important than it used to be. In Richmond, Virginia, after the war, an able Negro lawyer was elected to the City Council by both white and Negro votes. But today only members of his own race would vote for him ; his firm does business with the National Association for the Advancement of Coloured People, the Negro organisation which has led the campaign to secure, and then to implement, the Supreme Court's ruling that racial segregation in the tax-supported schools is unconstitutional.

The NAACP has become the South's political whipping-boy. The southern white politician in a close race often hints that his opponent is friendly to the NAACP, and that the NAACP is friendly to Moscow—although in fact left-wing penetration of Negro groups has been insignificant. The spate of legislation specifically directed against the NAACP in the southern states shows how the mood of most white people has hardened. At the end of 1957 twenty-five suits were pending in which the NAACP's right to function was at stake.

The strain on southern Negroes who belong to the NAACP is considerable. On the one hand, they feel exhilaration at being members of a vigorous, national organisation which celebrates its fiftieth anniversary next year, which has helped to push through Congress the first Civil Rights Act and which has won major legal victories in far-reaching constitutional cases before the Supreme Court. Yet there is a sharp contrast between their circumstances and those of members in other regions. The largest of the NAACP's 861 branches is that in Detroit, which has 19,291 of the organisation's 312,277 enrolled members. To those who are not from the South, the school question is a remote issue ; most of the segregation with which they are concerned relates to housing and jobs. Furthermore, now that the Negro vote holds the balance of political power in many northern cities, the Negro outside the South need not often fear open political injustice or retaliation. It is not only the white man in the South who feels that his problems are different from those of the rest of the country.

The Negro leaders from the South, in order to retain their influence in the NAACP, must co-operate with the leaders from other areas in pursuing active policies, and ones productive of tangible results. Otherwise the enthusiasm of the members would wilt. But it is the Southerners who feel the sharpest impact of those policies when they return home. For example, the militancy of the NAACP has affected the fortunes of the Urban League, the other major organisation devoted to improvement of the condition of the Negroes and led by Negroes. Where the NAACP has been most conspicuous on the national level, the Urban League has concentrated on inducing greater acceptance of the Negro in the community in which he lives. But during the past few years, as attitudes have hardened, an uncomfortably large number of charitable funds in southern cities have dropped the Urban League from the group of organisations which share the proceeds of united giving. This is because the directors of the funds felt that local reluctance to support Negro projects was great enough to jeopardise the success of the combined effort.

A second strain on the southern leaders of the NAACP arises from the success of a non-militant strategy in the Montgomery bus boycott, which was led by the Reverend Martin Luther King. Marxian theories have aroused little interest among American Negroes, but Gandhi's tenets of





Electrical Aids in Industry. *Data Sheet* **No. 5**

Resistance Heating – 2

Electric resistance heating elements have been briefly described in Data Sheet No. 4, with two examples (in furnaces and ovens) of their application in industry. This sheet lists some of the further applications which can be effectively dealt with by resistance heating.

Soft Metal Melting

Electric resistance melting is most commonly used for lead, tin, zinc, antimony, aluminium and their alloys – in processes such as tinning, type-casting, die-casting and lining bearings – at temperatures of up to around 800°C.



In most cases, sheathed elements are immersed directly in the metal, a more efficient method than applying heat to the outside of the containing vessel or pot. Immersion heating simplifies the application of lagging to the outside of the vessel, reducing heat losses and current consumption to a minimum.

In all cases, the precise temperature control that is so essential in soft metal processes is readily achieved by the use of electricity, and electric heating also leads to a reduction of casting rejects and metal wastage and a marked improvement in working conditions.

Liquid Heating

Electricity provides the ideal method of heating liquids such as water, oils, varnishes, plating, photographic and other solutions, and of melting and heating waxes and compounds, glues and pastes, tars and bitumen. Again, immersion heating is the method most commonly employed.



Fire hazards associated with inflammable liquids are invariably reduced by electric heating, particularly if immersion heaters are used.

It is usually possible without difficulty to apply electric heaters, either immersion or external, to existing vessels.

Platen, Press and Roll Heating

Electricity offers the simplest and most convenient method of heating platens, dies and rolls. It gives the precise temperature-control characteristic of electric heating systems, with lower maintenance costs.

Moreover, the relatively high temperatures required in some processes for maximum working speeds are reached without difficulty.

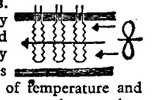




When electric heating is used, one or more presses can be operated without the necessity of keeping a boilerhouse staff at work.

Air Heating

Streams of air, and of many other gases, can be heated most efficiently by electric resistance elements.



Heat is generated only inside the duct, and none is carried away through exhaust flues or pipes. Quick rise of temperature and precise temperature control are thus assured.

5858/6

Electric Steam Boilers and Steam Raising

There are many cases when the use of electricity for steam raising is fully justified on economic grounds.



The means employed for bringing steam from a boilerhouse to the point of usage are often extremely wasteful. The efficiency of the electric boiler normally exceeds 96% and is practically constant at all loads.

Plant requiring process steam can be equipped with its own electric steam boiler, freeing the working space of steam mains just as individual electric motor drives free the factory of masses of shafting and belt drives.

Even where boilerhouse steam is still used, it is sometimes desirable for best results to boost the steam temperature at the point of usage, to make up for transmission heat losses or to increase the superheat, and this function is most conveniently performed by an electric resistance heater inserted in the steam line.

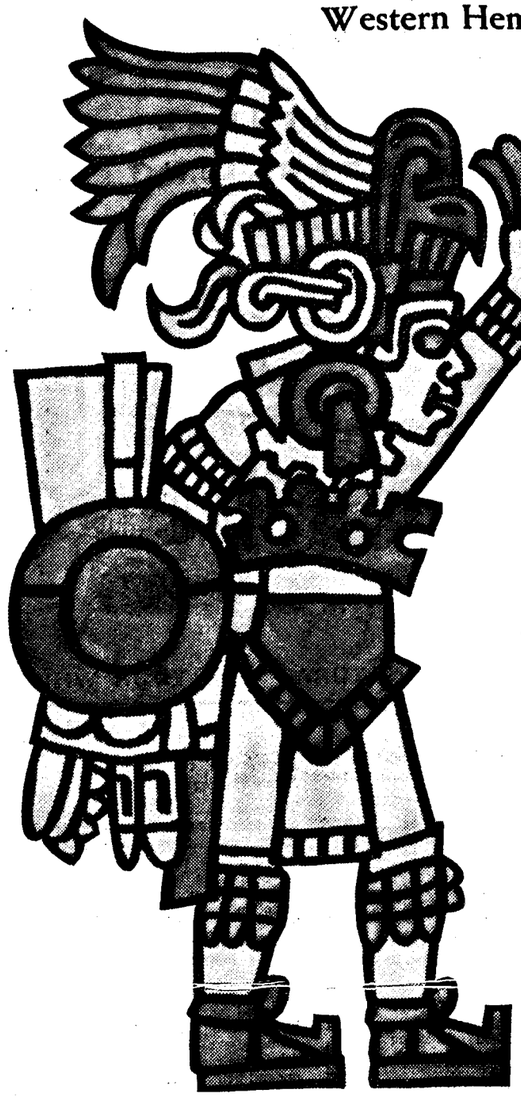
For further information get in touch with your Electricity Board or write direct to the :

Electrical Development Association, 2 Savoy Hill, W.C.2. Tel. TEM 9434.

Excellent reference books on electricity and productivity (8/6 each, or 9/- post free) are available – "Resistance Heating" is an example; "Induction and Dielectric Heating" is another.

E.D.A. also have available on free loan a series of films on the industrial use of electricity. Ask for a catalogue.

A new and powerful advertising medium for the Western Hemisphere's fastest growing market*



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*Between 1950 and 1957, Mexico's Gross National Product *doubled*.

passive resistance, as applied by Mr King, are proving increasingly attractive. A threatened split between the militants and the advocates of passive resistance was papered over in 1957 by the award to Mr King of the NAACP's Spingarn medal for distinguished achievement by an American Negro. But the decision on which kind of strategy to employ will become tenser as the struggle to end racial segregation enters areas where the ratio of Negroes to whites is higher than in most of the districts now under court order.

GREATER exercise of Negro voting rights is the goal toward which Negro leaders inside and outside the South will find it easiest to move in step. In southern urban areas as well as in the North, the Negro vote is coming to mean something. In Atlanta, Georgia, for instance, there is a Negro on the Board of Education; and the Mayor, Mr Hartsfield, was re-elected last December against an outspoken advocate of white supremacy by a narrow margin in the predominantly white districts, but by a landslide in the city because of the Negro vote. At this year's convention of the NAACP Mr Roy Wilkins, its director, called for 3 million Negro votes in the South in time for the presidential election of 1960. This is ambitious, in view of long-ingrained southern voting habits and the fact that only about 1.3 million Negroes registered to vote this year. But such a campaign has two things in its favour.

Where voting is concerned, the main legal battles have already been fought. New harassments are constantly being devised, and bare-faced intimidation is still practised in some rural areas, but the whites are more willing to recognise voting rights than they are to open their schools to Negroes because close personal contacts are not involved. Finally, the importance of the Negro vote will be enhanced when the seats in the House of Representatives are reapportioned after the next census in 1960. The representation of the southern states, some of which have been experiencing net losses of population while others are growing at less than the national rate, will decline; their seats will be picked up by rapidly growing states in the West and North to which Negroes, as well as whites, have been moving.

In the South, however, the recent hardening of racial lines continues to diminish contacts between the two races at a time when the bleakness of contract is, in any case, rapidly superseding the personal relationships of the past. Neither the Administration nor the state governments have tried to provide for orderly, bi-racial consultation during this period of stress. The absence of communication in the South can be illustrated by the fact that at an Arden House conference in New York the editor of the newspaper in Tuscaloosa and the president of Tuskegee, the famous Negro college, met for the first time, though in Alabama they are, by American standards, reasonably close neighbours.

Except at church meetings, the southern Negro leader seldom has a chance to talk to a white audience unless he is outside his own region. There, he suffers from two disabilities. One is the temptation to overstate his case, lumping friend and foe together in a castigation of southern conditions which erodes still further his slender base of support outside his own race in the South. The other is that, if in southern white circles he can do no right, in many northern ones he can often do no wrong; if the white demagogue frequently treats him as an untouchable, the white do-gooder sometimes looks on him as a sacred cow. This may be to the short-term advantage of individual Negroes. But it foreshadows a long period of inter-racial adjustment after the existing tangible barriers to Negro progress have been overcome.

For Men Only

NEW YORK

IN America the shops take great pains to ensure that the man-who-has-everything except a Christmas present for the woman in his life shall give generous financial vent to his seasonal sentiments. Broadly speaking, there are two alternative approaches to this valuable, if awkward, customer. In some shops he may simply be placed in the charge of a suitably glamorous feminine escort who will guide him through a maze of departments while simultaneously sowing extravagant ideas in his mind—and perhaps also inspiring guilty thoughts for which he does penance by spending more than he had planned on his wife. Other shops adopt a more whole-hearted approach; in order to shelter the sensitive male from the hubbub of frantic female shoppers, a miniature for-men-only shop is set up within the main store and into it are gathered all the most delectable and expensive items that man might be persuaded to give woman. It goes without saying that whatever he buys will be professionally gift-wrapped for him.

New York's Bonwit Teller provides a discreet special entrance for its male customers, greets them graciously with coffee in the morning and cocktails in the afternoon, puts a battery of telephones at their disposal and sends them subsequently a membership card for this 721 Club—the street number of the shop. The Stag Club at Saks Fifth Avenue offers all the amenities which its name suggests and, in an attempt to reduce the number of post-Christmas returns of useless male purchases, it supplies the recipients with questionnaires on which to record their tastes and shapes; these charts are carefully filed away for next year. Macy's, working as usual on a larger scale than anyone else, has not only its Adam for Eve shop but also one in reverse—Maid for Man.

Pipelines Unclogged

EVEN though the natural gas pipeline companies exaggerated the seriousness of the blockage which the so-called Memphis decision imposed on their plans for expansion—they have in fact been expanding in spite of it—the Supreme Court's reversal of that decision brightened their prospects almost as much as the rise in their shares suggested. The case was brought by the City of Memphis against the pipeline company supplying the gas which the city distributes to private and industrial consumers. Under the original ruling by a Court of Appeals the company was forbidden to raise its charges for gas until it had obtained the approval of the Federal Power Commission, unless the increase was agreed by its customers, who in effect have no alternative source of supply. The normal practice of the FPC, which supported the appeal to the Supreme Court against this decision, has been to allow price increases to

go into effect, on six months' notice, while the commission is still considering the company's application for permission to raise them permanently. If this application is eventually turned down, the company is required to refund the overcharge to its customers. The legality of this practice was re-established by the Supreme Court last week.

The importance of this to the pipeline companies is twofold. As long as the Memphis decision stood, the companies were liable to have to refund some $225 million to customers who had paid higher prices while the FPC was making up its mind. This sum has been held in reserve and has not therefore been available either for dividends or for capital outlays. Secondly, if the Memphis decision had been upheld, the pipe line companies would have had to wait, whenever they wished to increase a charge, until the FPC had heard the evidence and reached a decision. As a result a company might have been forced to operate uneconomically and uncertainly for two years or more, since the FPC often takes that long to complete an examination.

The mere threat of this has lessened the financial attractions of investment in pipelines and has made it difficult for the companies to raise the money they want for maintenance and expansion. Justice Douglas, in dissenting from the Supreme Court's ruling, argued that it sacrificed the interests of consumers to those of the companies. But it is difficult not to feel that consumers need a plentiful and reliable supply of gas at least as much as they need a cheap one.

Battleships Out of Mothballs?

FROM A SPECIAL CORRESPONDENT

THE Navy's 1,500-mile missile Polaris, which is still two years from realisation, was designed to be mounted in a radically new type of atomic-powered submarine and launched under water. Because the missile itself is still being developed the exact requirements it will make on a ship are not yet determined, and for this reason the Navy is proceeding with only five of the nine Polaris-type submarines which Congress authorised. With most new weapons, advances in technology make possible improvements in the first model. In the case of the Polaris these could easily call for modifications in the launching mechanism and hence in the design of the submarine itself. The Navy's refusal to rush all nine of the authorised craft is due, therefore, neither to excessive frugality nor to obstinacy but to proper foresight in planning both for tomorrow and for the day after tomorrow.

Moreover, eager as the naval planners are to push the development of this promising combination of nuclear submarine and the first intermediate range missile powered by solid fuel, they have in mind additional uses for the Polaris. There is a bold forecast from Admiral Brown that one day the Polaris will be installed on carriers, cruisers and frigates as well as submarines. There also is a suggestion that the less elderly battleships, instead of resting permanently in their present mothballs, may emerge one day from the shipyards with the turrets for their now obsolescent 14-inch guns replaced by Polaris launchers, the battleship's whole function as a big-gun platform thus miraculously prolonged, for a time at least, by the arrival of a new and much bigger gun.

The prospect of employing surface ships as well as nuclear submarines as launchers for the Polaris explains the "cocktail-shaker" testing device which has been installed beside the ship channel at Cape Canaveral. It is a wide-mouthed well, lined with large mechanical instruments, in which all motions of a ship can be reproduced. It will be used to prove the ruggedness and reliability of the aiming and launching apparatus of the Polaris when it is operating in the rough weather encountered by surface craft as well as in the calm of the fully-submerged submarine.

Bowling Along

FROM A SPECIAL CORRESPONDENT

ON almost every night in almost every part of the United States television viewers can watch the country's top bowlers competing for cash prizes. And recently even amateur bowling has begun to appear on the airwaves. A station in New York has taken to showing what it calls "Celebrity Bowling": the famous in show business and the sports world try their luck with no more success than the average American. So popular has bowling become that it now has the third biggest following of any sport—exceeded only by boating and fishing. Six million people, a third of them women, bowl at least once a week; and more than 20 million Americans go to the bowling alleys at least once a year. All told, they spent last year more than $300 million to play the game in some 6,500 bowling parlours, a remarkable increase from the $197 million spent in 5,062 establishments only three years earlier. The growth has been so rapid that the existing alleys cannot keep up with the demand, and thousands of new ones are being built.

One of the major causes of the concern with "strikes" and "spares" has been the shift of Americans from spectator sports to those in which they can take part. Like boating and fishing, bowling appeals to old and young, men and women alike. About a third of all bowlers are organised—that is, they bowl regularly each week on some team in a bowling league. The American Bowling Congress—the men's organisation—now has 2.6 million members; the women's International Bowling Congress numbers more than a million; and the American Junior Bowling Congress, organised only a decade ago, now has 80,000 members, against 40,000 in 1956.

Bowling—or skittles as it was then called—was introduced into America in 1623 by the early Dutch settlers; it was then a game of rolling balls at a group of nine pins set in the form of a diamond. In this form, however, it became, after the Civil War, a centre for gambling activities, fell into disrepute, and was banned in several states. But within a few years some unremembered sportsman concocted the idea of adding another pin and setting them up in the form of a triangle rather than a diamond—and the modern game of American bowling, or ten pins, was born.

Before the war, bowling alleys were strictly functional and catered mainly to men. They were to be found in any convenient area large enough to accommodate the usual ten or twelve alleys. Today all this has changed. Most of the newer bowling establishments are in suburban areas and in shopping centres, usually in low, almost rakish buildings surrounded by huge car parks, and they contain 60 or more alleys. Wooden benches have given way to upholstered booths for the bowlers and rows of cushioned seats for the spectators. Air conditioning is a must. Many have such added attractions as cocktail lounges and baby-sitting services; some even have specially supervised nurseries far removed from the bowling floor, complete with closed circuit television so that parents can bowl and watch their children at the same time. And finally, where in former days the alleys charged the bowler an average of 15 cents a game, today's establishments charge between 40 and 50 cents and are still crowded from morning until night.

The American game of bowling is a far cry from the early game of skittles and even more from the peculiarly English game of lawn bowling (which is played by elderly men in the New England states). An American or Canadian bowling alley is a smooth (level to 40/1,000ths of an inch), hard, maple-wood floor nearly 63 feet long from the foul line (where the bowler rolls his ball) to the end of the alley, and about 41 feet wide. Exactly 60 feet from the foul line stands the centre pin, which weighs about 3 lb, and behind it, in the form of a triangle, stand the other nine pins.

The bowler has two chances to knock down all ten pins by rolling a ball weighing from 10 to 16 lb. In each game this process is repeated ten times. If he succeeds in spilling all ten pins with one ball, this is called a "strike," and the bowler is credited with ten points in that particular section of the game (each such section is called a "frame") plus the number of pins he succeeds in knocking over with his next two balls. Thus, the maximum number of points he can achieve in any one frame is 30, and the maximum score in any full game is 300—something accomplished only rarely.

If the bowler, on the other hand, knocks over all the pins with two balls, called "a spare," he is credited in that particular frame with ten points plus the number of pins toppled with one additional ball, for a maximum score, in any frame with a spare, of 20 points. If the "keggler" does not knock down all the pins with his two balls he is credited merely with the number of pins he does knock over, from zero to nine. The score of the entire game is kept progressively from frame to frame.

SHORTLY after the close of the last war the proprietors of bowling alleys found themselves in a quandary. For many years they had been using teenagers as "pin boys" to set up the pins after they were knocked down and to return the balls to the bowlers down a slide from the end of the alley. But the prosperity of the postwar era, combined with the low pay, discouraged boys from taking such jobs. An automatic machine to do the job was needed—and soon appeared.

In 1954 the American Machine & Foundry Company began large-scale production of an electronic automatic pin-setter, or pin spotter as it is also called, and two years later the Brunswick-Balke-Collender Company followed suit with a mechanical one. Since then the two companies have installed nearly 60,000 automatic machines, but about 20,000 alleys still lack them. Each company, of course, insists that its version is the best. Brunswick asserts that because of the mechanical construction of its device it is less likely to break down; AMF, on the other hand, asserts that if its electronic machine breaks down it can be put back in operation by merely substituting one "little black box" for another in a matter of minutes. In addition, the AMF pin spotter has several other attractive features. One is the so-called "pindicator," which shows on a large lighted screen which pins remain standing after the first ball has been thrown. Another is an automatic foul detector, which lights up when the bowler steps over the foul line. With all this automation, the pins are reset more quickly, the balls are returned more speedily, and, above all, the American passion for mechanical gadgets and lots of lights is satisfied.

The pace of new sales may fall off somewhat, but bowling still seems to be in its infancy as a national pastime. There are already 16 million regular bowlers, and one expert says that there is no reason why this number should not be multiplied several times. The only limiting factor that he sees is the number of alleys, most of which are now booked up during the most desirable times of the day. In addition, the game is just beginning to catch on in much of the country. Most of the alleys are in the middle west with a secondary concentration around metropolitan New York and in eastern Pennsylvania. With the spread of air conditioning, the sport is now starting to make a dent in the south, the south west and southern California.

SHORTER NOTES

Mr Sherman Adams, once the all-powerful assistant to the President, ended his troubles by sacrificing his career. But his close friend and political nemesis, Mr Goldfine, faces a Pandora's box of contempt trials growing out of the hearings before the congressional subcommittee that uncovered his gifts to Mr Adams: two in Boston, one for not supplying records requested by the tax authorities and another for not filing reports with the Securities and Exchange Commission, and a third in Washington, where a grand jury has indicted him for contempt of Congress because he refused to answer 18 of the subcommittee's questions. If convicted, Mr Goldfine may be sent to prison as well as fined, but it will be a long legal battle.

* * *

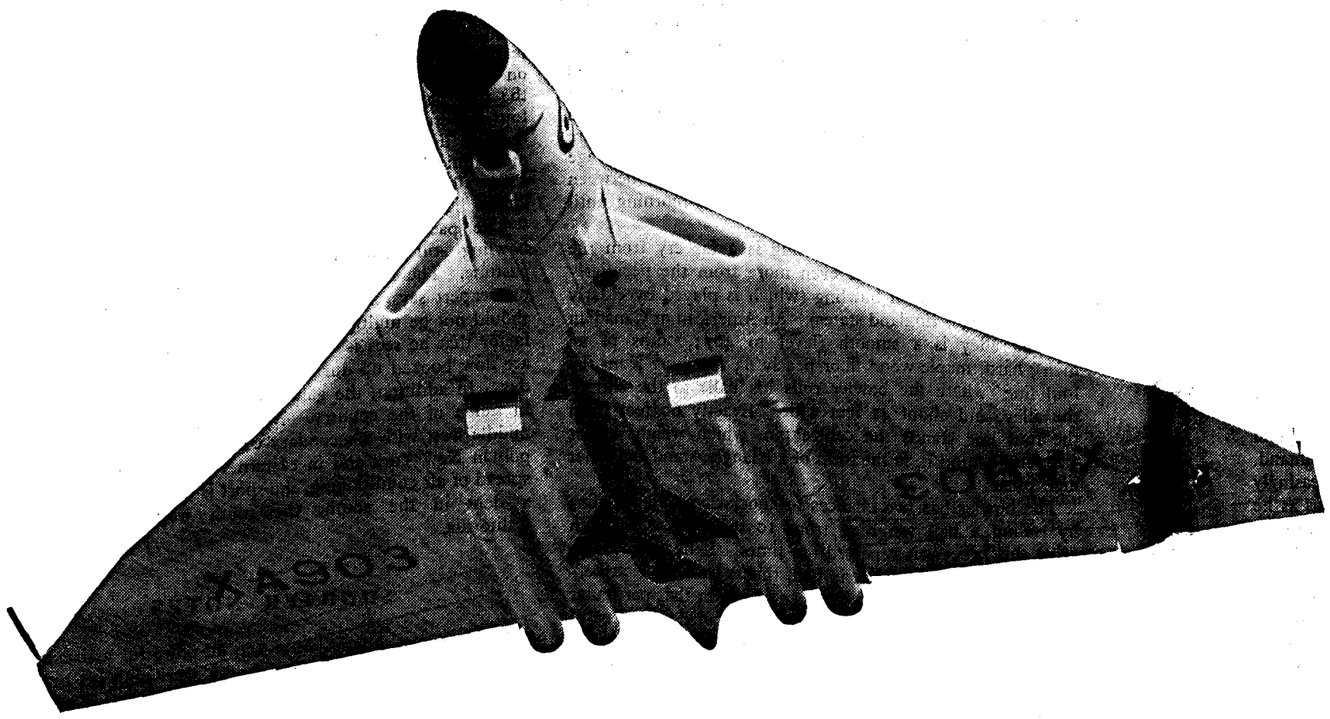
The Supreme Court has upheld the decision of a lower court that the pupil placement law in Alabama is constitutional, since race is not mentioned as one of the seventeen factors to be considered in deciding which school a child should attend. But the lower court warned Alabama that if the law is used—as it is plainly meant to be—to maintain the colour bar, it may be thrown out at a later date.

* * *

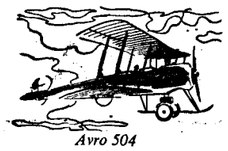
The President of the State Senate in the 49th state, multi-racial Alaska, is likely to be either an Eskimo or an Indian. Mr Peratovich, the Indian, is a former president of the territorial Senate and Mr Beltz, the Eskimo, also served in it.

* * *

The Metropolitan Museum of Art in New York recently held a clearance sale of its surplus Egyptian antiquities. Some 2,500 visitors bought scarabs and other small items over the counter along with their picture postcards.



First in Bombers



Avro 504

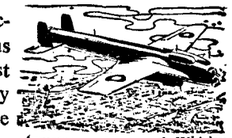
On November 21, 1914, three Avro 504's, the first bomber in the world to be fitted with a mechanical bomb release, took off from a French airfield on an historic long distance raid — a flight of more than 250 miles over enemy territory to the German Zeppelin base on Lake Constance. The flight took almost four hours and only eleven bombs were dropped. But it was an outstanding achievement in military aviation.

Ever since those early days, A. V. Roe and other Hawker Siddeley companies have provided R.A.F. Bomber Command with outstanding front-line aircraft. The Avro Aldershot of the early 1920's was the first Avro aircraft to have a tubular construction metal fuselage and, when equipped with a Napier Cub engine, became the most powerful single-engined aircraft in the world. Hawker Aircraft, noted for its long line of famous fighters, designed the outstanding day bomber of the 1930's in the Hawker Hart — no fewer than 2,200 Hart and Hart variants being produced for the R.A.F. During the critical early years of World War II, the Armstrong Whitworth Whitley heavy bomber enabled the offensive to be carried where no other bomber could then reach, and the Whitley also took part in the first British airborne operations of the war.

Then came the immortal Avro Lancaster — "the greatest single factor in the winning of the war" according to Marshal of the Royal Air Force Sir Arthur Harris, wartime chief of Bomber Command. In all, 7,366 Lancasters were built during the war, dropping more bombs than all other Bomber Command aircraft combined. Succeeding the Lancaster was the Avro Lincoln, last piston-engined heavy bomber to serve with the R.A.F., retired from front-line service at the end of 1955.

Hawker Hart





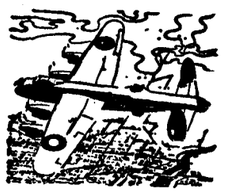
Armstrong Whitworth Whitley

A new era had been reached in the air, the age of the all-jet, high-flying atom bomber. Adding to Britain's deterrent strength is the Avro Vulcan, the world's first delta-winged bomber. "The Vulcan is a good aircraft — it comes from a good stable", said the Air Officer Commanding No. 1 Group, Bomber Command, when commenting on the fine performance of the aircraft "both from the operating and maintenance aspects". "*A good stable*". This is the key to successful design of large, complex aircraft. In Hawker Siddeley's Aviation Division are many 'stables', each with its own creative genius and talent, but linked by the Division's Design Council which composes one of the greatest design teams in the world.

FIRST TRANSATLANTIC FLIGHT IN UNDER THREE HOURS

Whereas the Avro 504's of 1914 took nearly four hours to fly 250 miles, an Avro Vulcan of No. 617 Squadron, R.A.F., has crossed the Atlantic in 2 hrs. 59½ minutes. It covered the 1943 miles from coast to coast at an average speed of 649 m.p.h., while flying from Goose Bay, Labrador, to Waddington, Lincs.

Avro Lancaster



HAWKER SIDDELEY AVIATION DIVISION

Pioneer . . . and World Leader in Aviation



This historic photograph shows the three actual Avro 504's lined up before taking off on their heroic raid | Top: Interavia Photo.

THE WORLD OVERSEAS

Unanimity Limited

FROM OUR PARIS CORRESPONDENT

THE diplomatic jamboree in Paris opened in a mood of apparently splendid unity. The thousand or so delegates to the many European and Atlantic conferences summoned for one and the same week in the various palaces of the French capital were given an example by their Big Four. The foreign ministers of the United States, the United Kingdom, France and Germany met on Sunday at the Quai d'Orsay, listened for a moment to the Burgomaster of Berlin, and produced a statement rejecting Mr Khrushchev's "free city" proposals of November 27th. They declared that the Soviet Union had no right to repudiate its obligations unilaterally; they rejected the idea of a substitution of east German for Soviet authorities in Berlin or its approaches. Rumours of differences among the western allies had apparently been a figment of journalistic fancy. Enthusiasts were already proclaiming that Nikita Khrushchev has succeeded Joseph Stalin as the patron saint of Atlantic unity.

The common front of the western allies to Mr Khrushchev does not, however, remove their differences among themselves; and several conflicts came into the open as soon as the numerous meetings got down to business. The first to cross swords were the economists. At the Chateau de la Muette, where the ministerial council of the OEEC had gathered, the mood became more reminiscent of Fashoda than of the *entente cordiale* after Sir David Eccles had mentioned the possibility of British retaliation and M. Couve de Murville, the French foreign minister, had replied angrily that he refused to negotiate under threats. (The OEEC talks are discussed in the following article.)

At about the same time on Monday another meeting was being held in a more discreet, though possibly not much friendlier, atmosphere. Mr Dulles spent an hour and a half with General de Gaulle at the Matignon. The French had learnt with surprise the day before that the American delegate at the United Nations had abstained from voting on a resolution recommending negotiations in Algeria. To have received less deference on this question than a mere prime minister of the Fourth Republic must have hurt the general's pride and strengthened his desire to raise France's status within the alliance. But the two protagonists had other more important grievances against one another. Their long talk, it seems, was concerned with the very heart of Nato's structure and strategy.

General de Gaulle's plan for a western triumvirate (see *The Economist* last week, page 998) has been greeted without enthusiasm in Washington. Little progress in this direction can be expected in the near future. But the French have the means to make the waiting period awkward. It is everybody's secret in Paris that Nato's nuclear plans are held up by a French refusal to have sites for intermediate missiles, or stocks of atomic weapons, on its soil unless they are under French control. The United States has already had difficulties with the Gaillard government over the question of whose finger should be on the missile trigger. It has apparently avoided the issue lately so as not to give the general an opportunity to back his claims by proposing a bargain.

It is also reported that the French are refusing to integrate any of their air force within a west European air command. General de Gaulle's conception is becoming increasingly clear. He seems as concerned with nuclear weapons as he was with tanks before the last war. He wants a share in the control of the deterrent until he gets an atom bomb of his own. With nuclear weapons and the means to deliver them, he may feel that he will be in a stronger position to follow an independent line or to impose his views on world affairs. Such ambitions may exceed France's economic possibilities or be cut down to size by its partners, but while the bargaining goes on they are bound to cause friction within Nato.

In the meantime, the Nato ministerial council was able to open its proceedings on a note of unanimity by reverting to the Berlin question. All the members of the council duly endorsed the views of the four foreign ministers. Outsiders were told that throughout everyone had been in step with Mr Selwyn Lloyd. All were now agreed on the tactics: firmness in rejecting the Soviet proposals; greater flexibility in presenting the western case. Firmness and unity should prove enough to bring Mr Khrushchev to drop his plans. Echoes from Moscow and Warsaw, where Herr Ulbricht had gone on tour, did not endorse this optimistic view, but it seems that the council has not yet considered seriously what it should do if Mr Khrushchev's determination is not weakened by a western show of unity.

Turning to the next item on its agenda, the Nato council managed the extraordinary feat of talking about improved consultations without mentioning General de Gaulle's proposals. Instead, it dealt only with Mr Spaak's report and suggestions. His proposals to set up committees of expert officials to deal with specific issues are really a mild substitute for the general's plan, and a substitute which will not affect the structure of the organisation. They were approved "in principle" by all the speakers, though the French representative did not think that the machinery proposed was the best possible. The project was returned to Mr Spaak for further study. When military problems were discussed, the council again managed to mention its dissensions only in general terms—as when General Norstad spoke of members' failure to perform their commitments.

As the diplomatic jamboree draws to its close, one cannot help feeling that it preserved its festive air only by putting off all the awkward decisions. The Six and the Eleven within OEEC did not make peace; they merely patched up a truce and will resume the battle in a month's time. Mr Selwyn Lloyd's long talk with General de Gaulle on Wednesday, mainly dealing with the dispute about the common market and French plans for Nato, did not enable official spokesmen on either side to say anything brighter than "Where there's a will there's a way."

The drafting of the replies to Mr Khrushchev will show whether there really are no differences over the best method of handling the German question. Should the Kremlin fail to be impressed by the Paris performance, the strain will increase as the six months' limit draws nearer and it becomes necessary to plan reactions to the blows of which Mr Khrushchev has given notice. Finally, there remains the Gaullist skeleton in the Nato cupboard. Even at Christmastide it seems too much to expect Saint Nikita to oblige the West by solving these problems for it.

OEEC's Black Day

FROM OUR SPECIAL CORRESPONDENT

MORE damage can rarely have been done in fourteen hours of talking than at the Chateau de la Muette on December 15th. The free trade area negotiations in the past two years have had miserable results and have left a bitter taste. But the work was not a waste of time; problems have been unwrapped; negotiable issues have gradually emerged. The results of Monday's meeting of the Council of Ministers of the Organisation for European Economic Co-operation were, by contrast, purely destructive. It brought a harsh new acerbity to the whole problem, drove the prospect of a resumption of long-term negotiations into the distance, and imperilled even the mild provisional arrangements suggested for January 1st.

The omens for the meeting, it is true, were never good. British press headlines, mirroring the pugnacious spirit abroad in Whitehall, had their French counterpart: "England's rearguard action against the common market." The issue of the action was plain: the trade discrimination which will result on January 1st when the six common market countries start to reduce trade barriers in each others' favour.

Under pressure from the eleven countries outside, the Six had, it is true, worked out proposals to mitigate the effects of their initial measures. They had proposed that France and Italy, who will be making the principal tariff concessions at the end of the year, should extend them to all the members of the General Agreement on Tariffs and Trade. The Six would also extend the 20 per cent enlargement of quotas, which they are making for each other's benefit, to all the OEEC countries. But the Six did not offer concessions on a third provision of the Treaty of Rome—that each member must offer quotas equivalent to 3 per cent of the national output of each product to the rest of the community. Because many French quotas are very small, this means that France will grant significant concessions to its common market partners which it will not give to the other members of OEEC. There will be some discrimination after all.

When the council met, the issue did not explode at once. Indeed, the opening mood was mild. Mr Maudling's report on the work of his committee avoided all recrimination. And by the end of the morning there was an encouraging measure of accord on a possible resumption of long-term talks in the spring. But the problems of January 1st had still to be faced, and in the afternoon the British put forward constructive counter-proposals to the suggestions of the Six. The common market countries—and that means mainly France—should extend any increases in quotas they are compelled to make under the 3 per cent formula not just to the common market but to all the countries of OEEC. The eleven would reciprocate.

When the meeting broke up for tea, a heated argument followed at the Benelux headquarters up the road, where the Six meet and where the real negotiations often go on. The five pressed France to make concessions, but with little result. The truth is that the French, far from accepting the British view that discrimination is a bad thing, hold publicly that their common market partners deserve better treatment than other people. The French have always maintained that the free trade area was designed to give members the commercial advantages of the common market without the political commitments and the balance of interests—product of so much hard bargaining—that go with it. So they are not prepared to concede the commercial advantages to outsiders on January 1st on a temporary basis, any more than they are prepared to give way on the long-term deal. When the Six came back on stage the only concession they offered was to ask the British to put their plans in writing.

The eleven outsider countries naturally protested—the Scandinavians and the chorus of the underdeveloped countries adding their voices to the British. But what shot a new and ugly streak of bitterness into the discussions was not these proper objections but the first blunt threat of retaliation from the British side.

THE choice of Sir David Eccles as Britain's spokesman seemed unfortunate in many continental eyes. He is not popular in France. Rash words, spoken long ago, implying a basic dislike of the common market, have been dug up and quoted again and again. Now it was he who bluntly told the Six that if there was no change in their position, Britain would take "defensive measures." It, too, could discriminate in its quotas. And unlike the Six, it seemed Britain intended to do so not by enlarging quotas more for some people than for others, but by new restrictions.

Soon M. Couve de Murville was on his feet, saying that France would not negotiate under threat. There was a lot of sympathy for him from the other members of the Six when he declared that France would withdraw its support from the resolutions on both long-term negotiations and provisional arrangements for January 1st. It was the obvious retort. The night session did nothing to heal the breach. Mr Heathcoat Amory tried to pour oil on troubled waters with a classical OEEC solution—to refer the trouble to the steering board. And for a while the French were isolated again. They refused even this sensible expedient and were thereupon attacked sharply by their partners of the Six, including Dr Erhard. But all that was agreed in the end was that the whole matter should be discussed again on January 15th; in the meantime, bilateral exchanges would explore what damage may be done to the industries of the eleven.

The meeting therefore ended without any resolution on the resumption of long-term talks, or on provisional arrangements. The OEEC, which has survived many prophecies of its imminent collapse undisturbed, now faces a really serious threat. Trade war could kill it.

The immediate worries are less serious than the long-term

ones. Since the breakdown of Mr Maudling's committee on November 15th things have got worse, and Britain and France have drifted farther apart. The Six have drawn closer together than ever before, and perhaps nearer to the French position. The drive for a free trade area has been lost. In Brussels, however, the officials of the Six are still working hard on a long-term agreement. The French, though their position remains as ambivalent and difficult as ever, have at least agreed to carry on discussions there on the basis of the Ockrent report, which was presented to Mr Maudling's committee in October. Now the atmosphere has been so embittered that the date when serious long-term talks can be resumed seems remote.

One must suppose that the object of the British threats was to force the French to give way. But the French really care little about any restrictions Britain may put on their exports. Nor have the threats of reprisal made it more likely that General de Gaulle will agree to talk the dispute over personally with Mr Macmillan. The British Government's tactics on Monday suffered from faults which have handicapped it all along—an overestimate of the strength of the British position, the mistaken belief that it could get agreement by isolating the French. "Strange," remarked a Dutchman who spends most of his waking hours struggling with the French within the community; "I feel greater solidarity with the Six than ever before."

Cliffhanging in Ottawa

FROM OUR CORRESPONDENT

MR DIEFENBAKER returned to Ottawa this week from his tour round the world with loud praises of the Colombo Plan and of the Commonwealth, in which, he said, "the prosperity of each is the concern of all." The succession of cabinet meetings on which he immediately started opens a new instalment in the pulsating serial which the Canadian Conservatives began in June, 1957. Most Canadians happily turn back to these adventures, as familiar to them as a favourite television programme. The globe-circling display of the Diefenbaker eloquence which first captivated Canadians has given some of them the warmest feelings of patriotic pride, while a minority has been suffering the classical emotions of terror and pity. Neither group has been able during the last six weeks to use the Victorian evening hymn to which some were addicted, because it would hardly have been possible to get past the lines: "As o'er each continent and island the dawn leads on another day" without thinking "and one of them will get another Diefenbaker speech." Such irreverences can now be forgotten, John Ellerton's evening hymn can return to respectable use, and John Diefenbaker can resume his proper role as hero in the greatest cliffhanging serial that Canadians have seen for many a long day.

New heights of suspense are confidently expected in the unwinding of domestic problems which provides the principal current theme. There are also great possibilities in hand of sub-plots—on Canada's relations with the United States, and with the Commonwealth and the rest of the world. These deserve a second article. But, for the present, imagine Canadians being subjected to teasers like these: "What can the government do to placate the farmers? How many more millions?" "He promised balanced budgets. Where will he raise the dough?" "Diefenbaker gets his Commonwealth conference. What happened to jealous Jasper Menzies?" "Who dare stop the trains? Can the government get there in time or will Donald Fleming buy the villains off?"

The ending to most of these thrilling instalments has in fact been the same, but this has not detracted much from the excitement. Father always forked out in the end, but you could never be sure that he would. The government increased farm subsidies or price supports, one after another. It extended unemployment benefits. It poured millions into house mortgages. It gave the first federal grants to municipalities. It paid more to the provinces. It put up half the cost of starting public hospital insurance in every province except Quebec. It approved a 17 per cent increase in railway freight rates solely to meet union wage demands and avert a strike. It provided funds to give away wheat and increase Colombo Plan aid. But none of these moves was quite inevitable. Each time there was an outside chance that the solution might be different. Once or twice it really was different, most notably in the October decisions on defence.

The results to date show a deficit on budgetary account of at least $700 million, and on cash requirement of fully twice that. All the funds needed in excess of revenues have been provided so far by the banking system, thanks to the way in which the Bank of Canada resolved the schizophrenic struggle between its role as manager of the monetary system and its role as the government's fiscal agent. Until the end of October, the Bank of Canada continued to buy bonds and to ensure that the chartered banks had sufficient resources to meet each government demand for money. Since then the bond market has been largely unsupported; and it is not liking it. The government, now dependent on borrowed money, faces a climate in which borrowing is increasingly difficult and expensive. The Liberal party stalwarts express shocked horror that the Tories have reduced Canada to the point where it cannot even sell government bonds. They exaggerate. But the latest issue, of $400 million in three and four year bonds, announced on December 1st, and fully subscribed on December 3rd, has consistently sold below the issue price and the dealers still have significant amounts left on their hands. This attitude naturally affects other bonds.

BEFORE June, 1957, the Conservatives, who now form the government, fulminated about the wickedness of high interest rates. But the government is paying more than Canadians have been accustomed to for a long time. Since November 1st, the withdrawal of central bank support has left the bond market to find its own level at a time when investors have reason to expect better terms later. The yield offered in July for a 25-year bond was 4¼ per cent. By December the same yield was offered for a four-year bond, and was not high enough.

All this increases the suspense. The cliffhanging government has never seemed to have such poor handholds within reach. If the Conservatives were tough enough to let Mr Fleming balance next year's budget by really punishing tax increases (and there is no other way to do it), or if they could really persuade the investors that their growing expenditure has now reached the maximum, then a resurgence of confidence would make future financing much easier. Eventually interest rates must reach a level of self-correction. But the rate might be so high as to prevent new private investments of the sort which could restore the pace of the Canadian economy quicker than anything else. Besides, the government must reckon on deficit financing not for two or three months but two or three years.

"Will they meet the challenge?" "Is Diefenbaker tough enough?" These are the teasers now holding Canadians spellbound. The answers will be important to all of them.

Accra Palaver

FROM A CORRESPONDENT

As the last session of the All-African People's Conference at Accra came to an end some 250 delegates and observers rose to their feet and cheered their chairman, Mr Tom Mboya, the dominant African politician in Kenya. On the whole, the cheers were well merited, for Mr Mboya, who had been handpicked for the chairmanship by Dr Nkrumah himself, had done his job ably. And it may well be that the first result of this conference, with which the Colonial Office and the Kenya settlers will have to reckon, is the emergence of Mr Mboya as a leader with a continental reputation.

It was not an easy conference to preside over. Very few of the delegates knew much about their neighbours—even Mr Mboya had to spend part of one evening trying to learn something of the Algerian problem from John Gunther's "Inside Africa"—while the language problem was considerable. Rather more than half the delegates spoke English. Rather less than half spoke French. Apart from one bi-lingual African the task of translation at the conference had to be entrusted to Europeans and Americans. Mr Irving Brown, that ubiquitous representative of the AFL-CIO, found himself providing a linguistic link between Nigeria and Senegal.

Elsewhere in Accra the language problem raised its head last week. Sekou Touré, the prime minister of Guinea, and his closest associates speak no English. Mr Welbeck, the new minister of state from Ghana, resident in Guinea, speaks no French. Mr. Welbeck's appointment to this post can be interpreted as yet another sign that the Ghana-Guinea Union is not being implemented with as much energy as it might be; but Dr Nkrumah is said to have told his foreign minister, Koyo Botsio, to learn French as soon as possible.

Mr Mboya's decision on the second day to suspend the consecutive translation of speeches provoked one of the biggest arguments heard during the public sessions. It was the French-speaking delegates who objected. The English-speakers accepted the decision with true insular indifference. But, in fact, most of the speeches, both English and French, had a similar ring. When European domination was eliminated the whole continent of Africa was assured of a glorious future. As Mr Mboya saw it, "Europe is the continent of yesterday. Africa is the continent of tomorrow."

None of the delegates were veteran diplomats or skilled communist dialecticians, and it would be unwise to attach any substantial significance to any single phrase, but within the ranks of the English-speaking delegates there were obvious differences of emphasis. The low-powered but responsible representatives from Nigeria dwelt on the importance of Africans (as well as imperialists) respecting the human rights of other Africans, while the junior members of the Kenya delegation made speeches that came perilously close to praising Mau Mau. Dr Kiano, Mr Mboya's principal Kikuyu lieutenant, convulsed the delegates when he ended his fiery speech by producing a sign saying "Free Jomo Kenyatta now," and held it upside down.

Apart from Dr Nkrumah's opening address the speech that received the greatest applause was a communist-party line harangue written by the 90-year-old American negro leader, Heywood Dubose, and delivered, at the top of her voice, by his white American wife. In committee, however, the pleas of the Algerian delegates for a vote in favour of violence were toned down in favour of passive resistance—though here again it was obvious that many delegates, including some from Kenya, were making a very broad interpretation of the word "passive."

It is still too early to make any assessment of the importance of the new pan-African secretariat which will be established at Accra; but there is at least one hopeful sign for the future. Although European imperialism was roundly condemned from the platform in the sharpest possible terms, no personal hostility was shown to any of the numerous white observers and journalists. Even the lone British Conservative MP who attended the conference received, perhaps by mistake, a brief round of applause.

Getting the Better of Eoka

FROM OUR CORRESPONDENT IN NICOSIA

IF military factors alone are considered, the outlook in Cyprus is brighter than it has been for some time. Since October, three large-scale anti-terrorist operations have been carried out with notable success; they have resulted in the death or capture of a considerable number of Grivas's supporters, as well as a large haul of arms and ammunition. Eoka declared a truce during the period of the United Nations debate; but even before this was announced the rate of ambushes was decreasing notably.

Such has been the measure of the success of Major-General Darling, who took over as director of operations two and a half months ago and has been acclaimed by the local press as a sort of latter-day Monty. The general himself stoutly maintains that he has not invented new tactics and that all the methods he is using to beat Eoka are as old as the hills. All the same, there has certainly been a marked change in method and morale in past weeks, and the security forces have now clearly gained the initiative.

The general himself cites three well-tested military maxims as his guiding principles. The first is to beat the enemy by brain and not by brawn. This seems an unrevolutionary notion, but it is one which critics allege has tended to be overlooked. (At the same time, General Darling is by no means averse to hitting the enemy with concentrated brawn, at points where its application will produce the maximum impact.) The second principle is to use underground means to counter an underground terrorist movement—in short to play the enemy at his own game. This means that the ordinary British soldier is willy-nilly becoming a sort of counter-guerrilla—an experiment which has made some of the pundits raise their eyebrows but which General Darling passionately believes can be done.

The third principle—to vary your tactics and keep the enemy on the jump—is something of a corollary of the second and is enshrined in the general's own cherished catch-phrase: "Softly, softly, catchee monkey . . ." which

being interpreted means patiently patrolling and pouncing on the terrorists at points where they least expect the security forces to turn up.

All this demands that the troops do far more of their soldiering "on their feet." The military now regard it as utterly futile to have armadas of army trucks lumbering around the countryside in an attempt to cover and control the situation by strong-arm methods. Instead, all over the island small detachments are used as observation patrols and on the basis of intelligence reports are posted in areas where terrorist activity is suspected to be strongest. Their main prerequisite is patience; they will "sit in" on a village for days and watch the pattern of its daily behaviour. During the first day perhaps nothing emerges; but after a week, the outline of Eoka activity—the movement of arms, the position of suspected hides, the movement of couriers—begins to emerge. Then when the time is ripe a full-scale cordon and search operation is launched and with some luck a local Eoka kingpin may be caught in the net.

Broadly speaking, it was these simple methods which led to the success of the recent operation in Kyrenia and the killing of Grivas's main lieutenant in that area, the notorious Matsis. The military openly claim that as an organised force in that area, Eoka has been badly disrupted; and many believe that the same thing could be done in other sectors. This is, however, essentially a military assessment of the situation; it does not take into account the possibility that political fervour will always provide Eoka with a flood of young recruits even if their activities are militarily circumscribed. Of this General Darling himself is acutely conscious; he is on record as declaring that the real battle for Cyprus is 90 per cent a battle for men's minds.

More novel and melodramatic are the so-called "cat" patrols which the troops carry out in the sinister side streets of the island's main town. To be confronted in the sombre Casbah-like alleys of Nicosia's old town with an Indian file of strapping young infantrymen stealthily slinking in rubber shoes from corner to corner and always alert to pounce, is nothing if not alarming. There is no limit to their ingenuity. If they feel it is necessary to drop down a chimney or through a skylight, then it is all part of the game. All this obviously keeps the enemy on the jump and Eoka men who used to elect to use their homes as a workshop for devilry, now think twice about it.

But perhaps General Darling's main contribution to the improved situation has been psychological. There is little doubt that his fighting speeches—whatever their effect on the Greeks—have had an inspiring effect on the troops. The average soldier feels that he is getting to grips with Eoka, and the new tactics are just the thing for a junior commander who wants to show that he has initiative. Also, there have been markedly fewer ill-treatment allegations against the troops during the past six weeks. General Darling may be out to hit Eoka hard but he is a rigid disciplinarian and has gone to inordinate lengths to ensure that the troops do not commit excesses during their searches. For the general, the military and political aspects of the Cyprus situation are in watertight compartments; in the final analysis, "Sir Hugh Foot is my commander in chief." On this basis the initiative has been effectively seized from the terrorists and both the governor and the general are united in the belief that it can be maintained and extended.

FREE TRADE AREA?

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India's Disillusion with Peking

FROM OUR CORRESPONDENT IN INDIA

"HINDI Chini bhai bhai!" Indians and Chinese are brothers! This kite was flown by Chou En-lai and Pandit Nehru from Delhi's rooftops some three years ago. The kite, properly weighted by the Panch Shila, the five principles of peaceful co-existence, caught the wind, and there was a moment when the Indians really believed that China was their friend. But kites, like sputniks, in the end come down to earth. Indians and Chinese have now become rivals in development and in spheres of influence. This week's report of Delhi's concern over the latest events in Tibet reflect only one aspect of this rivalry.

The Indians do not begrudge China its material progress, even if it undermines Indian complacency. Peking's original land and social reforms were greatly approved in India. However, as time went by and as it became more clear where China was going, enthusiasm began to flag. By now there is in India a sort of silent hostility for China, a hostility that does not deter the government from continuing to urge the admission of China to the United Nations, but which makes it more and more likely that India will want to develop in its own, and not the Chinese way. Even the Indian Communists, sensitive to this new mood, have refrained from too much public extolling of the Chinese communes. How and why has this happened and in so short a time?

First of all, China maintains paper claims to Indian territory. Chinese (and Russian) maps show parts of Ladakh, the North-East Frontier Agency and Bhutan as part of China. Ladakh is part of Kashmir, the agency has been Indian for 70 years, and Bhutan is an Indian protectorate. Moreover, the dispute over Bara Hoti, a handkerchief of grazing land on the border of Tibet and Uttar Pradesh, remains unsettled. The continuing rebellion in Tibet also has a chilling effect on relations. The Dalai Lama has entreated Mr Nehru to prevail on Peking to relent; the Chinese told Mr Nehru politely but firmly to mind his own business and obliged him to give up his Tibetan journey. Indians are beginning to wonder whether the Chinese are not going colonialist in Tibet.

Perhaps more damaging still to Indo-Chinese friendship has been the withering of Mao's flowers. Indians had hoped that Chinese communism would blossom into a balanced and urbane economic creed. They have been very distressed to discover that instead of becoming Confucian, Mao has become more Stalinist than Mr Khrushchev. China's part in the hardening of the Russians over the summit talks, and in the tightening of discipline within the communist block, has not passed unnoticed. Mao has undone all Mr Nehru's good work with Moscow. And when Indians fall into a reminiscent mood, they suddenly realise that all they have had from their Chinese brothers, besides a feverish and expensive exchange of cultural delegations, has been 50,000 tons of rice which India had to pay for in sterling at well above the world price.

Inside the sourish fruit of friendship there has always been a hard stone. India has had to build expensive strategic roads along the Himalayas, and Mr Nehru's recent visit to Bhutan was undertaken partly to remind the world that Bhutan is an Indian preserve. Recently, too, Indian newspapers have become aware that for the past couple of years China has been engaged in an economic offensive in South East Asia, dumping cheap goods through Hongkong and restricting imports of South East Asian goods with tariffs as effective as the Great Wall. And for the first time, conditions in China are realistically appraised. Mr Nehru recently described life there as like that in a "soldiers' camp." Such pictures are not likely to make Indians enthusiastic. The idea of the Chinese communes is deeply distasteful to a people whose life centres round the family and its small plot of land. No Freudian insight is required to detect that even the reports of China's gargantuan agricultural yields are being received with a pinch of salt.

But if food production really has gone up and yields per acre have really rocketed, Indians will want to know how it can be done. An expert delegation is being sent to investigate the miracle; its terms of reference are fertilisers, pesticides, manures, seed farms, depth of ploughing, weeding, spacing—not collectivisation or communisation. Mr Nehru has indeed virtually dropped the idea of collective farming. Another expert delegation is going to examine China's new claim to steelmaking in the backyard, with a keen eye on quality and cost. Indians are always willing to learn; they are not prepared to be taken in.

Straight Course for Danish Economy

FROM A CORRESPONDENT IN DENMARK

EXPERTS from the International Bank in Washington have been in Denmark investigating the country's economy. Their visit was the result of a request from the Danish government for a loan to finance electricity works and the purchase of railway engines. Part of the loan may be floated on the New York market; the advantage of this would be that the money would be available for any purpose, whereas capital obtained from the Bank's own resources is granted for limited and specific purposes.

What will be the delegation's findings on the state of the Danish economy? Like most other European countries, Denmark has lately enjoyed an improvement in its foreign currency situation. One reason for this is the fall in world prices of raw materials. But this is only part of the explanation. In June last year the foreign payments position was so critical that Denmark had to draw a considerable sum from the International Monetary Fund. To restore equilibrium, a number of indirect taxes were raised and a compulsory loan was introduced, which in government circles was termed the stabilisation loan. These measures were, of course, intended to cut down consumption and general activity in the short run to a level corresponding to the country's reserves.

Since then, the external financial position has improved so much that in the last few months some relaxation in the austerity measures has been possible. The purchase taxes have not come down and the stabilisation loan has not been abolished, in spite of severe criticism. But bank rate has been lowered twice during the last nine months—a demonstration by the Bank of Denmark that credit need not be so tight as before. The commercial banks, like those in Britain, have launched a scheme of personal loans for "useful purposes" among *bona fide* customers. Several politicians, however, have already stressed that the situation should not be spoiled by excessive consumption. No doubt they are afraid that the zigzag course which the Danish economy followed in the postwar years might be resumed. In the past, measures of relaxation have been embarked on at the first signs of a turn for the better, while austerity measures have been postponed as long as possible.

A TRAGIC feature of the Danish economy is high unemployment. Even if employment figures cannot be compared directly with those of other countries (partly because only organised labour is counted), a percentage of 10 or 12 unemployed must be considered high. During the last 35 years unemployment has only once come down to 8 per cent. On that occasion, in 1954, the reduction ended in a severe currency crisis. Schemes for creating more employment have been put forward from time to time, to apply, in particular, to certain depressed areas in the peninsula of Jutland. These districts contain pockets of unemployment that originated in the expansion of employment during the war years. A bill was recently passed allowing government loans and guarantees to be given to projects for which finance cannot be raised from other sources. Although this initiative may seem admirable, the idea came under severe fire from the opposition benches. Earlier, government spokesmen had urged the commercial banks to show more pioneering spirit—at a time when credit restrictions were imposed upon the banks themselves. Now that it is more possible to extend advances, the minister of labour does not seem to appreciate private efforts. The banks will continue their practice of granting loans for purposes which they consider sound; more risky and adventurous projects will now be sure of a second hearing from the government.

The question is being asked whether this sort of state subsidising will not lead to the creation of inefficient industries, since the establishment of factories in remote regions may result in higher manufacturing and delivery costs. There is also a second limitation to the possibilities of regional industrial development. Employment policy in the country as a whole is limited by the foreign exchange position and this in turn is affected by the level of labour costs. Accordingly, the scope of raising employment in the depressed areas is rather small; for experience shows that employment cannot improve much without prompting trade union demands for higher wages. If the demands are satisfied, they soon spread to regions with higher employment. Unless trade union leaders dare to tell the rank and file that they themselves are responsible for the economy, including, in effect, how many of their mates are to be unemployed, high-sounding plans for developing the Danish economy are doomed to be short-lived.





KHARTOUM: **The most memorable event in the life of this famous city took place in January 1956 when it became the capital of the new independent Republic of the Sudan. Another event of profound importance took place in 1925, when the opening of the Sennar Dam on the Blue Nile, 150 miles south of Khartoum, inaugurated the Gezira Irrigation Scheme, transforming a million acres of barren land. Here, on former scrub and desert, Sudan's staple crop—cotton—is raised. And Khartoum, like the whole of the Sudan, depends on cotton for its future. Today an important commercial centre, Khartoum, founded by the Egyptians in 1822, owes its name to the local Arabic word for an elephant's trunk, which the promontory at the confluence of the two Niles resembles. It's a handsome city with broad, tree-lined avenues and fine new buildings. A big city too: including Khartoum North over 130,000 people live there.**

The Bank's first Khartoum branch opened in 1913. Today fifteen offices throughout the Sudan keep us in constant touch with the latest commercial developments. Business men who wish to benefit from this expert knowledge are invited to get in touch with our Intelligence Department, 54 Lombard Street, London, E.C.3.

BARCLAYS BANK D.C.O.

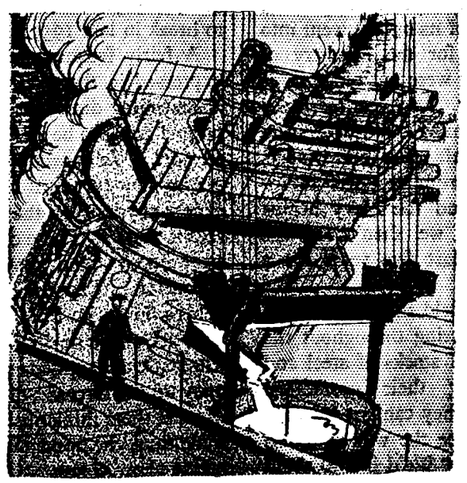
THE BUSINESS WORLD

Seen from Sheffield

"ODDLY enough," said the general manager of one of Sheffield's largest alloy steel works last week, "you find us just at this moment embarrassed to know quite how we're going to meet certain orders that have come in a bunch during the last fortnight. That's a complete contrast to our experience over the last three months. All our embarrassments recently have come from lack of orders, not too many of them. And we don't see any reason to believe that the underlying trend of demand has changed: we know there are special non-recurring factors in this sudden little flurry of orders. Still, there it is, and very welcome, too."

A visitor asking industrialists in Sheffield today about the recession gets a pretty mixed bag of replies. What its inhabitants are fond of calling the largest village in Britain is a steel and engineering city: the home of British alloy steel production, and some of the country's heaviest engineering works, as well as the Master Cutler. The centre of gravity of Sheffield engineering lies closer to capital goods—and probably to armaments—than that of Birmingham's engineering industries. Yet its substantial supplies to the motor industry make it less dependent on demand from construction and heavy industry than say steel and engineering on the north-east coast.

So the reactions one is likely to get to the word recession vary sharply. A producer of high quality hand tools says defiantly: "What recession? Our sales this year are about 15 per cent up, or 9 per cent up if you leave out all our new products. Sure, we're managing to get by without those ridiculous steel stocks we used to feel we had to carry. That's a return to efficiency, not a recession." At the other extreme, the managing director of one of Britain's largest heavy-engineering-plus-steel combines, upon whose super-heavy castings and forgings half the really big capital projects in train throughout the country are dependent for massive "core" components: "First, if it needs saying, there is a recession. Second, it may have levelled off. Third, we see no sign of any upturn in the near future. Across our whole range, we have about two thirds of what we would like to think of as a normal order load. That's an average: some sections of the works are as well off as 75 per cent, some are down to 40 per cent. Certainly, there are a few specialised sections—special crankshafts for big diesels, for example—that are still comparatively busy. But this is a capital goods company. Where can you see capital investment on the rate we've had it during the last couple of years?"



This is, on the other hand, a pretty plushy recession by any standards: there is no lack of customers anxious to take easier terms on washing machines and refrigerators in the city's busy department stores. And the fillip to consumer durables that easier credit is giving seems to be filtering through already, rather spottily into demand for some of Sheffield's contributions to them. This has recently made demand for stainless steel sheet in hollow-ware and the like, markedly livelier than for other stain-

less products. Some of the stainless producers, accordingly, are much more optimistic about the timing of an upturn than other people in Sheffield steel: though in this vast village where everyone knows one another's business, one is apt to get wry comments from the side: "Yes, we know they're optimistic: we were talking to them yesterday. Still, there's more coming out of the door than goes in."

There are plenty of people in Sheffield, at the level where face-to-face selling is done, to say, "We're past the bottom. We're bouncing along. There isn't an upturn. But we're not going any further." And even in Sheffield there are a few economists at large. These frame their guesswork in the familiar segments of demand that are used in Whitehall (and in Ryder Street). "Consumption? Well, that's never really fallen off. Opening the sluice gates on hire purchase is certainly giving the durables a fillip, getting rid of those stocks of cars in dealers' hands. But the motor industry is still buying pretty carefully: cars are going well, but remember that it's commercial vehicles that take the tonnages of alloy steel. Capital investment? That man Thorneycroft lopped off public investment at precisely the wrong time: brought the wagon programme, for example, down faster than it was collapsing already (that and the railways' mistakes about those continuous brakes). Next year's extra spending? Roads, schools, electricity distribution? Good for building, maybe. But they don't take steel tonnage."

ONE special factor that it would be stupid to ignore in Sheffield, though its total importance is difficult to measure, has little to do with the trade recession as one sees it across the country. Here, the cut in defence spending really matters. There is no way of knowing how important defence has been to Sheffield, until the input-output statisticians get to work on the 1954 census of production (and nobody has ever suggested they should work geographically). But engineering people in Sheffield are prepared to guess that at the peak of rearmament 15 per cent or more of its output went into armaments, specialised vehicles for the Ministry of Supply, and into the aircraft that were cut off in midstride at the beginning of this year. Last year's defence cuts essentially marked the beginning of the recession for Sheffield. They have indeed left some industrialists ready to say: "Unless the Government starts equipping a traditional army again, and the Navy begins to believe in ships once more, we shan't see the average level of activity of the last five years for a very long time."

The second thing that hit Sheffield this spring, as it hit steel and intermediate engineering throughout the country, was the running down of stocks of steel and components that began among their customers. "Nobody knows how little steel they can get by with in stock: it's never been safe since the war to try to find out," says a steel economist. "We'd like to think that they need about twelve weeks' stocks, right across the steel-consuming industries. If they do, then maybe we've had the sharpest rate of stock decumulation yet, but there's a good deal left; stocks can go on slipping more slowly for quite a few months to come. You'll get occasional bursts of ordering as one customer after another decides to build up again. We have already. And eventually, no doubt, they'll all turn up at once. Then the argument will be that once again the steel industry's lagging behind, eh?"

STOCKS of steel and of semi-finished goods have been run down in recent months among many of Sheffield's customers—and not only those whose production is static or slipping. The motor industry has not been ordering as much or as far ahead as in 1957, and supplies in the longish pipeline that stretches from the motor factories to Sheffield (via, for example, ball bearing makers and drop forgers) have been run down—though some orders have been cropping up recently. Sheffield itself is carrying less of what it buys—affecting even more basic suppliers. One supplier of medium and heavy forgings and steel castings made it plain how attitudes change with abundance: "A year or so ago we were using 1,450 tons of coal a week, and I always insisted that we must have five or six week's coal in stock. Since then we've been switching over partly to oil and electricity: we now take 1,000-1,100 tons of coal a week, and we're bringing it down towards 900 tons a week. How much coal have we in stock? Well, it's certainly not over 1,000 tons: I hope we haven't got 500 tons."

It is important to realise that the profile of industrial production as official indices chart it for the country as a whole, reaching a peak in 1955, then levelling off with a very slight rise during 1957, is not the profile as seen from Sheffield. This engineering city, serving the motor booms and the recent flurry of investment, has seen a fairly steady rise of activity since the war (except in 1949-50): its boom lasted right until demand began to break in late 1957.

A fairly frequent reaction to that boom decade is expressed in the question one hears often on the lips of managing directors in Sheffield, "Where is the new normal going to be? We've had the dip. It's levelling off now. We expect some upturn—even if what we're getting now turns out to be nothing much. But can we expect anything on the lines that we've been having in recent years? There comes a time when you've rebuilt an economy, and provided the capacity for further expansion. Exports are getting more competitive. Where do we go from here?" Businessmen in Sheffield are sanguine by temperament, but they make no automatic assumptions about expansion of the kind that buoy up the forecasts of many an economist in London. Most of them think business is past the bottom by now: some think the upturn is almost here. But they are still taking short views.

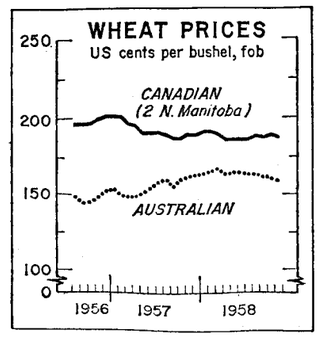
An Improved Wheat Scheme

Governments should try to make a new wheat agreement that will help to reduce the enormous surplus

IN a month's time representatives of some fifty countries will meet in Geneva to negotiate a new international wheat agreement to replace the one that expires in July. Three courses are open to the conference. It could simply extend the existing scheme, in which event the British Government will remain outside, for it sees no point in belonging to a scheme of the present type. The harder course would be to reach a new agreement more closely in line with the realities of wheat production and trade. Or, thirdly, the agreement might lapse with nothing to replace it.

In the ten years since the first agreement wheat has changed from conditions of scarcity to glut. Despite this change, the provisions of the scheme have survived unscathed, save in a few technical details. Unhappily this is a tribute to the inertia of member governments, not to the wisdom of the authors of the agreement. Its aim is "to assure supplies of wheat to importing countries and markets for wheat to exporting countries at equitable and stable prices." Each group of countries accepts reciprocal obligations to buy and sell specified quantities at specified prices—in Stock Exchange terms exporters have the "put" if they choose to exercise it, and importers have the "call." At the maximum price of $2 a bushel (for No. 1 Northern Manitoba at Fort William) importing countries have the right to buy up to the whole of the quantities that the exporters have guaranteed to sell; similarly, at the minimum price of $1.50 exporting countries have the right to sell up to the whole of the quantities that the importers have guaranteed to buy. The quantities guaranteed by both sides are equal. Between the floor and ceiling prices neither side has any obligation.

The agreement thus secures that if wheat is short and the price reaches the maximum, importers will get part of their requirements at $2.00 a bushel and will pay more only for further supplies that have to be bought outside the agreement. When wheat is plentiful and prices fall to the minimum (as in theory they might but in fact have not) exporters would be assured of $1.50 a bushel for part of their supplies. As for further sales made outside the agreement, the assumption is that these would be so small that the minimum price would not be breached. The effectiveness of these provisions depends on the relation between the guaranteed quantities in the agreement and the total trade in wheat. The current agreement covers a relatively small total of 7,991,000 metric tons. This guaranteed quantity is equivalent to only 45 per cent of the importing members' total imports of 17,546,000 tons in 1956-57, and equivalent to only 27 per cent of the exporting members' total exports of 29,306,000 tons. It cannot pretend to cover the predominant part of the trade.



The glaring weakness of the scheme is that it makes no attempt to restrict production to needs and to prevent stocks from becoming burdensome. Indeed, the signatories expressly "reserve to themselves complete liberty of action in the determination and administration of their internal agricultural and price policies." The result has been a glut of wheat, once the post war shortage was over. All governments stand between their farmers and the market-place and the high domestic prices they pay to farmers continue to encourage more production for a market already over-supplied. The surplus thus becomes chronic. Exporting and importing countries are equally to blame; prices guaranteed to producers in some importing countries are as high as, or higher than, those of the United States.

So in each of the last four years the total exportable supply among the four main exporters has exceeded 60 million tons, enough to cover their combined export needs for two seasons. Canada and Australia recently had a blessing in disguise, when bad weather reduced production, but this year the United States has been most embarrassingly blessed by good weather and a record crop. American wheat production has jumped more than a half to a massive 39 million tons, so that the United States alone could supply this season no less than 46 million tons of wheat if there were buyers.

Government selling monopolies in the exporting countries do compete in price, but in a gentlemanly way.

ESTIMATED SUPPLIES OF THE MAJOR EXPORTERS

1957/58: million metric tons

	USA (July to June)	Canada (Aug. to July)	Australia (Dec. to Nov.)	Argentina (Dec. to Nov.)
Opening stock	24·5	19·7	1·1	1·6
Production	25·6	10·0	2·6	5·8
Domestic use	15·8	4·6	1·9	3·8
Exports	10·8	8·4	1·2	2·0
Closing stock	23·5	16·7	0·6	1·6
Production, 1958/59	39·1	9·9	5·4	6·5

IMPORT PRICES COMPARED WITH FARMERS' PRICES

1956 average: $ US per bushel

Import Prices c.i.f. UK		Prices Paid to Farmers	
Argentine wheat	2·09	United Kingdom	2·26
Australian wheat	2·12	Germany	2·61
Canadian (2 N. Manitoba)	2·30	Italy	2·99
American (2 Red winter)	2·10	*United States*	*1·98*

Even in this period of glut only Australia has formally resorted to the minimum price—in the spring of 1956—though the United States has from time to time sold its lower grades of wheat at prices that were considered to be at or slightly below the minimum; even then Australia did not call on importers to take up their guaranteed quantities. While the provisions for buying the guaranteed quantities at the maximum worked admirably for buyers in the early years of the scheme (with some additional payments to sellers when it came to the pinch) the corresponding provisions for selling at the minimum price lie unused and unwanted.

IF a new agreement is to be more than marginally useful it should try to do three main things: it should encourage pressure on excessive and high-cost production; it should bring within its scope the large quantities of wheat now traded on concessional terms and dubiously regarded as being outside the agreement; and there should be a simpler way of protecting the floor and ceiling prices. The first two points were argued by Britain three years ago in opposing the present agreement. It would be unrealistic to expect member governments to accept formal restrictions on their own wheat policies. But the exposure of these policies to a regular review before the wheat council might gradually shame them into more sensible ways—as the parading of trade restrictions in OEEC has led to their reduction. To do the same for wheat policies would be much harder, particularly since they are now complicated in Europe by the Common Market, but it could be tried.

The floor and ceiling prices in the wheat scheme do not need protection by the cumbersome machinery of guaranteed quantities. If prices fell to the floor, importers could undertake to restrict their purchases from non-member exporters (as they do in the sugar scheme). That should be enough to prevent the minimum from being breached by an outsider. But the minimum price would have, on occasion, to be a working price, not as now, a largely academic symbol. Similarly if prices were ever to reach the maximum, exporting members could undertake to restrict sales to non-member importers. If the guaranteed quantities were abolished—at least for the commitment to buy at the minimum price—it would also be easier for Britain to join. To fulfil an international obligation to buy so much wheat at the minimum price the government would have in all honour to reintroduce control over the purchase and distribution of wheat, and that step it certainly would not take.

There is every reason for trying to make the wheat agreement into a useful instrument for guiding production and supplies, with the help of the market, in the most practicable way—which will still be far short of any perfect way. But if the attempt fails, Britain can hardly be blamed for wanting no part of the present scheme. One will then be left to wonder when taxpayers will tire of paying farmers to grow wheat they cannot sell, or of allowing farmers to grow wheat that could be imported much more cheaply. Economics have been flouted for so long in wheat that it would be foolish to expect a quick return to common sense. But an improved wheat agreement would make a start.

BUSINESS NOTES

THE ECONOMY

Bigger Buying

PRELIMINARY figures of retail sales in November confirm the impression of brisker trade; sales were 4 per cent higher in value and 2 per cent higher in volume. Full details are not yet available, but it is thought that sales of household goods, in the first month free of hire purchase control, were well above the level of last year. And retailers (as described in an article on page 1056) are expressing even more optimism than usual about the volume of pre-Christmas buying.

A new monthly series, published for the first time this week, records changes in retailers' stocks since the end of 1955, both at current and at constant prices. The seasonal increase in stocks in the first half of this year was much smaller than last year, but over the next four months there was little difference in the movement in the two years. At the end of October retail stocks were 2 per cent higher in value and 1 per cent higher in volume than a year earlier.

Christmas Money

WEDNESDAY'S Bank return showed a quickening in the outflow of notes from the Bank of England for Christmas spending to £43 million; in the last five weeks the outflow has reached £138 million, bringing the active note circulation above its August peak. The pre-Christmas increase so far has been a shade larger than last year's. In 1958 as a whole, a marked slackening in currency inflation has been apparent. At £2,164 million the note circulation is only 2 per cent up on last year. Moreover, the National savings movement continues to report big weekly surpluses, even in these Christmas weeks. Since the beginning of the financial year, net receipts by the various savings media, before crediting accrued interest, have reached £164 million, compared with £16 million a year ago. The spectacular gains have been in savings certificates and defence bonds, and while much of the inflow no doubt represents switching by investors from other savings in anticipation of a possible issue of lower yielding savings certificates or defence bonds, the fact that the improvement has been so well sustained suggests that it reflects a much broader savings effort. At the same time, traders are confident that Christmas sales will again be a record. The substantial increases in bank credit and hire purchase credit have obviously played some part. This finance is directed to durable consumer goods, but it may free more of people's money for current spending.

IN THE MARKETS

Gilt-edged Steady

SEASONAL quiet has come to the stock exchange this week. The most active interest has been in bank shares, following the increases in distribution foreshadowed by the Midland and Martins. Industrials have been firm, helped by the further rise on Wall Street; and gilt-edged have shown a steadier tendency than for many weeks. Some further bank selling, and also some selling of short-dated bonds by industrial companies to meet the needs of the year-end, have been absorbed without strain; but the *Financial Times* index of Government securities rose fractionally in the week to Wednesday.

The conversion offer for the 2 per cent 1958-59 stock remained open until Friday, the last day, and it is clear that a big portion of the £250 million of the new 4½ per cent Conversion, 1964, is in the hands of the public departments, to be supplied on tap in response to market demand. A small colonial placing is being made this week, £470,000 of Government of Antigua 6 per cent stock 1977-80, at 97, giving a redemption yield of £6 5s. 2d. per cent. A commission of 1 per cent is being paid to placees (so that they will effectively pay a price of 96) and jobbers will also get their customary ¼ per cent.

The Treasury bill rate fell again last week, below 3⅛ per cent. The margin below Bank rate is again looking big enough to discount another Bank rate reduction, but that is not necessarily what the market is doing. The big discount houses were keen to build up their bill portfolios for their end-December balance sheets, and as they faced big competition from outside tenderers they have made successive increases in their bid prices. As money gets tight around the year-end, it would not be surprising to see the bill rate turn up. Significantly, the discount market has had to take penal loans at Bank rate, of a moderately large amount, both this Thursday and on Thursday last week: the Bank of England is plainly discouraging a further fall in bill rate. Another brake on the downward movement is the hardening in New York rates; it is a long time since London was below New York, and that is what would happen if the present trend were carried a stage further.

BRITISH ALUMINIUM

The Bid is Posted

THROUGHOUT the struggle for British Aluminium, Tube Investments and Reynolds Metals have retained the tactical initiative. Their offer of one ordinary share in TI plus 78s. in cash for every £2 of British Aluminium ordinary is now in the hands of stockholders. The bidders make some play with the argument that while the Alcoa deal would confer effective control of British Aluminium upon an American company, the Reynolds-TI offer would retain control of "a very strong aluminium unit within the British Commonwealth" in this country. But this is not the crucial point, even for those who think that British assets should never be sold to Americans. The major arguments that may sway stockholders are three:

(1) The offer gives them an immediate opportunity to take a capital profit.

(2) As British Aluminium's last dividend was 12 per cent and TI's 17½ per cent, accepting stockholders would gain an increase in income of over 45 per cent.

(3) British Aluminium's dividend was covered twice by earnings while TI's was covered about four times. No information about British Aluminium's profits this year is available, but all aluminium producers, with the exception of Reynolds Metals, have reported lower earnings. The profits of British Aluminium and TI combined for the year to July 31st next cannot be estimated, but the TI directors believe they would be sufficient to warrant a repeated dividend of 17½ per cent on the enlarged capital, preserving a dividend cover "substantially greater" than that available on the British Aluminium equity in recent years.

The offer is made subject to several conditions, including Treasury consent (which has not yet been given) and approval by TI stockholders at the extraordinary meeting called for January 12th of the proposal by TI to increase the authorised ordinary capital by £4½ million. TI also reserves the right to cancel its offer if "at the date fixed for completion British Aluminium shall fail to satisfy TI that there are no contracts (other than contracts in the normal course of trade) entered into since December 31, 1957, then binding on British Aluminium." In other words, TI retains the right to withdraw its bid if the agreement between British Aluminium and Alcoa turned out to be irrevocable.

The board of British Aluminium had not made any comments on the offer when this issue went to press. It looks, in fact, as if the battle will be decided quite simply by the number of acceptances of the TI-Reynolds bid. TI owns £580,336 of the British Aluminium stock and Reynolds £576,837, so they already control between them nearly 13 per cent of the capital of £9 million. Acceptances by holders of another 38 per cent of the stock would give them the victory. To meet this challenge, the directors of British Aluminium have to activate a policy that will make the stock worth at least 78s. in the stock market and reconcile this, at the same time, with the deal that lets Alcoa in at only 60s. a share.

BANK CAPITAL

Two Dividends Raised

TWO more of the clearing banks have this week announced an issue of bonus shares and at the same time have anticipated their year-end dividend statements. One of them, the Midland, is maintaining its rate for 1958 but foreshadows a modest increase in 1959, while the other, Martins, is making a substantial increase immediately and hopes to maintain the bigger payment in 1959. The Midland's proposed scrip distribution of one for three shares will raise the total paid-up capital from £16,155,709 to £21,540,946 and will reduce the published reserve fund by £5,385,237, but this reserve will then be restored to its present figure of £16,155,709 by a transfer from the inner "contingency" reserves. The final dividend for 1958 will again be at 9 per cent, making 18 per cent, but this represents a slight increase in the actual payment, since last year's capital simplification involved small distributions of scrip upon which only the year's final dividend was paid. The substantial scrip issue now proposed will first rank

for dividend in 1959 and "in the absence of unforeseen circumstances" the board expects to pay interim and final at 7½ per cent each, or the equivalent of 20 per cent on the present capital.

DIVIDENDS AND THE BOOMLET

	Prices			Dividends (per cent)			
	June 30	Dec. 11	Dec. 17	Before 1953 (effective rate*)	1957	1958	Forecast 1959
Barclays	33/6	51/9	52/10½	7	9·6	10·8	12
Lloyds	30/9	44/6	44/3	6·4	8·7	10	...
Midland	61/9	81/9	85/-	15·2	17·6	18	20†
Nat. Provincial	64/-	83/6	87/4½	13·7	18	...	...
Westminster "B"	40/9	50/-	54/9	9	11¼	...	...
Martins	13/4½	18/1½	21/1½	12½	15	20	20‡
District	52/3	64/9	67/6	13·1	15	...	...

* On present capital. † Dividend of 15 per cent for 1959 is forecast on capital to be increased by 33⅓ per cent scrip issue. Equivalent to 20 per cent on present capital. ‡ Dividend of 16 per cent for 1959 is forecast on capital to be increased by 25 per cent scrip issue. Equivalent to 20 per cent on present capital.

Martins' scrip distribution is at the rate of one-in-four and will raise the paid-up capital from roughly £5,276,000 to £6,595,000. In this instance, too, the draft on published reserve (£1,319,000) is to be made good from inner reserves, restoring it to £5,500,000. The dividend payment is to be increased immediately, by one-third, by raising the 1958 final from 7½ to 12 per cent, to make 20 per cent for the year, compared with 15 per cent. The board adds, however, that it must not be assumed that "substantially higher" profits have been earned in 1958. It expects to maintain the 1958 distribution in 1959—in the form of two payments of 8 per cent each on the enlarged capital. Four of the "big seven" banks have now made scrip issues foreshadowing an increase in distribution. Market attention is now focused on the National Provincial, Westminster and District banks.

Rejection by CIC

An unexpected feature of the Midland's announcement was its disclosure that it had tried, and failed, to secure permission to augment its capital by a cash issue. The board had hoped to combine its capitalisation of reserves with a rights issue to shareholders: "an application was submitted to the Capital Issues Committee, but this, however, to the directors' regret, has been declined." The record of the CIC is so bestrewn with anomalies that nothing it can now do can any longer cause surprise. This being so, the remarkable fact is not the unexplained decision of the CIC but rather the action of the Midland Bank in so pressing its request as to risk a formal refusal, instead of confining itself to taking soundings from the authorities informally. In this matter of bank capital the Midland Bank must be presumed to have thought, just as it did when preparing its "personal loan" scheme, that a new situation had been created by last July's ending of the credit squeeze and revision of the instructions to the CIC. The Committee's refusal may now seem to imply that that was a wrong conclusion.

That, however, is not necessarily so. Whatever specific considerations the authorities may have had in mind, it is evident that the Midland Bank's application could not be considered in isolation. Though other banks have presumably not pursued the question to the point of formal application, there is little doubt that most if not all of them would be glad to raise additional cash capital if a siutable opportunity should arise—and, as the summer's experience has dramatically proved, any major move by one bank is likely to be quickly followed. The authorities may have been more concerned with the general question—whether the moment is propitious for a round of bank issues—than with the details of the Midland's plea. It has been reported that one of the grounds of the application was the cost of rebuilding programmes in an expanding bank organisation. Even if that were so, it would not, one would have thought, have provided an excuse for refusal at a moment when some types of building are being deliberately stimulated. In any case, though most of the big banks may desire additional capital if it can be obtained, it is extremely improbable that any of them feels fettered in its programme for expansion because of lack of that capital.

In other words, if new resources were raised, the real purpose of the issue would be to make good some moderate part of the inroad that years of inflation have made into the ratio of shareholders' (disclosed) resources to deposit liabilities. Thirty years ago this ratio was around 7 to 8 per cent and just before the war it was still over rather than under 6 per cent. Now, even after the apparent improvements made in recent years by bringing hidden reserves into the balance sheets for capitalisation, the ratio is either rather under, or little over, 3 per cent. The Midland's ratio at end-1957 was 2.24 per cent, lowest among the "Big Seven" banks. It may be argued that if more capital is needed only for this "display" purpose, the need is scarcely urgent. But, equally, if the raising of capital will not increase the physical outlays, there can be no conceivable reason for limiting the freedom of the banks to raise it.

EXCHANGE MARKET

A Flurry in Zurich

Continental exchange centres buzzed with rumours of "weekend" action at the end of last week. The most dramatic movement was in Zurich, where the pound dropped abruptly from Sw francs 12.22 to 12.16, the lower support point. The rumours mainly concerned a break-up of the European Payments Union as a result of the impasse in the free trade negotiations, and of a consequent freeing of the Swiss exchange rate and/or unification of the sterling rates. If Switzerland left EPU, the central banks might no longer maintain present support points; and as the Swiss franc is now near its upper limit against the dollar, three-cornered arbitrage might then cause a sharp fall in sterling against the Swiss franc. Dealers were reassured when the Swiss National Bank denied any intention of revaluation, and sterling recovered against Zurich (though it fell again in mid-week). The markets are bound to feel the impact of uncertainty over Europe's trading arrangements. For example, few people like the idea of making sterling convertible as an act of retaliation, but few would be prepared to rule out this possibility in present circumstances.

Meanwhile, sterling has continued to stand firm against the dollar. This week the forward discount on New York has run off completely. That reflects in part the disappearing interest differential—the rate on six months' Treasury bills in New York is almost the same as that on bills at last week's London tender—but also the continued weakness of the dollar in the international markets. A more worrying, and more familiar, weakness is that of the French franc. The forward discount this week has widened to a rate of over

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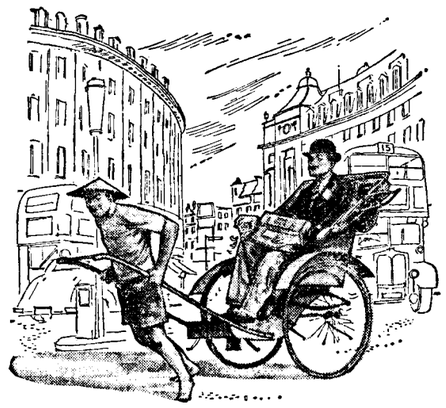

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4 per cent for three months. It is plain that the common market obligations alone will involve substantial additional commitments on French external payments, which are no longer being supported by the return of flight money to welcome General de Gaulle. Whether France will now use its political stability to make a thorough going reform of its finances remains to be seen; if it does not do so in 1959 it is difficult to see when it ever will.

Britain will Pay

THE Chancellor confirmed this week that Britain will pay in full the service due on the postwar dollar loans at the end of the year. The payments on the 1945-46 loans from the United States and Canada and on the loan portion of Marshall aid will total about $181 million; in addition, Britain will pay some $5¼ million interest on the deferment of interest in 1956 and of interest and principal in 1957. At the beginning of this month, the Treasury made the final payment of $7½ million on Canada's interest free loan of 1942. Thus the reserves are almost certain to fall this month, for the first time since last year's crisis. An announcement was believed to be imminent as this issue went to press on Britain's stand-by credit of $738½ million with the International Monetary Fund.

ELECTRICITY

Raising the Limit

"For the words 'fourteen hundred million pounds' there shall be substituted the words 'two thousand three hundred million pounds'; and . . . for the words 'two hundred million pounds' . . . the words 'three hundred million pounds'; and for the words 'seventy five million pounds' the words 'one hundred and thirty five million pounds'."

THUS easily can the parliamentary draughtsman provide for the future borrowing of Britain's most capital-intensive business, the nationalised electricity industry. The Electricity Council (which borrows from the Treasury on behalf of the Central Electricity Council and the 12 area electricity boards), the North of Scotland Hydro-Electric Board and the South of Scotland Electricity Board were originally authorised to spend together £282½ million this year on fixed capital equipment in power generation, transmission and distribution: this summer they were given the green light to spend a little more on work that could be finished quickly, which for the most part means on distribution. By the early sixties total electricity investment may have reached £400 million or more a year. Their capital requirements from and including this year to the end of the 1964-65 financial year are now put, in the memorandum accompanying the Electricity (Borrowing Powers) Bill that was published this week, at £2,432 million.

These three authorities propose to finance just under 45 per cent of this investment from internal resources, which compares with the little over 30 per cent they have financed so far. If one leaves the hydro-electric board out as a special case, the two national segments of the original British Electricity Authority have provided about 42 per cent of their capital requirements up to now, and hope to provide 48 per cent in future. This is an exceptionally highly capitalised industry by any standards, and one which at present earns an extremely low rate of return on its capital when compared with private industries here or public utilities abroad. The present bill is purely formal to raise the industry's borrowing limits. But the time is coming for Parliament to take as cold and hard a look at the demands for capital that this most successful of nationalised industries makes as it has been taking at the weaker sisters among the public industries.

ACTUAL AND PLANNED INVESTMENT IN ELECTRICITY

	Total Investment	Self-Financed	Borrowings
Electricity Council:			
Actual, to 31.3.58	1,699	559	1,140
Planned, 1.4.58 to 31.3.65	2,130	980	1,150
North of Scotland Hydro-Electric Board:			
Actual, to 31.12.57	180	16	164
Planned, 1.1.58 to 31.12.64	137	2	135
Sth. of Scotland Electricity Board:			
Actual, to 31.12.57	43	16	27
Planned, 1.1.58 to 31.12.64	165	60	105
Total planned	2,422	1,042	1,380
Per cent	*100*	*43*	*57*

LLOYD'S

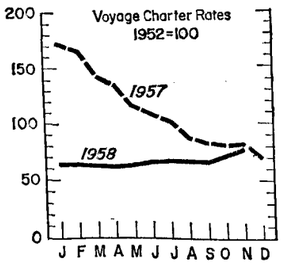
The Roylance Syndicate

THE committee of Lloyd's have this week issued a statement about the affairs of the Roylance Syndicate. In view of the importance of this matter, both in London and in the United States, the statement is set out virtually in full below:

> The committee state that the heavy underwriting losses incurred by the syndicate are not due to the hurricanes which occurred in America in the latter part of 1954. The losses have in the main arisen as a result of the acceptance by the syndicate of a large volume of business under which policyholders are indemnified in respect of their legal liabilities to third parties. In respect of such business it is quite usual for considerable periods of time to elapse before claims can be finally adjusted and settled and pending such settlements estimates can only be made by underwriters of their probable liability under the policies they have issued. In the case of the Roylance Syndicate the cost of settling outstanding third party liability claims has proved to be in excess of the provision made in respect of such claims.
>
> At the meeting of members held on December 16th it was decided that temporary loans at commercial rates of interest may be made by Lloyd's Central Fund to those members of the Roylance Syndicate who are actively engaged at Lloyd's against the tax recoveries which their accountants estimate they will receive in respect of their underwriting losses, subject to immediate repayment of the loans when the tax refunds are received. No loss in respect of these loans will therefore fall on the Central Fund of which the principal object remains the protection of the insuring public.
>
> The operations of the Roylance Syndicate are still under investigation by the committee of Lloyd's who emphasise that such investigation in no way affects the statement they have previously issued that all valid claims made against the underwriting members of Lloyd's comprising the Syndicate will be paid in full.

The attention of readers is drawn to a letter from the Chairman of Lloyd's, on page 1072, in which he denies certain assertions about the affair made in a business note on page 1012 of last week's issue.

FREIGHT RATES RISE



Although tramp shipping freight rates have risen during the last two months to their highest point for a year, they have only recovered one-tenth of the fall from end-1956 to mid-1958.

AMERICAN TEL AND TEL

Giant Lifts the Market

AMERICAN TELEPHONE AND TELEGRAPH, or as it is known on the Wall Street tickers AT&T, is the biggest industrial company in the world; its common stock is the most actively dealt in equity on Wall Street; and so far this year it has the best profit record of any of the American giants. Its record has been conservative, with its dividend stuck at $9 for many years, and its market price is so "heavy" that there have been periodic rumours of a stock split. The stock split has now been announced, bringing with it a more liberal dividend. The split is three for one and the dividend on the new capital is to be $3.30, representing an effective increase of 10 per cent on the old payment.

The split, by lowering the market price, should make the stock more attractive to investors and that will strengthen the company's ability to raise new capital, when it so desires. So important is Tel and Tel's influence on Wall Street that the board's break with conservatism has been seen as another bull point for that market. In extraordinarily active dealings on Wednesday, AT&T gained $21 to $223 and this advance, together with complementary rises in the prices of other equity stocks, pushed up the Dow Jones average by 4.20 points to a new peak of 569.38, breaking through the previous "high" of 567.44 touched in the middle of November, just before Wall Street suffered a minor—and largely technical—shake-out.

BRITISH PETROLEUM

New Tanker Finance

PLANS announced this week by British Petroleum to raise £12 million in the City to finance a part of its tanker building programme are almost a carbon copy of the arrangement by which they borrowed £40 million for the same purpose in March, 1957. Clyde Charter Company, a new company owned equally by BP, Robert Fleming and Ship Mortgage Finance, will take over six vessels to be completed in British shipyards during 1959, subsequently chartering them back to the BP Tanker Company. Clyde Charter Company will borrow £4 million from The National Provincial, Barclays, and the Westminster banks for this purpose at current banking rates for up to eight years; in addition, £8 million of loan stock will be placed through Hoare and Company and J. A. Scrimgeour with various institutions at 6¾ per cent, with maturities ranging up to 24 years and averaging 18 years. The charter payments will, as before, be arranged so that the interest and amortisation on the loans will be paid off at the end of 24 years, at which time title to the tankers will revert to BP.

The six vessels are a part of the 55 tankers which the company stated earlier this year would be delivered by the end of 1961, of which seven have already been delivered. Of the 48 remaining, 18 will be completed during 1959, including the six in the Clyde Charter financing; though no announcement has been made, it is probable that BP will finance the other twelve itself. The use of a separate financing company is obviously attractive to the oil company, however, and lending on these terms is equally attractive to many of the institutions.

RAILWAY FINANCE

Freedom to Compete

GREATER "headroom" to make selective increases in passenger fares, particularly in charging for special circumstances—for example, all-night buses, luxury express trains such as the Master Cutler, and unremunerative services on branch lines where the alternative is to close down the line—was the main object of the application by the Transport Commission to the Transport Tribunal this week for power to charge higher fares. The commission promised that it would make no general increase in fares for six months: it put forward what it called

> a true maximum scheme . . . one which looks ahead not to the year which stretches immediately in front of us, but a little farther ahead.

The headroom would provide for possible increases, at the commission's discretion, of 50 per cent: from twopence to threepence a mile second class, and threepence to fourpence-halfpenny a mile first. In the London Transport area the room requested would be a penny on fares from 4d. to 1s. 10d., and proportionate increases not only on higher fares than those but on season tickets and cheap early morning fares: the commission's policy is gradually to abolish the early morning concession. It also sought power to charge supplements on certain trains: and incidentally to round fares off to the nearest penny, not the nearest halfpenny, which "is thought to be out of place in view of the real value of money."

Mr Watkinson had mentioned this application, and commended it to the Commons in last week's debate on the second reading of the Transport (Borrowing Powers) Bill, which extended the commission's long-term and temporary borrowing powers. He mentioned then, as counsel for the commission did this week, that this "headroom" might be used to allow fares differentials between peak and off-peak hours on London Transport (as certainly should be done instead of cutting back late night trains). The railways' freedom to compete commercially was constantly on the lips of speakers from both sides of this fairly well-informed debate: Government supporters were congratulating themselves on the extra flexibility of charging that the 1953 Act offered, and opposition speakers complaining that the railways need even more. It is, as the Transport Tribunal left the maximum freight charges scheme, a somewhat qualified freedom, though it is fair to say that the railways' commercial managers have as yet hardly begun to take advantage

of it in full-blooded competition for traffic. Maximum passenger fares are an entirely different thing, since no element of bargaining or individual contracting enters into them: but here too it will be interesting to see whether the Transport Tribunal allows the railways all the initiative they are asking.

RESTRICTIVE PRACTICES

Chemists Wind Up

THE Restrictive Practices Court ruled in October that the restrictions contained in the Chemists' Federation's agreement, which provided that proprietary medicines manufactured by members of the Federation could be sold only through chemists' shops, was contrary to the public interest and hence void. In a reserved judgment the Court added that the Federation would be given "reasonable time" to put its affairs in order, and would not be made to do so under the threat of an injunction. The Federation apparently interpreted "reasonable time" as meaning about six weeks; it has now announced that in effect it will put its affairs in order by dissolving on December 31st. After taking legal opinion, the Council of the Federation decided that the dissolution was necessary in order to protect the rights of the individual members; two attempts were made by the Federation to rewrite the constitution and rules so that they would not be registerable under the Restrictive Practices Act, but counsel had advised that these were "fraught with danger," and dissolution appears to have been the only alternative. The remaining funds of the Federation are to be placed in the hands of four trustees, who may at their discretion support any other organisation which may be formed for the benefit of the trading interests of former members; if they cannot find one within five years, the money is to go to a pharmaceutical charity.

Counsel for the Federation has stated that the Restrictive Practices Act applies only to collective agreements and could not, therefore, affect the right of any individual manufacturer to restrict the sale of his products to chemists, just as he had done before the Court's decision. A number of manufacturers have already announced that they intend to do just this. For the present, therefore, although the Court has declared that the Chemists' agreement was not necessary to protect the public, the public may receive this "protection" from individual manufacturers whether it wants it or not.

OVERSEAS BANKING

Back in Iran

WHEN the Chartered Bank announced in October that it was acquiring an important interest in Iran following the moves of Continental banks, the question was asked here whether it would be followed by the British Bank of the Middle East—formerly the Imperial Bank of Iran, which had operated in that country from 1889 to 1952. The answer is that this bank is returning in a form very similar to that chosen by the Chartered. The British Bank of the Middle East is subscribing 49 per cent of the capital of Bank Iran Va Khavar Mianeh (Bank of Iran and the Middle East), the remaining 51 per cent being taken by Iranian shareholders. Iranian law now requires banks operating in the country to be majority owned there. Management of the bank will be largely in British hands. When premises and staff have been acquired, the bank will open for business in Teheran and in time, presumably, it intends to serve other areas in Iran.

CROSBY UNIT TRUST

Another Success

CROSBY Unit Trust, sponsored by Robert Fleming, differs in two ways from the recent British Shareholders Trust, managed by Philip Hill, Higginson. It is more venturesome because the units offered this week at 10s. net are offered on a projected gross yield of only 4 per cent and because the portfolio, containing a good proportion of dollar equities and only a small portion of gilt-edged, is geared to capital growth. The portfolio already exists, as the unit trust is formed from an investment trust managed by Robert Fleming. Once the initial issue is out of the way, Robert Fleming will act simply as managing agents in a cash fund; no dealing profits of any kind will accrue to them and the managers do not expect to make much money, if any, from the trust.

It is less venturesome than British Shareholders Trust because it is not so specifically aimed at the small investor—not cloth cap so much as trilby. There is no provision for purchase by instalments, as in British Shareholders Trust. The minimum subscription is 50 units (or about £25) against only 10 units (or £5) in BST. Out of the initial loading charge of 3¼ per cent, Robert Fleming offers brokers or other agents a commission of 1½ per cent while Philip Hill, Higginson offers them 1¼ per cent. Robert Fleming, having reduced its own share of the fee, does not intend to pursue quite so aggressive tactics as Philip Hill, Higginson employs in selling units.

Those tactics have already produced a notable success: within a fortnight over 9,500,000 units in British Shareholders Trust (of which only about 5 per cent were on the instalment plan) were sold. The managers are now working on a scheme to sell units to factory workers in small lots. But the response to the Crosby offer, if more sedate, further demonstrates the demand for trust units. The first offer was of 1 million Crosby units, but CIC permission had been given to issue up to £1,500,000 worth, and when the initial offer was closed on Wednesday, applications for over 2,500,000 units had been received. The average size of the holding in Crosby is of the order of £200, while in British Shareholders Trust it is something under £150.

OLD AIRCRAFT

A Secondhand Market

THE first exchange market devoted exclusively to aircraft is opening with offices in New York and London early in the New Year and expects to begin publishing regular weekly market quotations for the sale, lease and charter of aircraft on January 6th. This is an ambitious scheme, which has been coolly received by big aircraft brokers in this country. Civil aircraft, they point out, are not commodities that are bought and sold like wheat or metals. The number of secondhand aircraft changing hands at any one time is never high and buyers are in any case usually more interested in finding aircraft that suit their particular route network than in keeping track of fluctuations in price.

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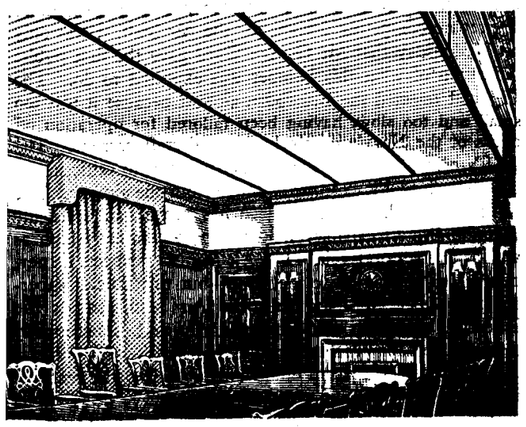

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And although there is no standard rate of commission for brokers, some of the largest in this country charge considerably less than the sliding scale of one to three per cent (the lowest percentage being charged on the highest sales) proposed by the new Aircraft Exchange Inc. To be fair to the new organisation, however, it does propose to repay some of this commission at the end of the year out of whatever profits have been earned.

There are reasons why the airlines, if not the brokers, may be inclined to make use of such an exchange during the next few years. The airlines are starting one of the biggest and most rapid technical change-overs in their history, the switch from piston engines to jets. While this change-over is in progress, secondhand values will be in a state of flux. They have fallen sharply since the days when a reasonably modern piston-engined airliner could be expected to sell for more than it cost when new. Now there is the prospect that the bigger civil airlines will be disposing of considerable numbers of the largest piston-engined airliners yet built some years sooner than they might normally have been expected to turn up in the brokers' lists. An additional complication is introduced by the fact that the turbo-prop Viscounts have reached the secondhand market: eight of the earliest versions are for sale at the present time at comparatively low prices.

In these conditions, regular market quotations such as Aircraft Exchange proposes to provide may be the only reliable guide to current prices. Fears that the secondhand market may become glutted with aircraft are almost certainly exaggerated. There are signs that most of the machines discarded by United States airlines will be snapped up by small and rapidly expanding carriers in South America, but at prices which will certainly make it necessary to keep selling costs to the minimum. The success of the new experiment rests to a large extent on how far sellers, particularly American aircraft manufacturers who are now taking old aircraft in part-exchange for new ones, will use the exchange as a means of making contact with customers to whom they cannot afford to give " the full sales treatment."

BANK FIGURES

Where the Money Went

THE detailed quarterly statement of bank advances shows that personal borrowers have been getting a big share of the increase in bank credit granted since the lifting of the credit squeeze this summer. In the three months to mid-November, total bank advances in Britain rose by £129 million, almost the whole of the increase being from the clearing banks. This is the second biggest increase on record, and the more notable because at this season advances have fallen in five of the six preceding years. The personal and professional group accounts for £47½ million of the expansion, almost certainly the steepest upsurge ever; together with an increase of £12 million in the preceding quarter, it made good the greater part of the cuts suffered in the years of the credit squeeze. The present total is £383 million, compared with £401 million in May, 1955, and the peak of £438 million in 1951. The banks do not separate their formalised "personal loans." The major part of the increase was probably in traditional overdrafts; the two big banks that do not offer personal loans are not noticeably behind in their increased lending.

This big injection of bank money to finance spending by consumers and professional people was bound to cut into the business of the hire purchase houses. Fortunately, competition came at a time when hire purchase business was given a big boost by the easing and then the complete removal of official restrictions. The upshot is that hire purchase debt rose by 3 per cent in September and October together—a smaller increase than a year before. But the steep increase in sales of cars in November reported by Hire Purchase Information suggests that the total HP debt may then have accelerated.

The finance houses are certainly not short of money. Substantial sums have come from the participation of the banks in the companies' capital; and the quarterly statement shows a surprisingly large jump in bank advances to HP houses—from £27 million to £39½ million. The other main increases were shown by retail trade, by food, drink and tobacco, agriculture, public utilities, engineering, building, and the non-ferrous metals groups.

AIRCRAFT INDUSTRY

The Canberra Replacement

IT is several months since the Air Ministry won its battle with the Treasury and the Ministry of Defence for permission to order a new light bomber to its own specification rather than a made-over version of the Navy's Blackburn strike aircraft. But the dust has taken a long time to subside and although the industry was invited in the summer to prepare competing designs for the Air Staff, it was only on Wednesday that Mr George Ward gave the first public indication of what this bomber was expected to do. The Air Staff rejected the Blackburn aircraft because it was too small and too slow, having been tailored for operation off decks of the Navy's relatively small aircraft carriers. The RAF's own alternative specification is open to criticism on the grounds that it expects too much from one aircraft. The Canberra which it is to replace has proved an unusually versatile aircraft capable of operating at extremely high as well as at tree-top levels. The Air Ministry expects its new bomber to be able to do the same—but this time at supersonic speeds. In doing this, the Air Staff has set the industry's designers an extraordinarily and unnecessarily difficult, perhaps even an impossible task.

The idea of a tree-top bomber flying below the reach of radar and guided missile defences has always been attractive. But jet aircraft flying close to the ground suffer seriously from metal fatigue, unless they are specifically stiffened, which affects their weight and performance. To resist fatigue at low altitudes, the Navy's Blackburn aircraft has wings machined from a solid slab of metal and even then, this aircraft is not asked to fly at supersonic speeds. The higher the speed the greater the strain and the type of steel airframe specially stiffened to resist it is not all that well suited for high altitude flying under quite different atmospheric conditions. In trying to get exceptionally high speed performance at both high and low altitudes, the Air Ministry is trying to squeeze a quart into a pint pot. Its anxiety to do so is understandable since this is likely to be the last combat aircraft built in this country and the Air Staff must want to get as varied a performance out of it as possible. In this it is enthusiastically abetted by the aircraft industry which sees in the new bomber its last and only chance of cutting its teeth at Government expense on military designs flying at two and three times the speed of sound. Designers need this experience before tackling the development of a civil supersonic airliner to which, judging by Mr Taylor's statements in the House of Commons on Thursday, the Government is now firmly committed. To say that this attitude is understandable does not necessarily mean it is well advised.

CAMP BIRD

The Ghana Minerals Affair

AN extraordinary series of events has led to the temporary suspension of dealings in the Camp Bird ordinary stock on the London Stock Exchange. On December 10th (which was the first day of the three week New Year account) the directors of Camp Bird, headed by Mr John Dalgleish, announced that a subsidiary, Ghana Minerals, had submitted proposals to the Ghana Government, which had been accepted in principle. The chief of these was that for a period of 50 years all future mineral rights in the country would be granted to Ghana Minerals. Camp Bird had subscribed £50,000 in cash to Ghana Minerals, which has an authorised capital of £50 million. Mr Emil Savundra was concerned in the formation of Ghana Minerals, as he was with Camp Bird Bank (with an authorised capital of £100 million). In a letter to Mr Dalgleish, the Ghana Chamber of Mines asked: " Who is Mr Savundra, what is his past record, and what experience has he had in mining? "

Summonses against the four companies with which Mr Savundra was concerned, relating to what Mr Dalgleish described as " trifling technical breaches of the Ghana Company Ordinance," had by this time been issued. On December 11th, the Ghana Ministry of Information and Broadcasting expressed its " great surprise " at the Camp Bird statement that the government in Ghana had agreed in principle to the mineral rights proposals. In reply, Mr Dalgleish published a photostatic copy of two letters signed by Mr S. I. Iddrissu, Parliamentary Secretary to the Minister of Information and Broadcasting, on September 11th and September 12th, in which Mr Iddrissu said: " I have to inform you that your proposals have been accepted under the following main heads of agreement." These heads of agreement were as outlined later in the Camp Bird statement.

On December 12th, dealings in the Camp Bird ordinary stock were suspended " pending clarification of the position in regard to the Ghana enterprises." On December 14th, the government of Ghana made a deportation order against Mr Savundra; and the Governor General, on the advice of Dr Nkrumah, revoked the appointment of Mr Iddrissu as Parliamentary Secretary to the Minister of Information and Broadcasting. In its statement the government of Ghana said that the authority for the letters published by Camp Bird was " in dispute." It added:

> . . . the Government of Ghana considers that Ghana Minerals Corporation has not the financial stability which would justify any Government department entering into any contract of any sort with it, and the company is being so informed.

On the same day, Camp Bird announced that it had advised the government of Ghana that it had withdrawn its mineral rights proposals " in view of the contradictory statements which have appeared in the Press apparently emanating from the Ghana Government." The resignation of Mr Savundra from his directorship in Ghana Minerals was also announced. The directors of Camp Bird said that they had withdrawn the proposals in order not to prejudice the stock exchange quotation on Camp Bird and in the general interests of the company, and they added:

> . . . all statements issued by the company in connection with the Ghana negotiations are true, and they are placing irrefutable evidence before the Stock Exchange Committee to this effect.

Mr Savundra, it is reported, is now on his way to London.

SHORTER NOTES

The new five-year plan for the Department of Scientific and Industrial Research, announced in the House of Commons on Thursday afternoon, provides for a sharp increase in expenditure, from £36 million in the 5-year period ending next March to £61 million in the period ending in 1964. Staff is expected to expand by 30 per cent and provision has been made for a big increase in DSIR grants for post-graduate work.

* * *

The first Russian offer of softwood this season to the British market has been made, at prices from £2 to £9 a standard lower than the closing levels of last season; 7 in. redwoods, for example, are £2 lower at £82 a ton cif UK. Buyers, who privately have been agreeably surprised, have publicly hailed the offer as " realistic," and their total orders far exceed the 100,000 standards offered.

* * *

South Africa is to introduce legislation next year to switch the coinage to the decimal system. It is hoped to introduce the new system early in 1961.

* * *

The Guaranty Trust Company and J. P. Morgan and Company are to merge, subject to approval of the official banking authorities. The proposed Morgan Guaranty Trust Company of New York would be the third largest bank in the city and the fourth largest in America; the move follows a number of mergers between big banks in New York.

COMPANY AFFAIRS

Comments on pages 1118, 1119 and 1122 on

Stewarts & Ll.	Whitehead Iron	Kaffir Dividends
Steel Company of Wales	Amalgamated Press	Ranks
	Mercantile Credit	Distillers
Colvilles	Salts (Saltaire)	Bleachers
John Summers	Australia and New Zealand Bank	

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 1120 and 1121

LONDON STOCK EXCHANGE

The week's movements reported on page 1122

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1123

COMPANY MEETINGS

THE NATIONAL BANK OF SCOTLAND LIMITED

BALANCE SHEET SHOWS NOTABLE ADVANCES

MERGER WITH COMMERCIAL BANK OF SCOTLAND

REMARKABLE IMPROVEMENT IN NATIONAL ECONOMIC SITUATION

LORD ROWALLAN ON HIRE-PURCHASE FINANCE

The one hundred and thirty-third Annual General Meeting of the Proprietors of The National Bank of Scotland Limited was held in the Bank's Head Office on December 18th, the Right Honourable Lord Rowallan, KT, KBE, MC, TD, LLD, the Governor of the Bank, presiding.

The Governor said: I have to record, with deep regret, the sudden death last August of Mr J. Allan Brown, who had been an esteemed member of the Ordinary Board since his retiral at the end of 1954 from the position of General Manager. Mr Brown's distinguished career has been fully reported elsewhere, but it is fitting that I should pay a further tribute to his outstanding abilities and deplore the circumstances in which the leisure he had so abundantly earned and was so fully enjoying was cut short. Our sympathies go out at this time to Mrs Brown and her family.

To fill the vacancy the Directors co-opted to the Board Mr David Alexander, the present General Manager. Later on, you will be invited to confirm his appointment, which at this stage I shall only say has met with acceptance from all quarters.

THE BANK'S ACCOUNTS

The Balance Sheet now before you shows some notable advances on last year's figures. For one thing, the total of nearly £134 million is not far short of that brought out in 1954, which was a record in the history of the Bank. Of much more practical importance, however, is the substantial increase, amounting to nearly £9 million, in the Deposits: not only is this movement a sharp reversal of recent trends but, more significantly, it has occurred during a period when inflation, if not entirely stopped, was at least substantially arrested. The same remarks apply to our Note Circulation which, at £15,800,000, is fully £1 million up.

On the Assets side, advances to customers and bills discounted together come to £25,600,000, an increase of £1,700,000, and a feature is that the rise has all taken place since the Treasury Restrictions on bank credit—of which I shall say more later—were relaxed at the end of July. There has been an encouraging flow of applications for new or increased lines of accommodation, most of which we have been happy to accept, and if anything the pace has quickened since the date of the Balance Sheet, although not to an extent which would suggest anything in the nature of a mad rush. We have not so far felt it necessary to engage in what have come to be known as "Personal Loans," preferring to deal with our private borrowing customers along the time-honoured and well-tried lines of Scottish banking practice: we have, however, given our Branch Managers rather more freedom of action in this regard and there has been a notable response.

STRONG LIQUID POSITION

Our investments in British Government securities show some increase at £50,600,000 but once again no writing down has taken place, either from Inner Reserves or from the year's profits, a policy which is amply justified by the fact that during the year our published depreciation has fallen by no less a sum than £2,700,000. Our liquid position remains very strong, cash or its equivalent amounting to over £50 million and giving a ratio to liabilities to the public in the form of deposits and notes in circulation of a fraction over 41 per cent. This may seem unduly high. The explanation is that we have substantial new lending commitments to meet in the near future.

Profits at £336,000 are £10,000 up on the year. Having regard to the figures reviewed above this may seem a modest increase, but it has to be borne in mind, first, that during much of the period we were operating under abnormally high interest rates which, as I have explained in the past, are very much to our disadvantage, and, second, that expenses are still on the increase. Indeed, had it not been for the new current account service charges, which we were reluctantly compelled to impose during the year, the profits picture would have been a very different one.

A SPECIAL BONUS

It is proposed to repeat the dividends on the same scale as last year, namely 10 per cent per annum on the Consolidated Capital Stock and 5 per cent per annum on the "A" Stock, and in addition, looking to the forthcoming amalgamation with the Commercial Bank of Scotland Limited, the Directors have decided to mark the occasion by recommending a Special Bonus at the rate of 1½ per cent on the Consolidated Capital Stock. If these proposals are approved the dividends and bonus, less Income Tax, will all be paid on January 15, 1959. Other allocations are: £100,000 to Contingent Fund and £100,000 to Trustees for the Officers' Pension Scheme. The carry forward of £128,070 shows a reduction of about £7,500.

BANKING MERGER

Before leaving our domestic affairs, it is appropriate that I should dwell for a little on the merger with the Commercial Bank of Scotland, to which I referred briefly a year ago. As you are aware, it was not until August that the Boards of the two Banks reached agreement on the basis and form of the "marriage," and there were suggestions in certain quarters of unreasonable delay, an opinion with which I cannot agree. A major move of this kind, with all its implications for posterity, is not lightly to be undertaken, and I for one am glad to know that all its aspects received the fullest and most careful consideration by the Directors and Executive Officials of both Banks before the final decision was taken. The negotiations were necessarily somewhat protracted but, as matters progressed, so too did the feelings of mutual respect and goodwill that mean so much for the future.

The Commercial Bank having now obtained authority to eliminate the uncalled liability on its "A" Shares, the Scheme of Arrangement and Amalgamation is in course of preparation for submission to the Court of Session, and at the appropriate time the Proprietors will be invited to consider and if thought fit to approve the terms for the exchange of shares. Clearly, a period of some months must yet elapse before National Commercial Bank of Scotland Limited can come into being, but the time will not be wasted. Indeed it will prove invaluable to those who, among other things, are charged with the integration of two book-keeping systems which, although very similar in essentials, still vary considerably on points of detail.

ACQUISITION OF OLDS DISCOUNT COMPANY

It was a remarkable accident that Board agreement on the merger terms should coincide with an alteration in the official attitude towards direct participation by the Banks in hire-purchase finance. As far back as September 1956—that is, long before amalgamation was seriously contemplated—our General Manager, referring to the pioneering move by the Commercial Bank in 1954, publicly stated his interest in, and approval of, this departure from orthodox banking. As time passed, it became clear that others had been converted to the idea: consequently, the recent decision by the British Banking System generally to enter the field came as no surprise.

We for our part have been happy to associate ourselves, along with Lloyds Bank Limited, in the successful offers made by Scottish Midland Guarantee Trust for the Share Capital of Olds Discount Company Limited. This well-established business, which is primarily concerned with finance for consumer goods, will fit in excellently with SMGT, whose main pre-occupations have so far been plant, machinery and vehicles, and the shares of both are in process of transfer to a new Holding Company known as Lloyds & Scottish Finance Limited, in which Lloyds Bank Limited and National Commercial Bank of Scotland Limited will each have a 50 per cent interest. The new hire purchase group is in our opinion well placed to meet the intensified competition now developing and it should prove a highly profitable investment, but it is appropriate to remind ourselves that banking remains our chief concern. The merger with the Commercial Bank was primarily designed to effect further rationalisation of the banking system in Scotland, and plans to that desirable end are being actively pursued.

A CHANGE IN ADMINISTRATION

During the merger discussions between the respective Boards, the suggestion was made that opportunity might be taken to bring the administration of the combined Bank into line with modern practice by dispensing with the offices of Governor, Deputy Governor and Extraordinary Directors, and after discussion with those directly concerned it has been decided to proceed along these lines. Much though we may regret departures from established practice and honourable tradition, there is no doubt that the time is ripe for a move of this kind, and I may say that the decision has the unqualified support and approval not only of myself as Governor, but also of the Deputy Governor and Extraordinary Directors of this Bank.

Today you will be asked to renew our appointments, but only for an interim period, because the offices will lapse as of the actual merger date, and when National Commercial Bank of Scotland Limited comes into being its affairs will be controlled entirely by a Board of Directors which will elect its own Chairman. I feel sure that the Proprietors of this Bank will approve, and that they will join with me in expressing to our Deputy Governor and Extraordinary Directors deep appreciation of their past services.

THE ECONOMIC SITUATION

References from this Chair to the economic situation have of necessity in the past few years been a trifle gloomy. This was particularly the case in 1957, and it is therefore a matter of considerable satisfaction to me that a very different picture falls to be presented on this the last occasion when I shall address the Proprietors of the National Bank of Scotland Limited. The change that has taken place in a few short months is remarkable. Starting in March, Bank Rate has been progressively reduced from a crisis figure of 7 per cent down to its present level of 4 per cent, a rate lower than anything seen since February, 1955.

In July the Authorities found it possible substantially to relax the restrictions on Bank credit, which over a long period of years and particularly since mid-summer of 1955 had been the bane of our existence and a source of continued irritation and frustration to our customers. They also restored the limit of applications to the Capital Issues Committee to its former figure of £50,000 and gave rather wider discretionary powers to that Committee, particularly in regard to ultimate repayment of sums borrowed under its authority. At the same time, the glances which they bestowed on Bank participation in hire purchase finance became positively benign. Later on, they went even further by reducing and finally eliminating altogether statutory deposits in respect of hire purchase transactions, and the long and the short of the whole matter is that our economy is now operating under a measure of freedom unknown for at least a decade.

So far as bankers are concerned, the only remaining restriction is on lending for purely speculative purposes, and with that we have no quarrel. It is of course true that in case of need our lending wings can be clipped through the Special Deposit system announced by the Government, which may briefly be described as a device for draining off, and freezing for an appropriate period, excessive liquidity in the banking system: nevertheless, for the time being we can conduct our business in our own way, and for that we are thankful.

JUSTIFICATION FOR VOLTE-FACE

You may well ask, what is the justification for this relatively sudden and almost complete *volte-face*? Well, part of the answer is of course to be found in the efficacy of the measures taken in September 1957 to counter the serious crisis that arose from the heavy depletion of our gold and dollar reserves and the consequent pressure on sterling. How sound these measures were is evidenced by the fact that by the end of November, 1958 our gold and dollar reserves had reached a total of £1,148 million, which compares with £660 million in September, 1957 and is the highest level since 1951. Not only so, but our external balance of payment figures were well maintained even during the autumn months of customary pressure. It has to be admitted that the situation was helped by falling world prices for the imported raw materials on which our industrial production so largely depends, but nevertheless our national finances have displayed a buoyancy that would have been literally unbelievable one short year ago.

However, the picture presented by our internal economy is not just so bright, because we have been passing through a period of trade recession, the end of which is not yet in sight. Especially is this true of Scotland where many industries, in particular steel, shipbuilding, jute and woollens, have been quite heavily affected, giving rise to pockets of unemployment substantially in excess of the figure for Scotland as a whole, which at 4 per cent is itself higher than the national average. Quite clearly the Government measures earlier referred to do not simply reflect the improvement in the country's external position: they are also designed to stimulate home demand, leading to a resurgence of internal trade.

Whether or not these measures will be successful remains to be seen. So far, there is no great evidence of increased capital investment on the part of our large industrialists, who not unnaturally are waiting to see the picture a little more clearly before sinking large sums in new projects, and it may well be that further stimuli will yet be called for. Is it too much to hope that these may include some significant lightening of the still crushing burden of taxation?

SCOTLAND'S NEW STRIP MILL

In the meantime, it is satisfactory to note that Scotland is to have its share of the new steel strip mill. One is of course aware that the long-awaited decision in this regard has been criticised for differing reasons on both sides of the Border, but whatever may be the pros and cons of the matter the fact remains that we are in due course to have at Ravenscraig a new mill that will ultimately employ 3,500 workers. It is devoutly to be hoped that its products will at the appropriate time attract to Scotland other industries, to which end the Scottish Council (Development and Industry) will, I feel sure, devote the same energy it has displayed with such conspicuous success in the past.

On this subject one word remains to be said. The changed economic and financial situation does not justify any relaxation of individual effort: rather the reverse. As I have on previous occasions suggested, Britain's prosperity rests ultimately on the capacity of her citizens to produce more goods at lower prime cost, and at long last there appears to be dawning a general realisation that it is on this that improved standards of living mainly depend.

TRIBUTE TO STAFF

The expression of appreciation of the services of the officials and staff of the Bank, with which it has for long been customary for the Governor to conclude his annual review, is never to my mind to be regarded as a mere formality, and less than ever so on this occasion. Without their loyal and efficient co-operation at all levels the results of the past year could never have been achieved. Further, the forthcoming amalgamation has involved the chief officials and in particular the General Manager in an immense amount of work dealing with all manner of problems and planning to make sure that no detail is overlooked. All this added to the no light task of the day-to-day management of the Bank has imposed a heavy burden on the General Manager and his lieutenants which has been borne cheerfully and with outstanding ability. To all concerned I offer the thanks and good wishes of Directors, Stockholders and customers alike.

The Report and Accounts were adopted.

THE TANJONG MALIM RUBBER COMPANY LIMITED

CHAIRMAN'S STATEMENT

The Annual General Meeting of this company will be held in London on December 30th. The following are extracts from the statement of the Chairman, Mr H. F. Copeman:

It is with regret that I have to report a reduction in surplus on the year's working on the estates. This is unfortunate but the reason for it is evident in the figures shown in the Profit and Loss Account. In the year under review the average price of rubber, as compared with the previous year, was lower by as much as 3½d. a pound. For this reason it is necessary for us to recommend a reduced dividend of 1s. 6d. a share free of income tax as compared with 2s. a share last year. An examination of the accounts will show that even this distribution would not have been possible but for the fact that we are able to write back a sum of £27,203, a provision for income tax previously made but which is now no longer required.

During the year we exceeded the crop estimated by nearly 94,000 pounds and the reports we have had on the condition of the properties are very favourable. It is obvious therefore that nothing has been left undone as far as Management is concerned and only the drop in price of the commodity has prevented us from making a better showing than during the previous year. I should like to call attention to the estimated crop for the current year. It will be seen that we have estimated to harvest 4,230,000 pounds which exceeds the actual crop for 1957/58 by more than three quarters of a million pounds. This estimated increase is not based entirely on expectations from areas newly coming into tapping although that of course has its effect. It is largely due to new techniques in the field of tapping, whereby the maximum crop is obtained from areas which are due for replanting in the near future. So far up to the end of October we have harvested 1,368,900 pounds. This is for four months of the year, and is not quite one-third of the estimate. However, the full effects of changes in tapping are not yet evident, and we still hope to be very close to estimate when the year ends. Compared with the crop harvested in the corresponding months of the year under review, we are up in the current year by no less than 194,480 pounds.

During the past week or two, various factors have had the effect of raising the price of rubber, and after very careful thought your Directors came to the conclusion that since these outside influences might be of a temporary nature, advantage should be taken of them in the long term to provide an insurance against a future recession. They therefore sold on account of 1959 twenty-five tons monthly from January to

December at 25¼ pence per lb. CIF. This represents about a quarter of our crop of No. 1 RSS.

Since my last review, events in Malaya have progressed favourably. Malaya has a stable Government and the emergency continues to improve. Many more areas where terrorists were a source of danger and caused serious dislocation of normal social conditions have been declared "white areas" that is areas where terrorism has been eliminated, and amongst them is Tanjong Malim where our estates are situated. Shareholders are well aware that Tanjong Malim has had a bad history in respect of terrorism and it is with profound relief that we look forward to more peaceful times, and to increased progress in our work on the estates.

It is my sad duty to report the death of Mr Marcus Claude English one of your Directors This occurred on November 15, 1958. Mr English had a very long connection with this Company, for before becoming a Director in 1946 he had been closely connected with the affairs of the Company both in Malaya and in London since its formation. Mr English was a man much beloved by all with whom he came in contact. His knowledge of the Planting Industry was wide, and even after his retirement from the East, he kept closely in touch with developments, and his advice was always greatly valued by his colleagues on the board. He will be sadly missed.

NEVILLE DEVELOPMENTS

FORECAST EXCEEDED

The annual general meeting was held on December 16th in Birmingham, Mr G. Roland Dawes, FCA, FCWA (the chairman), presiding.

The following is an extract from his circulated statement:

This is the first Report since the shares of the Company were introduced on to the Birmingham Stock Exchange in January last.

In the Document which formed the basis upon which the shares were marketed a statement was made to the effect that the profits of the Group for the year to March 31, 1958, were expected to be considerably in excess of those for the previous year which amounted to £57,819 subject only to taxation. They are in fact more than double and the Directors recommend a dividend of 15 per cent, less income tax, as forecast.

CURRENT YEAR

As regards the current year, the trading subsidiaries are finding profits somewhat more difficult to earn. I would estimate, however, that to date any falling off in their profits has been offset by increased profits from the Issuing House and Finance side of the Group which has been very busy, and continues to keep us fully occupied.

Apart from Public Flotations, I am pleased to report that we have been able to help in solving the problems of a number of Proprietors of Private Companies too small or not suitable for Stock Exchange quotation.

I must thank my colleagues on the Boards of the parent and its subsidiaries for the great ability they have shown in handling the many problems that have come their way and acknowledge the untiring efforts of all employees of the Group.

The Report was adopted.

GLAXO LABORATORIES

HIGHER TRADING PROFIT DUE TO FURTHER SALES EXPANSION

SIR HARRY JEPHCOTT ON TESTING TIME AHEAD

The twenty-fourth annual general meeting of Glaxo Laboratories Limited was held on December 15th, in London.

Sir Harry Jephcott, DSc, FRIC, FPS, the chairman, presided.

The following are extracts from his circulated review:

The Parent Company's Balance Sheet contains one new item under Capital Reserves—Share Premium Account £2,009,655. This arises from the acquisition of the Ordinary Shares of Allen & Hanburys Limited and represents the difference between the mid-market value and the nominal value of the Glaxo Ordinary Stock on the date of acquisition.

CAPITAL REORGANISATION

The expansion of the Company's activities during the past two years, both at home and overseas, has necessitated substantial additions to our Fixed Assets, so that, once again, our investment in these assets is much greater than our issued capital. In these circumstances a further capitalisation of reserves is appropriate, and it is proposed to capitalise the whole of the Share Premium Account together with such part of the General Capital Reserve as is necessary to provide for the issue of one 10s. share for every two units of Ordinary Stock held.

In some oversea markets the most profitable co-operation between Allen & Hanburys Limited and the Company can be realised only by a complete merger of interests. In certain circumstances such action might be held to affect the security underlying the Allen & Hanburys Preference and Preferred Ordinary Shares. Proposals will therefore be made to the Allen & Hanburys Preference and Preferred Ordinary Shareholders to exchange their shares for new Glaxo Preference Shares carrying interest at 6 per cent.

Holders of Glaxo 7 per cent Preference Shares and 8 per cent Preferred Ordinary Shares will also be given the opportunity to exchange their existing stockholdings for this new share on similar terms.

Acceptance of these offers will increase the dividends received by these classes of stockholder by 10 per cent.

TRADING RESULTS

Sales by the Parent Company and its subsidiaries throughout the world (excluding sales by Allen & Hanburys) were 15 per cent higher in 1957/58 than in the preceding year. Much the greater part of this increase occurred in the first half of the year. The increase achieved in the second half of the year was comparatively small. The higher trading profits earned during the past year are a reflection of increased turnover. The average margin of profit was in fact slightly less than ten years ago.

Sales in the home market were highly satisfactory in spite of a further increase in competitive pressures. We were able to reduce substantially the prices of some of our newer products, after an expansion of their scale of manufacture and a steady improvement in production efficiency.

In export markets the high volume of sales secured in 1956/57 was increased, but here also the progress made in the second half of the year was less than in the first.

Allen & Hanburys Limited.—The merging of the resources of Allen & Hanburys Limited with our own towards the end of the year was the outcome of the deep conviction of the directors of both Companies that it was a wise step in our common interests. It remains our intention that Allen & Hanburys shall continue as a separate entity in the home market, but, as I have already indicated, in certain oversea markets where advantage and economy would result, unified organisations are being evolved. The collaboration between us is already a source of mutual pleasure and satisfaction and will, I am convinced, bring material rewards also.

The Murphy Chemical Company.—The turnover and profitability of the Murphy Chemical Company, both at home and overseas, have increased during the past year. Research endeavours by the Murphy organisation and the Parent Company are reflected in this improvement.

The Oversea Companies.—Once again the oversea Companies have made a major contribution to the increased turnover and profitability of the Group. The turnover in each of them, expressed in local currency, was higher this year than last. In some it was substantially higher. Notable increases were achieved in one or two markets where progress in recent years had been slow.

TRADING DIFFICULTIES

The rate of expansion of our turnover began during 1955/56 and continued into the first half of this year. It expresses the fruition of certain major capital projects at home and overseas during a period of favourable, perhaps exceptionally favourable, trading conditions. Throughout the world these conditions are now passing; in many markets they have already come to an end.

Your Company, despite the specialised nature of its activities, is not immune to changes in the world economic climate. I have emphasised in earlier years that a high proportion — approximately two-thirds — of our sales are made overseas.

We may be able to maintain the volume—as indeed we must—only by operating at reduced and sometimes unremunerative prices.

Although the home market provides only about one-third of our world-wide turnover, it is our most important single market. For us, as for our friends in all sections of British industry, a strong and growing home market is the only sure foundation upon which to build a flourishing export business. For a number of reasons, the United Kingdom market for drugs and medicines has become increasingly competitive.

The increasing annual expenditure on drugs under the National Health Service has, during the past year, been the subject of extensive discussion, much of it critical of the British pharmaceutical industry.

Critics who single out the selling and pricing policies of the pharmaceutical companies for attack fail to understand our problems and accomplishments. For example, during the past 10 years rates of wages paid to our employees in this country have risen by well over 50 per cent and the prices paid for our raw materials have risen by over 25 per cent. In the same period not one of our pharmaceutical or antibiotic preparations has been increased in price. Indeed a customer purchasing a representative group of these products today would pay little more than one-half the price he would have paid 10 years ago. Such an achievement is, I would suggest, probably unparalleled in any other branch of industry.

Some of our critics are especially concerned with our marketing techniques and particularly our use of proprietary names. It is upon our proprietary interest that we, and other members of the British pharmaceutical industry, have over the years built an unexcelled reputation and on it largely depends our ability to sustain export sales.

PROSPECTS IN 1958/59

Since the beginning of the current year, competitive pressures in the home market have intensified and the deterioration in overseas trading conditions generally has become considerably more acute. In these circumstances, with our best endeavours at home and abroad, we are finding it difficult to hold our turnover so that in spite of every attention to economy in manufacture, to maintain the past year's level of profitability may prove impossible.

It is under conditions such as those we are now experiencing that our financial and technical strength, built up over many years, can prove of greatest value. No less important is the loyal, competent and energetic support your Directors have received, and continue to receive, from our staff at home and overseas. I pay warm tribute to this support and look with confidence to its continuance.

The report and accounts were adopted and the Ordinary Capital bonus and Preferred Capital proposals were sanctioned.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA

RECORD INVESTMENT INCOME

The annual general meeting of the Consolidated Gold Fields of South Africa Ltd., was held on December 11th in London.

Mr Robert Annan, chairman, in the course of his speech, said: The accounts of the operating company show a working profit for the year of £2,245,000. Dividends and interest on our investments provide the principal contribution and at £2,252,000 constitute a further record, exceeding last year's figure by £120,000. This continued growth in our investment income is due mainly to increased dividends on our holdings in the Far West Rand and the Orange Free State. The net profit for the year is £1,362,000.

An interim dividend of 1s. per Ordinary share, less tax, was paid in July and as the operating Company has now declared an increased final dividend of 3s. 6d. per share, less tax, your Directors recommend the payment of a like dividend on the increased Ordinary Capital of the parent Company.

Our investment in South African gold mining is mainly in the newer mines. We continue to carry on exploration in various fields in Africa, Australia and North America. While this work has not resulted in establishing any new business during the past year, there are several interesting prospects in process of examination and development. The outlook for the future appears encouraging.

The report and accounts were adopted.

Overall Picture of expansion and strength

The Annual General Meeting of Debenhams Limited was held in London on December 11. Mr. John Bedford, O.B.E., Chairman and Managing Director, presided.

FINANCIAL RESULTS: The Consolidated Trading Profit for the year ended 31st July, 1958, amounted to £5,804,511, an increase of £257,394 over last year's figures. The total of the net distributions on the Ordinary Shares was covered 1·8 times by the earnings for the year.

SCRIP ISSUE: The Directors recommended a scrip issue to the Ordinary Shareholders on the basis of one new Ordinary Share of 10/- each for every share held on 11th December, 1958. The size of the issue necessitated firstly an increase in the Authorised Capital of the Company and, secondly, in the opinion of the Directors, adjustment of the voting rights of the Preference Stockholders and Preference Shareholders.

ACCOUNTS: The overall picture shown by the Consolidated Balance Sheet was one of expansion and strength with Capital and Reserves (excluding goodwill) up by £4,160,167, and Total Net Assets up by £4,359,962.

BUILDING PROGRAMME: Commenting on the extensive war damage suffered by the Group, Mr. Bedford recalled the statement he made to shareholders two years ago that "it should also be borne in mind, from a profits viewpoint, that some of the stores which were destroyed in the war are being rebuilt on existing sites, where trading has been carried on in premises of a temporary nature. Initially, therefore, the increased profits, which I am confident will materialise from our rebuilding efforts, are bound to be partially offset by the unavoidable dislocation of trade.
For example the new building we are erecting in Henrietta Place, London, will take two years to complete. During the building operations not only will the capital employed be unproductive but we shall, in addition, have forfeited the rent previously received in respect of the old buildings that stood on that site."
The rebuilding of bombed stores is now complete with the exception of (1) Edwin Jones & Co. Ltd., Southampton, which has recently been opened for trading on two floors and will not be in full operation until next year, and (2) Plummer Roddis Ltd., Southampton, the rebuilding of which has not yet been started owing to difficulties in connection with local planning.

NEW ACQUISITIONS: Three new companies had been acquired. One was Cresta Silks Ltd. which controls eighteen high fashion speciality shops in London and the Provinces. The second was Ranby's Ltd. of Derby while the third and most recent acquisition was Busbys' (Bradford) Ltd., a family business which had just celebrated its 50th anniversary.

STAFF: The Directors, believing in the future of the Company, also believed that the members of the staff should be encouraged to become shareholders, and it was their hope next year to submit proposals whereby that object might be achieved on the most advantageous terms. They were firmly of the opinion that any action which brought us nearer to the goal of a property-owning democracy was a step in the right direction. Was it too much to hope that the Government on their part would facilitate such an arrangement by amending the tax laws?

CONCLUSION: Mr. Bedford said that he was optimistic about the prospects both of this Country and of this Company. If costs could be held, he believed that we as a nation would continue to compete successfully in the markets of the world. Sales for this year showed an increase over last year, excluding new businesses acquired.

DEBENHAMS LIMITED

91, WIMPOLE STREET, LONDON, W.1.

JOSEPH LUCAS (INDUSTRIES) LIMITED

ANOTHER YEAR OF PROGRESS AND EXPANSION

REMARKABLE EXPORT FIGURE OF THE MOTOR INDUSTRY

MR A. B. WARING ON THE UNFAIR BURDEN OF PURCHASE TAX

The sixty-first Annual General Meeting of Joseph Lucas (Industries) Limited was held in Birmingham on December 15, 1958.

The following statement was made to the members by the Chairman, Mr A. B. Waring:

THE YEAR'S SURPLUS AND DIVIDENDS

The Consolidated Profit and Loss Account of the Company and its Subsidiaries for the year ended on July 31, 1958, shows a surplus on Trading of £6,873,545 compared with £5,622,381 in the previous year and £7,078,422 in the record year ended July 31, 1955. After bringing into account Other Income and Exceptional Items and making provision for Taxation the Net Profit is £2,241,956, which compares with £1,668,275 last year and £2,207,087 in the year ended July 31, 1955.

The Directors recommend that appropriations be made from this Net Profit by payment of a Final Dividend on the Ordinary and on the Redeemable Preference Shares of 1s. a share which, with the Interim Dividend of 6d. a share already paid, makes 1s. 6d. a share less tax for the year. Confirmation of the Dividends already paid on the Preference Shares is also recommended. In addition the Directors have declared a Special Interim Dividend on the Ordinary and Redeemable Preference Shares of 6d. a share less tax in respect of the year ending July 31, 1959, payable at the same time as the Final Dividend referred to above.

The net dividends for the year to July 31, 1958, amount to £614,736, and after further recommended allocations of £75,000 to Employees' Funds and £500,000 to General Reserve there remains £1,052,220 of which £836,968 will be retained by Subsidiary Companies and £215,252 carried forward by the Parent Company.

By paying a Special Interim Dividend out of the current year's accounts instead of increasing the Ordinary Dividend for last year there is a reduction in the incidence of Profits Tax. The change to a flat rate basis for calculating this tax, which was introduced in the 1958 Finance Act, adversely affects the Company's liability in the current year by a substantial amount.

VEHICLE PRODUCTION DURING THE YEAR

The year covered by the Accounts now submitted has been one of further progress and expansion. The overall turnover of the Company approached £100 million. The Motor Industry started the year at the high rate of production which followed the void created by the earlier period of petrol rationing and without any sign of the normal seasonal fall, each successive month showed an improvement on the previous one. During the year one and a half million cars, commercial vehicles and agricultural tractors were produced, an increase of 35 per cent on the previous year. Car manufacturers achieved a record output of a million passenger cars. There were 20 per cent more Commercial Vehicles produced and nearly 20 per cent more tractors.

EXPORT RECORD OF THE MOTOR INDUSTRY

Half of the output of the Industry was exported, the total value, including parts and accessories, reaching the remarkable figure of £468 million and heading the list of exporting industries. The most notable success was in the sales of cars in the USA and it is extraordinary that this market is now easily the best customer for the British Motor Industry, having taken 30 per cent of the exports in the second half of the year. Many views can be expressed as to the reasons for the present popularity of European cars in America, but it seems likely that it has been brought about not only by economic reasons arising from the recession, but by the establishment of a fashion and a widespread acceptance of the fact that the smaller car has advantages for certain specific uses. If this is so it does seem that there is every reason for the business to be a continuing one, but it is important to realise that imports of all foreign cars into the USA only amount to 6 per cent of the total registrations there, so that a small change in American habits can have a dramatic effect on our fortunes either one way or the other. It is also important to remember that we have no monopoly of this business. The German manufacturers continue to prove as successful as we are and the French, Italians and Swedes are selling their cars in America in increasing quantities.

THE HOME MARKET—UNFAIR PURCHASE TAX BURDEN

On the domestic market it is a remarkable testimony to the achievements of the Industry that so many cars were sold during a year when Government financial restrictions persisted and there was a downward trend of activity in most other industries. In addition, there were the continued rates of 60 per cent Purchase Tax on Cars and 30 per cent on Commercial Vehicles, as well as 2s. 6d. tax on every gallon of petrol. The Industry is to be congratulated on the success it has achieved in spite of these very substantial obstacles, which if removed would enable it to do so much more for the ultimate good and general prosperity of the country. The steps which have so far been taken by way of removing credit restrictions and the now visible and welcome start that has been made on the construction of new roads, are all valuable moves in the right direction, but much more remains to be done if the home market is to be allowed to expand in the way that is necessary to support a greater degree of overseas enterprise. Purchase Tax at the rate of 60 per cent is iniquitous. It was increased to this penal rate, not as a means of raising revenue, but to reduce the sales of cars as an anti-inflationary measure. Similar rates were imposed on other articles at the same time, but these have since been withdrawn, and it is anomalous and unfair to continue to discriminate against the motor car in this way. The effects are most undesirable, for whilst the tax restricts the sale of new cars it also puts false values on them and artificially inflates the values of second-hand cars that are purchased by those of limited means, mostly wage earners who in many cases have to put up with cars that are just not fit to be in service. There are around six million cars on our roads, of which 1½ million are more than ten years old.

COMMERCIAL VEHICLES, TRACTORS AND MOTOR CYCLES

Although the sales of light Commercial Vehicles increased during the year, heavier types of three tons load and over did not do so well, and this section of the industry is working at only two-thirds of capacity. The technical qualities of British vehicles of this heavier type enjoy a very high reputation abroad, but their markets in the Near and Far East have been disturbed by recent events. At home the changing habits of the people are reducing the demands for passenger-carrying vehicles and the sale of goods vehicles is adversely influenced by the 30 per cent Purchase Tax. This is the only form of capital equipment to which Purchase Tax is applied, and it is a tax on the movement of goods which increases costs in Industry and lowers our competitive power. Uncertainty arising from possible future interference of a political nature also has a repressive influence.

Tractor production reached a record total of nearly 150,000. Three-quarters of the output was exported, and this splendid figure amounts to more than half as much again as the total of exports from both America and Germany put together.

The Motor-cycle manufacturers also showed improvement during the year, although sales in the summer months were not in accordance with expectations. There is a marked trend in this country in favour of lightweight machines, scooters and mopeds of the kind that have been popular on the Continent for some years. British manufacturers have recently introduced imaginative designs which have been well received and which open up new opportunities.

PROGRESS OF THE AIRCRAFT EQUIPMENT SUBSIDIARIES

Our Aircraft Equipment Companies had another record year as a result of work which arose from development and production orders placed in previous years. The current flow of orders to the Aircraft Manufacturers for military aircraft is at a reduced level in line with the fundamental changes outlined in the 1957 White Paper on Defence. The emphasis in the Aircraft Industry is moving away from the provision of aircraft for the fighting services to the highly competitive market for civil aircraft, and in this sphere the mass weight of the American industry, with its world-wide ramifications, provides an extremely serious challenge. This is especially so as the American manufacturers are endeavouring to fill the gaps in their own production programmes which are caused by similarly reduced orders for military aircraft. Fortunately British Aero Engine manufacturers continue to maintain their international lead and they hold substantial orders from foreign aircraft manufacturers, notably from those in the United States. As suppliers of equipment to both aircraft and aero engine manufacturers our fortunes are tied up with theirs. We are concerned in only a very limited way with the supply of equipment for the guided missiles that are taking the place of fighter and bomber aircraft.

The changing pattern of the Aircraft Industry underlines the need for diversification into other fields. Such an operation takes considerable time, and as yet there is little volume to record, but some progress is being made. Among other things we supply oil burning equipment for marine boilers and we have been successful in obtaining an order for the new 45,000 ton Orient liner *Oriana*, one of the largest passenger liners to be built in this country since the war. We have also continued to supply similar equipment to the Royal Navy.

EXPANSION OVERSEAS

Our overseas activities continue to expand. Of our main factories that at Toronto has had another successful year, but the products are mainly equipment for Canadian aircraft which are being subjected to the same limitations as are being faced at home. In Melbourne our factory is being extended to meet the demands for Australian-made electrical equipment for motor vehicles. A new battery factory is about to be erected in Salisbury (Rhodesia), similar to those recently established in Johannesburg and in Auckland. To support the British Motor and Aero Industries in North America we have opened additional branches at San Francisco, Chicago and Vancouver, and one will shortly be in operation at Jacksonville (Florida). Altogether there are now forty Lucas establishments overseas, more than double the number existing ten years ago.

IMPLICATION OF THE COMMON MARKET

In Europe our main concern is the situation arising from the establishment of the Common Market, the first stage of which comes into operation at the beginning of 1959. No progress has been reported in the development of the Free Trade Area proposals which France views with apprehension. Unless there is a dramatic change in the course of the discussions it would be well for us to anticipate the industrial implications of a United States of Europe with Great Britain alongside but not part of it, in the same way that Canada is alongside, but not part of, the United States of America. There is, however, the significant difference that Canada is blessed with unlimited raw materials including oil, minerals and timber, whilst in the words of the Prime Minister, "we have a little coal left and a little iron ore but the only hope we have is our brains." In the next decade we shall have to exercise these to the limit, and by one means or another we must work our way into the Common Market, otherwise the prospect looms ahead of having to compete with an integrated industrial area of more than 150 million people within tariff barriers, possessed of substantial raw materials and agriculture and with a similar wage structure to our own. In anticipation of the developing European Market we have established our own centres in Paris, Zurich and Cologne which are in addition to our long-established agencies. Offices in Italy and Sweden will be opened shortly.

RESEARCH AND DEVELOPMENT

The future of an engineering concern is inescapably linked to its technical lead, and to this end the Company's research and development facilities are being continually improved and expanded. There is constant striving to reduce costs by improved methods of production. What has been achieved is well illustrated by the fact that in ten years our factories engaged on the production of car equipment have doubled their output with virtually no increase in manufacturing space. This has been achieved as a result of the Company's long-established policy of introducing the most up-to-date machines and processes, which has been extremely costly and has often entailed scrapping equipment that otherwise might have continued in use for a long time. We know of no other way of maintaining our leadership and the very special position we occupy with our main customers.

PROSPECTS FOR 1958/9

The prospects for the coming year indicate a reduction in the demands from the Aircraft Industry and it is unlikely that the Heavy Vehicle Industry will improve. In the Motor Car Industry seasonal influences have now come into play and while there is so far little improvement compared with the early months of the previous financial year, nevertheless there is considerable confidence in the future. This confidence is reinforced by the relaxation in credit restrictions and Banks operating Personal Loan Schemes report that no less than half the applications have been for the purpose of buying cars. Another factor is the interest displayed by the general public at the recent Motor Show at Earls Court where 534,000 people paid for admission, an increase of more than 10 per cent over the previous year. Unfortunately, costs of production are again going up. Our raw material prices, which in the year under review were on average 5 per cent lower than the previous year, are now rising to their earlier levels and the recent wage awards will add about £750,000 to our annual wages bill.

ACKNOWLEDGMENT TO WORKPEOPLE

The Directors express their sincere appreciation and thanks to all their staff and workpeople, whose loyalty and energy have contributed so much to the achievement of the year's results. Every effort is made to sustain the interest of all those who spend their working lives in our factories and offices and their support and enthusiastic participation in the activities of the Company are the best measure of the good relations that have so long existed. The Board also gladly acknowledges a debt of gratitude to all those who carry the responsibility of executive rank. As a matter of topical interest the Shareholders will be pleased to know that nearly 10,000 of our workpeople have invested in the Lucas Workers Share Bank, which is the medium through which they benefit from a stake in the equity of the Company.

The Report of the Directors and the Accounts were adopted.

HECTOR WHALING LIMITED

The thirtieth ordinary general meeting of Hector Whaling Limited was held on December 12th in London, Mr R. de B. Trouton (the chairman) presiding.

In his circulated review the chairman referred to the sale of the tankers *Powell* and *Biscoe*, which had resulted in a capital profit of £870,000 over their written-down value in the books, and continued:

Bearing in mind the heavy fall in tanker values during the past 15 months, the result must be considered satisfactory, although the substantial capital benefit has been partly offset by a reduction in our revenue earnings in the year under review and in the current year.

Commenting on the reasons for the sharp fall in the Company's profits in the year to July 31st last, the chairman said that the first cause was one entirely beyond their control; namely that the prices of their products on the whole were very much reduced. If the previous year's prices had applied the profits would have been almost £400,000 greater.

The second cause was a direct result of the policy of selling their oil tankers and replacing them with new vessels. By doing so they had had to forgo ten months' earnings at a good charter rate on the tanker *Powell*, and they had also to charter a tanker to proceed to the Antarctic and take the place of their own tanker *Biscoe*, which had to be laid up during the protracted negotiations for her sale. Those factors had together caused a loss of some £250,000 to revenue.

LAST SEASON'S WHALING OPERATIONS

The statement continued: Last season's production showed a substantial improvement over the previous year's results and was up to expectations. Whale oil sold for an average of £73 10s. which was a reduction of nearly 20 per cent in price. Sperm oil sold for £72, which also is a large reduction from the prices ruling the year before. The prices for both frozen meat and meat meal were somewhat lower. On the other hand, meat extract fetched a substantially higher price.

So far this year we have entered into forward contracts for our estimated production of frozen meat and meat extract—the former at slightly lower prices, the latter at still higher prices. For the first time, we have entered into long-term contracts for part of our estimated production of frozen meat and meat extract at current prices.

CURRENT OPERATIONS

In the 1958-59 season there will again be 20 pelagic whaling expeditions operating in the Antarctic. The number of blue whale units permitted by the International Whaling Commission to be taken by all pelagic expeditions will be 15,000 as compared with 14,500 last season.

Balaena is already in the Antarctic and will operate, as in the previous season, with 12 catchers and two towing vessels.

SHARE PURCHASE DISCUSSIONS

Your directors have issued three circulars concerning the possibilities of a group making an offer to acquire the share capital of the Company. At the request of the prospective buyers negotiations are suspended pending the completion of the coming Antarctic whaling season.

We understand that the parties concerned are still interested in the possibilities of acquiring the entire share capital of your Company, but are not at present prepared to come to any decision in the matter.

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

Australia and New Zealand Bank Limited

Extracts from the Statement by the Chairman, The Hon. Sir Geoffrey C. Gibbs, K.C.M.G.

TO BE PRESENTED AT THE EIGHTH ANNUAL GENERAL MEETING TO BE HELD ON 7th JANUARY 1959

In this past year, for the first time since the war, declining commodity prices coincided with an adverse season in Australia and this caused a marked change in oversea trade conditions. The price of wool, which hitherto had shown some resistance to the world-wide downward trend in commodity prices, deteriorated steadily during almost the whole of the selling season, reflecting not only reduced demand, but also the effect of drought on the quality of the clip. Wheat also yielded a much reduced income, as, owing to the poor season, there were only small quantities available for shipment, and prices were relatively low.

If any emphasis were needed, the experience of this past year once more underlined the dominance of wool as the major earner of export income and the extent to which Australia is influenced by oversea economic conditions.

While still very dependent on oversea markets, Australia is all the time becoming less vulnerable to conditions abroad, as evidenced by the sustained high level of internal activity despite the adverse season and reduced export prices. The pressure of demand upon available resources was lower than in recent years, and, although some unemployment appeared, this was small by comparison with most countries of the western world.

Against this background, monetary management was designed to support internal activity in the face of depressing external influences. In contrast to banking policy in recent years, bank advances were permitted to rise under the stimulus of demands to sustain the general level of business activity and to meet the requirements of primary producers in need of carry-on finance as a result of the adverse season.

Fiscal Policy

In the current financial year a flexible fiscal policy is being brought to the aid of monetary policy, in an endeavour to sustain a high level of employment and a rapid rate of national development. To offset the depressing effects of reduced export prices and an adverse balance of payments, the Commonwealth Treasurer, in his Budget of August, 1958, provided for an increase in treasury bills of up to £A110 million to support the level of spending. This expansion of treasury bill finance will be used to meet any short-fall of revenue for public works and bridge any possible gap between maturing loans and conversions in the current financial year's Commonwealth Loan programme. This provision may be a major factor in maintaining the vigour of the Australian economy in a year when it is faced with the threat of a reduction in activity due to oversea influences.

NEW ZEALAND

In New Zealand too, prime emphasis has been on balance of payments problems, the result of the combined effects of the general decline in world commodity prices and an exceptionally high level of demand for imports in 1957.

The heavy volume of imports and weakening markets for exports reduced oversea currency resources to a low level, necessitating the provision of additional funds to maintain a basic reserve to finance New Zealand's trading. To meet the position, the New Zealand authorities made widespread arrangements to borrow abroad.

There can be little doubt that had New Zealand been a member of the World Bank and International Monetary Fund, her problems in arranging emergency finance during this period of adverse oversea trading conditions would have been greatly lessened. It is to be hoped that recent experience may lead to a full re-assessment in New Zealand of the advisability of joining the other nations which play an important part in international trade, as a member of both these institutions.

Changes in Economy

The return of a Labour Government to power in November, 1957, brought a number of major changes in the economy. A rebate of income tax, associated with the introduction of the PAYE system of tax collection, contributed materially to a budget deficit of £NZ22 million in the fiscal year 1957-58, which was financed by an increase in the Government's indebtedness at the Reserve Bank. The deficit, together with the maintenance of dairy incomes under the guaranteed price scheme and an increase in trading bank advances, insulated the economy at least temporarily from the effects of falling export incomes.

Apart from the fiscal measures themselves, important decisions were made to reduce migrant intake, reduce guaranteed price payouts to a level more consistent with market realisations, abolish compulsory military training, step up housing construction by various methods, including some cheaper loan finance, and severely restrict imports by means of licensing and exchange allocation.

Participation in the Hire Purchase Field in Australia

During the year we completed payment for the 4,000,000 ordinary shares of 5s. each in Industrial Acceptance Holdings Limited which had been allotted to the Bank in September, 1957. In July last the company made a rights issue on the basis of one new ordinary share of 5s. at a premium of 2s. 6d. a share for each seven ordinary shares held and we took up our entitlement. The Bank's holding remains at about 14% of the company's issued ordinary capital. The business of Industrial Acceptance Corporation Limited and of the other subsidiary companies of the group has continued to expand and the net profit of the group for the year ended 31st December, 1957, reached the record figure of £A2,204,518, compared with £A1,818,824 for the previous year. The dividend on the ordinary capital of the parent company was maintained at 16⅔%. The first dividend on its holding was received by the Bank during the past year and in the current year we shall begin to receive the full benefit of this important investment.

Accounts and Dividends

It is satisfactory to report that in the field of oversea trade and international finance the Bank has continued to expand its services and reputation. In Australia, New Zealand and London A.N.Z. Bank is known for its efficient handling of a large share of export and import business and has achieved a high reputation as an important dealer in the foreign exchange market.

Total assets show a small increase and have now reached £A439 million. If to this figure is added the total of the Savings Bank's assets, the combined total is just short of £A500 million.

Profits for the year (after taxation and transfer to Contingencies Accounts), assisted by the small dividend from the Savings Bank amounted to £A1,035,143, an increase of nearly one and a half per cent. on last year's figures, and the Directors have recommended a final dividend for the year of 8% less tax which, together with the interim dividend of 4% already paid, maintains the year's distribution at 12%.

A.N.Z. Savings Bank

The steady progress of the Savings Bank has been maintained during the past year—both as regards acquisition of new depositors and total balances. During the past year the number of depositors increased by some 92,000 to a total of 336,000 and you will see from the balance sheet that the total of Depositors' Balances and Other Accounts at 30th September had risen by over £A11 million to £A49 million.

After providing for taxation and making further transfers to contingencies, the Savings Bank made a profit of £A161,486 for its second full year of trading. This result is an improvement of £A80,676 on the 1957 figure.

The main purpose the directors had in mind in establishing the Savings Bank was to assist the economy in Australia by extending the facilities available to the public and providing yet another service to the Bank's customers.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

AUSTRALIA AND NEW ZEALAND SAVINGS BANK LIMITED,
Head Office: Cornhill, London, E.C.3

HEENAN GROUP LIMITED

MR CHARLES HILL'S REVIEW OF ACTIVITIES

The fifty-sixth annual general meeting of Heenan Group Limited was held on December 15th at Worcester Engineering Works, Worcester, Mr Charles L. Hill, the Chairman, presiding.

The following is an extract from his circulated statement:

The Group net profit, before taxation, of £419,481 compares with £496,062 last year.

After deducting taxation of £250,167 against £274,199, the net profit of the Group is £169,314, which compares with £221,845 in 1957.

Against a background of less buoyant conditions and strong competition for the available business in the export markets, the overall intake of orders by the Group Companies during the year was well maintained, ending with a balance of £4,500,000 compared with £5 million at the start of the year. There has, however, been a marked falling off in new orders, the downward trend starting in June, 1958, with the low point being reached in the first month of the current financial year, since when there has been some improvement.

Due to the orders in hand, the level of output of the Group factories for the first nine months of the current financial year is not expected to show any appreciable fall, but activity in the last few months will depend upon improvement in the rate of new orders.

Falling profit margins in the last few years have been largely the result of increasing costs which have been offset by the benefits arising from capacity production, but more recently profits have been subjected to the pressure of severe competition, particularly in the overseas markets. The lower profits for the year are in fact the result of a fall in profit margins and do not reflect a falling off in activity during the year. Unless we are able to make other economies in working costs, these profit margins will be further affected by the recent national wage increase in the engineering trades which cannot be recovered by higher prices if we are to keep our trade in the export markets.

SUBSIDIARY COMPANIES' ACTIVITIES

Turning to a brief review of the operations of the subsidiary companies—*Heenan & Froude Limited*. Having regard to the high total of sales in the Engine Test Plant Section in the past ten years, the demand for special plant has kept up extremently well.

The Eddy-Current Coupling Section again recorded a substantial increase in sales, including quantity orders for Conveyor applications in the motor and rayon trades.

The Electronic Engineering Section slightly improved upon the previous year's record deliveries of electronic equipment.

In the Industrial Cooler Section sales were maintained at the level of the previous year. The Heenan-Marley Cooling Towers are selling well and have proved a valuable addition to the range.

There has been a fall in the demand for Automatic Wire and Strip Forming Machines.

Orders received by the Municipal Engineering Division were up on the previous year and a number of contracts for plant are currently under negotiation. The sale of industrial and municipal incinerators in both the Heenan and Horsfall ranges have again increased.

Fielding & Platt Limited, at the year end, had a balance of orders in excess of the previous year. This, however, does not fully represent today's position as some of the orders booked are for long term delivery.

As is usual in this Company, the year's output covered a large variety of hydraulic equipment including a number of heavy Extrusion Presses, equipment for the Admiralty, the Atomic Energy Authority, the Ministry of Works and the National Coal Board. In spite of the work done for these Ministries, the main bulk of the output has been for private enterprise companies at home and abroad, and during the year hydraulic presses have been dispatched to countries as far apart as Canada, Russia, Australia and South Africa.

Development is continuing in connection with the cold extrusion of metals particularly with the Company's patented 'Hypactor' Press, a number of which are working with successful and interesting results. Your directors believe there is a great future in this field.

The sales value of Malleable Iron and Grey Iron castings produced by *Court Works Limited* was well maintained at around the previous year's level but the intense competition in the foundry trade has forced down prices with a consequent fall in the rate of profit.

As in previous years, half the production of *W. G. Bagnall Limited* was exported and half the orders received came from overseas. There is a continuing demand for this subsidiary's Diesel shunting locomotives. The order book value at the close of the year was slightly higher than at the same time last year.

Morton Machine Co., Limited experienced another satisfactory year's trading. In the mixing machinery field the Air Pressure Whisk, for long a favourite on the home market, was the subject of a sales drive in the USA. As a result the USA has now become the major country of over twenty foreign markets steadily importing the Company's products. The volume of sales of dry powder precision mixers and machinery for the chemical industry greatly increased and an order received in the year for a film casting machine was the largest single contract ever received by the Company.

IWEL Engineering Limited has traded at a satisfactory level and earned good profits in relation to its capital. Reduced sales in the UK have been fully compensated by increased export activity and substantial contracts have been completed in the Sudan and in Nigeria. This subsidiary's future prosperity will continue to depend largely on export sales, and new markets are being actively sought.

Associated Locomotive Equipment Limited had a highly successful year, a record profit having been achieved. In spite of the changeover in the form of railway motive power affecting demand for the Company's products, a reasonable order book remains. Intensive efforts are continuing with development work on a specialised line of particular interest for Group manufacture.

The report was adopted.

SECOND INDUSTRIAL TRUST LIMITED

STEADY PROGRESS CONTINUED

The forty-seventh annual general meeting of the Second Industrial Trust Limited was held on December 11th in London. Sir Edwin Herbert, KBE, LLB, the chairman, presided and, in the course of his speech said:

The gross Revenue from all sources has increased this year by some £23,000 or 8¼ per cent. This, I consider, a not unsatisfactory result having regard to the recession which has occurred both here and in North America during the Trust's financial year.

The expenses to be deducted show little variation from those of the previous year but taxation takes about £14,000 more. Our net income is then £124,406 which, with £45,393 brought forward from last year, makes a disposable surplus of £169,799.

The valuation of our securities represents an appreciation of 79¼ per cent over the Balance Sheet value, which is higher by 15½ points than a year ago.

All in all, we may claim that we have had another successful year, with a continuation of the steady progress which has been characteristic of the Trust's activities since the war

Despite the recession in North America during this year and the setback we are experiencing in this country, I expect this progress to continue although possibly at a slower pace. Conditions in the United States and Canada show definite signs of improvement while at home the leaven introduced into the economy seems to me to be beginning to work.

NON-VOTING SHARES

Last year I referred to the undesirable practice adopted by some companies of making scrip issues in the form of non-voting Shares. I am pleased to be able to say that some companies with such shares in issue have subsequently rectified the matter and given votes to the shares. Unfortunately, despite considerable criticism, the practice still continues. The dangers arising from the disenfranchisement of Shareholders was only too well illustrated quite recently when the transfer of control of Carreras Limited was achieved by the sale of 240,000 £1 Voting Shares without the holders of approximately £7¼ million of the equity capital having any voice in the matter whatsoever.

There is another practice which has been much in evidence in the last six months and which is greatly to be deprecated. I refer to the issue by the Directors of a company of a large block of equity capital to an outside body without, in some cases, the knowledge of, or certainly without the consent of the equity shareholders. In the cases I have in mind the shares issued do not give complete control but in some instances they are sufficient in number to place effective control in other hands. No doubt, in the opinion of the Directors concerned, their action was in the best interests of their company. They are, of course, within the law but, as a matter of principle, it seems wrong that effective control should be handed over to a third party without existing holders being given any opportunity to consider the matter or make known their views.

I should perhaps add that these remarks apply to instances where the transactions have been completed and not necessarily to current matters which have attracted publicity and on which judgment must be reserved until all the factors can be weighed.

The report and accounts were adopted and the final dividend of 8 per cent, making 14 per cent for the year, was approved.

COMPANY AFFAIRS

Profits from Steel

STEEL shares were robbed by the industrial recession of one attraction to an investor who was prepared to discount the threat of nationalisation. Had capacity been fully utilised, the industry's huge investment must have set total profits upon a steeply rising path. But demand for steel has weakened and companies have this year presented a mixed bag of results. Of nine companies who have so far announced their results, five have disclosed a rise in gross profits of more than 10 per cent; United Steel showed no improvement; and three have suffered falls. Steel shares hold out another strong attraction to investors in their high dividend cover. Lower earnings have not meant lower dividends this year and the increase in the ordinary dividend payments has in some cases been bigger than the increase in net earnings. The third attraction of steel shares lies in their high current yields, but investors appear reluctant to accept anything less because of the political risk.

Stewarts and Lloyds reported in June that practically all its works were on short time. A substantial fall in profits for the year to September 27th was then forecast by the directors and they emphasised that the maintained interim did not indicate that the final payment would remain unchanged. Holders were thus prepared for a cut in dividend though few really believed it would be made. Now, the final payment is repeated at 8 per cent, making an unchanged total dividend of 11 per cent for the year. Although sales proceeds fell by only 5 per cent, by £6½ million to £123 million, trading profits shrank by a fifth, from £20.4 million to £16.3 million, and net profits by a quarter. Even so, the cover on the maintained dividend is still far above the average for steel stocks. The appropriation to fixed assets replacement reserve has been cut this year from £2 million to £1½ million, but £2 million has been transferred out of general reserves to bring replacement reserves in line with current replacement values.

Stewarts and Lloyds' ingot production fell by 14 per cent over the year. Output of steel tubes dropped by 16 per cent and of spun iron pipes and castings by 8 per cent. Domestic deliveries of steel tubes suffered more severely than exports, but the directors report that "there has now been a substantial reduction in demand for casing, tubing and line pipe for the oil industry affecting not only Stewarts and Lloyds but also American and Continental countries." They see no firm indications of any early revival in demand in the oil industry, although home trade now looks more encouraging. Against this background the development programme has been reviewed, but over the year the group's net bank overdrafts rose from £1 million to about £6 million; further finance is to be obtained "temporarily" by bank borrowing.

The Steel Company of Wales was led out of ISHRA's stable in March, 1957. An ordinary dividend of 6 per cent, approximately equivalent to a full year's rate of 8 per cent on the enlarged capital was then paid. "In view of the provisions of the Finance Act, 1958" the directors have now declared a 3 per cent final, making 6 per cent for the year, "the same total rate of dividend as in the previous year," but a special interim dividend of 3 per cent has been added, and in the accompanying table which sets out the profits experience of the steel companies on roughly the same basis, the yield and earnings cover are based on a total dividend of 9 per cent.

Steel of Wales had already indicated in the middle of October that over the financial year demands from the motor industry, and from the electrical engineering industry, were mainly responsible for an increase of about 6 per cent in its output of sheet steel. Production of plates and tinplate declined. Profits advanced from just under £19 million to over £22 million.

Colvilles has left its ordinary dividend at 13 per cent for the year, but despite the generous cover, the decision can hardly occasion much surprise. Gross profits fell by only 6 per cent, but depreciation and loan interest made inroads on net profits, for depreciation on the new Ravenscraig works (which will be extended under the Government's plan) became a charge against net profits only in the latter half of the previous financial year. The charge for the full year is £138,061 higher at £2,230,163. A new 6 per cent convertible debenture was issued last January and debenture interest has risen from £165,986 to £643,000.

Net profits before a transfer of £2 million to capital reserve, as in the previous year, have tumbled from £5,194,417 to £3,571,850. Demand for all the company's products fell away in the second half of the year, though the demand for plates, at least, was holding up when the interim report was published in June. Total production of steel ingots and castings fell from 2,095,274 tons to 1,847,063; in the first half of the year production was at about the same level as in 1956-57. Thus it seems that production fell by about one quarter in the second half of the year. But the directors add a hopeful rider to a rather depressing statement: the decline in the flow of orders is showing some signs of slowing down.

John Summers, because of its role as leading supplier to the motor and household goods industries, was widely expected to return favourable results this year. In fact, gross profits have risen from £11,169,573 to £12,554,521, an increase of about one-eighth. The ordinary dividend has been raised by 2 per cent to 16 per cent, but the latest payment is paid on capital of £13½ million, following an issue of 4½ million shares at par in 1957. The ordinary dividend was also raised by 2 per cent in 1956-57. The 1956-57 interim payment was made on the smaller capital. Net profits were £589,151 higher at £4,848,404, but the appropriation for fixed assets replacement has been increased by £400,000 to £1,800,000. General reserve receives an extra £250,000 this year, making a total appropriation of £2 million.

Whitehead Iron and Steel, a producer of rolled bars and strip, surprised the market with the 5 per cent rise in the total ordinary dividend to 25 per cent. The recession in the motor industry contributed to a fairly sharp decline in earnings in 1956-57. The dividend was left unchanged at 20 per cent since denationalisation and profits were ploughed back on a large scale. Now "in view of the substantial build up in the reserves position, which provides ample resources to meet any foreseeable capital expenditure in the immediate future, and in view of the favourable results for the year just ended," the directors feel that the time has arrived when the dividend policy should be reviewed. The group's gross profits have risen by £195,138 to £1,407,770 and net profits by £110,870 to £587,503; the cover for the higher dividend has thus been barely maintained.

	Gross trading profit		Change on year	Net profit		Ordinary dividend				
	1957	1958		1957	1958	1957	1958	Earnings cover	Current price	Yield
	£	£	%	£	£	%	%			%
Colvilles £1	11,860,771	11,152,075	− 6·0	5,194,417	3,571,850	13	13	4·6	28/9	9·05
Consett £1	5,384,394	3,817,031	−29·1	1,965,613	1,225,329	8¾	8¾	2·4	18/9	9·33
T. Firth & J. Brown £1	4,520,678	5,407,733	+19·6	2,314,624	2,448,570	10†	10	5·5	23/6	8·50
South Durham £1	5,117,815	7,092,696	+38·6	2,560,360	2,891,117	10	12	5·2	26/7½	9·01
Steel Co. of Wales £1	18,980,450	22,181,916	+16·8	4,656,664	5,538,847	8*	9**	2·7	21/–	8·57
Stewarts & Lloyds £1	20,371,000	16,267,000	−20·2	9,026,000	6,642,000	11	11	5·0	26/6	8·30
John Summers £1	11,169,573	12,554,521	+12·4	4,259,253	4,848,404	14†	16	3·8	35/3	9·08
United Steel £1	20,471,000	20,511,000	+ 0·2	7,889,000	7,824,000	11½‡	12½	3·5	26/–	9·62
Whitehead £1	1,212,632	1,407,770	+16·1	476,633	587,503	20	25	3·3	57/–	8·77

* Approximate annual rate of dividend. ** Including special interim dividend. † Interim dividend on smaller capital. ‡ Equivalent rate of dividend on present capital.

AMALGAMATED PRESS

THE original offer by the Daily Mirror for the ordinary capital of Amalgamated Press was on the modest side—so much so that it opened up the possibility of a rival counter bid. No definite counter offer emerged, but the Daily Mirror, with the advice of S. G. Warburg and Company, has raised its first offer. In doing so, the Daily Mirror reveals that the Berry family will sell its holding of 1,573,442 Amalgamated Press ordinary shares of 10s. each, representing about 33 per cent of the voting capital, at a price equivalent to 42s. 6d. a share; with the Sunday Pictorial buying the Daily Mirror shares handed over to the Berry family, the latter receives £3,343,564 for its holding.

Excluding the Berry family interests, there are 3,226,558 voting ordinary shares and 2,400,000 non voting "A" ordinary shares in Amalgamated Press in the hands of the public. The revised Daily Mirror offer is two and one quarter 5s. ordinary shares (instead of two) plus 1s. in cash for every 10s. ordinary share in Amalgamated Press; the voting shares are offered voting shares in the Daily Mirror and the non voting "A" shares are offered the non voting "A" shares in the Daily Mirror. In market terms, this represents an improvement in the offer for the voting shares from about 45s. 6d. to 52s. The sale of the Berry family's interest is conditional upon an offer being made to other shareholders, not on their acceptance. Against this strong hand, any counter offer would have to be generous indeed.

The Daily Mirror is thus sure of effective control on Amalgamated Press and that should keep the field clear of rivals. That may prompt other shareholders to close with the offer as much as the more tangible facts that they stand to gain an increase in income (for the Daily Mirror proposes to raise its ordinary dividend and to secure a stake in a large group with interests in commercial television and pulp and paper as well as in newspapers and magazines. They would come into commercial television through the Daily Mirror's shareholding in Associated Television, for the Independent Television Authority has stated that it would disapprove of the Daily Mirror's absorption of the Amalgamated Press interests in Southern Television. Amalgamated Press, accordingly, is to dispose of its interest in Southern Television and to maintain an interest in commercial television; for those who do not accept the offer the Daily Mirror has agreed that the proceeds from the sale of Amalgamated's interest in Southern Television will be re-invested at the market price in the "A" ordinary shares of Associated Television.

MERCANTILE CREDIT

SIR MARK TURNER'S statement has a special interest as the first formal comment from a finance house chairman since the announcement of the associations with the banks. Mercantile is issuing new shares to the Westminster and Martins, which are each to have an interest of 20 per cent; in addition, a 40 per cent interest in the South African subsidiary is being taken by the Standard Bank of South Africa. The two English banks are subscribing their £4 million in four half-yearly instalments, and Sir Mark hopes that "the natural growth of business will be such as to match each instalment of capital provided by the banks with an appropriate amount of new business." This can be achieved either by increasing business of existing branches or by acquiring other new companies. Mercantile's most recent major acquisition is Mutual Finance, which comes in on January 1st—and together with Dunelm Trust of Darlington will add some £6 million of outstandings. The group's latest financial year ended on September 30th; it thus covered a period of monetary restriction, hardly felt the relaxation of HP restrictions and just missed the first payment by the banks. The consolidated balance sheet shows a rise in hire purchase business, net of unearned finance charges, from £19.2 million to £24.0 million. The group achieved a big increase in liquidity—cash and Treasury bills rose from £892,000 to £1,372,000. There was a marked shift in sources of finance: while bank loans and acceptances dropped from £8.9 to £8.3 million, deposits from the public jumped from £5.4 to £11.0 million. Sir Mark Turner states that the board considers deposits a particularly suitable means of finance for a hire purchase business.

The group's profits, as reported in the interim statement, rose from £329,164 to £449,866 after tax and the rate of dividend has been effectively raised 2¼ per cent to 16 per cent.

SALTS (SALTAIRE)

ILLINGWORTH MORRIS, having made a bid of 7s. a share for 4 million of the 5s. ordinary shares in Salts (Saltaire), now controls that company, though the public is left with a minority holding in it of something less than 40 per cent of the capital. These shares are now quoted at 4s. 7½d. Those shareholders who through the limited nature of the Illingworth Morris bid were left out in the cold had reason for feeling aggrieved. They may feel even more reason now. In view of the disappointing profit for the six months to September 30th, the directors of Salts, who paid a dividend of 6 per cent for 1957-58 plus a special interim of 4 per cent for 1958-59, have "decided not to pay a further dividend on the ordinary shares until the results for the complete current financial period are available."

KAFFIR DIVIDENDS

BY the end of this year the gold mines in South Africa will have produced about 17½ million fine ounces of gold, compared with 17 million fine ounces in 1957, and their gross working profit from gold will be of the order of £61 million, against just under £59 million in 1957. At the same time the working profit from uranium will have risen from £33.3 million to about £37.8 million. These increments in production and profits come from the newer mines and it is against this background that the Christmas dividends have been declared. The final batch of these dividends is set down in the accompanying table.

Contrary to market expectations, the producing mines in the Klerksdorp area have leant towards the side of caution while the older producers in the Western and Central Rand have been just a little more liberal than had been expected. For the very oldest mines, the dividends just declared may perhaps be regarded as a swan song as mining operations wind down and as the period of capital repayments approaches. The Western Rand producers, on the other hand, are now well established and with no major developments (apart from Western Deep Levels) waiting to be financed the time was ripe for a little more generosity. Development in the Klerksdorp area is, however, far from complete and investors in anticipating dividends from mines in this area may have paid less attention to this liability than to the fact that the mines have passed out of the initial stages of development into firmly based production so successfully.

	June, 1957	Dec., 1957	June, 1958	Dec., 1958
Anglo-Transvaal Group:				
Hartebeestfontein (10/-)	2/6	3/–	3/6	3/6
Mid. Witwaters. (2/6)	...	–/6	–/6	–/6
Central Mining Group:				
Blyvooruitzicht (2/6)	1/–	1/–	1/–	1/–
City Deep (£1)	–/6	–/6	–/6	–/7½
Cons. Main Reef (£1)	1/3	1/3	1/3	1/6
Crown (10/-)	1/–	1/3	1/6	1/9
Durban Deep (10/-)	1/6	1/6	1/6	1/6
E. Rand Prop.	2/3	2/3	2/–	2/–
Modderfont. East (£1)	1/–	–/9	–/9	–/6
Rand Mines (5/-)	2/9	3/–	2/9	3/–
Johannesburg Cons. Group:				
E. Champ d'Or (2/6)	–/3	–/4	–/3	–/3
Randfont. Estates (£1)	2/3	2/3	2/–	2/3
Union Corporation Group:				
East Geduld (4/-)	2/–	2/–	1/9	1/11
Geduld Prop. (£1)	6/3	6/6	5/–	6/3
Grootvlei (5/-)	1/1	1/3	1/1	1/3
Marievale (10/-)	1/–	1/3	1/1	1/5

The finance houses, of course look towards the new mines in the Orange Free State and those in the Klerksdorp area for rising income. At the annual general meeting of **Consolidated Gold Fields,** the chairman, Mr Robert Annan, said that as dividends from the group's interests in the Orange Free State and the Far West Rand are rising, he expects revenue in the current year to show "little, if any, diminution" on the £2,252,000 earned in the year to June 30th, even if there is no improvement in the base metal and platinum markets (in which Consolidated Gold Fields is also interested).

AUSTRALIA AND NEW ZEALAND BANK

RECENT monetary policy in Australia and New Zealand has aimed at holding up the level of economic activity against the pressure of a severe fall in export earnings. One instrument in this policy is the release of special accounts, to the benefit of the trading banks. Even after the recent upward adjustment, these accounts attract interest

Company Affairs *continued on p.* **1122.**
London and New York Stocks *on next two pages.*

LONDON AND NEW YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 10, 1958	Price, Dec. 17, 1958	Net Yield, Dec. 17, 1958 §	Gross Yield, Dec. 17, 1958
					£ s. d.	£ s. d.
99 15/16	96 1/16	War Loan 3% 1955–59	99 7/8	99 15/16	1 10 5	3 1 5
96 11/16	90 5/8	Funding 2½% 1956–61	96 13/32	96 17/32	2 18 2	4 1 7
99 15/16	96 13/16	Conversion 2½% 1958–59	99-18-0	99-18-9	2 17 0	2 17 0
—	—	Conversion 2½% Assented	99⅞	99 31/32	2 11 9	4 9 5
98 3/32	93 3/16	Exchequer 2½% 1960	98 1/16	98 1/16	2 11 10	3 14 3
99 1/4	95 3/16	Exchequer 3% 1960	99 5/32	99 5/32	2 2 6	3 14 7
100 11/16	95 1/16	Conversion 4½% 1962	100 7/16	100 17/32	2 3 10	4 6 2
94 19/32	88 5/8	Exchequer 3% 1962–63	94 13/32	94 17/32	3 1 4	4 7 9
101 11/32	99 7/16	Conversion 4¾% 1963	101 3/32	101 3/32	2 9 4	4 9 7
90 7/8	83 1/8	Savings Bonds 3% 1955–65	89 1/4	89 1/4	3 7 4	4 15 11
82 5/8	77 5/8	Funding 3% 1959–69	82 1/2	82 5/8	3 16 3	5 5 5
					10 16 2	12 16 9
89 3/4	86 3/8	Funding 4% 1960–90	89 1/4	89 3/4	2 16 2	4 13 2
					3 19 1	5 9 3
80 1/8	75	Savings Bonds 3% 1960–70	79 5/8	79 13/16	3 6 3	5 9 2
91 3/16	84 3/8	Exchequer 2½% 1963–64	90 15/16	90 15/16	3 16 8	5 0 9
83 3/8	78 5/8	Savings Bonds 2½% 1964–67	82 15/16	83 3/16	3 17 10	5 9 6
74 3/4	69 5/8	Savings Bonds 3% 1965–75	73 15/16	74 3/16	3 14 6	5 2 6
103 11/16	99 1/2	Exchequer 5½% 1966	103 1/2	103 11/16	2 5 11	5 2 5
84	78 5/8	Funding 3% 1966–68	83 7/8	84	3 16 2	4 5 11
96	91 1/8	Victory 4% 1920–76	95 7/8	96	3 17 6	4 14 1
87 1/8	81 9/16	Conversion 3½% 1969	86 3/4	87 1/8	3 12 1	5 5 8
100 1/4	97 1/4	Conversion 5½% 1974	98 1/4*	98 3/8	3 3 1	5 5 8
78 3/16	71 1/8	Treasury 3½% 1977–80	75 11/16*	76 1/16	3 12 7	5 5 8
77 1/4	70 3/8	Treasury 3½% 1979–81	76 1/4	76 9/16	3 12 0	5 5 8
103	98 1/4	Funding 5½% 1982–84	100 1/4*	100 9/16*	3 2 4	5 5 8
67 1/4	60 1/2	Redemption 3% 1986–96	65 1/8	65 3/8	3 7 5	5 2 5
74 1/2	64 3/8	Funding 3½% 1999–2004	70 1/2*	70 5/8*	3 4 11	5 3 5
76 5/8	69 1/16	Consols 4% ..after Feb. 1957	73 15/16	74 3/8	3 2 7	5 5 10
69 9/16	63 1/8	War Loan 3½% ..after 1952	65 5/8	65 11/16	3 1 4	5 5 6
68 7/8	62 3/8	Conv. 3½% ..after Apr. 1961	65 1/2	65 7/8	3 1 6	5 5 7
60	54 3/8	Treasury 3% after Apr. 1966	57 1/8	57 3/8	3 0 6	5 5 9
52 13/16	46 3/4	Consols 2½%	50 5/8*	50 7/8*	2 16 5	4 18 11
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	48 1/2	48 7/8	2 19 2	5 3 5
95 9/16	90 1/8	British Electric 4½% 1967–69	94 13/16	94 7/8	3 5 3	5 5 6
76 3/4	72 1/16	British Electric 3½% .. 1968–73	76 3/8	76 1/2	3 18 6	5 9 11
73 3/4	68 5/8	British Electric 3½% .. 1974–77	73 3/8	73 1/2	3 15 8	5 7 3
87 7/16	82 5/8	British Electric 4¼% 1974–79	86 15/16	87 3/16	3 6 10	5 7 2
78 1/2	72 9/16	British Electric 3½% 1976–79	76 9/16	76 5/8	3 12 8	5 8 2
87 7/8	82 7/16	British Gas 4% 1969–72	87 5/8	87 7/8	3 10 1	5 8 5
84 1/8	79 1/4	British Gas 3½% 1969–71	83 3/4	84 1/8	3 12 9	5 6 10
67 7/8	60 7/16	British Gas 3% 1990–95	66	66 3/16	3 7 1	5 1 5
76 3/4	72 1/16	Brit. Transport 3% .. 1968–73	76 3/8	76 1/2	3 18 6	5 5 8
85 1/2	79 1/4	Brit. Transport 4% .. 1972–77	83 3/8*	83 5/8*	3 9 9	5 7 9
68 15/16	60 5/16	Brit. Transport 3% .. 1978–88	65 5/16*	65 13/16*	3 12 4	5 5 11

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Dec. 10, 1958	Price, Dec. 17, 1958	Yield, Dec. 17, 1958
					£ s. d.
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	99 5/8	99 3/4	4 0 01
105 3/8	97 7/8	Australia 6% 1974–76	104	104 1/4	5 11 11e
76 1/2	73 1/2	Ceylon 4% 1973–75	75 1/2	75 5/8	6 7 3
98 1/2	94 1/2	Jamaica 6% 1977–82	98 1/2	98 1/2	6 2 5
104 3/4	97 7/8	New Zealand 6% 1976–80	104	104 1/4	5 12 7e
101 1/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	99 7/8	100 1/4	5 19 6e
74 5/8	69	Southern Rhodesia 2½% 1965–70	72 1/2	72 1/2	5 13 11
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	102 1/2	102*	5 6 11e
105	98 7/8	Birmingham 5¾% 1976–78	102	102	5 11 2e
92 3/4	86	Bristol 3% 1958–63	92 1/2	92 1/2	4 14 01
95 1/2	91 1/2	Glasgow 4¾% 1966–68	95	95 1/4	5 7 5
100 1/4	96 1/2	Corporation of London 5½% 1976–79	99	99	5 6 9
57 3/4	53	L.C.C. 3% ..... after 1920	54 3/4	54 3/4	5 9 7
64	56	Met. Water Board 'B' 3% 1934–2003	61 1/4	61 5/8	5 4 5
		FOREIGN BONDS			
101 1/2	83	German 7% 1924 (British Enfaced 5%)	100	99 3/4	...
180	154	German 5½% 1930 (Enfaced 4½%)	176*	175 1/2*	...
20 1/4	12 3/4	Greek 7% Refugee 1924	17 1/2	20 1/4	Nil
169	160	Japan 5% (Enfaced) 1907	162	162	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	117 1/4	117 3/4	...
54 1/4	48	Uruguay 3½% Bonds (Assented)	54	54 1/4	...

NEW YORK CLOSING PRICES

	Dec. 10 $	Dec. 17 $		Dec. 10 $	Dec. 17 $		Dec. 10 $	Dec. 17 $
Ath. Topeka...	27⅞	27	Boeing	49½	47¼	Inter. Nickel ..	87⅞	88⅞
Can. Pacific....	29¾	29⅞	Celanese	29⅞	30	Inter. Paper ...	113⅝	113⅝
Pennsylvania...	17⅝	16⅞	Chrysler	50⅜	49¾	Kennecott.....	96¼	98⅝
Union Pacific ..	35⅝	36⅛	Col. Palmolive .	88*	87⅛	Monsanto	38¾	38⅞
Amer. Electric .	53⅜	55⅜	Crown Zeller..	56⅞	57½	Nat. Distillers .	31	29¾
Am. Tel. & Tel..	199¾	223	Distillers Seag..	33¼	33½	Pan-American..	21⅜	22
Cons. Edison ..	58⅝	59⅜	Douglas.....	57	57¾	Procter Gamble	75½	75
Int. Tel. & Tel..	55½	64¾	Du Pont	199½	200¾	Radio Corpn....	46½	45⅝
Standard Gas ..	3⅛	3⅛	East. Kodak ...	137	138	Sears Roebuck .	38⅛	38⅛
United Corpn..	8	8¼	Ford Motor	46⅜	49	Shell Oil	80	81¾
Western Union	31¾	33¾	Gen. Electric ..	70⅝	72⅝	Socony-Mobil ..	48	47¼
Alcoa.....	88¼	91¾	General Foods .	78⅜	77½	Stand. Oil Ind..	46⅞	46⅞
Aluminium	31¼	32⅜	General Motors	48	48¼	Stand. Oil N.J..	58¼	56¾
Amer. Can.....	50¼	49⅜	Goodyear	118	117	20th Cent. Fox..	39¼	37⅜
Am. Smelting..	46¾	46	Gulf Oil.....	124⅞	127⅝	Union Carbide.	120½	125
Am. Viscose ...	37¼	37⅝	Heinz.....	64	63¾	U.S. Steel	89¾	90
Anaconda	58⅞	60¼	Int. Bus. Mach..	491	494	West. Electric .	71	69¼
Beth. Steel	49¼	49⅛	Int. Harvester .	42⅝*	40⅞	Woolworth ...	51¾	52⅝

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 10, 1958	Price, Dec. 17, 1958	Yield, Dec. 17, 1958
		%	%	STEEL AND ENGINEERING			
31/6	24/11½	5 b	8 a	Colvilles £1	28/7½	28/9	9·04
28/-	21/7½	6 b	4 a	Dorman Long..... £1	25/-	25/11½	7·96
21/6	15/6	6 c	3 a	Steel Co. of Wales.... £1	21/4½	21/-	8·57**
27/6	20/-	3 a	8 b	Stewarts & Lloyds £1	25/9	26/6	8·30
36/-	22/3	6 a	10 b	John Summers..... £1	35/11½	35/3	9·08
26/10½	17/9	4 a	8½ b	United Steel £1	26/7½	26/-	9·62
34/-	23/-	4 a	6 b	John Brown £1	32/-	32/6	6·25
11 b	6/9	11 b	4 a	Cammell Laird 5/-	8/9	8/10½	8·45
64/-	48/-	13 b	5 a	Swan Hunter..... £1	58/3	58/-	6·21
36/-	28/6	71/2 b	21/2 a	Vickers..... £1	34/4½	34/6	5·80
64/9	43/3	65/3 b	5 a	Averys £1	46/3	31/3	3·67
18/7½	12/9	†17½ a	†43/8 b	Coventry Gauge..... 10/-	17/9	17/6	6·21
39/-	28/3	†2 a	†4 b	Alfred Herbert £1	38/-	38/9	5·39
16/7½	9/3	5 b	10 b	Ransome & Marles.... 5/-	16/6	16/6	4·55
40/9	30/4½	91/2 b	3 a	Renold Chains..... £1	40/4½*	40/4½*	6·25
42/9	21/9	83/4 b	33/4 a	Allied Ironfounders £1	40/-*	42/-*	6·19
55/6	41/10½	63/4 b	6 a	Babcock & Wilcox..... £1	52/-	52/3	5·95
77/6	36/9	8 b	4 a	British Aluminium £1	71/10½	73/3	4·98**
85/-	45/3	15 c	20 c	Davy & United £1	81/9	85/-	3·28
56/9	34/7½	7½ b	4 a	Guest Keen £1	55/10½	55/4½	4·71
69/11½	41/-	7 b	5 a	Metal Box £1	67/4½*	68/10½*	4·15
55/-	43/9	33/4 b	33/4 a	C. A. Parsons £1	52/9	54/3	3·48
15 b	10 a	91/2 b	3 a	John Thompson..... 5/-	25/-	25/-	2·76
79/-	48/6	71/2 a	10 b	Tube Investments..... £1	78/-	78/6	5·00
				BUILDING, etc.			4·46
50/3	31/-	6 b	3 a	Associated Portland £1	49/9	49/3	3·65‖
21/3	12/7½	71/2 b	5 a	British Plaster Board .10/-	21/3	21/3	5·88
68/9	27/11½	5 c	83/4 c	Richard Costain £1	61/10½	61/3	2·86
9/6	6/3	5 a	10 b	Crittall Manufacturing.5/-	9/4½	9/9	7·69
63/3	36/11½	155/8 c	6 a	London Brick £1	60/6	63/6	4·92
80/-	52/6	5 a	13½ b	Wall Paper Defd..... £1	77/9‖	77/9‖	4·72
				CHEMICALS AND PAINT			
20/4½	13/4½	16 c	4 a	Albright & Wilson.... 5/-	20/-	20/4½	3·93
20/4½	14/4½	55/6 b	211/12 a	Borax Defd..... 5/-	18/3	17/4½	2·52
7/7½	4/10½	121/2 b	71/2 a	Brit. Ind. Plastics 2/-	6/9	7/-	5·71
69/6	42/10½	5 a	10 b	Fisons £1	67/3	69/6	4·32
36/9	24/3	51/2 b	22/3 a	I.C.I. £1	46/3	36/3	4·41
14/-	8/7½	18 c	6 a	International Paints ...4/-	13/11½*	13/11½*	5·49
16/3	12/6	5 a	8½ b	Monsanto..... 5/-	15/6	16/3	4·15
22/-	15/3	11/23 b	5 a	Pinchin Johnson 10/-	19/9	19/3	8·66
				ELECTRICAL AND RADIO			
58/3	47/-	71/2 b	71/2 a	A.E.I. £1	57/9	57/6	5·22
52/-	39/3	8½ b	4 a	B.I.C.C. £1	50/-	51/9	4·83
35/6	24/7½	433/4 c	147/12 a	Decca Record 4/-	34/9	36/9	4·76
50/4½	28/-	111/4 c	111/4 c	E.M.I. 10/-	46/6‖	50/3‖	3·98**
60/3	44/6	10 b	4 a	English Electric..... £1	58/9	59/9	4·69
40/3	29/9	31/2 a	61/2 b	General Electric £1	39/-	39/-	5·13
17/-	10/3	121/2 c	121/2 c	Pye Defd..... 5/-	15/3	14/10½	4·20‡
92/3	74/6	11 b	61/2 a	A. Reyrolle £1	91/-	92/3	3·79
				MOTORS AND AIRCRAFT			
13/9	6/7½	121/2 c	5 a	British Motor 5/-	13/11½	13/2¼	6·64**
49/11½	31/9	6 b	31/2 a	Ford Motor £1	48/6	49/11½	3·87
48/9	39/-	121/2 c	121/2 c	Leyland Motor £1	46/6	45/-	5·00
7/3	4/11½	8 c	4 a	Rootes Motors 4/-	6/3	6/9	4·74
8/9	6/7½	8 c	12 c	Standard Motors..... 5/-	7/9	7/7½	7·87
26/6	14/4½	11 b	4½ a	Dunlop Rubber..... 10/-	23/9	23/4½	6·49
45/6	28/-	21/2 a	5 b	Joseph Lucas 10/-	21/9	22/4½	4·57**
23/9	12/5¼	14 b	71/2 a	Pressed Steel..... £1	43/-	43/9	4·80
46/4½	32/9	20 c	71/2 a	Triplex Holdings 10/-	44/9	45/4½	6·06**
14/4½	8/7½	61/2 b	31/2 a	Bristol Aeroplane.... 10/-	9/3	8/10½	11·27
21/4½	14/3	71/2 c	71/2 c	De Havilland £1	16/9	17/-	8·82
46/3	29/3	15 a	†61/2 b	Dowty Group 10/-	44/-	45/6	4·40
34/9	24/9	3 a	7 b	Hawker Siddeley £1	28/-*	27/-*	7·41
103/6	82/9	15 b	5 a	Rolls-Royce £1	102/6	102/6	3·90
				PAPER AND NEWSPAPERS			
44/9	26/6	8 b	41/2 a	Bowater Paper £1	43/9	44/-	5·68
48/6	27/9	9 b	5 a	Albert E. Reed £1	46/3	48/-	5·83
24/9	16/-	5 b	3 a	Spicers £1	20/9	22/6	7·11
23/6	8/9	71/2 a	12 b	Daily Mirror 'A'..... 5/-	22/6	20/9	4·70
29/-	18/6	5 a	12½ b	Odhams Press..... 10/-	25/6	27/-	6·48
				TEXTILES			
24/11½	19/6	61/4 b	21/2 a	J. & P. Coats £1	22/3	22/11½	7·91
20/11½	12/10½	5 a	5 b	Fine Spinners £1	19/-	19/3	10·24
39/3	29/10½	121/2 b	5 a	Lancashire Cotton £1	36/6	36/10½	9·49
38/4½	30/-	121/2 c	71/2 a	Patons & Baldwins £1	38/4½	38/11½	6·56
6/8¼	4/10½	6 c	4 a	Salts (Saltaire)..... 5/-	5/3	5/3	6·09
49/3	38/4½	10 b	5 a	Woolcombers..... £1	48/3	49/3	
16/3	10/11½	6 c	Nil	Bradford Dyers..... £1	14/7½	16/-	12·59
48/4½	33/11½	221/2 c	221/2 c	Calico Printers £1	36/-	35/9	4·89
33/6	19/7½	5 b	3 a	Courtaulds..... £1	31/7½	32/9	
13/7½	8/10½	15 b	3 a	Jute Industries..... 10/-	10/4½	10/11½	5·49
30/6	15/3	71/2 c	71/2 c	Tootal..... £1	20/6	25/6	
				DRAPERY & STORES			
20/9	14/9	18 c	3 a	Boots Purs Drug 5/-	20/6	20/7½	3·49**
28/4½	16/9	33/4 b	10 a	Debenhams 10/-	28/11½‖	27/9‖	5·41
30/4½	17/3	25 b	71/2 a	G.U.S. 'A' 5/-	29/7½	30/4½	5·38
80/-	55/6	121/2 a	5 b	Harrods £1	73/3	74/3	4·71
33/-	20/3	25 b	10 a	House of Fraser 'A'...5/-	31/6	31/7½	5·53
16/3	10/6	13·6c	6 a	Lewis's Investment 4/-	15/6‖	16/3‖	3·35
54/9	37/3	221/2 b	121/2 a	Marks & Spencer 'A'..5/-	52/7½	54/9	3·20
33/9	21/-	20 b	121/2 a	United Drapery 5/-	32/10½	33/3	4·69
50/-	34/7½	26⅔ b	131/3 a	Woolworth 5/-	48/7½	49/9	4·02

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 10, 1958	Price, Dec. 17,	Yield, Dec. 17,
		%	%	BANKING			
53/9	31/9	6 b	6 a	Barclays £1	50/9	53/-	4·53
46/-	27/6	41/2 a	52/3 b	Lloyds..... £1	44/3	44/6	4·49
86/-	57/6	9 b	9 a	Midland £1	80/-	85/3	4·69**
87/3	59/3	9 b	9 a	National Provincial £1	83/-	87/3	4·13
54/9	36/-	61/4 b	5 a	Westminster 'B'..... £1	49/3	54/9	4·11
67/6	47/9	71/2 b	71/2 a	District..... £1	64/9	67/6	4·44
22/-	12/11½	71/2 b	71/2 a	Martins..... 5/-	18/-	21/3	4·71**
30/6	21/4½	5 a	71/2 b	Com. Bk. of Scot. 'A' 10/-	30/-	30/3	4·13
66/-	46/-	7 b	7 a	Royal Bank of Scotland..£1	61/9	66/-	4·24
37/9	27/6	4 a	5 b	Barclays D.C.O. £1	35/9	37/9	4·77
46/3	31/3	71/2 b	71/2 a	Chartered Bank £1	45/9	46/3	6·49
£28 11/16	£20	$2·10c	$2·25c	Royal Bank of Canada. $10	£28 3/16	£28 1/4	2·96
£20 9/16	£14 15/16	$1·60c	$1·65c	Bank of Montreal..... $10	£19 3/4	£20 9/16	2·96
29 3/8	25 5/8	9 c	9 c	Bank of New S. Wales.£20	29 3/8	29 5/8	4·86g
33/3	28/-	5 b	4 a	Bank of Ldn. & S. Amer. £1	32/11½	33/-	5·45
				FINANCIAL			
29/-	18/-	21/2 a	21/2 b	Alexanders £1	27/6	29/-	3·45
46/6	29/6	5 b	5 a	National Discount 'B' ..£1	45/-	46/6	4·30
59/-	40/9	61/4 b	61/4 a	Union Discount £1	56/6	59/-	4·24
41/3	32/9	36⅔ c	181/4 a	Commercial Union..... 5/-	40/-	41/3	4·44
135/-	102/6	121/2 a	15 b	Employers Liability £1	130/-	135/-	4·07
117/6	†16·2p	†16·2b	†16·2b	Equity & Law 8/6	168/9	176/3	2·72
113/9	60 b	40 a		Legal & General 5/-	172/6	180/-	2·78
186/3	†50 b	†20 a		Pearl £1	114/6	115/6	5·27
154/-	†132½ c	†147½ c		Prudential 'A' 4/-	200/-	205/-	5·02
83/9	8 b	8 a		Royal Exchange..... £1	78/6	80/-	4·00
34/10½	16/-	13½ b	10 a	Bowmaker 5/-	31/10½	32/4½	3·86**
21/4½	16/10½	7½ b	7½ a	Lombard Banking..... 5/-	19/9	19/9	3·80
113/-	73/3	16 b	4 a	U.D.T. £1	109/3	109/-	3·67
40/-	19/9	7½ b	10 a	B.E.T. 'A' Defd. 5/-	37/9	36/6	3·77
13/11½	7/11	10 c	10 c	Cable & Wireless..... 5/-	12/3	12/6	4·00
20/11½	7/10½	2½ b	2 a	Land Securities 10/-	20/11½*	19/10½*	3·02**
16/4½	8/7½	55/12 c	21/12 a	London & County 10/-	16/4½	16/4½	4·07**
				FOOD, DRINK AND TOBACCO			
46/3	27/-	30 c	10 a	Allied Bakeries 'A'.... 5/-	43/6*	44/-*	3·41
26/-	13/4½	20 c	7 a	Beecham Group 5/-	25/3	24/6	4·08
11/9	6/5¼	7 b	2½ a	International Tea 5/-	11/7½	11/6	4·13
76/6	40/11½	9⅛ b	5 a	J. Lyons 'A' £1	73/-	76/6	3·70
19/-	13/7½	5 a	5 b	Ranks 10/-	18/7½	18/10½	5·30
17/10½	7/9	7½ b	2½ a	Schweppes..... 5/-	17/6	17/10½	4·20**
74/6	48/9	41/2 a	12 b	Tate & Lyle £1	72/6*	73/6*	4·49
58/6	47/4½	5 a	10 b	United Dairies £1	57/3	59/-	5·08
46/-	31/-	10 a	36 b	Bass..... £1	43/9	43/6	5·29
32/6	19/7½	12½ b	7½ a	Distillers 6/8	31/6	32/-	4·17
15/3	11/6	6 a	11 b	Flowers 5/-	14/9*	14/7½	5·81
35/-	37/-	10 a	18 b	Guinness 10/-	52/6	54/9	5·11
13/6	9/4½	4 a	10 b	Ind Coope & Allsopp..5/-	13/-	13/4½	5·23
103/-	65/6	17 b	8 a	Whitbread 'A' £1	101/-‖	103/-‖	4·85
54/9	37/7½	163/8 b	†10 a	Brit. Amer. Tobacco .10/-	53/9	54/9	5·29
35/7½	20/6	15 b	5 a	Gallaher 10/-	34/6	35/-	5·71
51/11½	37/-	111/2 b	8½ a	Imperial Tobacco £1	50/11½	51/11½	7·82

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 10, 1958	Price, Dec. 17, 1958	Yield, Dec. 17, 1958
		%	%	MISCELLANEOUS			
48/3	15/9	71/2 a	221/2 b	Assoc. Brit. Picture ...5/-	46/9	47/6	3·16
45/6	28/-	11 c	5 a	British Match £1	42/-	43/-	5·12
47/-	28/3	6 b	4 a	British Oxygen..... £1	43/9	45/3	4·42
13 b	4 a	13 b	4 a	British Ropes 2/6	8/6	8/6	5·00
59/3	31/6	61/4 a	111/4 b	Glaxo 10/-	52/6	54/-	3·24
57/6	31/3	40 b	10 a	Hoover 'A' 5/-	51/9	56/11½	4·45
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	173/9	173/9	2·80
10/9	5/7½	12½ c	5 c	Rank Organisation 5/-	10/-	15/5¼	4·35
15/9	11/8¼	22½ c	22½ c	Sears 'A' 5/-	15/5¼	15/9	7·14
59/9	44/-	7 b	6½ a	Thomas Tilling £1	58/-	59/3	4·47
73/10½	52/11½	5 a	10 b	Turner & Newall £1	71/7½	72/7½*	4·13
107/-	70/6	10½ b	10½ a	Unilever..... £1	106/9*	105/9	3·34
45/6	24/3	7½ b	3¾ a	United Glass Bottle..... £1	45/6	44/-	5·06
36/-	26/-	†10 b	†4½ a	United Molasses 10/-	35/-	35/-	7·04
				OIL			
58/6	39/9	†5 b	†21/2 a	British Petroleum..... £1	54/-	51/6	5·07
87/3	59/11½	†7½ b	†5 a	Burmah Oil £1	81/3	79/6	5·65
£187/8	£137/8	17½ b	7½ a	Royal Dutch ..... 20 fl.	£181/8	£173/8	2·72
165/-	117/6	†133/4 b	†10½ a	Shell Transport £1	156/10½	153/11½	4·26
95/6	41/6	...	...	Ultramar 10/-	84/9	75/7½	... d
37/3	25/6	13/8 b	7½ a	Wakefield C.C. 10/-	35/3	35/-	5·89
				SHIPPING			
43/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. .10/-	41/9	43/-	4·65
23/9	16/6	10 c	Nil	Cunard..... £1	18/6	17/10½	...
35/6	27/3	10¾ c	10 c	Furness Withy £1	35/6	35/6	5·63
20/3	14/6	10 a	10 b	London & Overseas 5/-	19/-	18/6	5·41
37/6	22/-	8 b	3 a	P & O Defd. £1	36/9	37/-	5·95
17/9	12/-	5 c	Nil	Reardon Smith 10/-	16/3	16/3	7·66
25/6	19/3	71/2 c	9 c	Royal Mail £1	24/6	23/6	7·66
				MINES			
173/9	115/-	60 b	20 e	Anglo-American 10/-	169/4½	173/9	4·60
116/3	73/9	10 a	15 b	General Mining £1	115/-	115/-	4·35
49/3	36/7½	80 b	40 a	Union Corporation 2/6	47/6	49/3	6·09
33/7½	23/10½	50 a	50 b	Daggafontein 5/-	33/11½	33/7½	14·87
118/9	76/3	40 a	60 b	Free State Geduld 5/-	115/7½	118/9	4·21
69/9	56/-	35 b	35 a	Hartebeestfontein 10/-	66/-	67/-	10·45
68/3	46/6	50 a	50 b	President Brand 5/-	64/4½	65/10½

of only three quarters of one per cent. The Australia and New Zealand Bank shows in its balance sheet at September 30th a reduction in its special account with Commonwealth Bank by £A14 to £A36 million. Loans and overdrafts rose by £A6 to £A188 million, reversing the trend of recent years. Deposits rose by a similar amount to £A366 million, although the restrictive policy adopted in New Zealand following a steep rise in advances in the last quarter of 1957 led to a fall in trading bank deposits there. In Australia, the easier monetary policy has encouraged industrial production. Motors and television sets (the latter were introduced into Australian households in 1956) have led the advance. Australian hire purchase houses have done well out of financing TV sales, and ANZ has staked its claim in this remunerative field through its purchase of 14 per cent of the issued capital of Industrial Acceptance Holdings. This is reflected in a rise in trade investments from £A900,000 to £A2,020,037 over the year. The bank took its first dividend from the HP subsidiary, and will feel the full benefit of its investment in the current year. ANZ's savings bank subsidiary made rapid progress during the year, deposits rising by over £A11 million to £A49 million. The parent company received a first dividend of token dimensions from this fledgling, after it had created a published reserve fund of £A125,500. With the inclusion of the assets of the savings bank, total assets of ANZ are now almost £A500 million. But the disclosed net profit shows only a fractional rise from £A1,021,935 to £A1,035,143. The ordinary dividend has been left at 12 per cent for the year, and the £2 shares, partly paid, yield 6.3 per cent at the current price of 38s. 3d.xd.

RANKS

RANKS has continued to acquire bakeries but whether it is Ranks, the millers, or Ranks, the bakers, that is primarily responsible for the remarkably strong recovery in profits in the year to August 30th will not be known for sure until the chairman, Lord Rank, makes his statement with the full accounts. The group's gross profits have risen from £4,330,000 to £7,251,000 and net profits have more than doubled from £1,546,000 to £3,260,000. Thus the ground lost since 1955-56 when net profits came to £2,535,695 has been more than recovered. Blame for the fall in profits last year was laid at the door of the milling and animal feeding stuffs divisions, though even then the increase in income from the group's bakeries was partly offsetting this decline. When Energen Foods was taken over last March, the directors of Ranks forecast a total ordinary dividend of 10 per cent, and this is the rate now recommended for the year. Last year the same effective rate of dividend was paid. This decision is, in view of the advance in profit, far less than generous and at the current price of 18s. 10½d. the 10s. units yield 5.3 per cent.

DISTILLERS

DISTILLERS' ordinary stock units now stand at 32s. and yield just over 4 per cent. That yield indicates their blue-chip status. Their standing in the market seems to be tied more to the group's whisky and gin interests (which contribute about 75 per cent of total earnings) than to its industrial activities, which include plastics, petrochemicals and biochemicals. And in the six months ended on September 30th, it seems that sales of Scotch whisky were primarily responsible for the jump of 13½ per cent in gross profits. The directors say: "the incidence of our exports of Scotch whisky to overseas markets has been such that sales . . . are substantially in excess of one-half of the total gallonage available for the year to March 31, 1959."

Group trading profits in the latest six months rose from £11,360,000 to £12,894,000, but the parents' net profit before tax was nearly 19 per cent higher at £13,074,000 (against £10,988,000). The directors expect that over the whole of the financial year sales of Scotch will offset any setback that the earnings of the industrial group may suffer as a result of "unsettled conditions and increased competition." Though the rate of increase in trading profits may slacken in the second half of the financial year the directors believe that results for the full year will be "satisfactory." The 7½ per cent interim ordinary dividend, as forecast a month ago, has been formally declared and the two-stage scrip issue approved by stockholders. This interim report will strengthen the opinion that something more than the equivalent of last year's 20 per cent will be paid.

BLEACHERS ASSOCIATION

BLEACHERS' gross profits have been falling for the last four years; in the year to March 31st last earnings of under 21 per cent covered the maintained 12½ per cent ordinary dividend. The chairman last summer said that immediate prospects were "most discouraging" and stockholders are now told in an interim report that as a result of the general recession in the textile industry there has been a substantial decline in the revenue derived from the group's finishing interests. The present tendency, the statement adds, is for this trend to continue. Like other textile concerns, Bleachers, whose predominant interest remains in the cotton industry, has been trying to broaden its base by acquiring industrial interests other than cotton. In particular, it has come into the plastics industry. Apparently the policy is paying off to some extent, for the interim report says that dividends from subsidiary companies and trade investments are higher than last year, and "partially offset the reduced profits from textile finishing." But on this report the 10s. shares fell by 10½d. to 11s. 7½d.; at this price, on a 12½ per cent dividend, the yield is 10.7 per cent.

London Stock Exchange

FIRST DEALINGS:	Dec. 10	Dec. 31	Jan. 14
LAST DEALINGS:	Dec. 30	Jan. 13	Jan. 27
ACCOUNT DAY:	Jan. 6	Jan. 20	Feb. 3

THE fresh fall in the Treasury bill rate led to a rise in gilt-edged stocks, in which, however, short dated issues did not share. Among the medium dated stocks, Savings 3 per cent 1955-1965 were especially strong gaining 1½ points to 90⅞. Treasury 3 per cent 1979-81 and 5½ per cent Funding 1982-84 both rose ⅝ to 76⅛ and 100⅛ xd respectively. Among the irredeemables, 4 per cent Consols gained most, improving ⅛ to 74⅜, while old Consols rose by ¼ to 50⅞ xd and 3½ per cent War Loan by ⅛ to 65¼.

Industrial equities both in Throgmorton Street and Wall Street continued to be firm throughout the week. *The Economist* Indicator rose by 1.9 points to a new peak of 242.5. British Aluminium rose from 71s. 10½d. to 73s. 3d. in the week to Wednesday's close. Tootal, the subject of take over rumours, was 4s. 3d. higher at 25s. 6d. at Wednesday's close after dropping 2s. on Tuesday, when GUS had denied it was an intending bidder. In the electrical field, EMI rose on American buying to 50s. 3d. xd. Decca rose by 2s. to 36s. 9d. and Philips Lamp moved up from 85s. 9d. to 92s. 6d. London Electric Wire rose by no less than 9s. 9d. to 61s. 3d. In the entertainments section, Capital and Provincial News Theatres rose 1s. 6d. to 36s. on the higher dividend and scrip issue and A.B. Pictures after touching a peak of 48s. 3d. settled back at 47s. 6d.

Bank shares were active following the forecast of bigger dividends from Midland and Martins. Martins rose from 18s. to 21s. 3d. District jumped 3s. to 67s. 9d. and National Provincial 4s. 6d. to 87s. 6d. Royal Bank of Scotland closed 4s. higher at 65s. 9d. and Westminster "B" were 5s. 6d. better at 54s. 9d. Discount houses were also stronger, Union Discount rising 2s. 6d. to 59s. In insurance shares, Eagle Star closed 2s. 4½d. higher at 80s. 4½d. and Sun Insurance rose 4s. 6d. to 175s.

Oils were affected by the new Venezuelan Government's policy on oil. Ultramar closed on Wednesday 9s. lower over the week at 75s. 9d., after touching 72s., and Shell fell by 3s. 10½d. to 153s. Gold shares were firm in a market short of stock; finance house stocks were particularly strong, Central Mining rising by 4s. 1½d. to 72s. 7½d., Anglo American by 3s. 1½d. to 172s. 6d., and West Wits by 2s. 10½d. to 55s. 4½d. Loraine on further speculative support was 4s. better at 27s. 9d. In diamonds, CAST dropped by 1s. to 14s. 6d. Bancroft was outstanding in coppers on the confirmation that the mine will be reopened in April, rising from 26s. to 30s. 10½d. "Rhoanglo" rose by 2s. 3d. to 78s. 1½d. and Nchanga ⅜ to 111⅛.

US Dollar premium: NIL on $2.80½.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended December 13, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £23,391,000 compared with a deficit of £32,177,000 in the previous week and a deficit of £47,562,000 in the corresponding period of last year. There was a net expenditure "below-line" of £16,412,000 leaving a total deficit of £687,828,000 compared with £768,486,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Dec. 14, 1957	April 1, 1958, to Dec. 13, 1958	Week ended Dec. 14, 1957	Week ended Dec. 13, 1958
Ord. Revenue					
Income Tax	2312,500	814,043	875,466	16,855	16,691
Surtax	163,000	49,500	51,500	1,900	1,900
Death Duties	163,500	121,000	127,100	2,900	3,100
Stamps	56,250	47,800	41,800	1,200	1,900
Profits Tax, EPT & EPL	275,000	189,900	215,000	4,600	2,800
Other Inland Rev. Duties	...	150	150	...	...
Total Inland Rev.	2970,250	1222,393	1311,016	27,455	26,391
Customs	1256,940	869,558	916,955	26,365	24,523
Excise	932,310	678,870	665,800	9,065	7,590
Total Customs and Excise	2189,250	1548,428	1582,755	35,430	32,113
Motor Duties	104,000	29,006	30,477	414	471
PO (Net Receipts)	2,000	9,700	7,000	1,850	850
Broadcast Licences	34,000	18,000	19,400	...	...
Sundry Loans	30,000	27,631	26,126	193	...
Miscellaneous	110,000	111,755	60,916	823	232
Total	5439,500	2966,913	3037,690	66,165	60,057
Ord. Expend.					
Debt Interest	695,000	481,749	450,982	15,687	8,281
Payments to N. Ireland Exchequer	73,000	44,625	48,479	...	...
Other Cons. Funds	10,000	5,604	5,062	31	187
Supply Services	4292,859	2801,098	2858,081	97,500	74,600
Total	5070,859	3333,076	3362,604	113217	83,068
Sinking Funds	38,000	24,727	25,063	510	380
"Above-line" Surplus or Deficit	—	390,889	349,977	47,562	23,391
"Below-line" Net Expenditure*	—	377,597	337,851	17,267	16,412
Total Surplus or Deficit	—	768,486	687,828	64,829	39,803
Net Receipts from:					
Tax Reserve Certificates	160,898	206,680	1,254	1,342	
Savings Certificates	−12,100	96,300	−3400	4,000	
Defence Bonds	−25,358	64,022	−1013	3,719	
Premium Savings Bonds	54,220	48,555	1,110	640	
Total	177,660	415,557	−2049	9,701	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and £12 million in 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Dec. 14	3,410·0	2,181·2	193·6	...	5,784·8
1958					
Sept. 13	3,270·0	1,657·9	178·3	...	5,106·2
" 20	3,270·0	1,704·4	167·5	...	5,141·9
" 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	183·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3
" 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
" 8	3,350·0	1,739·5	166·7	...	5,256·2
" 15	3,370·0	1,655·2	194·4	...	5,219·6
" 22	3,390·0	1,661·0	175·6	...	5,226·5
" 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
" 13	3,440·0	1,687·6	190·1	...	5,317·7

THE MONEY MARKET

THE Treasury bill rate fell again on Friday last week, despite an indirect "warning" from the Bank of England: on the previous day, no special help was given to alleviate a credit shortage, and six or seven discount houses had to borrow a moderately large amount at Bank rate. But competition at the tender remained strong, total applications falling by only £4 million from the previous week's record of £489 million. The market raised its common price for 91-day bills by 7d. to £99 4s. 5d., and succeeded in raising its allotment from 40 to 67 per cent. The average rate of discount on the £240 million of three months' bills fell by just over 2s. to £3 2s. 5d. per cent and that on the £50 million of 63-day bills by 2s. 4d. to £3 3s. 2½d. On Thursday of this week, the market was again put "in" the Bank, no special help being given.

Credit conditions in Lombard Street have been easy since the week-end, helped by substantial official disbursements. Dealings in March maturities have generally been at 3⅛ per cent; rates on overnight money have ranged from 3¼ per cent to 2 per cent, and at times some money has been unlent.

The Bank return shows an outflow of notes of £43 million.

MONEY RATES: London

	%		%
Bank rate (from 4/9.20/11/58)	4	Discount rates: Bank bills:	
Deposit rates (max.):		60 days	3¼–3⅝
Banks	2	3 months	3¼–3⅝
Discount houses	2–2¼	4 months	3¼–3⅝
Money:		6 months	3¼–3⅜
Day-to-Day	2–3	Fine trade bills:	
Treasury bills:		3 months	4¼–5
2-3 months	3⅛	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	Treasury bills: Dec. 8	2·81
		" 15	2·90

BANK OF ENGLAND RETURNS

(£ million)	Dec. 18, 1957	Dec. 10, 1958	Dec. 17, 1958
*Issue Department**:			
Notes in circulation	2,118·6	2,121·6	2,164·4
Notes in banking dept.	31·8	28·8	36·0
Govt. debt and securities*	2,146·3	2,146·5	2,196·5
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	11·0	12·2	14·2
Bankers	200·2	207·0	208·5
Others	80·5	69·4	73·9
Total	291·7	288·6	296·6
Securities:			
Government	223·6	245·5	240·2
Discounts and advances	29·1	9·6	16·1
Other	22·9	21·8	21·4
Total	275·6	276·9	277·7
Banking department reserve	34·2	29·7	36·9
	%	%	%
"Proportion"	11·7	10·2	12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,150 million December 10, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957	91 day 63 day		s. d.	%
Dec. 13	230·0 50·0	414·8	129 1·21	45
1958	91 day			
Sept. 12	270·0	423·7	73 6·81	51
" 19	270·0	413·7	71 9·20	68
" 26	260·0	381·4	72 6·10	55
Oct. 3	270·0†	424·8	74 1·39	44
" 10	250·0	423·6	73 0·72	55
" 17	250·0	435·7	72 3·08	45
" 24	250·0	409·6	73 7·94	36
	91 day 63 day			
" 31	200·0 50·0	442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45
" 14	210·0 60·0	408·3	71 0·97	68
" 21	210·0 60·0	408·5	68 4·68	42
" 28	230·0 50·0	418·9	66 1·20	79
Dec. 5	260·0 30·0	489·2	64 5·75	40
" 12	240·0 50·0	485·3	62 4·92	67

* On December 12th tenders for 91 day bills at £99 4s. 5d. secured 67 per cent and for 63 day bills at £99 9s. 1d. 76 per cent, higher tenders being allotted in full. The offer this week was for £240 mn. of 91 day bills, and £50 mn. of 63 day bills.
† Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: December 17	Market Rates: Spot: December 11	December 12	December 13	December 15	December 16	December 17
United States $	2·78–2·82	$2·80^{9}/_{16}$–$^{9}/_{16}$	$2·80^{1}/_{2}$–$^{5}/_{8}$	$2·80^{9}/_{16}$–$^{11}/_{16}$	$2·80^{1}/_{2}$–$^{5}/_{8}$	$2·80^{1}/_{2}$–$^{5}/_{8}$	$2·80^{1}/_{2}$/$^{5}/_{8}$
Canadian $	...	$2·70^{9}/_{16}$–$^{11}/_{16}$	$2·70^{3}/_{8}$–$^{1}/_{2}$	$2·70^{1}/_{4}$–$^{3}/_{8}$	$2·70^{1}/_{4}$–$^{3}/_{8}$	$2·70^{1}/_{4}$–$^{3}/_{8}$	$2·70^{5}/_{8}$–$^{3}/_{4}$
French Fr.	1167·18–1184·82	$1177^{1}/_{2}$–$^{3}/_{4}$	$1177–77^{1}/_{4}$	$1177^{1}/_{4}$–$^{3}/_{4}$	$1176^{3}/_{4}$–$^{7}/_{8}$	$1176^{3}/_{4}$–$^{7}/_{8}$	$1177–77^{1}/_{4}$
Swiss Fr.	$12·15^{3}/_{16}$–$12·33^{9}/_{16}$	$12·21^{3}/_{8}$–22	$12·18^{1}/_{2}$–19	$12·18^{1}/_{2}$–19	$12·19^{3}/_{8}$–$20^{1}/_{8}$	$12·19^{1}/_{4}$–$^{1}/_{2}$	$12·18^{1}/_{4}$–$^{1}/_{2}$
Belgian Fr.	138·95–141·05	$139·37^{1}/_{2}$–$42^{1}/_{2}$	139·30–35	$139·27^{1}/_{2}$–$32^{1}/_{2}$	139·30–35	$139·27^{1}/_{2}$–$32^{1}/_{2}$	$139·27^{1}/_{2}$–$32^{1}/_{2}$
Dutch Gld.	10·56–10·72	$10·57^{3}/_{8}$–$^{5}/_{8}$	$10·57^{1}/_{8}$–$^{3}/_{8}$	$10·57^{1}/_{4}$–$^{1}/_{2}$	$10·56^{7}/_{8}$–$57^{1}/_{8}$	$10·56^{3}/_{4}$–57	$10·56^{7}/_{8}$–$57^{1}/_{8}$
W. Ger. D-Mk.	$11·67^{3}/_{16}$–$11·84^{13}/_{16}$	$11·69^{1}/_{4}$–$^{3}/_{8}$	$11·68^{7}/_{8}$–$69^{1}/_{8}$	$11·68^{7}/_{8}$–$69^{1}/_{8}$	$11·68^{7}/_{8}$–$69^{1}/_{8}$	$11·68^{7}/_{8}$–$69^{1}/_{8}$	$11·68^{3}/_{4}$–69
Portuguese Esc.	79·90–81·10	80·05–15	80·05–15	80·05–15	80·05–15	80·05–15	80·05–15
Italian Lire	$1736^{5}/_{8}$–$1762^{7}/_{8}$	$1745^{3}/_{4}$–$46^{1}/_{4}$	$1746–46^{1}/_{2}$	$1746^{1}/_{4}$–$^{3}/_{4}$	$1746^{1}/_{4}$–$^{3}/_{4}$	$1745^{3}/_{4}$–$46^{1}/_{4}$	$1745^{3}/_{4}$–$46^{1}/_{4}$
Swedish Kr.	$14·37^{3}/_{8}$–$14·55^{7}/_{8}$	$14·48^{1}/_{2}$–$49^{1}/_{2}$	$14·48^{1}/_{2}$–$^{3}/_{8}$	$14·48^{1}/_{2}$–$^{3}/_{8}$	$14·47^{7}/_{8}$–$48^{1}/_{8}$	$14·47^{7}/_{8}$–$48^{1}/_{8}$	$14·47^{3}/_{4}$–$^{7}/_{8}$
Danish Kr.	$19·19^{1}/_{2}$–$19·48^{1}/_{2}$	$19·33–33^{1}/_{4}$	$19·32^{5}/_{8}$–$^{7}/_{8}$	$19·32^{5}/_{8}$–$^{7}/_{8}$	$19·32^{3}/_{4}$–33	$19·32^{3}/_{4}$–33	$19·32^{3}/_{4}$–34
Norwegian Kr.	19·85–20·15	$20·00^{5}/_{8}$–$^{7}/_{8}$	$20·00^{5}/_{8}$–$^{7}/_{8}$	$20·00^{5}/_{8}$–$^{7}/_{8}$	$20·00^{5}/_{8}$–$^{7}/_{8}$	$20·00^{1}/_{2}$–$^{3}/_{4}$	$20·00^{5}/_{8}$–$^{7}/_{8}$
One Month Forward Rates							
United States $		$^{1}/_{8}$c. pm–par	$^{1}/_{16}$c. pm–par	$^{1}/_{16}$c. pm–par	$^{1}/_{16}$c.pm–$^{1}/_{8}$c.dis	$^{1}/_{16}$c.pm–$^{1}/_{16}$c.dis	$^{1}/_{16}$c.pm–$^{1}/_{8}$c.dis
Canadian $		$^{1}/_{8}$c. pm–par	$^{1}/_{16}$c.pm–$^{1}/_{8}$c.dis	$^{1}/_{16}$c.pm–$^{1}/_{8}$c.dis	par–$^{1}/_{4}$c. dis	par–$^{1}/_{4}$c. dis	par–$^{1}/_{4}$ dis
French Fr.		12–18 dis	18–22 dis	18–22 dis	15–20 dis	22–26 dis	27–32 dis
Swiss Fr.		$^{1}/_{2}$–^{1}c. pm	$^{5}/_{8}$–$^{9}/_{8}$c. pm	$^{5}/_{8}$–$^{9}/_{8}$c. pm	$^{5}/_{8}$–$^{9}/_{8}$c. pm	$^{5}/_{8}$–$^{9}/_{8}$c. pm	$^{5}/_{8}$–$^{9}/_{8}$c. pm
Belgian Fr.		$^{1}/_{8}$ pm–par	$^{1}/_{8}$ pm–par	$^{1}/_{8}$ pm–par	$^{1}/_{8}$ pm–par	$^{1}/_{8}$ pm–par	$^{1}/_{8}$ pm–par
Dutch Gld.		$^{1}/_{2}$–$^{1}/_{4}$c. pm	$^{1}/_{2}$–$^{1}/_{4}$c. pm	$^{1}/_{2}$–$^{1}/_{4}$c. pm	$^{5}/_{8}$–$^{3}/_{8}$c. pm	$^{5}/_{8}$–$^{3}/_{8}$c. pm	$^{5}/_{8}$–$^{1}/_{2}$c. pm
W. Ger. D-Mk.		$^{1}/_{2}$–$^{1}/_{4}$pf. pm	$^{1}/_{2}$–$^{1}/_{4}$pf. pm	$^{1}/_{2}$–$^{1}/_{4}$pf. pm	$1–^{3}/_{4}$pf. pm	$1–^{3}/_{4}$pf. pm	$1–^{3}/_{4}$pf. pm
Three Months Forward Rates							
United States $		$^{1}/_{4}$–$^{1}/_{16}$c. pm	^{1}c. pm–par	^{1}c. pm–par	^{1}c. pm–par	$^{1}/_{16}$c.pm–$^{1}/_{16}$c.dis	^{1}c. pm–par
Canadian $		$^{1}/_{4}$–$^{1}/_{16}$c. pm	$^{1}/_{16}$c.pm–$^{1}/_{16}$c.dis	$^{3}/_{4}$–$^{1}/_{16}$c. pm	$^{3}/_{4}$–$^{1}/_{16}$c. pm	par–$^{1}/_{16}$c. dis	$^{1}/_{16}$–$^{3}/_{8}$c. dis
French Fr.		2–$1^{3}/_{4}$c. pm	$^{3}/_{4}$–$1^{1}/_{4}$c. pm	$^{3}/_{4}$–$1^{1}/_{2}$c. pm	$^{3}/_{4}$–$1^{1}/_{2}$c. pm	$^{3}/_{4}$–$1^{1}/_{2}$c. pm	$^{3}/_{4}$–$1^{1}/_{2}$c. pm
Swiss Fr.		$1^{1}/_{8}$–$^{7}/_{8}$pf. pm	$1^{1}/_{8}$–$^{7}/_{8}$pf. pm	$1^{1}/_{8}$–$^{7}/_{8}$pf. pm	$1^{1}/_{8}$–$^{7}/_{8}$pf. pm	$^{7}/_{8}$–$^{5}/_{8}$pf. pm	$1–^{5}/_{8}$pf. pm
W. Ger. D-Mk.							
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/3¼	250/3	...	250/2¼	250/3	250/1¾	

The United States

Monthly averages or calendar months except where annual rates are shown.

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

World Trade ..... October 18th

BRITISH		OVERSEAS	
Prices and Wages.....	Nov. 29th	Western Europe Statistics..	Dec. 6th
Manpower and Output.....	Dec. 13th	British Commonwealth....	Oct. 11th
External Trade.....	Nov. 22nd	The United States.....	This week
Industrial Profits.....	Oct. 18th		

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices Composite index	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade		At current prices	At 1957 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1958, August	119·1	93·2	123·7	120·7	106·6	127·9	118	109	108	351·7	84·35	81·97
„ September	119·1	93·1	123·7	120·3	107·1	127·9	...	...	...	360·5	85·39	82·98
„ October	119·0	92·3	123·7	119·7	107·3	127·9	...	...	...	376·4	84·35	...
„ November	119·2	92·1	...	...	...	...	...	...	...	...	...	...

PRODUCTION AND MANPOWER

	Gross national product[7]	Total industrial production	Manufacturing production						Building	Civilian employment[1]		
			Durable goods			Non-durable goods			New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
	Seasonally adjusted annual rate		Total	Metals	Vehicles etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	$ billion	1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	419·2	143	159	138	199	129	108	167	46·3	67,530	64,708	4·2
1957	440·3	143	160	131	213	130	105	172	48·5	67,946	65,011	4·3
1958, August	439·0[8]	136	144	109	187	133	108	174	49·4	70,067	65,367	7·6
„ September		137	145	113	178	133	109	174	50·2	68,740	64,629	7·2
„ October	...	138	145	123	182	134	111	174	51·5	69,111	65,306	7·1
„ November	...	141	152	127	205	135	112	175	...	68,500	64,700	5·9

TRADE

	Personal consumption[7] Annual rates	All business[2]		Total retail[2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	269·4	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	284·4	56·3	90·7	16·7	24·5	1,077	266	243	1719	982	147	149
1958, June	288·3[5]	53·2	86·4	16·6	24·1	1,019	221	216	1,396	836	146	124
„ July	291·5	54·0	85·9	16·7	24·0	1,045	214	217	1,405	859	149	124
„ August		54·4	85·4	16·9	23·9	964	222	198	1,381	837	138	122
„ September		54·6	85·0	16·6	23·7	...	...	...	1,362	810	...	...
„ October	...	...	...	16·9	...	...	...	...	1,612	944	...	...

PURCHASING POWER AND FINANCE

	Personal income[7]			Consumer credit		Banking statistics[3]		Budget expenditure[4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds[6]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	− 3·9	0·023	...	3·01
1956	330·5	235·2	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	347·9	247·1	11·6	44·78	34·11	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1958, June	352·0	244·7	13·2	43·12	33·05	84·3	95·6	6·6	+ 4·2	0·881	3·20	3·57
„ July	358·8	251·2	13·1	43·03	33·13	84·0	93·6	6·6	− 3·7	0·962	3·36	3·67
„ August	356·1	247·6	13·3	43·22	33·23	86·2	93·8	6·2	− 1·4	1·686	3·60	3·85
„ September	357·8	248·6	13·5	43·24	33·16	85·2	94·2	6·6	+ 0·6	2·484	3·75	4·09
„ October	357·5	247·8	13·6	43·16	33·05	...	...	7·1	− 4·4	2·793	3·76	4·11

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for second quarter. (6) Bonds due or callable from 10 to 20 years. (7) Revised series from 1956 onwards. (8) Figure for third quarter.



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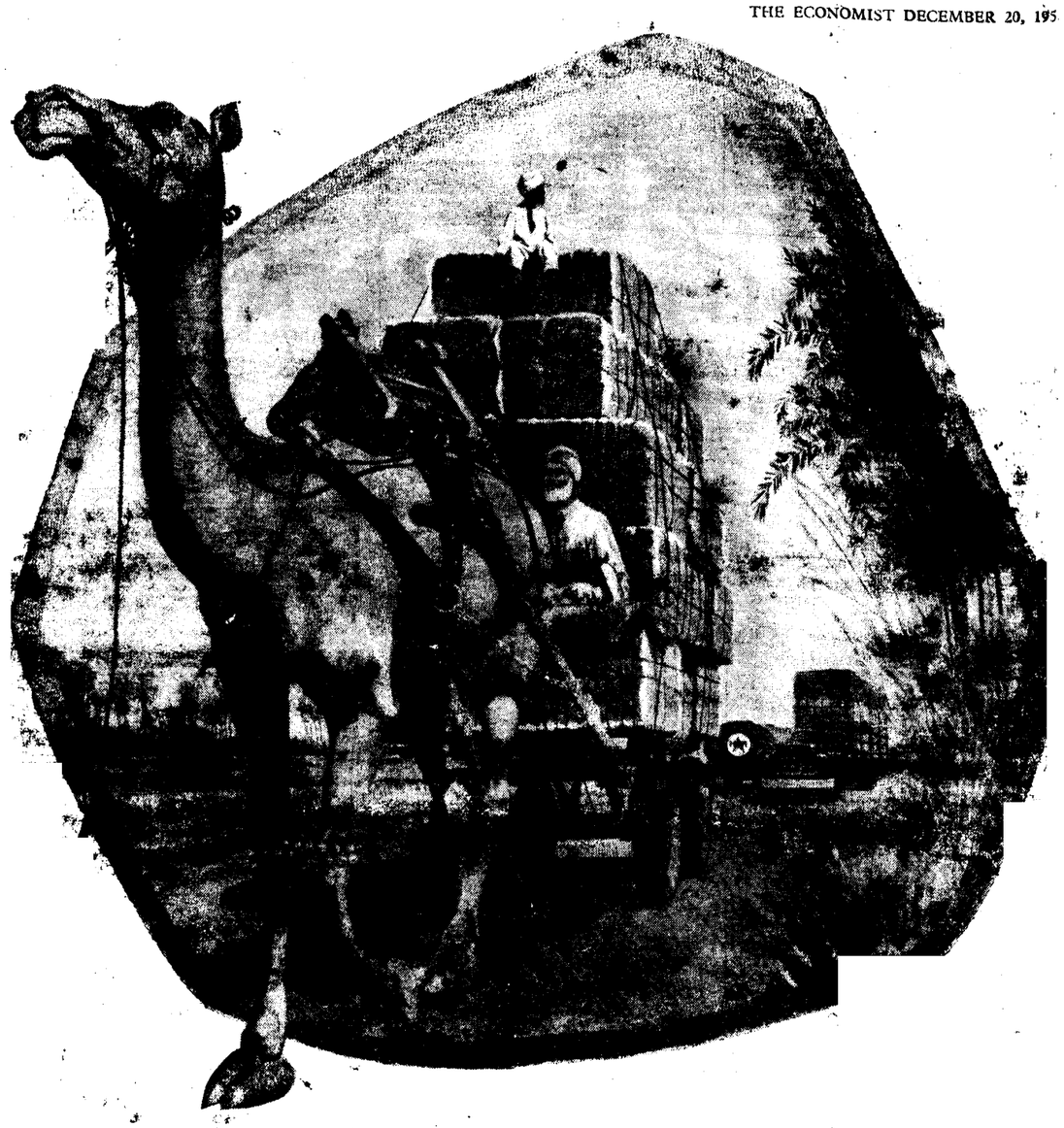

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2 - JAN 1959
PUBLIC DEPARTMENT

Cwthmas

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A study of the current extraordinary commerce in Steele-Age Valentinos (page 1136).

Join the Common Market?

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Charts for Every Occasion

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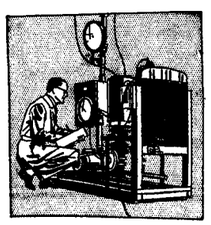

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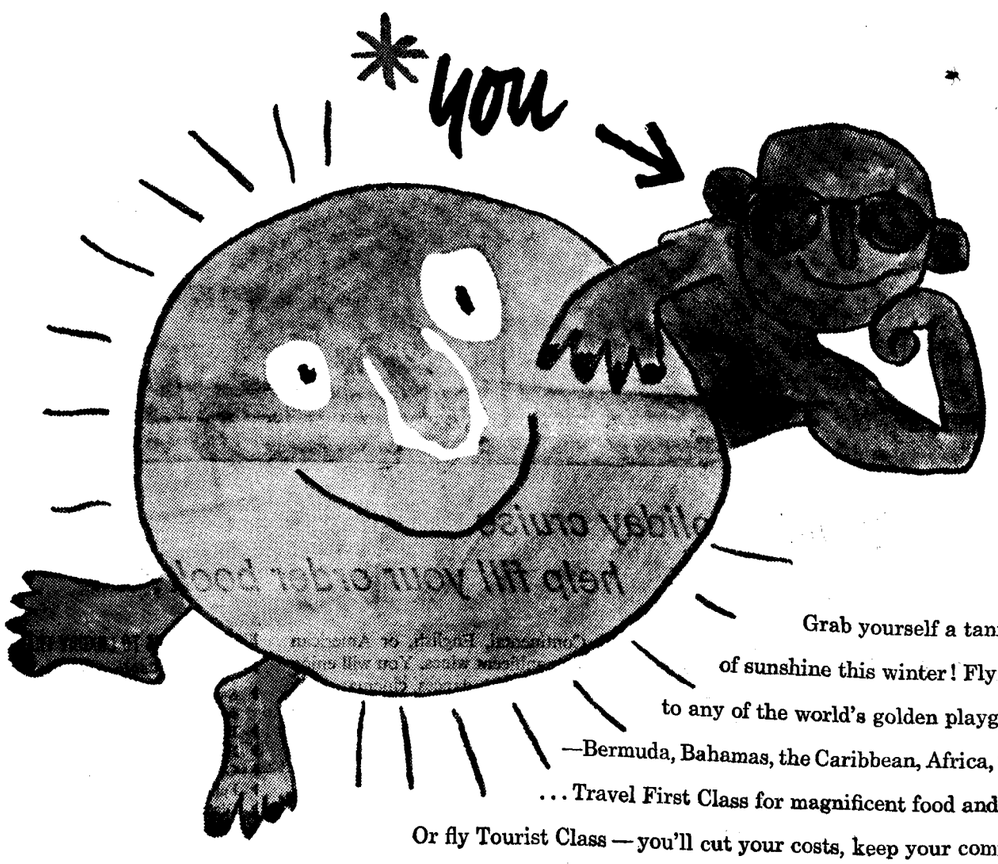

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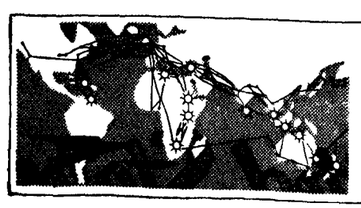

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The Economist

DECEMBER 27, 1958

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Cwthmas

THE Prime Minister has aptly chosen a moment when men's minds are on feasts and good cheer to announce that henceforth May 24th will be Commonwealth Day. We shall at least have something a bit merrier than Mr Khrushchev's Berlin deadline to think about when May follows. But Empire Day has never been a truly festive occasion; Commonwealth Day may suffer the same fate unless we prepare the ground. Shall we even know exactly what we are celebrating?

Next month an unofficial Commonwealth conference meets in the Antipodes. Participants, we are told, have been sent certain "confidential papers" describing the factors that draw the member countries together. This secrecy is understandable. There are some arcane mysteries whose high priests prefer not to expose them to the vulgar gaze. Lord Hailsham lately spoke of the Commonwealth as "hopeless to define . . . impossible to generalise about." Today, even among Top People, what Walter Bagehot would have called "a sort of twilight" pervades the subject; for the Commonwealth has been displaying enough of its "infinite flexibility" to dumbfound the most slick-spoken foundation garment salesman.

It has absorbed a modern Holy Roman Empire—a Malaya complete with Grand Electors periodically choosing a new monarch. While the Mother of Parliaments was recently about to present a new Mace to the West Indies, a rather shopsoiled one was whisked out of sight in Pakistan in the best Oliver Cromwell[1] manner. The Commonwealth is stuck with a military government in Karachi and a communist one in Kerala. It may yet get stuck with a Ghana-Guinea federation. And debate about Commonwealth immigration into Britain has evoked a demand for the deporting of "the idle and the unfit"—a cry voiced in, of all places, the House of Lords.

The bewildered wanderer in this maze will find little help in standard works of reference. The new edition of "Everyman's Encyclopaedia," for instance, says bluntly:

> **Commonwealth.** A form of government without a monarchy.

How simple life would be for, say, Dr Verwoerd if this definition still sufficed. After all, for two centuries the word meant to Englishmen the regime of the regicide republican Cromwell, great precursor of the modern Take Away That Bauble movement. Not until the late nineteenth century did confusion creep in. What did Lord Rosebery say in 1884?

> There is no need for any nation, however great, leaving the Empire, because the Empire is a Commonwealth of Nations.

Ever since that terrible moment in Melbourne we have been confused about the Commonwealth. Learned men have written excellent treatises, but what good is that to the general reader—or to the Coming Com-

(1) Whose statue, potential Commonwealth imitators will note with interest, now stands boldly in front of the House of Commons itself.

monwealthman, the debutant Prime Minister or Leader of the Opposition, upon whom the seals of office, the Mace, the multi-racial man's burden may at any moment be thrust in Singapore, Freetown, Bathurst, Hargeisa, Kuching, Belize or Maseru? He urgently needs a simple key to his kingdom, a pocket manual devoted to the essentials—e.g. just how much he can get away with. So do we.

The approach that suggests itself is that of the discoverer of Gamesmanship and Lifemanship, S. Potter. His latest volume, "Supermanship," reveals that he is about to plunge, brinkmanlike, into International Lifemanship. Let us plunge with the Master. Let us also follow his example in abbreviating our terms. Commonwealthmanship is too much of a mouthful. Cwthmanship will serve; the "w" pronounced as in Ebbw Vale—a gesture to Wales's foremost Lifeman, A. Bevan. There follows a helpful distinction between the cwth and the uncwth[2].

The State of the Game

Definition

Cwthmanship is a double art form. Experienced Cwthmen know that there are two basic problems to be solved:

A. (Mother Country only) How to look as if you are still Top without actually being there any longer. (Super-cwthmanship.)

B. (Any number of players) How to do just what you like without actually losing your Commonwealth Ties[3].

Beware of Imitations

A word of warning. Cwthmanship has evidently become so attractive that some rank outsiders are now trying to horn in on it. N. Khrushchev, squinting anxiously at his Chinese comrades, has begun to talk in the nervous Rosebery manner (see above) about the "commonwealth" of communist nations. His hopeless uncwthness is, however, betrayed at once by his use of the appalling Russian word *obshchnost*. Not even A. Bevan could get his tongue round obshchnostmanship.

As for the gallant Gaullist attempt to label the new Franco-African community *le commonwealth à la française*, this is about as accurate as the slogan displayed during the Paris whisky boycott, *Le Scotch reste anglais*.

All for One, and Free For All

It is now well established that a skilful Cwthman can, without forfeiting his Cwthmembership,

A. Declare a republic.
B. Create a new monarchy with a separate Crown.
C. Federate with an uncwth state.
D. Go to war[4] without consulting other Cwthmen.
E. Go to war[5] with another Cwthmember.
F. Shut out the citizens of other Cwthmembers.
G. Refuse the franchise to most of the population.
H. Arrest Opposition MPs and silence the press.
I. Abolish Parliament and parties.
J. Deport the Head of State.
K. Impose military rule.

(2) The adjectival form has of course a small initial letter.
(3) See below, under Common Bondage.

Thus has freedom broadened down from precedent to precedent. And careful students of the Dublin Gambit can even learn how to get all the advantages of Cwthmembership without actually belonging.

Some Accepted Ploys

How to be Mother

The basic Mother Country ploy is the Commonwealth Relations Office. This is really just an annexe of the Foreign Office, indistinguishable from the outside; only inside the FO courtyard are the cwth separated from the uncwth. The CRO's job is to send round cosily intimate Telegrams, exclusive to such Top Cwthmen as SuperMac, SuperDief, SuperPandit and SuperShowboy. These, like the "Economist Diary," are ideal for the desk of The Man Who Has Everything. The Telegrams Gambit has proved a triumph of maternalistic diplomacy, and the Foreign Office must never be allowed to take the CRO over.

In this surging technological age, the Mother Country's real wealth lies in her constitutional lawyers. They have enabled her to mount a new export drive without depriving the domestic consumer (who hasn't got a constitution and doesn't want one). Tailor-made, drip-dry constitutions are now shipped to all parts of the world, and takings are swelled by the invisible export of experts such as I. Jennings and K. Hancock, who study the customer's needs on the spot and sell him the know-how.

Cwthmas Carol

On the tenth day of Cwthmas, the Commonwealth brought to me

Ten Sovereign Nations
Nine Governors-General
Eight Federations
Seven Disputed Areas
Six Trust Territories
Five Old Realms,

Four Present or Prospective Republics
Three High Commission Territories,
Two Ghana-Guinea Fowl,

One Sterling Area
One Dollar Dominion
One Sun That Never Sets
One Maltese Cross
One Marylebone Cricket Club
One Trans-Antarctic Expedition

And a Mother Country up a Gum Tree

Life Without Mother

For Other Countries, the first secret of Cwthmanship is to eject imperialism without actually ejecting its countless (if unmentionable) advantages—such as trade preferences, sterling backing, cheap press cable rates, trustee status for

(4) and (5) Undeclared, of course; certain civilities are observed.

bonds, Crown agents, cricket, and a decent cup of tea. A particularly tricky problem is how to get clear of the apron strings without losing contact with the purse strings. Mother has begun to work up the Hubbard, or Bare Cupboard, Gambit. The most effective counter-ploy to this has been brilliantly demonstrated by Bombay Lifeman M. Desai in his recent work, "Alms for the Love of God, O Montreal." But hopeful Cwthmen should not be misled by the fact that the "Concise Oxford Dictionary" gives, as one definition of Commonwealth, "company of actors sharing receipts." This is obsolete. Commonwealth is one word, not two.

How to Get Rid of the Boss[6]

Deporting the Head of State is a problem to be tackled in two stages. First, the trained Cwthman sets the Crown aside ever so gently and declares a republic. The second step is simply to put the President of the republic on a plane for London. *It is essential to equip yourself with a President first.* Deporting a Governor-General is a *wrong move*, because (a) it is an insult to the Queen, and you will get your face slapped on the steps of a Club; (b) the Queen may merely send you out *another* G-G, in which case you begin to look silly (the UK is full of potential G-Gs); (c) you can't deport the Queen herself because you haven't got her.

Macemanship[7]

Active rethinking is in progress in this field. The original Mace ploy was the presentation of a Mace to each new Cwth Parliament as a symbol of the retention of British



"Take Away That Bauble!" after Benjamin West P.R.A. (1738-1820)

political institutions. This used to gratify all parties. Now, however, one new school of thought argues that symbolic retention of a genuine ex-Westminster Mace need not give one the bother of actually working parliamentary institutions; another (the Karachi-Singapore School) prefers the direct Take Away That Bauble ploy (see above).

(6) This cwthploy, first put into full effect by Lifeman A. Khan of Karachi, owes much to the pioneer studies of C. N. Parkinson (Singapore).

Two counter-ploys now being considered deserve mention: (a) Maces might be made returnable to Westminster when the institutions they symbolise are abandoned (failure to return them meaning forfeiture of sterling balances or similar deposit); (b) Maces could be supplied, like American nuclear weapons, togther with a small escorting party which would retain control of the warhead.

Basemanship

Correspondents in Trincomalee, Simonstown, Valletta and elsewhere have drawn attention to the attractive liveliness and variety of this part of the Great CwthGame. A demand by local Cwthmen that the Royal Navy must quit is the usual first gambit; the degree to which it is given to understand that it might stay if it paid more varies. The Navy's standard counter now is to show every sign of going. This frequently evokes cries of pain and outrage, sometimes in time and sometimes too late to halt its departure. But whatever the local outcome, *globally* the Navy is still essentially one-up. It has perfected the technique of getting other Cwthmembers to finance and man those parts of the Fleet which it can no longer actually afford itself, and it is confident that in time of trouble an impressive CwthFleet can be brought together again[8].

Warier Than Thou

The Uncommitted ploy is already familiar; it is accepted that Cwthmembers need not be Blockmembers. Now follows a splendid example of One-Upmanship, devised by T. Abdurrahman (Kuala Lumpur), who has discovered that one can *refuse even to commit oneself to the Uncommitted Block.*

Heads You Lose

Cwthman K. Nkrumah's interesting gambit of putting his own head on coins is now frowned on by all other Top Cwthmen, including CwthPandit J. Nehru. There is a general feeling that, while the head may look well on one side of the coin, the tail will look less well on the other.

Some Timely Suggestions

Institution of Higher Education

The Colonial Office is uncwth even in its very name. It is an embarrassing reminder of the past. All good Cwthmen will support the proposal that this Office, without being actually abolished, should be renamed the Graduate School of Cwthmanship.

Common Bondage

Commonwealth Ties are constantly spoken of, but never *worn*. The problem of design should be urgently tackled. The Duke of Edinburgh might well take an interest. Crowns, of course, could not now find any place in the design, but lions and unicorns might without offence be given a central position in a crowd of caribou, elephants, tigers, kangaroos, springbok, kiwis, Iwis, etc.

Upper Crust

Class, colour, caste and so forth are now decidedly uncwth forms of classification. But the English, at least, will never give up their instinctive habit of classifying

(7) With acknowledgments to Maceman E. Iwi.
(8) Commanded, naturally, by an OK UK admiral.

everybody they encounter under some head or other. To canalise this urge in a fairly harmless direction, it is suggested that they should concentrate on the now looming problem of the disposal of the little bits and pieces of Cwth that are still spattered across the world map, often described as non-viable. A distinction between V and non-V would give widespread satisfaction.

Multiplication Table

Fission, not fusion, being the guiding principle (" The Cwth is not growing up ; it is breaking up "), the obvious motto to adopt is *Ex Uno Plures*. This brings to mind the obvious possibility that, much as Asquith cowed the Lords by threatening to swamp them with new peers, some SuperCwthman may yet bring the United Nations Assembly to heel by curtly pointing out that sovereignty need only be granted to Gibraltar, Malta, Fiji, Ascension, St Helena, the Falklands, the Seychelles, the Cocos-Keelings, the Laccadives and about 120 other far-flung Cwthplaces to secure a two thirds majority and vote the Assembly into permanent recess.

Happy Cwthmas

Finally, with all respect to Mr Macmillan, it must be pointed out that one meagre Commonwealth Day per year is likely to be as big a flop as Empire Day has been. We are in danger of missing a great opportunity of putting the Cwth on a rock-firm basis. The one thing that really appeals to all its members is a good *long* holiday. The Twelve Days of Christmas provide all the example we need. Let Cwthmas be proclaimed as a ten day holiday, one day for each of the present sovereign Cwthmembers. Then, as the great trend of our time sweeps on its majestic way, more and more days will be added to the Cwthmas holiday. No Cwth government would dare to oppose such a move ; the lesser breeds without the Cwth will first look on with awe and envy, and then rush to join ; and the Cwth will at last have found a Manifest Destiny to fulfil.

The Golden Glottis

One of the most lucrative trades in Britain today is the manufacture of teenage singers into dream boy-friends

AMID £80,000 of stage decorations specially designed to attract charabancs from the provinces, Mr Tommy Steele is appearing this Christmas before a (sometimes literally) rapturous audience at the London Coliseum. Flanked by Yana and Mr Jimmy Edwards, he is playing (if play is the right word for anyone whose energy is so enormous) the part of Buttons in Cinderella. His fee is enormous, too ; it is said—by his manager, who has admittedly been known in the past to have exaggerated these things a little—that his gross earnings of well over £1,500 a week will bring the total receipts this year for films, personal appearances, and records on the Tommy Steele label to approximately £1 million.

Mr Steele is one of the best known of the young singers who are the idols of Britain's freest spending class—the under 20s. Since the war, society has turned full circle. It is now the older folk who are short of money ; and, with the exception of the businessman with the liberal expense account, it is the young who are calling the financial tune. According to that indefatigable social researcher, Mr Mark Abrams, Britain's 5 million teenagers now have an estimated £900 million a year of largely leisure time money to spend on their distinctive—and highly Americanised—culture. With this huge sum they have created booming markets in records, make-up, clothes, and soft drinks ; and they have had built up for themselves a hit parade of teenage singers, not only to be listened to but also to be personally admired.

The lengths to which commercial interests will go to personalise these young singers are shown in the handouts of the record companies. The aim is to make every singer into a teenage girl's dream boy-friend. (Perhaps for that reason, very few of the present " pop " singers are black.) Mr Elvis Presley, one is told, is 24, has hazel eyes, likes pork chops, brown gravy and apple pie, dislikes formal parties and has as hobbies sports cars, swimming and collecting teddy bears. (This last is thrown in to reinforce Presley's attraction to girls already stimulated to white heat by his body wriggling and Valentino-like looks). Mr Rick Nelson, another American star, is 18, and, although amazingly successful, remains " modest and unassuming." The Everley Brothers are 5 ft. 10 ins., weigh 150 lb, and are, modestly enough, just " above average as far as good looks are concerned." The homely backgrounds and ordinary school life which are sketched in for these young heroes do for them what no children's writer, tied up with middle-class children and boarding schools, has ever done : they have built an image that the secondary modern schoolchild can believe in.

THESE " pop " singers have a number of interesting common characteristics. The first is their youth. Mr Presley and Mr Steele, who are both over 21, are relatively old-timers. Mr Paul Anka, another popular rock 'n' roller, is 18. Laurie London, one of only three British singers since the war to make a record that got to the top of the American hit parade, is 15. This created all sorts of difficulties for Mr London's promoter in complying with local authority regulations. " At the time," said one promoter, " we thought this was scraping the bottom of the barrel. But the trend continues and now we're not so sure." Another trend, particularly marked during the last five years, has been towards boy rather than girl singers. This boy-worship is not confined to England, nor to singers. Tommy Steele is a particular favourite in Scandinavia, and James Dean is still a legend in the United States.

A third characteristic of these " pop " singers is their high rate of turnover. *Sic transit gloria mundi*—fast. This is brought home by studying the lists of top-twenty records last December and this ; only four singers, Mr Buddy Holly (near twentieth each time), Mr Lonnie Donnegan, Mr Harry Belafonte (an old-timers' favourite), and Mr Presley, are the same. " Today," remarked an agent, " a name is made or lost overnight." The rate of change used not to be so great in the days before the television revolution began to create and then eat its own children. Familiarity on television breeds contempt, as both American and British producers who have invested in singers who specialise in that medium have found to their cost. Records must be carefully rationed ; twelve ordinary discs and three long-players every two years would be average. Television fees must be so high (like Presley's reputed demand for $100,000 an hour) that only a few, very good, appearances are booked. For teenage idols are not just a natural growth ; as one of the most prized commercial assets of the West, they need careful and expert promotion.

THE business of promotion is one of the most cut-throat in Britain ; both risk and profits are very high—and so is the handedness of some of the publicity methods. The road to stardom can be briefly summarised as follows. First, talent is spotted either by " personal managers " who roam around coffee bars and variety shows, or else by the informal contacts of theatrical agents. These agents, who form the bridge between performers and theatre managers, are at least traceable. There are about 300 of them in London, and, before setting up, they have to register with the London County Council. A few of these agents are large-scale theatrical employers as well. Once a young man is in an agent's or a manager's hands, everything depends on contacts. Personal advertisement to friends in record and theatre companies, in the BBC or independent television or the press, can go far to make a boy a star.

An exceptional case study of this process was recently provided in a book written by Tommy Steele's manager, Mr Kennedy.* In return for 15 per cent of Steele's earnings (plus 15 per cent for another manager and 10 per cent for an agent), Mr Kennedy went to great lengths on Mr Steele's behalf. His protégé first burst into the newspaper headlines and front page photographs in an inspired story about " even the debs call in a rock 'n' roll singer now "; the debutantes concerned were largely fictitious, and the party concerned had in fact been thrown by Mr Kennedy himself. At Mr Steele's first professional engagement, Mr Kennedy arranged for two women in large cars to quarrel outside a nightclub over who should take the young star home. He told the newspapers that the Duke of Kent had called Steele " great, great," when the Duke had never even seen him. A tide of publicity led to a booking at the Café de Paris, appearances on television, tours in the provinces and abroad, two films about Steele's life, and now to pantomime. Mr Steele's fans write him 2,000 letters a week, including 150 proposing marriage. In two years his income has risen from a few pounds a month as a cabin boy to what must be one of the highest earned incomes in Britain.

The strain of staying at the top is, however, terrific. Constant energy is needed, since a young singer cannot get by just through being appealing or seductive. As one agent puts it, " in this market, sex without energy is not enough." A young boy must keep clear of girls and vice versa ; a steady girl or boy-friend can shatter a youngster's attraction to unmarried fans. A young man must also be prepared for mobbing by girls, which on occasions can amount to serious assault. Finally, a singer must not drink, for obvious reasons. It is notable that, to mention but three of the longest stayers, neither Mr Presley, Mr Steele nor Mr Pat Boone will ever touch a drop of alcohol. To manage to maintain this Spartan life amid the sort of money that a popular singer is earning is a heavy task ; and this is one of the vital roles of a necessarily strong-minded manager.

Another task of a manager is to pick good tunes, pirate them, and get his protegé to perform them. This pirating is quite possible, since virtually no copyright is exercised over popular music. But it does give the lie to one belief that is currently becoming popular: that British are now being preferred to American stars over here. British companies plug British stars, both because they are at hand to imitate American songs and because they can appear on television and so boost their record sales. This is not to dismiss the British singers as of no consequence ; but any hope that this country's bounding generation of Steele-agers now prefers the British way of life is premature.

* " Tommy Steele " by John Kennedy. *Souvenir Press*. 166 pages. 15s.



SOMETHING TO THINK ABOUT

Join the Common Market?

Now that the idea of a free trade area in Europe seems dead, and recognising that the worst reaction to its death would be the declaration of economic warfare in Europe, there is bound to be some discussion of a possible other extreme reaction—namely that Britain itself should apply to join the full common market. The following memorandum from "A Good European" sets out the case for this in very moderate terms. The Economist *adds its own comment at the end.*

The Case for Joining

BY A GOOD EUROPEAN

THE free trade area debacle has led to the suggestion that Britain might join the common market. The principal economic motive for joining would be that by undertaking this political commitment (which some might think a good thing in itself, some bad), Britain and the Commonwealth might get better economic terms than in any other way. The prospects could hardly be bleaker than they are now. At the moment it looks as if we will not achieve our central purposes—non-discrimination against British goods, a general reduction of trade barriers throughout Europe—at all. There looks like being some reduction of barriers outside the common market, but it will be slower. It will all be far removed from a general clearcut commitment to free trade. Britain will be at a constant disadvantage.

The principal economic arguments against joining arise from the fact that the common market (hereafter called CM) has a harmonised outer tariff, an average of the tariffs of the members. If all Britain's tariffs were harmonised, some of its ordinary (MFN) tariffs would come down but some of the zero or low tariffs it places on many Commonwealth raw materials and manufactures would rise. Critics argue that this change would (a) raise our raw material costs; (b) upset the Commonwealth preference system.

The argument about raising Britain's costs on the whole affects only imports from the Commonwealth. Many of Britain's MFN tariffs are as high or higher than the existing or probable CM tariffs. Any quantitative assessment of the effects of changes can generally be confined to discussion of our trade and tariffs with the Commonwealth.

In 1956, Britain imported from the Commonwealth £739 million of food, drink and tobacco; £728 million of raw materials and fuel; and £128 million of manufactures. Food, etc., would be dealt with under separate arrangements. This argument is concerned with the remainder.

As far as raw materials and fuel are concerned, it now seems that out of a total import of £728 million there are three principal commodities where there might be a danger of a significant increase in tariffs—lead, zinc and aluminium. On a list of major raw materials whose import value was £366 million in 1956 the CM has agreed zero tariffs or is likely to do so. Most of the rest come under List "G," where the tariff has not yet been agreed. Of the important raw materials in List "G" only lead, zinc, and aluminium seem likely to be well above the present UK tariff. Imports of these into the United Kingdom were worth £68 million in 1956. Of course, if we and the Scandinavians joined as full members, the bargaining power of the low tariff countries might bring these tariffs down, especially if List "G" had not yet been agreed when we joined. Anyway, it might be possible to have a special United Kingdom exemption—keeping our existing tariff on lead, zinc and aluminium.

In semi-manufactures, the quantity coming from the Commonwealth is so small that tariff harmonisation would have only negligible effects on general costs of production. Britain could easily agree to harmonisation of machinery parts because we simply do not import any from the Commonwealth. Only one major semi-manufacture is a bore—newsprint from Canada (£17 million). The CM will probably have a 5 per cent tariff.

The real difficulty about semi-manufactures and finished manufactures arises from the principle of Commonwealth free entry. It was largely to preserve this political as well as economic principle (not because of manufacturing costs) that the United Kingdom made such a fuss at the start about keeping separate national tariffs. A glance at the figures makes it clear that the present interest of the Commonwealth in exports of manufactures to the United Kingdom is small. But in chemicals (£17 million out of a total UK import of some £107 million in 1956) it would obviously upset Mr Diefenbaker if the tariff was harmonised. Then there are the textiles from Hongkong, India and elsewhere (£38 million) and the other industrial odds and ends which the Commonwealth might want to export to Britain one day, even if it does not do so now.

IT seems probable that adequate special arrangements are negotiable on chemicals and textiles, but that Britain would have to accept the principle of harmonisation, and therefore an increase in the tariff on the hypothetical other manufactures which the Commonwealth might want to export to Britain one day. The argument set out here is that the balance of British interests requires that such a concession should be made. Though our free trade principles require that we should keep open all trade channels possible, Britain has to ask itself which are the most important: hypothetical imports of cheap-labour industrial products from the Asian Commonwealth—or its trade with developed industrial Europe. Most people would guess that in the next fifteen years the second will remain the more important. There is no doubt that British industry thinks so. The French, watching us put export quotas on Hongkong, regard the whole British stand on free entry, etc., as hypocrisy.

In any discussion about tariffs in the CM one cannot leave out of account the far-reaching political significance of getting Britain in. Obviously if Britain is in it we will have a greater influence on the level of the CM's tariffs and policies. There would be plenty of room for working out the right balanced solution for the points of friction. The whole picture of the CM tariff may have changed by then, too; it may be lower. General de Gaulle and Dr Adenauer agreed at Bad Kreuznach to implement the policy written into the Rome Treaty of using the CM tariff for bargaining to bring the US tariff down. The United States offer of negotiations for a 20 per cent cut in tariffs was won from Congress by the administration for the specific purpose of such negotiations.

Despite all these qualifications the raising of some UK industrial tariffs towards the Commonwealth—even if there is hardly any trade through these channels today—would be disagreeable. This prompts a look at a further possibility—a relationship between the Commonwealth and Europe. The objective of this would be:

(a) To minimise any losses the Commonwealth suffers in the British market (agriculture; any increase in UK tariffs on manufactures).

(b) To provide the Commonwealth with compensations in Europe for any losses in Britain.

(c) To help the Commonwealth get round the disadvantages created by the new preferences set up by the Treaty of Rome.

THIS may look as though Britain is asking for something for nothing from the Europeans, but it has one bargaining counter of value: what is left of the preferences the Commonwealth gives British industry. The spectacle of the British solemnly telling the Europeans that these preferences are sacred and untouchable while they are withering away behind Britain's back (New Zealand trade agreement) has been odd. These preferences are the one trump card left in the Commonwealth hand. But they will be gone by the time the CM reaches its final form. They should be used soon to get the best terms for Britain and the Commonwealth in Europe.

Of course there are obstacles here too: (a) British industry's dislike of giving its preferences up; (b) French objections to opening the European market to the Commonwealth or enlarging the Eurafrica concept. But as one settles down to contemplate a world without a FTA it becomes increasingly clear that the United Kingdom and Commonwealth are going to need to use all the counters they can muster to come to terms with the CM.

The economic arguments for going in seem strong—so strong indeed that one wonders why the idea was not raised seriously before. The answer is that it was not contemplated seriously on political grounds. In his speech on December 6th, Mr Maudling soft-pedalled the economic arguments and explained that we could not join the CM on political grounds. One must not underestimate the political obstacles or the size of the change involved—the big change in the centre of gravity of British policies which joining would involve. But the chief opposition would come not from British industry (many firms do not know the difference between the CM and a free trade area), or perhaps public opinion, but from Whitehall and some politicians. And the whole thing would be hopeless if Britain did not go in whole-heartedly, and in fact accept the spirit of the Rome Treaty.

In concrete political terms there is only one detailed feature of the Treaty of Rome which presents a real domestic political problem: free movement of labour. Otherwise the Labour party ought to like joining. The Keynesian concept of expansive full employment policies—plus rehabilitation and investment funds—which underlies the treaty ought to make a European market much more palatable to Labour than a Tory *laissez-faire* FTA. The real political problem for the present Government would be to save face. It has said for so long that Britain cannot possibly join the CM that it would now be a delicate manœuvre to respond to the failure of the FTA by doing so after all. But Mr Macmillan is very good at turning defeats into victories in this sort of way.

Our Reservations

THE ECONOMIST agrees with many of the detailed arguments in this article. But it has three major reservations:

(1) For the long term, it lays greater store than the author on the need to keep the British market open to the "hypothetical" increase in imports of manufactures from the developing countries outside Europe. If technological processes are going to change, nothing is more important than that Britain should be ready to switch its production away from the things that these "new Japans" in the Commonwealth are going to be able to produce more cheaply, and towards more capital-intensive goods in the production of which Britain will for long have a comparative advantage. It looks as if Europe is going to be more protectionist against this Asian and African industrial revolution than Britain; perhaps by going into Europe Britain could make European policies towards this coming change in world industrial patterns better, but an even more potent effect would surely be to make our own policies towards it gradually worse.

(2) In the short term, it is doubtful if all the advantages of the remaining preferences which the Commonwealth gives to British industry "will be gone by the time the common market reaches its final form." The big advantage is undoubtedly in British trade with Canada; mainly because of imperial preference, Canadians still buy seven times more British goods per head than do the inhabitants of the United States.

(3) The third argument against the suggested British initiative is that the French would not in fact be likely to accept it. In practice, though not in protestation, their main objection to the free trade area has been that they do not want their domestic market to be "swamped" by British goods. It can be argued that, at some stage, a British initiative of the sort recommended by our correspondent might bring mobility out of deadlock in European trade negotiations, by calling France's bluff. But, at the moment, a more likely result might well be that only the offer of British concessions in the initiative (e.g. over discussing items of imperial preference with the Commonwealth) would be remembered; and that these would become part (to our disadvantage) of whatever compromise agreement is eventually going to be negotiated, in any event, about allowing freer entry of British goods into Europe.

NOTES OF THE WEEK

HOUSE OF COMMONS

Christmas Term Report

MEMBERS OF PARLIAMENT headed off to their mistletoe and plum puddings after concluding the demure prologue of what is almost certainly the pre-election session. The Government has moved ahead quite fast with a largely uncontroversial programme, offering too much work to attract the charge of being stale or dull but not much of a target for the Opposition. Of the original programme, only the measures on mental health and pensions—the latter controversial enough if, indeed, it is reached before the election—remain to be launched on their parliamentary way. But there are fresh commitments to legislate about streetwalkers and, if an accommodation can be made between the Home Office and Mr Jenkins, on obscene literature. Time will also have to be provided for anything that emerges from Sir Toby Low's efforts to draft reforms to encourage small shareholding.

Neither Mr Macmillan nor Mr Gaitskell has made any bad mistake during the first part of the session. The Tories can still take slight comfort from the Gallup polls, while the Labour party can do so from the by-election figures. But although the outcome of the election is still very obviously in the balance, it has not been possible to sustain the fever of partisanship in the House for very long. It has not indeed been possible to sustain an adequate attendance there for most of the time, even for the last major debate on foreign affairs, although there was a full chamber for the paltry matter of the sticky labels.

Mr Gaitskell has been much criticised for failing to create an atmosphere of conflict, particularly by the highly articulate ginger group on his own back benches. But it has to be remembered in his defence that the pre-Christmas part of the session before the supply days start is normally quiet because of the concentration of Government time and the relative lack of parliamentary opportunity for the Opposition. Mr Crossman has advocated risking all in a challenge of the Government on foreign affairs—its own setbacks over Cyprus and the free trade area and its inherited blunder of Suez. But large numbers of Labour backbenchers, painfully aware how many working-class voters are reactionary jingoists at heart, have even less stomach for refighting the Suez battle than their leaders. On the free trade area the party has been unable to make up its own mind on anything more radical than a request for a White Paper, and on Cyprus, doubtless with his jingoist voters again in mind, Mr Gaitskell has felt able to go no further than to force the Government to affirm its agreement with the coroner's report on the incidents at Famagusta.

However, as the recess begins there are signs that all is not well in ministerial ranks over defence. There has been a row of Cabinet meetings on the subject. Last year the heavings and pullings over the new year's estimates produced the resignation of a Chancellor. This time, what is going to give?

WAGE CLAIMS

A Season of Goodwill?

THIS Christmas, one of the country's most useful presents looks like coming from the trade unions. December is traditionally the month when the unions are shaping up for next year's wage round and pushing forward their most favoured claims. But this December, apart from unrest among some white collar workers, such as civil servants and teachers, and a low growl from the building workers, all is quiet on the wages front. This is not, of course, a sudden change; already in the past year the pace and amount of wage increases have been slowed considerably. For the first ten months of 1958 the *Ministry of Labour Gazette* lists only 10 million workers who got wage increases of £3 million a week, compared with 11¾ million who got increases of £5 million a week in the same period of 1957. These increases have so far been absorbed by industry without any marked change in the retail price index, which rose only two points between last November and this. The question now is whether this relative wage stability can continue.

There are several reasons for thinking that it might. The first is that unemployment is higher now than for many years. It is hard to be dogmatic about the exact relationship between the level of unemployment and the slackening of wage demands, but several recent estimates at least agree that the relationship is a close one. Secondly, unlike last year, there is now no group of workers whose leaders are eager for them to be used, as the busmen were used last year, as a spearhead for attack. Admittedly, the railwaymen are in the midst of a special wage review which, with Mr C. W. Guillebaud in the chair, may prove to be inflationary. But among the other usual pace-setters, the busmen and the miners are much on the defensive, and the engineers have only just received their last award. A third reason for hoping that the unions will play down their wage demands this year is political. Union leaders are well aware of the disservice that too much militancy did to the Labour party's political fortunes in 1958. In the probable election year of 1959, they will not want to play into the Tories' hands with another episode like the bus strike.

MALTA

Method or Madness?

THE failure of Malta's constitutional talks condemns the island to a period of direct rule from Whitehall through the governor, Sir Robert Laycock. This is bad, but it would have been a mistake to try to disguise it by giving the Maltese some less advanced form of constitution which Mr Mintoff could have compared unfavourably with those being given to African territories. In this tangled situation the point to steer by is Mr Mintoff's own objectives. He has already rejected autonomy without full integration, just as he rejected integration unless it were accompanied by a blank cheque on the British taxpayer. What he has been after, in this last year or so, is the blank cheque, or something very near it, coupled with the enormous personal power which such terms, and the largesse they would enable him to confer, would give him personally in Malta.

Now he demands independence, immediately or at least by 1962. He knows that for Britain to withdraw its installations, to cease trying to attract civilian industry, and to cut off the money, would ruin the island—if nobody else would take it on. The presumption must be that he thinks two things make it safe to scream for freedom. The first is that Britain will not willingly let Malta starve. The second is that Britain is not prepared to let Mr Mintoff offer the naval base to Britain's and Nato's potential foes, who are the only people who really want it. Mr Mintoff is playing upon fears by Nato and Britain that he will sell out to Egypt or Russia so as to extort the terms he first demanded. One of his tactical objectives in the meantime is to make political capital out of local unemployment, so that the Maltese shall not get too satisfied with Governor's rule; he is therefore making sure that any incoming industrialist shall realise that there will be no political stability. The next may be to try to make something like a Cyprus of the island, although fortunately the difference between the Maltese and Cypriot churches makes success here unlikely.

The blunt fact is that Britain is now faced by a wrecker, which will be very awkward if he has his people behind him. Sooner or later a new general election or a referendum will obviously have to be held, to find out if the Maltese are prepared to follow Mr Mintoff blindly down the path he ostensibly proposes to follow. Every care should be taken to make sure they understand the implications. If, having understood them, they still vote for independence, they should be allowed it, but with one thing having been made clear. Britain has obligations to Europe as well as to the Maltese. If Malta chooses independence, it will have to be independence so qualified as to ensure that the island is neutralised, demilitarised, and deprived of any right to sell or hire the British naval base to a non-Nato power. This implies that Mr Mintoff would be denied the possibility of selling out—and that the Nato powers, separately or together, would see to it that he was.

FRANCE

President de Gaulle

HE has it all now. General de Gaulle was elected the first president of the Fifth Republic on Sunday; not a matter of news, but of history. France is formally his. Henceforth, it is he who will appoint prime ministers, who can appeal to the people over parliament's head, who can, in emergency, overrule the constitution itself. He is the guardian of France's independence and territorial integrity. Even the official proclamation of Sunday's election result awaits his convenience—under article 91 of the constitution—in taking over the Elysée. He will probably move in on January 8th. The expectation that a new franc will have been introduced by then is discussed on page 1174.

The manner of his elevation bespeaks the new regime, its authority, its style, as the election of M. Coty, in the weary fiasco at Versailles in 1953, expressed the folly and fragility of the Fourth. On Sunday, the general had only two, rather sorry, opponents: the communist, and a shadowy representative of the intellectual Left that courageously but vainly tries to deny communist claims to be the one substantial party of opposition. It is frighteningly plain that in General de Gaulle alone rest the hopes that France may avoid the authoritarian fate that so many of his political friends and followers intend for the country.

General de Gaulle has been in power—as absolute a power as his obligations to the men of Algiers allow him—since June. The problems that beset him, in France and Algeria alike, are not one whit less serious, or less threatening, now than they were then. He now bears, besides, a share of responsibility for the economic division of Europe that is due to coincide with the start of his presidency. The prestige and the talents that he, above all Frenchmen, possesses, are now put to the test.

ALGERIA

Salan at Sunset

GENERAL SALAN was never dearer to French hearts in Algiers than in the hour of his departure on December 19th. Although settlerdom, aware of his record in Indo-China, had long suspected him of weakness and vacillation—and barely concealed its disappointment at his escape from the bazooka plot in January, 1957—it put on the motley suitable for a governor-general's exit. The hate-love relationship of the Algiers settlers and their rulers is obsessional. Algiers fears anyone new, any sign of change, from France; it even feared M. Soustelle when he first arrived. But when the converts—M. Soustelle, M. Lacoste and now General Salan himself—go back to defend *l'Algérie Française* in Paris, settlerdom prostrates itself in emotion and devotion.

The sun has thus set on an uneasy spell of power that began in the insurrectionary days of May. It was to General Salan, then commander-in-chief in Algeria, that M. Pflimlin made the empty gesture of entrusting the powers of the tottering republican regime. The general was the first to cry, from the celebrated balcony above the forum: *Vive de Gaulle!* He was retained by General de Gaulle, and addressed by him in complimentary terms. But his execution of General de Gaulle's orders, particularly before the November elections, came perilously close to insubordination. He behaved for seven months as a weak man in a tight corner would behave.

General de Gaulle's anxiety to restore a measure of civilian rule in Algeria, through the new delegate-general, M. Delouvrier, is understandable. The social and economic plans announced at Constantine on October 3rd will now be pursued. But France's diplomatic position has taken a bad knock since the latest United Nations debate on Algeria. The Afro-Asian powers failed, by one vote, on December 13th to secure a two-thirds majority recognising Algeria's "right to independence." It has not escaped General de Gaulle's attention that Guinea, so recently emancipated from colonial rule, voted against France, or that the United States pointedly abstained.

ISRAEL

Christmas Warning

A SKIRMISH in the air over the Sinai desert on Saturday carries on a Christmas tradition of ill-will between Jews and Arabs. This is the first serious fracas between Egypt and Israel since the United Nations emergency force began patrolling the Negev frontier. What actually happened

is not yet clear; indeed, it may never be, even though the UN troops and observers in the Gaza strip are reinforced for Christmas by Mr Hammarskjöld in person. The Israelis claim that Egyptian aircraft have several times violated Israeli air space and that on Saturday a formation of Mig planes was intercepted by a force of Israeli Mystères just south of Beersheba; in the ensuing dogfight one of the Migs was shot down, landing on the Egyptian side of the frontier. The Egyptians say that no plane was shot down and that the whole incident, if it happened at all, was the other way round.

While Middle Eastern kaleidoscopes in London and Washington are at least being twisted to fit the new developments in Iraq, the Israeli government stands by its assessment of President Nasser as the arch-enemy of peace. The Israelis have no patience with the theory heard in the West that, since Iraqi nationalism will have to throw in its lot with either the USSR or the UAR, it should be encouraged towards the lesser evil of Nasserism. They argue the unsoundness of this theory on two levels: first, that since President Nasser, wittingly or unwittingly, is becoming a tool of Russia, communism and Nasserism are not alternatives but aspects of the same thing; and second, that should there in fact be such a choice, any support of Nasser would defeat its own ends by driving the Iraqis towards communism. But they dispute that there is any factual evidence of growing communism in Iraq; they are inclined to attribute such reports to President Nasser's propagandists.

Whatever the shifting patterns in the Middle East, President Nasser is still at present the only man who could unite the Arab world. It follows that the Israelis believe him still to be the only serious threat to their safety. Therefore, perhaps, this Christmas warning.

PROSTITUTION

Clearing the Streets

To clear London's streets of prostitutes Mr Butler's Street Offences Bill relies on two of the proposals in the Wolfenden committee's report: first, that there should be a steep increase in the fines for loitering and soliciting, with the possibility of three months' imprisonment for a third or subsequent offence; and, secondly, that the police should have power to arrest without warrant, and without having to prove annoyance (which the present law demands), a common prostitute reasonably suspected of loitering and soliciting.

With the first of these proposals, at least with the bigger fines, there will be general agreement, although the fines are still not to be as heavy as was suggested by a deputation to the Home Office in 1951; it is far from certain that short terms of imprisonment, which will provide headaches for the prison authorities, will prove to be either a deterrent or a means of reform, but on balance Mr Butler is right to put this clause in and hope that—like other deterrents—it may not often have to be used. The second proposal is sure to be hotly argued all through the bill's passage through Parliament. Obviously, it is a provision that will need to be carefully watched; but the Wolfenden committee, after careful study, reported that, unless the need to prove annoyance is rescinded, the law cannot be adequately strengthened.

The other two provisions in the bill were not recommended by the Wolfenden committee. If the main purpose of the bill is to clear the prostitutes off the streets, its proposal to clear them from all-night cafes appears contradictory. This particular clause, however, is probably aiming at prevention rather than cure, for there is some evidence that it is in cafes of this sort that many young women are contaminated by experienced prostitutes and begin to take up prostitution as a career. It is the last clause that seems the most misplaced in a Street Offences Bill, even though it will undoubtedly be popular. This clause increases the maximum term of imprisonment for someone living on a prostitute's earnings from two years to five. On the human side the argument against the clause is that there often exists a strong bond of affection between a prostitute and the man she lives with—often the only feeling of affection she has ever experienced. On a more practical plane, it can be pointed out that the existing penalty is hardly ever invoked. If it had been proved to be an ineffective deterrent, there would be a case for increasing it; as things are, Mr Butler seems to have put in this clause, not on any scientific penological grounds, but as a sop to public (and especially feminine) opinion.

THE SPEAKER

Knocking the Umpire

There have been a number of incidents in this parliamentary session which have tended to strengthen an impression, growing up over the last two years, that some Labour backbenchers are inclined to impugn Mr Speaker Morrison's impartiality. If they really do impugn it, they should put down a motion saying so; their series of small wrangles during the House's day-to-day business is causing constitutional offence. The first incident, on November 12th, was the successful use by Labour members of repeated points of order to obliterate Mr Speir's attempt to discuss rural roads on the half-hour adjournment debate, instead of sounding off a Tory rebellion against the Government's policy in Cyprus as he had previously undertaken to do. They contended that the Speaker was wrong to treat the debate as belonging to the lucky member rather than to his original subject, and that when the member abandoned the subject others should be free to take it up.

The second episode arose out of the Speaker's refusal on November 21st to put the question and so permit a vote at the end of the debate on Mr Francis Noel Baker's motion on advertising, on the grounds that the mover's ninety-minute opening speech had not left time for all views to be adequately expressed. Mr Noel Baker's friends resorted to the same tactics of endless points of order to squeeze out a Tory who had the next half-hour.

This month there followed two more personal clashes. In one of them Mr George Wigg, whose circuitous style of attack often invites barracking, complained that the Speaker was not giving him the protection from interruption which a member on the Tory side would receive (poor Colonel Bromley-Davenport, who cannot open his mouth without attracting whoops of derision from the Opposition, could tell a different tale). In the other, Mr Hugh Delargy, aggrieved at the Speaker's choice of Scottish horticulture as one of the subjects to be debated on the motion for the Christmas adjournment rather than the alleged supply of British rockets to the Cuban Government for use in the island's civil war, told him that his actions "throw a peculiar light on your commonsense and responsibility." Finally—

although here it was the Deputy Speaker, Sir Gordon Touche, who was directly concerned—the Opposition Front Bench came in conflict with the chair during the short debate on the Suez expedition last week, when Mr Bevan was not given time to sum up before the minister replied.

These five episodes were not equally serious. Most of them arose out of reactions in the heat of the moment, none was the result of a deep laid plan. But they have led to some speculation whether Mr Morrison would wish to continue in office if Labour wins the election. There has, after all, never been a Speaker from Labour's ranks. The worst possible precedent for any such dignitary will be set if the recent series of rows continues when the House returns after the Christmas recess.

BASUTOLAND

Separate Development

The successful conclusion of the discussions on Basutoland's constitution means that by next autumn the first of the three British high commission territories in South Africa will have a legislature of its own, a popular franchise with a common roll for Basuto and non-Basuto, and four Basuto ministers in a council of eight. While discussions were going on, Dr Verwoerd was busy urging the inhabitants of the high commission territories that they would be much better off if South Africa were their guardian. Mingling cajollery with threat, he told them that they would get more land if they joined with the Bantu areas in the Union, and warned them that South Africa could not indefinitely absorb their surplus population. He offered them industries, though the Nationalists turned down the proposals in the Tomlinson report that industries should be sited in Bantu areas.

Not surprisingly, the Basuto, the Bechuana and the Swazis have hitherto resolutely opposed all such blandishments. Nevertheless, as they gain organs of self-government, they ought themselves to think out their future relations with the Union; they would get economic and agricultural advantages from unity with the contiguous areas. Probably they will do best to say quietly that they must first fully develop their own constitutional government, and then insist that, if there ever is to be a merger, such government should be fully extended to their neighbours—who should by then contrast it favourably with the "native authorities" designed by the Union's racial experts. By then, too, they can begin to talk forcefully about the sort of federal representation they would require in a "Bantu-Afrikaner community." All this would take time; but it is not fanciful to foresee that Africans might develop the theory of apartheid—in ways that white South Africans could find increasingly embarrassing.

SOVIET UNION

The Escalators of Moscow

One down, one up, two old members of the Soviet ruling group enter the New Year in quite different walks of life. Marshal Nikolai Bulganin, disgraced and dismissed to distant Stavropol, has leisure to reflect on his humiliating "confession" of December 18th, in front of the central committee of the party, of complicity in the "anti-party" activities of 1957. For him the days of VIP travel with Mr Khrushchev are over. Mr Anastas Mikoyan, first deputy premier and full member of the party presidium, on the other hand, will be packing his bags. Early in the new year he will go to the United States, the first really important Soviet visitor to Washington since the war.

Marshal Bulganin's self-indictment at last week's meeting of the central committee was, as is usual with this kind of confession, a mixture of the plausible and the nauseating. It is very probable that Malenkov, Molotov, Kaganovich, Shepilov and the others had opposed Mr Khrushchev's managerial reform; that they regarded his campaign of land reclamation as a wasteful investment, and his agricultural reorganisation as a dangerous venture that might leave the towns without enough food. It is also probable that they discussed these matters in the office of Marshal Bulganin, who was then prime minister. But nobody at last week's meeting, apparently, was allowed to state a case in justification of his objections. That was a battle already lost, in June, 1957. Marshal Bulganin was, therefore, compelled to vituperate against his one-time allies, to condemn "the rottenness of the anti-party swamp in which I found myself" and to glorify the wisdom of the now official line. It is still not clear whether this performance, unpleasantly reminiscent of the Stalinist past, is the prelude of a new purge, or merely the epilogue to a play that has ended.

Marshal Bulganin survived for so long and then slipped headlong. Mr Mikoyan, the astute Armenian, goes on avoiding pitfalls. It will be his second trip to the United States; he went there before the war to look at American mass production and trade. This time he has been granted a tourist visa for a visit to the Soviet ambassador, but Washington has made it clear that he will be able to see public men if he wants. As deputy prime minister Mr Mikoyan seems to be in general charge of foreign affairs, and of foreign economic relations in particular. One suggestion has been that the aim of his trip is to get a big trade deal with the United States. But he could be aiming higher still; his visit could be a discreet exercise in summitry.

After the Thaw

Writers in the Russian Republic have been holding their first congress. Only last year was it decided that the writers of the biggest Soviet state should form a union of their own, and this was their inaugural meeting. Preliminary figures show that there are over 2,500 novelists, poets, critics and translators in the Russian Republic. The writers' union has branches in all areas. Books are published in great numbers; new magazines and literary reviews have sprung up. But quantity does not mean quality. The material conditions of Soviet literature contrast with the dearth of really creative writing.

Two years ago it was still possible to read a number of essays criticising the literary fashion of prettifying Soviet reality. The publication of the *Literary Moscow* annual was a sign that something was astir in Soviet writing. Dudintsev's *Not by Bread Alone* caused excitement by its very title. This was still the period of the symbolic Thaw. Then came the Hungarian insurrection and the campaign against revisionism. In August, 1957, Mr Khrushchev published his theses "for close links between literature, art and the life of the people." Since then many writers have sought refuge in subjects like the war and the revolution; others have reverted to writing to party taste.

Mr Khrushchev himself addressed the congress, though the

text of his speech has not yet been published. The writers set up a vast committee and a bureau ; from the big names of Russian letters whose names figure in these bodies there is a notable omission, Ilya Ehrenburg (author of "The Thaw"). Mr Sobolev, who was elected chairman, exhorted Soviet artists to see reality from a party viewpoint. He condemned revisionism. In a particularly strong passage he attacked Boris Pasternak, "whose betrayal is in no way a stain on the honour of the authentic Russian intelligentsia." Mr Sobolev warned his audience that "international reaction" was trying to benefit from the least sign of revisionism, but he also had to admit that the younger generation was particularly prone to stray from the path of orthodoxy. The revival of Soviet literature, foreshadowed after Stalin's death, has been halted. The writers are back in their gilded cage, but the stirring among the young is a warning to Mr Khrushchev that he will not be able to keep them there for long.

DAILY HERALD

Thin But Free

THE *Daily Herald* may sometimes be a poor enough thing, but in last Friday's edition it rightly insisted on being its own. Its vehement protest against "an outrageous attack" on its "intentions and integrity" by Transport House was prompted by leaks to rival papers about a session of the Labour party's national executive, at which plain words had been spoken in sorrow and in anger about "The Paper that Cares . . . about the fears and tears and the hopes of every human being." The Labour leaders had then sent a letter to the editor asking pointedly what he proposed to do to support party preparations for the general election.

The immediate cause of all this sounds trivial enough. The Labour candidate at Harrow East had reported that his party workers were very upset that a gossip column in the *Daily Herald*, written by the editor's wife, should have remarked gaily how splendid it would be to have Sir Alan Herbert back in the House. Although the *Daily Herald's* gossip column is unlikely to alter a single vote—and although, even if it could, the winning of votes for Sir Alan Herbert is probably the best way of getting the Labour candidate in—the national executive solemnly deplored this disloyalty ; at the time of last year's severing of the umbilical cord tying it to the TUC, the *Daily Herald* had undertaken to go on giving editorial support to the Labour party. The remark about Sir Alan had had something of the impact of a last straw since complaints had been building up for a long time that the Opposition were not being given as good a write-up in "Labour's own newspaper" as the Government was getting in the *Daily Mail* and the *Daily Telegraph*.

Some members of the executive, notably Mr Greenwood, still want the *Daily Herald* to be a left wing *Daily Telegraph*. This has been a sore point ever since the late Ernest Bevin returned from a wartime tour of the troops overseas lamenting that the troops kept asking for a quick supply of the *News of the World*, never for the *Daily Herald*. But by now most Labour leaders are resigned to the idea that socialism without sex will not sell newspapers, and are looking for a left wing *Daily Mail*. If they are going to have an effective one, however, what the *Daily Herald* needs is not more political interference (which would only cause still more demoralisation of the staff and is in any case bad for journalism) but a much more lively and forward-looking management.

NORTHERN RHODESIA

Rebuff to Sir Roy?

THE Colonial Secretary has refused to make the changes in the proposed new constitution for Northern Rhodesia which the Central African Federation's prime minister, Sir Roy Welensky, came to London three weeks ago to demand. Mr Lennox Boyd is standing by his decision that there

Plus ça Change . . .

A Quiz to be Mean at Christmas

(1) "*The slack incompetence of an unplanned economy must give place to the disciplined efficiency of rational organisation and control.*" This is a quotation from a dissertation on "Britain's Task," which was described as a compilation from notes made during the Christmas recess, and it appeared under a chapter cross-heading of "Expansion." Was the author:

(a) Mr Harold Wilson?
(b) Mr Harry Pollitt ?
(c) Mr Harold Macmillan?

★

(2) Who first coined the phrase "*interdependence*":

(a) President Eisenhower in 1958?
(b) Sir Anthony Eden in 1948?
(c) Karl Marx and Frederick Engels in 1848?

(3) Which last issued a statement in London denying that his country's currency would be devalued:

(a) The French Finance Minister?
(b) The British Chancellor of the Exchequer?
(c) The American Vice-President?

★

(4) "*The strike is not an instrument for ruining the nation's production, but for increasing it and causing it to flow, by fighting against all the faults which by their unsocial character hinder efficiency in business.*" Was this said by:

(a) Mr Ian Mikardo?
(b) Adolf Hitler?
(c) Mr Iain Macleod?

★

(5) When the present Lord Hailsham stood in a parliamentary by-election as Conservative candidate for Oxford shortly before the war, which of the following signed a manifesto in favour of his opponent?

(a) The present Prime Minister?
(b) The present Conservative Chief Whip?
(c) Mr R. H. S. Crossman?

★

(6) "*If you face the policy with which we are now threatened by the Conservative Party fairly and searchingly, you will see that it is nothing less than a deliberate attempt on the part of important sections of the propertied classes to transfer their existing burdens on to the shoulders of the masses of the people and to gain greater profits for the investment of their capital by charging higher prices.*" The author of this passage later became one of the thirteen British Prime Ministers so far this century. Which?

(*Answers on page* 1147)

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shall at present be no chief minister in Northern Rhodesia; that the Governor shall individually choose the ministers; and that in an executive Council of four *ex officio* ministers, five unofficial ministers and two assistant ministers, Africans shall hold the balance between the Colonial Office and the settlers by having two portfolios from the outset. But equally the Colonial Secretary has turned down the demands of the African National Congress, the moderate section of which is led by Mr Nkumbula and the less moderate section by Mr Kaunda, for a franchise that would give the Africans an immediate majority in the Legislature.

The constitution has been designed with the utmost ingenuity by erudite Colonial Office draftsmen to ensure that all elected members of the legislature shall represent African and European constituents, and shall do so in a way that achieves "the fairest reconciliation of the interests of the various communities having regard to the special conditions of Northern Rhodesia" (i.e. the fact that 65,000 affluent whites are outnumbered on the ground by 2 million fairly primitive blacks but do not intend to be outnumbered by them at the polls yet awhile). This has been done by such a refinement of fancy franchises that it would be unseasonable cruelty to readers to describe it again (it was briefly outlined in a note in *The Economist* on April 5 last). An additional provision leaves the African congress handicapped. Despite Mr Nkumbula's reasonable protest, Mr Lennox Boyd still insists that African candidates must get prior approval from two thirds of the chiefs in their areas before they are allowed to stand.

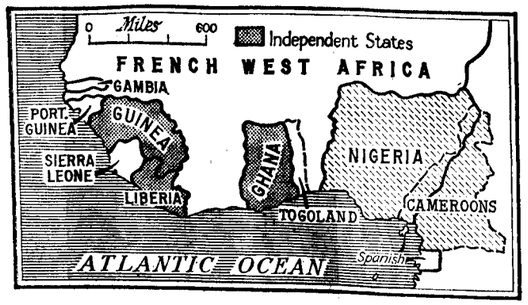
Although nominally publicly rebuffed, Sir Roy Welensky must be hugging himself in private. By putting up requests of his own for the Colonial Secretary to turn down, he has certainly helped to ensure that Mr Nkumbula's representatives would be rejected too. Nevertheless the African leaders should be urged by their sympathisers in Britain to work the constitution, get into the legislature and executive council, and make their voices heard. Nothing is more in the interests of their people than that the Europeans in Rhodesia should get used to having Africans among their rulers while Britain's protecting arm is still there. Nothing would serve the coloured population worse than to give Sir Roy fresh evidence for his campaign to prove that Africans are either too irresponsible or too apathetic for political life.

CAMEROONS

A Communist African State?

THE United Nations Assembly will meet in February to discuss the Cameroons, the sticky-hot area at the bend of the Gulf of Guinea once called "Africa's armpit." This is both an urgent and an intricate question. Germany's Kamerun colony was divided after 1918 into two League of Nations mandates, which in due time became UN trust territories. France has administered most of the interior, dividing the coastal strip with Britain, which has also controlled during these past forty years two strips of hinterland north and west of the Genderu mountain range. The British territory has for many purposes been treated as part of Nigeria—which will become independent in 1960. France has now set a deadline for transferring sovereignty to the Cameroons at the end of next year; Britain has said that it will yield up its trusteeship in 1960—but has not said to whom, for reasons that will be apparent.

Though the combined Cameroons' population of less than 5 million ranks with Ghana's, not with Nigeria's 35 million, they have enjoyed an unenviable notoriety. The French territory is the most conspicuous focus of communist attention in tropical Africa. Violence verging on guerrilla warfare has persisted there since 1955, when the *Union des Populations du Cameroun* was proscribed for organising an armed uprising. UPC leaders in exile are almost invariably



prominent in communist-run international gatherings and "front" organisations like the "Afro-Asian Solidarity" committees. Communist influences are also strong in the constitutional politics of the capital, Yaoundé. It seems perfectly possible, on present form, that 1960 will see the birth there of Africa's first communist republic.

For an independent Nigeria, the Cameroons will be an awkward neighbour both in this respect and in others. The northern British Cameroons may seek in 1960 to keep their links with Islamic northern Nigeria; some Moslem areas in northern French Cameroons might also prefer such an association to government from godless Yaoundé; but south Nigerian politicians can be expected to resist this reinforcement of the northerners' ranks. The wishes of the inhabitants of the southern British territory may likewise count for less than the interplay of forces between Yaoundé and the regional capitals of Nigeria. And the prospect may be further complicated by the proximity of two small Spanish territories, destined to play an uncomfortable Goan role in a Gulf of Guinea which will be ringed by half a dozen sovereign African states in eighteen months' time.

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SINGAPORE

Back to Malaya?

NO sooner had the full text of the new constitution for Singapore been published than the results of some remarkable political stocktaking and self-criticism within the People's Action Party, led by Mr Lee Kuan Yew, were made known. The PAP, though now in opposition, has an excellent chance of becoming the majority party in the new assembly when elections are held a month or six weeks after the term of the present assembly expires on April 2nd. This has caused much anxiety, because the strength of the communists in the party organisation was known to be very great—even though, under the new city-state constitution, known "subversives" may not stand in this last general election to be held under colonial auspices.

Mr Lee Kuan Yew, now purging his party of "political racketeers, opportunists and adventurers," comes forward with proposals designed to make it possible for Singapore to rejoin the Federation of Malaya. His proposals amount to a complete acceptance of the reason for the Malays' reluctance to accept the additional million Chinese and, with them, a Chinese majority in the country. The PAP now suggests that the Chinese of Singapore can only get over the difficulty by undergoing voluntary "malayanisation" themselves—by accepting Malay as the official language of a reunited country, abandoning Chinese in the schools, and withdrawing their support for the communism, and the communist mother-country, that are so distrusted by the Malay leaders.

How far Mr Lee could get his followers to take such steps may be doubted. Most of them have passionately upheld the right of the Chinese schools to teach their own culture in their own way. But it need not be doubted that Mr Lee is entirely sincere—for he has always considered the breach between Singapore and the mainland a disaster. This move is a sign that his influence is rising. He, and other PAP leaders, could not be indifferent to the hint dropped by the Tengku last month that if, under the new constitution, Singapore did not loyally co-operate to work the compromise under which a Malayan chairman presides over an internal security council composed equally of British and Singaporean members, the chairman would be withdrawn, whereupon the city would lapse into colonial status. This was a smart retort to Mr Lee's extremists who shout that by the device of an internal security council Malaya is making Singapore its colony. Mr Lee is now trying to discipline his party to behave responsibly under autonomy; he wants Singapore's destiny to lie inside the Malayan Federation, not in independence, or as an outpost of communist China. It looks as though Mr Lee has judged that the tide in Singapore has turned against the extremists—at least for the moment.

SMALL SHOPKEEPERS

Losing Wicket

THE National Union of Small Shopkeepers cannot be expected to look on price-cutting with enthusiasm. But the unanimous agreement reached at its recent Nottingham meeting to "fight the cut-price store" is fortunately hardly likely to produce effective action. The rot—as the small shopkeeper sees it—has gone too far. Once the penny or shilling off the standard price has ceased to be a once-in-a-way, disreputable breach of convention and become a widespread practice, once the housewife has got used to the benefits of cheapness, any reversion to the old rigid regime looks too nakedly reactionary. And the small shopkeepers, singly or collectively, have no weapons for a "fight." Other causes, perhaps no worthier, can be served by strikes and boycotts, but not this. The shopkeepers are hardly on stronger ground in calling either for a national conference of manufacturers and distributors to discuss (and by implication condemn) departures from price maintenance, or in appealing—a forlorn hope indeed—to labour and trades councils to safeguard retail employment by keeping up the cost of living.

If the small shopkeepers are to make a collective fight their strategy must be different. They have a good, solid, customer appeal which no individual corner-shop can publicise but which joint effort could put forward. The big shop or supermarket can offer twopence off the packet or pound—at the end of a burdened bus-ride and in the heart of a bargain-hunting scrum. The small neighbourhood shop can offer proximity, peace and quiet, personal advice and help, sometimes services out-of-hours or at the weekend; all of them things both pleasant in themselves and—since housewives are busy women who can rarely swap time and energy for money in one direction without making a reverse swap in another—worth a good many twopences. This is, of

Answers to Quiz

(*Questions on page* 1144)

(1) From the "Economic Aspects of Defence" by Harold Macmillan, MP. *Macmillan*, January, 1939, page 10.

★

(2) From the official English language text of the Communist manifesto of 1848 by Marx and Engels: "In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations."

★

(3) Vice President Nixon.

★

(4) From "Mein Kampf" by Hitler. (Admittedly, he prefaced these remarks "In the hands of the national socialist trade union . . .")

★

(5) All three of them. (The Opposition candidate at this by-election in 1938 was the Master of Balliol, standing as an Independent Progressive; Mr Macmillan and Mr Heath joined Oxford Labour notables in supporting him.)

★

(6) Winston Churchill (January, 1909.)

course, no reason for shielding small shops from competition. It is a competitive strength, not used to the full. Small shops must survive and flourish on their merits if at all; and those of them which, by reason of their situation or their practice, have no merits to set against the straightforward benefit of lower prices should be simply and brutally regarded as expendable. The small shopkeepers' union would be better occupied in a campaign to impress the shopping public with the value of what its members have to offer than in trying to prevent their competitors from offering something else. Morality and economic principles apart, they are too obviously on a losing wicket.

RESTRICTIVE PRACTICES

Sherpas, Char and Wads

From Iceland to Katmandu, restrictive practices continue to burgeon. The month has brought in two exotic specimens. The Sherpas of Nepal, the mountainy men who live on the foothills of Everest itself, are insisting that no expedition climbing in Nepal should be allowed to introduce, as guides and porters, Sherpas from the Darjeeling area, just across the state's eastern border. (Tenzing Norgay is one of the Darjeeling community, whose reputation is worldwide). From Malaya, it is reported that £1,200 has been collected to send to London a representative of the faithful char walas who, as their spokesman says, "for hundreds of years, from father to son, have followed the British army all over the world." This splendid body of men, lugging their conical tea-urns through the searing heat of a tropical afternoon, have made life bearable for, and induced a salutory sweat in, innumerable soldiers in camp and cantonment; and their plaint against the institutional inroads of Naafi deserves a fair hearing.

Admittedly, at first sight the char walas' grievance looks like the familiar one of the "little man," beset by the too efficient competition of chain stores and supermarkets, demanding protection for his inefficiency. But if, as they themselves claim, all they ask is a chance to compete fairly, the War Office should surely heed their outcry and let old sweats and rookies choose freely between their hot sweet pints and stodgy "wads" and the more sophisticated delights of the modern Naafi. As for the Sherpas, there seems a strong case for a common market, with full mobility of labour. Climbers in Nepal often prefer to employ—at more expense—the skilled and reliable Darjeeling men, and any restriction on their entry imposed by Katmandu is liable to make Nepal less attractive as a climbing area.

NAVIES

The Melting Pot

There is no agreement on the priority which naval expenditure should have in defence budgets in a nuclear age, and little on the role which navies can play either in nuclear war or under nuclear stalemate. All that is clear is that navies are changing fast, and that the concept of "the command of the seas" has been transformed by the advent of missiles and nuclear power. The latest issue of "Jane's Fighting Ships"* appeared just in time for Christmas. Nine-tenths of its familiar silhouettes make a brave showing that is a nostalgic illusion. They bear much the same relation to warships which are now being designed as the world's wooden navies did to turreted ironclads after the fight between the *Monitor* and the *Virginia*.

The United States has three nuclear submarines in commission, and 75 building or projected, including six Polaris carriers—the single-purpose underwater pads for mounting the deterrent of the future. Such a fleet puts a fairly short life on Russia's formidable-looking fleet of 500 conventional submarines, and makes the world's few remaining battleships look prehistoric. But the Russians are also building atomic submarines, and so are the British and French. In all, the Americans have 150 nuclear-powered vessels under construction, and are turning armaments rapidly from guns to missiles, of which a whole naval family is growing up. There is ground for misgiving in the lack of any sign that the British are moving as quickly. If all the three Tiger-class cruisers are to carry guns they will be outdated as they come into service. The four County class missile destroyers have not been laid down, though the French are building two and the Italians are adapting ships to missiles. As the Americans claim that their naval missile launchers can be screwed into a standard 5-inch gun emplacement, it ought to be asked if no upgrading of new and newish British fighting ships is possible.

If, by some apparently impossible twist of events, a full-scale conventional war at sea were to be fought in the near future, this, for what it is worth, would seem to be the approximate line-up of major ships (i.e., excluding ships building but including ships in the mothball reserve):

	Fleet carriers	Escort carriers	Battle ships	Cruisers	Destroyers	Frigates	Submarines
Russia.....	...	...	...	32	180	300	500
United States	37	66	18	74	387	5	204
Great Britain	9	...	1	15	56	105	48
Other Nato..	3	4	2	20	83	106	47
Anzac.....	2	...	...	3	7	27	2

But by 1970 most of these ships will be ornamental scrap, and the silhouettes of the real fighting ships, fewer but infinitely deadlier, will be quite different.

CYPRUS

A New Round?

The reprieve last week by Sir Hugh Foot of two Greek Cypriots sentenced to be hanged for murder has not, as some optimists had hoped, stopped Eoka violence. But when two British airmen were killed on Saturday, the Bishop of Kitium did within 24 hours express regret; this is the first time that a Greek Cypriot leader has made such a gesture. Outside Cyprus, Sir Hugh's decision must have contributed towards the unexpectedly friendly atmosphere of the talks between the British, Greek and Turkish foreign ministers in Paris on December 18th. But reports over the weekend from Athens that the three governments have agreed to begin diplomatic negotiations on a settlement for Cyprus that would include "a form of independence," and would exclude enosis and partition equally, are unconfirmed.

But if it is far too optimistic to suppose that an agreed settlement for Cyprus is in sight, fresh three-way diplomatic negotiations cannot now be ruled out. And if they take place it should be in a better atmosphere than the last Nato talks. All this assumes that the détente between Greeks and Turks is real. It is a big assumption. One can only say that Mr Macmillan's statement in the Commons—that the British Government would regard partition as "the worst possible solution"—should help to remove Greek mistrust of British intentions; and private representations may do even more. The Turks faced with the collapse of the Baghdad pact and the rapid increase of communist influence in Iraq, may be ready to think more realistically about the dangers of allowing the Cyprus dispute to disrupt Nato's defence arrangements in the eastern Mediterranean.

The Economist

DECEMBER 25, 1858

THE PRESIDENT AND KANSAS

¶ Nothing is more remarkable in Transatlantic politics than the demoralising influence exerted on American statesmanship by the effort practically to unite the various States of the Union in a single line of policy, without imposing any restraint on their individual political leanings. . . . The result is, that the statesmen of the Union evade in every possible way the discussion of great principles, and are always striving instead to indicate to the people how some of their most favourite ends may be attained, without raising any such issue of principle as might set State against State. . . . Looking at [the Kansas question] in the President's Message, one would suppose that the whole question at issue had been in what way the people of Kansas could most easily attain real self-government—whether by admitting Kansas into the Union as a State at once, and afterwards permitting the inhabitants to modify their constitution, or by giving them the means of modifying their own State constitution, so as to express more nearly their own will, first, and afterwards admitting them into the Union. . . . You certainly would not tell from Mr Buchanan's exposition of the matter, that the desire of supporting the institution of Slavery could have affected the solution of the question at all. He gives no hint that the conflict in Kansas was at one time so severe, that it was a question whether the original immigrants would not abandon it to the Missouri border-ruffians who had invaded and overpowered them—or that the question at issue in Congress was no less a one than this, whether such lawless violence should be stamped with the sanction of the United States Legislature, or whether it should be at once denounced and treated as the crime it was. . . . The violence offered to the people of Kansas in the interests of Slavery was a greater crime than any which has disfigured the despotism of France. The fact that the vote of the Senate of the United States went to sustain and justify it, while that of the Lower House only disavowed and condemned it by a majority of two, was one of those startling phenomena which have awakened all Europe to the true character of a democratic government. Yet Mr Buchanan . . . disingenuously strives to represent the matter at issue as a mere calculation of expediency concerning the best mode of enabling the people of Kansas to carry out their own views of self-government.

* "Jane's Fighting Ships," edited by R. V. B. Blackman, Sampson Low, £5 5s.

LETTERS

Labour Policy

Sir—Mr Harold Wilson, in your issue of December 13th, appears to agree with your suggestion that "Labour used to stand for nationalisation. It does so no more." Mr Wilson gets around to this position by denying Sir Robert Renwick's charge that Labour's policy towards the leading 600 firms in the country involves central, nationalised control of their policies, and agreeing, apparently, with you that Labour's policy sounds vastly more acquisitive (for private profit takers) and less confiscatory than anything the old Socialists had ever previously acknowledged. Mr Wilson could now make his position perfectly clear by repudiating the idea of renationalising steel and road transport if he does agree with you and not with Sir Robert.

Mr Wilson goes on to play with the truly fascinating phrase "controlled expansion." Control is not, apparently, to be achieved by physical means or by nationalisation. Surely Mr Wilson, of all people, does not want a return to 7 per cent Bank Rate, or even a steep increase in direct taxation? A possible explanation is that Mr Wilson hopes to achieve control by threatening to nationalise any industry which does not agree with him, without having any actual intention of nationalising anything at all. He will certainly have to be more specific if he is to prove Sir Robert wrong, let alone present a clear picture of what are his real intentions.—Yours faithfully,

House of Commons Alan Green

★

Sir—In your issue of December 13th you suggest that Mr Anthony Greenwood's letter to *The Times* about municipalisation merely represents a little personal coat-trailing, and not necessarily the Labour Party's real intentions. This overlooks what Mr Greenwood said at the television broadcast of November 25 (to which he refers in his letter). Mr Hugh Gaitskell, Mr Bevan, Mr Crossman, Mr James Griffiths, and Mr Harold Wilson took part in this broadcast. Mr Greenwood said on this occasion that modernising 4 or 5 million houses was too big a job for private landlords, then added:

> And that's why we in the Labour Party don't think that your home and your happiness can be left any longer to private landlords; and why we propose to make rented housing a public service . . . only they have the experience to modernise old property on such a scale and that's why we're going to entrust to the Councils the job of bringing the old property up to modern standards, and we shall see that they have the money to do it. . . .

This was an official Party broadcast and none of the other Labour Party spokesmen present disavowed Mr Greenwood's statement. With respect, Sir, many of us who have read *Homes of the Future* feel that a party that still tells the people it will make rented houses a public service on a scale of 4 or 5 million houses has no appearance of moderation, spurious or otherwise.—Yours faithfully,

London, N.W.1 Geoffrey Block

Is Latin Necessary?

Sir—The plans for widening the ladder from secondary modern schools via grammar school VIth forms on, possibly, to university must raise again the problem of compulsory Latin in the arts faculties of nearly all universities and for all faculties at Oxford and Cambridge. Compulsory Latin is a heavy enough burden to lay on pupils whose whole academic career has been in grammar schools, but for those who come to VIth forms via secondary modern schools it will be just one burden too many. Its effect on the grammar school curriculum is more serious than university dons probably realise. One cannot know in time who will need it, therefore all one's ablest children have to take it, thereby squeezing out perhaps a second modern language or a science, at an age when it is far too soon to decide whether a boy or girl will become a scientist or not.

A little simple arithmetic will show this. Most grammar schools work a 35 to 40 period week. The basic subjects, English, Maths, French, Latin take 5 periods each very commonly. Physics, Chemistry and Biology will need 3 or 4 each, Physical Education 3, Scripture 1, History and Geography, say, three each.

Here are already approximately 40 or more periods for a fourth former and nothing has been allowed for the arts and nothing for a second modern language. Many schools solve this by dropping some science, and this is the reason for many of our ablest brains having been diverted from a scientific career. Surely the obvious subject to drop from the middle school is Latin, those who need it for higher studies learning it for *reading* only, in the VIth form.

Only a tiny number of those who learn Latin in our schools reach a stage when they can read it with any ease. To attempt to learn a spoken language late in one's career is to increase the difficulties—especially of pronunciation—considerably, but this problem does not arise with Latin. The universities could best help the schools to give their ablest pupils a good general education by giving up the Latin requirement.—Yours faithfully,

V. J. WRIGLEY

Hemel Hempstead

German Reserves

SIR—The discussion of Germany's capital market in your issue of December 13th seems concerned to emphasise how the growth of German reserves has been modified by capital exports. The table in the article shows that the increase in gold and dollar holdings was far lower in 1957 than in 1956, and looks like being rather lower in 1958 than in 1957. But in assessing the German measures is it not worth remembering that the reserve statistics published by the International Monetary Fund and the OEEC—statistics which cover other forms of reserves beside gold and dollars—present quite a different picture? On this basis Germany's reserves rose more rapidly in 1957 than in 1956. Moreover, as the OEEC remarked in its recent report on the Federal Republic: "The effect of Germany's large current surplus on the international pattern of gold and foreign exchange reserves was masked in the last months of 1957 and the first quarter of 1958 by the repatriation of the short-term funds which had flowed massively into Germany during the crisis of confidence in the summer of 1957."—Yours faithfully,

London, N.20 F. G. DAVIDSON

[The choice of assets to show external reserves is admittedly arbitrary; for our purpose, the narrower basis seemed preferable since credits in EPU, holdings of sterling, etc., themselves comprise short term credits granted abroad.—EDITOR.]

Rhodesia

SIR—Like most Rhodesians, I consider myself liberal in political views: and I am always surprised at what seem to me the obvious and continuing misconceptions in regard to the political future of the Federation contained in your recent notes and in such letters as that of Mr Callaghan.

Two salient points seem always to be overlooked. First, that Rhodesia's political future was really settled in 1923 by the granting of self-government. There can be no retreat now, unless Britain wishes to try to use force. Secondly, Rhodes's maxim of "equal rights for all civilised men" remains our national policy. You may disagree with our definition of "civilised": and you may emphasise inconsistencies which, unfortunately, do exist. We are doing our best to make our policy work, but we are far from perfect: but it is useless and mischievious to talk about "one man, one vote."

We in Rhodesia dislike most things about the Union of South Africa—above all, its deplorable racial policy: but if people like Mr Callaghan ever tried to put into effect the policies they claim to support, the only result can be the incorporation of North and Southern Rhodesia into the Union, which we would all regard as a disaster.—Yours faithfully,

B. J. HOWARD

Umtali

The Co-operatives

SIR—As an active co-operator, and—if I may so claim—a leading protagonist for the Gaitskell Report, and in particular the recommendation therein for a Retail Development Society, I have read with interest your commentary on the Blackpool Congress.

In your article of November 29th "The Kraken Wakes?" while cheeringly forthright your reference is unfortunately "way off the beam." I would not for a moment dispute your classification of Leicester as being among "some of the more efficient societies." But alas—Leicester did not lead in this fight for reform. That society—through its president and spokesman (Mr F. French)—both spoke from the rostrum and, to the best of our knowledge and belief, voted *against* us.—Yours faithfully,

L. HURT, President
Stockton Co-operative
Stockton Society Limited

The Fifth Republic

SIR—You obviously do not approve of neo-gaullism, as you call it. You showed your disapproval most clearly (and I consider rather unfairly) at the outset of the events of last May when General de Gaulle came into power. Later, as his success grew, your comment became less acid, and as time went on you even accorded him a measure of praise. Now, after an overwhelming success in the referendum, the elections have brought him overwhelming success in the National Assembly. Your reaction to this result is to tell your readers that "France's new mood will not help General de Gaulle to settle the Algerian question or anything else." A sweeping statement, indeed. You claim to know, better than the overwhelming majority of French voters, what is good for France.

You do not like neo-gaullism. You are clearly entitled as a citizen to such an opinion. I, on the other hand, think that neo-gaullism is the best thing that has happened to France for many long years. What service are you rendering towards healing the lamentable breach which has opened between France and Great Britain, by your high-handed condemnation of the present mood in France? You dismiss the Ghana-Guinea affair with a contemptuous snort, but it has incensed French opinion, and with good reason, which you as an economist must surely understand, since there is certainly more in it than meets the eye of the ignorant.

I do not propose to take up much of your time with the common market—free trade area imbroglio, but I must remind you that when the Treaty of Rome was signed the French press almost with one voice begged Great Britain to join. It is high time that the British people realised that—apart from the Communists and the Mendésists—the French people are behind de Gaulle; that they are sick of being sermonized in a superior manner by certain sections of the British press; sick of being patronised either by this country or any other, and determined to show all and sundry that France has once again a great role to play in world affairs.—Yours faithfully,

H. EATON HART,
Chevalier de la Légion d'Honneur

London, S.E.21

Commonwealth Loans

SIR—In your African supplement you point out that French and British Governments no longer guarantee loans in former colonial lands. In a subsequent article you say that Britain should think twice before it provides guarantees to private investors overseas. Yet, as last year's White Paper "The United Kingdom's Rôle in Commonwealth Development" pointed out, it is official British policy that the main job of development must be undertaken by private capital and enterprise. This is also official American policy. You refer also to the scepticism in official circles regarding the possibilities of an effective international investment code. What, then, to do?

In considering just this hiatus, the World Federation of United Nations Associations at Brussels last September adopted a resolution suggesting, *inter alia*, a system of international investment insurance combined with an international investment code. It would be well worth considering the possible usefulness of establishing under the aegis of the International Bank a sister to the International Finance Corporation, namely, an International Investment Insurance and Guarantee Corporation. The corporation's constitution might include an international investment code enforceable in national courts with recourse to the International Court of Justice, for both investors and investees. Contractual acceptance of the code by both parties might be made a condition of using the corporation's insurance facilities. Such a combined international approach, by minimising the political risks, might also minimise premiums.—Yours faithfully,

C. GORDON EVANS
Secretary for Economic and Social Affairs
United Nations Association

BOOKS FOR CHRISTMAS

Browse of the Year

Everyman's Encyclopædia

Fourth Edition. Volumes III to XII. 9,376 pages in all twelve volumes. 21s. each volume, 24s. after January 1, 1959.

THE first two volumes of the revised 1958 edition of "Everyman's Encyclopædia" were reviewed in *The Economist* in April; now that the full twelve volumes have appeared, and it is possible to look up Zeta to find that its achievement in 1957 of temperatures of 5 million° C. is recorded, it is a pleasure to report that the remarkably high standard of this lightweight yet compendious work of general reference has been well sustained. A little further acquaintance with this encyclopædia in routine conditions forces one to record that here and there one finds the balance between articles and subjects somewhat uneven, though failures to deal even briefly with modern topics are rare.

One of these blind spots, curiously enough, is management; the encyclopædia deals with "office management" and "sales management," which are surely the least important aspects of the techniques whose most noted exponent was F. W. Taylor, and whose biography does not appear either. Yet the encyclopædia deals succinctly but adequately with productivity and—perhaps a leftover from the earlier editions—with "rationalisation." The social sciences, and their modern developments, also come in for rather abbreviated treatment; for example, though communism and socialism are, of course, covered, there is no single reference to social class. Yet the treatment of race and colour is good and careful.

A small encyclopædia, however, stands or falls on its usefulness as a quick first reference on any single topic, literary, historical, scientific or geographical, rather than on its longer articles, which cannot stand comparison with larger or more specialised works; and from this test Everyman's emerges with colours flying, for it can be used remarkably well as a combination of gazeteer, shorter Dictionary of National Biography, up-to-date historical digest and dictionary of scientific and technical terms. From careful observation, it is also possible to report its adequacy to the needs of those who are working with dispatch through the requirements of the GCE syllabus. Here, clearly, its notable ability to get straight to the point on any given subject or problem makes it a favourite authority, even when fuller and more specialised sources are available. All in all the editor of this sturdy little encyclopædia must be congratulated again on providing an ideal inexpensive multi-purpose literary tool for the small library, completely contemporary in approach and selection of topics. All reading can become critical reading in a home that contains "the lowest priced major encyclopædia in the English language."

Pears Cyclopædia

Sixty-seventh Edition. 1,024 pages. 17s. 6d.

EVER abreast, Pears now records and discusses sputniks, subliminal advertising, the UN Force and female peers as well as budgies, bulbs, baking powder, and baseball ("developed from old country games called One Old Cat and Two Old Cat"; well, well!). A bit confused about the frontiers of Laos, it has, however, punctiliously accepted the appearance of Ui Failghe in place of the more familiar county of Offalay; it gives us the essentials on Bandung, Sunfed and the UAR; it pleads for understanding in modern marriage ("Reflect upon the meaning of love"), and has sensible things to say about frustration, loneliness and delinquency. It is duly cautious about citing atomic weights for californium, berkelium and einsteinium, and about assessing conflicting reports on atomic radiation.

Pride of place in the blurb goes to "Background to Economic Problems," a 32-page section that includes a glossary of the kind of phrase the layman only half understands (factor cost, liquidity, invisible items in the balance of payments, among others; curiously, Pears undertakes to define capitalism for the common reader, but jibs at socialism). This section also deals briskly with the closed shop and restrictive practices, London as banker for the sterling area, automation, economic blocks in the cold war, and aid, with or without "strings," for under-developed areas.

Another of this edition's features explains verse forms and figures of speech such as hypallage and hyperbole ("Writers of film trailers frequently indulge in hyperbole" is a nice curt comment as well as a helpful pointer for the common reader). Bacon is quoted—to explain what a metaphor is—as follows: "Some books are to be tasted, others to be swallowed, and some few to be chewed and digested." Which kind is Pears? No one dish, perhaps, but a vast and various *smörgasbord* for random nibblers, its savour unmarred by any trace of its soapy origins—except for good old "Bubbles" on the frontispiece.

Art for the General

The Picture Encyclopaedia of Art

Thames and Hudson. 584 pages. £4 4s. £3 13s. 6d. before January 1st.

IT is not surprising to find that this mammoth work originated in Germany; this is the English version of it. Divided into eight sections, six are given over to the main periods of art; there is also a general introduction and a closing section on art outside Europe. Each section reviews the historical background of the age, its architecture, painting, graphic arts and sculpture and finishes with a glossary of technical terms and artists. The presentation of the material is excellent and there are nearly 600 illustrations, a third in colour.

A book like this cannot be entirely satisfying: description must be short and the glossary necessarily selective, even if claims are made for its comprehensiveness. This book has succeeded in being more readable than a first-rate reference book can ever be. It will interest British readers to see how many different nationalities of painters and sculptors are represented in the glossary on modern art, many of whose works have never been shown in this country. A dozen British painters are included, a selection that might have been made fifteen, if not twenty, years ago, for the youngest representatives are Graham Sutherland and John Piper, now in their middle-fifties. According to one's views, this is a reflection on contemporary British painting or on the taste of the selectors.

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Grünewald

Introduced by J.-K. Huysmans and E. Ruhmer. 128 pages.

Edouard Manet

Introduced by John Richardson. 132 pages.

Raoul Dufy

Introduced by Marcel Brion. 112 pages.

Phaidon Press. Each volume 18s. 6d.

WHAT good value these art books are, the first in a new series introducing the works of modern painters and those of some earlier painters who are considered to be close to modern feeling. Into this latter category comes the sixteenth century Franconian painter, Grünewald, whose tormented pictures were virtually almost forgotten until this century. It is impossible to feel lukewarm about his pictures; the introductory essay to this selection of reproductions conveys something of the mystical piety and fervour of this remarkable painter.

Both the essays on Manet and Dufy are all the better for being objective. Mr Richardson says of Dufy that he was a charming *petit maître* and, in this spirit, he describes the gaiety and humour of Dufy's works. Of the 80 plates in each volume, only 16 are in colour—which is a pity, but colour has to be paid for. The minor slips in the Manet volume suggest hasty printing, but otherwise it also is a delightful book for the price.

Romance and Ideals

Essays in Elizabethan History
By J. E. Neale.
Cape. 255 pages. 18s.

Puritanism and Revolution
By Christopher Hill.
Secker and Warburg. 402 pages. 42s.

SIR JOHN NEALE'S sentiments towards Elizabeth I are those of Sir Edward Coke, who called her "the flower of Queens, as the rose is the queen of flowers." His life of scholarship has been spent in her service and, having written the classic biography of the Queen and the history of her parliaments, he now presents a bouquet of essays in her honour. The blooms are mixed. Some essays were originally designed for the general public and exhibit Sir John's striking talent for combining scholarship and popular history. Others, such as the study of Elizabeth and the Netherlands, have the stiff wiring of the specialist article, demonstrating the industry and patience concealed in the apparently effortless flowering of the more popular essays.

The first essay traces the celebration by Protestant Englishmen of Elizabeth's accession day from the bonfires and bell-ringings of her own times down to its later neglect, so complete in Victorian days that the tercentenary was passed over in *The Times* for a leading article on manure. But in this century of wars and competing ideologies Sir John again pays tribute to Elizabeth. She evoked and disciplined the national energies, possessing both the "artistic capacity to draw out and respond to the emotions of the country at large" and a cool sagacity which enabled her to restrain and direct the crusading zeal of the Puritans. Yet the flowering of greatness was brief. One of the most stimulating and original essays ever written on the period is here reprinted, *The Elizabethan Political Scene*, in which Sir John exposes the strains and weaknesses in government and society in the closing years of the reign. The weeds of corruption flourished, and embittered competition for office made a rich soil for the deadly nightshade of faction that flourished in the rivalry between Essex and Cecil.

In his admiration, if not adulation, for Elizabeth's "romantic leadership," Sir John is not always consistent. He places it to her credit that "even the aristocrats were converted by hard work and good training into tolerable and sometimes highly effective statesmen." But, as he elsewhere shows, Leicester in the Netherlands was intolerable; Sir John can find "no trace of financial or organising ability in his actions, as there is no trace of statesmanship." Sir John argues in one of his eulogies upon the Elizabethan age that "the quality of a society is not to be judged by microscopic examinations here and there," but it is largely to his own use of the microscope that we owe our knowledge of the "downward trend in public morality."

Sir John's dislike of the Puritans, whom he tirelessly likens to contemporary communists, is interesting when compared with the tone of Mr Hill's "Puritanism and Revolution." Mr Hill, who recently published a penetrating study of the economic problems of the Church in this period, has now assembled essays that make an original and stimulating contribution to the understanding of the seventeenth century. He opens with a brisk volley fired against Professor Trevor-Roper's equation of the "mere gentry" with the Independents of the Civil War; and he supplies the keynote of his book when he writes that "I do not believe that material interests are the only ones deserving serious analysis." It is in serious analysis that Mr Hill's strength lies, and he develops his analysis with great force and precision and in admirably cogent English. He is particularly responsive to what he calls "the grandeur and sweep of Puritan ideas," and the development of those ideas forms the leading theme of these essays. He explores the Puritan demand for a radical foreign policy, dwells on the brief moment when, owing to Buckingham's flirtation with a leading Puritan divine, it seemed possible that the court and Puritanism might come to terms, and analyses the split between the radical sects, who, after the Civil War, wished to build their new Jerusalem, and the conservatives concerned to shore up the social order.

The longest and perhaps the best essay is that on "The Norman Yoke"; here Mr Hill traces the belief in the lost liberties of pre-Conquest days, which was highly popular in the seventeenth century and survived into the twentieth century, with the writings of Robert Blatchford. The least satisfactory essay is that on Hobbes, not a Puritan, and fitted by Mr Hill into a rather crude "bourgeois" mould. It is surprising that while he emphasises the idealism of Puritan thinking on foreign policy, he believes that under Cromwell "ideological considerations gradually yielded place to economic interests." But these essays are seldom marred by dogmatic assertion and are always admirably lucid. They are also enlivened by studies of personalities as diverse as those of Roger Crab, the original mad hatter, and of Andrew Marvell.

Reality and Allegory

Shakespeare and the Allegory of Evil: *The History of a Metaphor in Relation to his Major Villains*

By Bernard Spivack.
Columbia University Press. London: *Oxford University Press.* 518 pages. 45s.

THIS is a long book, but the matter is important and the line of argument well managed. Professor Spivack begins with Iago and finds in him an element of dislocation, a clash between the motives he claims and the tone and manner of his behaviour: he is light-hearted and, as it were, invulnerable, in a way that does not fit the play's intensely human world. Seeking an explanation, Mr Spivack devotes the greater part of his book to tracing the development of the Vice, that character in sixteenth-century morality plays which functions as the source of intrigue and corruption and is a light-hearted incarnation of the spirit of infernal mischief.

Not everyone will be convinced by the theory of the Vice's origin suggested here: the term is first used in two early sixteenth-century secular plays, and Mr Spivack's argument that in fact, though not in name, the figure exists in moralities of an earlier date, as the chief of a group of figures representing various sins (or "vices"), may leave us wondering whether there is not still a missing link, whether the name and perhaps part of the nature of the Vice may have come from outside the drama. But this does not invalidate Mr Spivack's dominant thesis.

That thesis depends on a recognition of the mixed character of Elizabethan drama, partly a derivative of the allegorical morality play, partly a new thing, a "literal" presentation of individual men and women in a world no longer securely God-conducted. The result is an amalgam, with some plays strongly medieval in certain parts: Mr Spivack shows, for example, how close to the Vice-figure is the Barabbas of the last three acts of *The Jew of Malta* and how Edmund approaches that figure in the second scene of *Lear*. In *Othello*, however, there is a subtler mingling of elements: Iago is in a high degree assimilated to the world of men, yet his utterances have a non-human tone, the tone of an infernal trickster who needs no motive, who merrily brings his prey to hell.

This is convincing, but dangerous. At the end of the book Mr Spivack indicates that "the complete critic" should take over the argument from the point reached. What is necessary is that the double nature of Iago should not prevent us from seeing him whole. A tragic hero cannot be equated to any possible human being, but he can represent an aspect of humanity; nor is Iago literally possible, but he embodies another recognisable potentiality. His very waywardness, like the high authority of the hero, may make him ultimately more "real."

Because his concern is with Iago (and, to a lesser extent, with similar figures), Mr Spivack is rather perfunctory, and "romantic," on the Moor. He might consider the further implications of his statement that in the "hybrid plays" of the late sixteenth century the Vice-figure operates only in circumstances where the seeds of disaster already exist: the application of this to *Othello* could have useful results.

Incidental matters may provoke disagreement, but this is a book where scholarship begets criticism and leaves it well-endowed.

From the City to the Court

Business and Politics under James I: *Lionel Cranfield as Merchant and Minister*

By R. H. Tawney.
Cambridge University Press. 325 pages. 40s.

PROFESSOR TAWNEY has always been fascinated by the relations between economic, religious and political movements, especially in the sixteenth and seventeenth centuries. Indeed the century between 1540 and 1640 has become known as "Tawney's century," for his adventurous and stimulating surveys, though they have provoked as much dissent as agreement, have set a stamp upon the age. Now for the first time Professor Tawney has abandoned the broader surveys of society for the study of one individual. Lionel Cranfield, a merchant of London who rose to become Lord Treasurer to James I, kept very full records throughout his varied career, and Professor Tawney has been able to exploit perhaps the richest single source for the economic, administrative and political history of the early Stuart period. Professor Newton worked for many years upon the Cranfield papers and published one volume of them before he died, and Professor Tawney has profited greatly from this preparatory work and from that of many other scholars. Even so, given the massive bulk of the collection, he has chosen not to write a full biography, but to present a triptych of Cranfield as a merchant, as an administrator and as a politician, ending the story with his impeachment in 1624, when Cranfield had still twenty-one years to live.

Cranfield's career is of exceptional interest. In his fifteen years in the City he made a substantial fortune as a cloth exporter, speculator and money-lender. Professor Tawney is remarkably successful in relating the details of Cranfield's versatile enterprise to a firmly drawn background of European trade patterns and of "the ambiguous *demi-monde* between politics and business." But in 1613 Cranfield deserted the City for the court, setting up as business adviser to a government presided over by the extravagant and irresponsible James I. It is interesting to observe that Professor Tawney now attributes the predicament of the monarchy at this time not to the operation of inexorable forces but to James's appetite for luxury and display and to the rapacity of those exploiting his folly. James was not therefore "the unoffending victim of impersonal forces beyond human control," and the businessman's programme of retrenchment and reform, vigorously advocated by Cranfield, offered the possibility of restoring both the royal finances and public confidence. Professor Tawney thus gives a dramatic interest to his detailed analysis of Cranfield's campaign for economy and reorganisation, a campaign that owed its breadth and its realism to Cranfield's knowledge of the government's weaknesses. As a speculator in the City he had proposed to his partner, Sir Arthur Ingram, that they should "join together faithfully to raise our fortunes by such casualties as this stirring age shall afford"; as a minister he was admirably equipped to prevent such fortunes being made at the cost of the government's solvency.

Yet, although Cranfield rose to become Lord Treasurer, he failed. He held the highest office for little over two years and was impeached in 1624. The outbreak of the Thirty Years' War meant expenditure which wiped out the savings he had effected; and his economies alienated powerful vested interests at Court. Cranfield's political skill had never been equal to his abilities in finance and administration, and his quarrel with Buckingham made his fall inevitable. Professor Tawney attributes Cranfield's failure to what he calls the administrator's fallacy, "the belief that efficient management, combined with public spirit and a logically unanswerable case, can hold its own against interests and ambitions wielding personal and political power." It is indeed a little surprising to find the author of "The Acquisitive Society" so sympathetic in his treatment of one so acquisitive as Cranfield. Against Cranfield's harshness to his victims he sets his courage in challenging the powerful; against his passion for regulating expenditure he sets his taste for magnificence; and he emphasises Cranfield's regard for public opinion, Parliament and the due process of law. And in the field of economic policy he contrasts Cranfield's "mild and unaggressive protectionism" favourably wtih "the later all-embracing *étatisme* of Colbert and his continental imitators."

Elsewhere Professor Tawney has to point out that Cranfield, in spite of being "ingenious and resourceful in his own administrative field, was conventional to the point of platitude outside it"; and perhaps this is the truer view. His verdict might have been less favourable had he been able to explore more fully Cranfield's use of public office for private profit. Nevertheless Professor Tawney has given us a fascinating study of the world of business and politics in the early seventeenth century. Perhaps because the evidence is here so full, he writes more quietly and qualifies his judgments more carefully than in his earlier books. But admirers will find many touches of the opulent imagery and tolerant irony which gives so distinctive a stamp to all that he writes.

Feminism Set to Poetry

Tennyson and the Princess

By John Killham.
University of London: The Athlone Press. 299 pages. 35s.

FOR criticism the most significant fact about *The Princess* is surely that Gilbert found it very well suited for "respectful parody" in *Princess Ida*. The heroine establishes a college for the furtherance of female education, with an up-to-date curriculum including "electric, chemic laws, and all the rest." But, despite her modernity, she is also the heroine of a romance suggesting *Love's Labour's Lost* in reverse—a princess able to decree that any man invading her academy shall suffer death, later finding her fortunes dependent upon the issue of a tournament, and finally accepting or achieving marriage as a beautiful lady in a fairy-tale should. A work that appears to be mainly dealing—and dealing seriously—with the relations of the sexes in the contemporary world, and which yet wraps itself in all this poetical integument, is only too likely to suggest today either insincerity or intellectual timidity and confusion. Many readers must find *The Princess*, its handful of splendid lyrics apart, an oppressively period piece.

For scholarship the monumental Victorianism of the poem may be an attraction, and Mr Killham has written a scholarly book, which sets this queer medley of Tennyson's massively in its context of social history. The future Archbishop Trench was thoroughly alarmist about the Saint-Simonians; Robert Owen had added marriage to private property and religion in his list of evil customs distressing society; feminism was much debated by the serious young men of Cambridge; the Governesses' Benevolent Institution began to think in terms not merely of benevolence but also of professional training and the awarding of diplomas; J. S. Mill differed from his father on the dawning issue of women's suffrage. To all this and a great deal else that has its relevance to the theme of *The Princess* Mr Killham has added a conscientious study both of "anticipations" of the poem and of its possible literary sources. But this seems to be rather by way of rounding off a thesis, and his book is chiefly notable as an admirably documented account of the feminist controversy in England during the first half of the nineteenth century.

Historian's Memoirs

Under Six Reigns

By G. P. Gooch.
Longmans. 352 pages. 25s.

DR GOOCH is, and always has been, an admirable man, an historical scholar of wide learning and tireless industry, an attendant at or chairman of innumerable international conferences, a lifelong Liberal of the Gladstonian school and one of the last of them. Perhaps no one else has delivered so many unpaid lectures to obscure but grateful audiences here, there and everywhere. Married to a German lady and always at heart a European, he has rivalled his old friend Gilbert Murray in extending help and hospitality to every kind of refugee. And now, in the evening of his days, for he is 85, he has published a volume of reminiscence and retrospection. It is an unexciting book, but a fitting memorial of a singularly devoted and unselfish scholar.

Homerology

Homer and his Critics

By Sir John L. Myres. Edited by Dorothea Gray.
Routledge and Kegan Paul. 302 pages. 32s.

SIR JOHN MYRES, who died in 1954, was an archæologist (in the broadest sense) of great eminence, much originality of mind and more than mortal span. As a schoolboy, he was inspired by the still fresh discoveries of Schliemann; as an undergraduate, he heard Mr Gladstone lecture on Homer; in his old age, he was one of the first to be consulted by Ventris on his decipherment of the Mycenean archives. All his life he was concerned with the Homeric question. This book is a series of essays on its development, which he was revising for publication when he died. The work of revision has been piously but critically finished by Miss Gray, who has added two chapters of her own: one on Myres's own contribution to the subject, and one on the many developments of the last decade.

The critics of the title are higher, not literary: they try to solve the Homeric question. What is that question—or rather questions, since they are manifold, they change from generation to generation, and to define them is a question in itself? Two epics descend from antiquity, whose greatness has never been questioned. They are associated with a vague tradition about their author and about the rough date of the events recorded; but there is nothing firm. Hence the questions. Was there a Homer? Or two, or none? If there was, did he write all that we now have? If there was not, how did the poems drift into existence? Did Homer recount real events, or myths, or allegories? If real events, how soon after them did he live? Philologists attack the problem one way, archæologists another; and both disciplines are now so complicated that it is hardly possible for one man to master both. Archæological evidence increases exponentially these days, but certitude at a more modest pace, and Myres sums up his aim thus: "It is something to be able to close a few blind alleys."

A semi-Homeric question is whether non-specialists should read this book at all. If they know nothing of Homer, and if they have not even a modest capacity to read Latin and Greek, they should not; it is not designed for them. But so long as they have a smattering left of a classical education, they will find it delightful. No one touches Homer without a sense of fascination, and the story of his critics is of great interest. But, beyond that, the working of the human mind on scanty and inconsistent evidence is beautifully exposed. Most of the book is about the scholar's professional disease: his incapacity to believe that the poet whom he studies is not scientifically consistent throughout. Fantastic theories are based on shaky (and often selected) evidence and misplaced logic; and once a scholar is off on a given line, it takes the strength of Heracles to divert him.

Poet's Wife

The Letters of Mary Wordsworth 1800-1855

Selected and edited by Mary E. Burton.
Oxford University Press. 387 pages. 42s.

THERE is a kind of poetic justice in the publication of these letters of a woman without literary pretensions who, by her good sense, loving-kindness and steadfastness, sustained a great poet through fifty years of marriage and family life. They do not exhibit a mind remarkable for sensibility or intellectual power, but they do reveal those qualities for which her husband praised her—

> The reason firm, the temperate will,
> Endurance, foresight, strength and skill. . . .

Mary Hutchinson's qualities were such that she could not, one feels, have been less than a good wife and mother, no matter whom she had married. We see her coping in her selfless way, as many thousands of other patient and sensible women have coped, with husband, children, household affairs, illnesses, holidays, friends, relations; and the only thing that lifts these pleasant chronicles of everyday affairs above the humdrum level is the fact that her life was centred upon two such exceptional beings as William Wordsworth and his sister Dorothy. Her own sister Sarah was a livelier letter-writer, and Dorothy's letters and journals show that she was shaped by nature to be the companion of poets in a way that Mary Hutchinson certainly was not. Yet from Mary's letters we cannot fail to see whose was the stabilising influence in that home; and it seems only fair that she too should contribute her quota to the mass of Wordsworthiana that has been edited during the last three decades.

She had the reputation as a youngish woman of being almost inarticulate, but her letters are copious and sometimes vivid in detail. Of Wordsworth's devoted admirer, the City Librarian of Bristol, she writes:

> What an enthusiast it is! Poor Man! he can hardly spreak for crying, he drank tea with us on Saturday; and I fear worshipped the Poet more than his Maker—at Chapel: twice yesterday passed some time with him after Ch: in the grounds, and is to be here to walk about and read—"but not to interrupt me"—today.

Devoted though Mary was to William, we can deduce from her letters that he could be hypochondriacal, difficult and obstinate; and there are some really shocking glimpses of Dorothy after her mind had given way. "We can give her no neighbours but ourselves, or she would terrify strangers to death." Yet even when writing to her nearest and dearest relations, Mary never betrays a pang of self-pity. The last letter in the collection, written a few days after poor Dorothy at last had died, shows the courage and sweetness that characterised Mrs Wordsworth even in extreme old age:

> This being a bright morning, I feel a desire to tell you and dear Chris: with my own Pen, that notwithstanding the void that must henceforth remain at my heart, I shall ever feel thankful for the Almighty's goodness for having spared me to be the Solitary Lingerer, rather than the beloved Sufferer now laid at rest and whose restless Spirit I humbly trust is now among the Blessed, in the bosom of her heavenly Father.

Words and Comedy

The Broken Compass: *A Study of the Major Comedies of Ben Jonson*

By Edward B. Partridge.
Chatto and Windus. 254 pages. 25s.

"THE more I study his writings," Coleridge said of Ben Jonson, "the more I admire them; and the more the study resembles that of an ancient classic, in the *minutiæ* of his rhythm, metre, choice of words, forms of connection, etc., the more numerous have the points of admiration become." Mr Partridge's study much resembles that of an ancient classic, and is almost entirely devoted to Jonson's "choice of words." It is his thesis that the dramatist's diction represents his characteristic means of establishing and maintaining his comic tone. "By means of epithets, allusions, metaphors, and precisely chosen words, Jonson gives us the proper comic perspective: cold, hard, and merciless, yet clear, free of cant, and massively controlled."

The examination of imagery by which this is substantiated is extremely thorough. There are times, indeed, when we are made rather sharply aware of the American habit of giving at least a passing nod to the obvious whenever it turns up. "Animal imagery," we are told at the close of an extended discussion of *Volpone*, "implies that men are turned into beasts by greed. . . . The abuse of erotic imagery indicates a vulgarising of love. . . . Feeding—that act which makes men daily, even hourly, seem most like animals—symbolises greed." But in the main the book is a really illuminating study of Jonson's dramatic rhetoric, which is displayed as owning a depth and complexity, often a Shakespearian richness of controlled multiple suggestion, largely unremarked by previous critics. The chapter on *The Alchemist*, in particular, shows an admirably successful application of some of the newer techniques of linguistic analysis of the play.

The broken compass of Mr Partridge's title is, of course, the device taken by the dramatist as his personal impresa, and is familiar to us on the covers of the noble Oxford "Jonson." Mr Partridge connects it—and its accompanying motto: *Deest quod duceret orbem*—with Jonson's "sense of perverted values in an age that was a lamentable falling off from the Golden Age." But it is an instrument that the impresa shows as imperfect, and in it Jonson is acknowledging the inadequacy of his art to the embodying of his conceptions. Mr Partridge has at least shown us that the art deserves closer study than it has received hitherto.

A Success Story

David Garrick

By Carola Oman.
Hodder and Stoughton. 427 pages. 42s.

IT is luck for Miss Oman that no full-scale life of Garrick has been attempted for nearly a hundred years; and luck for Garrick's memory that so talented a writer should have undertaken to bring the endless material into order. It is a strange story, because of its fairy-tale quality of success, achieved more quickly and readily than would be conceivable in today's more ordered and professional world. Johnson and Garrick ride up together from Lichfield to seek their fortunes; and they find them. Johnson's progress was slow and painful. Garrick's was never easy or without troubles, but it started brilliantly and advanced steadily. As soon as he appeared on the stage he was acknowledged a master; he introduced a new style of acting that was accepted at once; and he maintained his supremacy to the end. He took on Drury Lane and proved a brilliant manager. He was a successful lightweight playwright. He made a perfect marriage with a woman of outstanding charm and character. He became an intimate friend of the greatest magnates. He lived and died a rich man.

Miss Oman's method is factual and chronological, with little comment. She tells the reader in detail, season by season, about his ups and downs as actor and manager, his travels, the innumerable quarrels into which he was launched (always, it seems, unwillingly), his relations with his family and friends. She works by little strokes, and one gets the picture by an accumulation of detail. It is fascinating, but rather overwhelming: innumerable characters appear, disappear, and then reappear when one has forgotten who they are; and the style is easy but not always clear. All the same, the total effect is very impressive. The mainsprings of Garrick's action are clear. He was always an actor, on stage and off: Grimm said, "*il est naturellement singe.*" At the same time he was an indefatigable worker, a careful business man, a student and a man of peace. A strong vein of respectability, in the best sense, governed his actions; he was a good friend, a generous family man, a devoted husband and a man of honour.

Some questions remain unanswered. Miss Oman does not really deal with Garrick the actor. Nothing is more difficult than to analyse changes in the style of acting two hundred years after the event, and she hardly attempts the task. Probably it is impossible within the limits which she has set herself; she sets out the facts and leaves the reader to analyse them. For the same reason, Garrick's quick and immense social success—an important part of his life—appears from a hundred stories, but is not fully explained. At the end of the book, there still seems something miraculous about the whole story. But it is pleasant to read the happy life of a great artist and a good man, brilliantly set against the turbulent background of eighteenth-century London.

Life and Death

Edward Thomas: *The Last Four Years*

By Eleanor Farjeon.
Oxford University Press. 271 pages. 25s.

MISS FARJEON describes this as Book One of four intended volumes of memoirs; but the book is about Edward Thomas, and only secondarily about herself. With the exception of a few set pieces—very charming ones—about Robert Frost, D. H. Lawrence and James Guthrie, there is little in it about herself or anyone else that is not designed to throw light on its central figure. She kept all his letters, and the book is a commentary on their text.

The first half of the book is slow, and but for piety might have been made much shorter. Miss Farjeon met Edward Thomas at the end of 1912, and from then on saw him constantly. She loved him at sight: her love remained, always unexpressed and undemanding, and wholly compatible with her devotion to his wife and children. He was reserved and difficult, but a man of splendid charm. Up to the war he had not found himself. He was a writer, but most of the time a writer for money, to keep the wolf from the door. He had written no verse. He lived the strange gregarious wandering life, moving from one friend's house to another, that many intellectuals led in those days when the halcyon calm was getting sultry. This part of the book is hard to read: letter after letter arranging meetings in teashops which did not come off, and containing allusions that are either incomprehensible or explained at too great length.

But it is worth persevering. Two things happened in his last years. First, shortly before the war he met Robert Frost, who persuaded him to turn to poetry. As he was known as a writer and reviewer, he tried to get his poems published under a pseudonym, and for long failed; but he was wholly undiscouraged. The second happening was the war. Here the story is pathetically like so many others: he had found himself as a writer, and he found himself as a man. The note of neurosis disappears from his letters; he is concerned with the job in hand; he continues to write; and he was killed. This part of the book is fascinating; not that it differs from the experience of many others at that time, but that it found finer expression.

Miss Farjeon writes very frankly—at times uncomfortably so—about her own emotions. Only two words in one of his last letters show that he knew how she felt. She could have published his letters and told the story without disclosing her own feelings: but then these would not have been her memoirs

Devoted Bonapartiste

Napoleon and Mlle. George

By Edith Saunders.
Longmans. 248 pages. 21s.

"A MAN'S star is not complete without a woman's garter," says the Lady to Shaw's Man of Destiny. There were many garters in Napoleon's life; but their owners were not Pompadours; no woman, save possibly Josephine, influenced his actions or held his affections. Georgina, as he called her, was his mistress for barely two years; but it is to her credit and his that she retained his friendship and, in her stage career, his protection till his final exile. She outlived him by forty-five years, and her story might be entitled Mlle. George, Napoleon, and others.

For the others greatly enhance its interest. Among them are the rivals who contested her supremacy in the Comédie Française: Duchesnois, more gifted but less beautiful, and Rachel, a genius devoid of generosity; Talma and Lemaître, with whom her greatest triumphs were won; Dumas and Hugo, who wrote romantic dramas for her when Racine went out of fashion; and the unpredictable Harel, her husband, business manager and producer, who would have been a Hollywood success a hundred years later. And the enigmatic Czar—physically unattracted by her (to the annoyance of the political intriguers who had imported her) but as friendly and helpful in Paris after 1815 as in St Petersburg before 1812.

Miss Saunders writes sympathetically but unsentimentally. She is entertaining but never facetious. A sound historical instinct tells her when contemporary judgments can be accepted: for example, Mlle. George's "The Emperor had driven away my First Consul, everything was bigger and more imposing, but there was no space for happiness"; and the exiled Napoleon's "When I knew Georgina I was young, I was happy, it was a time of expansion in my life, at the very height of the Empire I often wished I had back the Consulate."

Mlle. George agreed with him; and her belief in what he might have been explains her unquenchable Bonapartism. Both on and off the stage she did much to foster the "Napoleonic Legend," and she deserves her place in it. It is cruelly ironical that her figure, which Napoleon in a moment of classical ardour had called Junoesque, which a London critic somewhat later described as "ample," and Dickens, much later, as "dropsical," became in middle age so obese as to make her appearances on the stage first grotesque and then impossible. Perhaps that explains why Napoleon III, for whose cause she had risked and done so much, was deaf to her appeals in her poverty-stricken old age. He did, however, pay for her funeral—relieved, perhaps, that she could no longer compare him with her Consul.

Quick Steps to Fame

Dancing is My Life

By Victor Silvester.
Heinemann. 230 pages. 15s.

FEW men dominate their profession so completely as Mr Silvester does the world of dancing. He has been one of the country's leading dancing teachers for thirty years; his book "Modern Ballroom Dancing" has sold around 3¼ million copies; sales of his danceband records exceed 27 million; and his radio programmes are listened to the world over. Recently he has expanded into new fields, staging a highly successful television series and signing a contract with the Rank Organisation to open a chain of two hundred studios in Britain and the Commonwealth. His success, in fact, seems unending; it is thus much to his credit that he remains, as this autobiography shows, both a modest and a warm-hearted man.

Those people who, quite understandably, take a strong dislike to the monotony of Silvester's style—which consists of putting all popular tunes into the straitjacket of strict-tempo dance music—would be wrong to conclude that the man himself is dreary. He sees music primarily as an aid to dancing; and he has not reached his present eminence without much trouble. He ran away from three schools; and finally he threw up Sandhurst to become a professional dancer.

Once Mr Silvester had started dancing, he could not stop. He practised during all his spare time between teaching dancing in the morning and working as a professional partner in the afternoon and evening. As a teacher, he managed to anticipate the Charleston craze and helped to draw up the official rules. As a business man, he sensed the demand for music orchestrated primarily for ballroom dancing, which (in the twenties) turned it from a disorganised hobby into a well-run sport, and formed his band accordingly. And since the war his television programmes have created a boom—the only one recently in any branch of the entertainment industry—in both the teaching and practice of ballroom dancing.

The size of the industry that Mr Silvester leads is brought out in the last, slightly more turgid, chapters of the book. Dancing now comes only after football and the cinema as a popular leisure activity. Beginners in England are taught in any of nearly 5,000 schools, and there are about the same number of commercial ballrooms with sessions twice a day. The schools especially have become important social meeting places with carefully maintained standards that go far to explaining the high quality of dancing shown in the British palais. Moreover, it is in the palais and the schools that young working-class people develop the dance styles that gradually percolate upwards to the universities and the debutante balls. Rock 'n' roll is the latest fashion; but strict-tempo is still the basis of the business, and while that is so Victor Silvester goes dancing on.

A Modern Noah

J. B. Priestley: *An Informal Study of His Work.*

By David Hughes.
Hart-Davis. 226 pages. 21s.

THOSE who have paid lip—or genuine—service to the prevailing cult of not liking J. B. Priestley may be inveigled into second thoughts by this well written and considered assessment of a complex and controversial character. Mr Hughes might almost be called a Priestley addict, so meticulously does he deal, not only with every facet of the writing, style, intention and temperament of his subject, but also with the time, place and circumstances in which he himself became acquainted with each essay, novel or play.

Yet the intention of this informal critique is to stimulate interest rather than to dominate opinion, for Mr Hughes is sturdily free from hero-worship; he holds, with Johnson, that he who reads has a right to judge and he who is injured a right to complain. He is animated by an affectionate curiosity about the panoramic versatility of a much admired and greatly criticised contemporary, and he makes no bones about his liking for Priestley, whether in his novels, "sweeping an alert and extrovert eye across a thickly peopled landscape"; or in the plays, "cajoling intellectual sympathy for a metaphysical argument with emotional sympathy for people involved in the dilemma of time"; in essays, which "show a pastel affection for the physical world"; or broadcasts, which "struck a host of common notions at a very uncommon time." Like the time he tries to speak for, J. B. Priestley has gone his own erratic and often dangerous way.

It is interesting that Mr Hughes, young, modern, widely read, with his own consciously polished style well nourished and pruned for incisive use, should find in Priestley's honesty and plain speaking an enchantment of the senses and a stimulation of the mind. He tries to pass on this experience to those whom it concerns; but enchantment cannot be transmitted, it must be experienced, and what remains is the convincing impression of a man of anxieties, urgently seeking a chink in the armour of human complacency—a modern Noah, without the consolation of an ark.

SOME OTHER BOOKS

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Edited by Nicolas Bentley. *Deutsch.* 158 pages. 15s.

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A collection of Miss Sackville-West's weekly articles in the *Observer.*

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A second collection of stories and articles associated with drink. Illustrated.

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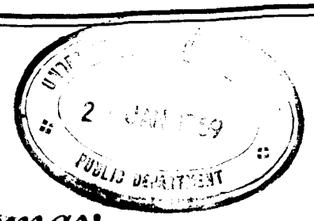
By C. S. Forester. *Michael Joseph.* 283 pages. 15s.

AMERICAN SURVEY

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

Let Nothing You Dismay



WASHINGTON, DC

AS Americans hurried through the final shopping and other preparations for their first space age Christmas they could look back on a year in which none of the grimmest prophecies had come true. If 1958 had not fulfilled the hopes of every group, neither had it confirmed their worst fears. Yet when the year began the "prophets of gloom and doom," to borrow a phrase from the unfortunate and almost forgotten Mr Sherman Adams, had been more than holding their own against the optimists.

To put first things last, it is appropriate to begin by recalling the fate of the sack dress. Here was an innovation that naturally aroused the darkest apprehensions in that noted observer of the shape of life, the American male. Here also was a place where political bipartisanship found perhaps its firmest footing. Mr Adlai Stevenson, the titular and indestructible leader of the Democrats, speculated that the sack had been designed by the cunning Russians to create unrest among American men and undermine the national way of life. Months later his observation was confirmed, from the Republican side, when Mrs Eisenhower, hearing a fashion commentator say that the sack was the first feminine fashion ever killed by the objections of husbands, was heard to exclaim: "She's so right."

The garment industry, of course, had too substantial an investment in the sack to permit Democrats, Republicans or husbands to liquidate it outright. As the year ended sack dresses still hung limply in some shop windows and the less timid matrons ventured to the cocktail parties of the holiday season clad in sacks, if not ashes. But all agreed that the brief reign of "that dress" was over. The sack was merging into the more clinging lines of the "empire style." Rather than imitate a hundred pound bag of potatoes or an expectant mother of quintuplets, the American woman was now free to try and impersonate the Empress Josephine. Few could deny that she was a more inspiring model.

THE space age, it had been thought, would add a new dimension of moral concern as well as heightened anxiety to American lives. The Russian sputniks of 1957 seemed to have banished the complacency bred by the Eisenhower years. But the Vice-President, Mr Nixon, an adept student of the public mood, sagely assured his fellow Republicans last spring that, once American scientists had put their own satellite in orbit, the popular excitement over outer space would die down. He appears to have been correct. Although the repeated failure of the Navy's efforts to place its misnamed Vanguard in orbit prompted numerous wry jokes, Dr Wernher von Braun and his German colleagues eventually proved that American know-how always finds a way. To be sure, the scientists in the United States have not landed a rocket on the moon or even achieved a near miss, but then neither have the Russians.

The sagacity which Mr Nixon displayed on the space issue last spring appeared to desert him when he returned to the more familiar and pedestrian ground of party politics in the autumn. The election was a disaster for the Republicans that had been widely foreseen but, in keeping with the prevailing spirit of the year, they found at the bottom of it all, like a lucky penny in the toe of a Christmas stocking, the shining face of Mr Nelson Rockefeller. Every Republican, except Mr Nixon, seemed to feel that Santa Claus had not forgotten him after all.

Mr Nixon naturally escaped his new perplexities by departing on a journey to Britain. Foreign travel is the largest single "invisible" item in the American balance of payments and politicians do their full share. Once upon a time only defeated candidates resorted to a grand tour, but now the presumably secure incumbents have also become travel conscious. Motion appears to be the only thing and the reception abroad matters little. Mr Nixon was spat upon in Caracas and applauded in London, and both reactions did him political good at home. Mr Eisenhower, who does not share this zest for travel, is nevertheless grateful for the foot-loose qualities of younger office-holders. This at least averts the worse prospect of more foreign potentates coming to Washington. It is much less taxing to receive Senator Humphrey in private audience for eighty minutes reporting on his eight hours with Mr Khrushchev than it would be to spend any time at all with Mr Khrushchev himself. From the President's point of view undoubtedly the year's happiest nondisaster, if such a word may be coined, was the much predicted, safely avoided summit conference.

HOWEVER, it was the economic recession, which was everybody's favourite prospective disaster in conversations a year ago, that undoubtedly established the pattern for 1958. There was scarcely time for the economists to collect all the statistics, for moralists to denounce the automobile manufacturers of Detroit for the still longer tailfins and still higher horsepower of 1958, and for the politicians to reprimand Mr Eisenhower for his lack of leadership before spring had come and gone and taken the recession with it. Before the country discovered that the economic low point had been reached in April, large supplies of surplus statistics, excess moral indignation and political vitriol had been accumulated. Fortunately these stocks could be converted to post-recession use against inflation which, as Christmas neared, had resumed its customary place as the public bogey-man.

Having survived the fashion of the sack, the lunar probe, the economic dip, and the Republican rebuff, Americans

were still free enough and prosperous enough to celebrate the most lavish Christmas season in history. New Yorkers were required to participate without the benefit of advertisements in the newspapers, which have been shut down for the past two weeks by a deliverymen's strike. But the city's shops and shoppers, having triumphed over the underground strike last Christmas, were well able to surmount this lesser obstacle. Sales boomed, the stock market celebrated by following the moon rocket into outer space, and America was once again, if not merry, undeniably self-confident.

Score in Space

LAST week an American voice—that of the President—became the first to be heard from outer space; his brief reassuring message of peace and good will was broadcast from a new star in the sky, the 4½-ton Atlas intercontinental ballistic missile which for twenty days will circle the earth every 110 minutes. This is the heaviest of the five existing satellites and by far the largest ever launched by the United States, although a true comparison, which included the now detached and disintegrated carrier of the third sputnik, would leave the Russians still ahead. Project Score, the name for the Air Force's entry into the satellite stakes, is an abbreviation of its full title, Signal Communications Orbit Relay Experiment, but few Americans will regard this as a fortuitous christening. Most will feel a deep satisfaction at the demonstration that space is not a Russian province.

Public interest is certain to be focused on the messages which, it has now been shown, can be received by the satellite and transmitted back. A New Year message from the President is confidently awaited. It is to be hoped that his speech-writers will be equal to their new celestial role. As a radio relay station, Project Score is primitive but, as the complexity of the electronic systems which can be carried increases, there are hopes of providing many new circuits for telegraphic and telephonic communication and even for television; this might provide an answer for the overcrowding of the air-waves. The real advance, however, is that this is the first time that a high accuracy guidance system has been used to place a satellite in its orbit. In past launchings no error could be retrieved, but with Score there was two-way communication between the giant computer on the ground and the missile throughout the four and a half minutes of its flight. The Atlas, besides having proved itself a weapon of intimidating efficiency, has also shown that it can be used for a host of peaceful tasks in the exploration of space—including that of sending up a man, although it is admitted that the Russians may achieve this first.

The Air Force, profiting as it thought from earlier criticism, kept its secret well. The Defence Department must now feel that it is impossible for it to do right. A report from the House Select Committee on Astronautics, which was published last week, before Score took to the skies, besides emphasising the possible danger from spatial debris, also makes an urgent call for advance announcement when satellites are to be launched, lest one be mistaken for the first shot of a nuclear war. But in the case of Score, such a risk was avoided, since the satellite does not cross the Soviet Union.

Rebuilding California

LOS ANGELES

IT is natural that Mr Nixon, in his determination to rebuild the Republican party after last November's disaster, should have begun by summoning to Washington party officials from his home state of California. For not only was the disaster at its worst in California, but also the underlying purpose of Mr Nixon's determination is to ensure that he will be elected President of the United States in 1960—and it is a rule of the game that a presidential aspirant must be able to count on effective support from his own state. For Mr Nixon personally, the collapse of the Californian Republicans was perhaps not a bad thing. When Senator Knowland and Governor Knight, his old rivals in the state and for the presidential nomination, pulled California's Republican administration down on their own heads, they left Mr Nixon standing unchallenged among the ruins—for the moment, at least. And if the rebuilding goes according to his plans, it will be done with intelligent, attractive and ruthless young Republicans and those conservative cornerstones which remain in the state organisation will be quietly relegated to the rubbish heap.

The plans as published are for broadening the political and financial foundations by spreading out and down into the grass roots. California has no state-wide election for a major office—Governor or Senator—until 1962, so there need be no open intra-party struggle for power to shake the new building in its early days. Meanwhile the drive to elect Mr Nixon in 1960 will provide much needed cement and also that chance of success without which it is difficult to work up political enthusiasm. Officially the immediate aim of the Republican reorganisation in California is to recapture the State Legislature in 1950, but that seems a vain hope unless the Democrats turn out to be as incompetent as the Republicans dream they may.

But the Democrats have not forgotten the fiasco of twenty years ago, when they last controlled California; then their victory was dissipated in bitter disagreements between Governor and Legislature. Much now depends on which Democrats are chosen to lead the State Senate and Assembly—here the omens are good—and on how well they and the new Governor, Mr Brown, co-operate in dealing with such potentially divisive and unpopular measures as the coming increase in taxes and the sharing of the state's water. Mr Brown has started well, choosing advisers from both wings of the Democratic party and even from among the Republicans; he has more ability and more experience than many accounts have suggested—but has he enough independence and determination?

DOING GOOD ABROAD—IV

Private versus Public Giving

FROM SPECIAL CORRESPONDENTS

HOW effective private American foreign aid is, on its own account or in comparison with public giving, is a question difficult to answer. Agreed ways of measuring improvements in human welfare are harder to come by than are measures of the capacity of a new reservoir in India or a new steel mill in Brazil. Nor do answers depend solely on size. Government aid of all kinds to other countries since 1948 has run at an average rate of about $5 billion a year; private aid is no more than a tiny fraction of that. The Ford Foundation's total contribution to India of $25 million since 1951 is modest in relation to the government figure of $1 billion given to India in gifts and loans since 1947; the Near East Foundation has resources that in comparison are minute. Yet both organisations appear to have a degree of influence in high places which is greater than the actual size of their gifts could possibly warrant.

The reasons for this disproportionate influence and popularity may be that neither foundation suffers from the international political connotations which go with official American aid. Both work only after being invited to do so by the government which is being helped; both are represented not by political appointees but by technicians who remain in the background. The private agencies have a flexibility which is sometimes envied by the more thoughtful government men in this field. After once getting the approval of the national authority in the country concerned, they are free, as representatives of a foreign government could not be, to go directly to the grass roots. Thus in the Middle East and in India the private groups are doing work of great value in the villages, while in Latin America they deal with individual state and local bodies rather than with nation-wide agencies. Such encouragement to local initiative persists regardless of political changes in central governments.

Private projects attract experts for short-term consultations and train and hold staff more successfully than does the federal government with its cumbersome recruiting processes. At the same time, the foundations tend to parcel out their funds more thriftily and to get better results with smaller expenditures; they rely more on technical advice from experts and less on expensive equipment. The private groups do not assume so quickly that farming problems can all be solved by the gift of a harvesting machine. Nor do they lean so heavily on industrialisation as a cure-all for village poverty.

A STUDY made for Congress in 1957 contained some interesting judgments on the relative value and effectiveness of private versus government aid. The score was by no means one-sided. Private groups were said to make mistakes because they "played by ear" and lacked general direction on policy. On the other hand, "foreign governments will often accept advice more readily on sensitive matters" from people working under private auspices, and therefore unidentified with official American policy, than from a United States government employee. The obverse of the medal is that, while freedom of action is a great asset of the private agencies, their aid has been known to be whimsical and their vaunted flexibility can cut both ways. In their determination to keep free from long-term commitments the big foundations often set limits of perhaps three years to their grants; this may encourage the start of hopeful work which cannot be finished before support is withdrawn. In countries lacking their own well-directed programmes this attitude may do harm by raising expectations which are later dashed; it is hard for recipients to believe that the three-year term will really end so soon. Also this insistence on flexibility sometimes leads to attempts to find new names for old projects so as to qualify them for more money once the original grant has run out. Most foundations like novel and experimental ideas; some of the cannier applicants have become aware of this fondness, and have learned how to present old ideas in new terms.

Whether or not this private giving can be relied upon for the future is a question which rightly concerns recipient countries. The best answer lies in the history of the big foundations. Several have not only passed their fiftieth birthday, but now have more capital than when they started. Operating with the advice of far-sighted financial experts, they generally keep their giving well within their income. It is not inconceivable that funds may eventually shrink: if oil wells should run dry or motors cars were to lose some of their popularity the foundations would be hampered; if the efforts made from time to time in Congress to deprive them of tax-free privileges were successful they could give much less than they do now. But, while taxation of their incomes is a threat, its chief effect at present is to make them extra careful to keep out of everything which by any stretch of the imagination, could seem political.

ANY attempt to assess the relative value, the effectiveness and the lasting quality of the aid provided by private foundations to under-developed countries must recognise that the work which is done varies as enormously in its specific aim as in the skill which is applied and the results which are achieved. A list of the projects is a modern catalogue of good intentions, but one in which as yet no consistent pattern can be found. The expressed aims of the various organisations exude a fragrance of goodwill and high idealism but, when those aims are translated into terms of the work for which money is actually spent, gaps develop. Politics, pressures, small judgments when big ones are required, all play their part in philanthropy abroad just as they do at home.

Roughly speaking, the things aimed at are those which, to an American eye, appear most needed—health and clean water, plentiful crops, houses with tight roofs, the right and indeed the duty to learn, the ambition and the opportunity to get ahead without stepping too hard on the next man. These are things which to an American are essential and ought to be acceptable everywhere. The programmes as they emerge are expressions of American experience, American dreams, American shrewdness and American biases, against the background of a pervasive memory that it is not so very long since Americans worked their own way out of primitive conditions, and of an insistent belief that the techniques which they found useful then may now also be useful elsewhere.

It is important that the programme should be defensible at home as well as abroad. Even when operating in a foreign land the foundations, though relatively independent, cannot afford to forget that they profit from the work and the forbearance of American citizens. That they are in the main run by men who seek to translate what America has found good and workable into terms that India and Venezuela, Turkey and Burma, China and Korea can profit from is generally accepted. It is perhaps too much to ask that their officers should always have as much imagination as their critics might like, or as much courage as might be wished by those who can afford to be more daring.

But granted these limitations, there is every reason to rejoice that these private almoners have seen fit to extend their giving beyond their country's boundaries and to take a part in the effort to share with under-developed nations the benefits of modern knowledge and modern skills. As elements of private enterprise in a mixed and competitive economy they prove quietly but surely that all power need

not reside in the state, even when the state is eager to speed improvements. Themselves the creation of private wealth, they confer benefits without fanfare and work on good terms with governments at home and abroad. Indeed they frequently act not only as pioneers but also as pace-setters for governments, thus demonstrating that they are free to take advantage of the best that private initiative and enterprise can offer. Work in the under-developed countries goes faster and better because they are there.

This series of articles on private American foreign aid is now concluded. Earlier articles appeared in The Economist *of October 11th (page 141), November 15th (page 604) and December 6th (page 895).*

Pay Now and Buy Later

NEW YORK

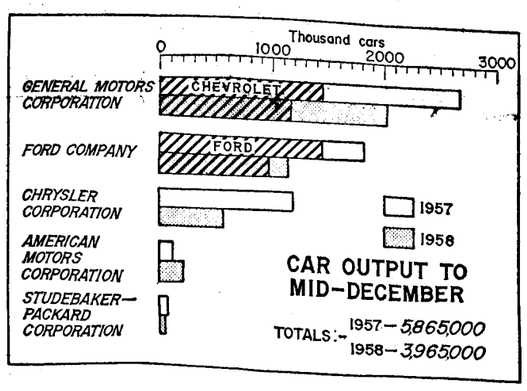
AMERICAN banks are letting off their seasonal salvo of colourful advertisements exhorting one and all to join the Christmas Club. But the service they are offering is not, as might at first glance be expected, another variant of buying now and paying later, but quite the contrary. The Christmas under consideration is not this year's festival but the one that will succeed it in twelve months' time. The Christmas Club, whose members undertake to make fifty small, weekly deposits of a specified amount, may seem something of an anachronism in today's credit economy, but it enlists no fewer than 13 million Americans. In the course of last month, these members received back their year's savings in cheques that totalled more than $1.3 billion—or an average of $105 each. The practice of the different banks varies, but as a general rule no interest is paid on these small deposits, and some banks make a service charge (certainly if the weekly dues are not paid up) for handling the accounts. The regular weekly deposit can be as small as 50 cents, but the most popular denomination today is $2 or $3.

The idea for such a service originated outside the banks. Nearly fifty years ago Mr Herbert Rawll, a salesman who combined a genuine belief in the blessings of saving with considerable business acumen, set out to persuade the banks to open Christmas Club deposit accounts—and to use his brochures, forms and advertising material for the purpose. Bankers at first could see little advantage in the club, either to themselves or to their clients, but the promoter patented his invention and proceeded to build up a large and profitable promotion-and-printing business. Today there is no patent, but some 85 per cent of the 8,000 banks offering membership in the Christmas Club find it to their advantage to operate through the corporation he established.

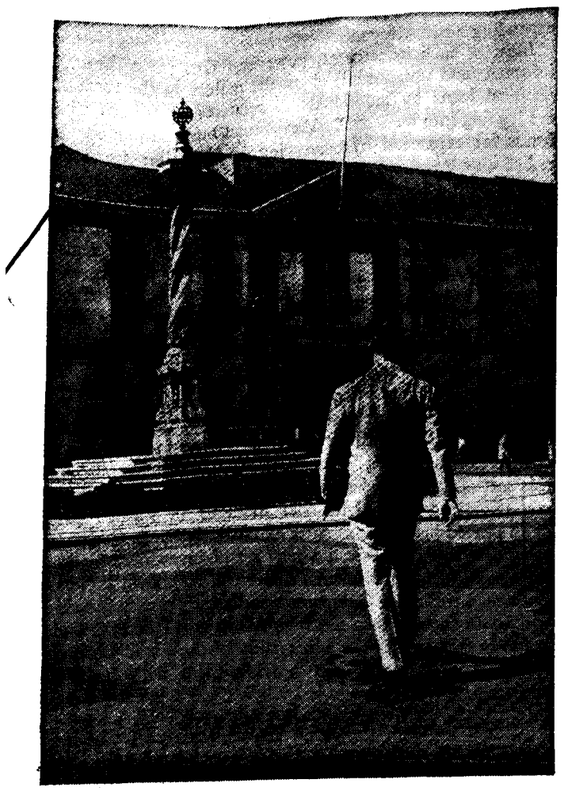
The enthusiasm of the banks for what would otherwise be a tedious and profitless service is based on the fact that not all of this saving is lost to them in seasonal largesse. The regular surveys of the corporation show that rather less than one-third of the total is spent on Christmas, while a similar proportion returns to the banks in the form of permanent savings; the remainder goes towards mortgage payments, insurance dues and other unpaid bills. In spite of the tone of the advertisement which admonishes: "Don't be a red-faced reindeer! Next Christmas have the money you need," the success of the club does not rest mainly on the need to accumulate funds to cope with the costliness of Christmas; the liberal credit facilities offered by the shops allow an effective spread of payments over several months. But, as a worthy successor to the money box or the collection of ten-cent pieces, the Christmas Club provides a welcome disciplinary framework for the many people who desire "to put something by."

Cloudy New Year for Cars

THE improvement in automobile output was largely responsible for the jump of three points in the industrial production index in November and in December factories are scheduled to produce more cars than in any month since the beginning of 1957—about 600,000. Yet motor manufacturers are still hesitating to make their usual optimistic prophesies for the coming year. This uncharacteristic restraint is partly due to the time it has taken for production of the 1959 models to gather speed, as the result of the strikes in the early autumn. New cars are only now coming into dealers' showrooms in sufficient quantity for reliable forecasts of demand to be made—and sales of cars are never good at Christmas time when the consumer is more interested in things which will go into a stocking. The Chrysler Corporation has continued to be handicapped by strikes and, while the General Motors Corporation is now producing Chevrolets at record rates, total output—and sales—of the new Chevrolets are still far below those of Fords, their rival in the low-priced field, although not far enough to put Ford in the lead for the whole of 1958.



The caution of the big automobile manufacturers is also evidence of how much their self-confidence has been shaken by their poor showing during the past year and by the success of the small cars made by the American Motors Corporation and by firms abroad. Sales of these have been gathering strength throughout 1958: for the year as a whole, foreign cars will account for 8 per cent of total sales in the United States, compared with 3.5 per cent in 1957, and in October the percentage was up to nearly 12 per cent; American Motors is planning to expand its capacity for producing Ramblers by one-third. In the face of this evidence the other manufacturers are at last beginning to have doubts about whether their huge, shining, broad-finned models are really what the consumers want. For this reason the current trend of sales is vitally important, for on it depends the decision whether the Big Three will crystallise their arrangements for putting their own small cars on the market next autumn. All three are ready to go ahead—Chevrolet is said to have particularly attractive plans—yet they would all, it appears, prefer to put off the



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decision until 1960 if sales of their present models give them any encouragement. But time is getting very short if parts are to be ordered and tools installed for any new small cars, or indeed for any drastically redesigned large cars, in time for the coming, 1960, model year.

The decision is far from easy. A manufacturer does not want to eat into the demand for his existing lines, with which his new small model would presumably compete, until he is forced to do so. The foreign cars are not very cheap, for what they are, but the American ones, while they might be better in many ways, would certainly be more expensive and would not have the snob appeal of an import. For these and other reasons there are those who think that the American automobile industry might find a more lasting solution to its present difficulties if it turned its attention to improving its marketing methods. The expensive showrooms in the centre of town, the bargaining over prices, the individual service, all these extravagant practices look a little outdated when compared with the sales methods used by other mass production industries.

Big Help for Small Business

FROM A SPECIAL CORRESPONDENT

If business continues to improve, the next two years promise to be better for small companies than any they have had since 1947-48. Small firms usually benefit most from the first surge of economic recovery, since they can respond more quickly than the large ones to the first signs of an increase in demand. Moreover, the present recovery is favouring retail trade and light manufacturing, areas where small firms predominate—unlike the boom of 1955-56, when the accent was on heavy industry. According to preliminary estimates the profits of small firms are likely to be 25 per cent higher in the last six months of 1958 than they were in the first half of the year, compared with a gain of perhaps 15 per cent for all corporations.

This increase in profits, plus the greater availability of credit, has reversed the situation of a year ago, when small business appeared to be endangered by very low rates of profit and a credit squeeze. Early in 1958, Congress passed two Bills designed to relieve these hardships: one which provides considerable tax relief for small concerns, and another which makes more credit and equity financing available through the Small Business Administration. These advantages are coming to hand just as recession is giving way to a period of prosperity, with the result that individual proprietors and small corporations are likely to earn more, after taxes, and to attract more new capital than at any time in the past ten years.

There is no clear evidence that small business was doing badly before the 1958 recession. Figures compiled by the Federal Trade Commission show a declining trend in profits, in terms of dollars of net worth, for firms with assets of under $1 million. But such figures can be misleading, since small concerns often under-report their profits in order to avoid taxes. Also, a very large share of what might become profits and dividends, in a larger firm, tends to be paid out as proprietors' salaries. According to one estimate, profits in 1957 (plus owners' salaries) for the smallest manufacturing firms were 16 per cent of net worth—as good a ratio as for large firms, and as good as the results attained in 1947. The same study, by Professor Irving Schweiger of the University of Chicago, estimates that during the ten-year period over $50 billion was invested in starting or expanding small companies.

Most of such investment, however, takes place through informal (and unreported) channels, mainly in the form of personal loans by individuals to relatives or friends who are "going into business." Many small businessmen obtain funds for expansion by borrowing on their life insurance policies, or by taking out mortgages on their houses. Others may actually issue new securities to a few individuals in the same community. But only a small proportion of this financing involves amounts large enough to require registration with the Securities and Exchange Commission, and so little of it appears in the published statistics. Therefore, there is a sense of urgency about the whole "small business problem" although the majority of family firms may be doing well in ways known only to their tax accountants.

The companies who really want and need public capital, in order to grow, are a tiny fraction of the 4 million "small" firms, defined as those with fewer than 250 employees. But the American view is that every small business should have a chance to become big (or at least bigger) business, and for this sort of "growth company"—which is usually found in manufacturing—the traditional methods of finance have often proved inadequate. After extensive hearings Congress, early this year, authorised a new set of investment institutions to handle the problem. These will be known as Small Business Investment Companies, and their primary function will be to furnish long-term capital to small firms. They are to operate under the supervision of the Small Business Administration, which can provide them with funds if necessary.

The "SBIs"—which are due to start operating in many sections of the country after January 1st—may furnish a surprisingly large amount of new capital for the expansion of small business. Congress granted a number of substantial tax advantages to these new companies, and investors have displayed a keen interest, now that the risk of losing their money has been reduced. In some cities, the commercial banks have taken the lead, and substantial loan programmes are being built up for applicants who cannot qualify for normal bank accommodation. In all areas the interest has been greater than experienced lenders, or even the sponsors of the programme, expected.

Loans from these new institutions will be for longer periods (from 5 to 20 or 30 years) and cheaper (6 to 8 per cent) than anything generally available to small firms at present. Up to now, a small manufacturer wanting to buy machinery could not hope to get a loan for more than 5 years, and part of it would have to be repaid more rapidly. The commercial banks usually make such loans only to companies in a very strong financial condition, and only when there is a shortage of requests for short term loans. Other lenders—such as industrial finance companies—charge very high rates of interest (sometimes approaching 15 per cent). Even the leasing or time-payment plans arranged by machinery suppliers require interest of 8 to 10 per cent.

Furthermore, loans by the SBIs will be on an unsecured basis and, whenever possible, they are to be replaced at an early date by equity investment in the small concern; the law provides for favourable tax treatment for capital gains on such investments. Small companies receiving help from an SBI will not, therefore, have to worry about early repayment as they would with a bank loan. If they are willing to accept new equity capital, they need not repay the loans at all. And mortgages on their tools or buildings are not allowed.

Most of the loans to be made under this programme will be for less than $50,000, but one for $40,000, for example, would permit a small metal-working shop to buy two new machine tools and undertake a sub-contract for making aircraft parts. It would be enough to cover the remodelling of a small building and the installation of a press for making plastic specialties. Some loans will also be made for working capital in industries where the main problem is financing stocks. (An association of lumber dealers is starting an SBI to make such loans to its members.) Certain types of retail enterprises may be able to use SBI facilities. For example, a large new supermarket often requires $25,000 to $50,000 of new capital for such equipment as freezer units, cash registers, display racks and automatic conveyors. But, in the main, the money will be invested in manufacturing, particularly in modern machinery and small-scale construction—the two improvements which it has been most difficult for small concerns to finance.

Although the programme is starting modestly, with a $250 million appropriation for government aid where necessary, it may attract over $1 billion of private capital in the next few years. In fact, some bankers expect that nearly that much may actually be available to small business through the new institutions by 1960. This would be equivalent to 20 per cent of total investment in plant and equipment in 1957 by unincorporated businesses and very small corporations. Such a development would effectively insulate small business firms—at least the well-managed and growing ones—against any new shortage of credit from conventional sources. If credit generally is tighter, Congress is likely to increase the SBI programme and the direct lending authority of the Small Business Administration. Some observers may find it ironic that small firms—which are regarded as cradles of free enterprise—are to be insulated from the free capital market in the same way as farmers and the housebuilding industry. But at least the new programme provides encouragement for those who would rather expand under their own steam rather than sell out to larger firms.

Gag for Bankers?

Members of the Investment Bankers Association met in Florida early this month expecting to enjoy their usual sunshine, golf, and good fellowship. Instead, they had to listen to a stormy lecture from Mr Gadsby, the head of the Securities and Exchange Commission. Some of them, he said, were becoming too nonchalant about the provision in the Securities Act of 1933, which prohibits corporations from "offering for sale" any securities requiring registration with the commission before they have, in fact, been registered. To the SEC, an "offer to sell" has a broad meaning. It certainly covers deliberate publicity designed to whip up advance demand for any shares. What some of Mr Gadsby's critics fear is that the SEC, in sternly applying the letter of the law, may also include quite innocent statements of fact; this would tend to shut off, rather than to encourage, the flow of information to the investor.

The chief purpose of the Securities Act was to obtain full disclosure of the facts about each new issue. The filing of a complete and honest prospectus with the SEC was intended to lessen the advantage which insiders have over less privileged investors. But with the SEC determined to stamp out any premature and perhaps biased publicity, many companies are reluctant to release anything but the most routine news about their affairs. The SEC has a wide range of punitive powers. It may reject a security for registration altogether, but it can also punish an underwriter quite effectively by methods which are less drastic. Registration can be held up by demands for more information and an underwriter can also be required to wait the full twenty days required by law after filing an issue price. This is a form of financial torture normally not insisted upon as, if the market changes after the price has been fixed, an underwriter may be left with most of the issue.

The SEC has been warning investment bankers about premature publicity for over a year, but a case involving the Arvida Corporation, a Florida property concern, brought matters to a head. The underwriters issued two news releases before filing the first prospectus with the commission; later they filed another—less glittering—one. After the second press release the SEC took the issuer and the underwriters to court and won a judgment that the publicity had been a violation of the law and a promise from those concerned that they would not repeat the offence. A much earlier case, involving the issue of Ford shares, brought no legal action but still rankles at the SEC. There was so much publicity—none of it, the company insists, originating with the Ford Company or the Ford Foundation—that it was possible to issue the shares at a price which, according to Mr Gadsby, has not since been matched in free trading.

Hotels in the Air

NEW YORK

American hoteliers have turned their backs on the recession, which cut their gross income by 4 per cent, in the first nine months of this year, and are looking forward with enthusiasm to the dawn of the domestic jet age. They confidently expect the high-speed jet aircraft to stir the already mobile business world into a yet higher velocity of circulation, and also to sharpen the migratory instincts of those not blessed with expense accounts. In anticipation of this, the large hotel chains are indulging in a burst of new construction and, to impress on the jet traveller their interest in his patronage, much of it is taking place right at the airports. The Hilton Hotels Corporation, for example, will operate an airport hotel in New Orleans; it has acquired a building site near San Francisco's International Airport and is negotiating for a suitable position in Los Angeles. New York, Chicago, Washington, Boston, Detroit, Miami and Seattle are also being considered as possible candidates for inclusion in the new Hilton air arm.

The airport hotel is by no means an untried venture; indeed, experience to date has been most encouraging. At New York's La Guardia airport, business at the Travelers Hotel, which opened in 1956, has already justified a $1 million extension, while at Idlewild International Airport the 320-room hotel opened last May claims to have been operating at full capacity. The hotels are setting out to do more than cater to birds of passage. By providing a full range of luxurious facilities—from swimming pools to private banqueting rooms—they hope to persuade businessmen to by-pass the distant central city and conduct their affairs in the convenient, if arid, atmosphere of the airport.

THE WORLD OVERSEAS

How to Run a Lottery

FROM A CORRESPONDENT

A GOVERNOR of Gibraltar many years ago, who loved the bullfight immoderately, felt that his position as patron of the local branch of the RSPCA obliged him not to go to bullfights in the neighbourhood of Gibraltar. He went to bullfights in places further afield, like Malaga and Seville, instead. In much the same way British travellers who might not think of supporting a lottery at home, lose no time in buying a ticket in the Gibraltar lottery.

The government of Gibraltar has run a lottery once a week for eleven years. There had been lotteries before in Gibraltar to raise money for particular purposes (as there were in England in the 18th century) but the idea of a regular lottery was different, and was frowned upon. It was not till 1947 that the need for new revenue for expanding social services became so great that local objections were overcome and the approval of the Colonial Secretary obtained. In defending his decision in Parliament, he pointed out not only that the revenue was needed for useful public works, but that the lack of a lottery in Gibraltar caused an outflow of money to the Spanish state lottery in the neighbouring towns.

Lottery tickets worth about £9,000 are sold every week, most of them to residents ; but some are bought by visitors and some go to Tangier. The government takes about a third, some £2,700 a week, as its share and out of this it pays the running expenses of the lottery. The rest is given out in prizes. In 1957 the government netted £107,000 for the general revenue of the Colony in this way—more than enough to cover, for example, the education bill for a year. (Like the United Kingdom, Gibraltar has free compulsory education from 5 to 15, with grammar school education up to 17 or 18 for those who qualify under the eleven-plus.)

The mechanics of the lottery are straightforward. The tickets—18,000 of them, numbered and printed with an elaborate design on watermarked paper to prevent forgery—are sold in the shops and the streets on weekdays. On Saturdays the prizes are drawn in public. There are 43 fixed prizes from £25 to £2,000, and a lot of supplementary prizes. Thus, if the number of the first prize is 13764, everybody with tickets having the first 4 digits 1376 (0-9) gets £6 ; everybody with the first 3 digits 137 gets £2. Holders of tickets ending with the same number as the first prize, i.e. 4, get their money back. Altogether 2,223 people, or about 12½ per cent of those who buy tickets, get something. The result is that in a small and concentrated place like Gibraltar everyone seems to have a neighbour or relative who gets something, every week: it is not like the pools in England, where the winners always seem to live a long way away.

A whole ticket costs ten shillings; but each ticket is divided into ten sections of a shilling. A shilling section of course entitles you to a tenth of a prize. If you want to spend 10s. a week you can therefore either buy one whole ticket (and have an outside chance of winning £2,000) or 10 sections of different numbered tickets to spread your bet.

Twice a year there are special lotteries with more numerous and more expensive tickets than usual, and bigger prizes going up to £10,000. The special draw at Christmas is especially popular, and lottery tickets (a whole one costs £1) are a common form of Christmas present—just as in the weekly lotteries a common way of settling bridge and canasta debts is for the losers to buy lottery tickets, the profits of which (if any) all the players share. Tickets for the special draws are usually sold out weeks before the date of the draw.

The weekly draw is quite an excitement. It is held in a covered lobby below the Legislative Council Chamber, and is of course open to the public. It starts at 11.30 a.m., and most of the seats are taken a good hour before. Gleaming, impersonal, and electrically controlled, the machine that makes the draw is there, looking like something out of Harwell.

When the lottery committee is seated, and the cathedral clock nearby chimes the half hour, a hush settles over the chattering crowd seated in the lobby and even over the crowds in the street outside. A button is pressed ; 18 coloured balls are rotated in the first of five metal drums. After about 5 seconds one ball is ejected by an automatic device and runs slowly down a channel into a container. Each ball has its number and its distinguishing colour which the crowd can see. The first drum contains 18 balls numbered from 00 to 17, and selects the first two numbers of the 5 figures which make up each draw. Let us assume the first ball to be 12. In the next 3 drums there are only 10 balls. Each in turn rotates and ejects a ball. The second gives, say, zero, the third 5, the fourth 3. The number drawn is therefore 12053. Now comes the exciting part. In the last drum there are 43 balls. One is gold and is marked 1. This is the first prize. The second and third prizes have their own special colours, and there are 20 blacks for the £50 prizes and 20 white balls for the £25 prizes. This drum determines which prize goes to the number drawn. It may be £2,000 or it may be £25. The drum rotates—out comes a ball and a sigh almost of relief goes up from the crowd when it is seen that it is white. This means a £25 prize to number 12053. The result is chalked up on a board, announced by loudspeaker for the crowd outside to hear, and broadcast on the spot for all Gibraltar and Tangier to hear on their wireless sets. If, as sometimes happens, the first prize does not come up until almost the end, then the tension mounts ; and when at last it comes out, the excitement of the crowd can be heard to deflate.

UNDOUBTEDLY the most difficult part of establishing and running a lottery is the act of legislation to permit it at all. Experience in Gibraltar does not suggest that the lottery presents any social problem. People do not spend more than they can afford on lottery tickets. The expenditure does not involve families in hardship. The population is not rendered vicious or depraved. On the contrary, it is hard not to be pleased by the mild and pleasurable excitement that people, and especially old people, seem to get out of their shilling flutter every week. The act of legislating is, however, an occasion to raise objections on social, moral, and even religious grounds where politicians in particular are shy of answering. Practical objections present no great problem.

Perhaps the key to the success of a lottery is confidence. People must feel that the thing is absolutely straight. They must know exactly how much goes in prizes, and that the share taken by government is used for the general good. The more prizes there are, the better, so that in the course of time everyone knows somebody who has actually won a prize. One must also be able to collect one's prizes quickly, easily and inconspicuously. This matters especially in a little place. It can be a great convenience to be able to say without fear of contradiction that a new car or a new coat has come out of the lottery.

Dief and the Two Uncles

FROM OUR OTTAWA CORRESPONDENT

THE pattern of the TV-radio serials requires several sub-plots and several groups of characters to provide variety ; and this is one of the ways in which the story of Canada's Conservatives fits the pattern. With eighteen monthly instalments completed, 1959 opens with the hero in a perilous act of cliff-hanging trying to fight recession by deficit spending and to avoid inflation by borrowing, instead of creating, money. But when the hero has got himself off the cliff, regular viewers know that he will only have to face equally tense scenes with the two uncles who have played an important part in the story all along. They recall that the story started with declarations of devotion to the older and poorer of the two uncles. There was one unforgettable scene when the hero spurned the patronage of the rich uncle next door and promised to stand by the old family shack, for richer or for poorer.

But in a later episode the hero was revealed exchanging latchkeys with the rich uncle whom he had formerly spurned. Mr Diefenbaker approved the agreement for a common air defence for North America, which the Defence Department had worked out under the previous government, but which the Liberals refused to sign without a full political scrutiny. He accepted his defence minister's recommendation without even putting it before the cabinet, or even the cabinet defence committee. Whether this was a good thing or a bad one, said his opponents, it certainly should not have been done at a secret rendezvous in a smoky basement tavern. When the full implications began to be understood, it seemed to faithful viewers that even the hero and his friends blanched a bit. They found that they now had to participate in a massive continental plan for defence against manned bombers, involving the installation of an incredibly complex and expensive system of electronic ground controls, batteries of Bomarc guided missiles, and multi-million dollar computers. SAGE, or "semi-automatic ground environment," began to seem a fearsome giant. Besides, Canadians were not at all sure that they were afraid of manned bombers.

Apart from the great expense, this ends Canada's hopes of producing its own major defence weapons. Efforts are now being made to reach a bargain with the United States about sharing costs, and also to find ways of "integrating" North American defence production so as to give Canada a chance to get some of the business. But what brought the new realities home to most Canadians was the government's decision to postpone until the spring its decision on quantity production of the supersonic fighter, the Arrow, which A. V. Roe (Canada) has designed and test-flown. Sentence was not even suspended on the weapons-system and air-to-air missile which had been specifically designed for it. They were abandoned in October. The first public impression of the SAGE-Bomarc system was that it would replace the manned fighter ; but now the air forces are making it very clear that it will not. They want manned fighters too. A. V. Roe is trying to cut costs and adapt its machine to existing American weapons-systems and missiles, so that by the spring it can offer the best and cheapest fighter available. Maybe it will succeed.

But the bigger question is whether it makes sense for Canada to try to provide all these defences against manned bombers when they cannot be effective till 1961 at the earliest. Many respected Canadians, including General Guy Simonds, are saying that it does not. They want Canada to use its limited resources on conventional weapons and on research into the needs of a remoter future. The quandary is especially acute because most Canadians, certainly all the defence experts, agree that Canada would not dream of going in for all this gadgetry to defend its own cities against manned bombers. The project is proposed only because of Canada's position right in front of the rich uncle's door and its acceptance of joint air defence under joint command. It is too late to move away from Uncle Sam's door ; but Mr Diefenbaker and his colleagues are being criticised for having exchanged latchkeys without first discovering all that they were letting themselves in for.

MR DIEFENBAKER'S encounters with the older and poorer uncle have also left him in an anomalous position with an intriguing puzzle of unresolved motives. After his first fine gestures, the residents of the old family shack proposed sharing their stock-in-trade and going into business together. This was taking the heat of oratory far too literally and any further confusion between oratory and practical politics is being strongly discouraged. The oratory continues with little change of tone, and it has been unstintingly lavished on remoter cousins around the globe. But, of course, none of them gets any concession that is not given to the rich uncle, too. The hero and his followers used to be eloquent in denunciation of the tinkers who flock on to the old Canadian camp-site from the adjacent property, offering gold ornaments and flashy jewellery in return for the many woods and rare earths which the poor Canadians hardly know how to use. They present Mr Diefenbaker with the same problem that the old Indian chiefs had to face when the Hudson's Bay Company first sent its traders to collect their furs in return for rifles or bartered "store goods" ; and he seems to have found, like the more prudent of them, that there is no profit in challenging "the Company." In place of denunciation, smooth words of encouragement are now addressed to the tinkers.

But it would not be a faithful serial story if acquiescence brought peace and quiet. A rumble of trouble was heard

through the tribe last summer when word spread that the tinkers' trading activities were now being used to support a claim by the rich uncle to control the products of the Canadian camping-ground. From his sumptuous palace in far-away Washington he issued a decree that Canadian products which his tinkers controlled must not be sold to those wicked Chinamen from over the sea. Much as the Canadians liked the tinkers' gold bracelets, they did not like being told where they could trade ; and the hero found himself trying to change the rich uncle's order. He could not, of course ; the rich uncle still claims a right to tell his tinkers where they may sell the stuff they get from Canada, but he graciously consented to make exceptions sometimes if Mr Diefenbaker asked nicely.

Now the same thing has happened again, and the tribe threatens to get angry if Mr Diefenbaker cannot stop the encroachments of the tinker boss-man. Some of them are now being told to break up a nice little arrangement they had made which enabled the Canadians to make their own radio and TV sets instead of buying them from the tinkers and so having fewer gold bracelets to keep. There was nothing wrong with the arrangements by Canadian rules ; so all the Canadians—and some of the tinkers, too—are telling Mr Diefenbaker it is about time he made up his mind whether he is boss in the Canadian camp or whether he is going to let the rich uncle rule it from that faraway palace.

At this point the serial story takes on a dramatic irony, because all the regular viewers remember how at the beginning Mr Diefenbaker stuck his chest out and flourished a wooden sword, proclaiming himself the champion of Canada and saying he would make sure Canadians were masters in their own house. It is all very tense, and it is hard to guess how it will come round to the usual happy ending. Watch for another thrilling instalment.

Fact and Fantasy in Hongkong

FROM OUR CORRESPONDENT IN HONGKONG

THE slightly sinister arrival of Mr Orson Welles in Hongkong to star in a Rank thriller is admirably timed to suit the mood of conspiracy, " don't-look-now " whispering and " Third Man " intrigue that is at present bedevilling sensitive elements in the colony. The crisp golden air is rustling with stories of communist infiltration, of " peace-plotting " manœuvres against Formosa, of strange visitors, of mysterious kidnap threats, of " Quiet American " spies.

There are rumours that kerosene-tin loads of pencil-sized plastic bombs are being smuggled into the colony—but whether by the Kuomintang from American supplies in Formosa or by the Communists from supplies in Peking, no one is quite sure. A mixed-up film director is being regularly and confusingly lost, mislaid or discovered as he flees, hides or escapes from or into Kowloon or Canton ; in some vernacular papers, he courageously renounces his old communist beliefs ; in others, he stoutly reaffirms them. Peking has branded a number of earnest American cultural bodies in Hongkong as full-time espionage and sabotage agencies. A police guard was placed on the suburban home of a moppet because she went with her mother to play in a Nationalist-inspired talkie. The local " triad societies," or tongs, tremble under constant and lowering surveillance. At midnight, the timorous glance nervously up at the two cold brilliant lights on the top floor of the black bulk of the communist Bank of China, where, it is said, the resident communist Fu Manchus plot the destruction of Hongkong—but where, if the truth were known, an ancient reactionary caretaker probably dozes over a bowl of cold noodles.

It is always difficult to sift fact from fantasy, the real from the artificial, in Hongkong—which itself is still a most improbable but durable and flourishing anachronism. For all the gunsmoke and profitless destruction on Quemoy and the hot air and massing of guided missiles on Formosa, Lancashire fears and French tariffs—one would think—are a greater threat to the Hongkong way of life.

Yet it would be foolish to ignore certain warning signals. On all the evidence, the Chinese Communists never seriously intended to attempt a physical invasion of Quemoy or Matsu. On reasonable supposition, they now contemplate no active physical aggression against Hongkong. But Hongkong—as Chiang Kai-shek has dryly pointed out—is another " off-shore island " like Quemoy or Matsu. And if trouble is desired Peking can use other weapons than guns against Hongkong ; diplomatic pressure and export dumping externally, and political self-determination and labour unrest internally. True, the great majority of the Chinese population is anti-Communist and even pro-Kuomintang. But the local disparities between extreme wealth and grinding poverty are gross, distressing and reminiscent of 1940 Shanghai ; there will be abundant inflammable material when the comrades seriously set their minds to organised mischief. The bloody October riots, two years ago, when the surprised Communists were not the agitators but the victims, demonstrated how easily mass violence can be touched off in Hongkong—without organisation.

THOSE who should know best today soberly report spreading and systematic communist infiltration among school-teachers and Hongkong's so-called " trade unions "—the natural starting points of communist infection. The authorities now have power to close subversive schools and to sack troublesome teachers. Let there be no fatuous pretence of western-style democracy on this front: the government is determined that the excesses of the organised young hoodlums in Singapore's wealthy Chinese schools will not spring up in Hongkong. These precautions have already been denounced by Peking as " deliberate sabotage and persecution of Chinese educational establishments."

More aggressively, communist armed junks are threatening and seizing Hongkong fishing boats in order to compel the fishermen to join mainland co-operatives, whose fixed prices offer them only about one-third of the ruling Hongkong prices. If the Communists sought to apply literally their 12-mile territorial-waters limit from the islands that enfold Hongkong, the colony would be suffocated. But in spite of the present rumours and alarms, there is no real reason to think that Peking seriously wants to challenge or change the Hongkong *status quo* in the near future. Just as Quemoy and Matsu are probably more useful to the Communists while occupied by the Nationalists, so also Hongkong offers immediate advantage to Peking in its present foreign role of dollar-earner, intelligence listening-post and putative whipping-boy. Peking's tolerant indifference to Portugal's weak clutch on Hongkong's neighbouring colony of Macao, tiny and decaying, is plausible support for this view. The first signs of genuine trouble for Hongkong, one

imagines, would be the emergence of a serious nationalist (as opposed to Nationalist) party, donating a democratic franchise and other anarchy, or the onset of a plague of strikes. Presumably, too, Peking would revive the embarrassing pigeon-holed request for diplomatic representation in Hongkong.

Meanwhile, the American sailors are back again from their frustrated vigil in Formosan waters, spending on shore leave the dollars which always handsomely help to dismiss fugitive doubts and misgivings over alarmist rumours. The colony's business leaders—western and Chinese—still set their own values. The Chinese workers still accept their share. Certainly, Peking may make trouble some day. But to the Hongkong Old Hand that day of reckoning seems no nearer now than it did before the Amoy guns lobbed their first shells inquisitively on to Quemoy.

Economic Brake on Apartheid

FROM OUR CORRESPONDENT IN SOUTH AFRICA

ALTHOUGH the government's concentration on republicanism and race separation monopolises the headlines, significant trends and developments in the economic sphere are at present taking place in South Africa. The Union is experiencing tighter conditions in the domestic money market than at any time since devaluation in 1949, and its foreign currency reserves stand at under £100 million, which, although an improvement on last year's figure, is still well under the £120 million that is considered necessary for security.

The Governor of the Reserve Bank, Dr de Kock, recently drew attention to the fact that the deposits of the National Finance Corporation (of which he is chairman) have dropped from £99 million four years ago to £86 million last year and £78 million this. He pointed out that there had been an appreciable net deficit in the Union's balance of payments since 1954, which was reflected in a decline of £34,700,000 in the gold and exchange holdings of the Reserve Bank between September, 1954, and September, 1958, and which was accompanied by a decrease of £9 million in the country's total money supply. The Union's trade figures for the first three quarters of the year make disturbing reading too ; the adverse trade balance is at present running at over £142 million.

This change in the economic climate in South Africa coincides with the appointment of a new minister of finance, Dr Dönges, to take the place of Mr J. F. Naude, and of a new minister of economic affairs, Dr Diederichs, to take the place of Dr van Rhyn, who is to become High Commissioner in London. Dr Dönges's record suggests that he will be orthodox and conservative at the Treasury.

His task, however, is unenviable. Apart from a shortage of capital which is slowing down development on all fronts, particularly in the private sector, he will have to find the money to pay for some of the Nationalist party's ideological ventures. Apparently an attempt is going to be made to impress the three British High Commission territories (and the outside world) with the party's benevolence towards the African people by creating a shop-window of some kind in one or more of the reserves. The prime minister has announced the appointment of envoys to the white areas from the black. It seems to be hoped that this might make possible the incorporation of the so-called Protectorates which is essential to the grand apartheid design ; and incidentally to justify the removal of the Europeans representing African interests from the South African parliament. Moreover if the government persists with its Group Areas plans (which involve the compulsory removal, in a city like Durban, of between 75,000 and 80,000 non-whites, mostly Asians, and rehousing them) and its separate transport undertakings in urban areas, at least part of the money will have come from the central government, since the local authorities are making it clear that they cannot afford these ventures into political lunacy. On top of this, the uncertainty and frustration caused among employers and employees by job reservation experiments, added to the prime minister's anxiety to try to move industry nearer the African reserves, are causing a slowing down in production. Apartheid and continued industrial expansion are clearly incompatible and Dr Dönges will find it hard to square this economic circle.

Afrikaner Nationalism has high hopes of the doctrinaire Dr Diederichs. Obsessed by the idea that the Afrikaner has only a 10 to 20 per cent share in industry, commerce and mining, Nationalism has clear-cut plans to " rectify " this situation, and it hopes that with a " sympathetic " friend in such an influential position, the task might be speeded up. A university teacher turned politician after study in Germany in the inter-war period, he has for close on twenty years been the spearhead of the Afrikaner people's drive for economic power, and has on occasion sailed desperately close to the totalitarian wind in his politico-economic writings. He left the academic field to become head of a nation-wide organisation, the *Reddingsdaadbond* (act of redemption organisation) which was to give the Afrikaner his " rightful place " in the economic sphere. It sponsored Afrikaners in large and small ventures, mobilised Afrikaner capital, savings and purchasing power through the creation of its own banks, building societies and insurance companies, and generally propagated the idea that Afrikaners (about 60 per cent of the white population) should support Afrikaans undertakings wherever possible.

THE results have been spectacular, even to the extent of a further recent ambitious venture into gold mining finance and the proposed take-over of a second British tobacco company at a price of nearly £1,500,000. But the Afrikaner (Nationalist) leaders are not yet satisfied—there have been repeated references recently to the need to obtain " a larger share " in the country's economic life. There has even been an oblique hint that unless the Afrikaner obtained his fair share, he might be tempted to think of nationalisation of the gold mines as a means of achieving his end—a statement so damaging to a government looking anxiously for overseas capital that it was promptly repudiated by two cabinet ministers on the same night.

It is in connection with this drive for economic power that the appointment of Dr Diederichs is thought to be significant. In his first public speech after he had joined the cabinet he attacked the United party as the " party of the big capitalists," and talked earnestly about South Africa " looking after her own children "—a dig at " foreigners " and " strangers " who in the past had achieved " disproportionate " economic power. He hastened to add later that he would welcome foreign capital when it helped the country's development, and that he was in favour of private enterprise.

The Nationalist party's difficulty is that after campaigning against "foreign control" and "big capital" for so many years while in opposition, it now finds it difficult to restrain its followers from talking in the same way, much to it and the country's embarrassment. Similarly, nationalisation is very much in the party's blood, and it is not finding it easy to work the theme out of its system.

South Africa's problem, in a nutshell, is to try to find some harmony between apartheid and economic reality—a task many believe impossible because it is impractical—and to prevent race and sectional prejudices from hamstringing the further development which is essential if the economy is not gradually to stagnate. It remains to be seen whether a race-obsessed administration will manage this.

Germany's Grocers Organise

FROM OUR BONN CORRESPONDENT

THE little shops of western Germany are fighting back effectively against the encroachments of the big. There are so many little shops, not only down town but in the residential districts as well, that—whoever else may have been labelled a nation of shopkeepers—it must surely be the Germans who are the nation most addicted to earning a living penny by penny over the counter. Until about two years ago, most of these small shops were stagnating in woeful dinginess while their larger rivals, commanding ampler resources, refurbished their aspect and brushed up their methods. It began to look as though the small retailers, particularly the grocers, would hardly survive the competition of self-service store and supermarket. Yet they have rallied so vigorously that they have been able to recapture a great deal, if not all, of the custom they had lost to the mighty.

It is the grocers who have led the charge; and now that they are observed to be not only still alive but actually consolidating quite enviable positions, their tactics are being studied hopefully by all the rest of the apprehensive regiment of retailers. The self-service system, so recently considered unpractical in the small shop, or too expensive an innovation, is now being widely installed, and to the devil with the cost. The system is comparatively new to western Germany. In 1952 there were only 98 self-service shops. In 1957 there were 3,183. By the end of this year there will be some 5,000. Of these, as many as 45 per cent are owned by individual retailers.

But what is chiefly saving the little grocers is their decision not to go it any longer entirely alone. They are associating themselves more and more in *freiwillige Ketten*—"voluntary chains." These are a very different thing from the chains of stores run by a single company or a co-operative society. A voluntary chain in the contemporary German sense consists of a group of individual retailers who have undertaken to buy mostly from a particular group of wholesalers on the advantageous terms that such an association makes possible. The small man linked to the chain still keeps a sizeable piece of his former freedom. It is not a new system (it was first introduced in the United States in the early thirties), but it is new to Germany. There were no voluntary chains in western Germany ten years ago, when currency reform restored life to the body economic. Today 80,000 of western Germany's 230,000 retail grocers belong to one chain or another, and between them they already handle 40 per cent of the entire retail trade. The system is working so well that other classes of retailers struggling to compete with the big stores—notably drapers, outfitters and ironmongers—are planning to organise themselves in the same way.

The big four of the voluntary chains in the grocery trade are Handelshof SPAR, with headquarters at Frankfurt (55 wholesalers supplying 12,000 retailers); Deutsche VIVO-Zentrale, also based on Frankfurt (50 wholesalers, 12,000 retailers); A and O Allsichtorganisation, of Offenburg-Baden (60 wholesalers, 11,000 retailers; and Fachring, of Osnabrück (50 wholesalers, 6,000 retailers). There are several more. Nearly all are connected with voluntary chains in other European countries, including France, Belgium, Denmark and the Netherlands—relationships that are likely to be of greater importance after the common market has opened shop in January.

Financial advantages apart—and they are considerable—the charm of the voluntary chain to the small grocer is the lightness of its shackles. He keeps his independent legal status. He is encouraged to give his shop an individual appearance and to run it with a personal touch. He is not obliged to buy all his stock from the one source, though some chains fix a minimum quota. The badge of chain membership can be displayed as unobtrusively as the owner wishes. He can ask for advice about the management of his shop, but does not have to follow it. He can equip and decorate more cheaply through services offered by the chain. He and his assistants can take correspondence courses in salesmanship. He is spared the bother of dealing with over-many travellers and delivery vans. And, if he wants to, he can break away from the chain quickly and painlessly.

In the circumstances it is not surprising that the system is attracting the admiring attention of other trades. In the textile business plans are being hatched to link some 55,000 individual retailers, who together handle about 30 per cent of the west German trade. Hitherto 28 wholesalers have been in touch with 22,000 retailers through a Düsseldorf organisation calling itself the Textile Wholesale Ring. But the Ring has confined itself to giving advice, largely through a periodical, on fashions, window-dressing, stock-taking, book-keeping, and the like. It has done no buying.

MOTOR BUSINESS

The December issue of this quarterly research bulletin for the motor and allied industries includes

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THE REPLACEMENT DEMAND FOR AUTOMOTIVE COMPONENTS IN THE UNITED KINGDOM
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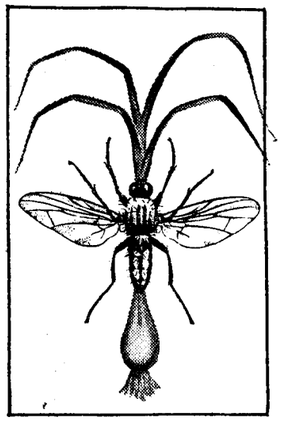
Small part of a miracle

Pink snowflakes, floating from the wind-stirred cherry tree: willow fingers wet with spring rains noisy on bright umbrellas. A landscape washed with soft and glowing colour, of new leaf and flower and bud. Spring in Japan—a time for loveliness. And for the farmer, worry. For in the awakening world, pests both below and above soil are also awakening.

In Japan, rocky and mountainous and desperately short of arable land, some 90 million people are crammed into only 142,800 square miles—of which under 20% will bear crops. Yet, despite often violent climatic conditions and a not naturally very fertile soil, Japanese farmers manage, by some of the most intensive cultivation in the world, to provide from 80 to 85% of the nation's food supply—a miracle of production calling for immense efforts of care and attention *and protection against loss.* For every ounce of food is priceless.

Among pests which attack the vegetable crops on the terraced hillsides, the onion fly (*Hylemyia antiqua Meig.*)—which also attacks leeks and shallots—is of considerable importance, not only because of the severe damage it causes but because of its rapid breeding cycle. Eggs laid on Sunday will by Wednesday be larvæ which will feed, destructively, on the crop for three weeks before pupating. Seventeen days later a new generation of adult flies will be on the wing. To control this prolific pest, known in many countries, farmers in Japan are now employing the same sure remedies as those who crop vaster fields in other lands: aldrin and dieldrin, the powerful insecticides developed by Shell. Aldrin, either as dust or spray, broadcast before planting at 2-3 lbs. per acre (2·2-3·3 kg. per hectare) or used as a row treatment during growth using ½-1 lb. per acre (0·6-1 kg. per hectare), will give effective and lasting control. And not only of the ubiquitous onion fly, but of many other threatening pests of the soil. In any language, aldrin means destruction—to those which themselves seek to destroy.



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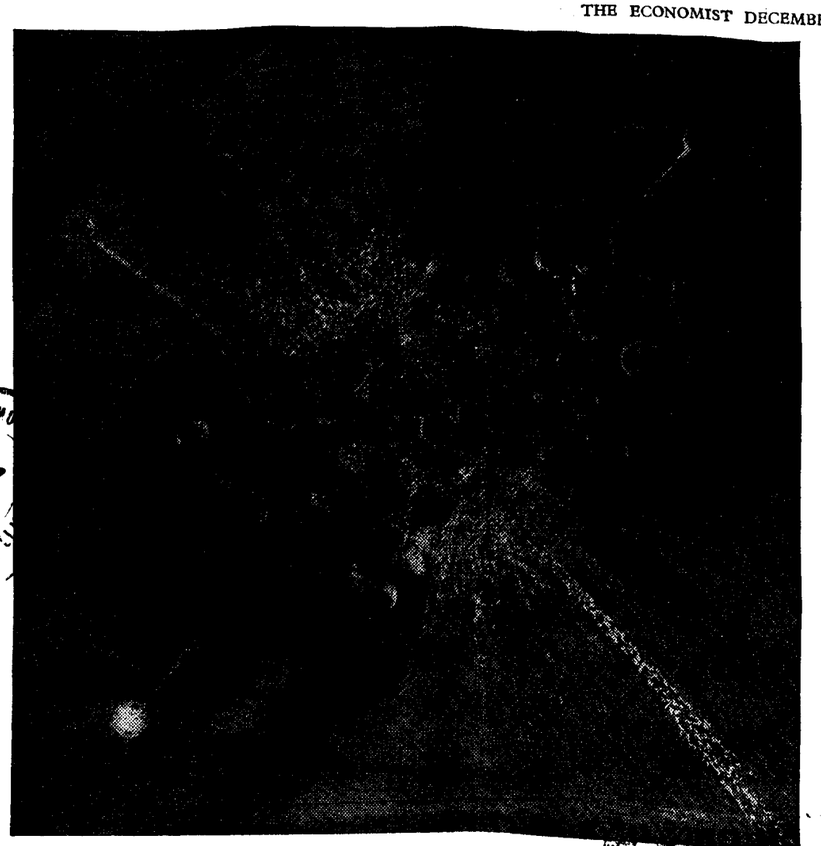

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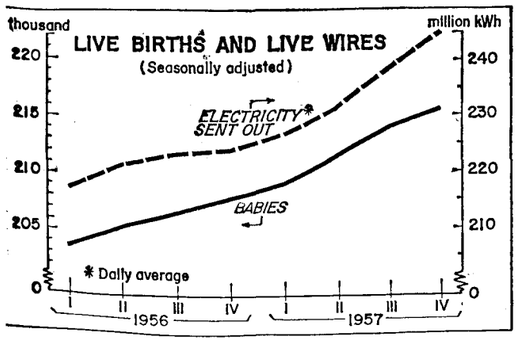
THE BUSINESS WORLD

Charts for Every Occasion

The chartists and statisticians of The Economist *emphasise that they have co-operated in the preparation of this article under duress*

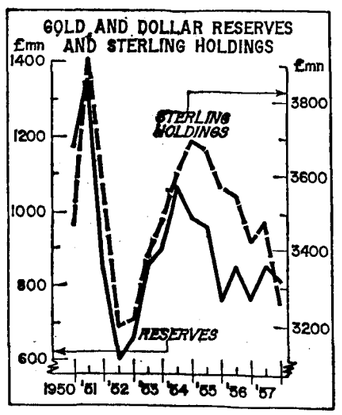
The entire staff of The Economist *asks all serious readers who persist in reading this article to burn it immediately afterwards*

SIR ARTHUR BOWLEY, that pioneer of modern statistical practice, used to warn his students about the pitfalls of correlation. He had found a perfect match between imports of bananas into the United Kingdom and marriages in nonconformist churches; but he doubted if there was any causal connection between the two. Bananas and chapel weddings are not to be found in the *Monthly Digest of Statistics*; but this unique compendium does record an equally striking correlation between the generation of electricity and the arrival of babies. Both are going up:



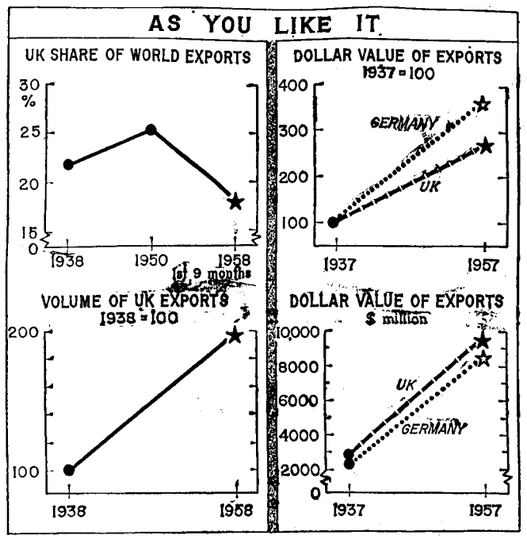
Chartery today offers infinite scope. It makes common sense scientific, and adds tone to the hunch. But the real master of the craft knows not only that vivid, visual charts can portray anything that can be put across in arid unread print; but also that vivid, visual charts can put across a lot else besides. The ultimate in chartmanship has an impact entirely independent of the figures that form its base. That is the extreme of the craft. Its essence lies in flexibility. The team taken on to show the directors the immense potential of the European market would be a poor lot if they could not produce, at this moment, even more impressive displays that the Commonwealth market is better anyway. But the new chartists still have some way to travel. There are still too few all purpose agencies producing charts to the order of all and sundry, firms, ministries, politicians; the lead in this field has in fact come from some surprising quarters. Here's how.

The first task, as every ad man knows, is to create an acceptable image. Fortunately, it is easy to kill stone dead at the outset any slur of impropriety or shady dealing; the top people in Whitehall are in the business, not the lowest people in Whitechapel. This reproduction from the 1958 "Economic Survey" is a splendid illustration. Here is a correlation that no chartist could resist; the pictorial effect—indeed the whole effect—would have been ruined if the two scales had been made the same.



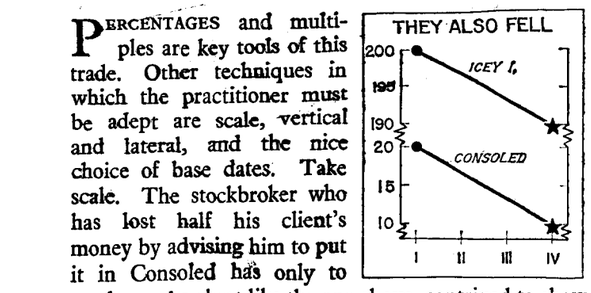
Since Whitehall is showing this interest in modern means of communication, it might develop a comprehensive range of pictorial display, much as it organises

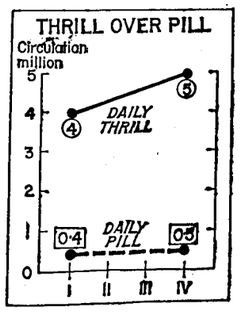
ministers' speeches, into set categories for different audiences. The top two charts shown next are

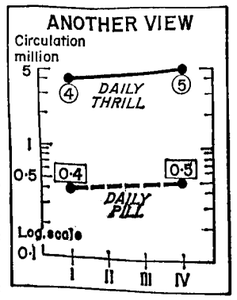


obviously suited to the Trades Union Congress; the bottom two use the same information for presentation to, say, the bankers and merchants of the City of London or the Zurich Chamber of Commerce. The Trade and Navigation Accounts are an unfailing source of whatever the speaker wants to show. A most satisfying diagrammatic representation would be possible of Britain's eighty-fold increase in 1958 in exports to Islands in the Indian Seas (Not Particularly Designated).

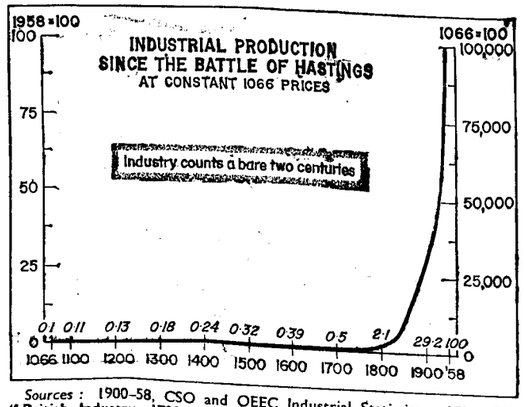
PERCENTAGES and multiples are key tools of this trade. Other techniques in which the practitioner must be adept are scale, vertical and lateral, and the nice choice of base dates. Take scale. The stockbroker who has lost half his client's money by advising him to put it in Consoled has only to send round a chart like the one above, contrived to show that he would have done just as badly in IceyI; who will notice that this actually fell by one tenth as much in the same period? In the same way, the offices of the *Daily Thrill*, to say nothing of its annual report and advertisements, will be replete with diagrams such as this showing a satisfactory continuation of the advance over the languishing *Daily Pill*. The highbrows of that newspaper will not be slow to point out the naivety of the arithmetic scale; the logarithmic scale shows correctly that in pace of advance *Thrill* and *Pill* have nothing between them—and, most gratifyingly, it shows the gap between circulations much smaller than those cheap fakers of the *Thrill* try to make out.





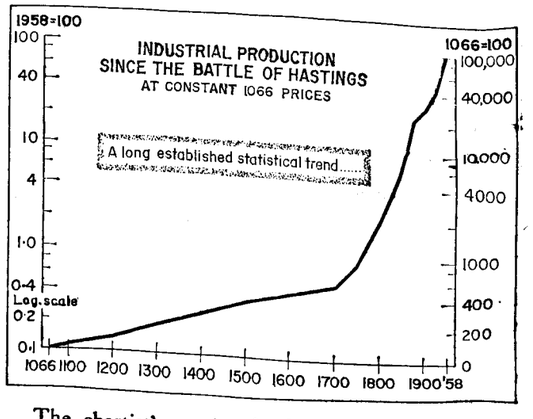


But the logarithmic scale really comes into its own on a long-term job. Take the conventional, simple minded view of what is known as the industrial "revolution." The picture is quite false.

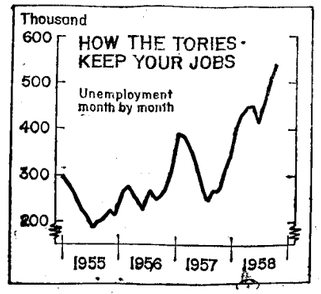


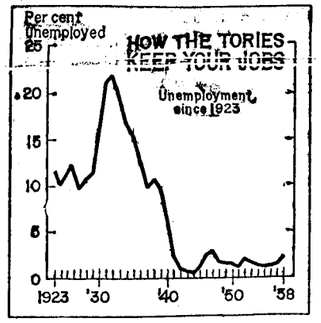
Sources: 1900–58, CSO and OEEC Industrial Statistics; 1700–1900, "British Industry, 1700–1950" by W. Hoffmann; 1066–1700, broad estimates from sample, nine leading blacksmiths.

To compare rates of growth at different times, one must go logarithmic. Here is a chart worth anyone's money, properly equating the doubling of industry's output between 1935 and 1958 with the corresponding proportionate rise in the number of copper saucepans in the middle ages:



The chartist's market is thus not confined to the world of commerce: his is the responsibility for the academic hit made by many a junior lecturer. But he can launch out most grandly with the politician.

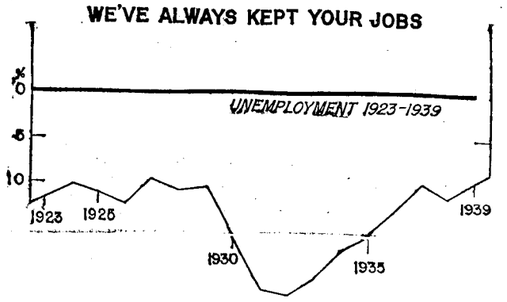




As a final instalment, we show here what can be done with the single question of unemployment. Client? The Labour Party. Demonstration? Easy. Eyes left.

Next client? The Conservative Party. Demonstration? Just as easy. Eyes left again.

This picture should give all the reassurances that are needed about postwar Tory rule; but some party diehards may still resent the slur on their prewar competence. This is a challenge to the chartist, but not insuperable. Valiant work is being done all the time in eliminating seasonal fluctuations. Much more is possible. An eminent econometrician was much in demand in academic circles before the war for the removal of trends of every kind. He invariably



performed the operation with outstanding success, but his techniques were a little complicated for the layman. No complication is needed to iron out so called fluctuations in unemployment between the wars. It merely means giving a job of work to the baseline: this new form ought to be particularly suitable for television, for the wavy baseline is a natural thing to drop out of the picture.

BUSINESS NOTES

BRITISH ALUMINIUM

A Reply Under Pressure

THE directors of British Aluminium have now made their reply to the bid made by Tube Investments in association with Reynolds Metals of 78s. in cash plus one TI ordinary share for every £2 of British Aluminium stock. What they promise is a temporary bridge between now, when earnings are low, and the future, when they expect earnings to be higher. They are offering to pay an ordinary dividend of 17½ per cent for 1958 (against 12 per cent in 1957) on the present capital and at least to maintain 17½ per cent in 1959 and 1960. The shares to be issued to Alcoa will not rank for any 1958 dividend and will not receive more than 12 per cent for 1959, 1960 and 1961.

This temporary double-decking of the ordinary capital is an attempt by the British Aluminium directors to make the stock worth 78s. now in advance of the time when new developments are earning money. This attempt is not easy to reconcile with the fact that Alcoa has been given the right to buy up to 4½ million shares at no more than 60s. a share. The manner in which they are trying to get out of this fix leaves them faced with another; if the medium run prospects are as good as they say, then Alcoa undoubtedly gets in too cheaply. The bigger dividend now promised to shareholders matches exactly the increased income promised in the bid, as TI, too, intends to pay at least 17½ per cent. But it does not match the earnings cover on the TI dividend. BA's 12 per cent dividend was covered twice in 1957, while TI's 17½ per cent is about four times covered. Beyond saying that 1957 and 1958 were "relatively bad years" and that the prospects for 1959 and 1960 are "better," the British Aluminium directors give no clear indications about current and prospective earnings. While 17½ per cent may be the most that British Aluminium dare pay for some time to come, TI has a good margin of earnings that might lead to a bigger payment.

A bigger dividend is a common defence by a sitting board of directors to a take-over bid. Occasionally it succeeds but more often it fails, when it comes too late and has an air of reluctant desperation. If a bigger payment is justified, why was it not paid before? If not, why are the directors proposing it now? A bigger dividend from British Aluminium does not alter the fact that the Reynolds Metals and TI bid offers stockholders an immediate capital profit. If that bid failed, would British Aluminium stand as high as 78s.? Stockholders need be in no hurry, for the offer from Reynolds-TI remains open until January 9th (with a possible extension for another month) and presumably they have not said the last word yet. Stockholders have an option. They can choose a capital profit now and an interest in aluminium at second hand through TI, with Reynolds Metals dominant. Or they may prefer the long term prospect held out enthusiastically, but not very precisely measured, by British Aluminium in whose affairs Alcoa will be dominant. Those among them who have noted how maladroitly the British Aluminium directors have handled the whole affair will be the harder to convince about this long view.

FOREIGN EXCHANGE

The Franc

THE foreign exchange market before Christmas was dominated by rumours of an impending devaluation of the franc. It was being predicted in Paris that General de Gaulle would proclaim a new unit for the franc on New Year's eve, knocking off two noughts and giving a rate of 15 (1500) to the pound. That would be a substantial devaluation indeed ; the present parity is 1176. In the overseas forward markets— there is no free market in Paris—the franc fell to discounts bigger than most people could remember: on Tuesday the London discount was 69 francs one month forward and 120 francs three months forward. The devaluation announcement was expected to be accompanied by measures of economic and fiscal reform ; plainly, a clean sweep is needed to enable France to hold its own in the common market.

HARD FIBRES

Advance in Sisal

FOR sisal producers 1958 is ending much better than it began. Since early November prices of all grades except sisal tow have risen by £4 to £9 a ton, bringing the top British East African grade to £78 a ton cif UK ; apart from a brief rally during the Iraqi crisis, this is its highest level for over two years. Demand for sisal cordage this year has been good. Bigger grain crops in North America have led to a bigger need for agricultural twine. Though the size of the European grain crops suffered from bad weather, the late harvest encouraged the use of combine harvesters and therefore the use of baler twine for straw. Spinners are now having to rebuild their stocks of both twine and sisal, and they are not finding it easy to obtain supplies.

Though output in British East Africa, the largest producer, has risen by over seven per cent to 202,000 tons in the first ten months of this year, that extra tonnage has been readily absorbed and prompt supplies are tight. If the recent labour troubles on Tanganyika plantations persist supplies will get tighter still. Other producers, such as Portuguese East Africa and Mexico, are also sold fairly far ahead, thanks partly to increasing demand from the United States. In the field of industrial cordage, too, sisal is benefiting from the continuing scarcity of manila hemp. Finally, Brazil is no longer such a weak seller, though it is not clear whether this change is one of policy or an indication that Brazil has less to sell. Having failed to persuade British East Africa to join the restrictive marketing agreement on coffee, the Brazilians are not bursting to meet the East African and other producers who want Brazil to abate its heavy subsidisation of sisal exports.

BRITAIN AND IMF

Debt and Credit

BRITAIN has renewed for a further year the stand-by credit of $738½ million with the International Monetary Fund ; it is also to begin repayment of the $561 million drawn from the Fund at the end of 1956, with an instalment of $200 million before the end of the Fund's financial year on April 30th. The outstanding balance will be repaid monthly during 1960 or 1961, in fulfilment of the general obligation to repay IMF drawings "within an outside range of three to five years" ; the Government might decide to accelerate these repayments "if the position warrants it." Early repayment achieves a useful saving in interest. The $236 million gold tranche is interest free apart from an initial service charge, but interest on the remainder rises to 2½ per cent per annum in the current half year, 3 per cent for the next six months and 5 per cent after the end of 1960.

This decision is a sign of confidence. The renewal of the stand-by credit (on which an annual charge of ½ per cent is payable) shows that the authorities still want to keep their defences against any sudden demands, which can always arise from the large sterling balances still outstanding. But sterling's recent performance has been very satisfactory, and the Treasury is no doubt hoping that the first instalment of $200 million will be found without difficulty from the net earnings to be expected in the seasonally favourable months of the new year. At the end of November, the reserves totalled $3,215 million (they will presumably fall this month as service of debts to the United States and Canada takes up some $194 million), compared with $1,965 million in November, 1956, before the drawing of $561 million from the Fund. At end-September last year, the reserves were below that figure despite the special support ; and the subsequent recovery was initiated by the drawing of $250 million from the US Export-Import Bank, repayment of which will begin about the time that the Fund is repaid.

BRITISH EXPORTS

Revival Qualified

THE full trade returns for November take some of the steam out of the sharp revival in British exports during the last two months. Taking October and November together, exports averaged £278.9 million a month, the same as a year ago, whereas between June and August exports were seven per cent smaller than in the same months of 1957. One element in this improvement is now seen to be a fortuitous bunching in deliveries of ships and aircraft to India, South Africa and Bermuda, which averaged £5.3 million a month, three times as much as a year ago. This spurt contributed to the 6 per cent increase to £118.7 million in shipments of engineering products in October - November. Of the other main groups, "other" manufactures rose by two per cent to £53.3 million a month,

EXPORTS BY MAIN GROUPS
October-November

	Average and change on Oct.-Nov. 1957	
	£ mn.	%
Engineering products	118·7	+ 6
Aircraft & engines	12·4	+ 27
Cars & chassis	15·3	+ 5½
Commercial vehicles ...	6·1	− 16
Railway vehicles	4·3	+ 35
Ships & boats	7·9	+181
Electric machinery	19·9	+ 7½
Non-electric machinery	41·9	− 5½
Metals	38·8	− 2
Iron & steel	15·9	− 12
Non-ferrous	9·4	+ 27
Manufactures of metals.	13·5	− 5
Textiles, includ. wool tops	23·4	− 17
"Other" manufactures .	53·3	+ 2
Chemicals	22·8	+ 2
Fuels	11·5	− 12
Refined petroleum	8·2	+ 5½
Foods	18·3	− 7

while exports of metals fell by two per cent to £38.8 million a month, a sharp increase in non-ferrous metals being offset by a fall in iron and steel and manufactures. The biggest decline was in textiles ; the only bright spot here was a 15 per cent rise in the volume of wool tops exported, though the fall in wool prices made the value of shipments 17 per cent smaller than a year ago.

Taking exports by markets, the outstanding growth is in the United States, shipments to which averaged £28½ million a month in October-November, 31 per cent higher than a year ago. The decline in shipments to western Europe has slowed down, but the October-November average of £67.9 million was still six per cent below that of a year ago. Shipments to the rest of the non-dollar non-sterling world, at £41.8 million a month, were 5½ per cent higher than a year ago, while shipments to the sterling area, at £128.3 million a month, were only £2 million less than a year ago.

After holding steady for two months, the composite index of import prices rose in November by one point to 99 (1954=100). Export prices stayed at 109, and the ratio of import to export prices rose by one point to 91.

ELECTRICITY

How Much for £2,130 Million?

ONE rather notable omission from the booklet "Power for the Future" that the Electricity Council has issued to explain how it intends to spend £2,130 million between this year and 1964-65 is any figure of how much generating capacity it intends to have in commission at the end of its investment spree. The Council, speaking on behalf of the Central Electricity Generating Board and the twelve Area Boards, reckons that peak demand in average cold weather in the winter of 1964-65 may reach 29,500,000 kW. It says that between 1959 and 1964 the industry will put in about 12,250,000 kW of new plant, and that at the end of March this year it had 24,320,000 kW of plant in service. "A part of this new capacity," it adds, "is required to replace old plant, but for the most part it represents a net addition to the Board's system." It also talks hopefully about an increase in load factor, but since it gives no forecasts of total electricity consumption this again blurs any indication of the capacity it intends to have in operation.

These are rather notable gaps in so large a prospectus ; they may be related to some uncertainty about the rate of expansion in the whole economy upon which to postulate growth in the use of electricity (though there are some forecasters who would argue that electricity consumption rises at a predictable rate, virtually independent of general economic growth). Sir Christopher Hinton, for example, has recently spoken of some downward revision of earlier estimates of growth. And a number of the big interlocking investment programmes of recent years are already being reviewed.

Since it has suffered so many checks and jerks in its actual investment over the years, one cannot expect electricity to offer reductions in advance. It is presumably providing for much more scrapping of small and out of date stations than it has done since the war (only 600,000 kW of plant were taken out from 1948 to 1958). For years the industry was short of capacity and struggling to establish a winter-time margin of reserve power: moreover, in an industry where the last kilowatt of peak capacity may not be required for more than a few hours a year, the economics of replacement are not easy to assess. By varying the amount of old plant scrapped, the industry can within limits adjust its total capacity irrespective of the amount of new plant it builds and brings in. Most of this industry's forecasts about demand, in the past, have in fact had to be adjusted upwards, not downwards. Even so, this plan to spend thousands of millions of pounds without disclosing what one expects to have at the end is a reminder of the ease with which nationalised industries such as this one can lay their hands on cheap capital, to satisfy demands that may be inflated because their product has been sold over the years too cheap.

RECORDS

The First Setback

THE record industry is experiencing its first real setback for years. Numbers of records produced are not a reliable guide, since the old 78 rpm records are going out of fashion to be replaced by the longer playing and more expensive 45 rpms—production of the one has almost halved, and of the other almost doubled, during the first ten months of this year. Manufacturers' sales give a better indication of the state of the market. For the first four months of the year they were running six per cent higher than in 1957 (January's output of more than nine million discs was the highest ever). They started to decline in May, then recovered slightly in the autumn only for the decline to set in again, during October, with no sign of lifting before next spring. Sales in October were nine per cent lower than the year before.

There are two obvious, and one slightly less obvious, reasons for this fall. Exports to Europe are down by as much as 20 per cent in the case of some big companies. This explains the drop in the value of export sales, which are now averaging five per cent less than they did in 1957. Exports account for nearly a third of the industry's business. Secondly, retailers are beginning to hedge against what they think is a probable reduction in purchase tax in the near future. Records attract tax at the rate of 60 per cent, which the retailer must pay at the time of delivery. The shops prepared for a possible autumn budget by running down their stocks and seem likely to continue this policy, even if it means losing sales, until next April. A third factor behind this decline might well be the absence of any outstanding new personalities in the industry. A surprisingly high proportion of the current "top twenty" records are made by artists who were more or less unknown a very short time ago and who have reached that eminence by selling about 200,000 records instead of the 300,000 that they would have needed to qualify a short while ago.

BREWING RESULTS

Bass and Guinness

BASS, Ratcliff and Gretton and Arthur Guinness are still the giants of the market in bottled beers. They are long-established breweries, which for many years have distributed and advertised their bottled beers on a national scale.

But this market has been invaded by others and Bass and Guinness now face national competition as well as intensified competition locally. The two breweries have chosen slightly different ways of meeting this challenge. Bass, which owns a big chain of public houses, has been the more conventional. It has spent large sums on capital improvements and developments; it has rationalised the selling, distributing, sales accounting and administrative functions of its subsidiaries (which has already led to "more economical working"); and it has made trading arrangements with other brewers. Thus, while Bass's recent agreement with Watney Mann had no effect on the latest trading results, the chairman, Mr C. A. Ball, is confident that "both companies should derive benefit from the association." In contrast, Guinness has gone outside brewing altogether by acquiring the confectionery manufacturers, William Nuttall.

In both cases, the differing policies have had some success. Sales by Bass were "well maintained" despite the bad weather, the fall in consumer spending, and strikes; its trading profits, however, rose by only £14,677 to £2,883,256 and its ordinary dividend was left unchanged at 46 per cent. Lord Iveagh, on the other hand, reports that though exports continued to expand, the growth of sales by Guinness in the home market was halted, and he sees no grounds for any "immediate or dramatic" improvement. Nevertheless, the group's profits before tax rose from £7,460,763 to £8,154,394 and the ordinary dividend was raised from 25 to 28 per cent. The main reason for this advance is that the profits from the group's non-brewing interests have risen from £867,327 to £1,170,127; and the subsidiary, Nuttall, has declared a substantial interim dividend to the parent company. While the profits of the Park Royal breweries have risen from £2,915,156 to £3,442,719, those of the Dublin breweries, which are responsible for a proportion of the trade in Great Britain as well as for all exports and all sales in Ireland, have fallen from £3,678,280 to £3,541,548.

SHIPPING

A Scheme for Tramps

INTERNATIONAL co-operation in what is traditionally a fiercely competitive market has been carried a stage further with the acceptance by representatives of the dry-cargo tramp shipowners of twelve countries of a scheme to maintain some control over the supply of tonnage. It aims at relating the supply of tonnage to the volume of traffic, but it leaves owners free to operate at whatever they regard as economic rates of freight. Thus it resembles the international tanker pool that operated successfully before the war. Owners of operating tonnage would contribute to a fund to compensate owners of laid-up tonnage. Compensation would also be paid for tonnage sold for breaking up, thus encouraging the scrapping of uneconomic ships. The scheme has been under discussion for some months by the International Chamber of Shipping, against a background of seven million deadweight tons of laid-up dry-cargo ships and freight rates scarcely at "break-even" levels.

Some control over the return of laid-up ships to service could help to stabilise freight rates. But the success of such a scheme depends on its acceptance by the majority of tramp owners. The countries that have accepted the plan include Australia, Canada, France, Germany, India, Italy, Japan, the Netherlands, Spain, Switzerland and the United Kingdom. The notable absentees include the Scandinavian countries and the "flags of convenience" countries, Panama, Honduras and Liberia. The Scandinavians' participation is not absolutely necessary, but it would be essential for ships registered in Liberia and Panama to be in, since they account for about 45 per cent of the tonnage now laid up. These countries are not members of the International Chamber of Shipping, as they have no national organisations of shipowners. They are known, however, to favour any international measures of co-operation approved by British shipowners.

SHARE INTRODUCTIONS

Compromise for Introductions

THE Stock Exchange Council has lifted the ban on stock exchange introductions of ordinary shares imposed in October after the scramble to secure Pyrotenax shares. In the past introductions have represented a mere 3 per cent of all applications for quotation, and have often been used by private companies with a large spread of holdings that made it impossible to bring to the market a large number of shares at a fixed price for a placing. The Council still hold to the opinion that a public offer, or failing that a placing, is the best method of bringing ordinary shares to the notice of investors, but it recognises special circumstances where these methods are impossible. It will in the future permit an introduction only in "very exceptional cases." Vetting of this kind should make the introduction even rarer.

The Council is also concerned that introductions should be made in an orderly fashion. It has therefore laid down a period of consultation between the granting of the quotation and the effective date of dealings. Normally, the Committee on Quotations will consider applications on Fridays and if permission is granted dealings will begin on the Tuesday following. The idea is to give opportunity for the brokers of the issue to estimate the supply of stock that may come forward and for the jobber to estimate the potential demand. The broker's duty is to get the best possible price for his client and he may not fix a price with the jobbers in advance or make conditional arrangements with them. Additional time to estimate supply and demand may give the jobbers a better idea about the opening price. That may prevent some milling scrums from forming round their stands—though it may not stop them altogether, for an orderly market still depends on the jobbers' prescience and jobbers are fallible.

LATIN AMERICA

Argentina's Exchange Plan

IMPORTANT changes are in prospect in Argentina's payments arrangements; and these could give much needed support to ambitious plans made recently for a break from bilateralism in payments between Latin American countries themselves. Argentina has for some months been negotiating a credit with the International Monetary Fund. The Fund seems to have made it clear from the outset that aid would be conditional on a move away from the existing system of unrealistic and multiple exchange rates. Accordingly, Argentina has prepared a plan, which may be put into operation very soon, for a single exchange rate applying to transactions with all areas, fluctuating according to the supply and demand in the market, and backed by an exchange stabilisation fund to be provided by the IMF and private banks in the United States. This follows recent precedents set by some of the smaller Latin American countries. The scheme would involve the demise of the "Paris Club," the arrangement under which Argentina pools its earnings of sterling and most other European currencies for spending in any of these currency areas; this arrangement is needed only while Argentina's basic system is a bilateral one. But if the exchange market is freed completely, as seems to be the intention after a provisional period, the Argentine government will no longer have access to exchange at specified rates; and there are some fears that it might then have difficulty in keeping up the repayments of European debt that have been agreed under the Paris Club.

Latin American Clearing?

THE scheme for greater freedom of trade and payments within Latin America was carried a stage further at the second conference of Latin American central bankers in Rio de Janeiro last month. The first significant steps towards economic integration in Latin America were taken when five Central American republics formed an "organisation" for their common aims soon after the war. They have recently signed a Customs union and a transit agreement, and "regional" industries able to sell freely in all five republics are already being established. The example of the European Economic Community has given stimulus to the movement all over Latin America, and Dr Raul Prebisch of the UN Economic Commission for Latin America is its leading advocate. He has wisely started by tackling the question of payments, and the Rio de Janeiro conference has just signed three documents, vaguely inspired by the OEEC and the EPU, designed to liberalise inter-Latin American trade and to establish multilateral clearing for outstanding balances in bilateral agreements. In practice, these balances have not been convertible into dollars or other acceptable currencies. These balances—called, rather anomalously, "agreement dollars" have been quoted in free exchange markets, at widely varying rates; as they are valid only for settlement of trade operations, arbitrage is not possible. The scheme for pooling the stagnant balances and arranging a form of payments union, under the able administration of the ECLA, is a useful step forward; it follows a lead given by Argentina, Brazil and Chile in September when they agreed to make their balances transferable between themselves.

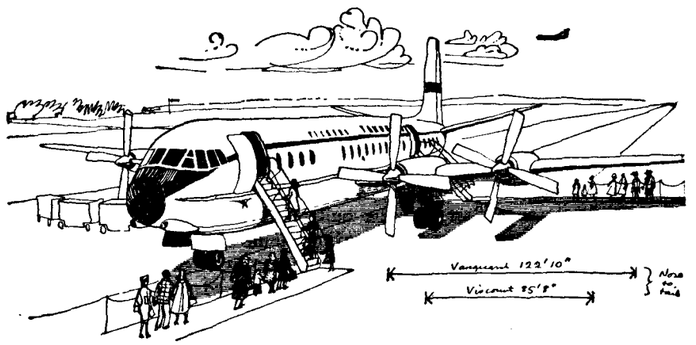
STEEL

Strip Mill without Tears

TO the layman the words "steel strip mill" denote one of those things that they have at Ebbw Vale, Shotton and Port Talbot, or, more dubiously, one of those slightly different things they are going to have at Newport and Ravenscraig. A more modest (and less controversial) kind has come into commission at Rotherham during the last year without attracting any of the notice or argument that its bigger brothers so often do. Steel Peech and Tozer, one of the constituent companies of the United Steel Group, have brought in a continuous hot strip mill capable of rolling about 8,000 tons a week of strip up to 18 inches wide, which comes in between the company's own narrow-strip mill, Templeborough, and the wide strip mills, which pro-

The Vanguard

WHETHER the Vickers Vanguard airliner, which is about to make its first flight, proves to be the last of the big passenger-carrying turbo-props to go into service or the leader of new competition against jet aircraft will depend on the performance of the new jets during the next few years no less than on the efforts of the salesmen and engineers of Vickers-Armstrongs.



The Vanguard, though not the biggest aircraft to be built in this country, is designed to carry the largest number of passengers. It has space for 139 third-class seats in the upper half of the aircraft, with a capacious freight hold beneath. It was tailored in 1955 for BEA's special requirements on medium range work up to 2,000 miles; it is one of the few big aircraft designed with the overriding idea of cheap operation. By the time the Vanguard was ready for service in mid-1960, it was assumed, airlines and their passengers would be taking the higher performance of turbine-powered aircraft for granted, and would be more interested in economy than in the highest speed and luxury.

This assumption still holds good. But the airlines today have to be convinced that a big turbo-prop is necessarily the cheapest way of moving passengers between two points. Twenty Vanguards each have been ordered by British European Airways and by Trans-Canada Air Lines. Other operators, particularly those in Europe whose requirements resemble those of BEA, have preferred to make-do with the larger type of Viscount and to supplement it either with a short-range jet like the French Caravelle or a medium-range one like the Convair 880. BEA has itself ordered a new jet fleet from de Havilland.

The present system of fares charges the same for flying in the faster jets or the slower Vanguard. An attempt has been made to impose a surcharge on jet fares. What Vickers-Armstrongs need to prove their claim for the Vanguard's economy is a reduction of fares on turbo-prop aircraft. Vickers believe that the Vanguard would still make money if fares were cut by 50 per cent. They certainly need orders for the new Vanguard; its development has been financed entirely by them, and more than £12 million is tied up in the project. Sales of about 80, at about £1 million each, are needed to break even.

duce strip up to 80 inches wide. Ebbw Vale has a 56-inch hot mill, Shotton a 60-inch mill, and Port Talbot an 80-inch: nobody has yet announced the widths for the new semi-continuous mills to be built in Scotland and Wales.

The new medium strip mill at Brinsworth, across the road from Templeborough, cost £4 million to put down: from site preparation to commissioning, it took just over two years. Provision for extra melting capacity had already been made in the postwar steel melting shop at Appleby-Frodingham at Scunthorpe: a new open hearth furnace there, commissioned at the end of 1956, will send Brinsworth almost 10,000 tons of ingots in specially-constructed cars built by British Railways. The soaking pits and the cogging and slabbing mills at Templeborough have been modernised to increase their capacity. One item in the instrumentation of this mill is a "Centralograph" system that uses detecting contacts on the various machines in the mill train to transmit electrical impulses recorded centrally on a time-referenced diagram, and thus records machine time and idle time, together with code numbers showing the reason for any stoppages. Analysis of these "centralogram" records, as time goes on, should enable suitable adjustments to be made to rolling programmes: the United Steel Companies indeed possess a considerable band of cyberneticists to whom such problems are fascinating.

BUILDING SOCIETIES

When Rates May Change

At its recent meeting the council of the Building Societies Association decided, apparently without dissent, to leave its recommended rates unchanged at 3½ per cent net paid on shares and 5 per cent charged on mortgages. This decision was no surprise, but the statement after the meeting hinted at a slight change in thinking. It noted that the rates paid by the societies are "largely governed" by competing rates paid on National Savings Certificates and similar media and continued:

> The flow of funds to building societies has recently improved but, even so, societies are still unable to meet in full the demand for mortgages. Until this improvement is more firmly established the Council cannot recommend any change in rates of interest. . . .

If funds continue to flow into the building societies at present rates, this statement seems to imply, the council might come to recommend a lowering of rates without necessarily waiting for a reduction in the rates offered on National Savings. That could be so, if only because competition between the societies—conscious always of size, growth and prestige—for new mortgage business could in itself bring rates down.

The Halifax, which is not a member of the association, has already reduced its rates. The Housing Bill, by providing new money for mortgage lending and by conferring trustee status on many societies, might well stimulate new investment in shares and deposits. If so, there will be a potent influence on the other societies to follow the example of the Halifax. The committee stage of the Bill may bring amendments, but it looks as if the Government will not budge much, if at all, on the requirements for trustee status—not even on the question of size. The Bill enhances the power of the Building Societies Association and that body may in turn make membership conditional upon fulfilment of the Government's requirements for trustee status—other than the minimum limit of £500,000 of assets. But the arithmetic of reserves and liquidity ratios is not the only criterion. Mr Henry Brooke emphasised in the debate on the second reading that the powers given to the Chief Registrar were permissive and not mandatory. If a society pursues an unsound lending policy, the Chief Registrar can withhold his approval even though it passes all the arithmetical tests. That may help the movement to keep its ranks clear of building societies whose business has more flavour of property finance companies.

BANKING FIGURES

New Bank Statements

A further innovation is being made in the collection of bank figures. The clearing banks have decided, in connection with the arrangements under which the Bank of England may call special deposits, to supply figures for mid-December and mid-June comparable with the run of monthly statements, which are prepared on the third Wednesday of each month except December and June. Comparisons between these statements on the one hand and the balance sheets at December 31st and the June 30th statements on the other are significantly distorted, partly because of special influences at the end of June and December. One of these is to swell the banks' deposits and advances—and perhaps their cash too—in the end-year and mid-year figures. Thus it was obviously desirable for the banks to get a "clean" basis if there were any question of calculating calls of special deposits—a question, it is to be hoped, that will never arise. The figures for the middle of this month are not being published, but it is believed that the banks intend to publish the mid-June and mid-December statements in future. It is very much to be hoped that they will (without discontinuing the run of mid-year and end-year statements); there is nothing to be said for producing one lot of figures for the shareholders and the public and another lot for the authorities.

NEWSPRINT

Free Market—and Lower Prices

Among the blessings of the New Year are a free market and lower prices for newsprint—though not everyone will view them so. The Newsprint Supply Company will cease business on December 31st, and thereafter consumers will be responsible for obtaining their own supplies. The company was set up by the British Press early in 1940 to buy imported and home-produced newsprint and sell both kinds at an equalised price, currently £57 15s. a ton delivered. Bowater, which dominates the domestic industry, is cutting its price by 30s. to £58 10s. a ton delivered from January 1st, and the Scandinavian mills are cutting their prices by £2 to about £53 a ton cif UK. The Scandinavian mills supply roughly 18 per cent of Britain's needs and the home mills about 45 per cent. The rest comes from the Canadian mills, whose prices are approximately Bowater's new price. While the pulp used for making newsprint has become a little cheaper this year, the main reason for the fall in newsprint prices is the pressure of a buyers' market.

The free market will be no more perfect than free markets usually are. In the days when the supply company was struggling to buy all the newsprint it could, it agreed to try to keep the proportion of British consumption met from Scandinavian supplies, in particular, at the 1956 ratio. As consumption has ceased to grow, the big consumers are having to make room for Scandinavian newsprint in 1959, at the expense of their purchases from Canada and the home mills. The largest newspaper groups in Britain have extensive interests in the manufacture of newsprint, particularly in Canada, which somewhat qualifies their interest in seeing newsprint prices come down. The Scandinavian manufacturers have opened an office in London to act as their central selling agent. In so far as this collective agency proves to be a stronger seller than its individual members would be, Bowater presumably welcomes this development. But with newsprint in surplus no one can be sure that competition will be as restrained as some manufacturers would like.

TIN MARKET

Negotiations with Russia

International negotiations to limit exports of Russian tin are taking longer than was expected. The International Tin Council was unable to announce an agreement after its meeting in London last week, but negotiations should be completed before the end of the month. Despite the restrictions on imports of Russian tin by Britain, Holland and Denmark, the threat to the tin agreement has not been entirely removed. The limits on imports of Russian tin into those countries, plus the tin moving under trade agreements with Germany and Austria in 1959, exceed 11,000 tons a year. This is well below Russia's exports to Western Europe this year but it represents about eight per cent of free world consumption. The agreement with Germany provides for an increase of 1,000 tons to 4,000 tons in Russian exports in 1960, and it is possible that some Russian tin finds its way into some of the main consuming countries by devious means. The producing members of the council will obviously be happier if Russia can be persuaded to restrict its exports to what they would regard as a reasonable level.

The council also announced its approval of arrangements whereby producing countries might barter tin to the United States stockpile, in exchange for surplus American farm products. Tin so transferred, naturally, would not come out of a country's export quota, but the maximum stock it is allowed to hold would have to be reduced by a like amount. The council as a whole is properly concerned to prevent a country, barter transactions permitting, from systematically disposing of tin to the stockpile, re-building its stocks, and thus maintaining output at a high level. This would increase the pressure to increase the quotas, and would enable a country immediately to take advantage of any increase or removal of quotas. But it may not have been easy to persuade all producers to take the long view.

SCIENTIFIC RESEARCH

New Look for DSIR

The Department of Scientific and Industrial Research has long been the Cinderella among government-sponsored laboratories. When the Ministry of Supply was spending generously on research and development in atomic energy, aircraft and electronics, the DSIR was trying to stretch its lean budget over all other types of industrial research. During the past four years, since its finances were based on a five-yearly, instead of on an annual grant, the DSIR has been trying to cut its commitments within its income. It has not been easy. To wind up any line of research arouses great outcry, as the decision to close down a 13-man research unit investigating industrial bacteria has lately shown.

For the five-year period 1959 to 1964 the DSIR is to get a much increased grant of £61 million, against £36 million for the five years ending next March. This bigger grant to civil industrial research comes when the Government is cutting down research spending in other fields, notably in aircraft, and it should help to lessen the concentration of research effort on the defence industries. Moreover, the DSIR is not expected to spend all this new money in expanding its own research although some new laboratories will be built and staff is expected to increase by 30 per cent. Much of the extra money has been earmarked for grants to cover some or all the cost of work done at the universities.

MOTORS

Output Steady

Production of motor vehicles in November totalled 103,337, of which 79,332 were passenger vehicles (including taxis) and 24,005 were commercial vehicles (including tractors). This compares with a total of 128,902 in October; but October was a five week month, and weekly output was virtually the same in both months, at about 19,800 passenger cars and 5,900 commercial vehicles a week. This rate of production is about two per cent lower than in September, but is nonetheless an extremely good one for this time of year. Output last month was about five per cent lower than in November 1957; this is the first month this year for which this has been the case. But it must be remembered that the industry had reached its low point in the third quarter of 1957 and that production had started to rise again in the fourth quarter; thus comparisons between this November and last reflect mainly the increase in last year's production, not a drop in this year's.

Exports of passenger vehicles in November totalled 36,506, compared with 39,425 in October and 41,081 in November 1957. Exports of commercial vehicles (excluding tractors) totalled 8,685, against 7,953 in October and 11,538 a year earlier. In the first eleven months of this year 450,430 passenger vehicles and 105,243 commercial vehicles have been exported.

MALAYA

Banking Sovereignty

The new Federation of Malaya has recently amended the banking laws to give the government the power to close down on three months' notice any bank operating in Malaya that is under the effective control of a foreign government.

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This provision is aimed solely at the Bank of China, which is an off-shoot of the Chinese Communist administration in Peking. It has two branches in Malaya which could be closed if the Federal Government decides to invoke its new powers.

The new central bank, established on lines recommended by Mr G. M. Watson of the Bank of England and Sir Sydney Caine, is beginning operations in Kuala Lumpur with technical assistance from the Bank of England. The central bank will in due course take over the issue of currency from the Currency Board; and the statute gives it power to prescribe for the commercial banks minimum ratios of liquid assets and the balances to be kept with the central bank. The door is open for collaboration, and perhaps ultimate fusion, with the central banking authorities in Singapore; but the prospect of such a move is dwindling as the possibility of political amalgamation of the two territories becomes more remote.

Malaya's currency reserve of some £115 million is now held in sterling. There are indications that when the currency issue is taken over by the central bank there will be some switching from sterling into gold and dollars. The finance minister, Sir Henry Lee, after his return from the Montreal and New Delhi conferences, said that he had discussed this proposal with the Chancellor of the Exchequer and pointed out to him that Malaya had long wished to use part of its dollar earnings to build up its own reserve.

SHORTER NOTES

In a Business Note in *The Economist* of December 6th, discussing the contemplated purchase of the ordinary capital of Amalgamated Press by the *Daily Mirror*, it was stated in passing that the *Mirror* owned most of the ordinary shares of the *Sunday Pictorial* and that the *Sunday Pictorial* owned most of the *Mirror*. This is incorrect: in fact, the *Mirror* is the largest shareholder in the *Sunday Pictorial* and the *Sunday Pictorial* the largest in the *Mirror*, but neither owns a majority of the other's shares.

* * *

The German central bank has arranged to lend a further $50 million at short term to the World Bank. The Bundesbank is receiving three-year notes bearing interest at 3⅞ per cent. Half the money replaces a maturing loan, the other half increases Germany's total short-term lending to the World Bank to $348 million. The bulk of the loans, including the latest ones, are denominated in dollars.

* * *

Associated Electrical Industries, which recently acquired W. T. Henley's Telegraph Works, is making an offer for all the ordinary and preference capital of London Electric Wire and Smiths. The directors recommend acceptance of the offer, which they intend to accept themselves in respect of their own "substantial" holdings. The merger will give AEI the new copper rod capacity it needs. The offer is of five AEI £1 ordinary shares for every four and 4s. in cash for every one London Electric £1 ordinary share.

Sir Cyril Musgrave, Permanent Secretary to the Ministry of Supply, will become chairman of the Iron and Steel Board on March 1, 1959, in succession to Sir Archibald Forbes.

* * *

The Metal Box Company has announced reductions of up to five per cent in the prices of open top cans for processed foods, made possible by economies arising from higher manufacturing speeds and by the downward revision of prices of the thinner grades of tinplate put into effect recently by the Iron and Steel Board. The lower tinplate prices are based on increasing replacement of hand mills by continuous cold-reduction mills, and the largest cuts have been made on the thinner grades produced by strip mills; a similar reduction was made in March this year.

* * *

An Order under the Import Duties Act, 1958 (The Import Duties (Process) (No. 1) Order, 1958, S.I. 1958/2077) provides that goods sent abroad for embroidery shall, on their return, be chargeable with duty only in respect of the embroidery, despite the fact that the embroidery may have increased the rate of duty chargeable on the goods. This Order comes into effect on January 1st and broadly continues existing arrangements.

* * *

Quotas for imports from the United States and Canada under the token import scheme in 1959 are to remain at 30 per cent of the average value of imports in 1936-38. The total value of import licences issued is about £2.7 million a year.

* * *

Lancashire Steel has effectively raised its ordinary dividend from 12 to 14 per cent, by adding to the maintained final of 8 per cent a special "profits tax" interim for 1958-59 of 2 per cent. Before depreciation and transfers to replacement reserves the group's gross profits have risen from £3 million to over £4.1 million. Net profits, before £250,000 (against £350,000) to replacement reserves, amount to nearly £1½ million, compared with £1¼ million in 1956-57.

* * *

No details have been released of the draft agreement initialled in Cairo last week during a visit by Jonkheer J. H. Loudon, managing director of the Royal Dutch-Shell group. It is reported that the agreement covers "past differences" and "future operating conditions"; it will not come into effect until the other issues between Britain and the United Arab Republic have been settled. The properties involved are Anglo-Egyptian Oilfields, of which Royal Dutch Shell and BP each own 31 per cent, and Shell of Egypt, a marketing company, jointly owned by Shell and BP.

Company Affairs, Stock prices, Money and Exchange on pages 1186 and 1187.

COMPANY MEETINGS

FOLLAND AIRCRAFT LIMITED

MOST DIFFICULT YEAR OF TRANSITION

VALUABLE EXPORT POTENTIAL FOR GNAT TRAINER

The twenty-third annual general meeting of Folland Aircraft Limited was held on December 19th at Hamble, Southampton. Mr C. L. Hill, the chairman, presided and the following is an extract from his circulated statement:

The past year has been a time of difficulty and readjustment throughout the aircraft industry. Your Company has been by no means immune from these troubles, but the determination of the Management to proceed almost unaided with pioneering the light fighter, has sustained our business with the valuable Export work it has secured and with the recognition it has at last won through its Gnat Trainer variant at home.

The Ministry of Supply Contract for the Trainer issued in March was for design, development and supply of fourteen pre-production aircraft and associated development flying. We have agreed to bear a proportion of the cost which will be repaid out of a levy on production aircraft, or, given a satisfactory performance on our part, in its entirety if a stipulated scale of production does not follow. Work on the design and tooling and preliminary construction is proceeding very satisfactorily and the first prototype is expected to fly towards the end of 1959. It is too early yet for the placing of any Production Contract, but we are expecting shortly to receive instructions from the Ministry to begin ordering specified materials and to commence making tools in respect of the first production batch.

It is already obvious that there is a valuable Export sales potential for the Gnat Trainer.

Work on the Gnat Fighter is proceeding steadily. Apart from the five Ministry machines we have now completed nine aircraft for the Indian Government in addition to spares, tools and the first sets of details for production at Bangalore. Five aircraft have been completed against the Finnish order and two for Jugoslavia where they were bought specially for a rigorous programme of testing and evaluation, which has been carried out with tremendous energy and enthusiasm by the Jugoslav authorities Active negotiations are proceeding with this and a number of other foreign Governments, who are also interested in the technical qualities of the Gnat and the unique potentiality it offers for manufacture under licence in countries where existing aircraft manufacturing facilities are not on a large scale.

From May to July, full tropical trials were carried out on the Gnat aircraft at Kanpur, India, jointly by the Indian Air Force and ourselves. Some valuable lessons were learned, and I am glad to say that the trials were generally very satisfactory. We greatly value our close association with the Indian Air Force and with Hindustan Aircraft Limited, now building up Gnat production at Bangalore.

Since aircraft manufacturers are faced with the problem of keeping their own factories fully engaged, sub-contract work is becoming more difficult to obtain. At the present time, this class of work accounts for less than one-third of our total effort, the principal contracts concerned being for de Havilland Sea Vixen Stub Wings and components, and one for Bristol Britannia Engine Nacelles. The former are now in full production and existing orders will run on for just over a year, whilst the latter are now coming to an end and are likely to be completed during next Spring.

CONFIDENCE IN LONG-TERM FUTURE

Whilst we have clearly passed the period of heavy initial production costs, none the less it is still too early to say with certainty how far we have really turned the corner. So much depends on the number of orders we can now secure, and this in turn to the degree with which we can successfully combat the severe financial and credit competition from our foreign competitors who appear able to command so much greater official backing. Although our confidence in the long term future of the Company remains unabated, you will understand, therefore, my hesitation in making any specific forecast about the current year.

We are, moreover, one of the few aircraft companies which has found it possible to increase, rather than cut back, its labour force and we now employ 2,750 as against 2,200 a year ago.

Extensions to plant and premises have of necessity been restricted but we have spent £34,834 on this during the year under review.

The Balance Sheet clearly reveals the strain imposed on your Company's resources at this interim stage, before production of our aircraft settles down to a quick and regular turnover. After allowing for payments on account, the total of Stock, Work in Progress and Debtors this year has built up to £1,456,009 as against only £778,933 last year. The amount carried forward in respect of Gnat development, etc., at £435,828 ties up an extra £100,120 over and above last year, although you will see we have been able to absorb a like amount out of profits. The net value of Fixed Assets has reduced slightly because of our restraint in spending in this direction.

In these circumstances, and as is to be expected while the present phase of building up the Gnat project lasts, we now have a bank overdraft of the order of £494,645. It would be remiss of me indeed if I failed to pay tribute once again to the sterling assistance which has been rendered to us by our Bankers in financing what I might term the "bulge" which normally accompanies the production build-up of a new product.

In addition, our other current liabilities have increased substantially by a net £167,014 due in the main to the heavy commitments we now incur for engines and the specialised equipment which form a substantial part of the cost of a modern aircraft.

The results revealed by the Accounts must of course disappoint to an extent, but they are certainly no worse than I forecast last year. In this challenging industry we must at times be prepared to take the rough with the smooth and most shareholders will realise the tremendous burden of costs involved in building the earlier batches of a new aircraft, which we have put largely behind us. At this stage, too, interest charges deplete our profits not a little.

It has been a matter of great regret to your Board to feel obliged for the first time, not to recommend the payment of any dividend, but they do so confident that those who have demonstrated their faith in the Company by investing in it will be prepared to take the long term view and support them in conserving the strength of the Company past this difficult time.

There but remains for me to thank the Management and employees of the Company, who have laboured hard and well to enable the Company to hold its own through this most difficult year of transition.

The Report and Accounts were adopted.

THE JERAM RUBBER ESTATES LIMITED

MR HAROLD F. COPEMAN'S STATEMENT

The annual general meeting of The Jeram Rubber Estates, Limited, was held in London on December 22nd. Mr Harold F. Copeman presided and the following are extracts from his statement:

It is with deep sorrow that I have to record the death of Mr English who although appointed a director in 1935, had been associated with the company both in the East and at home for close on fifty years. He was a man of the highest integrity, was well loved by all who knew him, and his passing leaves one of those gaps in friendship which are well nigh impossible to fill.

After dealing with the year's working the Chairman continued:

As is mentioned in the Report, both Mr Facer and I visited the estates during the year under review. Mr Facer, who was in Malaya in August, 1957, for the Independence celebrations, gave his views on the properties at the last General Meeting. I visited Malaya and Indonesia during January to March this year, and so far as our own estates are concerned was very well pleased with what I saw.

We have excellent properties in Jeram and the Seventh Mile division of Effingham, a good estate in Coalfields and a gradually improving one in the old Effingham Estate; with the acquisition of Tuan Mee Estate we have another excellent property.

Full particulars of Tuan Mee are given in the circular which accompanies the Annual Report. Your Directors consider this estate to be a valuable addition to your properties consisting as it does of 1,484 acres planted with rubber, of which only 449 acres are old seedlings, the balance being modern pedigree stock of which 544 acres are in bearing. The combined acreage statement, as given in Appendix I of the circular, shows that we shall have a total planted area of 6,716 acres, of which 4,250 acres, or over 63 per cent, is modern stock. More important still, we have considerable areas of replanted rubber coming into bearing for the next eight or nine years, an indication that, subject of course to there being no serious increase in running costs, we can anticipate a steady reduction in the cost per lb of rubber produced, a factor which gives grounds for every confidence for the future.

Confidence is, I am sure, the key word, and I know I speak for my colleagues when I say that we all have the fullest confidence not only in the future of rubber but in the

future of the Federation of Malaya, the country with which we are privileged to be associated. I think I cannot express this feeling of confidence better than with the words of the Prime Minister, Tengku Abdul Rahman, who wrote in a review of the first year of Independence:

"Twelve months ago, speaking of Malaya's independence, a fresh birth of freedom in Asia and the world, I declared 'A new star has arisen in the East.' Today I can say with both pride and faith that our star is shining out with a light both sure and strong."

After referring to the progress made in the first twelve months the Prime Minister concluded his review with these words:

"When we come to celebrate our second anniversary of Merdeka at this time next year the national general elections will be upon us. I am confident that the people of Malaya will assert their faith in the Alliance Government, and that they will show their belief in democracy as a living force. I am confident the people will prefer the policies and leadership which have placed our country in the van of progress in Asia and have given the Federation of Malaya a place among the free nations of the world with a reputation enjoyed by few."

The report and accounts were adopted.

THE SCOTTISH AUSTRALIAN COMPANY LIMITED

At the Company's annual general meeting held on Friday, December 19th, the Chairman, Mr J. Norman Eggar, reminded stockholders of his warning last year that the year to June, 1958, could not be so profitable. In the event, results were most adversely affected by drought and at the same time by a severe fall in wool prices of some 35 per cent. Drought reduced the weight of wool available for sale, and together with a reduction in price, revenue from that source was over £500,000 less than in the previous year.

Mr Eggar referred to the three months' tour which he and Mr Gibson Harris had made of the Company's properties, from which they had just returned to London.

The severity of drought conditions had fallen heaviest upon the Northern cattle properties, but prompt action in securing agistment country had kept losses to a minimum. The onset of the wet season expected at this time of year was now anxiously awaited.

After informing stockholders of the state in which he found the Company's other properties during his recent visit, Mr Eggar referred to future prospects. The Company's revenue was largely dependent upon wool and the current season's clip is expected to be smaller and at present there is no sign of any improvement in prices. There had, however, been an improvement in cattle prices which seemed likely to be maintained, and the current year's harvest promises to be the best for some years, against a near failure last season.

Speaking of the loss of properties which the Company will suffer as a result of expiry of the leases of Fernlee and Nive Downs and the resumption of Mundawadra by the New South Wales soldier settlement board, Mr Eggar said that the board's policy would be to take every opportunity of acquiring properties to take their place but that at the moment prices had not come down in proportion to the fall in the value of wool.

THE MIDLAND TAR DISTILLERS LIMITED

RESULTS JUSTIFY MAINTENANCE OF ORDINARY DIVIDEND

The thirty-sixth annual meeting of The Midland Tar Distillers Limited was held on December 19th at the registered office, Springfield Chemical Works, Oldbury, Mr R. B. Robinson, BA (Vice-Chairman), presiding in the absence of the Chairman, Mr Stanley Robinson.

In the course of his speech, the Vice-Chairman said:

First of all I must say how much we regret the absence of Mr Stanley Robinson, our Chairman, who is having to rest under Doctor's orders. We all sincerely hope to see him back and in good health before very long.

TAR AGREEMENT

A year ago the Chairman referred to the Tar Agreement and to the differences between prices and values then current and those ruling at its inception. He went on to say that the time had come for a review, which indeed the Crude Tar Producers were expecting. They, of course, have had to face increases in costs, especially in wages and coal, the latter being a particularly important factor, and the revenue from by-products is naturally a matter of considerable importance to them. Negotiations have, in fact, taken place with our Producers during the past few months and we have, as a result, agreed certain changes to operate as and from July 1, 1957, the effect of which is to be seen in the reduction in profit in the year under review. When the present Agreement was negotiated it was impossible to foresee the extent to which inflation was going to alter prices and values and so to distort the financial intentions of the agreement, which had been drawn up with great care so as to be just to both sides.

There are sound commercial and other reasons why we should pay as much for Crude Tar as our trading from time to time permits. We have preserved this principle in the alterations to which I have referred and your Directors have no doubt that the changes are fair and reasonable.

Despite these alterations and certain trading difficulties, to which I shall presently refer, your Directors are of the opinion that the year's results justify them in recommending to you the maintenance of the Ordinary Dividend at 10 per cent, whilst at the same time placing £100,000 to General and Obsolescence Reserves in equal proportions.

CAPITAL DISTRIBUTION

During the year we received a dividend of a capital nature from our Shareholding in Benzole Producers Limited, representing a surplus arising from the sale by that Company of certain assets of its business. This is a non-recurring item arising outside your Company's normal operations (and incidentally without effect on the Balance Sheet value of the investment from which it arises) and your Directors recommend that it should be distributed to the Ordinary Shareholders as a capital dividend at the rate of 8d. per Ordinary Share; it will, of course, be free of tax liability.

You will infer from the reduction from £480,000 to £295,000 in the item "Commitments for Capital Expenditure" that the scheme of reconstruction at our Nechells Works is progressing; indeed, the new distillation plant and its ancillary equipment are complete and are, at this moment, being commissioned. There is still, however, a good deal of work to be done in the redevelopment of the remainder of the works.

TRADING CONDITIONS

As you well know, we sell Coal Tar Fuels on a considerable scale. The recession in the steel industry, our biggest market, and price cutting in petroleum fuel oil, have had their effects on marketing our liquid fuels. On the whole, apart from this considerable difficulty, we have reason to be satisfied with the remainder of our trading and even our American Company, handling our Tar Acids, has ridden the recession reasonably well, though, of course, there has been a considerable drop in sales. Our Road Tar business has suffered from the weather during the past season. We hope to secure some business shortly in connection with the new Motorways construction programme.

We are now beginning to feel the benefit of the capital outlay incurred in creating our Four Ashes refinery. The costs and yields there in the refining processes which produce the orthodox products such as Phenol, Refined Cresylic Acids, Pyridine, Naphthalene and the like give cause for considerable satisfaction. These products, however, can form the starting point for a number of secondary derivatives with various known and potential uses in a number of industries, and we had in mind, when constructing Four Ashes, that we should, in due course, explore this field with a view to being able to offer selected derivatives on the market. We are beginning to reap the reward of this policy and I hope that next year we may be able to report continued and successful progress. I must remind you that the distillates which form the raw material for our Four Ashes Works, are the product of the primary distillation which takes place elsewhere, very largely at Oldbury. Here also the costs and yields are a matter for satisfaction.

We have equipped ourselves as well as we can to face the future but it is dangerous to make prophecies in our industry, which depends so much on conditions beyond our control, affecting both our supplies of raw material and the size and value of our markets.

YEAR-END CHANGE

I want to take this opportunity to inform you that it is the intention of your Directors to make a change in the Company's financial year which at present terminates at June 30th. The financial year of Gas Boards ends on March 31st, and it will not only greatly convenience our Producers, who are anxious that this change should be made, but also bring certain advantages to ourselves, if we arrange for our financial year in the future to end on March 31st. This procedure will, of course, involve initially a nine months accounting period.

Once again, I must emphasise how much we are indebted to our loyal and efficient staff and workpeople for all their efforts during the year under review.

The report and accounts were adopted and the dividend of 10 per cent on the Ordinary Shares and a capital distribution of 8d. per share were approved.

E N I

ENTE NAZIONALE IDROCARBURI ROME, ITALY

(Italian State Corporation for Oil and Natural Gas)

RECORD NATURAL GAS PRODUCTION—SYNTHETIC RUBBER PLANT COMMISSIONED

The ENI Balance Sheet and Report for the year ending April 30, 1958, were published recently, the main features of which are set out below:

EXPLORATION AND PRODUCTION

Exploration activities were extended and intensified during the year. New exploration permits were secured on the Italian mainland, outside the Po Valley area where the Group has exclusive rights, and in Sicily. Outside Italy AGIP MINERARIA set up a new company in 1957, jointly with the National Iranian Oil Company, the Società Irano-Italiana dei Petroli (SIRIP). This new company has been granted concessions in three areas covering altogether 8,842 sq. miles. A similar agreement was concluded with Morocco giving AGIP MINERARIA a concession of some 11,600 sq. miles in the province of Tarfaya.

In Italy, AGIP MINERARIA continued its geological investigations work. In Central and Southern Italy, SOMICEN has completed the survey of AGIP MINERARIA permit areas in the Marches, in the Abruzzi, in the Molise district and in Apulia. In Persia, after preliminary reconnaissance work geological work started in May, 1958.

The total of geophysical surveys effected in Italy during the first four months of 1958 amounted to 54.5 crew-months. The first geophysical survey of the Persian offshore concession in the Persian Gulf was carried out under the control of AGIP MINERARIA.

During 1957 AGIP MINERARIA and its associated companies sank 156 oil wells, 49 of which were exploration wells and 107 production wells. Outstanding among discoveries of hydrocarbon deposits were the natural gas deposits of San Pietro in Casale (Bologna) and of Casteggio (Pavia).

NATURAL GAS PRODUCTION

Natural gas production in 1957 amounted to 163,975m. cu. ft., equivalent in calorific value to app. 7m. tons of coal, and representing an increase of 12.7 per cent compared with the previous year. Output of liquid and liquefiable hydrocarbons rose from 134,828 tons in 1956 to 216,706 tons last year, thus showing a rise of 61 per cent. During the first four months of 1958, output included 60,480m. cu. ft. of natural gas and 78,747 tons of crude oil, including 48,173 tons from the first four productive wells of the Gela deposit. Output for 1959 is expected to reach 1m. tons.

In the course of 1957 and during the first few months of 1958, the first equipment stage of the Gela field was brought to a conclusion.

The network of gas pipelines installed by SNAM and its associated companies had reached a length of 2,447 miles by the end of 1957. The urban distribution networks run by constituent companies of the ENI Group had covered 448 miles by the same date, 40 per cent more than at the end of 1956.

In 1957 the ENI Group distributed a total of 168,910m. cu. ft. of natural gas—a figure equivalent to 97 per cent of Italian consumption as a whole.

OIL REFINING AND PETROCHEMICALS

New installations were built during the year in some of the refineries in which the ENI Group holds an interest, and have made it possible to improve and expand productive capacity in this sector. The big ANIC petrochemical plant at Ravenna was inaugurated in April, 1958. The installations for the production of synthetic rubber came into service in April of this year when the unit for the production of styrene was still in course of erection and preparations were being made to build a second plant for the production of butadiene. This plant will begin working in the course of 1959 and use butane produced by the Group's refineries. Once all the installations planned have been completed, the plant will have an annual output capacity of 60,000 tons of synthetic rubber and 750,000 tons of fertilisers.

DISTRIBUTION OF PETROLEUM PRODUCTS

In the course of 1957 AGIP's distribution network was further extended and complemented by new motels. Considerable increases over the 1956 figures were acheived in sales of petrol (12.5 per cent) and gas oil (21 per cent). Sales of liquid gas (AGIPGAS), which is being used in 2,700,000 households, increased by 13 per cent compared with the previous year.

AGIP also resumed the distribution of its products in Somaliland, Eritrea and Ethiopia and established a company (ASSEIL) in Libya, on an equal basis with a Libyan group, for distribution in that country.

TANKER TRANSPORT

The Group's tanker fleet was increased in March, 1958, by AGIP RAVENNA, the first of two 36,000 dwt turbine tankers launched during the current year. The tonnage carried during 1957 showed an increase of 37.6 per cent and reached a total of 2,196,740 tons of crude oil and petroleum products.

NUCLEAR ENERGY

After a comparative study of the various types of nuclear reactors available, AGIP NUCLEARE'S choice for the construction of power stations fell on the graphite-moderated gas cooled type using natural uranium, developed from the original British Calder Hall type, and on the type built by two American firms. In 1957 AGIP NUCLEARE concluded a consultative agreement with the United Kingdom Atomic Energy Authority (UKAEA) and a special agreement with the Nuclear Power Plant Company which will help AGIP NUCLEARE in its research and in the erection of nuclear power stations of the natural uranium type. An agreement for the delivery of a power station project was also concluded with the American Vitro Engineering Company.

SIMEA, in which AGIP NUCLEARE holds 75 per cent of the shares and IRI the remaining 25 per cent, has begun on the construction of a first natural uranium power station with a capacity of 200 MW in the neighbourhood of Latina. The SOMIREN Company has intensified prospecting work for radio-active materials in Northern Italy as well as in Calabria and Sardinia, and has confirmed, particularly in Piedmont, the existence of mineralised structures with mineable contents of such materials.

ENGINEERING

In this sector considerable progress was made by NUOVO PIGNONE by strengthening its technical equipment.

Total turnover during 1957 rose by 60 per cent over 1956. Machinery and equipment for the oil and chemical industries delivered during the year represented an increase of 20 per cent in weight over the figure achieved during the preceding year.

ENI
(Ente Nazionale Idrocarburi)
Rome, Italy

BALANCE SHEET AT APRIL 30, 1958

LIABILITIES	Lit.	Lit.	ASSETS	Lit.	Lit.
Medium and Short-Term Loans		11,835,513,273	Cash in Hand and at Bank Securities and Allied Items	660,743,283	
Bonds		53,200,000,000	Miscellaneous Assets	4,717,873,213	
Miscellaneous Liabilities		2,487,170,813	Holdings		38,599,737,545
Provisions		484,663,268	Financing of Subsidiary Companies		68,026,165,005
Endowment Fund		36,900,000,000	Premises, Fixed and movable assets, Fittings (after Depreciation)	632,959,403	
Reserves		7,277,103,088	Expenses for bonds issue to be amortised	4,359,076,120	
		116,996,594,569			116,996,594,569
Contra Account		55,934,693,932	Contra Accounts		55,934,693,932
		172,931,288,501			172,931,288,501

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED APRIL 30, 1958

EXPENDITURE	Lit.	Lit.	RECEIPTS	Lit.	Lit.
Financial Charges	3,319,876,398		Dividends on Holdings:		
General Operating Expenses and Miscellaneous Charges	686,914,993		AGIP	570,000,000	
Taxes	869,955,678		AGIP MINERARIA	1,795,500,000	
Amortisation and Depreciation	79,999,366		ANIC	330,641,910	
			SNAM	1,859,902,875	
Total Expenditure		4,976,746,435			4,556,044,785
Net Profit for the Financial Year		4,812,144,127	Loan Interest received		4,551,837,877
			Miscellaneous Revenue		324,970,223
			Extraordinary Revenue		356,037,677
		9,788,890,562			9,788,890,562

J. GLIKSTEN & SON

(Timber Producers and Importers)

GROUP TURNOVER AGAIN INCREASED

The 53rd annual general meeting of J. Gliksten & Son Ltd., was held on December 18th in London, Mr S. G. Gliksten (Chairman and Managing Director) presiding.

The following is an extract from the address by the chairman which had been circulated with the report and accounts for the year ended June 30, 1958:

The Revenue from trading amounted to £960,654 compared with £895,109 last year, and after deducting Directors' Remuneration, Interest, Provision for Bad Debts and Depreciation, together amounting to £277,700, there is a net profit before taxation of £682,954 as against £644,492.

Provision for taxation requires £385,952 compared with £364,092 in the previous year.

The net profit after taxation is £297,002 and your Directors are recommending the same total Ordinary Dividend of 35 per cent as last year.

In order to bring the Capital of the Company more into balance with the actual Capital employed it is proposed to increase the Authorised Capital to £1,500,000 by the creation of 2 million additional Ordinary Shares of 5s. each, and your Directors propose to capitalise £300,000 of the Share Premium Account by the issue to Ordinary Stockholders of 1,200,000 new Ordinary Shares of 5s. each credited as fully paid in the proportion of one new Ordinary Share (to be converted into Stock) for every two Ordinary Stock units of 5s.

Total Shareholders' funds of £3,600,336 show a most satisfactory increase of £189,486 over last year. Current assets exceed current liabilities by £2,472,962, a further improvement on last year.

GENERAL SURVEY

The general monetary policy of the Government and the credit restrictions and high interest rates imposed to implement that policy were doubtless very necessary to safeguard the financial stability of the country; nevertheless they inflicted very heavy burdens on the timber trade and two of the principal users of timber—the house builder and the furniture manufacturer. As a result profit margins for timber importers became lower, coupled with reduced sales volume, and in the case of certain commodities, principally softwoods and building boards, some losses on stocks were suffered as a result of a fall in the basic price levels. It is therefore all the more gratifying to record that your total Group turnover once again increased by nearly 10 per cent in 1957-58.

Export sales, both of home and overseas production, are continuing on a considerable scale, despite the depressed market in the United States, and I feel confident of our future in this field.

Since the end of the financial year under review trading has continued on satisfactory lines and with marked improvement since the ending of Government credit restrictions.

The report and accounts were adopted and the total distribution of 35 per cent was approved.

At a subsequent extraordinary general meeting the proposed increase of capital and scrip issue were approved

JOHN SMITH'S TADCASTER BREWERY LIMITED

NEW ACQUISITION

The sixty-sixth annual general meeting of John Smith's Tadcaster Brewery Company Limited was held on December 22nd at Tadcaster.

Mr W. H. D. Riley-Smith, TD (chairman) in the course of his speech, said:

The major change in the business of your Company since I last spoke to you is the acquisition of the share capital of the old established business of Whitworth, Son & Nephew Limited, which is now a wholly owned subsidiary of your Company. This transaction involved the issue of 375,000 Ordinary shares and £1,314,180 Six per cent Redeemable Debenture Stock 1978/83 and as a result, the number of our Shareholders and Stockholders has increased since this time last year from 2,745 to 3,381.

The trading pattern of the brewing industry throughout the past year has been well publicised in the press and a downward trend of beer consumption has been experienced throughout the country, which can be attributed to several factors. In industry as a whole, there has been a recession with less overtime being worked and on the other hand the claims upon the consumer's somewhat restricted purse have increased, aided by the easing of hire purchase facilities. Lastly, we have experienced one of the worst summers in living memory. These factors have affected our trade and while our sales show only a slight decrease for the past year, the trend has continued during the current year.

PROFIT AND DIVIDEND

The Consolidated Profit & Loss Account shows that the profit of £1,131,289 before charging taxation is £33,300 lower than that of the previous year and this is the result of the decrease in trade coupled with increases in the cost of wages and other expenses. A change in the rate of Profits Tax together with the small reduction in profits has resulted in the charge for taxation decreasing by £20,000 so that the profit after taxation of £486,289 is £13,300 lower than last year. After writing off the expenses of acquisition of the shares in the subsidiary company amounting to £49,645 and allocating £155,000 to Reserves, the Directors propose a final dividend of 7 per cent on the ordinary shares, making 10½ per cent for the year. Dividends for the previous year totalled 15 per cent, which is equivalent to 10 per cent on the Ordinary capital as increased by the scrip issue of 50 per cent made last January.

During the past twelve months we have opened two new houses; the Adam and Eve at Bentley, near Doncaster, and the Firth Moor at Darlington, both designed to meet the needs of new housing estates. The Cock and Lion, Bridlington, which was destroyed by enemy action during the war, has been rebuilt and was opened at Whitsun. Marples Hotel at Sheffield was also destroyed in tragic circumstances and the rebuilding is nearing completion. Other projects in hand include the erection of new licensed houses at Crossgates, Leeds, on the Gleadless Hills Estate at Sheffield, on the Barwick Hills Estate, Middlesbrough, and at Marske, near Saltburn.

The report and accounts were adopted.

THE VOKES GROUP

HIGHLY SATISFACTORY RESULTS

The twenty-first Annual General Meeting of Vokes Limited was held on December 18th at Woking. Sir Ian Stewart-Richardson, Bart, presided.

The Chairman's Statement on the Report and Accounts of the Group's twelve months' trading ended June 30, 1958, dealt with the increase in the consolidated trading results of the Group, but the heavy reserve for future income tax in respect of two of the recently acquired subsidiaries, resulted in a slightly lower net profit, after taxation, for the year. Taxation reserves of all subsidiaries at June 30, 1958, are now on the same basis.

The purchase of Robert Kellie & Sons Limited, of Dundee, was completed on July 1, 1958, by the issue of 300,000 4s. Ordinary Shares. Such Shares are entitled to receive the final dividend payable in respect of the year under review. Ray-Heet (Process Plant) Limited was acquired on August 19, 1958. These further purchases indicate a continuing policy of diversification.

All subsidiary companies, with the exception of the Canadian subsidiary which has now ceased trading, and two South African subsidiaries, traded at a profit. A Subsidiary Companies' Contingencies Reserve has been created to cover any possible losses by the South African subsidiaries due to uncertain conditions.

Subsequent to June 30, 1958, Vokes Limited and another English Company, jointly purchased the equity share capital of a well-established Canadian sales company and 95 per cent of the equity share capital of a manufacturing company. Although the Group's Canadian investments have increased, they should now be on a much sounder basis.

Despite a general falling off in the engineering industry's production, the reduction in demand for capital equipment, and a narrowing of profit margins, the Group's trading results are highly satisfactory.

The Group's research, design, development and laboratory staff is relatively larger than at any previous period and their work is now being reflected in expanding sales.

The advantages to be obtained by centralising the Group's production have resulted in a programme to carry a stage further the reorganisation of the Henley Park factory. It is anticipated that this expenditure will be offset by the sale of certain of the Group's freehold property not then required.

The Group has a satisfactory order book in overall value, although some members are stronger in this respect than others.

However, long term prosperity can only be achieved by a sound and expanding export market which at present is largely handicapped by decreasing purchasing power and import restrictions imposed by many countries. Whether the recent stimulus given to this country's internal purchasing power will have a reciprocal effect on our overseas customers and enable us to remain competitive in these markets, has yet to be seen. The European Common Market could offer a threat to our exports to the member countries if, for some reason, the European Free Trade Area does not materialise.

The alteration to the Articles of Association, deleting the redemption date of the Preference Shares, was approved and the Report and Accounts for the year ended June 30, 1958, were adopted.

THE LIVERPOOL WAREHOUSING COMPANY LIMITED

63rd ANNUAL GENERAL MEETING

CHAIRMAN'S STATEMENT

The sixty-third Annual General Meeting of The Liverpool Warehousing Company Limited was held on Monday, December 22, 1958, in Liverpool, and was presided over by The Chairman, Mr R. F. Glazebrook.

The following is the Statement that the Chairman circulated with the report and Accounts:

I have pleasure in presenting our Accounts for the year ended September 30, 1958. I think you will agree that the manner in which they have been prepared is such that it is unnecessary for me to elaborate on the details, and for this clarity we are grateful to our Accountants.

I would, however, draw your attention in particular to two items amounting to £44,000 which have been shown as charged in the Profit and Loss Account. The first of these items—Special Contribution to Staff Pension Scheme, £20,000—represents the cost to the Company of establishing on a sound financial basis our Staff Pension Scheme, which is now self-administered through the medium of Old Hall Trustees Limited. We are satisfied that substantial benefits will arise in future years both for the Company and its employees. The second item—£24,000—represents part of the cost of expenditure on The Old Hall Property, which has been incurred with the object of enabling us to reorganise our special clerical services and so bring about an increase in efficiency and an improvement in the standard of comfort of our employees.

With regard to the distribution, we recommend a final dividend of 8 per cent from revenue, plus 3 per cent from Capital Profits Reserve. This recommendation has been very carefully considered and takes into account the Company's sound financial position and gives the maximum benefit to Stockholders at the minimum cost to the Company.

The year under review has not been a good one for warehousing. Importers concerned with foodstuffs and raw materials almost without exception have been buying in smaller quantities. In these circumstances a considerable volume of imported cargo has been moved from the docks without going into warehouses. Furthermore, if our stock position is any guide, and it probably is, the country as a whole has exchanged some of its holdings of food and raw commodities for gold and dollar reserves. I believe that only when importers feel that commodity prices are likely to rise will the position be reversed and warehouse stocks built up again.

Some business I am sorry to say has been lost through other causes. I refer more particularly to raw sugar, which is now largely imported in bulk and is conveyed by mechanical means direct from ship to the large refineries.

As you are probably aware, another important development is the gradual but continuous growth of palletisation. This incorporates the use of wooden or metal frames by means of which goods can be quickly and economically handled in and out of warehouse. This possibility was foreseen, and it is fortunate that some years ago, before building costs reached their present high figures, we embarked upon a programme which incorporated the conversion of a number of our older properties from multiple to single storey and the construction of new modern warehouses, with the result that at the present time we have over forty available for palletised traffic.

All our long distance road haulage vehicles have been fully employed throughout the year, but the same cannot be said about local business, which has been affected by the reduced volume of traffic offering.

I should perhaps make special mention of our Depots in Birmingham and London, and inform you that they are playing an important part in the development of our road haulage interests.

The results achieved by our subsidiary, The Sandon Motor & Engineering Company Limited, were similar to last year, and having regard to the removal of restrictions on hire purchase, we are hopeful that sales of private cars and commercial vehicles will increase.

The manner in which our large indoor and outdoor staff fulfil their duties is an important factor in the conduct of our business. We give close attention to the working conditions and welfare of all our employees, and I should like to take this opportunity to thank them for their loyalty and high standard of work throughout the year.

WOLVERHAMPTON DIE CASTING COMPANY

RECORD TURNOVER

The twenty-first annual general meeting of this Company was held on December 18th at Wolverhampton, Mr W. C. Sproson, FCA, chairman, presiding.

The following are extracts from his circulated statement for the year ended June 30, 1958:

Turnover was an all-time record in the history of the Company, increasing by just over 30 per cent as compared with the preceding year.

As a result Net Profit shows a very considerable increase despite the fact that apart from our raw material almost all other costs have tended to rise; but the economies effected, mainly by more efficient production, have helped us to recover these. The additions and improvements to the Plant have also helped, so that the Group Profit for the year amounted to £177,145 compared with £102,518 for the preceding year.

Your Directors recommend a Final Dividend of 20 per cent, less Income Tax, on the Ordinary Shares, making 30 per cent for the year compared with 25 per cent last year.

Whilst the state of the order book continues satisfactory to date our ability to make even fuller use of the increased capacity we now possess must to a great extent depend upon the effect on the economy of the Government's plans for increased industrial activity. If these measures prove successful the Company is better placed than ever before to take advantage of this renewed activity.

The report and accounts were adopted.

LAKE VIEW AND STAR LIMITED

The forty-eighth annual general meeting of Lake View and Star Limited was held on December 18th in London.

Sir Joseph Ball, KBE, (the Chairman), in the course of his speech, said:

An interim dividend of 1s. per share was paid during the year, absorbing a net amount of £80,500; and the final dividend of 1s. 6d. per share which is now recommended will absorb a net sum of £120,750.

Ore reserves on July 1, 1958 amounted to 3,530,400 tons at an average grade of 4.84 dwt. per ton.

During the years 1954 to 1957 £240,000 was spent in converting to electric power the winding equipment at the Associated Lake View and Ivanhoe shafts, which is expected to result in an annual saving of approximately 1s. 6d. per ton of ore milled, based on a figure of 750,000 tons per annum. Although the bulk of this saving has already been achieved the full benefit of the electrification of the Ivanhoe Shaft has yet to be felt.

The Board have now authorised additional capital expenditure amounting approximately to £234,000, mainly for the electrification of the Chaffers Shaft which, it is estimated, will result in a further saving of 9d. per ton.

Today the resulting annual saving is in the region of £50,000. It is anticipated that the electrification of the Chaffers hoist will be completed by December, 1959, from which date the total annual saving will amount approximately to £84,000.

As things stand today, your Directors feel reasonably sanguine of being able to maintain the present dividend of 2s. 6d. per annum, and at the same time to complete the programme of capital expenditure.

The report and accounts were adopted.

HERRBURGER BROOKS LIMITED

(Manufacturers of Pianoforte Actions, Keys, etc.)

The thirty-eighth annual ordinary general meeting of Herrburger Brooks Limited was held on December 18th in London, Mr C. W. P. Hughes (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

The Directors have pleasure in reporting that during the major part of the past year the trading of the Company was maintained satisfactorily although the profit margin was less. Towards the latter part of the year, however, certain markets affecting both the Home Manufacturing export trade and our own direct export business were heavily restricted owing to drastic curtailments of imports in several countries. These were particularly severe in the case of New Zealand and as a whole considerable reduction of our business resulted.

On the other hand it is hoped that the Home Market which has been so long restricted by the priority afforded to exports by the British Piano Trade may be given encouragement from the recent relaxation of credit control. Expansion in this direction would help to offset the unavoidable reduction in the overseas markets. Any readjustment of this nature can only be achieved gradually and, as no marked improvement has yet occurred, trade unfortunately remains at the reduced level.

When a return to more favourable trade conditions is experienced your Directors feel that the future can be viewed with confidence.

The report was adopted.

COMPANY AFFAIRS

Testing Time for Hawker Siddeley

HAWKER SIDDELEY has cleared its decks for a capital issue. That is the impression left by its full accounts for the year to July 31st. These are now presented to show separate figures for the British and Canadian groups. At home, the Brush Group is now a wholly owned subsidiary. It made a small profit in 1957-58, but the opportunity was taken to write off as much as £1 million from its accounts. The aircraft division has to find its own money for development and research and it is writing off this expenditure directly from profits; the sum of £2,886,000 for "special development expenditure" charged against profits represents sums written off the development of the "Argosy" freighter (about £4 million has been written off this venture in all, and profits would immediately accrue from sales) and a vertical take-off fighter.

Thus net profits at home of £1.8 million have been struck in a conservative fashion. So too, have the net trading profits of £1.9 million of the Canadian group. So the Hawker Siddeley group as a whole, despite the tribulations of the aircraft industry in this country and of the steel, freight car and aircraft industries in Canada, may be able to show in 1958-59 profits of a similar order to those for 1957-58. They represent, indeed, a very low rate of return, whether calculated on capital employed or on sales (which came to about £250 million in 1957-58) or on the order book.

The purchase of a 77 per cent interest in Dominion Steel and Coal involved a reduction of Hawker's holding in A.V. Roe Canada from 84 to 58 per cent. The A.V. Roe equity interest is entered in the balance sheet at £10.4 million. The net assets in Canada attributable to Hawker Siddeley after deducting minority interests in A.V. Roe and Dosco amount to £29.3 million. They include £7.4 million in Algoma Steel common stock; since the end of July Hawker Siddeley has sold 62 per cent of this holding at a small profit, bringing into its books about £4¾ million in cash.

Growth and diversification has brought in its train an enormous load of bank loans and long term debt. In Canada the bank overdraft on July 21st amounted to £10.5 million (and it would be wrong to assume that the Algoma sale has reduced that debt appreciably). Long term debt totals £10 million, much of it mortgage loans and debentures of Dosco, repayable at various dates over the next twenty years. In this country, the bank overdrafts amounted to £23.2 million, of which £10-11 million relate to the Brush Group.

There has long been a need for a funding operation. But of what kind? The directors believe that the Canadian organisation is "practically self-financing" and does not require steady infusion of capital from this country.

ASSETS AND LIABILITIES (£ '000's)

At July 31, 1958	British Group	Canadian Group	Total
	£	£	£
Net fixed assets ...	*19,626*	*59,295*	*78,921*
Trade investments	1,157	11,980	13,137
Stock and work in progress	36,891	22,693	59,584
Debtors.....	28,226	18,638	46,864
Cash.....	768	519	1,287
Total current assets	*65,885*	*41,850*	*107,735*
Bank overdrafts ..	23,162	10,454	33,616
Creditors	17,872	12,735	30,607
Net current assets.	*13,866*	*9,377*	*23,243*
Future tax.....	3,509	9,689	13,198
Long-term debt ..	2,634	10,045	12,679
Minority interests	39	30,793	30,832

Both Avro Canada and Dosco have access to finance outside this country; the directors say that it would be wrong "to regard their capital expenditure programmes as commitments to be financed by Hawker Siddeley from the United Kingdom." The group is borrowing from the Canadian banks at about 5 per cent. As the banks regard their loans as reasonably matched against stocks, work-in-progress and debtors, Hawker Siddeley may escape the need to fund the Canadian loans by an issue of capital.

In this country, too, Hawker Siddeley is borrowing from the banks at 5 per cent, and these overdrafts (apart from those of the Brush Group) may also be said to be reasonably related to the sums locked up in current assets. Indeed, the directors look upon this portion of the bank loans as self-liquidating within a couple of years or so. But that does not mean that the overdrafts would be wiped out completely, for new lines of production and new orders would in their turn require financial support. And still the "hard core" of the £10 million of Brush Group overdrafts has to be dealt with.

The likely first step would be to make a rights issue of ordinary stock. A prior charge debenture seems to be ruled out, for if the banks are prepared to go on financing Hawker Siddeley they will hardly want to see a big debenture ranking before their loans. Later, when the sums to be spent on development in Canada are clearer, other issues could be made, here or in Canada.

The directors evidently realise the impossibility of coming to the market now for money of the £20 million order. A more modest issue might stand some chance of success. If the banks are prepared to continue financing the group until profits from diversification can pay them off, it would be a partial solution. Half a loaf is better than no bread; but it remains to be seen how readily the market could digest even a moderate slice. An immediate expansion of profits does not seem likely and earnings now cover the maintained dividend of 10 per cent only about 2½ times. That fact and a price of 29s. for the £1 ordinary units suggest the difficulties that still face a rights issue.

DORMAN LONG

THE Teesside business of Dorman Long supplies heavy engineering and construction industries to a greater extent than many of the other steel companies. In the year to September 30th, its gross profits fell by only 3.9 per cent from £10,778,284 to £10,354,171. But, as with the other steel giants, this decline points to an even bigger fall in the return on capital employed, for Dorman Long has been engaged on a big development programme, the third stage of which the directors now say is "substantially completed."

The directors, however, have again raised the ordinary dividend. In 1956-57 it was increased from 8 to 10 per cent and it has now been raised another 2 per cent to 12 per cent and this payment is covered about 3¾ times. The reason for this higher payment is hinted at in the directors' comment on the completion of the development programme. They say, "in recent years it has been necessary to retain profits against the risk of rising prices during the course of the large development programme." The £1 ordinary stock units yield 9.4 per cent at 25s. 6d.

ALLIED BAKERIES

THE expansion of Allied Bakeries, under the leadership of Mr Garfield Weston, has left the group in debt to its bankers. The rate of growth has not been checked and now the group intends to come to the market with a rights offer of its ordinary shares. The terms of this offer have still to be announced, but at the company's annual general meeting Mr Weston said they will be "at a price which will be favourable as compared to the market price at the time of issue." Currently, the 5s. "A" ordinary shares stand at 49s. 3d. xd, to yield only 3 per cent. At the same time as this cash issue is made, a 100 per cent scrip issue, half in the voting "A" shares and half in the non-voting "B" shares, will be made on the present capital of £5,592,850. On the capital as doubled by the scrip issue and as increased by the rights issue, the directors intend to pay a dividend of 15 per cent. That is equivalent to the 30 per cent paid in 1957-58.

RADIO RENTALS

RADIO RENTALS both sells and lets out on hire radio and television sets. Its policy is to write down the sets let out on rent as quickly as possible. This put a big immediate charge on profits and in the latest year, ended on August 30th, depreciation has risen by 22 per cent (from £1,879,228 to £2,297,993). But profits benefit from any earlier boom in lettings, because the sets stay out on rent after they have been written down in the company's accounts. Thus in the latest year, in which the rental and HP restrictions were still in force, gross profits after depreciation rose by 31 per cent (from £1,322,900 to £1,736,887).

This is reflected in an effectively bigger dividend payment, even though the directors said in July that the 100 per cent scrip issue did not necessarily imply an increase in the ordinary dividend. They have now set the total dividend for 1957-58 at 15 per cent on the doubled capital, which is equivalent to the 30 per cent paid in the previous year, but in addition there is a special "profits tax" interim of 5 per cent for 1958-59. Thus, in effect, the dividend has been raised from 15 to 20 per cent, but on this payment the 5s. shares at 29s. 4½d. yield only 3.4 per cent.

LANCASHIRE COTTON

MR R. M. LEE, the chairman of Lancashire Cotton Corporation, said at the last annual general meeting that the corporation examines quite a number of proposals to acquire other businesses every year, but that not many of them prove suitable. This year the woollen interests of Smith and Calverley, and Accrington Brick and Tile have been brought into the group. The aim of this policy is to make the group less dependent on cotton, but in the meantime Lancashire Cotton cannot opt out of the industry's persistent troubles.

In the year to October 31st its gross profits fell by £1,132,867 to £3,229,921. This came as no real surprise. The previous year was in any case a good year by comparison with its two predecessors. But in 1955-56 the ordinary dividend was raised rather surprisingly by 5 per cent to 17½ per cent. That dividend has again been maintained, even though net profits have fallen from £2,162,636 to £1,639,790. The appropriation to fixed assets replacement reserves has been cut from £750,000 to £400,000 and the transfer to general reserve has been cut from £500,000 to the same figure. At 37s. 6d. the £1 ordinary units yield 9.3 per cent.

London Stock Exchange

FIRST DEALINGS:	Dec. 10	Dec. 31	Jan. 14
LAST DEALINGS:	Dec. 30	Jan. 13	Jan. 27
ACCOUNT DAY:	Jan. 6	Jan. 20	Feb. 3

FURTHER gains were recorded in British Funds before the Christmas holiday. Irredeemables remained very quiet, but in the longer-dated stocks Funding 5½ per cent 1982-84 rose ¼ to 100⅛ at Mondays close and in the medium-dated stocks Exchequer 5½ per cent 1966 rose ⅛ to 103⅛.

Industrials remained firm, except oil shares, which were affected by proposed increases in Venezuelan tax. Ultramar fell from 75s. 7½d. to 65s. and Shell by 8s. 3d. to 145s. 7½d. Among the leading industrials, Murex fell from 51s. to 47s. on the cut in its dividend. In a reasonably firm market for electrical shares Philips Lamp was an exception, falling to 89s. In engineering, British Timken rose 1s. 6d. to 68s. 6d., and Automotive Products gained 4s. 10½d. to 60s. In insurance, Employees' Liability closed on Monday 3s. 9d. higher at 138s. 9d. Among coppers, Bancroft lost 10½d. at 30s., and in diamonds De Beers closed 7½d. lower at 120s. 7½d. In Kaffirs, Loraine advanced from 27s. 3d. to 31s. before reacting to 29s. 3d.

US Dollar premiums NIL on $2.80½

Money and Exchanges

STOCK EXCHANGE PRICES AND INDICES

BRITISH FUNDS	Price, Dec. 22	Gross Red. Yield
War Loan 3½ ..1955–59	99¹⁵/₁₆	3·20 *l*
Exchequer 3% 1960	99⅜	3·71
Conversion 4¼% ..1963	101¹¹/₁₆	4·49
Savings Bds. 3%..1960–70	80⅛	5·43 *l*
Savings Bds. 3%..1965–75	74½	5·45 *l*
Exchequer 5½% 1966···	103¹⁵/₁₆	5·10
Conversion 5¼% ..1974	98⅜	5·42
Treasury 3½% ..1979–81	76¹³/₁₆	5·40 *l*
Funding 5½% ..1982–84	100¹³/₁₆*	5·42 *e*
Funding 3½% 1999–2004	70¾*	5·17 *l*
War Loan 3½% aft. 1952	65¹¹/₁₆	5·35 *f*
Consols 2½%	51*	4·90 *f*

ORDINARY STOCKS	Price, Dec. 22	Yield %
J. & P. Coats £1	21/3	8·24
Courtaulds.....£1	32/10½	4·87
Debenhams 10/–	28/4½‖	5·29
Distillers.....10/–	25/6‖	4·18
Dunlop Rubber....10/–	23/7½	6·42
E.M.I. 10/–	49/–	4·08
English Electric £1	60/–	4·67
Guest Keen £1	55/7½	4·13
Hawker Siddeley.....£1	29/–*	6·90
I.C.I. £1	36/6	4·44
Imperial Tobacco £1	52/10½	7·57
Lancashire Cotton ...£1	38/–	9·21
Marks & Spencer 'A'.5/–	55/–	3·18
Patons & Baldwins ...£1	37/10½	6·60
P. & O. Defd. £1	36/9	5·99
Rolls-Royce £1	103/3	3·87
Shell Transport £1	145/7½	4·48
Stewarts & Lloyds ...£1	28/6	7·72
Tate & Lyle £1	73/9*	4·47
Tube Investments £1	79/6	4·40
Turner & Newall £1	73/10½*	4·06
Unilever £1	104/3*	3·38
Vickers £1	34/9	5·75
Woolworth 5/–	50/9	3·94

ORDINARY STOCKS	Price, Dec. 22	Gross Red. Yield
Assoc. Port. Cement..£1	50/6	3·56
Babcock & Wilcox....£1	50/–	5·20
Beecham Group 5/–	25/4½	3·94
Boots Pure Drug....5/–	21/11½	3·41
Bowater Paper £1	44/9	5·59
British Aluminium ...£1	73/6	4·76
British Motor 5/–	13/3¾	6·57
British Oxygen £1	46/–	4·35
British Petroleum....£1	49/9	5·25

* Ex dividend. ‖ Ex capitalisation. (e) To earliest date. (*f*) Flat yield. (*l*) To latest date.

FINANCIAL TIMES INDICES

	Ordinary Index†	Ordinary Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked
Dec. 15	215·8	5·38	91·93	4·91	15,741
" 16	215·7	5·38	91·93	4·91	13,152
" 17	215·4	5·39	91·96	4·91	11,871
" 18	215·2	5·39	92·00	4·91	11,593
" 19	216·5	5·36	92·02	4·91	10,927
" 22	217·1	5·35	92·02	4·90	13,522

† July 1, 1935=100. ‡ 1928=100.

STANDARD AND POOR'S INDICES*

	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Nov. 26 ..	55·39	3·37	33·39	4·64	40·55	4·09	93·20	3·59
Dec. 3 ..	56·06	3·32	33·38	4·64	41·23	3·98	92·00	3·70
" 10 ..	57·09	3·26	33·72	4·60	41·82	3·93	91·50	3·75
" 17 ..	57·44	3·21	33·69	4·60	42·34	3·88	90·90	3·80
" 22 ..	57·30	3·23	33·56	4·62	42·38	3·86	90·60	3·83

* 1941–3=10.

MONEY RATES

Bank Rate (from 4% 4½%, 20/11/58). 4

Deposit rates (max.):	
Banks	2
Discount houses	2–2¼
Money:	
Day-to-Day ...	2⅜–3⅛
Treasury bills:	
2–3 months ...	3⅜₂

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
1957 Dec. 20	91 *day* 220·0	63 *day* 50·0	403·9	s. d. 128 9·94	% 62
1958 Dec. 19	240·0	50·0	443·5	66 0·96	73

* On December 5th tenders for 91 day bills at £99 4s. 3d. secured 73 per cent and for 63 day bills at £99 9s. 0d. 71 per cent, higher tenders being allotted in full. The offer this week was for £230 mn. of 91 day bills, and £50 mn. of 63 day bills.

LONDON CLOSING EXCHANGE RATES & GOLD PRICE

	Official Rates	Market Rates: Spot			
	Dec. 22	Dec. 18	Dec. 19	Dec. 20	Dec. 22
US $	2·78-2·82	2·80¹/₂–⅝	2·80⅞–9⅛/₁₆	2·80⅞–9⅛/₁₆	2·80½–⅝/₁₆
Canadian $ ..	...	2·70⅝–3⅛	2·70¹/₂–⅝	2·70¹/₂–⅝	2·70⅞–⅝/₁₆
French Fr. ..	1167·18–1184·82	1178–78¼	11787/₈–79⅛	11787/₈–79⅛	1178–78¼
Swiss Fr.	12·15³/₁₆–12·33⅝/₁₆	12·18–18¼	12·18⅛–⅜	12·18–18¼	12·18¼–½
Belgian Fr...	138·95–141·05	139·30–35	139·32½–32½	139·27½–32½	139·35–40
Dutch Gld. .	10·56-10·72	10·577/₈–58⅛	10·585/₈–⅞	10·583/₈–5⅞	10·585/₈–⅞
W. Ger. DM.	11·67¾–11·84¹³/₁₆	11·69–69¼	11·70–70¼	11·70–70¼	11·70¼–½
Portug. Esc..	79·90-81·10	80·10–20	80·10–20	80·10–20	80·10–20
Italian Lire..	1736⅜–1762⅞	1746–46½	17451/₂–46	17451/₂–46	17451/₂–46
Swedish Kr..	14·37⅜–14·59⅜	14·47½–½	14·47½–½	14·47½–½	14·47–47¼
Danish Kr...	19·19½–19·48½	19·323/₄–33	19·323/₄–33	19·323/₄–33	19·327/₈–33⅛
Norweg. Kr.	19·85-20·15	20·005/₈–⅛	20·00½–¾	20·00½–¾	20·00½–¾
One Month Forward Rates					
United States $.....	1/4c. pm–par	1/4c. pm–par	1/4c. pm–par	1/4c. pm–par
Canadian $.....	par–1/4c. dis	par–1/4c. dis	par–1/4c. dis	par–1/4c. dis
French Fr.	35–40 dis	45–60 dis	45–60 dis	55–65 dis
Swiss Fr.	5/8–3/4c. pm	5/8–3/4c. pm	5/8–3/4c. pm	1–1¼c. pm
Belgian Fr.	1/8 pm–par	3/16–1/8 pm	3/16–1/8 pm	3/16–1/8 pm
Dutch Gld.	7/8–1c. pm	1¼–1c. pm	1¼–1c. pm	1⅜–1¼c. pm
W. Ger. D-Mk.	1/2–1/4pf. pm	1¼–¾pf. pm	1¼–¾pf. pm	1¼–¾pf. pm
Three Months Forward Rates				
United States $.....	1/4c. pm–par	1/8–1/4c. pm	3/16–1/4c. pm	3/16–1/4c. pm
Canadian $.....	1/4–3/4c. dis	1/8–3/4c. dis	1/8–3/4c. dis	1/4–3/4c. dis
Swiss Fr.	1⅜–1⅝pf. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm
W. Ger. D-Mk.	7/8–3/8pf. pm	1⅞–1⅜pf. pm	1⅞–1⅜pf. pm	2¼–1¾pf. pm
Gold Price at Fixing				
Price (s. d. per fine oz.).....	250/2	250/2¼	...	250/2¾

A Tribute to Men of Vision

IN 1908, The Bank of Baroda was inaugurated—in response to a demand voiced by the people of Baroda themselves for a purely Indian bank that would cater for their requirements. And on the occasion of the Bank's Golden Jubilee, we pay glad tribute to its Founder Directors, men whose vision and initiative led to the Bank's establishment under the distinguished patronage of H. H. Maharaja Sir Sayajirao Gaekwad III...and to those who have guided it through fifty years of service and achievement.

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Inspired by its past record, the Directors and Management of The Bank of Baroda look forward with confidence to a future of continuing service to the country...in the tradition so firmly established and worthily maintained during the past half-century.

Figures at the Opening of Business on 1st August 1958

Authorised Capital	£ 2,625,000	(Rs 3,50,00,000)
Issued and Subscribed Capital	£ 1,875,000	(Rs 2,50,00,000)
Capital Paid-Up	£ 937,500	(Rs 1,25,00,000)
Reserve Fund & Other Reserves	£ 1,196,250	(Rs 1,59,50,000)
Deposits & Other Accounts	£ 50,767,050	(Rs 67,68,94,000)
Working Funds	£ 62,374,125	(Rs 83,16,55,000)

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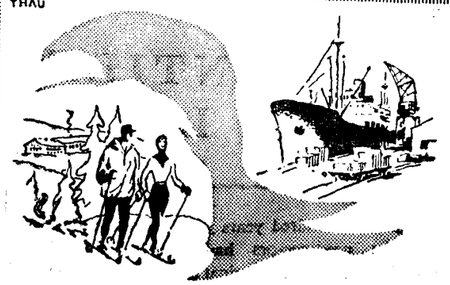

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(Non-Domestic Business)

Condensed Annual Statement

as on 30th November, 1958

ASSETS		
Cash on hand and due from banks (including items in transit)		$622,387,348
Government of Canada and provincial government securities, at amortized value		1,047,891,802
Other securities, not exceeding market value		564,178,106
Call Loans, fully secured		194,309,754
Total quick assets		2,428,767,010
Other loans and discounts		1,309,954,970
Mortgages and hypothecs insured under N.H.A. (1954)		264,816,709
Bank premises		37,915,590
Liabilities of customers under acceptances, guarantees and letters of credit		79,704,313
Other assets		12,400,433
		$4,133,559,025
LIABILITIES		
Deposits		$3,782,068,763
Acceptances, guarantees and letters of credit		79,704,313
Other liabilities		22,040,929
Total liabilities to the public		3,883,814,005
Capital paid up		60,421,948
Rest Account		188,760,357
Undivided profits		562,715
		$4,133,559,025

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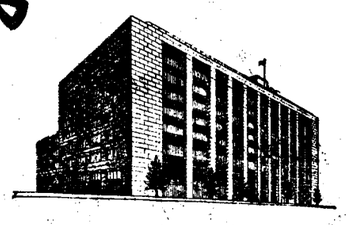

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Experience in marketing the products mentioned is necessary as well as in running a company and handling sales staff. Knowledge of the market is required and contacts with wholesalers and retailers.

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Letters—handwritten—and with photograph together with personal data, references, etc., to be sent to Box 1095, The Economist, 22 Ryder Street, S.W.1.

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SPONSORED BY
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"To study either (a) the effect of layout of roads on vehicle operating costs, or (b) to study road traffic in selected New Towns."

Candidates should hold a 1st or 2nd Class Honours Degree or an approved qualification in economics, physics or engineering. The grant associated with the Fellowship would be about £2,000 to cover a two-year period inclusive of subsistence, travelling, etc.), according to circumstances.

Closing date: January 19, 1959.

Applications should be addressed to:
DIRECTOR OF ROAD RESEARCH,
Road Research Laboratory,
Harmondsworth,
Middlesex.

THE United Kingdom Atomic Energy Authority requires an Historian and Archivist for duties in their London Office. The officer appointed will be required to co-ordinate policy in relation to the custody, preservation and destruction of the Authority's records, which are scheduled in the Public Records Act, 1958, and to prepare a history of the atomic energy project in the United Kingdom.

Applicants should be of a high standard of educational attainment and should have had several years' experience in responsible positions on work of this nature.

The post will be on the scale: £1,460-£2,080 (plus a London allowance of £100 a year). Starting pay will be assessed according to age, qualifications and experience. There is a contributory pension scheme.

An application form and fuller information may be obtained on request (by postcard) to the Establishment Officer, U.K.A.E.A., Room 317, 11 Charles II Street, S.W.1.

Closing date for completed applications January 19, 1959.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD, LONDON, S.W.1, requires ASSISTANT STATISTICIAN. Candidates should be of degree standard, have some knowledge of mathematical statistics, ability to organise work (including instruction of clerical staff); knowledge of economic statistical sources and interest in agricultural economic statistics (specialist knowledge not essential). Considerable personal initiative required at all stages of work. Newly qualified candidates considered. Duties: (a) Conduct of small-scale sample surveys of farms in England and Wales, planning, organising, and writing reports on results; (b) Punch-card analyses from agricultural returns, &c., including electronic computer analyses from samples of holdings and farm classification analyses—by type of farm—of all farms in England and Wales; (c) Estimation of agricultural output for past, present and future periods; (d) Forecasting commodity production trends; (e) Preparing farm statistics for submission to international organisations. Salary: £635 to £1,110 p.a. At end of two years' service in grade (or completion of probation if later) special advance of £75 p.a. within scale in addition to normal increment. Forms from M.L.N.S. Technical and Scientific Register (K), 26, King Street, London, S.W.1 (quoting A.444/8A). CLOSING DATE January 24, 1959.

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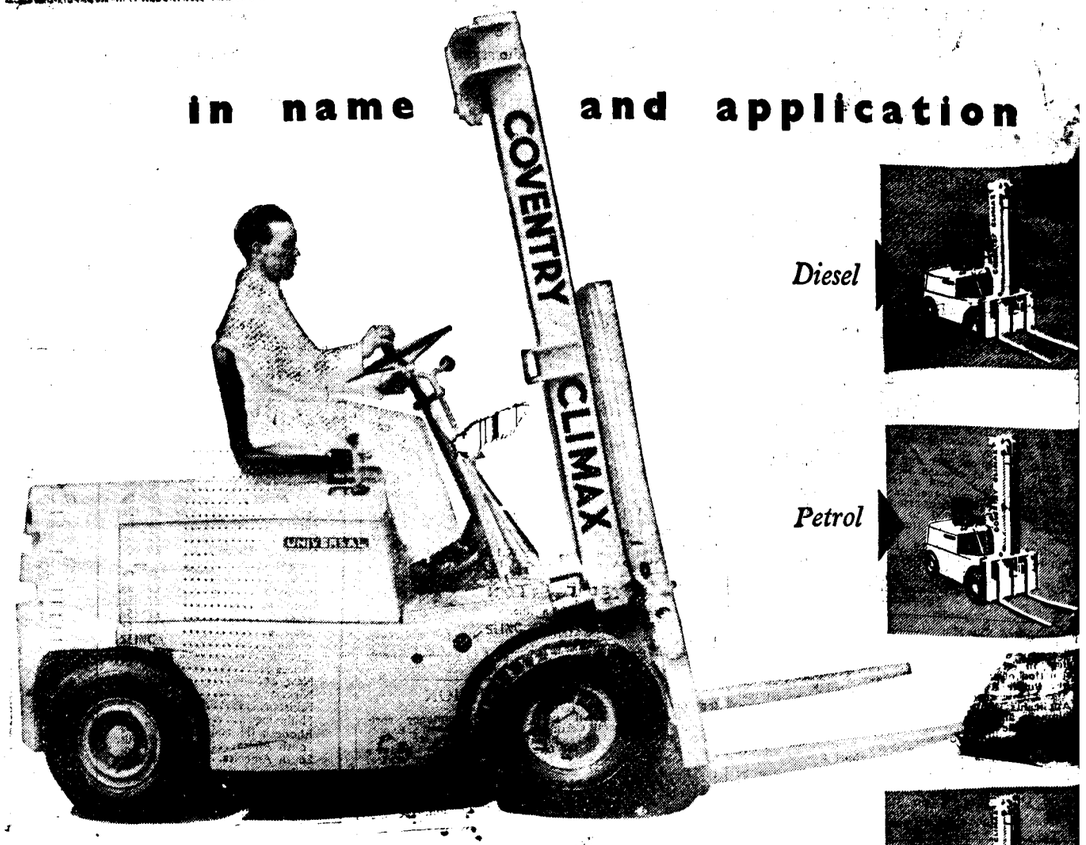

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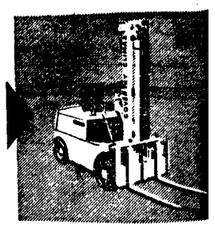

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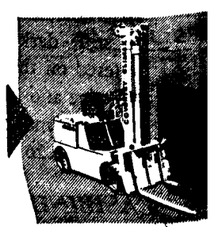

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BRITISH INSURANCE

Investments Weather the Storm

LAST year's insurance balance sheets show gratifyingly little sign of strain. Ultra-dear money and deflated equities must have cut deeply into investment reserves, and these had already absorbed a sustained depreciation of fixed interest holdings over earlier years. It would not have been surprising if several of the life offices (including the life departments of the composite companies) had shown a short-fall between the market and book values of stock exchange securities. In fact, only a few had to do so, and these cases afford no ground whatsoever for misgivings. If there had been any sign of uncovered depreciation of securities held by non-life funds, there might have been occasion for concern. But all the insurance companies have given the statutory certificate that balance sheet values are, in the aggregate, within actual values. The insurance industry could hardly have passed last year's searching test so well without the help of equities. There was no evidence of any change in investment policy in 1957 ; on the contrary, more money than ever before seems to have gone into ordinary shares.

Worrying as 1958 must have been, fixed interest stocks in fact fell further—and from a greater height—in 1949, 1951 and 1955. Equities did not fare too badly last year, as measured by the criterion of the broadly based Actuaries' Index, although the *Financial Times* index fell by 7.6 per cent. There has, in fact, been an eleven-year slide which has halved the price of irredeemable fixed interest stocks. But the life offices would not have suffered to this extent since the bulk of their fixed-interest holdings are dated stocks. The experience of individual offices has no doubt varied considerably. Those with an above-average stake in ordinary shares—and especially those that hold dollar equities—should have fared better than the rest. But the timing of expansion plays a big part in the outcome of investment as well as skill and luck in investment policy. Only one office regularly discloses its investment experience. At the end of last year the National Mutual—one of the smaller mutual offices that has not been expanding aggressively—had 1.7 per cent of its total assets in hand after writing down stock exchange securities to market values. At the other end of the scale the Legal and General—an office that has grown very fast until it is now second only to the Prudential—reported uncovered depreciation in the life department of 2.6 per cent of the book assets ; its properties, which form a high proportion of total assets, have appreciated.

Appreciation of fixed interest stocks during the first half of 1958 has been sufficient largely to eliminate last year's losses, and equities too are well up. Life offices naturally do not court depreciation of their assets, but if it occurs they can, with perfect propriety, write down their actuarial liabilities. If market rates of interest change considerably, it is entirely proper to adjust the rate of interest used in the actuarial valuation. This rate is based on a conservative assessment of the trend of the market rate. A rise in the rate used for the valuation reduces the liability on the policy and thus releases part of the reserves that the actuary had previously set up against the policy.

This release of reserves thus acts as a counterweight to the fall in the value of the investments held in the fund. Conversely, it may be necessary to set up additional reserves if rates of interest fall sharply and remain at low levels. Two conditions must be fulfilled. Depreciation that does not stem from a rise in the rate of interest cannot be offset in this way ; and the maturity dates of the assets and of liabilities must be reasonably well matched. These principles have been aptly illustrated by the chairman of the Legal and General. If the rates (of $2\frac{3}{4}$ per cent for assurances and 3 per cent for annuities) that were assumed in the actuarial valuation at the end of 1956 were increased by $\frac{1}{4}$ per cent—an increase that would "still be well within the net rate currently earned"—a "surplus greater than the stated depreciation of assets" (£8 million) would be released. The Legal and General has 85 per cent of its fixed interest portfolio in dated stocks. The high proportion of dated stocks held by the insurance companies is comforting when the market falls, but it makes them more vulnerable to a fall in the rate of interest than to a rise. Dr Dalton in his heyday alarmed insurance boards more than Mr Thorneycroft did last September.

There are special reasons for the satisfactory condition of non-life balance sheets. Assets of fire, accident and marine funds are in general invested shorter than life assets; it is common prudence to hold large blocks of readily realisable securities against the possibility of heavy claims. Of greater importance are the substantial dollar assets—mainly bonds—of the leading composite insurance companies, depreciation of which in 1957 was relatively light. Finally the substantial appreciation in terms of sterling of surplus dollar assets dating from the devaluation of the £ in 1949 provides a useful cushion. The London and Lancashire was, for example, able to report that inner reserves at the end of 1957 still amounted to 25 per cent of the balance sheet value of non-life investments.

The analysis of balance sheet changes that was initiated in last year's Survey is brought up to date in Table I. The adjusted figures for 1956 roughly correct the distortion caused by the revision of the dollar-sterling rate of exchange adopted in the accounts of the important Royal-Globe group. In 1957, and probably in other years as well, some offices wrote up the book value of their equities and wrote down their fixed interest stocks (mainly gilt-edged). This practice may cause a few raised eyebrows, though it amounts in fact to nothing more than a rearrangement of market appreciation and investment reserves, and does not affect the total real value of the portfolio on which the directors must give their certificate. But it does affect the apparent distribution of the portfolio between different classes of securities and it must account for some part of the record increase in the book value of ordinary shares last year, at the end of which the institutions seemed to be going slow with new equity investment. But the main outline is clear enough. Many life offices are reluctant to add to their holdings of gilt-edged, although they are sometimes active switchers and if they run big pension funds, gilt-edged at recent prices must suit them very well. They are staunch supporters of

TABLE I.—INCREASE IN INSURANCE ASSETS—44 OFFICES
£ million

Year	Gilt-Edged	Debentures	Preference	Equities	Other Stock Exchange Securities	Increase in total Assets*
1952 ...	—	32	— 2	40	19	181
1953 ...	61	46	13	42	11	234
1954 ...	31	70	29	97	11	289
1955 ...	—24	56	20	82	7	283
1956 ...	—24	62	12	82	30	337
1956†...	—24	46	8	73	2	265
1957‡...	—20	84	7	99	— 3	321

* Including property and mortgages. † After adjustment for writing-up by Royal group; the figures are approximate. ‡ 45 offices.

new debenture issues at the right price (including, one suspects, convertibles, in spite of Sir Frank Morgan's comments at the Prudential meeting); on occasion they nibble at preference shares and they remain convinced of the merits of equities.

Investment in property absorbed £46 million last year and loans of all kinds £70 million. Large scale investment in property is a speciality of a few offices; lettings at rack rentals can be a good hedge against inflation, but good management is essential. Policy loans (which life offices are bound to make on demand) have been increasing for some time as bank managers wished overdrafts secured on life policies onto the office that issued them. Insurance companies have also been under considerable pressure to increase their house purchase loans, which have been kept within bounds by various devices.

Sheer size has its effect on the assets distribution of the giant insurance companies. Yet there are sharp differences between the investment policy of the Prudential and Pearl on the one hand and the Legal and General on the other. Table III throws up many intriguing differences of practice among the 43 life offices. The stake in mortgage and other loans ranges from 4.5 per cent to 47.0 per cent of total assets. In gilt-edged and near gilt-edged stocks the range is from 9.8 per cent to 44.5 per cent and in equities from 5.5 per cent to 41.4 per cent. There are now nineteen offices with more than 20 per cent of their book assets in ordinary shares. In properties, the range is from virtually nothing to 27.5 per cent of total assets. There is no apparent link between asset distributions and high bonuses; no combination of assets is demonstrably superior to any other by this criterion of bonuses, which is the only one open to the public.

LIFE offices traditionally plough all capital profits back into investment reserves. Bonuses to participating policy-holders and dividends to the shareholders of the proprietary companies are paid wholly out of trading profits, in which surplus interest earnings predominate. (A few offices, however, have recently made a praiseworthy attempt to hold the scales fairly between present and future policyholders by declaring special bonuses out of part of the accumulated capital profits: this movement might have spread further but for last year's investment upheaval.) Interest income is therefore very important to a life office; it must, for instance, be a nice point where to draw the line between income and growth equities. For the first time in a quarter of a century the average net yield on the life and annuity funds of the life offices last year exceeded 4½ per cent. The steep rise in bonuses since 1950—when the average yield was a full percentage point lower—is discussed on a later page. The yields in Table V do not take capital appreciation or depreciation into account. Changes in the yield on new money thus take some time significantly to affect the overall yield. This year's yield for most of the offices is almost certain to be higher than last year's. Thereafter, if the present trend of interest rates continues, overall yields will probably turn downwards.

Some gross returns shown in the table seem high, particularly when non-productive assets and the assets acquired during the cheap money era are taken into account. Nine offices earned more than 6 per cent and one topped 7 per cent. These exceptional yields point to hidden fat or exceptionally profitable subsidiaries: they certainly do not suggest a rash investment policy. Net yields measure the actual accretion to the funds; because annuity business is an important branch and no longer a sideline the difference in taxation treatment of life and annuity funds makes separate accounts desirable. Ordinary life assurance business normally pays tax (at 7s. 6d. in the £) on interest income less expenses of management; annuity funds are now split into two parts for taxation purposes, the pension annuity part being exempted from tax on income (but not on profits). It follows that where the difference between the gross and net yield of a combined life and annuity fund is small (as, for instance, for the Standard Life) annuity business is relatively large.

TABLE II.—DISTRIBUTION OF INSURANCE ASSETS
TOTAL CONSOLIDATED ASSETS OF 45 OFFICES

Class of Asset	1955	1956		1957	
	Per cent	£mn.	Per cent	£mn.	Per cent
Mortgages, including policy loans	13·9	673·0	15·0	742·8	15·5
Br. Govt. and Govt. guaran. stocks	26·2	1,058·5	23·7	1,038·2	21·7
Br. Mun., Overseas Govt. and Mun.	9·5	421·2	9·4	418·6	8·7
Debenture stocks	13·3	611·3	13·7	695·6	14·5
Preference shares	7·2	311·4	6·9	318·2	6·6
Ordinary shares	14·7	689·3	15·4	788·0	16·4
Other investments	0·8	42·6	1·0	52·4	1·1
Property	7·7	344·8	7·7	390·7	8·2
Cash, agents' balances, etc.	6·7	319·8	7·2	348·3	7·3
Total Assets of 45 Offices	100·0	4,471·9	100·0	4,792·8	100·0

TABLE III.—PERCENTAGE DISTRIBUTION OF LIFE, ANNUITY AND CAPITAL REDEMPTION ASSETS OF 43 OFFICES—END 1957

Company	Mortgages, incl. Policy Loans	British Government Securities	Home & Overseas Govt. & Municipal	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
15 Mutual Life Offices									
Equitable	17·2	13·5	4·9	21·7	6·7	14·5	10·4	8·7	2·4
Friends' Provident(a)	40·2	11·9	1·2	5·7	4·6	12·2	10·3	10·8	3·1
London Life	16·1	29·2	3·3	11·0	5·2	21·5	...	11·1	2·6
Marine & General	16·2	24·2	0·5	9·9	12·6	21·5	...	11·2	3·9
National Mutual	18·5	17·5	5·2	18·0	10·9	16·8	...	8·5	4·6
National Provident	15·1	11·4	2·3	17·6	8·4	31·6	...	10·0	3·6
Norwich Union	47·0	11·6	4·3	5·9	1·5	8·3	3·9	14·6	2·9
Provident Mutual	5·1	25·1	3·6	22·5	12·8	24·4	...	1·6	4·9
Scottish Amicable	16·2	40·6	2·8	13·6	3·9	12·8	0·3	2·0	3·8
Scottish Equitable	27·1	19·4	1·5	13·8	10·3	23·7	...	0·9	3·3
Scottish Mutual	13·0	21·7	2·3	12·5	14·6	24·7	0·3	5·6	5·3
Scottish Provident	15·7	28·9	4·3	15·7	10·3	17·4	...	4·2	3·5
Scottish Widows'	4·5	28·4	0·6	10·2	10·6	41·4	0·1	1·0	3·2
Standard	17·2	11·6	7·5	25·1	12·2	23·9	...	0·6	1·9
UK Provident	11·1	9·3	13·2	5·3	7·5	30·8	...	20·2	2·6
Average	21·8	18·2	4·5	14·3	8·4	21·4	1·8	6·7	2·9
4 Proprietary Life Offices									
Clerical, Medical & General	27·6	9·5	0·3	2·8	3·2	24·4	11·2	17·0	4·0
Equity & Law	7·6	11·7	1·7	14·8	12·0	34·9	8·9	5·9	2·5
Scottish Life	22·8	14·6	0·4	16·2	14·4	26·3	...	1·9	3·4
Sun Life	36·6	18·6	2·1	23·7	3·0	7·9	...	5·8	2·3
Average	27·4	15·3	1·6	17·8	6·1	18·2	3·7	7·2	2·7
7 Industrial-cum-Ordinary Life Offices									
Britannic	31·9	31·5	4·5	6·0	3·4	18·6	0·1	1·5	2·5
Co-operative (b)	28·6	25·6	2·2	5·8	6·5	13·9	3·2	11·7	2·5
Pearl (b)	5·9	30·6	8·0	17·7	6·9	19·7	0·4	6·6	4·2
Prudential (b)	8·1	31·2	5·8	17·0	6·7	16·7	0·2	11·2	3·1
Refuge	22·6	28·8	5·4	13·8	11·8	12·1	0·6	2·1	2·8
Royal London	8·1	38·0	3·1	10·2	14·9	20·6	...	3·2	1·9
Wesleyan & General	36·2	30·6	4·5	6·2	10·6	5·5	...	5·0	1·4
Average	13·2	30·8	5·4	14·2	7·7	16·6	0·6	8·5	3·0
17 Composite Offices(c)									
Alliance	10·3	27·2	3·7	32·2	7·7	13·5	...	1·8	3·6
Atlas	23·0	18·4	0·5	17·4	9·7	16·7	0·2	9·8	4·3
Caledonian	21·1	23·7	2·9	10·1	9·4	24·5	...	4·2	4·1
Commercial Union	11·8	22·0	3·9	23·8	10·5	15·4	...	9·4	3·2
Eagle Star	19·9	25·0	3·2	9·5	4·5	25·1	...	10·4	2·4
Guardian	26·6	9·7	0·6	13·9	7·4	21·5	1·2	12·4	6·7
Law Union & Rock	24·7	25·7	5·6	14·5	8·2	14·2	...	4·5	2·6
Legal & General (b)	23·5	12·5	6·5	10·4	3·4	10·2	0·1	27·5	5·9
Liverpool & London & Globe	12·8	36·0	4·6	21·0	2·9	16·9	...	2·8	3·0
London Assurance	32·8	10·9	1·1	10·6	6·1	28·7	...	7·4	2·4
North British & Mercantile	28·6	33·7	4·6	10·2	3·3	13·5	1·0	0·7	4·4
Northern	19·0	12·2	5·0	23·3	9·8	23·5	...	1·3	5·9
Phoenix	24·7	19·7	3·6	20·0	6·2	17·7	...	5·1	3·0
Royal	17·1	37·8	6·7	15·7	2·1	16·4	...	0·9	3·3
Royal Exchange	12·3	14·7	1·9	35·6	9·4	14·0	...	7·1	5·0
Scottish Union & National	17·2	22·8	1·5	12·9	13·3	25·5	...	3·7	3·1
Yorkshire	16·4	31·3	1·5	3·7	1·2	19·1	10·9	11·2	4·7
Average	20·9	20·3	4·4	14·7	5·4	16·2	0·6	13·0	4·5
Average of 43 Offices	18·0	24·3	4·7	14·6	7·2	17·7	1·1	9·1	3·3

(a) Excluding Century assets. (b) Including assets of fire and accident branches (c) Excluding assets of capital redemption branch.

TABLE IV.—PERCENTAGE DISTRIBUTION OF NON-LIFE ASSETS OF 16 OFFICES—END 1957

Company	Mortgages, incl. Policy Loans	British Government Securities	Home & Overseas Govt. & Municipal	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Alliance	17·3	15·9	10·8	4·9	4·4	10·6	...	7·5	28·6
Atlas	10·4	8·7	23·5	11·5	1·3	5·7	0·3	4·6	34·0
Commercial Union	3·5	12·4	21·8	13·2	7·2	11·6	0·2	4·3	25·8
Eagle Star	14·2	3·0	11·0	7·5	3·5	26·7	...	9·0	25·1
Employers' Liability	...	3·9	40·0	23·9	0·1	7·1	1·7	1·8	21·5
Guardian	5·6	7·9	12·5	9·7	3·2	9·9	10·5	5·4	35·3
Liverpool & London & Globe	2·7	5·3	39·6	19·2	4·6	11·2	...	0·6	16·8
London & Lancashire	4·8	7·4	31·5	11·3	4·4	7·7	...	4·7	28·2
London Assurance	4·4	6·9	18·9	15·9	2·5	16·0	...	6·1	29·3
North British & Mercantile	2·2	13·9	37·0	7·1	5·4	8·2	2·2	1·7	22·3
Northern	3·7	13·7	19·3	13·8	3·6	14·6	...	2·5	28·8
Phoenix	3·4	7·7	22·2	19·9	6·1	8·2	0·2	7·1	25·2
Royal	1·9	7·6	37·4	18·4	4·4	11·1	0·3	1·8	17·1
Royal Exchange	5·9	24·0	18·3	11·2	2·7	5·3	0·1	3·8	28·7
Scottish Union & National	2·8	8·2	19·0	13·2	12·0	14·9	...	1·5	28·4
Yorkshire	6·2	12·7	23·2	9·9	4·6	9·5	...	4·2	29·7
Average, Non-Life Assets of 16 Offices	4·4	9·8	26·7	14·3	4·4	10·8	1·1	3·7	24·8

TABLE V.—RATES OF INTEREST PER CENT, LIFE AND ANNUITY FUNDS—43 OFFICES

Company	Gross			Net		
	1955	1956	1957	1955	1956	1957
Mutual						
Equitable	5·45	5·46	5·78	4·30	4·31	4·47
Friends' Provident	6·12	6·02	5·60	5·22	5·33	5·08
London Life	5·33	5·33	5·54	4·00	4·13	4·17
Marine & General	5·44	5·65	5·78	4·68	4·72	4·99
National Mutual	5·65	5·81	5·71	4·45	4·59	4·59
National Provident	6·95	7·05	7·14	5·30	5·34	5·34
Norwich Union	4·79	4·92	5·06	4·19	4·30	4·41
Provident Mutual	5·47	5·52	5·77	4·35	4·41	4·78
Scottish Amicable	5·04	5·07	5·24	4·49	4·33	4·39
Scottish Equitable	5·97	6·07	6·25	4·75	4·80	4·80
Scottish Mutual	5·75	5·95	6·17	4·66	4·97	5·32
Scottish Provident	5·96	6·06	6·30	4·56	4·59	4·82
Scottish Widows'	6·14	6·05	6·17	4·52	4·56	4·73
Standard	5·12	5·27	5·38	4·57	4·78	4·84
United Kingdom Provident	6·67	6·76	6·83	4·78	4·89	5·02
Average	5·72	5·80	5·91	4·59	4·67	4·78
Proprietary						
Clerical, Medical & General	5·71	5·88	6·23	4·32	4·56	4·70
Equity & Law	6·39	6·48	6·84	5·30	5·17	5·77
Scottish Life	5·63	5·68	5·91	4·84	4·99	5·06
Sun Life	4·72	4·92	5·19	3·74	3·99	4·21
Average	5·61	5·74	6·04	4·55	4·68	4·94
Industrial-cum-Ordinary*						
Britannic	4·88	5·10	5·41	3·52	3·71	3·91
Co-operative	4·50	5·19	5·33	3·55	3·90	4·00
Pearl	5·65	5·63	5·90	4·38	4·48	4·74
Prudential	5·36	5·48	5·68	4·51	4·59	4·92
Refuge	4·88	5·07	5·24	3·79	3·88	3·93
Royal London Mutual	5·13	5·20	5·43	3·83	3·93	4·10
Wesleyan & General	4·54	4·63	4·76	3·58	3·71	3·81
Average	4·99	5·19	5·39	3·88	4·03	4·20
Composite						
Alliance	4·95	5·05	5·29	3·45	3·52	3·71
Atlas	5·33	5·38	5·61	4·42	4·42	4·85
Caledonian	5·30	5·49	5·95	3·99	4·17	4·50
Commercial Union	4·93	5·05	5·49	3·77	3·82	4·23
Eagle Star	5·00	5·13	5·44	3·97	4·15	4·30
Guardian	5·87	6·01	6·09	4·81	4·88	5·02
Law Union & Rock	4·67	4·80	5·23	3·76	4·02	4·32
Legal & General	4·77	5·10	5·10	4·17	4·48	4·46
Liverpool & London & Globe	5·04	5·18	5·38	3·68	3·77	3·91
London Assurance	5·02	5·32	5·50	3·82	4·12	4·22
North British & Mercantile	4·49	4·59	4·97	3·20	3·43	3·80
Northern	5·25	5·26	5·70	4·14	4·44	4·45
Phoenix	5·12	5·23	5·40	3·62	4·04	4·29
Royal	4·89	4·84	5·23	4·00	3·99	4·29
Royal Exchange	5·48	5·62	5·93	4·11	4·20	4·23
Scottish Union & National	5·35	5·52	5·75	4·21	4·57	4·61
Yorkshire	4·77	4·81	5·13	4·15	4·18	4·36
Average	5·07	5·20	5·48	3·96	4·13	4·33
Average of 43 Offices	5·34	5·46	5·67	4·22	4·35	4·52

* Excluding industrial life funds.

Summit for Bonuses?

LIFE offices are doing uncommonly well for their participating policy-holders. Bonuses are at or near record levels, and the lean times of the nineteen forties are but a faint memory. Can current bonus rates be maintained through the lifetime of policies now being taken out? That is an assumption that none of the offices, conscious of the dependence of bonuses on future profits, would underwrite; and the ordinary member of the public, for whom unbiased advice is hard to come by, finds the task of choosing the best policy tantalisingly difficult. But the experience of the past may give him a useful lead: dear money and buoyant dividends have had a dramatic effect on bonuses. Conversely, if interest earnings fall, bonuses are bound to follow them. For the man whose family responsibilities are heavy, the need for maximum cover is paramount. But as an investment, the superiority of a with-profits policy (with its equity flavour) over a non-participating contract (which is, in effect, a fixed interest security) can hardly be doubted. That was true even when bonus rates were at their lowest.

There is no magic about the source of life office profits. Once premium rates have been fixed, profits depend, as in any other business, upon trading margins and upon gearing. The bases on which actuarial valuations are made are altered from time to time, but these changes simply determine the rate of release of profits. The actual profits outcome depends upon mortality rates, upon the cost of management of the fund and—most important of all—upon the surplus of interest income earned over the rate originally allowed for in the premiums. Capital profits are usually ploughed back to earn compound interest, though a few offices have in recent years distributed part of these capital gains. So long as assets and liabilities are matched, capital depreciation resulting from a rise in the rate of interest need not threaten the bonus. Bumper bonuses are, in fact, the product of high interest rates.

The offices included in Table VII head the long list of those whose reversionary bonuses (payable with the sum assured) are now close to or above the highest rates that had previously been declared. The similarity between current and prewar peak bonus rates is striking. So is the close bunching of the offices that pay high bonuses. Bonus rates must not, indeed be judged in isolation. The acid test is the amount paid when a policy finally matures and that sum must be related to the premiums paid. Current premiums for with-profit endowment assurances are about 5 per cent above prewar rates, and to that extent bonuses are less generous than they might appear at first sight.

Declining mortality rates and economies in management have helped to swell life office profits. But it is interest earnings that have largely determined bonuses. In 1930, when interest yields and bonus rates both reached a peak, the average net yield on a large sample of life and annuity funds was £4 16s. 6d. per cent; last year the corresponding figure was £4 10s. 5d. per cent, while in 1950 the net yield

TABLE VI.—INSURANCE EARNINGS AND DIVIDENDS, 1957

Company	Total Premium Income*	Underwriting Profits				Interest Earnings and Dividends			Reserves to Premiums*†	Ordinary Shares	
		Net Trading Surplus*	Ratio (2) to (1)	Transferred from Life Funds	Total (4) + (2)	Net Interest Earnings*‡	Net Ordinary Dividends	Ratio (6) to (7)		Price July 7, 1958	Yield per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	£	£	per cent	£	£	£	£	per cent	per cent		£ s. d.
Alliance	18,669,583	289,973	1·6	76,984	366,957*a*	659,791	619,921	106·4	124·7	75/6	4 19 4
Atlas	11,058,168	— *179,356*	— *1·6*	26,147	— *153,209b*	357,419	284,628	161·5*n*	107·8	66/9	5 4 10
Commercial Union	64,092,813	— *431,923*	— *0·7*	83,402	— *348,521c*	2,372,548	1,580,905	150·1	106·3	34/6	5 6 3
Eagle Star	16,298,045	— *190,015*	— *1·2*	73,892	— *116,123d*	891,748	560,625	159·1	131·1	66/–	4 18 6
Employers' Liability	34,992,857	—*1,263,989*	— *3·6*	87,493	—*1,176,496*	862,907	316,250	272·9	65·0	108/9	5 1 2
General Accident	56,455,774	— *86,878*	— *0·2*	22,604	— *64,274*	1,566,057	646,875	242·1	72·1	30/6	4 1 11
Guardian (*j*)	30,399,585	— *200,555*	— *0·7*	80,835	— *119,720e*	1,186,869	622,673	190·6	95·1	50/9	4 8 8
London Assurance	24,115,132	—*1,171,618*	— *4·9*	30,000	—*1,141,618*	787,639	429,525	183·4	97·8	38/6	5 16 10
London & Lancashire	33,212,722	— *846,860*	— *2·5*	23,854	— *823,006*	968,298	732,411	132·2	90·0	116/3	6 0 5
North British & Mercantile	32,189,674	—*1,496,239*	— *4·6*	71,786	—*1,424,453f*	1,188,149	711,562	167·0	120·7	37/9	6 0 0
Northern	30,560,478	— *663,637*	— *2·2*	33,142	— *630,495g*	896,555	495,204	181·0	110·5	54/6	5 2 9
Norwich Union	19,903,408	— *76,544*	— *0·4*	...	— *76,544*	394,434	253,000	155·9	73·3	(*o*)	...
Phoenix	35,708,805	—*1,081,116*	— *3·0*	...	—*1,081,116*	1,120,373	577,875	193·9	72·7	f.p. 16½	6 3 1
Prudential (*m*)	14,727,607	— *6,540*	— *0·1*	45,895	39,355*h*	430,761	250,000	172·3	85·9	'B' p.p. 33/6	4 18 0
Royal (including Liverpool & London & Globe)	131,428,450	— *295,387*	— *0·2*	95,000	— *200,387*	3,385,215	2,468,636	137·1	98·5	75/9	5 1 2
Royal Exchange	32,627,214	— *483,226*	— *1·5*	101,210	— *382,016 j*	1,015,410	524,400	193·6	90·0	67/9	4 14 10
Scottish Union & National	9,439,185	— *248,409*	— *2·6*	25,000	— *223,409*	292,479	138,000	211·9	113·5	'A' p.p. 35/–	5 14 3
Sun	20,669,283	198,822	1·0	...	198,822*k*	703,767	465,750	151·1	100·9	142/6	4 14 9
Yorkshire	18,005,035	— *370,614*	— *2·1*	92,177	— *278,437*	416,260	168,188	247·5	77·0	p.p. 10§	4 14 0
Total	**634,553,818**	—*8,604,111*	— *1·4*	**969,421**	—*7,634,690*	**19,496,679**	**11,846,428**	**164·6**	**94·6**	...	...

* Excluding life, annuity and capital redemption business. † "Reserves" include share capital, all free reserves and the underwriting and additional reserves maintained for fire, accident and marine insurance. ‡ After debenture interest and preference dividends. (*a*) Before £250,000 to general reserve and £96,552 written off investments. (*b*) Before £20,000 to investment and contingencies reserve and £12,500 written off investments. (*c*) Before £200,000 to contingencies and taxation reserve. (*d*) Before £9,155 written off investments. (*e*) Including £92,593 pre-acquisition profit of Caledonian; before £116,255 to general and investment reserves. (*f*) Before £60,000 to general reserve. (*g*) Before £85,000 to investment and contingency reserve, £401,824 capitalised and £100,358 capital reorganisation expenses written off. (*h*) Before £15,000 to investment reserve. (*j*) Before £460,800 written off investments. (*k*) Before £150,000 to foreign exchange account. (*l*) Including Caledonian acquired during the year. (*m*) General branch only, i.e., all business other than life; three-quarters of the profits belong to the "B" shareholders and one-quarter to the "A" shareholders. (*n*) Excluding £63,250 special dividend. (*o*) Shares held by Norwich Union Life Insurance Society.

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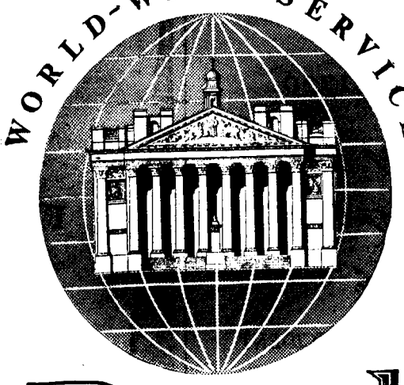

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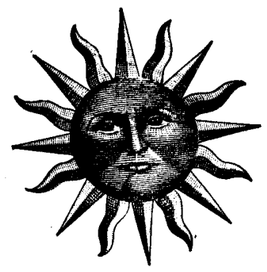

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was £3 10s. per cent. These figures speak for themselves, though a complication has been introduced by the big increase in annuity business since the war. Future bonuses will ultimately reflect changes in the yield on life office assets. If a long period of lower interest rates were in prospect it would ultimately lead to reductions in bonuses. But the timing and the extent of any such reductions would turn on the terms on which annual premiums have been invested over the years and partly also on the behaviour of other factors—such as mortality—which affect profits.

The improving trend of mortality is unlikely to be reversed. But the element in endowment assurance premiums to cover death risks is now so small that if early claims were confined to accidents, the additional mortality profit would not be significant. As for management costs, the life offices count themselves lucky nowadays if they manage to prevent the expense ratio (that is the proportion of premiums spent on management, including commission) from rising. So success in the investment field is likely to be the key to high bonuses in the future even more than in the past. No matter how much their other decisions differ, nearly all the life offices have one object in common: they are increasing their stake in equities year by year. Many offices have probably made as much money in this once taboo field as they have had to write off fixed interest stocks. This steady build up of equity portfolios should help to cushion the impact on bonuses of any sustained fall in interest rates—unless, indeed, some form of dividend limitation were introduced.

Some offices may have enough fat on them to bolster bonuses for some time at a rate above that currently earned; an outstandingly high gross yield as shown in Table V can usually be taken to indicate big hidden reserves which make this possible. If the proportion of with-profits business is low, bonuses may be highly geared; if participating rights are not confined to the earnings of with-profit policies, even a marginal profit on the non-participating business may enable an office to declare a handsome bonus.

High bonuses pose a nice question of equity between present and future policy-holders, which is of particular concern for the mutual offices that predominate in Table VII. On sensible assumptions about future mortality, expenses and interest, existing premium rates may not yield enough profit to maintain current bonuses. If interest at, say, 4 per cent net is assumed—and that is a rate that until recently would have looked optimistic—a sharp increase in premiums would be needed to make new business self-supporting. It is most unlikely that any office would impose the full theoretical increase, but more than one office has recently increased its with-profit premiums. The adjustments have been small, but they are significant. Participating annuities are a fairly recent innovation, but there is no reason to suppose that in the short run the trend of annuity bonuses will diverge from that of the more familiar reversionary bonuses on life policies.

TABLE VII.—HIGH BONUS OFFICES
25-year Endowment Assurance

Company	Bonus Rate			Sum Assured† by new policy
	Prewar Peak	1950*	1958*	£
Commercial Union..	New series in 1940	32/6 C	50/– C	581
Equity & Law.....	53/– S	40/– S a	52/– S a	596
Equitable	30/– C +17/6 S	20/– C +10/– S	40/– C +20/– S	595
Friends' Provident..	42/– C	30/– C	50/– C	584
London Life.....	40/– C	30/– C	45/– C	606
National Mutual	45/– C	32/6 C	47/6 C	581
National Provident .	63/– S	32/6 S	55/– S	619
Scottish Widows'...	42/– C	34/– C	46/– C b	576
Standard.....	42/– C	33/– C	42/– C c	569
UK Provident :—				
(General)	41/– C	33/– C	50/– C	567
(Temperance)	43/– C	35/– C	51/– C	567

S=Simple bonus on sum assured. C=Compound bonus on sum assured plus existing bonuses. * Last declared rate or interim rate if higher. † By an annual premium of £25 paid by a life aged 30 next birthday. (a) Plus 18/– per cent of existing reversionary bonuses in 1950 and 30/– per cent in 1958; a special reversionary bonus of 50/– C was also allotted from capital profits for 1953–55. (b) Plus an additional 30/– C from capital profits for up to five years on policies in force on December 31, 1955. *(c) Plus 42/– per cent of existing reversionary bonuses.*

To sum up: bonus prospects depend largely upon future interest earnings. If money becomes progressively cheaper, the fall in the average yield on life and annuity funds will be relatively slow; and though the impact on bonus rates might not be long delayed, it would not be violent. Today's bonuses may not have quite reached the summit. But there are signs that they are nearing the end of their record-breaking climb on the back of dear money.

Variable Annuities in Britain

SINCE the war, a new form of policy has been introduced in the United States. It seeks to combine provision for retirement together with protection against the constantly falling value of money, and is called the variable annuity. The reasoning behind it is simple. Broadly speaking ordinary share prices move in line with the general movement of prices. So if the payments under a deferred annuity are made to reflect ordinary share prices they should, as a consequence, reflect changes in the cost of living. The linking of payments to share prices is the essential feature of the variable annuity. Life offices could write conventional annuities from a fund based on ordinary shares, but they would have to be cautious in applying the appreciation of the shares to bonus allocations and the basic guaranteed terms would have to be cautious, too. The essence of the variable annuity is that it gives the maximum immediate return (or loss) to the policy-holder and that it protects the office against the investment risk.

Thus the policy-holder gains the full equity advantage but carries the full equity risk. His premiums are applied to the purchase, at the current market price, of units in a trust fund composed of ordinary shares; on retirement he receives income payments equal to the market price at the payment dates of a stipulated number of trust units. That number will depend on the total units that have been accumulated during the period in which premiums are paid and on the policy-holder's expectation of life when annuity payments start. If the cost of living goes on rising after his retirement the annuitant can expect that the payments on his policy will rise too, since they are based on ordinary shares. By pool

ing his resources with like-minded people in the purchase of variable annuities, the annuitant ensures that his past savings are certain to provide him with an income as long as he lives.

It is not surprising that the variable annuity was an American innovation, for in the United States the life offices are largely prohibited from investing in ordinary shares and their fixed interest portfolios offer no hedge against inflation. The only insurance cover afforded by the original form of variable annuity consisted of the pooling of the longevity risk by the policy-holders themselves. The experience of the fund determined the size of the annuity payments ; the insurer took no risk ; and the prohibition against investment in ordinary shares was thus circumvented. In this country there is no such prohibition ; indeed, as this survey has demonstrated year after year, the growth in ordinary share investment by the life offices has been impressive. The fruits of such equity investment are being passed on to participating policy-holders and furthermore it is now possible to obtain deferred annuity policies to which bonuses are allotted from the profits of the life office. In these circumstances what place can the variable annuity expect to fill in this country ?

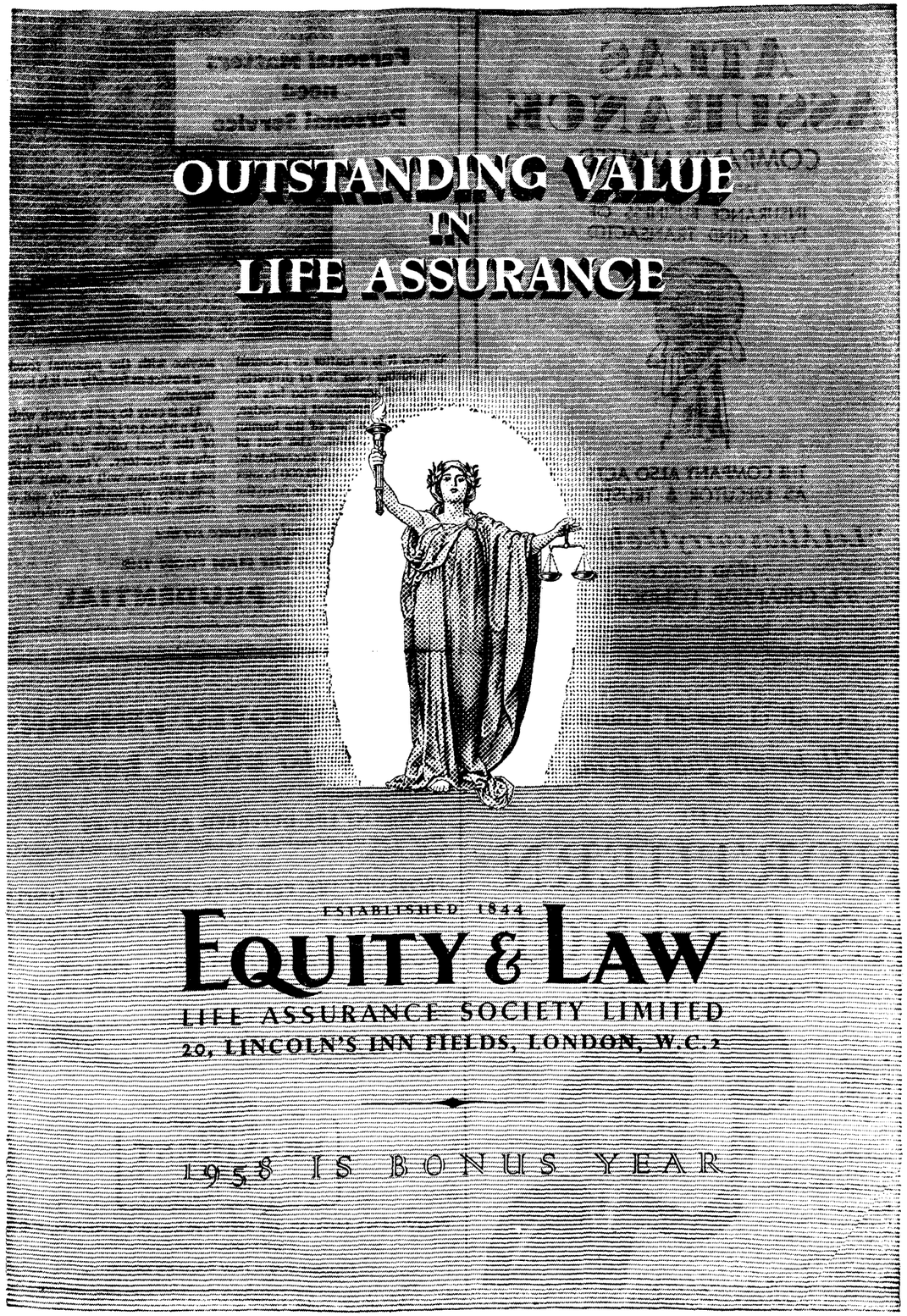
WHAT a life office provides for its policy-holders ultimately depends on its risk experience and its skill in investment. In framing investment policy a life office has to ensure that its contractural liabilities, expressed in terms of money, are met as they mature. Thus while an office may seek a high return from a leavening of equities among its assets, it will also seek stability in fixed interest stocks. But if the insurer is offering not a money contract but an equity contract depending directly on the eventual underwriting and investment out-turn of the annuity fund, then the assets backing the variable annuities can be freely invested in ordinary shares. If equity investments have to be sold at depreciated prices, the life office will not lose ; if they appreciate, the benefit can be passed on immediately to annuitants. Thus while a conventional monetary annuity with a participation in profits will provide a guaranteed minimum level of retirement income coupled with the prospect of bonus increases, a variable annuity, if the basic arguments for it are right, should provide a larger income over a period of inflation. If, however, retirement coincides with a continuing slump in share prices the variable annuity payments may well be smaller. Individual annuity payments will certainly fluctuate. The annuitant must be prepared from the very outset of the policy for this inherent variability of eventual payments.

It follows that a variable annuity is of a totally different nature from a conventional annuity contract and a certain degree of sophistication is needed on the part of the customer to appreciate the practical consequences of the difference. For that reason alone, variable annuities are not likely to have a universal appeal. The emphasis must always be on variability and imprecision. Over a period ordinary share prices follow the same trend as prices generally, but there are times when they diverge appreciably. There is an unavoidable risk that the policy-holder's expectations might not be fulfilled and he must never buy a variable annuity on the supposition that his real income from it will be completely immunised against rising prices ; there is no guarantee that this will necessarily be so. At times during his retirement, share prices might be seriously affected by other factors. It is this lack of certainty in a policy based on the decidedly elastic link between share prices and the general price level that needs to be clearly understood. Expectations are not certainties—the policy-holder is not getting the guarantee afforded by a money contract, coupled perhaps with bonus increases. It would not do for the reputation of the offices providing such contracts to be prejudiced by disappointment at the out-turn of a variable annuity because its possible disadvantages were imperfectly understood by the public and its proclaimed advantages assumed to be certain.

VARIABLE annuities, therefore, must be left to make their appeal to a limited and perceptive class of annuitants. In this class the self-employed, to whom justice was done in the Finance Act of 1956, are certainly an important component ; they at any rate might generally be supposed to be capable of appreciating the possible disadvantages of variable annuities as well as their advantages. The London and Manchester promptly took advantage of the Act to offer "Investment Trust Retirement Annuities" to the self-employed exclusively. These provide annuity payments equal to the market value at the date of payment of a number of ordinary share trust units (the number being governed by the age of the annuitant at the policy's inception) in return for a premium equal to the market value at purchase of 100 trust units. The London and Manchester thus undertakes the usual role of the insurer, but writes this policy in terms of trust units instead of in terms of money. A few months ago the Northern introduced its "Variable Annuity Plan." This is on the lines of the American prototype and differs from the London and Manchester policy in that the number of trust units ultimately allotted to the policy-holder depends entirely on the underwriting and investment experience of this class of business alone. The Northern does not share in the profits of the variable annuity business and it is only at risk to the extent that the stipulated expense appropriation for its services might prove inadequate. Both offices frankly expose the uncertainties of variable annuities. The London and Manchester recommends that a substantial proportion of the policy-holder's savings should take the form of conventional deferred annuities. The Northern will not sell its variable annuity unless a conventional deferred annuity with a premium of £100 a year is taken out.

An interesting mutation of the variable annuity is provided by the "Equitas" policy of the London and Edinburgh. This is an endowment assurance and although it is non-participating in the accepted sense, it provides, in return for a slightly larger premium, a bonus addition to the guaranteed sum assured which is derived exclusively from realised capital appreciation from the assets deemed to be held against the policy. The disadvantage of this arrangement is the vulnerability of the bonus to a chance fall in share prices.

The insurance offices in general show considerable reluctance to issue variable annuity policies—perhaps because they feel that they ought not to connive in any move that would suggest that their major interest and that of their millions of policy-holders can ever be other than a stable currency. But there is enterprise in the industry and the perceptive part of the public now has the opportunity to back its own judgment about the value of money and economic progress over the next generation.



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Insuring Atomic Risks

MERLIN is a landmark in the London insurance market. It is an atomic reactor built by Associated Electrical Industries for research and for demonstration to customers and it is the first privately owned atomic reactor in Britain to come to the insurance market for cover. Merlin will go "critical" very soon, and it has been necessary to arrange insurance for it some years before the first of the Generating Board's nuclear power stations and even before the government's regulations for the insurance of atomic plants have been presented to Parliament.

The conditions on which the insurance of Merlin have been concluded are surprisingly reasonable—roughly in line with the terms that might be charged for a chemical plant. AEI might fairly argue that potential hazard from Merlin is considerably lower than the risk of a chemical plant, but the fact remains that the insurance market is dealing with unknown risks in atomic energy and it has shown, not least in the drastic reduction on the original premium asked, initiative and farsightedness of an order that does the insurers great credit.

When an insurance pool was formed by the leading insurance companies and Lloyds more than a year ago specifically to handle atomic insurance, none of its members could have had any clear idea what this underwriting might involve. It was easy to put a figure on the cost of a reactor but not on the damage that it might cause. For their own guidance, the companies assumed that a major accident might write off the whole installation—say £20-£30 million for a reactor and power station—and might involve additional third party claims of up to £10 million. There has since been the major accident at Windscale, where fire destroyed beyond repair the core of one of the Atomic Energy Authority's two reactors producing plutonium. That episode taught the insurance companies two things; that an "incident" can destroy a very big plant; but great material damage to the reactor does not lead to devastating third party claims. Fire in the Windscale reactors led to nothing worse (on present evidence) than the destruction of £70,000 worth of milk and third party damage is unlikely, at the outside, to have exceeded £100,000, or one-thirty-fifth of the minimum value of the burnt-out reactor.

If this view is right, atomic hazards cease to be nightmarish and can be assessed much as any other industrial risk. Certainly the government subscribes to this view. Some time in the life of this Parliament, and probably in the next session, legislation is to be introduced to cover government inspection and licensing of privately owned nuclear plants, and also their insurance. The owners of reactors would be liable for all third party damage, up to a maximum liability of £5 million. This third party limit is half that which the insurance companies had adopted as their own rough and ready guide, but five times higher than the sum first suggested by the government's technical advisers. Five million pounds is a purely arbitrary figure chosen for psychological reasons rather than for any hard actuarial calculation. If third party damage in an atomic accident exceeded this limit, the event would almost certainly have to be treated as a national disaster with government compensation.

The points to be weighed in atomic insurance were recently discussed by Mr A. G. Batten, chairman of the atomic insurance pool advisory committee. First is the type of reactor, some of which are distinctly more exposed to risk than others. Then comes its size and the amount of fuel it holds. The purpose for which it is being used will govern the method of its operation. Detailed points of engineering such as corrosion resistance and control mechanisms will have a decisive part in determining its safety. And finally, extraneous matters such as the risk of earthquake or floods and the calibre of the local staff will be of signal importance.

IF the insurance companies were restricting their atomic business to this country, or even confining it to British-built reactors of the Calder Hall type, the assessment of these risks would already be a relatively straightforward business. But members of the insurance pool have said in effect that they are prepared to insure any type of reactor in any country, and they find sharp differences of opinion, even among experts, about the relative hazards of different reactor systems. They have no clear indication as yet, moreover, about the attitude of foreign governments towards atomic insurance in general, and third party liability in particular. At a conference held in London earlier this year, British insurers persuaded members of the European insurance market to accept the working principle that the owner of the reactor should be solely responsible for any third party damage so that the insurers would know where they stood. From the United States has come a plea for international agreement on the limit to third party liability.

Meanwhile, the attitude of the insurance market can have a decisive effect on atomic export sales. British salesmen, and presumably those from other countries, have found foreign buyers unwilling to sign orders for big reactors until they know first that someone will insure them and secondly, what premiums they are likely to charge. Many of the British companies in the atomic construction business have therefore obtained rough quotations for insuring reactors while negotiations for construction contracts are in progress and by now premiums must have been quoted for about a dozen projects, some power reactors, some research reactors and some simply for the handling of atomic materials. No one, however, has yet tried to grasp the hazardous problem of providing insurance for atomic shipping. With the keel laid for the first nuclear merchant ship, the marine insurance market will have to reach a decision about cover for atomic shipping fairly soon.

TABLE VIII.—PREMIUMS, PROFITS, INTEREST AND DIVIDENDS—19 OFFICES

Year	Prem. Income*	Underwriting Profits*		Transferred from Life Funds	Interest Earnings and Dividends			Ratio Reserves to Prems.
		Amount	Ratio		Net Interest Earnings	Net Ord. Divs.	Ratio	
	a	*b*	*b* to *a*	*c*	*d*	*e*	*d* to *e*	
	£ mn.	£ mn.	%	£ mn.	£ mn.	£ mn.	%	%
1953	456·7	7·2	1·6	0·8	11·8	8·1	146·2	99·8
1954	472·8	6·1	1·3	0·9	13·9	9·5	146·4	102·8
1955	500·2	4·2	0·8	1·1	16·1	10·5	152·6	102·0
1956	581·7	−5·4	−0·9	0·9	18·0	11·2	161·0	98·4
1957†	634·6	−8·6	−1·4	1·0	19·5	11·8	164·6	94·6

* Excluding life, annuity and capital redemption business.
† Caledonian and Guardian now Consolidated.

Underwriting in the Red



Two only of the leading insurance companies in making a net profit from non-life busines —and even those profits were much below averag VI and XI tell the sorry story. For the second ye credit balances from fire insurance were abnorm several offices being in the red. Accident res patchy ; some offices did better than in 1956 bu there was a loss greater than in the previous year. from marine accounts were also reduced. After o which include a considerable cost for pensions, the small operating profit from all these underwriting sources earned by the nineteen leading offices included in Tables VI and VIII was transformed into a net loss of £8.6 million.

Not one dividend was cut ; indeed five of the leading companies increased dividend rates. The offices could afford this display of confidence for investment income from the non-life funds plus (for most composite offices) a share of life department profits almost covered both the dividends paid and the underwriting losses. But the results were not what the companies had hoped for, and it must now be asked what went wrong. How long are such losses likely to continue ? Insurers are content to plough back underwriting profits, but they are not in business to incur underwriting losses year after year.

There was no major catastrophe or series of exceptionally ns during 1957. The trouble was not a random om the average experience upon which insurance are based : nor was it new. It was just that in roblems of 1956 grew more acute. Losses on rance almost everywhere, and on nearly all classes in North America, wiped out the profits from fire nd from the remainder of the accident depart- ness at home and elsewhere overseas. Transfers om the marine accounts of the nineteen offices ed £4 million a year in recent years. Last year £3½ million.

urance may have just broken even at home in he help of petrol rationing and of sharply emium rates in the second half of the year. ill bring full benefit from those higher rates, re cars on the roads every day, still higher rates seem inevitable before long if renewed losses are to be avoided : motor insurance is still cheap in Britain compared with other high traffic density countries. Once again, the United States and Canada produced the heaviest losses. Fire and accident made $7.8 million in the United States in 1955 ; last year there was a $58.4 million loss. The results from the smaller, but far from insignificant, business in Canada were relatively worse even than those from the United States. Fierce competition on both sides of the border has pared premium rates and led to increased cover without adequate charge, whilst claims have become progressively more frequent and more costly. In Canada substantial increases in motor premium rates are now in force. But in the United States, as a leading article in *The Economist* this week shows, rate revision is a slow process.

TABLE IX.—UNITED STATES BUSINESS OF BRITISH COMPANIES ($'000)

Company	1955				1956				1957			
	Premiums	Underwriting Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends	Premiums	Underwriting Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends	Premiums	Underwriting Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends
Royal†	206,043	5,302	11,420	4,615	213,057	— 412	12,512	4,810	231,954	— 12,506	13,363	5,444
General Accident	80,023	5,629	4,289	1,750	84,974	— 448	4,785	2,038	97,357	— 2,074	5,133	1,992
Employers' Liability	61,988	— 59	2,707	2,497	66,983	752	3,136	2,496	73,549	— 3,230	3,391	3,001
Commercial Union	59,078	— 128	4,011	3,109	61,160	— 3,746	4,294	2,968	67,746	— 7,578	4,382	2,728
Phoenix	47,183	708	2,588	1,556	50,826	— 7,724	2,623	815	50,844	— 4,418	2,686	238
North British & Mercantile	36,523	419	2,490	1,592	48,916	— 3,917	2,924	1,797	53,583	— 5,871	2,683	557
London & Lancashire	31,251	1,140	1,893	1,769	31,225	— 1,423	1,754	671	35,027	— 3,117	1,755	928
Pearl	21,061	— 575	1,230	...	21,346	— 2,413	1,314	...	23,596	— 3,721	1,424	...
Sun	16,413	— 564	947	228	17,753	— 1,242	1,004	295	19,905	— 1,793	1,116	— 8
London Assurance	13,307	— 429	830	144	22,747	— 4,280	1,117	423	22,412	— 4,341	1,125	129
Yorkshire	12,539	— 770	590	90	13,309	— 1,649	652	90	12,455	— 1,547	680	90
Northern	11,877	— 460	692	— 30	12,959	— 1,517	734	10	12,847	— 1,654	765	— 88
Royal Exchange	10,689	— 538	575	— 776	14,249	— 2,946	585	— 1,022	12,856	— 1,461	635	299
Scottish Union & National	9,923	— 769	680	169	9,553	— 650	703	194	9,889	— 683	741	207
Atlas	7,763	— 434	473	299	7,916	— 652	489	299	8,018	— 1,241	533	298
Norwich Union	7,389	— 886	482	5	8,597	— 850	488	2	9,545	— 1,618	488	8
Caledonian	6,667	— 226	397	— 16	239	1,006	158	8	‡	‡	‡	‡
Century	5,834	— 371	463	— 195	6,281	— 661	488	106	5,754	— 373	501	111
Sea	5,283	521	319	289	5,894	15	352	597	6,439	— 125	382	373
Prudential	5,214	137	323	60	5,304	— 145	337	113	6,125	— 88	353	113
Alliance	3,146	328	235	703	4,086	— 215	237	324	5,338	— 271	253	202
Eagle Star	2,430	72	222	184	3,018	— 354	247	13	3,122	— 501	252	522
Guardian	805	44	74	...	871	— 51	75	...	1,813	— 172	221	12
Co-operative	741	— 283	3	...	520	18	28	...	676	10	31	...
Total	663,170	7,808	37,933	18,042	711,783	— 33,504	41,036	17,047	770,850	— 58,373	42,893	17,156

Source : Best's Insurance Guide. * Gross interest dividends and rents less investment expenses. † Including Liverpool & London & Globe. ‡ Included with Guardian.

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45	17 19 0	26 14 0	42 4 0
55	11 6 0	16 13 0	25 15 0
60		13 1 0	19 17 0
65			15 6 0

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TABLE X.—FIRE AND ACCIDENT SUMMARY

	Fire								Accident							
	1954		1955		1956		1957		1954		1955		1956		1957	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	£000's		£000's		£000's		£000's		£000's		£000's		£000's		£000's	
Claims	91,959	48·6	92,490	46·9	113,343	50·0	122,390	51·9	148,880	55·8	164,358	57·2	204,863	60·6	229,544	60·4
Commission	41,759	22·1	43,754	22·2	52,258	23·0	53,289	22·6	47,611	17·8	51,120	17·8	60,256	17·8	67,215	17·7
Expenses and overseas taxes	43,555	23·0	46,109	23·4	52,263	23·0	53,898	22·9	51,045	19·1	55,503	19·3	64,297	19·0	69,874	18·4
Increase in reserves for unexpired risks	1,346	0·7	3,470	1·7	5,262	2·3	3,792	1·6	5,597	2·1	7,996	2·8	11,344	3·4	16,757	4·4
Profit	10,618	5·6	11,459	5·8	3,553	1·6	2,451	1·0	13,774	5·2	8,232	2·9	−2,662	−0·8	−3,517	−0·9
Premiums	189,237	100·0	197,282	100·0	226,949	100·0	235,820	100·0	266,970	100·0	287,209	100·0	338,111	100·0	379,873	100·0

TABLE XI.—UNDERWRITING EXPERIENCE OF 23 OFFICES

Company and Year	Fire Insurance, 1956–57						Accident and Miscellaneous Insurance, 1956–57					
	Premiums (1)	Claims (2)	Ratio (2) to (1) (3)	Profit (4)	Ratio (4) to (1) (5)	Fund at end of Year * (6)	Premiums (7)	Claims (8)	Ratio (8) to (7) (9)	Profit (10)	Ratio (10) to (7) (11)	Fund at end of Year * (12)
	£000's	£000's		£000's		£000's	£000's	£000's		£000's		£000's
Alliance 1956	7,294	3,348	45·9	315	4·3	2,918	7,532	3,632	48·2	562	7·5	3,530
Alliance 1957	7,666	3,156	41·2	606	7·9	3,066	8,564	4,151	48·5	646	7·5	3,974
Atlas 1956	6,265	3,339	53·3	34	0·5	3,506	3,312	1,862	56·2	103	3·1	1,325
Atlas 1957	6,414	3,591	56·0	— 130	— 2·0	3,566	3,815	2,012	52·8	207	5·4	1,526
Century 1956	2,730	1,495	54·8	— 90	— 3·3	1,943	2,251	1,196	53·1	— 144	— 6·4	1,938
Century 1957	2,407	1,601	66·5	— 102	— 4·2	1,735	2,515	1,450	57·7	— 227	— 9·0	2,082
Commercial Union 1956	23,632	12,056	51·0	751	3·2	21,483	31,854	19,975	62·7	— 831	— 2·6	20,859
Commercial Union 1957	24,871	13,479	54·2	160	0·6	22,138	36,067	22,022	61·0	— 599	— 1·7	22,594
Co-operative 1956	1,766	854	48·3	280	15·9	1,356	6,438	3,602	55·9	631	9·8	4,444
Co-operative 1957	1,912	827	43·2	416	21·8	1,426	7,458	4,077	54·7	716	9·6	4,930
Eagle Star 1956	4,078	1,767	43·3	408	10·0	2,135	8,771	4,778	54·5	112	1·3	3,711
Eagle Star 1957	4,336	2,225	51·3	120	2·8	2,263	9,890	5,261	53·2	351	3·6	4,172
Employers' Liability 1956	4,779	2,304	48·2	— 304	— 6·3	3,063	26,346	15,416	58·5	925	3·5	9,878
Employers' Liability 1957	5,110	2,640	51·6	— 298	— 5·8	3,399	29,381	19,352	65·9	— 1,025	— 3·5	10,388
General Accident 1956	4,606	2,077	45·1	501	10·9	4,392	44,470	26,807	60·3	416	0·9	22,208
General Accident 1957	5,038	2,217	44·0	508	10·1	4,815	50,892	30,757	60·4	153	0·3	25,357
Guardian† 1956	8,861	4,825	54·5	448	5·1	4,206	15,947	9,690	60·8	— 106	— 0·7	6,878
Guardian† 1957	8,958	4,513	50·4	346	3·9	4,479	18,124	11,030	60·9	— 441	— 2·4	8,156
Legal & General 1956	2,365	946	40·0	168	7·1	1,411	1,845	895	48·5	98	5·3	1,430
Legal & General 1957	2,546	1,028	40·4	255	10·0	1,484	2,168	1,030	47·5	145	6·7	1,644
London Assurance 1956	8,938	4,547	50·9	— 454	— 5·1	4,469	10,538	6,887	65·4	— 707	— 6·7	4,215
London Assurance 1957	8,239	4,743	57·6	— 249	— 3·0	4,119	12,249	8,258	67·4	— 1,395	— 11·4	4,900
London & Lancashire 1956	11,797	6,336	53·7	— 202	— 1·7	4,719	14,450	9,222	63·8	— 597	— 4·1	5,780
London & Lancashire 1957	12,926	6,986	54·0	— 456	— 3·5	5,171	15,674	9,731	62·1	— 442	— 2·8	6,269
North British & Mercantile 1956	18,480	9,905	53·6	— 319	— 1·7	11,525	9,429	5,454	57·9	— 165	— 1·8	3,839
North British & Mercantile 1957	19,494	10,906	56·0	— 889	— 4·6	11,930	10,770	5,883	54·6	— 426	— 4·0	4,375
Northern 1956	11,032	5,252	47·6	64	0·6	5,516	11,602	6,446	55·6	— 279	— 2·4	5,801
Northern 1957	10,936	5,843	53·4	— 175	— 1·6	5,468	13,372	7,300	54·6	— 170	— 1·3	6,686
Norwich Union 1956	7,318	3,268	44·7	281	3·8	3,956	9,366	5,796	62·1	— 496	— 5·3	4,115
Norwich Union 1957	7,822	3,678	47·0	186	2·4	4,195	10,666	6,062	56·8	— 11	— 0·1	4,673
Pearl 1956	4,806	2,490	51·8	— 393	— 8·2	3,209	4,045	2,647	65·4	— 470	— 11·6	2,428
Pearl 1957	5,053	2,754	54·5	— 507	— 10·0	3,215	4,977	3,297	66·3	— 667	— 13·4	2,636
Phoenix 1956	11,570	6,119	52·9	— 320	— 2·8	5,785	20,479	13,806	67·4	— 1,694	— 8·3	8,192
Phoenix 1957	11,416	6,020	52·7	— 72	— 0·6	5,709	21,758	13,748	63·2	— 1,171	— 5·4	8,704
Prudential 1956	4,654	2,216	47·6	166	3·6	2,195	8,170	5,020	61·5	— 421	— 5·2	4,161
Prudential 1957	4,933	2,400	48·7	105	2·1	2,331	9,332	4,810	51·6	282	3·0	4,699
Royal (including Liverpool & London & Globe) 1956	52,599	25,848	49·2	1,218	2·3	46,040	63,045	39,215	62·2	738	1·2	30,218
Royal (including Liverpool & London & Globe) 1957	55,129	28,637	52·0	1,509	2·7	47,051	69,619	44,959	64·5	— 292	— 0·4	32,848
Royal Exchange 1956	10,831	5,049	46·6	306	2·8	5,416	17,996	10,327	57·4	— 56	— 0·3	7,199
Royal Exchange 1957	10,908	5,376	49·3	424	3·9	5,454	19,749	11,030	55·9	613	3·1	7,900
Scottish Union & National 1956	5,281	2,904	55·0	— 180	— 3·4	3,960	2,178	1,289	59·1	— 72	— 3·3	1,091
Scottish Union & National 1957	5,386	2,897	53·8	— 143	— 2·7	3,911	2,408	1,291	53·6	58	2·4	1,206
Sun 1956	8,441	4,202	49·8	588	7·0	4,409	8,476	4,782	56·4	344	4·1	3,391
Sun 1957	9,233	4,349	47·1	798	8·6	4,746	10,096	5,553	55·0	310	3·1	4,038
Yorkshire 1956	4,826	2,196	45·5	287	6·0	3,057	9,601	6,119	63·7	— 553	— 5·8	4,106
Yorkshire 1957	5,087	2,527	49·7	39	0·8	3,215	10,329	6,480	62·7	— 132	— 1·3	4,408
Total 23 Offices 1956	**226,949**	**113,343**	**50·0**	**3,553**	**1·6**	**150,669**	**338,111**	**204,863**	**60·6**	**— 2,662**	**— 0·8**	**160,737**
Total 23 Offices 1957	**235,820**	**122,390**	**51·9**	**2,451**	**1·0**	**154,886**	**379,873**	**229,544**	**60·4**	**— 3,517**	**— 0·9**	**178,165**

* Reserves for unexpired risks, estimated liability under outstanding accident and disability claims and additional departmental reserves (where maintained). † Including Caledonian.

There is no reason to doubt the ability of British insurers ultimately to rehabilitate their dollar business, but complete recovery will take time. Given good luck—a rare commodity recently—this year's fire and accident underwriting should be less unprofitable than that for 1957. But marine depart-

TABLE XII.—UNITED STATES BUSINESS OF BRITISH INSURANCE COMPANIES AND THEIR AMERICAN SUBSIDIARIES
$ 000

Year	Total Premium Income	Underwriting Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends
1953.....	654,223	21,970	33,234	14,650
1954.....	651,415	17,483	36,025	15,104
1955.....	663,170	7,808	37,933	18,042
1956.....	711,783	−33,504	41,036	17,047
1957.....	770,850	−58,373	42,893	17,156

* Gross interest dividends and rents less investment expenses.
Source: Best's *Insurance Guide.*

ments will almost certainly yield less for some time to come. If any offices are disposed to increase dividends next spring they will have to weigh carefully the cost of that increase against their need to resume the interrupted task of building up free reserves in step with rapidly expanding premium income.

Marine Insurance Troubles

In most insurance companies' accounts of the last year or two the marine underwriter has played the part of family breadwinner, and has helped to make good in part at least the losses of his less fortunate brethren in the fire and accident departments. It is to be hoped that he will not be expected to play the role too long, for the immediate outlook in marine underwriting is anything but bright. In the next few years voyage business may be reasonably profitable; but in time underwriting the prognosis, whatever test may be applied, is bad. The number of competing underwriters is at present unusually large. The list of underwriting members of Lloyd's has been lengthening in every year since the end of the war, and most of the recruits must be in syndicates that write a time account. What is the outlook for these newcomers? In the long run, no doubt, good enough; but when the 1958 account is closed in 1961 they will probably learn again the old lesson—that the right time to start underwriting is not after five or six good years, but after three or four bad ones.

But before the attempt is made to peer into the future something must be said about the underwriting of 1957, and in particular about one extraordinary and dramatic incident—unlike anything that has happened since the Napoleonic wars. That incident was the forcible theft by the Indonesian government of a great fleet of Dutch boats, trading to and about Indonesia. They were insured—mainly in the English market—against war; and the war risks covered by the traditional English policy include arrest, restraint and detainment of all princes and peoples. Exactly why the Indonesian government wanted to arrest and detain is not clear; but it collared as much of the Dutch-owned fleet as it could lay hands on, and the aggregate insured value of the spoil was about £11½ million. That loss (if it had not been averted) would have been the largest single claim ever to fall on the marine market. By a special clause in the policy there would be a total loss if the boats were out of the owners' possession for four months, so whatever was done by underwriters to get them restored had to be done quickly. The situation looked bad, but an embassy of underwriters-turned-diplomats flew to Indonesia and persuaded the government to hand the ships back a few days before D-day. It was a close run thing, and the men that won over the Indonesian government have put the market under a tremendous debt of gratitude. As it is there will remain a claim for particular average of anything up to £1,500,000—a nasty loss, but dwarfed by the thought of what might have been.

The published accounts of the companies' marine departments are not the most illuminating of documents. One year's premiums are mixed up with another's and the claims, from whichever year they spring, are shovelled together, too. There is no distinction between income from voyage and from time business and without that information the results of unclosed years cannot even be guessed at. The figures below show the experience of an underwriting syndicate operating a marine account of medium size, made up of time and voyage business, with rather more time than voyage. They show the ratio of settled claims to premium income (a) for voyage and war and (b) for time and aviation, separately. They cover the three years of the 1955 account now closed, the first and second years of 1956, and the first year of 1957, both still open.

SETTLEMENT PERCENTAGE OF PREMIUM INCOMES AS AT END OF YEAR

	First year	Second year	Third year
1955 account			
Voyage and War.....	46·22	65·45	76·42
Time and Aviation	16·13	53·36	104·31
1956 account			
Voyage and War.....	41·94	65·76	...
Time and Aviation	20·23	56·77	...
1957 account			
Voyage and War.....	39·38	...	...
Time and Aviation	24·29	...	...

Looking at these figures one may guess (a) that the voyage results would not be as good as they appear if war premiums were not included with the voyage; and (b) that the time results for 1955 look worse than they really are because a conservative allowance has been made for outstandings. But with these qualifications the lesson of the figures is reasonably clear. Voyage business has been just about holding its own and time has been deteriorating.

The margin of profit (if any) in the time underwriting year 1955 must be small, and the recent fall in the insured value of tonnage is enough in itself to turn a small profit into a substantial loss. Indeed, the ups and downs of insured values within the last few years have been astonishing. For three years they were rising sharply—some by as much as eighty per cent. The volume of premiums coming to underwriters did not rise pro rata, but on an agreed formula which took account both of the "all-risks" and of the "total loss only" rates. Nevertheless the gross increase was substantial and it supplied underwriters with funds to pay for repairs which were constantly growing more costly. Time underwriting consists fundamentally in guessing right what ship repairs will cost in one and two years' time, and fixing rates accordingly; and an increase in a ship's insured value during

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the currency of a risk is obviously valuable. Now the upward movement has come to an end; insured values have begun to fall; and premiums instead of going up on an approved scale are coming down. But there is no reduction in ship-repairers' costs.

It is a mercy that the time market is probably better organised now than it was in former recessions. In the nineteen twenties, when tonnage values fell all round, there was a scramble for business among underwriters and the smaller men found they were being starved. The result was that the joint hull agreement collapsed and some underwriters had five bad years—to the discomfort of their names. Today the agreement seems to be firm and that particular line of trouble may be avoided. Another ray of hope is that as ships are laid up and cease to be insured (except for the laying up risks), more bad tonnage than good should leave the open sea for the haven. Underwriters may perhaps find that the improved average quality of the risks in their books does something to offset the effects of the recession, the higher costs, and the falling premium income.

Income Benefit Policies

LIFE assurance creates an estate at the stroke of a pen. The trouble is that some of those who most need to create an estate find it hardest to save the annual premium. The young family man needs a really large sum assured, and his capacity to save is often exhausted when he has paid his pension contribution and his house purchase mortgage interest and repayments. The special income benefit policies that a number of life offices now issue have been tailored to the need of a young man with responsibilities and little income to spare.

Income benefit policies are life assurance stripped of the investment element; the premium buys maximum protection against premature death and nothing else. The assured in effect buys the right for his dependants to enjoy a fixed income per annum until a certain date in the event of his death before that date. Each year he lives reduces the amount for which the insurance company is at risk, and if he outlives the final date, he has nothing to come.

It has taken two decades to persuade the life offices that they could safely draw the logical conclusion from their favourable experience with income benefits grafted on to traditional types of policy and assure the premature death risk alone. This particular risk, incidentally, forms much the smaller element in the cost of most endowment assurances; the bulk of the premium goes to pay for the capital sum that the assured will receive on maturity. Table XIII shows how far the two dozen or so offices that have so far taken the plunge are prepared to go. It includes only those offices that apply the whole of the premium to death cover alone, so that there is nothing in hand to provide a payment at the end of the policy term or on prior discontinuance; other offices (and some of the offices in the table) also issue income benefit policies carrying a maturity benefit. The specimen annual premium of £12—little more than a packet of cigarettes a week—enables a fit young man to insure the equivalent of £7,000. This is bargain basement life assurance that might have been expected to attract wider support. The true sum assured is only about two-thirds of the discounted "income" because there is an interest element as well as a capital repayment element in the calculation.

Income payments under these policies are in fact instalments of capital and are not taxed. Expenses have to come out of the modest premium, and therefore the premium is higher than it would be for the same income cover added on to a normal life insurance policy. Nevertheless, separate income benefit policies give useful cheap cover for a number of years that may exceed 25 and run up to an age that for some offices exceeds 70.

TABLE XIII.—INCOME BENEFIT POLICIES

Basis: An annual premium of £12 paid by a life aged 30 next birthday who is assurable at tabular rates.
Benefit: An "Income Benefit" payable from the date of death until the end of 25 years from the start of the assurance.

Office	Benefit per annum*	Number of annual premiums payable	Maximum age to which cover is given
	£		
Atlas	228	16	75
Commercial Union	245	20	70
Confederation Life	186	20	70
Eagle Star	156	18	(c)
Equitable	188	21	80
Guardian	281	22	None
Legal & General	218(a)	25	70
Life Association of Scotland	256	20	None
London Assurance	219	18	75
London Life	171(b)	17	65
National Mutual	222	18	65
National Mutual of Australasia	233	20	75
National Provident	169	17	None
North British & Mercantile	221	17	None
Northern	244	18	75
Norwich Union	282	25	75
Phoenix	210	20	75
Prudential	228	20	70
Royal (also Liverpool & London & Globe)	235	20	70
Royal Exchange	186	17	None
Scottish Amicable	207	20	65
Scottish Equitable	228(a)	25	70
Scottish Life	207	22	None
Scottish Provident	206	20	65
Scottish Union & National	224	20	70
Scottish Widows'	231	20	65
Wesleyan & General	174	20	70

* Usually payable quarterly. (a) Benefit payable for 3 years if death occurs at any time during last 3 years of policy. (b) Plus £64 immediately after death. (c) Not stated.

Benefits offered under these policies vary considerably between the different offices, and not all of them issue explanatory leaflets, which may suggest that they are not all equally keen in seeking such business. Another possible reason for its slow progress is that the commission allowed to brokers and agents is considerably less than on a whole life or endowment policy carrying the same premium. Comparison of the benefits offered by different offices is complicated by variations in the premium paying period; this ranges from 16 years to the whole term of the policy. The premium attracts the usual income tax rebate, now 17 per cent.

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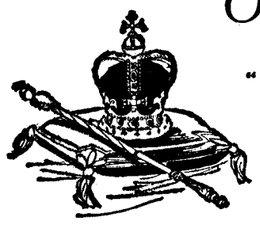
On the dearth of Immortals



"O, King, live for ever!" the people cry. But under present imperfect arrangements even kings never quite manage to bring this off. The people's chances aren't too bright, either. Crown and sceptre, umbrella and briefcase, all have to be laid aside in time.

The analogy is not exact. National revenues, after all, go on. Private revenues are apt to dwindle and stop . . . Unless the breadwinner pauses in his breadwinning to think: to think ahead to the day when, incredibly but inevitably, someone else will be going through the papers in his writing desk, his deed box, his office drawer marked "Private". To find what? With luck, a safeguard for the years to come. An assurance not only of income today, but capital tomorrow.



The SAFEGUARD POLICY means continuing security for your dependants when you are no longer on hand to see to it. It means material comfort for them in the future; spiritual comfort for you in the present. And all for a small additional premium to either Endowment or Whole Life Assurance.

Full particulars, with illustrations of how the SAFEGUARD POLICY *works, may be had from*

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Motors in the Lead

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Tough Going for Commercial Vehicles 23
The Driver as Hero 24



Albion Leyland Scammell

Our Customers never write "WISH YOU WERE HERE"



(Above) A Scammell 4 x 4 MOUNTAINEER Dump Truck with 8/10 cu. yards capacity and a tipping angle of 72° operating in S. W. Africa.

(Right) The rear-engined Leyland ATLANTEAN is the biggest advance of all time in bus design. Low-built and normal height bodies available, seating 73 or 78 passengers.

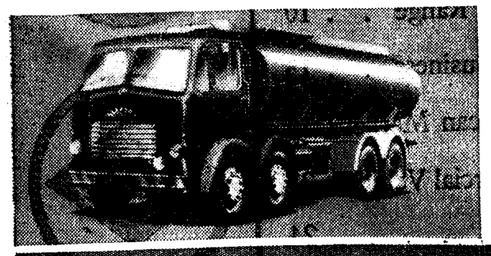
(Below) Operating in Johannesburg, this Leyland BEAVER articulated outfit is employed in transporting cattle over long distances.

(Bottom) This 8-wheeled Albion CALEDONIAN with hub reduction rear axle is fitted with a 4,000 gal. tank. G.V.W. is 24 tons with payload of 16½ tons.

Why should they?

Although our vehicles are admittedly the most troublefree made, yet we like to keep on our customers' doorsteps . . . just in case. They don't have to worry as they run their Leylands in Lagos, Albions in Allahabad or Scammells in Scutari, because, wherever they operate, they know we are nearby to keep things moving—and earning!





Let us look at the set-up of the Group Service organisation

Home users have depots in 50 towns in Great Britain to give on-the-spot first aid. Overseas customers have call on branches in 70 countries for service, spares and replacement units. Our resident and mobile engineers will also seek them out to advise and help. In special cases, we fly out a team of experts from this country.

Like the service, the Group range of vehicles is the widest in the world. You can buy trucks from 3 to 150 tons, with models of every practicable capacity in between. If it's buses you want, we make single and double deckers, seating from 26 to 78 people.

Well, that's our story . . . BUT . . . though we've built up this widespread cover for customers, we ease things for ourselves by building the most reliable vehicles on the roads!

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choose M.C.W. bodywork for Passenger Service Vehicles.
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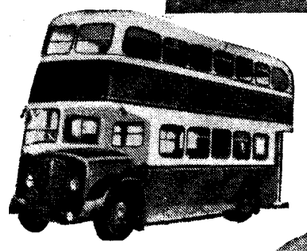
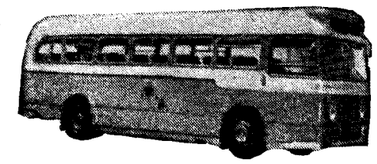


Normal height double deck omnibus body on Daimler chassis for West Bromwich Transport Department.

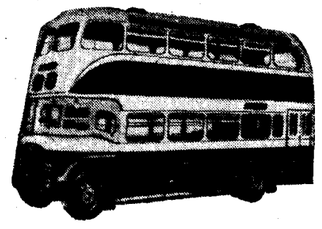
Olympian semi-coach with Leyland running units for Western Welsh Omnibus Co. Ltd.





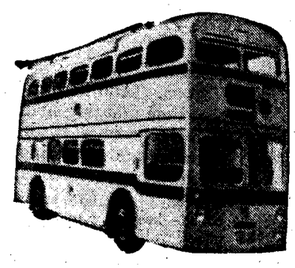
Normal height Leyland - M.C.W. Atlantean for Wallasey Corporation Motor Buses.

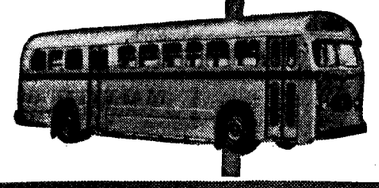
Bodywork by M.C.W.
Chassis by Leyland Motors.



Double deck omnibus body on A.E.C. Regent Chassis for Rochdale Corporation Transport Department.

Rear entrance, front exit double deck trolleybus body on Sunbeam chassis for Bournemouth Corporation Transport.





Series 2 Olympic with Leyland running units for South America.

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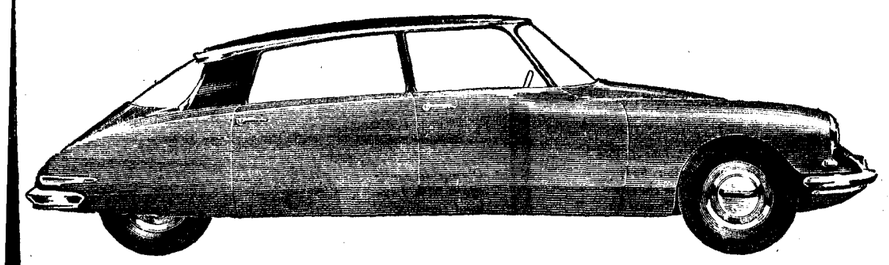
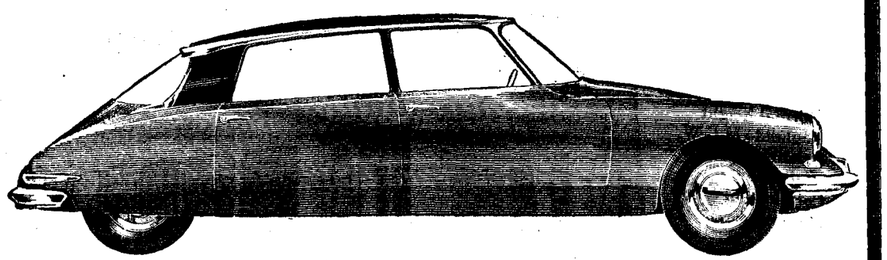


Citroën after another...and



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What's Good for British Motors . . .

FEW industries have had more gratuitous advice from outside critics since the war than the motor industry; have taken less of it; or have achieved, all things considered, much more success from following their own judgment. Britain's car manufacturers were adjured to switch over to entirely different kinds of car: first, a standard large-sized model for the export markets where it was said their own small to medium ranges would not sell; second, some kind of "people's car" to tap the new market of our own masses; more recently, motorised bubbles to float their way through growing traffic congestion. Soaring curves have been projected to show them how expansive a market they could reach if only they did these new things. They did not—preferring to achieve much of the rationalisation and volume production their amateur advisers had in mind by interchangeability between models in their not radically altered range. This evolving range has been accepted in export markets. It is attracting the British working man into motoring. British car sales, over the years, have risen not much less than the most optimistic of those postwar projections.

So much for the lay critics: the experience is not likely to silence them for ever, nor should it, but it may make their next wave of new magic formulae rather more tentative. The industry is more concerned, as since the war it has always had to be more practically concerned, with a more puissant group of outside observers—in Whitehall. It has not, since perhaps the earliest postwar years, had much direct criticism from there, though an inordinate amount of exhortation. Of late, it has had much more unctuous praise, in that kind of speech in which a politician, from a brief prepared by his hosts, tells them just what they have been doing and hopes they will go on doing rather more of it. But the motor industry has also been subjected, by Conservative governments as well as Socialists, to abrupt and powerful pressures and checks upon its volume of home sales, through changes in purchase tax and hire purchase terms; and these, which it argues vehemently have not increased but impaired its propensity to export, seem likely to be its lot until Whitehall learns new ways to control a full employment economy at the margins.

IN Whitehall's attitude to the motor industry, there are elements of puritan philosophy, and delayed adjustment to social change, mingled with the economic manager's empiricism. The economic arguments vary from crudity to sophistication. Gone are the days when this industry's quota of steel depended upon the percentage of its production it managed to export; nevertheless, some vestiges of that planning remain in civil servants' explanations of how checks to home sales should direct the industry's selling efforts abroad. Motors, it is pointed out, become sharply more import-intensive once production passes a given level: beyond it, every marginal extra car sold on the home market can at times cost up to half a marginal ton of expensive dollar steel. Booming car production can be achieved rapidly, because the motor industry is not nearly as heavily capitalised an industry as it likes to think it is; but the supporting investment that it demands from other industries which are genuinely capital-intensive, such as steel, can of necessity only be achieved slowly and in very large lumps such as a fourth strip mill. So car sales, the spearhead of durable consumption, are always liable to run ahead of what the rest of the economy can manage in periods of inflation; and it is this top layer of spending that will most logically be restrained when disinflation becomes essential. Besides, the expedient planner might add, cars and other durable consumer goods happen to be subject to some of the most convenient and quickest of controls: purchase tax, hire purchase restrictions, and in extreme cases fuel tax do all achieve results rapidly. The economic manager's convenience is these industries' bad luck.

BUT beyond these practical arguments, one has long sensed, and does still, some deeper, less articulate distaste for the motor industry and many of its works, in Whitehall attitudes. Parts of it might be disentangled (if rather parodied) as follows: Personal consumption is by no means a Good Thing; when it takes the form of a great extension of motoring, a slightly vulgar form of conspicuous consumption, it should be frowned upon by decent middle-class people; when this extension is promoted by a pyramiding of consumer debt, particularly that faintly unsavoury form of debt hire purchase, it encourages the masses to live dangerously beyond their income on frivolities; and that when motors compete with Good Things such as power stations or machine tools for materials, skilled men, or simply savings, they should be put firmly in their place. There are some strands of middle-class prejudice woven in. The very phrase "artificial obsolescence," and the sometimes inelegant variations of chrome to face-lift last year's car, affront the intellect of people who like to think they make up their own minds (and cannot afford a new car even every two years). Some people in the motor industry still think that the years of waiting lists for cars—and of the kinds of odd customers who managed to jump those waiting lists—still rankle and feel that "Of course, he probably gets it off the tax" plays its part today. There may be, even, touches of the downward envy sometimes apparent in Britain today: it was bad enough when one's charwoman acquired the television first, but now her husband has the impudence to appear in a new Anglia while one is still thinking about replacing that handsome old Riley they don't make any more. And there are some breezy practical arguments in it—"Motoring used to make sense while there was still room to move on the roads," or "Who'd drive a car into London nowadays?" (though plenty do . . .).

There is some empirical force in the economic arguments, and some of the prejudices are understandable; but both could add up to a dangerously distorted picture of the real significance of the motor industry in the British economy—and society—today. Coincidentally or not, when the industry has been bullied with steel allocations or squeezed by restrictions on home sales, its exports have sometimes, relatively, gone ahead. On occasions, private motoring, as one of the fastest-growing elements of consumption, has boomed while fixed investment has languished. The practical arguments about congestion do gain strength while motoring grows faster than road capacity, as it still does—which is hardly the motor industry's fault.

Nevertheless, this dynamic industry, feeding a currently irresistible urge towards private transport, is steadily growing more important within the British economy. This country is not yet at Mr Charles Wilson's point of "What's good for General Motors is good for the United States," but it is becoming much more so than it was. In 1956-57 during an investment boom that was keeping much of the rest of industry busy, recession in motors was largely responsible for keeping the total industrial production index flat; in 1957-58, with many other industries on the decline, the rapid recovery in motors held the index up. The politicians and civil servants who slapped down home motoring in the inflation of 1955 have it mainly to thank for the fact that their disinflationary policies have been able to work without causing too much recession, right through to early 1958. The ramifications of the motor industry throughout this economy have perhaps not yet been fully realised anywhere.

Moreover, in the invidious categories of national expenditure, motor output usually wears a misleading label. It is ordinarily labelled as a producer of "durable consumer goods." In fact, on official figures, only 20-25 per cent of its production is paid for with personal expenditure. About a half goes abroad (as about 10½ per cent of Britain's total exports). And nearly a third—a quarter of the cars and half the commercial vehicles—ranks as the capital investment of which motoring is so often held up as the wasteful opponent. Indeed, the motoring industry may well rank second only to building among the largest suppliers of capital goods to industry in this country.

Restraint upon motor sales—and there is still, ridiculously, some purchase tax even on commercial vehicles—is therefore not the neat black-and-white limitation of consumption as against investment that it is usually, crudely—and officially—taken to be. (This is not to accept the quasi-moral distinction often made between these two categories—which in its extreme assumes that the object of the whole economic exercise should be always jam tomorrow but never jam today.) It operates against a part of business's capital expenditure that only the economically illiterate can rank below the salt (are business journeys by car unnecessary ?). And the prejudice against part of what the motor industry does could indeed operate against its third role as Britain's leading exporter. The crude argument that to restrain sales on the home market drives cars abroad is certainly oversimplified: the motor industry has some fairly powerful points when it argues the very reverse.

IN principle, the industry's argument is simple and familiar: it rests upon the economies of scale. European motor manufacturers, it runs, are at a level of volume in production where additional volume brings sharply increasing rewards in lower costs (through better spreading of overheads and in particular of the expensive tooling and dies required in modern automobile manufacture): artificial restraints on that volume, by denying potential reductions in costs, hamper the manufacturer in competing with makers abroad upon whose volume of output no such restraints are imposed. To support this, they draw some evidence from abroad: Germany and France, whose manufacturers have been less hobbled at home, have certainly managed a faster rise in exports as well as a faster rise in their home sales over recent years. From this basic premise the industry's conclusion runs smoothly: the more relaxation of fiscal restraints upon British motoring, the better the chance for British motor exports. In particular, at the Motor Show, much argument is being heard about cuts in purchase tax—and in general, about a more positive attitude from Whitehall towards this "growth industry."

Without wholly accepting the thesis that high exports need unrestrained home sales (is it quite as profitable to export a car as to sell it at home?), many people would support the specific plea for tax reduction, at this time; and would agree that politicians and civil servants need to clear their minds about the significance of this increasingly important industry, now and at all times. If reflation over the winter needs further encouragements to consumption—and over the next year or two rising consumption is likely to be a stimulant to private industrial investment, rather than its rival—then cuts in purchase tax on motor vehicles might rank pretty high among the Chancellor's array of possible encouragements. (It might be added that if it were done when 'tis done t'were well it were quickly: nothing would more neatly slice the top off the industry's pre-Easter car sales than a widespread expectation that purchase tax might come off in the budget.) But even more important is the need for Whitehall in general to come to terms with the role that private transport in general, and the motor-car in particular, seems certain to play in British society in the coming decades.

IT may be, as our Detroit correspondent argues in a later article, that the motor-car is now being superseded as a status symbol in American society by new forms of conspicuous consumption: if so, that may have repercussions upon the future of the motor-car industries of the world. But there is no doubt that in Britain, as in Western Europe, the motor-car is only just beginning to come into its own as one of the most prized possessions of the rising, free-spending lower middle-class consumer—upon whose growing purchasing power and habits of purchasing most of the hopeful projections of economic growth to which our societies are still committed ultimately depend. The motor-car, as a repository of convenience, economic achievement, and exuberant self-expression, even more than simply as a means of door-to-door transport, is the key symbol of the rising standard of living in European societies; the social revolution of our times is nowhere better expressed than in the Popular that usually beats the Rolls-Royce away from the traffic lights.

No puritan prejudices, nor subtle balancing of private versus public transport economics, will withstand this urge to own and run one's motor-car (and probably, not, indeed, the rather parallel commercial urge to own one's own lorry, which one suspects is often not costed much more closely than the private motorists' car travel). Nor is increasing traffic congestion likely to stem it. It can be argued that motor transport can reach a point of not merely diminishing but negative returns—after a point, the more cars there are in a city the less transport—but this would come better from a community that had made some attempt before this to adapt some of its roads to that new-fangled thing called the internal combustion engine. No such arguments are likely to prevail; nor is the importance of the motor industry to the British economy likely to cease growing. Whitehall, again, is never likely to relinquish its ability to control the economy partly through this powerful lever. But it would be wise to think through what it does to move this industry more carefully—and to put some of its vestigial prejudices against mass motoring back into the social history where they belong.

Motoring on Credit

ONE fundamental change in official attitudes towards mass buying of motor-cars along with other durable consumer goods—it must, perhaps, be recorded along with the slow stirring of official energies towards making British roads relatively more modern—is the transformation of hire purchase. Until this summer the limitation of instalment credit facilities, partly by the formal control of the terms upon which contracts could be arranged and partly by an informal but totally effective reduction of the credit lines allowed by banks to hire purchase, was one of the battery of restraints that officialdom placed upon the expansion of motoring in Britain. And it was an extremely important weapon in that armoury.

The whole motor trade depends on hire purchase, for although less than a quarter of the new cars are sold on instalments, for every new car so sold, five or six second-hand cars are the subject of HP agreements. Against the sale of most new cars, a used car is traded in, and the price which the dealer can afford to pay for it depends essentially on his being able to resell it, usually to a buyer who can only buy if he can be helped with HP. And the same process continues down the scale, with third, fourth and fifth-hand cars. Restriction of HP was therefore able severely to limit the development of the whole car market.

Until the relaxation of July 3rd, the loans of the banks to HP companies were restricted to about 60 per cent of the amounts at one time available, at the beginning of 1955. The limitation of financial facilities did not fully apply to loans to small companies; thus a loop-hole was left for a great growth of small "mushroom" finance companies, which sometimes, indeed, might enjoy the economic advantages of a small, frugally conducted, operation, but which as a rule had to make higher charges to the hirer, once again contributing to increasing the effective cost of motoring to the consumer. To a considerable degree, the general effect was mitigated by avoiding action taken by the finance companies through seeking deposits from the public. Total figures of the additional funds thus procured are not available; but the total might be estimated at between £25 million and £50 million. In addition to the funds thus acquired in a grey market on deposits, the finance companies also added to their resources some millions of share capital—necessary, of course, to keep a proper financial balance between borrowings and share capital—in another grey market, by the acquisition of "shell" companies. Using the funds from these unhallowed sources, the finance companies may have made possible the sale of an additional 50,000-100,000 new cars a year.

Since that relaxation, in a remarkable rush, instalment buying has been made thoroughly respectable. The banks had hardly ceased tumbling over each other to buy large shareholdings in the majority of the really big finance companies before they leapt into another scramble to begin competing on their own account with their new part-subsidiaries. Personal loans were offered to compete with ordinary hire purchase facilities—offering some advantage in the price of financing to anybody who pays normal rates of income tax or surtax; this in its turn set off some reductions in rates by the finance companies. Perhaps more importantly for the financing of motoring on credit, the financial link with the banks has automatically eased the limitation of credit to the finance companies: personal loans may well slice some of the business off the hire purchase companies, but the curb on finance that led them into the grey markets for money has gone.

If these relaxations are to be taken as evidence of some genuine shift in official attitudes towards motoring, one would expect a continued and considerable expansion of "motoring on credit," as a major growth element in the car population, during the coming years. In this article some figures are set down of the possible development of the market that might be expected with only a moderate relaxation in Whitehall's attitude to the industry, and some possible financial repercussions are measured.

Two sets of estimates are made of the future growth of the country's car population over the next five years. One is on the footing that the total car population of the country grows at the rate of 9 per cent per annum—a rate of growth that several European countries have exceeded in recent years; the other on the much more modest footing of a rate of 6 per cent (Britain's rate of growth, 1956-58, has been over 8 per cent per annum). In the first part of the table, figures appear of past years (including estimated figures for the latest months of this year, for which figures are not yet published) consisting of the total number of cars registered at any time in the September quarter of each year; the new cars registered in the twelve months, October to September; and the apparent "scrappage," being the

ESTIMATED GROWTH OF BRITAIN'S CAR POPULATION

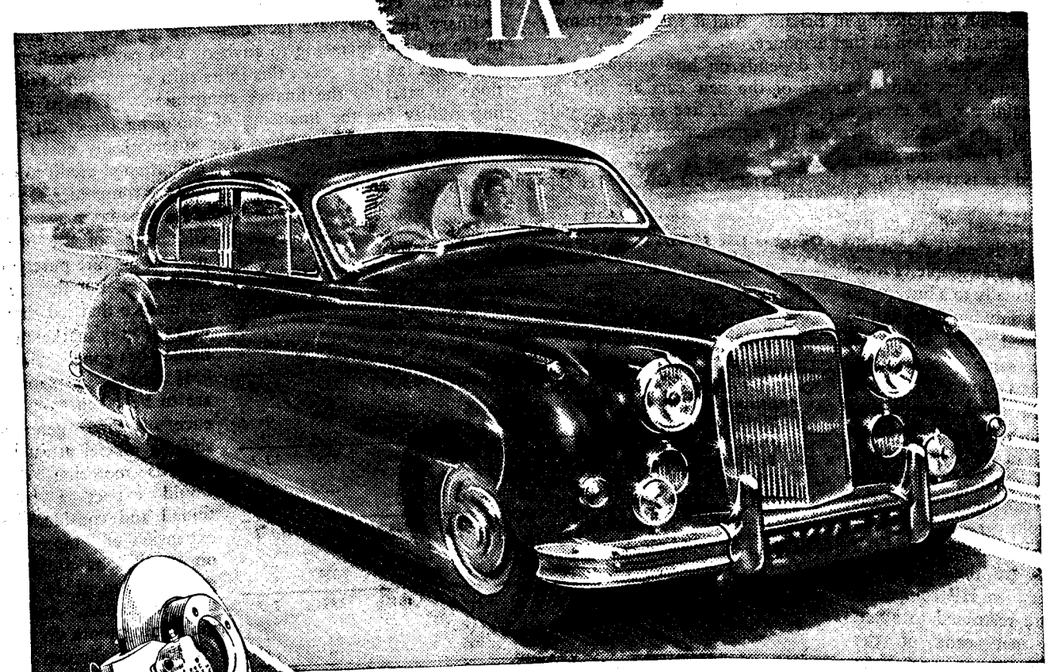
Over the last 5 years:	Cars classified by HP rating	Cars classified by cubic capacity		Total	Increase over previous year	
					Number	%
	'000s	'000s	'000s	'000s	'000s	
In use Sept., 1953	1,766	...	996	2,762	...	...
Oct., 1953 to Sept., 1954						
New registrations	...	+368	...	...	...	...
Scrapped	−18	− 13	+355	...	...	...
In use Sept., 1954	1,748	...	1,351	3,100	335	12·3
Oct., 1954 to Sept., 1955						
Registered	...	+485	...	...	...	...
Scrapped	−50	− 8	+477	...	...	...
In use Sept., 1955	1,698	...	1,828	3,526	425	13·7
Oct., 1955 to Sept., 1956						
Registered	...	+447	...	...	...	...
Scrapped	−80	− 5	+442	...	...	...
In use Sept., 1956	1,618	...	2,270	3,888	360	10·3
Oct. 1956 to Sept., 1957						
Registered	...	+392	...	...	...	...
Scrapped	96	− 3	+389	...	...	...
In use Sept., 1957	1,522	...	2,659	4,181	295	7·7
Oct., 1957 to Sept., 1958						
Registered	...	+515	...	...	...	...
Scrapped	100	− 10	505	...	...	...
	1,422	...	3,164	4,586	400	9·9
After 5 more years:		At a 9 per cent annual rate of growth.				
In use Sept., 1963	225	...	6,680	6,905	570	9·0
		At a 6 per cent rate of growth:				
In use Sept., 1963	100	...	5,900	6,000	340	6·8

And now the

JAGUAR

mark nine

IX



The utmost safety at the high speeds provided by the Mark Nine is ensured by Dunlop Disc Brakes which are fitted to all four wheels.

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The Mark Nine Jaguar, the continuation of the famous Mark Seven and Mark Eight Series, amply demonstrates the success achieved by Jaguar engineers in their work of constantly developing the characteristics which the ideal luxury car should possess. Thus, the Mark Nine is characterised by phenomenal acceleration and the ability to attain high cruising speeds of 80/90 m.p.h. with a maximum of 115 m.p.h. Accurate finger-light power-assisted steering ensures completely effortless control at all speeds whilst the unparalleled stopping power of the race-proved Dunlop Disc Brakes on all four wheels invests the Mark Nine with the highest degree of safety. With its superb finish, luxurious interior furnishings and advanced technical specification, the Mark Nine takes its place as an outstanding addition to the Jaguar range of fine cars.

THE JAGUAR RANGE OF MODELS NOW COMPRISES:-

The Mark Nine Saloon

The Mark Eight Saloon

The 3.4 Saloon

The 2.4 Saloon

The XK150 Drophead Coupe

The XK150 Fixed Head Coupe

The XK150 Roadster

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difference between the registration figures for one September and those for the previous September, plus those newly registered in the intervening twelve months. The car population is divided into two groups, those registered on the basis of the old RAC rating, that is, cars first registered before the war or up to the end of December, 1946, and those registered on a cubic capacity rating, which applies to all those first registered in or after January, 1947.

In the projected figures set down for the five years 1958-63 the major assumption is the rate of growth of the total car population; from this, and from the rate of scrappage assumed (a figure of secondary importance) simple arithmetic determines the possible volume of new registrations. It may be observed that the rates of scrappage assumed, especially of pre-1947 cars, are taken at a higher figure when the total rate of growth is estimated more conservatively—on the ground that a generally more restrictive attitude to private motoring, whether by higher levels of petrol taxation, or even less adequate development of our road system, will diminish the charm of keeping more elderly cars in use.

These two sets of figures give total car populations respectively of 6.0 and 6.9 million. These, with a total UK population (1957) of 51 million are equivalent respectively to 8½ or 7½ persons per car owned. They can be compared with the present figures of 3 persons per car in the USA and 5 in Canada. (On similar projections, one would expect a more rapid growth of motoring in most western European countries.) On the basis of these figures, and of other assumptions, it is possible to frame an estimate of the additional resources which might be required to finance instalment or other forms of "deferred payment purchases" of cars, whether by hire purchase, by personal loans, or by other bank accommodation.

The records of a substantial sample of HP contracts show that, in recent years, the number of contracts outstanding at any given end-September date tends to be very close to the number of contracts entered into during the previous fifteen months. Taking the figures reported by HP Information Ltd. of the number of contracts initiated, the following table can be constructed:—

Sept.	Total number of HP contracts initiated in previous 15 months	Number of contracts for used cars to each for a new car	Car Population	Number of contracts extant as per cent of car population	Number of contracts for new cars as per cent of new cars registered
	'000s		'000s		
1954	331·8	5·7	3,100	10·7	11·1
1955	502·4	4·1	3,526	14·3	17·0
1956	528·0	4·4	3,888	13·6	17·3
1957	689·0	6·2	4,181	16·5	20·1
1958	984·2	5·7	4,586	21·4	21·2

In making a projection for future years it seems reasonable to anticipate that, with car ownership spreading into ever-lower income groups, the proportion of owners who will need financial assistance in buying their cars will increase. One would expect increasing competition for business between finance companies and the banks (and some relaxation in the legal control of HP terms) to bring about an increase in the average period over which the user pays for his car; and hence a growing proportion of the total car population on which instalments or deferred payments

Three Ways to Finance a Car

WITHIN the past two months, personal loans from the banks have become a serious—though not yet an overwhelming—rival of conventional hire purchase financing for the affections of the car-buying public. Though exact figures are not available, it is suggested that nearly half of the personal loans made thus far by the banks which make them have gone toward the purchase of an automobile. The biggest advantage that personal loans can offer over ordinary HP arrangements is that of lower cost; whereas service charges on hire purchase advances presently vary between 7½ and 10 per cent, depending on whether a new or used car is bought, interest on personal loans is fixed at 5 per cent. In fact, the gap is much wider, since in each case the interest is charged for the full period, but on the initial balance borrowed, which makes the effective annual rate approximately twice as high as it is stated to be. In addition the interest paid on personal loans is deductible when computing income tax, which HP charges are not; and the debt is terminable at death.

Personal loans still have some disadvantages for car purchases. The most important of these is that, while hire purchase credit has been used to buy anything up to a Rolls-Royce, the maximum under most banks' schemes is £500, and the average loan is said to be running at about half that amount. Since the banks keep in line with the Government's restrictions on hire purchase transactions (which limit advances to two-thirds of the total price for a maximum of two years) the price of a car bought this way is effectively limited to around £750, unless the motorist has a trade-in to offer or can content himself with a rather smaller proportion of the price on credit than hire purchase would give him. In addition, it is necessary to have an account with a bank before borrowing from one, which doubtless disqualifies some of those who buy their cars on credit.

THERE are other sources of credit available to the motorist, such as a simple bank overdraft—the cheapest way of all, if he can get one—and one or two unusual savings-cum-credit schemes that are variants of ordinary hire purchase; however, the amount of financing done in these ways is probably small. But there is a third method of paying for one's motoring that originally became highly popular with certain motorists at the time when restrictions on HP were more severe. This is long-term hire. For a fixed annual or monthly sum, many car-hire firms will provide the motorist with a new car of his choice for a period that may be as long as two years.

It is difficult to compare the costs under this method with those of acquiring a car through hire-purchase or personal loan, since the rental charges usually include a certain amount of maintenance, service, road tax, and sometimes oil (though not petrol). Hire avoids the charge for depreciation that the car owner must suffer but may well not provide for in cash (or may reckon more than as covered by his instalments). The rates vary widely, depending on the "extras" included; but an average rate for a medium-priced small car is about £300 a year, on a two-year contract.

This is generally considered rather an expensive way of paying for one's driving; however, it has the advantage of much less troublesome (and probably cheaper, servicing. It would scarcely seem to be economic for the average purely private motorist in Britain, or even for the motorist who insists on a new car every two years; in the United States, where depreciation is much more rapid in the early years of a car's life, it is apparently more feasible. But an important factor in choosing between the three methods is the tax status of the motorist.

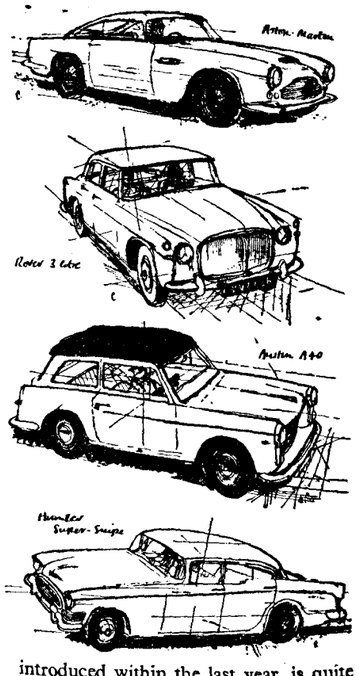
are still outstanding. These assumptions lead to the following projection:—

	9 per cent rate of increase in total car population			6 per cent rate of increase in total car population		
	Cars on Credit	Total Car Population	Per cent on Credit	Cars on Credit	Total Car Population	Per cent on Credit
1959	1,224	4,896	25	1,190	4,762	25
1960	1,467	5,337	27½	1,363	5,047	27
1961	1,745	5,817	30	1,551	5,350	29
1962	2,029	6,340	32	1,729	5,670	30½
1963	2,315	6,911	33½	1,923	6,010	32

At the end of June, 1958, the total amount outstanding on hire purchase contracts for cars was £170 million, or about £200 per car on the number of cars on which agreements were then extant. It seems reasonable to expect that by September, 1963, apart from changes in prices the average amount outstanding would be increased by two factors: first, that with increasing competition, the proportion of down payments may be slightly reduced, leaving an increase in the balance to be outstanding; second, there will be a decrease in the average age of the car population, with a consequent increase in the average price of used cars in proportion to new prices. With increasing production, real costs of production, per lb of weight, should come down; but probably no more than enough to offset the fall in the real value of money that all but the hardiest of optimists must expect to continue. But it has also to be reckoned that an increasing sales to people with lower incomes will reduce the average size and weight of the car population.

On balance, an increase of 10 per cent in the average amount outstanding on each car, of say £220, might be assigned to these factors. This would give a total investment, in September, 1963, by finance companies and banks of £509.3 million on the assumption of 9 per cent as the annual rate of growth, or £423.1 million at the 6 per cent rate of growth. These figures imply an increase of, respectively, £340 million or £250 million in the total investment in motor-car paper above last June's figure of £170 million; or, say, £50-£70 million more each year. The additional capital raised in recent months by HP finance companies seems likely to provide additional resources adequate for no more than two years' growth at this rate, even making some allowance for the proportion which is likely to be provided by the banks either by their own loans direct to car-owners, whether or not labelled "personal," or by increases of capital of the companies that are now wholly or partly owned subsidiaries. It looks as though, on these assumptions, there should be enough business for all the suppliers of credit for financing cars in the long run. But it may well be that in the short run there will be more funds seeking employment than would-be car owners seeking finance; and there might be an out-of-balance period in which competition would force down rates and charges. Such calculations assume a smooth progression in car population, ignoring intermediate fluctuations. If the present recession continues, it is unlikely that the higher figures for 1958-59 would be realised, but, if overall economic activity thereafter expands again, events would probably show that the demand had been deferred. But a lumpy curve, which might conceivably put the total home new car demand for 1959-60, or 1960-61, up to the one million unit level, might raise some interesting and difficult problems in the financing of motor ownership.

Newcomers to the British Range



AMONG the high production cars which form the main output of the British industry and the staple diet of its customers, the last year has brought no new models, and few "face lifts," though Michelotti has cleaned up the rear body styling of Standard's Vanguard saloons. But among the models built in smaller volume, which between them make up an output equalling the total volume of many an industry that would not like to be called small, several new models, or substantial variants of old, are on show at Earls Court.

For the young of both sexes and all ages, the most coveted of the newcomers will certainly be the **Aston Martin DB 4**—a two-door saloon to seat a driver and passenger in great comfort, and two other passengers below the salt. With a kerb weight of 26 cwt and 240 BHP of power from the 3.7-litre engine, the maximum speed will equal that of any four-seater car in the world, close to 150 mph; and at any speed readily attainable on English roads, the acceleration will be limited rather by the adhesion of the wheels than the output of the engine. The bodywork is designed by Superleggera Touring of Milan, and uses metal of almost every conceivable shape and section to achieve rigidity at the minimum weight. The very low total weight is thus achieved only by a combination of very careful design and avoidance of parsimony; and the resulting price, £2,650, or, with purchase tax, almost £4,000, is less than might have been feared in a car of this class

For those whose desire for performance has to be satisfied at lower figures both of performance and of price, BMC has added to its range two new models—the **Twin Cam MGA** and the **Austin-Healey Sprite**. The new MG engine with twin overhead camshafts gives an output of 108 BHP or 50 per cent more than the engine in the lower-priced MGA car which has the same body; it achieves a reduction of more than 30 per cent in the time needed to accelerate from rest to 50 mph, and a top speed of almost 115 mph. The Austin Healey Sprite uses the BMC 948 cc engine, with an open body, and a total kerb weight of no more than 12¾ cwt.

The new **Jaguar XK 150** open models which throughout the summer have been kept for the American market are now available to all. It is a fine feat to be able to produce cars that in performance, road holding ability and general amenity fall little short of the Aston Martin, at prices—around £1,200 plus PT—not out of sight of the Twin Cam MGA.

This range of British sports cars, all introduced within the last year, is quite without parallel in any other country in the world. In fact, the total range of sports cars offered in the rest of the world, taken altogether, does not match

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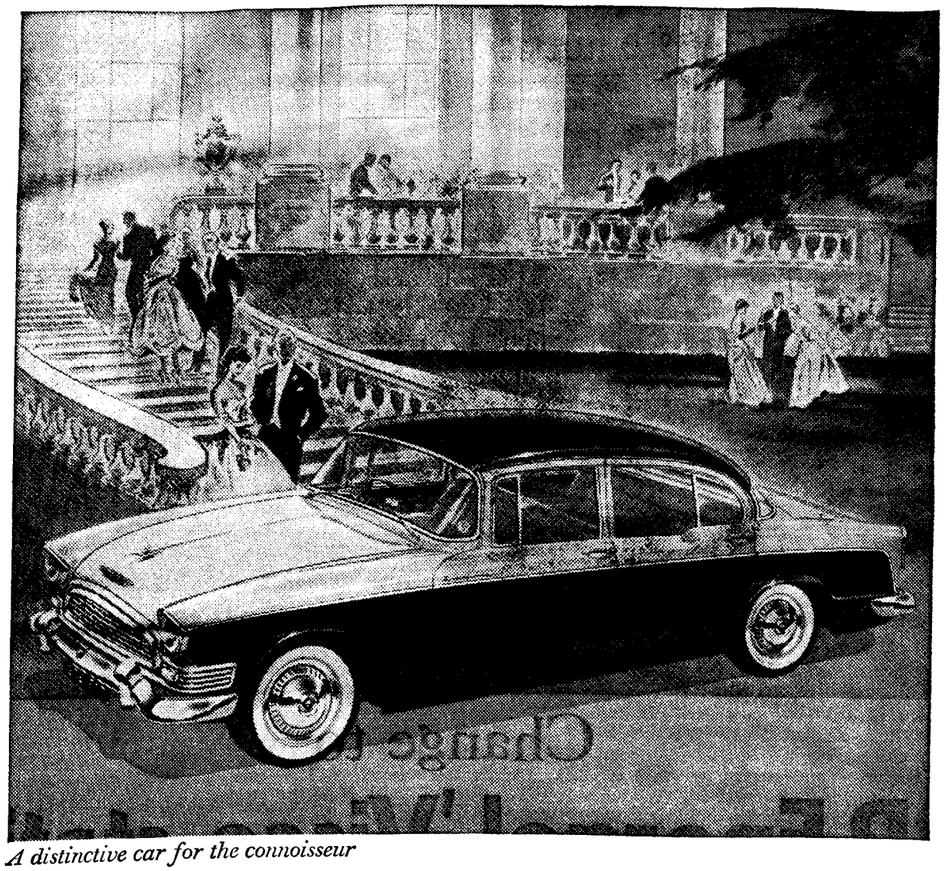

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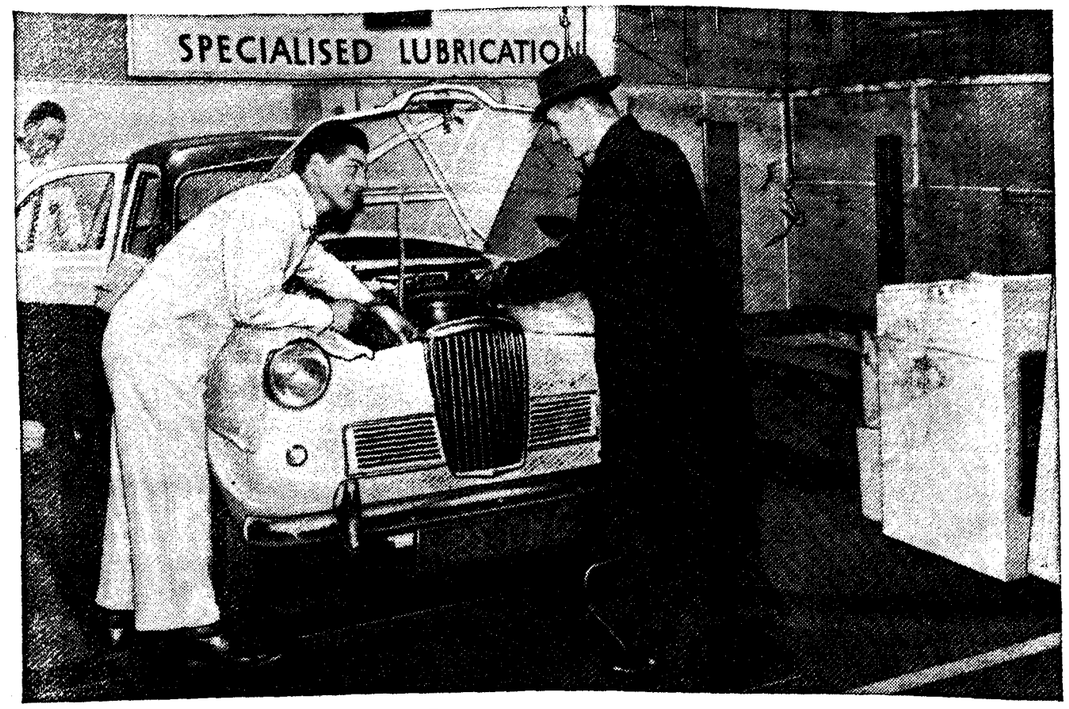

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BP Energol 'Visco-static' is best put into your new car at the first servicing, so that you get its added protection at the earliest possible moment.

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BP Energol 'Visco-static' has been tested with the radio-active wear detector on a family car in normal day to day use. Results have confirmed those obtained in the laboratory – 80% less engine wear compared with conventional premium grade oils.

Save on petrol too

If you do a lot of start and stop running you'll find you save up to 12% in petrol. Even if you do long journeys you'll still get a worth-while saving.

There's no need to change the oil for change of season when you're using BP Energol 'Visco-static'. You use the same oil for winter and summer.

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You can still benefit from BP Energol 'Visco-static' in any engine that is not unduly worn. But if your engine is nearly due for an overhaul you are advised to use the normal recommended grades of BP Energol.

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Make sure your engine has one of these labels fixed to it when you change to BP Energol 'Visco-static'. It ensures that everybody who has to do with the servicing of your car knows what oil to put into the engine.



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it, even if price is disregarded; and of the quite modest choice available elsewhere, there is hardly one of which it could not truly be said that there is a British sports car, of specification reasonably close to it, but at a far lower price.

In more humdrum fields, the most important addition to the British range consists of three full-size (by UK standards) saloon cars, the **Jaguar Mark IX, the 3-litre Rover**, and the **Humber Super Snipe**. The Jaguar Mark IX is a close relative to the Mark VIII, using the same body shell, but with a larger engine. The engine is a further variant on the 3.4-litre engine that made its debut nine years ago in the XK 120 open two seater. It is a six-cylinder engine with twin overhead camshafts—a technical luxury making possible very high specific power output, which was always assumed to be prohibitively expensive until the design and production team headed by Mr W. M. Heynes showed that it could be made at a cost permitting a remarkably low final price. A year after its debut, it was used for the Mark VII Saloon; and its development has continued ever since, both with its original cylinder dimensions, with its reduced stroke—in the 2.4 Jaguar saloon—and now with an enlarged bore.

The Jaguar 2.4-litre saloon had a smaller body than the Mark VII—a compact body, giving excellent accommodation for four-five persons. Surprisingly—such are the hazards of design—the 2.4 Jaguar turned out to be not much more than an ordinarily good motor-car; but when the full-stroke version of the 3.4-litre engine was substituted—which might have been thought to over-egg the pudding—the result was a first-class vehicle. No doubt the tremendous performance of the 3.4 Jaguar, with 210 BHP in a saloon of 29 cwt, made the performance of the Mark VIII, with a similar engine to propel 35 cwt, seem almost staid. Thus the 3.8-litre engine, with the cylinder bore increased to 87 mm from the 83 mm of the 3.4 engine, is used in the Mark IX—the larger engine having been proved, as is Jaguar's custom, in racing.

The new engine is, very reasonably, designed to improve the acceleration of the car at moderate speeds, rather than to add much to the maximum speed, which is of the order of 115 mph. With disc brakes as standard and with overdrive or Borg Warner transmission, and power steering as optional extras, and a body which, in luxury and in detailed finish, is of remarkable quality, the Mark IX costs £1,329 before tax.

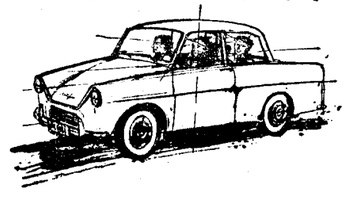
The **3-litre Rover** is an entirely new car, body and soul, engine and shell. The Rover Company has managed to get along very nicely till now, as far as the carriage trade is concerned, with only one set of new body dies since the war, using the same body panels, with the minimum of modification to produce the range consisting of the 60, 75, 90, and 105 models, with four-cylinder engines of 78 mm bore and 105 mm stroke and six-cylinder engines of 73 mm bore and 105 mm stroke. The three litre has a new six-cylinder engine of 78 mm bore and 105 mm stroke and an entirely new saloon body, a good deal roomier than the existing models, which it is to supplement rather than replace. With 105 BHP (net) in a vehicle of 31 cwt, it has of course no pretensions to the performance offered by Jaguars; but for the smaller public for whom it is intended, the paces of the Rover are fully adequate.

In much the same class, but lower priced, at £995 against £1,175 for the 3-litre Rover, is the new **Humber Super Snipe** saloon. This has the same body pressings as the Humber Hawk introduced more than a year ago, but an excellent new engine. The power plant is a 2.6 litre 6-cylinder engine, of thoroughly modern design. With a net output of 105 BHP it compares favourably enough with the BHP of the 2.3-litre 4-cylinder engine in the Humber Hawk; but the more revealing comparison is of the 138 lb/ft torque of the Super Snipe's engine, developed at a speed of 2,000 rpm (corresponding to a road speed on top of 35 mph) compared with the 120 lb/ft of the Hawk engine. It is a measure of the advance of engine design in recent years that such an improvement can be achieved in an engine which is designed for production in modest quantities at low cost.

Since the last show, BMC have produced a variant of the Wolseley 1,500 in the **Riley 1.5-litre**—substantially the same car but with a high performance version of the BMC 1,500 cc engine. This model has not quite fulfilled the anticipation of those who hoped that a more powerful engine, allied to the suspension and steering that make the Morris Minor so charming a car, would make an outstandingly attractive vehicle. But, if the first reactions of the public reported by the trade are a reliable guide, the new Farina bodied **Austin A.40** may do very well. When the user wants only what a small economical two-door, four-seater saloon offers, the A.40 gives it, without the very mild evidence of compromise in design which is inevitable in a station wagon; and its appearance quite outshines the Austin A.35 and the Morris Minor. When the rear seats are sacrificed, a lot of space is available for lumpy loads, even though the access through a single door at either side, or an aperture at the rear limited by the lower edge of a big rear light, is restricted and the lack of flat floor space may be regretted.

Holland Enters the Car Business

In the rich variety of products that the European automobile industries offer, there have been two major gaps. The first is an automatic or semi-automatic transmission that would suit vehicles of the sizes which constitute the bulk of Europe's motor car output as well as American transmissions suit the passenger cars for which they were primarily intended. The second is a people's car that would cater for the needs of the majority of those whose incomes put them on the margin of possible car ownership—if as seems likely, a car to carry a family of reasonable size and a quota of luggage is necessary to fulfil the requirement. The DAF, shown in Paris and London this autumn by a leading Dutch commercial vehicle factory (Van Doorne's Automobiel Fabriek) could prove a strong candidate for both vacancies.



Europe has so far produced for cars of the 20-cwt-plus sizes some automatic transmissions that are near relatives of those developed in the United States. For smaller cars, a scaling down of these mechanisms provides no satisfactory answer. A transmission of this type to cope with the far smaller output of European size power plants would offer little saving of weight or cost over the transmission appropriate for the much bigger powers, and would make up a totally disproportionate part of the weight and cost of the finished vehicle. The best that has been accomplished so far is to provide—at commendably low cost—mechanisms that abolish foot operation of the clutch, absolving the driver from the need to operate the clutch but leaving him a gear-shift lever to select his ratio in a classical box of gear wheels.

Current Cars Compared

Grateful acknowledgment is made to "The Motor" for the use of this table of technical performance data established in "The Motor's" authoritative road tests.

Model (in descending order of kerb weight)	Kerb Weight (cwt)	Price (excluding PT) £	Price (excluding PT) d. per lb	Fuel Consumption * Standard mpg	Fuel Consumption "The Motor" Road Test mpg	Max. Speed mph	Max. Gradient in Top Gear 1 in	Acceleration Top Gear 10–30 mph secs	Acceleration 0–50 mph through Gears secs	Engine No. of Cylinders	Engine Bore mm	Engine Stroke mm	Engine Bore/Stroke	
1. Saloon Cars														
(a) Speed above 90 mph														
Chrysler New Yorker	39·8	$4,230	81·3	21·0	16·6	115·5	6·8	...	9·2	V–8	101·50	99·00	1·02	1
Bentley S	39¼	3,695	201·7	21·7	16·1	103·6	8·1	...	9·2	6	95·25	114·30	0·83	2
Rolls-Royce Silver Cloud	38	3,795	214·0	22·0	14·5	102·9	7·7	3·1	10·0	6	95·25	114·50	0·83	3
		(Including P.T.)												
Jaguar Mark IX	35½	1,441	86·9	25·5	15·2	114·4	7·2	...	8·5	6	87·00	106·00	0·82	4
Daimler 3·8 Majestic	35	1,662	101·8	25·8	19·3	100·6	8·7	...	10·1	6	86·36	107·95	0·80	5
Chevrolet Bel Air	33	$2,493	57·8	24·5	17·8	105·5	5·5	...	8·7	V–8	98·42	76·20	1·28	6
Humber Super Snipe	31½	995	67·7	29·5	20·3	94·5	9·5	...	13·4	6	82·55	82·55	1·00	7
Wolseley Six-Ninety	31½	850	60·5	25·5	22·1	95·0	11·1	...	12·9	6	79·375	88·90	0·88	8
Ford Fairlane	31½	$2,473	100·0	21·5	14·2	96·1	6·5	3·9	11·2	V–8	91·95	83·82	1·10	9
Rover 105 S	30½	1,095	76·8	34·8	25·5	95·7	8·1	11·5	11·9	6	73·025	105·00	0·70	10
Jaguar 3·4	29	1,114	82·3	28·8	21·1	119·8	8·2	3·1	8·7	6	83·00	106·00	0·78	11
Austin A.95	27	659	54·7	29·2	23·1	92·0	10·4	4·4	13·3	6	79·40	89·00	0·89	12
Mercedes Benz 220 S	25·9	1,595	132·0	32·8	23·8	98·4	8·5	9·8	12·8	6	80·00	72·80	1·09	13
(b) Speed below 90 mph														
Renault Fregate	27½	894½	70·3	31·7	26·3	80·6	6·1	7·2	18·0	4	88·00	88·00	1·00	14
Hudson Rambler	24½	$2,047	66·7	35·0	23·1	85·7	6·5	7·2	12·3	6	79·40	107·90	0·73	15
Standard Vanguard III	24	675	60·3	37·3	25·9	83·7	8·9	10·9	13·8	4	85·00	92·00	0·92	16
Citroen ID19	24	998	89·1	47·8	34·8	86·5	15·4	...	12·8	4	78·00	100·00	0·78	17
Ford Zephyr Mark II§	24	610	54·5	33·33	28·5	88·7	8·2	...	11·6	6	82·55	79·50	1·03	18
Vauxhall Cresta	23·5	715	65·3	33·2	25·2	89·8	8·6	8·5	11·4	6	79·40	76·20	1·03	19
Standard Ensign	22·6	599	56·8	36·6	28·5	77·6	12·6	13·7	15·3	4	76·00	92·00	0·82	20
Ford Consul Mark II	22	545	53·1	34·2	22·1	79·3	10·6	11·1	14·8	4	82·55	79·50	1·04	21
Morris Oxford	22	589	57·4	33·8	27·0	74·4	9·3	9·6	18·7	4	73·025	88·90	0·82	22
MG 2B Magnette	21¾	714	70·3	33·8	25·5	85·8	13·5	11·4	13·3	4	73·00	89·00	0·82	23
Peugeot 403	21½	796	80·4	40·8	31·3	80·9	14·0	...	16·9	4	80·00	73·00	1·09	24
Sunbeam Rapier§	21½	695	70·1	40·3	30·1	87·5	10·1	...	13·5	4	79·00	76·20	1·03	25
Vauxhall Victor	20½	498	52·0	36·3	31·0	74·4	13·5	12·6	18·0	4	79·37	76·20	1·04	26
Austin A.55 Cambridge	20¼	538	56·9	47·5	32·8	80·1	10·1	12·1	15·0	4	73·00	89·00	0·82	27
Hillman Minx de Luxe	20	529	56·7	38·5	31·8	76·9	10·4	12·5	16·3	4	76·20	79·00	0·96	28
Volvo PV.444L	19	740	83·4	40·5	28·5	94·7	10·4	10·6	10·7	4	79·37	80·00	0·99	29
Riley One-Point-Five	18½	575	66·6	42·0	32·8	85·4	10·6	11·0	13·0	4	73·025	88·90	0·82	30
Simca Arondel	18¼	599	70·4	39·8	29·3	82·1	11·1	...	13·0	4	74·00	75·00	0·99	31
Fiat 1200 Granluce	17¾	788	96·3	52·0	35·7	84·9	12·4	13·9	13·6	4	72·00	75·00	0·96	32
Nash Metropolitan	17	475	59·8	37·7	32·1	75·0	8·8	9·0	15·3	4	73·025	89·00	0·82	33
Ford Anglia, 2-pedal	15¾	416	56·6	40·3	33·9	67·4	14·4	12·4	23·8	4	63·50	92·50	0·69	34
Ford Prefect de Luxe	15½	438	60·5	37·8	33·1	70·7	12·0	13·2	20·2	4	63·50	92·50	0·69	35
Standard Pennant	15	485	58·0	...	40·2	70·2	13·5	14·6	18·8	4	63·00	76·00	0·82	36
Standard 8	14¾	425	61·7	58·0	46·0	66·5	14·9	...	21·8	4	58·00	76·00	0·76	37
Ford Popular	14½	295	43·6	41·3	33·5	59·8	11·1	11·4	23·3	4	63·50	92·50	0·69	38
Volkswagen	14	505	77·3	45·2	30·8	68·2	14·9	20·2	18·2	4	77·00	64·00	1·19	39
Austin A.35 de Luxe	14	387	59·2	53·0	41·5	71·9	12·1	12·4	18·7	4	62·90	76·20	0·83	40
Renault Dauphine	12¾	505	84·9	52·0	46·2	66·4	13·9	13·9	24·7	4	58·00	80·00	0·73	41
Renault 4CV 750	11¾	437	79·7	54·7	47·7	62·1	11·7	12·7	24·2	4	54·50	80·00	0·69	42
Fiat 600	11¼	432	82·3	52·0†	44·7	58·3	19·5	23·0	32·5	4	60·00	56·00	1·07	43
Citroen 2CV	10½	398	81·2	68·8†	49·7	47·2	21·3	30·0	32·0‡	‖	66·00	62·00	1·07	44
2. Sports Cars														
MGA Twin Cam	19½	843	92·6	35·7	27·6	113·0	9·3	...	7·3	4	75·40	89·00	0·84	45
Morgan Plus 4 Four-Seater	16¾	645	82·5	41·0	27·1	100·3	7·8	7·5	6·8	4	83·00	92·00	0·90	46
Austin-Healey Sport (Sprite)	12¾	445	74·8	53·5	43·0	82·9	11·7	13·7	13·7	4	62·90	76·20	0·82	47
Lotus Seven	8¾	771	18·9	36·3	31·0	80·4	9·3	...	11·5	4	63·50	92·50	0·68	48
3. Estate Cars														
Humber Hawk§	29½	995	72·9	28·2	24·6	84·9	8·9	10·2	13·9	4	81·00	110·00	0·74	49
Austin A.95 Countryman	28¼	834	63·3	30·0	25·4	91·2	10·6	10·1	12·5	6	79·40	89·00	0·88	50
Standard Vanguard Estate Car	26½	765	61·9	35·5	27·5	83·5	10·1	...	15·4	4	85·00	92·00	0·92	51
Morris Oxford Traveller	23¾	665	60·0	33·2	26·2	73·2	10·8	11·3	18·4	4	73·025	88·90	0·82	52
Vauxhall Victor Estate Car	21	620	63·3	43·5	32·0	76·8	10·7	11·6	21·4	4	79·37	76·20	1·03	53
Hillman Husky	18¾	465	53·1	33·3	27·3	71·4	11·1	10·9	17·8	4	76·20	76·20	1·00	54

* Mean of 30, 40, 50 mph † Mean of 20, 30, 40 mph

Power, Price and Performance

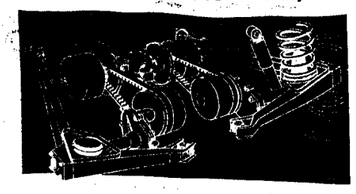
	Engine Cubic Capacity	Engine Cwts per Litre	Engine BHP	Engine At Revs. per min.	Engine Comp. Ratio	Dimensions Panel to Rear Squab ins	Dimensions Width Front Seat ins	Dimensions Front Seat to Roof ins	Dimensions Width Rear Seat ins	Dimensions Rear Seat to Roof ins	Length Wheelbase	Length Overall	
1. Saloon Cars													
(a) Speed above 90 mph													
1	6,250	6·3	325	4,500	8·5/1	73	54½	42	54½	39	10′ 6½″	18′ 2½″	Chrysler New Yorker
2	4,887	8·1	...	...	6·6/1	74½	54	40½	55½	38	10′ 3″	17′ 8″	Bentley S
3	4,887	7·8	...	...	6·6/1	...	...	...	...	...	...	...	Rolls-Royce Silver Cloud
4	3,781	9·4	220	5,500	8·0/1	68	55½	39½	59	37½	10′ 0″	16′ 4½″	Jaguar Mark IX
5	3,794	9·2	147	4,400	7·5/1	74	59	40	62½	37	9′ 6″	16′ 4″	Daimler 3·8 Majestic
6	4,637	7·1	185	4,600	8·5/1	72	60½	42½	60½	38	9′ 9½″	17′ 5″	Chevrolet Bel Air
7	2,651	11·9	112	5,000	7·5/1	71	59	42	60½	37½	9′ 2″	15′ 4½″	Humber Super Snipe
8	2,639	11·8	101	4,500	7·3/1	69	55	39	56½	38	9′ 5½″	15′ 8″	Wolseley Six-Ninety
9	4,457	7·0	176	4,400	8·4/1	75½	60½	40	59½	37	9′ 7½″	16′ 6½″	Ford Fairlane
10	2,638	11·5	108	4,250	8·5/1	72	55½	41½	52½	36½	9′ 3″	14′ 11½″	Rover 105 S
11	3,442	8·5	210	5,500	8·0/1	67	56	42	57	37½	9′ 0″	15′ 2″	Jaguar 3·4
12	2,639	10·4	92	4,500	8·25/1	67	55	42	54½	36½	8′ 10″	15′ 1″	Austin A.95
13	2,195	11·4	100¶	5,000	7·6/1	73	57	43	57	37½	9′ 3½″	15′ 7½″	Mercedes Benz 220 S
(b) Speed below 90 mph													
14	2,141	12·7	80·3	4,000	7·5/1	70½	54½	41	59	39	9′ 1½″	15′ 5″	Renault Fregate
15	3,205	7·5	90	3,800	7·3/1	70	57	38	57	34	9′ 0½″	15′ 6″	Hudson Rambler
16	2,088	11·5	68	4,200	7·5/1	66	55	41	54	35	8′ 6½″	14′ 3½″	Standard Vanguard III
17	1,911	12·6	66	4,500	7·5/1	70	60½	42½	59½	37½	10′ 2½″	15′ 8″	Citroen ID19
18	2,553	9·4	86	4,400	7·8/1	67¾	56½	42	56½	49½	8′ 11″	14′ 11½″	Ford Zephyr Mark II§
19	2,262	10·4	82·5	4,400	7·8/1	66	52½	41½	57	37	8′ 9½″	14′ 10″	Vauxhall Cresta
20	1,670	13·5	60¶	4,000	8·0/1	65	54½	42	53½	36	8′ 6″	14′ 4″	Standard Ensign
21	1,702	12·9	59	4,200	7·8/1	69½	56½	41	56½	36½	8′ 8½″	14′ 4½″	Ford Consul Mark II
22	1,489	14·8	52¶	4,400	8·3/1	70	54½	43	55	38	8′ 3″	14′ 3″	Morris Oxford
23	1,489	14·6	68	5,200	8·3/1	63½	51	42	45	37	8′ 6″	14′ 1½″	MG 2B Magnette
24	1,468	14·5	58	4,900	7·0/1	68½	56	40	55½	38	8′ 9″	14′ 9″	Peugeot 403
25	1,494	14·2	68¶	5,200	8·5/1	66	51	40	50	36	8′ 0″	13′ 6½″	Sunbeam Rapier§
26	1,507	13·6	55	4,200	7·8/1	67½	50½	41½	51	37½	8′ 2″	13′ 11″	Vauxhall Victor
27	1,489	13·6	51	4,250	8·3/1	69	52	41½	53	36	8′ 3½″	13′ 11″	Austin A.55 Cambridge
28	1,494	13·4	52·5	4,400	8·5/1	69½	51	42	49½	37½	8′ 0″	13′ 7½″	Hillman Minx de Luxe
29	1,580	12·0	85	5,500	8·2/1	65	48	41	44½	37½	8′ 6″	14′ 9″	Volvo PV.444L
30	1,489	12·4	68	5,400	8·3/1	63	51½	40½	51	36½	7′ 2″	12′ 9″	Riley One-Point-Five
31	1,290	13·9	57	5,200	7·8/1	64½	51½	41	52½	35½	8′ 0½″	13′ 5½″	Simca Arondel
32	1,221	14·5	55	5,300	8·0/1	67½	51½	40	49½	36½	7′ 8½″	12′ 10½″	Fiat 1200 Granluce
33	1,489	11·4	47	4,100	7·2/1	55½	51½	40½	...	...	7′ 1″	12′ 5″	Nash Metropolitan
34	1,172	13·4	36¶	4,500	7·0/1	61	50	41	49	34½	7′ 3″	12′ 6″	Ford Anglia, 2-pedal
35	1,172	13·2	36	4,500	7·0/1	62	49½	41½	50½	35½	7′ 3″	12′ 5½″	Ford Prefect de Luxe
36	948	15·8	38½	4,500	8·0/1	60	47	42	46½	33	7′ 0″	12′ 3½″	Standard Pennant
37	803	18·4	33	5,000	8·25/1	59½	48	42	47	34½	7′ 0½″	11′ 11½″	Standard 8
38	1,172	12·4	30·1	4,000	6·16/1	66½	43	43½	49	38	7′ 6″	12′ 8½″	Ford Popular
39	1,192	11·8	36	3,700	6·6/1	60	48	42	52	34½	7′ 10½″	13′ 4″	Volkswagen
40	948	14·7	34¶	4,750	8·3/1	57½	48	41½	45	35	6′ 7½″	11′ 4½″	Austin A.35 de Luxe
41	845	15·1	30	4,250	7·25/1	60	49½	41½	48	36	7′ 5″	12′ 11″	Renault Dauphine
42													
43	747	15·7	21	4,100	7·25/1	62	45	39	46	36	6′ 10½″	11′ 11″	Renault 4CV 750
44	633	17·8	21·5	4,600	7·0/1	60	47½	38	47	35	6′ 6½″	10′ 6½″	Fiat 600
	425	24·1	12	3,500	6·2/1	61	46	42½	48	36	7′ 9½″	12′ 4½″	Citroen 2CV
2. Sports Cars													
45													
46	1,588	12·3	108¶	6,700	9·9/1	32½	47	38	...	...	7′ 10″	13′ 0″	MGA Twin Cam
47	1,991	8·4	100	4,800	8·5/1	31	45	40	...	...	8′ 0″	12′ 5½″	Morgan Plus 4 Four-Seater
48	948	13·4	50	5,200	8·5/1	32	52½	37½	...	...	6′ 8″	11′ 4½″	Austin-Healey Sport (Sprite)
	1,172	7·5	48¶	6,000	8·5/1	33½	37	37½	...	...	7′ 4″	10′ 9″	Lotus Seven
3. Estate Cars													
49													
50	2,267	13·0	78	4,400	7·5/1	68	54	41½	54½	39½	9′ 2″	15′ 4½″	Humber Hawk§
51	2,639	10·7	92	4,500	8·25/1	64½	48	43	53½	40½	8′ 10″	15′ 1″	Austin A.95 Countryman
52	2,088	12·7	68¶	4,200	7·5/1	66	54	41	53½	41	8′ 6″	14′ 2½″	Standard Vanguard Estate Car
53	1,489	16·0	55	4,400	8·3/1	70	53½	42½	54	40½	8′ 1″	14′ 2½″	Morris Oxford Traveller
54	1,507	13·9	54·8	4,200	7·8/1	65½	50½	41½	51	41	8′ 2″	13′ 11½″	Vauxhall Victor Estate Car
	1,390	13·5	43	4,000	7·0/1	63	51	43	52½	40	7′ 2″	12′ 7½″	Hillman Husky

‡ Acceleration 0–40 mph § Overdrive. ‖ Flat twin, air-cooled. ¶ Net.

The DAF transmission achieves automatic variation of gear ratios by a traditional device—belt drive over pulleys of variable effective diameter, of which one contracts while the other expands. Devices of this sort were embodied with fair success, in early motor-cycles. The upper and lower limits of gear ratios given are 4.4 to 1 and 20 to 1, which provides a greater range than a conventional gear box. The ratios are changed automatically by smooth and imperceptible gradations under the influence of three factors—the tension in the belts, the engine speed, and the degree of vacuum in the induction pipe. These three influences can be combined to expand or contract the driving and the driven pulleys in such a way that for any combination of speed and throttle opening the engine speed is brought close to that which gives the power demanded most economically.

The drive is taken from the engine by a propeller shaft that drives a cross shaft through a bevel gear (with a third bevel gear wheel to give reverse) but no differential ; and thence by a separate variable drive to each wheel. Each wheel is thus positively driven, so that drive is not lost if one belt is broken, or if one wheel spins. The driving wheels are independently suspended, the flexibility of the belts providing, as a universal joint would, the necessary accommodation for misalignments due to the rise and fall of the wheels. Prolonged testing is claimed to have shown that these driving belts give a reliable life of about the same duration as the life of the tyres of the car.

COMING from an engineering firm of high standing, these claims deserve to be taken very seriously. The originators of the DAF are Leyland's Dutch licensees ; and in addition to building lorries and buses using Leyland engines, they are now actually manufacturing the Leyland Comet Diesel engines under licence—a considerable tribute to their engineering ability. The engine is a flat twin cylinder of 600 cc developing a net output of just under 20 brake horse power. This is a compact and efficient unit. It is carried at the front of the vehicle but, with the centrifugal clutch, takes up very little room and makes possible a bonnet line that enables the driver to see the road very close to the front end of the vehicle. The propeller shaft is housed in a stiff central backbone which—for not much forfeit of weight and at low cost—together with the bi-furcated frame, provides the main structural strength of the vehicle, leaving the body work to be not much more than cladding.



The front suspension is rather similar to that used on the Lancia and might be called a variation of the Macpherson suspension used on the postwar Ford passenger cars, except that a transverse leaf spring takes the place of the transverse and fore and aft links which in the Ford locate the wheel and the coil spring round the shock absorber that suspends it. The passenger accommodation is justly claimed to provide for four adults and one child, space comparable to that of the Ford Anglia. The boot is, of course, much roomier than the luggage accommodation available in any of the rear engined cars such as the Renault or Volkswagen.

THE DAF's accommodation for passengers and luggage is clearly much greater than in any of the other cars which has a prospect of offering anything like the most economical transport. With just under 20 bhp available the performance with one passenger or more is likely to be a little less than that for example of the Renault 4 cv ; but with all the space it offers fully occupied it is bound to be sluggish. But for a car of the utmost economy, this is a limitation that cannot be avoided. If the price is low enough, such a car might well gain a market in most of the countries of Europe.

Production plans are for output starting next February, and totalling 25,000 units by the end of the year, with an output, on a single-shift basis, rising to 1,000 units a week when the present equipment is fully balanced and run in. This figure is of course a long way below that necessary to achieve the level of costs necessary for a car of utmost economy. But if costs in Holland can be held close to the level which would prevail in Britain, France or Germany, the attractions of the car and the points of the design give a good prospect that, with drive and a dominating will behind it, Holland's DAF might be able to fight its way up into really big production.

Sea-Change in the American Market ?

BY A CORRESPONDENT IN DETROIT

UNLESS something drastic occurs to change their plans, a year from now the "Big Three" of America's automobile industry will put on sale passenger vehicles smaller than any they have produced since the war.

These forthcoming cars, however, will not be carbon copies of the European vehicles that have made the big American manufacturers reconsider their long-established opposition to more modest, less elaborate cars. Nor will they be identical to American Motors' Ramblers or its Austin-made Metropolitan. The fare that GM, Ford and Chrysler engineers and stylists have cooked up for the 1960 automobile buyer will be a "smaller" car, not a "small" car in the European sense. Studebaker-Packard Corp. is not even waiting for the 1960 market. It has introduced a new small car named the "Lark" for its 1959 sales year.

Whereas the imported cars that have made the largest impact on the US market all have wheelbases less than 100 inches, the new GM, Ford and Chrysler products will have wheelbases ranging from about 102 to 108 inches. They also will be lower—and look longer, the stylists hope—than the usual imported small car. Nevertheless, they will, truly, constitute a new "family" of cars from Detroit. Because of this, they have implications for a great part of all United States industry, the US motor manufacturers, and the auto producers abroad: hence the slow, cautious way that Detroit has come to its decision to produced a smaller motor-car.

For many years, the United States automobile industry has fashioned its products in the belief that as a man

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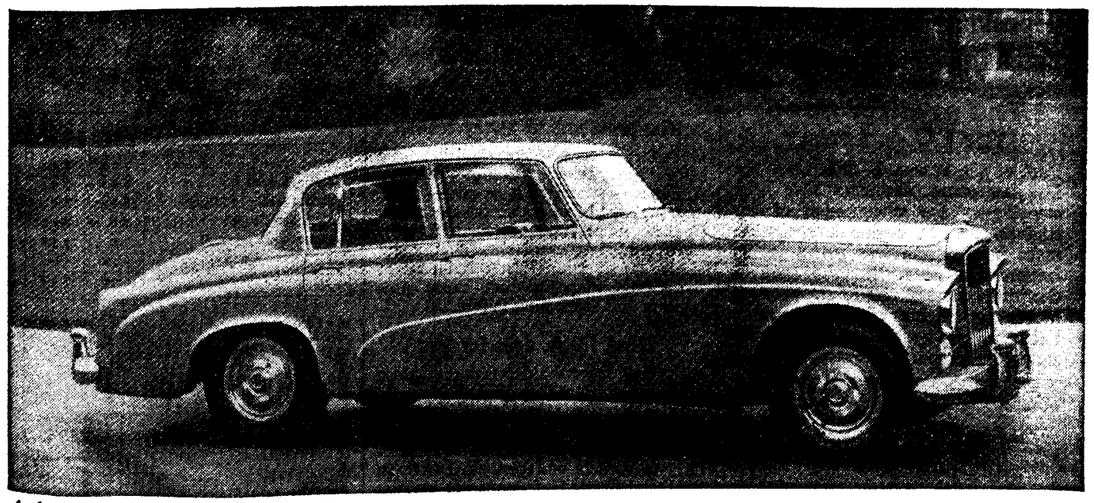

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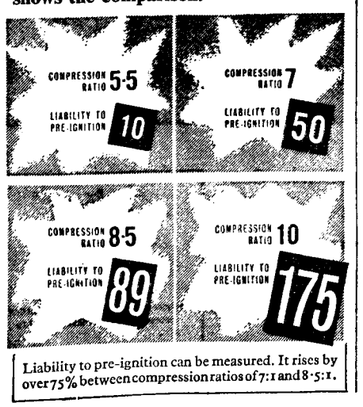
What has Super Shell got that other petrols haven't?

SUPER SHELL is the one high-octane petrol that contains Ignition Control Additive—I.C.A. And that fact was never more important than it is today. True, I.C.A. has been in the pumps for four years now, first in Shell, then also in Super Shell. But, since 1954, the nuisance of pre-ignition caused by engine deposits, which is what I.C.A. combats, has become potentially more serious year by year.

The greater need for I.C.A. today

Part of the reason is this. Over the last few years, designers have been stepping-up the compression of car engines. For an engine can squeeze more power from less petrol as its compression rises. But the snag is that quite a small rise in compression makes an engine enormously more liable to pre-ignition. The diagram shows the comparison.



Liability to pre-ignition can be measured. It rises by over 75% between compression ratios of 7:1 and 8·5:1.

The problems of heavy traffic

One other thing makes pre-ignition more serious today than it was four years ago. And that — strange as it sounds — is the growing weight of traffic on the roads. Because more traffic means delays in towns and patches of slow going; and slower going means faster build-up of the engine deposits that cause pre-ignition and spark plug failure.

What I.C.A. does for you

All petrols leave the deposits that cause pre-ignition when they glow. Slight pre-ignition wastes power, and therefore money. Severe pre-ignition can do serious harm to your engine — particularly to gaskets and pistons. I.C.A. in Shell and Super Shell stops pre-ignition and gives you smoother running. It also protects spark plugs from a common cause of misfiring, by insulating the deposits that can short-circuit the current. *And I.C.A. (which costs you nothing and does so much) is in Shell and Super Shell alone.*

The new family cars

Practically all British family cars have come out with higher and higher compression ratios since 1954. The list below gives a few typical examples.

Whatever your car, I.C.A. will help you to get the utmost performance and economy from it.

MAKE	1954	1958
B.M.C. (Austin and Morris)	7·2:1	8·3:1
FORD (Consul)	6·8:1	7·8:1
ROOTES (Hillman Minx)	6·63:1	8:1
STANDARD (Eight)	7:1	8·25:1
STANDARD (Vanguard)	7:1	7·5:1
VAUXHALL (Wyvern)	6·5:1	—
VAUXHALL (Victor)	—	7·8:1



attains a higher income and increased responsibility and authority in his occupation he has wanted above all else a bigger, more expensive car to show his neighbours the extent of his success.

This concept was responsible for the origin of the recent process of "up-grading" the Chevrolet, Ford and Plymouth. If it were true that Americans wanted more elaborate cars as they achieved a higher standard of living, it followed that these three brands of standard American automobile would automatically lose a number of customers year after year. To combat that assumed attrition, Chevrolet, Ford and Plymouth some years ago also began producing bigger cars in direct competition with their one-time bigger brothers, Buick, Pontiac and Oldsmobile; Edsel and Mercury; and Dodge, De Soto and Chrysler. Whereupon these cars got larger still.

But then came a form of competition that the American automobile industry had never envisaged—a competition from other industries for the consumer's dollar spent on prestigious purchases. Without attracting very much notice until the past year or so, things such as fine carpeting, long vacation trips, boats, and even education, became as important as cars in expressing a consumer's image of himself. It also makes less sense to a large body of Americans to spend several thousands of dollars on a new six-passenger motor-car when individual members of the family are spinning off in several directions. It makes little sense to him to spend so much money on a vehicle with high horsepower and consequent high petrol consumption when all he is interested in is a convenient vehicle to get him from here to there—the average petrol consumption for American-built cars in 1956 was 14.37 miles per gallon.

A FEW weeks ago Ford Motor Co. engaged Dr George Gallup, the well-known public opinion diagnostician, to select 400 "average" Americans from all walks of life; Ford then brought them to Detroit to express their views on what's right and what's wrong with US motor cars. Although at this time of writing the views of the panel have not been fully catalogued, Ford has uncovered one consistent theme running through the comments: what is needed is a smaller, less costly, more economical car for running to the store and performing other errands. Dr Gallup, not the Ford company, polled the panel and reported that such a car would be one "which the wife or children—in school or working—can operate safely and inexpensively."

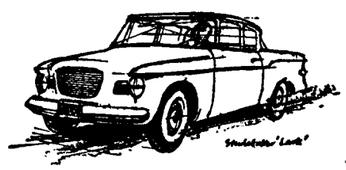
This feeling apparently began to take root a few years ago when the European motor car producers—with surplus capacity and a need for dollars—began probing the American market for their automobiles. They probably were surprised at the result. In 1948, 10,369 imported cars were sold in the United States, no more than 0.03 per cent of the total sales. Even in 1955, the greatest auto sales year ever in the United States (7.2 million), imported cars numbered only 58,566, and took only 0.82 per cent of the market. Then the flood-gates opened. In 1956, 98,187 imported cars were sold, or 1.65 per cent of the total. In 1957 imports numbered 206,827, which was 3.45 per cent of all sales. For the first six months of 1958, import sales were 159,367, or 6.73 per cent of the total market. For the full year, it is estimated sales will be just under 400,000, over 9 per cent of the total.

And while this was happening, American Motors, which was nearly out of business a few years ago, staged a comeback by selling only what its president, Mr George Romney, terms "compact" cars—100 to 108 inches in wheelbase. In 1957 AMC sold 125,000 cars. This year, its sales rising while the industry's total sales decline, AMC sales will be more than 160,000. In 1958, American Motors will turn its first profit since its creation in 1954.

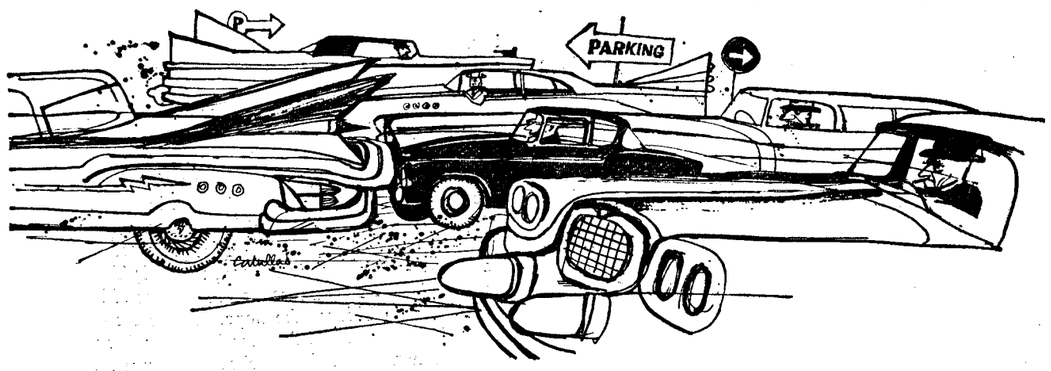
Thus, a great many of the American Motors and imported cars have been sold to Americans who now appear to regard the motor vehicle only as a transportation device and not as a "status symbol." That presented Detroit with a nice paradox. On the one hand, the "Big Three" manufacturers are convinced that a great number of imported car owners bought because the imported cars themselves are a status symbol; because they too have "snob appeal." On the other hand, sales figures show that buyers of even the lowest-priced US-built cars—the Chevrolets, Fords and Plymouths—prefer the most expensive vehicles of those factories; the cars equipped with V-8 engines, with automatic transmissions and even with power steering and power brakes. If there is a demand for a smaller, less expensive car, the motor makers ask themselves, why do people want the higher-priced Chevrolets, Fords and Plymouths?

THE attempt to reconcile this apparent contradiction has caused the slow, reluctant entrance of the "Big Three" into the smaller car market. "People will not buy the cheapest Chevrolet," said one last month, "because their friends will know it is the cheapest Chevrolet. These new cars will have an identity all their own; so no stigma will be attached to their ownership."

To establish such an identity requires the new "family of cars." The US auto executives think that to duplicate the European car would be fatal. To the average American motorist there is simply no comparison between the comfort and performance of Detroit-produced cars and the inexpensive small cars from abroad. What is tolerable in an imported car, simply because it is imported, would not be saleable when coming from Detroit. Therefore, the car, while smaller, must be up to American expectations of comfort and performance. It must carry the family and its baggage and other equipment. It must be adaptable to the gadgets, including automatic transmission, that Americans demand on larger cars. It must have sufficient power to get away quickly from traffic lights and to maintain the 60-65 mile-per-hour speeds customary on turnpikes. But in size and fuel economy it must compete with cars from American Motors and from abroad.



Around that prescription, General Motors, Ford and Chrysler have designed their new smaller cars. All will have the unit (frameless) construction common in European cars of small size. They will have six-cylinder engines and extra-cost automatic transmission, both using aluminium more widely than before to reduce weight. The gross weight of these cars will be around 2,000 to 2,200 lb. The wheelbases, as has been said, will range between 102 and 108 inches. (Typical of the soul-searching that has



been going on is the fact that General Motors engineers originally decided upon a wheelbase of 98 inches ; it was lengthened at the behest of the sales department.)

All of the new smaller cars will strive to reduce or eliminate the hump down the middle that accommodates the drive shaft. At Ford, the tentative decision is for a front-mounted engine and a front-end transmission. At General Motors the thinking tends toward the opposite: a rear-mounted engine—something that has been unknown on American production cars. These smaller cars have been especially engineered for their dimensions. There are, roughly, 13,000 parts in an American automobile, and each has been separately designed to reduce size and weight. This means practically no interchangeability with the larger models. Planning is far enough advanced that tooling orders have been let and introduction dates tentatively fixed as November of 1959.

If they are produced, they will have a marked effect on the material suppliers. For many years Detroit has been the largest single customer of the steel industry for sheet steel. One of these new, smaller cars will require only two-thirds the amount of steel customarily purchased for an automobile. Normally, the automobile industry takes about 20 per cent of the total steel output in a year. Without knowing how many of these smaller cars would be produced, it is impossible to forecast their effect on steel sales, but this much can be said with certainty : with the stress on reducing weight in the smaller cars, the aluminium industry is bound to pick up some new business from the automobile producers. This will be a shift in material usage and, while it should cause no great pain for steel companies for some years, it may account for a respectable increase in aluminium sales.

Similarly, there will be smaller areas of glass, of textiles, of plastics. However, there will be no change in the labour requirements. One of the reasons often cited by Detroit industrialists for not building a smaller car is that it takes just as much manpower to assemble a small as a big car. Then comes the thorny question of just how big and solid is the presumed market for smaller cars ? Many manufacturers' spokesmen have declared that they simply cannot begin to produce a smaller car until a market for at least 500,000 annually is assured. Today, one company's survey predicts an eventual market of 1,500,000 for the new vehicles—but it also observes that such a market is perhaps five years away.

Practically no one in Detroit believes that all of the smaller car sales will be new sales. They will have to be taken from car makes already in the market. Will these sales come from foreign producers ? Or from the producers of larger American-built cars ? One interesting opinion about what will happen is this : Chevrolet, Ford and Plymouth will become the " medium-price " cars—in other words, move up a notch on the price scale. They then will take a good part of the business that previously flowed to the larger cars, leaving the lower-priced business for the new family of cars. That would mean casualties among the brands now classed as " medium-priced."

What Studebaker-Packard Corp. is doing for 1959 is illustrative. When the corporation was formed in 1954 the goal was a full line of motor-cars, ranging from competition in the Cadillac class (with the Packard) down to competition with Chevrolet, Ford and Plymouth (with the Studebaker Champion). After 1956, when Studebaker ran out of credit and underwent a complete management reorganisation, the expensive Packard series was dropped and an inexpensive Studebaker named the " Scotsman " was added to the line. A limited production of around 10,000 was all sold long before the model year ended.

Profiting by that experience—the only profit it could claim as it still is losing great sums of money ($13 million in the first half of 1958)—Studebaker now has dropped its medium-priced line of cars and even the vehicle supposedly competing with Chevrolet, Ford and Plymouth. It now will have only two series of automobiles: the Lark and the sports-type Studebaker Hawk. The Lark will be offered as a two-door sedan, four-door sedan, a two-door pillarless " hardtop " sedan, and as a station wagon. It will be available with a 90 hp six-cylinder engine, or with a V-8 of 180 bhp. It is claimed to do 31 miles to the gallon.

This would radically alter the character of United States automobile production. There will be smaller cars, selling for around $2,000—the labour content alone assures that the price cannot be materially reduced as the size is reduced. This is several hundred dollars greater than the price of small economy cars from abroad—but Detroit would quickly respond that the buyer will be getting the equivalent for his extra money in a roomier, higher performance vehicle. Above these smaller cars in price will be the Chevrolets, Fords and Plymouths, and cars of the Buick size and characteristics selling in a bracket of from $2,000 to $3,500 or more. And above them will still be the Cadillacs, Lincolns and Imperials.

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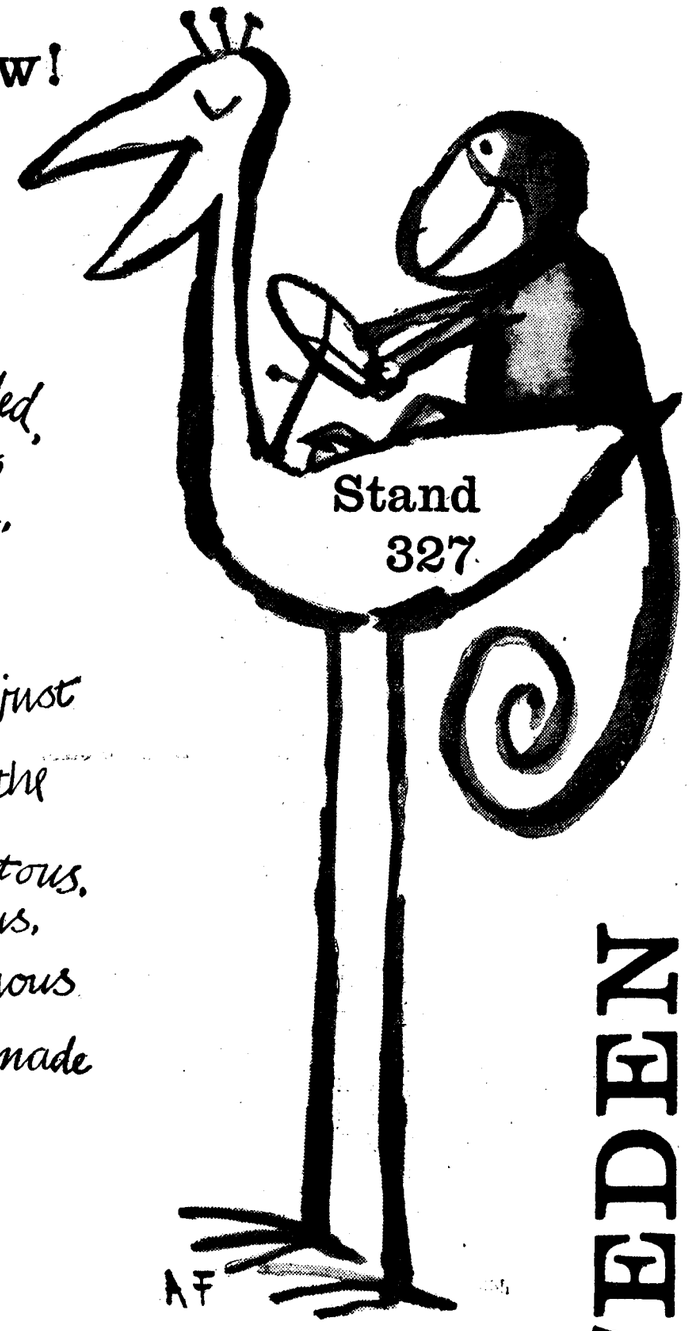

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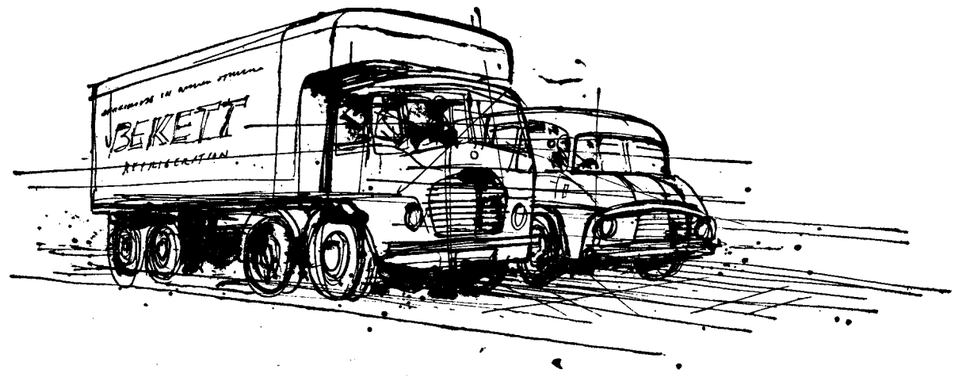
No one seriously believes that the advent of US-built smaller cars will wipe out the bigger car trade. Mr Romney, most optimistic of all about the future of smaller cars, has suggested that sometime in the 1960s production will be split about 50-50 between large and smaller cars. He also has a theory about what the entrance of the "Big Three" into the smaller car market will mean to his company; and this theory may be extended to cover the effect that these smaller cars may have on the future market for imported vehicles. Mr Romney feels that General Motors, Ford and Chrysler will put such heavy advertising and promotion behind the smaller car to back their investment that they will interest a greater public in such cars, and his company cannot help but benefit.

Somewhat similar views are held by some of the principal British traders in the American car market. Firstly, with their experience in manufacturing small, economical motor cars, they do not fear Detroit competition in a market in which they have demonstrated a high degree of capability. Secondly, they agree that the bulk of US buyers of imported motor-cars are not interested in a Detroit-style vehicle; they prefer foreign mechanical arrangements, foreign styling, foreign quality; and they want to be able to say they own an imported, rather than a domestic car. Thirdly, they think Detroit's new packages will not be small enough to cut their own market which they reckon, regardless of the size of the US for passenger cars, at around 300,000. On this year's results, they may be conservative.



Tough Going for Commercial Vehicles

IT is not surprising that this year the commercial vehicle makers have had harder going than the car makers. Commercial vehicles are capital equipment, and the level of orders for their products is more closely related to changes in the economic outlook in general and by the level of industrial investment in particular than demand for passenger cars. In view of the continued slackening in activity in the United Kingdom and in certain export markets, it is hardly surprising that the commercial vehicle industry's sales, though higher than in 1956 and 1957, are not yet back to the records of 1955.

On the domestic market, sales have indeed remained below 1956 levels, except in the case of light trucks and vans. This seems mainly due to the decline in the rate of industrial investment and to the policy of credit restriction. The decline in industrial activity has adversely affected the demand for all forms of freight transport (rail as well as road). This has led to an increase in the volume of unused capacity, which has inevitably meant a certain amount of even keener competition and rather more rate-cutting to secure traffic.

The demand for new vehicles from "A" licence public hauliers has also been affected by two other factors: political uncertainty, and the possibility of distinctly keener competition from the railways. Both factors remain relevant. Political uncertainties may continue to damp the demand for vehicles from "A" licence hauliers until the next election—and could also affect demand from the "C" licence lorry operators, were the Labour party to come out with proposals restricting the granting or use of "C" licences. Railway competition is certain to become very much more keen, as a result of the implementation of the BTC modernisation programme, and especially as a result of the gradual revision of the railway's charging methods. Increased application of costing methods, together with the railways' considerably greater freedom of charging, could make the railways a somewhat more formidable competitor than in the past.

HOWEVER, other factors are now beginning to affect demand in the reverse direction. The relaxation in credit restrictions that has already taken place should certainly help to boost demand, especially in view of the fact that commercial vehicle operators' purchases have been kept at a minimum over the past two years and more: fleet replacement can be postponed, but not indefinitely.

Some of the British commercial vehicle industry's leading rivals have been faced with somewhat similar problems in their own domestic markets; surplus capacity and short-time working have been by no means purely British phenomena. This has resulted in ever-keener competition in "third markets." Prices have had to be held stable, or even reduced in markets where in many cases margins were already relatively low, and this against the background of a smaller home market, and of rising costs.

British manufacturers have only been able to remain competitive in virtue of extensive rationalisation and interchangeability of parts, and also to some extent because of the diversified nature of their activities; some manufacturers have probably been able to offset decreased turnover in the commercial vehicle field by increased sales of engines and other components for railway, marine and industrial applications. The joint Leyland-AEC subsidiary, British United Traction, to name one example, has for instance secured substantial orders in connection with the diesel railcar programme of British Railways.

Increased interchangeability of parts has undoubtedly helped the manufacturers of light commercial vehicles to prevent costs from rising considerably more steeply than they would otherwise have done. This is especially true of some of the smaller commercial vehicles produced by the "Big Five" car manufacturers, which incorporate parts that are also used in the production of passenger cars. This use of common parts has also been carried relatively far in the design of heavier commercial vehicles, but progress in this direction is more difficult: heavy commercial vehicles are still largely "tailor-made," to suit the requirements of each individual user, and the manufacturer must be prepared to make many variations of any one basic design in a year. Mass production methods cannot be extensively applied in the construction of these vehicles; for this reason, it seems likely that the specialist manufacturers will be able to maintain their position in this market. That is not to say that all of the smaller makers—and some of them are very small indeed—will be able to keep their costs down enough to remain competitive. Furthermore, there is likely to be a considerable growth in the demand for more standardised relatively mass-produced, heavy vehicles. This demand will probably come, not so much from the owners of existing heavy commercial vehicles but rather from operators at present using smaller units, who decide to change to heavier vehicles. Here, the "Big Five" may be able to increase their share of the commercial market. Such a change has been made the more likely as a result of the raising of the speed limit on heavy lorries from 20 mph to 30 mph in 1957. But this new rule about the operation of lorries is still honoured more in the breach than the observance.

The Driver as Hero

IN the early days of motoring, the racing driver was usually an amateur, and possessed none of the unique allure of the sportsman-cum-entertainer of the racing driver today. The speed, acceleration and performance of the Grand Prix (or road) circuit racing car always demanded exceptional skill from those who drove it, on behalf of the manufacturers who found that it brought them prestige and useful research results. But drivers rarely went into it for direct financial gain (with the possible exception of Ettore Bugatti, who sold replicas of the cars he drove).

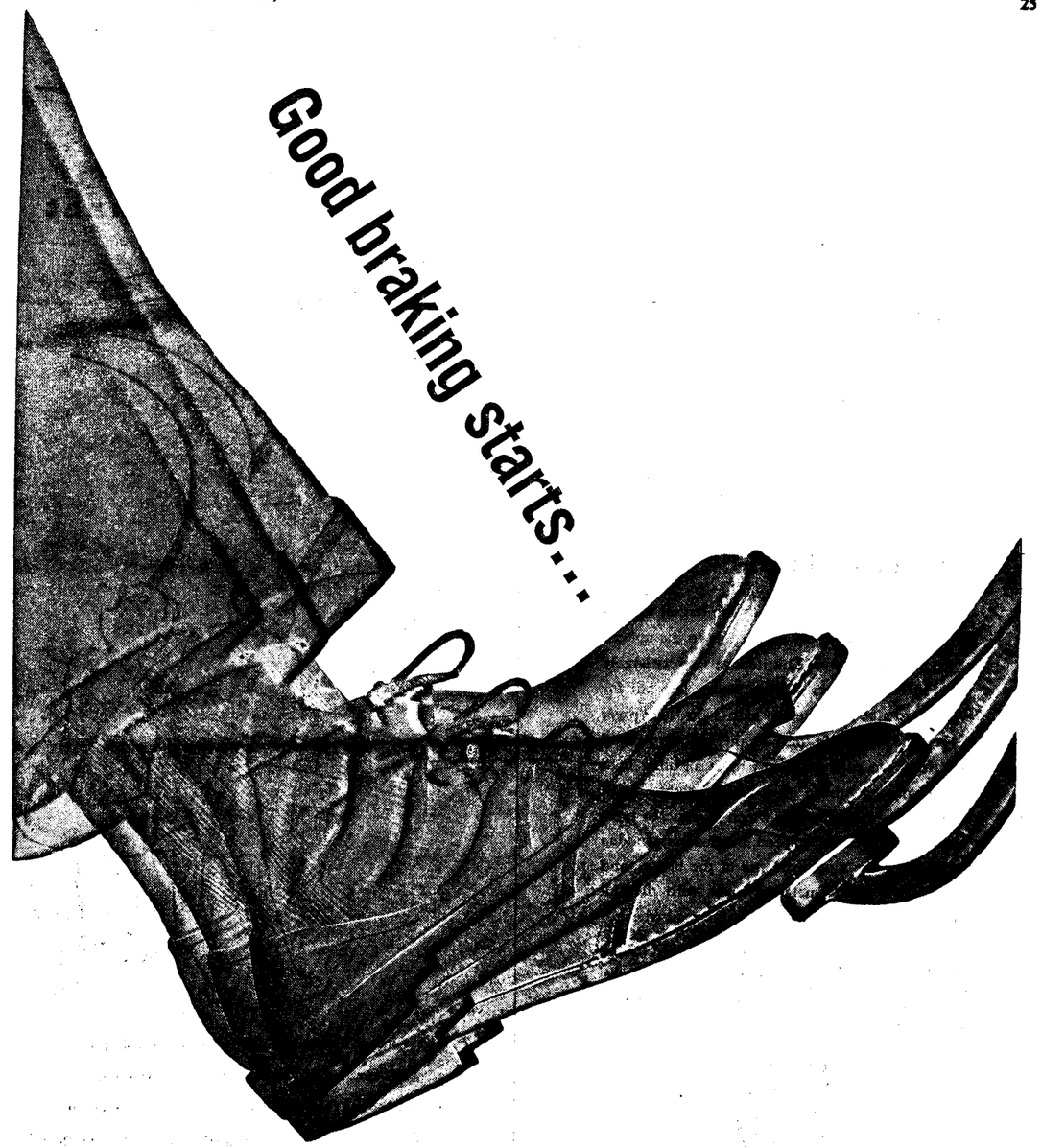
By the thirties, however, the professional racing driver had largely emerged: this is most clearly seen in the development of racing as a means of political propaganda by Hitler and Mussolini. Soon tremendous public interest was generated, far beyond the modest "gates" of earlier years; records became commercially important to manufacturers of cars and accessories; and the organisers of events could count on large profits. This led to their offering extravagant sums of starting money to manufacturers and drivers; and they were eagerly joined by the press. Since the war, this competition in performance has grown at an accelerated rate.

This competitive pressure means that year by year, almost race by race, the task of the professional racing driver becomes more exacting. Drivers of the calibre of Fangio, the new world champion Mike Hawthorn, Stirling Moss, Tony Brooks, the late Peter Collins, Jean Behra, the late Luigi Musso and a few others have had to be able to handle a car in a manner far removed from that of the fastest road motorists. The driver of a Grand Prix car has to accept as natural, speeds much greater than those attained by good sports car on the Queen's highway; he must have lightning reactions, enabling him to correct sudden skids and to overtake competitors between corners. But the technique of the leading exponents of what may be called the art of modern motor racing goes considerably beyond these requirements.





In his subconscious summing up of a racing car's handling characteristics, in his ability to exploit to the full the differences in over- and under-steering traits in cornering, and, above all, in his uncanny knack of being able to take a bend above the limit of tyre adhesion and then, by co-ordinated use of steering, engine power and track geography, get out of his predicament unscathed, the present-day driver of a Grand Prix car thrills his public and earns his living. If this sounds exaggerated, let it be remembered that the quickest way round a fast corner is usually in a four-wheel-drift, in which all four wheels lose adhesion and the car slides sideways round a chosen path with its nose appearing ready to run over the inner verge. To put a car into this drift requires not only an approach to the corner at a speed beyond the conception of the ordinary fast driver, but very accurate co-ordination of engine power and steering to prevent the drift from becoming a dangerous skid. The technique will vary from corner to corner, will be seriously affected by a sudden shower of rain and will be dependent on the particular car in use and how much fuel remains in its tank. Add to the foregoing requirements the considerations that the racing driver has to possess the stamina to withstand several exacting hours at a peak of alertness in a hot, noisy cockpit, that he is not at his best



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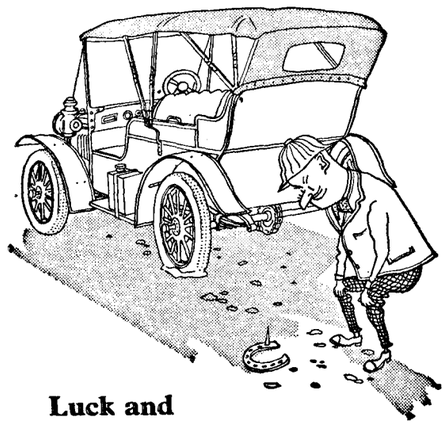

Luck and the Tyre Bill . . .

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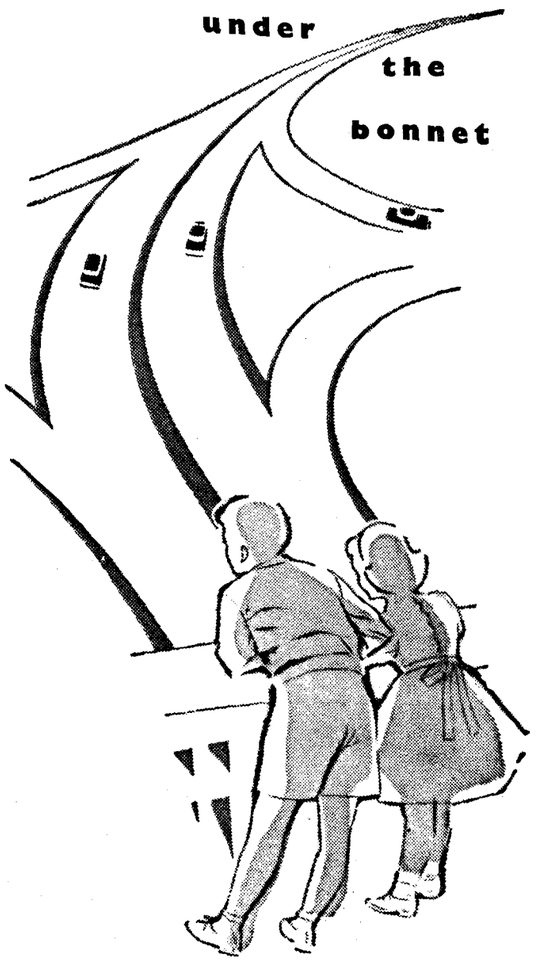

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after the age of 30, that his life may terminate abruptly at any stage of a race and that his working season from January to December involves high-speed air and road travel to all corners of the globe, and it must appear reasonable for him to command a large financial return.

What do drivers of the standing of Hawthorn and Moss earn? They are said indeed to receive more than the Prime Minister: to come in first in the annual French Grand Prix is valued at £10,000. Apart from appearance money, a share in the bonus and prize money and a retaining fee, the racing driver is obviously as well placed as the screen or television star to exploit subsidiary sources of income.

BEFORE the war most competitors were amateurs who paid dearly in entry fees and the appreciable cost of buying and maintaining racing cars—and raced for very modest prize money. One of the first British drivers to see the advantages of turning professional was the late Sir Henry Segrave, who then drove exclusively for the Sunbeam team. He was at the wheel of the first British car, a 2-litre Sunbeam, to win the French Grand Prix, at Tours in 1923, and was the first man to exceed 200 mph on land, in the fearsome twin-engined chain-drive Sunbeam that can now be inspected in the Montagu Motor Museum. A decade later the late Richard Seaman became a professional and was the first Englishman to drive in the Hitler-inspired Mercedes-Benz team, in whose service he was killed while driving in the Belgian Grand Prix at Spa in 1939.

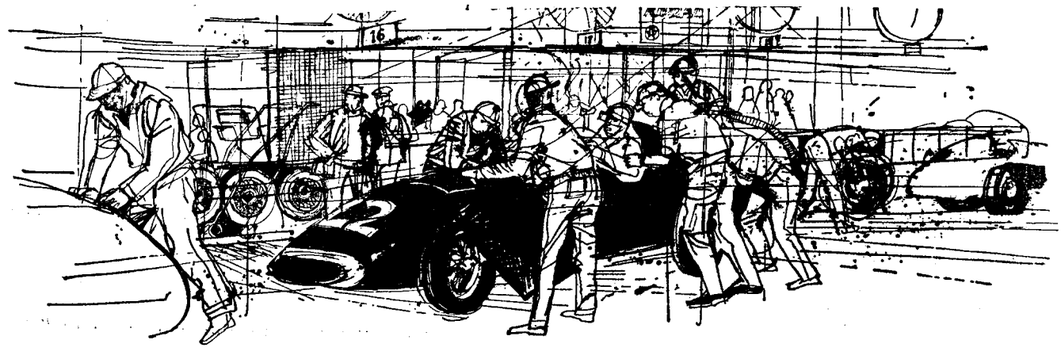
During the inter-war years record breaking was a rather more profitable line than racing: the late J. G. Parry Thomas, idol of the Brooklands public, earned a comfortable living by this means. As bonuses were paid by the petrol companies for each record broken, it is not surprising that instead of driving these record-breaking cars to the limit, many drivers preferred to raise a record by a few mph, and earn further bonus money some days later when they had another chance to better their own or a rival's speeds. There is a connection between the advertising value of record breaking and racing to the petroleum companies in the nineteen-twenties and their support of motor racing today. The recent ruling that races must be run on pump petrol (in fact on a grade of aviation fuel constant the world over) and not on specially brewed "dopes," shows that the petrol firms still place faith in the publicity value of motor racing but wish to obtain the greatest benefit from their investments in it.

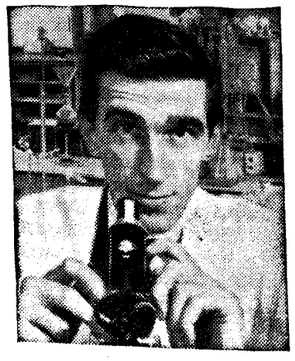
Modern racing drivers, so glamorous a group of figures to their "fans," come from many countries: they differ widely in temperament, stature and disposition. This may be verified by observing these petrol-gladiators in the paddock before a race. Hawthorn will be dispensing a dry brand of humour, his great height topped by the famous cap, Moss will be seen earnestly discussing technicalities with his friends or his American wife, the Anglo-American Harry Schell will be grinning and gesticulating; Fangio looks the least like a racing driver off duty and remains completely calm—his remarkable ability to control his nerves was probably the key to his successive world championships.

The drivers' world championship, which Hawthorn and Moss contested so breath-takingly until last weekend, is the highest pinnacle of the professional driver. Yet striving for points therein may not always be in the best interests of team tactics and Hawthorn has been heard to refer to the championship's incentive as a nuisance in this respect.

It is logical to compare the racing driver with the bullfighter and the test pilot. The bullfighter is rumoured to earn far more fabulous sums than his counterpart in the world of mechanical entertainment: the test pilot gets hardly a fair return, in comparison, for valuable test work that may be of incalculable benefit to his country. Technique in all three has improved down the years. In the case of the racing driver this was exemplified last summer. Two prewar Mercedes-Benz Grand Prix cars were brought to Oulton Park at the instigation of the Vintage Sports Car Club and demonstrated by Tony Brooks and the late Peter Collins. In their day these were regarded as extremely difficult and even dangerous cars to drive. Yet very soon both these young drivers were extending these light and ultra-powerful racing cars with confidence. Although obviously very interested in their performance and handling characteristics, both expressed the view that they were not especially difficult to master. Collins, indeed, commented that while the prewar racing driver probably needed to be physically stronger than his modern counterpart there were no grounds for believing that he had to be more skilful. Yet when these now historic racing Mercedes were in their prime, building up German propaganda, their sponsors, against their racial principles, were obliged to bring in drivers from outside Germany (Seaman from Britain, Nuvolari and Fagioli from Italy) to drive the monsters, because only a handful of professionals then existed who were capable of taming them into race-winning machines. *Verb. sap.*







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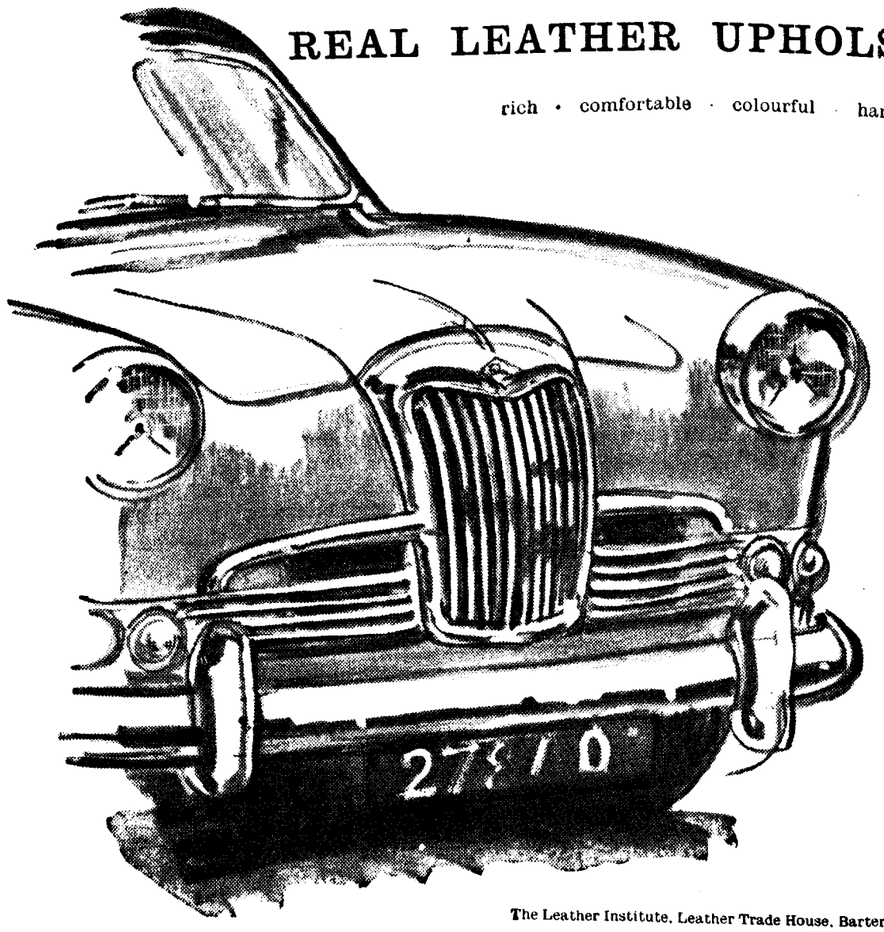

The Leather Institute, Leather Trade House, Barter Street, London W.C.1

Autumn Books

Paperbacks Progress

THERE are bookshops in London where the shelves are divided under subjects ranging from archaeology and art to war and zoology—and all the books on display are paperbacks. The fiction, crime and adventure section may be the largest, but the book buyer will have a fair choice of everything that used to be available only in hard covers and at highish cost, not excluding dictionaries, atlases and musical scores. Nobody knows exactly how many paperback titles are in print. But if one cuts out the cancerous growth of trashy crime and sex books, sold by small newsagents rather than by booksellers proper, there are by now at least 3,000, put out by some twenty-five publishers, whose numbers are now growing every month. Nearly a quarter of these titles are, moreover, new titles—books written and published for the paperback market only. Penguin Books, which is at once the doyen and the largest of British paperback publishers, is now publishing one new title for every two reprints. Paperbacks are beginning to invade the book pages of the weekly reviews.

The development of paperback publishing, indeed, has now reached a stage at which it is legitimate for the economist to speculate to what extent the future lies with the paperback rather than the hard cover edition ; and it is certainly time to consider whether the traditional frontiers between the two kinds of book ought not to be redrawn. The majority of booksellers still seem to be determined to hold back the paperback tide, and their attitude, whether it is right or wrong, undoubtedly weighs heavily with publishers. The days when respectable booksellers would not even give shelf space to Penguins are, of course, long over. The retailer's margin on paperbacks is just as profitable as on hardbacks ; paperbacks turn over as fast and usually faster ; customers demand them by title, and often make them part of a composite purchase of books. A hardback order may well be topped up with a couple of " quality paperbacks " ; and so the most genteel bookseller must have his " quality paperback " section, even if he draws the line at novels. But he still normally segregates paperbacks to their own subordinate place, probably less than ten per cent of his " book area." More important, his methods of buying paperbacks are quite different. He buys hardbacks after studying the trade journals and reviews and interviewing publishers' travellers ; in short, with discrimination. He tends to buy paperbacks in batches by the publisher and imprint and may even leave the choice of titles, if any is made, to a junior.

Nothing could be more significant than this difference in approach. It is shown in booksellers' complaints that there are now too many publishers of paperbacks for them to stock every publisher. New publishers entering the paperback field encounter an initial resistance not to their titles or authors, but to their imprint. Booksellers do not want the bother of making their own selection of titles from paperback publishers in the same way as they do from the far larger number of hardback publishers. This is not because paperbacks retail at a fifth of the price of the hardback edition, for they will normally buy them by the half-dozen or dozen instead of in twos and threes. It is the result of thinking of paperbacks not as individual books, but as bulk merchandise carrying a particular trademark. This attitude, unfortunately, is fostered by the habit of paperback publishers of supplying special " display stands "—arty, wirework developments of the postcard rack—to hold their own books and surmounted by their name and fascia ; and also by the practice of giving a standard brand name to them all.

The serious paperback booksellers, by grouping books under subject irrespective of publisher, are leading the way out of this impasse—and the big book retailing chains are watching them. If this tendency spreads it should bring more and more hardback publishers into the paperback field, for they will then have ready retail outlets, which can be fed by their existing selling organisation. Of itself, however, the arrival of established publishers in the paperback field—they include, for example, Faber, Macmillan, Collins and Hutchinson—so far means only the development of a new type of reprint: the—most welcome—return of the cheap edition, which before the war sold at a half or one-third the original published price, in smaller format, on cheaper paper, but in a hard case. It does not necessarily mean the publication of more original works as paperbacks.

Most publishers and booksellers still deny the possibility of this development. They put forward the standard argument: that the backbone of the sale of an average book—whether fiction or non-fiction—is to the libraries, which must have a permanent binding, and which prefer a stouter paper than the newsprint and near-newsprint that help to keep paperback prices down. This may be true ; but it is already noticeable that in America a growing number of " egghead books " are coming out between paper (or, rather, laminated board) covers in the first instance. Such an edition will then retail at between 90 cents and $1.25 (as opposed to 25 cents for a paperback reprint) ; anyone who wants the same edition in permanent bindings can have it—for $3.90 or $4.25. Such books, at their higher prices, are not

only issued in the Crown octavo format that is the almost invariable uniform of the British paperback, but in any convenient size; and the binding may be conventional, not the guillotine-and-glue "Perfect" binding that is adequate and convenient for the lightweight paperback.

This is a portent. Admittedly, conditions in America, or France, where new books are normally put into paper covers, are different from Britain where libraries and the borrowing habit are so powerful. But the economics of paperback and hardback publishing may yet revolutionise the scene in British bookshops. These are approximately as follows for new fiction or a serious or other work "for the general reader." A hardback edition of 3,000 to 4,000 copies of a 256-page book will have to retail at 16s. to 25s., and at this point in the demand curve, to cut 2s. off the price by omitting the hard binding brings no extra sales—indeed it reduces them, because the bookseller will not handle "freak" paperbacks. But an edition of 15,000-20,000 of the same book in paper covers makes a profit (or no bigger a loss) at 3s. 6d. to 5s.—and at that point in the demand curve it *may* sell 50,000 copies without being regarded as in any way a "best seller." Yet even if it were given hard covers it would on such a run cost only 6s. to 8s. 6d. a copy. This extraordinary gap is explained by the size of the edition, not the cost of a hard cover; for at 20,000 the production cost of the book alone is only 1s. to 1s. 6d., depending to some extent on type, format and paper. Once prejudice is overcome, among booksellers and librarians, this may be the decisive factor in turning publishers steadily towards the paper-back as the key to bigger sales.

★

It may take five years, or fifteen, before the average novel or "serious" book for the general reader starts between laminated covers, in an edition of 15,000, with a small bound library edition. But the demand for cheap books, the new student habit of owning whole libraries of paperbacks, the steady accustoming of bookbuyers' eyes to the appearance of attractive, contemporary-looking paper covers—all will help it. Research into papermaking to postpone the "browning" of edges will help also. And it is hard to see, when such a fair proportion of the 18,000 new titles published annually consist of ephemera, a reason against the change. The hardback, of course, will remain, and it will probably constitute the greater number of titles published: it will be the correct technical choice for textbooks, heavy books, quarto books, reference books and so on. But the paperbacked new title may spread, and when it does, the turnover to it may be sudden. The bookseller who scoffs at this prediction may be reminded that just twenty years ago the first six Penguins had to be sold through Woolworths in default of booksellers' orders. But they won the public's heart—as cheap, sound commodities usually do.

All His Own Work

The Memoirs of Field-Marshal Viscount Montgomery

Collins. 574 pages. 35s.

Not unexpectedly, Lord Montgomery has written an intensely personal autobiography. This is what *he* said, thought and did; this is what happened to *him;* this is how *he* judged men and events. This is the truth as *he* sees it. These are not the innocuous reminiscences which in the old days retired soldiers used to think, mistakenly, they ought to write (though the fashion has lately been changing). Nor are they a precise and detailed narrative of battles. Lord Montgomery stands pat on the reports he had written earlier and concentrates instead on the moments of argument and decision in which, vividly and intimately, he was concerned.

His memoirs will cause pain to some, for his opinions are hard, uncompromising to the point of dogmatism and damaging to others' reputations. They recall the necessary ruthlessness with which he used to weed out the incompetent (or the competent who failed to work with him or for him). A great commander must have moral courage: it is almost as if Lord Montgomery is imbued with an overdose of it. This strength of single-minded purpose, founded on a fierce but controlled energy, will exacerbate the controversies that the book will cause. The controversies are given new life, not so much because Lord Montgomery has revealed new facts (though, naturally, his memoirs fill in some of the outlines that were already clear) but because of the abruptness with which he has set down his opinions. He expressed his opinions forcibly at the time and now in retrospect he is sure they were right. His professional insight—and his unfailing self-confidence—enabled him at the time to say: thus it is. Now, without the hint of a second thought, he says: thus indeed it was.

His verdicts, though they may be personally wounding, are strictly professional. More often than not in his summing up, Lord Montgomery will pay tribute to a man's virtues, trying to balance the criticism of his shortcomings. Often, also, he specifically limits the argument and disagreement, by adding some such phrase as "we remained good friends." Some things he says are damaging to General Eisenhower's reputation as a soldier; yet he gives the highest praise to this "great and good man" as a man, as a supreme commander and as the President of the United States. It is as soldiers that, in his judgment, all the others fell short.

Just after El Alamein, a label was tagged on to Lord Montgomery. He was the puritan general. It was a convenient piece of shorthand, describing his personal austerity of behaviour and his minor eccentricities of taste. At the time it meant little more than this. Now it can be seen to have a deeper meaning. The puritan tradition in the British army is a long one. It reaches back to Cromwell and his Ironsides and it has been kept alive by the many Ulstermen who have risen to high command. The outward discipline of the institution seems to accord with the inward discipline of the individual conscience, while the serenity of belief soothes the miseries and horrors of the profession. Lord Montgomery is in that tradition. His actions on taking over command of the Eighth Army and the sudden heightening of morale that followed recall the day just over a hundred years ago when Nicholson, a man poured from a similar mould, rode into the camp on the Ridge outside Delhi. Time, it should be said, ran on their side. Just as the walls of Delhi would have been breached without Nicholson, so the hour of final victory in North Africa was at hand. Yet both men suited the hour: they could impose their will on others and shape history because they were serenely confident of the powers within themselves.

High command, by its nature, isolates the commander. This, for Lord Montgomery, reinforced the sense of loneliness that came from his upbringing and character. In the long weekend between the two wars he had trained himself for responsibility, so that when it was thrust upon him he accepted it with apparent ease, delegating authority with assurance. But the inward loneliness went with a planned and necessary projection of the public personality. The myth of Rommel had to be countered by the legend of "Monty." The two badges in the cap, the tricks of speech were the means. Confidence and inspiration were the result. Lord Montgomery, by any reckoning, is one of Britain's most successful generals and what he achieved came from an absolute conviction of the importance of what he was doing and of his own ability to do it.

Lord Montgomery, in the event, emerged as the supreme technocrat of a managerial society that had gone to war. Like other technocrats he has the habit of saying: the problem is so; the answer simple, thus. And that attitude of mind, if the prop of professional experience is not at hand, can and does produce mistakes founded on misconceptions. He was successful as a general, however, because the inner conviction and the moral courage that were his by nature were allied to a knowledge of modern war that was his by art. He had the ability to cut through the mass of detail, so as to be decisive at the right place at the right time. He demanded a clear-cut strategic objective, so as to produce the "master plan." He required tactical "balance," so as to produce flexibility.

Above all, he saw morale as the key to victory. Admitting that the pomp and glitter of command were rather "fun," he deliberately used publicity (which was not personally distasteful to him) as a weapon of war. Countless hours were spent just talking to the troops or to the workers in the factories. Even more hours were spent in picking the right men for the job on hand. He had seen

that modern war demanded something more than the allegiance to a small group of men to each other, on which the regimental tradition is founded; it required an identity with a bigger whole—an army, a national cause. As a young man, he had fought on the Western Front and he had reacted violently against the stupid brutality of that war. Too intelligent not to be humane, he saw that the gulf that existed between, say, Lord Haig and the conscript in the trenches had to be bridged. He saw, too, that the war had to be won with the minimum of casualties. That explains the careful planning and what is often called his "caution." It is impossible to believe that he saw the men in his armies simply as so many statistical units. He was a puritan who loved life, not death.

There are many anecdotes about him. Often they have the same twist. There is "Monty" in the centre of the stage, clearly enjoying the theatricals. But there too is General Montgomery, drawing on the powers within himself and imposing confidence upon those who heard him talking in the deserts of Libya or the fields of France. That is perhaps how he would like to be remembered.

Familiar Knox

The Thundering Scot

By Geddes MacGregor.
Macmillan. 244 pages. 25s.

The fourth centenary of the Scottish Reformation is as close as 1960: it should produce its share of presbyterian hagiography. But a modern reassessment of John Knox's career—placing the prophet in the mundane light of what is now known of the economic and diplomatic impulses of the age—would be a pertinent and stimulating work. This Professor MacGregor does not provide. He has written a kindly, personal biography, with imaginative reconstructions, that must impress even the sceptic with Knox's force and sincerity, yet leave him still uncertain of the inner springs prompting the national revolution in which Knox was caught up.

To set Knox against his day and age—in particular, to set him more closely than Professor MacGregor has done against the sixteenth-century tussle for church income and estates that changed Scottish history as it changed English—is not to belittle him. Knox's Reformation was, in this sense, no less meretricious than Henry VIII's. To admit it is to recognise how great his spiritual influence still was. It is also to explain, quite simply, why his church policy could not be other than incomplete.

Theocracy did not descend on Scotland with Knox; that came after him He rather bequeathed, as Professor MacGregor rightly claims, a democratic impulse that, probably quite as much as any spiritual doctrine, has made his work endure. For this he was truly (as the Englishman Randolph said) "of God's Privy Council." This is a sound book in an old tradition; perhaps 1960 will bring something more ambitious.

Among the Egyptians

Everyday Life in Egypt in the Days of Ramesses the Great

By Pierre Montet. Translated by A. R. Maxwell-Hyslop and Margaret S. Drower.
Edward Arnold. 365 pages. 35s.

This is a translation of a French book published in 1946. The author, then Professor of Egyptology at the Collège de France, is a reputed authority on his subject, who knows well how to present the result of scientific research in a very readable form. The translators, the second of whom is no mean expert in the field covered by the book, follow closely the original text, but their translation is fluent and pleasing. They have added a glossary of technical terms and an index, and have also amplified the notes, but they omit to mention that all



the illustrations have also been added by them. These have been selected mostly from modern and accurate illustrations of monuments, and constitute a considerable improvement upon what appeared in the French original. The whole production of the book is excellent.

Egyptian society, based on a conservative peasantry, showed few changes, and these were very gradual. Thus, it does not matter that out of the enormous span of Egyptian history a single reign only, that of Ramesses II (thirteenth century BC) has been chosen to serve as a vehicle for the description of everyday life in ancient Egypt; a good deal of the information given here is valid equally for much earlier and for much later periods.

The land of Egypt and the civilisation achieved by its inhabitants have many admirers, and there exist many books on Egyptian history and monuments, notably on Egyptian works of art. Less well known are the trivialities of ancient Egyptian life, although these possess great interest if only because of their difference from those of our own day. In twelve chapters the reader is led through the towns and their houses, is given peeps into family life, visits the country and inspects the occupations of the farmers, artists and craftsmen, and is told how the Egyptian travelled at home and abroad. One chapter is devoted to the life of the king and another to the army, and since the Egyptians' achievements are to a great extent the result of a well organised administration, this important aspect is included as are also the scribes to whose industry and thoroughness we owe so much of our information. There follow the temples, priests and festivals. In the last chapter old age is reached, and the book aptly ends with a description of burial customs and the tomb.

Several hundred footnotes do not distract the reader's attention; they are relegated to the end of the book, where also a short list of general works can be found by those who, stimulated by what they have read, wish to acquire ampler information about such aspects of ancient Egypt as do not fall within the framework of the book.

Arachnology

The World of Spiders

By W. S. Bristowe.
Collins. 304 pages. 30s.

No one is neutral about spiders. You may shudder at them or be fascinated by them. You may find their cobwebs a nuisance, or be grateful to them for eating yearly a weight of insects equal to that of the human population of Great Britain. In any case you probably do not know much about them; and while you cannot be well informed about everything, it is worth while getting the facts straight on a subject about which you feel so strongly. In this case it is especially worth while to do so, for the world of spiders cannot be entered while you are clad in anthropomorphic prejudice.

A passport now exists in this "New Naturalist" monograph. Written by a well-known amateur arachnologist, it combines an enthusiasm and humility worthy of Fabre with modern scientific sophistication. After some preliminary chapters on the history of spider hunting and the structure, classification and evolution of spiders, the author deals with each British family in turn. He provides not a key for the identification of species, but a picture of the life histories to be found in each group—their diverse and dramatic methods of ensnaring their prey and their bizarre courtship practices. His style is fluent and vivid, and he has achieved the difficult task of writing a book that will be read with equal delight by layman and biologist. He has been ably supported by the 232 drawings by Arthur Smith, which combine accuracy with beauty.

Every reader will find his prejudices supported: mate-eating, mother-eating, and fights to the death for the shudderers; the immaculate precision of web-weaving and the miracle of maternal care for the fascinated. But every reader will also be shown the thrills and disappointments that come in a life largely devoted to the study of one group of animals, and share with the author the eternal excitement of discovery.

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True to "Life"

The Russian Revolution

By Alan Moorehead.
Collins and *Hamish Hamilton.* 320 pages. 30s.

MR MOOREHEAD rightly gained the reputation of a brilliant reporter during the war. Since then, his book on Gallipoli has revealed his skill in historical reconstruction. But this time he has tackled a more arduous task. Eye-witnesses with brilliant pens had written on the Russian Revolution, while historical analysis of this controversial subject requires a deep knowledge of Russia's social and cultural background, of its political climate, of the views and theories of the contesting groups.

Difficult in itself, the task was made no easier by the way in which this book came to be written. Ten years ago a study group was set up in an American university to prove the impure origins of the Bolshevik revolution. The seizure by the Allies of the secret records of the German Foreign Office facilitated the venture. It revived the story, older than the sealed train in which he crossed Germany, that Lenin was a German agent. Two years ago *Life* magazine decided to finance the project and, when it came to writing it up, chose Mr Moorehead for the job. Professionally it could not have made a better choice. Unfortunately, the author was asked to weave the findings into the pattern of the Russian revolution. The resulting book is naturally readable, but superficial and unbalanced.

It is superficial because the story could not open in 1917. The whole background had to be summarised in a hundred pages, mostly rewritten from other sources. Much of that limited space is taken up—possibly with an eye to the magazine public—with problems such as the character of the Tsarina. Rasputin gets pages; Lenin's conception of the party, which brought about the split among Social Democrats, is dismissed in a few lines. And when it comes to the revolution itself, Mr Moorehead cannot exercise his talent as a reporter. He is compelled to write from second-hand. The vivid quotations from Trotsky, Sukhanov or John Reed whet the reader's appetite for the original.

The book is unbalanced because of its very purpose. It was legitimate to publish the German documents, preferably with an analytical assessment of their value. It is less fair to take every statement by a German agent at its face value without considering the arguments of the other side. (Mr Moorehead gives only the evidence for the prosecution. His readers will thus not be able to pass judgment. Much of his case rests on the wartime activity of Parvus-Helphand, whom the Bolsheviks refused to readmit into Russia because of his wartime dealings.) Lastly, it is farfetched to explain a vast social upheaval chiefly in terms of foreign money—like the attempts to explain the French revolution in terms of British funds for Danton.

Mr Moorehead seems aware that even his own description of the revolution and the Bolsheviks does not really square with the emphasised version of the "German net." This contradiction is most striking in his last sketchy chapter on Brest Litovsk, where the "agents" were finally faced with their "benefactors." On one page he writes: "Lenin had his understanding with the Germans; they had sent him back to Russia in order to seize power and make peace, and they had financed him." And on the following: "In reality the deep unbridgeable gap remained between the two sides . . . the Bolsheviks continued to agitate for world revolution. . ."

It is a tribute to Mr Moorehead's skill that, for all these handicaps, his book is easy to read. It will probably be a success. It is well written, with a light touch, with details about the weather or the theatre programme of the day. Its villains are exactly where the popular western public expects them. It is true to *Life*. But it is not the dispassionate and objective account of the Russian Revolution promised in the preface.

From Polo to the Poles

Explorers' Maps

By R. A. Skelton.
Routledge and Kegan Paul. 337 pages, 63s.

A SCHOLAR'S modesty leads Mr Skelton to say that this beautiful volume was "designed mainly as a picture book." He cannot be allowed to get away with that. Its 219 excellent half-tone reproductions of maps and landscapes drawn from sources that range back to 1375 undoubtedly qualify the book as a "picture book" of outstanding merit; but it is more than that. The author, who is Superintendent of the British Museum Map Room and honorary secretary of the Hakluyt Society, has here worked over a series of articles originally written for the *Geographical Magazine* in which, closely relating his text to well chosen illustrations, he selects and surveys the great ages of European exploration of the globe. He bears his learning lightly. The reader is swept along, sometimes almost breathless but never at all bored, in the tracks of Marco Polo and Vasco de Gama, Columbus and Magellan, Mungo Park and Cook, Amundsen and Nordenskjöld, Shackleton and Scott.

With their motley motives, this brave company of sea captains and scholars, merchants and missionaries, constitute one of the most extraordinary fellowships mankind has produced. They have bequeathed us a globe spotted with their names—from Baffin, Balboa, and Bering on through the alphabet down to Tasman and Vancouver. Mr Skelton's survey reminds us how arbitrarily this naming has worked out: Hudson, for instance, being justly immortalised both by his great bay and by the no less important river to which New York owes its existence, while on the other hand the temporary misapprehension of a Strasbourg cartographer, Waldseemüller, elevated the undeserving Amerigo Vespucci of Florence into uniqueness as the only human being who has ever had, or can ever have, an entire continent named after him. Again, where the explorers have not left their own names on the world map, they have often left their mark in the form of place names in their own language. The brief glory of Portugal thus lingers in places as far apart as Labrador, Lagos, Natal and Formosa (which is still more recognisable than Taiwan). But Nouvelle France, Nieuw Holland, and Nueva España have vanished from our maps, and New Britain is understandably hard for most Britons to find in their atlases.

Both explorers and mapmakers have been notably persistent in error, perhaps because their callings naturally attract the imaginative and the indomitable. For two hundred and fifty years after Magellan's great voyage, the geographers went on sketching a huge and hazy Southern Continent at the bottom of their maps, and they scraped together an astonishing quantity of unfounded "evidence" for it. For centuries, too, the fabulous North-West and North-East Passages to the Far East dazzled European eyes and led men out into the wilderness. But error yielded as much discovery as knowledge could have, perhaps more. It is easy to smile at Columbus landing envoys in Cuba to seek out the Great Khan of Tartary, at Captain John Smith patiently probing Chesapeake Bay for an outlet into the Pacific, at Champlain and La Salle led on by similar hopes to press up the St. Lawrence and down the Mississippi. Nobody made the North-West Passage by sea before Amundsen, in the twentieth century, and long before then it had become commercially valueless (the North-East Passage, on the other hand, has in our own time become a regular shipping route at last).

But these "vain" searches yielded the greatest by-product of all time in the shape of the opening up of the Americas. And who among the great explorers would concede that his discoveries were meaningless when they happened to bring no direct profit with them? Trade interested most of them, if only because it attracted financial backers; settlement, national glory, and evangelism were also powerful motive forces; but the common factor among all these astonishing men was the personal urge to venture boldly into the unknown, to push back the horizon.

This flame burnt most purely among the polar explorers, with whose feats Mr Skelton closes his book. But the flame has not been extinguished by the successful reaching of the earth's two poles. As we smile tolerantly today at the quaint cartographical conceits of Marco Polo's contemporaries, will our descendants likewise smile, some day, over the crude charts we are now compiling to mark the explorer's way into the depths of space?

A Master of Diversity

Picasso: *His Life and Work*

By Roland Penrose.
Gollancz. 292 pages. 25s.

HOWEVER baffling a figure Picasso may be in the history of art, his immensely infectious influence both as a man and as an artist are beyond dispute. From a long-standing personal acquaintance and knowledge of his works, Mr Penrose has produced a charming and absorbing full-scale biography. His admiration for his subject is obvious, but he makes little attempt to pass judgment and his text is blessedly free from those grandiloquent and, to the layman, largely meaningless pronouncements that beset art evaluation.

The restless energy of the early days is vividly described—the penniless struggle in Paris, the friendships with Max Jacob, Apollinaire and the Steins, the rapid changes of domicile between Barcelona and Paris to find new sources of inspiration. In later life it has become evident that each place in which Picasso lives—and since his youth he has travelled very little outside Paris and the Mediterranean coast—has a particular association for him. Recently after making a drawing in Cannes of a mythical theme, he remarked "it is strange, in Paris I never draw fauns, centaurs or mythical heroes like these, they always seem to live in these parts."

The grace and delicacy of the Blue and Rose periods (too sentimental for modern taste?), the outstanding period of Cubism, the postwar interest in a new type of abstraction, the pictures of large women, of large still-lifes, of nightmarish forms, the incursions into ballet-design, sculpture, poetry, drama and ceramics, the predilection for a particular subject, sometimes the harlequin, sometimes the bull—Mr Penrose describes each phase and supports his story with a large selection of illustrations, although very small ones.

★

The art of this century has taken its shape from the cubist paintings of Picasso and Braque. Picasso has now been painting for most of his seventy-seven years and yet it is still a puzzle to assess the dynamic force behind this small, stocky, Catalonian with the large piercing black eyes. His talent as a draughtsman and as a colourist is beyond question: Gertrude Stein says in her monograph on Picasso "as to knowing how to paint he was born knowing all of that." He has an astonishing memory and a vivid imagination. But this artist's extraordinary diversity and his frequent alterations in style have begged for some rational explanation of the evolution of his art.

Picasso does not help us. "I have never made trials or experiments. Whenever I had something to say I have said it in the manner in which I feel it ought to be said." Whether or not we are enthusiastic about the outcome, the vitality of his art stands out from the pages of this book.

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THE TIMES *Illustrated* *25s. net*

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Since Charles Williams died thirteen years ago the circle of enthusiasts for his work has grown steadily. Anne Ridler, who was one of his pupils, has made a selection of essays illustrating his most important themes; she has prefaced it by a study of his writings and has sketched a portrait, for those who never met him, of this remarkable man.
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Two volumes *70s. net*

OXFORD UNIVERSITY PRESS

Authorised Version

The Work of the Queen

By Dermot Morrah.
Kimber. 191 pages. 21s.

SOME years ago a shrewd elder was summoned from Printing House Square by a puzzled elder at Buckingham Palace to suggest what could be done to prevent news photographers from camping on high buildings overlooking the Palace gardens in order to steal telescopic blobs of pictures of a new royal baby in its perambulator. The reply was characteristically simple: have a good picture taken of the baby, give the picture to all the newspapers, and the nuisance will stop of the news editors' own accord. This book by Mr Morrah, who also works at Printing House Square, is presumably intended to serve the same purpose as that baby's picture: to put a stop to backstairs, keyhole, black market chit-chat about the royal regimen by giving the facts. This, though not official, is the authorised version.

It is a lucid, elegant and pious account, as well informed (not to say learned) as it is well written, by a man who has known personally two generations of the Royal Household—and is also Arundel Herald Extraordinary. Perhaps it is unduly defensive; nobody doubts that the Queen works uncommonly hard and unfailingly dutifully. In proving that the Queen's time is well and truly spent, Mr Morrah goes too near to claiming that none of it could be spent in any other or better way. Moreover, in his own conviction of the "sacred significance of the governance of men," he tends to attribute to the Queen's loyal subjects an apprehension of the "transcendent" and religious character of her rule which most of them nowadays do not have.

The magic of monarchy is very real and very popular and indispensable. But it does not generally spring, except vestigially, from the faith that so strongly refreshes and reinforces the Queen herself, as it did her father. It comes rather, as it did in Bagehot's day, from the grip upon the public mind of a personal drama eminently played and ceremonially presented. (This is one reason why the melodrama of the Abdication in the end strengthened, not weakened, the monarchy.) It is the eternal attraction of very human persons in very high places, and with the old pageantry it lasts from generation to generation.

From Mr Morrah's little book, as from Mr Wheeler-Bennett's long life of George VI, two other truths emerge. The first is the great good fortune of Britain in having its parliamentary democracy topped and smoothed in its working by the monarchy—and in having monarchs who devote themselves to the task. The second (which was admirably brought out in Mr Wheeler-Bennett's appendix on "The Private Secretary") is the decisive importance in the performance of this task of the monarch's own private office—the little band of secretaries, aides and advisers which is the link with the outside world.

"A bad Private Secretary might easily make the system of constitutional monarchy unworkable," Professor Laski once said flatly. Certainly a private office—and, more generally, a Palace entourage—out of touch with social, no less than political, realities and changes could frustrate and stultify the monarch's function. Whether the Queen asks the right questions of her ministers, meets the right people from all her realms, as well as in Britain, or has the wave-length of contemporary thought and feeling depends largely upon these "eyes and ears" about her. But she and her husband have eyes and ears of their own; they are in their way as aware as the most enthusiastic critics of the need for continual adjustment; so, too, are the best of their industrious advisers. Whether the adjustment goes as far or as fast as the changes in society and the Commonwealth demand is always a proper subject for frank debate. What is not debatable (and this is the point of Mr Morrah's respectful tribute) is the conscientiousness—and the conscience—of all at the Palace.

History in Stone

A Picture History of Archaeology

By C. W. Ceram.
Thames and Hudson. 360 pages. 42s.

CONSIDERED as a picture-book, this is a magnificent and sumptuous volume. Besides its sixteen excellently produced colour-plates it has literally hundreds of photographs, and line drawings, and diagrams, very few of which are the familiar standbys of the illustrator; some of ancient buildings or artifacts, some of inscriptions, some illustrating the process of discovery



itself. School libraries will pounce on it and amateurs of archæology will revel in it. Professionals, however, are likely to jib both at Mr Ceram's style, which—now chatty, now portentous, now sensational—has slithered far down the slopes of popularisation since his "Gods, Graves and Scholars," and at the suggested comprehensiveness of his title, inappropriate to a volume which omits all mention of Western European, Indian or Far Eastern prehistory. Less important, but disproportionately irritating, is the gimmick which Mr Ceram has adopted for his picture titles; these consist of the first half-sentence or so of the explanatory text, isolated from the succeeding matter and printed in heavy type, and the effect is precisely that of a classy advertising folder. Once accustomed, however, to this typographical eccentricity, and once hardened to Mr Ceram's style, the reader can expect both enjoyment and instruction.

A Tribute to Wine

A Book of Burgundy

Text by Pierre Poupon and Pierre Forgeot.
Translated by Siriol Hugh-Jones.
Original Lithographs by Denis Mathews.
Lund Humphries. 78 pages. 63s.

THE delight of this book is its illustrations. Before he made them, Denis Mathews spent several months in Burgundy studying and sketching the processes in wine production from the growing of the grapes to the bottling, storing and tasting of the wine. He is an artist who has shown in recent years, particularly when he visited China, a facility for capturing the atmosphere of a scene in vigorous drawings and pen and wash sketches. He shows it again in these thirty or so lithographs: in a gaily-coloured study of grape-picking, a sturdy blue-pantalooned figure digging the earth or rooting out the old vines, a black and white impression of a wine-honouring banquet.

The text is subsidiary to the illustrations: it is presented as five letters to the artist, initiating him into the mysteries of wine-production, one allegedly from a historian, another from a vine-grower and so on. But since we are told all the text was written by but two Burgundians, nobody is deceived and many are likely to be irritated, particularly as the style is, at times, cloying with too-frequent similes between the care of wine and the care of children. This is a pity since there is much authoritative information about the history of Burgundy and the skilled processes of its wine-making.

Dutch Treat

Jan Vermeer

By Ludwig Goldscheider.
Phaidon. 155 pages. 47s. 6d.

THE printing and design of this book are superb. The many illustrations, of which 34 are in colour, follow an introductory essay and reproduce in entirety and in detail all the paintings universally acknowledged to be by Vermeer; an appendix shows some of those attributed doubtfully to him. The plates have nearly all been reproduced from new photographs and differ considerably from those in the 1940 Vermeer volume. Although the colour reproduction cannot quite do justice to the texture and mellowness of the originals, and in particular to the yellow of which Vermeer was so fond, all lovers of this artist will be delighted to possess this new edition.

Culture in Context

Culture and Society, 1780-1950

By Raymond Williams.
Chatto and Windus. 363 pages. 30s.

THIS is a thoughtful and sensitive study of the idea of culture as it developed in Britain between 1780 and 1950. It begins with the industrial revolution and ends with the mass media of communication. To some extent it is a personal document as well as a critical analysis, and at the end of the book the reader is left with a clear impression of the author as well as a new interpretation of a difficult subject.

For Mr Williams "culture" is neither the product of the old leisured classes, who seek to defend it against hostile and destructive forces, nor the inheritance of a new rising class which contains the humanity of the future. The idea of culture is a general reaction to changes in the conditions of "common life" since the discovery of steam power, the rise of machine industry and the growth of a new social system. It was against this background that the word began to be used, and when Mr Williams hears it he turns, not to his gun, but to the dictionary. He carefully traces the development of a new terminology (including words like "industry," "art," "class" and "democracy" as well as "culture") and goes on to examine the evolution of the idea in a group of writers from Coleridge to Eliot. Inevitably he picks and chooses among his sources, sometimes painting an inadequate picture of the author he is describing, sometimes failing to maintain a thread of continuity. He succeeds, however, in setting the idea of "culture" in its changing context and in showing how the attempt to provide "a total qualitative assessment" of common life has been a major theme in English writing since the industrial revolution.

It cannot be said that this is an easy book to read, well worth reading though it is. The style is often cumbrous; many of the ideas are touched on rather than fully developed; and the balance of attention to particular writers and periods can often be questioned. The first four chapters are among the most interesting, particularly a perceptive chapter on Carlyle. The fifth chapter on the industrial novels of the 1840s is illuminating but sketchy, and there is a good sixth chapter on Cardinal Newman and Matthew Arnold. William Morris emerges, as he does so frequently in recent writing, as a "pivotal figure," "a contemporary thinker," but less than justice is done to the rebel writers of the late nineteenth century, whose revolt did much to re-shape thinking about society. Part II of this book—just over thirty pages—is devoted to the period from Morris to D. H. Lawrence, and carries the title "interregnum." The choice of title is misleading, for whatever current assessments of the work of writers of this period may be, their "revolt" was more than an interlude. It was also in these years that signposts were already pointing to the "mass culture" of the twentieth century which Mr Williams talks about in his last chapter. Part III on a group of modern writers—including Tawney as well as Eliot—reveals insight and sympathy along with critical power, but the conclusion does not quite succeed in pulling the book together. Mr Williams seems to be striving to say something important which his framework of reference makes more difficult rather than more easy to express. He always, however, stimulates thought, and his integrity and sense of purpose give a note of authority even to some of his more elusive passages.

An Account of Adversity

I Anastasia: *An Autobiography*

Translated by Oliver Coburn, with notes by Roland Krug Von Nidda.
Joseph. 282 pages. 21s.

IN February, 1920, a girl was rescued from a canal in Berlin; she was taken to a lunatic asylum where everybody found her extremely uncommunicative; a year later she confessed to a nurse that she was the Grand Duchess Anastasia, the youngest daughter of the late Tsar. This is the autobiography of a woman, now in her late fifties, who has spent most of her life claiming this name and descent. Although it does not make her case any more convincing or conclusive, the book is fascinating reading.

The first chapters, in particular, covering the two years after the death of the Tsar and his family in July, 1918, read like a first-class thriller. Anastasia's escape from Russia, her marriage in Bucharest and the assassination of her husband, her flight to Berlin and the attempt at suicide in the Landwehrkanal have a powerful nightmare quality. It was only after her release from the lunatic asylum that the proper story of Anastasia began: it is the story of her struggle to establish her identity. She tells us herself that this was her first concern, and if we bear it in mind while reading her account, our credulity gets taxed very hard indeed. To those people like Princess Irene of Prussia, the sister of the late Tsarina, who could have been of much help to her, Anastasia behaved in an incomprehensible manner. She was rude, snubbing, introverted. The explanations for her behaviour at such encounters are always the same: illness and injured pride on her side; *Schadenfreude*, malice, a lapse of memory on the other.

The reader's impression is that no amount of physical pain or pride would have made a real Anastasia behave in the way she did; on the contrary, they would have made her communicate more. A further element of doubt is introduced by some of Herr Krug's commentaries, connecting the author's narrative. There are frequent errors of historical fact; in his attempt to make Anastasia's case watertight, Herr Krug argues too closely. This book will hardly bring the author's recognition as the real Anastasia any nearer; but whoever she is, she had an unenviable life.

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NELSON

The Artist as Creator

The Letters of Rainer Maria Rilke and Princess Marie von Thurn und Taxis

Translated and introduced by Nora Wydenbruck.
The Hogarth Press. 294 pages. 30s.

THOSE who read German have long been aware of the brilliance and importance of the Rilke-Marie Taxis correspondence. Not only do these letters, which extend from 1909 to the eve of Rilke's death, convey an intimate record of the poet's life; they also carry us very near the heart and nerve of artistic creation. Together with the celebrated Fournier-Rivière letters and the lifelong exchanges between Hofmannsthal and Richard Strauss, they constitute one of the most valuable documents we possess toward a portrait of the artist as creator. Here are the very sources of imagination: the remembrances, sudden impressions, contingencies of feeling, out of which the finished work mysteriously arises. A metaphor casually used in a letter in 1912 becomes the centre of a sonnet to Orpheus ten years later. A decade of subterranean growth, of self-discovery in darkness, intervenes between the first apprehension of the great cycle and that wildly jubilant note of the evening of February 11, 1922:

> At last, Princess, at last the blessed, how blessed day, when the completion—as far as I can see—of the *Elegies* can be announced to you: *Ten!*

It is with the "Duino Elegies," that most complete and miraculous achievement in modern German poetry, that the relationship between Rilke and the Princess von Thurn und Taxis will always be associated. It was she who put at his disposal the dark castle by the sea, Duino. It was she who persevered in recalling Rilke's genius to his unfinished task during the years in which his "Angels were silent." Though the Elegies and the Sonnets were actually composed in the tower at Muzot, they belong to Duino. "The whole is *yours*, Princess," wrote the poet, "how could it be otherwise?" But Princess Marie played a uniquely important role in Rilke's life even before that fantastic (and ultimately fatal) explosion of creative force in the winter of 1922. Because she was intelligent and able to laugh gently at him, Rilke took the Princess far more seriously than he did the covey of other titled ladies and *princesses lointaines* who appear in his biography. To her he laid bare the workings of his genius, his "plunge into the funnel of solitude." To her he detailed his belief, a belief tinged with a good deal of dabbling in spiritualism, that the poet is a kind of scribe writing at the dictation of occult powers and dominions

> here on this Patmos, so that, when I think of it, I feel as though I had written with both hands, to the right and the left, like the Apostle in St John's Hospital in Bruges, so as to capture every word that was being given to me.

These extraordinary letters demonstrate, moreover, the feline tenacity and resilience of men such as Nietzsche, Proust and Rilke, who use their very infirmities in order to guard the integrity of their work. Time and again, Rilke shies away from the Princess's hospitality so as to deepen his solitude. Even in ill-health and lamentation, he treasured a kind of central obstinacy or cunning, a faith in his survival now and through his work. The artist uses other human beings and abuses them; he lives in their villas and vanishes without trace. He assumes that they will at all times be immensely interested in his moods and grievances. It is, therefore, not a small art to be a poet's friend. Marie von Thurn und Taxis excelled at it. She is amply rewarded. Her name and that of her draughty keep by the shores of the Adriatic will be remembered as long as German literature is read. The Hogarth Press, which has already done so much for Rilke, again puts one in its debt.

Brocade and Homespun

The Last Tudor King: *A Study of Edward VI.*

By Hester W. Chapman.
Cape. 304 pages. 28s.

Elizabeth the Great

By Elizabeth Jenkins.
Gollancz. 336 pages. 21s.

Star Chamber Stories

By G. R. Elton.
Methuen. 244 pages. 21s.

BIOGRAPHERS of Edward VI and Elizabeth I have different problems. Edward came to the throne when he was nine and died just before he was sixteen. There is little evidence of his personality; his diary is largely a record of events, while his political influence was negligible. Elizabeth ruled for forty-five years, dominating events and policies. Edward has understandably received less attention from historians than Somerset and Northumberland upon whose rivalry the politics of the reign turned. But Elizabeth's iridescent personality has always been a magnet, and any biography must bear comparison with the classic work of Sir John Neale written in 1934.

Miss Chapman, who recently published a study of Mary II, obviously enjoys disengaging recessive personalities from the shadows. She sees Edward as gay, lively and intelligent. His precocity has never been disputed: at the age of ten he wrote a treatise in French against papal supremacy. But boyish spirits rapidly evaporated under rigorous Calvinist indoctrination. He told his friend at the French court, Barnaby Fitzpatrick, that he might "sometimes dance, so measure be your mean" and to spend his leisure "chiefly reading of the Scripture." His half-sister, Mary, hardly a frivolous character, was told to "attend no longer to foreign dances and merriments, which do not become a Christian princess." Miss Chapman tells the wretched story of the over-taxed boy-king with imaginative sympathy and considerable insight, but it was fortunate that his narrow intellect, cast in so formidable a mould, did not come to dominate politics. Elizabeth's brilliant empiricism and intellectual detachment were far preferable.

MISS JENKINS has been concerned with painting "an immediate, personal, living portrait of the Queen," keeping historical events to "the briefest outline, except where she played a vigorous part in shaping their course." Her book glows with the panoplied splendour of the Queen's jewels, clothes and progresses, but once away from the pageantry, there is much psychological conjecture. Seymour's crude flirtation with Elizabeth when she was a young girl, together with the executions of Anne Boleyn and Catherine Howard, "seem to have done her nervous system and sexual development an injury from which they never recovered." The executions left a psychological trauma: "in the dark and low-lying region of the mind where reason cannot penetrate, she knew that if you give yourself to men, they cut your head off with a sword, an axe." Miss Jenkins suggests that Mary Stuart's request for clothes upon her arrival in England had a symbolic meaning for Elizabeth, whose mean response and general passion for clothes emanate from her childhood, when as a bastard she was poorly dressed. Those who prefer rational explanations to speculation into the irrational will prefer the pages of Sir John Neale.

AFTER Miss Chapman's brocade and Miss Jenkins's tinsel comes the homespun of a professional Cambridge historian concerned with ordinary lives in early Tudor times, on which he has already done much to enlighten us. Six tales, arising from a projected work upon the early Tudor Council, delicately and ironically puncture legends. "The Fool of Oxford" shows that depositions brought before Thomas Cromwell did not necessarily result in severe penalties, while the career of George Whelplay, who tried to make a living by informing upon those who failed to observe the law, illustrates the practical ineffectiveness of Tudor despotism, particularly in the economic sphere. An "undeserved, if rather tiny crown of lesser martyrdom" slips from the head of the Abbot of Rievaulx, while a tithe-case shows how slight was the connection between anticlericalism and religion. Lastly, the stories show not only how hard Star Chamber strove to be fair-minded but also how easily its efficiency can be overrated.

Mr Elton's cautionary tales do not grip or excite, but they have a wintry humour and offer some amusement. They have complicated plots, but the shafts of light penetrate dark corners not lit by the arc-lamps that play with such intensity upon the court.

Literary Storehouse

Joyce Cary: *A Preface to His Novels*

By Andrew Wright.
Chatto and Windus. 186 pages. 15s.

AMERICAN graduate students arriving in Oxford are always surprised, and frequently indignant, on learning that the University rarely permits the presentation of a thesis on a living author. This was not Mr Wright's case. He came to Oxford (aided by a grant from the American Philosophical Society for the Promotion of Useful Knowledge) not to write a thesis but simply because his living author, Joyce Cary, had his home there. And he was doubly fortunate. Had he turned up a year later, his author would have been living no longer. And —because Cary, even in advanced sickness, was very much alive and very welcoming—he enjoyed alike the stimulus of much personal contact and the freedom of everything the house in Parks Road contained.

It was a freedom formidable to a travelling scholar compelled to keep an eye on the calendar. "In the attic and in the study," Mr Wright tells us, "I found manuscripts of novels, short stories, essays, plays, poems, journals, letters." He adds that he also found "bills, memoranda, wallets, pistols, medals, trunks, boxes and bicycle tires" —not all of which are commonly objects of literary research. It is clear that he was not able to do more than scratch the surface of the authentic treasure made available to him. Nevertheless, as well as offering a competent critical review of Cary's work, he has at least made clear how much relevant material exists for a thorough genetic study of it later on:

> Each of Cary's novels has behind it notebooks filled with samples of dialogue, sketches of situations, statements of idea; each of the works has its dossier, a collection of notes toward the novel; each of the novels has its false beginning, its rejected chapters.

Cary himself explained in a broadcast how his painter-like method of composition "over the whole surface at once" had the consequence of his amassing perhaps three times the material that finally appeared in any book. Nearly all this seems to be extant—as are also "Cock Jarvis," an unfinished novel running to half-a-million words; "Arabella," a complete novel dating from the mid-thirties, when it found no publisher; "large chunks of a projected trilogy"; "The Homely Nurse," "a fantasy on eugenics"; two complete plays; and innumerable other fragments. Cary did not come to writing in the first place with any facility; he had reached middle age before satisfying himself that he had begun to find either a vision or a style that was adequately his own. The painful methods by which he worked out his artistic salvation remained with him, and it was with the evidences of them that Mr Wright was so dauntingly confronted. If Cary, as seems likely, retains his status as one of the major English novellists of our time, Mr Wright's pioneer study of these remarkable remains will certainly be followed by others.

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The Ruined Radical

Sir Charles Dilke: *A Victorian Tragedy*

By Roy Jenkins.
Collins. 447 pages. 25*s.*

MOST of the material for writing the history of Victorian England is now available — for those who have the patience and the energy to read the archives, printed and written; some surprising variants from the "received view" lurk in them. Mr Jenkins has discovered one of these variants, and argues for it with skill and ingenuity, although his background knowledge seems in parts patchy, and he has virtually confined his attentions to one set of archives, the Dilke papers—one of the weakest and least informative of the large collections. (Their weakness stems largely from a nervous habit of Dilke's: he carried scissors on him, and habitually cut bits out of letters addressed to him.)

Nevertheless, the story he has to tell is so fascinating that it imposes itself. Sir Charles Dilke was fundamentally dull, but ardently ambitious; he was methodical, painstaking, able, wealthy; his father had known the right people, and been made a baronet. He therefore stepped easily into the House of Commons. He was too intelligent, and too honest with himself, to fit snugly into any party machine; he earned social ostracism through telling the truth about the royal family, and had to write a clever society novel to win his way back. Eventually, the combination of talent, pushfulness and sheer application carried him in 1882 into Mr Gladstone's second cabinet; and three years later he was widely recognised as Lord Hartington's only serious rival for the Liberal leadership—whenever Mr Gladstone chose to give it up. In Mr Gladstone's private office, his abilities were exceptionally highly rated.

His aspirations were ruined by the notorious divorce case, in which charges were made against him so scandalous, even by the laxer standards of today, that they left him then no alternative to retirement from active politics (for the time at least) unless he could answer them; and such opportunities of answering them as the eccentricities of the law offered, he did not take. He happened to lose his seat, at Chelsea, while the trial was in progress. He was not re-elected till 1892, when the miners of the Forest of Dean adopted him with enthusiasm; and Mr Jenkins writes with sympathy and understanding of Dilke's nineteen years' service for them as a successful backbencher.

Over a third of Mr Jenkins's book is devoted to the case of Crawford v. Crawford and Dilke. He quotes much newly available evidence. A lot of it tells strongly against Mrs Crawford, who made the shocking accusations; and it is certainly a point in Dilke's favour that he had detectives working on the case after the courts had finished with it; though that he made no use of their discoveries tells the other way. On the whole, while Mr Jenkins's researches must discredit Mrs Crawford, they do not greatly add to the moral reputation of Dilke. Much still remains obscure. Was there really a conspiracy against Dilke, as he privately protested? What are we to make of what Lady Dilke is said to have said to W. T. Stead, in a passage which Mr Jenkins does not quote?—"that, if she had only let [Dilke] go on with his intrigues and life of pleasure, none of the trouble would have come upon him; and it made her doubt whether it was not better to let men go on in their vice rather than try to raise them to a higher life."

If there was a conspiracy, who conceived and who financed it? Mr Jenkins prints for the first time the extraordinary, yet true, story that Mrs Crawford spent some hours, two days before she precipitated the case by a confession to her husband, with Joseph Chamberlain at his London house; but can offer no satisfactory explanation of an incident which, as he leaves it, makes Chamberlain look an even blacker villain than the most ardent of Gladstonians could have supposed him to be. Nor does Mr Jenkins indicate what researches, if any, he has made on the subject of this interview in Chamberlain's papers.

Seventeenth Century Visionary

Thomas Traherne: *Centuries, Poems, and Thanksgivings*

Edited by H. M. Margoliouth.
Oxford University Press. Two volumes. 342 pages and 436 pages. 84s. for the set.

ALMOST the only personal reminiscence about Thomas Traherne that has come down to us concerns his relentless single-mindedness. He was not content, we are told, to meditate continually about the love of God or the achievement of "felicity" or to digest these notions into writing; he was so full of them that "those who would converse with him were forced to endure some discourse upon these subjects, whether they had any sense of religion or not." This rings completely true. All Traherne's writings —except an arid though learned thesis, "Roman Forgeries"—are variations on one theme. Having experienced as a child the ecstatic happiness of knowing himself "Heir of the World," he systematically set about regaining that happiness, after it had been destroyed by the corrupting processes of growing up. The amazing thing is that his quest was successful. No reader of Traherne can possibly doubt the authenticity of his recovered joy or miss the passionate earnestness that impelled him to pass on his secret of felicity to all who would listen.

Only by a series of extraordinary chances has his testimony come down to us at all. The manuscript book containing his finest work, "Centuries of Meditation," was picked up on a bookstall some sixty years ago, together with the MSS of some of his poems; but there was no indication of authorship. A slightly different collection of poems, prepared for the press by Thomas's brother Philip (a poetaster if ever there was one), did not actually achieve publication till 1910, after Bertram Dobell had brilliantly managed to establish the authorship of the other recent finds. But now these poems and prose meditations, together with a devotional treatise published anonymously and virtually forgotten for two hundred and fifty years, have been edited with scrupulous scholarship by Professor Margoliouth and have been published in two handsome volumes.

There is only one complaint to make. Traherne prepared for publication a prose work, "Christian Ethicks," but did not live to see it appear. It came out in 1675 and has not been reprinted; but it is very far from being a tedious book. It treats of many topics discussed in the "Centuries"; but that was never intended for the general public, whereas this was. Traherne's whole approach to ethics is based on his principle that "Vertue is not Vertue but in order to Felicity," and he affirms that it was "the actual knowledge of true Felicity that made him to speak of Vertue." It is much to be hoped that Traherne's editor will complete his good work by rescuing from obscurity the book which the writer himself considered best fitted for publication.

Unquestionably Traherne thought of himself as an evangelist with a wonderful message of good news to impart. Whether he set much store by his poems we can scarcely tell. Many of them are versifications of experiences that are also recounted in the "Centuries"; and the prose version of an episode is usually more telling than the metrical. Speculations, too, go better in prose than rhyme. The Thanksgivings, which are included in the same volume as the Poems, are described by Professor Margoliouth as "unconventional poetry." Strongly rhythmical and reminiscent of the psalms, they also recall in their layout the *Preces Privatae* of Lancelot Andrewes. Essentially they are devotional meditations, and highly characteristic of their author; typically, the first is entitled "Thanksgivings for the Body."

Of the "Centuries," the editor justly remarks that they are not simply a collection of meditations but include many exhortations and explanations; for here again Traherne was trying to pass on his secret of happiness. The glorious passages that record the enchanted visions of his childhood have often been anthologised; but the book ought to be read consecutively, for its parts are organically linked. Traherne was a visionary possessed of a powerful and discerning mind. To regard him as a lone eccentric or a pre-Romantic Nature-mystic is to underestimate his stature as a Christian humanist.

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A Strange Community

Madison Avenue USA
By Martin Mayer.
Bodley Head. 319 pages. 25*s.*

"THE most interesting cultural phenomenon created by advertising is the advertising community itself, with its strange blend of assertion and subservience, prosperity and insecurity." This is the author's opinion and his book is largely about this community in its New York habitat. The fruit of over 400 personal interviews plus painstaking reading, it reviews with remarkable insight every aspect of a business that spends thousands of millions of dollars every year of other people's money, drawing a commission on most of it (the largest agencies bill from 100 million to 300 million dollars a year), yet suffers from chronic financial and social insecurity.

For those inside or outside advertising this is a highly readable book, always lucid, frequently amusing. The author has much to say about internal organisation which, as in Britain, varies from agency to agency. The layman, seeing only the rather unimpressive end-product in the press or on television, may be surprised that a major agency needs a staff of several hundred people. What do they all do? The author explains, and, in the chapter on the Edsel car, gives a good account of an agency in action right from the first briefing.

The Edsel campaign was apparently successful. But the author, laying a firm finger on advertising's weakest spot, insists that

> only the very brave or the very ignorant can say exactly what it is that advertising does in the market place . . . it is impossible to discover how many sales have been made by advertising or whether more or less profit would have come on to the books if the advertising budget had been greater or smaller.

The inability to prove the effectiveness of a campaign, or of one form of advertisement in comparison with others, makes an agency extremely vulnerable to competition. "Maintaining a corporation's confidence in the people who handle its advertising is as difficult a job as the advertising itself." Hence the long hours, the restlessness and insecurity of agency life in New York—the tendency to get ulcers and to die young. Always perceptive, Mr Meyer also understands the rewards.

> What makes the men in the business love their work and spend themselves too quickly on it is neither the glamour nor the money. Instead it is the great game of advertising and the satisfaction of making a personal score.

To this complicated game, research is indispensable because it supplies at least a partial answer to some of advertising's basic uncertainties. One of the most important chapters in the book is the author's account of the principal research organisations and their methods. Some of these companies operate also in this country.

People with experience of the advertising business will most value the final chapter, a splendid hotch-potch of the author's own views about advertising and replies to some of the commoner criticisms. Throwing "neutrality" to the winds, he boldly attacks the degrading servility towards clients shown by some of the New York agencies, which he considers evil in itself and discouraging to the recruitment of young people of good ability and education for whose services advertising must somehow compete with the "professions" and their greater security and dignity. The remedy, he thinks, is for advertising to establish its own status as a profession "based on the creative intelligence of its practitioners." Whether advertising on either side of the Atlantic can achieve this degree of respectability within the foreseeable future is anybody's guess.

Reading Without Tears

The Handwriting of English Documents
By L. C. Hector.
Edward Arnold. 126 pages. 30*s.*

MR HECTOR has packed an astonishing amount into a small space. Half his book is a succinct history of the different kinds of hands that were used in official documents from the conquest down to the death of the last artificial hand in the nineteenth century. Nothing is left out: writing materials, abbreviations in Latin, French and English, numerals, special styles and some excellent advice to the beginner (only omitting the useful adage that the best way to read a crabbed hand is to learn to write it as carelessly as the scrivener). The rest is composed of thirty-two pages of splendid reproductions, with transcriptions. There is nothing quite like this book: others are longer, and either are more specialised or deal, as a matter of aesthetic history, with the development of writing as a whole. Mr Hector keeps firmly to his subject, the kinds of writing one may find in state and legal documents, and how to cope with them.

It is as good an introduction to the subject as a whole as the amateur could want; but it is not a manual. It enables the beginner to see the scope of the subject, but it is too short to carry him far in. Furthermore, the author is influenced by his background in the Public Record Office. The balance of the book corresponds to the spectrum of hands that can be studied there: as much space is given to medieval as to later hands, and one of the charms of the book is the description of some special hands that are only found in certain state records. The dabbler in family and local records, who has to deal with every variety of half-bred bastard and illiterate secretary hands, and seldom lights on a fine example of medieval writing, will soon realise that he is only at the beginning. But it is a very good beginning.

Family Portraits

My Brother and I
By William George.
Eyre and Spottiswoode. 323 pages. 30*s.*

AMONG the opinions given in the mass of memoirs and biographies that size up David Lloyd George, there is never a "don't know." He generated, and justly, either wrath or admiration, and his brother, now aged 93, has decided to add all he knows to the admiring appraisals. His sources are intimate and touching, the chief of them being the letter which "Dafydd during the greater part of his life wrote me or my uncle almost daily." After reading these uninhibited accounts of a man's affairs, the impression that sticks in the mind is one of entire devotion, loyalty to and trust in the judgment of one's kin. Did all Welsh-speaking families of the eighties and nineties play the game by Dafydd's rules? If so, they display one trait that is common among racial and linguistic minorities—a standard of trust within the family so complete that all activity outside it ranks as catch-as-catch-can.

When an old man remembers, the earlier years stand out clearest. Further, as the politician grows busier, the letters home less often go into the intricacies of life. The book adds a lot to the known portrait up to the time when Dafydd gets the Presidency of the Board of Trade, but thereafter, very little. Indeed, brotherly feeling and Liberal loyalty can be misleading. For instance, to argue from a kindly letter about Asquith written home in 1916 a fortnight before the two men changed offices that Dafydd was completely loyal to him personally is not borne out by other published papers on the events just before the Asquith resignation.

Mr William George includes himself in the title, yet this is a selfless book. Although he admits to exasperation, at times amounting to passing touches of jealousy, at so often being denied any identity save that of Dafydd's brother, he eliminates himself except where his own story is essential to an understanding of Dafydd's. Yet there emerges a self-portrait that commands admiration, even affection. Where would Dafydd have been without the earnings of this rigorous hard worker? Comparisons between the brothers do not on every occasion work out to Dafydd's advantage. Take the schoolboy "conspiracy of silence" which, to show his non-conformity, Dafydd organised when the schoolmaster and parson first ordered, then besought, a class to say the creed to a bunch of visiting inspectors and the local gentry. In the silence and tension, William writes that the headmaster's face was "ashen and pitiful to behold."

> I was moved to such sympathy by this sight that I was unable to restrain myself any longer and I shouted in a firm voice from one of the back rows "I believe." The rest of the class immediately chimed in . . . .

Did Dafydd ever wreck a plan out of pity for an individual? Never, unless possibly within the family circle.

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The Unknown Continent

The Crossing of Antarctica

By Sir Vivian Fuchs and Sir Edmund Hillary.
Cassell. 338 pages. 30s.

THE story of a polar expedition these days is well known while it is still happening. Thanks to modern communications, a leader must now spend time he cannot spare on preparing the fortnightly press articles without which his supporters at home are unsatisfied and his expedition, if a private one, insolvent. The interested public therefore knows plenty about the Trans-Antarctic Expedition. It probably remembers the reconnaissance of 1955-56, when the *Theron* took a party to establish Shackleton Base at the head of the Weddell Sea. And it no doubt recalls the arrival of the main party at Shackleton in 1957, Sir Edmund Hillary's establishment of Scott Base at the other side of the continent, and then the crossing itself, which started just a year ago. What can the book add to this?

In fact, of course, it adds much. The detail is filled in, the continuity made clear, and the project emerges as a complex and well-thought-out whole, carefully planned and triumphantly executed. The book is straight narrative, told without frills. The Fuchs-Hillary "controversy," made public entirely by chance, and most unfortunately, is put in proper perspective. Not least, there are 30 magnificent whole-page colour plates, besides over 60 monochrome illustrations.

As becomes the narrative of a major British expedition, it is packed with understatement. But excitement is not lacking. The reconnaissance journey from Shackleton to the advanced base South Ice, 400 miles in thirty-seven days through what is undoubtedly the most heavily crevassed country ever traversed by vehicles, is full of it—enhanced and not diminished by Sir Vivian's matter-of-fact style. That journey must have been a protracted nightmare: the nervous tension of driving through what one of the expedition described as a "mine field, except that in this case you were waiting for things to go down," the knowledge that they were getting more and more behind schedule, to say nothing of the physical inconveniences of temperatures down to −40° F.; and then, on top of it all, the knowledge that as soon as they got through, if they did, they would have to do it all over again with the rest of the vehicles.

This was the dramatic highlight, and it leaves one with the greatest admiration for Sir Vivian Fuchs, to whose remarkable endurance and tenacity the success of this journey, and therefore of the whole expedition, was due. But there were other fine feats performed. Over on the New Zealand side Messrs Marsh and Miller made the longest dog journey yet done in the Antarctic—a survey trip of 1,627 miles, most of it at over 8,000 feet. And there was also Squadron Leader Lewis's remarkable flight across the continent in a single-engined aircraft.

The success of the expedition as a series of fine achievements is quite evident. What of the scientific results, by which in the long run it is more likely to be judged? It is too early to speak with any certainty (they will be published in a separate series later). Seen as an attempt to gain knowledge of a largely unknown continent, they will of course seem modest: the main contribution will be a reasonably good idea of the thickness of the ice and the elevation of the underlying rock along the line of the traverse.

The effort required to extract even that information was great. But it must be remembered that this expedition, alone among the many in the field, was a private venture (and may well be the last of that noble line, in Antarctica). From this fact sprang both its freedom and its limitations. The continent had to be crossed, because only thus could public enthusiasm and support be aroused. But a really full scientific programme would prejudice the chances of getting across. A compromise had to be struck. It looks as if it is going to turn out a very reasonable one, and that the effort will have proved in no way out of proportion to the results. Similar American and Russian work may yield more, but the outlay will have been much greater.

Australian Family Album

Wild Men of Sydney: *A Turbulent Era in Australian Social and Political Life*

By Cyril Pearl.
W. H. Allen. 255 pages. 16s.

ONE of the classic Australian cartoons at the end of the last century showed four larrikins sitting on a rock in Sydney Domain playing cards. "What do we play?" says one, "The rules or all we know?"

Sydney, as all Australians know, has the most beautiful harbour in the world, and the town itself is a fine place to be in. But it has a wicked past. Some say that the wickedness of Sydney in the nineties was a hangover from the old convict days, but this is doubtful. By then, five generations after Botany Bay, the descendants of the honest convict stock of olden times were taking pride in being "old families," were going in for Big Business and standing for Parliament. The bad eggs one met were usually later importations—adventurers and wasters packed off by their relatives to "the Colonies."

John Norton, an English journalist and the central figure in this book, arrived in 1884; he became proprietor of a chain of newspapers, was four times a member of the Legislative Assembly and three times an alderman. He was publicly denounced as a thief, a blackmailer, a wife-beater, a seducer and a drunkard and he did not bother to refute the charges. (He did, however, deny that he killed a friend with a bottle, though the legal proceedings thereof left it in doubt.) John Norton sticks in your reviewer's mind as the foulest-mouthed person he ever met. Bowling along in an open brougham, Norton sat there, rich, tight and convinced he was the reincarnation of Napoleon, shouting his obscene salutations to passing acquaintances.

He was certainly a terrible man, and he did it all with the power of the human eye (in this case a sharp little blue one with no eyelashes), a contemptuous disdain for decency, his fists, obscenity, whisky—and ability.

The latter shone out in his manifest talents, especially for "sensational" journalism. His newspaper *Truth* was his monument. Any fool could run a pornographic, blasphemous, libellous newspaper, but to keep it running and himself out of jail, to gain for it a big sound circulation and to make it an effective weapon for the destruction of people he did not like—that took talent. Framed in reports of the latest divorces, rapes and concupiscent oddities, John Norton stood like Jove hurling around his outrageous headlines like bolts of lightning.

Fortunately he also had a flair for the law. He seemed always to be in court for libel, civil or criminal, defending himself and getting off by the skin of his teeth, in time to print the evidence in full, libel and all, in the next issue of *Truth*, before celebrating in an imperial drunk, lying flat on his back howling hymns. Perhaps his victories were not always due solely to his forensic power, for he usually backed that with another of his talents—for bribery, corruption and blackmail. He kept a special staff for fixing juries. Small wonder that at times some grew impatient and resorted to direct action. There was the amazing day in Castlereagh Street when Sydney watched fascinated a running duel between an infuriated barrister (who subsequently became the Speaker of the Assembly) with a horsewhip and Norton with a pistol. And there were the occasional bloody fights with his business associates, biting and gouging allowed, to decide who had the controlling interest in *Truth*.

★

Norton's activities as a politician were less profitable. His contemptuous act of publicly using a corner of the Assembly as a lavatory could be taken as his comment upon the political system generally. He was radical but ambiguous in his politicies; but, perhaps inadvertently, he became involved in helping some lame dogs over stiles and in furthering some worthy social reforms. So that when he died he did not lack public testimonials. Despite Mr Pearl's pitiless portrait, human nature being what it is, one cannot doubt that in due course there will be a statue.

An Ancient Art

The Sculpture of Africa

By W. Fagg.
Thames and Hudson. 256 pages. 70s.

ONE can look at the sculpture of Africa in a number of ways. One can look at it, though no longer without a fair risk of being ridiculous, as evidence for the view that pre-European Africa lived in spooky fear and mental chaos. One can go to it, more intelligently, for a measure of the social experience of peoples who never wrote down their opinions and beliefs; and find in it an expression, often a surprisingly direct and practical expression, of what Father Tempels has called the universalist philosophy of the Bantu peoples. More intelligently still, perhaps, one can refuse to speculate about it and simply enjoy it. Or else one may visit the museums where tribal art is kept and, as Mr Fagg says, "learn as much from it about the nature of sculpture as from the art of Egypt and the Etruscans, Greece and the Renaissance, the Orient, and modern art itself."

"The Sculpture of Africa" goes further to satisfy these various tastes and attitudes than any comparable volume. Its photographs by Mr. E. Elisofen are outstandingly well taken and well selected and well produced, though it may be that some of them tend to over-dramatise what were mostly, after all, everyday objects of veneration or pleasure. The book is well designed, well ordered, well put together. The late Professor Linton has an introductory essay that is sensible about the real meaning, if any, of "primitive" and "civilised" when applied to the artistic products of human experience. And the four essays by Mr William Fagg are probably the clearest and most intelligent exposition of the subject that anyone has ever written anywhere.

It may be argued, of course, that true art needs no explanation. The argument is not worth much. No one with eyes to see will need to be told, on looking at these photographs, that African peoples produced great artists. But there is still a great deal to be usefully said in the way of explanation. Where does the best African sculpture come from, and why does it come from where it does and not elsewhere? How does this complexity of artistic styles relate one to another? What were these artists' social and ethical motivations?

The reason why Mr Fagg's essays are so good is that they really help to answer questions of this kind. After so much guff expended on the subject, they are splendidly to the point. He draws attention to the fact, for instance, that African sculpture is almost exclusively the product of settled farming peoples, being found in the basin and along the fringes of the Congo and its tributaries, along the Niger, and throughout the forest-belt of West Africa. The non-negro peoples—bushmen, pygmies, hottentots—evidently failed to produce any sculpture. East Africa, in this respect, is the void that medieval and post-medieval invasions of pastoral nomads from the

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Light above the Lake was completed just before L. A. G. Strong's recent death. It is perhaps his boldest novel: a deeply moving story of an ageing doctor's love for his young wife, set against the vigour and salty humour of Irish country people. **15s**

METHUEN

north have long since made it. The magnificent metalwork and woodwork of the predominantly settled peoples was the issue of long centuries of relative peace and welfare and security.

This art has practically ceased to exist or else declined into the miserable imitation of tourist curios or European styles. Mr Ben Enwonwu, one of the best sculptors of contemporary West Africa, has done a figure of the Queen that would not dismay the Royal Academy itself. Can a reawakened African self-confidence save and restore the arts of Africa, the sculpture of Africa, before it is entirely too late? Considering this book, one must devoutly hope so.

The Classics Today

Roman Literature

By Michael Grant.
Penguin Books. 287 pages. 3s. 6d.

FEWER people read Latin nowadays than ever before; and, if one may judge by the ubiquitous paperback translations of the classics, more people read ancient literature, though not in the original. There is a growing need for introductions to the literature that do not take for granted the background of knowledge that has been normal for centuries; and, since those who can write such books are steeped in this background, it is difficult for them to break away from the old tradition without writing in the shown-to-the-children style. Professor Grant's book (which is an enlarged revision of one that was published a few years ago) is most successful. He assumes no classical knowledge at all, but addresses himself to intelligent people, well read in the modern world.

Professor Grant covers the pagan literature thoroughly, but rightly concentrates on the major figures. His book is not chronological: it covers each type of literature in turn. He gives a sufficient account of the social background, and is careful to explain the wide differences of purpose and literary values between the ancient and the modern world. An attractive feature of the book is his care to explain the subsequent fate of each author and the view held of him at different periods up to the present time; his own judgments (and consequently the amount of space which he gives to different authors) correspond broadly to normal contemporary taste. Very few of the many translations which he quotes are his own: he has all English literature to quote from, since so many major poets have translated the ancients; and he always chooses the best. He ends with a short chapter on Christian literature, which does not pretend to be complete, and on the course of Latin studies.

This book is very well written and is strongly to be commended. All that is missing from it is what must be left out: in a literature that depends so much (as he constantly says) on style, he cannot illustrate his points directly, since he does not allow himself to quote the writers in the original.

No Pedigree

The Outlaws on Parnassus

By Margaret Kennedy.
Cresset Press. 214 pages. 15s.

THE outlaws on Parnassus are the novelists with no tutelary Muse, no antique pedigree, no legitimising entry in Aristotle's register. Even Defoe, Jane Austen, Tolstoy, Proust are at best tolerated squatters on the sacred slopes; the critics of fiction, lacking an agreed canon, judge it not by its fictional qualities—as drama and poetry are judged by their own rules—but by its content. Didactic virtue, relevance to current civic preoccupations, are what count; which is all wrong and very bad both for novelists and for the novel. Such is Miss Kennedy's main theme, the contention with which she opens her argument and to which she finally returns.

It is a somewhat bewildering contention. The whole central part of the book—which deals widely and wittily with the fiction-writer's technical and creative problems—is a plea for eclecticism; "what you can do, you may do." In all ages writers have handled certain basic difficulties: the difficulty of standpoint, the difficulty of imparting conviction, the difficulty of appropriate tempo, the most basic difficulty of "imagining what we know." They have handled them, not only with different degrees of intensity, but also in totally different ways; and some of Miss Kennedy's most penetrating passages are devoted to showing what happens when a writer chooses, merely because it is currently fashionable, a way that does not suit his theme or his abilities. Would a tutelary Muse, a freehold on Parnassus, an academically established ideal, have made for better fiction? And, anyway, are novels really judged today exclusively on content and didactic value? It depends, no doubt, on what critics one has in mind. Miss Kennedy allows herself to be disproportionately irritated by certain "faceless Mr Clarkes" (so-called after that Royal Librarian who advised Jane Austen to write "an historical romance illustrative of the august House of Coburg"). She never mentions that other school, more flourishing indeed in France and in America than in Britain, which cares little for content or message, but judges the novel by the coherence and subtlety of the "inner vision" which it embodies.

But if the main thesis of "The Outlaws on Parnassus" is vulnerable, there is no doubt about the brilliance, percipience, and robustness of Miss Kennedy's own criticism. It would be delightful to quote at length what she has to say of authors as various as Tolstoy and Charlotte Yonge, Thackeray, Stendhal and D. H. Lawrence; most delightful to dwell on her assertion—stated and upheld through a chapter that has the self-contained shapeliness of an independent essay—that the true, Parnassian ancestor, the nonpareil model of what a novelist should be, is none other than Homer. Her style has the wickedly clear sparkle of a very cold, very fast-running stream; and the reader of "The Outlaws" can be sure of gaining what cannot always be gained from heavier-weight critics—a sharpening and renewal of his own curiosity, a heightening of his own critical enjoyment.

Pub's Eye View

Prisoner in the Bar

By Margaret Reynolds.
Phœnix House. 142 pages. 12s. 6d.

THIS is a valuable addition to the literature of innkeeping. The author and her husband served an arduous apprenticeship to the trade by taking a small but strongly flavoured boozer in the East End—all that they could extract, in their state of primal innocence, from a sceptical world of brewers. This account of their tribulations, their daily grind, their difficulty in turning the slenderest profit, and, above all, of their clientele, is not unworthy of Mayhew; and some of the scenes of pub life are in the best tradition of English low comedy. The patrons—and in effect owners—of the "Hammer and Sickle" were sticklers for etiquette, but no great admirers of



the law and Establishment, and they revealed to the inexperienced publicans an angle on life, a living anthropology, from which we can all benefit and which Mr James Boswell admirably depicts.

Two things at least become extremely clear from this case-history: it is no good taking a pub unless you have a licence to sell spirits, and unless you have a friend at court among the brewers. The market in pubs, operated by a complicated system of brokerage, is not one for the amateur to play. But the know-how of pub-keeping extends far beyond a knowledge of the licensing laws, ability to draw an exact half-pint and to count correct change; it extends to running darts' championships, outings to Southend, Christmas clubs, a band, and much more—and it includes (in the East End) the ability to refuse stolen goods with perfect tact. This is a readable introduction to such esoteric lore.

A Well-Spent Life

John Philpot Curran: *His Life and Times*

By Leslie Hale.
Cape. 287 pages. 25s.

CROKER said that Curran's oratory was the most moving he had heard; Byron that he had never met his equal as an imaginative mimic. Without these natural gifts he might have remained in rustic obscurity; for his father, a poor manorial official, could not educate him. But his skill in entertaining his village playmates with imitations of local celebrities so impressed one of his victims, the protestant parson, that he paid his fees at the local grammar school. From there Curran worked his way to Trinity College, Dublin, and thence to the Middle Temple. His ribald stories of student life are entertaining; but he worked hard and found relaxation studying the technique of the comedian Foote and the orator Floode in Dublin, and of Lord Mansfield dispensing justice in Westminster Hall and of Fox improvising in the Commons.

Within four years of his call to the Irish Bar in 1775, he was earning a thousand a year and obtaining the invaluable experience of cross-examining bribed or frightened witnesses and of cajoling packed or prejudiced juries. He feared neither desperate peasants nor lawless peers—nor, indeed, the legal hierarchy. He won substantial damages for a catholic priest assaulted by Lord Doneraile, the seducer of one of his parishioners; a verdict of self-defence for a client charged with the murder of the Earl of Meath, who had forced a duel on him; and a similar acquittal for the Earl of Kingston, who defended his daughter from a kidnapper.

His courageous integrity in political cases was equally unshakable. Curran coined the phrase "the price of liberty is eternal vigilance"—and though others polished it, no one paid the price more conscientiously. It included the sacrifice of certain legal promotion and the prospects of a political career. His sympathies were not with sedition but with those whom he regarded as the victims of informers, provocateurs, and the special courts. His defence of Rowan; of the leaders of the "United Irishmen"; of the rebels of '98; and of Lord Edward Fitzgerald's family (against a vindictive Bill of Attainder) is part of Irish history. Yet, as Mr Hale shows, with an impartiality that never blunts the edges of his story, Curran's ideals inspired Peel and Gladstone—but far too late to undo the damage done by the corruption of the Irish, and the divisions of the English Whigs; and by the ill-informed government in London and its instruments in Dublin.

This ugly little genius was as irresistible in private as in public life. His wit was as welcome at Holland House and the Prince Regent's Brighton Pavilion as among his cronies at Rathfarnham Priory. His legal and political battles left few, if any, private enmities. His family life, despite the rift with his wife about which the author writes with sympathetic fairness, was generally happy. It is doubtful if the term schizophrenic should be applied to him, as it is on the publisher's wrapper. His apparent contradictions in character or behaviour, and rapid changes of mood from grave to gay, do not justify this diagnosis, though he may have developed an involutional melancholia towards the end of his life. The pace at which he lived and worked and the exhaustions and renewals of his exceptional energies are surely sufficient to explain any earlier symptoms. To say this, however, is merely to emphasise the feeling of personal interest aroused by a biography in which subject and writer have combined to justify Carlyle's dictum that "a well-written life is almost as rare as a well-spent one."

The Young Masters

The Tate Gallery

By John Rothenstein.
Thames and Hudson. 196 pages. £6 6s.

THIS companion volume to "The National Gallery" is another beautiful book, lavishly produced, with reproductions of over a hundred paintings and sculpture in the Tate Gallery, selected and commented on by its Director. Inevitably there will be some readers who will say why not a Stubbs, or a Duncan Grant, or a Bonnard, but choice must be limited and nobody should really grumble at this one.

The commentary on each work is illuminating but delightfully informal as if Sir John is making a tour of the gallery, stopping here and there to point out something of special appeal or significance. The only regret must be that the generous margins and spacing have been achieved at the expense of the commentary, which is often short. The entries have been carefully edited and only one small error caught this reviewer's eye: Wilson Steer died in 1942 and not 1940. The colour plates have been carefully prepared, while the twenty-four photographs of sculpture are brilliant, almost breath-taking.

Few people who pass under the giant Corinthian portico of the Tate will be aware of the gallery's chequered history, which Sir John describes in an introduction to this volume. It is a story of how much art benefited in the prewar years from the inequality of wealth and yet, at the same time, of how generosity such as the Chantry and Lane bequests has brought its train of disquiet, mistrust and administrative squabbles. But how revealing it is that from 1917, when the Tate shook off the administrative shackles of the National Gallery, until the end of last year, direct government aid for the purchases of works of art for the Tate has been only £54,450—about a tenth, Sir John points out, of today's price of Seurat's "Une Baignade." This makes the substance of this book the more remarkable.

Double Feature

Johnson and Boswell: *The Story of Their Lives*

By Hesketh Pearson.
Heinemann. 390 pages. 21s.

THIS is not Prince Hamlet nor is it meant to be: Mr Pearson, one supposes, did not set out to write either the definitive biography of Boswell, for which we look to Professor Pottle, or the best book on Johnson (already published in 1791). With lower sights, however, he has scored at least an inner on a nearer target with a readable popular biography in which the lives of his two subjects are intertwined with practised hand.

Disentangling, it might be supposed, would have been a more difficult feat; but this is not so. Admittedly the best, the inimitable parts of Boswell's "Life" are those in which he personally acts as recording angel; but Johnson's character is so full that the picture requires rounding—softening, perhaps—even then, and still more in the pre-Boswellian years. This Mr Pearson has well done by using other accounts; for Boswell without Johnson the subject himself has provided so much material that the main difficulty is to be selective.

The biography of a biographer is inevitably exposed to certain comparisons, not least when he is moved to reflect on the "Life's" faults—its lack of critical sense, dull inclusions and conversational repetitions. Not all Johnsonians will agree that Boswell's comments are infantile and the book too long and "almost unknown in foreign countries"—even though Mr Pearson handsomely acknowledges its greatness, objectivity and vivid and truthful reporting.

How does this double-feature biography stand up to these criteria? On the whole, as one of its subjects might have said, "Sir, it is well enough." Mr Pearson probably would not claim to be writing a work of deep scholarship, and the book may have gained in readability from the absence of notes and source references; but the type of reader interested in Boswell and Johnson is surely acquainted with the basic data on Rousseau and Voltaire. Footnotes would have served for this and for critical query of some popular stories: two remarks quoted from Scott as made by Lord Auchinleck probably have only the degree of authenticity attributable to the "Minstrelsy of the Scottish Border."

But, in general, the book passes its own tests; it is easily written, with vivid and entertaining touches, selective but complete, objective and accurate in its approach. The professional objectivity indeed occasionally gives an impression of coldness; Mr Pearson is in sympathy with Johnson, whom he shows as great-hearted, uncommonly sensible and almost unconscious that his "tossing and goring" hurt his victims, but his analysis of the earlier biographer lacks warmth. Boswell was certainly a protean character, but he had good qualities which were reasonably consistent. It is right to view one's subject dispassionately, with malice toward none nor undue tenderness to any; but a little more enthusiasm could readily be excused for the most amusing character among English writers.

Potter's Wheel

Supermanship

By Stephen Potter.
Hart-Davis. 128 pages. 10s. 6d.

SEASONABLE ploys for use at office parties and for being Top Uncle with the children; more notes on pipe play; the use of deaf aids as lifeprops; how a lecturer can be discomforted and overshadowed by his chairman—there seems to be everything here except an account of Mr Potter's recent croquet match with Mr Moray McLaren, and perhaps we shall get that too in the next volume of this indispensable series ("Fifthmanship"?).

The title of this fourth instalment may mislead. There are transatlantic grace notes, including an export contribution by Mr J. Bryan III of Florida on "When to Use Thin Spidery Handwriting"; and the illustrator, Colonel Frank Wilson, who also has some helpful points to make about aircraft passengercraft, shows us a slightly padded Potter whizzing through the sky to greet the familiar Superman of the American "funnies" (there is a richness of symbolism here which Mr



Potter, probably wisely, does not elaborate). But otherwise it is the same good mixture as before. Some sections are in fact supplementary to the previously published studies in Gameslife. "Reviewmanship," Mr Potter notes, "is an old Lifestudy, constantly being improved and re-codified." So are piano playing, and weekend attack and defence. Among the new sectors explored is The Baby as Lifeman. This latter section, clearly derived from vivid personal experience, could well be quoted more extensively than is possible here:

> Babies are by nature one-up. Whatever they do it is your fault and your fault only. Babies cannot be, and are not supposed to be, good, reasonable or considerate

Yeovil and its Lifemanship staff are perhaps over-featured in these pages; some of its latest annals do not seem to come off as well as earlier ones, though a good many fancies will be tickled by the story of the rise and fall of the Lawrenceman (him with the Slow Withdrawn Look). "R. Harrod, of Ch. Ch." is allowed to ask one shy question, and gets a good answer. Robert Frost appears in one good, but surely familiar, episode. And Mr Potter ends splendidly by plunging into the field where his own invention has been most eagerly developed by others—international affairs. Mr Khrushchev "must always be one-up because he is more words-of-one-syllable"; he is "the true Brinkman, his existence depending . . . on enemy-at-the-gatemanship." How many speeches and leading articles have failed to make this succinct analysis as clearly? And the last sentence of all (ascribed to R. Abernethy) merits immortality:

> International Lifemanship is lifemanship carried to a point which stops short only at deathmanship, or the art of winning the world without actually blowing it up.

The Poet's Tongue

The Chequer'd Shade

By John Press.
Oxford University Press. 229 pages. 25s.

OBSCURITY in poetry is the theme of this thoughtful and enlightening book; a theme that challenges every reader of modern poetry and at the same time involves issues not merely contemporary, for in considering obscurity we are bound to tackle enduring problems of poetic communication.

There has never been a period in literary history when the charge of obscurity was not being levelled against somebody; yet more often than not a succeeding generation of readers finds that charge incomprehensible. The once offensive idiom no longer shocks or bewilders. We have seen this happen in our own days with Mr Eliot, whose poems are now apparently the delight of schoolchildren, in spite of having baffled most professional literary critics thirty-five years ago. Mr Press has a plausible explanation for this phenomenon, and indeed never poses an enigma without offering a well-considered solution.

There are legitimate and illegitimate types of obscurity, as he amply demonstrates. The finest kind, extremely frequent in Shakespeare, results from the sheer pressure of intellectual passion. It actually testifies to the essential difference that exists between evocative poetic expression and prose statement. But there are other, less defensible, kinds of obscurity, which may spring from muddle-headedness, defective skill in controlling language, deliberate clique-appeal or various other causes. Widespread philistinism may almost force obscurity upon genuine poets, who in self-defence address themselves to a minority and are exposed to the hazards of esoteric writing.

Mr Press, himself a poet, writes with understanding about the perennial problems of communication, and with sympathy about the peculiar ones arising from the immediate cultural situation (which he does not consider at all a

healthy one). He has, moreover, as shrewd an eye for pretentiousness in writers as he has for prejudice or laziness in readers. He is also uncommonly well read. This comes out most agreeably in his choice of illustrative passages from poets of various epochs and traditions, and sometimes a little oppressively in his citations from a galaxy of other critics. But there is nothing ponderous in this study. To read it is a pleasure, for Mr Press's style is flexible and civilised, and his attitude completely free from intellectual arrogance.

In the Tracks of an Army

Alexander's Path

By Freya Stark.
Murray. 283 pages. 30s.

"HOW happy I am," thought Miss Stark, as she walked down the hill behind the muhtar's son who was leading her horse and wearing his school cap at a naval angle, "to have discovered Alexander." A great many other people will be happy too. Some may suspect that her picture of Alexander is a trifle starry-eyed. Others may not greatly care which of the four possible routes through Lycia, from Xanthus to Phaselis, were chosen by the young Alexander more than two thousand years ago. Miss Stark herself was moved on one occasion to wonder "idly why I was giving myself so much trouble to discover, in such obscure places, where an army marched so long ago"; and she came to the conclusion that it was simply a pure and disinterested wish to understand. Most of the detailed detective work, however, is sensibly removed to an appendix; and many people who do not mind not understanding about Alexander's campaigns will enjoy Miss Stark's account (illustrated by a series of splendid photographs that she herself took) of the places she saw and the people she met on her travels through a little-known part of southern Turkey that is as beautiful, especially on the coast, as it is "encrusted" with history.

In her previous book of Turkish travels, Miss Stark covered much of the distance by yacht, in comparative luxury. In this book she did it the hard way, by jeep, on horseback and on foot. She suffered with stoic resignation the discomforts (and the bugs) of Turkish provincial hotels. But she also stayed with Turkish country people and she writes about them with insight and respect. She finds the Turks as a whole dull. She is more than a little vexed by their unappreciative attitude towards their women. But she pays moving tribute to their exquisite courtesy, their simple goodness and their extraordinary generosity and hospitality towards strangers, often when their own resources were quite exiguous. It was high up in the Taurus mountains, among the "crumpled Greek splendour" of Selge, now a poverty-stricken village where the harvest had failed for lack of moisture, that she found the most striking hospitality from those who could least afford it.

The Golden Road

A Person from England

By Fitzroy Maclean.
Cape. 384 pages. 21s.

THE person to whom the title of this book refers was not actually English. He was a German Jew, who after a chequered career and many travels was eventually in 1838 ordained an Anglican parson. But Dr Wolff's itch to travel remained, and five years later he set out for Turkestan. After a hazardous journey, he rode into Bokhara, dressed in his full canonicals, his shovel-hat on his head and his Bible in his hand. His object was to rescue two British officers, Colonel Stoddart and Captain Conolly, who had fallen into the clutches of the Emir of Bokhara. He failed in his mission—Stoddard and Conolly had been executed before he got there—but he himself got back to England where he announced (not surprisingly after all his narrow squeaks) that he had had enough of travelling, for "I dislike uncivilised life and uncivilised habits."

Dr Wolff was perhaps the most eccentric and amusing of the men whose travels in Central Asia are described in this book. But the rest were colourful enough. They included a Hungarian, Arminius Vambery, who, nearly twenty years after Dr Wolff, travelled to Bokhara and Samarkand disguised with remarkable success as a Turkish dervish on pilgrimage; Januarius Aloysius MacGahan, special correspondent of the *New York Herald*, who in 1873 made a fantastically hazardous dash across the wastes of Turkestan in order to cover the Russian General Kaufmann's subjugation of the hitherto invisible Khan of Khiva; and Edmond O'Donovan, special correspondent of the *Daily News*, who eight years later, while trying to cover a Russian campaign against the Turkomans, was made Khan of Merv, very much against his will, and had the greatest difficulty in extricating himself.

But this is not just a series of potted biographies or extremely exciting adventure stories—made all the more vivid by the author's personal knowledge of the country he is describing. It is, in effect, a study of Russia's gradual penetration of Central Asia—the "vast but rapidly narrowing Tom Tiddler's ground" which separated the Russian empire from British India. When Stoddart and Conolly set out on their ill-fated missions, the British were anxious to forestall the Russians in Central Asia in order to prevent an eventual Russian descent upon India. Fifty years later when young Curzon decided to explore Turkestan, he was able to go on the Russian-built Transcaspian railway, and to observe, reluctantly, the success with which the Russians had consolidated their control over the peoples of Central Asia. "Russia," he wrote, "unquestionably possesses a remarkable gift for enlisting the allegiance and attracting even the friendship of those whom she has subdued by force of arms. . . ." The Communist heirs of Imperial Russia manage these things less well.

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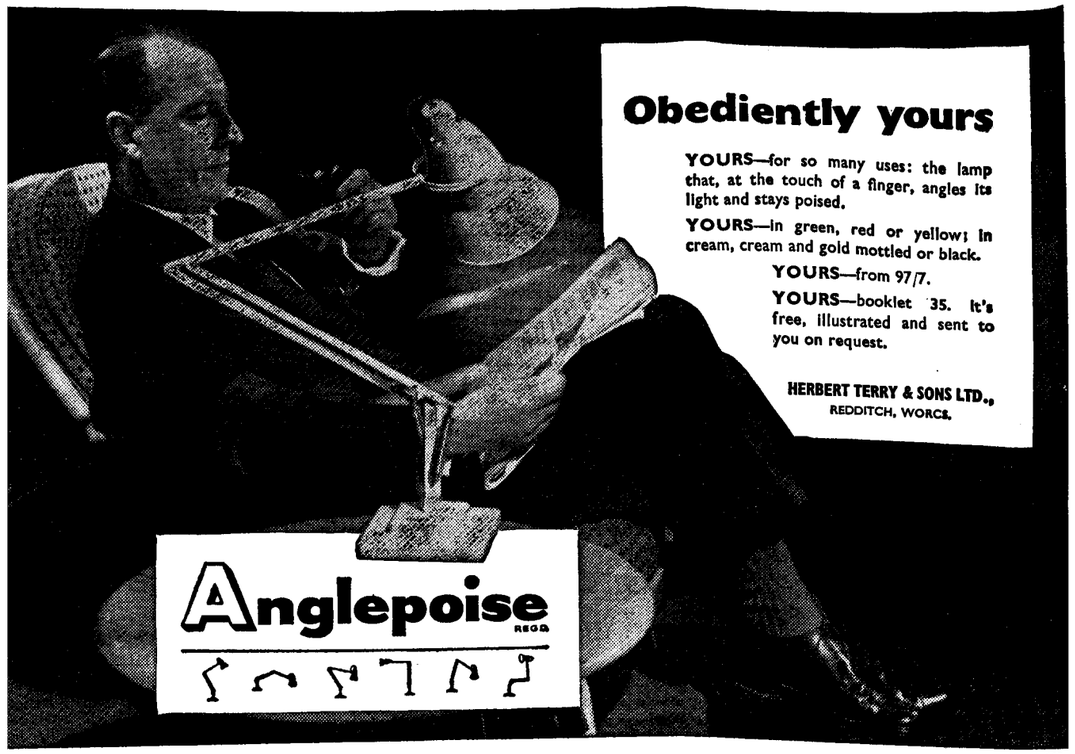

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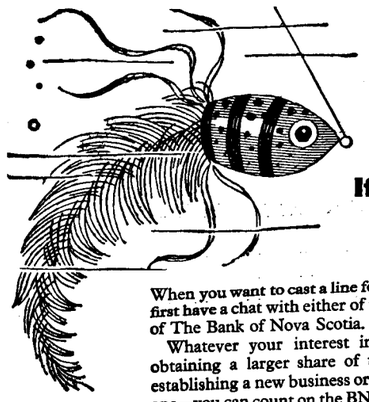

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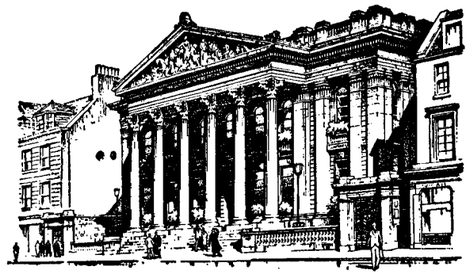

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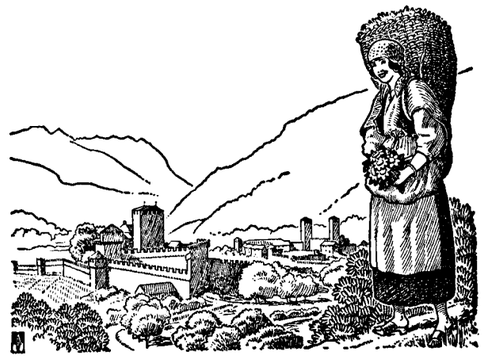

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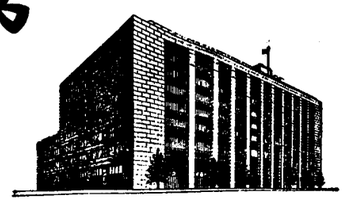

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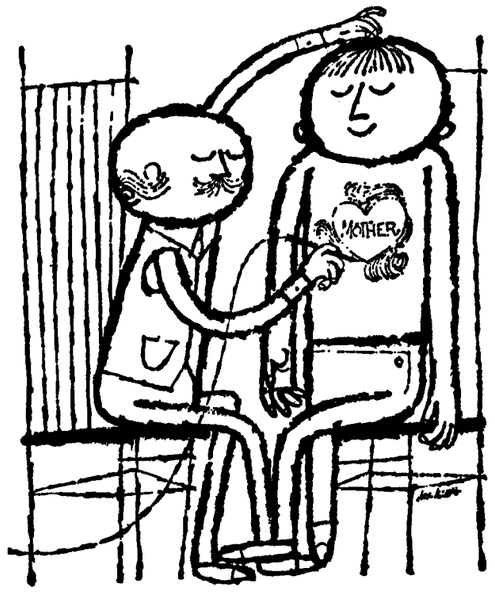

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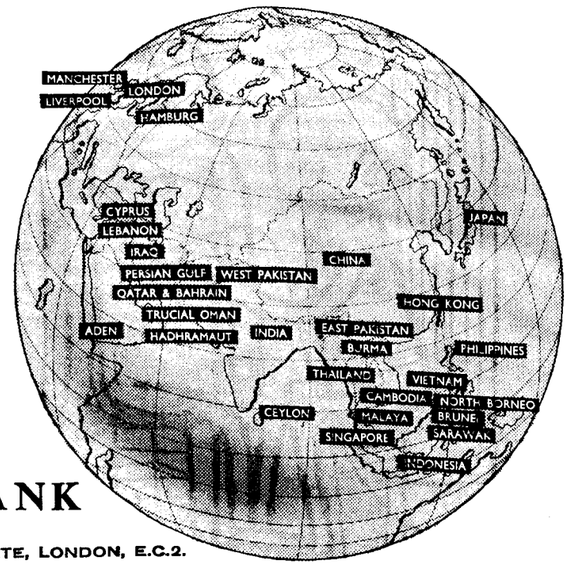

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THE INTERNATIONAL ECONOMY

Recession's Financial Paradox

The Fed on Two Horses

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Weapons of Central Banking

CONSUMER LENDING ROUND THE WORLD

Reports from our Correspondents in America, Canada, Australia, Germany and Belgium

Recession's Financial Paradox

THERE can have been few occasions when the course of the international economy and of international finance have veered more widely from general expectations than in the past year. Last autumn, the mood of most economic observers was one of gloom—though perhaps the pessimism was more pervasive among professional economists than among bankers and businessmen. America had entered its recession, which could have turned out to be its first post-war slump; and on the morrow of the severe exchange crisis of fifteen months ago, it was widely feared that the alleviation brought about by Britain's unmistakable show of determination, exemplified above all in its 7 per cent Bank rate, might succumb to renewed commercial and psychological strains. The cumulative mounting of the bear attack on sterling in the summer had been largely occasioned by distrust of Britain's domestic policy; but a subsidiary element in the crisis was the ricochetting of the difficulties of primary producers of the sterling area on to London, involving very large drawings on sterling balances to meet these countries' current deficits. The alarming characteristic of 1957 was that exchange was being lost by very many weakly placed countries to those most strongly placed: Germany, America and Venezuela were almost the only countries to increase their reserves appreciably in that year. America's downturn was giving the difficulties of the commodity producers a further twist; and with the resources of the International Monetary Fund largely depleted, it seemed to many people that a major creation of new international credit was needed if an international liquidity crisis was to be avoided in 1958.

The out-turn has been very different. America has had its recession, sharper but apparently also shorter than its predecessors, and the deficits of the primary producers have got bigger, involving continued drawings on London balances. Yet the exchange markets, far from succumbing to a renewed liquidity crisis, have enjoyed more stability than for many years past. At the same time, the earlier fears (which are still potential dangers) have left their mark. On the one hand, the toughening of world markets and the increased dependence of the less developed countries on external capital have forced them to take more note in their development planning of financial realities; indeed, the world over there is greater appreciation of the need to align domestic aspirations with the means of fulfilling them, which often depend to an important degree on relations with the world economy. On the other hand, the major creditor nations have become alive to the need to provide more room for manœuvre in international finance, and have agreed to make more credit available, both directly and through well tried international institutions. On both counts, therefore, the prospects for exchange stability and for economic expansion on a sound base appear much more favourable than a year ago. That is the paradox of a year in which total production in the free world has fallen for the first time since the end of the war

TO a large degree, this mirrors the experience of Britain, itself an essential component of the world experience. Seven per cent and the other disinflationary measures that flanked it deferred any re-expansion of the domestic economy, and their delayed impact is largely responsible for the current fall in Britain's output while America's is recovering. But there was no delay in the impact on sterling; and, helped by the fall in the price of Britain's imports, the external cushion has become big enough to permit new facilities to countries in special need. Correspondingly, the Netherlands and Japan have recovered quickly from their difficulties of last year, and both have been able to repay credits drawn from the Fund in the emergency.

Not all the maladjustments that contributed to the 1957 crisis have been corrected. In Europe, Germany's current

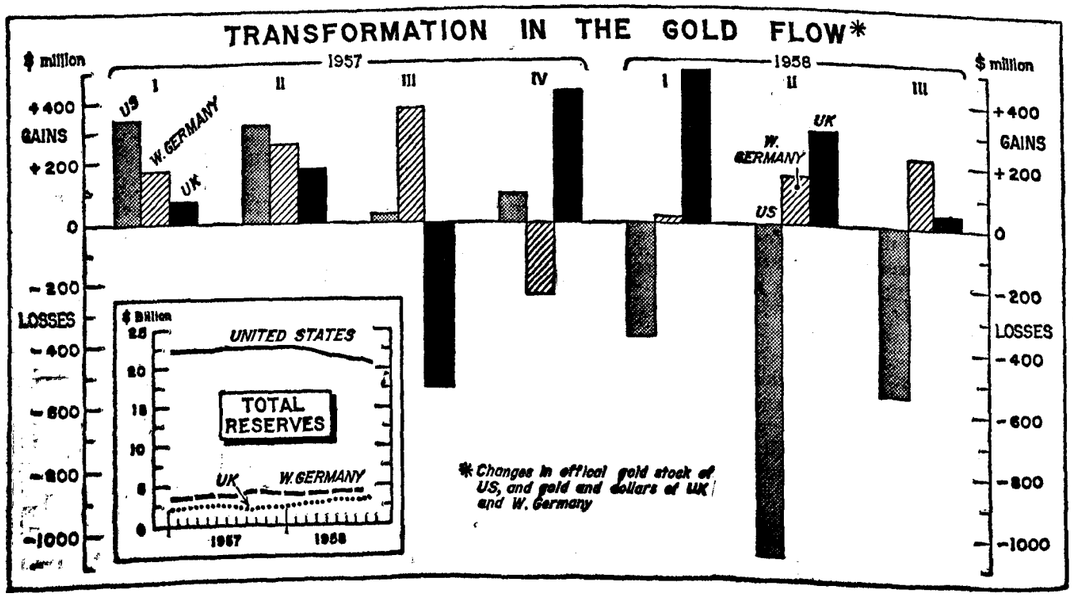
surplus has actually increased, while France has not got rid of its large deficit. In both cases, however, the effect of the continuing maladjustment has been softened. Germany is assuming increasing importance as an international lender; and France has gained two temporary but substantial windfalls to its attenuated reserves. Early this year it received reliefs to a total value of $655 million in the first of the major international first aid operations that have played a key part in this year's exchange stability. And when General de Gaulle came to power in June, a notable revival of domestic confidence (as well as a generous gold-indexed loan) brought back to the official reserves some of the gold that had been withdrawn into private hoards. But the trade balance is still sheltered by the reimposed quantitative import restrictions, and the underlying financial weakness of France remains a source of concern. The most desperate exchange predicament of the year has been that of India, another beneficiary of a combined rescue operation: here the $400 million arranged in the summer will be sufficient only until next March, and negotiations are due to start next month on the provision of another $600 million for the next two years.

Thus the helpful co-operation of world creditors has dealt with particular difficulties and averted the danger of ugly default. But the stability of world exchanges in general is largely a result of the weakness of the dollar. In his major work on "The World Dollar Problem" published last year, Sir Donald MacDougall pointed out the special reasons why in the recession of 1953-54 the outflow of gold from America was not reversed and why the outflow of private capital even increased. In this past recession it has happened again. The special influences have not been present, but the outflow of gold from America has been still more dramatic, following the much publicised reflux of 1957.

The weakness of the dollar may owe something to the belated working of the long run forces on which Keynes set so much store in his posthumous article—the matching of America's high productivity by equally high wages and costs. Immediately, the weakness undoubtedly owes much to the un-Keynesian tendency of businessmen to distrust deficit financing and cheap money and to watch the price index. This year's inflation scare on Wall Street bears certain remarkable resemblances to the flight from gilt-edged and sterling in 1957. To some extent, however, the outflow has been simply in response to interest differentials: America's monetary policy in recession helped its neighbours as well as itself.

Whatever its causes, the relative weakness of the dollar has underpinned much of this year's achievement in world finances. Thus by augmenting the reflux of gold to London it has enabled Britain to bear the strain of financing the deficits of the overseas sterling countries; while the big outflow of private dollar capital to the overseas countries of the sterling area has broadly met the dollar component of the deterioration in these countries' payments. Issues in the New York market have been arranged this year by Australia, New Zealand, South Africa and the Central African Federation; the total inflow of non-sterling capital to the overseas sterling area in the first six months of 1958 reached $184 million more than in the whole of 1956 and earlier years.

IT would be wrong to regard the special supports enjoyed by the international economy this year as the result merely of good luck or of the irrational and unpredictable actions of investors. The essential basis of the much increased and better distributed international flow of capital this year, from private and public sources, has been the confidence engendered by self-help and financial realism. Countries such as Britain and Holland have made a striking contribution; and some progress has been made too in the non-industrial countries. This was noted at the New Delhi meeting by Mr Per Jacobsson, the forceful managing director of the International Monetary Fund. The IMF has found that many governments have welcomed, perhaps for internal political reasons, the weight of its advice on correcting an unsound domestic policy. "The requisites of creditworthiness," Mr Jacobsson says, can be briefly stated: "avoidance of inflation and fair treatment of foreign investors."



Ten years ago, many economists and nearly all politicians regarded the perorations of Mr Jacobsson from Basle advocating sound money and interest rates high enough to encourage the saver, as out-dated and inimical to economic growth. He meets little such hostility today. Painfully, the world has learned that sound money is not the enemy but the condition of growth: the Keynesian equation did not alter the fact that when economies are fully employed, more real investment can be achieved only by means of more saving, from home or abroad; and inflation does not encourage saving.

As Mr Black has found at the World Bank, the record among developing countries is very uneven: not all of them channel outside help to productive purposes. Foreign investors have to be satisfied about the soundness both of the projects being financed and of the general finances of the recipient economy as a whole. If aid is made available on political grounds without any assurance that these conditions are present or will be achieved, the climate for the flow of capital from private investors or from public institutions operating on commercial precepts will be seriously disturbed. That is why the American proposal to set up a new International Development Authority under the ægis of the World Bank met with such marked reserve among the assembled bankers at New Delhi. There may be cases in which poor countries have to be given help on terms that are unjustified on commercial grounds; but there are obvious dangers in building what should be exceptions into a system.

Scepticism about the worth of a new "complementary" institution is reinforced by the increasing scale of activity that the existing institutions have achieved. The World Bank and the IMF are now real forces in their own right. The bank lent a record of $711 million in its year to mid-June, which was 75 per cent more than the average of the previous three years; in the July-September quarter it has made loans for a further $365 million. The long years of intensive preparation of sound schemes are now bringing their harvest of accelerating applications: and for the first time the bank faces the prospect of its activities being curbed by shortage of money. So far it has had great success in financing its growing activity by raising bonds on world capital markets. Many of the issues have been made outside the United States, but the bonds have mostly been in dollar denominations and are in effect guaranteed by the US government. The limit of America's guarantee is now being approached, and the proposal to double the bank's capital is designed simply to extend this guarantee by increasing members' uncalled subscriptions.

The International Monetary Fund has been considerably more hampered through lack of resources—though in recent months its funds have been replenished a little by repurchases. The increase of 50 per cent in its quotas that is expected to be proposed by the executive directors would raise IMF's dollar resources by around $2.3 billion; in addition, repayments are due in coming years of the big drawings of 1956-57, including Britain's $561 million. Another source of relief could come from increased lending of currencies that are not formally convertible, including sterling and the D-mark. The IMF is now considering amendment of the present anomalous arrangement that all drawings, of whatever currency, must be repaid in a convertible currency.

Whether this question will solve itself through a move to formal convertibility of the main currencies remains open. For all practical purposes, sterling and most of the main Continental currencies are now convertible in free markets at a very modest discount. Britain has this year made a parallel gesture towards non-discrimination in trade by freeing a further slice of imports from the dollar area. The continued move towards free multilateral payments through this difficult phase of exchange pressures and recession is greatly to be welcomed. But there are now some danger signs. America's imposition of restrictive import quotas on certain commodities to pacify domestic producers has caused widespread resentment; while in Europe, the threat of an exclusive trading block between the common market Six could have wide and unfortunate repercussions. If the common market is indeed to be a restrictive block, rather than a club that like-minded candidates can join, then it is against the spirit of world trading freedom and deserves to run foul of Gatt. Countries excluded would inevitably be tempted to retaliate. It would be tragic if this deadlock were allowed to result in bilateralism and mutual restriction and so destroy the hard-won progress towards freer and expanding trade that has marked the past decade.

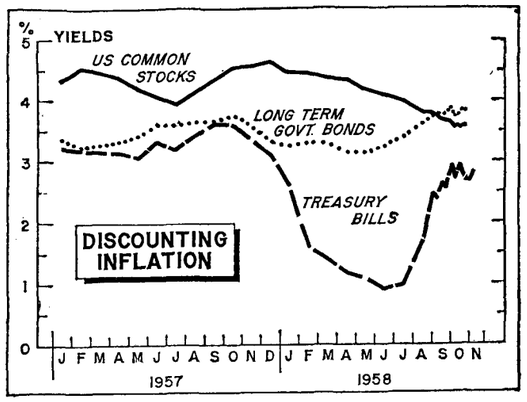
The Fed on Two Horses

BY OUR WASHINGTON CORRESPONDENT

PEOPLE who count on the inevitability of inflation not only reveal their contempt for the efficacy of monetary policy in stopping inflation; they also make the execution of that policy all the more difficult. That is the dilemma which the performance of Wall Street has presented to the Federal Reserve System in the past two months. The authorities are more determined than ever that inflationary psychology should be eliminated, but they do not want to accomplish the job at the price of a financial panic or a stock market crash. Thus the satisfaction in Washington at the remarkable recovery from the recession has partly turned to ashes; the depth of the concern over the consequences of the "inflation-is-inevitable" psychology that has swept America cannot be exaggerated. The Federal Reserve is unhappy, and a bit frustrated into the bargain. Yet detached observers are by no means convinced that the pressures towards inflation are irresistible, even without Draconian measures; while in the last resort, as the authorities in Britain recognised in 1957, there is always a policy strong enough to make its impact.

There are a number of factual and theoretical strings to the bow of those who regard a rising price level as inevitable. The main one seems to be that to cure a recession by monetary and fiscal means involves a vast increase in the money supply, immediate and prospective. Suddenly America has become money-supply conscious, to the ridiculous point where some investment counsellors have been known to advise their clients to buy common stocks on the basis of a single week's expansion in bank credit. On its face, the situation is indeed somewhat ominous. The easy-money period from last November until June of this year added sufficient reserves to the

banking system to produce an unprecedented rise of $12 billion in bank loans and investments—predominantly in holdings of government bills and bonds. This did not show up immediately in an increased active money supply, but rather in time and savings deposits; and the level of long-term interest rates, pressed upward by an enormous flood of new offerings of securities by corporations and state and local governments as well as a few Treasury funding issues, stopped falling in January. As a result, critics of the Federal Reserve were complaining during the recession that it was not doing its part in stimulating expansion.



But now everyone talks only of the $12 billion and its alleged inflationary potential.

That was one hangover of the recession. The next is the huge budget deficit expected in the year to mid-1959, of $13 billion on a cash basis, produced about half and half by falling revenues and rising expenditures (though the swift recovery of the economy might check the decline in revenue and cut perhaps $2 billion off the deficit). In view of the extraordinary weakness of the bond market over the past four months, it is felt that the Treasury will have to finance this deficit by resort to the banking system, and that the Federal Reserve will have to pump up the money supply some more. Add the classic "cost-push" problem and the likelihood of a relatively free-spending Democratic Congress, and the investor may appear to have airtight arguments for selling bonds and buying common stocks.

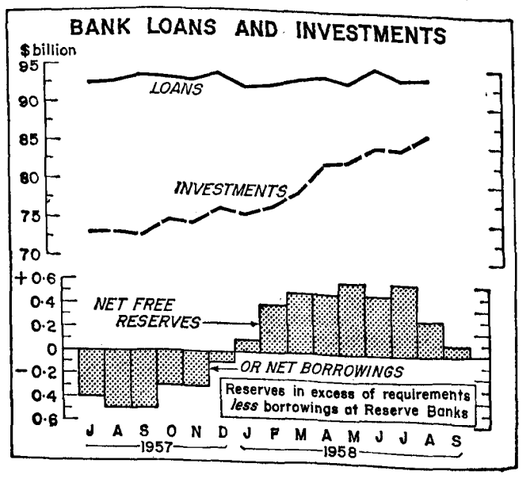
This atmosphere has had a profound influence upon the thinking of the monetary authorities. Here is a comment by the staff of the Federal Reserve Board in late October:

> Expectations of renewed inflation are at least as widespread today as they were in the early summer of 1957 (when money was at its tightest in the postwar period). They constitute the major current threat to the continued progress of our recovery. Investors are being urged on all sides to shift their holdings to common stocks as hedges against inflation. This is illustrated by the growth and formation of investment trusts and by the decisions on the part of the private pension trusts to increase the proportion of common stocks to bonds held in their portfolios. The sale of bonds—which constitutes the only means for raising market funds to finance public expenditures, State and municipal as well as Federal, and a principal means of financing industrial growth—is being seriously handicapped. Today, prices of common stocks have risen to a point where their average yields are below the yields of senior bonds of the same corporations and at approximately the same level as average yields on United States Government securities.

This state of affairs is the aftermath of an extraordinary year in the money markets—a year in which fortunes were made and lost speculating in Government securities, in which the Treasury bill rate rose from under one per cent to nearly three per cent in ten weeks, in which the Federal Reserve had to resort to an escape clause in its "bills only" policy to halt a panic, and in which it also made its earliest switch away from easy money as the business situation turned. The summer's "debacle" in the bond market is an important part of the background of the present belief that more inflation is inevitable.

SPECULATORS who had bought the Treasury's funding issue in February had, as they expected, seen it rise briskly in price. When another big financing came up in June, with an offer of a long-term bond for cash and a seven-year bond as part of refinancing, the speculators were eager for more. Some $3 billion more than expected of the maturing securities were converted into the new seven-year bond, and most of these holdings were acquired with almost no cash outlay, on purely speculative grounds. The figures of this huge commitment were published at just about the time that it was beginning to dawn upon the sophisticated that a recovery in the economy had begun. Suddenly, the Government bond market collapsed, though there had by then been no switch in the Federal Reserve's policy. It exercised the "disorderly market" escape clause in its policy of operating in "bills only" and bought long bonds to stem the decline at its worst, when there were practically no bids in the market. A week later it bought $1 billion of new Treasury certificates on a when-issued basis to save a refunding from complete disaster—also a break with recent policy.

Although the central bank proved able with surprising ease to extract this flood of reserves from the market, the



foundations of the money-supply psychology were laid. As the Federal Reserve soon did switch its policy towards restraint—raising the discount rate and forcing down free reserves in the banks from around $600 million to around $100 million—bond yields rose further and short-term yields soared. The market was discounting future monetary policy far in advance. The resulting unsettlement, which has continued up to this writing, virtually ruled out any further Treasury funding, and that in turn added to the inflationary

psychology. Thus, a courageously timed move by the Federal Reserve towards restraint at the very beginning of the recovery, far from persuading people that this time the boom would not produce a rising price level, had results that helped to convince them of the exact opposite.

The ironic part of all this is that the inflation-is-inevitable school may prove to be quite wrong—even on its own money supply premises. It is the fact that $12 billion was added to bank loans and investments and the active money supply has lately moved upward a little. But since July total bank deposits have actually fallen, the Treasury deficit being financed by securities taken up by the public. Moreover, the monetary expansion of 1957-58 followed a period of two years in which the money supply scarcely increased at all. The liquidity of the economy and of the banks seems definitely less than at the start of the 1955-57 boom. True, the Federal Reserve had to inject $1.2 billion into the banking system to save the bond market and the Treasury, but it is also true that it took the $1.2 billion right back out again. True, the Treasury has a big deficit of which much will be raised in the first instance from the banks; but the Federal Reserve believes that this Government borrowing may be largely passed on to the public with existing money or even matched by a reduction in private loans, so that no major consequences for the money supply need be feared.

The fact is that at the time when the inflationary psychology is taking hold, bank loans and investments have been declining a little—Treasury deficit or no. The latest Treasury cash financing of $3.5 billion moved out of the banks very quickly after it was taken up. Then, there has been a surprisingly modest automobile labour settlement, productivity is rising rapidly, there is much unutilised capacity in the economy, unemployment at 4 million is still well above postwar levels, farm and food prices have been easing and should continue to ease and, in general, the short term outlook for prices is for stability.

But still there remain the gyrations of Wall Street. Will counting on inflation make it so? That is what the authorities fear. The Federal Reserve dare not move too sharply in the direction of greater restraint, both because of the sufferings of the bond market in the past four months and because the Treasury will be in the market for new money or refinancing in every month for the next four or five. And yet there is some hope that Wall Street will again settle down and that the facts of the situation will seep home. With a determined effort in Washington to get and keep the budget under control, and with perhaps a year of stable consumer and wholesale prices, the current psychology could change. If it does, the task of the authorities in keeping the psychology quiescent should not be insuperable.

Weapons of Central Banking

The ending of the credit squeeze in Britain this summer was made the occasion for the forging of a new monetary weapon. The Bank of England is now in a position, if it thinks fit, to curtail bank liquidity by calling upon the banks to exchange part of their liquid assets for a non-liquid "special deposit" in its own books. This is an informal and provisional arrangement designed to give the monetary authorities an additional instrument pending the recommendations of the Radcliffe Committee. Central banks in other countries have also in recent years been supplementing their market weapons with new powers. What form do these take?

A FUNDAMENTAL distinction has to be drawn between direct regulatory powers of this kind and the traditional methods of control. The traditional methods regulate the total volume of credit by working through and upon the open money market—by raising the price of obtaining liquid funds or by reducing the supply of them by funding operations. The new "direct" methods seek to regulate liquidity without working through the market. It is in that sense that they may provide a reinforcing power; but in that sense too they offer the authorities a means of escape from the discipline that the market apparatus imposes.

On these grounds, many people in Britain—and even, perhaps, the monetary authorities themselves—hope that the new weapon of special deposits never will be brought into play. Britain, with its highly organised money and capital markets and its close-knit commercial banking system long accustomed to the leadership of the Bank of England, should be better able than most other countries to make the market apparatus of central banking control work satisfactorily. The drift towards the "direct" types of monetary control elsewhere, however, is no longer mainly confined, as it formerly was, to countries having no organised capital market or only rudimentary banking systems.

The introduction of such controls, and especially of minimum or variable liquidity requirements, has been a feature of the postwar revival of active monetary policy which in the last few years has gathered momentum. The traditional weapons of central banking remain, indeed, as an integral part of monetary policy. Almost all west European countries and many others have used a flexible Bank rate policy in recent years. Open market operations, too, are conducted by the central banks of most countries that have, or are developing, active money and capital markets. Open market policy has indeed been generally recognised as ideally the most effective instrument of credit control, and in a number of countries in recent years official and private encouragement has been given to the development and broadening of money markets—notably in Belgium, France, the Netherlands, Norway, West Germany, Canada, India, South Africa and Japan.

The market weapons cannot, however, be employed with anything like the same efficacy in the less developed economies where there is virtually no open market in which to operate. Even in those countries in which the banking system and financial institutions are highly developed, restrictions on international capital movements, high rates of taxation under which bank charges are offset against earnings, and the much greater part now played in the economy by government borrowing and spending have tended to blunt the edges of the accustomed instruments. Moreover, the force of those weapons was for a time limited in many countries by the excess liquidity accumulated in the banking system as a result of the war. Indeed, the renewed effectiveness of discount rates in many west European coun-

tries in the recent phase has been largely due to the mopping up of this war-inherited excess liquidity through rising production and prices and appropriate fiscal policies.

In recent years the tendency in most countries has been to reinforce a flexible Bank rate policy by important non-market monetary measures such as selective credit controls, the direct limitation of bank advances, and, in particular, compulsory cash and liquidity reserve requirements. In some countries such as New Zealand and Peru, commercial bank cash reserve requirements have actually become the most active weapon of monetary policy (24 changes in reserve ratios were announced in New Zealand between 1952 and July 1958).

Originally, the statutory fixing of minimum cash reserve requirements and liquidity ratios was introduced, in some of the older banking systems, not primarily for credit control but rather to safeguard bank liquidity and to protect the public's right to exchange its bank deposits for cash. In the United Kingdom there are no legal requirements but the convention that the clearing banks maintain a minimum (and little varying) ratio of 8 per cent "cash" to deposits is now as firm as if it were enforced by law.

The possibility of varying prescribed cash ratios as a means of credit control was first considered by American authorities in 1917. The idea was taken up by Keynes, and by the Macmillan Committee, in its report in 1931. Nothing, however, came of the suggestion, and the first country to make use of this weapon was the United States. Legislation in 1933 and 1935 gave the Federal Reserve Board authority to change the reserve requirement percentages of member banks, up to maximum levels of twice the ratios that had been fixed by law since 1917. Table I shows the range of discretion given to the Board and the requirements now in force. Despite the many changes that have taken place in the Board's reserve requirement ratios over the past 22 years, alterations in these ratios are not nowadays regarded as a normal method of short-term credit control. The weapon is reserved mainly for effecting major adjustments in the volume of available bank reserves to correct structural changes in the liquidity of the banking system or to emphasise and accentuate general monetary policy. For more flexible and frequent adjustments of the supply of reserves to the current credit needs of the economy, the system relies upon open market operations to release or absorb reserve funds.

There is widespread agreement in the United States that the existing requirements are too high. It is probable, therefore, that the Federal Reserve will continue to take the opportunity during periods of easy money policy, as it did on three occasions in 1958, to lower the percentage ratios. Once the ratios have been brought down to a more appropriate level they are not likely to be changed except under extraordinary circumstances.

TABLE I
UNITED STATES RESERVE REQUIREMENTS

Member banks of Federal Reserve System	Minimum and maximum requirements	Requirements in Nov., 1958
	per cent	per cent
Time deposits : all member banks..	3 to 6	5
Demand deposits :		
Central Reserve City banks (New York and Chicago).....	13 to 26	18
Reserve City banks	10 to 20	16½
Other member banks	7 to 14	11

TABLE II

VARIABLE CASH RESERVE REQUIREMENTS OF COMMERCIAL BANKS IN SELECTED COUNTRIES
(October, 1958)

	Year of establishment of variability	Form of Reserve Requirements	Form of liabilities to which Reserve Requirements are related	Range of variation permitted to central bank	Current minimum ratio
ARGENTINA	1958	Deposits with central bank.	Demand deposits.	%	%
			Time and savings deposits.	—	20
			Increases in demand deposits.	—	10
				—	50
AUSTRALIA	1941	Special accounts with central bank (bearing ¼% interest).	Deposits.	"Special accounts" system.	
AUSTRIA	1955	Deposits with central bank and Postal savings bank.	Total deposit liabilities.	0–15	5
CANADA	1954	Deposits with central bank; central bank notes.	Total deposit liabilities.	8–12 (maximum change: 1% at a time: 1 month's notice)	8 Set by the Bank Act.
CEYLON	1950	Deposits with central bank; other assets may be permitted.	Demand deposits, including overdrafts.	10–40	10
			Time and savings deposits.	5–20	5
			Increases in demand deposits.	Up to 100 (maximum change: 4% per month)	None
FEDERATION OF RHODESIA AND NYASALAND	1956	Deposits with central bank.	Demandliabilities.	6–25	8
			Time liabilities.	3–10	3
WESTERN GERMANY	1948	Deposits with central bank.	Demand deposits: Residents. Non-residents.	0–30	9–13* 30
			Time deposits: Residents. Non-residents.	0–20	7–9* 20
			Savings deposits: Residents. Non-residents.	0–10	6 10
HAITI	First change of ratio in 1957	Deposits with central bank; cash.	Total deposit liabilities.	Set by Cabinet decree.	30
NETHERLANDS	1954	Deposits with central bank.	Total deposits.	0–15 (but in practice 10% regarded as the maximum)	10
NEW ZEALAND	1936	Deposits with central bank; central bank notes.	Demand deposits.	From 7 up	28½ (July, 1958)†
			Time deposits.	From 3 up	10 (May, 1957)†
NORWAY	1955	Deposits with central bank.	Demand liabilities.	0–25	0, 5, 10*
PARAGUAY	1944	Deposits with central bank.	Demand deposits, including overdrafts.	10–50	25
			Time deposits.	10–50	50
			Savings deposits.	10–50	30
			Increases in deposits.	Up to 100	50
SYRIA	1955	Deposits with central bank; cash.	Demand deposits.	Set by the Government	15
UNION OF SOUTH AFRICA	1956	Deposits with central bank.	Demandliabilities.	10‡	10
			Time liabilities.	3‡	3
			Increases in total liabilities.	Up to 90% above minimum cash ratios.	4
VIETNAM	1955	Deposits with central bank.	Deposit liabilities.	10–35	15

* Depending on size of bank. (†) Since May, 1957 the Reserve Bank of New Zealand has only announced major alterations. (‡) The maximum is 10 per cent of total liabilities above minimum cash ratios.

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Outside the United States, variable reserve requirements were in force in 1958 in more than forty countries, and a statutory authority for the central bank to establish and vary reserve ratios has become a common feature of central banking legislation.* The wide use of this instrument in many of the less industrialised countries is explained by the fact that it may be effective even when there is no well-developed money and capital market. Table II summarises some of the different forms of these requirements.

Certain countries have also established special minimum requirements, often called variable liquidity ratios, which include government securities, and sometimes government-guaranteed securities and commercial bills, in addition to cash among their eligible assets. In most of these countries such requirements have been introduced with the intention of reducing the banks' liquidity. But past experience, particularly in Belgium and France, and with Treasury deposit receipts in postwar Britain, has shown that this form of credit control is open to abuse by providing a facile method of inflationary government borrowing. Clearly, minimum liquidity ratios do not necessarily have any credit-restricting effect unless they are used in conjunction with appropriate fiscal and bond market policies.

Cash is included in the liquidity ratios in some countries that also have minimum requirements for cash alone: this is the practice on a stand-by basis in the Netherlands, as well as in countries such as Cuba that do not possess mandatory cash ratios. In the United Kingdom, where the reserve requirements are conventional, the cash reserves are included in the minimum liquid assets ratio. The special deposits scheme now being contemplated would be used to supplement the "market" methods of preventing the liquidity ratio from rising undesirably above the conventional minimum (about 30 per cent at the seasonal low point).

The new scheme in readiness for Britain has much in common with the Australian system of "special accounts." This system was established in Australia in 1941 to lessen the wartime increases in bank liquidity and has long been the main instrument of central banking control. The trading banks may be required to put a proportion of any increase in customers' deposits into special accounts with the Commonwealth Bank. The method of control at present empowers the central bank to direct each commercial bank, virtually without notice, to lodge with it in special accounts amounts equivalent to those held in such accounts as at October 1952 *plus* up to three-fourths of the increase in customers' deposits since that date. In recent years, the ratios have in fact been the same for all the major trading banks. The agreed minimum liquidity ratio, which is not published but is believed to be about 15 per cent, is in effect a supplementary requirement. The special accounts carry interest but it has been official policy to keep the rates at the lowest practicable level (at present ½ per cent). Australian experience in the past two years has again shown how this device can be used as a means of relaxation, as well as of tightening, and thus of softening the impact on the banking system of variations in the wool cheque and fluctuations in the balance of payments. In recent months substantial releases have been made from special accounts.

In some countries, notably in Latin America, there are supplementary reserve requirements related solely to increases in deposits. In Colombia the reserve required for additional deposits was actually raised to 100 per cent early in 1958, in order to help curb domestic inflationary pressure. In Mexico, by contrast, where the rate of growth of real national product slowed down a little in 1957, a simplification of the system of reserve requirements in July 1957 reduced them from their previously high level. Under existing legislation these requirements have recently also been introduced in Argentina where, by April 1958, the cost of living was 24 per cent higher than a year before, while there was a considerable deterioration in the balance of payments. The minimum ratio in South Africa was raised to 4 per cent last July; the central bank in fact has legal powers to impose requirements of up to 90 per cent, subject to a maximum monthly increase of 2 per cent.

In many countries a distinction is made in the regulations between reserves against demand deposits and reserves against time deposits; as a rule higher reserve ratios have to be held against demand deposits. Only Paraguay has higher requirements against time and savings deposits, while Norway and Syria have requirements against demand deposits only. This discrimination between different forms of bank deposits is apparently based on the assumption that the deposits that are more active are the more likely to cause inflation. Since the early fifties, however, the tendency has been for a single flat ratio to be imposed for all types of existing deposits. Thus the monetary authorities of Austria, Canada, Haiti, the Netherlands, and Vietnam have all placed their trust in a single percentage rate. But there have been exceptions. Since 1956 the Federation of Rhodesia and Nyasaland, India, South Africa and Argentina have introduced variable cash reserve requirements which discriminate between demand and time deposits.

In Western Germany requirements against deposits of non-residents have been set at a substantially higher level than for those against deposits of residents; this was designed specifically to discourage the inflow of foreign short-term capital. Western Germany also provides for different reserve ratios for banks of different size, as in various ways do the Netherlands and Norway. Switzerland did so until March 1958 when the Swiss National Bank abolished the gentleman's agreement under which the majority of Swiss commercial banks had submitted voluntarily to a system of minimum reserves. At the same time, the Swiss National Bank terminated the agreement under which foreign-held deposits above a certain amount had not earned interest.

The discriminatory use of reserve requirements is only one among many kinds of selective and direct credit controls that have been widely employed in recent years. Other prominent measures include quantitative limitations on re-discounting at the central bank, sometimes combined with differential re-discount rates; advance deposit requirements for imports; capital issues controls; hire-purchase controls; and central bank "directives" or informal agreements on selective screening or quantitative limitation of bank advances. In general, these adjuncts to control through the interest rate are of greatest significance in countries with the least developed monetary and banking systems. It is no accident that the central bank in Britain has hitherto been able to dispense with a mandatory regulation of bank liquidity. Reliance on the market weapons, however, demands not merely existence of a market but sufficient will of the monetary authorities to use it.

*The most comprehensive recent study of these techniques, and of other new developments of control, is that made by Peter G. Fousek, "Foreign Central Banking: The Instruments of Monetary Policy," for the Federal Reserve Bank of New York.

CONSUMER LENDING ROUND THE WORLD

Buying on credit and repaying through the discipline of regular instalments has in all advanced countries accelerated rapidly in recent years. To some degree it is the natural accompaniment of mass production and the rise in living standards of the working population. It is a relatively new phenomenon, and in most countries the established credit mechanism was designed for different methods. As a result, the new credit has been supplied in large part through new institutions, on the fringe of City finance and of a character very different from the old-established banks. But increasingly, and now also in Britain, the banks themselves have entered the ring, either directly or through subsidiaries. It is revealing to study the differences, and the similarities, in the experience and problems of banks in different countries in this venture.

In England and Scotland, it may be recalled, all the important deposit banks except Coutts have this year acquired participations in the capital of existing hire-purchase companies; some banks have taken a minority interest and others have bought the full 100 per cent. All but one of the leading finance houses now has a bank affiliation, though this is enjoyed by none of the many hundred small houses. Secondly, most of the banks are offering formalised "personal loans." These are designed for special expenditures, but the loans are granted on the integrity of the borrower, and the item purchased is not taken as security. The interest charge is 5 per cent a year added to the initial amount of the loan, and repayment is in fixed monthly instalments over periods up to two years. The debt is cancelled in the event of death. Two of the big English banks and one Scottish bank have stood apart from this scheme (though they, as others, will grant unsecured overdrafts to personal borrowers); these are also the banks with the largest stake in hire-purchase companies.

	(1) Hire Purchase Debt Outstanding*	(2) Personal and Professional Bank Advances	(3) *Of which* Estimated Instalment Loans	(4) Total Instalment Debt (1+3) as per cent of Consumer Spending	(5) Per cent of Instalment Debt Owed to Deposit Banks
	Latest figures or broad estimates				
UK.....	£512 m.	£350 m.	£12–£15 m.	3½	2–3
US	$20,602 m.	$46,860 m.†	$12,630 m.	11½	38
Canada ..	Can.$1,250 m.	Can.$880 m.	n.a.	6	n.a.
Germany.	DM 4,700 m.	n.a.	DM 120 m.	4	2½
Australia.	£A350 m.	£A134 m.	n.a.	9	n.a.
Belgium..	Frs.5,550 m.	Frs.21,765 m.	Frs.3,750 m.	2½	40

* Instalment credit owing to institutions other than from banks.
† Includes real estate loans.

America's Credit Economy

BY OUR SPECIAL CORRESPONDENT IN NEW YORK

To buy now and pay later has become in the United States a simple dictum of commonsense; and the volume of instalment credit outstanding has risen from $4½ billion in 1939 to a current figure of $33 billion. This is equal to around 11 per cent of a year's total personal income, after tax, compared with 6½ per cent in 1939. Instalment financing represents about three-quarters of all consumer credit. The remaining quarter comprises straight loans, mainly from the banks, and the short-term credit facilities that are being increasingly offered by shops, hotels, restaurants, transportation and petroleum companies and others.

Banks in First Place

The commercial banks have since the war moved into first place as a source of instalment credit: they now provide 38 per cent of the total. But to acquire and maintain this position, they have had to supplement direct lending to customers with direct purchase of dealers' paper. Although some banks do not indulge in this type of business, the trend is upward; the proportion of purchased automobile paper to the banks' total instalment lending increased from 20 per cent in 1950 to 31 per cent at the end of last year.

Before the introduction of personal loans, personal lending by the American banks was relatively small; the personal overdraft on the English model has never become common practice. The first personal loan department was opened in 1928 by the First National City Bank of New York, then the largest commercial bank in the United States. While other banks in the larger cities followed this lead, personal loans were not generally accepted as a proper field of commercial banking until the second half of the 1930s.

Many otherwise reluctant banks were brought into consumer lending by the National Housing Act of 1934, which offered to insure against loss loans to owners of home and business property for modernisation and repair. Instigated as a measure to counter the depression, this programme has become a permanent feature and one virtually monopolised by the banks, because the rates stipulated have been too modest for other lenders. Moreover, consumers' repayment records were unexpectedly good, even in the depression, and the banks were finally convinced that instalment loans represented good business. Today, the great majority of the nation's 13,500 commercial banks participate, in some measure, in consumer lending.

The Personal Loan

In granting personal loans, the American bank does not generally expect collateral, although this is often rewarded with a lower interest rate. Automobiles are frequently accepted as collateral when personal loans are extended for their purchase. But the bank is interested primarily in the credit-worthiness of the prospective borrower. Its investigations centre on his past credit record, if any; on the number of years he has lived at his current address; on the amount of his earnings and the stability of his job. Its task is made easier by public acceptance of the practice by which the different banks exchange full information on the credit standing of their clients; moreover, each town has its credit bureau which serves as a clearing house for all relevant information of this type.

TABLE I
LOANS OF US COMMERCIAL BANKS

End of year	Total Loans $ billion	Instalment Loans $ billion	Instalment Loans Per cent of total bank loans	Instalment Loans Per cent of total instalment credit
1939	17·2	1·1	6	24
1945	26·1	0·7	3	29
1950	52·2	5·8	11	39
1954	70·6	8·8	13	37
1955	75·2	10·6	14	37
1956	90·3	11·7	13	37
1957	93·9	12·7	14	37

A bank may require a loan to be guaranteed by one or more "co-makers" who become jointly or individually responsible in case of default; one bank at least automatically demands a co-maker from people in what it considers to be potentially irregular jobs, from barbers and beauticians to waiters and waitresses. But this practice has been losing in popularity since neither the clients nor the banks like to make enemies. Many alternative arrangements are made. The "wage assignment" entitles the bank to collect, if the borrower defaults, up to 10 per cent of his earnings directly from his employer; New York state law permits this provision, but many states do not. Of growing popularity is an arrangement by which the borrower agrees that his instalment payments shall be deducted from his wages at source and forwarded to the bank by his employer. Loans are not generally confined to a bank's customers; in some states indeed the bank is not allowed to make a deposit a condition of the loan.

Interest charges on these loans vary throughout the country; the quoted rate per year, charged on the initial balance, varies from about 4 per cent to 8 per cent or more. Intense competition and a large market give New York the lowest rates; currently they range up from 4¼ per cent, or an effective rate on the average balance outstanding of just over 8 per cent, with life insurance included. Losses from default have proved negligible—under one-quarter of 1 per cent of outstanding credit—but the cost of administration is high. Accordingly, interest charges on personal loans do not fluctuate with the prime loan rate; the First National City Bank of New York, which operates a giant personal loan department, has made only one change (a small increase) in twenty years. However, a more liberal policy towards borrowers is increasing collection costs and the trend is toward slightly higher rates. The loans are repayable over periods of between 12 and 36 months; for some purposes—for instance for home improvement and small businesses—the term may be longer. Most states put a legal limit both on the maximum rate of interest and on the size of the individual bank loan; in New York these limits are 6 (effectively about 12) per cent and $5,000.

Finance Companies

The other financial institutions catering to the public's credit needs are sales finance companies, retail stores, consumer finance companies, credit unions and other small lenders. The sales finance companies, today the second largest source of instalment credit, grew up with the automobile industry, and their consumer credit is still predominantly for the purchase of automobile paper from dealers. While the activities of the banks have undoubtedly clipped the expansion of these companies, they have maintained their prewar share of 27 per cent of all instalment financing. Since the sales finance company is not a lender in the direct sense, it must look to the prospective resale value of the item purchased, which is the collateral; part of the risk, however, is usually borne by the dealer through recourse or repurchase arrangements. Some states impose maximum interest rates on sales finance companies, while in others the companies operate under the general usury laws. In New York the maximum is 7 per cent but in other states it can be as high as 9 per cent. Rates charged are usually up to the maximum except where intense competition from the banks drives them down. The sales finance companies provide credit to a large section of the population that either would not qualify for a bank loan or prefers a simpler, though costlier, transaction on the spot with the dealer from whom the goods are purchased. Retail stores, which before the war provided the largest single source of instalment finance, have turned increasingly to the banks and the sales finance companies.

TABLE II
HOW INSTALMENT CREDIT IS SPREAD
($ billion)
Banks, finance companies and retail trade:

End of Year	Automobile paper	Other consumer goods paper	Repair & modernisation loans	Personal loans	Total Instalment Credit	*Other Consumer Credit*
1939	1·5	1·6	0·3	1·1	4·5	2·7
1945	0·5	0·8	0·2	1·0	2·5	3·2
1950	6·1	4·8	1·0	2·8	14·7	6·7
1954	9·8	6·8	1·6	5·4	23·6	8·7
1955	13·5	7·6	1·7	6·2	29·0	9·7
1956	14·5	8·5	1·9	7·0	31·8	*10·3*
1957	15·5	8·7	2·0	7·9	34·1	*10·7*
1958 :— August .	14·6	8·3	2·0	8·3	33·2	*10·0*

Consumer finance companies specialise in small personal loans; security, where it is required, takes the form of a chattel mortgage on household goods or automobiles. Most of the states impose a ceiling of $500 or less on the size of these loans—although California permits loans of up to $5,000—and maximum interest charges of, usually, 3 per cent a month (not year) on the unpaid balance. Credit unions, in which the capital is provided by the co-operative and much of the labour is given free of cost, offer somewhat cheaper loans; interest charges are usually limited by law to 1 per cent a month on the unpaid balance.

Banks' Indirect Interest

Apart from their direct participation in consumer credit, the commercial banks are also a major source of capital for the other lending institutions. An estimate has put this

indirect commitment of banking funds to consumer credit at rather less than one half their direct involvement. Taken together, the banks are thus responsible for financing well over half the total of all consumer credit.

Some 90 per cent of the banks' loans to other lending institutions goes to the sales finance companies, but their relationship to the banks is carefully circumscribed by law. With minor exceptions in a few states, no bank may own stock in a sales finance company, nor may its loans to any one borrower exceed a given percentage of the bank's own capital and surplus. The sales finance companies normally receive preferential treatment from the banks, partly because they are large and continuing customers and partly because they have an excellent credit record ; interest charges to them are lower than to other customers and credit is unsecured. Loans are predominantly for a short-term—few have an original maturity of more than one year—but they are often renewed automatically by the borrower upon maturity.

Unlike the British finance houses, the sales finance companies may not accept deposits from the public. Apart from the lines of credit extended by the banks, their capital requirements are met from the direct sale of short-term commercial paper, from medium and long-term borrowing and from retained profits. Insurance companies, pension and trust funds, and business corporations have become large direct buyers of their commercial paper ; these investments offer them a higher reward than do Treasury bills, and are regarded as little inferior in safety and liquidity. While the larger companies have little difficulty in raising funds outside the banking system, smaller companies, and also the consumer finance companies, must lean more heavily on the banks.

Total loans of commercial banks today total $93½ billion, and investments (including bills) some $88 billion. Direct instalment loans now account for 13½ per cent of all loans, compared with 6 per cent in 1939. Despite this increase, instalment credit is still small compared with the credits extended to business (43 per cent of total loans) and to real estate (25 per cent).

But the practice of individual banks varies enormously. For some banks personal loans represent little more than a necessary and minimum public relations service, but for others they account for a third or even half of total loans. One reason for this wide diversity is that personal loan operations are only profitable if undertaken on a large scale. A determination of the profitability of the banks' consumer credit operations is, however, largely obscured by the absence of any generally accepted accounting method for allocating a share of overhead costs or a uniform interest charge on the capital involved ; some banks make allowances on the basis of the Federal Reserve discount rate, or the yield on US Government bonds.

Official Control

Official controls on instalment buying, covering minimum down-payments and maximum maturities, have been imposed on three occasions—in the last war, for a brief spell in 1948-49, and during the Korean crisis. In the absence of direct controls, consumer credit is in theory subject to the same monetary influences as are the other users of credit. However, a mammoth research study sponsored by the Federal Reserve Board and published in 1957 gave some substance to the view that this sector of credit, while not immune to changes in the cost and supply of money, is far more responsive to changes in the public's demand for instalment credit. In particular, the large sales finance companies (and business is heavily concentrated in three or four giant corporations) were shown to be fairly immune to indirect credit restraint. Their customary practice of maintaining unused credit lines with the banks cushions the impact of tighter credit, and, where short-term funds are cut back by the banks, they can usually switch to longer-term financing. Interest charges under these conditions may rise, but the larger companies, with their eyes fixed primarily on the volume of their turnover, can absorb these increases or, if necessary, pass them on to the consumer. Credit restriction impinges primarily on the smaller company which cannot switch to long-term financing.

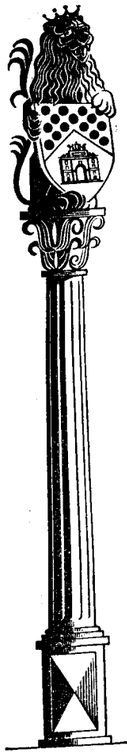
Each wave, or threat, of inflation brings renewed examination of the arguments for and against controls. Past experience has emphasised the extreme difficulty of enforcing controls except in war-time when the goods themselves are scarce. The widespread practice of trading-in old cars for new, for instance, makes the actual size of the downpayment a highly elusive factor. Maturity terms are somewhat more concrete, but even here the administrative task of supervision is enormous. Thus far, the American public's voracious appetite for credit has largely defied restraint.

Canadian Banks Unimpressed

BY OUR OTTAWA CORRESPONDENT

FINANCING of consumers' purchases plays only a small part in the direct lending of the Canadian banks, though indirectly the banks provide a substantial part of the assets of the finance companies which do most of the hire-purchase business with the public. Two of the banks —the Canadian Bank of Commerce ever since 1936, and the Bank of Nova Scotia just this year—have made special arrangements to give their customers instalment finance for specific expenditures. All the banks make personal loans without regard to purpose. These loans may be secured by marketable stocks and bonds, by individual guarantors or merely by the credit standing of the borrower.

The regular business of instalment finance is not specially attractive to the banks. Admittedly, the banks are specifically excluded from the operation of the Small Loans Act, which limits interest rates on unsecured loans granted by personal loan companies. The limits are 2 per cent a month on loans below $300, 1 per cent on those between $300 and $1,000, and ½ per cent above $1,000, and since these rates were fixed by legislation in 1956 hardly any business has been done by the loan companies in amounts of over $1,000. But the chartered banks are forbidden by the Bank Act to charge interest of more than 6 per cent per year ; and at that rate they cannot maintain the sort of records and collection system necessary to look after many small loans or collect regular monthly instalments (the true interest rate on personal loans in the United States ranges up from 8 per cent and in Britain is a little higher).



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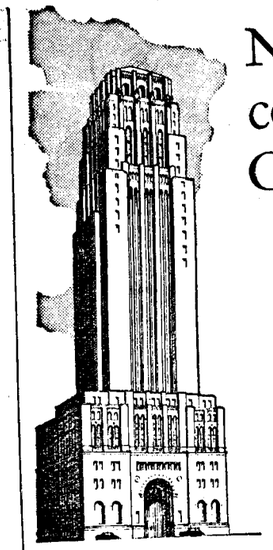

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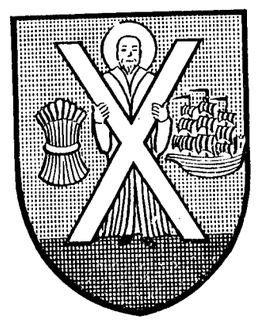

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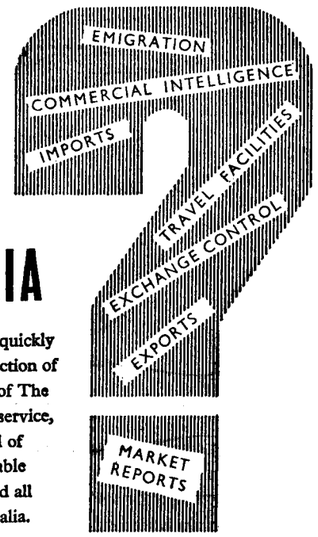

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Maximum Interest Rates

The schemes publicised by the Canadian Bank of Commerce and the Bank of Nova Scotia depend on an interpretation of the Act that allows the 6 per cent to be taken, as is the practice in the United States and Britain, as an initial charge rather than as interest on the average balance outstanding. By this means the borrower who wants, say, $1,200 for one year has a sum of about $77 (depending in detail on differences in the banks' schemes) added to the loan total which he must pay off in monthly instalments. Without openly violating the limit of 6 per cent, the banks thus get a yield that is equivalent to around 10½ per cent. This, they believe, is just enough to cover them; but it is not enough to make it worth their while to push the scheme. Where competition between banks is as keen as it is in Canada, all are apt to match any service offered by the others. They fear losing customers to a rival. But a form of loan that offers such modest returns is not worth much public promotion.

Car Financing

The dominant field for consumer credit is in the automobile trade; and here the instalment finance companies have taken a role that is forbidden to the banks. Since 1954, though not before that, the banks have been allowed by law to accept chattel mortgages as security for loans. But "chattels" are defined as goods used directly in or around the house, including cars. Dealers' stocks of cars

TABLE I
CONSUMER CREDIT IN CANADA
(Can.$ million)

Balances Outstanding to Finance Companies and Retail Trade

End	Instalment Finance Companies	Small Loan Companies* Instalment Credit	Small Loan Companies* Cash Loans	Retail Trade†	Total
1951	186	—	114	406	706
1952	373	—	148	552	1,073
1953	516	3	173	624	1,316
1954	492	6	209	685	1,392
1955	599	6	273	751	1,629
1956	756	13	343	798	1,910
1957	780	15	347	833	1,975
1958 :—					
March.	748	15	349	752	1,863
June ...	776	16	365	...	...
July	779	16	370	...	...

* Companies licensed under Small Loans Act. † Includes charge accounts and other non-instalment credit.

or other goods are clearly excluded. Yet this is the very point at which the instalment finance companies (which are not covered by the Small Loans Act) get their grip on car sales, and on many other kinds of consumer durable goods.

The extreme example comes from General Motors Corporation, which in Canada as in the United States operates its own financing subsidiary, General Motors Acceptance Corporation. The other companies achieve similar results through other finance companies, although they do not control them. The US and Canadian car manufacturers commonly require their dealers to accept a certain quota of cars from each year's new models. The dealers' purchases are financed by a finance company, which also undertakes to finance the consumer's purchase of a new car and to give the dealer a one-third share in the finance charge. In recent years, when potential buyers have been putting up increasing resistance against the annual price increase, the dealer has often had to look to the hire-purchase deal for his profits.

This "dealer's cut" is a major factor in raising the effective rate of car-financing to 15 or 16 per cent, which represents a rate of return to the instalment finance company little greater than that available to the banks by taking their statutory 6 per cent interest as a 6 per cent discount. But it may not be easy for the banks to tempt dealers away from the established system. Instalment buying of cars, as is shown in the table, dominates the consumer credit business; and many of the sales of refrigerators, bedroom suites and other major items are governed by rather similar principles.

TABLE II
HOW THE DEBT IS SPREAD
(Can.$ million)

Balances outstanding

End	Consumers' Goods: Cars	Consumers' Goods: Other	Consumers' Goods: Total	Commercial and Industrial Goods: Comm. Vehicles	Commercial and Industrial Goods: Other	Commercial and Industrial Goods: Total
1951 ...	161	24	185	95	33	128
1952 ...	299	74	373	120	47	167
1953 ...	411	105	516	123	61	184
1954 ...	394	98	492	104	60	164
1955 ...	478	121	599	106	85	192
1956 ...	614	143	756	138	141	279
1957 ...	636	144	780	135	153	288
1958 :						
March	607	141	748	127	145	272
June ..	636	140	776	125	156	281
July ..	639	140	779	124	156	281

What the banks may do, with their new loan schemes, is to show some fully creditworthy customers that they might borrow at 5 per cent (fully secured by bonds) or 6 per cent (on reputation or other security) instead of going to finance companies and paying more. The question now interesting financial people here is whether the banks will be successful enough to capture from the finance companies all the best credit risks. If they can, the finance companies might actually have to raise their rates even higher. But the immediate rewards to the banks are not sufficiently attractive for a serious effort, unless the example of enthusiasm given by some of the big banks in Britain tempts one of them into it. If one starts, the force of competition may drag the rest after it.

A more attractive example might be the action of English and Scottish banks in buying control of finance companies. There is nothing in Canadian law to forbid the banks there to do the same thing. So far they have held to the general principle that it must be wrong to do indirectly what may not be done directly. Yet even that stern principle might be overcome if two or three banks joined to acquire control of an instalment finance company; and in strict law it is by no means certain that one bank would be at fault if it acquired control of a subsidiary company to conduct hire-purchase business.

Inspector-General of Banks

To decide what the banks may or may not do, Canada has an official who is believed to be unique: an Inspector-General of Banks. He is a chartered accountant, exercising certain powers in his own right and others on behalf of

the Minister of Finance. The Bank Act sets no limit on the loans a bank may make with or without security; though it does lay down rules about the sort of security that may be accepted. The Inspector-General may not tell a bank what to do with its funds. But he has two powers which have proved to be extremely effective. Ever since 1924 he has been empowered to instruct a bank's own auditors to make any investigation he considers advisable, and the auditors must do it at the expense of the shareholders.

The effect of this unusual provision, of course, is to put the auditors in a position of unique strength: they need only hint at irregularities which the shareholders might not want investigated, and the Inspector-General can empower them to report to him. His second important power is to require something that the Bank of Canada cannot demand —the provision of statistical information on any bank transactions whatever. Secrecy of such information is assured by the Bank Act: but the Inspector-General may pass it on to the Governor of the Bank of Canada, or his delegate, to the Minister of Finance and to the Deputy Minister of Finance.

In the present state of affairs the actual lending policy of the banks is obviously very different from what it was during the period of stringency which prevailed until little more than a year ago. Total bank assets are now $1,500 million higher than a year ago, while the Bank of Canada's holdings of government bonds (two years and over) has increased by $1,100 million, largely offset by lower holdings of Treasury bills and bonds of less than two years' term. This expansion of the money supply results from the federal Government's heavy requirements of new cash and from the recent conversion of five outstanding War loans amounting to $6,400 million. Some $5,800 million was exchanged for longer and better spread maturities, though the Bank of Canada obviously had to take a large proportion of the longer-term bonds.

The Banks' Share

The chartered banks have plentiful funds, but demand is slack. In September their total loans were $230 million lower than a year ago, while their holdings of government bonds were $1,150 million higher. Out of total loans of $5,142 million, some $273 million were to instalment finance companies. The figure for direct personal loans is not available yet for the third quarter; but at mid-year it had reached $474 million, some $48 million more than at June 30, 1957 (total personal and professional loans amounted to $880 million). The relatively small role of the banks in consumer credit is shown by the outstanding balances owing to the instalment finance companies. At mid-year these amounted to nearly $1,250 million, of which more than $1,000 million was at the retail level—$780 million for consumers' goods and $285 million for commercial and industrial goods.

The total assets of these lending institutions, together with companies licensed under the Small Loans Act for unsecured personal loans, totalled nearly $1,700 million. Their biggest single liability was on their own notes and debentures, which amounted to $575 million. This is $200 million more than at the end of 1955. But by contrast their bank loans were only $300 million this year, compared with a quarterly peak of $427 million reached at the end of 1956.

Following consultations with the Bank of Canada, the chartered banks agreed during the period of tight money not to extend further credit to the finance companies. But most of the big companies are subsidiaries of US firms. They have enough standing to raise money in their own right, or they can borrow from their US parent. They represent one of the sectors of Canadian finance that it is very difficult for the Bank of Canada to control. If their function could be taken over by the banks, effective application of monetary policy would be greatly eased. But so far there is very little sign of this happening.

Germany's Late Start

BY A FRANKFURT CORRESPONDENT

In its use of instalment credit, West Germany must definitely be considered an "underdeveloped territory." Although the first beginnings of the sale of goods by traders and industries on an instalment plan can be traced back to the middle of the last century—with the sale of sewing machines serving as a pacemaker—hire-purchase sales in Germany were hardly of any importance until after the end of the first World War. The old-fashioned majority of the population has considered the purchase of goods on "borrowed money" as lacking in respectability, or even as downright immoral. The difficulties of the postwar recovery, felt particularly by the younger generation, brought about some approach to the less heart-searching American attitude; yet the psychological resistance has not disappeared.

The first organisations for the financing of sales on the instalment plan in Germany, of a character similar to banks, were founded in Berlin and Königsberg in 1925 and 1926. These organisations were, to begin with, mainly engaged in the financing of purchases of high value capital goods, such as motor vehicles, agricultural machinery, machine tools and the like. Under the strong influence of the American example, this activity developed in the years to follow into the financing of sales of consumer goods pure and simple. In 1938, Germany had approximately 50 hire-purchase banks, with a yearly turnover of 350 million marks. The purchases thus financed did not, however, account for much more than 10 per cent of total retail sales. The greater part of consumer credit before the second World War was in fact in the form of credit accounts granted to customers direct by the retail trade or by manufacturers.

The currency reform of 1948 was followed by a very quick recovery of hire-purchase business, stimulated by the heavy losses of personal property during the war. These conditions provided the West German hire-purchase banks with promising scope. Private banks and credit institutions incorporated under public law also quickly realised that there was a good opportunity for them in the field. The participation of these institutions was mainly indirect, through the financing of the specialist companies. During the last few years, however, savings banks have become increasingly interested in handling hire-purchase credits themselves, and have set up the necessary administrative machinery for this purpose. The big deposit banks, however, have as yet made a very modest start.

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The role of hire-purchase in the West German economy is summarised in the accompanying table. It should be noted that the figures of credit cover only actual hire-purchase credit granted by the special hire-purchase banks, the deposit banks and savings banks and commercial and industrial dealers. But no more than one third of retailers' credit sales is financed through hire-purchase; the remainder is still given through individual credit accounts, and these are

TABLE I
GROWTH OF HIRE-PURCHASE
(DM million)

	1951	1956	1957
Gross total of production	119,600	193,400	209,600
Retail trade, turnover	38,100	57,000	61,000
Total hire-purchase credits	2,050	4,600	4,700
Of which:			
From hire-purchase banks	860	2,298	2,451
Credits by other financial institutions	190	1,802	1,749

not included in the figures. During the last few years, however, the share of hire-purchase in total retail credit has increased. In 1957 hire-purchase credit accounted for 7·7 per cent of total retail sales, compared with 5·4 per cent in 1951. The German ratio was a little lower in 1957 than in 1956 following the steep increase in previous years; this may be explained by a certain sales-resistance on the part of customers and by the considerable rise in national income (in Germany, evidently, the better-off man will still reduce his debts rather than incur larger ones).

As in other countries, the specialist companies and other financial institutions have captured an increasing share of hire-purchase business in Germany: in 1957 they accounted for nearly 90 per cent, compared with about one half in 1951. Hire-purchase banks, whose number had risen to 191 by 1957, increased their share from 42 per cent in 1951 to 52 per cent in 1957. The share of hire-purchase credits in the total of short-term and medium-term loans made by credit institutions has been growing modestly—from 3½ per cent in 1951 to a record 8 per cent in the first seven months of this year. Moreover, since some of the ordinary credits extended by the banks are to retail trade to finance credit accounts, the actual contribution of banks (and especially of big deposit banks) towards the financing of the sales of consumer goods is considerably higher than shown by the above figures.

Official Control

In West Germany, institutions financing hire-purchase sales are bound by the regulations as laid down by the Credit Law. In accordance with these regulations, interest charges are controlled by the Bank Supervisory authority in the various Länder of the Federal Republic. So far, the Federal Government has not introduced a special law for the hire-purchase trade either on the pattern of the now suspended American "Regulation W" or the laws in force in Britain, France, Holland and Belgium. The volume of hire-purchase is not large enough to warrant any "policy" control. Today only the refinancing of hire-purchase paper, temporarily suspended completely during 1951 and 1952, is still subject to restrictive regulations within the West German central banking system.

Personal Loans?

Recently, a number of hire-purchase banks in West Germany have been considering the offer of "personal loans" of the kind customary throughout America. Hitherto, this method of financing instalment sales with a loan has hardly ever been operated in Germany. Now, one hire-purchase bank has extended personal loans to comprise 10 per cent of total credits. Outside the circle of hire-purchase banks, the terms of loans offered by small institutions are in general very severe. The cost of interest plus fees may mount to 30-40 per cent. In comparison, a small credit from a big bank costs 7½-9 per cent. The terms of instalment loans are at present under examination by the Bank Supervisory authority.

The big deposit banks have still made no general move in this direction, though the recent plunge by the British banks has led to further consideration of the question in German banking circles. The banks at present are not short of liquid assets and credit demands from business are flagging. So far, however, the German banks have seen little profit in granting small credits to personal customers to be used for special purchases. Credits of under DM 1,000, at normal rates of interest and on the basis of the

TABLE II
BANK LOANS AND HIRE-PURCHASE
(DM million)

Credits	End of years 1951	1956	1957	end-July 1958
Short and medium term bank credits to business and private customers	17,343	35,899	37,662	37,381
Of which:				
Volume of hire-purchase credits from all banks	606	2,774	2,848	3,026
Provided by:				
Hire-purchase banks	354	1,563	1,683	1,811
Large deposit banks	47	111	117	120
Regional banks	70	205	210	243
Private banks	8	30	38	39
*Central giro institutions	28	148	122	117
Savings banks	84	639	591	576
Trade credit associations	12	62	70	98

* Clearing institutions for groups of savings banks.

usual collateral, have generally been considered as marginal sources of profit. Some bankers maintain that "personal loans" could become a profitable business for deposit banks only if it were possible to extend the limits laid down for small credits: according to the present law, such credits not in excess of DM 600 are not subject to the maximum rates of interest otherwise stipulated. Furthermore, major measures of administrative rationalisation might become necessary. Apart from internal administrative separation from the normal type of business credits, personal loans would require a clearly defined schedule and the standardisation of conditions—calculations of interest, terms of repayment, etc. Increased participation by German deposit banks in consumer credit would also probably require them to follow the example given by British banks in granting credits without security.

If the big German banks were to adopt the methods used by British banks, this would inevitably lead to a considerable increase of competition with the activities of special hire-purchase banks. Simultaneously, the terms offered by hire-purchase banks would come under increased pressure. In the interest of the reduction of costs of hire-purchase credits, both commercial and industrial circles would, no doubt, welcome this intensified competition. For the present, the system of consumer credits in Germany has certainly not yet taken a final form: as in Britain, it is still very much in a state of flux.

Mixed System in Australia

BY A CORRESPONDENT

ADVANCES and discounts of the major trading banks in Australia during September totalled nearly £A950 million ; they represented about 60 per cent of total bank deposits, a notably higher ratio than that in Britain or the United States. In September, the banks held £A200 million of government and municipal securities, £A34 million of Treasury bills, and the large sum of £A265 million in special accounts at the central bank. These compulsory accounts earn a very low return, and are varied from time to time by direction of the central bank, according to its desire to expand or contract credit.

The Personal Overdraft

A relatively small proportion of total bank advances are for personal loans or consumer purposes. At end-1957, of an advances total of £A865 million, some £A84 million was classified as advances to persons for building or purchasing homes, and a further £A50 million for other non-business advances to persons—together representing 15 per cent of all advances. By comparison, the total amount of hire-purchase credit owing to finance companies (in which the banks have an important stake) and to retailers is some £A350 million.

The typical bank advance in Australia, as in Britain, is made in the form of an overdraft, the borrower being authorised to overdraw his account up to a defined limit, and paying interest only on the amount overdrawn, calculated on a daily basis. He is not normally required to hold a credit balance in the bank while he enjoys the overdraft facility, so that the cost of the loan is simply the interest charged on the overdraft itself ; the earlier the overdraft is reduced, the lower the interest bill. The interest on personal overdrafts cannot be charged as a deduction for income tax purposes in Australia, as it can in Britain, because the general principle of the Australian tax authorities is that interest is only regarded as an eligible deduction if it can be considered as a cost of earning assessable income.

The usual arrangement for repayment of the advance is for regular monthly reductions. In other words, the limited overdraft facility, granted for purchase of a refrigerator for example, may be used to the full at the time of purchase, but within a month must be reduced by the agreed amount, and similarly in successive months, until the account is restored to a credit basis. In this sense, the advance is repayable in instalments. The period of repayment varies according to the amount and purpose of the advance. While finance for a refrigerator may have to be repaid over six months, an overdraft for a motor vehicle would probably be repayable over a longer period, having in mind the likely rate of depreciation on the purchase, or the time that may elapse before the same kind of expenditure may be expected to recur (for example, terminal school fees).

Security and Charges

The main consideration in the security required for personal overdrafts is the creditworthiness of the borrower, which can usually be judged by the bank manager from personal knowledge. Clearly, the established bank customer, who has a credit balance and is favourably known to the bank, has an initial advantage. In many cases, the bank will require formal security, of which the most usual is probably a life assurance policy, a guarantee or an equity in freehold assets. These forms of customers' security do not usually tie the bank advance to a particular expenditure.

The interest rate charged by Australian banks on overdrafts is fixed by agreement between the banks, although the central bank has authority to fix the rate if it does not approve the rate proposed by the trading banks. At present, the agreement is to charge an average of 5½ per cent, and banks are allowed some discretion to vary rates around that level in order to provide an incentive, charging rates of 5 per cent or 5¼ per cent for such activities as exporting, development or housing. A correspondingly higher rate may be charged on advances for purposes considered less essential.

Control of Credit

Strong powers of the central bank are exercised on bank credit through its authority to call up a certain proportion of bank deposits into special accounts, or to release funds therefrom, its power over interest rates, its operations in the bond market, and its informal requests to the trading banks. The central bank's finance of wheat sales and the degree of the government's deficit financing are also important influences on the volume of credit.

Hire-Purchase

Hire-purchase, by contrast, is not subject to direct central control. Legislation is within the powers of the state governments only, which are reluctant to check a popular facility. The states have not agreed on uniform legislation to control hire-purchase ; existing regulations on maximum

HIRE-PURCHASE IN AUSTRALIA

Business of finance companies, excluding retailers

Years to	Number of new Agreements '000	Amount financed in new Agreements Motor vehicles £Am.	Amount financed in new Agreements Total £Am.	Total outstandings end of period £Am.
June 1954	797	88	121	132
" 1955	939	111	156	182
" 1956	1,011	126	175	212
" 1957	1,029	137	189	236
" 1958	1,197	157	234	293

charges and minimum deposits are scrappy and are designed to protect the customer rather than to check the growth of hire-purchase.

The central bank has discouraged the banks from lending to hire-purchase houses. But this has simply encouraged these companies to borrow direct from the public on deposits, debentures and shares. As in Britain, restraints on bank advances increased the demand for hire-purchase ; and the growth and improvement of the credit standing of the companies have facilitated security issues in the market —a process consummated by the recent alliances with the trading banks. All Australian trading banks now have large

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interests in major hire-purchase companies. One bank has a wholly owned subsidiary and the rest large minority interests; and the government-owned Commonwealth Trading Bank operates an Industrial Finance Department to provide hire-purchase facilities for producer goods. Consistently with national credit policy, this bank partnership was accompanied by a further decline in the finance companies' reliance on bank credit and, indeed, by a tendency for them to build up significant credit balances at their banks.

Latest balance-sheet figures (from mid-1957 to mid-1958) for the companies allied with the banks show aggregate issued capital of £A25 million, of which the banks held nearly £A9 million; total outstandings were £A165 million. Total outstandings of all hire-purchase companies at end-1957 were £A264 million. The banks therefore have a substantial stake in Australia's hire-purchase. The table shows recent trends in total hire-purchase business of the companies, excluding the similar business done by retailers themselves. There has probably been a tendency for hire-purchase financing to become concentrated in the hands of the large and more reputable specialists, but up to a fifth of the total may still be in the hands of retailers. The total of hire-purchase outstandings in Australia today is estimated at about £A350 million.

The growth has certainly been rapid—from about £A20 million to £A350 million in eleven years, to a level representing some 7 per cent of the community's annual national income, and about £A36 per head of population. Consumer credit thus plays a notably larger role in the economy than in Britain, though still a smaller one than in America. In a country where living standards are high, income per head averaging around £A500 a year, trading bank deposits around £A150 a head and savings deposits £A130 a head, the hire-purchase debt hardly constitutes a burden yet.

Belgium Prefers Hire-Purchase

BY A BRUSSELS CORRESPONDENT

INSTALMENT lending in Belgium was made subject to compulsory statistical returns, collected half-yearly, in 1954. It has become of considerable social importance since the war, largely through the development of catalogue sales by mail order firms, offering deferred payment facilities for consumer goods of a comparatively short life. It was the inflationary potential behind this development that led to the collecting of statistical information; and, even though later events showed that a very high proportion of the smaller lending firms ignored their obligation to make returns, the figures collected are a reasonable guide to the total amount of the business. The highest figure shown as representing the total debt outstanding was at the end of 1957, when it amounted to Frs.8,882 million, equivalent to £63 million and about £9 per head of population over 15 years of age. This included the returns of 820 lenders, of whom more than half had been brought into the figures by the fresh tightening of the regulations and were making their first return. The newcomers contributed, however, only Frs.502 million to the total. In the first half of 1958, a further 313 new contributors were found for the returns; but the total figure of outstandings fell to Frs.8,625 million, of which Frs.699 million was the share of the 745 firms not included in the return a year earlier.

HOW HIRE-PURCHASE IS SPREAD

	Percentage of total new instalment lendings, Jan.–June, 1958	Percentage of group total financed by: Banks	Sellers	Others
Production Goods:				
Buses, trucks, etc.	11·6	66·7	7·2	26·1
Tractors and other agricultural	2·3	67·7	29·5	2·8
Professional equipment, etc...	9·0	41·7	25·9	32·4
Total production goods	22·9	56·9	16·7	26·3
Consumption Goods:				
Motor cars	32·7	61·6	5·6	32·8
Cycles, motor cycles & scooters	4·1	16·3	10·5	73·2
Textiles, furs, clothing	7·2	0·7	78·8	20·5
Books	0·8	1·9	90·6	7·5
Household and personal	32·3	5·8	29·5	64·7
Total Consumption goods	77·1	29·4	23·6	47·0

The volume of new business transacted during each half-year is now approximately a half of the total outstandings at the end of the period. For the firms, rather above four hundred, who have been making returns from the first, the total new business rose from Frs.3,303 million in the second half of 1954 to Frs.4,120 million in the first half of 1957. Since then, as a result of the recession and the more restrictive policy enforced by the law of July 1957, total new lendings have contracted successively to Frs.3,905 million and about Frs.3,400 million. The distinction between the new returns and the old is now disappearing. The total of new lendings in the first half of this year was Frs.3,863 million.

The New Control

The law of July 1957 brought hire-purchase under control for the first time. It applies to all lending contracts in which the provisions provide for repayment by four or more instalments, however spaced. It is largely an Enabling Act, since it permits the variation by Order, not only of the minimum initial deposit and the repayment period for each class of goods, but also the variation of the range of transactions to which it applies. Its other important requirement is the statement in every contract of the effective rate of interest charged, as opposed to the flat rate on the whole amount of the loan.

There is no indication as yet of how far the new powers are to be used to influence the volume of spending, as part of counter-cyclical policy or for other reasons. The scope of the law, as now ordered, extends to goods sold by instalments having a value between, roughly, £14 and £1,070 (2,000 and 150,000 Belgian francs). The minimum initial deposit is fixed, for example, at 15 per cent for domestic electrical apparatus, 20 per cent for scooters and motor cycles and 25 per cent for new or second-hand cars; and the maximum period of repayment is thirty

months for new cars, eighteen months for second-hand ones and two years for motor cycles. These limitations do not apply to goods outside the specified price range, nor to non-agricultural production goods sold for trade, industrial or professional purposes. The competitive character of hire-purchase finance is shown by the fact that the banks are offering to lend for the purchase of expensive cars, outside the controlled price-range, on the basis of a deposit of only 15 per cent, and in such cases they are also willing to consider contracts for repayment over periods of up to three years.

Banks' Big Stake

The table on page 29 shows the general character of the hire-purchase business, of which almost a third consists of financing the purchase of cars and another third of radios and household goods. The banks have the biggest and best share of the car finance business ; as the table shows it accounts for 56 per cent of their total hire-purchase business and over 60 per cent of the total car finance. In the second half of 1957, for instance, the banks financed 17,248 car purchase contracts against barely a thousand financed by the sellers themselves and 8,875 by other finance bodies. Moreover, the average contract value of the cars financed by the banks was around Frs.77,500 compared with Frs.56,400 for the other finance bodies ; and the banks were able to maintain a certain conservatism by lending an average of only Frs. 46,350 per contract, compared with the Frs.38,200 lent by their competitors on cars of smaller value. In all, the banks make available well over a third of Belgium's total hire-purchase credit, which amounts to Frs.8,625 million (equivalent to around £62 million).

The banks do their hire-purchase business through their own *financement* departments, and not through specially constituted subsidiaries. And they do lend to competing finance companies. These organisations, however, borrow on their own credit in the same way as other business borrowers, and the amount of their requirements from the banks is not discernible in any return.

Curbs on Bank Earnings

The banks' interest in hire-purchase finance is the natural outcome of the difficulty they have, in a country where interest rates are apt to be notoriously high, in finding sufficient remunerative outlets for their funds. The disciplinary authority to which they are subject is the *Commission Bancaire*, under a system primarily intended to divorce the banks from the control of (or their control by) industry, but recently bolstered by a respect for the requirements of the public Treasury which is generally considered excessive. The effect is that they must not only submit to continuous observation of their cash ratio and their "solvency co-efficient" ; but they are also required to maintain a "cover co-efficient" by holding a high minimum proportion of their deposits—for the big banks it is 65 per cent—in the form of Treasury paper at low rates of interest. Last year's reform did little to relieve the strain. Over part of the range the certificates of the *Fonds des Rentes* (Government stock equalisation account) are substituted for Treasury certificates ; and, though the banks are receiving slightly more interest on this part of their portfolio, they have pledged themselves to pass the gain on to depositors by offering higher rates for deposit accounts.

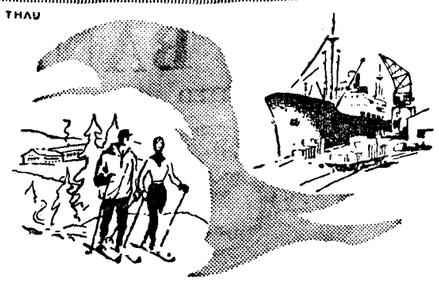
On June 30, 1958, the commercial banks had working assets (i.e. excluding the fixed assets) of around Frs.125,000 million ; and of this no less than 45 per cent was in Belgian Government certificates and securities, 13 per cent was in liquid or quickly realisable assets, and only 39 per cent (Frs.48,800 million) in loans and advances to, and bills issued by, the private commercial community. The banks are now precluded by law from holding industrial securities, except for short periods in their capacity as underwriters of new issues and public offers. Of the banks' lendings to the private sector, "sundry debtors" comprised Frs.21,765 million, covering overdrafts and loans, including personal loans and hire-purchase business.

Excluding the Colonial banks and the Belgian branches of foreign banks, the hire-purchase business represents about a fifth of the Sundry Debtors. Some 49 of the 70 banks transact this class of business, but the ones who do not are, for the most part, small. It is the most remunerative form of lending and, in view of the competition for it, the banks have agreed among themselves on standard rates. For finance of motor purchase the agreed rate is 6 per cent per annum flat on the full amount of the loan. This is lower than the rates charged by competing institutions, but at the same time it represents a useful effective interest.

The banks have kept themselves pretty well clear of the small contracts such as finance of books and clothing (where the average contract value is well under £20), and have not objected to the extent to which their rivals now dominate the market for financing domestic equipment. It is essential, for their purposes, to reduce to a minimum the administrative cost per contract, and they bulk large in the financing of heavy motor equipment and agricultural machinery and tractors. Their share of the hire-purchase business is, however, limited by the amount that it is practicable for them to devote to this kind of lending. The *Commission Bancaire* does not appear to think this type of lending is a suitable use for depositors' money, and has issued a directive which means, in practice, that the only funds the banks may use for this business is that resulting from the tap issues of their own cash bonds (similar in operation to a fixed deposit). On June 30th, when the total hire-purchase outstandings of the banks were well over Frs.3,000 million, the total cash bonds in issue was Frs.5,793 million ; but, as this relates to all banks, including the colonial and foreign banks and the Belgian banks that do not undertake instalment finance, it is clear that the scope for expansion of the banks' hire-purchase business is limited.

Personal Loans

The postwar growth of hire-purchase has, however, been a useful source of revenue for the banks, and has done much to compensate them for the lack of enthusiasm for their personal loan schemes. These are slightly less expensive to the customer, but have come under the influence of the general distrust of banking, which is only just beginning to break down. A number of people have, in fact, found these schemes very useful—the financing of weddings, illnesses and funerals are often quoted ; but many people have been disappointed at finding that the banks' inquiries have tended to weed out the applicants who had asked for facilities simply because they were short of cash, as opposed to those with a specific purchase or occasion to finance. These instalment loans are not separately shown under any head in any return, but it is probable that the total outstandings at any time are less than a billion francs.



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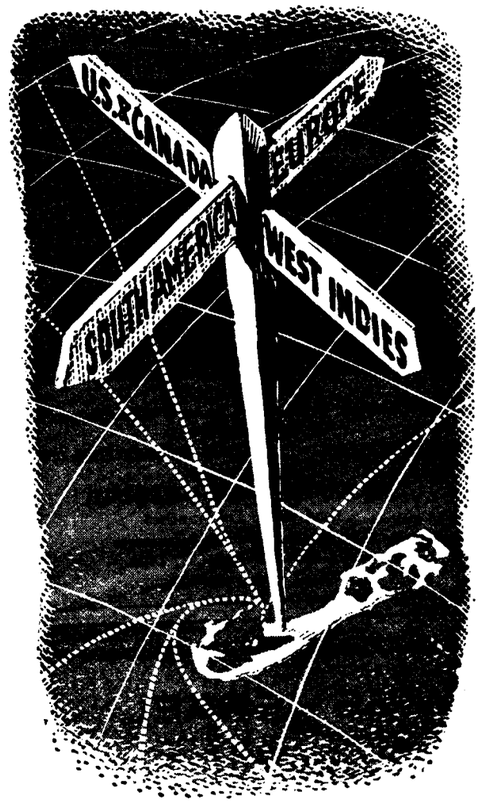

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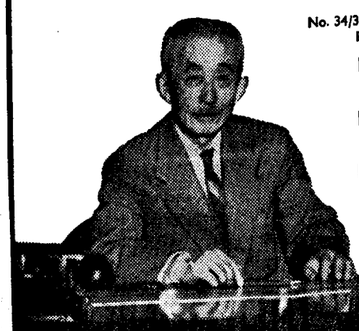

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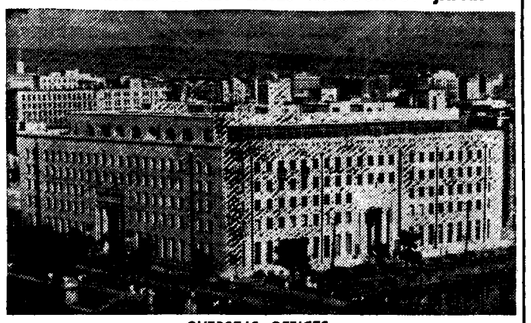

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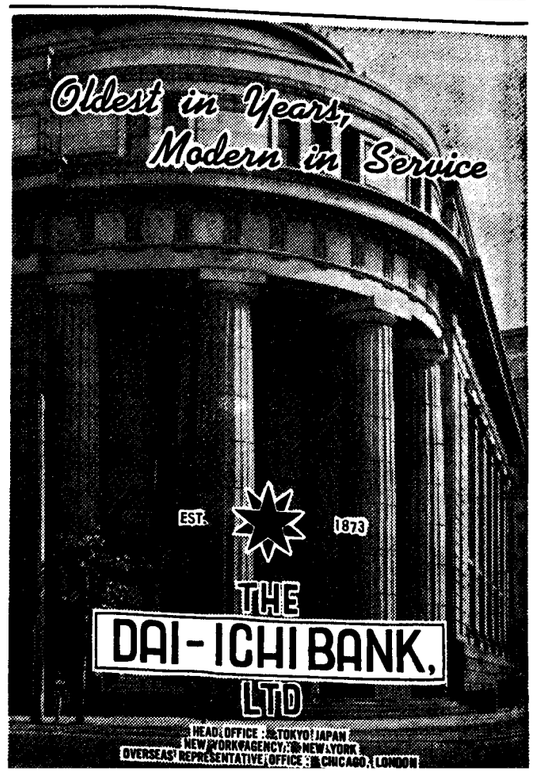

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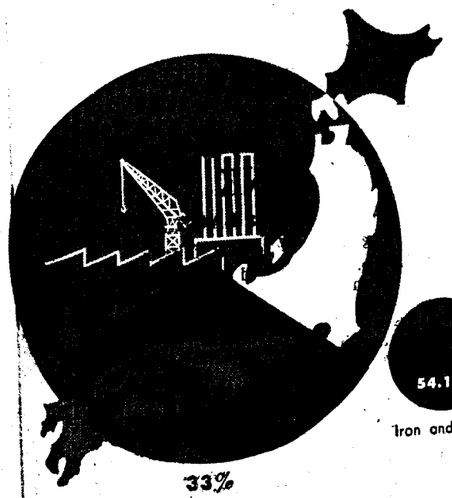

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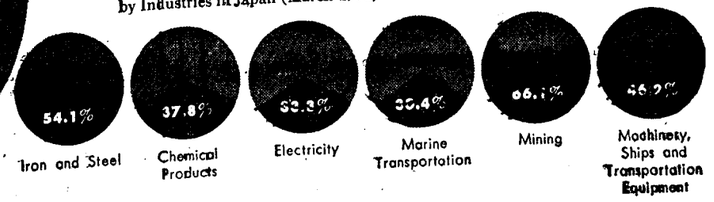

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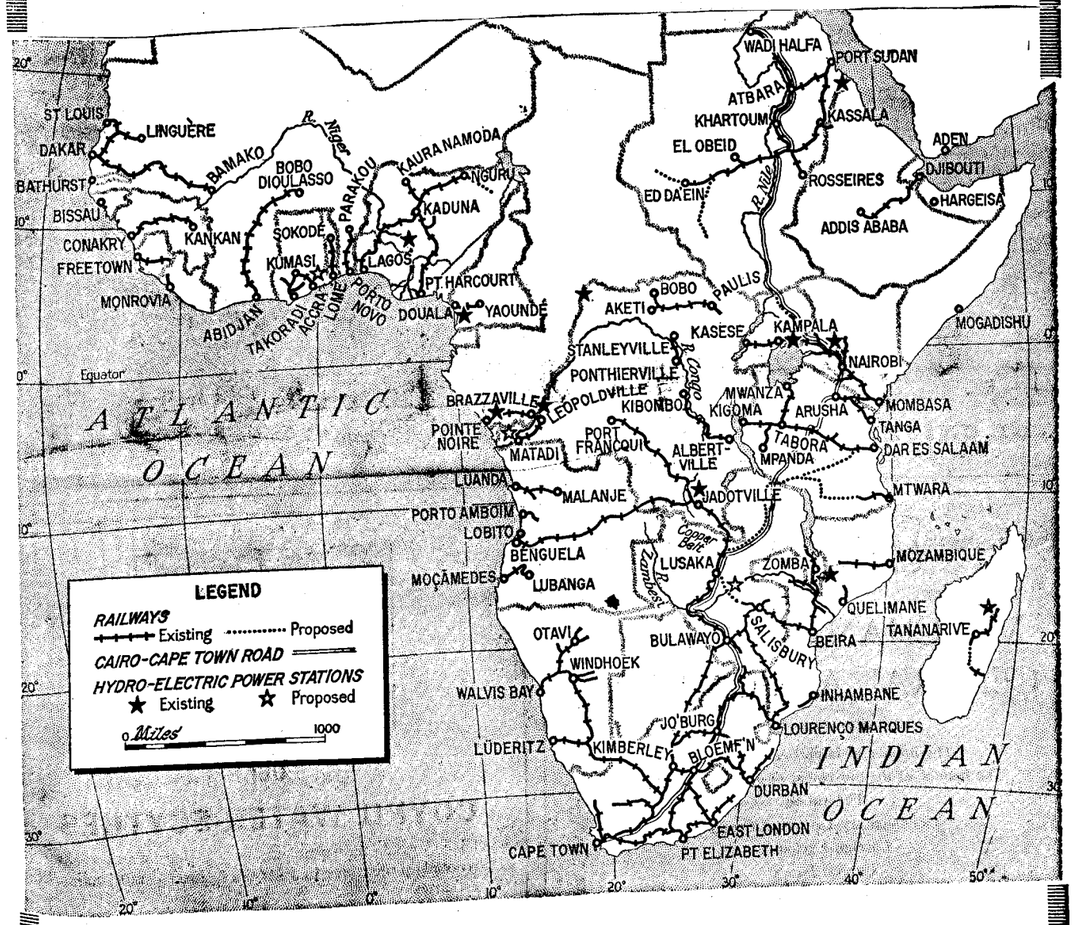

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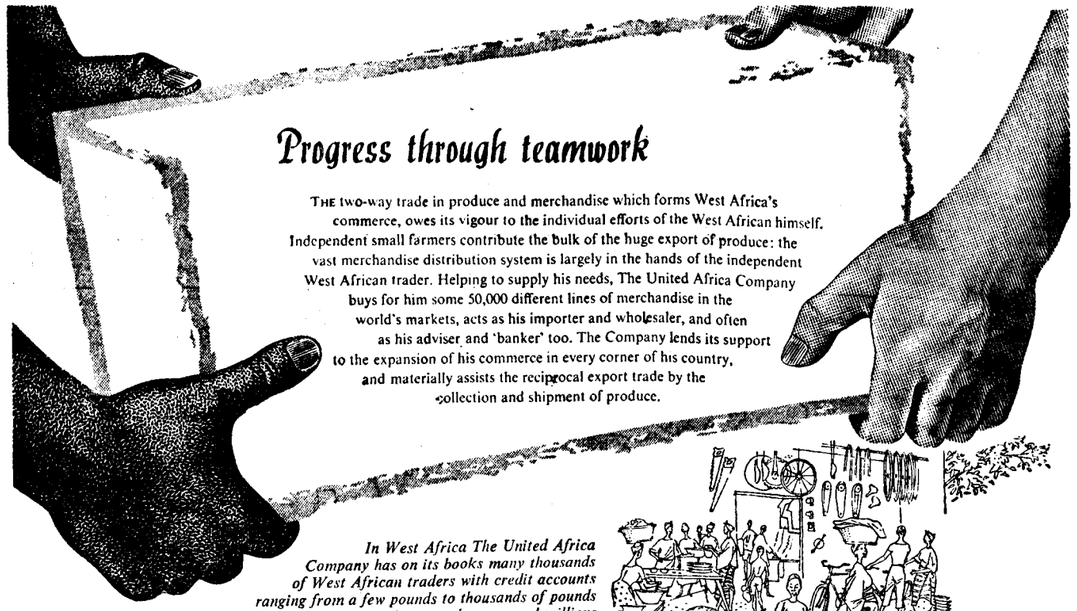

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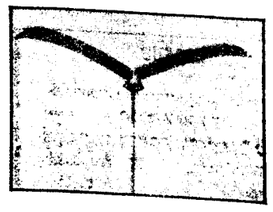

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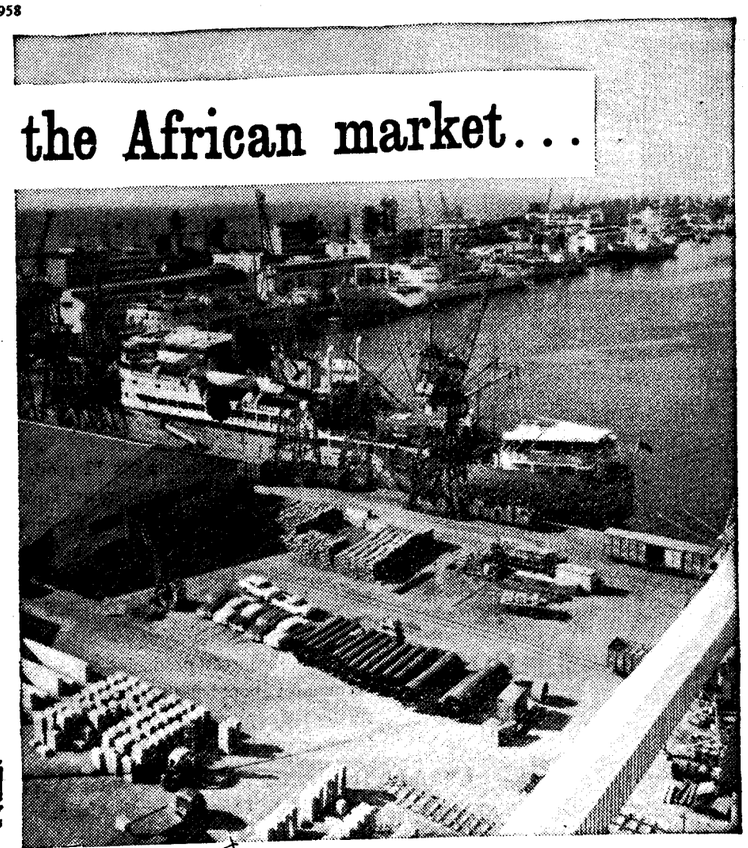

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THE AFRICAN REVOLUTION

The Political Economy of Africa South of the Sahara in the Decade Ahead

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A Continent in Flux

So violent, so rapid and so fundamental are the changes which are sweeping over the continent of Africa and its peoples that it is perfectly proper to describe them as revolutionary. Of insurrectionary fighting there has been little—though there has been some, and there may be more—but Africa nevertheless is at one and the same time undergoing an agricultural revolution, an industrial, technological and urban revolution, a social revolution and a political revolution; it is passing from a feudal and indeed, in places, still prehistoric age into the atomic age in a matter of decades. It is recapitulating the history of the last five centuries of European society in fifty. This is now so obvious, so every-day, that to say it yet again may seem as trite as to point out that the millennia of animal evolution are recapitulated in the nine months of human development in the womb. Yet it remains an astonishing, even awesome spectacle; in practical terms, unless the factors which determine this unique acceleration of human development are understood, it is all too easy to misinterpret immediate and incidental events, and to make rash assumptions about the tempo and inevitability of developments which seem imminent. Two warning points may be made at the outset: first, on top of all the other changes which are transforming African life, and the structure of African thought and personality, Africa faces—and must peacefully solve if progress is to continue—the problem of race harmony, the colour question. This alone invalidates facile comparisons with Asian nationalism. The second is this: historians are beginning to suggest that on several previous occasions African societies developed beyond the tribal to the civic and feudal—and sank back.

Politicians and business men need to keep their African calculations within some framework of understanding of the forces at work; and that must be the justification for this snapshot of what is happening in a land-mass running from some 15 degrees north of the Equator to 30 and more degrees south, inhabited by 135 million people of diverse tongues and races, and being developed, by the most modern techniques known, at a breakneck pace. If ever there was a leap into the dark, it is that now being made by the dark continent.

§ 1. The Pace of Social Change

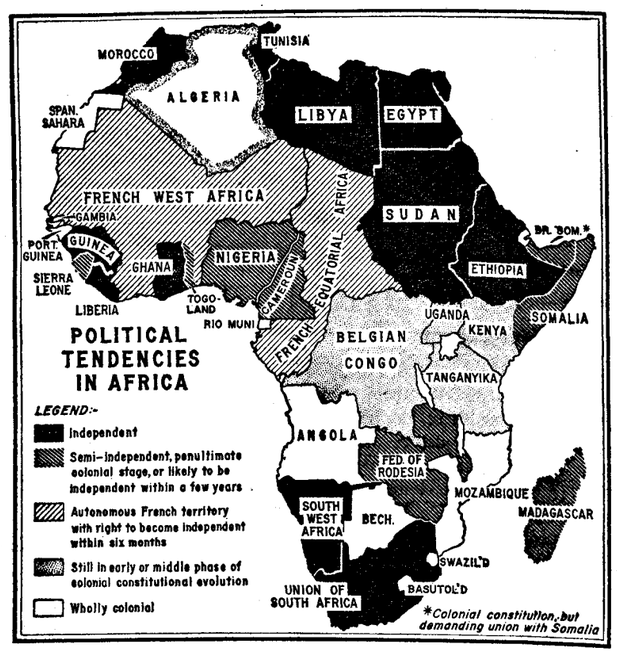
To Africans it is a leap into the light. Young African students of atomic physics may have grandparents or great-grandparents living who knew the savagery which is the starting point of modern African history—for few parts of Africa have a history extending reliably beyond the time of the coming of Europeans. Again while studying the uses of radio-active isotopes in medicine young African doctors may think of, and still quiver in half belief of, the power of fetish. The office block, shining with chrome, is next door to the labourer's hut of mud and thatch; of two men who go up in the lift the one with the white skin keeps in his head all the intricate relationships of the new technological society which has been dumped down in Africa, while the one with the black skin, who simply knows how to press the buttons, looks at his absorbed and inscrutable companion with growing dislike and defiance—and hugs in his heart the knowledge that African lift-men can nowadays end up as prime ministers, with many white men as his servants, running at the pressing of a bell.

Investment is the great lever of such turbulent economic change. Whereas between the first discovery of diamonds at Kimberley in 1871 and the beginning of the second world war the total external investment in Africa south of the Sahara is estimated at $6 billion, nearly a

much has been pumped into Africa—taking shape in vast smelters, dams, factories and power plants, and the office blocks, lifts and lift-men that go with them—in a single postwar decade.

Similarly, education and the political pace outside Africa have dictated political change within. With the stoking up of the economic cauldron have gone fundamental political changes in virtually every African territory—apart from the Portuguese enclaves—not once but two or three times over in a mere decade. In no part of the world have constitutional lawyers and draftsmen had so much continuous work to do. The whole area has thus a protean character, no sooner defined than transformed, no sooner analysed than changing shape again.

In West Africa, Ghana and Guinea, for example, have become independent—the first already a member of the United Nations with a foreign policy of its own—and have started to discuss a federal union between them. Nigeria will be independent in 1960—and as the largest state in the entire continent will transform the political balance. Soon afterwards Sierra Leone, neighbour of Liberia and Guinea, will become a sovereign state too. The territories of French West and Equitorial Africa are still engaged in anxious debate whether to remain in a loose association with de Gaulle's fifth republic, or follow the example of Guinea and the British colonies. In East Africa, Sudan has had three years of independence, and has already replaced democracy by a form of military dictatorship. Former Italian Somaliland will become independent virtually next year, and British Somaliland may set still new precedents by insisting on joining it almost as promptly. At the other end of the continent, political institutions enshrine white supremacy, social and technological baasskap—but these institutions, parliamentary in form, are also changing fast: South Africa is now firmly in the hands of the Nationalists, who are talking of apartheid but developing the caste system; the Afrikaner extremists are finally freed of the constitutional "entrenched clauses" which tied the country to its western political origins. The Federation, in the mood of the monk who prayed "make me good, O Lord, but not today," has invented fancy franchises to bring Africans, but not too many, to the poll and is gradually lowering the social colour bar, creating a multiracial university and providing a limited ladder of advancement to Africans in industry and the civil service. The whole system of central African federation is to be made over in a constitutional conference in 1960. Between southern and western Africa lie a block of less determined territories. In British East Africa constitutions have been changed repeatedly since 1950, inching towards African enfranchisement; in the Belgian Congo the first elections have been held at municipal level. In all these lands recent political changes have coincided with a sharp, if perhaps temporary, deterioration in the almost fabulous economic fortunes of the last decade.



§ 2. Patterns of Economic Change

Only in South Africa are local manufacturing and a local market yet large enough to modify the predominant dependence of Africa on the export market for its products—mineral and agricultural. For twelve years, boom and inflation in the industrial west kept up prices for African producers and multiplied the value of African export incomes by four or five times. But the sharp break of 1957/58 has shown up nakedly Africa's basic dependence on a high level of world economic activity. Primary prices have fallen, with some exceptions, by nearly 15 per cent; copper, the mainstay of Rhodesia and the Congo, has dropped by half from its peak in March, 1956; this adds an extra edge of uncertainty to all development planning and economic forecasting, and it casts a shadow over politics, too.

Yet a pattern of development emerges. Of Africa, as of other "underdeveloped" areas, it can be said that the basic problem is to drive a way through to the benefits and elbow-room of the modern technological economy. The form of this thrust varies with environment and resources, but it is broadly true that an economy is within reach of modernisation when it can devote about 15 per cent of its national income to productive investment. This ratio keeps production ahead of growing population, permits some steady increase in consumption, and ensures the growth of the capital base of the whole economy. In static economies, the amount of saving—perhaps 5 to 8 per cent of income—does little more than provide maintenance and renewals. The dynamic element of growth breeding further growth is absent. The "sound barrier" of modernisation is pierced when the transition can be made from investing 8 per cent to 15 or more per cent of national income.

On this basis, the cardinal fact stands out that Africa's hopes of modernisation become brighter as one moves south and out of the zone of African political independence. Throughout West Africa and French Equatorial Africa investment rarely exceeds 12 per cent of national income, and the average is probably nearer 8 per cent. The East African territories do better, though only in Kenya does

sustained dynamism seem within grasp. But in the southern Congo, in the two Rhodesias and in South Africa the scale of development has been at a level hardly equalled outside the communist countries.

For over a decade investment in this area has absorbed 20 to 30 per cent of national income; the economies grew by about 6 per cent a year—compared with 4 per cent in the United States and the industrial norm of 3 per cent—and South Africa so expanded and diversified its economic equipment that when foreign capital ceased to flow in after 1956, it was able to hold its investment at or near 20 per cent from its own resources in the two following years.

The reasons for this geographical pattern of growth and for the political contrast are the same: the bulk of Africa's wealth is founded on mineral extraction, and minerals have been discovered and exploited by white men. The great concentration of minerals is in the south—mainly where climate favoured white settlement. In much of the rest of Africa, where climate repelled white settlement, development based on mineral extraction is much smaller. It is uncertain if this is a matter of natural endowment: these areas are less closely surveyed, but it is clear that in them, without the stimulus of European capital, managerial talent, prospecting and economic activity "in depth," the pace of economic change has been limited to what is permitted by agriculture, aided by the presence of small, readily accessible pockets of mineral wealth.

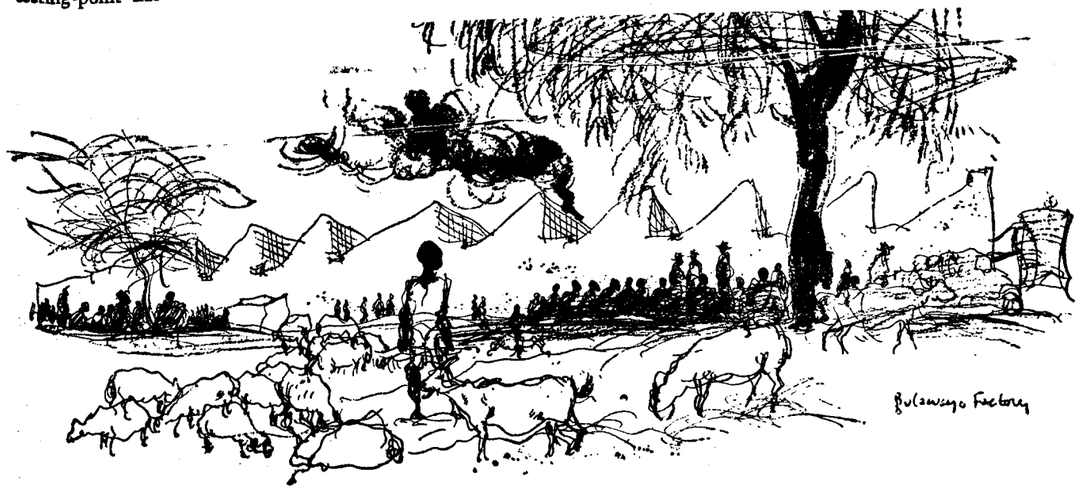
§ 3. The Key to African Problems

On the other hand, where no large dynamic white settlement existed, political change could be rapid. The colonisers of Africa have nearly all been parliamentary countries, who, between the "Scramble for Africa" in the eighteen eighties and the present day, have developed into full-blown one-man-one-vote democracies. They modelled their colonial constitutions on their own political structures—having indeed nothing else to offer. This has meant that in white-settled lands votes and power have been transferred to the wealthier Europeans, but elsewhere to the wealthier Africans. But whereas the Europeans once enfranchised, have held up the further spread of the franchise, the Africans have based their power on that very thing. Thus Africa has been polarised between South and West. The testing-point has been in the plural societies, for whose problems one-man-one-vote party political institutions were never evolved. One need go no further than Ceylon or parts of India to see what great obstacles to western systems of majority rule can be thrown up in racially mixed societies.

In Africa, these objections are fully understood by the white minorities, who see no safeguards for themselves apart from their retention of ultimate political power. The extent to which they are willing even to consider sharing seems to be proportionate to the size and pressure of the black majority—that is, from *nil* in South Africa where the ratio is 3 to 1 to a good deal in Kenya, where it is 100 to 1.

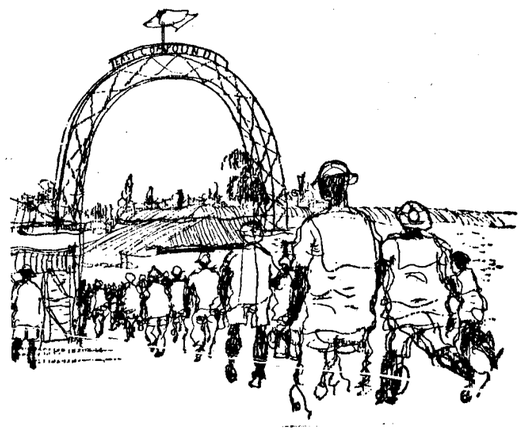
Thus one comes face to face with the paradox in Africa that political advance is most marked in countries where economic development has not passed the "modernisation barrier," and where therefore dangerous economic tensions and frustrations exist in countries which increasingly possess, with independence, the right to seek aid anywhere it offers. In areas where there is a prospect of rapid modernisation, by contrast, racial frustrations, barriers and hatreds fester and grow. The fate of Africa in the next decade, therefore, depends upon economic advance catching up with political advance in the "Africanised" north and west and political reconciliation matching economic growth in the plural societies of the centre, east and south.

Having hazarded a generalisation, one must take note of the exceptions. The three Portuguese "provinces" in Africa have not greatly shared in the postwar boom and problems of majority rule do not yet arise, since they do not arise in Portugal either. Ultimately, a growing Portuguese settlement, based on the growth of *évolués*, may point to a Brazilian type of plural society. The Belgian Congo also looks like an exception, since, though it is a territory with white settlement, neither whites nor blacks have had votes until this year. The 50,000 Belgian settlers around Lake Kivu are still protected by the white majority at home; the board of directors of the Congo, it may be said, are all white. The Belgians nursed the hope that as capacity grew gradually so could responsibility be transferred in decent order, and in such a context the white minority and business interests would find reasonable assurance of fair treatment by practical-minded Africans with a Belgian business mentality. Some such hope also was felt in Kenya. But it may be disappointed in both Kenya and the Congo; for the difficulty is to get Africans and Europeans to agree to a timetable for such a consummation.



The Booming South

IN the process of moving from a static society largely based on subsistence agriculture to a modern dynamic technological economy, four " prime movers " are usually to be found at work. An accelerating shift in agriculture from subsistence production to cash cropping for the market forms the economic starting point ; cash crops earn money as exports or feed the growing body of workers in towns and industry. Growing exports earn, secondly, foreign exchange and attract massive foreign capital. If, thirdly, agricultural techniques are also transformed and productivity on the farms rises, essential capital and manpower can be transferred from the farms to the cities. Prosperous farm communities become markets for local industry and make it worthwhile to process indigenous materials and even replace manufactured imports by local production. Full development demands, fourthly, auxiliary investment in roads, harbours, public utilities, urban housing, technical training, and the other essentials for which the French have coined the convenient shorthand term, " infrastructure."



When all four prime movers are at work—exports growing, productivity rising, industry expanding and infrastructure ramifying—it is likely that annual investment will comfortably exceed the desirable 15 per cent of national income, and the economy will not take long to achieve its programme of modernisation.

The exceptional rate of growth in Southern Africa can be attributed to the operation of all these factors with surpassing vigour in the decade following the second world war.

§ 1. Export Incomes

The foundation has been mineral production for export—diamonds, gold and uranium in the Union, copper and chrome in the Rhodesias, copper, diamonds and uranium in the Congo. In a typical " boom " year, say, 1954, export earnings from minerals—excluding uranium—amounted approximately to $621 million out of total exports of $1,228 million in the Union, $287.3 million out of $351 million in the Rhodesias and $238 million out of $370.8 million in the Congo. But in these territories agricultural exports, as well as minor mineral exports, have grown rapidly too.

Minerals have also been the major magnet of foreign investment. Of the $10 billion invested in Africa since 1947, over $2 billion has been directed to the Union of South Africa, nearly $2 billion to the Congo and $1 billion to the Rhodesias. Three territories with a total population of some 33 million have thus absorbed *half* the capital invested in a continent of nearly 200 million people.

§ 2. " Infrastructure "

Minerals have also been the basis of much of the growing "infrastructure " of Africa south of the Congo. The connection is, of course, not new in Africa. Minerals and transport development have almost invariably coincided. Apart from some strategic railways, like the Sierra Leone or Kenya-Uganda lines, the creation of a road and rail network in Africa has been prompted by the need to drain exports to the coast ; and minerals provide long hauls which make railways pay.

Diamonds and gold laid the basis of South Africa's railway system. Gold prospecting, the discovery of coal at Wankie and the opening up of the Copper belt fixed the pattern of Rhodesia's first railways. Copper linked the Katanga first with Rhodesia and then with railway development in Angola and Mozambique. The postwar mineral boom found the various railway systems inadequate for the great rise in bulk freight which then occured ; so in all three territories, a high proportion of postwar public investment has been devoted to expanding the transport grid, rail, road, water and air.

In the Congo ten year plan for development—which has been designed to provide nearly $1 billion in basic investment between 1949 to 1959—about 44 per cent of total expenditure has been set aside for improved transportation by rail and road and on the Congo's vast river system. A $70 million scheme for road development has been superadded with the assistance of a $40 million loan from the World Bank. The road programme is lagging badly.

About a quarter of the Central African Federation's £120 million development plan is earmarked for transport, again with World Bank assistance. In the Union, the first plan to spend $1,400 million on railway transport proved insufficient and a first loan from the World Bank of $160 million has been followed by another advance of $25 million. In the next three years, a further $560 million are to be spent.

Vital to basic development today is the provision of power. The output of electricity in the Union has increased by 50 per cent since 1952 and the Electricity Supply Commission expects no slackening in demand. This public corporation provides about 10 per cent of the Union's requirements and plans to spend $560 million on expansion in the next two or three years.

General power development in the Central African Federation is to absorb $42 million of the Plan's expenditure. In addition, the Kariba hydro-electric scheme, costing $196 million, including a World Bank loan of $80 million will be in operation in the early sixties with an installed capacity of 600,000 kW to meet the needs of the copperbelt for power.

About 7 per cent of the Congo Development Plan is devoted to power ; output has increased by some 70 per cent since 1953. This advance, however, is dwarfed by the expansion now planned for the lower Congo. The Inga

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PRETORIA, *Transvaal*
The Premier Mine near Pretoria was re-opened and re-equipped in 1947 at a cost of £4,500,000. More than 80 per cent of its output is industrial but large blue-white stones of superb quality are recovered. Here the Cullinan was found in 1905 weighing 3,025 carats. Three years ago the Premier produced a blue-white diamond of 426 carats which Sir Ernest Oppenheimer said was the finest stone he had ever seen. Output in 1957 was 1,399,976 carats.

KIMBERLEY, *Cape Province*
Here where the giant open pits of the old De Beers and Kimberley mines draw tourists from all over the world, De Beers is working the Dutoitspan, Bultfontein and Wesselton Mines which all date back for more than 75 years. Production last year was 838,419 carats, about half of which were gem quality diamonds. A new recovery plant costing £1,500,000 was completed this year to treat 12,800 tons of blue ground a day.

MWADUI, *Tanganyika*
De Beers and the Tanganyika Government this year each acquired a 50 per cent interest in Williamson Diamonds Limited, the company which operates the mine at Mwadui discovered in 1940 by the late Dr. John Williamson. Mwadui is an important producer of gem diamonds of good quality. The pink diamond of 56 carats which Dr. Williamson presented to the Queen was mined here in 1952. Last year's production of gem and industrials was approximately 400,000 carats.

The De Beers group also mines diamonds at Jagersfontein in the Orange Free State and Kleinzee in Namaqualand.

DIAMOND SALES

THE DIAMOND CORPORATION, a subsidiary of De Beers, has contracts with diamond producers in Angola, the Belgian Congo, French Equatorial Africa, Ghana, Sierra Leone and Tanganyika to purchase and market their outputs through the Central Selling Organization together with the production of the De Beers group mines and of the Union Government's state diggings.
The contracts in the main include an undertaking to buy a specified quota of diamonds whatever the state of the diamond market. These guaranteed purchases are intended to keep the mines in operation. The Diamond Corporation has a reserve fund of £20 million for the protection of the diamond trade. Of recent years, however, gem production has been insufficient to meet demand. Diamond sales through the Central Selling Organization reached the record level of £76,772,112 in 1957. Although sales were lower during the first six months of this year, chiefly owing to the economic recession in the United States, the results for the third quarter of the year showed a marked improvement, particularly in gem sales.

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scheme, now a blue print, could produce 1.6 million kW by 1964. The ultimate capacity of the scheme is fabulous —possibly 40 million kW or more than one-third of the entire hydro-electric potential of North America. But there are difficulties. Ultimately the hydro-electric resources of the Congo must make it one the world's greatest development areas with unlimited possibilities for smelting and processing local minerals and for building up a full industrial apparatus. But in the short run, power supplies may run ahead of needs, particularly as the French in the neighbouring territory of Middle Congo are planning to build a dam on the Kouilou River to supply power for a new industrial area at Pointe Noire. This would deprive the Inga scheme of a steady market for 250,000 kW a year. Both projects are inhibited by the world slump in aluminium.

All three countries are investing heavily in the social service type of development expenditure—health, education and housing. About 26 per cent of the Congo development plan is devoted to social services with special emphasis on housing. In the Central African plan, the percentage is about 12 per cent. The Union has no comparable development plan although, in certain fields, its loan account for public expenditure is comparable and covers such basic needs as transport and power. Expenditure on education by the centre and the provinces has risen from £29 million in 1947 to about £60 million in 1957.

§ 3. A Flourishing Agriculture

A decisive advantage enjoyed by a "modernised" high investment economy is the capital that it can pump into agriculture. In these boom areas agriculture has shared fully in the upsurge of growth. In both the Rhodesian and Congo plans the investment in agricultural research and betterment, about equal to that in power, has produced rich fruit: in the Congo, the output of rubber and coffee, to take kev examples, doubled between 1953 and 1957, palm produce and cotton seed rose by 15-20 per cent; while in Central Africa the area under cultivation has increased by 25 per cent in a decade. Tobacco output nearly doubled between 1950 and 1956, while maize and tea increased by 50 per cent; such was the vitalising influence of boom prices for copper after federation gave Salisbury access to Northern Rhodesia's wealth.

In the Union, increased wheat output since the war has made the country self-sufficient. A 17 per cent increase in the wool clip between 1953 and 1957 has made it the principal export after minerals. Maize production, in which one-third of the Union's farmers are engaged, has increased by over 100 per cent in the last six or seven years; exports jumped by nearly 50 per cent between 1953 and 1956 and in both the Union and the Rhodesias, and scale of maize production is now sufficient to permit a start being made on large-scale stock farming on the pattern of the American Middle West, though pasture problems obtrude in places.

All these advantages have been principally reaped by European capital, intensive farming and the large-scale plantations; as yet, only to a limited extent by the African rural areas.

§ 4. Industrial Progress

Only in the Union was there any marked manufacturing development before the war. This was stimulated by war—and protection; in the decade since, the annual average increase in value for the product of manufacturing was nearly 30 per cent; the average annual growth in output over 12 per cent. Since 1955, industrial growth has slowed down, particularly as a series of adverse payments balances forced the government to restrict credit. But optimism persists; the South African Chamber of Industries in a recent survey anticipated another 20 per cent expansion in the next two years. Most of this expansion is the result of private enterprise, but the government has given strong support to Afrikaner-owned projects in particular through its Industrialisation Development Corporation.

In the other two countries, the advance was from a lower base level. In Southern Rhodesia the scale of industry has tripled in the last decade. In the Congo it has more than doubled, but individual industries have expanded much above the average. Thus textile production has risen by 600 per cent, chemicals by 400 per cent. A significant result of industrialisation and the growth of infrastructure and service trade has been the growth in regional trade between the three countries. The Union is Southern Rhodesia's largest market, and the Union's exports to the Federation are second only to its exports to Britain. This United States-Canada type of relationship may grow and extend to the Congo in time.

§ 5. Can Expansion Continue?

The prospects of further expansion are clouded by two uncertainties, one temporary, the other more deep-seated. The first is the world fall in commodity prices, 1957-58; the second is peculiar to Southern Africa—the shortage of labour, especially skilled labour. The immediate consequence of lower prices for primary products, accompanied as it has been by rising prices for manufactures, has been a marked deterioration in the three countries' balance of payments. The Union of South Africa is the least affected for, although its adverse trade balance rose by just over $53 million in 1957, the deterioration was offset by an increase in gold production of $39 million and of $28 million in the export of "prescribed atomic material." The Union's exports of manufactures have not yet been affected by the economic difficulties of its African neighbours.

The Central African Federation and the Congo are not so well cushioned. They are both in the midst of large schemes of development and cannot cut down imported materials for them. In 1957, the Congo's favourable trade balance fell by nearly two-thirds and the pace of development was only held by international borrowing. Capital even began to flow out. In the Federation, the trade surplus of just over $66 million in 1956 changed to a deficit of $58 million in 1957, also underpinned by loans of $98 million from abroad this year; the federal government is also conducting a credit squeeze on private development and for the first time in ten years, this year's budget makes no transfer from current revenue to capital account.

No one can safely forecast how long these conditions will last. Even if American recovery gathers momentum rapidly this winter, copper prices are unlikely to rise much more because world production capacity is ample. The Congo, which is the world's largest exporter of industrial diamonds, is worried about prospective competition from American synthetic industrial diamonds and the announcement of large Russian discoveries. It may well be that the postwar boom in prices of primary products will not return. Nevertheless, the recovery that has already occurred should permit the three territories to continue to expand at a satisfactory, if not breakneck, speed.

But the labour problem raises all the unresolved social and political difficulties of a plural society. The bulk of the working force is African, and in number and skills it falls far short of the supply needed to sustain postwar rates of growth. The temporary appearance of pockets of unemployment, impressive to people on the spot, should not detract attention from this cardinal fact. It has merely eased a situation which was becoming intolerable and will become a break on progress before long.

In comparison with its resources and the vigour with which they are being developed, Southern Africa is underpopulated. The Congo is nearly as big as India and has 12 million people. Countries so underpopulated in the past (like America in the nineteenth century or Russia in the twentieth) made good the shortage by massive immigration, or by forced transfer of workers from countryside to the town. At first such workers were wasteful and unreliable; they learned the hard way; more men are said to have been lost building Magnitogorsk than on the Marne. But in a generation they become integrated urban dwellers, and normally education increases skill, skill puts up productivity, higher productivity pushes up wages; and finally a settled community becomes both an expanding market and a nursery of a skilled tradition.

South Africa, and to a great extent Southern Rhodesia have, in contrast to the Congo, decided to flout this lesson. South Africa has even restricted the immigration of scarce white skills, lest incoming mechanics vote anti-Nationalist. For skill both countries rely on a small tightly unionised white force which is monopolistic, restrictive, craft-minded and high-cost. At the same time, while using white skill wastefully, both are using African labour wastefully too. The Union sets its face against a settled urban black labour force and relies instead on immigrant labour, poised between the reserves and the mine-compound. Such a labour force is inefficient, neither acquiring skill in the mines, nor bringing anything useful to the ruined reserves in return. The wonder may be that Southern African growth has been so sustained despite such a reckless waste of its labour resources. The answer is partly that the Union has for long been able to bring in labour from the surrounding areas, including Nyasaland and the High Commission territories, which the Portuguese and British have so signally failed to develop. But while high wages permit the mines to continue in this way, the farms already face a shortage of labour, only eased by a system of semi-forced convict labour which is in fair supply owing to the efficiency of the Union's legal system in manufacturing African criminals.

The other reason is that, against the whole force of the apartheid laws, African labour is living in "locations," being integrated into secondary industry, and learning a growing degree of skill. This victory of economics over politics, welcomed by South African industrialists, has roused the ire of the Union government which seems determined to try to prove that it can fully modernise its economy with primitive labour.

Rhodesia reluctantly accepts the logic of this situation and the mining companies in the Copperbelt, in the teeth of white mineworkers' strikes, have decided to develop settled African communities; they have successfully fought their white employees also to give Africans—as yet limited—opportunity to climb the ladder of skill.

In the Congo, there are no such inhibitions. The decision was made from the beginning to build up a skilled and settled African labour force and to open all types of work to Africans on a basis of capacity. Its corollary has also been accepted—no overcrowded, festering reserves, but a deliberate conversion of subsistence agriculture into cash crop farming which will release labour from the land to the towns.

The contrast between the Congo and the Union is thus complete and no economist will question which has taken the right course. The only question in the Union is how long it may take for policies of apartheid to start strangling further industrial and agricultural growth and force facts upon the South African government which at present are masked from them by continued African immigration from backward neighbouring areas in search of high wages.

Economic Development in Black Africa

In West Africa, and in East Africa except for the Kenya highlands and a few places in Tanganyika, climate and soil did not attract white settlement, mineral discoveries came tardily, and economic development grew fitfully upon trade—beginning with trade in quarter-hp prime-movers, known as slaves. Colonisation followed the "Scramble for Africa," and the development of agricultural products—palm produce, cocoa, coffee, cotton, tea, sisal, etc.—was accelerated. It was done by private commerce; in the British West African territories alienation of tribal land for plantations run by white proprietors or corporations was forbidden by the Colonial Office, with, as many economists think, inhibiting effects. Transformation of the local economy was therefore slower than in the south, or in Kenya; but when it is considered that the British did not, for instance, complete their occupation of Nigeria until the early nineteen hundreds, the term "slow" must be taken as a relative one.

§ 1. Obstacles to Development

There were many obstacles to the quick development of a cash economy in these areas, of which the first is sheer distance—a cash economy must have roads and railways, and only in the nineteen fifties do these even begin to look adequate. Until communications developed the pattern of trading remained decentralised—a long chain of local traders, mostly women, progressively "breaking bulk" as imported goods went up country, and "bulking up" local produce on the way to the ports. This is not necessarily inefficient; indeed, its very efficiency in some degree slowed down progress, for so many made a minute profit on the process that no substantial accumulation of local capital was possible. It remains an important factor in West African trade.

Another obstacle was the system of the extended family—a form of welfare and social insurance—under which any member who makes money is liable to unspecified obligations to a large circle of his kin. This, too, made capital formation hard. The result was that, to bring the full force of a cash economy to bear, immigrant traders—Syrians in West Africa, Indians in East Africa—stepped in; and their efficiency has, if anything, kept African trade down to "copper-copper" level.

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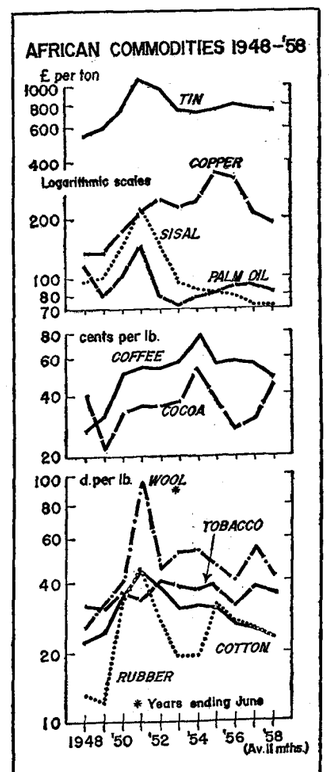
Finally, there was the deadweight of subsistence farming with very simple techniques, albeit well adapted to the environment. Shifting cultivation makes cash crop farming difficult, though not impossible, and thus for long kept African purchasing power low. With little to sell, and that little hard to move, there could be little to buy. But all the prime movers have been at work, and, indeed, the scene in West and East Africa has been transformed in a few decades. But even now, as change gathers momentum, it is doubtful if any of the economies of black Africa is firmly set in the way of self-sustaining growth.

§ 2. Export Incomes

Export incomes derive mainly from the land. Ghana has its gold, manganese and bauxite; Nigeria, tin and columbite; Sierra Leone, chrome, diamonds and iron ore; Liberia and French Guinea, iron ore; Cameroons, bauxite; Uganda, copper, and so on. But these minerals only mitigate the dependence of the area on cash crops; the push they could give to the economy was seen briefly in Sierra Leone during the diamond boom. But nearly 90 per cent of the exports of Kenya and Uganda are agricultural (coffee, tea and sisal in Kenya, cotton in Uganda); cocoa normally provides 70 per cent of Ghana's exports; while ground-nuts, palm oil and cocoa together contribute a like proportion to Nigeria's and French West Africa's. The high primary prices of the first postwar decade gave these countries big incomes and export earnings have permitted a great expansion of government spending and public investment.

In Ghana, for instance, where the local price paid to cocoa producers is about $375 a ton, while world prices have fluctuated around $840 a ton—and touched $1,550—the government has taxed out of growers enough to permit it to lay aside $700 million over the last ten years, to provide marketing reserves and capital for general development (and even for political purposes). But the course of cocoa prices also well illustrates how quickly any weakness in world prices affects local development. When the price fell by 34 per cent in 1955 and 20 per cent in 1956, the Ghana government had to postpone its second five-year development plan. Prices are up again, but harvests have been subnormal.

But the unprecedented postwar price level finally precipitated a cash economy throughout Africa. Every area is now keen on cash crops for the higher standard of life they visibly bring: clothing, bicycles, cars, the variety of a consumers' market which includes consumers' durables. The result of this incentive is that output of the chief exports has tripled and quadrupled since the war. Subsistence economies in such a huge area survive—25 per cent of Ghana, 59 per cent of Nigeria, 67 per cent of Uganda, 73 per cent of French Equatorial Africa.



PRICE QUOTATIONS

Tin and copper, London metal market; **Sisal,** African No. 1 spot cif UK; **Palm oil,** Belgian Congo 6–7% cif European ports; **Coffee,** Santos No. 4 spot New York; **Cocoa,** Accra spot New York; **Wool,** South African greasy basis average sales; **Rubber,** No. 1 RSS London; **Tobacco,** Rhodesian flue-cured, auction average; **Cotton,** US riddling $1\frac{5}{16}$" United Kingdom.

But these areas, geographically large, are agriculturally the poorest, and are shrinking fast as the money economy expands. It does not follow, however, that continuous progress can be anticipated on simple economic grounds. In the first place, in some areas, for example Tanganyika, Nyasaland, parts of French West Africa and in a decreasing degree in Kenya, the key exports are produced from European-owned plantations. They provide little index to the productivity of the African areas, though their prosperity is vital to the provision of capital to raise African productivity (thus the Kenya white highlands are producing much of the tax revenue which pays for African farm betterment).

Where African farmers produce the main export crops—cocoa in Ghana, ground-nuts in Northern Nigeria or cotton in Uganda—it is far from certain either that there are large reserves of land waiting to be broken, or that faulty cultivation is not destroying the fertility of existing areas under crop. In some areas falling yields point to overcropping and erosion. The answer lies in improved methods of cultivation, generally more intensive, and certainly more capital-intensive:—the use of fertilisers, new rotations, pest control chemicals, plant selection, and in arid areas water conservation and irrigation. But this is a further twist to what is already a considerable agricultural revolution (in Uganda the farmers had to be *forced* to grow the cotton they now swear by), and one which demands heavy investment not just in machinery, but in a new generation of farming skills. In his report on industrial development to the Ghana government in 1953 Professor Arthur Lewis recommended a fivefold increase in current spending on agriculture.

This increased spending implies that scientific research will come up with the practical answers to problems of tropical agriculture. There is no certainty that it can. The work of the West African research institutes has had but modest success. The soils of tropical Africa are friable, and the alternation of baking heat and torrential rain ruins land cleared for cropping. The sensational failure of the Kongwa ground-nuts scheme can be matched on a more modest scale in other areas. Even simple questions, like the length of fallows, are unsettled; even pest problems that seem to depend on straightforward entomology and chemical research, like tsetse control, resist massive efforts.

Much African agriculture is caught in a circular dilemma—it cannot be more productive without greatly increased capital investment, but it cannot produce the capital until it becomes more productive.

These problems are of particular importance when one turns to the sector of agriculture which still accounts for 70 per cent of Africa's total cultivated area—subsistence agriculture based on traditional African methods. This area includes the African agricultural sector in the Southern territories as well. In fact, the problems of transition from a subsistence to a market economy are more

scots in the Native Reserves of the Union and the Rhodesias than in any other part of Africa.

§ 3. The Structure of African Agriculture

Far more problems have been solved, and big yield improvements obtained, therefore, in plantation agriculture than in African peasant crops, whether grown for export or for food. This, however, is not only a question of finding technical answers, hard as this is ; there is also the problem of applying them in terms of African land tenure. Many agricultural difficulties could be overcome, including the shortage of capital, if African land tenure could be changed.

Traditionally, African land is held in common by the tribe or the kinship group. Farmers have the use of it, but no freehold rights. The chiefs or elders allot to each family enough land for extensive cultivation on a lengthy shifting rotation which may include 5-10 years of fallow to 4-5 years of cultivation (and they may reallocate every year). The pattern varies with ecology, and as between pastoral and agricultural peoples ; but so long as there were checks on population African farming in general observed the first rule for good husbandry—to keep good cover over the soil.

But European rule upset the natural balance of this system, since the suppression of slaving and tribal warfare and modern medicine produced a steady rise in African populations. The land available to a larger population was reduced in Kenya, Tanganyika, Nyasaland, French, Portuguese and Belgian areas by the alienation to European use—in most of these it was a small area, but in Kenya perhaps a fifth of the potentially good land, being unoccupied at the time, was taken. In South Africa 90 per cent passed to European use, though much of it in areas not yet seized by the Bantu—and now some of it is being repurchased for the Bantu ; in Southern Rhodesia, a country conquered by force of arms, 50 per cent was taken ; in Northern Rhodesia, however, less than 4 per cent. Where the Europeans took most land (partly though not wholly as a result) the process of overcrowding shows up in erosion and deterioration most vividly ; but even in tropical Africa the effects of a rising population with primitive land techniques can be seen especially in the Ibo areas of Nigeria, in Senegal, and Kikuyuland.

Communal farming offers no way out of this impasse, since it discourages innovation and the injection of capital. Nor does the expulsion of the Europeans, because the lands they vacated would be quickly filled up and used at a low level of farming technique, so that a temporary relief would be bought at the cost of the almost total loss of export revenues, and hence of the source of capital for better farming in future.

In most parts of Africa, therefore, the attempt to raise agricultural productivity takes two forms. The first is the substitution of freehold for communal tenure. (This may not mean individual tenure ; families or co-operatives may own a freehold.) The second, and complementary, line is to attempt to discover what is a reasonable area for an individual farmer and work out a practical programme on this basis, including a proper crop rotation, a balance between cash crops and " kitchen garden " crops, techniques of manuring and irrigating, the combination of animal and arable husbandry, and all ancillary services such as feeder roads, producers' co-operatives, credit institutions, etc.

The Royal Commission on Land in East Africa made proposals for individual registration of title, the right to use land as loan collateral, and the sweeping away of tribal barriers—including the paper barrier round the white tribe in Kenya—which were, however, turned firmly down by the East African governments. However, modified programmes designed to combine expansion with tribal security are being put into operation, and in places these have borne swift fruit. Round many cities, the rising value of land has brought individual tenure about as a spontaneous reaction to market conditions. Cocoa lands in Ghana and Nigeria are undergoing the same change. In French Africa, two processes, *immatriculation* and *constatation* exist whereby individuals can secure settled property rights, and in the rich Ivory Coast areas this is happening fast. Where Europeans rule Africans ruthlessly for their own good, too, similar changes are sometimes forcibly made: in Southern Rhodesia the Native Land Husbandry Act requires the registration of land rights and aims at bringing all native areas under its provisions.

This Rhodesian act also illustrates the complementary reform—after registration, progressive farming. Under this act, some $18 million have been spent to consolidate African holdings, to separate grazing from arable, to lay down rotations and other routines, and to provide farm tuition. Some of the African " master farmers " on consolidated holdings have proved able to produce from 8½ bags of maize an acre to 15 bags, as against the previous African average of 2 or 3, and against the local European average of 4½ to 6 bags (1 bag = 200 lb).

A similar success for land consolidation has been recorded in the Kikuyu reserves in Kenya ; local co-operation has been so astonishingly good that consolidation expected to take 15 years will be completed in 1959. Nyanza is following suit. There is every indication that the productivity of these areas will eventually rival that of the White Highlands for similar cash crops, if not for dairy products.

Such experiments throw into sharp relief the opportunities for, and obstacles to, making the expansion of African agriculture into a dynamic " prime mover " in the economy. But these methods are costly ; millions are quickly spent in restructuring primitive agriculture. To do what Kenya and Rhodesia have done (on a small scale) all over Africa would require an immense investment—one part of which, trained administrators, are hardly to be had for love or money. It is significant that Western Nigeria, after independence, promptly adopted plantation farming for some crops to win these advantages, a policy that would never have been accepted while the white man ruled. The will is present. But the question whether African agriculture can be put on a productive, capital-generating, basis quickly enough is fundamental to the future of black Africa.

§ 4. Infrastructure

To the possibility of creating a dynamic agriculture is linked the need for infrastructure in these areas. For years the shortage of railway capacity prevented Northern Nigeria selling the ground-nuts it could grow (while herculean efforts were being made by white men to grow ground-nuts where they would not grow). Transport is vital.

Above all sustained growth requires educated rural workers. The Unesco survey of world illiteracy estimated a 95-99 per cent illiterate rate in French Africa, 85-95 per cent in Tanganyika and Nigeria, 75-80 per cent in Ghana and Kenya. Investment since the war on education and other social services has been heavy. But a limit was soon reached, when schools were built for which there were no teachers, university departments with places nearly equal

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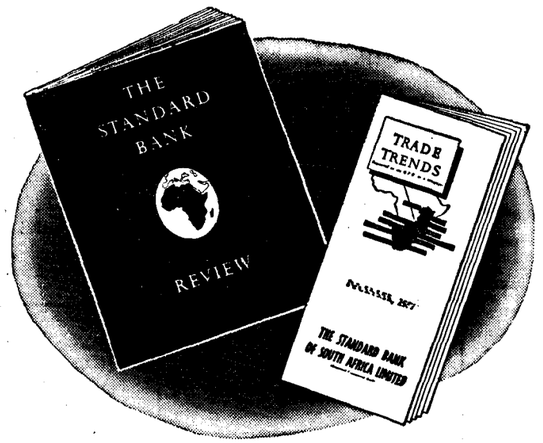

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to the number of pupils taking school certificate. The French found that they were placing a recurrent load on budgets equivalent to over 20 per cent of the original capital cost of the services.

By the fifties the balance had been shifted back to revenue-producing investment: 30 per cent of new capital in British areas and 50 per cent in French going to transportation alone. Next comes electricity and other services; education, it is thought, cannot realistically exceed 20 per cent of the budget however great popular pressure for it may be.

This investment in the infrastructure is in great contrast to the far slower expansion before the war, when world commodity prices were low, and pre-Keynesian economics required colonial budgets to be rigorously balanced, borrowing kept to a minimum. A more liberal attitude to public works coincided with the need, during and after the war, to justify the white man's stewardship in the colonies. The result has been the drawing up of development plans, which dominate colonial treasuries to this day. Thus Kenya set about spending nearly $84 millions from 1946-53, $61 million in 1953-56 (the Mau Mau period). Uganda's plan, as revised, requires $130 million, 1946-63. Even in Tanganyika a ten-year development plan was revised up from $50 million to $77 million in 1950. By contrast in Ghana, this spending has run at $50 million a year, and in Nigeria $90 million a year.

These funds have been raised locally and oversea. On average, half has come from local sources, a third from loans and the balance from grants by the British taxpayer. But Ghana has raised 90 per cent locally, while Kenya has been very heavily dependent on Britain. In French Africa, likewise, almost all large scale development has come from Paris: its agency is FIDES (*Fonds d'Investissement pour le Developpement Economique et Social*). Local governments were intended to contribute, but have made these contributions in the form of loans drawn on the *Caisse Centrale de la France d'Outremer*, in other words from the metropolitan government at one remove. In all French African territories, including Togo and Cameroons, $800 million was spent in this way from 1946 to 1956—eight times greater than the prewar level. The French government has spent at the rate of $150 million a year in recent years, compared with a British average of $70 million; but it must be added that investment by British private firms and individuals has been very large, and British territories had not been so neglected. The Belgian Congo has been mainly developed out of the profits retained by Belgian corporations therein—i.e. it has been self-supporting until recently in capital formation.

§ 5. Industrialising Black Africa

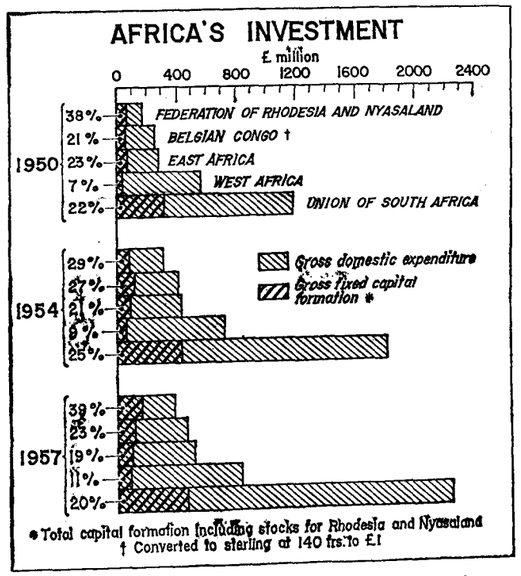
Two of the most usual routes to industrialisation lie in processing local materials, and substitution of local manufactures for imported goods; both require considerable infrastructure: transport, service industries, a source of power, and the presence of competent managers and entrepreneurs.

In most of Black Africa it can now be said that infrastructure is adequate for industrialisation. Thus in French Africa plans for processing bauxite into alumina are in being—at Edea in the Cameroons—or in hand at Kouilou in Congo (and in Guinea until it became independent). Lack of power is probably not now an obstacle in many places where processing is possible. Indeed it is possible to put in more power than is wanted, as at Jinja, Uganda, and find that it is taken up faster than anticipated.

The steady growth of textile production in Northern Nigeria, in French and Belgian territories and in Uganda points to the capacity for local production already to compete with imports of some materials.

What is lacking is a framework of enterprise into which Africans themselves can fit. Development corporations have been set up in British areas, and in places like Uganda and northern and western Nigeria, have successfully set up enterprises as a partnership between public enterprise and a foreign organisation; elsewhere this method has largely halted at providing fat jobs for members of the governing party. For the rest, significant development has nearly always taken the form of foreign entrepreneurship.

Industrialisation in Kenya has shown the importance of foreign competence. The country is far less wealthy than Uganda or Ghana, yet already it has begun to replace imports by local assemblies and manufacturers. An instructive comparison can be made between the list of industries recommended as suitable for Ghana in Professor Lewis's report and the actual list of industries operating round Nairobi and Nakaru. They include canning, brewing, brick-making, woodworking, cement and industrial alcohol—all on the professor's "immediate" list. For the next stage he recommends cigarettes, soap, knitwear and footwear, paints and containers—and Kenya has reached that stage, too. Admittedly Kenya has the protection of a 500-mile railway haul from the coast, but the reason for this "breakthrough" is clear; it is the presence of the much-maligned white population of 60,000, grouped round the core of 5,000 farmers, and the Asian population of 150,000 in commerce. These industries are manned by Africans and are largely producing for Africans (whose purchasing power rose from $31 million to $84 million between 1950 and 1956), but Africans could not start them; only rarely do Africans start them elsewhere.



Gross domestic expenditure differs from the gross national product (the more usual conception of national income) in that it excludes net income from abroad.

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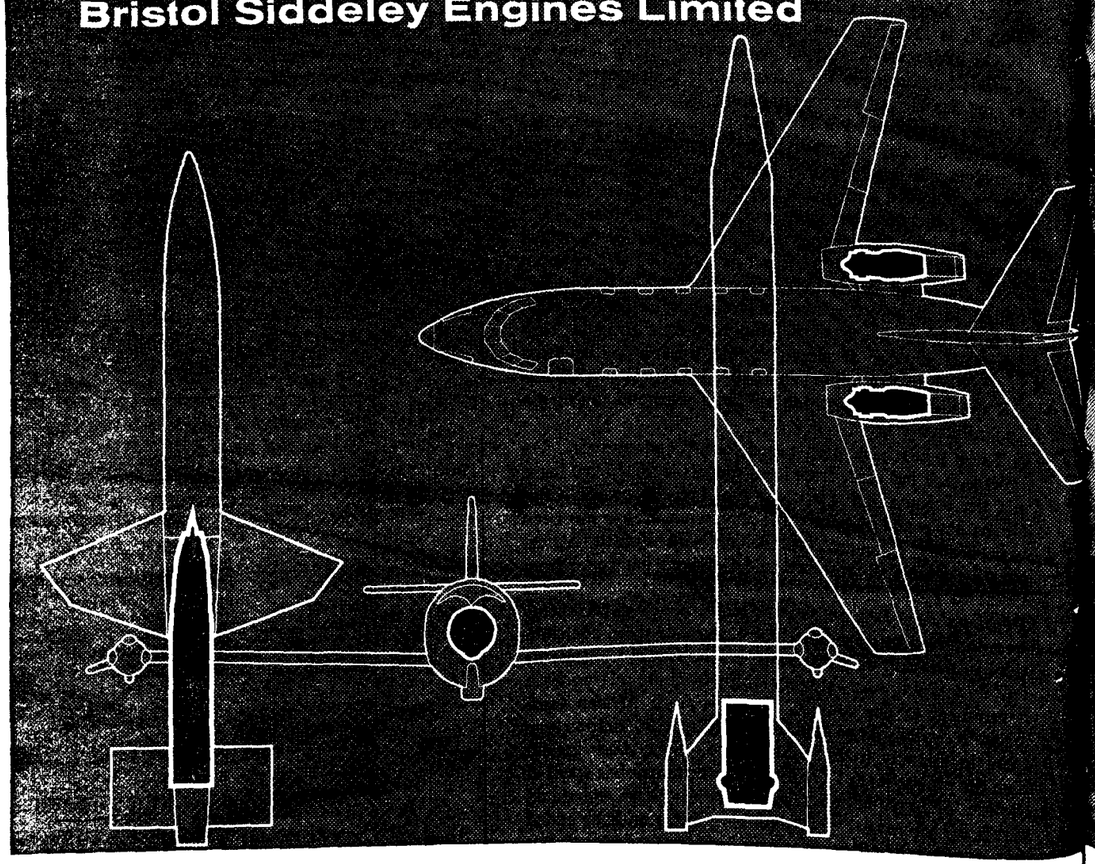

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§ 6. Limiting Factors

As in the booming south, one can discern in black Africa all the obstacles to steady development presented by fluctuating export incomes, lack of skills and dependence on outside capital. In this huge area, increasingly under the full political control of Africans, one sees that almost every type of non-political organisation, business and administrative, is in the hands of Europeans. Even African export crops are marketed by Europeans. Research is almost wholly in white-skinned hands. Even agricultural advice is largely purveyed by expatriates. The bulk of the infrastructure is being constructed by European firms, and that most vital though least visible element of infrastructure—administrative order—is still underpinned by European officers. And the capital to maintain all these sectors is still drawn mainly in most areas—not all—from Europe or America.

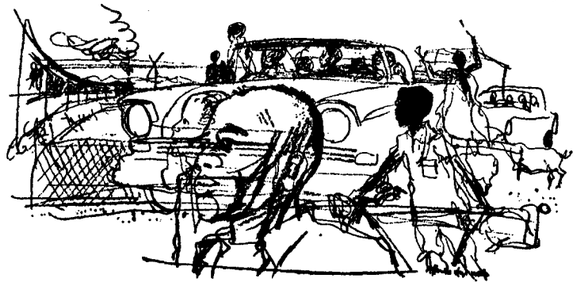
Yet throughout black Africa the future of the old links with Europe is in question. In other words, the economic future of almost the whole area turns on a number of unsettled political relationships. These, as much as local resources, will decide the next phase of economic growth.

African Self-government

THE transfer of power to African hands proceeds at a tremendous pace. The British timetable is a comparatively predictable affair—Nigeria in 1960, Sierra Leone a few years later, and so on. But it might be rash to predict just how many French sovereign African states there will be by the end of 1959, or just what frontiers they will have. It is far from certain that the boundaries fixed between British and French areas will remain as they are. The Ghana-Guinea union is only one possibility. "Senegambia" (Senegal and the Gambia) is being discussed unofficially, and so are other unions (or reunions) and frontier adjustments. Clearly big changes are likely at the horn of Africa, where a Somali federation seems inevitable. Nor can anyone predict how long the parliamentary institutions with which newly independent African states are equipped will last. Sudan has abolished hers within three years of getting them. The already somewhat authoritarian government in Ghana now has full power to change the constitution at will. In Guinea, M. Sekou Touré is said to be an avowed believer in a one-party state. Liberia has always been a one-party state. A federal structure alone gives Nigeria the promise of a lasting party system of government.

§ 1. Transfer of Power

(a) *In British Territories.*—In these closing days of colonialism the British have evolved a fairly uniform technique first for grounding colonies in the arts of self-government and then for handing over the reality and substance of power when it becomes impossible to deny it any longer to the grasp of the African politicians who have the masses chanting "free*dom*" menacingly at their back. The timetable from the semi-autocracy of governor, executive council of senior officials and nominated legislative council to governor-general and full sovereign parliament with a responsible cabinet varies; but in Ghana it took just eight years from the election of Kwame Nkrumah and his party by the overwhelming vote of an enfranchised people, and his installation as the first African "leader of government business," to full independence. In some territories that short interval could be still shorter. Once the processes of self-government are set in motion "Leg. Co." and "Ex. Co." go through a series of metamorphoses, invariably at increasing speed; like a skiff in a waterfall, the nearer the end the quicker the pace.



(b) *In French Africa.*—The British set the pace; the French had to follow. They moved so slowly at first that they had to somersault at the end. The equal rights guaranteed in 1946 to Africa were the rights leading not towards independence but to inclusion in a centralised republic based on Paris. A centralised regime, however, is not conceivable in terms of pure democracy; no Frenchman would have permitted African deputies to outvote and outnumber his own. The French African leaders in any event preferred the reality of power in Dakar *à l'anglaise* to the myth of power in Paris.

The French gave way in 1956, the year before Ghana's independence, and under a new *loi cadre*, the somersault occurred. The French African regional assemblies, hitherto largely consultative, received genuine responsibility, including control over the budget and taxation; and their members were to be chosen by universal suffrage. From them councils of ministers were to be formed—and these, after the elections had taken place in 1957, quickly nominated prime ministers. Only the federal councils of the eight West African and four Equatorial African territories (meeting in Dakar and Brazzaville respectively) remained largely consultative, and federal power was left in French hands. In Togoland and Cameroun, however, the two French trust territories, the constitutions were unitary and even more advanced, giving them autonomy within the French union.

A number of things were at once clear to outside observers. The first was that the position could only be held briefly. Immediately, the local territorial assemblies took virtual autonomy, and at the centre the Parti Démocratique Republicain, led by M. Senghor and backed in Senegal, quickly began to demand elective federal institutions at the centre. At a conference of the Rassemblement Démocratique Africaine, the major French African party, at Bamako, the younger leaders began to discuss a "Commonwealth solution" for French Africa—except that a slightly more organic link with France should be preserved. M. Houphouet Boigny, veteran African leader of RDA and long a minister in successive French cabinets, strove to slow the pace; he, and many of the notables, knew well that the retention of such an organic link was necessary if the steady influx of French capital, under FIDES, referred to on page 19, was to be maintained. "The French-African community is FIDES," it was somewhat cynically said.

But as pressure for African representation and control at the federal centres in Dakar and Brazzaville grew, another dispute broke out: between the federalists and the autonomists in French Africa. The federalists demanded that, whatever the relation finally fixed with France, the old structure of French West Africa (AOF) and French Equatorial Africa (AEF) should be preserved and all the territories be truly federated—each contributing to the federal revenue and development according to his means and drawing out broadly according to his need. This had been roughly the procedure in the past. But the autonomists wanted the link with France to be direct, and each country to live "of its own."



Dr the Hon. Kwame Nkrumah, MP, *Prime Minister of Ghana*

This tendency to fragmentation is vividly present in British Africa also. The richer teritories (rich only in relative terms) see a chance to break into modernisation if they keep all their earnings; but none if their pace is to be that of the hindermost. In French West and Equatorial Africa, therefore, Ivory Coast—which is nearly as wealthy as Ghana—and Gabon, which is the only rich territory in AEF, desired to dissolve federal ties down to the bare minimum. As M. Houphouet Boigny is the leader of Ivory Coast opinion, as well as of the RDA, he therefore has increasingly stood out as one who wished to retain French authority at the centre in order that at the periphery rich territories should be able to progress at full speed without pooling their resources with poorer ones. But at the Cotonou conference this year, the heedless rank and file of the RDA demanded full independence.



M. Sekou Touré *Prime Minister of Guinea*

Matters had reached this phase of argument when General de Gaulle came to power. After visiting Africa, and threatening a brusque "either-or" alternative, in the end he made the offer on which French Africa has just voted. This offer is either for lasting federal (or even departmental) union with France, and all the material benefits that go with it, or secession, immediate and irrevocable; but a vital proviso was added at the last moment that a territory choosing the French association in September might still opt for independence at a later date. Still more significant was a hint that nations choosing independence might still remain in some unspecified form of community with France and presumably by so doing continue to enjoy a measure of economic help.

Notwithstanding, French Guinea, under the strong left-wing leadership of M. Sekou Touré, voted unequivocably "Non." It became an independent state at once. All French aid was withdrawn; but even though it was recognised by other countries, France has not at the time of writing finally cut the painter—perhaps because the General still thinks some kind of tie can be patched up. Yet the waters are flowing fast. Ghana has moved swiftly to ensure that Guinea shall remain independent of Paris by providing money to tide it over its first difficulties; and the cry for independence elsewhere in French Africa is very strong, and quite heedless of financial or administrative problems. The signs are that many French African territories will decide on autonomy coupled with individual association with France.



Alhaji the Hon. Abubakar Tafawa Balewa, MLA, *Prime Minister of Nigeria*



M. Houphouet Boigny, *Minister of State, French Government*

(c) *In Belgian Territories.*—Although the Congo belongs to the southern area of booming growth, its political future clearly lies with the African block to the north. For nearly fifty years, the Belgians have administered their colony in a spirit of self-interested but enlightened paternalism. No local Belgians were given political rights. Reliance upon a skilled African labour force and the creation of settled urban conditions with no industrial colour bar inevitably created the beginnings of an African middle class among whom those with the necessary qualifications of education and means could become évolués with full civilised status. Their number was small but they were symbols of a ladder with no fixed limits on the upper rungs.

This Belgian paternalism might have lasted for decades while the mission schools extended the country's education base and the mines provided the capital for cautious social advance. But the Congo has been caught up in Africa's political millrace. Economic prospects without a political counterpart ceased to satisfy educated Africans of the middle class. A sense of discontent and *malaise* is growing.

To counter it, the Belgians introduced their first popular consultations last year. In December, the three major cities, Leopoldville, Elisabethville and Jadotville, elected a third

of their municipal councillors. All male citizens over 25 could go to the polls and Europeans and Africans voted on a common roll, thereby clearing in one jump the hurdle of loaded or communal franchises which so complicate the various electoral arrangements of Africa's plural societies. These elections undoubtedly set the pattern for the ultimate extension of voting rights to the national scene and to the whole population. How "ultimate" is a matter of opinion. The Belgians like to take their time in colonial matters but one may hazard the guess that the move towards popular government will now gather momentum in the Congo as it has done everywhere else.

§ 2. "The African Personality"

Once the fundamental proposition is stated that all African leaders desire self-government, and can carry their followers with them to reach their goal of power, it is difficult to add anything else to the concept of African nationalism, or to the idea of the "African personality," about which African leaders talk so grandiosely. Like Asian nationalism, it destroys the element of consent in what has in recent years been colonial rule-by-consent: so that, faced by the alternative of using force, which it could not do because of home opinion and international (especially American) pressure, the colonial "Raj" dissolved; but then having got rid of colonial rule, African nationalism has little common policy for what should take the place of the old order. The only way in which concrete notions of the political mood in black Africa today can be formed is by studying the actual play of politics in each territory, and the personalities that dominate them. A few men make policy, because there are so few educated men. In them great power is concentrated.

All confront, however, one immediate problem—the degree to which the tribe, not the nation, is still the dominant form of social organisation. Existing political frontiers cut across tribal boundaries; but the British at least have tried to create nationhood within them. But time has been short, education thinly spread, and in Ghana antagonism between British colonial rule and African nationalism, in the last phases, rapidly took second place to conflict between the modernising views of the intellectual leaders in Accra and the nationalist party (the CPP) on the one hand, and the tribalists and regionalists on the other. The British sought to make a constitution which would provide temporary windbreaks for the tribes—who, after all, were virtually in arms—but Dr Nkrumah's government has quickly resumed the march of nationalism, and has progressively sought to bring tribal feelings under control, made the traditional chiefly offices largely honorific, and has insisted that the opposition should become a modern, not a tribal, party. In all this it has been outwardly successful, if ruthless, though it would be premature to think Ghana a national state in the European sense.

A far more complicated federal constitution of checks and balances has had to be adopted to hold together after independence a Nigeria which was the creation of Lord Lugard, and which was based on indirect rule through tribal organisation. The new constitution, federal, complex, and rather rigid, will not be described here; it is however designed to prevent majority tribes oppressing minorities, as the minorities fear they will, not by giving each tribe its own state, as the minorities demanded, but by developing modern party politics under which all parties will have to bid for the votes of minorities in any evenly divided federal house; thus people with grievances will be able to demand redress in exchange for their votes in federal and regional elections. It is, of course, still unknown if this device will work. There are limited signs of true party politics in the southern regions but hardly any in the Muslim north.

There are those who see in the recent Congo elections evidence that tribal, rather than national feelings, will also be dominant in its complex political evolution. In Leopoldville, Abako, a tribal organisation of the Bakongo people, carried 130 out of the 170 seats. But this success may also have sprung from the leaders' pre-election call for immediate independence. Their rivals—the *Conscience Africaine*—had set 30 years as the target. The local guess is that national, not tribal, feelings are in the ascendent, and this possibility is borne out by the degree to which the *évolué* in the Congo is a member of a settled urban community, divorced from the old rural, tribal life.

The future of any cohesive African state must lie in welding the tribes together; because of this, central government will probably tend to be rather authoritarian. But such African-operated detribalisation is not an exclusively political task. One of the rigidities in traditional methods of agriculture springs from the tribal demarcation of land and the tribal opposition to handling land in terms of productivity and good farming. Throughout East Africa the overcrowding of some reserves cannot be relieved by transfers of population to less burdened areas because tribes will not easily receive "strangers" and stand on their treaty rights—for example, the Masai in Kenya. But, equally, progressive tribal leadership can transform the tribe itself into an instrument of progress: the coffee-growing Chaggas in Tanganyika are an example.

Thus it is not easy to see one's way. Dr Nkrumah has been ruthless politically and the Royal Commission on East Africa wanted to be ruthless economically; but though it seems as if chiefly power and the quasi-sacredness of some



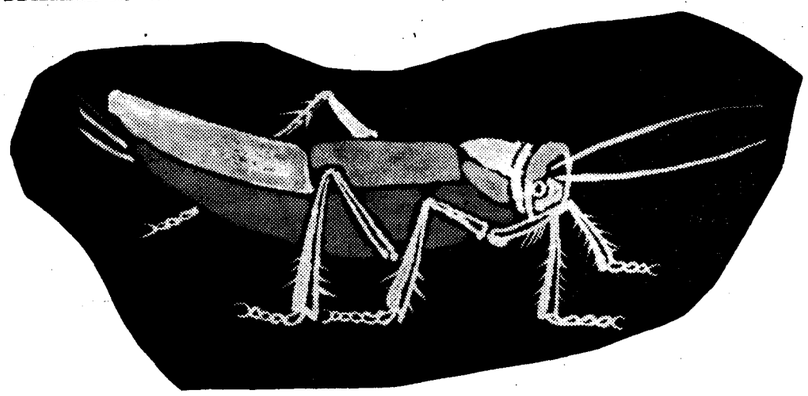
Chief the Hon Obafemi Awolowo, *Premier of Western Nigeria*



Hon The Sardauna of Sokoto, *Premier of Northern Nigeria*



Dr the Hon Nnamdi Azikiwe, *Premier of Eastern Nigeria*





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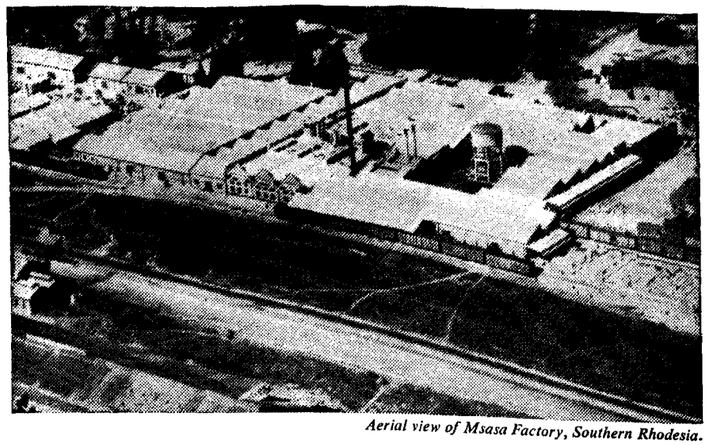
AFRICAN ACHIEVEMENT

The First Half Century

IN 1907 an event which was to be 'a landmark in the development of Empire Tobaccos' took place at Limbe, Nyasaland. There, the Imperial Tobacco Company set up a factory for buying and packing tobacco leaf for export to the United Kingdom.

Twenty years later the Company established its own leaf tobacco buying organisation in Southern Rhodesia, and built a leaf handling and packing factory at Msasa, near Salisbury.



Aerial view of Msasa Factory, Southern Rhodesia.

Progress . . .

Today, tobacco is the Federation's most valuable agricultural crop and its second largest export. Rhodesia is the United Kingdom's principal sterling source of tobacco supply and Nyasaland supplies most of the dark fired tobaccos used in this country. The Imperial Tobacco Company is the biggest single buyer on the Rhodesian and Nyasaland markets.

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. . . and the people

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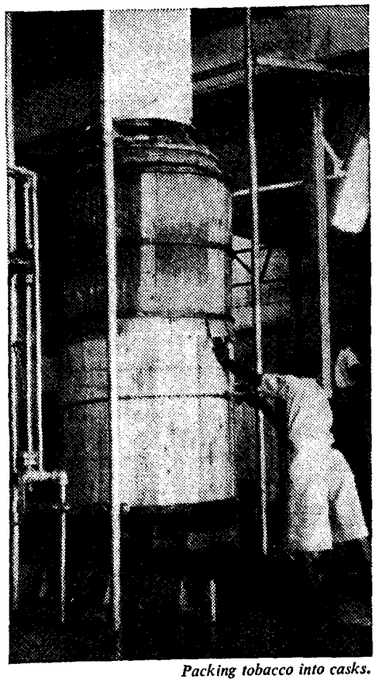
The Company has set out to raise the living standard of its African employees, and today there is ample evidence of the success of this policy in their improved health and well-being, and in the esteem in which they hold the Company. Labour turnover is remarkably small. A tradition of long service has been established and a number of Africans are receiving pensions from the Company.

The Company is proud to have been associated with the tremendous developments which have taken place in the Federation during the past fifty years, and looks forward with confidence to the next half century.



Packing tobacco into casks.



Houses of married African employees.

THE IMPERIAL TOBACCO COMPANY

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tribal institutions must go down before the awakening of the African masses, the rearguard action in places will be long. Thus the Northern emirs in Nigeria have made considerable concessions to modernity, agreeing to male adult suffrage and considering the introduction of the Sudan legal code in place of traditional Muslim law; but they have a firm grip, as yet, on power. In Uganda, the most spectacular event in recent years was the victory of tribal feeling and the upholding of the rights of the Kabaka, the King of the Baganda, against a well-meaning, reforming and modernising if autocratic governor, Sir Andrew Cohen. The result has been to give the Baganda an entrenched position within the country, and this threatens to hold up the timetable of political evolution. Uganda, which apart from the settled Asian community, is essentially an African country, not a plural society, has reached the stage at which the unofficial members form a majority of two in a legislative council of 60 members, a proportion of which are elected. Of the unofficials 18 are African, 6 European and 6 Asian; but though the elections went through for the first time last October, the Baganda still refuse to send members to the central legislature. Like the Ashantis, they still want a federal state, in which Buganda will run on tribal and authoritarian lines; Uganda's equivalent to the CPP, the Uganda National Congress, regards this as a betrayal and a ruse to secure Baganda domination of the backward tribes. But the Congress is far weaker and less experienced than the CPP has been in the past decade, and no quick victory can be predicted for it. Much that happens in West Africa will probably influence the outcome in Uganda. If popular influences win in West Africa, and especially in Nigeria, it seems certain that despite its successes against the British, the Buganda monarchy will have to come into line with the aspirations of African nationalism.



Federalism is a natural device to keep emergent African countries together while tribalism is still strong, and national sentiment still weak. But federal political life, though it has advantages, has the weakness that it is complicated. It demands an administrative expertise in which Africans are weak. It is far from certain that, as has been mentioned, federation will solve the immense problem of holding the disparities of French Africa together, once French centralism is withdrawn. Yet, as the agreement between Dr Nkrumah and M. Sekou Touré shows, African leaders realise that federation offers the only form of political relationship which can hope to solve their problems over the next few years, and they seem willing to try all sorts of experiments, taking their inspiration from the original thirteen colonies of British North America. On the other hand, they are very leery of any type of federation which brings them into political relations with any territory dominated by white settlers.

This fear has stood stolidly in the way of dreams of federating East Africa, along the lines of Central Africa. An incautious remark on the possibility by a former Colonial Secretary sparked off the Kabaka crisis. East Africa in fact is one country under the High Commission economically; but no wider political grouping is possible because Africans believe that the Kenya settlers would rig any Federal constitution so as to dominate it as the white Southern Rhodesians are getting more control of the entire Federation of Rhodesia and Nyasaland; a manœuvre which will in their view extend settler rule over Colonial Office protectorates that are potential Ghanas. Yet already the African nationalist leaders of all three East African territories are in informal contact; and it may be guessed that, if Africans emerged as the leaders of the Kenya plural society, the objections to federating East Africa—if it were desirable on other grounds—would vanish. Already Africans talk airily of federating Tanganyika, Nyasaland and Northern Rhodesia, to take their compatriots out of the clutches of the settlers into a "strong black state."

§ 3. Black and White in Black Africa

At this point, the analysis reaches the raw, exposed nerve of African nationalism—relations with the white minorities. On the evidence of West Africa, the African on his own is not racially embittered. Only where they see a settled white community blocking rapid advance to self-government and personal power, does racialism become a component of the African personality. They see that the broad trend of history will favour them: the emancipation of non-white races from white rule is one of the tragi-comic themes of the century. The degree to which local impatience is ascerbated by oppression in the American South or race rioting in London is negligible. But local barriers and disabilities seem yearly more intolerable as the local white communities fall further out of step, in suburban complacency, with the unmistakable march of world events.

In East Africa this African distrust is misplaced. The local whites clearly no longer consider themselves master of the situation. Indeed, the Africans, in a posture of rather undergraduate defiance, already declare that the whites are in retreat. And indeed many whites seek now, not dominance, but only protection for their undoubted achievements. They understand the realities of economic life far better than the Africans do; they have a real, if disbelieved, regard for African interests; and they fear the effects of inexperienced and irresponsible African rule in countries with weak economies. The "minority right and safeguards" proposed for Uganda when general elections are introduced in 1961, like the Council of State set up under the Lennox-Boyd constitution for Kenya, are not devices for protecting an entrenched white community. They are slender reassurances to Europeans and Asians that their legitimate interests will be secured. Nor is the present attempt to base elections and government in Tanganyika on equal representation of unequal numbers of the three racial groups more than an interim arrangement against the day when Africans are fitted to govern.

But the time and patience needed to allow these interim constitutional phases to work through to their logical outcome—an African majority—seem too complicated for the calculated impatience of such local leaders as Mr Mboya or Mr Nyerere. They remain suspicious because the British Government still talks about "multi-racial government" and gives no pledge of ultimate African rule. They are

alarmed by what is happening in central Africa. They take only limited comfort from what is happening in west Africa. And they feel the pressure of African opinion, at least in the towns, at their backs, demanding results. In the event, they find it easiest to refuse constructive co-operation, to play for the highest stakes, for quick power and for quick, condign humiliation of the Europeans. Thus they give the impression, perhaps false, that they want to be Nkrumahs quickly ; even super-Nkrumahs.

Moreover, it becomes painfully visible to Europeans resident in plural societies how African party politics are based to a great degree on sheer intimidation. This is not unknown in political development, but it makes white-black co-operation in party politics very difficult, when the whites follow the ideas of modern Britain, but the blacks think in terms of



Hon Michael Blundell, MLC, *Minister of Agriculture, Kenya*



Hon Julius Nyerere, MLC, *Leader of Tanganyika African National Union*



Hon Tom Mboya, MLC, *Leader of elected African Members, Kenya*

tribal life and organisation, in which a man may speak up once, but must submit totally to the majority view thereafter.

§ 4. Black Africa Looks South

Can one from all these contradictions and varieties, all this confusion of federal and traditional and racial attitudes, draw any broad conclusions about the new "African personality"? One possible generalisation is that, sooner or later, leadership of the type offered by Dr Nkrumah is likely to prevail over the older forms of authority. It is the African National Congress, not the acceptable, the co-operative, the respectable chiefs who represent the shape of things to come.

The reasons lie rooted in the social and economic revolution that is changing the face of Africa. Slowly in some areas, rapidly elsewhere, the static tribal economy, based upon agriculture and upon an animist religion rooted in agriculture, is breaking down. One of the most marked post-war trends from one end of the continent to the other is the movement to the cities and for the detribalised, urbanised masses, political parties with popular appeal, not tribal loyalties, are the cement of the future. The rearguard action of the old powers may be long in some areas. Where, as in Northern Nigeria, it is reinforced by the great adhesive force of Islam, it may be protracted. But popular parties, based upon urban centres, the market economy, the slogans of nationalism, and the perks and graft of office are the power centres of the new Africa.

Yet nationalism has, as we have seen, a somewhat empty quality, once independence from foreign rule has been secured. What comes next? What keeps at bay the fissiparous loyalties and divisions of recently united peoples with long tribal memories and little sense of modern statehood? The popular leaders will give all their efforts—after the first supreme effort of staying in power themselves—to continuing the rapid modernisation of their economies. Industrialisation, rural revolution, big hydro-electric projects, loans, aid, trade—these common coins of the world's new currency of development will be in circulation throughout Black Africa and the enthusiasm and interest of the people will be sought through manifest evidence of economic advance.

This economic drive will help, in turn, to determine the Africans' relations with each other and with outside powers. The great advantages of belonging to larger units and enjoying the unified markets stemming from wider associations are likely to prove the strongest cement in holding together existing federations and extending them. This prospect is rendered more attractive by the belief that larger West African groupings would carry more weight in the counsels of the world. It also draws some rather malicious support from leaders who resent Dr Nkrumah's self-assumed role as the spokesman of Africa.

In external relations, the two motives—economic necessity and prestige—will also play their part. French investment is undoubtedly General de Gaulle's trump card in the new hand he has to play in Africa. The convenience and familiarity of the sterling area may yet keep Ghana in the Commonwealth. Nor is it lost on some of Africa's new leaders that membership of the Commonwealth gives them, at any rate temporarily, a forum and a sphere of influence which are now forfeit to countries like Burma or Sudan.

Given reasonable economic backing and no unbearable strains in inter-racial relationships within the Commonwealth, the British African territories seem likely to remain in an association which, since the war, has shown itself to be a family of equal nations where every race can feel itself at home. This, in turn, implies an open or tacit Western orientation in world politics.

But could profound inter-racial strains disrupt the harmony? Over the whole African scene falls the dark question mark of race relations in southern Africa. That African politics must be violently affected by them is not in doubt. Dr Nkrumah's decision to summon African leaders from still dependent African states and from the Union to conference at Accra this month is only the first instance of an interest and pressure which will persist, however much they are resented and resisted. The racial policies of the southern areas are no longer of primarily local importance. They must influence the whole trend of African political development. The only questions are how much, how irrevocably, how disastrously, and how soon.



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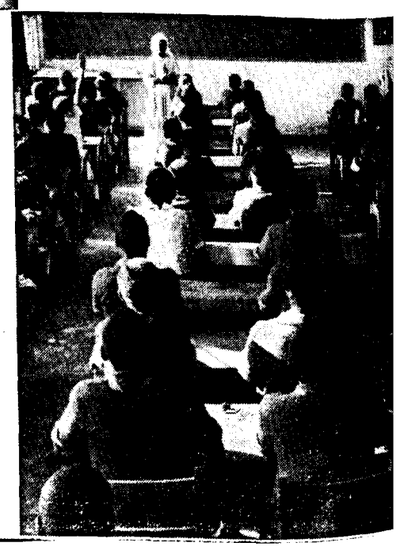

UNION MINIERE DU HAUT-KATANGA

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Apartheid and Partnership

WHILE the ultimate triumph of African nationalism down to the Congo looks assured, and the main uncertainty seems to be the type of governments and political groupings which will follow it, the future of the white-settled southern states, the Union and the Federation, seem wrapped in mystery. In the Union, 3 million whites dominate a country containing 9 million blacks, a million Coloureds and an Asian community of 400,000; in the Federation, barely 300,000 whites, in a territory of 7 million Africans, are ambitiously demanding that full independence, sovereignty and trusteeship be transferred to them. The dominant political philosophy in the two countries is different; but both assume white supremacy —rule by privileged minority—for the foreseeable future.

§ 1. Apartheid in Transition

Racial dominance is no new thing in history; suggestive parallels have been drawn between the institution of caste ("varma" means colour) in India, and apartheid, of the social, if not territorial sort, in South Africa. But the difference in the two systems is simply that whereas today India is seeking to pull down caste (and it is already very different from the thing the British found in its 17th century heyday) the Nationalists in South Africa are trying to build it up. In a world without communications, or without the history of the 19th century thought, this might be possible; but is it possible today?

It is, in fact, the historical misfortune of the white minority in South Africa to be faced with almost every conceivable internal and external circumstance to aggravate their problem. Their political system is derived from western notions of majority rule, equal rights and the rule of law. Their economic life is immersed in a rapidly developing industrial system based on collective effort, urban growth, education for all, and the unceasing demand for technological skill. Beyond their borders, those whom they deem dangerously unfit for the functions and privileges that they reserve to themselves are rapidly advancing in status and self-confidence. And the whole tide of articulate world opinion is not only against them; it can make itself unceasingly heard.

To decide to maintain supremacy and segregation in these circumstances is to decide, in the longer run, to slow down economic development; it is also to decide in favour of a rigidly run Spartiate state based on force—though perhaps without any readiness to cultivate Spartan virtues. The decision to maintain white supremacy has been made in South Africa, though whether irrevocably is open to argument. Though the Nationalists have not yet a majority of white votes (nobody else has an effective vote) the loading of rural and South-West African constituencies give them the two-thirds majority necessary to work their will without check; and the new Prime Minister, Dr Verwoerd, is a devotee of the theory of separate development. (There are, of course, other planks in the Nationalist programme, such as the Republic, seizing the High Commission territories, and gradual Afrikanerisation of the English minority.)

Yet it has already been shown that the pure doctrine of apartheid—the exodus of all Africans from European areas and vice versa is impracticable. The report of the Tomlinson Commission showed that even if £100 million were spent in developing the Bantu states, of which the British High Commission territories were to be made the core, by AD 2000 there would still be an African population of 6 million in the white areas, facing a white population of the same size (and backed by another 12 million Africans in "Bantustan"). After all the toil and labour and uprooting, Afrikanerdom would still be an irretrievably plural society. In fact, the Nationalist government has voted a mere tithe of the £100 million to develop the reserves, and has repudiated the crucial idea that industries should be located in them. Industries, of course, would mean training in organisation for the Africans therein.

Perhaps the most accurate description of apartheid today is that it is the policy of separating the races completely, *save in those areas where such a separation might damage white interests.* The United Party's policy is a liberal variation on this theme—one that would widen the definition of "white interests" for the sake of economic expansion.

Whatever myths of territorial separation by AD 2100 or 2200 the Nationalists therefore may seek to wrap their intellectual nakedness in, it is widely assumed that repression, the creation of a society based on caste, is the bedrock intention. Their most vigorous electoral theme is that they alone possess vigour enough to keep the black man in his place. To thinking people the only question is how long such a position can be held—particularly once the life-giving processes of economic growth are impaired.

§ 2. Partnership in Retreat

It was believed by the founders of the Federation of Rhodesia and Nyasaland, or some of them, that they would show the Union "a better way." After the Federal election, which this autumn returned Sir Roy Welensky, and his middleway Federal party, to power, Central Africa undoubtedly faces its two most critical years before the working of partnership is reviewed at the constitutional conference promised for 1960.

Partnership remains written into the constitution; and many liberal actions have been taken since federation, both in constitutional terms and in social and educational matters. There is far less social apartheid in Southern Rhodesia than there was, though there is no approach, of course, to the degree of tolerance prevailing in Kenya. But the acid test is the extent to which in these years the dominant white minority has moved towards yielding some influence in political matters to Africans, partly in recognition of their rising competence, partly in recognition that their numbers make indefinite domination impracticable, partly because to gain independence the Rhodesians must be able to demonstrate to the protecting power, Britain, that the Africans can, if need be, defend their own interests legally and politically.

The answer is not very encouraging. The limited opening of the common roll to Africans with lower qualifications, by Mr Garfield Todd, in Southern Rhodesia, came too late for enough Africans to register to prevent a violent swing among the white settlers, very nearly putting the Dominion party in power, a party of the right which certainly has many ideas which are akin to the South African Nationalists'. The "moderate" Federal party under this shock swung rightwards; and it won, handsomely, the federal elections. But its centre of gravity is now to the right.

Moreover, the federal franchise has proved, in fact, what the Africans said it was, something of a sham. Its proponents declared it could bring 65,000 Africans to the polls (as compared with 8,000 Africans thought eligible to register on the Southern Rhodesian franchise) and enable them decisively to control some European as well as most African seats. In fact, less than 2,000 registered on the federal, and 1,000 on the Southern Rhodesian franchise. This was partly because the Africans responded to the gift of a franchise they thought fraudulent by the old device of non-co-operation ; but even if Africans heeded the call of their leaders not to register, it still seems true that their votes and influence would be small *at first*. The tragedy is, however, that had the Africans registered in full force it seems likely that, for example, Mr Todd would have held his seat in the Southern Rhodesian elections, and a coloured candidate might actually have been elected for a Salisbury federal seat. But it did not happen. And it is doubtful how far Africans will agree to work the proposed new special franchise for them in Northern Rhodesia.

The ugly fact increasingly stands out that Africans are not prepared to take a modest advance in political influence and are tending to look more and more to their extremist leaders for guidance, while Europeans are forcing their leaders, whatever their inclinations, to take a right-wing line —or get out. The white man feels that the Africans show more and more that they cannot be trusted with a vote ; the black man demands, ever more insistently "one man, one vote"—and the break-up of the state founded on "partnership." The 4,000 whites who voted for Todd in Southern Rhodesia, and the 2,000 Africans who registered federally, may represent almost the entire total of the voice of true liberalism and partnership in Central Africa. This spectacle is grimly interpreted as the utter failure of British liberalistic culture by the Nationalists to the south.

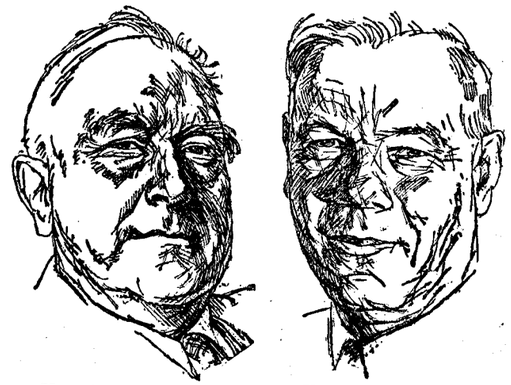
§ 3. The Outcome

But if the white extremist increasingly faces himself with a total contradiction, so in some measure does the African extremist as well. Mr Nkrumah's cry, "it is better to be poor than to be rich and enslaved," is echoed in many parts of Africa. Mr Tom Mboya has his version, and M. Sekou Touré took Guinea out of the French Union for the same ideal. But however rigorous the implications of this slogan elsewhere in Africa—and in Ghana, with $200 million put by in savings from cocoa, the implications are not too rugged—the consequences of a white withdrawal, as demanded by Afrikanists in the south, go further than poverty. They would put survival in question.

The old native agriculture has been largely destroyed by the system of migrant labour and the deterioration of the reserves. The African population has soared and it is fed and maintained by white farms, white mines, and white industry. The Africans are still almost entirely lacking in the managerial skills, the scientific knowledge, which the running of modernised communities entails. It is their tragedy that modernisation has preceded their emancipation. They cannot grow and learn in a community growing and changing at their speed. It has shot ahead of them, under other management, and now the time they have to make up and the ground they have to recover is very great. It should not be beyond their powers, but they cannot hope to succeed if meanwhile a white withdrawal were to pull down the pillars of the house. Even relatively underdeveloped parts of Southern Africa, such as Nyasaland, would now hardly be viable if left on their own without white aid owing to the growth of population.

Furthermore, black extremists must face the fact that though their compatriots in the north may sympathise with them, they cannot help them in the foreseeable future. No great armies are going to march south ; all that will happen will be fulminations in the United Nations. Still more important, it is far from certain, if this analysis is correct, whether the new African states are going to make a success of their independence ; if they relapse into mismanagement and poverty the whites in the south will ignore their pressure however many conferences they hold in Accra. And if they are successful it will be because they are not too proud to accept aid in capital and personal services from Europe.

In a sane world, these contradictions could ultimately point the way to understanding and détente between white and black. They could create the middle ground of mutual need upon which men of rational and liberal mind, both black and white, could stand. Yet it would be blind optimism in the present political mood to see much evidence of



Hon. Sir Roy Welensky, *Prime Minister of Rhodesia and Nyasaland*

Hon. Dr. H. F. Verwoerd, *Prime Minister of South Africa*

a new and beneficient realism. Moreover, even if all political barriers were down, the economic difficulties would still be daunting. The scale of expenditure laid down by the Tomlinson Commission for the achievement of apartheid gives one some idea of the resources that would have to be spent on *any* consistent long-term programme of African betterment. There is scant evidence that any systematic attempt has been made to work out the full implications, in terms of education, housing, urban betterment, agricultural advance and industrial opportunity, of drawing the vast African majority into genuine partnership. Either such policies are directed, as in the quite extensive South African schemes, to perpetuate a segregated society, or they are too small to have much political appeal.

The African has no sense of direction and so very little sense of hope. It is conceivable that with a full-scale programme for African advance spelled out in terms of growing opportunity, and attached to some sort of timetable, moderate white opinion could provide the African moderates with ammunition enough to stem their own extremists' advance. But there is a limit to the amount of patience anyone can hope to counsel when today's patience is simply a prelude to more patience tomorrow. Meanwhile, no such liberal programme exists, and, great as the growth in Southern Africa's resources has been in the last decade, the African majority has had the minor share.

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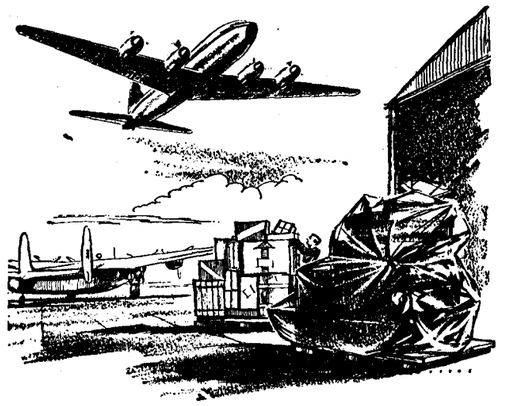

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Africa and the West

AFRICAN prosperity and progress depend almost wholly upon the outside and western world. Only in the Union have local resources and local production reached a pitch at which they offer some genuine independence of external influence. Virtually all the trade of Africa south of the Sahara is conducted with western Europe and north America. Uganda's cotton sales to India stand out simply because they are exceptional. All the capital entering Africa comes from the West. The technicians, managers, scientists and administrators who preside over the gathering momentum of African growth are all either men of European stock settled in Africa or westerners working in Africa on varying lengths of contract or service. Even in the most fluid and least predictable field of all—the communication of ideas—the dominant (not the only) lines of thought in modern Africa have stemmed from western thinking—from Christianity, from nationalism, from democracy, from liberal economics, or Laskian socialism.

§ 1. Economic Links

The consequence of all this concentration of influence is that, today, Africa's natural, unforced links lie westwards. Ties of friendship and commerce, the familiarity which comes from dealing with old trading partners, easy communication springing from a shared language and memories of common schooling—in boarding schools in Europe, in universities, in hospitals, and Inns of Court—these are the bonds which still hold Africa and the West in an invisible communion. Even those who most strenuously oppose local European dominance do so in English and French, and with the support of powerful political groups in the metropolitan country. Today, Africa is as western in outlook and unconscious habit as any continent can be outside the Atlantic cradle of western society.

But as colonialism ends, with it ends the direct subventions from Britain and France which have provided so much of black Africa's capital. The various British welfare and development funds are apparently not to be extended, and though substitutes have been canvassed, the Commonwealth Development Bank idea died at the Montreal Conference in the autumn. The Commonwealth Relations Department seems to be almost unaware that the emergent territories in Africa, such as Nigeria, will still expect, in the Commonwealth, the priorities they get under Colonial status. The question must be asked whether such a rigid approach, suitable to the old Commonwealth, will suit the new. The French have been even more brusque. Secession seemed to mean secession in everything—funds, officials, participation in the franc area. After decades of total dependence, colonies choosing independence apparently faced instantaneous divorce. But there are signs of relenting.

Private investment will not provide an alternative. The French and British Governments no longer guarantee loans in former colonial lands and the French are even advising present investors to go slow. The hope of a new interest in Africa on the part of British, American and German investors, of which the setting up recently of the American South African Investment Company, and the German loans to the Anglo-American Corporation of South Africa, are examples, promise only to continue the present pattern of investment by which the bulk of the capital goes to the prosperous southern economies. This is all right so far as it goes, but it needs supplementing.

Traditional trade links may not remain the only ones. So far, commercial exchanges between Africa, south of the Sahara, and the Soviet block, have not been much above the 1956 figure of $30 million of Soviet exports to Africa and $17 million of African sales in return. Comparable figures for world trade are over $3,400 million in exports and $3,000 million in imports. But the Soviet government has been one of the first countries to send an exploratory mission to independent Ghana and an extension of its interest must be expected in the train of independence elsewhere. Nor is it ruled out that Soviet offers of generous commercial credit or long-term development loans will continue to be confined, on the African continent, to Egypt alone.

§ 2. Arab Propaganda

In the field of ideas, there are comparable signs of new directions. President Nasser, who claims in his book *Egypt's Liberation*, that Egyptians cannot "remain aloof from the terrible and sanguinary conflict going on . . . today between 3 million whites and 200 million Africans," has introduced a broadcasting programme in many African tongues, all violently anti-colonial in tone, and his capital city was host recently to an Asian-African Peoples' Solidarity Conference, equally hostile to the West.

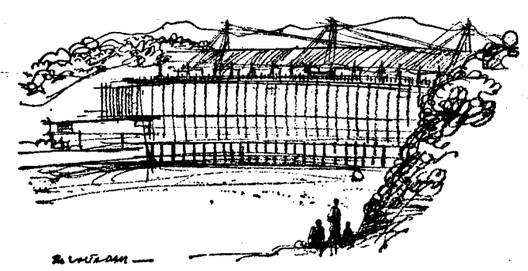
But there are ambiguities in the Egyptian position. Its appeal to Arab sentiment is undeniable, but it is doubtful to what extent it can rally Muslim sentiment and thus reach across the Sahara to the Islamic converts now to be found among the Sudanic and Bantu peoples, notwithstanding the 300 students from French West and Equatorial Africa attending the Muslim University in Cairo, Al-Azhar. The first consequence of this attempt is to alarm and alert all non-Muslim African leaders, and they make up the great majority. When pan-Arab, pan-Muslim feeling was tested at the polls in Zanzibar last year, the Arab party was trounced by the African nationalists.

But President Nasser has another cause of uncertainty. His anti-colonial propaganda is in danger of becoming simply an adjunct of a much wider Soviet effort. For some years after the war, the Communists' theoretical position was to distress local nationalist leaders, such as Dr Nkrumah and Dr Azikiwe, and to accuse them, in the words of one of Russia's chief African authorities, Professor I. I. Potekhin, of "the ideology and practice of petty bourgeois national reformism." But since 1955, the line has changed. Professor Potekhin himself visited Ghana on a goodwill mission in 1957 and the line now is that "a great popular independence movement has surged up throughout the continent." Soviet propaganda—which, if unchecked, tends to flood the country with glossy, illustrated pamphlets showing happy Kalmuck steel workers watching ballet in their free hours—stresses the themes of anti-colonialism and anti-racialism, and compares Russia's lack of colour bar and advanced educational policies with the indignities inflicted on Africans in the African, and American, South. It was a communist, rather than a Nasserite initiative, that led to the holding of the "unofficial" African-Asian Peoples' Solidarity Conference in

Cairo in December last year. So completely did the Soviet delegation dominate the proceedings that it may be doubted whether President Nasser gained any advantage save that of appearing to be taken for a ride on the Soviet bandwagon.

So far, this new communist activity has had very limited results. There is, as yet, only one important party in all Africa—in the French Cameroons—with strong communist affiliations. Once African leaders are within sight of independence they see communism not as an ally but as a Trojan horse. An Nkrumah or an Awolowo would certainly not be the communists' choice for a future leader, and the realities of power are more interesting to them than ideological support, in an anti-colonial crusade they have already won. The reason why both communist and Arab nationalist propaganda can make some headway in French Africa springs mainly from the unresolved dispute in Algeria.

African leaders are shrewd. They have an earthy common sense where their own and their peoples' interests are concerned. They are more anxious to reduce their dependence upon Western Great Powers than to lay themselves open to the risk of new subjections. Dr Nkrumah has stated repeatedly that if he calls his policy "positive non-alignment," it means simply that Ghana wishes to judge issues independently, and on their merits work against all forms of colonialism—Soviet included. He has reitgrated this standpoint at the "All African Peoples Conference" in Accra this month, with Russian observers in attendance at it. Chief Awolowo demands that Nigeria should base its policy firmly on the western connection to prevent any Soviet or Nasserite infiltration south of the Sahara.



Yet there are two undeniable entry points for growing communist influence. The first is so obvious that it need not be underlined. The more stringent the attempts to impose Apartheid in the south, the more readily will Africans listen to an outside power, which, whatever its political record, has a clean bill on the issue of the colour bar. In the short run, police measures of draconian severity and the sheer physical inability of Africans in the Union to meet and plan in lightless, telephoneless locations will stave off communist infiltration. But desperation can hardly fail to grow and with it extremism and after extremism communism. (Hitler promised to save Europe from the communists and handed over half the Continent to them as a result.)

The second possibility of Soviet infiltration lies in the emergent nations' determination to modernise at all costs. If western capital and assistance and interest fall away, they will not be content to return to stagnation. They will look elsewhere. And indeed they have no choice, for the corollary of making no progress is almost certainly to lose power, and that is something they, as politicians, would sup with the Devil to avoid.

§ 3. The Western Choice

There is no inescapable fatality about this possible development. If African progress falters because of lack of capital or the loss of competent officials, the reason will be that the Western Powers, by negligence or indifference, have failed to judge the risks in time. The scale of external assistance in loans and grants need not be much greater than the average of recent years—a figure of perhaps $200 million a year—and could be used with all the greater effect if it were known that the inflow of capital could be counted on, say, for the next two decades; and could carry administrative services with it as required.

The arrangements made in Ghana and Nigeria to retain key colonial officials on contract after the coming of independence could be adopted more widely and possibly supplemented by additional technical, administrative and scientific officers seconded through a United Nations civil service, or perhaps some other more knowledgeable agency. There is no obstacle in reason and resources to a generous, sustained and imaginative Western effort to direct both capital and manpower to the most urgent of all Africa's necessities—a rapid, wholehearted extension in education so that tomorrow's African communities are not so starved of trained talent or so painfully dependent upon external help.

Such a policy would keep Africa's sympathies where they very largely are today—with the West. They could give breathing space for reform and reconciliation in plural societies such as Kenya. They could reinforce the educated class of African leaders who would, by increasing African effectiveness and self-respect, not only increase the stability of their own communities but could even conceivably change the terms of the tragic dialogue between privileged Europeans and under-privileged Africans further south.

No hint of such an approach can be discerned in the West today. In the press of international problems calling for decision and policy, the fateful revolution in Africa has hardly caught the statesmen's attention. Separate changes follow each other with bewildering speed, but there is not much tendency to see them whole as the refashioning of an entire continent: as a challenge to act while the levers of policy are still in Western hands.

The risk is that little or nothing will be done, or at least not done in time—a tragic outcome for Western society. It is not simply that great interests are at stake in Africa—great supplies of minerals, great capital sums invested in development, a trade balance which accounts for over a quarter of all Western Europe's extra-European trade. The profoundest matter at stake in Africa *is the quality and capacity of Western society itself*. If a welter of racial antagonism and economic disruption is all that awaits the peoples of Africa and turns them at last away from the West, the judgement of history will record that men of European stock, Western culture, and Christian religion, at the height of their power and prestige, could not be trusted with the fate of a vast, innocent and defenceless continent. It will be said that they ploughed it up for gold and minerals, transformed it for wealth and trade, destroyed the old tribal order, and drove away the old cruel gods, but, in the end, put nothing stable in their place.

The "sentence of the watchers" has not yet gone forth on the European phase of Africa's history. It can still be crowned by creative development in Africa and a lasting friendship between Africa and the West. But the omens are not propitious. And time is running out.

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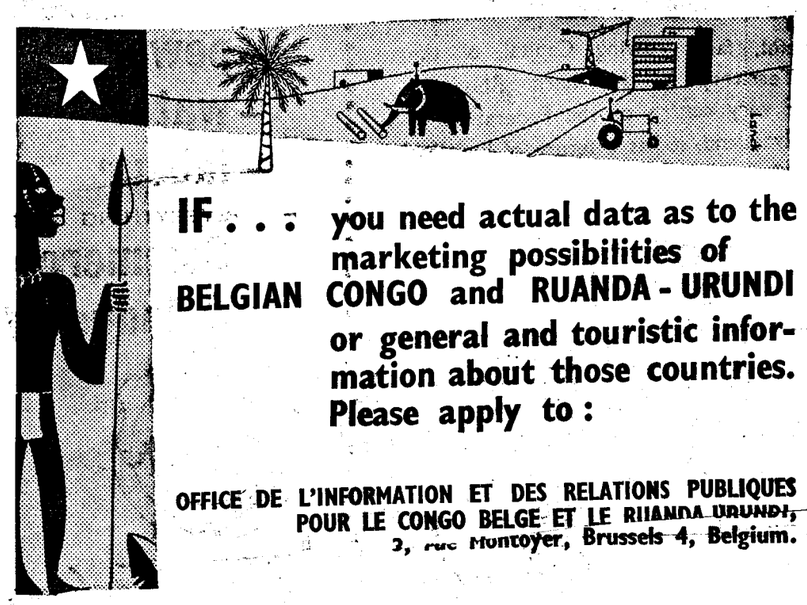

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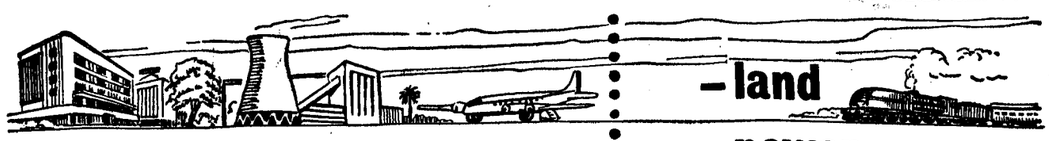

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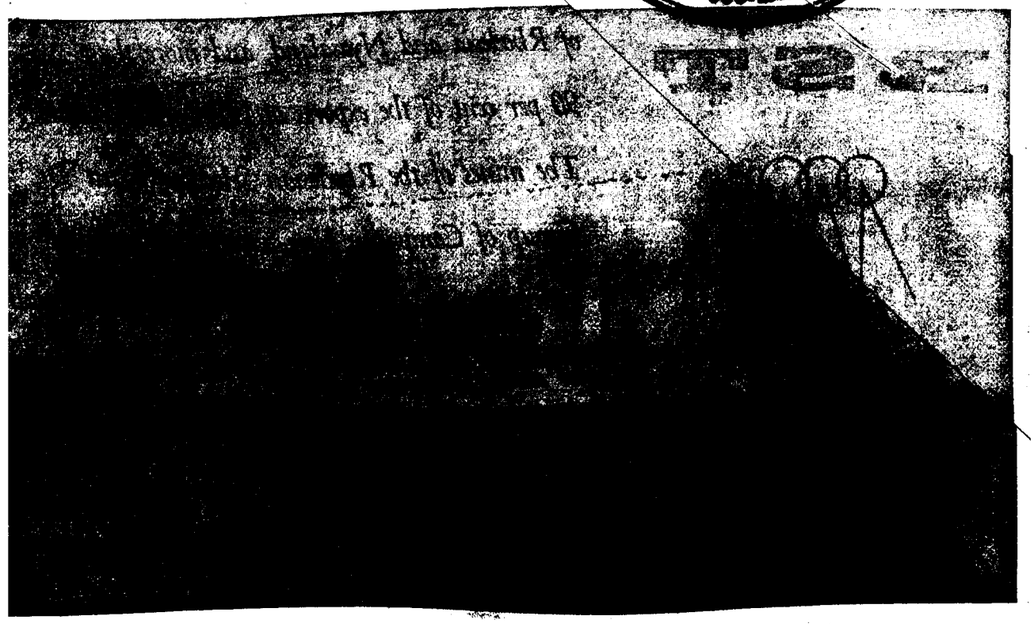

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